



# Meeting the Challenge of a Struggling Economy

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President's 2011  
Budget Recommendations



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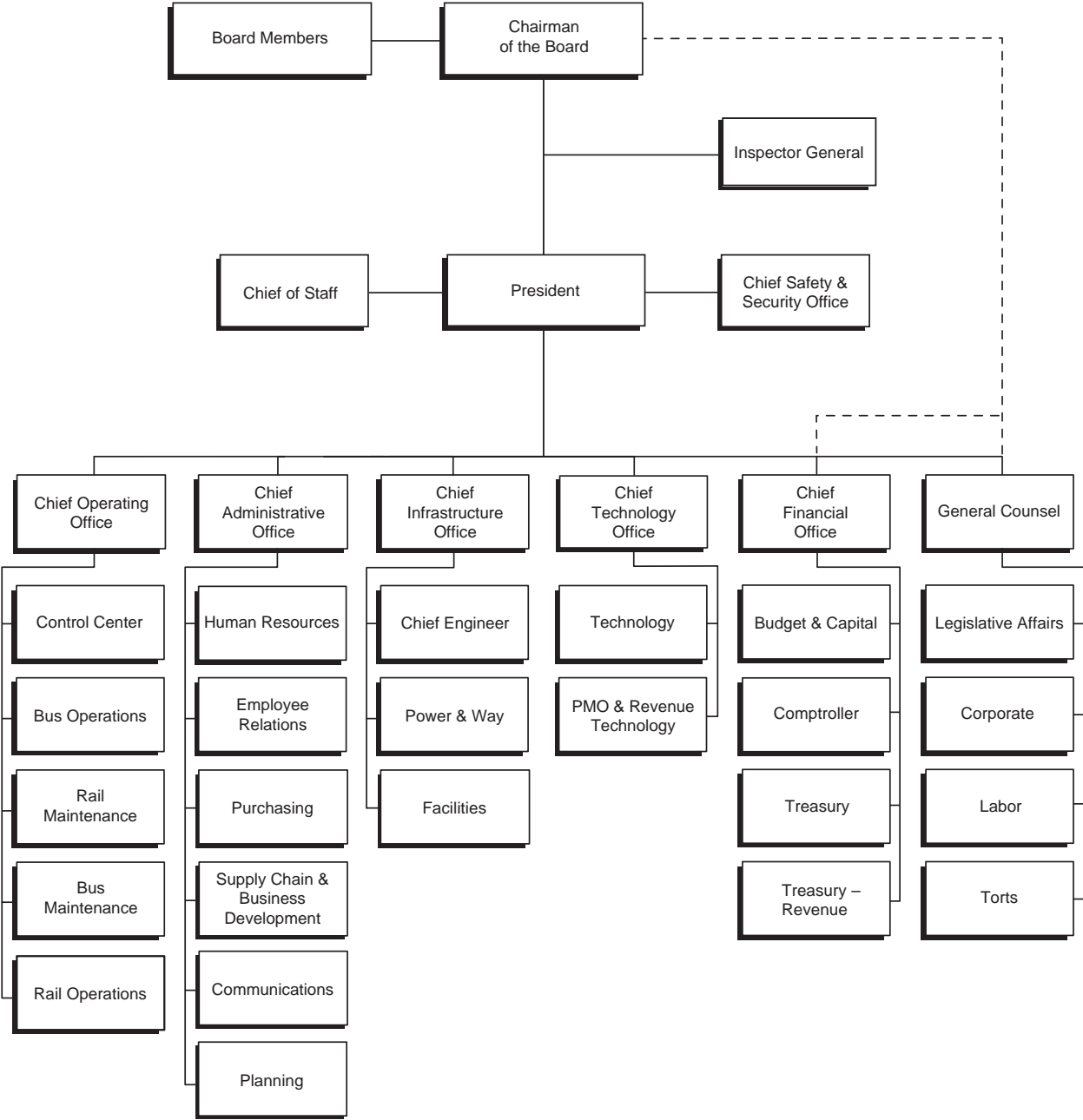
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# Chicago Transit Authority Organization Chart



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# Letter from the President

Dear CTA Customers,

When Mayor Daley asked me to lead the CTA, he stressed the importance of shoring the foundation of a good transit system. Customers deserve service that is on-time, clean, safe, courteous and efficient. We have tried to focus on these simple, yet substantial goals against a backdrop of serious fiscal challenges. Government agencies, private businesses and individual households all continue to face financial crises, and the CTA is no exception.

In spite of significant fixed costs and steep declines in anticipated public funding, our objective has been to meet the challenges of the struggling economy without adversely impacting the current level and quality of service provided to customers. Effective and disciplined management will be as essential in 2011 as it was in 2010.

Yet again we looked internally to economize and find ways to maintain productivity with fewer resources. Through a careful review of department budgets, we identified \$53.6 million in savings through management efficiencies. These include cutbacks in our personnel costs by eliminating positions, delaying hiring, continuing to manage and control overtime, once more forgoing wage increases for non-union personnel and requiring them to take unpaid days. Savings will also come from departments continuing to aggressively streamline operations and reduce expenditures such as fuel, power, materials and contracts.

Last year, we eliminated 18 percent of our bus service and nine percent of our rail service. The plan was carefully designed to retain as much service as possible for riders, while reducing costs and maximizing efficiency. We executed it well, lost very few riders and we are achieving the projected savings. I want to thank our customers for their loyalty and commitment to the CTA. The results have confirmed our theory that if we took a surgical approach to service reductions, we could manage through our budget challenges without imposing too much hardship on our customers.

We are not proposing any reductions to service levels this year. We agreed also not to raise fares as a result of last year's borrowing agreement between the RTA and the State. Nevertheless, in order to maintain service levels and fares we will again have to borrow eligible capital funds to help balance the budget and maintain operations while the economy recovers. It was a difficult decision. Although we are quite skilled at doing a great deal with limited resources, our system requires ongoing maintenance and reinvestment. However, because the State of Illinois has committed \$1.3 billion in capital funding to the CTA over the next five years, we believe the use of some capital funds to avoid further service reductions is justified.

Although the State is experiencing its own struggles, we are relying on it to meet its commitments to the CTA, both for the capital program and for the public funds that make up a large share of our operating revenue.

Despite limited resources, we will continue to focus our attention on areas where strategic investments will lay the foundation for future improvements and customer benefits. In the coming year, we will be moving ahead with the first order of new rail cars in more than 15 years. We are also working on a new initiative that will transform the way customers pay for transit. Furthermore, we will also keep identifying ways in which technology investments can add value, ease customer use of the system, offer more and better information, and establish a safe environment.

I have the good fortune to work with a very supportive Chairman and Board who recognize that access to affordable public transportation is more important than ever. The CTA is integral to the lives of so many people in this region. They rely on our system to get to work on time, to get home to their families, and to get to school to earn the education that will land them a better job.

My charge is to make sure it is operating as reliably and efficiently as possible, to strive to evolve and improve and to deliver on-time, clean, safe, courteous and efficient service each and every day.

Sincerely yours,



Richard L. Rodriguez

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# Executive Summary

## Overview

In recent years, the Chicago Transit Authority's (CTA) budget has been developed around meeting the challenges of a struggling economy. With public funding coming in below projections over the past three years, strong efficient management is an absolute requirement. The CTA has focused on achieving its goals and maintaining productivity with fewer resources.

To offset the impact of declining funding, the CTA implemented internal cost cutting measures. The CTA has implemented mandatory furlough days, deferred salary increases, placed strict controls on labor costs, designed methods to save on materials and fuel, increased efficiency through the management of contracts, eliminated non-essential travel and seminars, and reduced the cost of equipment maintenance.

In 2010, due to the cumulative effect of funding shortages, service reductions and corresponding layoffs of employees were necessary to balance the budget. The reductions were designed to preserve as much service as possible, particularly during the rush periods. Although these reductions touched service across the system, riders made the best of it and adjusted their travel patterns accordingly. As a result, ridership is tracking very close to 2009 levels through the first part of the year.

Rather than view the service reductions as a cost-cutting challenge, management tried to approach this downsizing as an opportunity to improve the way the agency is managed and to become more strategic on every level of operation. By carefully looking at bus ridership trends, areas of demand and where reductions would have minimal impact, a new service plan was developed. The new service plans assigned the most reliable equipment with the highest capacity to those routes that had the heaviest demand. The bus fleet was redistributed according to these plans and labor reassigned to support driving and maintenance needs. This strategy has paid off – the agency executed a carefully designed plan that is achieving the projected savings while meeting the demand for service.

Because the revenue sources the CTA relies on for its public funding are very sensitive to the economy, and it has become evident that economic recovery is a slow process, financial challenges remain on the horizon for 2011. Even in the toughest of times it is possible to pursue goals and manage efficiently while working with limited resources. The CTA is committed to maintaining fiscal discipline while safeguarding service for customers. For 2011, the CTA plans to keep service and fares at their current levels.

Despite the serious financial challenges, the CTA has made great strides over the past year. Here are some of the highlights:

- Completed a major \$530 million renovation of the Brown Line, on time and on budget;
- Secured federal funding and completed one of the first and nationally showcased stimulus projects within a year—also on time and on budget;
- Added additional hybrid buses to the fleet;
- Launched a major expansion of the security camera network to enhance safety and security;

# Executive Summary

- Re-emphasized initiatives aimed at making the CTA a customer-focused organization;
- Introduced the next generation of trains; and
- Improved transparency.

Despite financial constraints, the CTA continued to innovate in 2010 and apply the best solutions to keep Chicago moving while providing over half a billion rides in the city and suburbs.

## 2010 Accomplishments

This past year there have been many areas in which strategic investments have greatly enhanced benefits for customers. These investments fall into three broad categories:

1. Responsible, efficient management;
2. Infrastructure; and
3. Technology.

Initiatives in these areas have provided success stories and helped lay the foundation for future improvements.

### **1. Responsible, Efficient Management**

Much has been improved behind the scenes that has helped the CTA become a more efficient and responsive organization. Such improvements range from policy changes to increased transparency to improved efficiencies.

#### **Efficient Management**

Strong, efficient management is an absolute requirement for public agencies. As stewards of public assets, ultimately public agencies are accountable to the taxpayers.

All CTA departments were instructed to streamline costs while maintaining the agency's core mission of providing on-time, clean, safe, courteous and efficient service. In preparing the 2011 budget, \$53.6 million in management efficiencies were identified to help the agency weather the continued economic challenges while not adversely impacting the current level and quality of service provided to customers.

Approximately \$36 million of the cost savings will be from personnel efficiencies. The CTA will save close to \$7.2 million in salaries and benefits by eliminating more than 70 positions, including more than a dozen at manager level. A savings of \$13.7 million in salaries and benefits will be achieved by delaying hiring for positions that are not safety related or critical to the operation of service. Continuing to manage and control overtime is expected to save an additional \$5.5 million in next year's budget. In 2011, non-union employees will again forgo wage increases and will be required to take up to 18 unpaid days for an additional savings of \$9.7 million.

In addition, the CTA will save approximately \$17.5 million as departments continue to aggressively streamline operations and reduce expenditures such as fuel, power, materials and contracts in 2011.

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## **Sustainability**

Transit provides tremendous benefits to this region. It dramatically reduces congestion and provides access to jobs, health care and education to millions of people each day. It is widely recognized as integral to preserving the environment because it enables the efficient movement of people throughout the region and it can help reduce air pollution, particulate matter and greenhouse gases.

Sustainability is about practices that make good business sense and good environmental sense. Whether it is employing practices in design and capital construction, operations and maintenance or using community-based strategies to encourage compact land use and transit-oriented development, there are many ways that transit can be even more green. In 2010, an internal “Green Team” was established, dedicated to advancing green initiatives at the CTA and identifying potential funding for these projects.

The agency also is key to the Chicago Climate Action Plan by reducing energy use and emissions. In addition, the CTA has contributed to the Illinois Climate Change advisory group.

The CTA practices sustainability through its use of hybrid buses, its Leadership in Energy & Environmental Design (LEED) Gold certified headquarters, and its active pursuit of initiatives to reduce energy consumption.

Since 2007, total bus fleet emissions have decreased by more than 30 percent. The decrease in fleet emissions is a result of new CTA buses that are equipped with low emission engines, the number of hybrid buses in the agency's fleet and the use of ultra low sulfur diesel fuel combined with clean diesel technology. There are 228 articulated hybrid buses in the CTA's fleet that help to save over \$7 million annually in parts, labor and fuel.

This year the CTA began using one of its hybrid buses as a green ambassador. The “EcoBus” makes appearances at environmental events, provides information on the benefits of hybrid engines and reminds customers of the importance of taking public transportation to help the environment.

The new rail cars, currently undergoing testing, convert direct current (DC) power to alternating current (AC) power. This allows the energy to be transferred back to the electric grid during braking, allowing this energy to be reused.

Further, since the 1980s, the CTA has been installing bus and rail car washer systems that have built-in water recycling. Used wash water is treated through a filtering and settling process and then recycled back to washers. The CTA also recycles engine oil and antifreeze at all seven bus garages, lead acid batteries at all rail yards, metal from all rail and bus shops, plastic from bus shelters, paper and cardboard at offices and facilities, and dry cell batteries from office locations.

## **Biometric Time and Attendance System**

Implementation of a biometric time and attendance system that will allow the agency to centralize employee time and attendance records for enhanced recordkeeping began this year.

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The Auditor General and outside auditors hired by the CTA to review the agency's operations made recommendations on how the CTA could improve its policies and procedures. By implementing a biometric attendance system, the CTA is further in compliance with the recommendations and continues its efforts to become more efficient and improve accountability in its operations.

## **DBE Program**

The CTA has made a number of changes to the Disadvantaged Business Enterprise (DBE) program in an effort to cultivate and develop relationships with community, local and small businesses. For 2010, the CTA established a 25 percent annual DBE agency goal for contracts funded out of the operating budget, which is one of the highest goals in the country. This is in addition to already very well established DBE efforts with the capital program.

This benchmark will help promote growth of the program. It also will help level the playing field and make it easier for smaller businesses to get their foot in the door. Workshops and meetings have made it easier to introduce vendors to the program and helped to realize a 20 percent increase in DBE applications since last fall. Ultimately, more competition for contracts will yield better pricing and a better product.

## **Vendor Database**

To improve the agency's transparency and foster business relationships, a searchable vendor database was created. The database is available using the CTA's Web site at [www.transitchicago.com](http://www.transitchicago.com) and contains information on more than 46,000 contracts dating back to 2003. Vendors are able to view contract details, award amounts and payment information, which should assist them in their efforts to do future business with the CTA.

## **2. Infrastructure**

Although the CTA as an agency is only 63 years old, some of its facilities and infrastructure have passed the century mark. Thereby, ongoing maintenance and reinvestment is needed to keep the system running.

### **Station Improvements**

A significant milestone within the last year was the completion of the Brown Line Capacity Expansion project. The project was completed on schedule in December. This \$530 million investment expanded stations to allow for eight-car trains on the Brown Line. Demand for service has rapidly increased throughout the neighborhoods served by the Brown Line and longer trains and rebuilt stations have allowed the CTA to better meet that demand. In addition, 16 of the 18 stations included in the project were made newly accessible when construction was completed. The entire Brown Line is now accessible to riders with disabilities.

In Chinatown, stimulus funds are being invested to make the Cermak-Chinatown Red Line station accessible and to rebuild the main entrance. The Red Line is also seeing improvements at the North/Clybourn station through an agreement with Apple Inc., and the Grand Red Line station is being renovated by the Chicago Department of Transportation (CDOT). Once completed, the Grand station will also be newly accessible.

Additionally, CDOT is building a new station at Morgan and Lake streets that will serve the Green and Pink lines. This area has seen significant residential and commercial

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development and a new station will provide direct access to and from the downtown area and the industrial/commercial districts.

Moving forward, the CTA will continue its efforts to develop plans to extend the Red, Orange and Yellow rail lines. Progress has been made on these projects over the last year as the processes required to apply for and secure funding continue to advance.

Another area that is in need of attention and funding is the aging section of the Red Line on the North Side, as well as the Purple Line which serves Evanston and Wilmette. Last fall the CTA began to gather feedback on these lines to provide guidance for performing major rehabilitation work when funding becomes available. Several open houses were held to collect public input on existing conditions and what improvements should be considered when modernizing the facilities and infrastructure.

## Accessibility

The CTA's commitment to providing a public transit system that is accessible to everyone is ongoing and the agency has made great strides toward delivering on that promise. Since the Americans with Disabilities Act passed 20 years ago, the CTA has had a number of significant achievements that have helped to make its bus and rail service more accessible:

- Since 2005, all CTA buses have been accessible to riders who use mobility devices. All buses feature ramps, wheelchair securement devices, Braille signage, automated voice announcements—interior and exterior—for all stops and LED signage;
- All CTA trains are accessible with at least two rail cars per train that feature designated positions for mobility devices, Braille signage and automated announcements;
- Approximately 63 percent (91 of 144) of CTA rail stations are currently accessible by elevators or ramps. Two stations are now being renovated and two new stations will soon be constructed. All four will be accessible when work is completed;
- Accessible rail stations feature tactile edging along the platform to assist in navigation and gap fillers to bridge the space between the platform and rail cars;
- CTA's Web site, [www.transitchicago.com](http://www.transitchicago.com), meets modern Web standards, as well as federal and state guidelines for accessibility;
- Every two years operations personnel are recertified on employing proper procedures when assisting customers with disabilities;
- Instructional materials are available that familiarize riders with accessible features of the system and how to contact CTA personnel for assistance when riding; and
- Elevator status information is available online, by e-mail or TTY telephone, and in rail stations.

Several other projects are currently under way that will further improve travel on the CTA's rail system for people with disabilities. These projects include the renovation of the Cermak-Chinatown and Grand Red Line stations; the construction of two new rail stations—the Oakton Yellow Line and Morgan Green/Pink Line stations; installation of new LED elevator status displays at 77 rail stations; and the delivery of the new 5000-series rail cars that will feature two wheelchair positions per car, visual indicators and improved visual displays.

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## **5000 Series Rail Cars**

The CTA's most recent infrastructure-related achievement is the new prototype rail cars, which are currently being tested in service. The new rail cars will replace rail cars that are more than 40 years old. Consistent with the bus fleet and rail stations, each new rail car will be equipped with seven networked security cameras.

The new cars also include glow-in-the-dark strips on floors that outline aisles and doorways, and similar decals and signage to display emergency instructions. They also feature an event recorder system similar to a black box on an airplane, and door sensors that detect obstructions better than the CTA's current rail fleet.

There are also several safety features not on the prototype rail cars, but will be included on the final order. These features will include the ability for the rail operator to view the interior of each rail car and speak to the customers in that rail car using the intercom. The Chicago Police Department will have remote video surveillance access and the CTA's Control Center will be able to make emergency announcements and send text messages to the LED signs inside the train.

## **Bus Rapid Transit**

This year the CTA, in conjunction with the Chicago Department of Transportation (CDOT), applied for and was awarded two grants to implement Bus Rapid Transit (BRT) pilots to improve bus transit options for CTA riders. Both grants advance the priorities of the Chicago Climate Action Plan, which recommends BRT as a way to reduce dependence on autos, thereby reducing emissions of greenhouse gases. BRT can also provide bus customers some of the speed and reliability of rail service without the costly infrastructure while improving valuable connections between residential and employment areas.

The CTA is also testing a Traffic Signal Prioritization (TSP) system on two segments of Western Avenue. TSP extends a green traffic light or shortens a red traffic light by several seconds when sensing an approaching bus. A total of 10 intersections along Western Avenue are being used to test the TSP system.

## **Deep Clean Initiative**

In a strategic shift on how the agency addresses cleanliness and repairs, the CTA began a deep clean initiative this year. Maintenance teams consisting of janitors and tradesmen—painters, carpenters, electricians, plumbers and masons—are deployed to stations to perform tasks in a unified effort. Previously, each trade would only go to the station when given a corresponding work order. The new deep clean initiative allows all of the work needed at each location to be completed much faster as all of the skill sets needed are present at one time. The work, which involves various repairs and cleaning activities at rail stations throughout the CTA system, will continue throughout the year.

## **Stimulus Funding**

In 2009, the agency was fortunate in securing \$241 million in capital funding through the federal stimulus bill. This money helped to improve travel conditions for customers through track replacement along the Blue Line; the rehabilitation of existing bus and rail cars; and the purchase of 58 new hybrid articulated buses.

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Now, with 228 hybrid buses in the fleet, about 13 percent of the CTA's fleet is hybrid. The benefits of having these buses in the fleet is already being realized through improved reliability of service, decreased operating costs and cleaner air.

## **3. Technology**

Technology should complement a rider's experience on the system. It should add value to the experience, improve ease of use, offer more and better information and establish a safe environment.

### **Bus Tracker**

Bus Tracker has transformed the way Chicagoans perceive CTA bus service by taking the guesswork out of bus travel. Bus Tracker is a tool that predicts the arrival times of buses so riders may plan accordingly.

Arrival information is available not only on the CTA's Web site, but on cell phones and Web-enabled devices. In addition to convenience, it adds a level of safety by minimizing the wait time for those traveling outside of their routine, either late at night or on those extremely cold winter days.

A 2009 analysis of top Chicago searches on Google found that "Bus Tracker" was the second most searched item by Chicagoans. Perhaps even more impressive, that same survey indicated that the term "CTA Bus Tracker" was ranked as the fifth fastest rising search term in the U.S. via Google Mobile search. As such, the CTA remains the country's largest resource for real-time public bus service data.

At the end of 2009, a new tool was introduced to the CTA Bus Tracker suite: two-way texting. By sending a text message to the CTA, customers can receive the estimated arrival times of the next two buses at a designated bus stop. With this feature, another 46 percent of customers now have the ability to access Bus Tracker on the go.

### **Next Train Arrival Pilot**

The enthusiasm surrounding Bus Tracker has spilled over to rail customers who have been eagerly awaiting a similar program for train arrival times. By the end of this year, 50 stations are scheduled to feature Train Tracker information.

Future enhancements to the program include the possible addition of global positioning system (GPS) technology – in conjunction with other wireless technologies – which will provide more accurate estimated arrival times for trains.

### **Developer Center**

Bus Tracker drove another innovation this year—the creation of a Developer Center on the CTA Web site that simplifies the process of acquiring service data for Web application developers. There are many tech-savvy people who want to take CTA data and create new and useful applications. The data generated can be extended and applied in ways that are beyond the CTA's means and resources. The results are exciting and the possibilities almost limitless.

### **Elevator Status Displays**

Technology is making it easier for the CTA to provide all types of information to customers in a more efficient and accurate manner. To improve this communication with riders who require accessibility at rail stations, the CTA began installing LED displays

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above the entry turnstiles at stations to provide the most current information on elevator outages. By providing this information at the station entrance it allows riders who need elevator access to check on the status of the elevators at their origin and destination station before they pay their fares. That way, customers have an opportunity to make adjustments or alternate travel plans should an elevator they need to access be out of service.

The installation of these electronic elevator status displays is a small yet significant communication modification that provides a consistent and easy way to keep customers informed about which elevators on the system are out of operation. Accessibility relies on working equipment and there are times, either due to breakdowns or routine servicing, when elevators are reasonably not available for use. LED signs are being installed in three phases at a total of 77 accessible stations and are expected to be completed later in 2010. These displays will replace the erasable white boards located near the turnstiles at train stations that have been used to provide elevator status updates.

## **Security Camera Network**

Technology is also transforming security on the system. Over the last decade, the CTA has invested in surveillance cameras that not only help deter crime, but also improve safety and help reduce costs.

A current priority project is to equip every rail station with multiple security cameras. This will be accomplished by the end of 2010 with funding from the Department of Homeland Security. In May, the CTA reached a milestone toward that goal by having one or more cameras at each station, including high-definition cameras capable of zooming in and capturing facial features or details of an object. The quality of the images is remarkable and a great advance over the grainy images of first generation security cameras.

Each camera provides an extra set of eyes not only for the CTA, but also for the Office of Emergency Management and Communications (OEMC) and police and fire departments. In the event of an emergency, each agency has access to the camera feeds and can assess the situation and determine what may be needed in response. The cameras are also valuable to police in conducting investigations as they have the ability to capture footage not just from CTA stationhouses and platforms, but the immediate surrounding areas as well.

## **Retrofitting Rail Cars with Cameras**

Later this year, testing will begin on how to retrofit the current rail fleet with security cameras. Cameras are a very useful tool for law enforcement agencies during investigations. Still, the human element is crucial and cannot be replaced. That's one reason why we continue to encourage both employees and customers to remain vigilant and report not only suspicious activity, but any acts of crime or harassment. If you SEE SOMETHING, SAY SOMETHING.

## **Open Fare System**

A new initiative will transform the way customers pay their fares. Over the last dozen years, the CTA has made many improvements to its fare payment system, evolving from tokens to magnetic strip cards to the current smartcard technology used in Chicago Card and Chicago Card Plus.



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Technology is constantly evolving. This is why the CTA is looking to move toward the use of contactless credit cards, debit cards and prepaid cards to ride the system. The CTA has looked at models tested in cities such as New York, Los Angeles, Washington D.C. and San Francisco. However, since each transit system is different, the best approach must be determined and the intent is to let the marketplace help identify the best plan for the CTA.

## Keeping the Forward Momentum: Need for Funding

The CTA continually inventories and assesses the condition of its capital assets, from fleet to structure to buildings. The most recent review conducted in 2007 by the RTA in partnership with the CTA, Metra and Pace identified a \$10 billion need for CTA over five years for new state capital investments. With only one major state capital plan approved in 20 years (Illinois FIRST in 1999), the region's system has been faced with challenges that include outdated equipment, deteriorating rail ties and tracks, and aging stations, resulting in slow zones and service issues.

This is work that needs to be performed so that the system that exists today does not fall into a state of disrepair. The CTA has identified nearly \$3 billion in funding toward these projects over the course of the next five years, so we are still in need of almost \$7 billion more.

The challenges of an aging system are not exclusive to the CTA. A 2010 report by the Federal Transit Administration determined that the transit agencies across the nation need more than \$77 billion just to bring the agencies' infrastructures to a state of good repair. In addition, a yearly average of \$14.4 billion would be required to maintain the systems. The FTA's National State of Good Repair Assessment Study, requested by U.S. Transportation Secretary Ray LaHood provides a comprehensive analysis of the costs required to bring the nation's rail and bus transit systems into good operating order. The 2010 study is based on data provided by rail and bus systems in both rural and urban areas.

While transit remains one of the safest forms of transportation, this report shows the clear need for reinvestment. Investment in the nation's transit infrastructure is important to a healthy economy and most importantly, the safety and well-being of riders. Although most of the \$77 billion backlog can be attributed to rail, more than 40 percent of the nation's buses are also in poor to marginal condition. What that means is that there are a lot of transit systems competing for a limited amount of federal funding so it is important that the CTA be aggressive about pursuing every opportunity. The agency continues to apply for funding wherever possible and will continue to do so; however, at this point, the investment in the system is not nearly at the level needed. State of good repair for the country's transportation network is one of the five system-wide goals included in Secretary LaHood's proposed Strategic Plan for the Department of Transportation.

Transit is one of the most effective economic engines for metropolitan areas, but all are struggling. Aging transit systems face the added pressure of deterioration of systems, and the safety and reliability issues that arise if maintenance and reinvestment are deferred.

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The CTA chairman and president have both traveled to Washington, D.C. and Springfield to make sure that the CTA's operating and capital funding needs remain on the radar.

Through the state's proposed mini-capital bill in 2009 and the Illinois Jobs Now Program, the State of Illinois has committed \$1.3 billion to the CTA over the next five years. Once those funds are received, the agency is ready with a list of projects that include overhauling buses, rehabilitating bus garages and rail stations, upgrading substations and replacing track to eliminate and prevent slow zones.

The funds promised by the state for CTA capital projects will also help position the CTA as it continues to apply for federal funds in Washington, D.C. In July, a group of Federal Transit Administration representatives were in Chicago to talk about funding issues. As part of that visit a tour of the system was conducted to help the FTA more clearly understand the challenges the CTA faces with a system that has been in service for a century.

The federal transportation funding bill (SAFETEA – LU) expired nearly two years ago so transit systems have been relying on short-term extensions of federal programs for funding. The CTA also continues to apply for grant opportunities and works closely with the Illinois congressional delegation to get support for those applications.

In fact, in 2010, the CTA submitted 43 applications under these programs that total approximately \$835.6 million. While many of the applications are pending, the CTA has been awarded approximately \$13.5 million for BRT and various energy-efficiency projects. The CTA will continue to aggressively pursue additional funding under these competitive grant programs.

The CTA is committed to serving its customers. As we move ahead into 2011 and beyond, the agency will continue to look for the most efficient operating methods and call upon the resourcefulness of staff to help reduce costs and increase revenue. The focus remains on maintaining and continually improving the level of on-time, clean, safe, courteous and efficient service provided to customers.

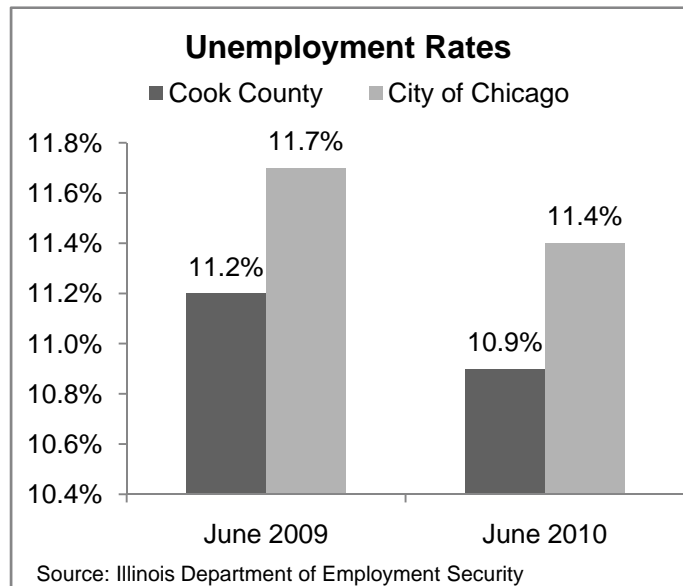
# 2010 Operating Budget Forecast

## INTRODUCTION

With the effects of the economic recession continuing to be felt across all transit agencies, the CTA ushered in 2010 with a focus on effective management, improving efficiencies and keeping costs down.

The economy in 2010 has shown signs of slight recovery—but not enough, and consumer confidence has not improved. The near-term economy remains uncertain, leaving investors nervous, consumers unwilling to spend, and the job and real estate markets unsteady.

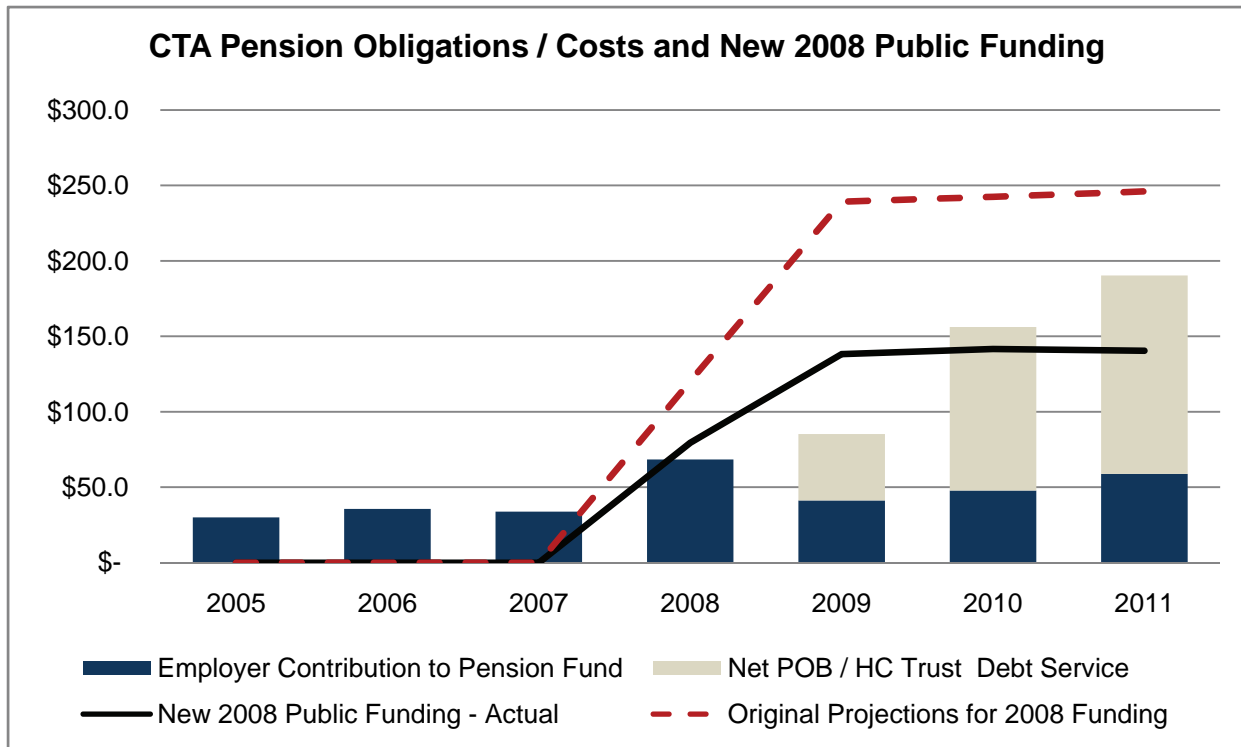
The Federal Reserve has taken a variety of steps to stimulate the economy, including the continued lowering of interest rates on mortgages and corporate loans, yet the recovery remains slow. Unemployment across the nation and in the Chicago region in particular, remains near record-high levels. Low consumer confidence translates in to low consumer spending, and the housing market remains weak, failing to show signs of sustainable improvement.



The CTA minimized the impact of this weak economy on its customers by tightening its belt even further, managing with discipline and strategically using capital resources. The CTA first cut administrative and internal costs. For the second consecutive year, non-union employees did not receive a wage increase. Non-union staff was required to take up to 12 unpaid furlough days as well as six unpaid holidays in 2010. The CTA has restricted overtime, left vacancies unfilled, scaled back contracts and implemented supply chain improvements.

The CTA also used strategic hedging to lower its fuel costs in 2010. The CTA continued to build on its successful performance management program as well, ensuring that resources were used in the most effective manner possible and were producing the desired results.

# 2010 Operating Budget Forecast



In 2008, the State of Illinois approved a state funding package that increased the percentage of state sales tax dedicated to mass transit, and gave authority to the City of Chicago to increase the Real Estate Transfer Tax (RETT) to support the CTA. The legislation also provided for long-term pension reforms that will increase the funded ratio of the CTA's pension to 90 percent by 2059. These reforms significantly increased the annual cost to the CTA as reflected in the chart above.

As one can see in the chart, the new funding package was intended to not only cover the additional pension costs but also to provide additional revenue for operations. Almost immediately the nation's economy moved into its worst recession in decades, causing public funding to plummet well below forecasts. In fact, the additional public funding does not even cover the cost of the CTA's increased pension obligation.

Looking at 2010 for example, the CTA's pension cost was \$156.2 million. At the time of the legislation, it was projected that the new funding package would provide an additional \$242.5 million. Because of the recession, actual revenue from the new funding package was \$141.6 million or \$14.6 million LESS than CTA's pension costs.

With public funding down once again, the CTA made the difficult decision to use scarce capital funds to help balance its 2010 budget. This decision was based on management's guiding principle to minimize the impact of the recession on customers. By the end of 2010, \$90 million of capital funds will be used to support the operating budget.

Despite the budget challenges facing the CTA, fares were not raised in 2010. In the fall of last year, the Regional Transportation Authority (RTA) and the State of Illinois reached an agreement whereby the RTA would issue debt to provide an additional \$83 million to the CTA in both 2010 and 2011. With this funding, the CTA agreed to hold fares constant for the same two-year period.

# 2010 Operating Budget Forecast

Given the reduction in public funding versus what had been projected with the 2008 legislation, belt tightening and capital funding alone were not enough to balance the 2010 budget. To further reduce expenses, management proposed service changes to make the system more efficient without drastically reducing or eliminating routes. Service changes were limited to increased headways, reduced spans of service and elimination of express routes where a local alternative was available.

After considerable planning and outreach, the service changes were implemented on February 7, 2010. Months later, the CTA is pleased to report that, because of the careful manner in which service was adjusted, ridership has been healthy this year. Some riders have shifted from bus to rail, but overall ridership remains relatively strong. This has helped farebox revenue in 2010, which is expected to end the year within one percent of the budget.

Unlike farebox revenue, revenue from advertising, concessions, land sales and investment income will not likely hit the budgeted mark in 2010 due to the ongoing recession. Nonetheless, because of its diligent management throughout 2010, the CTA projects it will end the year with a balanced budget. The savings generated from disciplined hiring, fuel hedging and other belt tightening initiatives are projected to offset this loss in revenue.

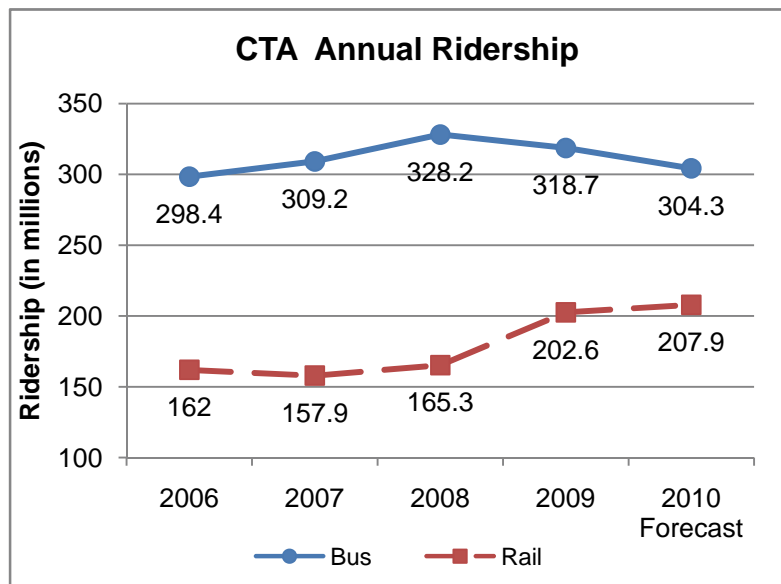
## RIDERSHIP

The 2010 budget estimated systemwide ridership to be 513.5 million. The CTA currently projects that ridership, including rail-to-rail platform transfers, will end the year at 512.2 million, or 0.3 percent below the budgeted estimate.

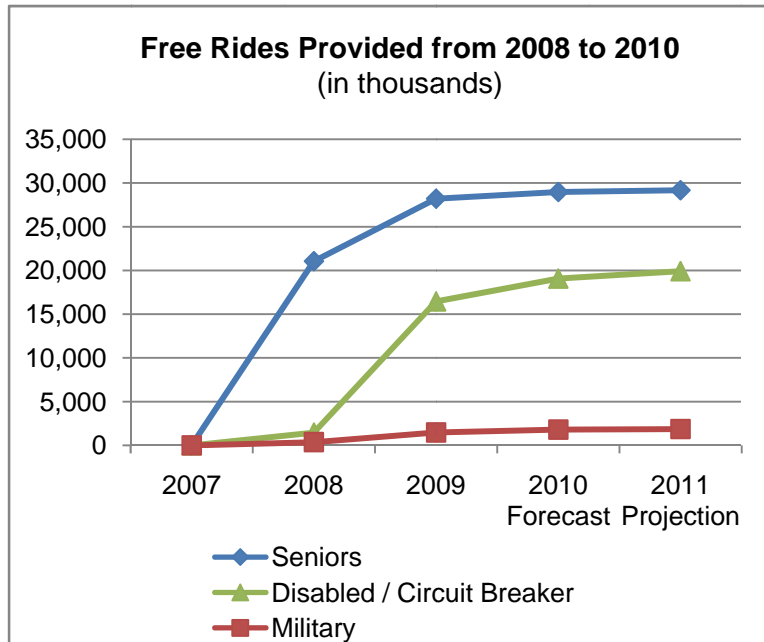
When compared to 2009, 2010 ridership is forecast to be 9.1 million trips, or 1.7 percent lower. This reflects a decline of approximately 4.5 percent in bus ridership in 2010, and an increase in rail ridership of 2.6 percent over 2009.

Average weekday ridership for 2010 is projected at 1.63 million per day, which is 25.3 thousand (1.5 percent) lower than 2009 weekday ridership. This is mainly attributable to a 3.9 percent drop in weekday bus ridership. Rail weekday ridership increased 2.2 percent.

Average Saturday ridership for 2010 is projected at 1.05 million per day, which is a decrease of 9.4 thousand (0.9 percent) from 2009 Saturday ridership. The 5.8 percent decrease in bus ridership offsets the increase in Saturday rail ridership of 7.5 percent.



# 2010 Operating Budget Forecast



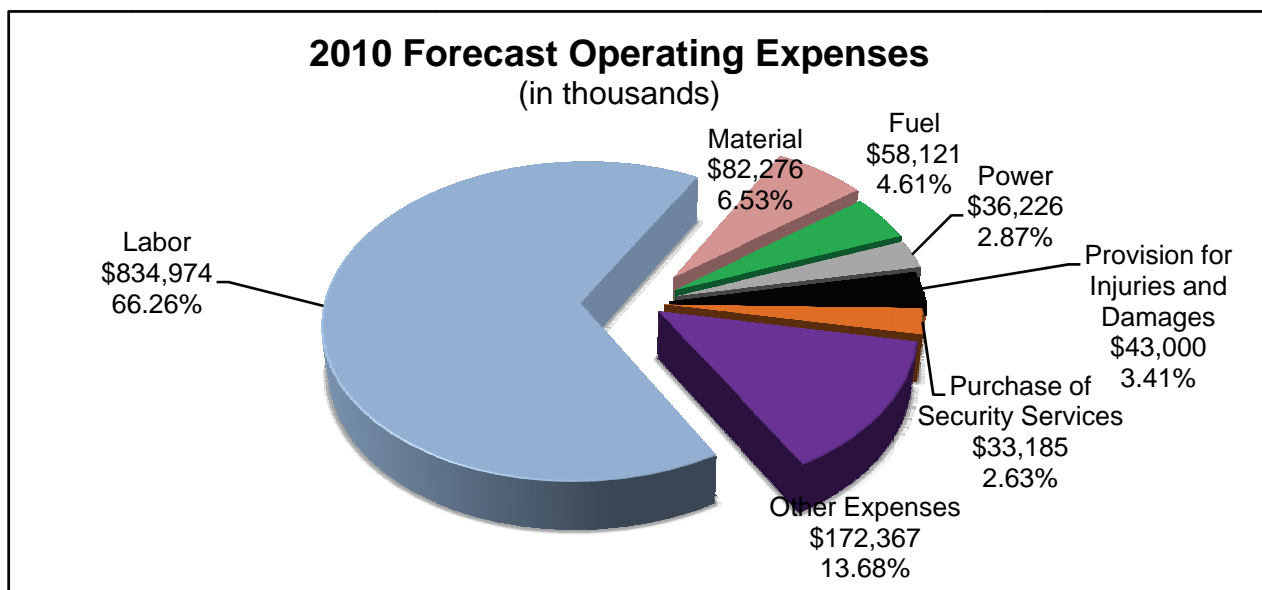
Average Sunday/holiday ridership for 2010 is projected at 733 thousand per day, which is a 16 thousand (2.1 percent) decrease from 2009 Sunday/holiday ridership. This is mainly due to a 5.5 percent decrease in Sunday/holiday bus ridership, and is paired with a 3.3 percent increase in Sunday/holiday rail ridership.

