

President's Report on CTA's Fares and Proposal for the FY2004 Budget



**PRESIDENT'S REPORT ON CTA'S FARES
AND PROPOSAL FOR THE FY2004 BUDGET**

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Chapter I. Executive Summary

The regional transit system is at a crossroads. The weak economy clearly has exacerbated CTA's financial challenges. More fundamentally, the public funding structure for the region has seriously eroded public funding to CTA.

The use of public funds to support transit is not disputed: transit is critical to the region's transportation system. The sales taxes used to support transit in the region are not uniform throughout the region, leading to imbalances in the operating and capital funds allocated to the region's transit agencies. These imbalances differ among Metra, Pace and CTA, however, they are all a result of the statutory formula allocation.

Current Financial Environment

CTA faces an immediate fiscal challenge in 2004, with additional budget shortfalls projected for 2005 and beyond. CTA's revenues reflect the state of the economy. The economic downturn has a doubly-negative effect on CTA revenues: less economic activity means less sales tax revenue, and the lower ridership that results from the downturn means less fare revenue.

- **Weak economic environment - high unemployment**

Businesses and government alike across the country are facing revenue shortfalls. As a result, businesses have been forced to lay off employees, cut expenses, and further streamline operations. The unemployment rate for the Chicago metropolitan area has averaged 6.8% for 2003, higher than the 4.2% unemployment average for 2000. The unemployment for the City of Chicago is even higher, averaging 7.9% for 2003, compared to 5.6% in 2000. But the flattening of the economy has also led to a 3.7% decline in the RTA tax receipts for the first half of 2003. This means that an economic downturn hits CTA twice: in the farebox and in lost sales tax revenue.

- **Lower ridership**

As employment declines, fewer people need CTA to get to work. Ridership is down by 2.6% or 7.8 million trips through August of 2003. This is the first drop in ridership in five years – a sign of the weak economy.

- **Lower System-Generated Revenues**

Nearly all of CTA's System-Generated Revenues (fares, concessions, advertising, investment income, etc.) reached a plateau in 2003, and some have begun to decline. Fifty-two percent of CTA's funding comes from System-Generated

Revenues, including the fare box. Fares revenues for 2003 are down by \$9.1 million, reducing CTA's ability to meet the RTA's recovery ratio requirement. CTA estimates System-Generated Revenues to be down 6.6%, or \$30.9 million from budget in 2003.

- **Declining Public Funding**

Per statutory allocation, the RTA projects to provide CTA \$441.6 million in 2004, 2005 and 2006. This is \$11.8 million or 2.6% lower than 2003 funding levels of \$453.5 million due to weak sales tax revenues. The lower amount of public funding will create even greater financial challenge for CTA. Compared to 1991, the public funding for 2004 is 11% higher, far below the 34% increase in inflation.

In addition, since 1998, CTA has lost \$160 million from the elimination of federal operating subsidies. In addition, CTA has also lost nearly \$174 million in reduced fare transportation reimbursement from the State of Illinois. Finally, the percentage of regional public funding that CTA has received over the past two decades declined, from 82% in 1975, to 68% in 1983, to 59% projected in 2004.

Cost Control Initiatives - New and Proposed

CTA has been able to avoid raising fares in recent years in large part due to cost containment efforts that have held growth in CTA expenses well below the rate of inflation. These include bold steps in the past six years to reduce costs through broad based operational efficiencies using the expertise of industry leaders. Since 1998, CTA has reduced expenses by over \$550 million dollars. In fact, CTA's expenses have grown by 16.4% since 1991, below the rate of inflation (34%) for the same period.

- **Administrative Cost Reductions and Efficiency Improvements**

CTA has steadily worked to reduce the cost of doing business, and to do more with less in a changing revenue environment.

Staff Position Reductions: CTA plans to eliminate 400 staff positions in 2004. The reduction amounts to 3% of CTA's workforce and is in addition to the 800 positions eliminated in 1997-1998. Combined, CTA will have eliminated 1,200 positions or 6% by 2005.

Healthcare Cost Reductions: Between 2001-2003, CTA saved \$4.1 million through a combination of PPO discounts, performance guarantees and prescription rebates. Additional savings are projected for 2004 as employees' contribution for health care increases.

Joint Procurement Partnerships: CTA has worked with government agencies in and throughout the region to reduce the cost of doing business. In 1998, CTA worked as part of the Municipal Alliance to reduce energy costs, saving \$2 million each year. These agencies have also partnered with the Civic Federation to further reduce prescription drug costs.

Hiring and Overtime Restrictions: In 2003, CTA significantly restricted hiring and overtime in order to mitigate declining System-Generated Revenues and ensure a balanced budget. This effort enabled CTA to save \$10 million in 2003.

Elimination of Vacation Buyback: Beginning in early 2003, CTA eliminated the option to “buy back” vacation, resulting in \$1.2 million annual savings.

Scheduling Efficiency: CTA utilized the expertise of Transportation Management & Design, Inc. (TMD) to improve Bus and Rail service scheduling efficiency. This has resulted in a more effective schedule that is also more convenient for CTA customers.

Enhanced Workforce Safety Initiatives: CTA partnered with DuPont, a leader in the safety industry, to help improve workplace safety. This program is expected to save CTA \$50 million over the next 5 years and assist in providing CTA customers and employees with a safer environment to ride and to work in.

Worker’s Compensation and Family Medical Leave Act (FMLA) Management: In 2002, CTA partnered with a private firm specializing in managing Worker’s Compensation and FMLA management to manage claims using the latest technology. With improved claim tracking and reporting, CTA has been able to reduce expenses and employees’ lost time.

Improved Financial Systems: CTA has partnered with IBM to implement an Enterprise Resource Planning (ERP) system. This system will integrate financial, purchasing, and human resources data systems and allow CTA to better allocate and manage resources. In addition, CTA will implement an enhanced Time and Attendance system beginning in 2004 to assist in controlling costs.

Maintenance Management Information System (MIMS) In 2004, CTA will continue implementation of a comprehensive rail and bus vehicle maintenance system that will improve CTA’s ability to track maintenance scheduling and resources, saving costs and improving efficiencies.

- **Non-Fare Revenue Increase**

Since 1998, CTA has generated a total of \$92 million in non-fares revenues. Most of these non-fare revenues have come from Leveraged Lease Transactions involving CTA’s rail infrastructure and buses. The remaining revenue has been derived from the sales of surplus assets.

Leveraged Lease Transactions: CTA has become an industry leader in Leveraged Lease Transactions. CTA is the first and only transit agency to execute a rail line lease transaction. Between 1998 and 2003, CTA has generated over \$38.7 million from these transactions.

Surplus Property Sales: Sales of surplus property since 1997 have netted CTA \$33 million in additional revenue. Two examples of such transactions include the 2001 sale of a former bus garage site, netting \$14.7 million, and the 2003 sale of the South Jefferson and Clinton parking lots that generated \$4.1 million.

Balanced Budget Options

The CTA faces difficult choices in balancing its 2004 budget gap. The choices include cutting service, increasing public funding, increasing fares or a combination thereof.

- **Service Reduction**

An alternative to a fare increase to close the financial gap is to cut staffing levels by 500 positions in addition to the 400 positions previously eliminated. Service cuts will reduce service, a decision that will negatively impact ridership.

A \$30 million service cut to balance the 2004 budget will be approximately 4.4% of CTA's 2004 expenses for labor. To achieve this level of cost reduction, a combination of service curtailments is required:

- Eliminating whole bus routes and closing some rail stations
- Eliminating outer segments of bus routes and rail service
- Eliminating owl service and weekend service on bus and rail routes
- Increasing time interval between buses and trains

For comparison, the 1997-1998 Service Restructuring Proposal developed by Booz-Allen and Hamilton, Inc. provided savings to CTA of \$24.8 million. The proposal eliminated about 10% of CTA's service. The service reductions impacted 78% or 105 of the 134 bus routes at the time, including reduced hours of service on 66 bus routes. Owl, Saturday and Sunday bus service was reduced as well as 'L' service on the Green, Purple and Blue - Cermak (Douglas) lines to reduce off-peak hours of service. Many of the services eliminated in 1997-1998 were duplicative—a situation that no longer exists. A similar scale of service reductions applied in 2004 would move the CTA toward the dangerous downward cycle of service cuts, fare increases and ridership decline.

- **Increased public funding**

CTA could seek to cover the budget shortfall with an increase in public funding. Although CTA believes that public transit is an important regional and State responsibility, pursuing additional public funding right now, when State and local governments are facing their own budget problems, is not realistic.

- **Fare Increase**

CTA has explored fare increase scenarios that could result in up to \$50 million in additional revenue. CTA has chosen to consider at this time only increases that will meet projected FY 2004 budget needs while maintaining current service levels. The \$30 million gap can be closed with a limited fare increase.

Recommendation

Since 1998, customers have noticed service quality improvements such as cleaner rail stations, newer buses, extended service hours on rail, and more bus routes with air conditioning. To maintain the momentum of these customer-focused service improvements, the President's proposed budget includes a limited fare increase in 2004 (Table 1). This proposal eliminates a budget shortfall of \$30 million remaining after cost reductions are implemented and allows CTA to maintain current service levels. Specifically, the recommended new fare structure includes:

- ❑ No change in pass prices: 1, 3, 5, 7 and 30-day Passes
- ❑ Base Fare increases to \$1.75 (17%)
- ❑ Transfer Price decreases to \$0.25 cents (-17%)
- ❑ Express bus surcharges of \$0.25 is discontinued
- ❑ 10% bonus is discontinued for Transit Card, but retained for Chicago Card

The proposed fare structure for 2004 meets CTA's projected revenue needs, while minimizing loss of ridership and maintaining the agency's focus on improved service. It also offers flexibility through fare options tailored to different market segments with the following principles:

Rewarding CTA's most loyal customers: CTA passes, at their unchanged-since-1998 prices, will encourage customers to use CTA during the off-peak hours.

Lower transfer cost differentials: Transferring customers will now pay \$0.25 for a transfer, rather than \$0.30. The total cost of a base fare plus transfer will rise \$0.20, from \$1.80 to \$2.00.

Leveraging off-peak capacity: Holding the line on pass prices leads to an increase in discretionary travel (i.e., weekend and off-peak trips to shopping, entertainment, etc.) because there is no additional charge to the customer for each trip made.

Encouraging pre-purchased fare media: CTA will promote broader distribution of its fast, convenient Chicago Card. This will help speed bus boarding and reduce delays at bus stops and rail station turnstiles.

Impact on Ridership: Because pass prices will not change, many CTA customers will not be impacted. The fare changes are designed to provide incentives for customers to use CTA more. The expected impacts of the fare changes are as follows:

- Current pass users, about 23% of CTA's customers, will see no increase.
- 24% of customers would face an increase of \$0.20 (or 11%).
- About 40% of CTA customers would see an increase of \$0.25 (17%).
- The remaining 13% would see an increase of \$0.10 (12%).

Table 1: CTA Proposed 2004 Fare Structure

Single Ride Fares/Passes	Current	Last Changed (Introduced)	Recommended for FY2004	Percent Change
Cash	\$1.50	1991	\$1.75	17%
Full Fare Transit Card	\$1.50	(1997)	\$1.75	17%
Transit Card Bonus	10%	(1997)	0%	Discontinued
Full Fare Chicago Card ¹	\$1.50	(2002)	\$1.75	17%
Chicago Card Bonus ¹	10%	(2002)	10%	Unchanged
Transfer ²	\$0.30	1995	\$0.25	-17%
Paratransit / TAP / Mobility Direct	\$1.50	1991	\$1.75	17%
1-Day Pass	\$5.00	(1998)	\$5.00	Unchanged
2-Day Visitor Pass	\$9.00	(1998)	\$9.00	Unchanged
3-Day Visitor Pass	\$12.00	(1998)	\$12.00	Unchanged
5-Day Visitor Pass	\$18.00	(1998)	\$18.00	Unchanged
Full Fare 7-Day Pass	\$20.00	(1998)	\$20.00	Unchanged
Full Fare 30-Day Pass	\$75.00	1998	\$75.00	Unchanged

Reduced Single Ride Fares/Passes	Current	Last Changed (Introduced)	Recommended for FY2004	Percent Change
Cash	\$0.75	1991	\$0.85	13%
Reduced Fare Transit Card	\$0.75	(1997)	\$0.85	13%
Reduced Fare Chicago Card	\$0.75	(1997)	\$0.85	13%
Transfer ²	\$0.15	1991	\$0.15	Unchanged
Reduced Fare 30-Day Pass	\$35.00	1998	\$35.00	Unchanged

¹ For every \$10 purchase, \$11 of value is added to the card.

² Allows two additional rides within two hours of issue. Transfers will only be valid for travel in the same direction.

Chapter II. CTA Past Practices, Recent Improvements and the Projected FY2004 Budget Gap

Over the past six years, CTA has worked hard to stabilize its finances, increase ridership and rebuild its transit system. At the same time, CTA has expanded bus service to better serve areas where customers want to go, reopened closed rail stations and increased train frequency. To improve service quality for its customers, CTA has embarked on a major renovation of its aging infrastructure, with the goal of bringing it to a state of good repair. The CTA's entire system and service area have benefited from these improvements.

The CTA now faces an immediate financial challenge. Like other transit systems, governmental bodies and businesses around the country, the economic downturn has reduced revenues while expenses have continued to grow. In addition, the level of public funding to CTA continues to decrease. The CTA has built on earlier cost control initiatives by significantly tightening its belt and controlling operating costs, while increasing service levels and improving service quality to its customers. In 2004, CTA needs additional revenues and public funding to build on recent successes and maintain the momentum of improved service and to close the operating budget shortfall.

This is the longest period in CTA history without a fare increase. The CTA is now proposing a modest increase that will minimize the impact on ridership, but still provide enough revenue to address CTA's immediate needs. Although the base fare will increase, pass prices will remain unchanged. While this fare increase will help address the CTA's current budget deficit, longer term, more fundamental changes must be made to the regional funding structure to ensure that transit funding is properly aligned to meet the service needs of the region.

While asking customers to pay more for service is never easy, CTA believes that an increase in the base fare is justified for the following reasons:

Improving Service: CTA has significantly expanded and improved service over the past six years without asking for a fare increase. Even with these improvements, continuing to increase service levels would make CTA a more attractive travel choice.

Renewing and Expanding Infrastructure: CTA is overhauling major portions of its rail network and renewing its bus and rail fleet to improve the quality of service delivery.

Containing Costs and Increasing Revenues: CTA has aggressively worked to contain costs and increase efficiency by streamlining operations, implementing cost control initiatives and identifying innovative opportunities to increase revenues. For

comparison, the Consumer Price Index (CPI) has increased 34.1% since CTA last increased its base fare in 1991.³

Sustaining the Momentum: Without a base fare increase, CTA will need to reduce service, which threatens to return CTA to the downward spiral of decreasing ridership and service levels.

