BUDGET ADDENDUM

Please note: Reduced fares will not be increased.

Reduced fares will remain at $0.85 with a transit card and $1.00 with cash.

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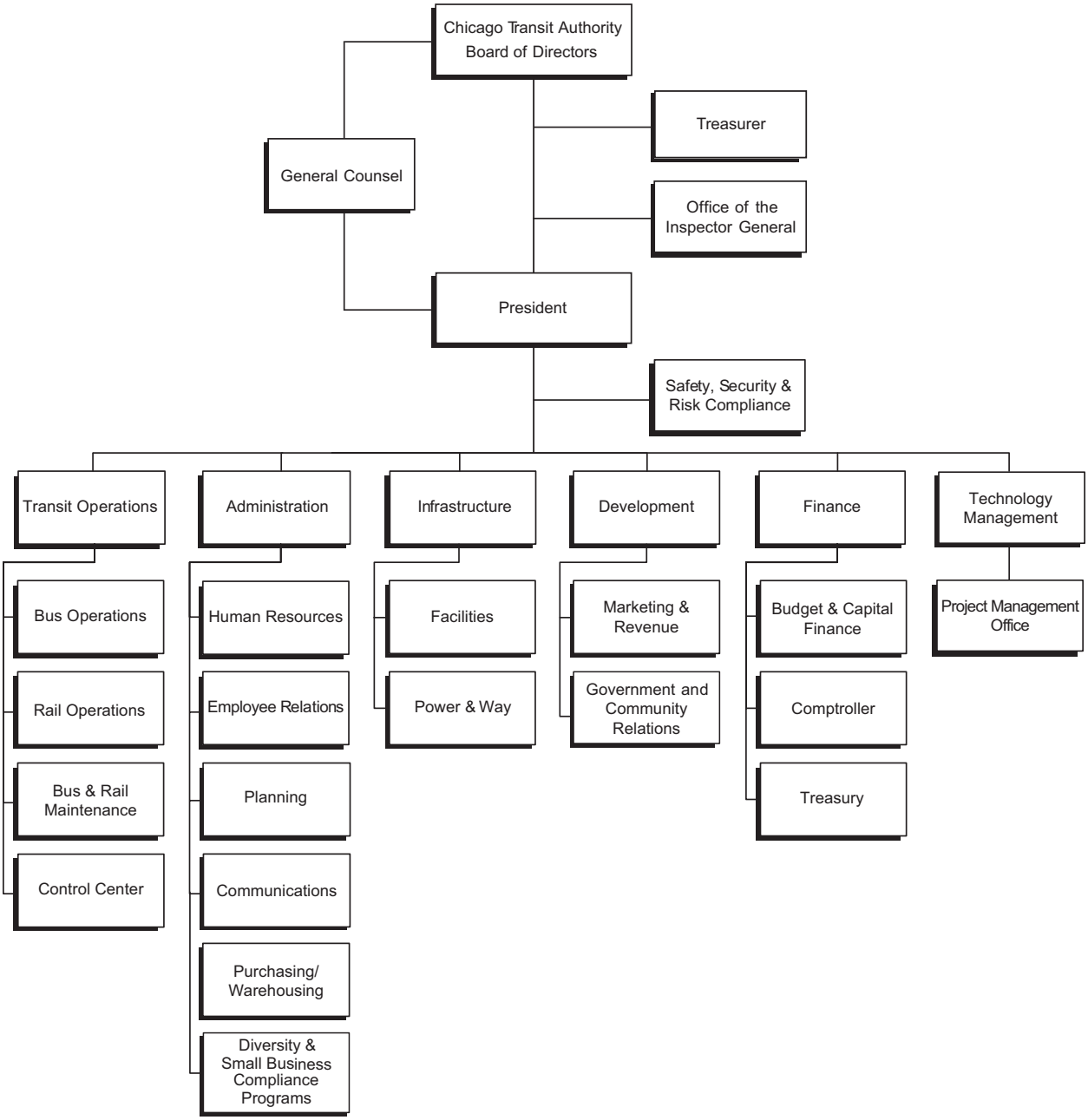
Chicago Transit Authority
Organization Chart



Letter from the President

Dear CTA Customer,

With the onset of the recession, government agencies, private businesses and individual households all faced budget challenges and the CTA was no exception. The harsh reality is that the CTA's primary revenue sources are very sensitive to the health of the economy. When people aren't spending, sales tax revenues are down. When homes aren't selling, real estate taxes are down. When people lose jobs, ridership and fare revenue go down. It is a scenario that is impacting transit systems across the country.

Faced with significant fixed costs and declining revenues, our challenge is to manage responsibly and make strategic budget decisions that will enable CTA to weather the recession, operate within its means, and still provide the critical services that so many working men and women rely on now more than ever.

We experienced a preview in 2009 when the CTA's tax-funded revenues came in 34% lower than originally anticipated. Through a series of belt-tightening measures, efficiencies and careful management of spending, we were able to lower our costs. We asked for sacrifices from non-union employees, who received no wage increases in 2009. Upper management was required to take furlough days and unpaid holidays. But internal cuts were not enough to completely cover the loss of revenue. We had little choice but to borrow from our capital fund and make use of eligible federal stimulus money to help balance the budget. It wasn't easy, but without ongoing efforts to cut spending and improve management, fare increases and service cuts would have been instituted in 2009.

Unfortunately, the economy has not improved. For 2010, the projected revenue shortfall is a sobering $300 million and projected budget shortfalls for the next several years will be equally challenging. Tough choices still lie ahead. These harsh times have demanded that we roll up our sleeves and redouble our commitment to address our challenges head on. We will continually monitor both performance and cost to improve efficiency.

We continue to aggressively control expenses and ask more from employees. Reducing the cost of personnel is a critical step necessary to balance the 2010 budget. Personnel costs comprise nearly 70% of our operating expenses. Employees must be part of the solution as we weather this economic storm and that's why it was so important to require that CTA employees, starting with me and my management staff, take up to 12 furlough days as well as six unpaid holidays next year. Once again, non-union employees will forgo wage increases. Although we have reduced the workforce by more than 400 positions in recent years, management has been challenged to cut deeper. In 2010 we will be eliminating more administrative positions and streamlining operations.

Because nearly 90% of the CTA workforce is unionized, we are also reaching out to the CTA's union partners to ask their cooperation in reducing costs. It's far better for employees to make concessions than for us to be forced into the elimination of service.

The proposed budget once again recommends using federal capital funds to help balance the operating budget. In addition, because state capital funds are expected due to the recent mini-capital bill and state capital program, the CTA is also seeking legislative authorization to use a portion of those funds to further reduce its operating shortfall.

Although the CTA is committed to working with its unions and seeking legislative assistance as additional measures to help balance its budget, neither approach is assumed and both require time. To meet our statutory requirements for a balanced budget, modifications to both fares and service are proposed in order to fill the remaining shortfall.

Knowing that our riders are struggling through this economy, the CTA was reluctant to consider actions that could further injure customers. This proposal was developed only after administrative cuts and internal options were implemented. We worked hard to strike the right balance between operating efficiencies and fare increases. Our main objective was to manage responsibly and develop a plan that will allow us to reduce operating costs, raise revenues and weather this recession while still maintaining as much service as possible.

The CTA is committed to serving its customers. In the coming months and years, we will continue to look for the most efficient operating methods and call upon the resourcefulness of staff to help reduce costs and increase revenue. I am confident that we will get through these tough times and emerge a better, healthier, more efficient agency.

Sincerely yours,

Richard L. Rodriguez

Executive Summary

2009 Financial Overview

With the onset of the economic recession, government agencies, private businesses and individual households all faced budget challenges and the CTA was no exception. Due to the significant consequences presented by the slowing economy, as the CTA developed its 2009 Budget, staff looked for ways to streamline operations and reduce costs without impacting the quality or level of service provided. In order for the CTA to continue to provide the same level of service, however, the difficult decision of raising fares had to be made and a modest fare increase was enacted.

Despite financial constraints, the CTA continued to innovate in 2009.

As 2009 unfolded, the economy continued to spiral downward. Although state legislation that passed in January 2008 brought changes to the way that transit is funded for the region, anticipated revenues were tied to real estate and sales taxes. As a result, the collapse of the real estate market and a steep decline in consumer spending had a particularly strong impact on the CTA. With revenues significantly lower than expected, what began as a challenge became more serious as the year wore on. On several occasions in 2009, the Regional Transportation Authority (RTA) directed the CTA to revise its budget due to decreasing sales tax and real estate transfer tax revenues. For CTA the loss in public funding revenues totaled $246 million, a reduction of 34%.

The CTA reacted to those challenges by further reducing expenses, drawing on reserves and using scarce capital funds to offset the operating shortfalls. At a time when CTA customers were also faced with economic uncertainty, through careful management, the CTA balanced its budget without again raising fares or cutting service.

Despite financial constraints, the CTA continued to apply the best solutions intended to keep Chicago moving forward.

New hybrid articulated buses help CTA reduce emissions, increase gas mileage and improve reliability for riders.

2009 Accomplishments

This year many bus customers began to see new environmentally-friendly buses operate on their routes. In addition to improving the reliability of service, hybrid electric engine systems help reduce emissions and improve gas mileage, which helps reduce operational costs.

CTA estimates that the hybrid buses will save the agency nearly $7 million annually in maintenance, parts and labor costs over buses currently in service including more than $900,000 annually in fuel costs.

Delivery of 150 hybrid articulated buses was complete by spring. Based on the performance and cost savings provided, the agency ordered an additional 58 buses with $50 million of federal stimulus funds received as part of the American Recovery and Reinvestment Act.

Executive Summary

The stimulus funds were put to good use for rail riders as well. In April, work to replace seven miles of track, remove existing slow zones and prevent future slow zones began in the Blue Line's Dearborn subway. The $88 million subway track replacement project maintained or created approximately 400 jobs locally over the course of the work.

In 2007, CTA crews made repairs to several sections of Dearborn subway track that were in the worst shape. The funds available at the time limited the extent of the repairs possible, but funding from the stimulus program was sufficient to allow the CTA to go back and replace everything that limited resources prevented replacing earlier.

Crews work to replace rail ties, running rail and contact (third) rail to remove emerging slow zones and help prevent the creation of new slow zones in the Blue Line's Dearborn subway.

Crews replaced deteriorated wooden half ties with concrete half ties, running rail and contact (third) rail to remove existing slow zones and help prevent the creation of new slow zones. The repair work has improved travel for riders from Division on the O'Hare branch to Clinton on the Forest Park branch. The work will be completed by the end of 2009.

Stimulus funds are also being used to rehabilitate select components on the CTA's oldest buses, as well as the nearly 500 Nova buses put into service in 2000-2001. The work includes replacing engines and transmissions as well as brake drums and other brake parts.

CTA currently has 1,190 railcars, nearly 350 of which are between 32 and 40 years old. An additional 600 cars are between 23 and 28 years old. Stimulus funds are being used to rehabilitate select components on these rail cars including traction motors, brake systems and truck assemblies.

This year CTA also completed its roll out of Bus Tracker to all of its regularly scheduled bus routes and introduced a new customized e-mail feature. Estimated times for the next buses arriving at a customer's preferred bus stop(s) can be sent as a text message to an e-mail address and mobile device. Bus Tracker is a Web-based program that uses global positioning system (GPS) technology to provide customers with estimated bus arrival times and service information.

Several projects representing critical investments in CTA's infrastructure also were completed throughout the year. In March, renovation of the Howard station on the Red Line was completed. The Howard station was originally built in 1908 and rebuilt in the 1920s. The project brought the station into the 21st century by providing riders with

Executive Summary

Red, Yellow and Purple Line trains serve riders at the newly accessible Howard station.

a new ADA accessible stationhouse equipped with four elevators, two new escalators, gap fillers and tactile edging. In addition, conveniences such as an auxiliary entrance, bike racks, brighter lighting, benches, wind breaks and platform canopies were installed.

The new stationhouse also provides a convenient connection between the station platforms and the multi-story parking garage and bus terminal on the west side of the station. In addition, the Howard Street viaduct and retail space on the north side of the street were rehabilitated.

The final two Brown Line stations that closed for construction as part of the capacity expansion project reopened in 2009. The Paulina Brown Line station reopened in early April after a year under construction. A new stationhouse was built across the street from the site of the old stationhouse and features two new elevators making the station accessible to customers with disabilities. An auxiliary entrance/exit was built on the site of the old stationhouse for added customer convenience.

The station platforms were reconfigured to accommodate eight-car trains which allow more customers to board. Other amenities include accessible turnstiles, brighter lighting, new signs - including Braille signs - and a bike rack.

The Wellington station reopened for service in July following 16 months of renovation. The new stationhouse was rebuilt in the same location as the previous station and features two new elevators making the station newly accessible to customers with disabilities. With the reopening of Wellington, 89 of CTA's 144 rail stations, or 62% are now accessible.

Only two of the 18 stations included in the project remain under construction. Both Belmont and Fullerton stations, which have remained open for service throughout the project, will be completed by the end of 2009.

The $530 million investment in the Brown Line is improving transit for many customers who were unable to board a Brown Line train during rush hour because of overcrowding, or who could not use many of the stations along the line because they were not accessible.

The Paulina Brown Line station was the 15th of 18 stations to be renovated as part of the Brown Line capacity expansion project.

Executive Summary

By the end of 2009, five wireless carriers will provide service to their customers in CTA subways.

An improved telecommunications system laid the groundwork for the CTA to generate additional revenue by leasing its wireless infrastructure for commercial service to allow the use of wireless devices such as cell phones, text messaging and wireless internet modems throughout the 11.4 mile subway system.

Throughout the year, more riders have been able to use their mobile devices in the subway as three additional carriers contracted with CTA to provide wireless service.In addition to U.S. Cellular and Verizon Wireless, Cricket, AT&T and T-Mobile added their services.

The FTA New Starts program requires transit project proposals to proceed through a formal process of planning, design and construction. The process consists of five formal steps: Alternatives Analysis, Environmental Impact Statement, Preliminary Engineering, Final Design and Construction.

Significant progress was also made on projects that look to the future to expand service. Locally preferred alternatives were determined for extensions of the Red, Orange and Yellow lines. The CTA is now developing Environmental Impact Statements as it works to secure funding through the Federal Transit Administration's New Starts program. The Alternatives Analysis phase of the Circle Line was ongoing throughout 2009.

2010 Overview

Looking forward to 2010, CTA will continue to face many of the same challenges it faced in 2009. The theme for CTA's 2010 Budget - "Managing Responsibly: Strategic Decisions to Weather the Recession" - focuses on meeting those ongoing challenges. While many economists say that the economy shows signs of recovery in 2010 and beyond, the factors that most directly affect CTA remain bleak. National unemployment remains at the highest levels in more than 30 years; Illinois unemployment is among the highest in the nation at approximately 10%. Likewise, consumer spending and the sales taxes it generates remains depressed and the outlook for 2010 is not optimistic. Similarly, projections for a recovery in the real estate market, which produces real estate transfer taxes in the City of Chicago, are equally pessimistic.

In 2010 CTA will continue to focus on Performance Management as a means of further improving the efficiency of CTA operations.

Faced with this situation, CTA will again take all available steps to control expenses. The proposed budget once again recommends using scarce capital funds to help balance the operating budget. Having taken this step for the past several years, limited capital funds are now available for this purpose. To meet the legislative mandate to have a balanced budget, CTA is faced with the reality that the only way to do so will be to recommend an increase in fares and that service be scaled

Executive Summary

back to further improve efficiency and reduce costs. These steps are in fact the last resort in the current economic atmosphere. Service reductions will be undertaken strategically to have the least impact on our customers, especially those most dependent on CTA.

In 2010, CTA will continue to focus on Performance Management as a means of further improving the efficiency of CTA operations. Every aspect of CTA's operations from rail maintenance to customer service to the legal department will be continually monitored to look for ways to improve efficiency and lower costs.

Our focus remains on maintaining and continually improving the level of on-time, clean, safe, courteous and efficient service provided to our customers.

Turning to CTA's capital improvement program, 2009 saw an increase in funding due to the federal economic stimulus program which brought in over $240 million in additional capital funding. A portion of these funds were diverted to eligible projects in the operating budget to aid in balancing the budget. CTA proposes to divert a portion of its capital funds in 2010 for the same purpose. This year also saw the passage of a long-awaited State Capital Program which will produce $1.395 billion over a five-year period. CTA proposes to invest those funds along with its federal capital funds strategically to yield the greatest customer benefit. Projects in 2010-2014 will focus on eliminating slow zones, improving the customer experience at stations and acquiring new rail cars. Particular attention will be paid to capital projects which can have the greatest impact on lowering overall operating costs. CTA will continue to invest in mid-life overhauls of both buses and rail cars to ensure that operating costs remain as low as possible.

Of the 1.7 million daily rides provided by the CTA, about 1 million are on buses.

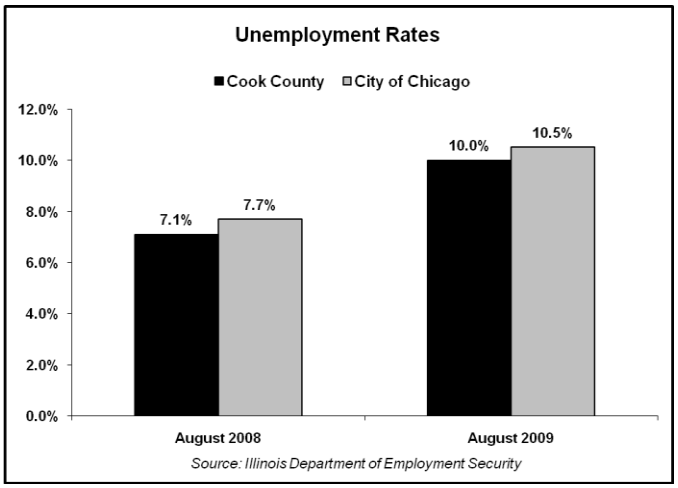
The theme of CTA's 2009 budget was "Smart Spending – Steering Through the Economic Slow Down." As the economy worsened in late 2008 and early 2009, it became apparent that this was indeed an apt theme. As CTA prepares for 2010, however, it is obvious that "smart spending" alone will not solve this deepening crisis. The current situation is one of national proportion. Most transit systems throughout the country are facing similar circumstances and are also faced with the harsh realities of cutting service and raising fares.

The CTA is committed to serving its customers. As we move ahead into 2010 and beyond, we will continue to look for the most efficient operating methods and call upon the resourcefulness of staff to help reduce costs and increase revenue. Our focus remains on maintaining and continually improving the level of on-time, clean, safe, courteous and efficient service provided to our customers.

2009 Operating Budget

INTRODUCTION

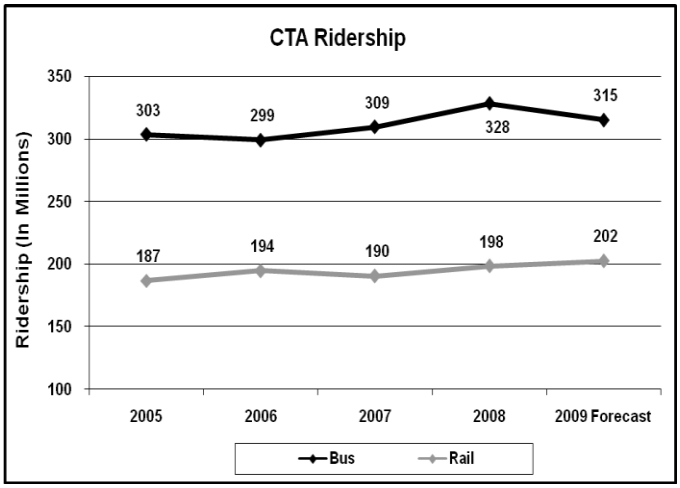
In 2008, the State of Illinois approved a state funding package that increased the percentage of state sales tax dedicated to mass transit and gave authority to the City of Chicago to increase the Real Estate Transfer Tax (RETT) to support the CTA. The legislation also provided for long-term pension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



Due to the current recession, these anticipated sales tax and RETT revenues were significantly lower than expected in 2009. Consumer spending continued to drop throughout the year as unemployment continued to rise. The CTA's initial 2009 Operating Budget anticipated $723 million in public funding from sales taxes and RETT. Twice in 2009 (in March and June), the Regional Transportation Authority (RTA) directed the CTA and the other service boards to revise their budgets due to decreasing sales tax and RETT revenues. For the CTA, those reduced public funding revenues totaled $190 million, a reduction of more than 27%. The CTA met this funding crisis in 2009 by using scarce capital funds for capital-eligible operating costs and drawing on reserves. The CTA reduced expenses where possible through such actions as restricting overtime and leaving vacancies unfilled. The CTA continued to aggressively utilize performance management strategies to further improve efficiencies. After several years of slashing administrative and support costs there are few options remaining.

Despite these difficulties, the CTA projects that it will end the year with a balanced budget and without further fare increases or any overall service reductions.

RIDERSHIP



The CTA projects that its 2009 system-wide ridership will decrease from its record-setting ridership numbers in 2008. Ridership for 2009, including rail-to-rail platform transfers, is forecasted to be 517.4 million trips, which is 9.0 million trips lower (1.7%) than 2008 total ridership. The driving force behind this decrease is a fall off in bus ridership in 2009. Rail ridership has risen from 2008 levels. The overall decline in ridership can be attributed

to the slumping economy and a fare increase implemented in January of 2009.

Total weekday ridership for 2009 is projected at 414.4 million, which is 15.5 million (3.6%) lower than 2008 weekday ridership. This is mainly attributable to a 5.6% drop in weekday bus ridership. Rail weekday ridership fell 0.3%.

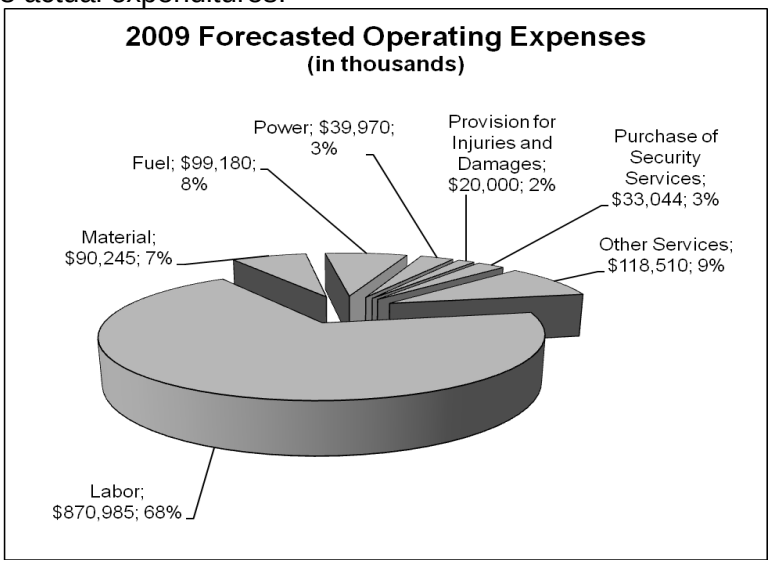
Total Saturday ridership for 2009 is projected at 57.8 million, which is a 3.3 million (6.1%) increase from 2008 Saturday ridership. This is mainly attributable to a 13.4% increase in Saturday rail ridership. Additionally, bus ridership on Saturdays increased by 2.3%.

Total Sunday ridership for 2009 is projected at 45.2 million, which is a 3.2 million (7.5%) increase from 2008 Sunday ridership. This is also mainly due to a 15.2% increase in rail Sunday ridership. Additionally, bus ridership on Sundays increased by 3.3%.

Total projected CTA ridership in 2009 includes approximately 73 million free rides for seniors, active military personnel, disabled veterans and individuals under Illinois' low-income Circuit Breaker Program. This is an increase of 22.6 million (98.7%) over 2008 free rides for these groups. In 2008, free rides account for over $30 million in lost revenue; in 2009, due to the significant projected increase in free rides, lost revenue will be considerably higher.

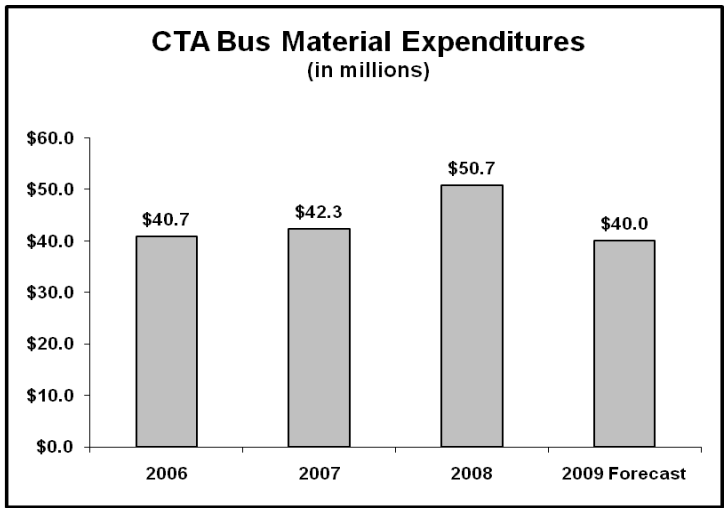
OPERATING EXPENSES

Operating expenses for 2009 are estimated to be $1.272 billion, which is $57.5 million more than 2008 actual expenditures.

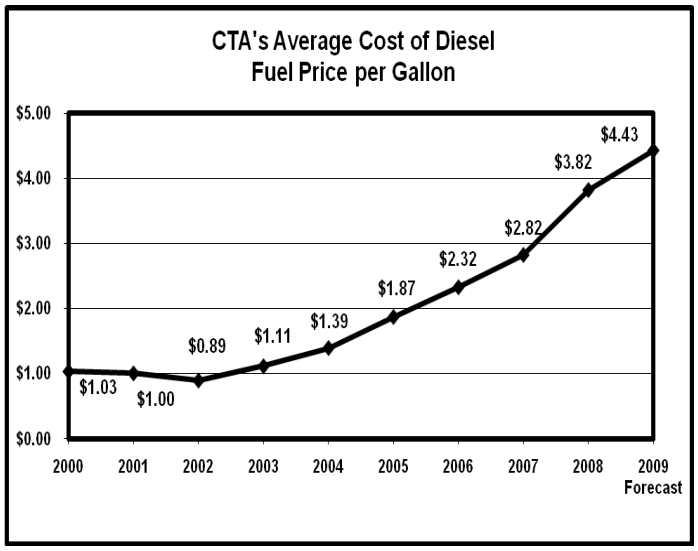


The 2009 **labor expense** is projected to be $871.0 million, which is $2.7 million (0.3%) lower than 2008 actual labor costs. The lower labor expense is a result of administrative layoffs effective January 1, 2009. These layoffs were to help offset a 3.0% wage rate increase for the CTA's unions, and to offset the revised 2009 budget deficit.

2009 Operating Budget



In 2009, **material expenses** are forecasted to be $90.2 million, which is $10.3 million lower than 2008 actual expenses. This decrease is driven by a reduction in bus parts expenditures due to fleet upgrades. In 2009, the CTA retired 92 buses that had surpassed their Federal Transit Administration (FTA) lifespan of 12 years. Due to structural issues, the CTA also pulled 220 high maintenance North American Bus Industries (NABI) buses out of service. To offset these fleet retirements, the CTA has put 75 new 40-foot New Flyer buses and 158 new 60-foot hybrid buses into service. As a result of these retirements and purchases, the average age of the bus fleet has dropped from 7.1 years in 2008 to 4.8 years in 2009.