Total projected CTA ridership in 2010 includes approximately 49.8 million free rides for seniors, active military personnel, disabled veterans and individuals under the state's Circuit Breaker Program. This is an increase of 3.7 million (8 percent) over 2009 free rides for

these groups.

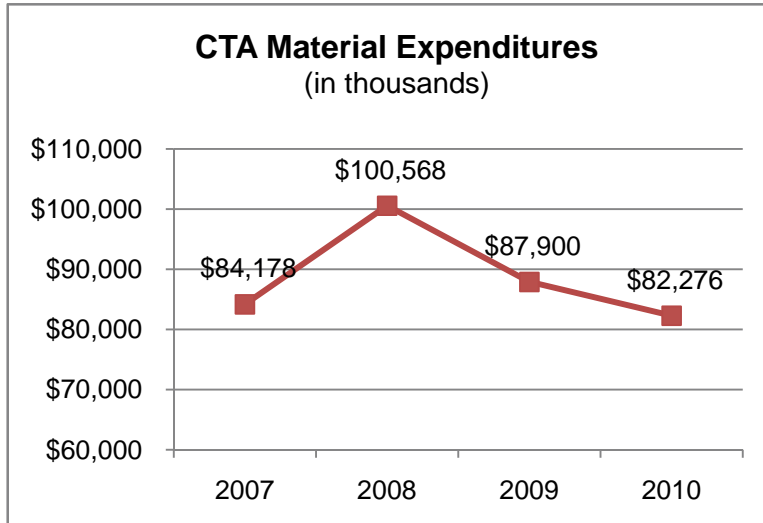
## OPERATING EXPENSES

Operating expenses for 2010 are estimated to be \$1.26 billion, which is \$11 million less than the 2010 budget and \$1.5 million less than 2009 actual expenditures.



The 2010 **labor expense** is projected to be \$835 million, which is \$17 million below the 2010 budget and \$21.5 million lower than 2009 actual labor costs. Labor expense accounted for an estimated two-thirds of the 2010 operating budget. The CTA achieved savings in this category by controlling and limiting hiring in 2010. The CTA also diligently managed overtime authorizing it only where necessary to provide safe and reliable service to our customers.

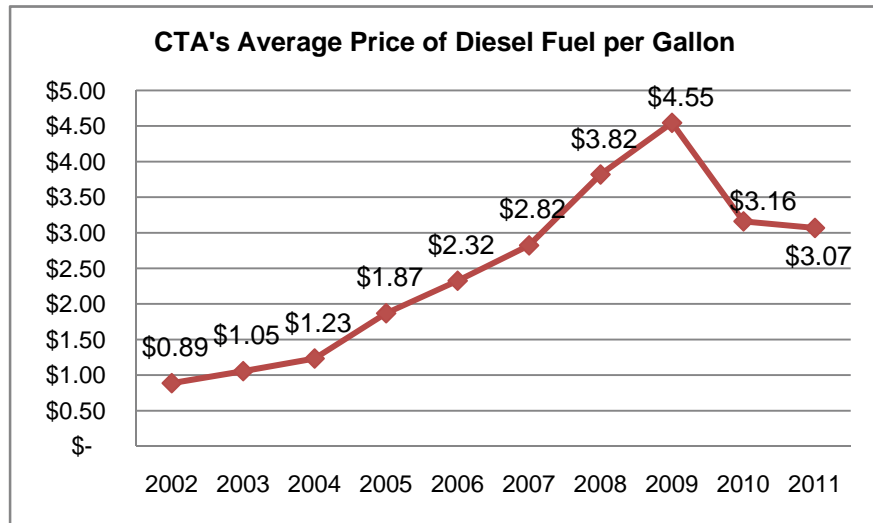
# 2010 Operating Budget Forecast



In 2010, **material expenses** are forecast to be \$82.3 million, which is \$4.6 million above the 2010 budget but \$5.6 million lower than 2009 actual expenses. The 2010 budget was \$14.6 million less than the 2009 budget because of the planned service reductions and the transfer of additional capital funds for preventive maintenance which helped fund the costs of materials for regular maintenance and repair. The budget for materials has decreased as the CTA has invested in its bus fleet and lowered its average age. Expenses

for materials exceeded the budget in 2010 as a result of charges for inventory obsolescence as we continue to make improvements to our supply chain management.

Energy prices are a key driver of the CTA's operating expenses. **Fuel** for revenue equipment is forecast at \$58.1 million for 2010, \$5.8 million below budget and \$42.4 million less than actual spending in 2009. Fuel consumption in 2010 is forecast at 18.4 million gallons, reflecting a decrease of 3.7 million gallons (17 percent) versus 2009. The decrease in consumption is primarily due to the service adjustments and the closing of Archer Garage, as well as to a more fuel-efficient fleet.



In addition to declining consumption, the price of fuel for the CTA has also decreased. Fuel prices in 2010 are projected to end the year at a net average price of \$3.16 per gallon, which is \$1.39 per gallon (30 percent) less than the actual average price in 2009. Strategic fuel hedging contributed considerably to the cost savings on fuel. The CTA's hedging program includes daily reviews of commodities markets and biweekly meetings with industry experts who offer hedging recommendations. With the help of its advisors, the CTA uses a long-term, layered fuel hedging strategy that will continue in 2011.

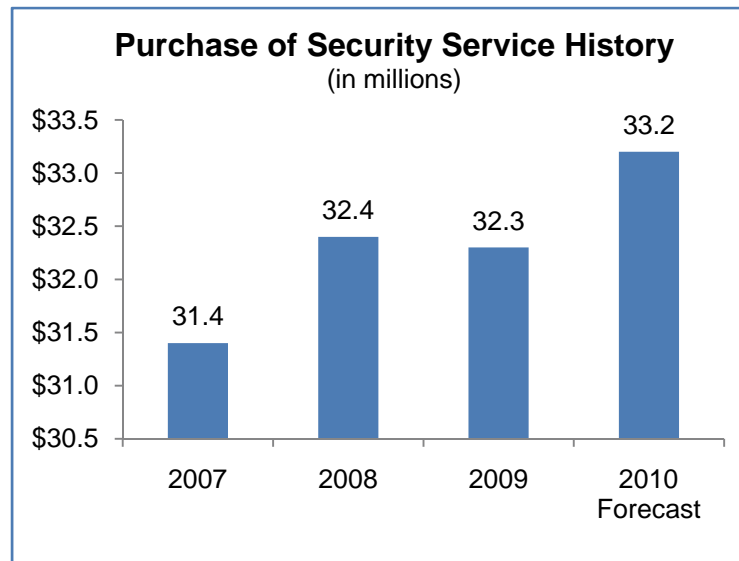
For 2010, the cost of **electric power** for the rail system is forecast to be \$36.2 million, which is \$2 million below the 2010 budget and two percent lower than the actual cost in 2009. At the start of 2010, the CTA's new electric power contract began. Under this contract, rail power is purchased using an actively managed block purchase approach which allows the CTA to purchase wholesale power for its base load electricity supply in advance. Electricity consumed

# 2010 Operating Budget Forecast

above or below the block quantity is settled at the real-time ComEd locational marginal price (LMP). This approach yields a blended rate of approximately \$0.087 per kilowatt-hour in 2010.

**Provision for injuries and damages** represents expenses for claims and litigation for incidents that occur on CTA property, as well as incidents involving CTA vehicles. This amount is determined by the CTA's actuaries, and is based on actual claims history and future projections. The 2010 forecast for this cost is \$43 million, reflecting additional deposits made possible by savings generated in other areas.

**Security expenses** are estimated to be \$33.2 million in 2010. This is consistent with the 2010 budget and is \$885 thousand (2.7 percent) over actual 2009 expenditures. Security services consist of officers from the Chicago, Evanston and Oak Park police departments, as well as through contracts with private security firms. In addition to the CTA's budgeted expense, the Public Transportation Section of the Chicago Police Department provides dedicated services to CTA customers at an estimated cost of \$22 million, paid for by the City of Chicago. When taken together, the total security budget for the CTA is over \$55 million.



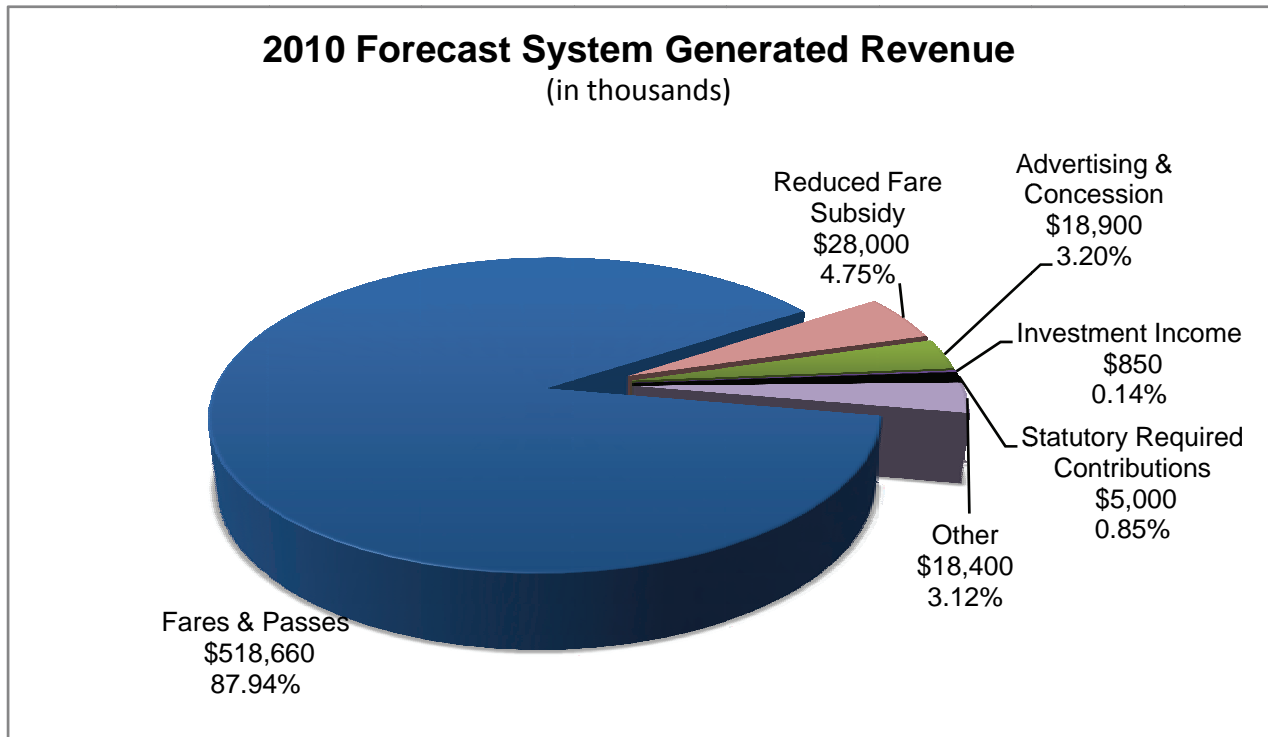
The **other expenses** category includes interest on pension obligation bonds, utilities, maintenance and repair, advertising, commissions, consulting, insurance, leases and rentals and other general expenses. The year-end forecast for these services is \$172.4 million, which is \$41 million higher than 2009 actual expenditures. This increase is primarily due to increased payments on outstanding pension obligation bonds.



# 2010 Operating Budget Forecast

## OPERATING REVENUES

### System-Generated Revenues



System-generated revenues are projected to be \$589.8 million, which is \$10.9 million lower than the 2010 budget and \$11.8 million lower than 2009 actual revenues. Fare revenue is projected to be \$518.7 million, or \$2.8 million below budget. The average fare paid in 2010, including cross-platform transfers, is projected to be \$1.01 or \$0.04 higher than the average paid in 2009.

The **reduced-fare subsidy** is the State of Illinois' reimbursement to the CTA, Metra and Pace for discounted fares given to people with disabilities and students. Revenue from the reduced-fare reimbursement is projected to be \$28 million or \$4.2 million less than budget.

**Advertising, charters and concessions** revenues in 2010 are projected to be \$18.9 million, which is \$11.3 million (37.5 percent) less than 2009 and \$4 million below budget. Unfortunately, the economic recession has forced corporations to reduce their spending on advertising.

**Investment income** is estimated to be \$850 thousand, which is \$409 thousand (32.5 percent) lower than the 2009 actual. This decrease is primarily due to lower investable cash balances, as well as interest rates remaining near record lows.

**Statutory required contributions** will meet the budgeted amount of \$5 million per the Regional Transportation Authority Act, which requires the City of Chicago and Cook County to contribute \$3 million and \$2 million respectively to CTA operations each year.

# 2010 Operating Budget Forecast

**Other revenues**, which include parking fees, sale of real estate, rentals and sale of CTA merchandise, are projected to be \$18.4 million. This is \$12.8 million under the 2009 actual revenues but \$1 million above the 2010 budget. The decrease from 2009 can be primarily attributed to lower revenues from property sales reflecting the impact of the recession on the real estate market.

## Public Funding

The public funding required to meet the CTA's 2010 operating costs is \$670.3 million. This funding is comprised of sales tax, discretionary funding from the RTA, real estate transfer tax and federal capital money used for preventive maintenance funds. Included is the \$83 million in proceeds received from the RTA in connection with the CTA's agreement not to raise fares in 2010 and 2011. An additional \$83 million will be provided in 2011.

The budget is based on representations by the Governor's Office that the State of Illinois will pay all 2010 PTF and reduced fare subsidy owed to the RTA and the CTA by the end of 2010.

<b>Total Revenue (in thousands)</b>	<b>2010 Forecast</b>
Fares and Passes	\$ 518,660
Reduced Fare Subsidy	28,000
Advertising, Charter & Concessions	18,900
Investment Income	850
Statutory Required Contributions	5,000
All Other Revenue	18,400
<b>Total System Generated Revenue</b>	<b>\$ 589,810</b>
<i>PUBLIC FUNDING</i>	
Preventive Maintenance	90,000
Fare Agreement with State	83,000
Public Funding Available through the RTA	497,339
<b>Total Public Funding</b>	<b>\$ 670,339</b>
Total 2010 Revenue	\$ 1,260,149
Total 2010 Expenses	\$ 1,260,149

# 2010 Operating Budget Forecast

2010 Operating Budget Schedule  
(in thousands)

	<u>Budget 2010</u>	<u>Forecast 2010</u>	<u>Variance</u>
<b>Operating Expenses</b>			
Labor	\$ 852,081	\$ 834,974	\$ 17,107
Material	77,724	82,276	(4,552)
Fuel	63,879	58,121	5,758
Power	38,176	36,226	1,950
Provision for Injuries and Damages	28,000	43,000	(15,000)
Purchase of Security Services	33,181	33,185	(4)
Other Expenses	178,004	172,367	5,637
<b>Total Operating Expenses</b>	<b>\$ <u>1,271,045</u></b>	<b>\$ <u>1,260,149</u></b>	<b>\$ <u>10,896</u></b>
<b>System Generated Revenue</b>			
Fares and Passes	\$ 521,417	\$ 518,660	\$ (2,757)
Reduced Fare Subsidy	32,200	28,000	(4,200)
Advertising, Charter & Concessions	22,876	18,900	(3,976)
Investment Income	1,832	850	(982)
Statutory Required Contributions	5,000	5,000	0
All Other Revenue	17,381	18,400	1,019
<b>Total System Generated Revenue</b>	<b>\$ <u>600,706</u></b>	<b>\$ <u>589,810</u></b>	<b>\$ <u>(10,896)</u></b>
<b>Public Funding Required for Operations</b>	<b>\$ 670,339</b>	<b>\$ 670,339</b>	<b>\$ 0</b>
Transfer from Capital - Preventive Maintenance	\$ 90,000	\$ 90,000	0
Fare Agreement with State	83,000	83,000	0
Public Funding Available through RTA	497,339	497,339	0
<b>Total Funding</b>	<b>\$ <u>670,339</u></b>	<b>\$ <u>670,339</u></b>	<b>\$ <u>0</u></b>
Recovery Ratio*	55.60%	55.20%	-0.40%
Required Recovery Ratio	50.00%	50.00%	0.00%
<b>Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\*Recovery ratio is calculated by dividing System Generated Revenues over Operating Expense. The calculation includes in-kind revenues and expenses for security provided by the City of Chicago, excludes security expense, POB debt service and includes some grant revenues.

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# 2011 Proposed Operating Budget

## INTRODUCTION

The CTA is committed to serving its customers. We are pleased to report that service will not be reduced and fares will not be increased in 2011. This is possible because of effective and disciplined management, which is essential now more than ever before. The economy is recovering at a much slower pace than had been predicted, which directly impacts CTA revenues. At the same time, it has never been more important for the CTA to connect its customers to their jobs and communities. The CTA remains committed to serving its customers and to providing transit services that are key to the region's economic recovery.

The nation's recession dictated the need to strategically adjust service levels to balance the 2010 budget. Fortunately, a borrowing agreement the RTA reached with the State of Illinois in 2009 enabled the CTA to avert a fare increase for 2010.

Building on its progress in 2010, the CTA will continue disciplined and efficient management by again controlling and reducing administrative and other operating costs that do not directly impact its customers. We will continue to closely control hiring, diligently manage overtime and prudently administer contracts as we work to realize sustainable savings on labor, materials and fuel.

As with the past several years, the 2011 budget relies on transferring capital funds to balance the operating budget. While the CTA has \$6.8 billion in unfunded capital needs, the use of capital funds for operations remains a necessary and responsible measure that allows the CTA to minimize the negative impact of the recession on its customers.

Looking ahead, however, the CTA's ability to thrive during this difficult economy depends on increased funding and union cooperation. Both the federal and state governments need to provide the funding that is essential to protect mass transit in our region, and to help to move us beyond the current economic crisis.

Additionally, with two-thirds of the CTA's costs being related to labor, and approximately 90 percent of our workforce unionized, it is critical that the CTA's union partners assist in controlling expenses as well.

The proposed 2011 budget continues to aggressively control expenses and ask more from employees. Again in 2011, non-union employees will forego wage increases and will be required to take up to 12 unpaid furlough days and six unpaid holidays.

By building on our performance-based budget and management process, the proposed 2011 budget eliminates more than 70 positions. Proposed spending on materials and contracts has been reduced by \$11.8 million as well. Consistent with 2010, hiring throughout 2011 will be closely controlled and limited to those positions essential to providing safe and reliable service to our customers. None of these belt-tightening measures will negatively impact the service we provide to our customers or diminish our continued focus on safety and reliability.

The proposed budget benefits yet again from the CTA's use of strategic hedges to control and reduce the cost of fuel and electric power. Actual costs in 2010 are projected to be \$7.7 million under budget across these two categories. The proposed 2011 budget reflects the continuation of these savings.

# 2011 Proposed Operating Budget

Certain costs will increase in 2011 due to specific contractual requirements, particularly those related to labor. Employees in the Amalgamated Trust Union (ATU) will receive another 3.5 percent pay increase in 2011, adding \$11.5 million to the budget versus 2010. Employees in the Craft Coalition will receive increases consistent with the regional prevailing wage, adding a projected \$12.2 million to the budget. The cost to provide benefits to employees is increasing in 2011 as well. In the 2011 budget, healthcare costs are projected to increase by \$17.8 million over the 2010 budget. Pension contributions will increase over the 2010 budget by \$22 million. The CTA is partially mitigating these increases by eliminating vacancies, controlling hiring and strictly managing overtime. Looking beyond 2011, the CTA will pursue cost reductions, productivity gains and restructured benefits through labor negotiations.

The proposed 2011 budget affirms the CTA's commitment to manage responsibly and provide the critical services that so many people rely on now more than ever.

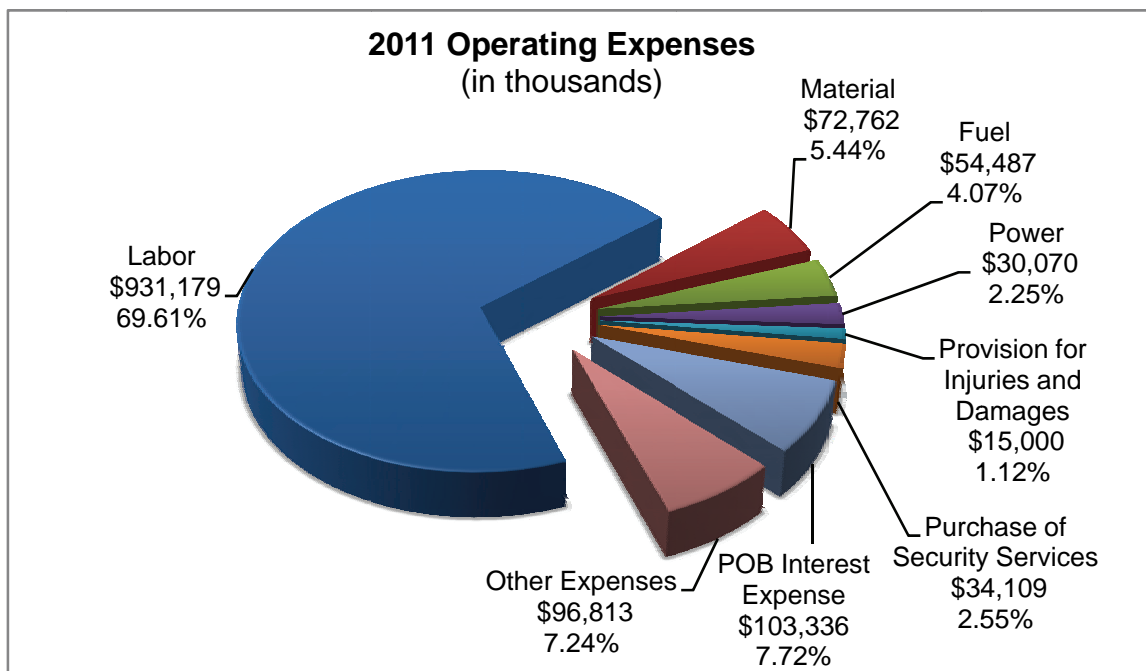
## RIDERSHIP

The CTA estimates 2011 total systemwide ridership at 521.7 million, a 1.9 percent increase versus the 2010 forecast. There are three primary reasons behind the projected increase: fares will not be raised, employment is expected to recover slightly in the region, and rail ridership growth trends will continue.

Bus ridership is expected to be 306.7 million in 2011, slightly less than one percent higher than the 2010 forecast. Rail ridership is expected to be 215 million in 2011, reflecting an increase of 3.4 percent versus the 2010 forecast.

## 2011 BUDGET OVERVIEW

The 2011 proposed operating budget is \$1.338 billion, which is a \$66.7 million (5.2 percent) increase over the 2010 budget.



# 2011 Proposed Operating Budget

**Labor expenses** make up approximately two-thirds of the CTA budget. In 2011, labor costs are estimated to be \$931.2 million, a \$79.1 million (9.3 percent) increase over the 2010 budget. The cost to provide benefits to employees is increasing in 2011 as well. These costs include healthcare, pension and vacation benefits provided to employees.

For the third consecutive year, non-union employees will forego wage increases in 2011. They will also be required to take up to 12 unpaid furlough days and six unpaid holidays. The proposed 2011 budget reflects the CTA's ongoing control of hiring, which is limited to only those positions essential to providing safe and reliable service to our customers.

The proposed 2011 budget forecasts **material expenses** at \$72.8 million, which is \$5 million (6.4 percent) less than the 2010 budget. The reduction reflects the CTA's on-going supply chain improvements and close scrutiny of all material purchases. All contract bids are reviewed thoroughly before being awarded to ensure that the CTA is getting the best price possible, and that only the required quantities are being purchased. The CTA is also benefitting from the recent investments made in its bus fleet, as well as from the additional capital funds being utilized for preventive maintenance, helping to offset the costs of regular maintenance and repairs.

**Fuel expenses** in 2011 are budgeted at \$54.5 million, which is \$9.4 million (14.7 percent) less than the 2010 budget and \$3.6 million less than the 2010 forecast. As with 2010, this reduction is based on savings generated from the CTA's strategic fuel hedging policy. Fuel prices in 2011 are budgeted at \$3.07 per gallon. The forecast net average price for fuel in 2010 is \$3.16 per gallon versus a budgeted estimate of \$3.46 per gallon. As of August 31, 2010, 89 percent of the CTA's 2010 projected fuel consumption has been already locked-in. With the help of its advisors, the CTA uses a long-term, layered fuel hedging strategy. As such, 18 percent of the CTA's 2011 projected fuel consumption is already hedged at an average per gallon price of \$2.82. The CTA is also benefitting from a more fuel-efficient bus fleet which, when combined with the service adjustments implemented earlier this year, results in a decline in consumption in 2011.

The 2011 proposed budget estimates the cost of **electric power** for revenue equipment at \$30.1 million, which is \$8.1 million (21.2 percent) lower than the 2010 budget. At the start of 2010, the CTA entered into a new contract for electric power. Rail power is purchased using an actively managed block purchase approach, which allows the CTA to purchase wholesale power for its base load electricity supply in advance through strategically placed hedges. Electricity consumed above or below the block quantity is settled at the real-time ComEd price. Approximately 60 percent of the CTA's expected power consumption is met using this strategy. This approach yields a blended rate of approximately \$0.087 per kilowatt-hour. The electric power contract will continue through the end of 2011. Approximately 55 percent of the expected consumption for 2011 has already been purchased.

The 2011 proposed **provision for injuries and damages expense** is \$15 million, reflecting a decrease of \$13 million (46.4 percent) from the 2010 budget. The required provision is determined by the CTA's actuaries and is based on actual claims history, future projections and the additional deposits made in 2010.

**Purchase of security services** includes 24-hour patrol services provided by the Chicago, Evanston and Oak Park Police Departments, as well as contracts with private firms for guard and canine security. The 2011 proposed security services expense is estimated to be \$34.1

# 2011 Proposed Operating Budget

million, which is an increase of \$928 thousand (2.8 percent) over the 2010 budget. The CTA will maintain the current level of security coverage in 2011. In addition to the services contracted by the CTA, the City of Chicago provides approximately \$22 million in services from the Chicago Police Department's Public Transportation Section at no charge to the CTA.

**Other expenses** in 2011 are proposed to be \$200.1 million, an increase of \$22.1 million (12.4 percent) over the 2010 budget. **POB interest expense** will increase significantly. In 2011, pension obligation interest expense will account for \$103.3 million of the CTA's other expenses category. The 2011 budget for POB interest expense reflects an increase of \$30.1 million (41.1 percent) versus the 2010 budget. Separately, a change in the accounting treatment of an operating grant provided by the RTA contributed slightly to the increase in the other expenses category.

Additional expenses in this category include utilities for CTA facilities, advertising and marketing expenses, equipment and software maintenance, accounting, engineering, legal and other consulting services, banking fees and commissions for the sale of fare media.

## OPERATING REVENUES

The CTA has two main revenue categories: system-generated revenues and public funding.

<b>Total Revenue (in thousands)</b>	<b>2011 Plan</b>
Fares and Passes	\$ 523,660
Reduced Fare Subsidy	28,000
Advertising, Charter & Concessions	18,924
Investment Income	850
Statutory Required Contributions	5,000
All Other Revenue	35,817
<b>Total System Generated Revenue</b>	<b>\$ 612,251</b>
<i>PUBLIC FUNDING</i>	
Preventive Maintenance	113,200
Fare Agreement with State	83,000
Public Funding Available through RTA	529,305
<b>Total Public Funding</b>	<b>\$ 725,505</b>
Total 2011 Revenue	\$ 1,337,756
Total 2011 Expenses	\$ 1,337,756



# 2011 Proposed Operating Budget

## SYSTEM-GENERATED REVENUES

System-generated revenues include fares and passes, reduced-fare subsidy, advertising and concessions, investment income, statutory-required cash contributions from Chicago and Cook County and other miscellaneous revenues. In 2011, system-generated revenue is projected to be \$612.3 million, representing a 1.9 percent increase (or \$11.5 million) when compared to the 2010 budget. The increase in system-generated revenue is found primarily in the “other revenue” category, reflecting the subsidy that the CTA is entitled to under the Build America Bonds (BABs) issued in 2010 and a change in the accounting treatment of an operating grant from the RTA.

Revenues from **fares and passes** are budgeted at \$523.7 million in 2011. This is an increase of \$2.2 million over the 2010 budget and \$5 million over the 2010 forecast. The growth in revenue from fares and passes is consistent with the modest increase projected for ridership in 2011.

The CTA provides approximately 28 million reduced fare trips annually to qualified riders. The CTA estimates that it will also provide approximately 49.8 million free rides in 2010 to seniors, people with disabilities under the state’s Circuit Breaker Program, active military personnel and veterans with a disability. In 2011, that number is expected to rise to 51 million rides, and will account for 10.5 percent of the CTA’s total ridership, not including rail-to-rail transfers. The 2011 budget projects the **reduced fare subsidy** will remain constant with the 2010 budget of \$28 million.

**Advertising, charters and concessions revenues** include advertisements on buses, trains and stations, income from concessions and other non-farebox revenue. The CTA has been focused on producing revenue from areas other than the farebox. Unfortunately, the recession has impacted efforts to increase revenue in this category as corporations have reduced spending on advertisement. In 2011, revenue for this category is budgeted at \$18.9 million, remaining constant with the 2010 year-end projection.

Budgeted at \$850 thousand, **investment income** for 2011 is projected to also remain in line with the 2010 forecast. This reflects record-low interest rates and relatively low investable cash balances.

**Statutory-required contributions** remain unchanged in 2011, budgeted at \$5 million. The Regional Transportation Authority Act requires the City of Chicago to contribute \$3 million and Cook County to contribute \$2 million each year toward CTA operations. These required cash contributions are in addition to in-kind contributions from the City of Chicago and Cook County. The Chicago Police Department’s Public Transportation Section provides approximately \$22 million of security services to the CTA, while Cook County provides approximately \$3.5 million of in-kind services through the Sheriff’s Work Alternative Program (SWAP). Under the SWAP program, non-violent offenders in Cook County supplement existing CTA employees to clean bus turnarounds and garages.

**All other revenue** includes parking charges, rental revenue, third-party contractor reimbursements and filming fees. This category is budgeted in 2011 at \$35.8 million, showing a \$18.4 million increase over the 2010 budget, which reflects the subsidy that the CTA is entitled

# 2011 Proposed Operating Budget

to under the Build America Bonds (BABs) issued in 2010, as well as a change in the accounting treatment of an operating grant from the RTA.

## PUBLIC FUNDING

The amount of public funding available for CTA operations is determined by the RTA, and is based on the RTA's revenue projection for the year. Public funding has three sources: sales tax revenue, public transportation funds (PTF) and the real estate transfer tax (RETT). The RTA retains 15 percent of the original one percent RTA sales tax authorized in 1983. Of that which remains, the CTA receives 100 percent of the taxes collected in the City of Chicago and 30 percent of those taxes collected in suburban Cook County. Of the funding available from the 0.25 percent sales tax and PTF authorized by the 2008 legislation, the CTA receives 48 percent of the remaining balance after allocations are made to fund various programs. Additionally, the 2008 legislation authorized a \$1.50 per \$500 increase in RETT, all of which is collected in the City of Chicago. The CTA receives 100 percent of the increased RETT authorized in 2008. In 2010, the total public funding was \$497.3 million, not including capital funds transferred for preventive maintenance or the \$83 million funded in accordance with the CTA's agreement with the State. A diagram of public funding received by RTA and allocated among the three service boards is included in the Appendix, Operating Funding Summary.

In 2011, public funding available through RTA will total \$529.3 million, a \$32 million (6.4 percent) increase when compared to 2010.

The **recovery ratio** measures the percentage of expenses that a service board pays against revenue that it generates. System-generated revenues, operating expenses and certain statutory exclusions are used in the calculation. The RTA Act requires the region to fund 50 percent of its expenses through revenues generated by the RTA and its three service boards. This is considerably higher than the recovery ratio required for other transit agencies across the country. This proposed 2011 operating budget estimates the CTA's recovery ratio at 54.6 percent.

The proposed budget is based on representations by the Governor's Office that the State of Illinois will pay all 2010 PTF and reduced fare subsidy owed to the RTA and the CTA by the end of 2010.

The proposed 2011 budget also reflects the transfer of \$113.2 million in capital funds to eligible preventive maintenance, as well as \$83 million from the RTA in accordance with the CTA's agreement with the state to not raise fares in 2010 and 2011.

**Performance Goals and Metrics:** In 2007, the CTA implemented a performance management system to improve efficiency, promote accountability and enhance our customers' experience. Performance management is a systematic process at the CTA involving all departments and employees in the accomplishment of the agency's goals. While certain departments have more direct contact with the public, the CTA recognizes that each department is inextricably interconnected, and that individual performance affects the organization's ability to meet its goals. The 2011 proposed operating budget is directly linked to performance management goals for each business unit within the CTA. Throughout 2011, departments will continue to be assessed, and managers will continue to be held accountable for both budget adherence as well as meeting performance goals.

# 2011 Proposed Operating Budget

## President's 2011 Proposed Operating Budget

(in thousands)

	Actual 2009	Budget 2010	Forecast 2010	Proposed Budget 2011
<b>Operating Expenses</b>				
Labor	\$ 856,468	\$ 852,081	\$ 834,974	\$ 931,179
Material	87,900	77,724	82,276	72,762
Fuel	100,539	63,879	58,121	54,487
Power	37,645	38,176	36,226	30,070
Provision for Injuries and Damages	15,397	28,000	43,000	15,000
Purchase of Security Services	32,300	33,181	33,185	34,109
Other Expenses	131,348	178,004	172,367	200,149
<b>Total Operating Expenses</b>	<b>\$ 1,261,597</b>	<b>\$ 1,271,045</b>	<b>\$ 1,260,149</b>	<b>\$ 1,337,756</b>
<b>System Generated Revenue</b>				
Fares and Passes	\$ 505,713	\$ 521,417	\$ 518,660	\$ 523,660
Reduced Fare Subsidy	28,239	32,200	28,000	28,000
Advertising, Charter & Concessions	30,215	22,876	18,900	18,924
Investment Income	1,259	1,832	850	850
Statutory Required Contributions	5,000	5,000	5,000	5,000
All Other Revenue	31,206	17,381	18,400	35,817
<b>Total System Generated Revenue</b>	<b>\$ 601,632</b>	<b>\$ 600,706</b>	<b>\$ 589,810</b>	<b>\$ 612,251</b>
<b>Public Funding Required for Operations</b>	<b>\$ 659,965</b>	<b>\$ 670,339</b>	<b>\$ 670,339</b>	<b>\$ 725,505</b>
Transfer from Capital - Preventive Maintenance	128,920	90,000	90,000	113,200
Fare Agreement with State		83,000	83,000	83,000
Public Funding Available through RTA	531,045	497,339	497,339	529,305
<b>Total Funding</b>	<b>\$ 659,965</b>	<b>\$ 670,339</b>	<b>\$ 670,339</b>	<b>\$ 725,505</b>
Recovery Ratio*	53.10%	55.60%	55.20%	54.60%
Required Recovery Ratio	50.00%	50.00%	50.00%	50.00%
<b>Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

	Budgeted Positions 2010	Budgeted Positions 2011
TOTAL CTA WITHOUT STO**	4,652	4,581
Bus STO Positions***	3,728	3,699
Rail STO Positions***	1,140	1,097
<b>TOTAL CTA</b>	<b>9,520</b>	<b>9,377</b>

\*Recovery ratio is calculated by dividing System Generated Revenues over Operating Expense. The calculation includes in-kind revenues and expenses for security provided by the City of Chicago, excludes security expense, POB debt service and includes some grant revenues.

\*\*STO: Scheduled Transportation Operations

\*\*\*STO Full-Time Equivalents

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# Business Units and Goals

## Performance Management at the CTA

Since 2007, the CTA has used a performance management system to improve efficiency, promote accountability and enhance our customers' experience. Performance management is a systematic process at the CTA involving all departments and employees in the accomplishment of the agency's goals. While certain departments have more direct contact with the public, the CTA recognizes that each department plays an important role in service delivery, and that individual performance affects the organization's ability to meet its goals.

Like most government agencies, the CTA faces a unique set of challenges in managing performance and achieving strategic goals and initiatives. The CTA's budget is, in large part, affected by a variety of external factors including the economy and state government. Like many other government agencies, the CTA faces the challenge of meeting its goals as budgets and resources shrink. This only increases the need for greater focus and collaboration within the CTA to ensure effective implementation and success. Performance management is essential each step of the way.

Performance management allows the CTA to focus its resources on meeting its goal to provide transit service that is:

<b>Safe</b>	The CTA will minimize the number of accidents involving customers, employees and the general public.
<b>On-Time</b>	The CTA will minimize system delays and successfully manage intervals between rail and bus vehicles to provide predictable and reliable service for its customers. Construction and other projects will be completed within the budget and time frame allocated to minimize impacts to customers.
<b>Clean</b>	The CTA will enhance and maintain cleanliness standards for all vehicles, stations and work areas to provide a safe and comfortable atmosphere for riders.
<b>Courteous</b>	The CTA will enhance and maintain the highest standard of customer service through timely, reliable and clear communication with customers, as well as considerate employees and operational practices.
<b>Efficient</b>	The CTA will responsibly and effectively manage resources to drive performance and provide a safe, reliable and affordable transit service for customers.

Each department throughout the agency is responsible for focusing its resources to meet these goals. Performance management ensures accountability throughout the organization by requiring that all departments establish results-oriented measures – both financial and non-financial – that are aligned with these goals. Results are continually monitored throughout the

# Business Units and Goals

year. Based on these results, resources and programs are adjusted to enhance results where necessary.

The following report provides an overview of the current key metrics and responsibilities of each department across the agency. The report provides examples reflecting how each department has worked to improve performance throughout 2010.

## Department Overviews and Facts

### **Service Area & Population**

- 220 square miles of Chicago and 40 nearby suburbs.
- The service area has 3.9 million people.

### **Ridership**

- Over 512 million trips projected for 2010.
- Approximately 1.7 million trips per weekday.

## *Operations Departments*

### **Bus Operations and Maintenance**

- Provides over 1.1 million rides per weekday.
- Maintains reliable service with approximately 3,800 bus operators driving 1,782 buses traveling 172,991 miles each weekday over 140 routes serving 11,577 bus stops.
- Manages seven Bus Garages and one Heavy Maintenance shop.
- In the spring of 2010, the average age of the fleet was 4.2 years old.

### **Rail Operations and Maintenance**

- Provides over 600,000 rides per weekday.
- Maintains reliable service with approximately 1,200 rail operators and 1,190 rail cars traveling 203,621 miles each weekday over eight routes with 144 stations.
- Manages 10 Rail Terminals and one Heavy Maintenance Shop.
- In fall of 2010, the average age of the fleet was 27 years old.

### **Power and Way**

#### **Track, Structure, Signal, and Power Maintenance:**

- Inspects and maintains 224 miles of revenue track at least every seven days, 86.2 miles of elevated structure once every two years, and the full length of contact rail (third rail) two times per year.
- Inspects and maintains 813 signals, 1,064 rail track switches, 1,835 track circuits and 24,000 vital signal relays.
- Responsible for all power substations, including maintaining all traction and contact rail power distribution including 600 miles of traction power cable.

# Business Units and Goals

## **Track, Structure, Signal, and Power Construction:**

- Responsible for ensuring that major capital construction projects related to CTA track, structure, power, signal and communications are delivered on time, on budget, and conform with all applicable standards, regulations and requirements.
- Responsible for overseeing and integrating program management and construction management services to assist in monitoring and controlling of multiple Capital Construction projects.
- Responsible for developing uniform procedures and processes that assist in the design, construction and administration of the Capital Program.

## **Engineering:**

- Responsible for the creation and maintenance of construction documents for CTA structure, track, traction power, signal and station projects.
- Responsible for CTA utilities, including traction power, water and gas at CTA locations.
- Responsible for reviewing and answering design Requests for Information from CTA contractors.

## **Facilities**

### **Facilities Maintenance:**

- Cleans and maintains more than 210 locations, including 144 rail stations, 10 terminals, 12 rail yards, as well as all of the rail rights-of-way.
- Processes approximately 65,000 work orders for the CTA's 450 owned and leased facilities covering approximately five million square feet.
- Provides real estate management services to protect and maintain the value of CTA properties.

### **Facilities Construction:**

- Responsible for completing major capital projects related to CTA facilities.
- Performs major repairs and rehabilitation of rail stations, bus garages and related structures.
- Oversees construction management services to ensure that projects are completed on time, within budget, and in accordance with industry standards.

## *Administration Operations Support*

### **Purchasing**

- Purchasing processes over 1,000 contracts annually to secure the best prices and ensure the most responsible use of CTA funds, as well as adherence to all funding agencies regulations.

# Business Units and Goals

## Warehousing

- Warehouse Operations is responsible for timely and reliable parts and materials distribution to all CTA maintenance facilities and stock rooms throughout the service network.

## Program Management Office and Technology

- Maintains and upgrades all CTA technology infrastructure including computer hardware, application software and communications equipment.
- Maintains bus and rail fare equipment.
- Responsible for all communication system infrastructure.

## Communications

- Customer Service provides a number of services including travel information, Chicago Card account maintenance, maps, brochures, fare updates, refunds and support for onsite public forums.
- Compiles customer feedback which is obtained via an inbound call center at 1-888-YOURCTA, [www.transitchicago.com](http://www.transitchicago.com), [www.chicago-card.com](http://www.chicago-card.com), and through U.S. mail. Call volume averages 1,100 calls daily, and the Customer Feedback Programs group responds to an average of 150 emails daily.



# Business Units and Goals

## Definitions of CTA Monthly Performance Metrics

CTA Monthly Performance Metrics		Definition
RIDERSHIP	<b>Total Ridership (monthly, in millions)</b>	Number of rides registered on the bus and rail systems. Rail ridership includes rail-to-rail transfers.
	<b>Rail Ridership (monthly, in millions)</b>	Number of rides registered on the rail system including rail-to-rail transfers.
	<b>Bus Ridership (monthly, in millions)</b>	Number of rides registered on the bus system.
	<b>Total (Year to Date, in millions)</b>	Number of rides registered on the bus and rail systems year to date. Includes rail-to-rail transfers.
	<b>Percentage Change Over Prior Year (Year to Date)</b>	Number of rides registered on the bus and rail systems year-to-date (including rail-to-rail transfers) divided by the number of rides registered on the bus and rail systems previous year, year-to-date.
ON-TIME	<b>Rail Delays of Ten Minutes or More</b>	Rail Delays of ten minutes or more reported to the Control Center by an Operator, a Controller or a Supervisor.
	<b>Percentage of Slow Zone Mileage</b>	Miles of revenue track that have slow zones divided by total revenue-track miles. Slow zones range from 6 mph to 35 mph.
	<b>Percentage of Big Gap Intervals, Bus</b>	Number of bus intervals (time between two buses at a bus stop) that are double the scheduled interval or greater than 15 minutes, divided by the total number of weekday bus intervals traveled during the month.
	<b>Percentage of Bunched Intervals, Bus</b>	Number of bus intervals (time between two buses at a bus stop) that are 60 seconds or less divided by the total number of weekday bus intervals traveled during the month.