The CTA has to make tough choices for FY 2004. A fare increase is nearly the last resort, while service cuts are the last resort. The decision to increase fares by \$0.25 is based on careful consideration and analysis of alternatives to close the budget gap of \$30 million, which threatens the CTA's recent gains in service. The CTA has avoided increasing fares in recent years only due to diligent efforts to contain costs and increase revenue. But carefully managing costs year by year cannot solve the longer term funding challenge facing the region's transit systems. Today, this region stands at a crossroads regarding the quality of transit service required to keep the region economically competitive and with that, the level of public funding to support the entire region. Investing in and building on the current infrastructure will provide the best results in regional efforts to reduce traffic congestion.

Improving Service - Putting the Customer First

Before 1997, CTA was in a downward spiral, plagued by poor quality service, declining ridership and low customer satisfaction. Since 1997, CTA has transformed itself into a system dedicated to offering quality and efficient service, which has resulted in increased ridership. This dramatic change occurred as a result of a renewed focus on customer satisfaction, and implementing innovative ways to reduce costs, increase revenues, and enhance service. These efforts have enabled CTA to focus on its core business of providing quality transit services, balance its budget, and meet the financial requirements of the Regional Transportation Authority (RTA) Act.

Beginning with a comprehensive service review in 1996, CTA made the difficult, but necessary, decision to cut service. It then realigned its remaining routes to better provide service to customers that are on-time, clean, safe and friendly. These decisions set the stage for the ridership improvements of the last 5 years. CTA also adopted new Service Standards in 2001 as the basis for future service adjustments. Internally, CTA streamlined its operations, reducing costs by \$62.5 million annually. In addition, CTA began investing in new buses, 'L' cars maintenance and infrastructure improvements to reduce delays, improve safety throughout the system, and provide high quality transit services in the region. Every year since 1997, CTA's ridership has grown in response to these improvements in reliability and service expansion.

Since 1998, CTA has increased service substantially to attract new customers and encourage existing customers to ride transit more often. Bus revenue miles have increased 5% and rail revenue miles have increased 23% over the last six years. CTA

³ Bureau of Labor Statistics, Chicago-Gary-Kenosha, CPI-U Not Seasonally Adjusted, 1991-2003 YTD.

has made service improvements on two-thirds of its bus routes and on all of its seven rail routes. These improvements have fallen into five categories:

Creating New Bus Routes for Underserved Markets: To better serve customer travel patterns, CTA recently reconfigured its bus network in several areas including north and south Lake Shore corridors, Rogers Park, Evanston and Skokie. The Lake Shore changes in 2003 were the most ambitious restructuring effort in decades, adding new express routes and service both during the peak and off-peak hours. CTA has initiated limited-stop express service along key transit corridors. In several cases, CTA has introduced new services by pursuing innovative partnerships with businesses and institutions. Examples include shuttle routes to and around the University of Chicago and to the UPS Hodgkins facility. Figure 1 illustrates new bus routes added since 1997 (see also Table 2).

Adding Service on Existing Bus Routes: CTA has increased frequency and/or extended service hours on bus routes system wide, including express bus service on major arteries including Garfield X55, Western Express X49 and the Cermak Express X21. Extensive service changes are shown in Table 3, Table 4, Table 5 and Figure 2.

Adding Service on 'L' Lines and Reopening Stations: Over the past six years, CTA has improved service frequency and/or extended hours of operation on the 'L' to reduce overcrowding and facilitate off-peak travel (see Table 6). For example, Orange Line service hours have been expanded during the early morning to better serve Midway Airport, Purple Line express trains have been added during the peak rush hour period, and Brown Line trains now extend to the Loop during the late evening and on Sundays. A complete list of rail service improvements can be found in Table 7 (see also Figure 3).

To serve redeveloping areas, CTA has reopened rail stations and station entrances that had been abandoned or partially closed during operating hours. Examples include the Blue Line Grand station, which had been shut down during earlier service cuts, as well as Red and Green Line stations that had been closed on nights and weekends. A list of reopened stations can be found in Table 6. In addition, a new pedestrian tunnel at Roosevelt Road facilitates transfers between the Orange, Green, and Red Lines.

Improving Station Facilities: CTA has rebuilt and renovated stations throughout the 'L' system (see Figure 4). All rebuilt and renovated stations are now accessible to people with disabilities, increasing the percent of the system that is accessible from 34% in 1999 to 45% in 2003 with the addition of 15 new accessible stations. As of mid-2003, 66 out of 147 stations are now accessible to people with disabilities. This increased accessibility improves the travel experience for all of CTA's customers. Stations with improved access are shown in Table 9 and Figure 5.

Increasing Accessibility: CTA has upgraded 89% (132 out of 149) of its bus routes to be fully accessible. Customers in wheelchairs or with other mobility-limitations can now ride CTA buses almost everywhere within the CTA service area, as indicated in Table 8 and Figure 6. CTA has also maintained a "zero-tolerance" policy for ADA-accessible buses – lifts and ramps must be working before a bus is allowed into service.

Service Quality and Efficiency Improvements

Through internal and external surveys and data collection, CTA has been able to document improved service performance in a number of key areas. For example:

On-time performance has improved. Since 1998, CTA bus on-time performance has grown from 89.1% to 91.2%. The rail division on-time performance has also improved from an average of 96.7% in 1999 to 97.3% in 2002.

Operator and vehicle availability has improved: The number of bus runs completed rather than being cancelled due to employee absence or equipment problems improved from 98.9% in 1998 to 99.7% through the first eight months of 2003. The number of cancelled rail runs declined 52% between 1998 and 2002, from 374 in 1998 to 179 in 2002.

Fleet reliability has improved: The average mileage between bus service calls improved 27% between 1998 and 2002, from an average of 3,773 miles in 1998 to 4,809 miles in 2002. The mean distance between reported rail car defects improved from 1,669 in 1999 to 3,331 or 99% in 2002.

Service miles have increased: The number of bus service miles will increase 2.0% from 66.6 million miles in 2001 to 67.9 million miles in 2004. The number of rail miles covered will increase 11%, from 58.9 million rail miles in 2001 to 65.6 million miles forecasted for 2003 and 2004.

More buses on the street: Over the past six years, CTA has reduced its spare ratios and added 159 more buses and 122 more rail cars during peak hours as a result of better fleet management. The effective use of capital equipment has also enabled the addition of significant off-peak service. For example, on Saturdays, CTA has added 16 more buses into daily service, providing greater convenience to customers throughout the week.

Figure 1: New CTA Bus Routes Since 1997

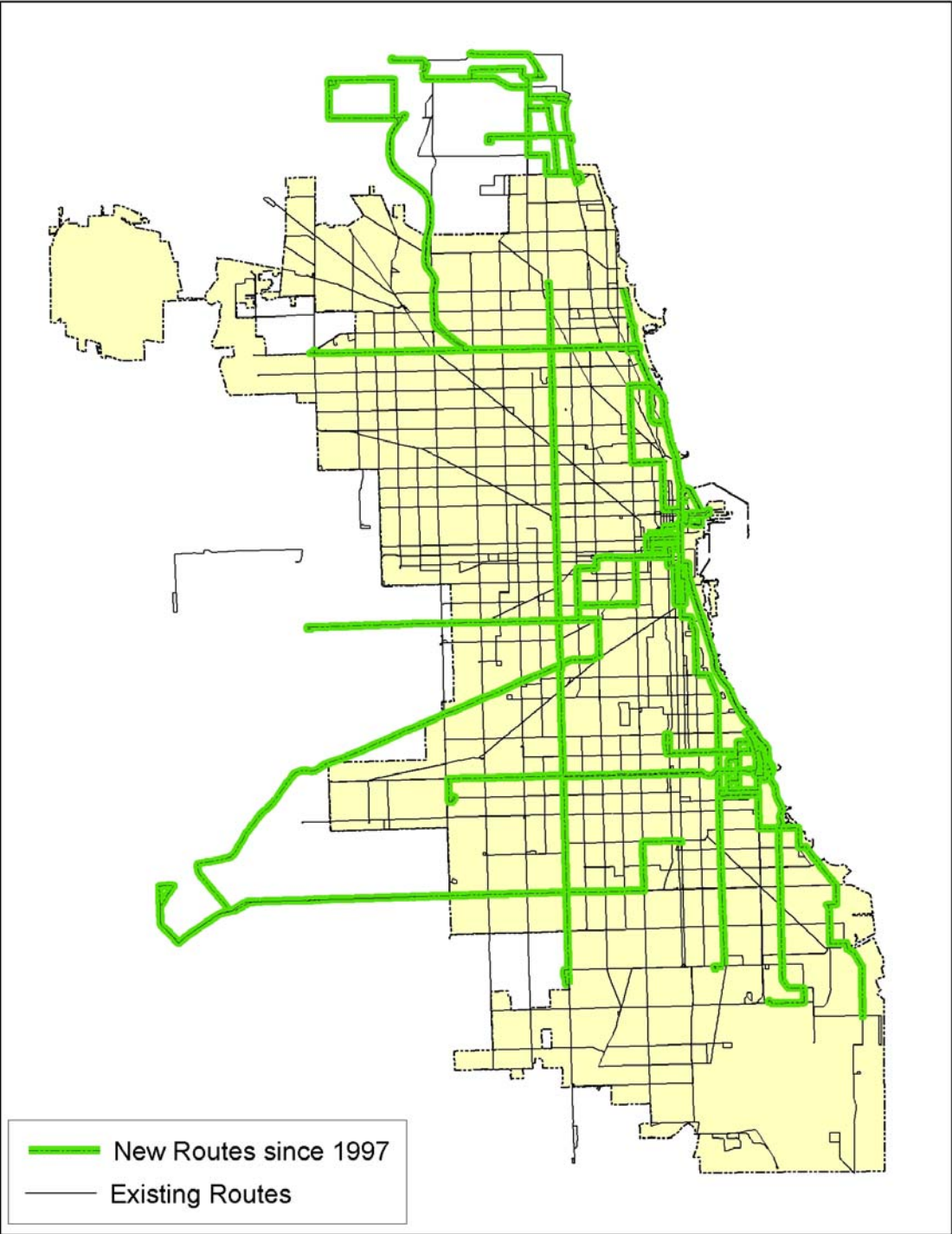


Table 2: New Bus Routes

X4	Cottage Grove Express	144	Marine/Michigan Express
15	Jeffery Local	168	UIC/Pilsen Express
X21	Cermak Express	169	69th/UPS Express
26	South Shore Express	170	U Of Chicago – Midway
X49	Western Express	171	U Of Chicago - Hyde Park
X55	Garfield Express	172	U Of Chicago – Kenwood
X80	Irving Park Express	173	U Of Chicago - Lake View
X98	Avon Express	200	Main Shuttle
124	Navy Pier Express	205	Chicago/Golf
134	Stockton/LaSalle Express	206	Evanston Circulator
143	Stockton/Michigan Express		

Table 3. Routes extended or rerouted to serve new areas

4	Cottage Grove*	72	North*
6	Jackson Park Express	77	Belmont
11	Lincoln	78	Montrose*
18	16th/18 th	79	79th*
X21	Cermak Express	X80	Irving Park Express
28	Stony Island Express	82	Kimball/Homan*
34	South Michigan*	93	North California
54B	South Cicero*	96	Lunt
63	63rd*	129	West Loop/South Loop
71	71st/South Shore	201	Central/Ridge

(* denotes selected trips only or seasonal extensions)

Table 4: Bus Routes or portions of routes with improved frequency and/or added trips

2	Hyde Park Express	72	North
3	King Dr	74	Fullerton
4	Cottage Grove	77	Belmont
6	Jackson Park Express	79	79 th
8A	South Halsted	X80	Irving Park Express
10	Museum Of Science & Industry	81	Lawrence
12	Roosevelt	82	Kimball/Homan
14	Jeffery Express	92	Foster
20	Madison	103	West 103 rd
21	Cermak	119	Michigan/119 th
22	Clark	122	Illinois Center/NW Express
30	South Chicago	123	Illinois Center/Union Express
34	South Michigan	125	Water Tower Express
49	Western	126	Jackson
52A	South Kedzie	129	West Loop/South Loop
53	Pulaski	135	Clarendon/LaSalle Express
53A	South Pulaski	136	Sheridan/LaSalle Express
54B	South Cicero	145	Wilson/Michigan Express
57	Laramie	146	Inner Drive/Michigan Express
60	Blue Island/26 th	147	Outer Drive Express
63	63 rd	151	Sheridan
66	Chicago	156	LaSalle
70	Division		

Table 5: Routes or portions of routes with extended hours and/or new service on weekends.

2	Hyde Park Express	77	Belmont
6	Jackson Park Express	85	Central
11	Lincoln	87	87 th
14	Jeffery Express	90	Harlem
21	Cermak	92	Foster
X21	Cermak Express	100	Jeffery Manor Express
36	Broadway	111	Pullman/111 th /115 th
49B	North Western	122	Illinois Center/NW Express
54A	North Cicero/Skokie Blvd	123	Illinois Center/Union Express
55	Garfield	124	Navy Pier
56	Milwaukee	135	Clarendon/LaSalle Express
60	Blue Island/26 th	136	Sheridan/LaSalle Express
62	Archer	147	Outer Drive Express
66	Chicago	155	Devon
71	71 st /South Shore	156	LaSalle
74	Fullerton		