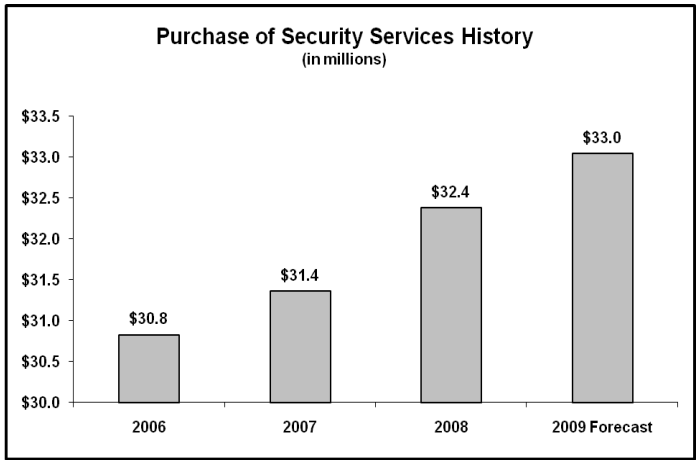


Energy prices are a key driver of the CTA's operating expenses. **Fuel** for revenue equipment is forecasted at $99.2 million for 2009, an increase of $7.3 million (8.0%) over 2008 fuel spending. Fuel consumption is forecasted at 22.6 million gallons, a decrease of 1.5 million (6.2%) from 2008. The decrease in consumption is principally due to a more fuel efficient fleet. While consumption has gone down, the price of fuel has increased. Fuel prices in 2009 are currently estimated to end the year at a net average price of $4.43 per gallon, which is $0.61 per gallon (15.9%) more than the prior year's actual average price. Fuel prices in 2009 were based on contracts that the CTA had in place in 2008.

For 2009, the cost of **electric power** for the rail system is forecasted to be $40.0 million, which is $4.5 million (12.8%) higher than the prior year's actual cost. At the end of May 2008, the CTA's new electric power contract began. This new contract included a rate of $0.0875 per kilowatt hour. This rate is $0.0189 per kilowatt hour (27.6%) higher than the previous contract. However, the rail system did benefit from the cooler than expected summer weather, saving approximately 25 million kilowatt hours of traction power, or $2.2 million.

2009 Operating Budget

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 2009 forecast for this cost is $20.0 million, which is $12.3 million higher than 2008.

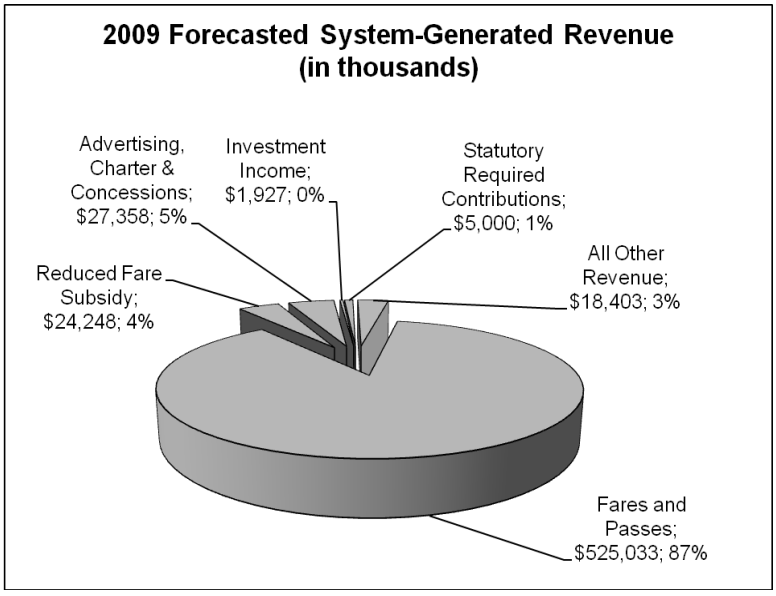


Full-year **security expenses** funded by the CTA are estimated to be $33.0 million in 2009, or a $660,000 (2%) increase over the 2008 expenditure of $32.4 million. Security services are provided by the Chicago, Evanston and Oak Park police departments and through contracts with private security firms. In addition, the Public Transportation Section of the Chicago Police Department provides dedicated services to CTA customers at an estimated cost of $22.0 million, paid for by the City of Chicago.

The 2009 "**other expenses"** category includes funds allocated for utilities, maintenance and repair, advertising, commissions, consulting, insurance, overhead allocated to capital work, and other general expenses. The year-end forecast for these services is $118.5 million, which is $45.7 million (62.8%) higher than 2008 actual expenditures. This increase is primarily due to increased obligations for Pension Obligation Bond payments.

OPERATING REVENUES

System-Generated Revenues



System-generated revenues are projected to be $602.0 million, which exceeds 2008 actual revenues by $49.4 million (8.9%). Fare revenue is projected to increase by $53.9 million. This increase is mainly attributable to the increase in 2009 fares. These fare increases also caused CTA's average fare to rise. The average fare paid in 2009 is projected to be $1.00, or $0.10 higher than the 2008 actual results.

2009 Operating Budget

The **reduced fare subsidy** is the State of Illinois' reimbursement to the CTA, Metra and Pace for discounted fares to people with disabilities and students. Revenue from the reduced-fare reimbursement is projected to be $24.2 million or $7.6 million less than the prior year. The reduced fare subsidy is subject to annual appropriation.

Advertising, charter, and concessions revenues in 2009 are projected to be $27.4 million, which is $0.3 million (1.1%) less than the prior year's actual revenue.

Investment income is estimated to be $1.9 million, which is $1.9 million (49.0%) lower than 2008 actual investment income. This decrease is primarily due to lower investable cash balances, as well as market rates falling to near record lows.

Statutory required contributions of $5.0 million are on par with 2008. The Regional Transportation Authority Act requires the City of Chicago and Cook County to contribute $3.0 million and $2.0 million respectively towards CTA operations each year.

Other revenues, which include parking fees, sale of real estate and rentals are projected to be $18.4 million, which is $4.4 million higher than the prior year.

Public Funding

The public funding required to meet the CTA's 2009 operational costs is $670.0 million. This funding is composed of sales tax and discretionary funding from the 1983 Regional Transportation Authority Act, new funding from the 2008 sales tax increase and RETT, and preventive maintenance funds transferred from capital projects. Due to a $154.3 million decrease in public funding in May of 2009, the CTA reduced its operating budget by $15.3 million and increased its revenues by $139.0 million to produce a balanced budget. (A portion of the increased revenues came from $8 million in discretionary funding from RTA.) Additional funding shortages required the CTA to amend its budget again in July of 2009, reducing it by another $34.3 million. The revised 2009 budget of $1.272 billion is a result of the reduced RTA operating funding marks for 2009.

Total Revenue (in thousands)	2009 Forecast
Fares and Passes	$ 525,033
Reduced Fare Subsidy	24,248
Advertising, Charter & Concessions	27,358
Investment Income	1,927
Statutory Required Contributions	5,000
All Other Revenue	18,403
Total System Generated Revenue	**601,969**
Transfer From Capital	$ 128,574
Public Funding Available through RTA	541,391
Total Public Funding	**669,965**
Total 2009 Revenue	$ 1,271,934
Total 2009 Expenses	$ 1,271,934

2009 Operating Budget

2009 Amended Operating Budget Schedule

(In Thousands)

	Original Budget 2009	Amended Budget July 2009	Forecast 2009	Variance
Operating Expenses				
Labor	$ 887,723	$ 871,757	$ 870,985	$ 772
Material	94,763	92,326	90,245	2,081
Fuel	102,852	98,163	99,180	(1,017)
Power	39,944	40,077	39,970	107
Provision for Injuries and Damages	30,000	20,000	20,000	0
Purchase of Security Services	33,441	32,204	33,044	(840)
Other Services	132,790	117,407	118,510	(1,103)
Total Operating Expenses	**$ 1,321,513**	**$ 1,271,934**	**$ 1,271,934**	**$ 0**
System Generated Revenue				
Fares and Passes	$ 516,313	$ 529,705	$ 525,033	$ (4,672)
Reduced Fare Subsidy	16,100	16,100	24,248	8,148
Advertising, Charter & Concessions	40,500	30,549	27,358	(3,191)
Investment Income	6,300	2,000	1,927	(73)
Statutory Required Contributions	5,000	5,000	5,000	0
All Other Revenue	14,000	18,615	18,403	(212)
Total System Generated Revenue	**$ 598,213**	**$ 601,969**	**$ 601,969**	**$ 0**
Public Funding Required for Operations	$ 723,300	$ 669,965	$ 669,965	$ 0
Transfer From Capital- Preventative Maintenance	0	128,574	128,574	0
Public Funding Available through RTA	723,000	541,391	541,391	0
Total Funding	**$ 723,000**	**$ 669,965**	**$ 669,965**	**$ 0**
Recovery Ratio*	47.30%	61.20%	63.40%	2.20%
Required Recovery Ratio	52.00%	50.00%	50.00%	0.00%
Fund Balance	$ (300)	$ -	$ -	$ -

*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 and includes some grant revenues.

2010 Proposed Operating Budget

INTRODUCTION

This summary assesses the region's current financial picture, the underlying assumptions used and the solutions contained in the proposed 2010 operating budget.

Although there are signs in the broader economy that the nation may be pulling out of the deep recession that began in mid 2008, the outlook for 2010 continues to be pessimistic. Employment and consumer spending are the major factors that impact transit revenues in the Chicago region. Unemployment in the Chicago region is at record levels and is expected to remain so throughout much of 2010. Correspondingly, consumer spending and the housing market are expected to remain weak well into 2010 if not beyond.

Consequently, the Regional Transportation Authority (RTA) projects that the public funding, from regional sales taxes and real estate transfer taxes in the City of Chicago, will be only slightly above the record low 2009 level. These sources will be more than $200 million lower than what was predicted when new state legislation was passed in early 2008.

In addition to significantly lower public funding, the CTA is also faced with higher costs in several areas. Labor costs make up the largest portion of the CTA's budget. In 2010, all of the CTA's union labor will receive an automatic 3.5% pay increase which adds $24 million to the budget over 2009. Increases in required payments of Pension Obligation Bond interest will add $79 million to expenses in 2010 and additional required employer contributions to CTA's employee pension fund will add $28 million to expenses. Free rides mandated by law continue to cost CTA over $30 million per year in lost revenue.

On the positive side, the CTA continues to use performance management and performance-based budgeting to improve operating efficiency and further reduce operating costs. Fuel costs, particularly for diesel fuel, in 2010 will be significantly lower than 2009. The capital budget will include an investment in bus and railcar overhauls that will result in lower operating costs both in 2010 and in later years.

To continue to control expenses, the proposed budget recommends a reduction in non-union administrative and supervisory positions, elimination of salary increases as well as up to 18 furlough days and unpaid holidays for non-union employees. The CTA will reduce intern and fellows programs, scale back contracts, reduce departmental expenditures and hedge fuel costs. These actions will reduce expenses by $32 million.

As in 2009, however, these measures alone will not close the significant budget gap that the CTA faces. In 2009, the CTA used over $128 million in capital funds for eligible maintenance activities to offset operating costs. The use of scarce capital funds for operating is never desirable given that the CTA faces a high unfunded capital need of nearly $7 billion. Once again in 2010, CTA is faced with the difficult choice of having to divert additional funds from capital construction projects. In 2010, $90 million of capital funds will be used for the operating budget.

To further reduce expenses, management conducted an assessment of its bus and rail operations for further efficiencies. The 2010 budget proposes service changes that

make the system more efficient without drastically reducing or eliminating routes. Management's guiding principles for service changes are:

- Maximize efficiency of all bus routes and rail lines
- Eliminate X-routes where local alternative exists
- Minimize impact to rush hour service
- Maintain key regional connections, where possible
- Maintain the most service possible for those who can least afford it
- Spread the burden in an equitable manner

Service changes are limited to increasing headways, reducing span of service and eliminating only those routes where a local alternative route is available. Savings will be generated from closing the more than 100 year-old Archer Garage and retiring buses put into service in 1995.

At the beginning of 2009, the CTA implemented a $0.25 fare increase on the base fare with a proportional increase on passes. That fare increase provided about $39 million in additional revenue in 2009 to balance the budget. Once again, the CTA is faced with the harsh reality that in order to balance the budget, a fare increase is necessary. The effective date for the proposed fare increase is February 7, 2010. Management's guiding principles are:

- Create an extra cost for premium service – rail, retained express routes and contracted bus routes
- Limit fare increase for regular bus service
- Balance fare increases and service cuts

The proposed budget recommends a fare increase for rail and express bus service to $3.00 and for regular bus service to $2.50. Passes will also be increased proportionally.

RIDERSHIP

The CTA estimates 2010 total systemwide ridership at 466.8 million, a 9.8% decline, when compared to the 2009 forecast. This ridership decline is expected to result from the sluggish economy, the proposed fare increase and the proposed service changes.

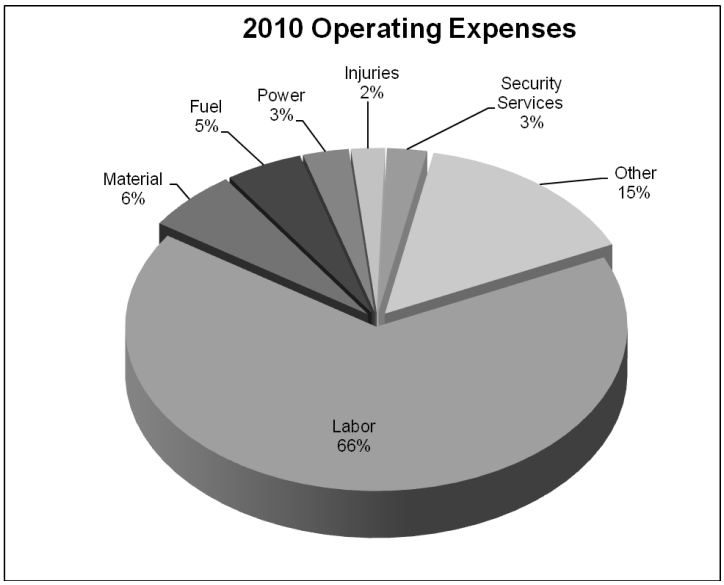
Bus ridership is expected to be 277.5 million in 2010, 11.9% lower than the 2009 forecast. Rail ridership is expected to be 189.3 million in 2010, 6.5% lower than the 2009 forecast. Current ridership projections anticipate a 9.8% decrease in 2010.

2010 BUDGET OVERVIEW

The 2010 proposed operating budget is $1.285 billion, which is a $13.1 million (10.3%) increase from the 2009 amended budget. The 2010 proposed budget includes labor and maintenance cost savings as a result of proposed service cuts, as well as from recent and upcoming capital projects to further reduce maintenance costs.

2010 Proposed Operating Budget

Labor Expenses: 2010 labor expenses are estimated to be $852.1 million and represent an $18.9 million reduction over the 2009 forecast. This decrease in labor expenses is a result of position eliminattions resulting from proposed service efficiencies, as well as the implementation of furlough days and unpaid holidays for non-union employees. Labor expenses continue to represent the majority of CTA's operating expenses and make up approximately 66 % of the CTA's operating budget.



Material Expenses: The 2010 proposed budget forecasts material costs at $77.7 million, which is $14.6 million less than the 2009 amended budget and $17 million lower than the Authority's initial 2009 budget of $94.8 million. The reduction is based on service level reductions and additional capital preventative maintenance funds received in 2009, which helped offset the costs of regular maintenance. Currently 55% of the CTA rail car fleet is beyond the Federal Transit Administration's (FTA) useful life recommendation. The CTA is scheduled to begin receiving a new fleet of rail cars in late 2010.

Fuel Expenses: Total diesel fuel costs for 2010 are expected to be $63.9 million, $34.3 million less than 2009's amended budgeted amount and $39 million less than the CTA's original 2009 budget. The reduction is based on proposed service changes, lower fuel costs and more fuel efficient buses.

Power: The 2010 proposed budget estimates the cost of electric power for revenue equipment at $38.2 million, which is 4.5% lower than the 2009 forecast.

Provision for Injuries and Damages: The 2010 proposed funding for injuries and damages is $28 million, reflecting an increase of $8 million from the 2009 forecast.

Purchase of Security Services: Security services include 24-hour patrol services provided by the Chicago, Evanston and Oak Park police departments and contracts with private firms for guard and canine security. The 2010 proposed cost of security services is estimated to be $33.2 million, which is consistent with the 2009 budget and forecast. In addition to the services contracted by the CTA, the City of Chicago provides $22 million in services from the Chicago Police Department's Public Transportation Section at no charge to the CTA.

Other Expenses: These expenses are proposed in the 2010 budget to be $192.0 million, an increase of $73.5 million over the 2009 forecast and a $59.2 million increase over the original 2009 budget.

This category includes, but is not limited to, 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.

Total Revenue (in thousands)	2010 Budget
Fares and Passes	$ 604,417
Reduced Fare Subsidy	16,100
Advertising, Charter and Concessions	22,876
Investment Income	1,832
Contributions From Local Governments	5,000
All Other Revenue	47,481
Total System Generated Revenue	**697,706**
Public Funding through RTA	$ 497,300
Capital Transfer-Preventative Maintenance	90,000
Total Public Funding	**587,300**
Total 2010 Revenue	$ 1,285,006
Total 2010 Expenses	$ 1,285,006

SYSTEM-GENERATED REVENUES

System-generated revenues include fares and passes, reduced-fare reimbursement, advertising, investment income, statutorily-required cash contributions and other miscellaneous revenues. In 2010, system-generated revenue is projected to be $697.7 million, representing a $95.7 million (15.9%) increase over the amended 2009 budget. The growth in estimated system-generated revenue is due to the proposed fare increase, revenue from the sale of excess property, increased advertising revenue and other new revenue initiatives.

Fares were increased in January of 2009 from $2.00 to $2.25 for cash bus fares and for transit card rail rides. Other fares, including passes, also increased.

Other transit systems across the country are facing increased costs. In response, many transit systems have raised fares within the past year, or are proposing to raise fares in 2010.

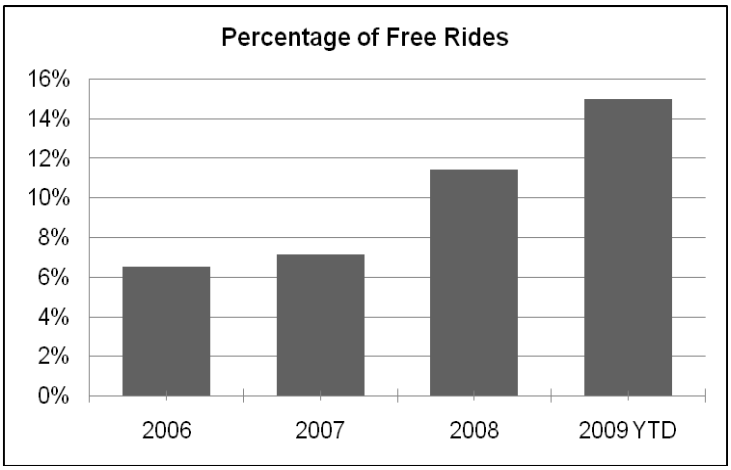
In order to comply with the balanced budget requirement, the 2010 proposed budget recommends an across-the-board increase in fares. Cash fares on the bus system will increase from $2.25 to $2.50 for local routes and to $3.00 for retained express routes. For customers using a full fare transit card, the bus fare will also rise from $2.25 to $2.50. Rail customers will similarly see fares rise from $2.25 to $3.00.

2010 Proposed Operating Budget

The 2010 proposed budget also recommends an increase in pass prices. Even with these increases, using passes to ride the CTA remains one of the best values in the region.

Fares and Passes: Revenue from fares and passes is estimated to be $604.4 million in 2010. This represents a growth of $79.4 million over the 2009 forecast. The growth in fare and pass revenues is tied to a higher average fare which is forecast to increase from $1.00 per ride to $1.22 per ride as a result of the proposed fare increase.

Reduced Fare Funding: The CTA provides approximately 44 million reduced fare trips to qualified students and people with disabilities. The CTA is expected to provide 70.3 million free rides to registered seniors, active military and disabled veterans and participants of Illinois' low-income Circuit Breaker Program in 2010. In 2009, a projected 73 million free rides will account for 15% of the CTA's total ridership.



Advertising, Charter, and Concessions: Revenue in this category includes advertisements on buses, trains and stations, income from concessions and other non-farebox revenue. In 2010, revenues for this category are estimated to be $22.9 million.

Investment Income: Investment income is projected at $1.8 million in 2010. This is $0.1 million less than the 2009 forecast. The decrease over forecasted levels is due to lower projected cash balances and lower rates of return.

Statutory Required Contributions: Statutorily-required cash contributions are budgeted in the 2010 proposal at $5.0 million, unchanged from the 2009 budget. The Regional Transportation Authority Act requires the City of Chicago to contribute $3.0 million, and Cook County to contribute $2.0 million each year toward CTA operations. These required cash contributions are in addition to other cash and in-kind contributions from the City of Chicago and Cook County. The Chicago Police Department's Public Transportation Section provides more than $22.0 million of security services to the CTA while Cook County provides $3.5 million of in-kind service 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: This category includes: parking charges, rental revenue, and third-party contractor reimbursements and filming fees. Other revenues are projected to be $47.5 million in 2010, $29 million more than the 2009 forecast.

PUBLIC FUNDING

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 is available from three sources: sales tax revenue, state matching funds and Real Estate Transfer Tax (RETT). Revenues for operations received by the CTA, Metra and Pace are provided by the RTA and currently consist of two principal sources: (1) the RTA sales tax and (2) the State of Illinois' Public Transportation Fund, which is disbursed by the RTA. The RTA sales tax is the primary source of CTA public funding. Of the original 1.0% RTA sales tax authorized in 1983, the CTA receives 100.0% of the taxes collected in the City of Chicago and 30.0% of those collected in suburban Cook County, after the RTA retains its 15.0% share. Of the 0.25 % sales tax increment authorized by the 2008 legislation, the CTA receives 48.0% of what remains after allocations are made to Pace for the ADA Paratransit Fund and the Suburban Community Mobility Fund, and to the RTA for its Innovation, Coordination and Enhancement Fund (ICE). Finally, the third source of public funding is the RETT collected in the City of Chicago. The 2008 legislation authorized a $1.50 per $500 increase in RETT. CTA receives 100% of the RETT increase authorized in 2008. In 2009, the total of all three sources was $541 million, including a $56.1 million loan from RTA which is due in 2011. (For a graphic representation of this funding source breakdown, see APPENDIX A 2).

In 2010, total public funding will total $497 million, a decrease of more than $ 44 million over the 2009 forecast.

Recovery Ratio: As calculated by the RTA, the recovery ratio requires the CTA's system-generated revenues to cover 50.0% of projected expenditures for 2009. The proposed operating system budget estimates the recovery ratio at 67%. This estimate takes into account allowable exclusions including Pension Obligation Bond debt service, passenger security, in-kind services provided by the Chicago Police Department and the same level of grant-funded revenues included in the 2009 budget.

Performance Goals and Metrics: The 2010 proposed operating budget is directly linked to performance management goals for each business unit within the CTA. (See Appendix A-3 for a detailed discussion of specific metrics and goals.) Each department has set goals tied to its operating budget. Departments will be assessed throughout the year and managers will continue to be held accountable for both budget adherence and meeting performance goals.

2010 Proposed Operating Budget

President's 2010 Proposed Operating Budget

(In Thousands)

	Actual 2008	Amended Budget July 2009	Forecast 2009	Proposed Budget 2010
Operating Expenses				
Labor	$ 873,636	$ 871,757	$ 870,985	$ 852,081
Material	100,568	92,326	90,245	77,724
Fuel	91,834	98,163	99,180	63,879
Power	35,442	40,077	39,970	38,176
Provision for Injuries and Damages	7,718	20,000	20,000	28,000
Purchase of Security Services	32,382	32,204	33,044	33,181
Other Services	72,807	117,407	118,510	192,004
Total Operating Expenses	**$ 1,214,387**	**$ 1,271,934**	**$ 1,271,934**	**$ 1,285,045**
System Generated Revenue				
Fares and Passes	$ 471,099	$ 529,705	$ 525,033	$ 604,417
Reduced Fare Subsidy	31,855	16,100	24,248	16,100
Advertising, Charter & Concessions	27,661	30,549	27,358	22,876
Investment Income	3,779	2,000	1,927	1,832
Statutory Required Contributions	5,000	5,000	5,000	5,000
All Other Revenue	13,161	18,615	18,403	47,481
Total System Generated Revenue	**$ 552,555**	**$ 601,969**	**$ 601,969**	**$ 697,706**
Public Funding Required for Operations	$ 661,832	$ 669,965	$ 669,965	$ 587,339
Transfer From Capital- Preventative Maintenance	20,000	128,574	128,574	90,000
Public Funding Available through RTA	621,832	541,391	541,391	497,339
Prior Year Positive Balance	20,000	-	-	-
Total Funding	**$ 661,832**	**$ 669,965**	**$ 669,965**	**$ 587,339**
Recovery Ratio*	49.17%	61.20%	63.40%	67.00%
Required Recovery Ratio	52.00%	52.00%	50.00%	50.00%
Fund Balance	$ -	$ -	$ -	$ -

	Budgeted Positions 2008	Forecasted Positions 2009	Budgeted Positions 2010
TOTAL CTA WITHOUT STO[1]	**5,233**	**5,001**	**4,663**
Bus STO Positions**	4,346	4,322	3,697
Rail STO Positions**	1,288	1,179	1,119
TOTAL CTA	**10,867**	**10,502**	**9,479**

*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 and includes some grant revenues.
**STO Full Time Equivalents
1- STO: Scheduled Transportation Operations

Service and Fares

The CTA has aggressively taken steps to control operating expenses. In addition, as in 2009, the budget recommends the use of capital funds for preventative maintenance. Even with all these actions, to meet the statutory requirements for a balanced budget, the 2010 Proposed Budget recommends the implementation of service cuts and fare increases to take effect February 7, 2010. These proposed service and fare changes have been designed to minimize impact on our customers. The 2010 proposed budget recommends the elimination of only nine express bus routes. No train lines will be eliminated. Most savings will be realized through frequency and span reductions. Many routes will run less frequently and may also operate fewer hours each day. Overnight "Owl" routes will continue to operate without change. The proposed service cuts will reduce bus service by 18.0%, and rail service by 9.0%.

The 2010 proposed budget recommends implementing a fare increase for the entire system. All individual rail trips will increase to $3.00 per ride and bus trips will increase to $2.50 per ride for a regular trip and $3.00 a ride for an express trip. Retained express routes are listed below in Table 1. Individual reduced rides will be increased to one half the full fare per ride, $1.25 for bus or $1.50 for rail and express bus. For customers paying with cash, the reduced fare was last increased January 1, 2006. The reduced transit card fare has not changed since January 1, 2004. The 30-day reduced fare pass has not changed since October 1, 1998. Transfer prices will remain the same for non-reduced riders, and decrease to $0.10 for reduced riders.

Table 1: Retained Daily Express Routes

Route	Name
2	HYDE PARK EXPRESS
6	JACKSON PARK EXPRESS
10	MUSEUM OF SCIENCE & INDUSTRY
14	JEFFERY EXPRESS
26	SOUTH SHORE EXPRESS
134	STOCKTON/LASALLE EXPRESS
135	CLARENDON/LASALLE EXPRESS
136	SHERIDAN/LASALLE EXPRESS
143	STOCKTON/MICHIGAN EXPRESS
144	MARINE/MICHIGAN EXPRESS
145	WILSON/MICHIGAN EXPRESS
146	INNER DR/MICHIGAN EXPRESS
147	OUTER DR EXPRESS
148	CLARENDON/MICHIGAN EXPRESS
168	UIC/PILSEN EXPRESS
169	69th-UPS EXPRESS
192	U. OF CHICAGO HOSPITALS EXPRESS
X28	STONY ISLAND EXPRESS
X98	AVON EXPRESS

Service and Fares

The "X" routes shown in Table 2 below will be eliminated. Express service will be maintained in areas where no local alternative exists.