# Business Units and Goals

CTA Monthly Performance Metrics		Definition
EFFICIENT	<b>Mean Miles Between Reported Rail Vehicle Defects</b>	Miles traveled during the month divided by the number of reported defects for the month.
	<b>Miles Between Reported Bus Service Disruptions Due to Equipment</b>	Miles traveled during the month divided by number of reported service disruptions due to equipment for the month.
	<b>Average Daily Percent of Bus Fleet Unavailable for Service</b>	Daily average number of buses unavailable for service for any reason divided by the total number of buses in the fleet.
	<b>Average Daily Percent of Rail Fleet Unavailable for Service</b>	Daily average number of rail cars unavailable for service for any reason divided by the total number of rail cars in the fleet.
SAFE	<b>Bus NTD Security-Related Incidents per 100,000 miles</b>	Number of occurrences of bomb threats, robbery, larceny, burglary or arrests/citations for fare evasion, trespassing, vandalism and assault on the bus system divided by traveled miles divided by 100,000.
	<b>Rail NTD Security-Related Incidents per 100,000 miles</b>	Number of occurrences of bomb threats, robbery, larceny, burglary or arrests/citations for fare evasion, trespassing, vandalism, and assault on the rail system divided by traveled miles divided by 100,000.
	<b>Bus NTD Safety-Related Incidents per 100,000 Miles</b>	Any event where one or more of the following occurs on the system: individual dies at the time or within 30 days of the event; one or more persons suffer bodily damage as a result of the event requiring immediate medical attention away from the scene; property damage in excess of \$25,000.
	<b>Rail NTD Safety-Related Incidents per 100,000 Miles</b>	Any event where one or more of the following occurs on the system: individual dies either at the time or within 30 days of the event; one or more persons suffer bodily damage as a result of the event requiring immediate medical attention away from the scene; property damage in excess of \$25,000.

# Business Units and Goals

CTA Monthly Performance Metrics		Definition
CLEAN	Average Interior Rail Clean Inspection Score	Monthly average Quality Inspection audit scores for the execution of Interior Cleans.
	Average Interior Bus Clean Inspection Score	Monthly average Quality Inspection audit scores for the execution of Interior Cleans.
COURTEOUS	Percentage of Customer Complaints Not Closed Out Within 14 Days	Number of open and overdue complaints (complaints not closed out by a department within 14 days) as of the last day of the month divided by the total number of complaints received during that month.
	CTA Customer Service Hotline Average Wait-time	Average number of minutes a customer waits on the CTA hotline before his/her call is answered.
	Reported Ramp Defects (Service Disruptions)	Number of reported ramp defects that result in a disruption of service.
	Percentage of Buses with Defective Automated Voice Annunciation System (AVAS)	The percent of buses that is experiencing navigation issues (not calling out stops for at least part of the day), broken operator log on screens, odometers reporting zero distance and Bus Link issues, meaning no data will be received from the bus. This does not measure defective destination signs on the front of the bus.
	Percentage of Functional Destination Signs	The percent of buses, audited by Bus Quality Control (QC), with defective destination signs.
	Reported ADA Complaints	Number of reported complaints to Customer Service identified as ADA-related.

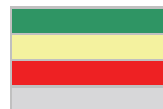
# Business Units and Goals

## 2010 Monthly Key Metrics

CTA Monthly Performance		2010 Monthly Target	2009 Monthly Average	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010
RIDERSHIP	Total Ridership (in millions)	44.9	43.4	40.5	39.6	44.5	43.7	43.2	43.8
	Rail Ridership (in millions)	18.9	16.9	15.4	15.5	17.6	17.7	17.5	18.4
	Bus Ridership (in millions)	26.0	26.6	25.1	24.1	26.9	25.9	25.7	25.4
	Total (Year to Date, in millions)	301.4	43.4	40.5	80.0	124.5	168.2	211.4	255.2
	% Change Over Prior Year (Year to Date)	1.0%	1.4%	2.8%	0.8%	-0.2%	0.8%	-0.5%	-0.5%
ON-TIME	Rail Delays of 10 Minutes or More	78	67	82	57	50	58	78	80
	% of Slow Zone Mileage	N/A	8.4%	5.9%	5.7%	5.8%	11.4%	10.3%	8.5%
	% of Big Gap Intervals, Bus	5%	3.6%	2.6%	3.6%	3.0%	3.3%	3.6%	4.2%
	% of Bunched Intervals, Bus	3%	2.3%	1.6%	2.3%	1.9%	2.3%	2.5%	2.8%
EFFICIENT	Mean Miles Between Reported Rail Vehicle Defects	4250	4200	3802	3862	4348	4786	4499	3918
	Miles Between Reported Bus Service Disruptions Due to Equipment	3000	4313	3985	5743	5634	5475	4991	4704
	Average Daily Percent of Bus Fleet Unavailable for Service	13%	11%	13%	12%	10%	12%	11%	12%
	Average Daily Percent of Rail Fleet Unavailable for Service	10%	9%	8%	7%	7%	9%	10%	10%
SAFE	Bus NTD Security-Related Incidents per 100,000 miles	N/A	0.72	0.76	1.07	0.97	0.92	0.87	0.83
	Rail NTD Security-Related Incidents per 100,000 miles	N/A	2.2	2.4	1.8	2.0	2.2	1.9	3.4
	Bus NTD Safety-Related Incidents per 100,000 Miles	N/A	0.43	0.27	0.34	0.45	0.40	0.28	0.51
	Rail NTD Safety-Related Incidents per 100,000 Miles	N/A	0.04	0.03	0.08	0.02	0.04	0.04	0.04
CLEAN	Average Interior Rail Clean Inspection Score	85%	94%	93.8%	92.8%	92.5%	93.5%	94.1%	94.3%
	Average Interior Bus Clean Inspection Score	85%	88%	87.0%	84.1%	N/A	N/A	70.8%(*)	83.9%
COURTEOUS	% of Customer Complaints Not Closed Out Within 14 Days	3%	2%	1%	3%	1%	1%	2%	3%
	CTA Customer Service Hotline Average Wait-time	0:02:00	0:01:52	0:01:54	0:01:18	0:00:52	0:01:27	0:01:43	0:01:44
	Reported Ramp Defects (Service Disruptions)	N/A	121	162	84	95	79	56	87
	% Buses with Defective AVAS	2%	1.7%	1.4%	1.2%	1.2%	1.5%	1.2%	1.2%
	Reported ADA Complaints	N/A	37	37	43	76	55	35	95

### Legend

- Meeting or exceeding target:
- Within 10% of target:
- Missing target by more than 10%:
- Measure does not have a target:



### Footnotes

(\*)The bus interior clean process and scorecard were redesigned in Spring 2010. May 2010 was the first month under the new scoring system.

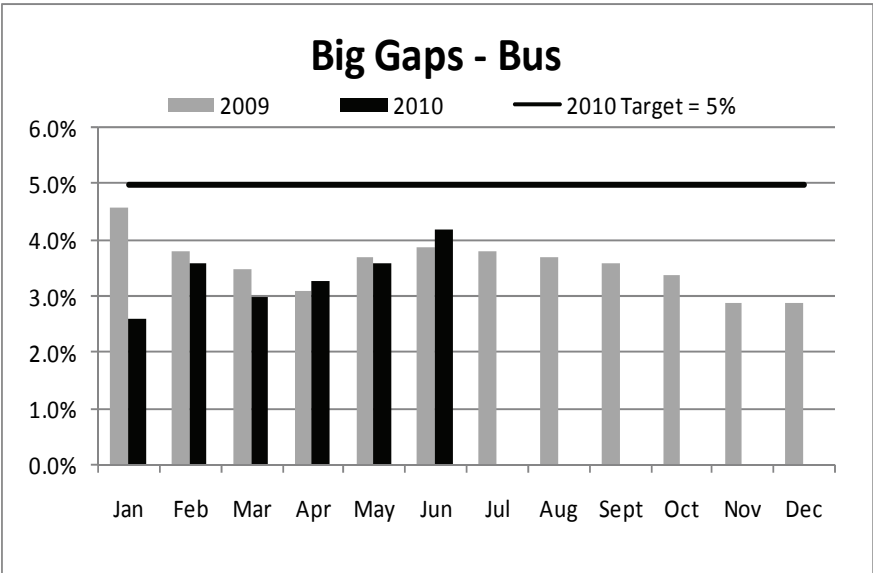
# Business Units and Goals

## 2010 Performance by Department

### Bus Operations

Bus Operations is responsible for providing over 300,000,000 rides per year, or over 60 percent of all rides taken on the CTA system. Customers rely on the CTA's buses daily for commuting to and from work, as well as for errands and recreational trips. The CTA recognizes that customers value frequent, on-time service.

To ensure that customers can depend on buses running on-time, Bus Operations continually monitors the reliability of service. One measure which is tracked regularly is the amount of "big gaps" experienced by our customers each day. A "big gap" is defined as an instance when the time in between buses is more than double the scheduled interval, or a gap of more than 15 minutes. In 2009, Bus Operations decreased big gaps of all bus runs to five percent or less. In fact, big gaps were four percent or less in most months.



Bus Operations enhanced its 2010 on-time performance by continuing to conduct weekly sessions at each garage with Bus Operators, Bus Service Management, Planning, and Senior Bus Management. These weekly sessions helped ensure that each person responsible for maintaining reliable bus service, from the management down to the operators, was informed of goals and performance, while having a platform for reporting issues and brainstorming solutions. In addition, Bus Service Management leverages technology, such as Bus Tracker, to monitor the routes and make real-time adjustments to service.

In 2009, Bus Operations maintained a big gaps average of 3.5 percent and continued this level of performance through mid-year 2010. The target for big gaps in 2011 is four percent or less.

Bus Operations Performance Measures	2010 Target	2010 Current Performance June 2010	Service Level with Proposed Budget
(On-Time) % of Big Gap Intervals	5.0%	3.2%	4.0%
(On-Time) % of Intervals Bunched	3.0%	2.1%	3.0%

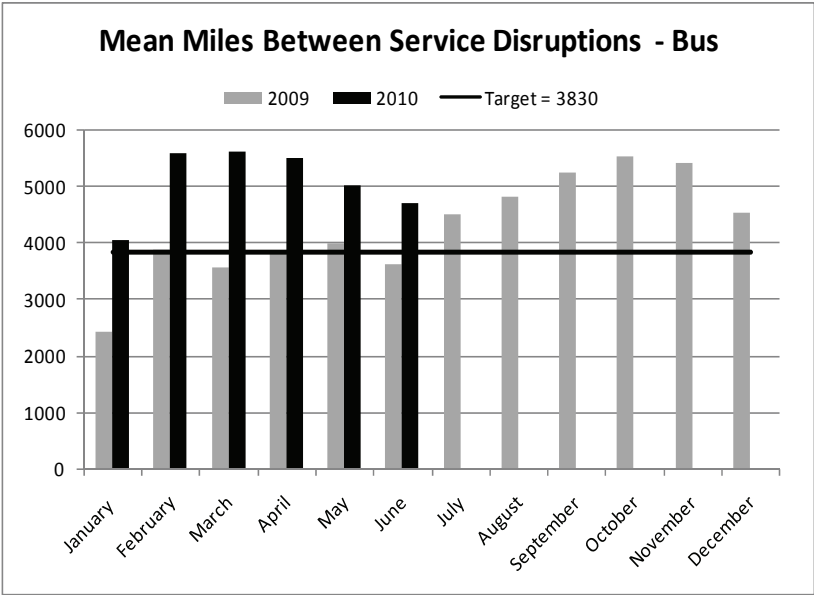
# Business Units and Goals

## Bus Maintenance

The safety and reliability of our buses is paramount. Bus Maintenance is responsible for the maintenance of the CTA bus fleet which is composed of over 1,800 buses. This includes both the mechanical maintenance and regular cleaning of bus interiors and exteriors. As part of the performance management process, Bus Maintenance set a goal of providing a fleet reliability of 3,830 miles between service disruptions in 2010. A service disruption is classified as any mechanical failure that requires the bus to be inspected or repaired by a bus mechanic outside of its normal inspection cycle.

In early 2009, the bus fleet was running an average of approximately 2,500 miles between service disruptions. A target of 3,000 miles between service disruptions was set at that time. By fall 2009, Bus Maintenance had exceeded this goal and the fleet average increased to an average of 5,000 miles

between service disruptions. Bus Maintenance has exceeded its goal of 3,830 miles between service disruptions for the first 6 months of 2010. The target will increase to 4,300 miles between service disruptions in 2011.



Bus Maintenance Performance Measures	2010 Target	2010 Current Performance June 2010	Service Level with Proposed Budget
Miles between Service Disruptions due to Maintenance	3,830 miles	5,166 miles	4,300 miles
Bus Interior Clean Quality Inspection Score	85%	81.5%	85%

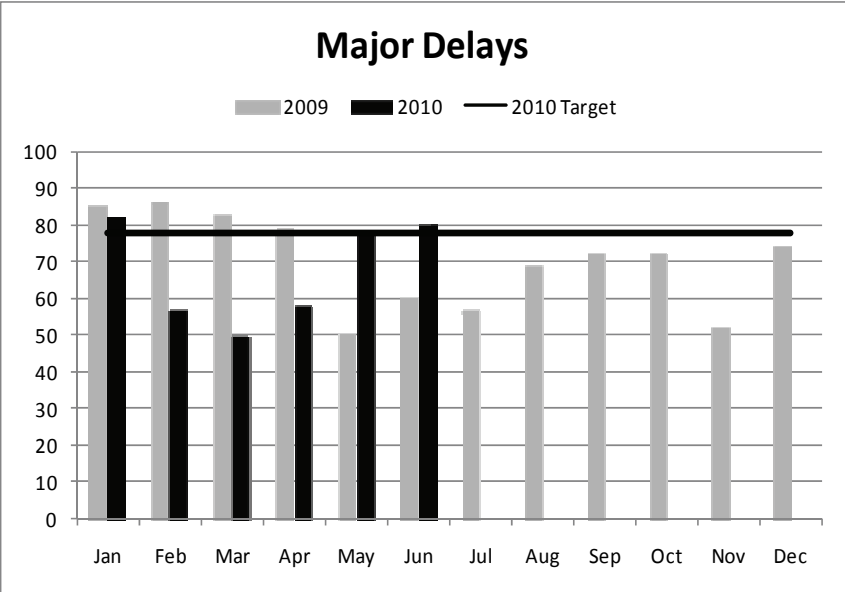
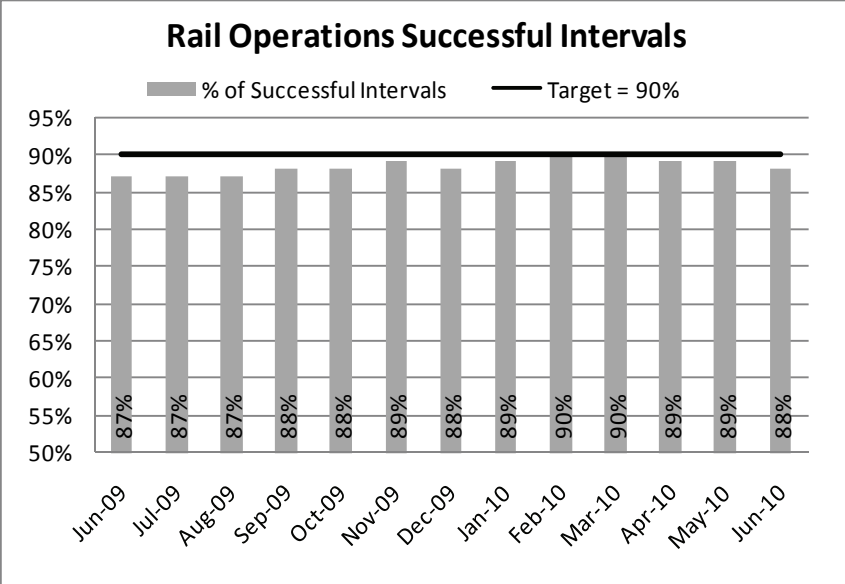
# Business Units and Goals

## Rail Operations

Rail customers expect the CTA's trains to provide frequent, fast service. In order to constantly improve the rail customer's experience, Rail Operations continues to focus on two main goals: 1) reducing major delays, or delays to service that exceed ten minutes; and 2) improving on-time performance.

In mid-2009, Rail Operations began looking at new 'on-time' performance metrics. One new metric is the 'Percent of Successful Intervals.' A train interval is considered 'successful' if the train arrives within 2 minutes of schedule for intervals less than 5 minutes and within 5 minutes of schedule for intervals over 10 minutes.

For 2009-2010, a target of 90 percent or greater was set for rail 'successful intervals.' For the first six months of 2010, Rail Operations has had a 'successful intervals' average of 89.2 percent.



Rail Operations continues to look at major delays, or a delay of 10 minutes or greater. The target in 2010 was 78 or fewer major delays per month. Average monthly delays for 2010 are well below the target at 68 per month. Increases in the major delays for the months of May and June 2010 were driven by an increase in passenger-related delays.

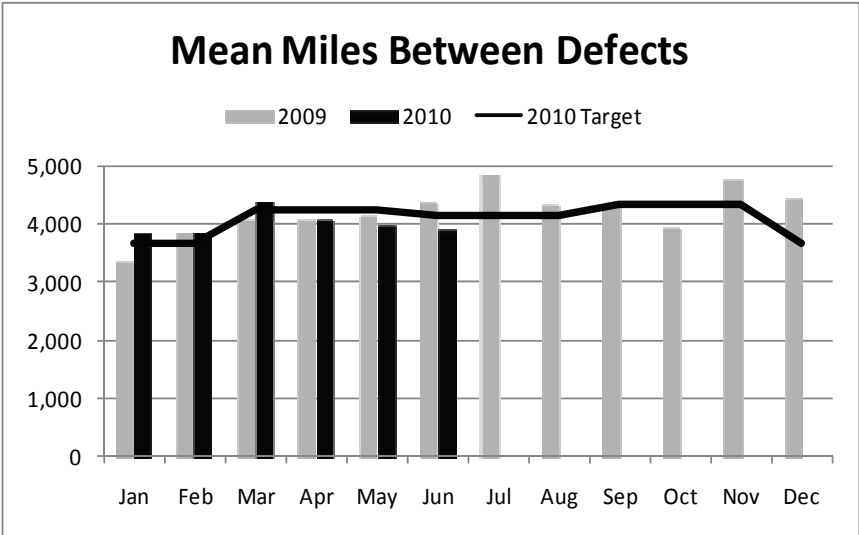
Rail Operations Performance Measures	2010 Target	2010 Current Performance June 2010	Service Level with Proposed Budget
% of Successful Intervals	90%	89.2%	90%
% of Successful Run-Times	91%	87.0%	91%

# Business Units and Goals

## Rail Maintenance

Rail Maintenance is responsible for maintaining the safe mechanical functioning of the CTA's trains as well as regular cleaning and heavy maintenance repairs or rebuilds of train systems. A well-maintained, clean train minimizes delays and provides a safe and comfortable environment for passengers. Rail Maintenance continues to focus on improving the Mean Miles Between Vehicle Defects (or the miles a train runs on average before it encounters a defect to one of its systems). Due to the impact of weather on the train's systems, the target for mean miles between vehicle defects is adjusted seasonally. In 2009, the year-end target was 4,000 mean miles between defects. Rail Maintenance began 2010 with an increased average monthly target of 4,100 mean miles between defects. As seen in the graph below, the monthly targets for Mean Miles Between Defects are adjusted seasonally to account for the impact of weather on rail equipment.

To reach this goal, Rail Maintenance has enhanced focus on preventive maintenance and reducing the most common defects as well as repeat defects (or a defect to the same system twice within a month). Rail Maintenance met its monthly target through March of 2010. In April, mean miles between defects dropped below the target, due to an increase in



propulsion and braking defects. They are currently focused on:

- Reducing A/C filter usage by outfitting the fleet with pre-filters that help keep the system from clogging with foreign objects.
- Changing the focus of inspections to miles on the road, instead of days between inspections, to help reduce the number of defects.
- Upgrading and replacing the electronic cards under warranty that affect the operation of the doors.
- Performing the winter door preparation procedure that was refined in the fall of 2009 to provide more reliable performance of the doors in the winter.

Rail Maintenance Performance Measures	2010 Target	2010 Current Performance June 2010	Service Level with Proposed Budget
Mean Miles Between Defects	4,100	3,980	4,100
Rail Interior Clean Quality Inspection Score	85%	93.5%	85%



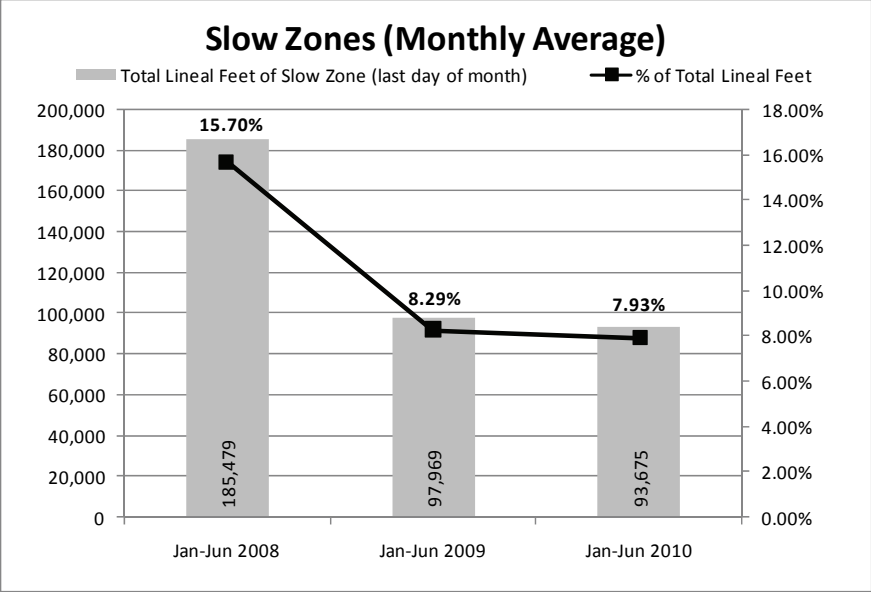
# Business Units and Goals

## Power and Way

Power and Way is responsible for maintaining the rail infrastructure, including the track, structure, power and signal system. As part of the performance management process, a large focus for Power and Way has been minimizing slow zones across the rail system. Eliminating slow zones not only makes a rail passenger’s trip faster, it also makes his or her trip smoother and more comfortable, by replacing or repairing old rail and ties.

At the end of 2008, slow zones had been reduced to 7.1 percent of our system.

By focusing efforts on repairing and replacing track in some of the oldest areas in the



system, including the Dearborn Subway, Power and Way was able to reduce system slow zones to 5.9 percent by the end of 2009. With the reduction in capital funding in 2010, the CTA increased the slow zone target to 12 percent. Performance in the first half of 2010 has remained below the target and comparable to performance in the first half of 2009. Due to even less capital-funding in 2011, the slow zone target will increase slightly to 13.3 percent for 2011.

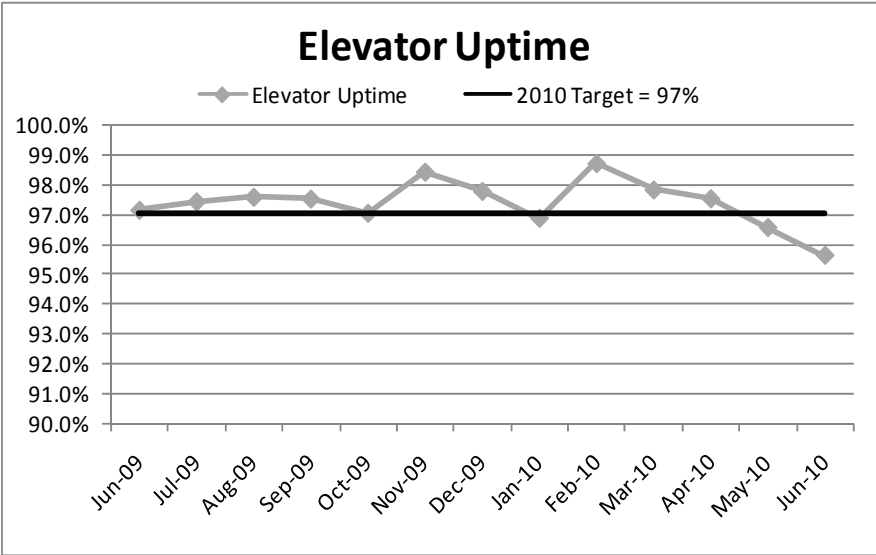
In order to keep slow zones to a minimum in 2011, Power and Way will focus on the renewal of sections of track on the Englewood; track stabilization work on the Dan Ryan; and tie renewal at Logan Square and along sections of the North Main Line.

Power and Way Performance Measures	2010 Target	2010 Current Performance June 2010	Service Level with Proposed Budget
% Slow Zones	12% by year end	7.93%	13.3%

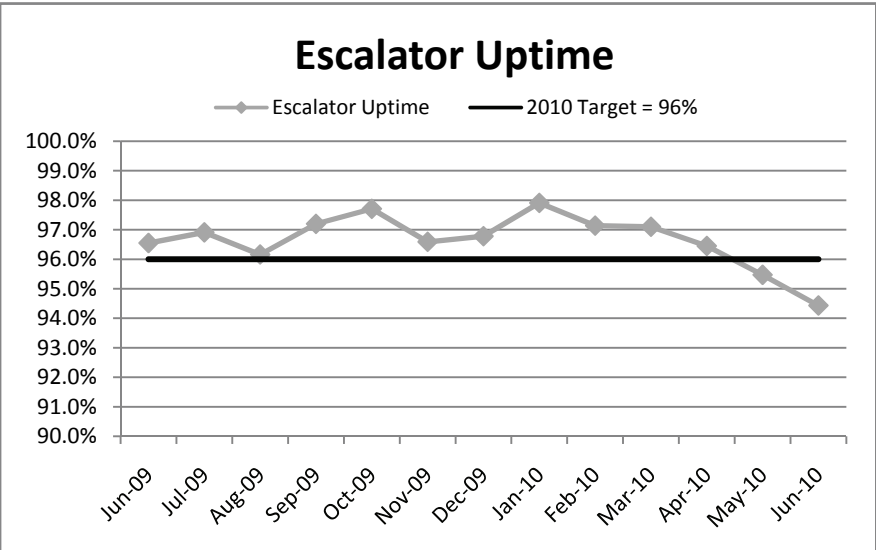
# Business Units and Goals

## Facilities

The Facilities department provides day-to-day real estate management, including cleaning and mechanical maintenance of all rail stations and CTA facilities to preserve and maintain the value of CTA property. One important function of the Facilities Department is the maintenance of elevators and escalators to ensure accessibility and comfort for the customer. The elevator and escalator equipment on the CTA ranges from brand-new elevators installed along the Brown Line to escalators in the Red Line subway dating back to 1943. Escalators are maintained in-house, while elevators are inspected by CTA personnel and maintained by an outside contractor.



The Facilities department set a goal of 97 percent uptime for elevators and 96 percent uptime for escalators in 2009. These metrics mean that elevators should be available at least 97 percent of the time that stations are open for service, and escalators should be available at least 96 percent of the time. The Facilities Department met or



exceeded its goals for both elevator and escalator up-time ten out of the last 12 months from June 2009 – June 2010. Elevator and Escalator up-time targets will remain unchanged in 2011.

Performance in both elevator and escalator uptime saw a small dip from May-June 2010. These decreases were driven by equipment rehabilitation efforts. Over the course of May and June, three system escalators were removed from service for reconditioning (two in the Loop and one at Forest Park terminal). Over this same period of time, the elevator at Adams/Jackson was removed from service for the installation of a new elevator cab.

# Business Units and Goals

Real time information on elevator and escalator accessibility is available to customers on the CTA web site or by contacting Customer Service.

<b>Facilities Performance Measures</b>	<b>2010 Target</b>	<b>2010 Current Performance June 2010</b>	<b>Service Level with Proposed Budget</b>
Elevator Up-Time	97%	97.2%	97%
Escalator Up-Time	96%	96.4%	96%

## Program Management Office and Technology

The Program Management Office (PMO) and Technology Department provide necessary solutions and services to support the CTA and its riders.

In 2010, PMO and Technology undertook the installation of high definition cameras at 144 CTA train stations. By May 31, 2010 all stations were equipped with cameras to help improve the safety and security of CTA customers.

PMO and Technology plans to have nearly 3,000 cameras installed by the end of 2010. The cameras are high definition and are linked real-time to the CTA's control center, the Chicago Police Department and the City of Chicago's 911 center. The goal is to eventually have multiple cameras at each station, depending on station size and layout.

In addition to technology infrastructure upgrades, PMO and Technology is also responsible for the day-to-day reliability of CTA applications and online tools. The CTA Bus Tracker application posted an annual average availability of 99.58 percent for its second year; this was slightly higher than last year's average of 99.28 percent. CTA Bus Tracker is now available by e-mail and text messaging to riders.

PMO and Technology set a goal of reducing the instances of fare equipment occurrences to a minimum of 18,000 transactions between occurrences for 2010. An occurrence can be defined as a damage done to revenue-equipment property which prevents normal functioning. The department met and exceeded its goal since January 2010 for a monthly average of 25,113 transactions between occurrences in 2010.

<b>Measure</b>	<b>2010 Target</b>	<b>2010 Current Performance June 2010</b>	<b>Service Level with Proposed Budget</b>
Bus Tracker Application Availability	99.50%	99.59%	99.60%
Transactions between Fare Equipment Occurrences	18,000 or more	25,113	21,000

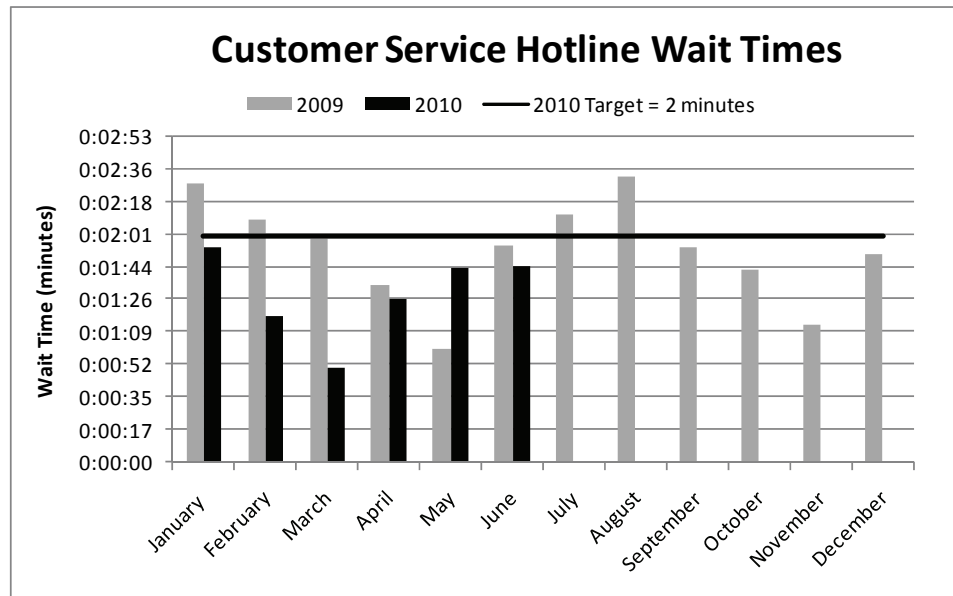
# Business Units and Goals

## Communications

Communications manages the CTA Customer Service Hotline, 1.888.YOURCTA. This hotline is one of the main ways in which customers can receive information about CTA service and provide feedback on the quality of their experience.

The CTA recognizes that when customers call our Customer Service Hotline, they

expect prompt and courteous service. In 2009, the Customer Service Department set a goal of providing agent assistance for all incoming calls within two minutes. By carefully managing representative time spent on the phone as well as improving the information available to representatives, Communications was able to meet its goal with a yearly average wait time of one minute and 52 seconds.



Communications Performance Measures	2010 Target	2010 Current Performance June 2010	Service Level with Proposed Budget
Average Call Response Time-Overall	2:00	1:29	2:00
Average Call Response Time-General Inquiries	2:00	1:19	2:00
Average Call Response Time-Chicago Card	2:00	1:39	2:00

# President's 2012-2013 Proposed Operating Financial Plan

## INTRODUCTION

While service adjustments were necessary to balance the 2010 budget, there are no further service reductions planned in the 2011 budget. Through a bonding agreement with the State of Illinois and the Regional Transportation Authority, the CTA is again able to hold fares steady in 2011.

While the effects of the economic recession have been felt across all transit agencies, the CTA minimized the impact on riders by first cutting administrative and internal costs, as well as enhancing efficiency. We have implemented strict controls to contain our labor costs including aggressively managing overtime, closely monitoring hiring, and requiring unpaid days for non-union employees. And through the efficient and disciplined management of contracts, we continue to realize savings on materials and fuel.

In addition to internal cost controls, the 2011 operating budget will again use eligible federal capital funds to help achieve a balanced budget. Under normal times, the use of scarce capital funds for operating is not desirable given that the CTA has an unfunded capital need of nearly \$7 billion. But these are not normal times, and we are doing all that we can to provide the critical services that our customers rely on now more than ever.

Through belt tightening, disciplined management and the transfer of eligible capital resources, the CTA will preserve service and hold fares steady in 2011. But as you can see in the financial plan that follows, these actions alone will not be enough to balance the budget as we look ahead to 2012 and 2013. Unless the economy improves significantly, the next several years will be challenging. Tough choices still lie ahead.

The plan for 2012 and 2013 reflects management's ongoing control of expenses, but cooperation from the CTA's union partners will be essential to reduce costs as well. This is because labor costs account for approximately two-thirds of the CTA's total operating expenses and nearly 90 percent of the CTA workforce is unionized.

Additionally, the CTA will need the commitment and support of both the federal and state governments to provide critical funding to help move us beyond the immediate economic crisis. Due to the recession, public transit agencies across the country are facing unprecedented budgetary challenges. Yet, it remains vital that these agencies connect people to jobs and their communities, thus helping to support an economic recovery.

The proposed budget is based on representations by the Governor's Office that the State of Illinois will pay all 2010 PTF and reduced fare subsidy owed to the RTA and CTA by the end of 2010.

# President's 2012-2013 Proposed Operating Financial Plan

## OPERATING EXPENSES

The President's proposed operating expenses are \$1.369 billion and \$1.394 billion respectively for 2012 and 2013.

**Labor expenses**, which account for approximately two-thirds of the CTA's total operating expenses, are composed of wages, health care, pension, worker's compensation, and payroll taxes for social security (FICA). For the third consecutive year, non-union employees will forego wage increases in 2011, and will again be required to take up to 12 unpaid furlough days and six unpaid holidays.

The current union contracts expire December 31, 2011. Therefore, labor rates for the bulk of the labor force are predictable throughout 2011. Per the labor agreement with the Amalgamated Transit Union (ATU), covered employees will receive a 3.5 percent increase on January 1, 2011.

Wage rates for members of the CTA Craft Coalition will be equal to the applicable prevailing wage rates for the region as determined each year by the US Department of Labor. Prevailing wage rates will go into effect on July 1, 2011 for all Coalition members except members of Teamsters Local 700 and Machinists District 8. Prevailing wage rates will go into effect for Teamsters and Machinists on January 1, 2011.

While labor costs are relatively predictable for 2011, they are uncertain for 2012 and 2013. This plan assumes a modest overall increase of 1.5 percent. Containing and controlling labor costs must be part of any sustainable budget plan for the CTA. The CTA will pursue cost reductions and productivity gains through collective bargaining. Pension costs, another portion of labor costs, are determined by actuarial valuation each year.

While the CTA has lowered healthcare costs through such means as joint purchasing alliances with the City of Chicago and other sister agencies, these costs continue to increase. As previously stated, this plan assumes that overall labor costs will rise by 1.5 percent per year. The cost to provide healthcare is a meaningful component of the CTA's overall labor costs which will, therefore, need to be controlled as well. To aid in controlling these costs, the CTA will seek to restructure benefits and pursue additional cost sharing through labor negotiations.

**Materials** are purchased and used to maintain the CTA bus and rail fleet, rail tracks, facilities, stations and fare revenue equipment. As the CTA's infrastructure, facilities and equipment age, operation and maintenance costs increase. While the CTA has benefitted from the recent investments made in its bus fleet, unless the CTA reaches a state of good repair across its entire system, it will continue to face increased operating and maintenance expenses. Inflationary pressure increases material costs as well. To help offset this impact, the CTA continues to implement supply chain improvements that help to mitigate rising material costs. All contract bids are reviewed thoroughly before being awarded to ensure that the CTA is getting the best price possible, and that we are purchasing only the required quantities. Due to these efforts, the CTA projects materials costs to rise modestly to \$ 74.2 million in 2012 and \$75.7 million in 2013.

# President's 2012-2013 Proposed Operating Financial Plan

The proposed budget for 2011 projects **fuel** costs to be \$54.5 million. This is based on an estimated consumption of 17.75 million gallons at an average cost of \$3.07 per gallon. The proposed financial plan projects fuel costs to equal \$56.1 million in 2012 and \$57.8 million in 2013. For a variety of reasons, fuel prices can be volatile. The CTA mitigates this risk through the strategic use of hedging instruments to ensure a reasonable degree of budget certainty. In recent years, hedging has saved the CTA a considerable amount of money. In 2010 alone, through a series of strategic hedges early in the year, the CTA fixed 89 percent of its estimated consumption at \$2.95 per gallon versus a budget of \$3.82 per gallon, resulting in significant savings. This financial plan assumes a continuation of these hedging strategies.

In 2012 and 2013, the CTA projects **electric power** costs to be \$30.7 million and \$31.3 million, respectively. As with diesel fuel, the CTA uses hedging techniques to mitigate the impact of severe price fluctuations. In 2010, actual costs are projected to be less than the budget as a result. Prices are expected to remain relatively flat throughout 2011. This financial plan projects a modest two percent annual increase in 2012 and 2013.

Funding for the **provision of injuries and damages** in 2012 is \$30.6 million and is expected to increase approximately two percent in 2013 to \$31.2 million. The amount needed to fund this reserve is a function of actual experience, the projected future balance in the reserve and the liabilities projected for the following year.

The CTA estimates **security services expenses** will increase approximately two percent in 2012 and an additional two percent in 2013, bringing the cost of security to \$34.8 million in 2012 and \$35.5 million in 2013.

**Other expenses** include utilities, advertising, equipment, software maintenance, accounting, engineering, legal, banking fees and commissions, interest on the outstanding pension obligation bond and other consulting services. Other expenses are projected to be \$205.1 million in 2012 and \$211.3 million in 2013.

## OPERATING REVENUE

### System-Generated Revenues

Fare revenue is expected to increase to \$622.1 million in 2012 and remain constant in 2013. The increase in 2012 reflects the elimination of the \$83 million in State funding provided in 2010 and 2011 as part of the CTA's agreement with the State to hold fares constant for two years. The replacement of this funding is expected to come from a combination of a fare increase and increased ridership.

This plan assumes that the **reduced fare subsidy** will be \$28 million in both 2012 and 2013, constant with that which is expected in 2011.

The CTA continues to focus its efforts on producing revenue from areas other than the farebox, such as **advertising, charters and concessions**. Currently, the CTA derives revenue from advertisements on buses, trains and stations, as well as from concessions. These additional opportunities include offering certain naming and branding rights, as well as other forms of advertising and concessions. Unfortunately, the economic recession has impacted the CTA's

# President's 2012-2013 Proposed Operating Financial Plan

efforts to increase revenue in this category, as corporations have been forced to reduce their spending on these activities. Accordingly, this plan reflects that revenues in these areas will increase as the economy begins to recover. Revenues are expected to increase to \$21.6 million in 2012 and \$25 million in 2013.

As in 2010, **investment income** is expected to be lower than historical levels due to reduced cash on hand and historically low interest rates. Accordingly, investment income is expected to be \$867,000 in 2012 and \$884,000 in 2013.

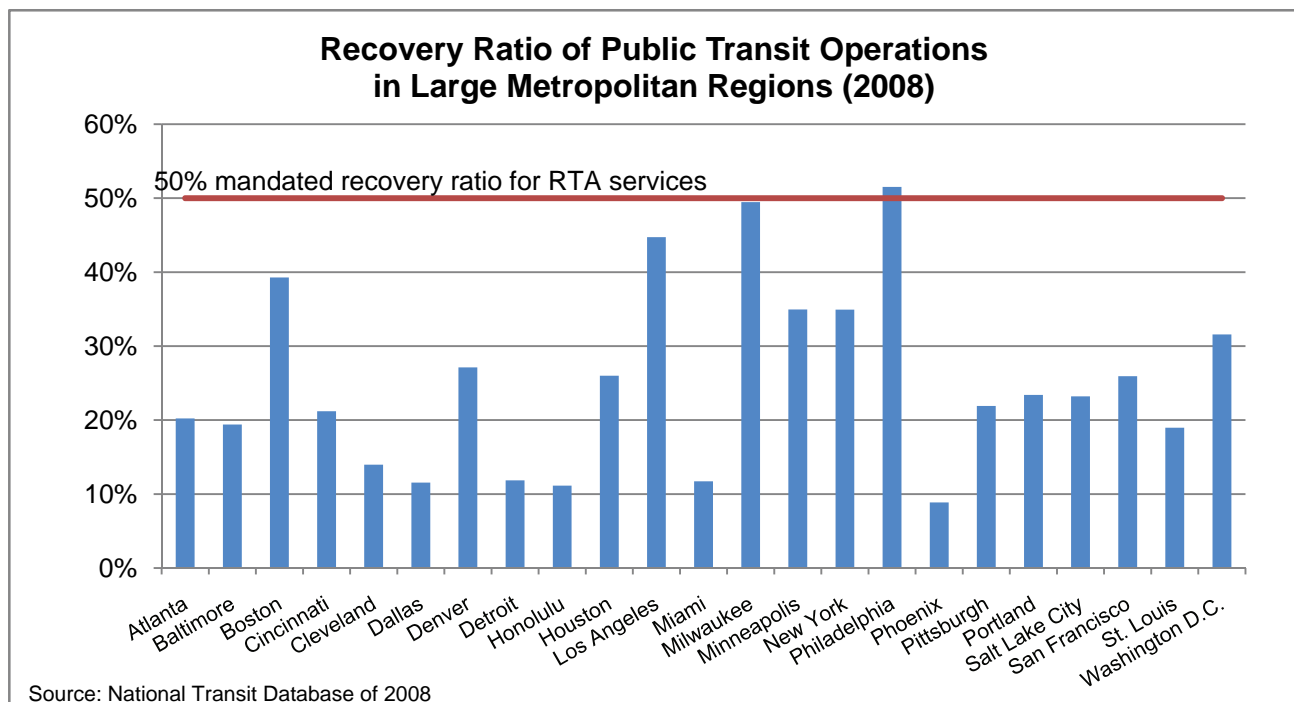
**Statutory required contribution** revenues are forecast to continue to be \$5 million per year. The Regional Transportation Authority Act requires that the City of Chicago contribute \$3 million annually and that Cook County contribute \$2 million annually to CTA operations.