Figure 2: CTA Bus Route Improvements Since 1997

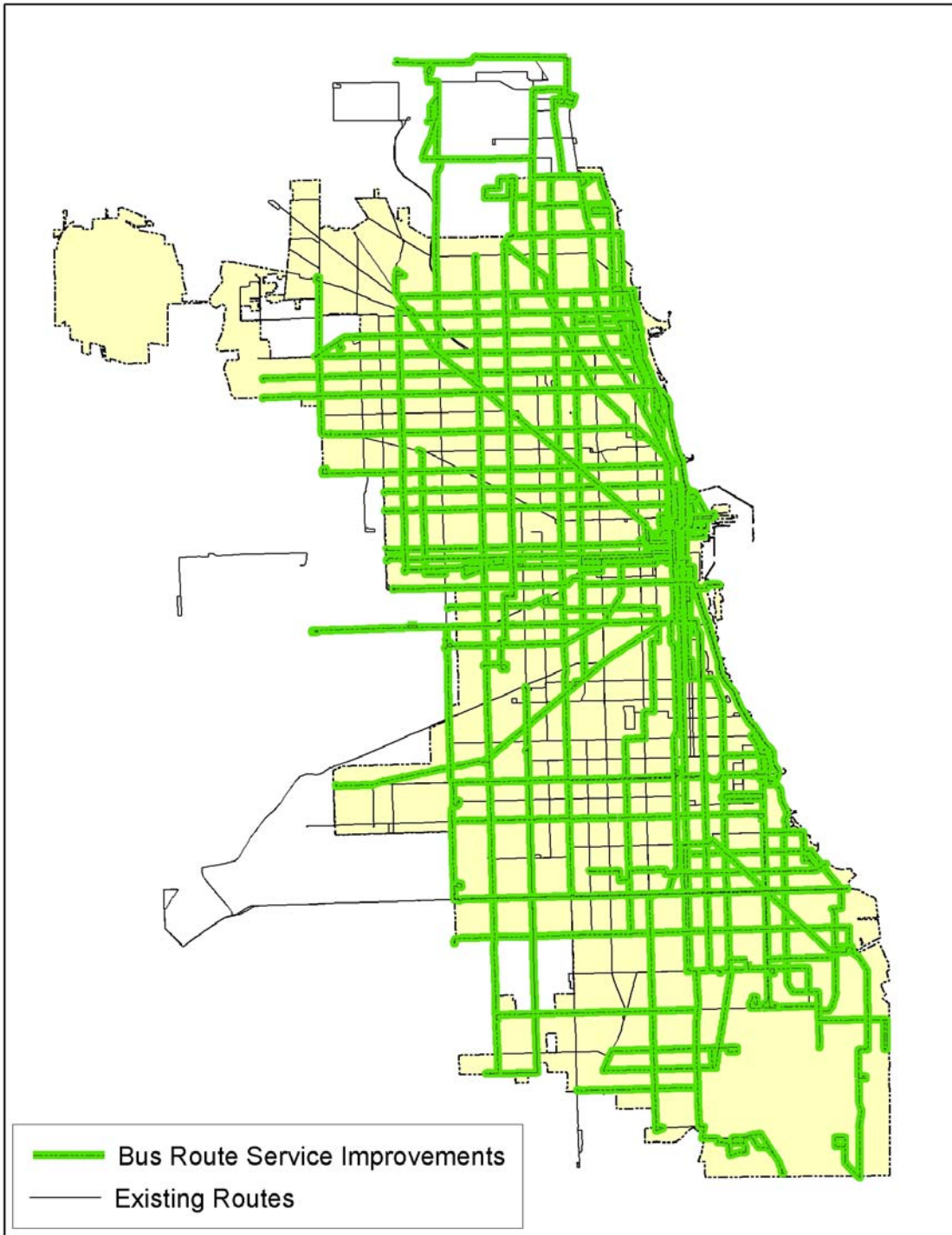


Table 6: New Rail Stations, Station Reopenings and Extended Hours, 1999-2003

Year	Line	Station	Description
1999	Blue	Grand	Previously closed station reopened
2000	Red	Harrison	Extended to 24 hour operation
2000	Blue	Chicago LaSalle / Congress Washington / Wells	Extended to 24 hour operation
2000	Loop	LaSalle / Van Buren Madison / Wabash	Reopened Sundays and holidays
2001	Green	Pulaski	New station opened
2001	Green	Conservatory	New station opened

Table 7: Rail Service Improvements 1998-2003

Date	Line	Description
December 1998	Brown	Weeknight service extended until midnight south of Belmont.
June 1999	Red, Orange	Rush hour service improvements
July 2000	Brown	Sunday service added south of Belmont. Saturday service south of Belmont extended to midnight.
January 2000	Red, Green, Blue	Rush hour service improvements
October 2001	Orange	Weekend daytime headways reduced from 15 to 10 minutes.
December 2001	Blue	Midday headways reduced from 10 to 7.5 minutes.
December 2001	Brown	Midday headways reduced from 12 to 10 minutes.
December 2001	Yellow	Midday headways reduced from 15 to 12 minutes, evening headways reduced from 20 to 15 minutes.
December 2001	Red	Midday headways reduced from 10 to 7.5 minutes. Rush hour service increased.
January 2002	Orange	Service hours extended: 1.5 hours later, 40 minutes earlier on weekdays and Saturdays, 1.5 hours earlier on Sundays
January 2002	Orange	Midday headways reduced from 12 to 10 minutes.
July 2002	Green	Rush hour service expanded to six cars on all trains.
September 2002	Brown	Midday headways reduced from 10 to 7.5 minutes.
July 2003	Red	Saturday headways reduced from 7.5 to 6 minutes.
July 2003	Purple	Weekend service starts 30 minutes earlier.
July 2003	Blue	Midday service reduced from 7.5 to 6 minutes.

Figure 3: CTA Rail System Service Improvements Since 1997

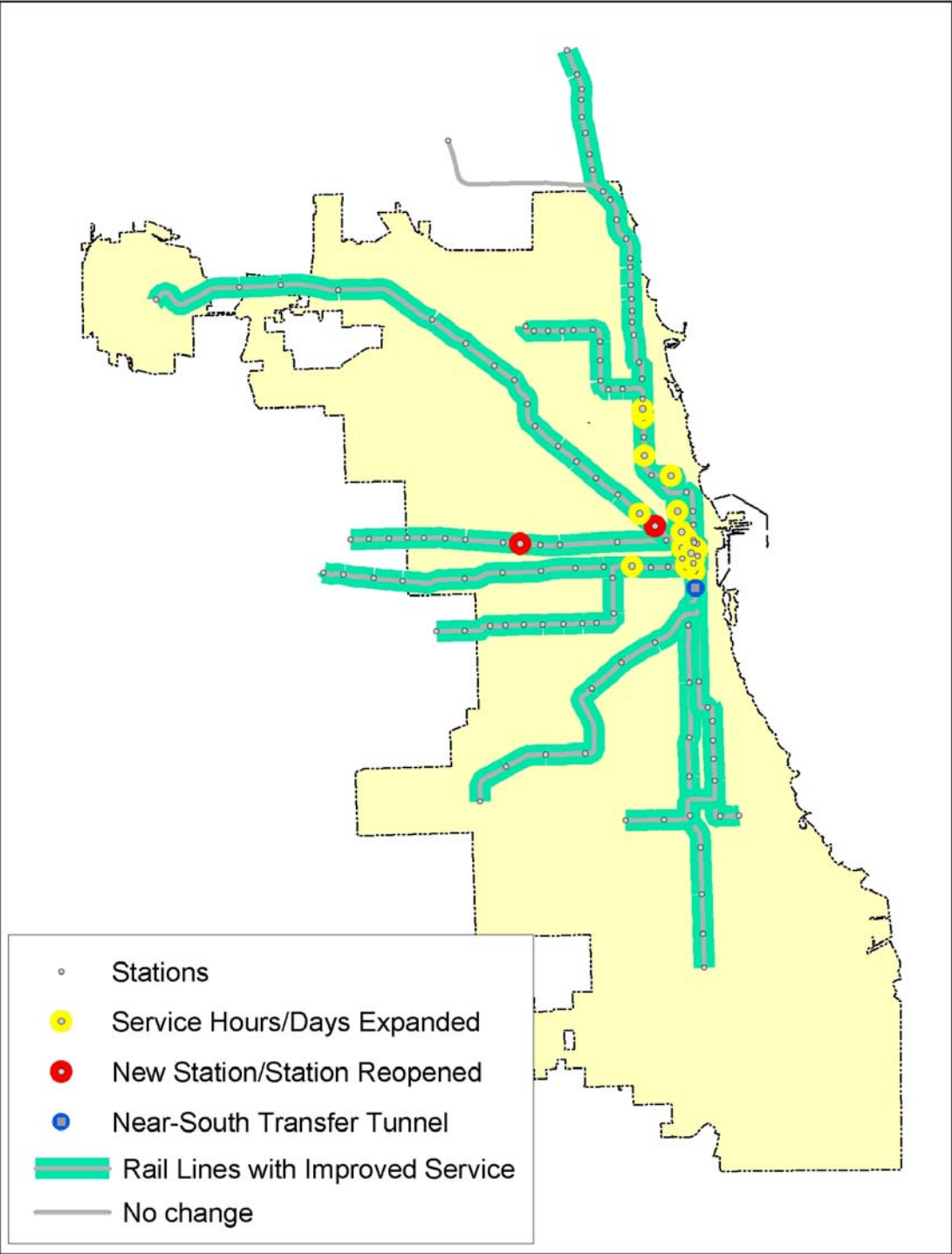


Figure 4: Recent Station Improvements

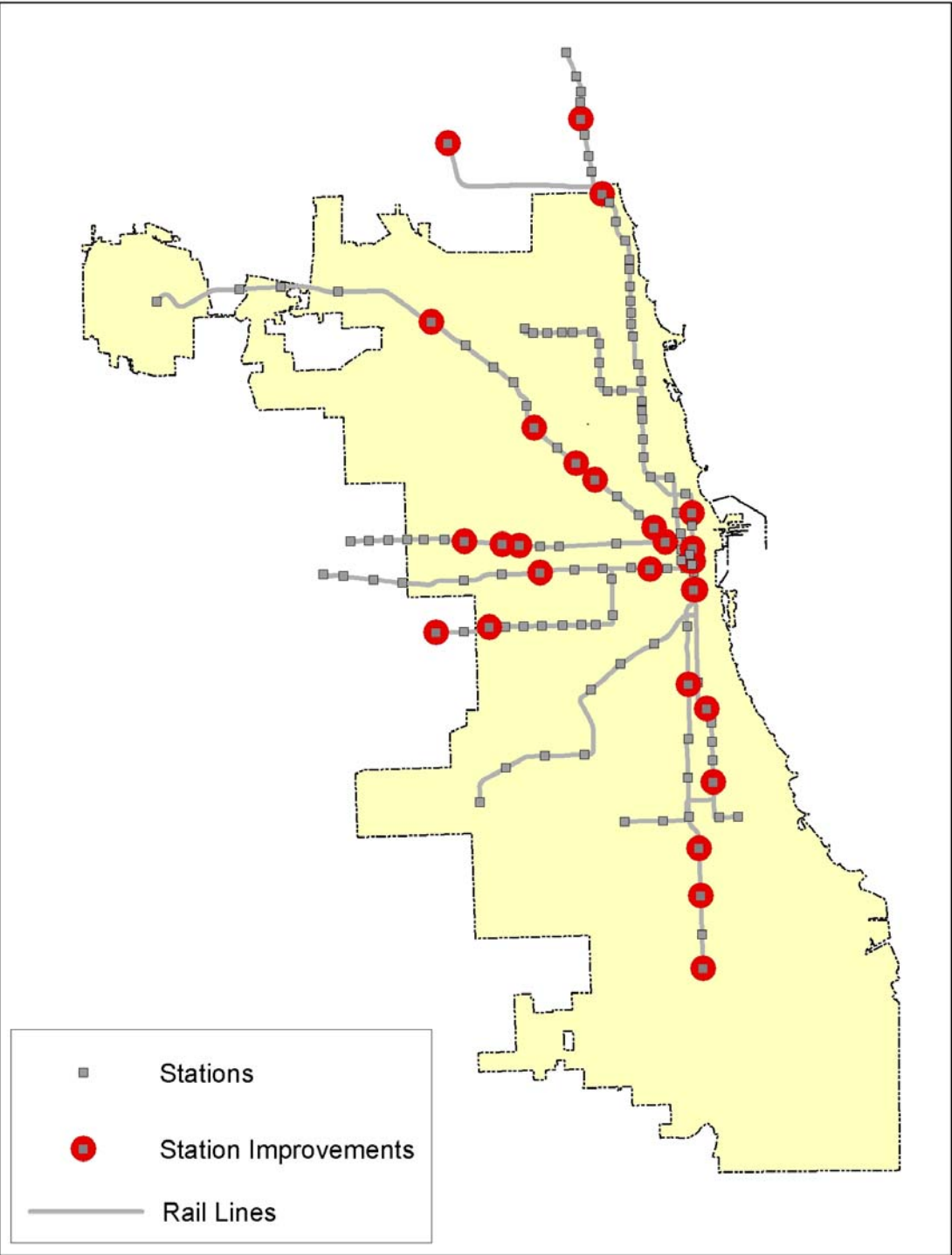


Table 8: Bus Routes That Have Become Fully Accessible Since 1997

2	Hyde Park Express	X80	Irving Park Express
X4	Cottage Grove Express	81W	West Lawrence
6	Jackson Park Express	82	Kimball/Homan
15	Jeffery Local	85A	North Central
17	Westchester	91	Austin
X21	Cermak Express	93	North California
24	Wentworth	94	South California
25	West Cermak	96	Lunt
26	South Shore Express	X98	Avon Express
30	South Chicago	100	Jeffery Manor Express
33	Magnificent Mile Express	103	West 103th
36	Broadway	108	Halsted/95th
43	43rd	112	Vincennes/111th
44	Wallace/Racine	124	Navy Pier
48	South Damen	126	Jackson
X49	Western Express	127	Northwestern/Madison
50	Damen	129	West Loop/South Loop
54A	North Cicero/Skokie Blvd	134	Stockton/LaSalle Express
55N	55th/Narragansett	136	Sheridan/LaSalle Express
X55	Garfield Express	143	Stockton/Michigan Express
57	Laramie	144	Marine/Michigan Express
59	59th/61 st	147	Outer Drive Express
63W	West 63 rd	152	Addison
65	Grand	157	Streeterville
68	Northwest Hwy	165	West 65th
69	Cumberland/East River	168	UIC/Pilsen Express
71	71st/South Shore	200	Main Shuttle
73	Armitage	205	Chicago/Golf
75	74th/75th	206	Evanston Circulator

Table 9: Rail Station Access Improvements, 1999-2003

Year	Line	Station	Description
1999	Blue	Medical Center	ADA accessibility
1999	Green	35 th -Bronzeville-IIT	Open 34 th Street exit as entrance
2000	Red	Jackson-Van Buren	Reconstructed mezzanine, ADA accessibility
2001	Red	Chicago	Capacity expansion, ADA accessibility
2001	Red	Sox 35	ADA accessibility
2001	Red	95 th	ADA accessibility
2001	Blue	Jefferson Park	ADA accessibility
2001	Blue	Western/O'Hare	Reconstructed station, ADA accessibility, new HBG entrance
2001	Blue	UIC-Halsted	ADA accessibility
2001	Blue	Kedzie-Homan	ADA accessibility
2001	Green	Pulaski	Reconstructed station, ADA accessibility
2001	Green	Conservatory	New station
2001	Green	Indiana	Reconstructed station, ADA accessibility
2001	Green	Garfield	Reconstructed station, ADA accessibility
2002	Red, Green, Orange	Roosevelt Transfer Tunnel	New system connection
2003	Blue	Kostner	Reconstructed station, ADA accessibility
2003	Blue	54th	Reconstructed station, ADA accessibility