Table 2: "X" Express Routes

Route	Name	Alternative
X3	KING DR EXPRESS	3 - KING DRIVE
X4	COTTAGE GROVE EXPRESS	4 - COTTAGE GROVE
X9	ASHLAND EXPRESS	9 - ASHLAND
X20	WASHINGTON/MADISON EXPRESS	20 - MADISON
X49	WESTERN EXPRESS	49 - WESTERN
X54	CICERO EXPRESS	54 - CICERO
X55	GARFIELD EXPRESS	55 - GARFIELD
X80	IRVING PARK EXPRESS	80 - IRVING PARK
53AL	SOUTH PULASKI LIMITED	53A - SOUTH PULASKI

Following is detail about the changes to be implemented in 2010.

2010 SERVICE REDUCTIONS

The 2010 budget recommendation calls for the elimination of nine express bus routes. It does not eliminate any rail lines. Service cuts will be implemented via frequency reductions and span reductions, and by eliminating cross-town express routes that have a local equivalent. The elimination of these express routes will remove 151,000 hours of bus service (or 2.5%).

A. 2010 SERVICE REDUCTIONS: FREQUENCY

In order to help meet the statutory requirements for a balanced budget, the CTA will run both trains and buses less frequently. Effective February 7, 2010, the CTA plans on eliminating 827,000 hours of bus service (or 13.7%) and 57,803 hours of rail service (or 9.0%) across all bus routes and rail lines. This reduction in frequency will be spread across the day to impact the least number of customers.

B. 2010 SERVICE REDUCTIONS: SPAN

The proposed 2010 budget also recommends span reductions on 41 bus routes (Table 3). A span reduction will shorten the time the route is in service. As proposed, span of service would be shortened by as few as 10 minutes on certain routes to just over four hours on other routes. The average span reduction is one and one half hours. Effective February 7, 2010, the CTA plans to eliminate 93,000 hours (or 1.5%) of bus service via span reductions.

The proposed frequency and span reductions, along with the nine route eliminations will result in the elimination of 290 high maintenance buses put into service in 1995 that

have surpassed their Federal Transit Administration (FTA) life span of 12 years. These reductions in service will also result in the recommendation to close a bus garage.

Table 3: Proposed Span Reductions

ROUTE	Current Start	Proposed Start	Current End	Proposed End	Span Eliminated
6	4:00 AM	4:00 AM	1:30 AM	12:30 AM	1:00
8	2:45 AM	4:00 AM	2:20 AM	12:30 AM	3:05
12	4:10 AM	4:10 AM	1:10 AM	12:30 AM	0:40
14	3:30 AM	4:30 AM	11:35 PM	10:30 PM	2:05
15	4:25 AM	4:25 AM	1:40 AM	12:30 AM	1:10
28	3:30 AM	4:00 AM	1:45 AM	12:30 AM	1:45
29	2:55 AM	4:00 AM	2:30 AM	12:30 AM	3:05
30	4:10 AM	4:30 AM	11:10 PM	10:30 PM	1:00
35	3:50 AM	4:00 AM	1:25 AM	12:30 AM	1:05
36	4:00 AM	4:00 AM	1:25 AM	12:30 AM	0:55
44	4:25 AM	4:30 AM	12:05 AM	10:30 PM	1:40
47	4:00 AM	4:00 AM	1:00 AM	12:30 AM	0:30
49B	4:20 AM	4:20 AM	1:15 AM	12:30 AM	0:45
50	3:55 AM	4:30 AM	11:05 PM	10:30 PM	1:10
52	4:00 AM	4:30 AM	11:10 PM	10:30 PM	1:10
53A	4:00 AM	4:00 AM	2:10 AM	12:30 AM	1:40
54	4:00 AM	4:00 AM	1:00 AM	12:30 AM	0:30
56	3:40 AM	4:30 AM	1:50 AM	10:30 PM	4:10
63W	5:00 AM	5:00 AM	11:10 PM	10:30 PM	0:40
70	4:50 AM	4:50 AM	1:25 AM	10:30 PM	2:55
71	4:20 AM	4:20 AM	1:50 AM	12:30 AM	1:20
72	4:00 AM	4:00 AM	1:05 AM	12:30 AM	0:35
74	3:55 AM	4:00 AM	12:55 AM	12:30 AM	0:30
75	5:00 AM	5:00 AM	11:05 PM	10:30 PM	0:35
76	5:05 AM	5:05 AM	11:05 PM	10:30 PM	0:35
80	3:35 AM	4:00 AM	12:05 AM	12:05 AM	0:25
81W	4:35 AM	4:35 AM	12:20 AM	10:30 PM	1:50
85	3:30 AM	4:00 AM	1:45 AM	12:30 AM	1:45
85A	5:10 AM	5:10 AM	12:10 AM	10:30 PM	1:40
88	4:45 AM	4:30 AM	12:10 AM	10:30 PM	1:25
91	4:25 AM	4:30 AM	10:35 PM	10:30 PM	0:10
92	4:05 AM	4:30 AM	12:10 AM	10:30 PM	2:05
97	4:55 AM	4:55 AM	10:45 PM	10:30 PM	0:15
103	4:05 AM	4:30 AM	1:50 AM	10:30 PM	3:45
111	4:15 AM	4:30 AM	12:15 AM	10:30 PM	2:00
112	4:10 AM	4:30 AM	12:50 AM	10:30 PM	2:40
119	4:00 AM	4:00 AM	1:50 AM	12:30 AM	1:20
126	5:25 AM	5:25 AM	12:15 AM	10:30 PM	1:45
146	5:50 AM	5:50 AM	12:20 AM	10:30 PM	1:50
147	4:30 AM	4:30 AM	12:30 AM	10:30 PM	2:00
155	4:55 AM	4:55 AM	1:00 AM	12:30 AM	0:30

Service and Fares

2010 FARE INCREASES

The 2010 budget recommendation includes the implementation of fare increases to all individual rides along with increases to the various passes the CTA offers.

Fare increases scheduled to take place on February 7, 2010 are outlined below.

Table 4: Proposed Fare Structure

CTA Regular Fare Types	Current Fare Structure (effective 1/1/2009)	Proposed 2010 Budget Fare Structure (effective 2/7/2010) [1]
Full Fare Bus [2]	$2.00	$2.50
Full Fare Express Bus [3]	-	$3.00
Full Fare Rail [2]	$2.25	$3.00
Full Fare Cash (Bus Only)	$2.25	$2.50
Full Fare Cash (Express Bus Only) [3]	-	$3.00
Transfer [4]	$0.25	$0.25
1-Day Pass	$5.75	$8.00
3-Day Pass	$14.00	$18.00
7-Day Pass	$23.00	$30.00
Full Fare 30-Day Pass	$86.00	$110.00

CTA Reduced Fare Types [5]	Current Fare Structure (effective 1/1/2009)	Proposed 2010 Budget Fare Structure (effective 2/7/2010) [1]
Reduced Fare Bus [2]	$0.85	$1.25
Reduced Fare Express Bus [3]	-	$1.50
Reduced Fare Rail [2]	$0.85	$1.50
Reduced Fare Cash (Bus Only)	$1.00	$1.50
Reduced Fare Cash (Express Bus Only) [3]	-	$1.50
Transfer [4]	$0.15	$0.10
Reduced Fare Pre-Paid Bonus	10%	Eliminated
30-Day Reduced Pass	$35.00	$40.00

[1] Fare increase to take effect February 7, 2010
[2] "Full Fare" and "Reduced Fare" refer to Chicago Cards & Transit Cards unless otherwise noted
[3] Express routes listed in Table 1
[4] Transfer fare allows two additional rides within two hours of first boarding. Transfers unavailable for customers paying with cash
[5] Reduced fares offered to eligible customers only

Additional Note: CTA also proposes to increase U-Pass fares by 25% for the fall of 2010.

2011-2012 Proposed Operating Financial Plan

INTRODUCTION

Though there are signs of recovery, the duration of the current economic recession, considered the worst since the Great Depression, is yet unknown. The CTA remains committed to providing efficient services and maximizing its available resources. We will continue to seek increased capital funding needed to bring the system to a state of good repair. Steps to manage and control costs are described in the proposed 2010 operating budget. Specifically, carefully controlling labor overtime and improving service efficiencies, controlling contract and material costs and the 2010 fare increase will balance the operating budget.

It is anticipated that these actions will allow the CTA to balance the budget during the current economic downturn and over the next two years.

OPERATING EXPENSES

Apart from a proposed operating budget in 2010 of $1.285 billion, CTA management projects operating expenses to be $1.364 billion and $1.418 billion, respectively, for 2011 and 2012.

Labor: Labor expenses, which account for approximately three-fourths of the CTA's total operating expenses, are composed of wages, health care, pension, worker's compensation, and payroll taxes for social security (FICA). The current labor contracts expire December 31, 2011, therefore, labor totals for 2011 and 2012 are $905.9 million and $933.1 million respectively. Labor rates for the bulk of the labor force are predictable. Per the labor agreements, the annual escalation rate increases from 3 % in 2008 and 2009 to 3.5 % in 2010-2012. One unknown regarding the labor contracts is the future wage rates for craft employees. Their wage rates are set by the prevailing wage for the region, which is determined each year by the U.S. Department of Labor. Pension costs are determined by actuarial valuation each year.

Health care contributions by employees have been frozen by the current contract, which means that the CTA has had to shoulder the burden of increased health care premiums. The CTA has participated in joint contracting with the City of Chicago and other sister agencies to try to achieve the best bulk health insurance rates possible, but all agencies are subject to the general trend of steadily increasing annual health care premiums.

Materials: The price of materials used to maintain the CTA's bus and rail fleets, rail tracks, facilities, stations and fare revenue equipment has been increasing. The CTA continues to seek ways to contain materials costs through supply chain improvements. The CTA projects materials costs to increase to $79.3 million in 2011 and $80.9 million in 2012.

Fuel: This proposed financial plan estimates 2011 fuel costs at $65.8 million and 2011 fuel costs to be $67.8 million.

Electric: In 2011, the CTA projects power costs to equal $38.9 million, an increase from 2010 of 2% from management's proposed budget. In 2012, the CTA projects an additional increase from 2010 of 2%, bringing power costs to $39.7 million.

Provision for Injuries and Damages: Funding for injuries and damages expenses in 2011 and 2012 are expected to increase approximately 2% each year over the proposed 2010 budget level of $28 million.

Purchase of Security Services: For the plan years, the CTA estimates security expenses will increase approximately 5% in 2011 and an additional 2% in 2012, bringing the cost of security to $34.8 million in 2011 and $35.5 million in 2012.

Other Expenses: Other expenses include Pension Obligation Bond interest, utilities, advertising, equipment, software maintenance, accounting, engineering, legal and other consulting services, banking fees and commissions. Other expenses are projected to be $211.2 million in 2011 and $232.3 million in 2012; reflecting an increase of $19.2 million in 2011 and $24.1 million in 2012.

OPERATING REVENUE

System-Generated Revenues

Fares and Passes: Fare revenue is expected to increase approximately 6% per year in 2011 and 2012. The increased revenues resulting from the fare increase will continue to provide greater resources for operations.

Reduced-Fare Funding: For the plan years, the CTA is assuming that the reduced-fare funding will be restored to its full level of approximately $32 million annually.

Advertising, Charter and Concessions: The CTA has intensified its efforts to produce revenue from areas other than the farebox. A new organizational unit combines the functions of marketing and advertising, real estate, and planning and development, to ensure customer satisfaction and to explore innovative ways to raise revenue. Accordingly, revenues in these areas are expected to increase to $38.8 million in 2011 and $46.6 million in 2012 from $27.7 million actual in 2008.

Investment Income: As in 2010**,** investment income is expected to be lower than historical levels because of reduced cash on hand under tighter operating conditions. This situation will be mitigated by higher interest rates expected over the next several years and growing cash balances. Accordingly, investment income is conservatively expected to be $3.5 million and $9.4 million in 2011 and 2012 respectively.

Statutory Required Contributions: Revenues in this category are forecast to be $5 million per year, the same as 2009. The Regional Transportation Authority Act requires that the City of Chicago contribute $3 million annually and Cook County contribute $2 million annually to CTA operations.

Other Revenues: Revenues in this category include $48.9 million in 2011 and $51.4 million in 2012. Other revenue includes parking fees, sales of excess real estate, revenue from rental properties, third-party contractor reimbursements, fees from filming and other miscellaneous revenues.

Public Funding

Public funding through the RTA statutory formula is estimated by the RTA to be $525.3 million in 2011 and $529.7 million in 2012. The CTA expects to receive $479.3 million in 2010.

Recovery Ratio: The recovery ratio measures the percentage of expenses that a service board must pay against revenues that it generates. System-generated revenues, operating expenses and certain statutory exclusions are used in the calculation. The Regional Transportation Authority Act requires the region to fund 50.0 % of its expenses through revenues generated by the RTA and its three Service Boards. The RTA has set a required recovery ratio target of 52% for the CTA. The RTA assigns each service board recovery ratio targets when it issues the funding marks required by the Act. The budgets submitted by each service board must be balanced and meet the required recovery ratio to be approved by the RTA. The CTA's estimated recovery ratios in 2010 and 2011 are 70.6% and 71.5%, respectively, considerably higher than the requirement. The significant reduction in public funding forces a recovery ratio for the CTA that far exceeds the requirement.

The recovery ratios in other regions throughout the country are far lower depending on the level of public tax support for transit in those regions. The Chicago region is one of the few in the country with a legislatively mandated recovery ratio of at least 50%. CTA, Metra and Pace together have a higher system-generated fare recovery ratio than almost every other metropolitan region in the United States, even when accounting for different methodologies used in calculating the ratios. If the region is to effectively use enhanced neighborhood public transit services to fight congestion, improve air quality and increase regional economic competitiveness it needs to evaluate the effect of the mandated recovery ratio.

Accounting Notes: The CTA's ongoing operations are accounted for on a proprietary fund basis. Operations are financed and operated similarly 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.

2011-2012 Proposed Operating Financial Plan

2011-2012 Operating Financial Plan

(In Thousands)

	Actual 2008	Amended Budget July 2009	Forecast 2009	Proposed Budget 2010	Plan 2011	Plan 2012
Operating Expenses						
Labor	$ 873,636	$ 871,757	$ 870,985	$ 852,081	$ 905,904	$ 933,081
Material	100,568	92,326	90,245	77,724	79,278	80,864
Fuel	91,834	98,163	99,180	63,879	65,795	67,769
Power	35,442	40,077	39,970	38,176	38,940	39,718
Provision for Injuries and Damages	7,718	20,000	20,000	28,000	28,560	29,131
Purchase of Security Services	32,382	32,204	33,044	33,181	34,840	35,537
Other Services	72,807	117,407	118,510	192,004	211,204	232,325
Total Operating Expenses	**$ 1,214,387**	**$ 1,271,934**	**$ 1,271,934**	**$ 1,285,045**	**$ 1,364,521**	**$ 1,418,425**
System Generated Revenue						
Fares and Passes	$ 471,099	$ 529,705	$ 525,033	$ 604,417	$ 640,682	$ 679,123
Reduced Fare Subsidy	31,855	16,100	24,248	16,100	32,300	32,300
Advertising, Charter & Concessions	27,661	30,549	27,358	22,876	38,829	46,595
Investment Income	3,779	2,000	1,927	1,832	3,500	9,375
Statutory Required Contributions	5,000	5,000	5,000	5,000	5,000	5,000
All Other Revenue	13,161	18,615	18,403	47,481	48,905	51,351
Total System Generated Revenue	**$ 552,555**	**$ 601,969**	**$ 601,969**	**$ 697,706**	**$ 769,216**	**$ 823,744**
Public Funding Required for Operations	$ 661,832	$ 669,965	$ 669,965	$ 587,339	$ 595,305	$ 594,681
Transfer From Capital- Preventative Maintenance	20,000	128,574	128,574	90,000	70,000	65,000
Prior Year Positive Balance	20,000	-	-	-	-	-
Public Funding Available through RTA	621,832	541,391	541,391	497,339	525,305	529,681
Additional Funding Needed	-	-	-	-	-	-
Total Funding	**$ 661,832**	**$ 669,965**	**$ 669,965**	**$ 587,339**	**$ 595,305**	**$ 594,681**
Recovery Ratio*	49.17%	61.20%	63.40%	67.00%	70.60%	71.50%
Required Recovery Ratio	53.00%	52.00%	50.00%	50.00%	50.00%	50.00%
Fund Balance	$ -	$ -	$ -	$ -	$ -	$ -

*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 and includes some grant revenues.

2010-2014 Proposed Capital Improvement Program

INTRODUCTION

The proposed 2010-2014 Capital Improvement Program (CIP) identifies and targets available capital funds toward key capital renewal and improvement needs of the CTA system to yield the greatest customer benefit. Substantial and consistent investment in capital infrastructure has a positive effect on the CTA's operating budget. Capital infrastructure in a state of good repair leads to reduced maintenance costs, greater operating efficiency and improved customer satisfaction.
The capital program is funded from four sources:

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

The proposed CIP totals $2.8 billion, with projects to eliminate slow zones, renew the CTA assets, overhaul and replace the fleet, and bring the system towards a state of good repair. In addition, $12.3 million is programmed for the completion of the Brown Line Capacity Expansion Project, continuing engineering for the Circle Line and for a rehabilitation of the North Main Line (Red Line). To alleviate an operating budget shortfall, the 2009 capital program funded $128 million of capital eligible activities in the operating budget. As an important tool to meet the challenge of reduced operating revenues, the 2010-2014 program proposes use of a total of $90 million of capital funding for preventive maintenance to relieve the operating budget shortfall and avoid further service reductions. The transfer of capital funds to operating will slow continued progress toward a state of good repair but is prudent given the current economic situation.

Funding identified in this CIP will only partially meet the CTA's need to bring its system to a state of good repair. An estimated $6.8 billion remains unfunded during the five-year period of this CIP. Although a new State funding program began in 2009, projects to be funded with these capital dollars have not begun as funds for the State program have not yet been appropriated. 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. As long as such projects remain unfunded, customers will experience slow zones and service delays as well as lower overall service quality. In addition, to meet the needs of future growth in the region, the CTA needs $4.3 billion for expansion projects such as the Circle Line, and the Red, Orange, and Yellow Line extensions. 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. As the bus and rail system operates more efficiently, the population of the entire Chicago region will benefit.

2010-2014 Proposed Capital Improvement Program

CTA State of Good Repair Standards

The CTA's goal is to achieve a state of good repair so that our system will operate safely, efficiently and reliably for the benefit of our customers. This premise is 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.***
- ***Railcars 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.***
- ***Maintenance facilities should be replaced at 40 years (or 70 years if rehabbed).***

Until the CTA reaches a state of good repair, it will continue to face slow zones, periodic service interruptions, and increased operating and maintenance costs due to deferring capital projects. Meeting and maintaining these standards improves the comfort and reliability of the services 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, and 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 and providing for needed strategic service expansion. However, given the current constraints on capital funding, it is harder to achieve this balance each year.

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

1892-1920
Elevated rail system,
Archer and 77th 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

2010-2014 Proposed Capital Improvement Program

Capital Program Goals and Policies

During the past eight months, the evaluation and selection of capital projects has been reviewed and studied with the objective of continuous improvement. A Capital Governance Board (CGB) has been formed to facilitate decision making with regard to the capital plan. The proposed capital plan is a transitional program. This program has been reviewed by the CGB prior to inclusion in the CIP. In future years the CGB will consider not only a five year CIP but a strategic plan outlining capital projects which can be accomplished within a constrained set of funding marks, as well as an aspirational program of projects which could be achieved with considerable additional capital resources.

The CGB has begun to create a strategic plan which will incorporate the evaluation and ranking of capital projects into a transparent, rational plan. At the request of the President's office and with encouragement of the CTA Board, the CGB has begun by examining over-arching goals and policies for capital program development. Work will continue into FY 2010 to delineate an enhanced project evaluation system which will add value to the decision making behind the selection of projects to meet CTA's myriad capital needs.

As a first step the CGB has adopted the following goals and policy statement:

- **CTA will maintain system safety.**
- **Operational efficiency and reliability will be promoted.**
- **Maintain acceptable standards of passenger comfort.**
- **Subordinate to a state of good repair, provide modest investment for system expansion and introduction of innovative technologies.**
- **When undertaking replacement, we should invest efficiently.**
- **Prioritize needed projects based on the feasibility of implementation.**
- **Promote continuation projects only if continuation is required to enjoy the benefits of earlier phases or produces benefits beyond this phase's implementation.**
- **Capital investment should be balanced among all parts of the public transit system.**
- **A capital project ranking scheme should encompass all considerations feeding into the project prioritization process.**

Unfunded Capital Need

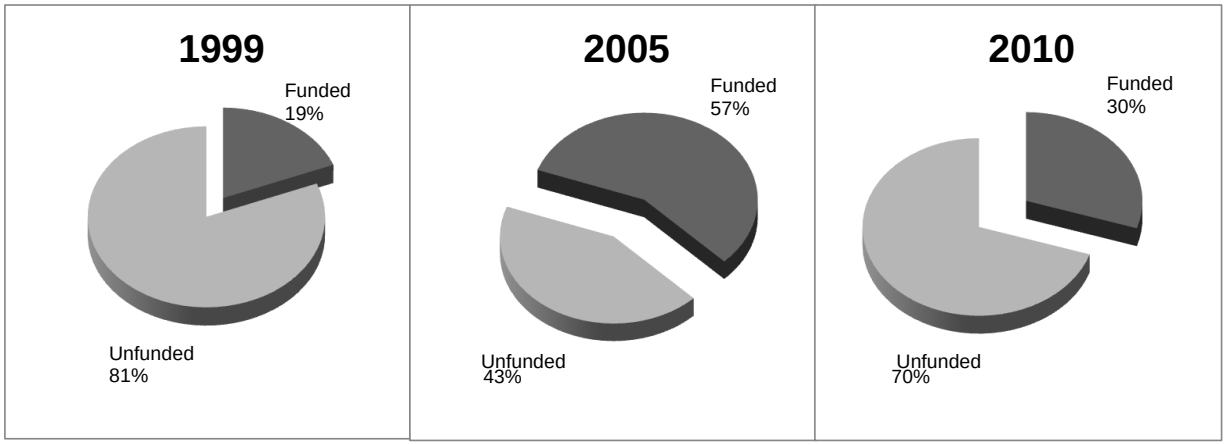
The CTA continuously examines the condition of its capital assets by updating cost estimates, project schedules and asset conditions. The result is an annual reevaluation of the level of infrastructure investment needed to allow the CTA to continue to provide safe and reliable service to help meet the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

Illinois FIRST took the CTA from funding only 19% of its capital need in 1999 to funding 57% by 2005, 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

2010-2014 Proposed Capital Improvement Program

CTA's FY 2005-09 capital budgets noted $5.1 billion in total state of good repair need, with $2.9 billion funded and $2.2 billion unfunded. This 2010 – 2014 CIP projects $9.6 billion of total state of good repair need with $2.8 billion funded and $6.8 billion unfunded. Thus, the portion of the CTA's need which will be funded has dropped from 57% in 2005 to 30% in 2010.

Funded vs. Unfunded



Each year that funds are not available for the CTA to fully address its capital needs, its 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 lives. Today 660 rail cars have reached 25 years and should be replaced. Procurements funded in the FY 2010-2014 CIP will replace 350 of those over-age cars. Nonetheless, by 2014, 582 rail cars will have reached the end of their useful lives and will still be in need of replacement.

A Renewed State Capital Program Provides Essential Funding

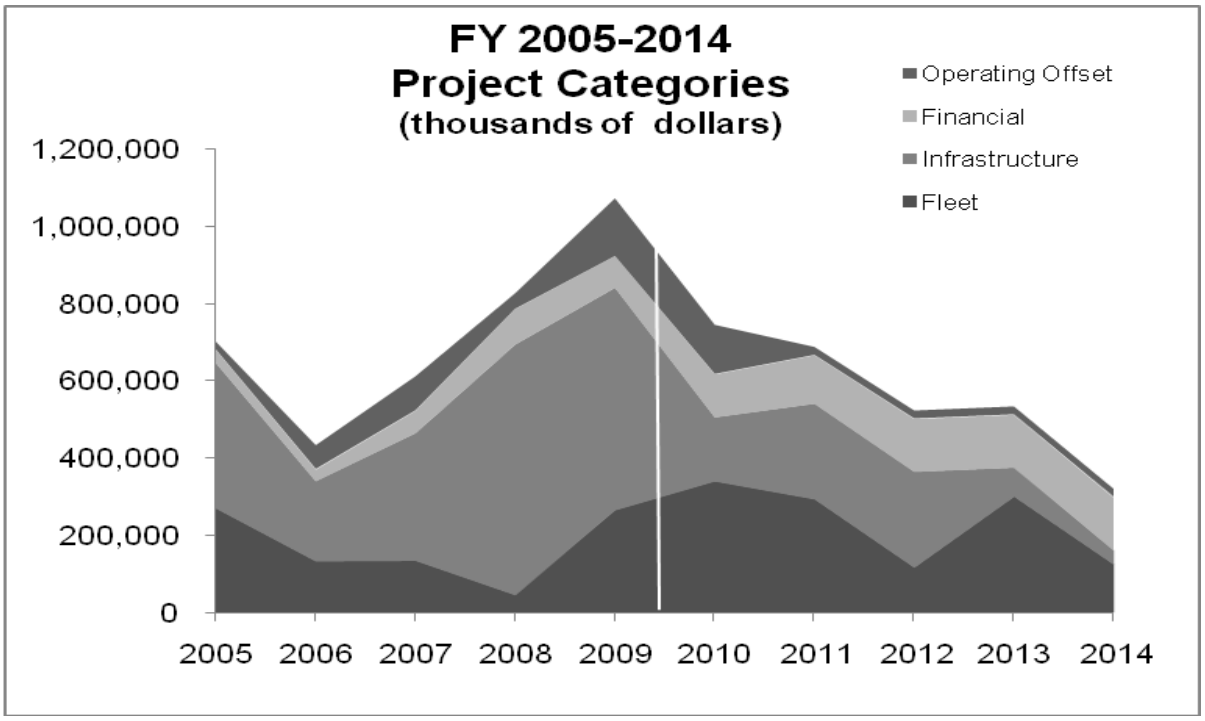
The Federal funds available under a successor to *SAFETEA-LU* will require approximately $335 million in non-Federal matching funds to fully utilize the Federal formula funds. Additional funds will also be required to match Federal New Starts funds for new lines and extensions of existing lines. With the new State capital funds available, $225 million is programmed each year for 2010-2013. Unlike the federal formula funding program, the state funding does not continue beyond the currently authorized program, which expires in 2013. There is no state funding programmed in FY 2014. A state program that provides stable and reliable continuous funding is essential for the future needs of CTA. The future funding of CTA's New Starts 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), 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 such as with the Brown Line

2010-2014 Proposed Capital Improvement Program

Capacity Expansion project State capital funds have provided the required match to access Federal funds. The lack of a continuing State capital program has also seriously impacted 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. 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 transit capital projects. Most transit projects are, by their nature, multi-year projects which require multi-year commitments of funds.

Capital Program Asset Category Comparison



The graph above compares the capital funding programmed to broad asset categories. The capital program is inherently varied as projects require commitment of funding as 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 operating offset category represents the portion 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 next band represents infrastructure and the lowest band depicts the programming for fleet - both bus and rail.

2010-2014 Proposed Capital Improvement Program

The flow of capital asset replacement or rehabilitation predicates 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. Fleet funding peaks in FY 2011 with delivery payments for the purchase of 406 replacement rail cars, and again in 2013 with the beginning of replacement of the buses put into service in 2000. Financial instruments remain steady with minor increases. Extensive use of preventive maintenance for operating offset is shown for prior years, but is projected for 2010 only in the 2010-2014 programs.

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, 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 2007, the CTA transferred $63.5 million of capital funding programmed for bus and rail car overhaul activities into the operating budget. In 2008, the CTA transferred $20 million of capital funding programmed for bus and rail car overhaul activities into the operating budget. Investment in vehicle overhaul programs provides a significant operating savings over time, ensuring continued service quality, on-time performance, reliability and customer comfort. Deferring these overhaul activities will mean that components are not replaced in a scheduled campaign, but through a series of failure-based trips to the maintenance shop. The cost to the operating budget over time is expected to far exceed the value of the transfer. The result will be a balanced operating budget in the short term but a higher operating cost to maintain the same service level in the future.