**Other revenues** are projected to be \$35.7 million in 2012 and \$36.1 million in 2013. These revenues are derived from parking fees, rental properties, third-party contractor reimbursements, fees from filming, a non-capital annual grant from the RTA and other miscellaneous revenues.

## Public Funding

Public funding through the RTA statutory formula is estimated to be \$547.7 million in 2012 and \$544 million in 2013. The CTA expects to receive \$529.3 million in 2011.

The **recovery ratio** measures the percentage of expenses that a service board must pay against revenue that it generates. System-generated revenues, operating expenses and certain statutory exclusions are used in the calculation. The RTA Act requires the region to fund 50 percent of its expenses through revenues generated by the RTA and its three Service Boards.





# President's 2012-2013 Proposed Operating Financial Plan

As the graph indicates, this is considerably higher than the recovery ratio required in other transit agencies across the country.

The RTA assigns each Service Board recovery ratio targets when it issues the funding marks required by the Act. While the RTA has set a required recovery ratio target of 50 percent for the CTA, the estimated recovery ratios in 2012 and 2013 are 62 percent and 61.8 percent, respectively, considerably higher than the requirement. As public funding declines, it is necessary for the CTA to raise system-generated revenues, thus increasing our recovery ratio.

The recovery ratios in other regions throughout the country are far lower than the required recovery ratio for the CTA. This is, of course, a function of the level of public tax support for transit in these other regions. The Chicago region is one of a few in the country with a legislatively mandated recovery ratio of at least 50 percent. The CTA, Metra and Pace together have a higher recovery ratio than almost every other metropolitan region in the United States, even when accounting for different methodologies used in calculating the ratios.

The recovery ratio has significant implications on the delivery of the CTA's services. The CTA's expenses routinely grow as the cost of labor (wages, pension, health care, etc.) increases. External factors cause our expenses to increase as well, including the cost of fuel. At the same time, our revenues are affected by the economy as we have seen over the past few years. Public funding, tied to both sales tax and real estate sales, has steeply declined and has not kept pace with the growth of our expenses. To meet the recovery ratio requirement, the CTA is left with few options but to reduce expenses through service cuts or to raise system-generated revenues by increasing fares. Both of these choices hurt our customers and they are counter productive to our larger goal of increasing ridership and reducing congestion.

**Accounting Notes:** The CTA's ongoing operations are accounted for on a proprietary fund basis. Operations are financed and operated similar to a private business, where the intent is that the costs of providing services to the public should be recovered through user charges. The full accrual accounting method is used, recording revenues when earned and expenses when incurred.

# President's 2012-2013 Proposed Operating Financial Plan

## President's 2012-2013 Proposed Operating Financial Plan Schedule

(in thousands)

	<u>Forecast 2010</u>	<u>Proposed Budget 2011</u>	<u>Plan 2012</u>	<u>Plan 2013</u>
<b>Operating Expenses</b>				
Labor	\$ 834,974	\$ 931,179	\$ 937,242	\$ 951,320
Material	82,276	72,762	74,217	75,702
Fuel	58,121	54,487	56,122	57,805
Power	36,226	30,070	30,671	31,285
Provision for Injuries and Damages	43,000	15,000	30,600	31,212
Purchase of Security Services	33,185	34,109	34,791	35,487
Other Expenses	172,367	200,149	205,103	211,304
<b>Total Operating Expenses</b>	<b>\$ 1,260,149</b>	<b>\$ 1,337,756</b>	<b>\$ 1,368,746</b>	<b>\$ 1,394,115</b>
<b>System Generated Revenue</b>				
Fares and Passes	\$ 518,660	\$ 523,660	\$ 622,133	\$ 622,133
Reduced Fare Subsidy	28,000	28,000	28,000	28,000
Advertising, Charter & Concessions	18,900	18,924	21,552	24,984
Investment Income	850	850	867	884
Statutory Required Contributions	5,000	5,000	5,000	5,000
All Other Revenue	18,400	35,817	35,713	36,070
<b>Total System Generated Revenue</b>	<b>\$ 589,810</b>	<b>\$ 612,251</b>	<b>\$ 713,265</b>	<b>\$ 717,071</b>
<b>Public Funding Required for Operations</b>	<b>\$ 670,339</b>	<b>\$ 725,505</b>	<b>\$ 655,481</b>	<b>\$ 677,044</b>
Transfer from Capital - Preventive Maintenance	90,000	113,200	57,800	70,000
Fare Agreement with State	83,000	83,000		
To Be Determined Revenue			50,000	63,000
Public Funding Available through RTA	497,339	529,305	547,681	544,044
<b>Total Funding</b>	<b>\$ 670,339</b>	<b>\$ 725,505</b>	<b>\$ 655,481</b>	<b>\$ 677,044</b>
Recovery Ratio*	55.20%	54.60%	62.00%	61.80%
Required Recovery Ratio	50.00%	50.00%	50.00%	50.00%
<b>Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\*Recovery ratio is calculated by dividing System Generated Revenues over Operating Expense. The calculation includes in-kind revenues and expenses for security provided by the City of Chicago, excludes security expense, POB debt service and includes some grant revenues.

# President's 2011-2015 Proposed Capital Improvement Program

## INTRODUCTION

The proposed 2011-2015 Capital Improvement Program (CIP) identifies and allocates available capital funds for key capital renewal and improvement needs of the CTA system to yield the greatest customer benefit. The capital program is funded from three sources:

- **Federal Transit Administration (FTA)**
- **Regional Transportation Authority (RTA)**
- **State of Illinois (IDOT)**

The proposed CIP totals \$2.6 billion, with projects to eliminate slow zones, renew the CTA's assets, enhance system security, overhaul and replace the fleet and bring the system closer to a state of good repair.

The 2010 capital program funded \$158.5 million of capital-eligible activities in the operating budget. The 2011-2015 program proposes \$246.1 million of capital funding for preventive maintenance, helping to balance the operating budget and to avoid service reductions. The transfer of capital funds to the operating budget will slow continued progress toward a state of good repair, but is prudent given the current economic situation.

An estimated \$6.8 billion remains unfunded during the five-year period of this CIP. Funding available in this CIP will only partially meet the CTA's need to bring its system to a state of good repair. Given capital funding projections for the five years beyond the current five-year program, unmet needs will have grown by an additional \$6.4 billion. The CTA has undertaken a thorough and systematic evaluation of the additional funding needed to reach a state of good repair. Vital projects affecting the quality of service, such as track and track bed renewal, fleet replacement, replacement of subway ventilation systems, viaduct renewal, and rail station upgrades, remain unfunded. In addition, to meet the needs of future growth in the region, the CTA needs \$4.3 billion for key expansion projects, which include the Circle Line and Red, Orange and Yellow Line extensions. These projects will require a substantial local funding base that currently does not exist. Maintaining the existing bus and rail system is a top priority; however, it is also important to improve the connectivity and usefulness of the system by adding strategic connections and line extensions that serve the entire Chicago region.

## CTA State of Good Repair Standards

Despite recent financial challenges, the CTA continues to work toward achieving a state of good repair so that our system will operate safely, efficiently and reliably for the benefit of our customers. The CTA's priorities are based on the following:

- **Rail lines should be free of slow zones and should have reliable signal systems;**
- **Buses should be rehabbed at six years and replaced at twelve years;**

# President's 2011-2015 Proposed Capital Improvement Program

- Rail cars should be rehabbed at quarter and mid-life intervals, and replaced at 25 years;
- Rail stations should be comfortable and secure, and replaced or rehabbed at 40 years;
- Service management systems should be modern and reliable; and
- Maintenance facilities should be replaced at 40 years (or 70 years if rehabbed).

Meeting and maintaining these standards improves the comfort and reliability of the services which the CTA provides its customers, and reduces operating and maintenance costs. Prudent investment strategies address both visible signs of an aging system, such as station roofs in disrepair, as well as less visible signs, such as leaking tunnels and overburdened power and communication systems.

The proposed CIP strives to maintain a balance between investing in upgrades to existing infrastructure and responding to service needs that are visible to our customers. Given the advanced age of many of the CTA assets and the limited resources available for capital needs, the proposed projects are crucial in the maintenance of current service, as well as for needed strategic-service expansion. However, given the recent and current constraints on capital funding, it is more difficult to achieve this balance each year.

## Unfunded Capital Need

The CTA continuously examines the condition of its capital assets by updating cost estimates, project schedules and asset conditions. The result is an annual reevaluation of the level of infrastructure investment needed to provide safe and reliable service to help meet the region's growing transit needs.

*Illinois FIRST* took the CTA from funding only 19 percent of its capital need in 1999 to funding nearly 60 percent by 2004, which allowed the CTA to make significant progress in improving its capital infrastructure. With the expiration of *Illinois FIRST* in 2004, State capital funds were no longer available to match Federal programs, resulting in an increased, unfunded need. The CTA's FY 2005-09 capital budget noted \$5.1 billion in total state of good repair need,

### ***CTA's infrastructure continues to age – parts are more than 100 years old***

#### **1892-1920**

***Elevated rail system,  
Archer and 77<sup>th</sup> Street Garages,  
South Shops and West Shops***

#### **1940-1960**

***State and Dearborn Subways,  
Blue Line-Congress Branch,  
North Park and Forest Glen Garages***

#### **1969-1970**

***Red Line-Dan Ryan Branch,  
Blue Line-O'Hare Branch (to Jefferson  
Park)***

#### **1983-1984**

***Blue Line-O'Hare Branch (to O'Hare)***

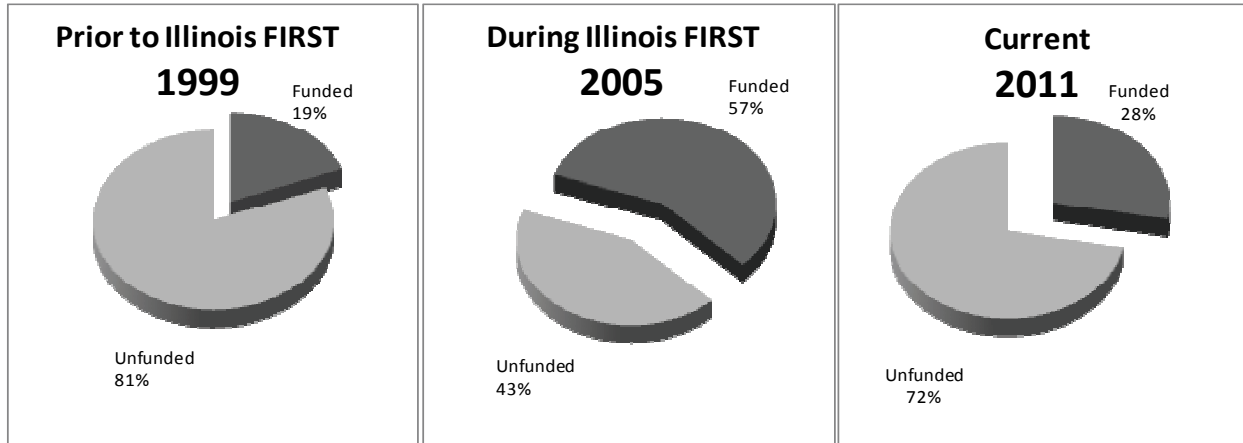
#### **1993**

***Orange Line to Midway***

# President's 2011-2015 Proposed Capital Improvement Program

with \$2.9 billion funded and \$2.2 billion unfunded. This 2011–2015 CIP projects \$9.4 billion of total state of good repair need, with \$2.6 billion funded and \$6.8 billion unfunded. Thus, the current portion of the CTA's need, which will be funded, has dropped from 57 percent to 28 percent.

Funded vs. Unfunded



Every year that funds are not available for the CTA to fully address its capital needs, the asset base ages further, increasing the cost to reach a state of good repair, and increasing the operating costs required to maintain the aging infrastructure. Each year, some asset classes, which were previously in a state of good repair, fall into further disrepair. In 1998, only 150 of the CTA's 1,190 rail cars were considered past their useful life. By the end of FY 2010, 768 rail cars will have reached 25 years and should be replaced. Procurements funded in the FY 2011-2015 CIP will replace 350 of those over-age cars. By 2012, 582 rail cars will have reached the end of their useful life and, by the end of 2017 an additional 257 rail cars will have reached the end of their useful life, also needing replacement.

## A Renewed State Capital Program Provides Essential Funding

The Federal funds available under a successor to *SAFETEA-LU* will require approximately \$335 million in non-Federal matching funds to fully utilize the Federal formula funds. Additional funds will also be required to match Federal New Starts or proposed Federal Infrastructure funds for new lines and extensions, or major rehabilitations of existing lines.

The State of Illinois has authorized a capital construction bond program, *Illinois Jobs Now*, which includes funding for mass transit agencies to replace, upgrade and enhance infrastructure systemwide. This program authorizes state funding over a five-year period, which starts in FY 2010 and ends in FY 2014. In 2010, the CTA received an appropriation of \$253.7 million under this program. In anticipation of future-year appropriations, \$285.5 million of funding is programmed each year for 2011-2014.

In 2010, State funds provided for upgrades to rail stations, including items such as: escalators, stairs, canopies and roofs; upgrades to the traction power grid at key locations on the rail system; rehabilitation of over-aged track and structure; implementation of a train tracking

# President's 2011-2015 Proposed Capital Improvement Program

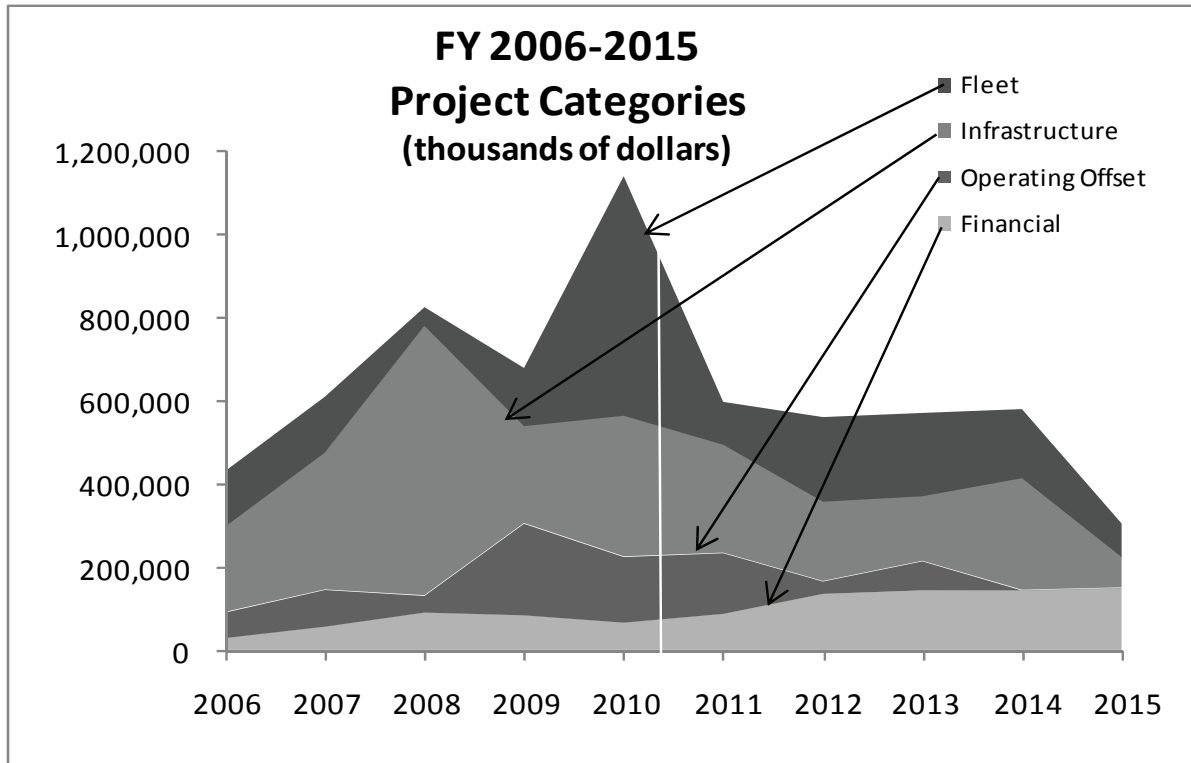
system; enhancements to the security surveillance system at key locations; and the rehabilitation of bus and rail fleets. Customers will benefit from improved amenities at rail stations, fewer slow zones, real-time train arrival information at locations throughout the system, a safe and friendly environment, and cleaner, more efficient buses and trains.

Unlike the federal formula funding program, state funding does not continue beyond the currently authorized program, resulting in no state funding being programmed in FY 2015. A state program that provides stable and reliable continuous funding is essential for the future needs of the CTA. The future funding of the CTA's New Starts and Rail Infrastructure projects is jeopardized due to the lack of a predictable and reliable state funding source. In rating a New Starts project prior to entering into a Full Funding Grant Agreement (FFGA), the FTA considers the level of commitment of local funds. Without a stable and reliable source of State capital funding, the CTA is not likely to receive a favorable rating necessary for federal funding. In the past, as with the Brown Line Capacity Expansion project, State capital funds have provided the required match to access federal funds. The lack of a stable, continuing State capital program has also seriously affected the CTA's ability to reach a state of good repair on its capital infrastructure.

The federal transportation program is regularly re-authorized and, even when an authorization expires, Congress continues to appropriate funds until a new program is created. Like the Federal program, State road construction funds continue to be appropriated by the legislature. However, unlike the Federal program, when a State transit program expires (as with the current state program), all transit funding is stopped. This start-and-stop approach makes it much more difficult to plan and implement capital transit projects. Most transit projects are, by their nature, multi-year projects that require multi-year commitments of funds.

# President's 2011-2015 Proposed Capital Improvement Program

## Capital Program Asset Category Comparison



The graph above compares the capital funding programmed by broad asset categories. The capital program is inherently varied, as projects require commitment of funding when they reach the construction or delivery stage. The graph compares the previous five years with the funding programmed for the five-year program included in this CIP. The fleet category represents programming for both bus and rail fleet. The infrastructure category includes all construction type projects. The operating offset category represents the portion of the capital program used to support operating budget activities. The financial category includes funding to support the capital bond program, as well as for other long-term financial mechanisms such as bus lease/purchase arrangements.

The flow of capital asset replacement or rehabilitation varies widely from year to year, resulting in an irregular funding level for asset categories. The 2007-2009 funding shows the effect of a significant initiative to reduce slow zones on the rail system, with a heavy emphasis on infrastructure funding and a lower level for fleet investment. The 2010 spike in funding for the fleet demonstrates the major commitment needed for the purchase of 406 railcars. In this CIP, fleet funding shows an increase in 2012, reflecting the beginning of replacement of buses that were put into service in 2000. Financial instruments are lower in 2010-2011 as a result of a bond restructuring completed in 2010. Transferring capital funding to offset appropriate maintenance costs in the operating budget continues through 2013, as the weakened economy will continue to challenge the budget. The financial category increases in 2012-2015 reflecting payments on the 2010 newly-issued bonds.

# President's 2011-2015 Proposed Capital Improvement Program

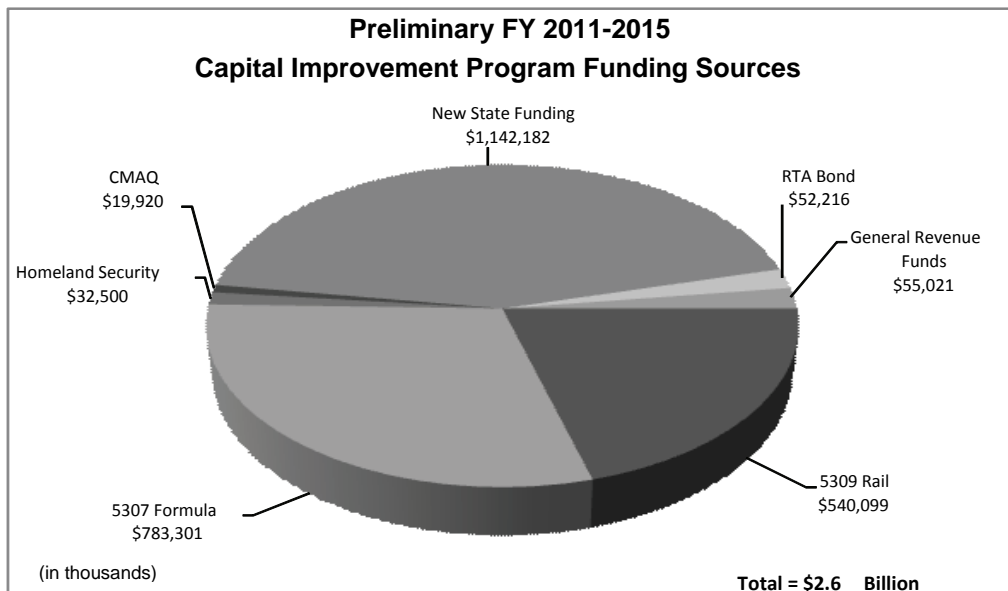
## Operating Budget Impact of Capital Program Projects

Much of the CTA's investment in capital projects has a positive impact on the operating budget. However, the CTA has been transferring funds from capital-project use into the operating budget to meet operating revenue shortfalls. This practice, while providing for continued transit operations, has a negative impact on the long-term ability to upgrade infrastructure. In 2008, the CTA transferred \$20 million of capital funding programmed for bus and rail car overhaul activities into the operating budget. From 2009 through 2013, the CTA will have transferred an additional \$625 million to the operating budget. This includes \$166 million in proceeds from the bonding agreement with the State to hold fares constant in 2010 and 2011. These capital-to-operating transfers provide a necessary short-term solution to operating budget shortfalls. A long-term increase in operating revenues will alleviate the need for these transfers.

## SOURCES OF FUNDS

The funding levels used in preparing the proposed 2011-2015 CIP reflect the capital resources available to the CTA from the FTA, IDOT and the RTA. These include \$1.3 billion from Federal sources, \$1.1 billion from the State bond capital programs, \$55 million of State funds, and \$52.2 million of RTA Bond funds. Total projected available funding is \$2.6 billion. A summary of this funding is presented in the following figure. The Federal funds reflect the passage of a successor to *SAFETEA-LU*. Federal transit funding is normally accomplished through a six-year transportation authorization. ISTEA covered the period 1992-1997; TEA-21 funded programs from 1998-2003; and SAFETEA-LU provided funding for 2004-2009. Since the expiration of SAFETEA-LU in 2009, Congress has extended the existing reauthorization to provide for FY 2010 grants. An extension for FY 2011 grants has been proposed and a full reauthorization of the federal transportation funding program is expected in the fall of 2011, to take effect in FY 2012.

The State funds include the new funding released in 2010, which is expected to continue through 2014. The following table details the funding sources supporting this program.





# President's 2011-2015 Proposed Capital Improvement Program

<b>CHICAGO TRANSIT AUTHORITY</b>						
<b>FY 2011 - FY 2015 CIP FIVE YEAR PROGRAM MARKS</b>						
<b>(in thousands)</b>						
<b>New Funds</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
Sec. 5307 Formula	144,598	150,398	156,435	162,709	169,161	783,301
Sec. 5309 (b) FGM	99,702	103,702	107,865	112,191	116,639	540,099
Sec. 5307 CMAQ	800	5,560	5,560	4,000	4,000	19,920
Homeland Security (DOJ)	6,500	6,500	6,500	6,500	6,500	32,500
<b>Total Federal</b>	<b>251,600</b>	<b>266,160</b>	<b>276,360</b>	<b>285,400</b>	<b>296,300</b>	<b>1,375,820</b>
New State Funding	285,545	285,545	285,545	285,545	0	1,142,182
General Revenue Funds (GRF)	10,200	11,207	11,204	11,207	11,204	55,021
RTA Bond	52,216	0	0	0	0	52,216
<b>Total STATE/LOCAL</b>	<b>347,961</b>	<b>296,752</b>	<b>296,749</b>	<b>296,752</b>	<b>11,204</b>	<b>1,249,418</b>
<b>TOTAL AVAILABLE Funds</b>	<b>599,561</b>	<b>562,912</b>	<b>573,109</b>	<b>582,152</b>	<b>307,504</b>	<b>2,625,238</b>

## Competitive Grant Opportunities

Throughout 2010, the FTA offered several competitive grant programs, including Clean Fuels, Alternatives Analysis, Livability, State of Good Repair and Sustainable Communities. Additionally, earlier this year, for the first time, the U.S. Department of Transportation and HUD announced a collaborative grant program aimed at providing funding for planning activities to foster more livable, sustainable communities. The goal is to create places where public transportation, housing and commercial development are coordinated to better serve people living in the community.

With an ever-growing need for capital funds to move vital projects forward, the CTA has aggressively pursued these opportunities. In fact, this year alone, the CTA has submitted 43 applications that total approximately \$835.6 million.

The CTA has requested funding for a variety of projects, including:

- The rehabilitation and improvement of the CTA's stations, including Cottage Grove and Wilson;
- Energy efficiency projects including garage door replacements, an all-electric bus pilot program and subway LED lighting retrofits;
- A course to train our construction project managers, architects and engineers on the principles of sustainable, energy-efficient building design and construction;
- Various bus improvements, including the creation of Bus Rapid Transit (BRT) corridors, the replacement of the CTA's bus farebox system, upgrades to the bus camera system, the rehabilitation of bus garages and the replacement of the CTA's bus radio communication system;
- Planning studies to foster sustainable communities, including those around Altgeld Gardens, Damen and Lake Street, and the Cottage Grove Station on the Green Line;
- Planning studies associated with the reconstruction of the North Red and Purple Lines, the expansion of the Blue Line, and express rail to O'Hare; and critical renewal and reconstruction of track, power and structure across the system.

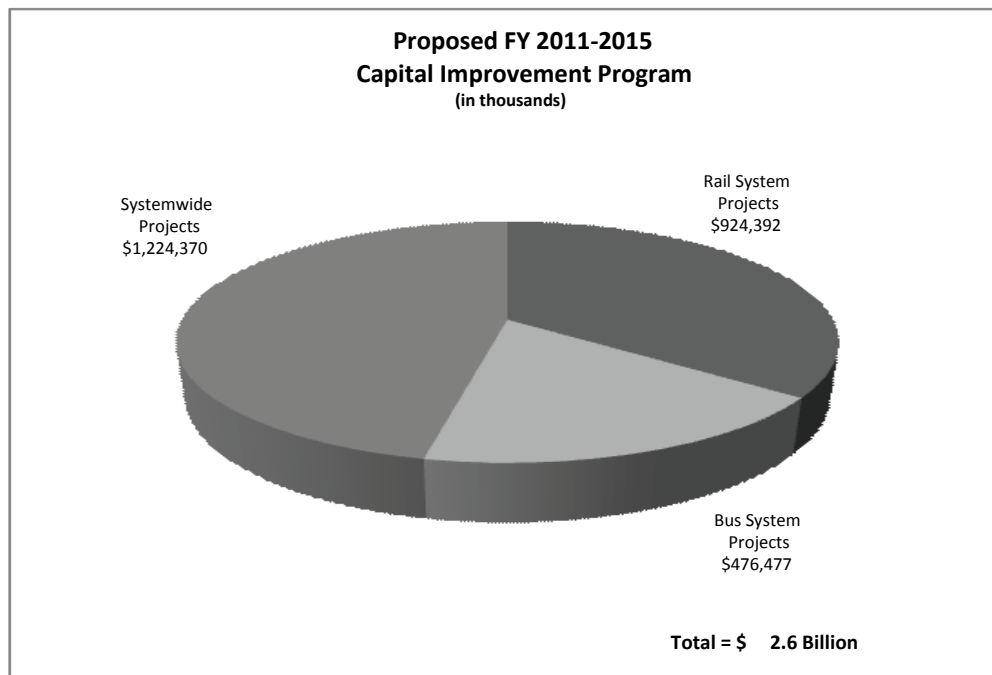
# President's 2011-2015 Proposed Capital Improvement Program

While many of the applications are pending, the CTA has been awarded approximately \$13.5 million for BRT and various energy efficiency projects.

In 2011, the CTA will continue to aggressively pursue additional funding under these competitive grant programs.

## USES OF FUNDS – Program Summary

The following figure shows the proposed 2011-2015 Capital Improvement Program by general category of asset improved or replaced. The table on the following page lists each project in the proposed program. A detailed description of each project can be found following this narrative in the section titled Detailed Capital Improvement Program Project Descriptions.



Eighteen projects comprise the CTA's proposed 2011-2015 capital program. Each project is evaluated in an annual review process. Evaluation criteria include: customer and employee safety; reductions to travel time; increased customer comfort and convenience; system security; impact on system reliability; and compliance with regulations and community impact. Rail system projects receive a significantly larger portion of the proposed capital program funding due partly to the need to maintain an exclusive right-of-way and the fact that the CTA's buses operate on streets maintained by other units of government. The capital projects proposed for 2011-2015 and beyond are intended to address the CTA's most critical needs for the bus and rail system, customer facilities and system-wide support network, as constrained by the level of projected funding.

# President's 2011-2015 Proposed Capital Improvement Program

<b>FY 2011-2015 Capital Improvement Program</b>							
<b>CTA Board Ordinance</b>							<i>thousands of dollars</i>
<u>Proj #</u>	<u>Title</u>	<u>Funded</u>	<u>2011</u>	<u>FY2012-2015</u>	<u>5 Year Funding</u>	<u>Outyear</u>	<u>Project Total</u>
<b><u>Bus Projects</u></b>							
<b><u>Rolling Stock</u></b>							
021.803	Perform Bus Maintenance Activities	9,274	2,550	11,206	13,756	25,441	48,471
021.806	Perform Mid-Life Bus Overhaul	19,636	25,116	151,160	176,276	41,713	237,626
031.054	Replace Buses	92,643	15,189	271,256	286,444	159,087	538,175
	<b>Sub-Total</b>	-	<b>42,854</b>	<b>433,622</b>	<b>476,477</b>	<b>226,242</b>	<b>824,272</b>
<b><u>Rail Projects</u></b>							
<b><u>Acquisitions &amp; Extensions</u></b>							
045.010	Bus Rapid Transit - Jeffery Corridor	11,000	-	-	-	-	11,000
	<b>Sub-Total</b>	-	-	-	-	-	<b>11,000</b>
<b><u>P/W Electric, Signal, Comm.</u></b>							
121.500	Replace/Upgrade Power Distribution and Signals	332,252	-	104,225	104,225	42,241	478,718
	<b>Sub-Total</b>	-	-	<b>104,225</b>	<b>104,225</b>	<b>42,241</b>	<b>478,718</b>
<b><u>P/W Track &amp; Structure</u></b>							
171.133	Repair Track and Structure Defects	13,844	2,707	11,894	14,601	-	28,445
181.500	Infrastructure Safety & Renewal Program	72,834	134,622	318,060	452,682	20,929	546,445
	<b>Sub-Total</b>	-	<b>137,328</b>	<b>329,954</b>	<b>467,283</b>	<b>20,929</b>	<b>574,889</b>
<b><u>Rolling Stock</u></b>							
022.903	Perform Rail Car Overhaul & Mid-Life Rehabilitation	90,749	72,390	161,247	233,637	312,361	636,747
022.906	Perform Rail Car Maintenance Activities	10,863	2,987	13,123	16,109	-	26,972
132.056	Purchase Rail Cars	611,390	-	103,139	103,139	331,258	1,045,787
	<b>Sub-Total</b>	-	<b>75,377</b>	<b>277,508</b>	<b>352,885</b>	<b>643,619</b>	<b>1,709,505</b>
<b><u>Systemwide Projects</u></b>							
<b><u>Miscellaneous</u></b>							
061.059	Information Technology	13,126	1,100	4,400	5,500	-	18,626
141.273	Rehabilitate Rail Stations	104,738	17,694	87,669	105,364	36,751	246,854
150.028	Implement Security & Communication Projects	96,796	44,500	26,000	70,500	27,004	194,300
304.004	North Red & Purple Line Rehabilitation	10,500	2,778	4,222	7,000	-	17,500
306.001	Program Management	6,000	6,690	26,737	33,427	210,573	250,000
308.002	Bond Repayment, Interest Cost, & Finance Cost	292,056	67,167	492,833	560,000	2,049,504	2,901,560
404.500	CMAQ, JARC, UWP & ICE Projects	2,880	3,184	19,120	22,304	-	25,184
407.009	Preventive Maintenance	379,781	146,416	99,723	246,139	-	625,920
	<b>Sub-Total</b>	-	<b>289,529</b>	<b>760,705</b>	<b>1,050,234</b>	<b>2,323,833</b>	<b>4,279,945</b>
<b><u>Support Facilities &amp; Equip.</u></b>							
073.500	Improve Facilities - Systemwide	86,233	54,473	119,663	174,136	58,093	318,462
	<b>Sub-Total</b>	-	<b>54,473</b>	<b>119,663</b>	<b>174,136</b>	<b>58,093</b>	<b>318,462</b>
	<b>Capital Project Total</b>		<b>599,561</b>	<b>2,025,677</b>	<b>2,625,238</b>		
	<b>Marks</b>		<b>599,561</b>	<b>2,025,677</b>	<b>2,625,238</b>		
	<b>Marks/Variance</b>		-	-	-		

# President's 2011-2015 Proposed Capital Improvement Program

## The Rail System

The CTA's rail system consists of approximately 1,190 rail cars, traveling over 224.1 miles of track, making approximately 2,157 train trips on eight routes to 144 stations on a typical weekday. Customers depend on the CTA's rail system to get them to their destinations quickly and safely. To meet customer expectations, the CTA must coordinate the efforts of thousands of employees working together to deliver on-time, clean, safe, courteous and efficient service.

## Rail Rolling Stock

The purchase of the new 5000-series rail cars is underway and reinforces the CTA's commitment to providing quality rail service. The CTA is currently performing testing on 10 prototype cars. These cars must successfully complete testing before the CTA finalizes the order of the remaining 396 rail cars. The 406 new rail cars will provide a video surveillance system that records the rail car interior and allows the Police Department to have remote access to this video surveillance in case of an emergency. The 5000-series rail cars also provide better information for customers: a transit map with LED station indicator lights, two interior signs in each car with pre-recorded messages, improved interior and exterior electronic signage, and luminescent floor strips outlining aisles and exits in the case of a power loss. Fully adjustable vehicle suspension will lower or raise the floor to meet platform level, making entry easier for all, especially customers who use wheelchairs. A non-slip floor covering will increase customer comfort and will also be easier to clean. The rail cars are also equipped with an innovative braking system that can transfer electricity back into the third rail, supplementing power to nearby CTA trains.

Over the next five years, the CTA plans to spend an additional \$103.1 million, bringing the total cost to \$714 million. New cars will replace 2200 and 2400 series rail cars, which have exceeded their expected service life of 25 years. Every eight-car CTA train takes an average of 600 passenger cars off the road; for the sake of mobility and air quality, it is especially important to have a reliable, modern rail fleet.

***5000-Series Rail Cars  
represent the newest rail  
fleet for the CTA in over 15  
years.***

The rail overhaul program helps ensure that the CTA's rail fleet remains in a state of good repair for providing a quality ride for customers. The Rail Car Overhaul program reduces operating costs and enhances reliability. Without quarter-life and mid-life overhauls, rail vehicle maintenance costs would be far more than the current levels over the expected twenty-five year life of each car. The proposed 2011-2015 capital program allocates \$249.7 million in projected funding during the next five years for the systematic maintenance and upgrade of the CTA's rail fleet.

## Slow Zone Reduction

The CTA has committed to an aggressive slow zone rehabilitation schedule. As the rail structure ages and as ties, rail, and fasteners deteriorate, the CTA imposes a slow zone to reduce operating speed over sections of the railroad. This is an interim measure, which ensures safety until the necessary repair work can be done.

# President's 2011-2015 Proposed Capital Improvement Program

The CTA continues to direct its efforts toward reducing or eliminating slow zones. As of June 2010, slow zones on the CTA's rail system had been reduced to a monthly average of 7.93 percent, down from a high of 22.3 percent in 2008.

While these are considerable achievements, the rest of the CTA's rail, ties and structures are continuing to age without full funding for major replacement in place. The ties in the subways were past their useful life and were replaced during 2009 with American Recovery and Reinvestment Act funding. Without continued funding directed to slow zone reduction, additional slow zones will be imposed as a safety measure. This will ensure that customers are transported throughout the system safely, however travel will be at much slower speeds. Consistent and reliable capital funding is necessary to prevent this from happening.

<b>Reducing Slow Zones a CTA Priority</b>	
<b>Red Line Subway Ties</b>	<b>Completed 2008</b>
<b>Blue Line (Addison to O'Hare)</b>	<b>Completed 2008</b>
<b>Loop Ties (north/east)</b>	<b>Completed 2008</b>
<b>Brown Line</b>	<b>Completed 2009</b>
<b>Red Line (North)</b>	<b>Completed 2009</b>
<b>Blue Line Subway</b>	<b>Completed 2009</b>
<b>Loop Ties (south/west)</b>	<b>Scheduled 2010</b>
<b>Red Line (Dan Ryan)</b>	<b>Scheduled 2010-2012</b>
<b>Red Line North</b>	<b>Engineering 2010</b>

## Right-of-Way Investment

The proposed CIP schedules \$137.3 million in FY 2011 to fix rights-of-way, ties, rail and structure to reduce slow zone imposition and, therefore, maintain operating speeds. An additional \$329.9 million is budgeted during 2012-2015 to continue systematic rehabilitation of the CTA rights-of-way. In addition, certain structural steel elements used to support the elevated track will be rehabilitated. This is far short of the funding needed to bring the system to a state of good repair during this five year period.

## Signal Systems and Traction Power

Recent funding was focused on bringing the Loop signal system and the Congress/Dearborn/Kennedy signal system into a state of good repair. The FY 2011-2015 program adds a traction power and rehabilitation component. The Loop signal system is expected to be completed at the end of 2010 at a cost of \$76 million, and Blue Line signal system replacement was fully funded with \$265 million during 2007-2009.

The New State Capital funding program is planned to include a three-phase program that will provide for the upgrade of the traction power system at key locations. Phase I of this project includes rehabilitation of substations at Farwell, Hill and Armitage and was funded in 2010. The proposed funding of \$104.2 million will support Phase II and III, which includes replacing or modifying Hubbard and State Street substations, and rebuilding Broadway and Princeton substations, respectively.

# President's 2011-2015 Proposed Capital Improvement Program

These substation upgrades will replace systems that are beyond their useful life, some of which were built during the initial subway system construction during the 1950s. The CTA rail system has its own power distribution system, which includes electric substations and cable along the rights-of-way. Substations contain transformers to convert electric power from the power company's utility grid and supply it to the third rail to run trains. Many of the CTA's substations are beyond their useful life and cannot provide the appropriate power levels or required redundancy to keep the system operating. CTA customers will benefit from smoother train operation, fewer slow zones, reduced travel times and greater reliability.

## The Bus System

The CTA currently operates a fleet of approximately 1,782 buses, which make over 19,741 weekday trips on 140 routes, providing almost 993 thousand rides on a typical weekday. Each customer who boards a bus at one of 11,781 bus stops located throughout the CTA service area expects reliable service that is safe, clean, on-time, courteous and efficient. The backbone of the bus system is the bus fleet. The system's success depends on the CTA's ability to renew, maintain and operate its bus fleet.

## Bus Rolling Stock

Purchasing new, fully-accessible, air-conditioned, technologically-innovative buses reinforces the CTA's commitment to quality bus service for our customers. The CTA's most recent bus purchase of 150 60' hybrid buses, along with 58 60' hybrid buses purchased with American Recovery and Reinvestment Act funds incorporate new "green" technology to reduce bus emissions. Hybrid diesel-electric buses achieve at least 20 percent greater fuel efficiency than standard diesel buses, which save fuel dollars while promoting cleaner air. Each 60' bus replaces an average of 78 passenger cars, helping to further ease traffic congestion in all neighborhoods served by the CTA.

Over the past five years, the CTA has invested heavily in its bus fleet. Between 2006 and 2009, the CTA purchased 1,293 new buses. These fully-accessible and air-conditioned buses offer many features for customers, such as ADA-compliant LED destination signage for improved visibility and automated GPS next-stop announcement system, cameras for additional security, bike racks, and the Bus Tracker System. In addition, automatic vehicle monitoring systems enhance preventive maintenance and the reliability of bus service. All buses delivered since 2007 have clean-diesel engines and particulate filters that meet EPA emissions standards. With these new technologies in place, total bus emissions have decreased by 42 percent. The entire CTA bus fleet is ADA accessible and air conditioned.

The continued investment in our bus fleet has provided our customers with safe, clean, and on-time service. The average age of the bus fleet has been reduced from 9.4 years to 4.3 years.

Over the next five years, the CTA plans to spend \$286.4 million on the purchase of low-floor, fully-accessible, and air-conditioned buses. Nova buses, which will have reached their useful life in 2012, will begin to be replaced. However, the CTA does not have the total funds available in the current five-year program to fully replace all Nova buses.

# President's 2011-2015 Proposed Capital Improvement Program

The bus vehicle overhaul program continues to improve service through regular replacement of major mechanical components subject to extensive wear. Unscheduled maintenance - required by the failure of a bus in service - disrupts operations, inconveniences customers and increases operating costs. Bus mid-life overhaul activities are programmed for \$25.1 million in 2011 and the CTA plans to spend \$151.1 million in 2012-2015. The bus overhaul program ensures that the CTA's bus fleet is kept in a state of good repair.

The CTA continues to make strides towards reducing traffic congestion and streamlining service for our customers. The FTA awarded the CTA \$11 million in 2010 for Bus Rapid Transit improvements to the Jeffery Boulevard Corridor. BRT is a strategy to reduce bus travel times, increase service predictability and improve customer amenities. BRT can include a combination of dedicated bus-only lanes, more frequent service, limited stops, traffic signal priority, service branding, improved prepaid fare collection, traffic control aides, parking reconfiguration and enhanced customer passenger facilities.

## Systemwide Improvements

Systemwide support elements are essential to providing safe, on-time transit service. The CTA has seven active bus garages, 12 rail terminals, 17 Park & Ride lots, 111 bus turnarounds, and a variety of other maintenance and support facilities. Miles of fiber optic cable meet communications and data processing needs, including operation of the fare-collection system at stations. Both bus and rail operations depend on system support to continue providing service to the CTA's customers.

In addition, the CTA operates over 1,500 desktop computers that link into Local Area Networks (LANs) for efficient data transfer and team analysis. Computer systems over time reach their capacity and therefore need to be updated or replaced. Desktop systems should be scheduled for replacement at five years, and servers and routers at seven years. Existing information systems demand new applications and will be best met by systems with faster speed and greater reliability and efficiency. The proposed CIP allocates \$1.1 million in FY 2011 for computers and associated components. Future funding of \$4.4 million is proposed in FY 2012-2015.

The CTA continues its efforts to become more efficient and improve accountability in its operations. In 2011, the CTA will implement a biometric time and attendance system. This system will increase accountability and provide a centralized collection of time data that will allow management to generate reports and conduct analysis that can help to enhance efficiency.

## System Security Enhancements

Projects, including improved lighting and security cameras, reflect a commitment to safety and security for customers and employees. By using funds provided by the Department of Homeland Security with other funds, the CTA has implemented a number of projects, some involving the Chicago Police Department, which provide a comprehensive security program. An ongoing, fiber-optic installation project to upgrade the communications backbone throughout the system is ongoing. Stations continue to be outfitted with cameras and television monitors to

# President's 2011-2015 Proposed Capital Improvement Program

provide a view of the transit system to supervisory staff, the CTA Control Center, and to Chicago's Office of Emergency Management and Communications. The CTA's new rail cars will be equipped with enhanced security features, including digital video cameras and recorders. Train control systems, communications infrastructure and access control contribute to a safe environment for customers and system employees. However, much remains unfunded and the CTA will continue to pursue additional funding to meet the critical need of providing security for customers.