Figure 5: Newly Accessible Rail Stations Since 1997

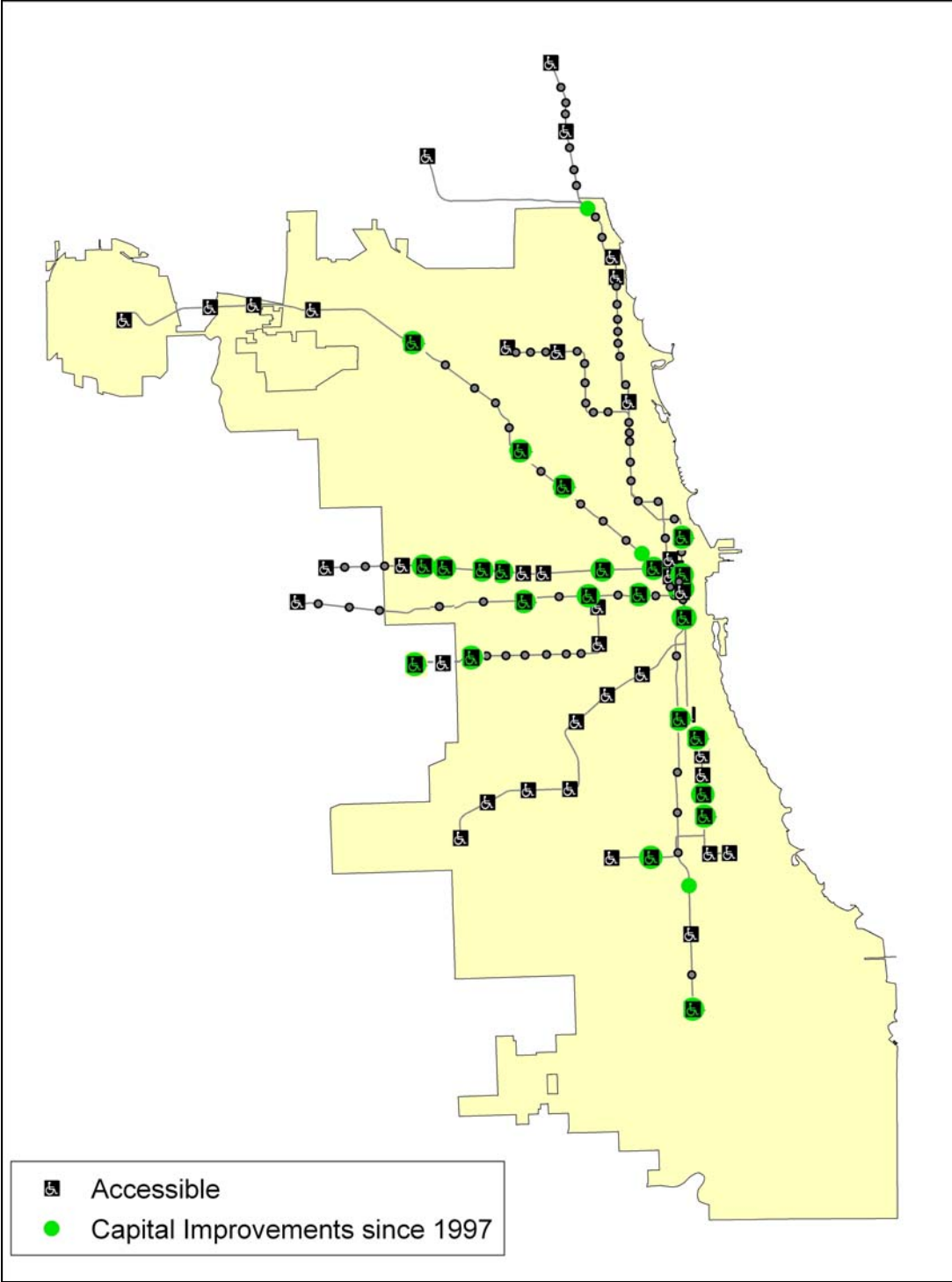
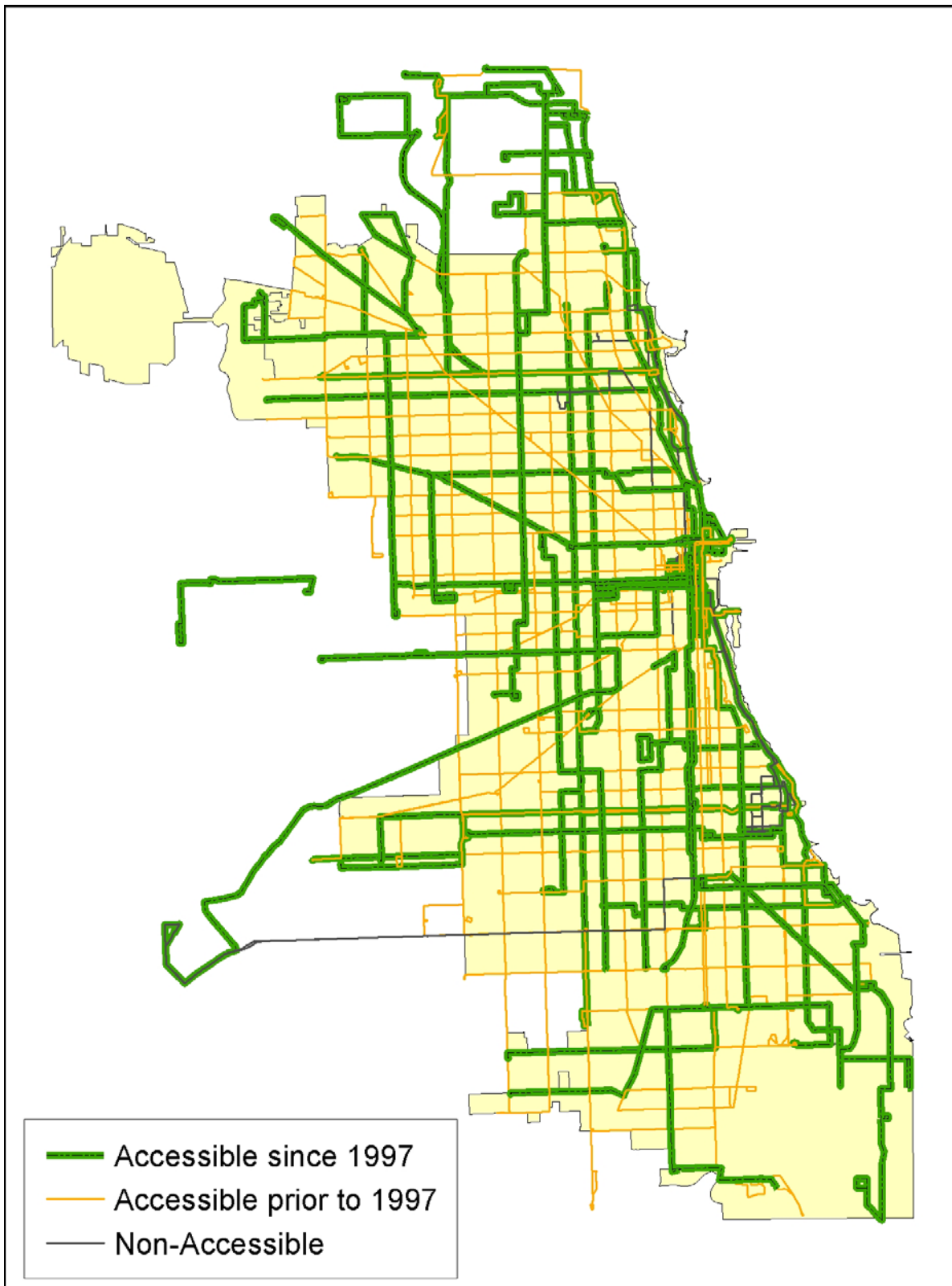


Figure 6: Newly Accessible CTA Bus Routes Since 1997



Customer Satisfaction Gains

CTA customers have clearly acknowledged CTA's service initiatives and infrastructure improvements. Significant gains in customer satisfaction and loyalty have been recorded through an independent Customer Satisfaction Survey conducted biannually. The 2003 survey is about to get underway. Highlights of the 2001 survey include:

Customer satisfaction growth: Between 1995 and 2001, the growth in "Very Satisfied" customers nearly doubled, from 22% in 1995 to 43% in 2001 (see appendix). The mean score of satisfaction among all customers grew from 3.7 in 1995 to 4.2 in 2001 (on a 5-point scale, where 5 = Very Satisfied). Significantly, over the same period, the percentage of customers who reported being very dissatisfied shrank from 5% in 1995 to 2% in 2001.

CTA's growth as a customer-oriented operation: Surveys show that the percentage of customers who feel CTA is becoming more customer-oriented grew from 36% in 1995 to 61% in 2001.

Some of this improvement in customer satisfaction ratings is attributed to more customer-oriented initiatives such as U-Pass, cameras on buses, automated announcements, graffiti removal, and Bike and Ride. Other customer improvements include the Chicago Card, expanded accessible service and customer service training.

Renewing and Expanding Infrastructure

A key component of CTA's service strategy is its capital improvement program. With the support of Mayor Daley and the Illinois FIRST initiative - the Fund for Infrastructure, Roads, Schools and Transit - CTA has had the financial support to upgrade its buses and rail cars and to replace aging infrastructure; some facilities are 100 years old. Sustained growth in the capital program will ensure that CTA remains a viable and growing transportation option for the Chicago region, rather than one that becomes increasingly obsolete and run down.

Over 30 combined projects comprise CTA's 2004-2008 capital program. Of the \$2.95 billion allocated for 2004-2008, \$211.8 million (7.2%) is allocated to bus system projects, \$2.03 billion (69%) to rail system projects, and \$710.9 million (24%) to system-wide projects. Rail system projects are allocated a significantly larger proportion of CTA's capital program funding due to the need to maintain the right of way; CTA buses operate on streets maintained by others.

CTA's capital program has also been critical to the operating budget. Improving the quality of rail infrastructure allows trains to operate faster and more efficiently. Efficient train operations result in increased ridership and revenues, as well as lower operating and maintenance costs. Equally, newer buses lead to greater reliability, lower

maintenance costs, and enhanced customer satisfaction, which also results in increased mean distance between failure, increased ridership and increased revenues.

Blue Line Douglas Branch Reconstruction

Perhaps the greatest example of CTA's commitment to rebuilding its infrastructure is the reconstruction of the Blue Line - Cermak (Douglas) Branch. Under the Full Funding Grant Agreement reached with the Federal Transit Administration on January 19, 2001, the federal government agreed to pay \$383.8 million of the project's total cost of \$482.7 million. The remaining \$98.9 million in non-federal funding came from the Illinois Department of Transportation and the RTA to complete the project. This project broke ground on September 10, 2001 and is scheduled for completion on January 31, 2005.

Brown Line Capacity Expansion

In 2003, CTA completed pre-construction activities for the Brown Line Capacity Expansion project. The project, which is scheduled for completion in 2008, will expand service capacity on the fastest growing rail line in CTA's system. The Brown Line was developed in the late nineteenth century and the stations are now too small to accommodate ridership growth on the line. Included in the capacity expansion project are lengthening of station platforms to allow for eight-car trains, platform enhancements to meet accessibility requirements of the Americans with Disabilities Act (ADA), upgraded power, signal and communication equipment, and the elimination of slow zones.

Bus Replacement and Maintenance

CTA's commitment to provide quality and affordable transit service to its customers is exemplified by new, air conditioned, and fully accessible buses. Since 2001, CTA has purchased 498 new buses through its capital improvement program. In 2003, the portion of new buses in CTA's fleet is 26%, a sizeable portion of CTA's 1,951 fleet. Through the new bus purchases in the past two years, the average age of the fleet has improved 22%, dropping from an average age of 9.1 years in 2000 to 7.1 years in 2003. Additionally, the delivery of the first of 226 North American Bus Industries (NABI) articulated buses began this summer and will continue in 2004.

In the last five years, CTA has made significant progress towards its goal of having its entire bus fleet air-conditioned and fully ADA accessible. In the next five years, CTA plans to spend over \$147 million on additional purchases of new low floor fully accessible air-conditioned buses. These new buses will be equipped with Automated Voice Annunciation (AVA) systems and electronic displays that will assist customers with information including upcoming stops. Replacing this outdated equipment will increase the comfort for thousands of CTA customers.

The bus preventive maintenance program continues to improve service through scheduled replacement of major mechanical components subject to extensive wear.

With fewer road calls and fewer buses taken out of service due to mechanical problems, CTA bus service is more reliable. As with rail cars, CTA plans to spend \$26 million in 2004-2008 to conduct mid-life overhauls on the bus fleet. CTA will continue bus overhaul initiatives in 2004 to the Flxible (Series 6000) buses. Beyond 2004, CTA will begin the mid-life rehabilitation of the Nova (Series 6400) buses. With a projected bus service life of 12 to 13 years, CTA's plan calls for a complete overhaul of every bus approximately five to seven years after it enters service. The bus overhaul program ensures that CTA's bus fleet is kept in a state of good repair for CTA customers.

Containing Costs and Increasing Revenues

Despite facing a \$25.0 million budget shortfall in 2003 tied to both increasing costs and declining fare revenues, CTA managed to avert a fare increase through administrative cost reductions and through a series of one-time revenue generation measures. Cost-saving, revenue-increasing, and service-improving strategies have allowed CTA to enhance and improve service while keeping fare prices constant despite inflation. CTA fares have not increased since 1991, while the Consumer Price Index (CPI) for the Chicago area has increased 34.1% from 1991 to 2002⁴. The CTA's expenses have grown by 16.4% during the same period due to the cost containment initiatives.

Innovative revenue strategies and sustained cost containment initiatives over the last five years have deferred CTA's need to increase fares. At the same time, CTA has faced declines in system revenues and public funding, in part due to unemployment in the region. The flat fare structure, combined with increased use of discounted fare media products, has exacerbated the gap between expenses and revenues. The following details the major cost savings and revenue initiatives, and outlines the current budget gap CTA is facing.

Cost Control

Numerous cost reduction efforts have allowed CTA to maintain a balanced budget and meet the required recovery ratio. CTA assets such as vehicles, phones and pagers saw their numbers reduced or their use tightened. Collectively, these measures have reduced CTA's expenses by \$554.8 million since 1998. With these actions, CTA has balanced its budget, improved service to its customers and increased ridership over the last 5 years, as fares remained constant. Appendix A provides a detailed listing of these initiatives, and Figure 7 depicts total savings resulting from CTA's cost reduction efforts since 1998. Cost containment initiatives of note include:

One-person rail operation: In 1997, CTA implemented one-person rail car operation. Video monitors were installed around bends allowing Operators to see the entire platform, thus eliminating the need for a second person in the middle of the train. After accounting for the cost of the video cameras and monitors, one-person rail car operations have saved CTA \$13.8 million each year since 1997.

⁴ Chicago-Gary-Kenosha CPI-U, Not-Seasonally Adjusted.

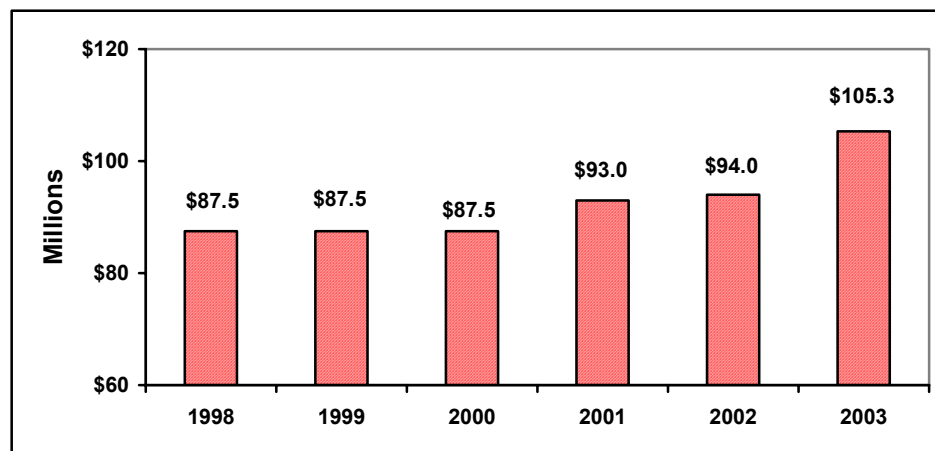
Service Restructuring: In 1997, CTA contracted with Booz-Allen & Hamilton, Inc. to review all aspects of CTA service. The resulting study recommended numerous ways to cut costs such as eliminating duplicate or non-essential service, as well as realigning other service to better serve customers. Implementation of these and other recommendations has saved CTA \$25.0 million annually since 1998. The result has been service that is better matched with demand.