Capital Funds Transferred to Operating Through Preventive Maintenance

Programmed

FY 2006 $ 41.2 million
FY 2007 $ 63.5 million
FY 2008 $ 20.0 million
FY 2009 $128.9 million

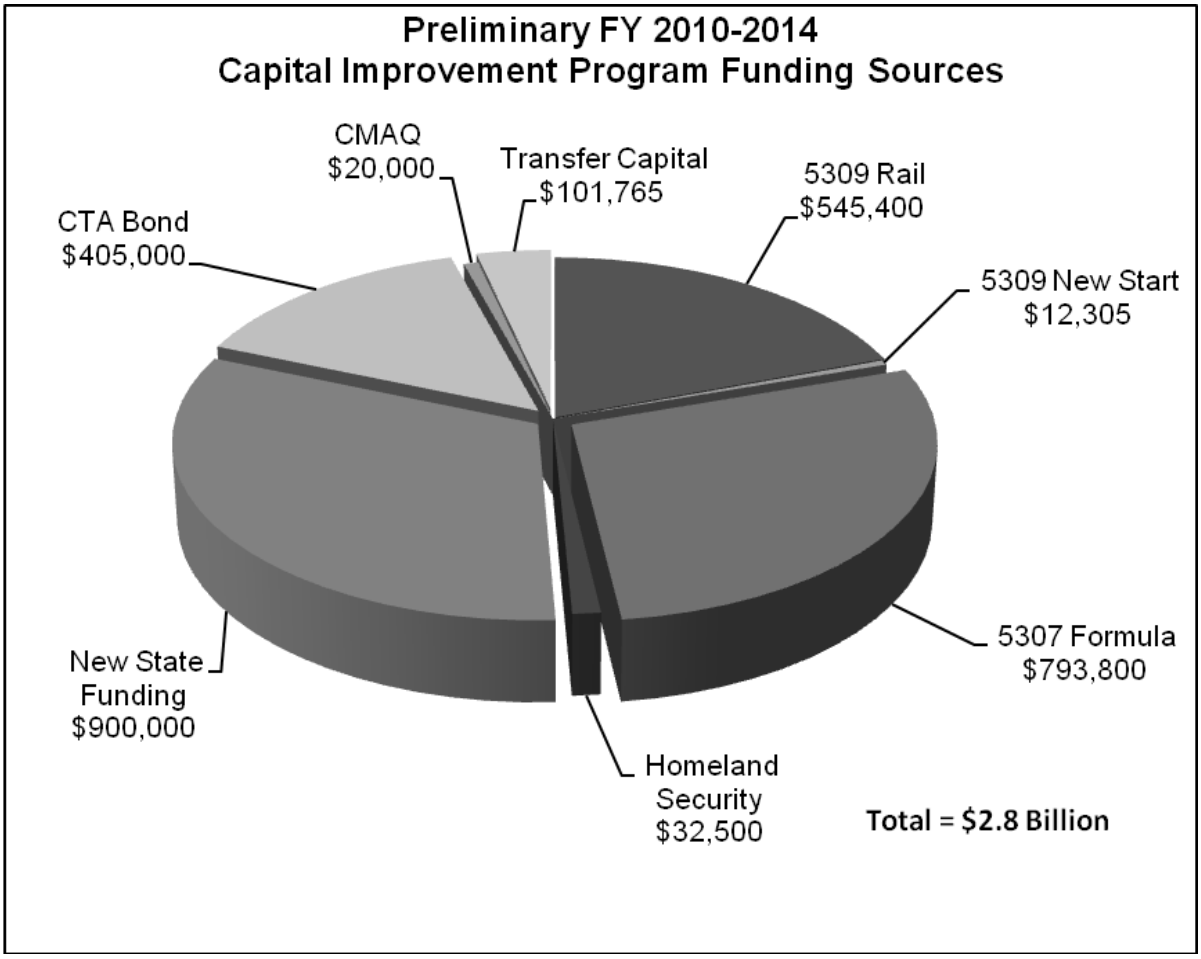
Planned

FY 2010 $ 90.0 million

2010-2014 Proposed Capital Improvement Program

Sources of Funds

The funding levels used in preparing the proposed 2010-2014 CIP reflect the capital resources available to the CTA from the FTA, IDOT, and the RTA. These include $1.4 billion from Federal sources, $900 million from a renewed State capital program, $405 million from CTA Bonds, and $102 million from the RTA. Over $12 million of Federal funds are "New Starts" funds: the final funding segment of the Brown Line Capacity Expansion project under the Full Funding Grant Agreement (FFGA); New Starts funding of $2 million for the Circle Line; and New Starts funding of $10 million for addressing station, track, and structural needs on the Red Line (North Mainline). Total projected available funding is $2.8 billion. A summary of this funding is presented in the following figure. The Federal funds reflect the passage of a successor to *SAFETEA-LU*, reauthorizing Federal funding beyond 2009. The State funds include the new State funding authorized in 2009, which continues through 2013. The following table details the funding sources supporting this program.



2010-2014 Proposed Capital Improvement Program

CHICAGO TRANSIT AUTHORITY
FY 2010 - FY 2014 CIP FIVE YEAR PROGRAM MARKS
(thousands of dollars)

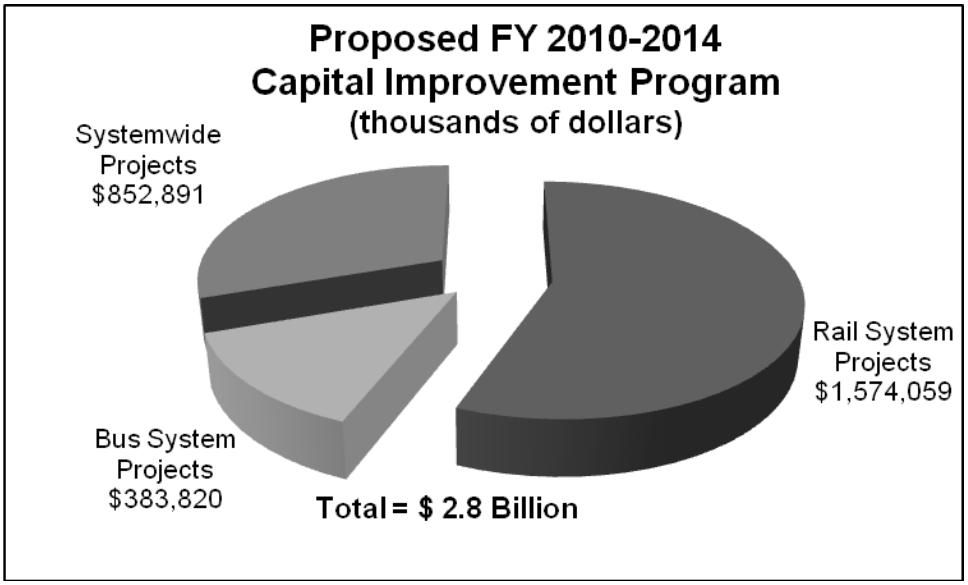
New Funds	2010	2011	2012	2013	2014	TOTAL
Sec.9 (5307) Formula	145,500	152,700	158,800	165,100	171,700	793,800
Sec.3 (5309) (b) Fixed Guideway	101,700	104,400	108,600	113,000	117,700	545,400
Subtotal FTA	**247,200**	**257,100**	**267,400**	**278,100**	**289,400**	**1,339,200**
Sec.9 (5307) CMAQ	4,000	4,000	4,000	4,000	4,000	20,000
Sec.3 (5309) (a) New Start	12,305	0	0	0	0	12,305
Homeland Security (D of J)	6,500	6,500	6,500	6,500	6,500	32,500
Other Federal	**22,805**	**10,500**	**10,500**	**10,500**	**10,500**	**64,805**
AVAILABLE FEDERAL	**270,005**	**267,600**	**277,900**	**288,600**	**299,900**	**1,404,005**
New State Funding	225,000	225,000	225,000	225,000	0	900,000
CTA Bonds	230,000	175,000	0	0	0	405,000
Transfer Capital	20,353	20,353	20,353	20,353	20,353	101,765
AVAILABLE STATE/LOCAL	**475,353**	**420,353**	**245,353**	**245,353**	**20,353**	**1,406,765**
New Funding Available	**745,358**	**687,953**	**523,253**	**533,953**	**320,253**	**2,810,770**

High gas prices and congestion in the Chicago area make public transit an even more attractive option to the traveling public. Without adequate capital investment, the CTA system will not be able to effectively serve transit customers in the region. Investment in vital public infrastructure projects provides jobs, creates and supports economic growth, and helps ensure the future vitality of the region. Even for people who never use public transportation, relieving congestion is an important goal. Capital infrastructure is critical to providing high-quality transit services. The 2010-2014 proposed CIP provides some of the funding necessary to address the CTA's customers' concerns over the next five years.

2010-2014 Proposed Capital Improvement Program

Uses of Funds – Program Summary

The following figure shows the proposed 2010-2014 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 headed *Detailed Capital Improvement Program Project Descriptions.*



Twenty projects comprise the CTA's proposed 2010-2014 capital program. Each project is evaluated in an annual review process based on the CTA's customers' needs. Evaluation criteria include customer and employee safety, reductions to travel time, increased customer comfort and convenience, system security, impact on system reliability, compliance with regulations and community impact. Rail system projects receive a significantly larger proportion of the proposed capital program funding due to the need to maintain an exclusive right-of-way and the fact that the CTA buses operate on streets maintained by other units of government. The capital projects proposed for 2010-2014 and beyond are intended to address the CTA's most pressing needs for the bus and rail system, customer facilities and system-wide support network, as constrained by the level of projected funding.

2010-2014 Proposed Capital Improvement Program

Proposed FY 2010-2014 Capital Program

in thousands

Proj #	Title	Funded	2010	2011-2014	5 Year Funding	Outyear	Project Total
Bus Projects							
	Rolling Stock						
021.803	Perform Bus Maintenance Activities	9,274	9,274	20,353	29,627	25,441	64,343
021.806	Perform Mid-Life Bus Overhaul	19,636	15,300	162,874	178,174	57,500	255,310
031.054	Replace Buses	77,494	15,189	160,830	176,019	354,333	607,846
	Sub-Total		**39,763**	**344,057**	**383,820**	**437,275**	**927,498**
Rail Projects							
	Acquisitions & Extensions						
194.007	Alternative Analyses/EIS & P.E. - Circle & ROY	25,143	2,000	0	2,000	0	27,143
194.115	Expand Capacity - Brown Line	529,606	305	0	305	0	529,910
	Sub-Total		**2,305**	**0**	**2,305**	**0**	**557,054**
	P/W Electric, Signal, Comm.						
121.500	Replace/Upgrade Power Distribution and Signals	399,935	54,465	118,332	172,797	42,241	614,974
	Sub-Total		**54,465**	**118,332**	**172,797**	**42,241**	**614,974**
	P/W Track & Structure						
171.133	Repair Track and Structure Defects	9,844	9,844	21,603	31,447	0	41,291
181.500	Infrastructure Safety & Renewal Program	121,824	58,827	375,526	434,353	0	556,178
	Sub-Total		**68,671**	**397,129**	**465,801**	**0**	**597,469**
	Rolling Stock						
022.903	Perform Rail Car Overhaul & Mid-Life Rehabilitation	141,354	87,551	320,960	408,511	248,078	797,942
022.906	Perform Rail Car Maintenance Activities	10,863	10,863	23,839	34,701	0	45,564
132.056	Purchase Rail Cars	200,677	237,262	252,682	489,944	0	690,621
	Sub-Total		**335,675**	**597,481**	**933,156**	**248,078**	**1,534,127**
Systemwide Projects							
	Miscellaneous						
061.059	Information Technology	3,816	9,310	3,300	12,610	0	16,426
141.273	Rehabilitate Rail Stations	123,834	5,000	20,000	25,000	0	148,834
150.028	Implement Security & Communication Projects	56,683	6,500	26,000	32,500	27,004	116,187
304.004	North Main Line Rehabilitation	0	10,000	0	10,000	0	10,000
306.001	Program Management	0	6,690	26,760	33,450	0	33,450
308.002	Bond Repayment, Interest Cost, & Finance Cost	246,095	90,120	450,575	540,695	1,147,778	1,934,568
404.500	CMAQ, JARC, UWP & ICE Projects	0	4,000	16,000	20,000	0	20,000
407.009	Preventive Maintenance	128,920	90,000	0	90,000	0	218,920
	Sub-Total		**221,621**	**542,635**	**764,255**	**1,174,782**	**2,527,386**
	Support Facilities & Equip.						
073.500	Improve Facilities - Systemwide	164,307	22,858	65,778	88,636	58,093	311,036
	Sub-Total		**22,858**	**65,778**	**88,636**	**58,093**	**311,036**
	Capital Project Total		**745,358**	**2,065,412**	**2,810,770**		

2010-2014 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 2,413 train trips on eight routes to 144 stations on a typical weekday. The rail system provides 640,000 rides each weekday; customers depend on the CTA's rail system to deliver 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 and friendly service.

Rail Rolling Stock

The purchase of the new 5000 series rail cars is underway and will enable CTA to meet its goals of providing a safe, clean and friendly environment for our customers. Delivery of test cars began in late 2009, with delivery of the full order to begin in late 2010. The 406 new rail cars will provide a video surveillance system that records the rail car interior and allows Police Department access to this video surveillance remotely in case of an emergency. The 5000 series rail cars also provide better customer information: a transit map with LED station indicator lights, improved interior and exterior electronic signage, and luminescent floor strips outlining aisles and exits in 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 in wheelchairs. A non-slip floor covering increases customers comfort, and will also be easier to clean.

Over the next five years, the CTA plans to spend over $489.9 million purchasing the new 5000 series rail cars. New cars will replace all 150 of the 2200 series and all 200 of the 2400 series fleet which have both exceeded their expected service life of 25 years.

The CTA has 406 rail cars currently on order. These vehicles are scheduled for delivery between 2010 - 2013. They will replace rail cars placed into service between 1969 and 1978. They represent the first new rail cars for CTA in over 15 years.

The proposed 2010-2014 capital program allocates $408.5 million in projected funding during the next five years for the systematic maintenance and upgrade of the CTA's rail fleet. The rail overhaul program helps ensure that the CTA's rail fleet remains in a state of good repair for providing a better ride quality 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 three times the current levels, averaged over the expected twenty-five year life of each car.

Slow Zone Reduction

The CTA is committed to an aggressive slow zone rehabilitation schedule. As the rail structure ages and as ties, rail, and fasteners deteriorate, the CTA imposes a safety 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. The lack of reliable capital funding delays needed construction activity and results in the expansion of the self-imposed slow zones. Recently, the CTA has directed efforts at reducing or eliminating slow zones. As of October, 2009 slow zones on CTA's rail system have been reduced to 9.3 %, down from a high of 22.3 % in 2008.

While these are considerable achievements, the rest of the CTA's rail and ties are continuing to age. The remaining ties in the subways are past their useful life and are being replaced during 2009 with federal economic stimulus funding. Without continued funding directed to slow zone reduction the result will be additional slow zones imposed as a safety measure. This will ensure that customers are conveyed safely, but at much slower speeds. A consistent and reliable source of capital funding is necessary to prevent this from happening.

Reducing Slow Zones a CTA Priority

Red Line Subway Ties	***Completed 2008***
Blue Line (Addison to O'Hare)	***Completed 2008***
Loop Ties (north/east)	***Completed 2008***
Brown Line	***Completed 2009***
Red Line (North)	***Completed 2009***
Blue Line Subway	***December 2009***
Loop Ties (south/west)	***Scheduled 2010***
Red Line (Dan Ryan)	***Scheduled 2010-2012***
Red Line North	***Engineering 2010***

Right-of-Way Investment

The proposed CIP schedules $68.7 million in FY 2010 for fixing right-of-way, ties, rail and structure to reduce slow zone imposition and maintain operating speeds based on the rail and ties. An additional $397.1 million is budgeted during 2011-2014 to continue systematic rehabilitation of the CTA right-of-way. This is far short of the funding needed during this five year period.

Signal Systems and Traction Power

Funding during 2007-2009 was focused on bringing the Loop elevated, Congress and Dearborn subways and O'Hare Blue Line signal systems into a state of good repair. The FY 2010-2014 program adds a traction power rehabilitation component to bring our system towards a state of good repair. The Loop signal system is currently being replaced at a project cost of $78 million, and Blue Line signal system replacement has been funded with $265 million during 2007-2009. The FY 2010-2014 program includes $68.6 million to replace the remaining Blue Line signals, from Jefferson Park station to O'Hare.

With passage of the New State Capital funding program, the CTA has planned a three phase program that will provide for upgrade of the traction power system at key locations. FY 2009 funds provided for Traction Power Phase I, addressing substations at Farwell, Hill, and Armitage. FY 2010 funding of $54.5 million will support Phase II, replacing or modifying Hubbard and State Street substations. Future funding of $49.8 million in the 2011-2014 program will provide for Phase III, rebuilding Broadway and Princeton substations.

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 our trains. Many of CTA's substations are over-age 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.

Rehabilitation and Capacity Enhancement of Brown Line

The Brown Line Capacity Expansion project is the largest capital construction project in CTA's five-year plan. This project is expected to be completed in December 2009 on time and within budget. Rehabilitated or replaced stations, with substantially longer platforms and elevators for accessibility, are the final result of this five-year-long project. Total project budget under the Full Funding Grant Agreement (FFGA) is $530 million. The FY 2010 budget of $304,744 will complete funding of the project.

The Bus System

The CTA currently operates a fleet of approximately 2,100 buses, which make over 24,195 weekday trips on 150 routes, providing almost 1.037 million rides on a typical weekday. Each customer who boards a bus at one of 11,598 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.

Hybrid Buses

CTA continues to make great strides in reaching its goal to have an entire hybrid bus fleet. In 2009 the delivery of 150 sixty-foot hybrid buses was completed. Funds awarded from the American Reinvestment and Recovery Act provided for the purchase of an additional 58 sixty-foot hybrid buses. All hybrid buses are fully accessible.

Bus Rolling Stock

Providing new buses reinforces the CTA's commitment to quality bus service. By June, 2009 CTA received the final 200 Option 4, standard forty-foot New Flyer buses. These vehicles are air-conditioned and fully accessible; they represent the complete delivery of the 1,050 bus order. In addition, CTA also received delivery of 150 sixty-foot articulated hybrid buses mid-year 2009. These sixty-foot buses provide greatly needed capacity on heavily trafficked routes. CTA also took delivery of an additional 58 sixty-foot articulated hybrid buses in September 2009. This $50,000,000 bus order was funded through the American Recovery and Reinvestment Act of 2009. The entire CTA bus fleet is ADA accessible and air-conditioned.

2010-2014 Proposed Capital Improvement Program

Over the next five years, the CTA plans to spend $100 million on the purchase of low-floor, fully accessible, air-conditioned buses to begin replacing a portion of the 484 Nova buses which will have reached the end of their useful service life in 2012. In the current five year program CTA does not have the funds available to fully replace all Nova buses.

The bus vehicle overhaul program continues to improve service through regular replacement of major mechanical components subject to extensive wear. The Nova series buses continue to be overhauled. Overhaul maintenance activities will begin in 2011 and continue through 2014 for Optima 30' buses and New Flyer Series 1000 buses. 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 $15.3 million in 2010 and $162.9 million during the period 2011-2014. With overhauls, the fleet will demonstrate increased reliability and fewer instances of expensive breakdown-based repair.

To effectively manage service delivery and provide reliable information to customers, CTA must have vehicle location information available to operations personnel in real time. The Bus Tracker project has improved data communication between buses and the Control Center and on-street supervision. It has also enhanced centralized control functions, and is also providing useful information to customers.

Systemwide Improvements

Systemwide support elements are essential to providing safe, on-time transit service. CTA has 8 bus garages, 11 rail terminals, 18 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 CTA's customers.

System Security Enhancements

Projects including improved lighting and security cameras reflect a commitment to safety and security for customers and employees. Using funds provided by the Department of Homeland Security as well as other funds, the CTA has implemented a number of security projects. An ongoing fiber optic installation project is upgrading the communications backbone throughout the system. Stations are also being outfitted with cameras to provide a comprehensive view of the transit system to the CTA Control Center, and through redundant fiber optic links to Chicago's 911 Center. 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, funded in the five-year program, contribute to a safe environment for all. However, much remains unfunded and the CTA will continue to pursue additional funding to meet these critical needs.

The CIP proposes to spend $6.5 million for security and communications projects in 2010 and an additional $26 million in 2011-2014.

2010-2014 Proposed Capital Improvement Program

Facility Improvements

The CIP proposes to spend $22.8 million on facility improvements in 2010 including upgrades to various support facilities throughout the system. A total of $65.7 million has been allocated in FY 2011-2014 to construct or improve CTA facilities.

The 2010-2014 proposed CIP includes $25 million in funding for neighborhood rail station rehabilitation. Potential station improvements will include Jarvis, Morse, Loyola, Granville, Thorndale, Bryn Mawr, Berwyn, Argyle, Lawrence, Wilson, and Sheridan on the North Mainline portion of the Red Line.

The CTA continues to increase rail station accessibility. With the completion of Belmont and Fullerton at the end of 2009, over 63 % of CTA rail stations are accessible (91 of 144).

Looking Ahead

The CTA is committed to bringing its system to a state of good repair. The proposed 2010-2014 Capital Improvement Program projects $2.8 billion will be available over the next five years, but that will only be the first step. To completely rebuild the CTA's system means addressing a considerable funding shortfall resulting in unfunded capital needs. The CTA's unfunded need is estimated to be $6.8 billion over the next five years.

CTA Bond Program

Authorized and Let

2004	**$250 million**
2005	**$275 million**
2008	**$425 million**

Proposed

2010	**$230 million**
2011	**$175 million**

Additional strategic investment is needed in 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 will be predicated on additional capital funding through Federal and non-Federal sources.

The CTA supports the RTA's vision to bridge the funding gap to bring its existing system and infrastructure to a state of good repair and to improve the efficiency of the system by adding critical connections and line extensions. Calendar year 2010 represents the seventh year of Federal funding under *SAFETEA-LU*. A new six-year Federal reauthorization is projected to be approved in 2010. The passage of a state capital bond program will provide some additional capital funds to support the CTA capital program. These funds are vital to continue investment in the region's public transportation infrastructure. These capital funding programs have helped advance the CTA's efforts to rehabilitate rail lines, to renew the CTA's bus fleet, and to incorporate or expand vehicle overhaul programs.

With every dollar of new capital funding obtained, and with each project completed, the CTA comes closer to realizing its goal of providing high quality service for its customers. When

one of the hybrid buses stops to pick up customers, or a fully overhauled 2600-Series rail car pulls into a newly-rebuilt station, CTA customers experience the results of a vital capital program, experiencing firsthand the CTA's mission of providing quality, affordable transit services that link people, jobs and communities.

2010-2014 Proposed Capital Improvement Program

Detailed Capital Improvement Project Descriptions

021.803 Perform Bus Maintenance Activities

Funding will provide labor and material to support the repair of buses. Maintenance costs will stabilize as more buses are cycled through the campaign-based overhaul program.

The CTA has embarked on an aggressive 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.

021.806 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 1999-2004 will be overhauled and returned to a state of good repair.

The CTA has embarked on an aggressive 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 an overhaul 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 mid-life overhaul program, unscheduled maintenance on buses will be significantly reduced.

031.054 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 of the new buses will be air conditioned and fully accessible.

194.007 Circle Line

Provide for New Starts project by expanding the existing CTA rail system**.**

The CTA serves Chicago and 40 suburbs. As the nation's second largest transit operator, the CTA provides nearly 1.7 million rides on an average weekday and provides over 80 % of all transit trips in the six-county region. The proposed CTA rail expansion for FY2010-2014 will enable the organization to link and expand rail services around Chicago and the surrounding suburban communities. Proposed for New Starts funding

is the Chicago Transit Hub (Circle Line), which will link CTA's rail lines to Metra Rail Lines. The expansion will enhance services that will link people, communities and neighborhoods to job areas within the Northeastern Illinois Region.

194.115 Expanded Capacity-Brown Line

Expand the customer capacity of the Brown (Ravenswood) Line from Kimball Terminal to Tower 18 in the Loop.

The elevated portion of the Ravenswood route was constructed between 1893 and 1910 from Belmont to Campbell, and extended at grade to its present terminal in the 1910's. It includes 19 stations and serves approximately 80,000 customers each weekday. Ridership has increased 83% since 1979, and prior to renovation, rush hour trains were crush-loaded.

The Brown Line was limited to six-car trains due to station platform length. Lengthening all platforms to accommodate eight-car trains and selected track, signal and yard improvements has substantially increased capacity of the line. Station alterations have provided ADA accessibility.

121.500 Replace/Upgrade Power Distribution and Signals

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

Antiquated substation facilities are susceptible to failure that results in a disruption in service. This project will also replace signals, signal equipment, and interlocking systems systemwide. The signal equipment on many parts of the CTA is beyond its expected service life and maintenance is limited because of lack of spare parts. The traction power system, including substations, controls, and cabling, is beyond its normal useful life and needs replacement or rehabilitation.

171.133 Repair Track and Structure Defects

Correct deficiencies in the CTA's extensive track system and structures through systematic inspection and rehabilitation or replacement of substandard structural elements.

Defective track and structure must be repaired in order to maintain safe and reliable service. As elements are identified, requiring immediate repair or replacement, field forces are dispatched to the site to repair or replace the component to eliminate the need to impose slow zones.

2010-2014 Proposed Capital Improvement Program

181.500 Infrastructure Safety and Renewal Program

Systematically replace ties and fasteners which have deteriorated to a point where they 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 22nd Street Cermak to 95th Street as well as the South Loop on the Englewood branch of the Green Line. This project will also renew rail, track, structure and related elements at locations to be determined by inspection.

Some of the existing track components and ties, as well as many of the right-of-way elements are at least 30 years old and have exceeded their useful life and are in need of replacement. The program to replace these components will reduce the need to impose slow zones due to their deteriorating condition. When completed, train speed can 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.

022.903 Perform Rail Car Overhaul and Mid-life Rehabilitation

Funding will provide for an ongoing overhaul program. Maintenance costs will stabilize as more rail cars are cycled through the preventive maintenance program. Three hundred of the 2600 series cars are scheduled for a “C” quarter-life overhaul and the 3200 Series cars are projected to receive a “D” or mid-life overhaul. Funding is also provided to begin a life extending overhaul program for the remaining three hundred 2600 series cars so that the service life of these cars can be extended for a period of five to nine years.

CTA has embarked on an aggressive Rail Overhaul Program to schedule replacement of parts nearing the end of their useful life before they fail. Examples of items to be replaced are control groups, air conditioning units, and truck assemblies including traction motors, brake calipers, and axle assemblies. This effort will center on “C” level overhaul at 6 and 18 years, and a mid-life, or “D” level overhaul at 12 to 13 years. By performing these scheduled maintenance activities and replacing rail cars at the appropriate time, generally at 25 years of age, CTA will improve the comfort, quality, and service reliability of the rail cars while reducing operating maintenance costs. As more rail cars are cycled through the overhaul program, unscheduled maintenance will be significantly reduced.

022.906 Perform Rail Car Maintenance Activities

Funding will provide for the ongoing repair of rail cars. Maintenance costs will stabilize as more rail cars are cycled through the preventive maintenance overhaul program.

The CTA has embarked on an aggressive rail preventative maintenance program to schedule the replacement of parts nearing the end of their useful life before they fail. This effort will center on campaign-based component replacement. By performing these maintenance activities and replacing rail cars at the appropriate time, generally at 25 years of age, the CTA will improve the comfort, quality and service reliability of the rail

cars while reducing operating maintenance costs. As more rail cars are cycled through the overhaul program, unscheduled maintenance will be significantly reduced.