Recently, the CTA provided \$10 million to enhance its security and surveillance network by expanding camera coverage at its rail stations. The new system integrates state-of-the-art high-definition digital cameras, which are capable of capturing facial recognition and displaying six times the detail of analog cameras. The cameras across the CTA's rail system make real-time video available to the CTA's Control Center, the Chicago Police Department, and the Office of Emergency Management and Communications. This project is a continuation of the CTA's efforts to implement security systems at rail stations, rail facilities, yards and along rail rights-of-way.

In FY 2011, the CTA proposes to spend \$44.5 million for various security enhancements, such as radio frequency identification, which allows for train tracking and cameras in train stations and yards. Additional future funding of \$26 million will be spent in FY 2012-2015 to provide adequate security for the riding public and for CTA assets.

## Facility Improvements

The CIP proposes to spend \$54.4 million on facility improvements in 2011, including upgrades to various support facilities throughout the system. A total of \$119.6 million has been allocated in FY 2012-2015 to construct or improve the CTA's bus and rail facilities. Such improvements include upgrades to hoists, roofs, pits, restrooms, and shops to enhance working conditions and improve energy efficiency.

The Cermak-Chinatown Red Line Station renovation, funded by the American Recovery and Reinvestment Act, will be complete by the end of 2010, making the station fully accessible per ADA guidelines. The completion of this station will bring the total number of accessible rail stations to 92 out of 144. As part of the project, the station will have the following improvements to benefit our customers: new station house, elevator, new escalator, upgraded entrance on the south side of Cermak Road, new auxiliary entrance on Archer Avenue, new bike racks, new communication equipment, new security cameras, improved lighting, landscaping, public art, and new signage, including braille.

Also in 2010, the CTA will complete the North/Clybourn Red Line station renovation. As part of a partnership, Apple, Inc. contributed \$2.1 million to provide a more pleasant experience for the CTA's customers at the North/Clybourn station on the Red Line. Improvements include a renovated station house with a new masonry façade, new lighting, new windows and doors, new signage, new benches on the platforms, and new security cameras for added safety.

The 2011-2015 proposed CIP includes \$105.3 million in funding for neighborhood rail station rehabilitation. Potential station improvements will include Jarvis, Morse, Loyola, Granville,



# President's 2011-2015 Proposed Capital Improvement Program

Thorndale, Bryn Mawr, Berwyn, Argyle, Lawrence, Wilson, and Sheridan on the North Main Line portion of the Red Line. This is the first segment of a planned rehabilitation of structural elements, which includes signals, interlockings, retaining walls, viaducts, track, ties, traction power elements, and stations.

## Looking Ahead

The CTA is committed to bringing its system to a state of good repair. The proposed 2011-2015 Capital Improvement Program projects \$2.6 billion will be available over the next five years, but that will only be the first step. To achieve a state of good repair across the CTA's entire system would require considerable funding not currently available. The CTA's unfunded need is estimated to be \$6.8 billion over the next five years.

Beginning in 2010, FTA grant funds have been released through several competitive programs, including Clean Fuels, Alternatives Analysis, Livability, State of Good Repair and Sustainable Communities. Capital Finance has been aggressively pursuing competitive and discretionary grants and, in 2010, submitted 43 applications for grants that total \$835.6 million in Federal funds. Thus far, we have been awarded eleven grants that total \$13.5 million. The CTA will continue to aggressively pursue funding through these competitive grant programs in 2011.

Additional strategic investment is needed for rail car replacement, traction power system modernization, right-of-way, viaduct renewal, escalators and elevators in rail stations and upgrades of critical communications systems. Population growth continues to prime local economic growth, but brings traffic congestion, transportation gridlock and the need for transit service expansion. Potential future expansion projects, such as Circle Line and Orange, Red and Yellow Line extensions require additional capital funding through Federal and non-Federal sources.

The CTA works arduously to bridge the funding gap to bring its existing system and infrastructure to a state of good repair and improve the efficiency of the system by adding critical connections and line extensions. 2011 represents the eighth year of Federal funding under *SAFETEA-LU*. A new six-year Federal reauthorization is expected to be approved in 2011 for fiscal year 2012 and beyond. The passage of a stable, consistent state capital program is another critical component needed to support the CTA capital program.

Every dollar of new capital funding obtained is allocated to provide quality service for its customers. When a hybrid bus stops to pick up customers or a modern rail car pulls into a newly-rebuilt station, CTA customers experience how a vital capital program results in quality, affordable transit services that link people, jobs and communities.

<b>CTA Bond Program</b>	
<b><u>Authorized and Let</u></b>	
<b>2004</b>	<b>\$250 million</b>
<b>2005</b>	<b>\$275 million</b>
<b>2008</b>	<b>\$425 million</b>
<b>2010</b>	<b>\$550 million</b>

# President's 2011-2015 Proposed Capital Improvement Program

## DETAILED CAPITAL IMPROVEMENT PROJECT DESCRIPTIONS

### **Perform Bus Maintenance Activities**

The CTA has embarked on a responsible bus maintenance program to schedule the replacement of parts nearing the end of their useful life before they fail. By investing in a program centered on the timely overhaul and replacement of buses, the CTA will improve the comfort, quality and reliability of its service while reducing operating expenses. As more buses are cycled through the program, unscheduled maintenance on buses will be significantly reduced.

### **Perform Bus Mid-life Overhaul**

Funding will provide for the continuation of the mid-life overhaul of the CTA buses. Buses placed into service in 2000-2006 will be overhauled and returned to a state of good repair.

In addition to the maintenance program, the CTA has embarked on a responsible overhaul program to schedule the replacement of parts nearing the end of their useful life before they fail. Most of this effort will center on the mid-life overhaul of buses in their fifth to seventh year. This program will have many benefits. By investing in a routine overhaul program, the CTA will improve the comfort, quality, and reliability of its service while simultaneously reducing operating expenses. As more buses are cycled through the mid-life overhaul program, unscheduled maintenance on buses will be significantly reduced.

### **Replace Buses**

Purchase and place into service fully-accessible, air-conditioned buses, including spare parts inventories.

Buses that have reached their industry standard retirement age of 12 years will be replaced. All new buses will be air conditioned and fully accessible.

### **Replace/Upgrade Power Distribution and Signals**

Replacement and upgrading of the signal and power distribution system must be accomplished to provide smooth, safe operation. Replacing this aging power distribution system will decrease the possibility of power shutdowns and service disruptions, and will continue to eliminate slow zones and service disruptions throughout the system.

### **Repair Track and Structure Defects**

Allow the CTA to correct deficiencies in the extensive track system and structures through systematic inspection and rehabilitation or replacement of needed elements.

# President's 2011-2015 Proposed Capital Improvement Program

## **Infrastructure Safety and Renewal Program**

Allows for the systematic replacement of ties and fasteners, which have deteriorated and can no longer provide adequate rail connection and gauge. This project will upgrade track ties and other rail components on the Red Line Dan Ryan branch from Cermak-Chinatown to 95<sup>th</sup> Street and the South Loop leg of the Englewood branch of the Green Line. This project will also renew rail, track and structure, and provide Fan Plant at the State and Dearborn Subway, as well as at locations to be determined by inspection.

Some existing track components, ties, and other right-of-way elements are at least 30 years old, have exceeded their useful life, and are in need of replacement. The program to replace these components reduces the need to impose slow zones due to deteriorating conditions. When completed, train speed will be increased and reliability will be greatly improved. In addition, replacement of right-of-way components including footwalk will provide greater access to maintenance personnel and serve as an emergency evacuation walkway for customers.

## **Perform Rail Car Overhaul and Mid-life Rehabilitation**

FY 2011-2015 funds will provide for the mid-life overhaul of the 3200-series rail fleet.

As with buses, the CTA has embarked on a responsible Rail Overhaul Program to schedule replacement of parts nearing the end of their useful life before they fail. Examples of items replaced are control groups, air-conditioning units and truck assemblies, including traction motors, brake calipers and axle assemblies. This effort will center on the mid-life rehabilitation or "D" level overhaul at 12 to 13 years for the 3200-series cars. By performing these scheduled maintenance activities and replacing rail cars at the appropriate time (generally at 25 years of age), the CTA will improve the comfort, quality, and reliability of the rail cars, while reducing maintenance costs. As more rail cars are cycled through the overhaul program, unscheduled maintenance will be significantly reduced.

## **Perform Rail Car Maintenance Activities**

Provide for the ongoing repair of rail cars.

The rail preventive maintenance program is schedule to replace and/or repair parts nearing the end of their useful life before they fail. This effort will focus on routine component replacement in advance of failure. By performing these maintenance activities in a routine, preventive fashion, and by replacing rail cars at the appropriate time (generally at 25 years of age), the CTA will improve the comfort, quality and reliability of the rail cars, while reducing maintenance costs. As more rail cars are cycled through the overhaul program, unscheduled maintenance will be significantly reduced.

## **Purchase of Rail Cars**

Purchase 406 rail cars (5000-series) to replace the 2200 and 2400-series rail fleet.

The replacement of the 2200 and 2400-series rail cars is necessary due to the age and deteriorated condition of these cars. The 2200-series rail cars have been in service for 39 years and the 2400-series have been in service for 30 years. Replacement of these rail cars will

# President's 2011-2015 Proposed Capital Improvement Program

provide the CTA with modern, updated vehicles that will decrease maintenance and operating costs while enhancing customer comfort.

This purchase will further improve the customer experience by offering such amenities as a transit map with LED station indicators, interior signs with pre-recorded messages, enhanced electronic signage and illuminated floor strips.

## **Implement Computer Systems**

Fund the necessary replacement and upgrades to existing technology – both hardware and software.

Most technology needs to be on a regular replacement cycle as mechanical parts wear out and innovation makes older equipment obsolete.

## **Rehabilitate Rail Stations**

Rehabilitate or replace rail stations systemwide.

Due to the age, usage and structural condition of many stations, replacement or rehabilitation are required to maintain a safe and acceptable level of service. In addition, accessibility of stations will continue to be a vital part of the CTA's station strategy.

## **Implement Security & Communication Projects**

Purchase and install equipment and systems to harden security of transit assets and ensure safety of systems and customers. Implement security strategies to conduct targeted surveillance, control access and stop intrusion. Support enhanced command and control systems to facilitate incident response. This funding will enhance the Chicago Police Department's efforts during patrol of rapid transit routes within the City of Chicago through the use of visible, unpredictable deterrence. Due to the sensitive nature of the effort, specific projects are not identified in this document.

## **North Red and Purple Line Rehabilitation**

Funding to continue the planning related to the rehabilitation of the North Main Line (NML) corridor from the vicinity of Addison station to the vicinity of Linden station, including portions of the Red and Purple Lines.

The NML was constructed nearly 100 years ago and currently serves over 71,000 passengers on an average weekday.

## **Program Management**

Provides for professional services to manage implementation of the CTA's Capital Improvement Program. As is common in the transit industry, the CTA has outsourced certain tasks related to construction projects to supplement in-house resources. This provides experienced and professional staff for specific program management tasks, such as estimating, engineering and

# President's 2011-2015 Proposed Capital Improvement Program

inspection based on construction project activity. Contracting for these services eliminates the need for the CTA to add or reduce staff as construction levels change over time.

## **Bond Repayment, Interest Costs & Finance Costs**

Provides for debt service and the cost of issuance of bonds, notes and other indebtedness incurred by the CTA. This project is funded with federal funds and non-Federal local match.

## **CMAQ, JARC, ICE, & UWP Projects**

Provides for various demonstration projects, and service improvements and initiatives, funded with local or Federal funds under regional competitive grant programs.

CMAQ projects contribute to regional air quality; JARC projects are intended to support job access or reverse commute initiatives; and ICE projects are those selected through a competitive process, which demonstrate innovation and coordination, or which enhance transit service. Planned funding through the regional UWP assists the CTA in developing the regional Transportation Improvement Plan (TIP) and the State Transportation Improvement Plan (STIP), as required under funding regulations.

## **Preventive Maintenance**

Provides for ongoing system maintenance activities in bus, rail, facility and right-of-way maintenance.

## **Improve Facilities – Systemwide**

Upgrade and improve facilities systemwide.

This program will fund the rehabilitation of the CTA's facilities where building components are in need of repair, maintenance or replacement. These facilities must be kept in a state of good repair to allow efficient performance of maintenance duties on the CTA rolling stock and right-of-way and to serve the needs of the CTA's customers. This project also includes payments for the CTA Headquarters located at 567 West Lake Street.

A significant number of rail stations and bus turnarounds have not been improved or enhanced in many years and are in need of improvements. Many roofs and canopies are nearing or are at the end of their service life and require replacement to avoid safety hazards and to prevent damage to building interiors and roof structures.

Various escalators and elevators throughout the system are beyond their service life and are unreliable, requiring continual maintenance work. Rehabilitation of these escalators and elevators will reduce maintenance expenses and better serve the CTA's customers.

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# History of the Agency

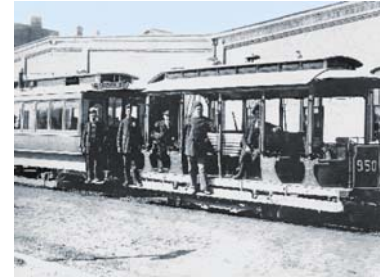


**1859**

The beginning of public transit in Chicago; early service is horse-drawn.

**1882**

The Chicago City Railway obtains rights to operate San Francisco-style cable cars.



**1892**

The Chicago and South Side Rapid Transit Company opens on June 6, bringing elevated train service to Chicago.

**1897**

Elevated trains are built along available rights-of-way, often above alleys and less heavily used streets.



At the turn of the century, four separate transit railroads are operating in Chicago. The first trains, powered by steam, are quickly converted to electricity.

**1911**

The rapid transit companies form a trust that, in 1913, allows free transfers between the carriers for the first time. This also marks the start of through-routing trains between the North and South Sides.

The Loop 'L' opens, connecting rapid transit lines serving the North, South and West sides of Chicago.

**1914**

On February 1, four streetcar companies unite under a single management, the Chicago Surface Lines. At its peak, the Chicago Surface Lines operates along 1,100 miles of tracks and becomes the largest and most heavily used streetcar system in the world.



**1917**

Buses are first used in Chicago as the Chicago Motor Bus Company is created. Bus use is limited to Chicago boulevards and parks.



**1922**

The Chicago Motor Coach Company succeeds the Chicago Motor Bus Company.

# History of the Agency

**1924**

The four rapid transit 'L' companies merge to create the Chicago Rapid Transit Company.

**1945**



The Chicago Transit Authority, an independent government agency, is formed when the Illinois General Assembly passes the Metropolitan Transit Authority Act. In the same year, the City of Chicago passes an ordinance granting CTA the exclusive right to own and operate a unified, local transportation system. Voters pass the Act and Ordinance in a referendum on June 4.

**1943**

To ease traffic congestion, the U.S. Department of Interior, the Public Works Administration, and the City of Chicago finance the State Street Subway.



**1947**

The CTA begins operations by issuing \$105 million in revenue bonds to purchase assets of the Chicago Surface Lines and the Chicago Rapid Transit Company.

**1951**

The Dearborn Street Subway opens.

1952-53: Through additional bond issues, the Chicago Motor Coach Company, a portion of the Chicago Aurora and Elgin Railway, and the Chicago, Milwaukee, St. Paul and Pacific Railroad right-of-way are added to the CTA.

**1958**



The Congress branch opens along the median of the newly-built Congress expressway, connecting Forest Park with the Loop through Dearborn subway, with trains continuing to Logan Square on the northwest side.

**1964**

The CTA obtains federal funding to create the first "light rail" service, the Skokie Swift.



The Skokie Swift operates on track lines purchased by the CTA from the Chicago North Shore & Milwaukee Railway. Eventually the overhead wire is eliminated and the trains become two cars, allowing the Skokie Swift to become a popular rail shuttle and suburban inter-city bus link.



# History of the Agency

1974



By the early 1970s the popularity of car travel and declining ridership levels threaten the fiscal stability of the local public transit providers as well as the CTA. Therefore, the Illinois General Assembly creates the Regional Transportation Authority (RTA) as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system. Today, the RTA continues to provide fiscal oversight to CTA, Metra and Pace.

1993

The Dan Ryan branch, formerly linked to the Englewood and Jackson Park branches, is linked with the Howard branch. The new Lake to Englewood-Jackson Park service is rerouted to use the Loop Elevated.

The Midway Orange Line is completed, linking the downtown elevated Loop to the Southwest side airport. Its completion makes Chicago the only city in the United States with public transportation connecting two major airports.

2006



Think Pink!

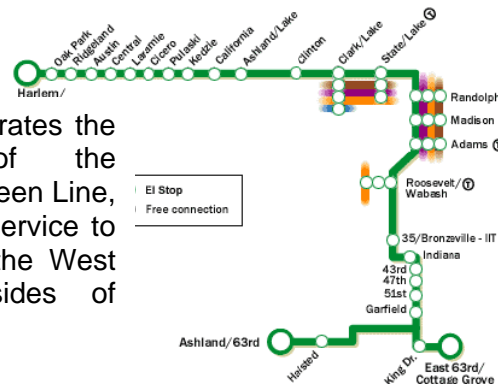
CTA introduces the Pink Line as part of a package of bus and rail service improvements for the West Side and western suburbs. The Pink Line provides more frequent service and improved travel times between the 54<sup>th</sup>/Cermak station and the Loop. CTA introduces new and improved bus service with two new local bus routes, three new express routes and eight enhanced bus routes.

1984



The CTA responds to changing demographics during the 1970s by expanding the West-Northwest Service from Logan Square to Jefferson Park, and then along the Kennedy Expressway median to River Road in Rosemont. Finally, the northwest transit extension is completed at O'Hare Airport, providing a station within the airport terminal.

1996



The CTA celebrates the re-opening of the rehabilitated Green Line, improving the service to customers on the West and South sides of Chicago.

2009

The final regularly-scheduled bus routes are added to CTA Bus Tracker. Customers are able to access information online and receive email notification of predicted arrival times and service alerts.



# History of the Agency



2010

CTA begins testing the prototypes of a brand new family of 'L' cars, the 5000-series rail cars. Ten cars are in test service, carrying passengers on various routes. These advanced cars result in a smoother, more comfortable ride and provide both operational and maintenance efficiency.



# Transit Facts

## **Creation of CTA**

- The CTA was created by state legislation and began operating on October 1, 1947, after acquiring the properties of the Chicago Rapid Transit Company and the Chicago Surface Lines. On October 1, 1952, the CTA became the sole operator of City of Chicago transit when it purchased the Chicago Motor Coach System.

## **CTA Governance**

- The CTA's governing arm is the Chicago Transit Board, which consists of seven members. The Mayor of Chicago appoints four board members, subject to the approval of the City Council and the Governor. The Governor, subject to the approval of the State Senate and the Mayor of Chicago, appoints three board members.
- In 1974, the Regional Transportation Authority (RTA) was created by state legislation. The RTA serves as CTA's fiscal oversight agency.

## **Service Area & Population**

- 220 square miles of Chicago and 40 nearby suburbs.
- Service area of 3.9 million people.

## **Ridership**

- Over 512 million trips projected for 2010.
- Approximately 1.7 million trips per weekday.

## **Bus Service**

- 1,782 buses travel 141 routes.
- Routes travel 172,991 miles each weekday, with approximately 11,577 bus stops.

## **Rail Service**

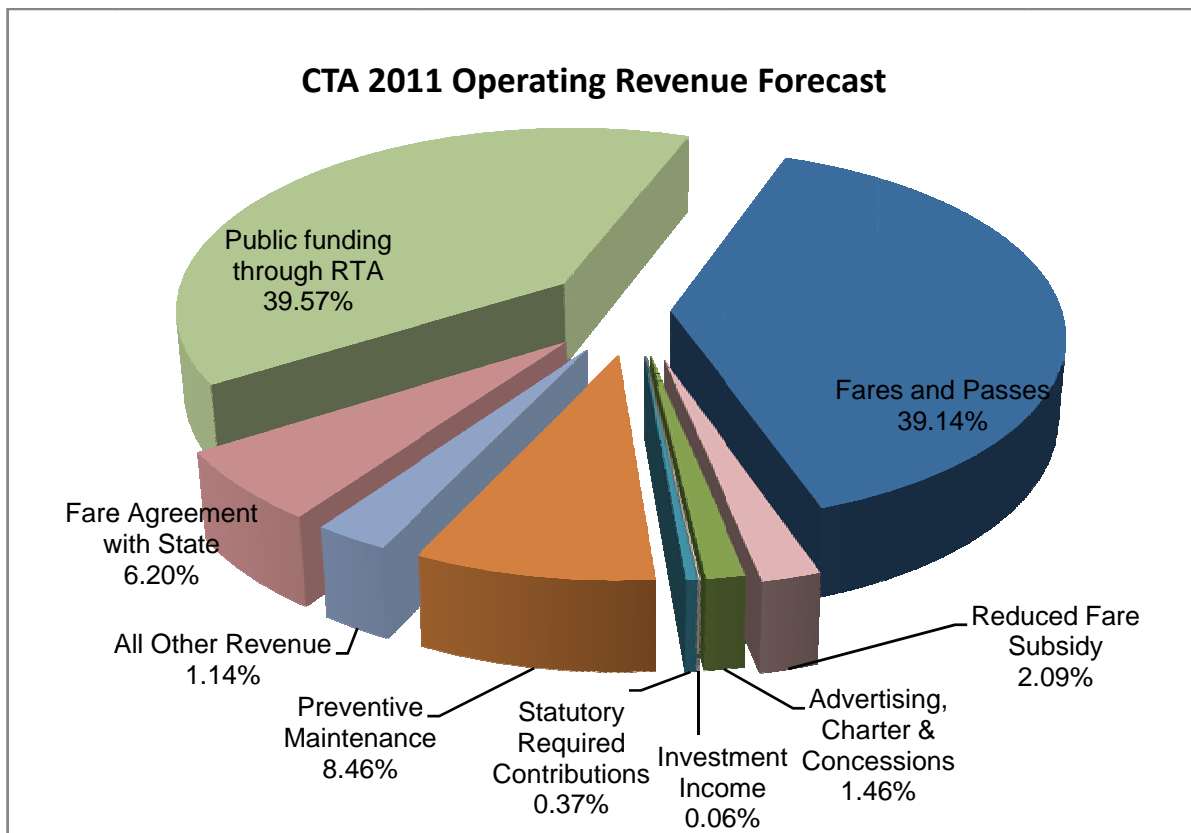
- 1,190 rail cars travel over eight routes.
- CTA rail serves 224 miles of track covering 144 stations and yard track.

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# Operating Funding Summary

CTA's total estimated revenue for 2011 is \$1.3 billion. There are two major categories of operating revenue for CTA: system-generated revenue through fares and other sources, and public funding through the Regional Transportation Authority (RTA), the fare agreement with the State of Illinois and the transfer of capital funds for preventive maintenance. System-generated revenue is projected at \$612.3 million for 2011 and public funding is projected at \$725.5 million. The following table represents 2011 estimated revenue by source.

<b>Total CTA Revenue - All Sources (in thousands)</b>		<b>2011</b>
Fares and Passes	\$	523,660
Reduced Fare Subsidy		28,000
Advertising, Charters and Concessions		18,924
Investment Income		850
Statutory Required Contributions		5,000
Preventive Maintenance		113,200
All Other Revenue		35,817
Fare Agreement with State		83,000
Public Funding through the RTA		529,305
<b>Total Revenue</b>	<b>\$</b>	<b>1,337,756</b>



The following is a description of sources of both system-generated revenues and public funding for CTA.

# Operating Funding Summary

## SYSTEM-GENERATED REVENUE

CTA's system-generated revenue is forecast at \$612.3 million for 2011. CTA's system-generated revenue is based on the sale of fares and passes, subsidies for reduced fare riders per 1989 legislation, advertising, investment income, statutory required contribution from local governments by provision of the RTA Act and other revenues. These revenues are further defined below.

### Fares and Passes

Revenue from fares and passes is forecast at \$523.7 million in 2011 and is the largest portion of system-generated revenue. CTA's revenue from fare and passes includes cash fares, full-fare and reduced-fare cards, and Chicago Card and Chicago Card Plus fares. In addition, CTA also sells 30-day full fare and reduced fare passes, along with one-, three- and seven-day passes. Additional pass revenue comes from CTA's U-Pass for local university students, the sale of visitor passes and METRA Link-Up passenger revenue.

### Reduced Fare Subsidy

This funding represents the reimbursement of revenues lost by the Service Boards due to providing reduced fares to students, elderly and riders with disabilities, as mandated by State law. The funding is subject to the terms of the grant agreement, state statute (20 ILCS 2705) and annual state appropriation. Reimbursement amounts are allocated to the service boards based on reduced-fare passenger trips taken during the grant year. Reduced fare subsidy is forecast at \$28 million in 2011.

### Advertising, Charters and Concessions

Advertising, charters and concessions revenue for 2011 is forecast at \$18.9 million.

The bulk of this revenue is received through advertisement on buses, rail cars and rail stations. This forecast also includes: concession revenue from 74 concessions within CTA's 144 rail stations, revenue generated from billboards, as well as revenue from Special Contract Guarantees, which includes agreements for transportation services for the University of Chicago, the Chicago Cubs and others.

### Investment Income

Year	Investment Income (in thousands)	Federal Funds Rate (at year end)
2004	\$3,100	2.25
2005	\$5,400	4.25
2006	\$11,600	5.25
2007	\$12,100	4.25
2008	\$3,779	0-0.25
2009	\$1,259	0.12
2010 (projected)	\$850	0.2
2011 (projected)	\$850	0.2

The CTA forecasts investment income at \$850 thousand for 2011. This compares to investment income of \$3.1 million in 2004, \$5.4 million in 2005, \$11.6 million in 2006, \$12.1 million in 2007, \$3.8 million in 2008, \$1.3 million in 2009 and \$850 thousand in 2010.

# Operating Funding Summary

The variation is largely attributed to changes in short-term interest rates. Federal Funds rates have increased from a low of one percent in June of 2003 to a high of 5.25 percent in June of 2006 before falling to near zero at the end of 2008. The rate has been idling between 0.1 percent and 0.2 percent in 2009 and 2010 to further stimulate investment. The 2011 rate is projected at 0.2 percent.

## Statutory Required Contributions

The RTA Act requires the City of Chicago and Cook County to annually contribute \$3 million and \$2 million, respectively, towards CTA operations.

<b>Statutory Required Contributions (in thousands)</b>		<b>2011</b>
Contributions - City of Chicago		\$3,000
Contributions - Cook County		\$2,000
<b>Total</b>		<b>\$5,000</b>

## All Other Revenue

The CTA forecasts \$35.8 million in other revenue for 2011. Revenues in this category include operating grants from the Federal Transit Administration (FTA), parking fees, rental revenue, third-party contractor reimbursements and filming fees. There are 77 retail leases, including concessions in stations, storefront rentals, and leases within the CTA Headquarters Building. Parking revenues include Park and Ride Facilities (17 facilities with approximately 6,000 spaces), under “L” parking rentals and long-term parking agreements.

## PUBLIC FUNDING

Most of the CTA’s public funding for operating and capital needs is funneled through the RTA. Under the RTA Act, as amended in 2008, some of the funds are allocated to the Service Boards based on a formula included in the RTA Act. Other funds are allocated based on RTA’s discretion. The sources and allocations are outlined below.

## Sales Tax Revenue per 1983 Formula

RTA Sales Tax is the primary source of operating revenue for the RTA and the three Service Boards. The tax is authorized by Illinois statute, imposed by the RTA in the six-county region of northeastern Illinois and collected by the state. The sales tax is the equivalent of one percent on sales in the City of Chicago, one percent on sales in Cook County and 0.25 percent on sales in the collar counties of DuPage, Kane, Lake, McHenry and Will. The one percent sales tax in Cook County is comprised of one 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. Proceeds from the RTA Sales Tax are distributed to the CTA, Metra and Pace, and primarily fund operating costs not recovered through the farebox. 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.

# Operating Funding Summary

	Chicago Sales Tax Revenue	Suburban Cook Sales Tax Revenue	Collar County Sales Tax Revenue
CTA	100%	30%	0%
Metra	0%	55%	70%
Pace	0%	15%	30%
<b>Total:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The 2010 Sales Tax Budget for the Region is estimated to be \$649,600 million and is distributed to the RTA and three Service Boards as follows:

(in thousands)	Chicago Sales Tax Revenue	Suburban Cook Sales Tax Revenue	Collar County Sales Tax Revenue	Total
CTA	\$175,214	\$86,402	-	\$261,616
Metra	-	\$158,404	\$62,257	\$220,661
Pace	-	\$43,201	\$26,681	\$69,883
RTA	\$30,920	\$50,825	\$15,695	\$97,440
<b>Total:</b>	<b>\$206,134</b>	<b>\$338,833</b>	<b>\$104,633</b>	<b>\$649,600</b>

In addition, RTA will distribute at its discretion any funds remaining from the initial allocation of the 15 percent sales tax distribution that is in excess of RTA's funding needs.

## Federal Assistance (Federal Transit Administration)

RTA is the region's recipient of federal assistance, which previously included both operating and capital funds. FTA eliminated operating assistance for the CTA in 1998.

## Public Transportation Funds

As authorized by the RTA Act, the Illinois State Treasurer transfers from the State General Revenue Fund an amount equal to 25 percent of RTA sales tax collections (or gasoline or parking taxes, if imposed by the RTA). The Treasurer transfers this amount to a special fund, called the "Public Transportation Fund" (PTF), and then remits it to the RTA on a monthly basis. Remittance requires an annual appropriation made by the State of Illinois. In addition, the RTA must certify to the Governor, State Comptroller and Mayor of the City of Chicago that the RTA has adopted a budget and financial plan in conformance with the requirements of the RTA Act. The RTA uses these funds at its discretion to fund the needs of the Service Boards, RTA operations, debt service and capital investment. RTA's 2010 Budget includes \$162.4 million per the 1983 formula and \$111.3 million per the 2008 Legislation formula in PTF funds.



# Operating Funding Summary

## State Assistance

The RTA Act provides supplemental State funding in the forms of additional state assistance and additional financial assistance (collectively, "State Assistance") to the RTA in connection with its issuance of Strategic Capital Improvement Program (SCIP) bonds. The funding equals debt service amounts paid to bondholders of the SCIP bonds issued by the RTA, plus any debt service savings from the issuance of refunding or advanced refunding SCIP bonds, less the amount of interest earned by the RTA on the proceeds of SCIP bonds. The RTA Act limits the amount of State Assistance available to the RTA to the lesser of the debt service or \$55 million. Remittance requires an annual appropriation made by the State of Illinois.

## 2008 Legislation

The 2008 State funding package increased the percentage of State sales tax dedicated to mass transit and gave authority to the City of Chicago to increase the Real Estate Transfer Tax (RETT) to support the CTA. In addition, the legislation also provided for long-term pension reforms that will increase the funded ratio of the CTA's pension to 90 percent by 2059.

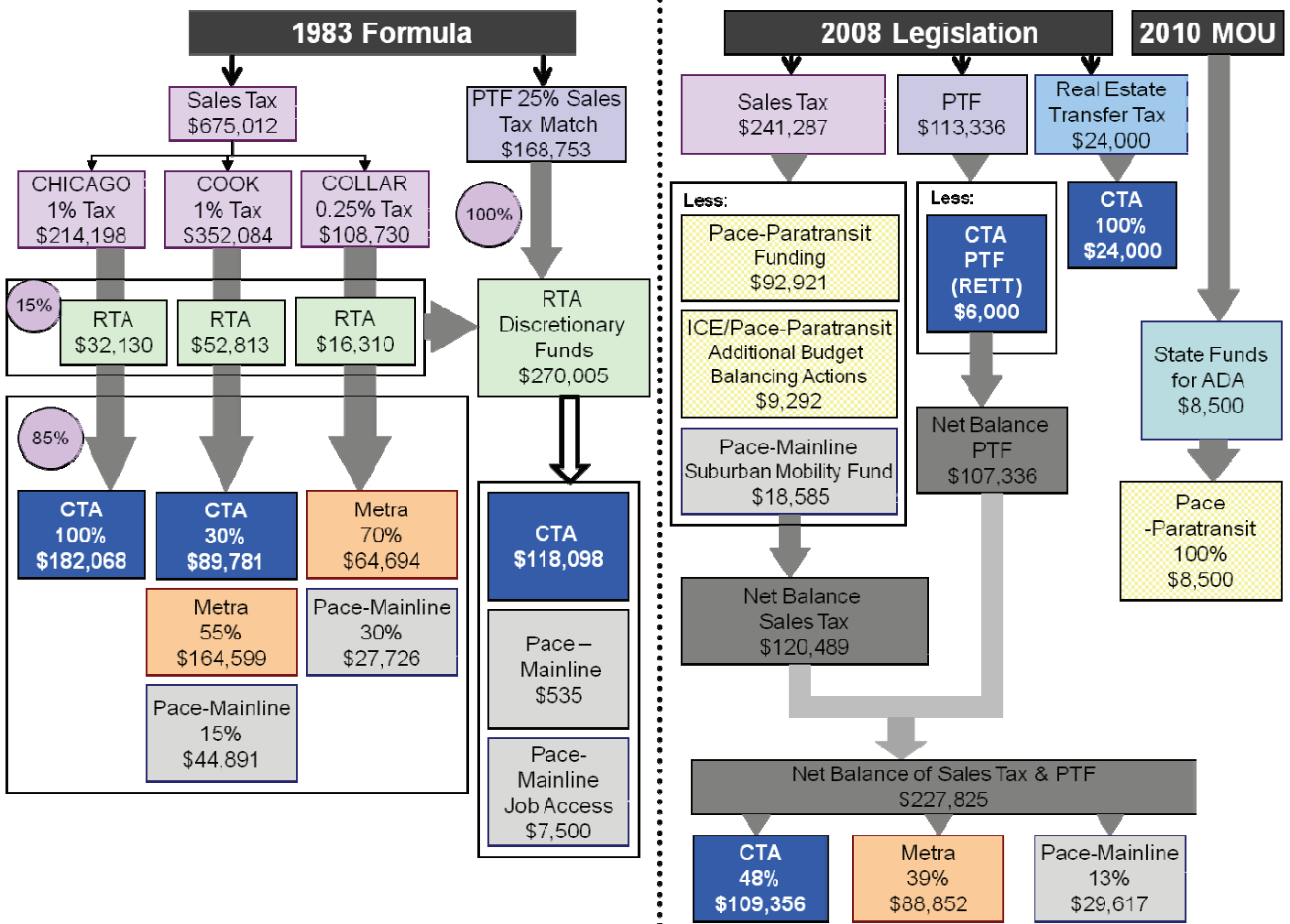
# Operating Funding Summary

## 2011 RTA Proposed Service Board Operations Funding (in thousands)

2011 Service Board Funding	RTA	CTA	Metra	Pace- Mainline	Pace- Paratransit	Total
Sales Tax (1983 Formula)	\$270,005	\$271,850	\$229,294	\$72,617	-	\$843,766
Sales Tax and PTF (PA 95-0708)	-	\$109,356	\$88,852	\$29,617	\$92,921	\$320,746
CTA - RTA Discretionary	\$(118,098)	\$118,098	-	-	-	-
Real Estate Transfer Tax (25% PTF)	-	\$6,000	-	-	-	\$6,000
RTA Suburban Community Mobility Funds	-	-	-	\$18,585	-	\$18,585
RTA South Suburban Job Access Fund	\$(7,500)	-	-	\$7,500	-	-
Pace - RTA Discretionary	\$(535)	-	-	\$535	-	-
State Funding for ADA	-	-	-	-	\$8,500	\$8,500
ICE/ Additional Budget Balancing Actions	-	-	-	-	\$9,292	\$9,292
<b>Total RTA Funds</b>	<b>\$143,872</b>	<b>\$505,305</b>	<b>\$318,146</b>	<b>\$128,854</b>	<b>\$110,713</b>	<b>\$1,206,890</b>
Real Estate Transfer Tax (City of Chicago)	-	\$24,000	-	-	-	\$24,000
<b>Total Funding</b>	<b>\$143,872</b>	<b>\$529,305</b>	<b>\$318,146</b>	<b>\$128,854</b>	<b>\$110,713</b>	<b>\$1,230,890</b>

# Operating Funding Summary

2011 Budget - Operating Funding Allocation Chart (in thousands)



Transit Agency	Funding	%
CTA	\$529,305	43%
Metra	\$318,146	26%
Pace-Mainline	\$128,854	10%
Pace-Paratransit	\$110,713	9%
RTA	\$143,872	12%
<b>Total</b>	<b>\$1,230,890</b>	<b>100%</b>

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# Debt Administration

## DEBT MANAGEMENT POLICY GUIDELINES

On October 14, 2004, the Chicago Transit Board approved an ordinance adopting Debt Management Policy Guidelines (the “Debt Policy”). The Debt Policy serves as a management tool to ensure that the CTA identifies transactions that utilize debt in the most efficient manner, and provides for full and timely repayment of all borrowings. Additionally, the Debt Policy outlines a means of achieving the lowest possible cost of capital within prudent risk parameters, as well as ensuring ongoing access to the capital markets. The Debt Policy applies to all short- and long-term bonds and notes, other long-term lease obligations, and interest rate exchanges. The Debt Policy does not cover commodity hedging, leveraged leases, long-term operating leases, short-term leases and bank obligation transactions. The general debt issuance guidelines outlined in the Debt Policy are summarized below.

### Use of Debt

It is the CTA’s preference to use a pay-as-you-go funding mechanism for all capital projects. As such, CTA explores the use of available cash to fund all or part of a particular capital improvement project and other long-term financial needs before proposing the use of leverage. However, the CTA recognizes that the size, scope and timing of particular projects in its capital improvement plan, cash flow sufficiency and capital market opportunities may necessitate the use of debt. The Debt Policy allows for the issuance of either long-term or short-term debt. The financing purpose determines the type of debt the CTA would use.

**Short-Term Debt Obligations:** Short-term debt may be used by the CTA as a cash management tool to provide interim financing or to bridge temporary cash flow deficits within a fiscal year. Currently, the CTA has no outstanding short-term debt obligations.

**Long-Term Debt Obligations:** The Debt Policy prohibits the use of long-term debt to fund operations. However, long-term bonds are deemed appropriate to finance essential capital activities and certain management initiatives. The CTA may also use long-term lease obligations to finance or refinance capital equipment. Prior to entering into any lease financing, the Authority will evaluate three factors: the useful life of assets financed, the terms and conditions of the lease, and the budgetary, debt capacity and tax implications.

### Credit Ratings

The Debt Policy recognizes the need for a credit rating strategy focused on achieving the best economic value for the CTA. A major goal of the CTA’s debt program is to attain a proper balance between minimizing borrowing costs and maximizing financial flexibility. As of July 20, 2010, the CTA’s underlying ratings on outstanding debt were as follows:

	Sales and Transfer Tax Receipts Revenue Bonds	Sales Tax Receipts Revenue Bonds	Building Revenue Bonds (PBC debt)	Capital Grant Receipts Revenue Bonds
Moody’s	Aa3	Aa3	A1	A1
S&P	AA	AA	A	A
Fitch	Not Rated	Not Rated	Not Rated	A

# Debt Administration

## Debt Limitations

Attaining a proper balance between minimizing borrowing and maximizing financial flexibility is a key goal of the CTA debt program. The CTA is not subject to statutory debt limitations for capital investment. However, the Debt Policy does limit the aggregate amount of the CTA's unhedged, long-term variable rate debt to a maximum of 20 percent of all outstanding long-term debt obligations.

## Other Provisions

The CTA may secure credit enhancement in the form of municipal bond insurance or a letter/line of credit for all or a portion of each bond issue. The Debt Policy also allows the Authority to issue debt on either a taxable or tax-exempt basis and to use interest rate exchange agreements when such agreements will reduce the expected interest rate costs, hedge fluctuations in interest rates, or gain efficiency in structuring and restructuring debt.

## CURRENT DEBT

Long-term debt includes capital lease obligations and bonds payable, as described below.

### Lease/Leaseback Agreements

The CTA entered into several economically defeased lease and leaseback agreements in fiscal years 1995 through 2003. These agreements were entered into with various third parties and pertain to certain assets of the CTA, including rail lines and equipment, rail cars, facilities, buses and qualified technology equipment. Under the lease/leaseback financings, the CTA entered into a long-term lease for applicable assets with trusts established by equity investors; trusts which concurrently leased the respective assets back to CTA under sublease agreements. Each sublease contains a fixed date and a fixed price purchase option that allows the CTA, at its option, to purchase the assets back from the lessor. As of December 31, 2009, the total obligations due under the lease agreements, which have been economically defeased, were approximately \$1.6 billion.

### Other Capital Leases

#### **2008 Bus Lease**

During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 60' New Flyer articulated hybrid buses and certain related parts and equipment at an estimated aggregate cost of \$120.5 million. The terms of the agreement allow the CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. Lease payments are due every June 1 and December 1 of each year, beginning on December 1, 2008. The present value of the future payments to be made by the CTA under the lease was approximately \$112 million as of December 31, 2009.

#### **Public Building Commission of Chicago**

On March 31, 2003, the Public Building Commission of Chicago (PBC) issued \$119 million of Building Revenue Bonds, Series 2003 (Chicago Transit Authority; PBC Bonds). The PBC used the proceeds of these bonds, among other things, to acquire the site for and construct a 12-story office building. The PBC leased the building to the CTA for a 20-year term to be used as

# Debt Administration

CTA headquarters. Rent payments due to the PBC from the CTA under the lease are general obligations of the CTA payable from any lawfully-available funds. Upon satisfaction of all of the obligations of the CTA under the lease and payment, or provision for payment, of the PBC Bonds in full, the PBC will transfer title of the leased premises to the CTA.

On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of \$91.3 million. The proceeds of the bonds were used to advance refund to the PBC, Series 2003 bonds. The original, executed lease in connection with the Series 2003 bonds was amended accordingly. The CTA is obligated to pay to the Trustee on behalf of the PBC on or before February 15 of each year in which the headquarters lease is in effect, rent which equals the debt service on the PBC bonds due through and including September 1 of that calendar year. The source of funds for PBC lease payments is primarily FTA grant funds. The total remaining rent due to the PBC over the life of the amended lease is \$148.5 million.