Automated Fare Collection (AFC): In 1997, CTA unveiled a state-of-the-art AFC system. This eliminated the need for ticket agents and fare collectors and significantly reduced shrinkage. The annual savings resulting from AFC are estimated at \$11.0 million.

Workforce realignment, early retirement incentive: In late 1997, CTA substantially changed its organizational structure. A combination of service reductions, one-person rail operations, and a retirement incentive program reduced the workforce by 808 positions, of which 429 were from service reductions. These initiatives improved the alignment between the workforce and service level output, savings of \$10 million per year.

Enhanced Workforce Safety Initiative: With accident and workers compensation expenses rising at a 16% annual rate from 1997 to 2002, CTA partnered with a leader in the safety industry to help improve workplace safety. The program is expected to save CTA \$50 million over the next 5 years. As structured, this engagement will save CTA money and assist in providing CTA customers and employees with a safe environment within which to ride and work.

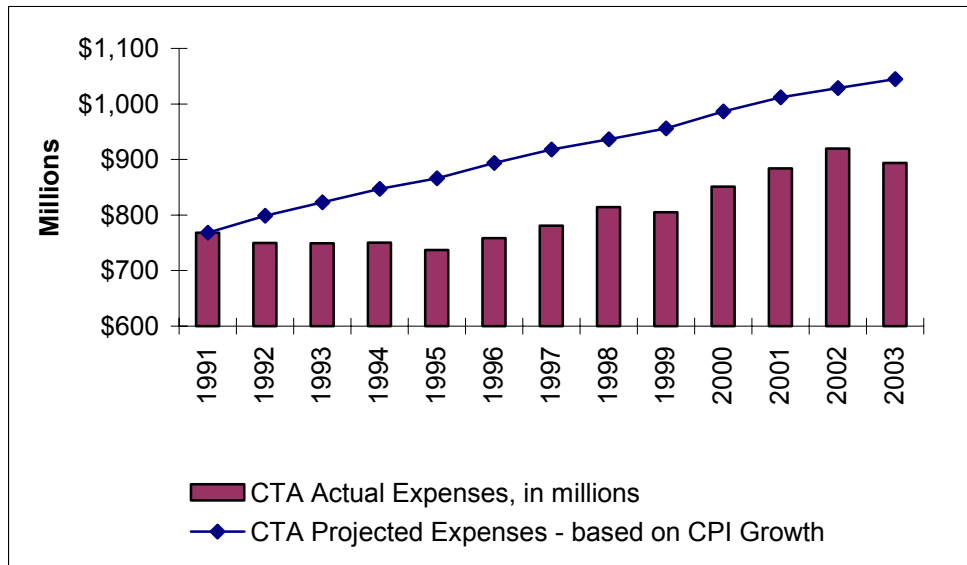
Figure 7: Annual Savings from CTA Cost Control Implementations, in millions



As a result of these and other cost control initiatives, CTA has been able to redeploy resources and to keep its expense growth below the rate of inflation since 1991 (see Figure 7). While the rate of inflation as measured by the Consumer Price Index for Chicago grew by 34.1% between 1991 and July 2003, the CTA's actual expenses forecasted for 2003 grew by 16.4%, a difference of over \$100 million. Indeed, had the CTA's expenses grown at the rate of inflation of the past 10 years it would be facing a

FY 2004 deficit much larger than the one it faces today. In fact, CTA's 2003 operating expenses would have been over \$1 billion dollars, or \$108 million more if they simply had kept pace with inflation (see Figure 8).

Figure 8: CTA Actual Expenses vs. Inflation 1991- 2003



Revenue Enhancements

CTA has worked diligently over the past decade to enhance non-fare revenue in order to maintain a balanced budget without the need for a fare increase. These efforts include:

Leveraged Lease Transactions: In 1995, the CTA began a series of “Leveraged Lease Transactions” and has become an industry leader in such transactions. Between 1998 and 2003, the CTA has generated a total over \$38.7 million from these transactions.

In 1998, CTA sold and leased back the Green Line netting \$16.5 million. The Green Line was the first rail line lease transaction ever done in the U.S. and this transaction has never been duplicated.

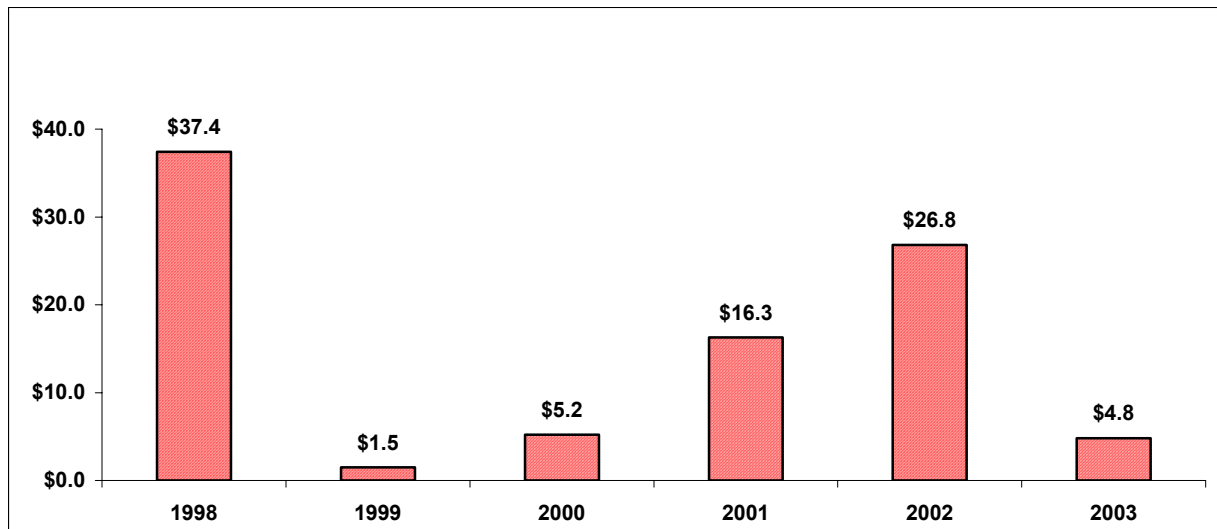
Finally, in 2002, CTA executed a Qualified Technological Equipment (QTE) leveraged leaseback transaction that netted \$19.3 million and the first of several bus lease transactions that were closed and earned the CTA \$2.9 million.

In 2003, CTA closed the first of two transactions for another bus lease deal. The first netted CTA approximately \$300,000 the second is expected to net \$4.0 million.

Surplus Property Sales: Sales of surplus property since 1997 have netted CTA \$33 million in additional revenue. Two examples of such transactions include the 2001 sale of a former bus garage site, netting \$14.7 million, and the 2003 sale of the South Jefferson and Clinton parking lots that generated \$4.1 million.

Investment Gains: In 1998, CTA realized one-time gains of \$24.2 million. Recognition of unrealized investment gains generated \$12.2 million, while the execution of warrants received from Ballard Power Systems as part of the fuel cell bus program generated \$12.0 million. Figure 9 shows total revenue enhancements from 1997 through 2003.

Figure 9: Results of CTA Revenue Enhancement Efforts



Sustaining the Momentum

Over the past six years, CTA has held base fares stable and lowered some fares through new pass options, while improving service to build ridership. During this period, CTA has both benefited from the economic boom of the late 1990's and, through the efficient management of its resources, weathered more difficult times. Unfortunately, current economic circumstances and diminished public funding are contributing to a budget shortfall. CTA must address this shortfall if it is to sustain the momentum of recent years.

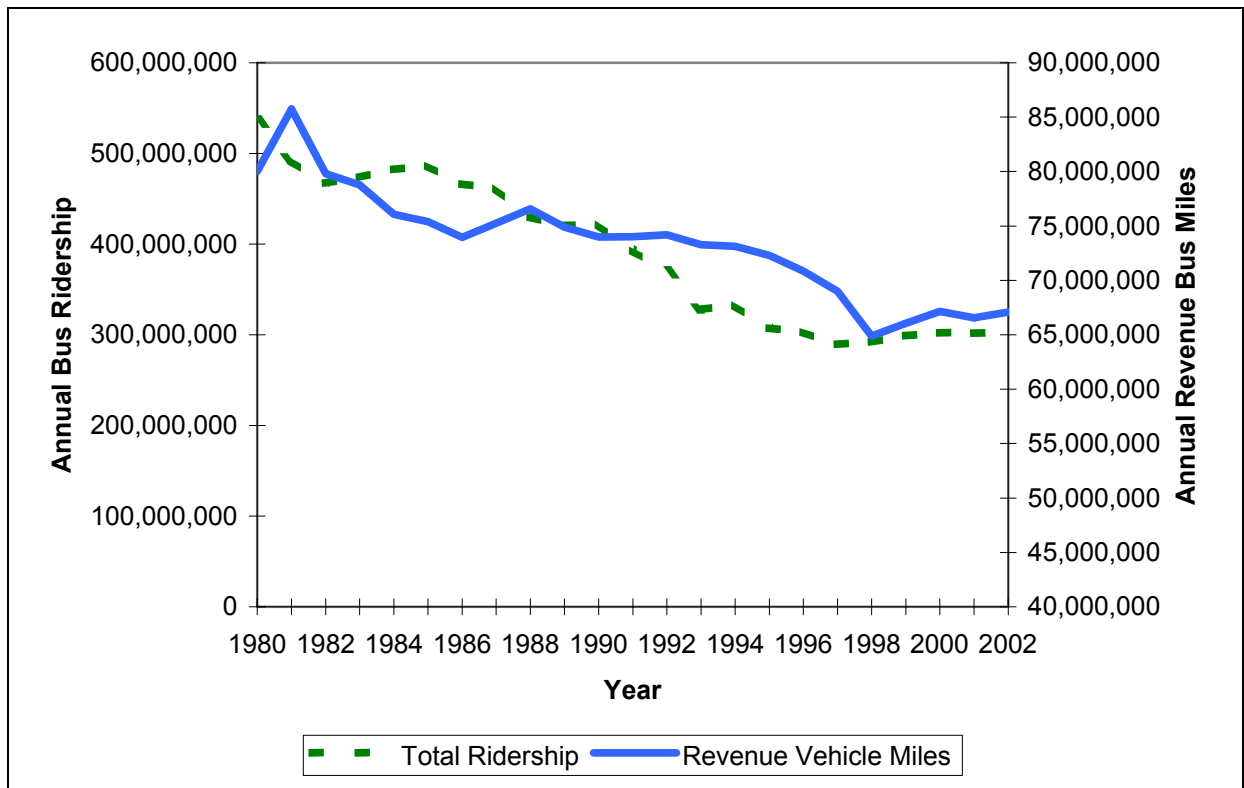
Service Reduction Alternative

Large-scale service cuts are one alternative to a fare increase. Such service cuts typically have a greater negative effect on ridership than fare increases. A transit system's viability depends greatly on its ability to not only offer service at peak travel times, but to provide access throughout its service area during the remainder of the day.

Below a certain service level threshold, transit ceases to become attractive. Customers who find alternative transportation in the off-peak hours are much more likely to abandon the system for their peak hour travel needs as well.

Unfortunately, CTA had experienced firsthand the downward spiral of service cuts and plummeting ridership. Figure 10 illustrates that between 1980 and 1998, CTA cut bus service by nearly 20 million revenue miles. At the same time, CTA bus ridership plummeted from approximately 550 million to 300 million annual rides. While much of this ridership decline may be explained by the decentralization of the Chicagoland region, some of the decline may also be attributed to customers abandoning what had become an increasingly unattractive system.

Figure 10: Service vs. Ridership - CTA Buses



Without a base fare increase, CTA could be required to pare its service by at least \$30 million in 2004. A \$30 million service reduction is approximately 4.4% of CTA's 2004 expenses for labor cost. To achieve this level of savings a combination of several service curtailments would be required, such as eliminating whole bus routes, outer segments of bus routes, owl and weekend service on many bus and rail routes, increasing time intervals between buses and trains; and closing some rail stations.

For comparison, the 1997-1998 Service Restructuring Proposal developed by Booz-Allen and Hamilton, Inc. provided savings of \$24.8 million to CTA, somewhat less than the \$30 million shortfall CTA faces now. The Booz-Allen proposal eliminated 10% of CTA's service and affected 3.3% of CTA's customers. The proposal, implemented over a one year period, eliminated 10 bus routes, owl service on 16 bus routes, the outer segments of 14 bus routes, weekend service on 11 bus routes, Saturday service on one bus route, Sunday service on four bus routes, owl service on the Green Line, Purple Line and the Blue Line Cermak (Douglas) branch, and weekend service on Cermak (Douglas) branch. Hours of service were reduced on 66 bus routes, not including the owl-service reductions. Of the 134 bus routes existing at that time, 105 (78%) were impacted by service reductions.

Rising Operating Costs

Labor expenses make up nearly 74% of CTA's \$936.6 million operating budget for 2004 (see Figure 11). 77% of the labor cost is for transit operations. Labor expenses include employee wages and benefits to support 24-hour operations. The top rail operator rate has risen 36% from 1991, from \$15.62 in 1991 to \$21.22 in 2002. The top bus operator salary has risen by 22% since 1991, but has remained frozen since 1999 at \$20.01. At this time, CTA has yet to finalize a labor contract with the bus operator Amalgamated Transit Union - Local 241 (Figure 12). The arbitration process is underway and the decision is expected by the end of the year. Another variable is that all of CTA's labor agreements are up for renegotiation in 2004. The resolution of these negotiations will have significant impact on CTA's labor costs in the future.

The remaining 26% of the operating budget consists of material, fuel, power, security, Paratransit and other services. Because fuel and power rates fluctuate with the energy market, CTA must remain vigilant in order to ensure that the costs are controlled in other areas when fuel and power costs are higher than budget. Expenses such as labor and Paratransit, however, continue to grow beyond CTA's limited capacity to control.