132.056 Purchase of Rail Cars

Replace the 2200 and 2400 series rapid transit cars and purchase cars to meet expanded service needs. 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, which is well beyond their 25-year design life, and the 2400 series have been in service for 30 years. The deteriorated condition of these vehicles is evidenced in the form of increased service failures and longer repair times, which result in decreased availability for service. Replacement of these rail cars will provide the CTA with modern, updated vehicles that will decrease maintenance and operating costs while enhancing customer comfort. The new cars will have sliding doors wide enough to accommodate wheelchairs.

061.059 Implement Computer Systems

FY 2010 funding will provide for development/implementation of a corporate timekeeping system that will meet CTA requirements. Funding will also provide for computer hardware and software upgrades.

This project will fund the implementation of a computerized time and attendance system that will assist and enhance the CTA's ability to capture and record employee time transactions for all CTA employees. This system will also interface effectively with CTA's financial system.

Funding will also provide for modest, targeted, computer hardware and software upgrades. Computer systems, over time, reach their capacity or become outdated and consequently need to be upgraded or replaced. Existing and projected information demands require new applications and will be best met by systems with faster speed and greater reliability and efficiency.

141.273 Rehabilitate Rail Stations

The scope of this project is to rehabilitate or replace rail stations systemwide**.**

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

150.028 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.

Security and safety are of paramount concern for the CTA. Professional security assessment of the CTA system identified priority investment in equipment and infrastructure to protect the public and CTA employees as well as service continuity. Due to the sensitive nature of the effort, specific projects are not identified in this document.

304.004 North Main Line

Rehabilitate rail transit stations, viaducts, structures, track, signals and other elements on the North Main Line of the CTA Red Line between Addison and Howard. Elements of the Purple Line and Yellow Line will be addressed as well.

Rehabilitation will address functional and customer environment elements of the station. Project will provide for station improvements intended to increase customer comfort and safety, improve service reliability and enhance the transit rider's experience, and enhance station usability. Structural elements of this branch also require replacement or rehabilitation. Signals, interlockings, retaining walls, viaducts, track, ties, traction power elements, and stations are all interdependent parts of this over-age line. As CTA considers the station needs, all elements will be affected by the construction. A master plan will be developed which will provide a blueprint for track alignment, station platform width and location, egress and fare control, as well as train control and traction power elements. Environmental, neighborhood impact, project sequencing, and steps to minimize construction nuisance will all be addressed.

306.001 Program Management

Professional services to manage implementation of the CTA's Capital Improvement Program.

CTA has identified the need for additional resources to monitor and implement capital construction projects. As is common in the transit industry, CTA has outsourced some tasks related to construction projects to supplement existing staffing levels. This provides experienced, professional staff for specific program management tasks such as estimating, engineering and inspection based on construction project activity. Contracting for these positions removes the need for CTA to add or reduce staff as construction levels change over time.

308.002 Bond Repayment, Interest Costs & Finance Costs

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

This element will provide for the interest costs associated with financing the Bond series issued in 2004, 2006 and 2008. Additional bonds have been authorized to be issued in subsequent years. These bonds are anticipated to support purchase of Automated Fare Collection (AFC) equipment, purchase of replacement rail cars, purchase of replacement buses, and various capital improvement projects. These transit projects will help the CTA continue to meet the dynamic needs of a growing and interdependent region.

2010-2014 Proposed Capital Improvement Program

404.500 CMAQ, JARC, ICE, & UWP Projects

Provide for various demonstration projects and service improvements and service initiatives, funded with local or Federal funds, under regional competitive grant programs. This program of CTA projects will allow for the application and receipt of non-traditional Federal funds under several Federally- and locally-funded 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, 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.

407.009 Preventive Maintenance

Provide for capital eligible transit system maintenance costs.

This element will provide for ongoing system maintenance activities in bus, rail, facility and right-of-way maintenance. These capital funds will supplement the CTA operating budget to ensure continued CTA service to public transportation customers.

073.500 Improve Facilities – Systemwide

Upgrade and improve facilities systemwide.

This program will fund the rehabilitation of the CTA facilities where building components have defects needing repair and require security enhancements. These facilities must be kept in a good state of repair in order 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 567 W. Lake building, which replaced the Merchandise Mart as the CTA's headquarters.

A significant number of rail stations and bus turnarounds have not been improved or enhanced in many years and are in need of upgrades that will improve appearance and give customers a greater sense of security and confidence using the system. Many roofs and canopies are nearing or are at the end of their service life and require replacement in order to avoid safety hazards and to prevent damage to building interiors and roof structures.

Various escalators and elevators throughout the system are beyond their service life, and are in disrepair, and require continual maintenance work. Rehabilitation of these escalators and elevators will reduce maintenance expenses and better serve CTA customers.

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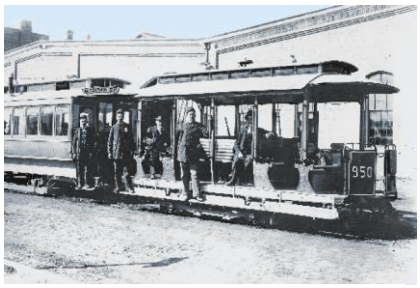
1 History of the Agency

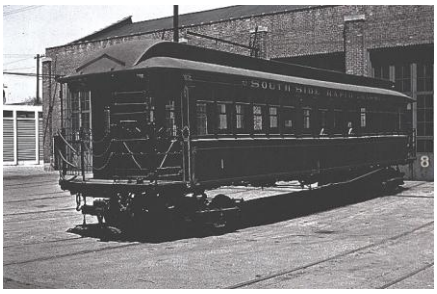
1859

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.



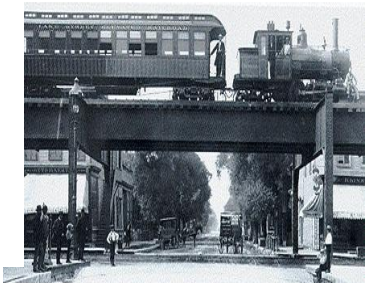
1892

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

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.

1892

Elevated tracks are built along available right-of-ways often above alleys and less heavily used streets.



1897

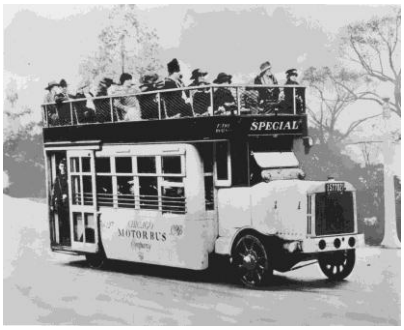
The Loop 'L' opens, connecting rapid transit lines serving the North, South and West sides of Chicago.

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.

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; it 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's boulevards and parks.

1922

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

1 History of the Agency

1924

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

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.

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.

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 and a portion of 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 expanded Congress expressway; it later extends East-West from Forest Park to the Loop and connects to the Northwest Subway at the Dearborn station.

1964

The CTA partners with federal planners to create the first "light rail" service, the Skokie Swift.

The Skokie Swift operates on track lines purchased by the CTA from the Chicago Northern 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 hub.

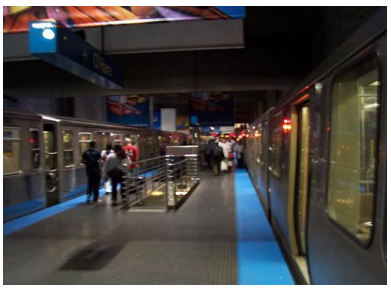
1 History of the Agency

1974

By the early '70s the popularity of car travel and declining ridership levels threaten the fiscal stability of the three public transportation agencies. 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 annual fiscal oversight to CTA, Metra and Pace.

1984

The CTA responds to changing demographics during the 1970s by expanding



the Northwest Service from Logan Square to Jefferson Park, and then along the Kennedy Expressway median to River (Mannheim) Road. Finally, the northwest transit extension is completed at O'Hare Airport providing a station within the airport terminal.

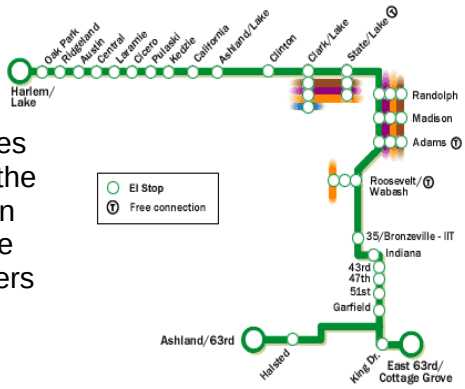
1993

The Dan Ryan branch, formerly linked to the Englewood and Jackson Park Lines, is linked with the Howard Line. The new Lake to Englewood-Jackson Park service is rerouted to the Loop Elevated. Also, elevated Loop connections are made more convenient with the Merchandise Mart station.

The Midway "Orange" line is completed, linking the downtown elevated Loop to the Southwest side airport and providing improved transportation to the area.

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.



2006

CTA introduces the Pink Line as part of a package of bus & rail service improvements for the West Side and Western suburbs. The Pink Line provides more frequent service and improved travel times between the 54th/Cermak station and the Loop. CTA introduces new and improved bus service with 2 new local bus routes, 3 new express routes and 8 enhanced bus routes.

Think Pink!

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.

2 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 by 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[1]

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

Ridership[1]

- Over 517 million trips projected for 2009
- Approximately 1.6 million trips per weekday

Bus Service[1]

- 2,069 buses travel 150 routes
- Routes cover 2,517 miles, with approximately 11,833 bus stops

Rail Service[1]

- 1,190 rail cars travel over 8 routes
- CTA rail serves 224 miles of track covering 144 stations and yard track

[1] Facts are based on service prior to implementation of any proposed service reduction.

3 Business Units and Goals

In May 2007, the CTA implemented a performance management system to focus the organization on a data-driven management model aimed at improving operational efficiencies and customer experience. The CTA recognizes that each business unit affects the organization's ability to meet its performance goals. While Transit Operations represents most of the public face of the organization, each department within the Authority is integral to ensuring an excellent customer experience. Over the past two years, all areas of the CTA have adopted the performance management model. Each department is now responsible for managing to yearly and seasonal targets that balance available resources with key performance and financial metrics organized around five organizational goals.

The CTA has committed to providing a Transit System that is:

Safe	The CTA will reduce the number of accidents involving customers, employees and the general public.
On-Time	The CTA will reduce 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.
Clean	The CTA will improve and maintain cleanliness standards for all vehicles, stations and work areas to provide a safe and comfortable atmosphere for riders.
Courteous	The CTA will improve and maintain the highest standard of customer service through timely, reliable and clear communication with customers, as well as considerate employees and operational practices.
Efficient	The CTA will responsibly and effectively manage resources to drive performance and provide a safe, reliable and affordable transit service for customers.

3 Business Units and Goals

Transit Operations

Department Overview and Performance Management Goals

Bus Operations and Maintenance:

- Provides over 1.1 million rides per weekday
- Maintains reliable service with approximately 4,700 bus operators, 2,069 buses and 150 routes covering approximately 690,000 miles every weekday
- Manages 8 Bus Garages and 1 Heavy Maintenance shop
- In the fall of 2009, the average age of the fleet was 5 years old

Rail Operations and Maintenance:

- Provides over 500,000 rides per weekday
- Maintains reliable service with approximately 1,500 rail operators, 1,190 rail cars and 8 routes covering approximately 225,400 miles every weekday
- Manages 10 Rail Terminals and 1 Heavy Maintenance shop
- In fall of 2009, the average age of the fleet was 26 years old

2009 Performance Management Goals

Bus Operations and Maintenance Performance Goals

Metric	2009 Goals	2010 Goals
% of Big Gaps	≤ 5%	≤ 5%
% of Intervals Bunched	≤ 3%	≤ 3%
% of Fleet Unavailable for Service	≤13%	≤11%
Mean Miles between Road Calls	TBA	3,830
Incidents per 100,000 miles	≤ 4	≤ 2.27
Average Days between General Cleans	14 days	14 days
% of Buses with Defective AVAS	≤ 2%	≤ 2%

Rail Operations and Maintenance Performance Goals

Metric	2009 Goals	2010 Goals
Major Delays, Rail Transportation	≤ 11/Month	≤ 11/Month
Major Delays, Rail Vehicle Maintenance	≤ 22/Month	≤ 22/Month
Mean Miles between Defects	≥ 3750	≥ 4100
Hold-ins (% of Rail Cars Unavailable)	≤ 12%	≤ 10%
Average Days between General Cleans	14 days	14 days
General Cleans:% of Fleet Past Due	0%	0%

3 Business Units and Goals

Power and Way

Department Overview and Performance Management Goals

Track, Structure, Signal, Power and Communication System Maintenance:

- Inspects and maintains 242 miles of revenue track at least every 7 days, 86.2 miles of elevated structure once every two years, and the full length of contact rail (3rd 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
- Responsible for all communication system infrastructure
- Responsible for 80% of CTA system lighting

Track, Structure, Signal, Power and Communication System Construction:

- Responsible for ensuring that major capital construction projects related to CTA track, structure, power, signal and communications are on time, on budget, and in conformance with all applicable standards, regulations and requirements
- Responsible for overseeing and integrating program management and construction management services to assist in the monitoring and controlling 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, and for locating utilities for CTA contractors
- Reviews and answers design Requests for Information from CTA contractors

2009 Performance Management Goals

Metric	2009 Goals	2010 Goals
Slow Zone Mileage	12% year end	12% year end
Lubrication Inspections	1x/week	1x/week
Track Inspections	2x/week (Track > 10 yrs old) 1x/week (Track < 10 yrs old)	2x/week (Track > 10 yrs old) 1x/week (Track < 10 yrs old)
Signal Carbourne Inspections	4x/year	4x/year
Response to Trouble Calls	≤ 20 minutes	≤ 20 minutes
3rd Rail/Cable Inspections	2x/year	2x/year
Structure Span Inspections	350/month	100%

3 Business Units and Goals

Facilities

Department Overview and Performance Management Goals

Facilities Maintenance:

- Processes approximately 65,000 work orders for the CTA's 450 owned and leased facilities covering approximately 5 million square feet
- Cleans and maintains more than 210 locations, including 144 rail stations, 9 terminals, 12 rail yards, all of the rail right-of-way and performs approximately 2,200 station power-washes per year

Facilities Construction:

- Responsible for completing major capital projects related to CTA facilities
- Performs major repairs to 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 highest industry standards

2009 Performance Management Goals

Metric	2009 Goals	2010 Goals
Elevator Uptime	≥ 95%	≥ 97%
Escalator Uptime	≥ 95%	≥ 97%
Time to Respond-Bus Tows	≤ 40 minutes	≤ 40 minutes
Graffiti Removed within 7 days	≥ 95% on time	≥ 95% on time
% Work Orders Completed On Time	≥ 90%	≥ 93%
Days between Station Power Washes	15 Days	15 Days

Administration Operations Support

Department Overview and Performance Management Goals

Purchasing and Warehouse:

- Purchasing processes over 1,000 contracts annually to secure the best prices and ensure the most responsible use of CTA funds
- Warehouse Operations is responsible for timely and reliable parts and material distribution to all CTA maintenance facilities and stock rooms throughout the service network

2009 Performance Management Goals

Metric	2009 Goals	2010 Goals
% of Contracts Completed within 135 Days	95%	95%
Daily Bus Holds for Material	≤ 12 per day	≤ 12 per day
Daily Rail Holds for Material	≤ 6 per day	≤ 6 per day
Bus Parts Availability	≥ 95%	≥ 95%
Rail Parts Availability	≥ 95%	≥ 95%

3 Business Units and Goals

Business Information Systems:

- Maintains and upgrades all CTA technology infrastructure including computer hardware, application software and communications equipment

2009 Performance Management Goals

Metric	2009 Goals	2010 Goals
Application Availability	≥ 99.926% uptime	≥ 99.926% uptime
Infrastructure Availability	≥ 99.505% uptime	≥ 99.505% uptime
Monthly Technology Infrastructure Defects	≤ 300 defects/month	≤ 300 defects/month

Revenue and Marketing:

- Responsible for continuing to grow non-fare box revenue and increasing revenue per average service mile

Communications:

- Customer Information provides accurate, consistent and timely information to customers and the general public through maps, brochures, and fliers
- Customer Service responds to customer inquires via phone, email and letters, and works with customers to resolve questions, problems and complaints

2009 Performance Management Goals

Metric	2009 Goals	2010 Goals
Percentage of Complaints closed in 14 days	≥ 90%	≥ 90%
Customer Service Hotline Average Wait Time	≤ 2 minutes	≤ 2 minutes, 15 seconds

Planning:

- Planning and Development oversees route scheduling and strategic service planning for the Agency

Other Operations Support Departments:

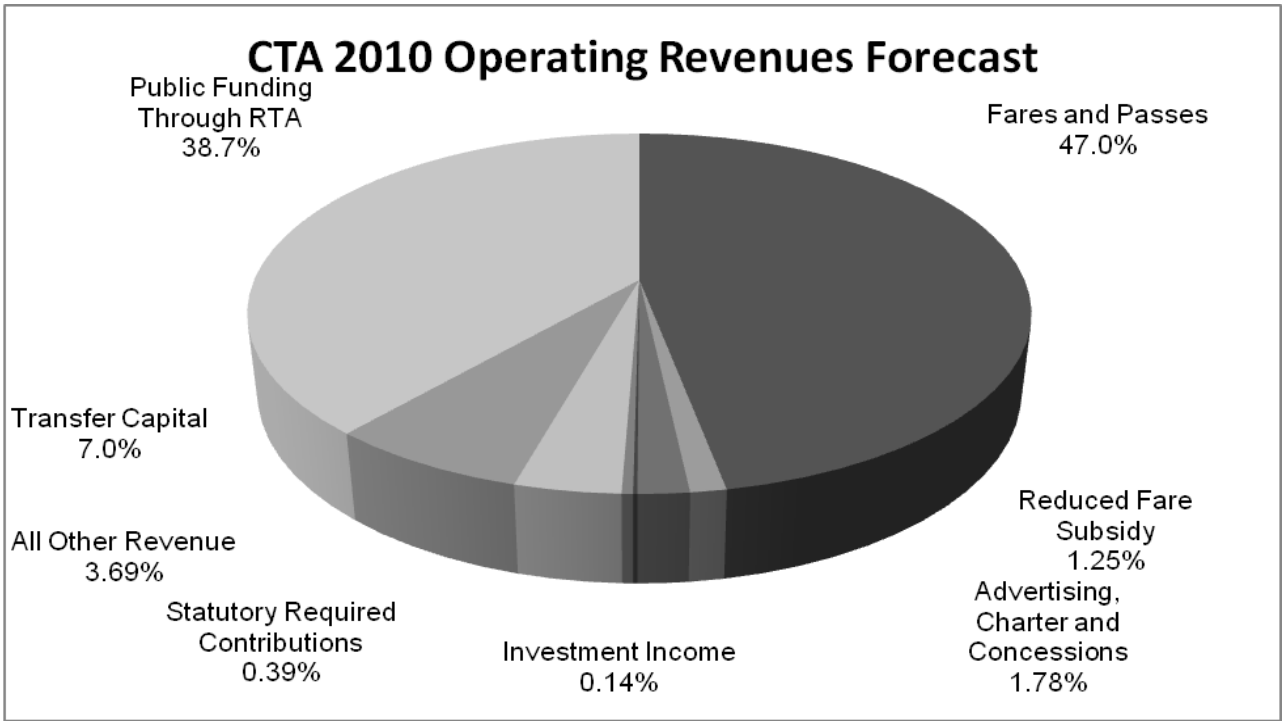
- All other operations support departments track key administrative performance measures such as absence and injury on duty

4 Operating Funding Summary

The CTA's total estimated revenue for 2010 is $1.285 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). System-generated revenue is projected at $697.7 million for 2010 and public funding is projected at $497.3 million. The following table represents 2010 estimated revenue by source.

Total CTA Revenue—All Sources (in thousands)		2010
Fares and Passes	$	*604,417*
Reduced Fare Subsidy		*16,100*
Advertising, Charter and Concessions		*22,876*
Investment Income		*1,832*
Statutory Required Contributions		*5,000*
All Other Revenue		*47,481*
Transfer capital funds for preventive maintenance		*90,000*
Public funding through RTA		*497,339*
Total Revenue	$	*1,285,045*

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



4 Operating Funding Summary

SYSTEM-GENERATED REVENUE

CTA's system-generated revenue is forecast at $697.7 million for 2010. CTA's system-generated revenue is based on sale of fares and passes, advertising, investment income, statutory required contribution from local governments by provision of the Regional Transportation Authority Act and subsidies for reduced fare riders per 1989 legislation.

Fares and Passes

Revenue from fares and passes is forecasted at $604.4 million in 2010 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 1, 3 and 7-day passes. Additional pass revenue is from CTA's U-Pass for local university students, sale of visitor passes, and Metra link-up passenger revenue.

Reduced Fare Subsidy

This funding represents reimbursement of revenues lost by the service boards due to providing reduced fares to student, elderly and disabled riders, 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. In 2010, the CTA is forecasted to receive a reduced fare subsidy of $16.1 million.

Advertising, Charter and Concessions

Advertising, charter and concessions revenue for 2010 is forecasted at $22.9 million.
The bulk of this revenue is received through advertisement on buses, rail cars, and rail stations. This estimate also includes: concession revenue from 74 concessions with CTA's 144 rail stations; revenue generated through billboards and pay phones located on CTA property; as well as revenue from Special Contract Guarantees, which includes agreements for transportation services for the University of Chicago, the Chicago Cubs, and others.

4 Operating Funding Summary

Investment Income

Year	Investment Income (in thousands)	Federal Funds Rate (at year end)
2003	$3,000	1.00
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 (projected)	$1,927	0.25
2010 (projected)	$1,800	0.5

The CTA anticipates investment income at $1.8 million for 2010. This compares to investment income of $3.0 million in 2003, $3.1 million in 2004, $5.4 million in 2005, $11.6 million in 2006, $12.1 million in 2007, and $3.8 million in 2008. The variation can be partly attributed to changes in short-term interest rates; Federal Funds rates have increased from a low of 1.00% in June of 2003 to a high of 5.25% in June of 2006 before falling to near 0 at the end of 2008. The projected Federal Funds rates for 2009 and 2010 are 0.25% and 0.50%.

Statutory Required Contributions

The RTA Act requires the City of Chicago and County of Cook to annually contribute $3.0 million and $2.0 million, respectively, towards CTA operations annually.

Statutory Required Contributions (in thousands)	2010
Contributions- City of Chicago	$3,000
Contributions- Cook County	$2,000
Total	**$5,000**

All Other Revenue

The CTA forecasts $47.5 million in other revenue for 2010. Revenues in this category include operating grants from the Federal Transit Administration (FTA), parking fees, rental revenue, third-party contractor reimbursements and filming fees. CTA's rental revenue is generated from the leasing of CTA property, including 51 storefronts in and adjacent to CTA rail stations. In addition, the CTA currently has 18 Park & Ride lots with a total of 5,875 parking spaces.

PUBLIC FUNDING

Most of CTA's public funding for operating and capital needs is funneled through the Regional Transportation Authority (RTA). Under the Regional Transportation Authority Act, as amended in 1983, 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 the RTA's discretion. The sources and allocations are outlined below.

4 Operating Funding Summary

Sales Tax Revenue

The RTA Sales Tax is the primary source of operating revenue for the RTA and 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 1% on sales in Cook County and 0.25% on sales in the collar counties of DuPage, Kane, Lake, McHenry and Will. The 1% sales tax in Cook County is comprised of 1% on food and drugs and 0.75% from all other sales, with the state then providing a "replacement" amount to the RTA equivalent to 0.25% 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% of the total sales tax and passes the remaining 85% to the Service Boards according to the following formula that is specified in the RTA Act.

	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%
Total:	100%	100%	100%

The 2009 Sales Tax Budget for the Region is estimated to be $640 million and is distributed to the RTA and three Service Boards as follows:

($ in 000's)	***Chicago Sales Tax Revenue***	***Suburban Cook Sales Tax Revenue***	***Collar County Sales Tax Revenue***	***Total***
CTA	*$172,627*	*$85,122*	*$0*	*$257,749*
Metra	*$0*	*$156,064*	*$61,336*	*$217,400*
Pace-Mainline	*$0*	*$42,563*	*$26,287*	*$68,850*
RTA	*$30,464*	*$50,073*	*$15,463*	*$96,000*
Total:	***$203,091***	***$333,823***	***$103,086***	***$640,000***

4 Operating Funding Summary

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

Federal Assistance (Federal Transit Administration)

The RTA is the region's recipient of federal assistance, which previously included both operating and capital funds. FTA eliminated operating assistance to 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% 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 service board needs, RTA operations, debt service and capital investment. RTA's 2009 Budget includes $160M per 1983 formula and $109.2M per 2008 Legislation formula.

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 Strategic Capital Improvement Bonds issued by 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 lessor of the debt service or $55.0 million. Remittance requires an annual appropriation made by the State of Illinois.