<b>SCHEDULE I: \$91,340,000 Building Revenue Bonds (Public Building Commission on behalf of Chicago Transit Authority) Series 2006 Lease Payment Schedule 2010-2033</b>				
<b>PAYMENT YEAR</b>	<b>PORTION OF LEASE PAYMENT ATTRIBUTABLE TO INTEREST</b>	<b>PORTION OF LEASE PAYMENT ATTRIBUTABLE TO PRINCIPAL</b>	<b>TOTAL LEASE PAYMENT</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	\$4,233,738	\$1,955,000	\$6,188,738	\$83,340,000
2011	\$4,153,938	\$2,035,000	\$6,188,938	\$81,305,000
2012	\$4,070,938	\$2,115,000	\$6,185,938	\$79,190,000
2013	\$3,984,538	\$2,205,000	\$6,189,538	\$76,985,000
2014	\$3,891,669	\$2,295,000	\$6,186,669	\$74,690,000
2015	\$3,782,775	\$2,405,000	\$6,187,775	\$72,285,000
2016	\$3,659,400	\$2,530,000	\$6,189,400	\$69,755,000
2017	\$3,529,650	\$2,660,000	\$6,189,650	\$67,095,000
2018	\$3,403,969	\$2,785,000	\$6,188,969	\$64,310,000
2019	\$3,271,913	\$2,915,000	\$6,186,913	\$61,395,000
2020	\$3,122,413	\$3,065,000	\$6,187,413	\$58,330,000
2021	\$2,965,163	\$3,225,000	\$6,190,163	\$55,105,000
2022	\$2,799,788	\$3,390,000	\$6,189,788	\$51,715,000
2023	\$2,621,456	\$3,565,000	\$6,186,456	\$48,150,000
2024	\$2,429,175	\$3,760,000	\$6,189,175	\$44,390,000
2025	\$2,226,525	\$3,960,000	\$6,186,525	\$40,430,000
2026	\$2,012,981	\$4,175,000	\$6,187,981	\$36,255,000
2027	\$1,787,888	\$4,400,000	\$6,187,888	\$31,855,000
2028	\$1,550,719	\$4,635,000	\$6,185,719	\$27,220,000
2029	\$1,300,688	\$4,890,000	\$6,190,688	\$22,330,000
2030	\$1,037,138	\$5,150,000	\$6,187,138	\$17,180,000
2031	\$759,413	\$5,430,000	\$6,189,413	\$11,750,000
2032	\$466,725	\$5,720,000	\$6,186,725	\$6,030,000
2033	\$158,288	\$6,030,000	\$6,188,288	\$0
<b>Total:</b>	<b>\$63,220,888</b>	<b>\$85,295,000</b>	<b>\$148,515,888</b>	

# Debt Administration

## Bonds Payable-Capital Grant Receipt Revenue Bonds

### Capital Grant Receipts Revenue Bonds, Series 2004A and 2004B

On October 20, 2004, the CTA issued Capital Grant Receipts Revenue Bonds, Series 2004A and Series 2004B (Federal Transit Administration Section 5307 Formula Funds; together referred to as the 2004 Bonds). Par value of the 2004 Bonds was \$250 million, with \$150 million in Series 2004A and \$100 million in Series 2004B. The 2004 Bonds are solely secured via Federal Transit Administration 5307 Urbanized Area Formula funds.

The proceeds of the 2004 Bonds will be used to pay for, or reimburse the CTA for prior expenditures relating to a portion of certain capital improvement projects identified by the CTA ("2004 Projects"). These capital improvements must be approved by the CTA Board as well as the RTA, and are included in the CTA Capital Plan. The 2004 Projects include infrastructure improvements such as facility rehabilitation, rail station reconstruction, replacing and upgrading track, structure and signal systems, communication infrastructure improvements, and replacing the bus and rail fleets. The 2004 Projects may be substituted from time to time, provided there are funds in the 2004 Project Account of the Construction fund.

The 2004 Bonds bear interest ranging from 3.6 percent to 5.25 percent. Interest is payable semi-annually on June 1 and December 1 and the remaining bonds mature serially on June 1, 2010 through June 1, 2016.

<b>SCHEDULE II: \$250,000,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration 5307 Formula Funds) Series 2004A and Series 2004B Total Debt Service 2010-2016</b>				
<b>PAYMENT YEAR</b>	<b>INTEREST PAYMENT</b>	<b>PRINCIPAL PAYMENT</b>	<b>TOTAL DEBT SERVICE</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	\$8,492,781	\$21,295,000	\$29,787,781	\$153,005,000
2011	\$7,367,856	\$22,390,000	\$29,757,856	\$130,615,000
2012	\$6,173,231	\$23,545,000	\$29,718,231	\$107,070,000
2013	\$4,904,700	\$24,780,000	\$29,684,700	\$82,290,000
2014	\$3,602,494	\$26,085,000	\$29,687,494	\$56,205,000
2015	\$2,231,906	\$27,385,000	\$29,616,906	\$28,820,000
2016	\$756,525	\$28,820,000	\$29,576,525	\$0
<b>Total:</b>	<b>\$33,529,493</b>	<b>\$174,300,000</b>	<b>\$207,829,493</b>	



# Debt Administration

## Capital Grant Receipts Revenue Bonds, Series 2006

On November 1, 2006, the CTA issued Capital Grant Receipts Revenue Bonds, Series 2006A (Federal Transit Administration Section 5307 Formula Funds) in the amount of \$275 million, in anticipation of the receipt of grants from the federal government pursuant to a full-funding grant agreement. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2006 Project."

The Series 2006 bonds bear interest ranging from four percent to five percent. Interest is payable semi-annually on June 1 and December 1 and the remaining bonds mature serially on June 1, 2010 through June 1, 2021.

<b>SCHEDULE III: \$275,000,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 Formula Funds) Series 2006A Total Debt Service 2010-2021</b>				
<b>PAYMENT YEAR</b>	<b>INTEREST PAYMENT</b>	<b>PRINCIPAL PAYMENT</b>	<b>TOTAL DEBT SERVICE</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	\$12,383,013	\$8,800,000	\$21,183,013	\$249,595,000
2011	\$12,023,913	\$9,155,000	\$21,178,913	\$240,440,000
2012	\$11,650,413	\$9,520,000	\$21,170,413	\$230,920,000
2013	\$11,212,513	\$9,900,000	\$21,112,513	\$221,020,000
2014	\$10,705,138	\$10,395,000	\$21,100,138	\$210,625,000
2015	\$10,172,388	\$10,915,000	\$21,087,388	\$199,710,000
2016	\$9,655,881	\$11,465,000	\$21,120,881	\$188,245,000
2017	\$8,560,500	\$34,070,000	\$42,630,500	\$154,175,000
2018	\$6,814,500	\$35,770,000	\$42,584,500	\$118,405,000
2019	\$4,981,250	\$37,560,000	\$42,541,250	\$80,845,000
2020	\$3,056,375	\$39,435,000	\$42,491,375	\$41,410,000
2021	\$1,035,250	\$41,410,000	\$42,445,250	\$0
<b>Total:</b>	<b>\$102,251,134</b>	<b>\$258,395,000</b>	<b>\$360,646,134</b>	

# Debt Administration

## Capital Grant Receipts Revenue Bonds, Series 2008 (5309) and 2008A (5307)

On April 16, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, Series 2008A (Federal Transit Administration Section 5307 Formula Funds) and Series 2008 (Federal Transit Administration Section 5309 Formula Funds) in the amount of \$250 million, in anticipation of the receipt of grants from the federal government pursuant to a full-funding grant agreement. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2008 Project." The Federal Transit Administration's section 5307 program is a formula grant program for metropolitan areas providing capital, operating or planning assistance for mass transportation. The section 5309 program is a formula grant program providing capital assistance for the modernization of existing rail systems.

The Series 2008 (5309) and Series 2008A (5307) bonds bear interest ranging from 3.5 percent to 5.25 percent. Interest is payable semi-annually on June 1 and December 1 and the remaining bonds mature serially on June 1, 2010 through June 1, 2026.

<b>SCHEDULE IV: \$250,000,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 &amp; 5309 Formula Funds) Series 2008 Total Debt Service 2010-2026</b>				
<b>PAYMENT YEAR</b>	<b>INTEREST PAYMENT</b>	<b>PRINCIPAL PAYMENT</b>	<b>TOTAL DEBT SERVICE</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	\$12,554,250	\$5,990,000	\$18,544,250	\$244,010,000
2011	\$12,317,688	\$6,240,000	\$18,557,688	\$237,770,000
2012	\$12,063,488	\$6,460,000	\$18,523,488	\$231,310,000
2013	\$11,765,050	\$6,750,000	\$18,515,050	\$224,560,000
2014	\$11,457,206	\$7,060,000	\$18,517,206	\$217,500,000
2015	\$11,137,100	\$7,365,000	\$18,502,100	\$210,135,000
2016	\$10,778,900	\$7,700,000	\$18,478,900	\$202,435,000
2017	\$10,384,275	\$8,085,000	\$18,469,275	\$194,350,000
2018	\$9,969,900	\$8,490,000	\$18,459,900	\$185,860,000
2019	\$9,523,763	\$8,910,000	\$18,433,763	\$176,950,000
2020	\$9,043,650	\$9,380,000	\$18,423,650	\$167,570,000
2021	\$8,538,338	\$9,870,000	\$18,408,338	\$157,700,000
2022	\$7,533,882	\$28,395,000	\$35,928,882	\$129,305,000
2023	\$6,003,900	\$29,890,000	\$35,893,900	\$99,415,000
2024	\$4,393,463	\$31,460,000	\$35,853,463	\$67,955,000
2025	\$2,698,500	\$33,110,000	\$35,808,500	\$34,845,000
2026	\$914,682	\$34,845,000	\$35,759,682	\$0
<b>Total:</b>	<b>\$151,078,035</b>	<b>\$250,000,000</b>	<b>\$401,078,035</b>	

# Debt Administration

## Capital Grant Receipts Revenue Bonds, Series 2008A (5309)

On November 20, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, Series 2008A (Federal Transit Administration Section 5309 Formula Funds) in the amount of \$175 million, in anticipation of the receipt of grants from the federal government pursuant to a full-funding grant agreement. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the “2008 Project.”

The Series 2008A (5309) bonds bear interest ranging from five percent to six percent. Interest is payable semi-annually on June 1 and December 1 and the remaining bonds mature serially on June 1, 2010 through June 1, 2026.

<b>SCHEDULE V: \$175,000,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5309 Formula Funds) Series 2008A Debt Service 2010-2026</b>				
<b>PAYMENT YEAR</b>	<b>INTEREST PAYMENT</b>	<b>PRINCIPAL PAYMENT</b>	<b>TOTAL DEBT SERVICE</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	\$9,168,900	\$6,705,000	\$15,873,900	\$168,295,000
2011	\$8,825,275	\$7,040,000	\$15,865,275	\$161,255,000
2012	\$8,464,400	\$7,395,000	\$15,859,400	\$153,860,000
2013	\$8,085,400	\$7,765,000	\$15,850,400	\$146,095,000
2014	\$7,687,525	\$8,150,000	\$15,837,525	\$137,945,000
2015	\$7,269,775	\$8,560,000	\$15,829,775	\$129,385,000
2016	\$6,831,025	\$8,990,000	\$15,821,025	\$120,395,000
2017	\$6,358,475	\$9,440,000	\$15,798,475	\$110,955,000
2018	\$5,837,463	\$9,935,000	\$15,772,463	\$101,020,000
2019	\$5,276,050	\$10,480,000	\$15,756,050	\$90,540,000
2020	\$4,711,475	\$11,055,000	\$15,766,475	\$79,485,000
2021	\$4,144,850	\$11,610,000	\$15,754,850	\$67,875,000
2022	\$3,549,850	\$12,190,000	\$15,739,850	\$55,685,000
2023	\$2,909,100	\$12,800,000	\$15,709,100	\$42,885,000
2024	\$2,169,000	\$13,470,000	\$15,639,000	\$29,415,000
2025	\$1,336,500	\$14,280,000	\$15,616,500	\$15,135,000
2026	\$454,050	\$15,135,000	\$15,589,050	\$0
<b>Total:</b>	<b>\$93,079,113</b>	<b>\$175,000,000</b>	<b>\$268,079,113</b>	

# Debt Administration

## Capital Grant Receipts Revenue Bonds, Refunding Series 2010 (5307) and Refunding Series 2010 (5309)

On May 6, 2010, the CTA issued Capital Grant Receipts Revenue Bonds, Refunding Series 2010 (Federal Transit Administration Section 5307 Formula Funds) and Refunding Series 2010 (Federal Transit Administration Section 5309 Formula Funds), in the amount of \$90.7 million, in anticipation of the receipt of grants from the federal government pursuant to a full-funding grant agreement. The bonds were issued to refund a portion of the outstanding 5307 and 5309 bonds and to pay costs of issuance.

The Refunding Series 2010 bonds bear interest of 5 percent. Interest is payable semi-annually on June 1 and December 1 and the bonds mature on June 1, 2027 and June 1, 2028.

<b>SCHEDULE VI: \$90,715,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 &amp; 5309 Formula Funds) Refunding Series 2010 Total Debt Service 2010-2028</b>				
<b>PAYMENT YEAR</b>	<b>TOTAL INTEREST</b>	<b>TOTAL PRINCIPAL</b>	<b>TOTAL DEBT SERVICE</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	\$2,419,067	\$0	\$2,419,067	\$90,715,000
2011	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2012	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2013	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2014	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2015	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2016	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2017	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2018	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2019	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2020	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2021	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2022	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2023	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2024	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2025	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2026	\$4,535,750	\$0	\$4,535,750	\$90,715,000
2027	\$3,429,375	\$44,255,000	\$47,684,375	\$46,460,000
2028	\$1,161,500	\$46,460,000	\$47,621,500	\$0
<b>Total:</b>	<b>\$79,581,942</b>	<b>\$90,715,000</b>	<b>\$170,296,942</b>	

# Debt Administration

## Bonds Payable-Sales Tax Revenue Bonds

### **Sales and Transfer Tax Receipts Revenue Bonds, 2008A Series (Pension Funding) and 2008B Series (Retiree Health Care Funding)**

On July 30, 2008, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds in the amount of \$1.94 billion to fund the employee retirement plan and to create a retiree health care trust. The bonds were sold in two tranches: a \$1.3 billion Series A to fund the employee retirement plan, and a \$640 million Series B to fund a permanent trust that was established to cover other post-employment benefits for retiree health care. The bonds are secured primarily by a pledge of and lien on the Sales Tax Receipts Fund and the Transfer Tax Receipts Fund deposits. The bonds were issued pursuant to the pension and retiree health care reform requirements set forth in Public Acts 94-839 and 95-0708.

Public Act 94-839 required the CTA to make contributions to its retirement system in an amount which, together with the contributions of its participants, interest earned on investments and other income, was sufficient to bring the total assets of the retirement system up to 90 percent of its total actuarial liabilities by the end of fiscal year 2058. Additionally, Public Act 94-839 required that the Retirement Plan's pension and retiree health care programs be separated into two distinct trusts by December 31, 2008.

Public Act 95-0708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust will be created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90 percent funded by the end of 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60 percent by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions. Fourth, Public Act 95-708 authorized the CTA to issue \$1.9 billion in pension obligation bonds to fund the pension and retiree health care. Finally, the legislation provides that the CTA will have no future responsibility for retiree healthcare costs after the bond funding. In accordance with Public Act 95-708, all retiree healthcare benefits were to be paid from the newly established Retiree Health Care Trust no earlier than January 1, 2009 but no later than July 1, 2009.

The Series 2008A and 2008B bonds bear interest ranging from 5.1 percent to 6.9 percent. Scheduled interest on the 2008A and 2008B bonds was funded through June 1, 2009 and June 1, 2010, respectively, with bond proceeds and interest earnings thereon. Interest is payable semi-annually on June 1 and December 1 and the bonds mature serially on December 1, 2012 through June 1, 2040.

# Debt Administration

<b>SCHEDULE VII: \$1,936,855,000 Sales and Transfer Tax Receipts Revenue Bonds (Public Acts 94-839 and 95-0708) Series 2008A and 2008B Total Debt Service 2010-2040</b>				
<b>PAYMENT YEAR</b>	<b>INTEREST PAYMENT</b>	<b>PRINCIPAL PAYMENT</b>	<b>TOTAL DEBT SERVICE</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	\$131,366,832	\$0	\$131,366,832	\$1,936,855,000
2011	\$131,366,832	\$0	\$131,366,832	\$1,936,855,000
2012	\$131,366,832	\$10,020,000	\$141,386,832	\$1,926,835,000
2013	\$130,854,008	\$25,720,000	\$156,574,008	\$1,901,115,000
2014	\$129,537,659	\$27,040,000	\$156,577,659	\$1,874,075,000
2015	\$127,834,139	\$28,740,000	\$156,574,139	\$1,845,335,000
2016	\$126,023,519	\$30,550,000	\$156,573,519	\$1,814,785,000
2017	\$124,098,869	\$32,475,000	\$156,573,869	\$1,782,310,000
2018	\$122,052,944	\$34,520,000	\$156,572,944	\$1,747,790,000
2019	\$119,878,184	\$36,695,000	\$156,573,184	\$1,711,095,000
2020	\$117,566,399	\$39,010,000	\$156,576,399	\$1,672,085,000
2021	\$115,108,769	\$41,465,000	\$156,573,769	\$1,630,620,000
2022	\$112,496,474	\$44,080,000	\$156,576,474	\$1,586,540,000
2023	\$109,455,395	\$47,120,000	\$156,575,395	\$1,539,420,000
2024	\$106,204,586	\$50,370,000	\$156,574,586	\$1,489,050,000
2025	\$102,729,560	\$53,845,000	\$156,574,560	\$1,435,205,000
2026	\$99,014,793	\$57,560,000	\$156,574,793	\$1,377,645,000
2027	\$95,043,729	\$61,530,000	\$156,573,729	\$1,316,115,000
2028	\$90,798,774	\$65,775,000	\$156,573,774	\$1,250,340,000
2029	\$86,260,957	\$70,310,000	\$156,570,957	\$1,180,030,000
2030	\$81,410,270	\$75,165,000	\$156,575,270	\$1,104,865,000
2031	\$76,224,636	\$80,350,000	\$156,574,636	\$1,024,515,000
2032	\$70,681,290	\$85,895,000	\$156,576,290	\$938,620,000
2033	\$64,755,394	\$91,820,000	\$156,575,394	\$846,800,000
2034	\$58,420,732	\$98,150,000	\$156,570,732	\$748,650,000
2035	\$51,649,364	\$104,925,000	\$156,574,364	\$643,725,000
2036	\$44,410,588	\$112,165,000	\$156,575,588	\$531,560,000
2037	\$36,672,324	\$119,905,000	\$156,577,324	\$411,655,000
2038	\$28,400,078	\$128,170,000	\$156,570,078	\$283,485,000
2039	\$19,557,630	\$137,015,000	\$156,572,630	\$146,470,000
2040	\$10,104,965	\$146,470,000	\$156,574,965	\$0
<b>Total:</b>	<b>\$2,851,346,522</b>	<b>\$1,936,855,000</b>	<b>\$4,788,201,522</b>	

## Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B (Build America Bonds)

On March 23, 2010, the CTA issued Sales Tax Receipts Revenue Bond Series 2010A and Taxable Series 2010B (Build America Bonds) in the amount of \$550 million to fund or reimburse the Authority for prior expenditures of the “2010 Project”, capitalize a portion of interest on the bonds, fund a portion of the consolidated debt service reserve fund on the bonds, and to pay costs of issuance on the bonds. The Series 2010B Bonds are issued as bonds designated as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. The 2010 Project means, collectively, capital improvements to the transportation system and specifically the purchase of rail cars, rail car overhaul and rehabilitation, and the replacement and upgrade of rail track and structure.

# Debt Administration

The Series 2010A bonds bear interest ranging from four percent to five percent with interest payable semi-annually on June 1 and December 1, commencing December 1, 2010. The Series 2010A bonds mature serially on December 1, 2015 through December 1, 2019. The Taxable Series 2010B bonds bear interest ranging from 5.07 percent to 6.20 percent with interest payable semi-annually on June 1 and December 1, commencing December 1, 2010. The Taxable Series 2010B bonds mature annually each December 1, 2020 through December 1, 2040.

<b>SCHEDULE VIII: \$550,000,000 Sales Tax Receipts Revenue Bonds</b>				
<b>Series 2010A and 2010B Total Debt Service 2010-2040</b>				
<b>PAYMENT YEAR</b>	<b>INTEREST PAYMENT</b>	<b>PRINCIPAL PAYMENT</b>	<b>TOTAL DEBT SERVICE</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	21,526,425	-	\$21,526,425	\$550,000,000
2011	32,976,651	-	\$32,976,651	\$550,000,000
2012	32,976,651	-	\$32,976,651	\$550,000,000
2013	32,976,651	-	\$32,976,651	\$550,000,000
2014	32,976,651	-	\$32,976,651	\$550,000,000
2015	32,976,651	5,715,000	\$38,691,651	\$544,285,000
2016	32,702,701	7,675,000	\$40,377,701	\$536,610,000
2017	32,318,951	9,925,000	\$42,243,951	\$526,685,000
2018	31,832,201	10,415,000	\$42,247,201	\$516,270,000
2019	31,333,751	10,915,000	\$42,248,751	\$505,355,000
2020	30,798,001	11,510,000	\$42,308,001	\$493,845,000
2021	30,214,444	12,095,000	\$42,309,444	\$481,750,000
2022	29,583,085	12,720,000	\$42,303,085	\$469,030,000
2023	28,900,021	13,405,000	\$42,305,021	\$455,625,000
2024	28,166,767	14,135,000	\$42,301,767	\$441,490,000
2025	27,372,380	14,930,000	\$42,302,380	\$426,560,000
2026	26,446,720	15,855,000	\$42,301,720	\$410,705,000
2027	25,463,710	16,835,000	\$42,298,710	\$393,870,000
2028	24,419,940	17,880,000	\$42,299,940	\$375,990,000
2029	23,311,380	18,985,000	\$42,296,380	\$357,005,000
2030	22,134,310	20,155,000	\$42,289,310	\$336,850,000
2031	20,884,700	21,400,000	\$42,284,700	\$315,450,000
2032	19,557,900	22,725,000	\$42,282,900	\$292,725,000
2033	18,148,950	24,135,000	\$42,283,950	\$268,590,000
2034	16,652,580	31,820,000	\$48,472,580	\$236,770,000
2035	14,679,740	33,785,000	\$48,464,740	\$202,985,000
2036	12,585,070	35,875,000	\$48,460,070	\$167,110,000
2037	10,360,820	38,090,000	\$48,450,820	\$129,020,000
2038	7,999,240	40,455,000	\$48,454,240	\$88,565,000
2039	5,491,030	42,955,000	\$48,446,030	\$45,610,000
2040	2,827,820	45,610,000	\$48,437,820	\$0
<b>Total:</b>	<b>\$740,595,885</b>	<b>\$550,000,000</b>	<b>\$1,290,595,885</b>	

# Debt Administration

## Summary of Total Bond Debt Service for all Outstanding Bonds

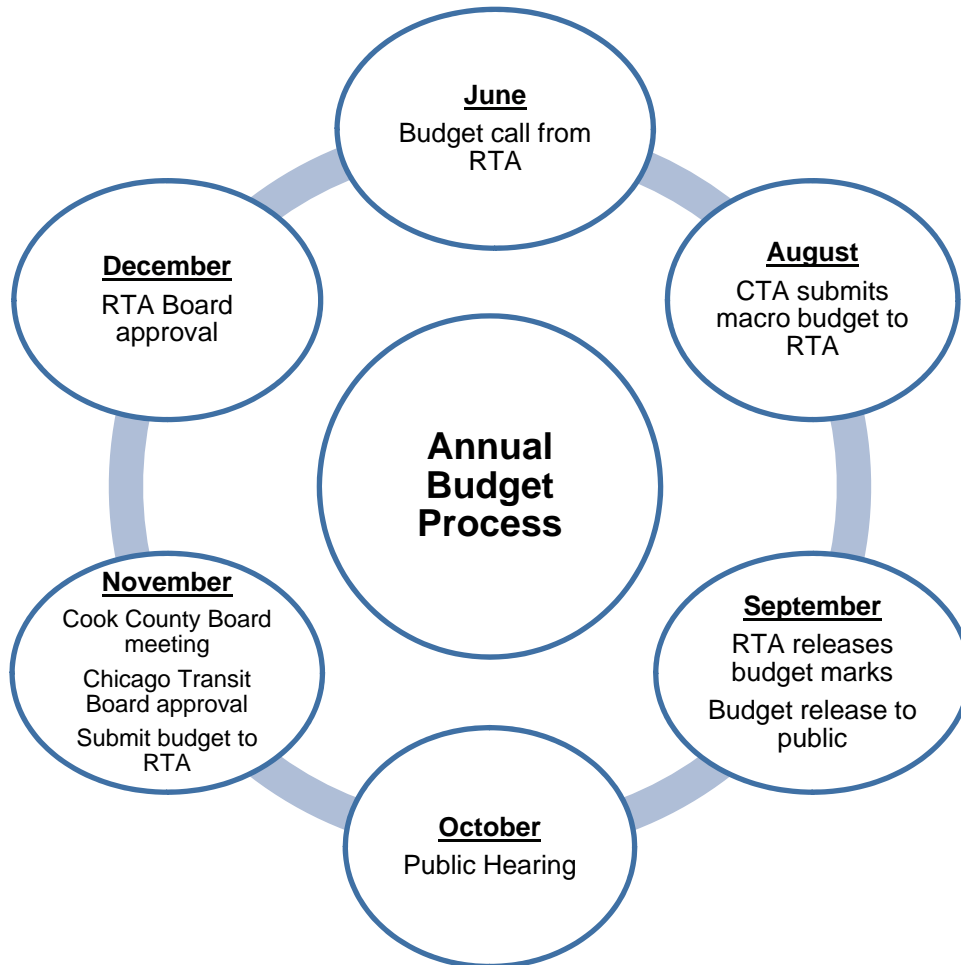
<b>Schedule IX: CTA TOTAL DEBT SCHEDULE 2010 – 2040</b>				
<b>PAYMENT YEAR</b>	<b>INTEREST PAYMENT</b>	<b>PRINCIPAL PAYMENT</b>	<b>TOTAL DEBT SERVICE</b>	<b>DEBT OUTSTANDING (as of 12/31)</b>
2010	\$197,911,267	\$42,790,000	\$240,701,267	\$3,392,475,000
2011	\$209,413,965	\$44,825,000	\$254,238,965	\$3,347,650,000
2012	\$207,230,765	\$56,940,000	\$264,170,765	\$3,290,710,000
2013	\$204,334,072	\$74,915,000	\$279,249,072	\$3,215,795,000
2014	\$200,502,422	\$78,730,000	\$279,232,422	\$3,137,065,000
2015	\$196,157,708	\$88,680,000	\$284,837,708	\$3,048,385,000
2016	\$191,284,300	\$95,200,000	\$286,484,300	\$2,953,185,000
2017	\$186,256,819	\$93,995,000	\$280,251,819	\$2,859,190,000
2018	\$181,042,757	\$99,130,000	\$280,172,757	\$2,760,060,000
2019	\$175,528,747	\$104,560,000	\$280,088,747	\$2,655,500,000
2020	\$169,711,649	\$110,390,000	\$280,101,649	\$2,545,110,000
2021	\$163,577,400	\$116,450,000	\$280,027,400	\$2,428,660,000
2022	\$157,699,040	\$97,385,000	\$255,084,040	\$2,331,275,000
2023	\$151,804,165	\$103,215,000	\$255,019,165	\$2,228,060,000
2024	\$145,469,566	\$109,435,000	\$254,904,566	\$2,118,625,000
2025	\$138,672,690	\$116,165,000	\$254,837,690	\$2,002,460,000
2026	\$131,365,995	\$123,395,000	\$254,760,995	\$1,879,065,000
2027	\$123,936,814	\$122,620,000	\$246,556,814	\$1,756,445,000
2028	\$116,380,214	\$130,115,000	\$246,495,214	\$1,626,330,000
2029	\$109,572,337	\$89,295,000	\$198,867,337	\$1,537,035,000
2030	\$103,544,580	\$95,320,000	\$198,864,580	\$1,441,715,000
2031	\$97,109,336	\$101,750,000	\$198,859,336	\$1,339,965,000
2032	\$90,239,190	\$108,620,000	\$198,859,190	\$1,231,345,000
2033	\$82,904,344	\$115,955,000	\$198,859,344	\$1,115,390,000
2034	\$75,073,312	\$129,970,000	\$205,043,312	\$985,420,000
2035	\$66,329,104	\$138,710,000	\$205,039,104	\$846,710,000
2036	\$56,995,658	\$148,040,000	\$205,035,658	\$698,670,000
2037	\$47,033,144	\$157,995,000	\$205,028,144	\$540,675,000
2038	\$36,399,318	\$168,625,000	\$205,024,318	\$372,050,000
2039	\$25,048,660	\$179,970,000	\$205,018,660	\$192,080,000
2040	\$12,932,785	\$192,080,000	\$205,012,785	\$0
<b>Total</b>	<b>\$4,051,462,124</b>	<b>\$3,435,265,000</b>	<b>7,486,727,124</b>	



# Annual Budget Process

## The Budget & Financial Plan Process

The RTA Act requires the RTA Board to adopt a consolidated annual budget and two-year financial plan. The budgetary process contains three phases: budget development, budget adoption, and budget execution and administration.



## Budget Development

June 25

Budget development begins each year in June with the Budget Call from the RTA. The Budget Call outlines the required budget information needed for the RTA, as well as provides economic assumptions for the region.

The RTA's sales tax forecast is based on the most recent sales tax revenue estimate provided by the State Bureau of the Budget (BOB). The BOB is required to submit to the RTA by July 1 of each year an estimate of sales tax revenues to be received by the CTA for the next fiscal year. The RTA uses this estimate and the sales tax growth rates to prepare the annual budget funding marks, and to estimate sales tax for the two years of the financial plan.

# Annual Budget Process

## Budget Adoption

August 13	Initial budget submitted to RTA. By the middle of August, the CTA is required to submit a macro-level budget and a two-year financial plan to the RTA.
September 15	RTA to announce marks. The RTA Board is required by the RTA Act to set operating funding marks for the three Service Boards by September 15. The marks include estimates of available operating funding for the budget and financial plan, and a required recovery ratio (the ratio or percentage of operating expenses that must be recovered from system-generated revenues) for the budget. Upon issuance of the budget marks, the CTA revises its expenses and revenues to conform to the marks.
September 29	CTA Budget released to the public. The statute requires that documents be available for public inspection 21 days prior to the public hearing.
October 26	Public Hearing to receive comments from the public.
November 3	Budget presentation to the County. The CTA presents the budget to the Cook County Board after the Public Hearing but prior to the CTA adoption of the budget, as required by the RTA Act.
November 10	Chicago Transit Board approval. The Chicago Transit Board incorporates any changes and adopts the budget and two-year financial plan.
November 15	Budget submission to RTA. The RTA Act requires that the CTA, by November 15, submit its detailed budget and financial plan to the RTA. The budget must conform to the marks set by the RTA on September 15.
December 16	RTA Board approval. The RTA Board adopts the proposed budget and financial plan upon the approval of nine of the RTA's 13 directors.

## RTA Statutory Requirements for Budget Approval

The RTA Board adopts the proposed budget and plan upon the approval of nine of the RTA's 13 directors. If the budget meets the RTA's six criteria, which are identified in the RTA Act outlined below, then the RTA is required to adopt the budget by December 31. If the RTA Board does not approve the budget, the RTA Board cannot release any funds for the periods covered by the budget and financial plan, except the proceeds of sales taxes due by the statutory formula to the CTA until the budget conforms to the criteria specified in the Act.

The six criteria for budget and plan approval per RTA Act are:

1. **Balanced Budget:** The budget and plan show a balance between (A) anticipated revenues from all sources including operating subsidies and (B) the costs of providing the services specified and of funding any operating deficits or encumbrances incurred in prior periods, including provision for payment when due of principal and interest of outstanding indebtedness.

# Annual Budget Process

2. **Cash Flow:** The budget and plan show cash balances including the proceeds of any anticipated cash flow borrowing sufficient to pay with reasonable promptness all costs and expenses incurred.
3. **Recovery Ratio:** The budget and plan provide for a level of fares or charges and operating or administrative costs for the public transportation provided by or subject to the system generated revenue recovery ratio.
4. **Assumptions:** The budget and plan are based upon and employ assumptions and projections, which are reasonable and prudent.
5. **Financial Practices:** The budget and plan have been prepared in accordance with sound financial practices as determined by the RTA Board.
6. **Other Requirements:** The budget and plan meet such other financial, budgetary, or fiscal requirements that the RTA Board may by rule or regulation establish.
7. **Strategic Plan:** The budget and plan are consistent with the goals and objectives adopted by the RTA Board in the Strategic Plan

## Budget Execution & Administration

After the proposed budget and financial plan are adopted, the budget execution and administration phase begins. Detailed budgets of operating revenues and expenses calendarized for the 12 months of the budget year are forwarded to the RTA. The CTA's actual monthly financial performance is measured against the monthly budget and reported to the RTA Board. Detailed capital grant applications are prepared and submitted to funding agencies. Quarterly capital program progress reports are provided to the RTA board to monitor expenditures and obligations for capital program items.

## Amendment Process

As the CTA monitors actual performance, changes may be required to the budget. The RTA might revise its sales tax forecast, which could result in less public funding for the CTA. This in turn would require reduced spending to meet the revised funding mark and recovery ratio.

When the RTA amends a revenue estimate because of changes in economic conditions, governmental funding, a new program, or other reasons, the CTA has 30 days to revise its budget to reflect these changes. The RTA's Finance Committee must approve all amendments before they are recommended to the RTA Board for approval. The budget may also be amended if the CTA is significantly out of compliance with the budget for a particular quarter based upon its financial condition and results of operations. The RTA Board, by a vote of 12 members, may require the CTA to submit a revised financial plan and budget, which show that the marks will be met in a time period of less than four quarters. If the RTA Board determines that the revised budget is not in compliance with the marks, the RTA will not release discretionary funds. RTA discretionary funds include monies from the Public Transportation Fund (PTF), discretionary sales tax and other state funding.

If the Authority submits a revised financial plan and budget which show the marks will be met within a four-quarter period, then the RTA Board shall continue to release funds.

As capital projects proceed, changes may be required to project budgets. Capital funding marks may be revised based on actual federal or state appropriations actions. When revisions are necessary, the CTA will amend the five-year capital program and submit the changes to the RTA for RTA Board action.

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# Accounting System & Financial Controls

## ORGANIZATION OVERVIEW

The CTA was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois Legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) “separate and apart from all other government agencies” to consolidate Chicago’s public and private mass transit carriers. The City Council of the City of Chicago granted the CTA the exclusive right to own and operate a unified, local transportation system.

The Regional Transportation Authority Act provides for the funding of public transportation in the six-county region of Northeastern Illinois. The Act established a regional oversight board, the RTA, and designated three Service Boards: the CTA, the Commuter Rail Board and the Suburban Bus Board. The Act requires, among other things, that the RTA approve the annual budget of the CTA; that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least \$5 million for public transportation and that the CTA, collectively with the other Service Boards, finance at least 50 percent of operating costs, excluding depreciation and certain other items, with system-generated revenues.

### Financial Reporting Entity

In conformance with Governmental Accounting Standards Board (GASB) standards, the CTA includes in its financial statements all funds over which the Chicago Transit Board exercises oversight responsibility. Oversight responsibility is defined to include the following considerations: selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and scope of an organization’s public service and/or special financing relationships.

Based on the above criteria, the fund established for the employees’ pension plan has been determined not to be part of the reporting entity. The fund is a legal entity, which is separate and distinct from the CTA. The fund is administered by its own oversight committee, of which the CTA appoints five of the 11 members, and over which the CTA has no direct authority. Accordingly, the accounts of the fund are not included in CTA’s financial statements.

Based upon the criteria set forth by the GASB, the CTA is not considered a component unit of the RTA because the CTA maintains separate management, exercises control over all operations, and is fiscally independent from the RTA. Because governing authority of the CTA is entrusted to the Chicago Transit Board - comprised of four members appointed by the Mayor of the City of Chicago and three members appointed by the Governor of the State of Illinois - the CTA is not financially accountable to the RTA and is not included as a component unit in the RTA’s financial statements. As statutorily required, the CTA is combined in pro forma statements with the RTA.

## BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the RTA Act to submit for approval an annual budget to the RTA by November 15<sup>th</sup> of each year. The budget is prepared on a basis consistent with generally accepted accounting principles (GAAP), except for the exclusion of certain income and expenses. These amounts include provision for injuries and damage in excess of budget, depreciation expense, pension expense in excess of pension contributions, revenue from leasing transactions, interest income, expense from sale/leaseback transactions, and capital contributions.

# Accounting System & Financial Controls

The Act requires that expenditures for operations and maintenance in excess of budget cannot be made without the approval of the Chicago Transit Board. All annual appropriations lapse at fiscal year-end. The RTA, in accordance with the RTA Act, has approved, for budgetary-basis presentation, the CTA's recognition of the amounts of the injury and damage reserve and pension contribution in the approved annual budget. Provisions in excess of the approved annual budget that are unfunded are excluded from the recovery ratio calculation.

The RTA funds the budgets of the Service Boards rather than the actual operating expenses in excess of system-generated revenue. Favorable variances from budget remain as operating assistance to the CTA.

The RTA approves the proposed budget based on four criteria:

- That the budget is in balance with regard to anticipated revenues from all sources, including operating subsidies, costs of providing services and funding operating deficits;
- That the budget provides for sufficient cash balances to pay, with reasonable promptness, costs and expenses when due;
- That the budget provides for the CTA to meet its required system-generated revenue recovery ratio;
- That the budget is reasonable and prepared in accordance with sound financial practices, and complies with such other RTA requirements as the RTA Board of Directors may establish.

The RTA monitors the CTA's performance against the budget on a quarterly basis. If, in the judgment of the RTA, this performance is not substantially in accordance with the CTA's budget for such period, the RTA shall so advise the CTA and the CTA must, within the period specified by the RTA, submit a revised budget to bring the CTA into compliance with the budgetary requirements listed above.

## FINANCIAL REPORTING

### Overview

The CTA's financial statements are prepared in conformity with GAAP. GASB is the accepted standard-setting body for establishing governmental accounting and reporting principles. The CTA applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case the GASB prevails.

### Basis of Presentation

The financial statements provide information about the CTA's business-type and fiduciary (Open Supplemental Retirement Plan) activities. Separate financial statements for each category are presented.

The financial statements for the CTA's business-type activities are used to account for the operations of the CTA and are accounted for on a proprietary (enterprise) fund basis. This basis is used when operations are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, and the periodic determination of revenues earned, costs incurred, and changes in net assets are appropriated.

# Accounting System & Financial Controls

The financial statements for the fiduciary activities are used to account for the assets held by the CTA in trust for the payment of future retirement benefits under the Open Supplemental Retirement Plan. The assets of the Open Supplemental Retirement Plan cannot be used to support CTA operations.

## Fiscal year

The operating cycle of the CTA is based on the calendar year. Prior to 1995, the CTA operated on a 52-week fiscal year composed of four quarters of “four week, four week, and five week” periods. Periodically, a 53-week fiscal year was required to keep the fiscal year aligned with the calendar.

## INTERNAL CONTROLS

### Overview

CTA management is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the CTA are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived; and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The CTA's internal accounting controls are reasonable under the existing budgetary constraints, and adequately safeguard assets as well as provide reasonable assurance of proper recording of all financial transactions.

### Single Audit

As a recipient of federal, state and RTA financial assistance, the CTA is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is subject to periodic evaluation by management and the internal audit staff of the CTA, as well as external auditors.

As part of the CTA's single audit, tests are performed to determine the adequacy of the internal control system, including the portion related to federal financial assistance programs, as well as to determine that the CTA has complied with applicable laws and regulations.

### Budgeting Controls

In addition, the CTA maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget appropriated by the Chicago Transit Board and approved by the RTA. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established for total operating expenses. The CTA also maintains a position control system, which requires that every job which is not part of scheduled transit operations, be budgeted on an annual basis.

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# Financial Policy

## FINANCIAL PLANNING POLICIES

Financial planning policies incorporate both short- and long-term strategies focused on the principles of a balanced budget. These policies ensure proper resource allocation and the continued financial viability of the organization. The CTA reviews the policies on an annual basis as part of the budget process to ensure continued relevance to the organization's goals and objectives.

### **A Balanced Budget**

The budget reflects the short-term goals of the agency. Following development, adoption and implementation of the annual budget, the CTA continually monitors actual monthly financial performance against the budget. Each month, CTA performs a detailed line-by-line analysis of revenues and expenses to determine operating variances. This includes reviewing position headcount, analyzing material and other expenses, examining revenue scenarios for potential shortfalls, applying seasonality spread in relation to business activities, and conducting continuous audits to ensure a balanced budget. Where potential year-end variances to budget are projected, the CTA uses various strategies to manage the variance. A monthly financial performance report is produced and submitted to the CTA and RTA boards for their review.

The RTA statute requires the CTA to have a balanced budget each year. As such, the CTA takes care in the development of its budget to ensure that assumptions and estimates used to develop the budget are reasonable. The CTA analyzes data from recent years and develops forecasts that are built on actual expense trends. The CTA also researches market trends and consultants' studies that could impact fuel and healthcare expenses. All expenses match available revenues at the time of the budget, including system-generated and other revenues, as well as public funding.

Each year, the CTA conducts internal and external audits to test the adequacy of its internal control system. Where weaknesses are identified, the CTA takes immediate action to correct such weaknesses to ensure a sound internal control system.

### **Long-Range Planning**

The CTA also develops a longer-range plan for the period beyond the current budget and two-year financial plan. This ten-year plan assesses the implications of current and proposed budgets, policy priorities and financial assumptions. Additionally, external economic studies, demographics and traffic patterns are used to estimate the future transit needs of the Chicago metropolitan area, as well as to establish the future system requirements of the CTA. Current infrastructure needs, as well as system growth needs, are developed, prioritized and incorporated into the long-term plan.

### **Capital Investment Planning**

The CTA continuously maintains an inventory and assessment of the condition of all major capital assets. A detailed five-year capital program prioritizes the short-term capital needs that are necessary to bring the system to a state of good repair, as well as to maximize customer benefits in the regional transit system. A 20-year capital program condition and assessment report provides a broader list of the CTA's capital investment needs.

# Financial Policy

## REVENUE POLICIES

A clear understanding of CTA revenue sources is essential to maintaining a balanced budget and for providing quality service to customers.

### **Revenue Diversification**

The CTA's revenue diversification policy allows the agency to manage potential fluctuations in individual revenue streams. Organizational units are encouraged to submit additional revenue ideas for consideration. The CTA has embarked upon numerous alternative revenue enhancements, such as vending machines and ATMs on the system, wireless communications in the subway tunnels, digital communications, and parking under the elevated rights-of-way. Additionally, creative financing transactions have produced millions of dollars over the past few years. The CTA continues to find ways to enhance system advertising, charters and concession revenues, as well as revenue from investments.

### **Use of One-Time Revenues**

Extraordinary revenues from the sale of surplus assets provide one-time benefits to the CTA. These additional revenues are used to fund non-recurring expense items.

## EXPENDITURE POLICIES

Prudent expenditure planning, monitoring and accountability are key elements of fiscal stability.

### **Debt Capacity, Issuance and Management**

These policies serve as a management tool to ensure that the CTA:

- may utilize leverage as part of its overall funding strategy to speed up investment in the system;
- utilizes debt in the most efficient and effective manner to fund operating and capital improvement programs; and
- makes full and timely repayment of all borrowings.

Moreover, the policy provides broad guidelines to ensure that the agency achieves the lowest possible cost of capital within prudent risk parameters, secures ongoing access to the capital markets, and authorizes the appropriate amount, type and structure of debt for various financing situations.