One of the key challenges to CTA is the skyrocketing cost of Paratransit services. Paratransit ridership comprises 0.3% of total CTA ridership while Paratransit expenses constitute 4.6% of the operating budget. CTA forecasts providing 1.9 million Paratransit trips in 2004, an increase of 21% over FY 2003 budget. Paratransit ridership is growing 10% or higher annually as demands for service grows. The purchase of Paratransit Services is budgeted at \$45.1 million in 2004, a \$7.9 million or 21.2% increase from 2003 budgeted level of \$37.2 million. Since 1997, Paratransit costs have increased 57% from \$26.1 million in annual expenditures to \$41.0 million in annual expenses forecasted for 2003.

Figure 11: Proposed CTA Operating Budget, 2004

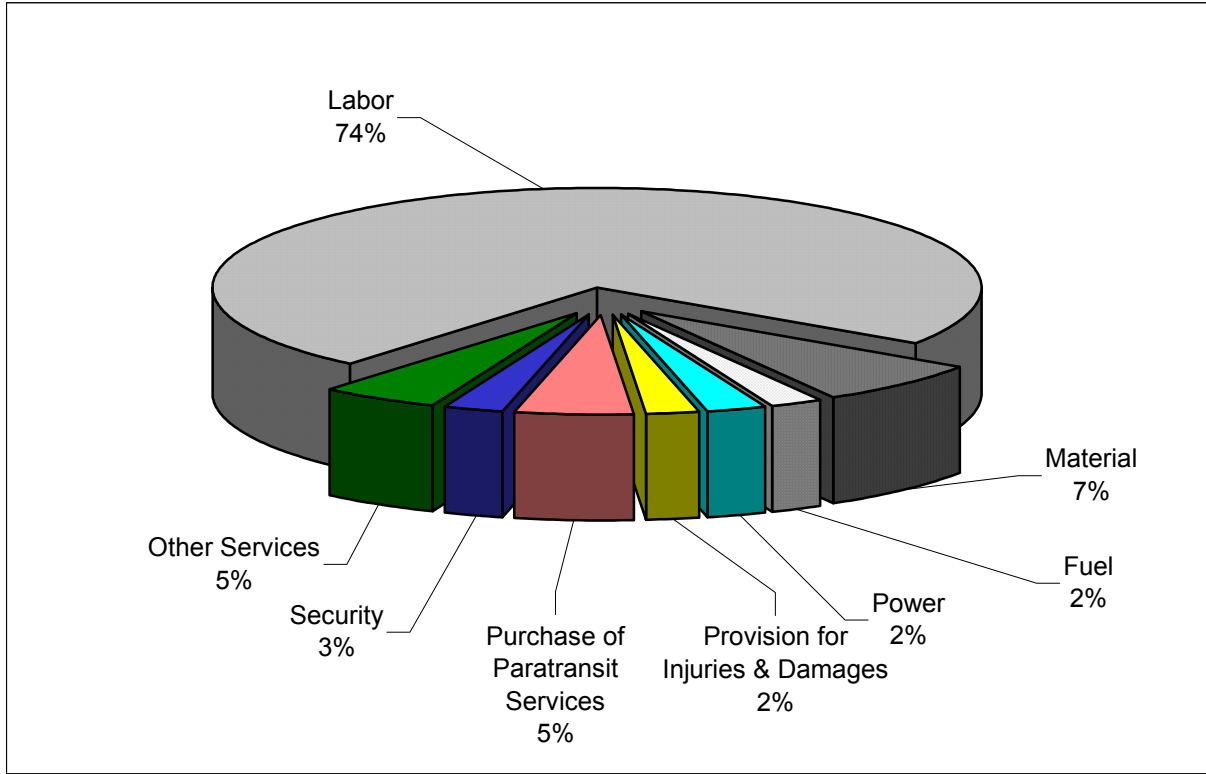
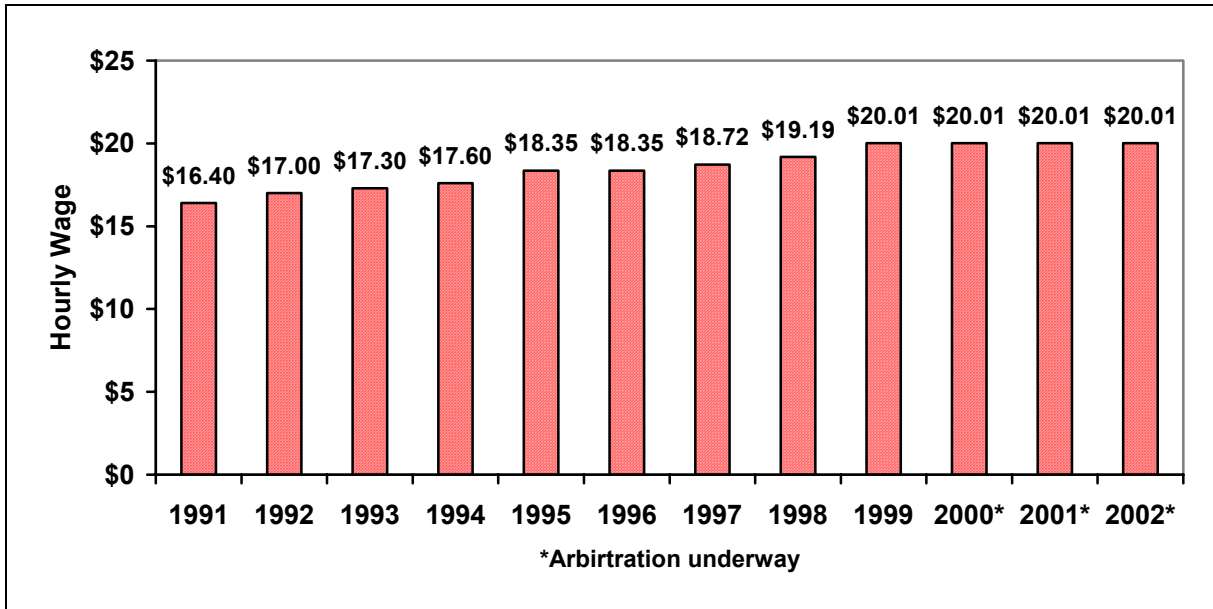
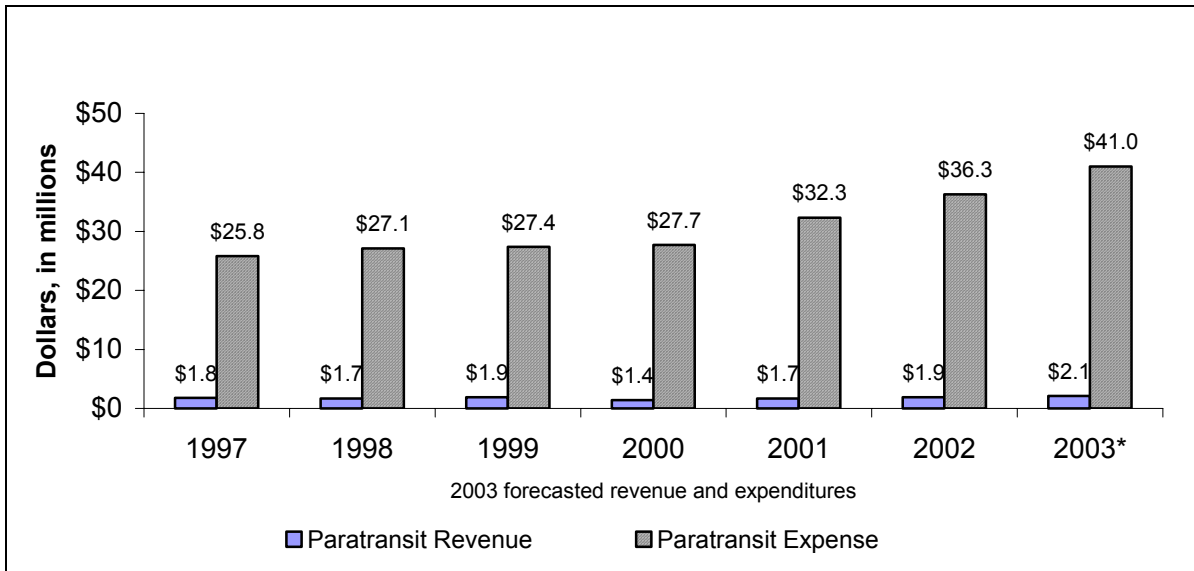


Figure 12: Maximum Hourly Bus Operator Wage, 1991- 2002



As shown in Figure 13, Paratransit revenue lags far behind expenses. The gap between the cost of providing the service and the revenue that it generates has greatly increased in the past six years. Federal law allows transit agencies to charge up to 200% of the base fare for Paratransit service; however, CTA charges only the \$1.50 base fare. While revenues from Paratransit customers have remained almost unchanged between 1998 and 2002, Paratransit expenses have grown 41% during the same period. The recovery ratio of Paratransit revenues versus expenses in 1998 was only 7% but by 2002, the recovery ratio declined to 5%. Consequently, each Paratransit trip costs the CTA about 12 times the cost of a regular ride. This disparity is projected to grow even larger as Paratransit ridership increases due to demographic changes. Excluding Paratransit expenses from CTA's recovery ratio calculation would improve CTA's performance by approximately 2.0%.

Figure 13: Growth of Paratransit Costs



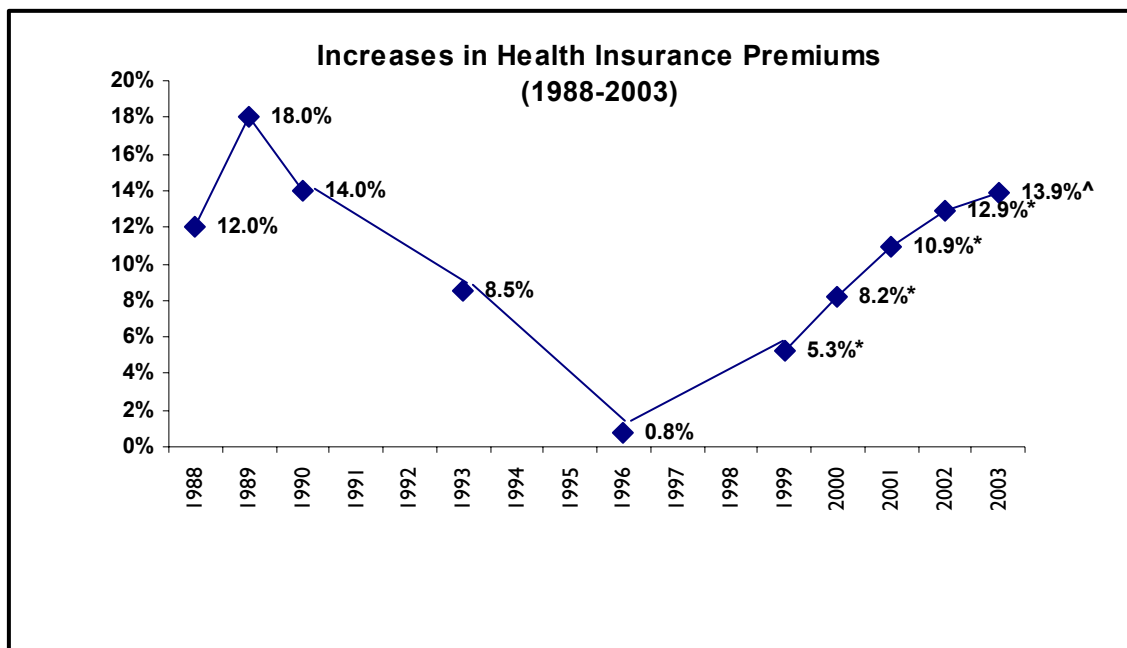
2004 CTA Budget

In developing the 2004 budget, CTA is faced with difficult decisions that affect its customers and employees. Since 1998, businesses and government agencies alike across the country have faced revenue shortfalls that have resulted in layoffs, tax or price increases and the need to further streamline operations. Up until now, the CTA was able to meet these challenges by increasing revenues and continuing to streamline operations.

CTA is faced with difficult choices in order to balance the FY2004 budget. By maintaining current service levels, internal estimates in August suggested that CTA faced a projected \$88.8 million operating budget shortfall for FY2004. Before even considering a fare increase, the CTA looked to balance the budget by further cost cutting. Total operating expenses for 2004 are \$936.6 million, a 1.3% increase over the 2003 budget of \$924.6 million and below the projected CPI rate of inflation of about 2%. Labor costs for 2004 - 74% of overall costs - are only 0.1% higher than 2003 due to the budget cuts described below.

Specifically, CTA plans to reduce labor costs by eliminating positions through attrition, effecting work rule changes, increasing productivity, implementing cost-saving new technologies, and adjusting employee health care programs (see Figure 14). Having undertaken these measures, CTA is also considering an increase in base fares to close the remainder of this gap.

Figure 14: Health Care Inflation Costs



Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1989, 1990.

*Estimate is statistically different from the previous year shown at $p < 0.05$: 1996-1999, 1999-2000, 2000-2001, 2001-2002.

Specifically, CTA proposes to reduce the FY2004 budget shortfall by eliminating 200 positions in 2003, and eliminating an additional 200 positions by the end of 2004, all through attrition and retirements. Combined with one-time labor cost savings, savings

through retirement and scheduling modification savings, CTA expects to realize a \$27.6 million labor cost savings in the 2004 budget. In addition, CTA will generate \$31 million in new non-fare revenues to help close the budget gap.

CTA faced an \$88.8 million budget shortfall – when it prepared its initial budget. The CTA closed one-third of the gap by reducing labor costs by \$27.6 million and generated another \$31.2 million in non-fare revenue. Even with over \$58 million in combined labor cost reductions and additional non-fare revenues, CTA still faces a \$30 million budget gap for FY2004.

CTA will have to lay off 500 employees, including bus and rail operators, in order to eliminate this budget shortfall. Closing this gap through additional staff reductions alone would adversely impact the level and quality of services provided to CTA customers. As one of the last resorts, the CTA proposes to close one-third of the gap with a limited fare increase.

Given the extensive efforts that CTA has made in recent years to expand and improve rail and bus services, staff recommends against service reductions for FY 2004-2006. Past experience has also shown that cutting service triggers a precipitous downward spiral of ridership losses, revenues decline and additional service cutbacks.

CTA Operating Revenues

In order to maintain the quality and level of CTA service, CTA must increase operating revenues over the upcoming year. This chapter explains and analyzes the agency's existing revenue sources. It also identifies structural issues associated with these revenue sources that threaten the CTA's long-term ability to provide high-quality service.

CTA revenue sources include System-Generated Revenue and Public Funding. System-Generated Revenue includes fares, advertising, concessions, investments, and contributions from local governments. Public Funding is obtained through the RTA and is composed primarily of Sales Tax and Public Transportation Funding. Figure 15 provides a graphical summary of CTA's operating revenues for 2003.

System-Generated Revenues

System-Generated Revenue accounts for 52% of CTA's operating budget. System-Generated Revenues have ranged from a low of \$440 million to \$478 million per year. This is due to the inclusion of one-time revenues from lease transactions and sales of surplus property sales. Revenues are also dependant on the economy. CTA receives approximately 80% of its System-Generated Revenues from fares.