2008 Legislation

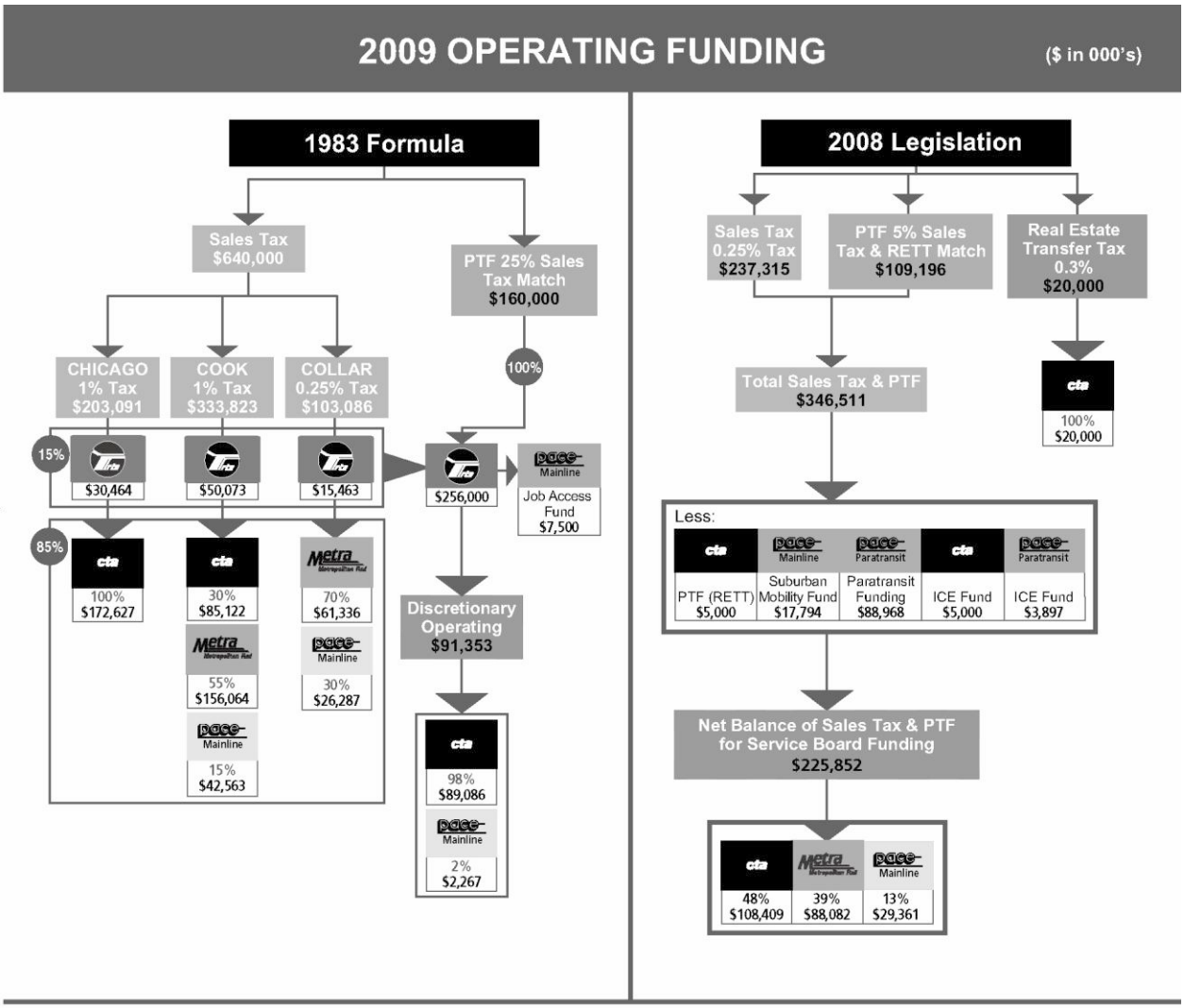
The 2008 State funding package increased the percentage of State sales tax dedicated to mass transit and gave authority to the City of Chicago to increase the Real Estate Transfer Tax (RETT) to support the CTA. The legislation also provided for long-term pension reforms that will increase the funded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

4 Operating Funding Summary

2010 RTA Proposed Service Board Operations Funding

2009 Service Board Funding	CTA	Metra	Pace-Mainline	Pace-Para-transit	Total
Sales Tax (1983 Formula)	$257,749	$217,400	$68,850	-	$543,999
Sales Tax and PTF (PA 95-0708)	$108,409	$88,082	$29,361	$88,968	$314,820
RTA Discretionary	$89,086	-	$2,267	-	$91,353
RTA Suburban Community Mobility Funds	-	-	$17,794	-	$17,794
RTA South Suburban Job Access Fund	-	-	$7,500	-	$7,500
ICE Fund	$5,000	-	-	$3,897	$8,897
Total RTA Funds	**$460,244**	**$305,482**	**$125,772**	**$92,865**	**$1,272,892**
Real Estate Transfer Tax (City of Chicago) and PTF	$25,000				$25,000
Transfer Capital				$9,000	$9,000
CMAQ/JARC Funds			$2,462		$2,462
Federal 5307 Preventative Maintenance Funds	$128,574				$128,574
Federal Economic Stimulus Fund		$6,300			$6,300
Working Cash Borrowing	$56,147			$4,103	$60,250
Service Board Retained Funds		($43,122)			($43,122)
Total Funding	**$669,965**	**$268,660**	**$128,234**	**$105,968**	**$1,170,365**

4 Operating Funding Summary



TOTAL DISTRIBUTION

	Operating Funding	Total Percent
CTA	$485,244	42%
Metra	$305,482	26%
Pace-Mainline	$125,772	11%
Pace-Paratransit	$92,865	8%
RTA	$157,147	13%
Total	$1,166,511	100%

*Excludes $56.1 million RTA loan

5 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 a) identifies transactions that utilize debt in the most efficient manner; and b) provides for full and timely repayment of all borrowings. Additionally, the Debt Policy outlines a means of a) achieving the lowest possible cost of capital within prudent risk parameters; and b) 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 CTA's preference to use a pay-as-you-go funding mechanism for all capital projects. As such, CTA explores 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 would determine 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 1) the useful life of assets financed, 2) terms and conditions of the lease and 3) 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 CTA. A major goal of CTA's debt program is to attain a proper balance between minimizing borrowing costs and maximizing financial flexibility. Currently, CTA's outstanding capital bond issues are assigned an A2 credit rating from Moody's Investor Services, and an A rating for Standard & Poor's Rating Services; CTA's sales tax bonds are rated A1 by Moody's and A by Standard & Poor's.

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 CTA's unhedged variable rate debt at a maximum of 20% of all outstanding long-term debt obligations.

5 Debt Administration

Other Provisions

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 a taxable or tax-exempt basis and to use interest rate exchange agreements when they will 1) reduce the expected interest rate costs, 2) hedge fluctuations in interest rates or 3) 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 has 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 with trusts 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, 2008, the total obligations due under the lease agreements which have been economically defeased were approximately $***1.7 billion***.

Other Capital Leases

On March 31, 2003, the Public Building Commission of Chicago (the "PBC") issued $119,020,000 of Building Revenue Bonds, Series 2003 (Chicago Transit Authority) (the "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, which the PBC leased to the CTA for a 20-year term to be used as its 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 $91,340,000. The proceeds of the bonds were used to advance refund to the Public Building Commission of Chicago, Series 2003 bonds. This refunding decreases debt service payments over the next 27 years by approximately $338,000, resulting in an economic gain of approximately $20,404,000.

The original lease that was executed in connection with the Series 2003 bonds was amended accordingly. 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 rent due to PBC over the life of the amended lease is $167,049,254.

5 Debt Administration

SCHEDULE 1: $91,340,000 Building Revenue Bonds (Public Building Commission on behalf of Chicago Transit Authority) Series 2006 Lease Payment Schedule 2009-2033				
PAYMENT YEAR	PORTION OF LEASE PAYMENT ATTRIBUTABLE TO INTEREST	PORTION OF LEASE PAYMENT ATTRIBUTABLE TO PRINCIPAL	TOTAL LEASE PAYMENT	PBC DEBT OUTSTANDING (end of period)
2009	$4,310,438.00	$1,880,000.00	$6,190,438.00	$85,295,000.00
2010	$4,233,738.00	$1,955,000.00	$6,188,738.00	$83,340,000.00
2011	$4,153,938.00	$2,035,000.00	$6,188,938.00	$81,305,000.00
2012	$4,070,938.00	$2,115,000.00	$6,185,938.00	$79,190,000.00
2013	$3,984,538.00	$2,205,000.00	$6,189,538.00	$76,985,000.00
2014	$3,891,669.00	$2,295,000.00	$6,186,669.00	$74,690,000.00
2015	$3,782,775.00	$2,405,000.00	$6,187,775.00	$72,285,000.00
2016	$3,659,400.00	$2,530,000.00	$6,189,400.00	$69,755,000.00
2017	$3,529,650.00	$2,660,000.00	$6,189,650.00	$67,095,000.00
2018	$3,403,969.00	$2,785,000.00	$6,188,969.00	$64,130,000.00
2019	$3,271,913.00	$2,915,000.00	$6,186,913.00	$61,395,000.00
2020	$3,122,413.00	$3,065,000.00	$6,187,413.00	$58,330,000.00
2021	$2,965,163.00	$3,225,000.00	$6,190,163.00	$55,105,000.00
2022	$2,799,788.00	$3,390,000.00	$6,189,788.00	$51,715,000.00
2023	$2,621,456.00	$3,565,000.00	$6,186,456.00	$48,150,000.00
2024	$2,429,175.00	$3,760,000.00	$6,189,175.00	$44,390,000.00
2025	$2,226,525.00	$3,960,000.00	$6,186,525.00	$40,430,000.00
2026	$2,012,981.00	$4,175,000.00	$6,187,981.00	$36,255,000.00
2027	$1,787,888.00	$4,400,000.00	$6,187,888.00	$31,855,000.00
2028	$1,550,719.00	$4,635,000.00	$6,185,719.00	$27,220,000.00
2029	$1,300,688.00	$4,890,000.00	$6,190,688.00	$22,330,000.00
2030	$1,037,138.00	$5,150,000.00	$6,187,138.00	$17,180,000.00
2031	$759,413.00	$5,430,000.00	$6,189,413.00	$11,750,000.00
2032	$466,725.00	$5,720,000.00	$6,186,725.00	$6,030,000.00
2033	$158,288.00	$6,030,000.00	$6,188,288.00	$0.00

Bonds Payable-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 2004B (Federal Transit Administration Section 5307 Formula Funds), (together referred to as the “2004 Bonds”). Par value of the 2004 Bonds was $250,000,000, with $150,000,000 in Series 2004A and $100,000,000 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 (the “2004 Projects”). These capital improvements must be approved by the CTA Board, the

RTA and included in the CTA Capital Plan. The 2004 Projects include infrastructure improvements including facility rehabilitation, rail station reconstruction, replace/upgrade track, structure and signal systems, communication infrastructure improvement and replace bus and rail fleet. 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 3.60% to 5.25%. Interest payments for the 2004 Bonds are payable June 1 and December 1 of each year. Principal payments began June 1, 2006 (Please see Schedule II). Subject to market conditions, CTA may enter into one or more Qualified Swap Agreements. The 2004 Bonds are not eligible for early redemption, except under certain extraordinary circumstances. The source of grant receipts available to the CTA to pay principal and interest on the 2004 Bonds is its annual share of Section 5307 Formula Funds; subject to a prior pledge applied to the funding requirements of the Douglas Branch Bonds through 2006. As of October 1, 2009, $174,300,000 of the 2004 Bonds was outstanding.

SCHEDULE II: $250,200,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration 5307 Formula Funds) Series 2004A and Series 2004B Total Debt Service 2009-2016

PAYMENT YEAR	INTEREST PAYMENT	PRINCIPAL PAYMENT	TOTAL DEBT SERVICE	DEBT OUTSTANDING (end of period)
2009	$9,562,569.00	$20,250,000.00	$29,812,569.00	$174,300,000.00
2010	$8,492,781.00	$21,295,000.00	$29,787,781.00	$153,005,000.00
2011	$7,367,856.00	$22,390,000.00	$29,757,856.00	$130,615,000.00
2012	$6,173,231.00	$23,545,000.00	$29,718,231.00	$107,070,000.00
2013	$4,904,700.00	$24,780,000.00	$29,684,700.00	$82,290,000.00
2014	$3,602,494.00	$26,085,000.00	$29,687,494.00	$56,205,000.00
2015	$2,231,906.00	$27,385,000.00	$29,616,906.00	$28,820,000.00
2016	$756,525.00	$28,820,000.00	$29,576,525.00	$0.00

Capital Grant Receipts Revenue Bonds, Series 2006

On November 1, 2006, the CTA issued Capital Grant Receipts Revenue Bonds, “2006 Project,” in the amount of $275,000,000, along with a premium of $19,652,000, in anticipation of the receipt of grants from the Federal government. 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 4.0% to 5.0%. Scheduled interest on the 2006 bonds will be funded through June 1, 2007, with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2008 through June 1, 2021.

5 Debt Administration

SCHEDULE III: $275,000,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 Formula Funds) Series 2006A Total Debt Service 2009-2021				
PAYMENT YEAR	**INTEREST PAYMENT**	**PRINCIPAL PAYMENT**	**TOTAL DEBT SERVICE**	**DEBT OUTSTANDING (end of period)**
2009	$12,897,613.00	$8,465,000.00	$21,362,613.00	$258,395,000.00
2010	$12,559,013.00	$8,800,000.00	$21,359,013.00	$249,595,000.00
2011	$12,207,013.00	$9,155,000.00	$21,362,013.00	$240,440,000.00
2012	$11,840,813.00	$9,520,000.00	$21,360,813.00	$230,920,000.00
2013	$11,460,013.00	$9,900,000.00	$21,360,013.00	$221,020,000.00
2014	$10,965,013.00	$10,395,000.00	$21,360,013.00	$210,625,000.00
2015	$10,445,263.00	$10,915,000.00	$21,360,263.00	$199,710,000.00
2016	$9,899,513.00	$11,465,000.00	$21,364,513.00	$188,245,000.00
2017	$9,412,250.00	$34,070,000.00	$43,482,250.00	$154,175,000.00
2018	$7,708,750.00	$35,770,000.00	$43,478,750.00	$118,405,000.00
2019	$5,920,250.00	$37,560,000.00	$43,480,250.00	$80,845,000.00
2020	$4,042,250.00	$39,435,000.00	$43,477,250.00	$41,410,000.00
2021	$2,070,500.00	$41,410,000.00	$43,480,500.00	$0.00

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

On April 16, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, “2008 Project,” in the amount of $250,000,000, along with a premium of $18,637,000, in anticipation of the receipt of grants from the federal government. 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 2008A (5307) bonds bear interest ranging from 3.5% to 5.25%. Scheduled interest on the 2008 bonds was funded through December 1, 2008 with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2009 through June 1, 2026.

5 Debt Administration

SCHEDULE IV: $250,000,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307& 5309 Formula Bonds) Series 2008 and 2008A Total Debt Service 2009-2026				
PAYMENT YEAR	**INTEREST PAYMENT**	**PRINCIPAL PAYMENT**	**TOTAL DEBT SERVICE**	**DEBT OUTSTANDING (end of period)**
2009	$1,268,200.00	$0.00	$1,268,200.00	$25,000,000.00
2010	$1,255,400.00	$599,000.00	$1,854,400.00	$24,401,000.00
2011	$1,231,800.00	$624,000.00	$1,855,800.00	$23,777,000.00
2012	$1,206,300.00	$646,000.00	$1,852,300.00	$23,131,000.00
2013	$1,176,500.00	$675,000.00	$1,851,500.00	$22,456,000.00
2014	$1,145,700.00	$706,000.00	$1,851,700.00	$21,750,000.00
2015	$1,113,700.00	$736,500.00	$1,850,200.00	$21,013,500.00
2016	$1,077,900.00	$770,000.00	$1,847,900.00	$20,243,500.00
2017	$1,038,400.00	$808,500.00	$1,846,900.00	$19,435,000.00
2018	$997,000.00	$849,000.00	$1,846,000.00	$18,586,000.00
2019	$952,400.00	$891,000.00	$1,843,400.00	$17,695,000.00
2020	$904,400.00	$938,000.00	$1,842,400.00	$16,757,000.00
2021	$853,800.00	$987,000.00	$1,840,800.00	$15,770,000.00
2022	$800,700.00	$2,839,500.00	$3,640,200.00	$12,930,500.00
2023	$650,200.00	$2,989,000.00	$3,639,200.00	$9,941,500.00
2024	$491,800.00	$3,146,000.00	$3,637,800.00	$6,795,500.00
2025	$324,900.00	$3,311,000.00	$3,635,900.00	$3,484,500.00
2026	$149,500.00	$3,484,500.00	$3,634,000.00	$0.00

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

On November 20, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, “2008 Project,” in the amount of $175,000,000, along with a premium of $3,760,000, in anticipation of the receipt of grants from the federal government. 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 5.0% to 6.0%. Scheduled interest on the 2008A (5309) bonds was funded through December 1, 2008 with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2009 through June 1, 2026.

5 Debt Administration

SCHEDULE V: $175,000,000 Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5309 Formula Funds) Series 2008A Debt Service 2009-2026				
PAYMENT YEAR	**INTEREST PAYMENT**	**PRINCIPAL PAYMENT**	**TOTAL DEBT SERVICE**	**DEBT OUTSTANDING (end of period)**
2009	$9,466,000.00	$0.00	$9,466,000.00	$175,000,000.00
2010	$9,169,000.00	$6,705,000.00	$15,874,000.00	$168,295,000.00
2011	$8,825,000.00	$7,040,000.00	$15,865,000.00	$161,255,000.00
2012	$8,464,000.00	$7,395,000.00	$15,859,000.00	$153,860,000.00
2013	$8,085,000.00	$7,765,000.00	$15,850,000.00	$146,095,000.00
2014	$7,688,000.00	$8,150,000.00	$12,838,000.00	$137,945,000.00
2015	$7,270,000.00	$8,560,000.00	$15,830,000.00	$129,385,000.00
2016	$6,831,000.00	$8,990,000.00	$15,821,000.00	$120,395,000.00
2017	$6,358,000.00	$9,440,000.00	$15,798,000.00	$110,955,000.00
2018	$5,837,000.00	$9,935,000.00	$15,772,000.00	$101,020,000.00
2019	$5,276,000.00	$10,480,000.00	$15,756,000.00	$90,540,000.00
2020	$4,711,000.00	$11,055,000.00	$15,766,000.00	$79,485,000.00
2021	$4,145,000.00	$11,610,000.00	$15,755,000.00	$67,875,000.00
2022	$3,550,000.00	$12,190,000.00	$15,740,000.00	$55,685,000.00
2023	$2,909,000.00	$12,800,000.00	$15,709,000.00	$42,885,000.00
2024	$2,169,000.00	$13,470,000.00	$15,639,000.00	$29,415,000.00
2025	$1,337,000.00	$14,280,000.00	$15,617,000.00	$15,135,000.00
2026	$454,000.00	$15,135,000.00	$15,589,000.00	$0.00

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 $1,936,855,000 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's retirement plan and a $640 million Series B to fund a permanent trust that was established to cover other post employment benefits for retirees' 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 95-705.

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, were sufficient to bring the total assets of the retirement system up to 90% 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 95-708 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% funded by 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60% 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 CTA will have no future responsibility for retiree health care costs after the bond funding. In accordance with Public Act 95-708, all retiree health care benefits are 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% to 6.8%. Scheduled interest on the 2008A and 2008B bonds will be funded through June 1, 2009 and June 1, 2010, respectively, with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2012 through June 1, 2040.

5 Debt Administration

SCHEDULE VI: $1,936,855,000 Sales and Transfer Tax Receipts Revenue Bonds (Public Acts 94-839 and 95-705) Series 2008A and 2008B Total Debt Service 2009-2040				
PAYMENT YEAR	**INTEREST PAYMENT**	**PRINCIPAL PAYMENT**	**TOTAL DEBT SERVICE**	**DEBT OUTSTANDING (end of period)**
2009	$131,367,000.00	$0.00	$131,367,000.00	$1,936,855,000.00
2010	$131,367,000.00	$0.00	$131,367,000.00	$1,936,855,000.00
2011	$131,367,000.00	$0.00	$131,367,000.00	$1,936,855,000.00
2012	$131,367,000.00	$10,020,000.00	$141,387,000.00	$1,926,835,000.00
2013	$130,854,000.00	$25,720,000.00	$156,574,000.00	$1,901,115,000.00
2014	$129,538,000.00	$27,040,000.00	$156,578,000.00	$1,874,075,000.00
2015	$127,834,000.00	$28,740,000.00	$156,574,000.00	$1,845,335,000.00
2016	$126,024,000.00	$30,550,000.00	$156,574,000.00	$1,814,785,000.00
2017	$124,099,000.00	$32,475,000.00	$156,574,000.00	$1,782,310,000.00
2018	$122,053,000.00	$34,520,000.00	$156,573,000.00	$1,747,790,000.00
2019	$119,878,000.00	$36,695,000.00	$156,573,000.00	$1,711,095,000.00
2020	$117,566,000.00	$39,010,000.00	$156,576,000.00	$1,672,085,000.00
2021	$115,109,000.00	$41,465,000.00	$156,574,000.00	$1,630,620,000.00
2022	$112,496,000.00	$44,080,000.00	$156,576,000.00	$1,586,540,000.00
2023	$109,455,000.00	$47,120,000.00	$156,575,000.00	$1,539,420,000.00
2024	$106,205,000.00	$50,370,000.00	$156,575,000.00	$1,489,050,000.00
2025	$102,730,000.00	$53,845,000.00	$156,575,000.00	$1,435,205,000.00
2026	$99,015,000.00	$57,560,000.00	$156,575,000.00	$1,377,645,000.00
2027	$95,044,000.00	$61,530,000.00	$156,574,000.00	$1,316,115,000.00
2028	$90,799,000.00	$65,775,000.00	$156,574,000.00	$1,250,340,000.00
2029	$86,261,000.00	$70,310,000.00	$156,571,000.00	$1,180,030,000.00
2030	$81,410,000.00	$75,165,000.00	$156,575,000.00	$1,104,865,000.00
2031	$76,225,000.00	$80,350,000.00	$156,575,000.00	$1,024,515,000.00
2032	$70,681,000.00	$85,895,000.00	$156,576,000.00	$938,620,000.00
2033	$64,755,000.00	$91,820,000.00	$156,575,000.00	$846,800,000.00
2034	$58,421,000.00	$98,150,000.00	$156,571,000.00	$748,650,000.00
2035	$51,649,000.00	$104,925,000.00	$156,574,000.00	$643,725,000.00
2036	$44,411,000.00	$112,165,000.00	$156,576,000.00	$531,560,000.00
2037	$36,672,000.00	$119,905,000.00	$156,577,000.00	$411,655,000.00
2038	$28,400,000.00	$128,170,000.00	$156,570,000.00	$283,485,000.00
2039	$19,558,000.00	$137,015,000.00	$156,573,000.00	$146,470,000.00
2040	$10,105,000.00	$146,470,000.00	$156,575,000.00	$0.00

5 Debt Administration

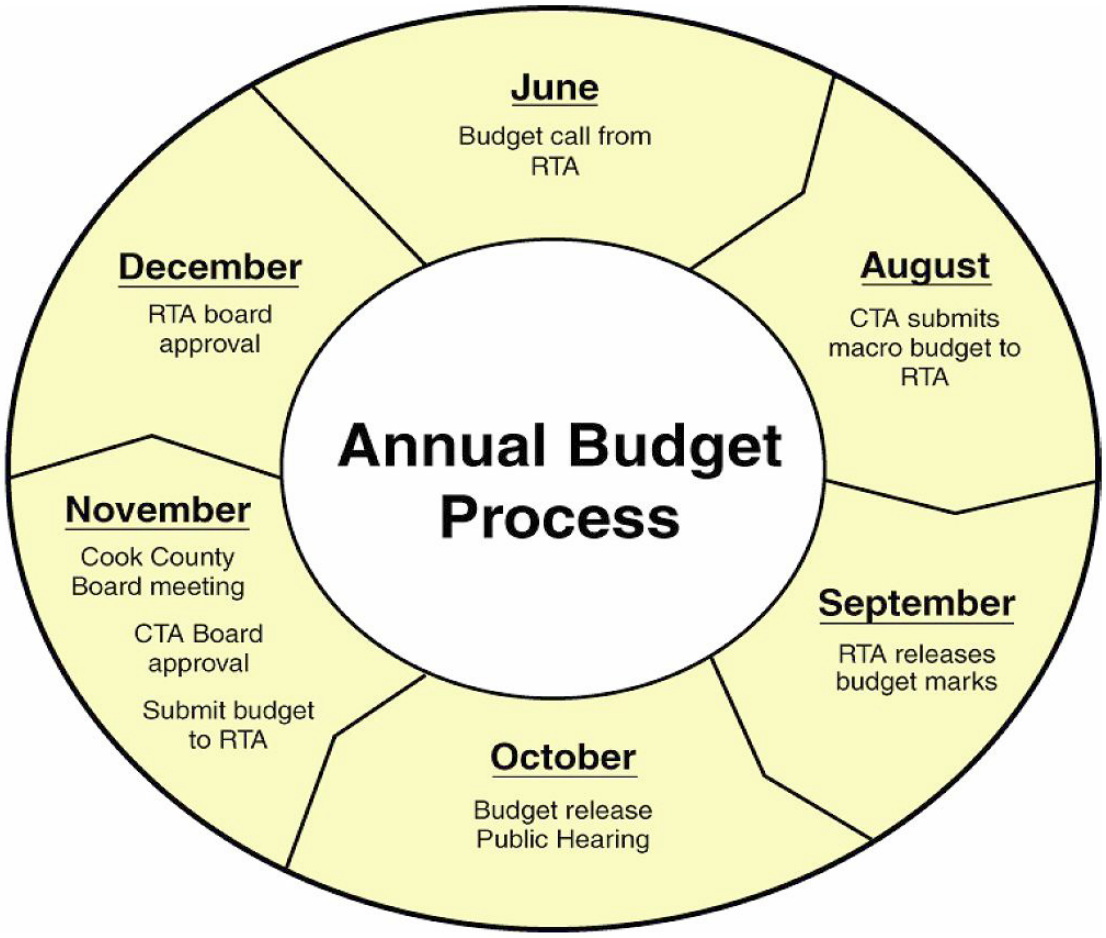
Summary of Total Bond Debt Service for all Outstanding Bonds

SCHEDULE VII: CTA TOTAL DEBT SCHEDULE 2009-2040			
PAYMENT YEAR	**PRINCIPAL PAYMENT**	**INTEREST PAYMENT**	**TOTAL DEBT SERVICE**
2009	$28,715,000.00	$175,976,000.00	$204,691,000.00
2010	$42,790,000.00	$174,142,000.00	$216,932,000.00
2011	$44,825,000.00	$172,085,000.00	$216,910,000.00
2012	$56,940,000.00	$169,908,000.00	$226,848,000.00
2013	$74,915,000.00	$167,069,000.00	$241,984,000.00
2014-2018	$422,005,000.00	$772,281,000.00	$1,194,286,000.00
2019-2023	$471,355,000.00	$648,743,000.00	$1,120,098,000.00
2024-2028	$431,380,000.00	$507,415,000.00	$938,795,000.00
2029-2033	$403,540,000.00	$379,332,000.00	$782,872,000.00
2034-2038	$563,315,000.00	$219,553,000.00	$782,868,000.00
2039-2040	$283,485,000.00	$29,663,000.00	$313,148,000.00
Total	$2,823,265,000.00	$3,416,167,000.00	$6,239,432,000.00

6 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

Budget development begins each year in the middle of June with the Budget Call from the RTA. The Budget Call outlines the required budget information for the RTA, and 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 Regional Transportation Authority 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.

6 Annual Budget Process

Budget Adoption

August	By the middle of August, CTA is required to submit a macro-level budget and a two-year financial plan to the RTA.
September	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 revenue) for the budget. Upon issuance of the budget marks, CTA revises its expenses and revenues to conform to the marks.
October	Budget released to the public. The statute requires documents be available for public inspection 21 days prior to the public hearing.
October / November	Public Hearing is held to receive comments from the public.
November	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	The CTA Board incorporates any changes and adopts the budget and two-year financial plan.
November	The RTA Act requires CTA by November 15 to submit to RTA its detailed budget and financial plan that conforms to the budget marks set by the RTA on September 13.
December	The RTA Board adopts the proposed budget and 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 thirteen directors. If the budget meets the RTA's six criteria 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.
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. 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 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, 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 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 twelve members, may require 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, CTA will amend the five-year capital program and submit the changes to RTA for RTA Board action.

7 Accounting System and Financial Controls

ORGANIZATION OVERVIEW

The Chicago Transit Authority (CTA) was formed in 1947 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 has granted the CTA the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago.

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 Regional Transportation Authority (RTA) and designated three Service Boards (CTA, Commuter Rail Board and 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 $5,000,000 for public transportation, and that the CTA (collectively with the other Service Boards) finance at least 50% of their operating costs, excluding depreciation and certain other items, from system-generated sources.

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 the 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 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 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 Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with generally accepted accounting principles, 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 and expense from sale/leaseback transactions, and capital contributions.

The Act requires that expenditures for operations and maintenance in excess of budget cannot be made without approval of the Chicago Transit Board. All annual appropriations lapse at fiscal year-end. The RTA, in accordance with the Regional Transportation Authority Act, has approved for budgetary basis presentation the CTA's recognition of the amount 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 a number of criteria:

- That the budget is in balance with regard to anticipated revenues from all sources, including operating subsidies and the 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 accounting principles generally accepted in the United States of America (GAAP). GASB is the accepted standard-setting body for establishing governmental accounting and reporting principles. The CTA applies Financial Accounting Standards Board pronouncements (FASBs) and Accounting Principles Board opinions (APBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Basis of Presentation

The basis 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.

7 Accounting System and Financial Controls

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 change in net assets is appropriate.

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 generally accepted accounting principles. 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 cost 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 and 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 a part of the CTA's single audit tests are made 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. The results of the CTA's single audit for the fiscal year ended December 31, 2008, provided no instances of

material weaknesses in the internal control system or violations of 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 Regional Transportation Authority. 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 that is not part of scheduled transit operations, be budgeted on an annual basis.

8 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. These policies are reviewed on an annual basis as part of the budget process to ensure continued relevance to the organization's short and long-term goals and objectives. The policies support:

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, CTA uses various strategies to manage the variance in order to ensure a balanced budget. A monthly financial performance report is produced and reported 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. CTA also researches market trends and consultants' studies that could impact fuel and health care expenses. All expenses match available revenues at the time of the budget, including system-generated revenue, public funding, and other revenue.