### **Expenditure Accountability**

Each month, the CTA compares its operating and capital performance to budget. Any deviations from budget are reviewed and corrective measures are implemented by the appropriate organizational units. Each unit is responsible for maintaining budget compliance. Actual capital expenditures are also reviewed monthly and adjustments to capital projects spending are made accordingly.

# Economic Indicators

## Overview

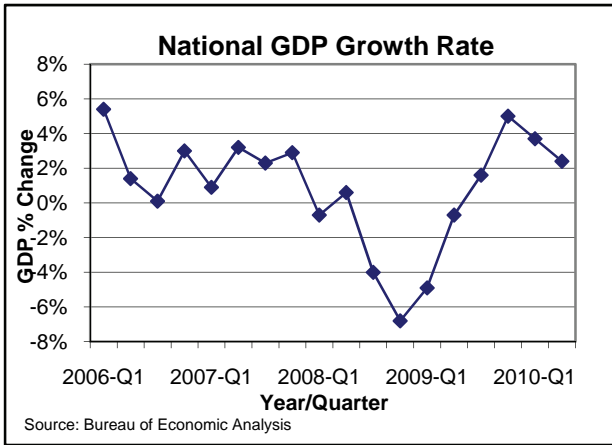
The economy has seen a slow and unsteady recovery throughout 2010, as it tries to emerge from the deepest recession in the United States since the 1930s. Yet the recovery is not showing tangible results and, as a result, consumer confidence remains near all-time lows. According to the Semiannual Monetary Policy Report to Congress from the Chairman of the U.S. Federal Reserve, any moderate recovery is mainly attributed to the stimulus and fiscal policies that were instituted beginning in the middle of 2009, modest rises in demand from households and business and the slow but unsteady expansion of real consumer spending. In addition, investment in equipment and software has shown an increase, reflecting capital outlays that were deferred throughout the downturn but reflect the need felt by businesses to replace aging equipment.

Despite humble gains, there are still challenges ahead. As the Federal Reserve points out, the slow recovery in the labor market continues to be an omnipresent drag on household spending, and a significant amount of time and investment is needed to restore the 8.5 million job losses over the past two years. Domestic and global financial conditions represent another challenge plaguing the recovery. Despite some improvements, markets are concerned about sovereign debt, presented by the Greek crisis, Portugal's downgraded credit rating and the ability of a number of other euro-area countries to manage their substantial budget deficits. The broad withdrawal from risk-taking in global financial markets associated with the crisis in Europe further lowers stock prices and widens risk spreads in the U.S. We are a global economy more than ever before, in every sense of the term, with the successes and trials of each country affecting all others. Domestically, outstanding bank loans continue to contract, and lending standards remain tight. Banks are writing-down problem credits and a large volume of troubled loans to counteract the effect on their books. In addition, according to the Beige Book published by the Federal Reserve Board on July 28, 2010, regional discrepancies exist with different regions feeling varying levels of recovery, and Chicago experiencing a slower rate of consumer and business spending.

Based on the speed of the recovery, the Federal Open Market Committee (FOMC) and the Congressional Budget Office (CBO) remain conservative for the economic outlook of the next few years. The CBO projects that the federal budget will end 2010 showing a deficit of \$1.3 trillion, only slightly smaller than the 2009. Total debt is projected to reach \$8.8 trillion by the end of 2010, the highest level since 1952. The FOMC expects Gross Domestic Product (GDP) growth to be in the range of 3.5 percent to 4.5 percent in 2011, inflation to remain around one percent at the end of 2010, and, looking ahead, the unemployment rate to decline to seven percent by the end of 2012. As we forecast for 2010 and beyond, many experts worry that the U.S. will experience a "double-dip" recession. Federal officials are more optimistic and continue work to pull the country into sustainable recovery.

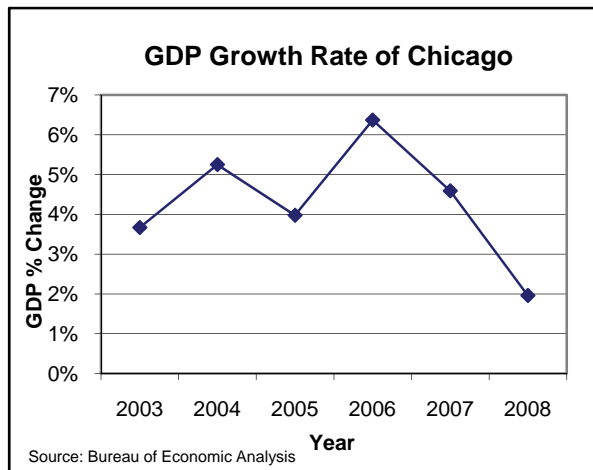
# Economic Indicators

## Gross Domestic Product (GDP)



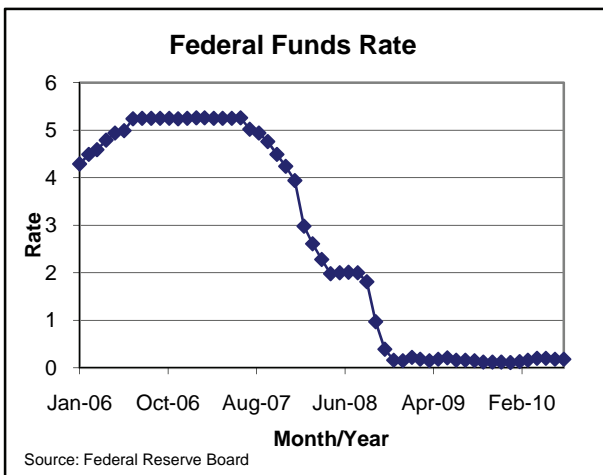
According to the United States Bureau of Economic Analysis, Gross Domestic Product (GDP) has experienced a negative growth rate since the first quarter of 2008, and reached its lowest level in that timeframe of -6.4 percent in the first quarter of 2009. Although it increased steadily after the second quarter of 2009, the growth rate of first quarter of 2010 was a relative decrease of 3.7 percent. GDP during the second quarter of 2010 saw a further, relative decrease to a rate of 2.4 percent.

The deceleration in real GDP growth in the second quarter of 2010 primarily reflected acceleration in imports and a deceleration in private inventory investment. These were partly offset by an upturn in residential fixed investment, acceleration in non-residential fixed investment, an upturn in state and local government spending and acceleration in federal government spending.



The annual real GDP growth in the Chicago metropolitan area remains slow. After reaching a peak of 6.37 percent in 2006, the annual rate lowered to 4.59 percent in 2007 and plummeted to 1.96 percent in 2008.

## Federal Funds Rate

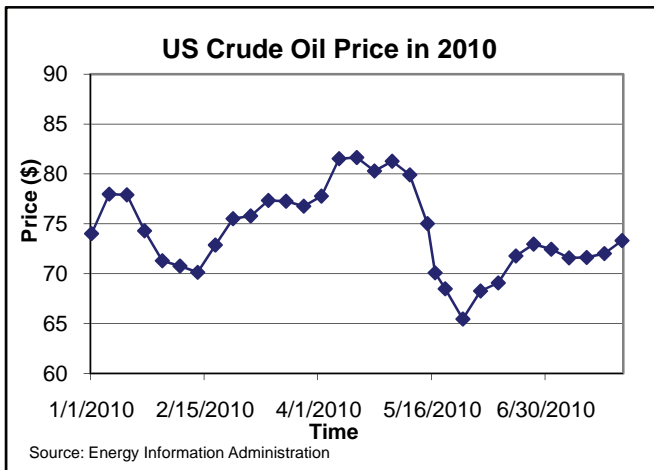
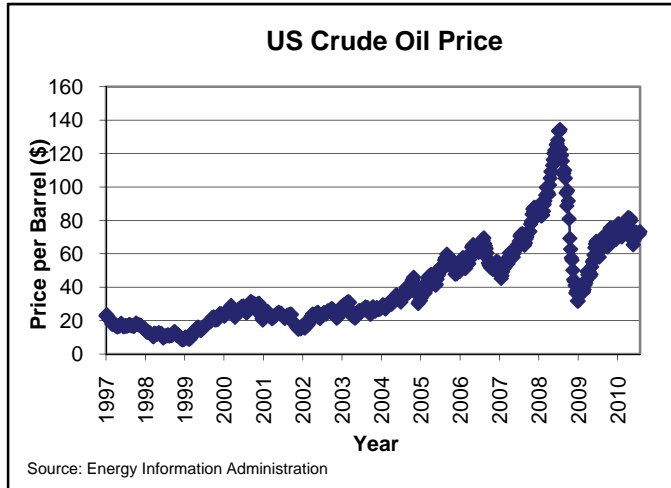


The Federal Funds Rate is the interest rate at which banks lend balances at the Federal Reserve to other depository institutions, usually overnight. As a means of promoting investment during the current recession, the Federal Funds Rate was lowered significantly to encourage banks to lend money, as well as to aid consumers and corporations with investment, all with a goal of boosting the economic recovery. Since November 2008, the rate has remained between 0.0 and 0.4 percent, the lowest level since the 1950s. At the end of July 2010, the rate remained around 0.18 percent.

# Economic Indicators

## U.S. Oil Prices per Barrel

After having stayed stable for a decade, the price of crude oil has experienced dramatic fluctuations since 2008. It reached a record high price of \$134.44 per barrel in July 2008, when it began decreasing. In December 2008, the price had dipped to \$31.84 per barrel, \$100.00 less than the level five months prior. The price has since increased steadily, with only a few notable fluctuations.

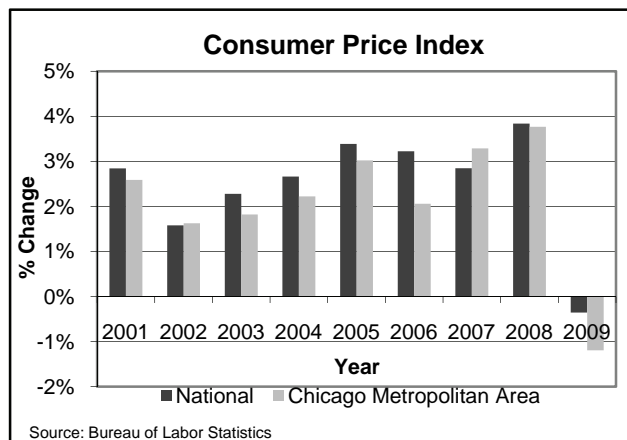


In January through July 2010, the price per barrel remained in the range of \$70.00 to \$80.00, with a decline from late January to mid-February and slow growth in March. It reached the highest price in this time period (\$81.64) in mid-April, dropping to \$75.01 in May. The price has not exceeded \$75.00 per barrel afterwards.

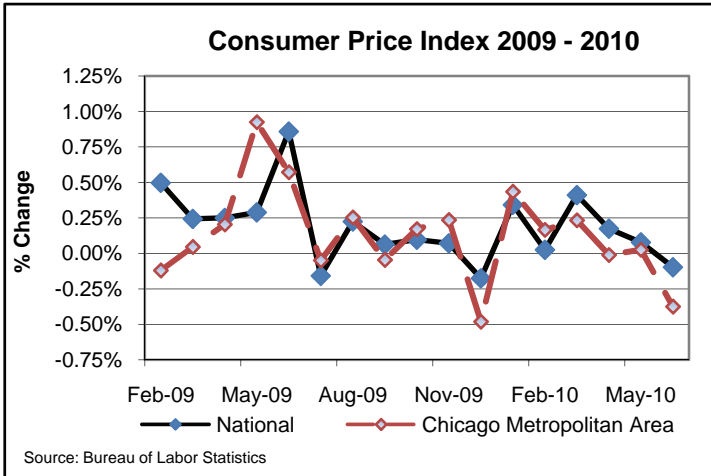
## Consumer Price Index (CPI)

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. It is a major measure for adjusting payments to consumers when the intent is to allow them to purchase, at today's prices, a market basket of goods and services equivalent to one that they could purchase in an earlier period.

The bars show the percentage of CPI variance versus the previous year. The CPI in 2009 shows a negative percentage (-0.4 percent) nationwide and (-1.2 percent) in the Chicago metropolitan area. The 2009 CPI was due to poor economic conditions.



# Economic Indicators



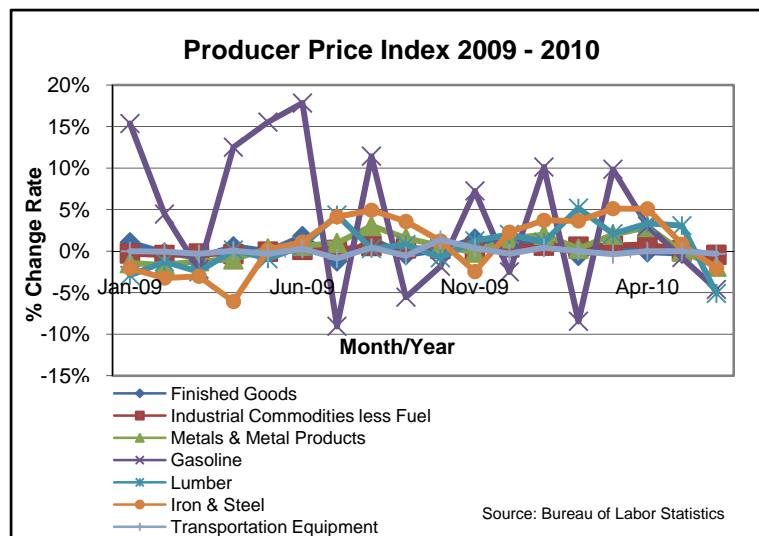
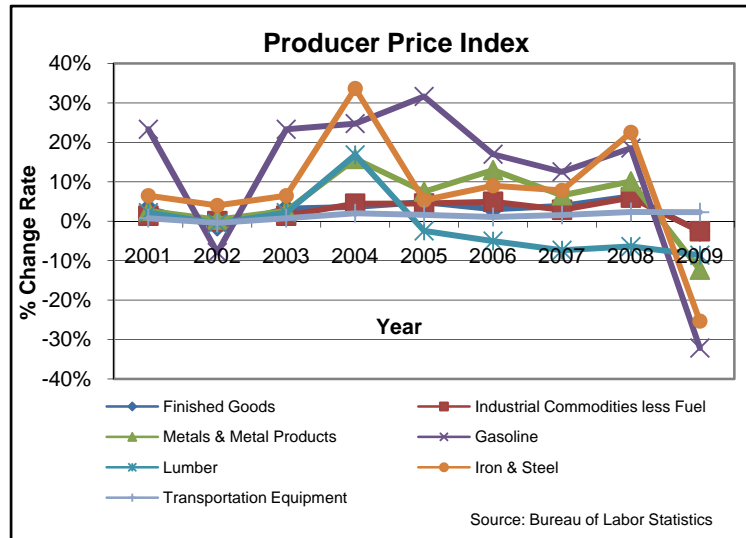
Taking a closer look at the national and Chicago region rates during the period from February 2009 through May 2010, one finds the monthly CPI fluctuating between -0.5 percent and near one percent. Chicago CPI corresponds with the national CPI for most months during this period. In December 2009, the national CPI decreased by 0.18 percent from the previous month, while the CPI of Chicago area decreased by 0.48 percent, reaching its lowest level since January 2009.

## Producer Price Index (PPI)

Similar to CPI, Producer Price Index (PPI) is another inflationary indicator, measuring average changes in prices received by domestic producers for their output. Seven commodities are selected: finished goods, gasoline, metals and metal products, industrial commodities less fuels, lumber, iron and steel and transportation equipment.

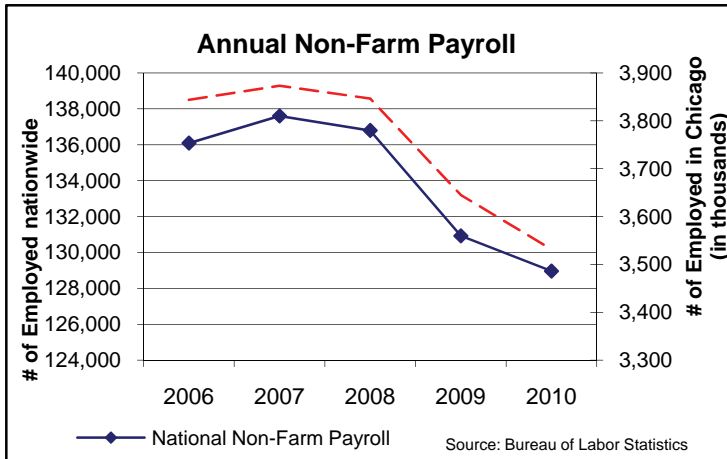
While the PPI for lumber had declined steadily since 2004, all other commodities observed fluctuations at different degrees until 2008, when PPI for all commodities, excluding transportation equipment, dropped significantly due to the economic recession.

From January 2009 to June 2010, the PPI of gasoline experienced vast fluctuations, while other commodities stayed within the range between -5.0 percent and positive 5.0 percent. This fact reflects the U.S. crude oil price changes discussed earlier.

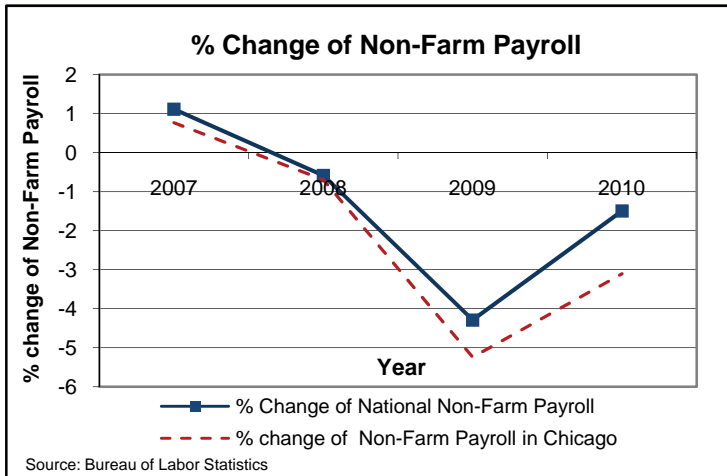


# Economic Indicators

## Non-Farm Payroll



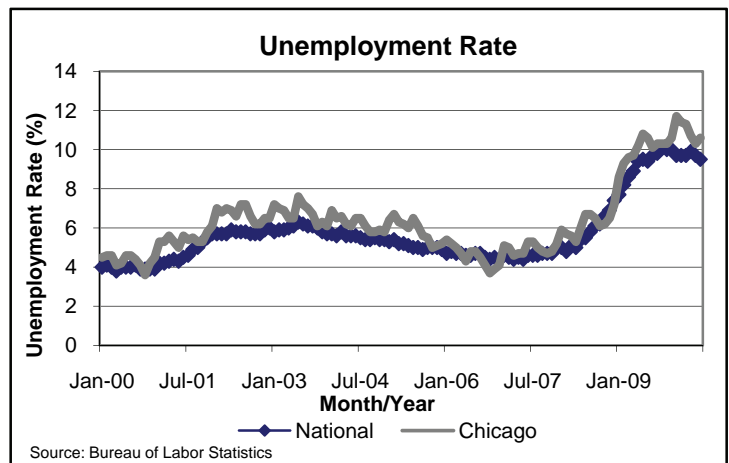
The non-farm employment in the Chicago metropolitan area is consistent with the trend of national employment. After a slight increase in 2007, non-farm jobs in Chicago began decreasing, and between March 2009 and March 2010, Chicago's employment decreased by 113,200 jobs. Accordingly, the percentage change of non-farm payroll year-over-year has been negative since 2008, showing the decline of non-farm job opportunities.



However, the absolute values of percentage change rates of 2010 decreased by 2.79 percent and 2.13 percent nationwide and for the Chicago region, respectively. This showed that the elimination of non-farm employment occurred at a slower rate compared to 2009 and that fewer layoffs occurred in early 2010.

## National Unemployment Rate

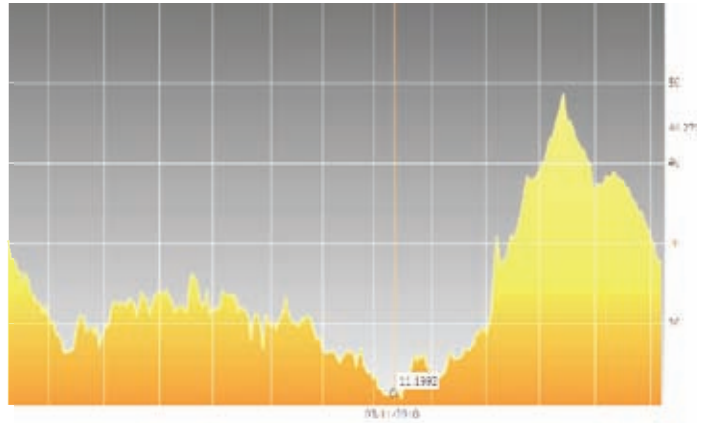
Prior to 2009, the national unemployment rate stayed in the range between four percent and six percent. The rate has been climbing since the beginning of 2009, peaking at 10.1 percent in October 2009. The rate slightly declined in the first four months of 2010, but remained near ten percent. Current unemployment rates are at their highest level in the past decade. The unemployment rate of the Chicago region reflects the national trend.



# Economic Indicators

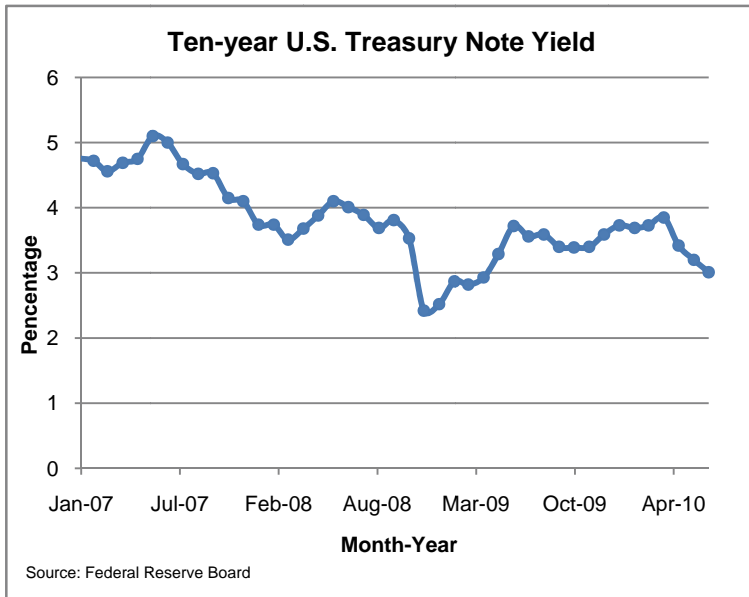
## TED Spread

The TED spread is an indicator of perceived credit risk in the general economy, calculated by the difference between the interest rates on London Interbank Offered Rate (LIBOR), short-term U.S. government debt ("T-bills"), and denominated in basis points (bps). The widening of the TED spread indicates withdrawn liquidity, more risk of default perceived by investors and a downturn in the U.S. stock market. Historically, the TED spread remained within the range between 10.0 and 50.0 bps until 2007. It reached a peak of 463.6171 bps in October 2008 during the collapse of the financial market, and gradually dropped throughout 2009. In 2010, the TED spread approached its historical range, stabilizing around 50.0 bps in the beginning of the year and lowering to 30.0 bps as the year progressed. This change shows the gradually restored confidence in the financial market.



Source: Bloomberg

## 10-year U.S. Treasury Yield



Source: Federal Reserve Board

The ten-year Treasury note is the most frequently-quoted security when discussing the performance of the U.S. government bond market, and is used to convey the market's perspective on longer-term, macroeconomic expectations. After reaching 5.1 percent in June 2007, its highest level in the past three years, the treasury yield has been decreasing. There were a few fluctuations and it dropped sharply to 2.42 percent in December 2008. The yield had been increasing throughout the first half year of 2009, reflecting investors' concern over the U.S. budget deficit. Staying close to four percent from June

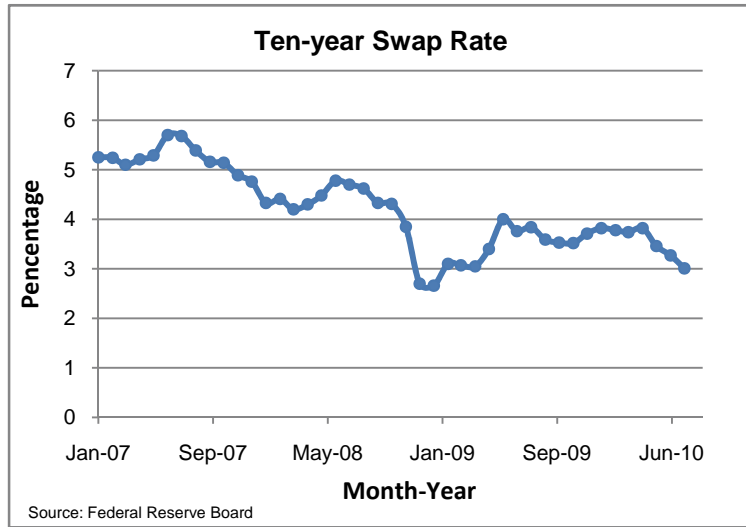
2009 to April 2010, the yield fell in May 2010 to 3.42 percent, and has not moved significantly through August 2010. The percentage has remained steady in 2010 due to the increase of investment in U.S. government debt spurred by the European economic crisis.



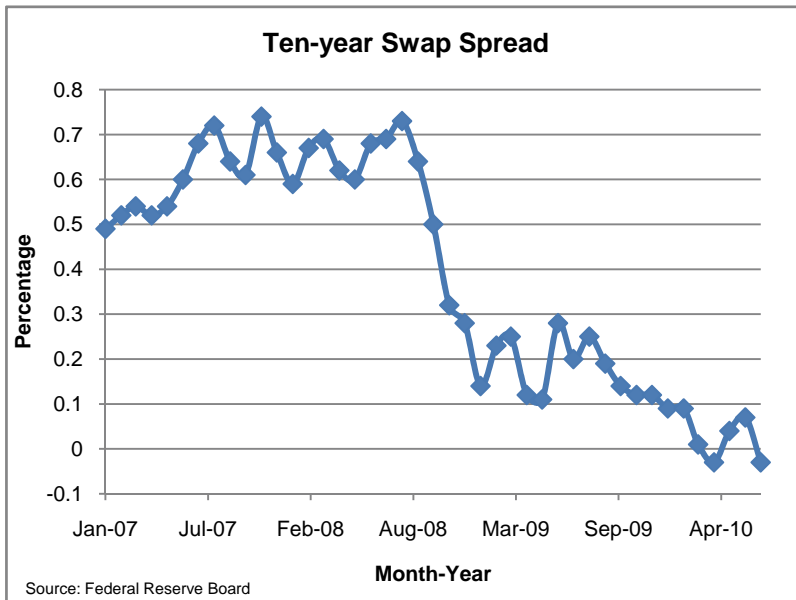
# Economic Indicators

## Ten-Year Swap Rate

The ten-year swap rate is the rate paid by a fixed-rate payer on an interest swap, with maturity of ten years. After ten months in the range of five percent to six percent, the rate decreased to 4.89 percent in November 2007. It stayed below five percent for the next 11 months until another plummet, to 2.7 percent, in December 2008. The rate gradually climbed up to four percent and fluctuated around that point for much of 2009. The increase indicated the market's growing risks due to the credit crisis, resulting in an increasing demand to pay fixed rates. In 2010, the rate slightly lowered to three percent, showing the increase in swap trading, which coincided with growing optimism about the eurozone crisis.



## Ten-Year Swap Spread



The ten-year swap spread is the gap between the rate to exchange floating for fixed interest payments and Treasury yield for ten years, the two indicators discussed above. By taking into account the investments that contain credit risk as well as the ones that are often viewed as risk-free, swap spread indicates investors' expectation of the market.

After fluctuating between 0.5 percent, or 50.0 basis points (bps) and 75.0 bps, the spread began dropping, reaching 14.0 bps in January 2009. It further

narrowed to one bps in March 2010, the lowest since 1988, according to data collected by Bloomberg. The spread turned negative for the first time in April 2010, indicating the Treasury yield was higher than the swap rate, which is typically greater because of the credit risks it contains. This negative spread was mainly due to the increase in the treasury yield, suggesting an increased concern about sovereign debt, presented by the U.S. budget deficit, the Greek crisis, and Portugal's downgraded credit rating.

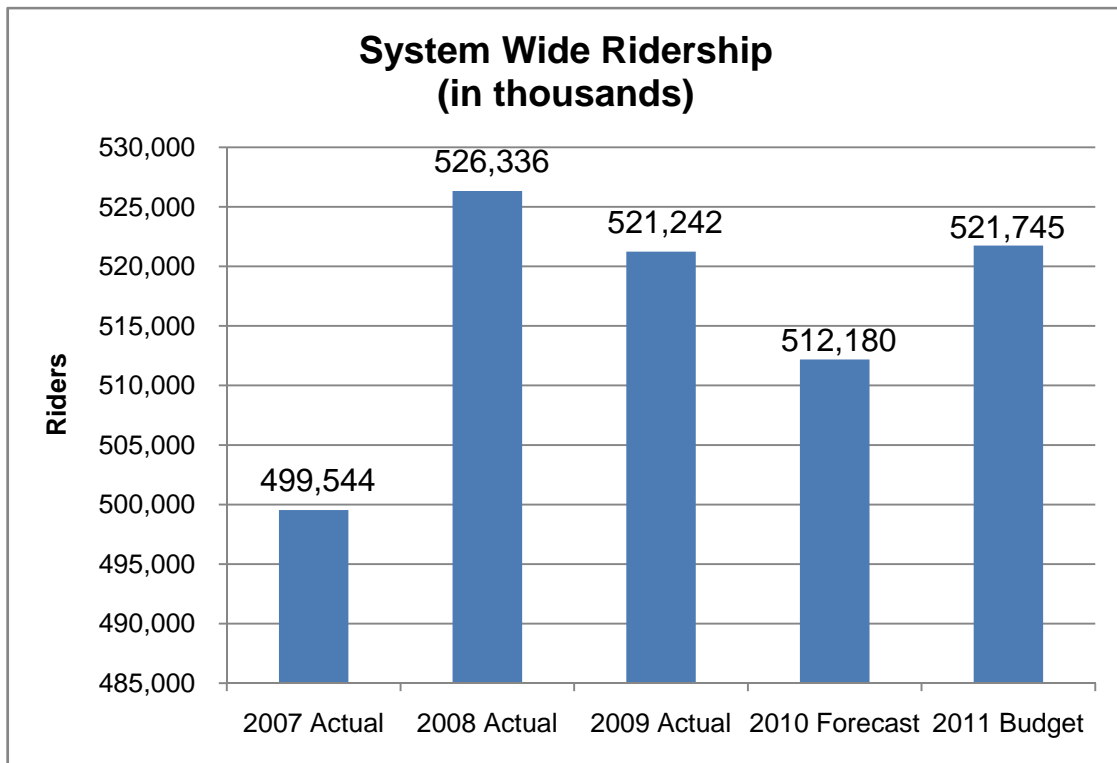
The swap spread again turned negative in the end of July 2010 and was fluctuating around zero bps in August 2010. In contrast to the conditions in March, this turn was triggered by a flood of corporate debt issuances from banks.

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# Operating Statistics - System

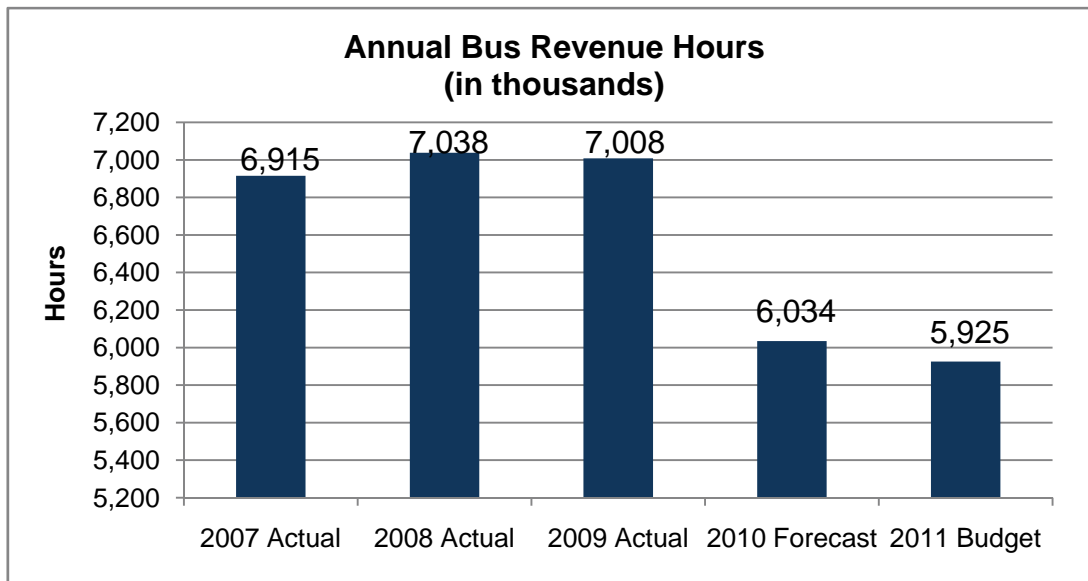
Characteristics	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Budget
<b>Ridership</b>					
Avg. Daily Weekday	1,606,360	1,679,117	1,657,954	1,632,682	1,659,540
Avg. Daily Saturday	976,563	1,047,590	1,058,356	1,049,218	1,059,449
Avg. Daily Sunday	674,850	724,272	748,778	732,817	749,502
System Wide Ridership	499,544,308	526,336,470	521,241,836	512,180,332	521,745,178
<b>Expense</b>					
Top Operator Rate	\$26.09	\$26.87	\$27.68	\$28.64	\$29.65
Capital Expenditures	\$730,819,000	\$940,748,796	\$671,951,812	\$605,691,818	\$589,824,190
Operating Expense per Trip	\$2.19	\$2.31	\$2.42	\$2.48	\$2.56
<b>Revenue</b>					
Average Fare per Trip	\$0.92	\$0.90	\$0.97	\$1.01	\$1.00
Public Funding through RTA per Trip	\$0.93	\$1.26	\$1.02	\$0.97	\$1.01
Total Public Funding per Trip*	\$1.10	\$1.26	\$1.15	\$1.31	\$1.39

\* Total Public Funding includes funding from the RTA, capital funding transfers for preventive maintenance and funding resulting from fare agreement with the state.



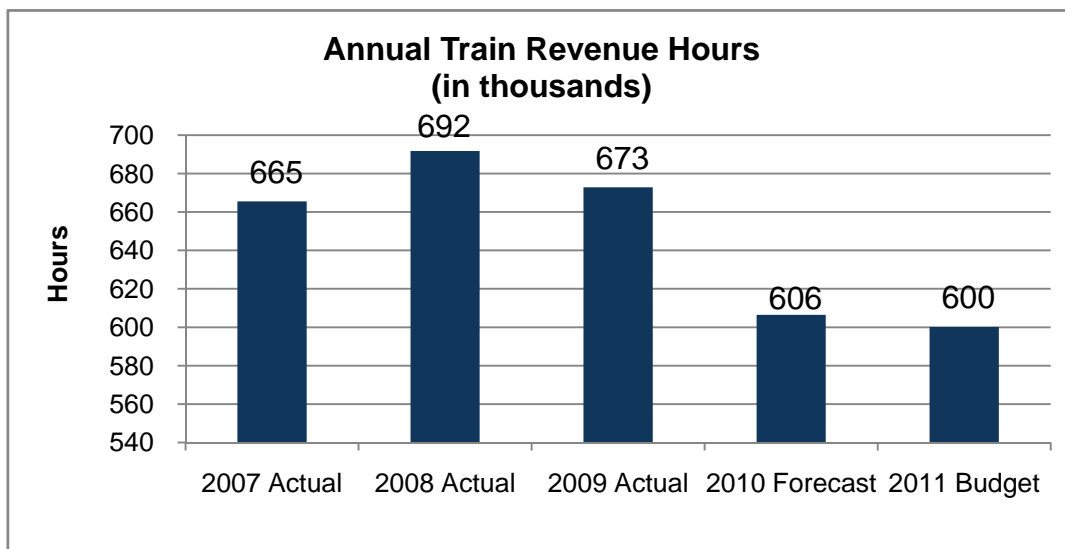
# Operating Statistics – Bus

Characteristics	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Budget
<b>Expense</b>					
Scheduled Transportation Expense	\$298,181,283	\$346,495,416	\$342,314,285	\$320,485,994	\$361,933,906
Garage Maintenance Expense	\$162,764,613	\$188,358,282	\$141,905,283	\$134,035,410	\$131,688,369
Support Expense	\$21,226,218	\$23,471,673	\$15,380,153	\$14,008,939	\$15,194,192
Heavy Maintenance Expense	\$30,185,159	\$40,687,889	\$35,871,923	\$37,872,219	\$47,374,169
Other Expenses	\$23,765,228	\$26,541,295	\$25,502,218	\$31,403,754	\$32,856,628
<b>Total Operating Expense</b>	<b>\$536,122,501</b>	<b>\$625,554,555</b>	<b>\$560,973,863</b>	<b>\$537,806,314</b>	<b>\$589,047,264</b>
Fuel Expense	\$71,180,811	\$82,982,250	\$100,539,337	\$52,041,914	\$54,468,650
<b>Miles</b>					
Annual Vehicle Revenue Miles	68,329,658	68,740,265	67,442,222	57,397,379	55,861,784
<b>Trips</b>					
Annual Unlinked Trips	309,271,311	328,199,225	318,672,798	304,314,231	306,708,486
<b>Vehicles</b>					
Annual Vehicle Revenue Hours	6,914,999	7,038,271	7,008,308	6,034,335	5,925,071
Vehicles Operated in Maximum Service	1,797	1,739	1,707	1,526	1,526
Vehicles Owned by CTA	2,175	2,093	2,053	1,782	1,782
Average Age of Vehicles	9.3	5.6	4.7	4.3	5.3



# Operating Statistics – Heavy Rail

Characteristics	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Budget
<b>Expenses</b>					
Scheduled Transportation Expense	\$92,517,533	\$101,806,357	\$98,807,273	\$98,803,732	\$107,458,889
Terminal Maintenance Expense	\$41,334,604	\$50,325,941	\$50,306,024	\$42,531,495	\$47,985,363
Support Expense	\$26,625,306	\$34,101,280	\$33,260,626	\$32,649,374	\$36,369,209
Heavy Maintenance Expense	\$9,426,563	\$9,382,859	\$9,690,670	\$14,535,846	\$19,033,077
Rail Car Appearance Expense	\$13,512,415	\$12,657,637	\$11,915,039	\$10,105,907	\$11,851,573
Other Expenses	\$3,338,425	\$9,241,168	\$7,904,277	\$9,177,295	\$9,656,082
<b>Total Operating Expense</b>	<b>\$186,754,846</b>	<b>\$217,515,242</b>	<b>\$211,883,910</b>	<b>\$207,803,649</b>	<b>\$232,354,193</b>
Power Expense	\$28,141,238	\$35,442,000	\$37,645,088	\$38,374,568	\$30,070,540
<b>Miles</b>					
Annual Rail Car Revenue Miles	66,913,835	67,450,040	68,592,225	65,282,103	64,965,071
<b>Trips</b>					
Annual Unlinked Trips	190,272,997	198,137,245	202,569,038	207,866,101	215,036,692
<b>Vehicles</b>					
Annual Train Revenue Hours	665,477	691,788	672,869	606,499	600,130
Vehicles Operated in Maximum Service	1,008	1,002	1,002	956	972
Vehicles Owned by CTA	1,190	1,190	1,190	1,190	1,240
Average Age of Vehicles	24	25	26	27	26



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# Comparative Performance Analysis – Bus

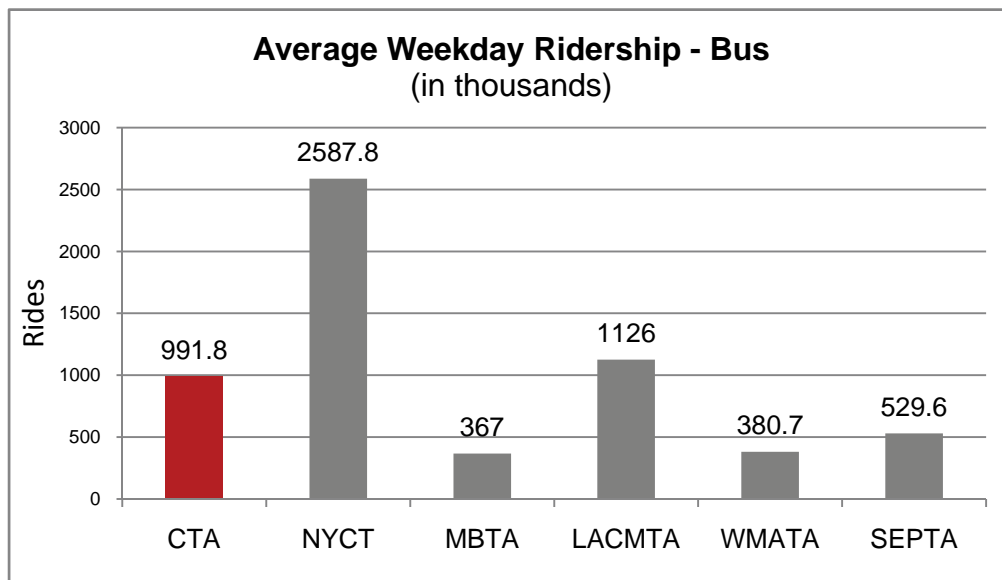
This section will compare the performance of the CTA with the following agencies:

WMATA	Washington Metropolitan Area Transit Authority
MBTA	Massachusetts Bay Transportation Authority
LACMTA	Los Angeles County Metropolitan Transportation Authority
NYCT	New York City Transit
SEPTA	Southeastern Pennsylvania Transportation Authority

The data is obtained from the National Transit Database (NTD) and is self-reported by the agencies.

## Comparative Analysis - Bus

Average weekday bus ridership for the CTA is the third largest, after NYCT and LACMTA. As the graphs indicate, the CTA performs well when compared to its peers in the areas of service efficiency and cost effectiveness. The CTA has the lowest operating expense per vehicle revenue hour, as well as the lowest operating expense per unlinked trip.