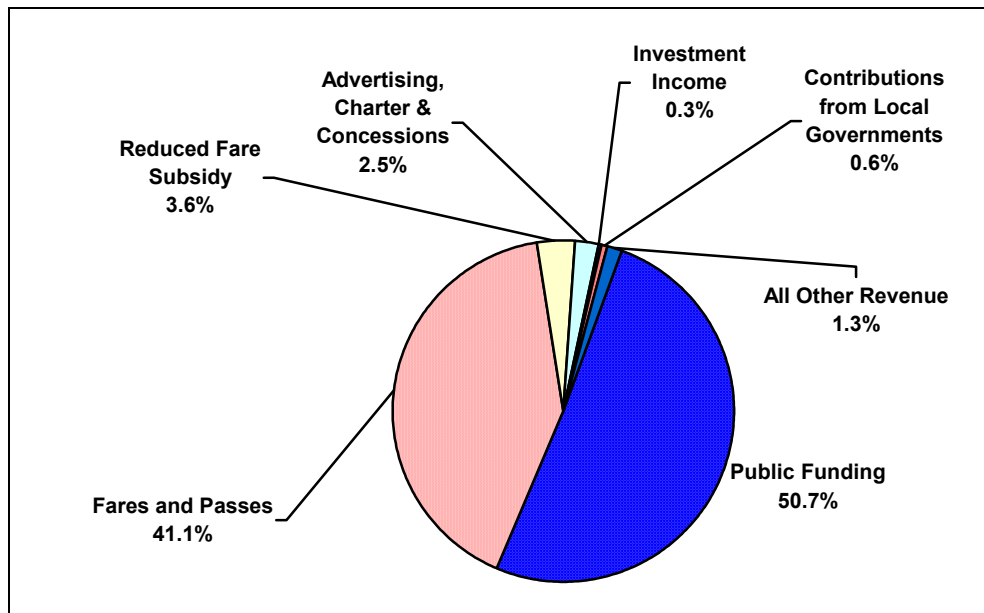
Table 10: Forecast CTA Revenue Changes, 2001-2003, in millions

System Generated Revenue, in Millions	Actual Full Year 2001	Actual Full Year 2002	Forecast Full Year 2003	% Change 2001 - 2003
FARES & PASSES	\$373.8	\$383.9	\$367.0	-2%
REDUCED FARE SUBSIDY	\$32.5	\$30.2	\$32.3	-1%
ADVERTISING, CHARTER & CONCESSIONS	\$20.4	\$21.3	\$22.0	8%
INVESTMENT INCOME	\$10.7	\$4.6	\$2.4	-78%
CONTRIBUTIONS FROM LOCAL GOVERNMENT	\$5.0	\$5.0	\$5.0	0%
ALL OTHER REVENUE	\$22.5	\$33.3	\$11.5	-49%
Total Revenue	\$464.9	\$478.3	\$440.2	-5%

Table 10 indicates that fare and investment income declined between 2001 and 2003. Fares and Passes revenue have fallen due to lower ridership and increased usage of discounted fares by customers, with an average fare of \$0.822 in 2001 and \$0.818 forecasted for 2003. Investment income has dropped due to historically low interest rates championed by the Federal Reserve Board.

System-Generated Revenues are forecasted at \$440.2 million for 2003. This is under budget by \$30.9 million, or 6.6%, because of lower fare revenues tied to lower ridership. All revenue categories were under budget except for contributions from local governments and other revenue, which total only 2% of the budget. System-Generated Revenues represent 49.3% of CTA's total revenues forecasted for 2003.

Figure 15: Revenues and Public Funding (2003 Forecast)



Fares & Passes

Fare revenue for 2003 is forecasted at \$367.0 million and compares unfavorably to the budget by \$9.1 million or 2.4%. The cause of revenue decline is ridership, which is forecasted to be down by 1.9% from 2002. The economic downturn and loss of jobs are the primary reason behind the ridership decline. The average fare for 2003 is estimated to be \$0.818, which is 1% lower than budget. The lower average fare is due to lower ridership and higher customer use of discounted fares and passes.

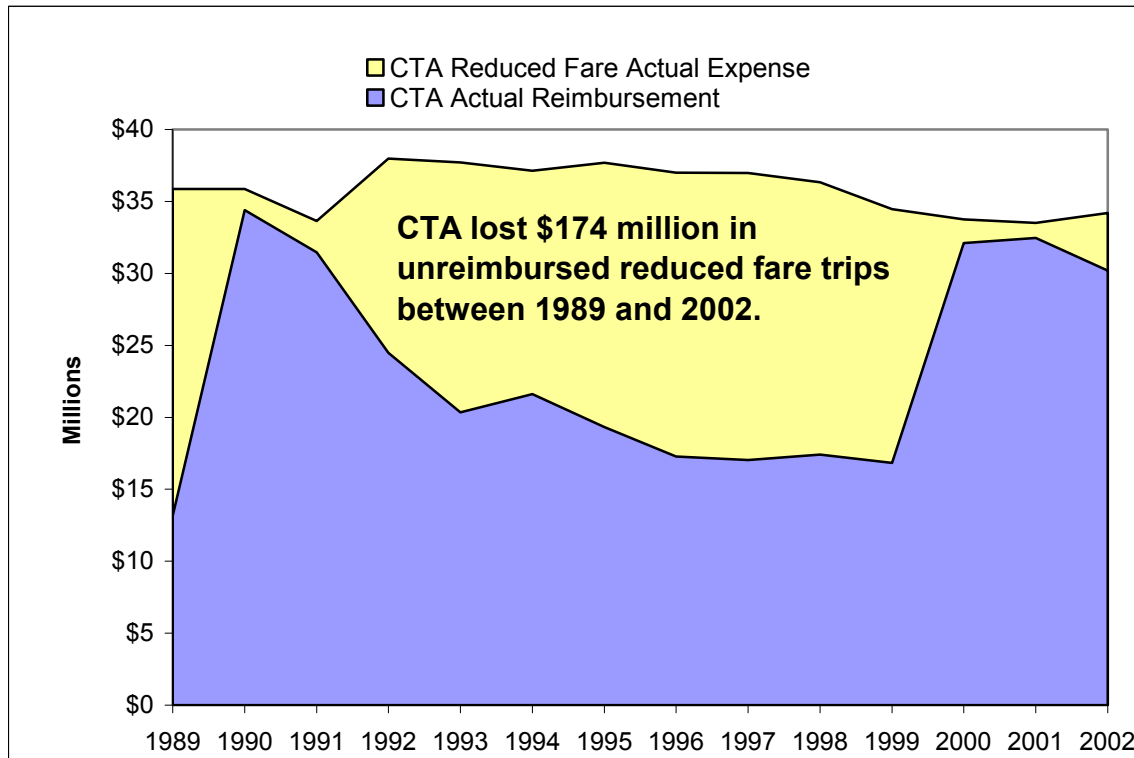
Despite tough economic times, CTA is the only regional transit provider that has maintained base fares at the same level over the last decade.

Reduced Fare Subsidy

In 1989, the Illinois General Assembly passed legislation permitting Service Boards to be reimbursed for lost revenues for providing federal and state-mandated discounted fares to students, seniors and customers with disabilities. The intent of the legislation was to provide full funding of the reduced fare program. These amounts are subject to annual State appropriation. Reduced Fare Reimbursement is projected at \$32.3 million in 2003 and is on par with budget. Historically, CTA is the largest provider of reduced fare rides in the region (80%). Despite anticipated increases in the transit needs of these customers, reduced fare reimbursement is projected to remain flat from 2004 through 2006 and the reimbursement itself could be at risk if the state fiscal condition worsens.

Historical funding levels for Reduced Fare Reimbursement have not always been sufficient to cover the costs of the service boards. Figure 16 highlights the gap between funding provided for reduced fares and the actual expense of providing reduced fares. In the past, changes in state fiscal conditions caused uncertainty in this funding source.

Figure 16: Gap in Reduced Fare Reimbursement



Contributions from Local Governments of \$5.0 million are on par with budget. The RTA Act requires the City of Chicago and Cook County to contribute \$3.0 million and \$2.0 million, respectively, to the operations of CTA each year. These revenues are expected to continue in future years.

Advertising, Charter, and Concessions revenues are projected to be \$22.0 million, which is below budget, by \$2.6 million or 10.6%. This reduction is a result of reduced advertising spending by businesses as they work to reduce spending.

Investment Income is estimated at \$2.4 million, 50% lower than the \$4.8 million budgeted. This reflects the lowest interest rates in 40 years due to Federal Reserve Board rate cuts designed to stimulate the economy. Pursuant to the Public Funds Investment Act, CTA invests primarily in low return/low risk instruments.

Other Revenues are projected at \$11.5 million - \$16.7 million below budget. The severe reduction in other revenue is due to lower lease transaction and property sales revenue.

Public Funding

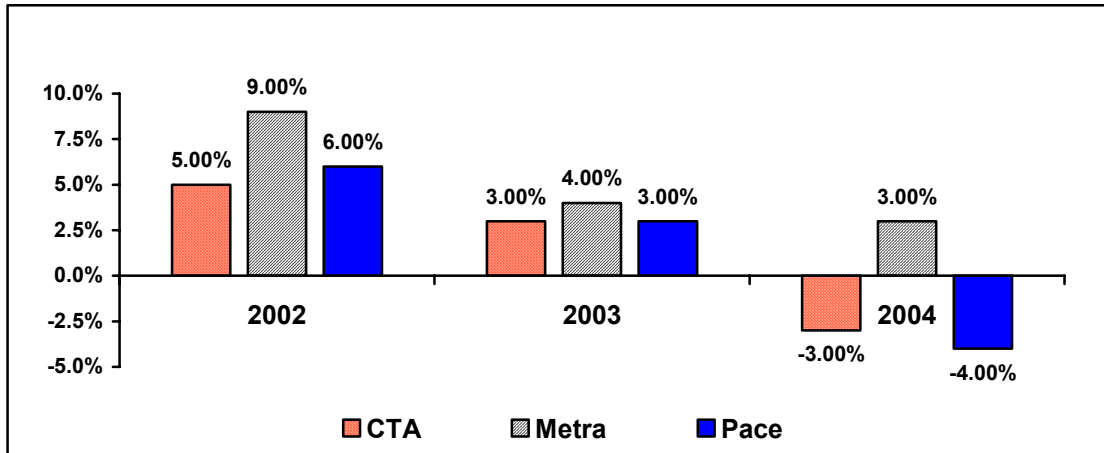
Public funding, set by the RTA Act, constitutes 48% of CTA's total revenues. The Public Funding Available for Operations represents the funding "mark" issued by the RTA, based upon the State of Illinois Office of Management and Budget's projection. These funds are derived from sales taxes and matching State funding, and thus reflect the state of the economy. Figure 17 illustrates how CTA's funding grew through FY 2003, but has since been forecasted to drop in 2004 and remain steady throughout 2006.

As a result of the statutorily mandated allocation formula, the CTA will receive 2.68% less in public funding in 2004 than it received last year as a result of lower regional sales tax receipts. Similarly, the RTA expects to maintain the same lower level of funding for CTA and Pace in 2005 to 2006. In contrast, Metra will receive annual increases in funding as a result of the regional funding allocation formula.

Figure 17: RTA Service Board Funding to CTA 2002- 2006, in millions



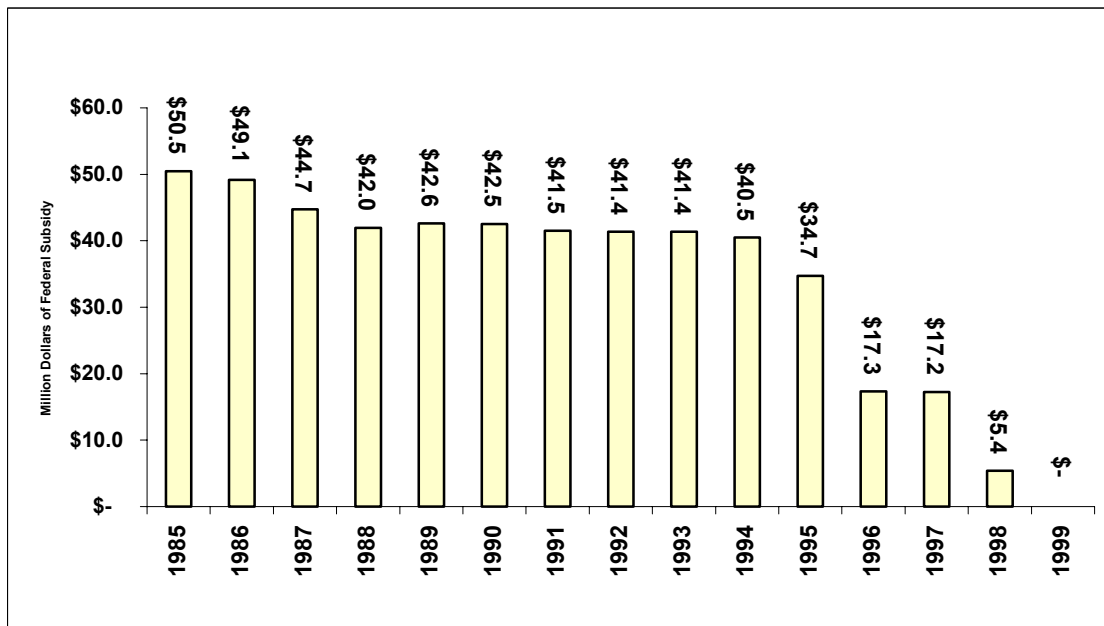
Figure 18: RTA Service Board Funding Growth/(Decline) 2002-2004



Regional Sales Tax Revenue

The RTA was created in 1974 by referendum in the six-county region of Cook, DuPage, Kane, Lake, McHenry and Will counties to provide suburban rail and bus service and coordinate transportation services with CTA. The RTA is also the conduit for public operating and capital funding to CTA, Metra and Pace. These funds previously included federal operating assistance, which provided CTA with as much as \$40.0 million to \$50.5 million annually. Since 1998, the FTA has not provided operating assistance to the region. The loss of this operating revenue has further constrained transit budgets.

Figure 19: CTA Federal Operating Subsidy Levels



From 1974 through 1977, the service boards were funded by the RTA through a series of grants, loans and a tax of 3/32 of net sales taxes in the six-county region, and a \$14 motor vehicle registration fee in the City of Chicago collected by the State.