Long-Range Planning

The CTA also develops a longer range plan for the period beyond the current budget and two-year financial plan. This 10-year plan assesses the implications of current and proposed budget and 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 in the long-term plan.

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

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 in

order to bring the system to a state of good repair and maximize customer benefits in the regional transit system. A 20-year capital program condition and assessment report provides a broader list of CTA's capital investment needs.

REVENUE POLICIES

A clear understanding of CTA revenue sources is essential to maintaining a balanced budget and providing quality service to customers. The CTA has policies in place designed to address:

Revenue Diversification

The CTA's revenue diversification policy allows the agency to manage potential fluctuations in individual revenue streams. The CTA encourages its organizational units 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, and parking under the elevated right-of-way. Additionally, creative financing transactions have produced millions of dollars over the past few years for the CTA. The CTA continues to find ways to enhance system advertising, charter, 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 expense items that are non-recurring.

EXPENDITURE POLICIES

Prudent expenditure planning, monitoring and accountability are key elements of fiscal stability. As such, the CTA maintains policies with respect to:

Debt Capacity, Issuance and Management

These policies serve as a management tool to ensure the CTA a) may utilize leverage as part of its overall funding strategy to speed up investment in the system, b) utilizes debt in the most efficient and effective manner to fund operating and capital improvement programs, and c) makes full and timely repayment of all borrowings. Additionally, the policy provides broad guidelines to ensure that the agency 1) achieves the lowest possible cost of capital within prudent risk parameters, 2) secures ongoing access to the capital markets and 3) authorizes the appropriate amount, type and structure of debt for various financing situations.

Reserve Accounts

To protect against temporary revenue shortfalls or unpredicted one-time expenditures, the RTA maintains a fund balance to provide funding to the Service Boards. These reserve amounts can be used for potentially large one-time expenditures.

8 Financial Policy

Expenditure Accountability

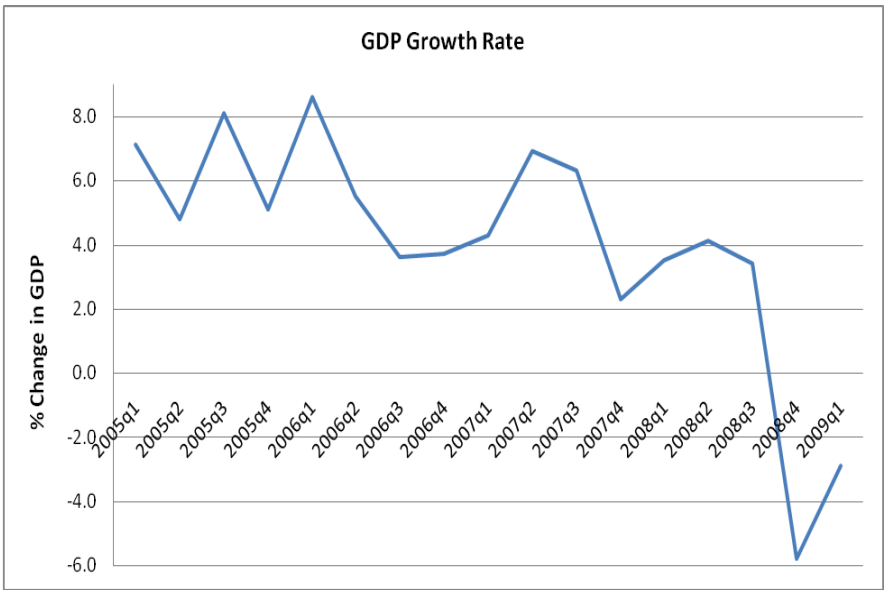
Every month, the CTA compares its operating and capital performance to budget. Any deviations from budget are reviewed and corrective measures are implemented by appropriate organizational units. Each unit is responsible for maintaining budget compliance. Actual capital expenditures to budget are also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

9 Economic Indicators

Overall

The Congressional Budget Office's (CBO) March 2009 report states that the United States is in the worst recession since World War II. The economic predictions for 2009 and 2010 reflect this sentiment. The Congressional baseline projections of the deficit have risen by more than $400 billion in both 2009 and 2010 as a result of recent legislation and continuing turmoil in the financial markets. The CBO now estimates the deficit will total almost $1.7 trillion (11.9% of GDP) in 2009 and $1.1 trillion (7.9% of GDP) in 2010. For the next two years, the CBO anticipates that economic output will average about 7% below its potential (output that would be produced if the economy's resources were fully employed). That shortfall is comparable with the one that occurred during the recession of 1981 and 1982 but is predicted to last much longer.

Gross Domestic Product (GDP)



Source: Bureau of Economic Analysis

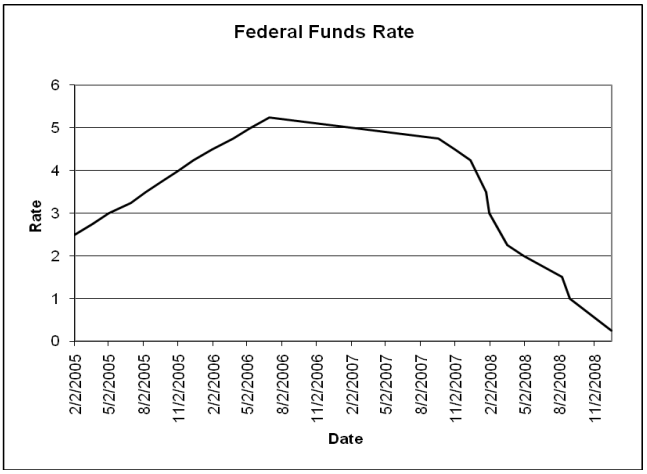
According to the United States Bureau of Economic Analysis, GDP, measured by current U.S. dollars, had a negative growth rate for the first time in over 25 years in the fourth quarter of 2008.

GDP growth was again negative in the first quarter of 2009 and CBO projects economic growth of -3% in 2009. Estimates are positive for 2010 and 2011, however, at 2.9% and 4%, respectively.

Federal Funds Rate

The Federal Funds Rate is 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. The committee's long term goals are price stability and sustainable economic growth in the economy.

In September 2007, the Federal Funds Rate was lowered for the first time in four years. After holding steady at 5.25% since June 2006, the Fed reduced the rate to 4.75%.

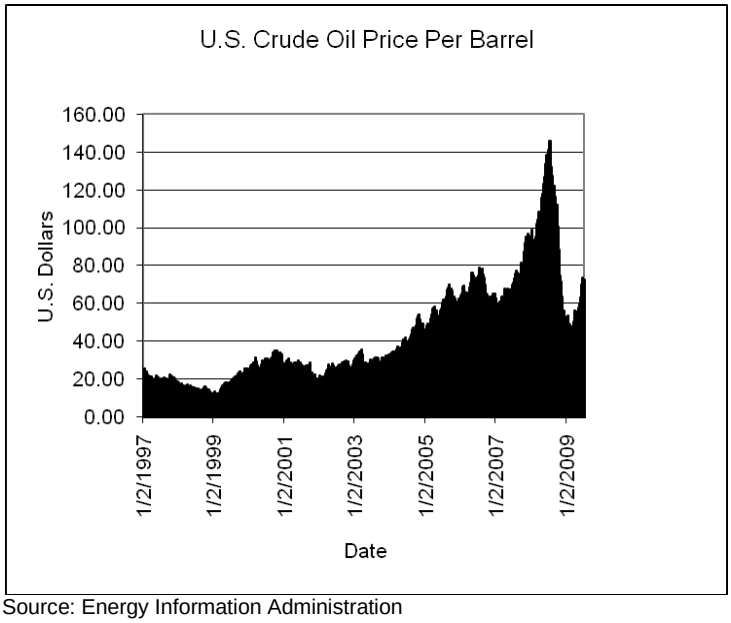


Source: Federal Reserve Board

9 Economic Indicators

The reduction was designed to boost economic growth by lowering the cost of borrowing for consumers and businesses. Before June 2006, the rate increased steadily in quarter percentage increments from 1.0% in June 2003; however, since that reduction the rate has continued to decline until reaching virtually 0 at the end of 2008. This allowed banks to borrow for little to no interest, thus increasing liquidity and velocity, in an attempt to curb the credit-based crisis at the end of 2008.

U.S. Oil Prices per Barrel



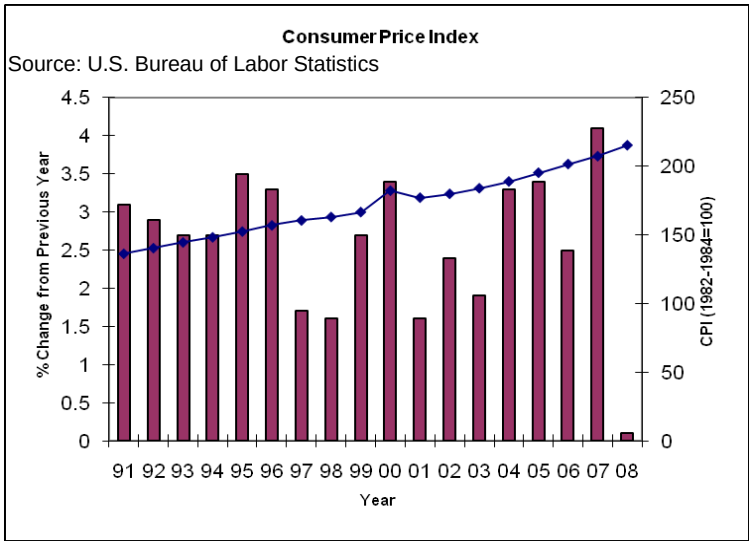
Source: Energy Information Administration

Crude oil prices reached a record high in July 2008 as oil prices traded briefly at over $145 per barrel. Oil speculation quickly decreased and the price dropped more than $100 by December 2008 reaching a low of $38/ barrel. The second quarter of 2009 has seen another steep increase to approximately $70 where the price is projected to remain throughout the second half of the year. As the economy continues to slowly recover, prices are expected to increase slightly in 2010, averaging $72/ barrel.

Consumer Price Index (CPI)

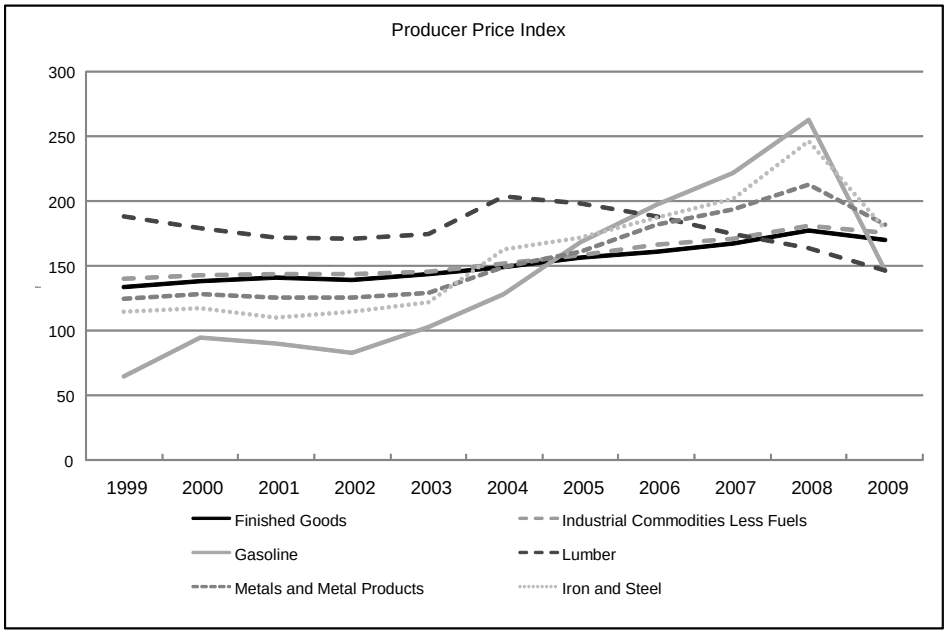
CPI is an inflationary indicator that measures the change in the cost of a fixed basket of products and services.

The blue line on the graph shows the steady incline in CPI since the beginning of the 1990s. The red bars measure the increase in percentage from one year to the next. The percentage increase was highest in 2007 at 4.1%. In 2008 CPI had the smallest increase, just 0.1%, due to poor economic conditions.



9 Economic Indicators

Producer Price Index (PPI)



Like CPI, PPI is an inflationary indicator. PPI evaluates wholesale price levels in the economy and is used to measure the real growth output of products.

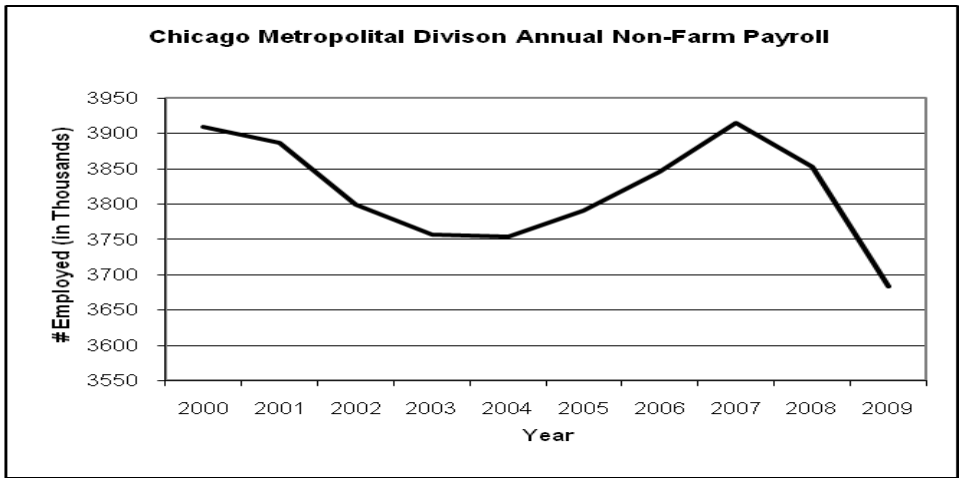
While the PPI for lumber has experienced a steady decline over the last 5 years, all other major industries observed increases in PPI.

Reports of 2009 PPI indicate a rapid decline in PPI for all industries as a result of the economic slowdown.

Non-Farm Payroll

Non-farm employment grew by 69,300 jobs between July 2006 and July 2007 in the eight-county Chicago area before decreasing by 170,300 between May 2008 and May 2009. The current number of employees is the lowest in over a decade.

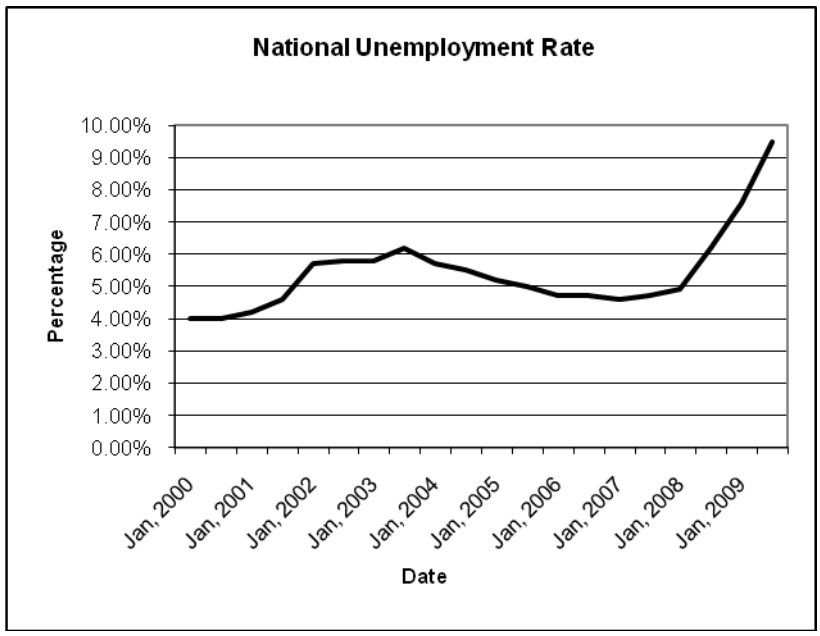
As unemployment continues to increase, at it is projected to do so until the fourth quarter of 2009, the number of non-farm payroll employees will continue to fall.



Source: Bureau of Labor Statistics

Unemployment

9 Economic Indicators



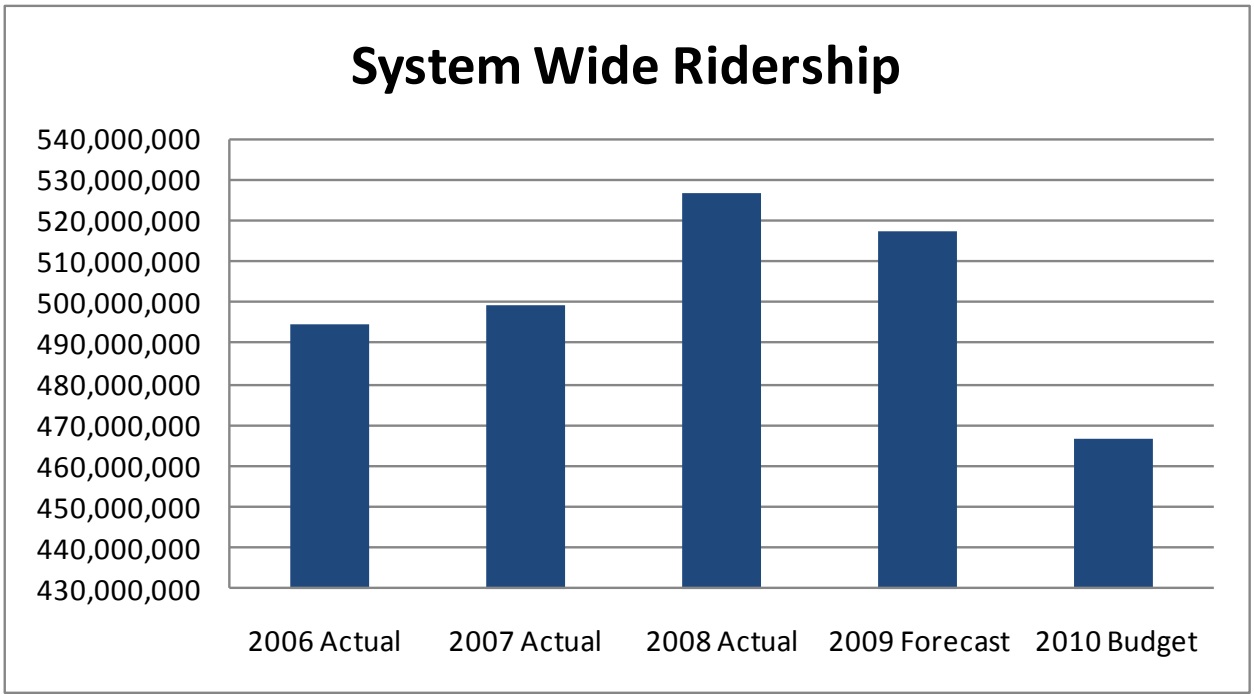
Between January 1999 and December 2008 the unemployment rate averaged 5.04%. Through the first six months of 2009 the average was up to 8.67%, reaching the peak in June 2009 at 9.5%, the highest it has been in 26 years. The CBO now predicts unemployment will peak between 10% and 10.5% later in 2009 before falling back to 9% in 2010 and 7.7% in 2011.

Source: Bureau of Labor Statistics

10 Operating Statistics - System

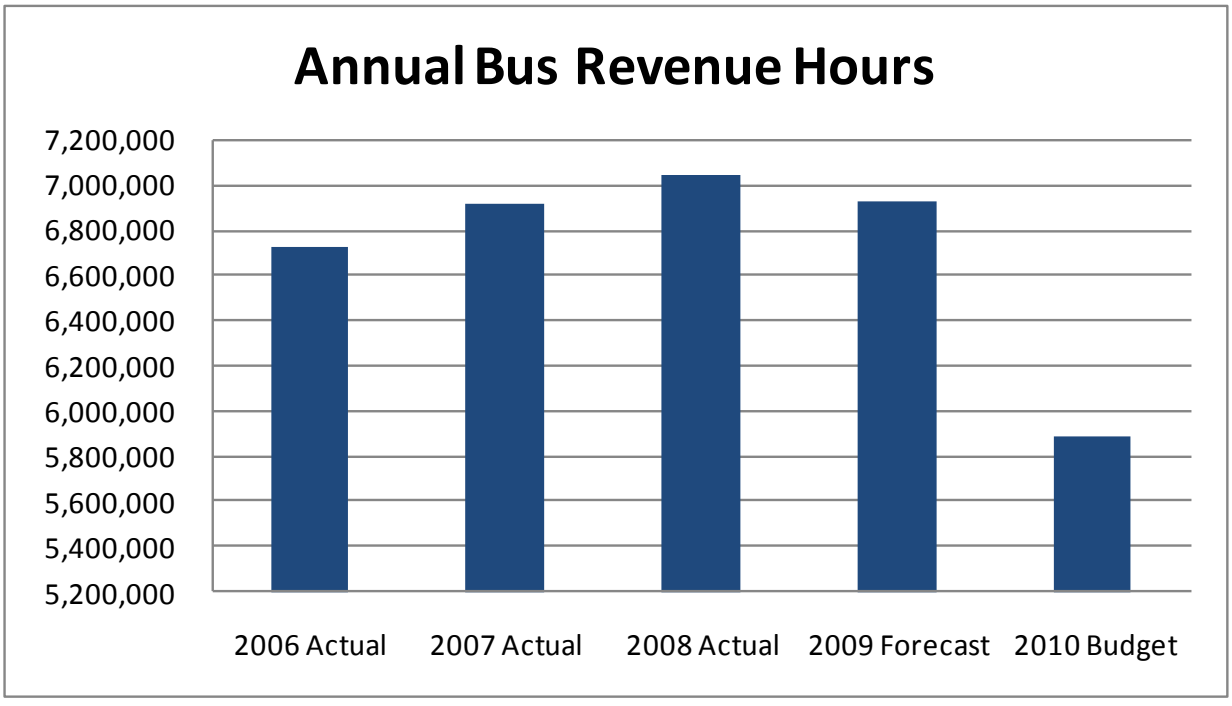
Characteristics	2006 Actual	2007 Actual	2008 Actual	2009 Forecast**	2010 Budget
Ridership					
Avg. Daily Weekday	1,596,351	1,606,360	1,679,117	1,583,398	1,430,492
Avg. Daily Saturday	966,316	976,563	1,047,590	1,107,400	994,380
Avg. Daily Sunday	662,402	674,850	724,590	864,213	775,070
System Wide Ridership	494,803,000	499,540,000	526,336,459	517,374,059	466,800,290
Expense					
Top Operator Rate	$25.33	$26.09	$26.87	$27.68	$28.64
Capital Expenditures	$640,447,000	$730,819,000	$940,748,796	$815,810,470	$416,203,000
Revenue					
Average Fare per Trip (NTD)	$0.93	$0.92	$0.90	$1.00	$1.22
Public Funding per Trip (NTD)	$1.06	$1.10	$1.26	$1.05	$1.06

** 2009 Avg. Daily Ridership is based on August 2008 YTD actual



11 Operating Statistics - Bus

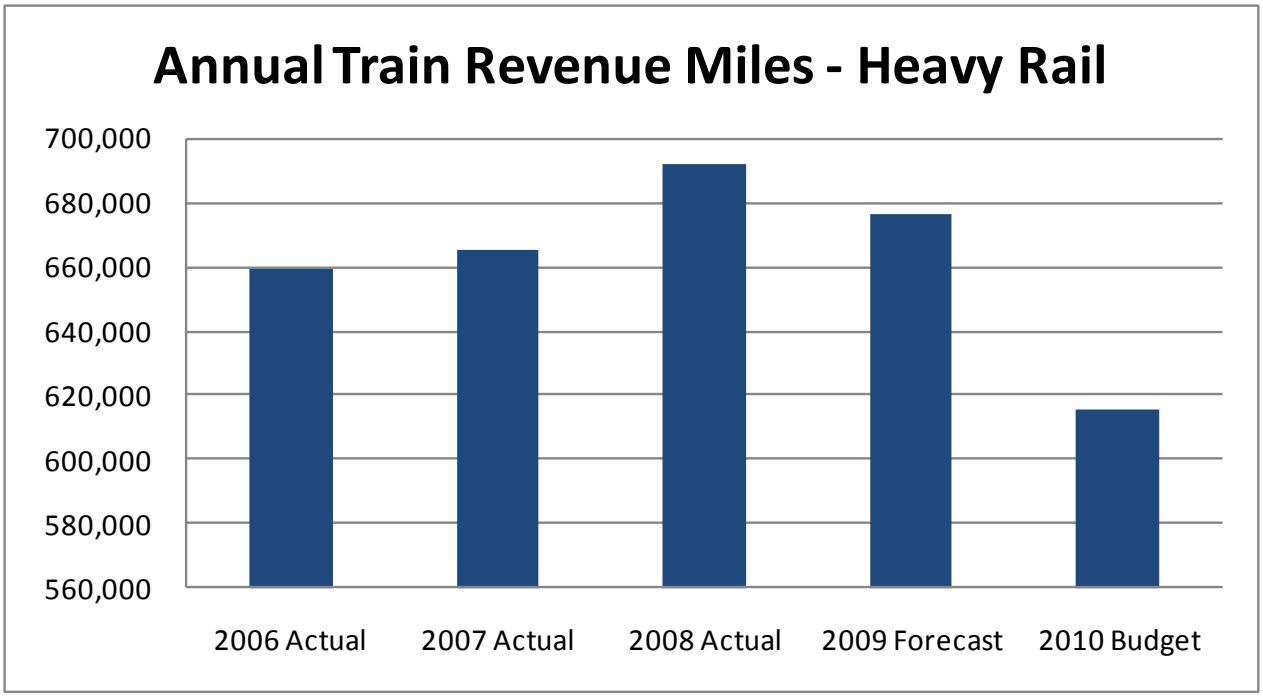
Characteristics	2006 Actual	2007 Actual	2008 Actual	2009 Forecast	2010 Budget
Expenses					
Scheduled Transportation Expense	$294,371,797	$298,181,283	$346,495,416	$351,803,267	$329,751,176
Garage Maintenance Expense	$149,523,221	$162,764,613	$188,358,282	$143,563,299	$136,141,925
Support Expense	$21,859,622	$21,226,218	$23,471,673	$16,441,951	$13,810,350
Heavy Maintenance Expense	$34,746,708	$30,185,159	$40,687,889	$39,472,053	$40,743,300
Other Expenses	$22,242,745	$23,765,228	$26,541,295	$31,241,934	$33,058,608
Total Operating Expense-Bus	$522,744,093	$530,135,122	$625,554,555	$582,522,505	$553,505,359
Fuel Expense	$57,470,271	$71,180,811	$82,982,250	$99,881,975	$63,879,104
Miles					
Annual Vehicle Revenue Miles	66,240,047	68,329,658	68,740,265	66,607,296	56,351,392
Trips					
Annual Unlinked Trips (NTD)	298,433,228	308,271,311	328,199,214	314,999,445	277,540,876
Vehicles					
Annual Vehicle Revenue Hours (NTD)	6,723,365	6,914,999	7,038,271	6,928,688	5,885,370
Vehicles Operated in Max. Service	1,797	1,797	1,739	1,687	1,556
Vehicles Owned by CTA (at Fall Fleet Assignment)	2,089	2,175	2,093	2,069	1,782
Average Age of Vehicles	9.4	9.3	5.6	4.8	4.5



12 Operating Statistics – Heavy Rail

CHARACTERISTICS	2006 Actual	2007 Actual	2008 Actual	2009 Forecast	2010 Budget
Expenses					
Scheduled Transportation Expense	$ 90,069,541	$ 92,517,533	$ 101,806,357	$ 99,462,084	$98,357,477
Terminal Maintenance Expense	$ 42,951,459	$ 41,334,604	$ 50,325,941	$ 51,370,653	$44,025,483
Support Expense	$ 25,939,038	$ 26,625,306	$ 34,101,280	$ 35,454,654	$37,733,067
Heavy Maintenance Expense	$ 7,943,783	$ 9,426,563	$ 9,382,859	$ 10,446,523	$12,711,135
Rail Car Appearance Expense	$ 11,146,775	$ 13,512,415	$ 12,657,637	$ 11,197,648	$11,292,761
Other Expenses	$ 3,329,315	$ 3,338,425	$ 9,241,168	$ 9,258,454	$10,252,399
Total Operating Expense - Rail	$ 181,379,911	$ 186,754,846	$ 217,515,242	$ 217,190,016	$214,372,322
Power Expense	$ 22,268,274	$ 28,141,238	$ 35,442,000	$ 40,077,003	$38,175,874
Miles					
Annual Rail Car Revenue Miles	67,180,033	66,913,835	67,450,040	68,949,339	
Trips					
Annual Unlinked Trips (NTD)	195,169,000	190,272,997	198,137,245	202,374,589	189,259,413
Vehicles					
Annual Train Revenue Hours (NTD)	659,088	665,477	691,788		
Vehicles Operated in Max. Service	1,002	1,008	1,002	1,002	932
Vehicles Owned by CTA (at Fall Fleet Assignment)	1,190	1,190	1,190		
Average Age of Vehicles	23	24	25		

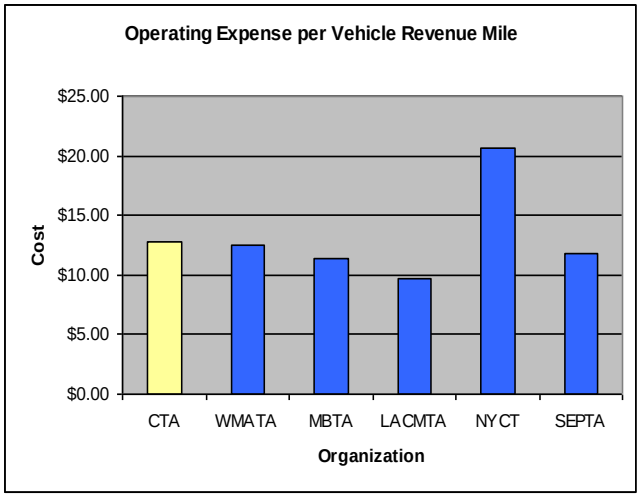
* Note: 2008 numbers reflect a reorganization that brought Rail Instruction and Operations Management under Rail's control.