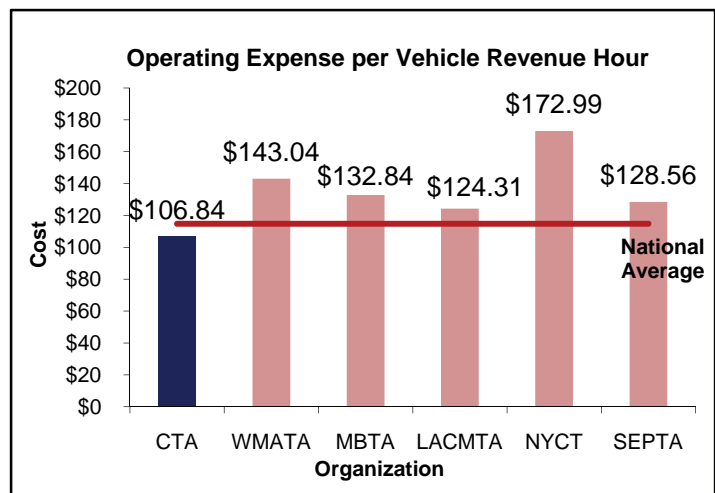
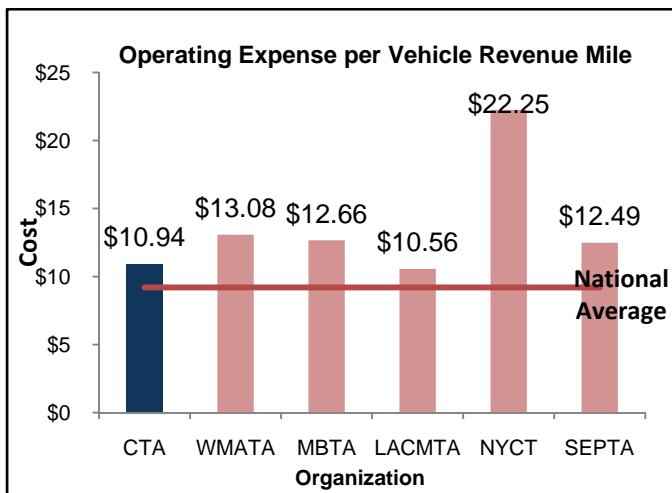


Data Source: American Public Transportation Association, First Quarter, 2010

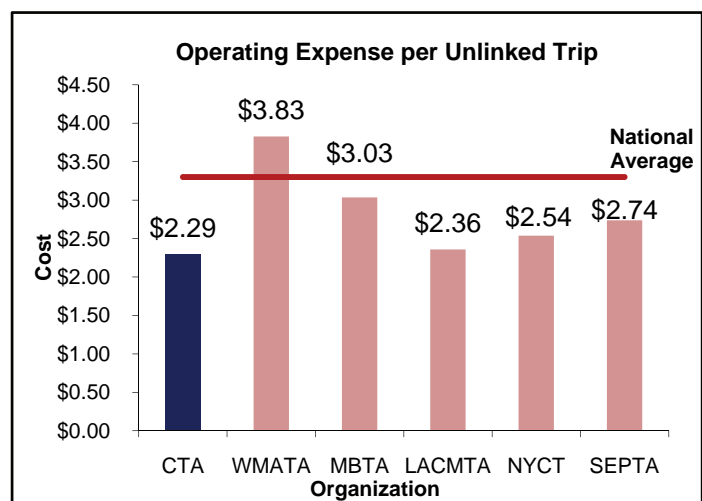
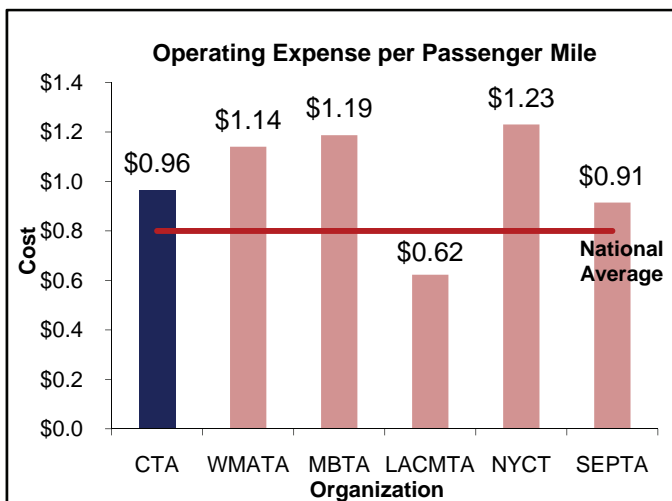
# Comparative Performance Analysis – Bus

PERFORMANCE MEASURES	Comparison Group					
	CTA	WMATA	MBTA	LACMTA	NYCT	SEPTA
<b>Service Efficiency</b>						
Operating Exp./Vehicle Rev. Mile	\$10.94	\$13.08	\$12.66	\$10.56	\$22.25	\$12.49
Operating Exp./Vehicle Rev. Hour	\$106.84	\$143.04	\$132.84	\$124.31	\$172.99	\$128.56
<b>Cost Effectiveness</b>						
Operating Exp./Passenger Mile	\$0.96	\$1.14	\$1.19	\$0.62	\$1.23	\$0.91
Operating Exp./Unlinked Trip	\$2.29	\$3.83	\$3.03	\$2.36	\$2.54	\$2.74
<b>Service Effectiveness</b>						
Unlinked Trips/Vehicle Rev. Mile	4.77	3.42	4.17	4.48	8.77	4.56
Unlinked Trips/Vehicle Rev. Hour	46.63	37.37	43.77	52.70	68.18	46.98

## Service Efficiency



## Cost Effectiveness



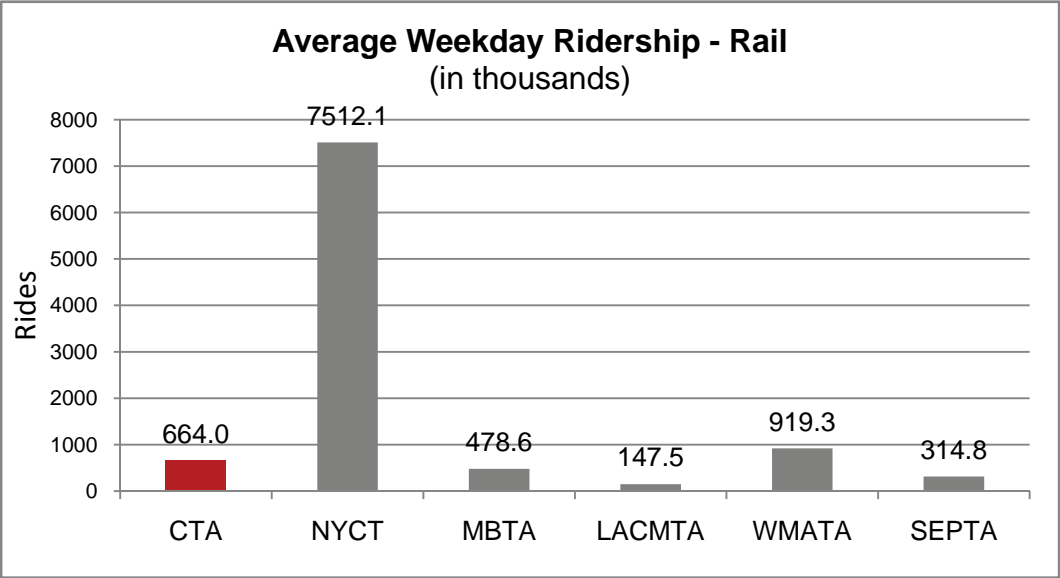
Data Source: 2008 National Transit Database



# Comparative Performance Analysis – Heavy Rail

## Comparative Analysis - Rail

Average weekday rail ridership for the CTA places third when looking at volume of riders, behind NYCT and WMATA. Relative to the other agencies, the CTA has the lowest operating expense per vehicle revenue mile and per vehicle revenue hour, therefore performing well in service efficiency. The CTA also measures well in the area of cost effectiveness, performing consistently with the other agencies when measuring operating expense per passenger mile and per unlinked trip.

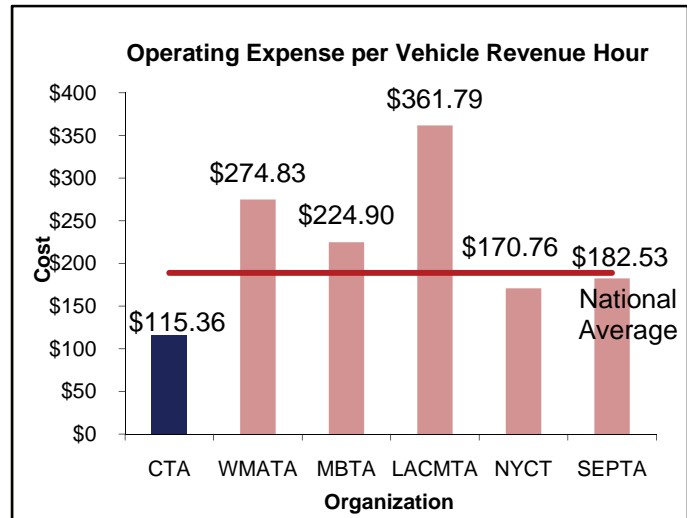
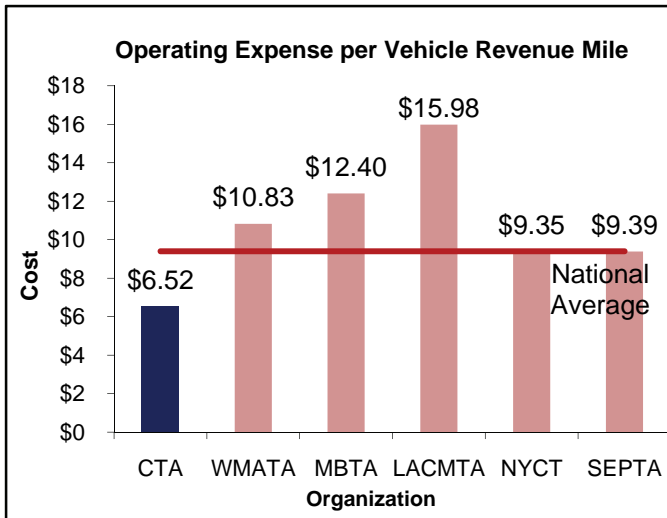


Data Source: American Public Transportation Association, First Quarter, 2010

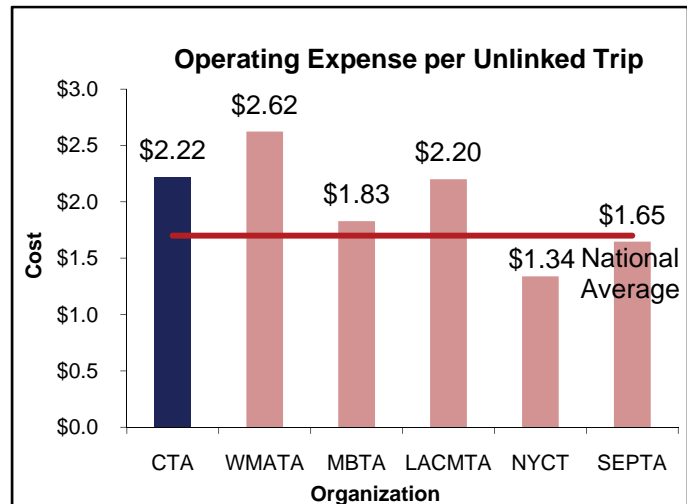
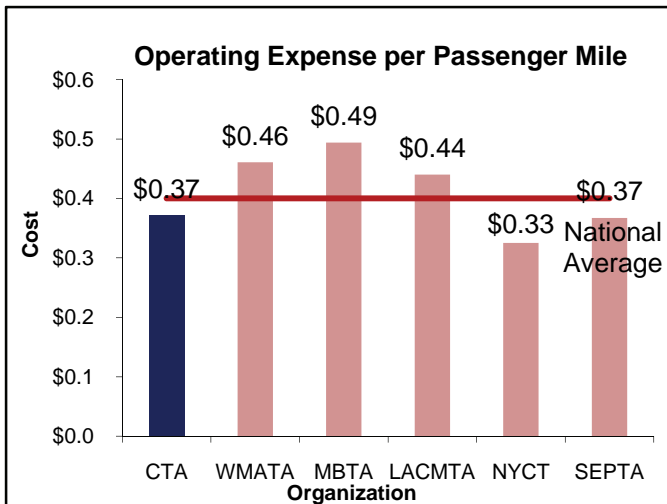
# Comparative Performance Analysis – Heavy Rail

PERFORMANCE MEASURES	Comparison Group					
	CTA	WMATA	MBTA	LACMTA	NYCT	SEPTA
<b>Service Efficiency</b>						
Operating Exp./Vehicle Rev. Mile	\$6.52	\$10.83	\$12.40	\$15.98	\$9.35	\$9.39
Operating Exp./Vehicle Rev. Hour	\$115.36	\$274.83	\$224.90	\$361.79	\$170.76	\$182.53
<b>Cost Effectiveness</b>						
Operating Exp./Passenger Mile	\$0.37	\$0.46	\$0.49	\$0.44	\$0.33	\$0.37
Operating Exp./Unlinked Trip	\$2.22	\$2.62	\$1.83	\$2.20	\$1.34	\$1.65
<b>Service Effectiveness</b>						
Unlinked Trips/Vehicle Rev. Mile	2.94	4.13	6.78	7.26	6.99	5.70
Unlinked Trips/Vehicle Rev. Hour	51.96	104.74	122.97	164.38	127.59	110.83

## Service Efficiency



## Cost Effectiveness



Data Source: 2008 National Transit Database

# Fare Structure

CTA Fare Types	Current Fare Structure (effective 1/1/2009)
Regular Full Fare Cash <sup>1</sup>	\$2.25 (bus); \$2.25 (rail)
Regular Full Fare Transit Card (TC)	\$2.00 (bus); \$2.25 (rail)
Regular Full Fare Chicago Card (CC)	\$2.00 (bus); \$2.25 (rail)
Regular TC or CC Transfer <sup>2</sup>	\$0.25
1-Day Pass	\$5.75
3-Day Pass	\$14.00
Full Fare 7-Day Pass	\$23.00
Full Fare 30-Day Pass	\$86.00
Regular Reduced Fare Cash	\$1.00
Regular Reduced Fare TC	\$0.85
Reduced Fare TC/CC Transfer	\$0.15
Reduced Fare 30-Day Pass	\$35.00

<sup>1</sup> Rail customers paying fares with cash must first add value to a Transit Card using vending machines located in each station.

<sup>2</sup> A transfer allows two additional rides within two hours of issuance and is not available to customers paying fares with cash.

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# Comparative Fare Structure

<u>CITY SYSTEM</u>	<u>Full Cash Bus Fare</u>	<u>Express Bus Fare</u>	<u>Full Cash Rail Fare</u>	<u>Reduced Fare Senior/Disabled</u>
<b>CHICAGO (CTA)</b>	<b>\$2.25</b>	<b>\$2.25</b>	<b>\$2.25</b>	<b>Free</b>
NEW YORK CITY (MTA)	\$2.25	\$5.50	2.25	\$1.10
PHILADELPHIA (SEPTA)	\$2.00 <sup>1</sup>	---	\$2.00 <sup>2</sup>	Senior: free Disabled: \$1
ATLANTA (MARTA)	\$2.00	---	\$2.00	\$0.90
WASHINGTON D.C. (WMATA)	\$1.70	\$3.85	\$1.95 - \$5.00 <sup>3</sup>	Half-price Rail; \$0.75 Bus
LOS ANGELES (LACMTA)	\$1.50	\$2.20 - \$2.90	\$1.50	\$0.55 rush hours; \$0.25 non-rush hours
BOSTON (MBTA)	\$1.50	\$3.50 Inner \$5.00 Outer	\$2.00	\$0.60 – Rail; \$0.40 – Bus

## CTA Historical Fare Structure

<u>Year</u>	<u>Full Cash Bus Fare</u>	<u>Full Cash Rail Fare</u>	<u>Transfer Charge</u>	<u>Reduced Fare</u>
2001 - 2003	\$1.50	\$1.50	\$0.30	\$0.75
2004 - 2005	\$1.75	\$1.75	\$0.25	\$0.85
2006 - 2008	\$2.00	\$2.00	\$0.25	\$0.85 (Rail); \$1.00 (Bus)
2009 - 2010	\$2.25	\$2.25	\$0.25	\$0.85 (Rail); \$1.00 (Bus)

<sup>1</sup> Zone charge may apply.

<sup>2</sup> Zone charge may apply.

<sup>3</sup> The fares are zone based and depend on hours traveled. Full fares are paid during peak hours varying from \$1.95 to \$5.00, with a \$0.20 fee added to regular fares during the peak-of-the-peak periods (weekday 7:30-9 a.m. and 4:30-6 p.m., based on the starting time of the trip).

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# Acronyms

ADA	Americans with Disabilities Act
APB	Accounting Principles Board
ARRA	American Recovery and Reinvestment Act
BAB	Build America Bonds
BLS	Bureau of Labor Statistics
BOB	State Bureau of the Budget
BRT	Bus Rapid Transit
CBO	Congressional Budget Office
CGB	Capital Governance Board
CMAQ	Congestion Mitigation and Air Quality Improvement Program
CIP	Capital Improvement Program
CDOT	Chicago Department of Transportation
CPD	Chicago Police Department
CPI	Consumer Price Index
CTA	Chicago Transit Authority
DBE	Disadvantaged Business Enterprise
EIA	Energy Information Administration
FASB	Financial Accounting Standards Board
FFGA	Full Funding Grant Agreement
FICA	Federal Insurance Contribution Act
FOMC	Federal Open Market Committee
FTA	Federal Transit Administration
FY	Fiscal Year
GAAP	General Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GDP	Gross Domestic Product
GFOA	Government Finance Office Association
HUD	U.S. Department of Housing and Urban Development
ICE	Innovation, Coordination and Enhancement Fund of RTA
IDOT	Illinois Department of Transportation
JARC	Job Access and Reverse Commute Program
LACMTA	Los Angeles County Metropolitan Transportation Authority
LIBOR	London Interbank Offered Rate
MBTA	Massachusetts Bay Transportation Authority
NTD	National Transit Database
NYCT	New York City Transit
OPEC	Organization of Petroleum Exporting Countries
PBC	Public Building Commission of Chicago
POB	Pension Obligation Bond
PPI	Producer Price Index
RTA	Regional Transportation Authority
RETT	Real Estate Transfer Tax
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SCIP	Strategic Capital Improvement Program
SEPTA	Southeastern Pennsylvania Transportation Authority
SGR	State of Good Repair
STIP	State Transportation Improvement Program

# Acronyms

STO	Scheduled Transit Operations
SWAP	Sheriff's Work Alternative Program
TEA-21	Transportation Equity Act - 21st Century
TIGGER	Transit Investment for Greenhouse Gas and Energy Reduction
TIP	Transportation Improvement Program
TSP	Traffic Signal Prioritization
UWP	Unified Work Program
WMATA	Washington Metropolitan Area Transit Authority



# Glossary

<p><b>2008 Legislation</b></p>	<p>The amendments to the RTA Act in 2008 included the following policies affecting the CTA budget: 1) Increased the RTA sales tax to 1.25 percent in Cook County and 0.75 percent in the collar counties; 2) Prescribed a new distribution of revenues - of 85 percent of 80 percent of the total sales tax collected within the City of Chicago, 48 percent is allocated to the CTA, 39 percent to Metra and 13 percent to Pace; 3) Established an Innovation, Coordination, and Enhancement Fund, an ADA Paratransit Fund, and a Suburban Community Mobility Fund and 4) The chair of the CTA no longer was on the RTA Board.</p>
<p><b>Accessible</b></p>	<p>As defined by FTA, a site, building, facility, or portion thereof that complies with defined standards and that can be approached, entered and used by persons with disabilities.</p>
<p><b>Accounting Principles Board</b></p>	<p>The former authoritative body of the American Institute of Certified Public Accountants (AICPA). It was created by the AICPA in 1959 and issued pronouncements on accounting principles until 1973, when it was replaced by the Financial Accounting Standards Board (FASB).</p>
<p><b>Accrual Basis</b></p>	<p>A method of accounting in which revenues are reported in the fiscal period when it is earned, regardless of when it is received, and expenses are deducted in the fiscal period they are incurred, whether they are paid or not.</p>
<p><b>ADA</b></p>	<p>The Americans with Disabilities Act of 1990, including changes made by the ADA Amendments Act of 2008, became effective on January 1, 2009. This federal act requires many changes to ensure that people with disabilities have access to jobs, public accommodations, telecommunications and public services, including public transit. Examples of these changes includes mandating that all new buses and rail lines be wheelchair accessible and that alternative transportation be provided to customers unable to access the transit system.</p>
<p><b>Alternative Analysis Study</b></p>	<p>To conduct the Study is the first step proceeded through the FTA's process in order to be qualified for New Starts funding. The Study is designed to examine all the potential transit options available and determine a locally preferred alternative. Among the projects that were authorized for further analysis by the United States Congress, the CTA has completed the Studies for the Red Line Extension south of 95<sup>th</sup>, the Orange Line Extension to Ford City, and the Yellow Line Extension north of Dempster Avenue in Skokie in the year of 2010. The CTA is currently conducting the Study for the Circle Line project.</p>

# Glossary

<b>American Recovery and Reinvestment Act</b>	An economic stimulus package enacted in February 2009 to create jobs and promote investment and consumer spending during the recession. The Act includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions and domestic spending in education, health care and infrastructure, including the energy sector.
<b>Articulated Bus</b>	A high capacity passenger bus that flexes in the middle.
<b>ADA Paratransit Fund</b>	Outlined by the RTA Act, grants and appropriations from the state, which the RTA distributes to the Suburban Bus Board for regional Paratransit services.
<b>Accounting Principles Board</b>	Former authoritative body of the American Institute of Certified Public Accountants, which issued a series of accountants opinions constituting much of what is known as GAAP.
<b>Bond</b>	An interest-bearing promise to pay a specified sum of money on a specified date in the future.
<b>Build America Bonds</b>	A subsidy provided by the American Recovery and Reinvestment Act that provides for a wider pool of capital financing funding for state, county and municipal entities, such as the CTA.
<b>Big Gap</b>	An instance when the time in-between buses is more than double the scheduled interval and also a gap of more than 15 minutes.
<b>Capital Budget</b>	A formal plan of action for a specified time period for purchases of fixed assets using capital grants.
<b>Capital Expense</b>	Expenditures that acquire, improve or extend the useful life of any item with an expected life of three or more years and a value of more than \$5,000 (e.g. rolling stock, track and structure, support facilities and equipment, and stations and passenger equipment). It can also include the costs associated with the long-term maintenance of these assets, such as bus overhaul programs, rail overhaul programs and preventive maintenance. Also referred to as a capital improvement.
<b>Capital Governance Board</b>	An advisory board formed to facilitate decision making with regard to the capital plan of the CTA. It is also responsible for adopting a strategic plan outlining capital projects to accomplish within a constrained set of funding marks, as well as an aspirational program of projects, which could be achieved with considerable additional capital resources.
<b>Capital Grant</b>	Funds received from grantor funding agencies used to finance construction, renovation, and major repairs or the purchase of machinery, equipment, buildings or land.

# Glossary

<b>Capital Improvement Program</b>	A strategic and comprehensive financing program in which available capital funds are identified and targeted toward key capital renewal and improvement needs of the CTA system to yield the greatest customer benefit.
<b>Chicago Card</b>	A stored-value farecard that has an imbedded microchip that can be read to register fares by the fare equipment when touched to the touchpad on the front of rail station turnstiles and bus fareboxes on all CTA routes and Pace buses. Value is added with cash at CTA vending machines or off-site Touch-n-Go devices.
<b>Chicago Card Plus</b>	A farecard with its balance maintained in an online account rather than stored on the card itself. Value is added with credit cards or through electronic transit benefit deductions only. The card also features online reloading — customer accounts automatically reload each time their account value falls below the pre-selected reload amounts.
<b>Collar Counties</b>	The five counties that surround Cook County as identified in the RTA Act. Collar counties include Will, Kane, DuPage, Lake, and McHenry.
<b>Congestion Mitigation &amp; Air Quality Improvement Program</b>	A program initially authorized by the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991 and provided \$6.0 billion in funding for surface transportation and other related projects that contribute to air quality improvements and reduce congestion. It was reauthorized in 2005 under the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and provides funding to State Departments of Transportation, Metropolitan Planning Organizations and transit agencies to invest in projects that reduce criteria air pollutants regulated from transportation-related sources. The Program provides the CTA with funding totaling \$19,920,000 over a period of five years (2011 to 2015).
<b>Congressional Budget Office</b>	Branch of the federal government that provides economic data to congress.
<b>Consumer Price Index (CPI)</b>	A measure estimating the average price of consumer goods and services purchased by households. A CPI measures a price change for a constant market basket of goods and services from one period to the next within the same area and is used as a measure of the increase in the cost of living (i.e. economic inflation).
<b>Corridor</b>	A defined study area considered for significant transportation projects such as highway improvements, bus transitways, rail lines or bikeways (e.g. Dan Ryan corridor, Western Avenue corridor).
<b>CTA Board Member Terms of Office</b>	Board member terms are in seven year increments. Board members may be appointed to terms already in progress, in which case they may serve until the end of that term.

# Glossary

<b>Depreciation</b>	An accounting term that recognizes the loss in value of a tangible fixed asset over time attributable to deterioration, obsolescence and impending retirement. Applies particularly to physical assets like vehicles, equipment and structures.
<b>Discretionary Funds</b>	Funds that the RTA allocates, at its discretion, to the Service Boards. These funds include Public Transportation Funds and a portion of the 15 percent of the RTA Sales Tax.
<b>Environmental Impact Statement</b>	An environmental impact statement (EIS) under United States environmental law is a document required by the National Environmental Policy Act for federal government agency actions significantly affecting the quality of the human environment. As a tool for decision making, an EIS describes the positive and negative environmental effects of proposed agency action and cites alternative actions.
<b>Fare</b>	The amount charged to passengers for bus and rail services.
<b>Farebox</b>	Equipment used for the collection of bus fares.
<b>Farecard</b>	Electronic fare media used for payment of fares.
<b>Federal Funds Rate</b>	The interest rate at which banks lend balances at the Federal Reserve to other banks overnight. The rate is set by the Federal Open Market Committee (FOMC). The FOMC's long term goals are price stability and sustainable economic growth in the economy.
<b>Federal Open Market Committee</b>	Branch of the Federal Reserve that is responsible for open market operations, such as the purchase and sale of U.S. Treasury and federal agencies securities.
<b>Federal Transit Administration (FTA)</b>	The federal agency which provides financial and planning assistance to help plan, build and operate rail, bus and paratransit systems through grant programs.
<b>Federal Insurance Contributions Act (FICA)</b>	Social Security payroll taxes are collected under authority of FICA.
<b>Financial Accounting Standards Board (FASB)</b>	The FASB establishes and improves standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors and users of financial information.
<b>Financial Plan</b>	In addition to an annual budget, the Regional Transportation Authority Act, amended in 2008, requires that all transit agencies prepare a financial plan encompassing the two years subsequent to the budget year. This provides a three-year projection of expenses, revenues and public funding requirements.

# Glossary

<b>Fiscal Year</b>	A fiscal year is a 12-month period used for calculating annual financial reports in organizations. The CTA's fiscal year is synonymous with the calendar year and begins on January 1 and ends on December 31.
<b>Full Funding Grant Agreement (FFGA)</b>	Grant agreements authorized under federal transit law that establish the terms and conditions for federal financial participation in a New Starts project. The FFGA defines the project, sets the maximum amount of Federal new starts funding for a project, covers the period of time for completion of the project, and facilitates efficient management of the project in accordance with applicable federal statutes, regulations and policy.
<b>Fund Balance</b>	The excess of funding over deficit for a given period of time. Refers to the unreserved/undesignated funds. Annual budget surpluses (or deficits) generally add to (or subtract) from the fund balance.
<b>Funding (Budget) Marks</b>	The Regional Transportation Authority Act, as amended in 1983, calls for RTA to advise each of its Service Boards by September 15 <sup>th</sup> of the public funding to be available for the following year, as well as the required recovery ratio.
<b>Generally Accepted Accounting Principles (GAAP)</b>	GAAP is the standard framework of guidelines for financial accounting, mainly used in the United States. It includes the standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.
<b>Governmental Accounting Standards Board (GASB)</b>	The GASB establishes and improves standards of state and local governmental accounting and financial reporting.
<b>Gross Domestic Product (GDP)</b>	As a measure of economic activities, it is the amount of goods and services produced in the United States in one year. It is calculated by adding together the market values of all of the final goods and services produced in a year and reported by the Bureau of Economic Analysis.
<b>Headway</b>	The time span between when one service vehicle (bus or rail) leaves a stop/station and when the following vehicle arrives at the same stop/station on specified routes. Also called service frequency.
<b>Heavy Rail</b>	An electric railway with the capacity for a heavy volume of traffic. Heavy rail is characterized by high-speed passenger rail cars and trains operating on fixed rails in separate rights-of-way from which all other vehicular and foot traffic is excluded.
<b>Hedge</b>	A type of investment activity used to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security to minimize unwanted risks associated with price fluctuation.

# Glossary

<b>Hybrid Bus</b>	A hybrid bus combines a conventional internal combustion engine propulsion system with an electric propulsion system and uses a diesel-electric powertrain. Also known as a hybrid diesel-electric bus.
<b>Illinois Fund for Infrastructure, Roads, Schools and Transit (FIRST)</b>	A five-year public works improvement program that allocated capital funds between FY 2000 through FY 2004.
<b>Illinois Jobs Now Program</b>	\$31 billion program creating over 439,000 jobs in six years improving bridges and roads, transportation networks, schools and communities.
<b>Illinois' Low-Income Circuit Breaker Program</b>	The official name of the Program is the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act, governed by the Illinois Department on Aging. The Program is to help offset the cost of property taxes and other living costs by providing low-income, senior or disabled residents with yearly grants.
<b>Infrastructure</b>	Capital assets that make up the CTA's transportation system, including maintenance facilities, rail track, signals, stations, elevated structures and power substations.
<b>Innovation, Coordination and Enhancement Fund</b>	A fund established by the 2008 amendments to the RTA Act for operating or capital grants or loans to Service Boards, transportation agencies, or units of local government that advance the goals and objectives identified by the RTA's Strategic Plan. Unless an emergency is determined by the RTA Board that requires some or all amounts of the Fund, it can only be used to enhance the coordination and integration of public transportation and develop and implement innovations to improve the quality and delivery of public transportation. Forty-eight percent of its balance is allocated to the CTA, 39 percent to the Commuter Rail Board (Metra) and 13 percent to the Suburban Bus Board (Pace).
<b>Intermodal</b>	Transportation by more than one mode (bus, train, etc.) during a single journey.
<b>Interval</b>	The time between when one service vehicle (bus or train) leaves a stop/station to the time when the following vehicle leaves the same stop/station.
<b>Job Access and Reverse Commute Program (JARC)</b>	A program established by the FTA to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment, which often is located in a less accessible area and/or requires late at night or weekend schedules when conventional transit services are not sufficiently provided.

# Glossary

<b>London Interbank Offered Rate (LIBOR)</b>	Short-term interest rate used when banks borrow funds from other banks in the London interbank market. The world's most widely used benchmark for short-term loans.
<b>Major Delay – Rail</b>	An instance where a train experiences a delay to service of ten minutes or more.
<b>Mean Miles Between Defects</b>	The average mileage a train runs before experiencing a defect.
<b>Metra</b>	Commuter Rail division of the RTA responsible for the day-to-day operation of the region's long-distance commuter rail transit service (with the exception of those services provided by the CTA). Metra was created in 1983 by an amendment to the RTA Act.
<b>National Transit Database (NTD)</b>	FTA's primary national database for statistics on the transit industry.
<b>New Starts</b>	FTA discretionary program that is the federal government's primary financial resource for supporting locally-planned, implemented and operated transit "guideway" capital investments.
<b>Non-Farming Payroll</b>	A compiled employment level of goods-producing, construction and manufacturing companies. It is released monthly by the United States Department of Labor to represent the number of jobs added or lost in the economy over the last month.
<b>Non-Operating Funds</b>	Expenses funded with capital grants.
<b>Non-Revenue Vehicle</b>	Vehicles that do not carry fare-paying passengers and are used to support transit operations.
<b>Operating Budget</b>	Annual revenues and expenses forecast to maintain operations.
<b>Operating Expenses</b>	Costs associated with the day-to-day operation of the delivery of service for a transit agency. Examples of operating expenses include labor, material, fuel, power, security and professional services.
<b>Operating Revenues</b>	Revenues generated from user fees (in the form of fare price for the public transit system) or other activities directly related to operations such as advertising, concessions, parking, investment income, etc.
<b>Pace</b>	The Suburban Bus Division of the RTA responsible for all non-rail suburban public transit service and all paratransit service. Pace was created in 1983 by an amendment to the RTA Act.

# Glossary

<b>Paratransit Service</b>	Demand-response service utilizing wheelchair-accessible vans and small buses to provide pre-arranged trips to and from specific locations within the service area to certified participants. Paratransit includes demand-response transportation services, subscription bus services and shared-ride taxis.
<b>Passenger Miles</b>	The cumulative sum of the distances traveled by passengers.
<b>Pay-As-You-Go Funding</b>	A practice of financing expenditures with funds that are currently available rather than borrowed.
<b>Pension Obligation Bonds</b>	Debt instruments issued by a governmental entity to fund all or a portion of the Unfunded Actuarially Accrued Liabilities (“UAAL”) for pension and/or Other Post Employment Benefits (“OPEB”).
<b>Performance Management</b>	Performance management is the process of assessing and acting upon progress toward achieving predetermined measures and metrics. All personnel are held accountable to these measures and metrics. The CTA implemented a performance management program in May 2007.
<b>Power Washing - Facilities</b>	The deep cleaning of a CTA station or facility using pressure wash equipment.
<b>Preventive Maintenance</b>	The care and servicing of equipment and facilities in order to maintain them in satisfactory operating condition. Preventive maintenance provides for systematic inspection, detection and correction of incipient failures either before they occur or before they develop into major defects.
<b>Producer Price Index (PPI)</b>	A family of indexes from the Bureau of Labor Statistics (BLS) that measures the average changes over time in the prices received by domestic producers of goods and services.
<b>Public Funding</b>	Funding received from the RTA or other government agencies.
<b>Public Transportation Funds (PTF)</b>	As authorized by the RTA Act, the Illinois State Treasurer transfers from the State General Revenue Fund an amount equal to 25 percent of RTA sales tax collections to a special fund, called the Public Transportation Fund (PTF), and then remits it to the RTA on a monthly basis. Per the 2008 Legislation, the State funding package increases the percentage of State sales tax dedicated to mass transit and deposits additional amount of funding to PTF. All funds deposited are allocated to RTA to be used at its discretion for the benefit of the Service Boards.
<b>Real Estate Transfer Tax (RETT)</b>	A source of public funding for the CTA collected by the City of Chicago. The 2008 legislation authorized a \$1.50 per \$500 increase in RETT and the CTA receives 100 percent of the RETT increase.



# Glossary

<b>Recovery Ratio</b>	The ratio measures the percentage of expenses that a Service Board must pay against revenues that it generates. The RTA Act mandates that the RTA region must attain an annual recovery ratio of at least 50 percent.
<b>Reduced Fare</b>	Discounted fare for children age seven through 11, grade school and high school students (with CTA ID), seniors 65 and older (with RTA ID), and riders with disabilities (with RTA ID) except paratransit riders.
<b>Reduced Fare Reimbursement</b>	Reimbursement of revenue lost by the Service Boards due to providing reduced fares to students, elderly and the disabled. The CTA recovers the cost of trips with both the fare revenue and operating subsidies. The reimbursements are made from the State of Illinois to cover the difference between the standard and reduced fare. Reimbursement amounts are allocated to the Service Boards based on reduced fare passenger trips taken during the year.
<b>Regional Transportation Authority (RTA)</b>	The RTA is the financial oversight and regional planning body for the three public transit operators in northeastern Illinois: the CTA, Metra commuter rail and Pace suburban bus.
<b>Regional Transportation Authority Act (RTA Act)</b>	An Act that regulates which public funds may be expended and authorizes the State to provide financial assistance to units of local government for distribution to providers of public transportation, including the CTA. It authorizes the distribution of sales tax revenue collected by the City of Chicago and Collar Counties, Public Transportation Funds, State Assistance, as well as other funding streams for the CTA. It also outlines six criteria that the CTA has to meet for its budget approval.
<b>RTA Sales Tax</b>	The primary source of operating revenue for the RTA, the CTA, Metra and Pace. For the CTA, it consists of four parts: 1) 85 percent of the amount of one percent from Chicago sales tax revenue; 2) 85 percent of the amount of one percent from Suburban Cook County sales tax revenue; 3) 100 percent of the discretionary operating funding from the RTA, i.e. the amount of Public Transportation Funds (PTF) 25 percent sales tax match less the amount allocated to Job Access Program by the RTA; and 4) 48 percent of the net balance of sales tax and PTF for Service Boards.
<b>Revenue Bond</b>	A certificate of debt issued by an organization in order to raise revenue. It guarantees payment of the original investment plus interest by a specified date. Debt service payment is secured by a specific revenue source.
<b>Revenue Equipment</b>	Includes vehicles that carry fare-paying passengers and equipment used for the collection of fares.
<b>Ride</b>	A trip taken by passengers on the bus or rail system.

# Glossary

<b>Ridership (Unlinked Passenger Trips)</b>	Each passenger counted each time that person boards a vehicle.
<b>Right-of-Way</b>	A strip of land that is granted, through an easement or other mechanism, for transportation purposes, such as for a trail, driveway, rail line or highway. A right-of-way is reserved for the purposes of maintenance or expansion of existing services with the right-of-way.
<b>Rolling Stock</b>	Public transportation vehicles, including rail cars and buses.
<b>Run</b>	Rail or bus operator's assigned period(s) of work on a given day.
<b>SAFETEA-LU</b>	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). It is a federal transit and highway bill signed into act on August 10, 2005, authorizing \$286.4 billion nationwide through 2009, including \$52.6 billion for transit. A reauthorization of the federal transit and highway program is pending congressional action.
<b>Scheduled Transit Operations (STO)</b>	The scheduled transit operations classification includes bus operators, motormen, conductors and customer assistants.
<b>Senate Bill (SB) 572</b>	Illinois Senate Bill that provides a stable funding source for the future needs of the transit agencies of Northeastern Illinois. The bill includes a sales tax increase of 0.25 percent sales tax in the six-county Chicagoland. The CTA would receive 48 percent of this new sales tax revenue. The bill also includes a one percent increase in the real estate transfer tax for the City of Chicago; 30 percent of these funds will be directed to the CTA. The state would also provide a 25 percent match on new revenues by the year 2010.
<b>Senate Bill (SB) 1977</b>	Illinois Senate Bill that stipulates that the CTA must make annual contributions to the CTA Pension Fund to achieve a 90 percent funded ratio by the end of 2058 beginning January 1, 2009.
<b>Service Board</b>	CTA, Metra commuter rail and Pace suburban bus system, as referred to by the Regional Transportation Authority Act.
<b>Sheriff's Work Alternative Program (SWAP)</b>	A program where drunk drivers and other low-level offenders are required to provide a variety of community services for municipalities throughout Cook County.
<b>Slow Zone</b>	Sections of track where trains must reduce speed in order to safely operate rail service.

# Glossary

<b>State Assistance</b>	The supplemental funding provided by the RTA Act in the forms of additional state and financial assistance to the RTA in connection with its issuance of Strategic Capital Improvement Program (SCIP) bonds. It equals the debt service amounts paid to the bondholders of the SCI bonds plus any debt service savings from the issuance of refunding or advanced refunding SCIP bonds, less the amount of interest earned on the bonds' proceeds.
<b>State of Good Repair</b>	An asset or system is in a state of good repair when no backlog of capital needs exists – hence all asset life cycle investment needs (e.g., preventative maintenance and rehabilitation) have been addressed and no capital asset exceeds its useful life. Therefore, the first priority for a transit system is to maintain infrastructure and equipment, making regular repairs where needed and retiring equipment from service at the end of its life-cycle.
<b>State of Illinois' Public Transportation Fund (PTF)</b>	As authorized by the RTA Act, the Illinois State Treasurer transfers from the State General Revenue Fund an amount equal to 25 percent of RTA sales tax collections (or gasoline or parking taxes, if imposed by the RTA). The Treasurer transfers this amount to a special fund, called the Public Transportation Fund (PTF), and then remits it to the RTA on a monthly basis. The RTA uses these funds at its discretion to fund the service board needs, RTA operations, debt service and capital investment.
<b>State Transportation Improvement Plan (STIP)</b>	The FY 2006-2009 Statewide Transportation Improvement Program (STIP) is a four-year program of highway and transit projects developed to fulfill the requirements set forth in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and its successor the Transportation Equity Act for the 21st Century (TEA-21) and in the Safe Accountable Flexible & Efficient Transportation Equity Act – Legacy for Users (SAFETEA-LU). The FY 2006-2009 STIP totals \$15.66 billion with \$7.1 billion for highway improvements and \$8.56 billion for transit capital improvements and operating assistance.
<b>Stimulus Funds</b>	Also referred as “American Recovery and Reinvestment Act.”
<b>Suburban Community Mobility Fund</b>	Outlined by the RTA Act, grants and appropriations from the state, which the RTA distributes to the Suburban Bus Board for operating transit services, other than traditional fixed-route services, that enhance suburban mobility, including, but not limited to, demand-responsive transit services, ride sharing, van pooling, service coordination, centralized dispatching and call taking, reverse commuting, service restructuring and bus rapid transit.
<b>System Generated Revenue</b>	Revenue generated internally by the CTA. Includes fare revenue, advertising, investment income, income from local governments by provision of the Regional Transportation Authority Act, and subsidies for reduced fare riders per 1989 legislation.

# Glossary

<b>TEA-21</b>	Transportation Equity Act – 21 <sup>st</sup> Century, a federal transportation package that reauthorized the Federal Transit Program for the eight years from 1998 through 2005. Grants can pay up to 80 percent of a capital project, with the remaining 20 percent funded from local sources.
<b>Ten-Year Swap Rate</b>	The rate paid by a fixed rate payer on an interest swap with maturity of ten years.
<b>Ten-Year Swap Spread</b>	The gap between the rate to exchange floating for fixed interest payments and Treasury yield for ten years. By taking into account the investments that contain credit risk, as well as the ones that are often viewed as risk-free, swap spread indicates investors' expectation of the market.
<b>Transportation Improvement Plan (TIP)</b>	A six-year financial program that describes the schedule for obligating federal funds to state and local projects. The TIP contains funding information for all modes of transportation, including highways and high-occupancy vehicles, as well as transit capital and operating costs.
<b>Top Operator Rate</b>	The top hourly rate paid to CTA bus and rail operators, based on employee seniority within the job, as specified by the union contract.
<b>Trip</b>	A one-way bus trip or a one-way train trip from origin to destination terminal.
<b>Traffic Signal Prioritization</b>	Operational strategy where communication between a transit bus and a traffic signal alters the timing of the traffic signal to give priority to the transit vehicle.
<b>Unlinked Passenger Trip</b>	An unlinked passenger trip is a single boarding of any transit vehicle. Thus, unlinked passenger trips for any transit system are the number of passengers boarding public transportation vehicles. A passenger is counted each time he/she boards a vehicle, even if the boarding is part of the same journey from origin to destination.
<b>Vehicle Revenue Hours</b>	The hours that vehicles travel while in revenue service. Vehicle revenue hours include recovery time but exclude travel to and from storage facilities.
<b>Vehicle Revenue Miles</b>	Miles that vehicles travel while in revenue service. Vehicle revenue miles exclude travel to and from storage facilities.

# Distinguished Budget Presentation Award

2010 marked the 19th consecutive year that CTA has received the Distinguished Budget Award from the Government Finance Officers Association (GFOA) for excellence in budget presentation. To receive this award, the budget document must meet program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. We believe the 2011 budget document continues to satisfy the award criteria and are submitting it to GFOA for 2011.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
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PRESENTED TO

**Chicago Transit Authority**

**Illinois**

For the Fiscal Year Beginning

**January 1, 2010**

A handwritten signature in black ink, appearing to be 'JHR'.

President

A handwritten signature in black ink, appearing to be 'Jeffrey R. Egan'.

Executive Director



**Chicago Transit Authority**