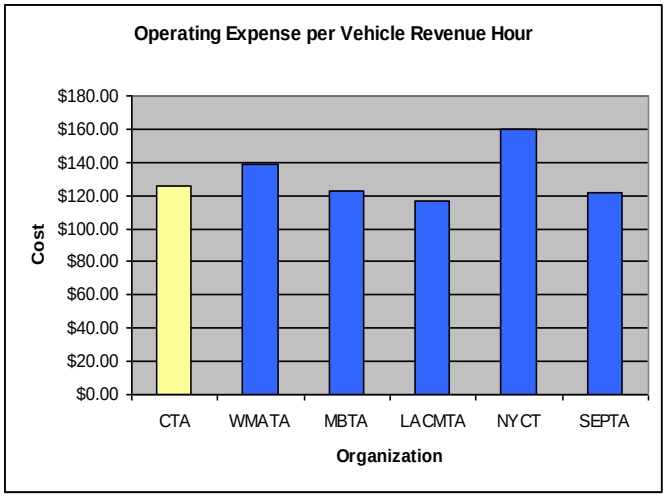


13 Comparative Performance Analysis - Bus

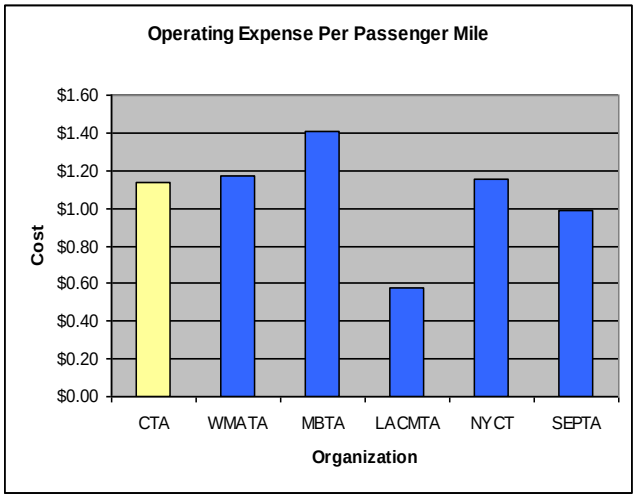
PERFORMANCE MEASURES	CTA	Comparison Group WMATA	MBTA	LACMTA	NYCT	SEPTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$12.76	$12.49	$11.44	$9.64	$20.65	$11.81
Operating Exp./Vehicle Rev. Hour	$126.13	$138.97	$122.27	$116.71	$159.95	$122.14
Cost Effectiveness						
Operating Exp./Passenger Mile	$1.14	$1.17	$1.41	$0.58	$1.15	$0.99
Operating Exp./Unlinked Trip	$2.82	$3.64	$3.06	$2.15	$2.43	$2.77
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	4.53	3.43	3.74	4.48	8.52	4.26
Unlinked Trips/Vehicle Rev. Hour	44.72	38.19	39.98	54.2	65.95	44.05

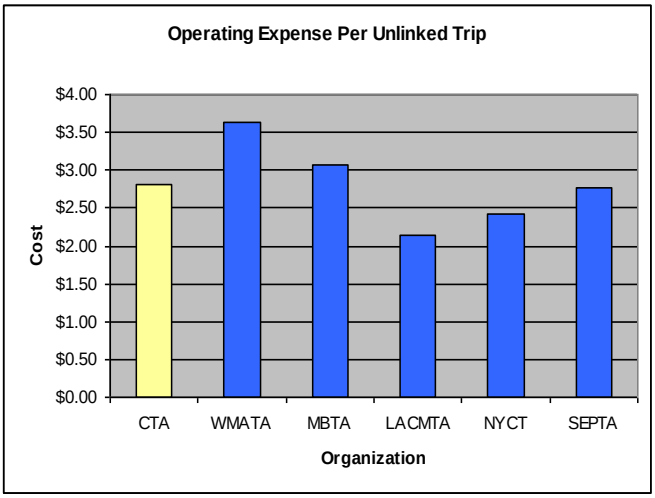
Service Efficiency





Cost Effectiveness



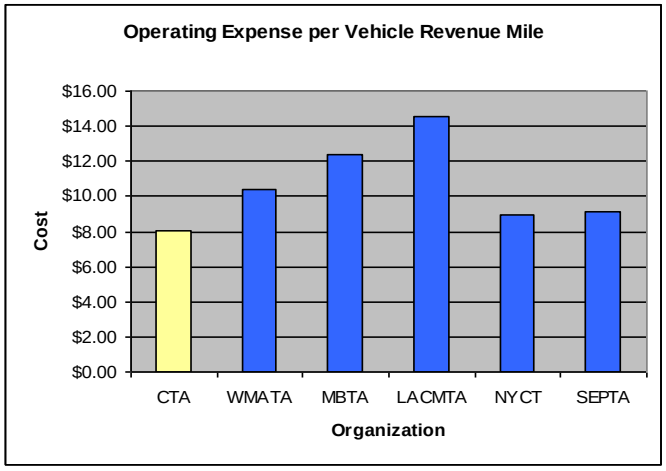


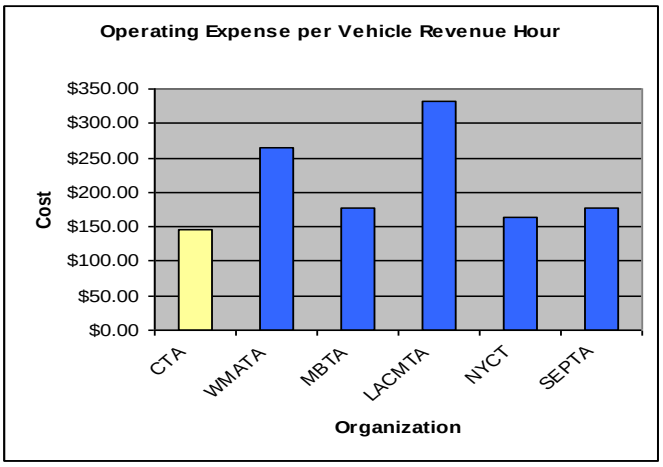
Data Source: 2007 National Transit Database

14 Comparative Performance Analysis - Rail

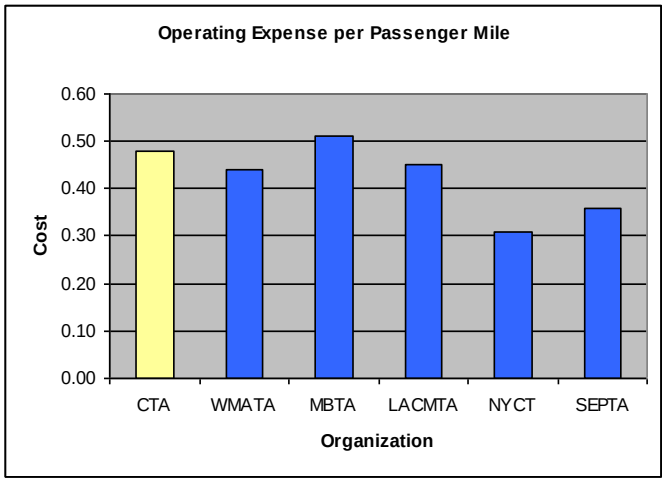
PERFORMANCE MEASURES	CTA	Comparison Group				
		WMATA	MBTA	LACMTA	NYCT	SEPTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$8.01	$10.39	$12.40	$14.59	$8.95	$9.10
Operating Exp./Vehicle Rev. Hour	$145.07	$264.10	$178.34	$332.07	$163.45	$176.94
Cost Effectiveness						
Operating Exp./Passenger Mile	0.48	0.44	0.51	0.45	0.31	0.36
Operating Exp./Unlinked Trip	$2.82	$2.52	$1.82	$2.14	$1.27	$1.62
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	2.84	4.12	6.82	6.83	7.06	5.6
Unlinked Trips/Vehicle Rev. Hour	51.49	104.85	98.11	155.39	129.01	108.9

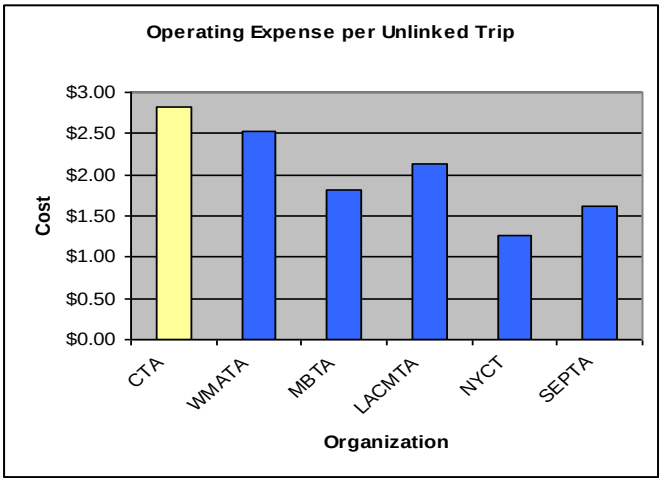
Service Efficiency





Cost Effectiveness





Data Source: 2007 National Transit Database

15 CTA Fare Structure

CTA Fare Types	Current Fare Structure (effective 1/1/2009)	Proposed Structure (effective 2/7/2010)
Regular Full Fare Cash[2]	$2.25 (bus); $2.25 (rail)	$2.50 (bus); $3.00 (rail)
Regular Full Fare Transit Card (TC)	$2.00 (bus); $2.25 (rail)	$2.50 (bus); $3.00 (rail)
Regular Full Fare Chicago Card (CC)	$2.00 (bus); $2.25 (rail)	$2.50 (bus); $3.00 (rail)
Regular TC or CC Transfer[3]	$0.25	$0.25
1-Day Pass	$5.75	$8.00
3-Day Pass	$14.00	$18.00
Full Fare 7-Day Pass	$23.00	$30.00
Full Fare 30-Day Pass	$86.00	$110.00
Regular Reduced Fare Cash	$1.00	$1.50
Regular Reduced Fare TC	$0.85	$1.50
Reduced Fare TC/CC Transfer	$0.15	$0.10
Reduced Fare 30-Day Pass	$35.00	$40.00

[2] Rail customers paying fares with cash must first add value to a Transit Card using vending machines located in each station.
[3] A transfer allows two additional rides within two hours of issuance and are not available to customers paying fares with cash.

16 Comparative Fare Structure

CITY (SYSTEM)	Full Cash Bus Fare	Express Bus Fare	Full Cash Rail Fare	Reduced Fare (Senior/Disabled)
CHICAGO (CTA)	**$2.50**	$3.00	**$3.00**	**$1.50**
NEW YORK CITY (MTA)	$2.25	$5.50	$2.25	$1.10
PHILADELPHIA (SEPTA)	$2.00	--	$2.00[4]	$0.00-$2.00[5]
ATLANTA (MARTA)	$1.75[6]	--	$1.75[3]	$0.85[7]
WASHINGTON D.C. (WMATA)	$1.35	$3.10	$1.65-$4.50[8]	$0.60 Bus; Half-price Rail
LOS ANGELES (LACMTA)	$1.25	$0.60-$1.20[9]	$1.25	$0.25-$0.60[10]
BOSTON (MBTA)	$1.50	$3.50-$5.00	$2.00[11]	$0.40 (Bus) $0.60 (Rail)

[4] SEPTA: Subway Fare is $2.00; Regional Rail Fares range from $3.50-$9.00 with peak/off-peak rates.
[5] SEPTA: Seniors ride free at all times. Disabled fares vary depending on mode and hours traveled. Full-fare during peak hours, discount for off-peak hours.
[6] MARTA: $2.00 effective 10/1/09
[7] MARTA: $0.90 effective 10/1/09
[8] WMATA: Subway fares are zone-based and range from $1.65-$4.50
[9] LACMTA: Freeway Express Routes
[10] LACMTA: During bus/rail peak hours, fare is $0.55; During bus/rail off-peak hours, fare is $0.25; using bus express, fare is $0.60.
[11] MBTA: $2.00 cash subway fare; Commuter Rail Fares are zone-based and range from $1.70-$7.75

CTA Historical Fare Structure	Full Cash Bus Fare	Full Cash Rail Fare	Transfer Charge*	Reduced Fare
2001	$1.50	$1.50	$0.30	$0.75
2002	$1.50	$1.50	$0.30	$0.75
2003	$1.50	$1.50	$0.30	$0.75
2004	$1.75	$1.75	$0.25	$0.85
2005	$1.75	$1.75	$0.25	$0.85
2006	$2.00	$2.00	$0.25	$0.85
2007	$2.00	$2.00	$0.25	$0.85
2008	$2.00	$2.00	$0.25	$0.85
2009	$2.00	$2.25	$0.25	$1.00
2010	$2.50	$3.00	$0.25	$1.50

***Since 1/1/06, transfers only available to customers using Chicago Card and Transit Cards. Transfers are not available to customers using cash.

17 Acronyms

AC	Alternating Current
ADA	Americans with Disabilities Act
AFC	Automated Fare Collection
APB	Accounting Principles Board
APC	Automatic Passenger Counter
AVAS	Automated Voice Annunciation System
BLS	Bureau of Labor Statistics
BOB	State Bureau of the Budget
CATS	Chicago Area Transportation Study
CBO	Congressional Budget Office
CDOT	Chicago Department of Transportation
CIP	Capital Improvement Program
CPD	Chicago Police Department
CPI	Consumer Price Index
CTA	Chicago Transit Authority
DBE	Disadvantaged Business Enterprise
DC	Direct Current
EIA	Energy Information Administration
ePMO	Enterprise Program Management Office
ERISA	Employee Retirement Income Security Act
ERP	Enterprise Resource Planning
FAA	Federal Aviation Administration
FASB	Financial Accounting Standards Board
FFGA	Full Funding Grant Agreement
FOMC	Federal Reserve Board 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	Governmental Finance Officers Association
IDOT	Illinois Department of Transportation
LACMTA	Los Angeles County Metropolitan Transportation Authority
MBTA	Massachusetts Bay Transportation Authority
MMIS	Maintenance Management Information System
NABI	North American Bus Industries
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
PPA/AV	Platform Public Address/Audio Visual
PPI	Producer Price Index
RTA	Regional Transportation Authority

17 Acronyms

SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SCADA	Supervisory Control And Data Acquisition
SCIP	Strategic Capital Improvement Program
SEPTA	Southeastern Pennsylvania Transportation Authority
SGR	State of Good Repair
SPTO	Scheduled Part-Time Operator
STO	Scheduled Transit Operations
TCVM	Transit Card Vending Machines
TEA-21	Transportation Equity Act - 21st Century
TTI	Texas Transportation Institute
WMATA	Washington Metropolitan Area Transit Authority

18 Glossary

Accessible	As defined by FTA, a site, building, facility, or portion thereof that complies with defined standards and that can be approached, entered, and used by persons with disabilities.
Accrual Basis	A method of accounting in which revenues are reported in the fiscal period 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.
ADA	The Americans with Disabilities Act of 1990. 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 wheel chair accessible, and that alternative transportation be provided to customers unable to access the transit system.
AFC	Automated fare collection system.
Articulated Bus	A high capacity passenger bus that flexes in the middle.
Bond	An interest-bearing promise to pay a specified sum of money on a specified date.
Capital Budget	A formal plan of action for a specified time period for purchases of fixed assets using capital grants.
Capital Expense	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 preventative maintenance. Also referred to as a capital improvement.
Capital Grant	Funds received from grantor funding agencies used to finance construction, renovation, and major repairs or the purchase of machinery, equipment, buildings or land.
Chicago Card	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.

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Chicago Card Plus	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.
Collar Counties	The five counties that surround Cook County as identified in the RTA Act. Collar counties include Will, Kane, DuPage, Lake, and McHenry.
Congestion Pricing	A method of pricing that varies during the time of travel. During peak travel times, customers are charged a higher fare than during off-peak travel times.
Consumer Price Index (CPI)	A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e. economic inflation).
Corridor	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).
Deferred Operating Assistance	Operating funds remaining from a prior year as a result of a budget surplus that can be used to cover shortfalls or capital expenditures in future years. Spending is allowed only after RTA budgetary approval.
Depreciation	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.
Discretionary Funds	Funds that the RTA allocates, at its discretion, to the Service Boards. These funds include Public Transportation Funds and a portion of the 15% of the RTA Sales Tax.
DriveCam Technology	A driver risk management system that is designed to monitor, evaluate, and identify driving behavior of CTA bus operators as a means to prevent accidents, increase safety, and reduce the cost of repairs and accident claims.
ERISA	The Employee Retirement Income Security Act of 1974. ERISA is a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans.
Fare	The amount charged to passengers for bus and rail services.
Farebox	Equipment used for the collection of bus fares.

18 Glossary

Farecard	Electronic fare media used for payment of fares.
Federal Funds Rate	The Federal Funds Rate is 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.
Federal Transit Administration (FTA)	The Federal Transit Administration is the federal agency which provides financial and planning assistance to help plan, build, and operate rail, bus and paratransit systems through grant programs.
FICA	Federal Insurance Contributions Act. Social Security payroll taxes are collected under authority of FICA.
Financial Accounting Standards Board (FASB)	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.
Financial Plan	In addition to an annual budget, the Regional Transportation Authority Act, amended in 1983, 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.
Fiscal Year	A fiscal year is a 12-month period used for calculating annual financial reports in organizations. CTA's fiscal year is synonymous with the calendar year and begins on January 1 and ends on December 31.
Fixed-Route Service	Buses that operate according to fixed schedules and routes (in contrast to demand-response service).
Full Funding Grant Agreement (FFGA)	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.
Fund Balance	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.

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Funding (Budget) Marks	The Regional Transportation Authority Act, as amended in 1983, calls for RTA to advise each of its Service Boards by September 15th of the public funding to be available for the following year, as well as the required recovery ratio.
Generally Accepted Accounting Principles (GAAP)	GAAP is the standard framework of guidelines for financial accounting, mainly used in the U.S.A. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.
Governmental Accounting Standards Board (GASB)	The Governmental Accounting Standards Board establishes and improves standards of state and local governmental accounting and financial reporting.
Gross Domestic Product (GDP)	Gross Domestic Product. A measure of economic activity, it is the amount of goods and services produced in the United States in a 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.
Headway	The time span between service vehicles (bus or rail) on specified routes. Also called service frequency.
Heavy Rail	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.
Illinois FIRST	Illinois Fund for Infrastructure, Roads, Schools and Transit. Illinois FIRST is a five-year public works improvement program that allocated capital funds between FY 2000 through FY 2004.
Infrastructure	Capital assets that make up CTA's transportation system, including maintenance facilities, rail track, signals, stations, elevated structures, and power substations.
In-Kind Services	Refers to services provided at no cost to the CTA. For example, the City of Chicago provides dedicated security forces to the CTA at no cost to the CTA.
Intermodal	Transportation by more than one mode (bus, train, etc.) during a single journey.
Labor Base	Labor expense for time actually worked. It excludes holidays, sick time, and vacation time.

18 Glossary

Labor Load	The cost of fringe benefits. The burden includes group health insurance, paid time off, FICA, workers compensation, and retirement obligations.
Metra	The 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.
Moving Beyond Congestion (MBC)	A joint project launched in 2006 by the Regional Transit Authority, CTA, Metra and Pace to address the operating and capital funding challenges for the region, ensure financial viability and accountability and to meet the region's growing and changing transportation needs.
National Transit Database (NTD)	The Federal Transit Administration's (FTA) primary national database for statistics on the transit industry.
New Starts	The Federal Transit Administration's (FTA) discretionary program that is the federal government's primary financial resource for supporting locally-planned, implemented, and operated transit "guideway" capital investments.
Non-Operating Funds	Expenses funded with capital grants.
Non-Revenue Vehicle	Vehicles that do not carry fare-paying passengers used to support transit operations.
Off Peak Periods	Non rush-hour time periods.
OPEC	The Organization of Petroleum Exporting Countries coordinates the petroleum policies of its members. OPEC member nations supply approximately 40% of the world's crude oil and 16% of its natural gas.
Operating Budget	Annual revenues and expenses forecast to maintain operations.
Operating Expenses	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.
Operating Revenues	Revenues generated from user fees or other activities directly related to operations such as advertising, concessions, parking, and investment income, etc.
Owl Service	Service that is provided continuously between midnight and 5 a.m. Owl Service is provided only on routes that run 24-hour service.

18 Glossary

Pace	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.
Paratransit Service	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 in the program. Paratransit includes demand-response transportation services, subscription bus services and shared-ride taxis.
Part-time operators (PTO)	Part-time operators are part-time STO (Scheduled Transit Operators) personnel restricted to a maximum of 30 hours of work per week. They receive a lower pay rate than full-time operators.
Passenger Miles	The cumulative sum of the distances traveled by passengers.
Peak Periods	Rush-hour time periods, typically defined as 6:30 a.m. through 9:30 a.m. and 4:00 p.m. through 7:00 p.m., Monday through Friday.
Pension Obligation Bonds	A fixed interest financial asset issued by governments, companies, banks, public utilities and other large entities as a means of borrowing money to refinance an unfunded pension liability.
Performance Management	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. CTA implemented a performance management program in May 2007.
Platform Time	The period of time in which a transit vehicle is in operation. Platform time contains time that buses are in revenue service and time required to support revenue service, for example time from a garage to the beginning of a route.
Positive Budget Variance	Calculated as the difference between a service board's budgeted and actual deficit, a positive budget variance results when the actual deficit is less than the budgeted deficit. Since the RTA funds the budgeted deficit, a positive budget variance represents available funds for the service boards.
Producer Price Index (PPI)	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.
Public Funding	Funding received from the RTA or other government agencies.

18 Glossary

Public Transportation Funds (PTF)	Funds transferred from the State of Illinois General Fund into the Public Transportation Fund in an amount equal to 25% of RTA Sales Tax collected. All funds deposited are allocated to RTA to be used at its discretion for the benefit of the Service Boards.
Purchase of Paratransit Service	The amount of money paid to contractors who provide transportation to certified participants in the ADA paratransit service program.
QuicTrack	A system that allows monitoring and identification of rail cars via a graphical map of the CTA track system. The run number, current schedule, and headway are displayed on the map.
Recovery Ratio	The ratio is calculated as system- generated revenues as allowed by the RTA Act. This ratio is calculated for each of the Service Boards and for the RTA region as a whole. The RTA Act mandates that the RTA region must attain an annual recovery ratio of at least 50%.
Reduced Fare	Discounted fare for children age 7 – 11, grade school and high school students (with CTA ID), seniors 65 and older (with RTA ID), and riders with disabilities (with RTA ID) except paratransit riders.
Reduced Fare Reimbursement	Reimbursements from the State of Illinois are made to the Service Boards for the difference between standard fares and the reduced fares charged to students, the elderly and the disabled.
Regional Transit Authority (RTA)	The Regional Transit Authority is the financial oversight and regional planning body for the three public transit operators in northeastern Illinois: the Chicago Transit Authority (CTA), Metra commuter rail and Pace suburban bus.
Revenue Bond	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.
Revenue Equipment	Includes vehicles that carry fare-paying passengers, and equipment used for the collection of fares.
Ride	A trip taken by passengers on the bus or rail system.
Ridership (Unlinked Passenger Trips)	Each passenger counted each time that person boards a vehicle.
Rolling Stock	Public transportation vehicles, including rail cars and buses.
Run	Rail or bus operator's assigned period(s) of work on a given day.

18 Glossary

SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). 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.
Scheduled Transit Operations (STO)	The scheduled transit operations classification includes bus operators, motormen, conductors, and customer assistants.
Senate Bill (SB) 572	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% sales tax in the six-county Chicagoland. The CTA would receive 48% of this new sales tax revenue. The bill also includes a 1% increase in the real estate transfer tax for the City of Chicago; 30% of these funds will be directed to the CTA. The state would also provide a 25% match on new revenues by the year 2010.
Senate Bill (SB) 1977	Illinois Senate Bill that stipulates that CTA must make annual contributions to the CTA Pension Fund to achieve a 90% funded ratio by the end of 2058 beginning January 1, 2009.
Service Board	CTA, Metra commuter rail, and Pace suburban bus system, as referred to by the Regional Transportation Authority Act
Slow Zone	Sections of track where trains must reduce speed in order to safely operate rail service.
Special Service	A transportation service, as defined by the FTA, specifically designed to serve the needs of persons who, by reason of disability, are unable to use mass transit systems designated for the use of the general public.
System Generated Revenue	Revenue generated internally by 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.
TEA–21	Federal transportation package which reauthorized the Federal Transit Program for the eight years from 1998 to 2005. Grants can pay up to 80% of a capital project, with the remaining 20% funded from local sources.
Top Operator Rate	The top hourly rate paid to CTA bus and rail operators, based on employee seniority within the job, as specified by the union contract.
Transit Benefit Program	Employer-administered program which allows employees to pay for transit fare media using pre-tax income.

18 Glossary

Trip	A one-way bus trip or a one-way train trip from origin to destination terminal.
Unlinked Passenger Trip	A single boarding of a transit vehicle. A single journey by one passenger, consisting of one or more unlinked trips is considered a linked trip.
Vehicle Revenue Hours	The hours that vehicles travel while in revenue service. Vehicle revenue hours include recovery time but exclude travel to and from storage facilities.
Vehicle Revenue Miles	Miles that vehicles travel while in revenue service. Vehicle revenue miles exclude travel to and from storage facilities.
Warranty and Credits	Reimbursement for repairs covered by manufacturers' warranty agreements.