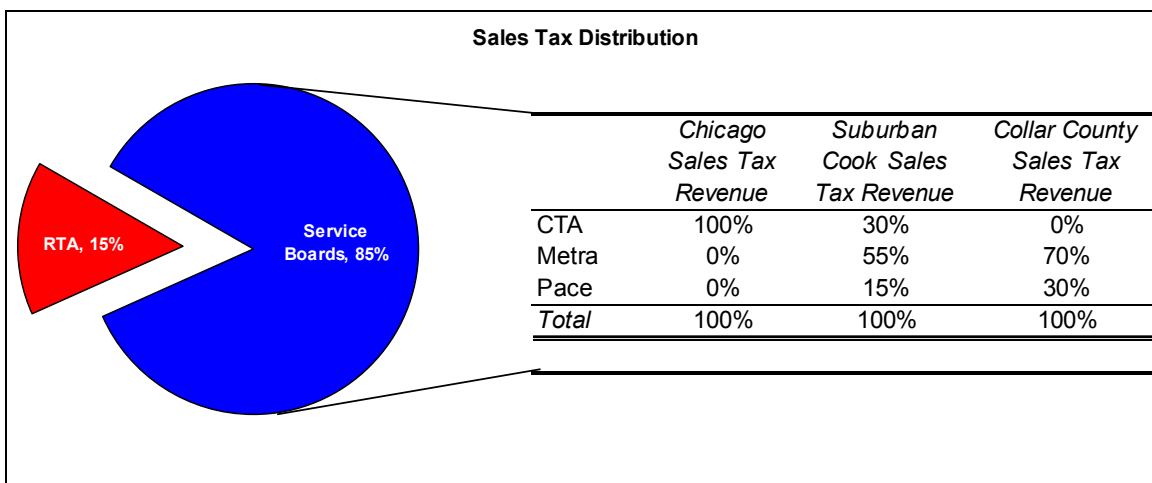
In 1977, RTA enacted a 5% Public Transportation Tax on retail sales of motor fuels, which was applied equally across all six counties. In 1979, RTA replaced then region-wide, uniform 5% tax on fuels with the current differential sales tax. The motor vehicle registration tax and the “3/32” net sales tax collections ceased at this time.

The RTA currently has three principal sources of operating funds:

1. Retailer’s occupation taxes, service occupation taxes and use taxes (collectively, RTA Sales Tax)
2. Public Transportation Fund (which represents 25% of the RTA Sales Tax)
3. Reduced fare reimbursement appropriated by the State annually (discussed in System Generated Revenues)

Sales Tax - The RTA sales tax consists primarily of the equivalent of a 1.0% sales tax in Chicago and suburban Cook County and a 0.25% sales tax in the collar counties (DuPage, Kane, Will, Lake, & McHenry). Sales tax revenue is distributed by statutory formula. The Act provides that the RTA withholds 15.0% of the tax revenues to fund its budgetary needs. CTA receives 100% of the City of Chicago sales tax distribution pool and 30.0% of the Cook County segment, after the statutory 15.0% allocated to the RTA. Figure 21 illustrates the distribution of sales tax as directed by the RTA Act. CTA receives no sales tax proceeds from the collar counties.

Figure 21: RTA Tax Distribution



Over time, however, the sales tax distribution formula has resulted in an unintended, but serious imbalance in the way funds are allocated to CTA, Metra and Pace. Growth in the tax base has benefited the Service Boards disproportionately. The stagnant economy has also resulted in an uneven decline in Service Boards’ shares of sales tax revenue.

While CTA, Metra and Pace need and receive vital funding from sales tax revenues, the disparities in the funding formula has resulted in the CTA receiving less operating and capital funding than it needs to adequately serve its customers.

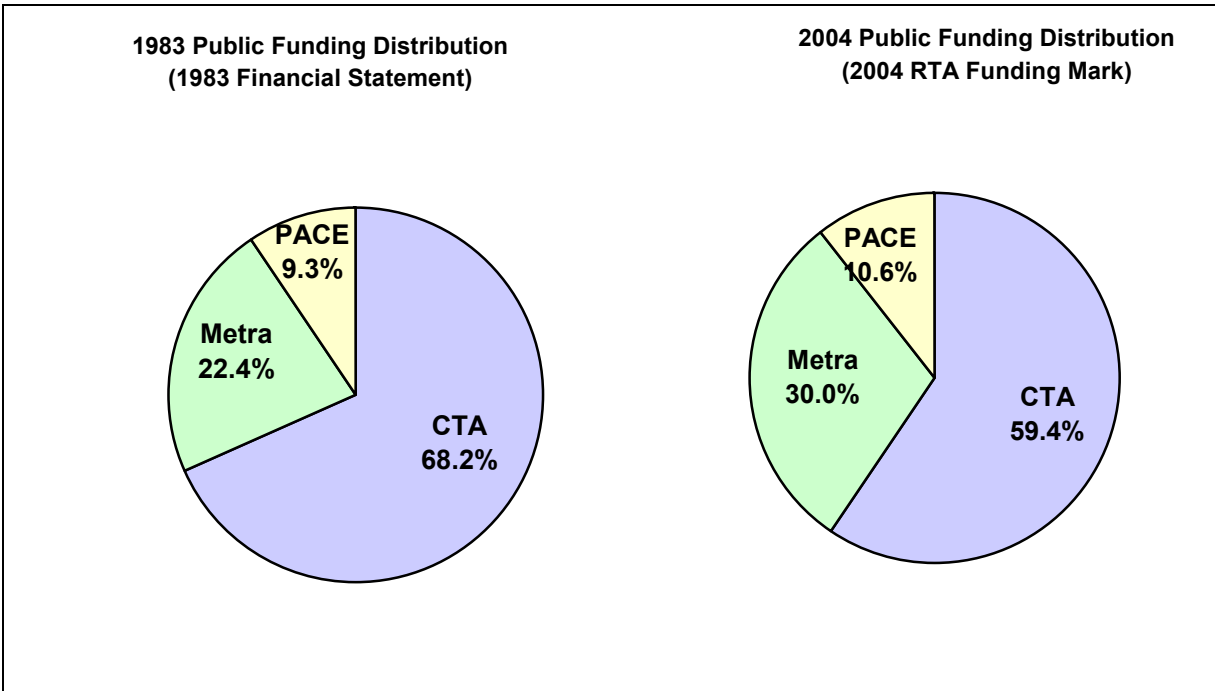
The relative decline in CTA’s sales tax receipts has been made up, in part, by RTA discretionary funding, which in itself illustrates the funding distortions that arose out of the 1983 RTA Act that established the regional sales tax as a public transportation funding mechanism. Overall, the percentage of public funding allocated to CTA has declined from 68% in 1983 to 59% budgeted for 2004. Indeed, if the ratio of public funding distribution in 1983 applied today, CTA would receive \$507.2 million, or \$65.6 million more in public funding than the 2004 RTA funding mark of \$441.6 million. Applying the 1975 formula (82%) would result in \$171 million more in public funding.

Table 11: Changes in RTA Funding Allocation Since 1975

	1975 Actual operating funding share (\$)	1975 Actual operating funding share (%)	2004 Operating Budget	Applying 1975 to 2004 Op Budget	1983 Actual operating funding share (\$)	1983 Actual operating funding share (%)	Applying 1983 to 2004 Op Budget	2004 Operating Funding Share (\$)	2004 Actual operating funding share (%)
CTA	\$77,302	82.5%	\$441,632	\$613,148	\$ 309,213	68.2%	\$507,153	\$441,632	59.4%
Metra	\$12,579	13.4%	\$222,787	\$ 99,778	\$ 101,755	22.4%	\$166,893	\$222,787	30.0%
Pace	\$3,851	4.1%	\$ 79,052	\$ 30,546	\$ 42,329	9.3%	\$69,426	\$79,052	10.6%
Total	\$93,732	100.0%	\$743,471	\$743,471	\$ 453,297	100.0%	\$743,471	\$743,471	100.0%

The 1983 RTA restructuring also set in place a rigid transit funding distribution mechanism that is directly tied to the health of the economy through sales taxes and does not take into account passenger trips provided. Although the CTA carries 80 percent of the region’s public transit customers, it receives less than 60 percent of the regional public funding. The sales tax rate is not uniform throughout the region. The non-discretionary portion of the sales tax receipts for CTA, Metra, and Pace are distributed according to a rigid formula that does not account for ridership, operating costs, and other relevant factors.

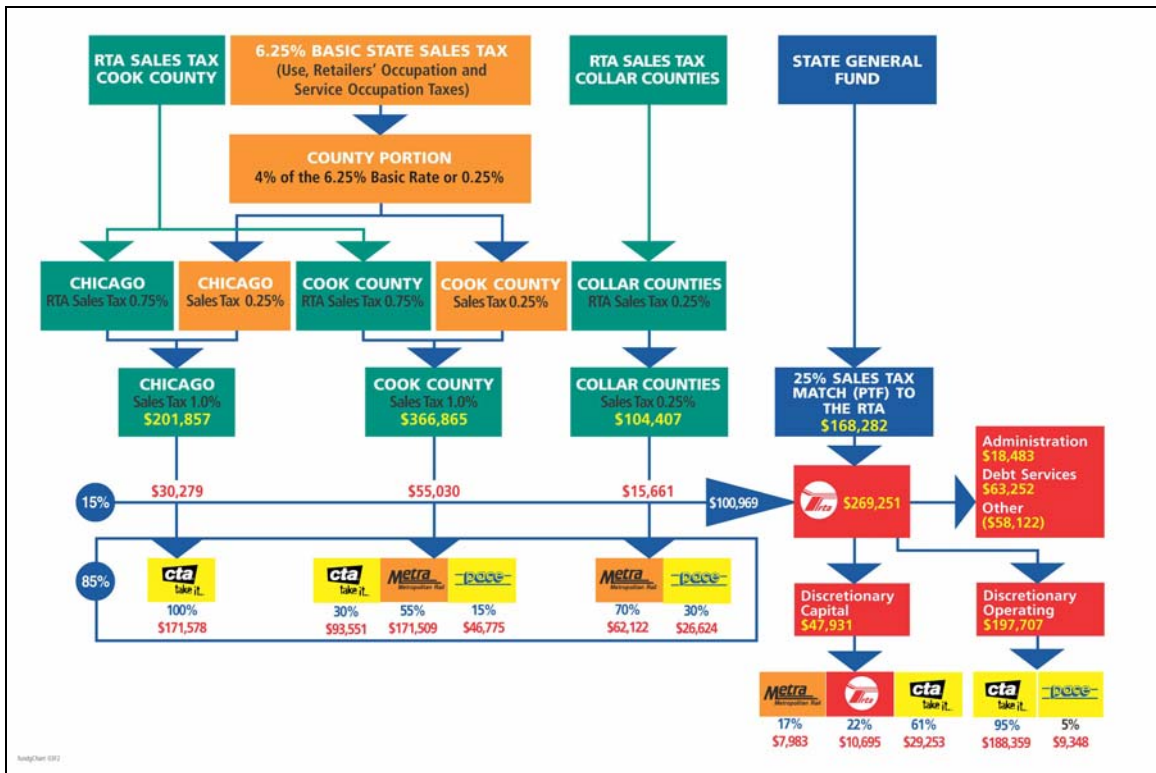
Figure 22: Distribution of Public Funding per Statutory Formula



Public Transportation Fund (PTF) In accordance with the RTA Act, the State Treasurer is required to transfer from the State’s General Revenue Fund to a special fund in the State Treasury designated the “Public Transportation Fund,” an amount equal to 25% of net revenues realized from RTA sales taxes. These amounts are subject to annual State appropriation. The amounts of PTF funds received by the Service Boards are allocated at the discretion of the RTA Board. Figure 23 illustrates the flow of funding for the PTF.

Approximately one-third of CTA’s public funding is at the RTA’s discretion. This funding stream is composed of PTF funds and the remainder of RTA’s share of the 15% sales tax it receives after funding for RTA operations and debt service. Figure 23 shows that CTA’s reliance on discretionary funding is greater than any other Service Board. The RTA Act produces distortions in the distribution of funding where sales tax allocation results in underfunding to the Service Boards in comparison to their needs and service levels.

Figure 23: Selected funding sources and distribution to and from the RTA (2003 Budget)



Regional Funding

Although geographic borders exist, regional transportation transcends borders. Each service board faces its own challenges to provide cost effective public transportation services as service populations shift and grow. However, regional transit is also linked through coordinated fares and transfers between CTA and Pace.

The current funding formula has, over time, resulted in disparities due to differences in sales tax revenue growth rates within the region and a rigid, geographically-based distribution formula that ignores the fact that the Service Boards are all part of a single, regional transit network. Sales tax growth throughout the region has not benefited the service boards equally. The annual growth rate for sales tax distributions for CTA has been 3.17%, in contrast to Metra's 4.47% and Pace's 4.68%. Despite carrying 80% of the region's passengers, CTA gets under 60% of the region's operating subsidies. The public subsidy per ride is \$2.48 for Metra, \$2.03 for Pace and \$0.92 for the CTA.

The collar counties require higher subsidies per trip because they serve low-density, automobile-dependent areas. Yet, the RTA sales tax rate in Cook County for transit is four times higher than the tax rate in the collar counties.

Paratransit

Meeting the mobility needs of customers who cannot use fixed-route transit is not only a federal mandate, but also provides important benefits for the community. CTA has worked hard to improve service quality for customers who have historically found it difficult or impossible to ride transit. Recent efforts include automated voice announcements on buses, rehabilitated 'L' stations with elevators, and new wheelchair-accessible buses.

However, Paratransit service is costly. Approximately 4% of CTA's expenses are allocated to Paratransit services although it carries only 0.4% of CTA customers. For 2003, Paratransit expenses are forecasted at approximately \$41.0 million. By comparison, the projected revenue generated from the base fare increase of \$0.25 is \$30 million for 2004. Over the long term, CTA's Paratransit program cannot be sustained without severely impacting other CTA services. Currently, Paratransit costs are subject to the RTA's 52.9% fare recovery ratio requirement. As ridership grows, the Paratransit cost to the CTA is anticipated to increase.

Sustaining Paratransit without reducing service for fixed-route customers will require additional revenue sources. Meeting the RTA-mandated fare recovery ratio will become increasingly more difficult unless Paratransit is categorized separately from fixed-route services and made exempt from this requirement. Chapter VI explores revenue-generating options in more detail.

Chapter III. CTA's Current Fare Structure

CTA's fare structure is described here in detail, first for the fixed route system, and then for the Paratransit system.

CTA Fare History

This chapter summarizes changes in CTA's base fare since CTA was founded in 1947. Changes in fare structure and fare media are also discussed. Table 12 lists the key changes in CTA fares over the years. Table 13 summarizes current CTA fares.

CTA last raised fares in 1991, making this the longest period in CTA history without an increase in either base or monthly pass fares. Base fares have remained at \$1.50 for nearly 12 years. Monthly pass prices have actually *decreased* from a high of \$88 in 1995 to \$75 currently. To generate additional ridership, in recent years the CTA introduced new fare media such as the 1-, 2-, 3-, 5- Day Visitor Passes; the Fun Pass; and the 7-Day Passes and the U-Pass to target specific market segments. The CTA also modified the monthly pass, now called the 30-Day Pass, to provide more flexibility for customers. Figure 24 and Figure 25 illustrate changes in CTA base fares and passes through the agency's history.

Current Fixed Route Fares

CTA's fare structure relies on flat fares -- fares are the same regardless of distance traveled or time of day. There are significant variations within this structure, however. Certain groups do not pay full fare, and a significant portion of CTA's customer base purchases transit services "in bulk" -- i.e., by the day, week or month, rather than by the ride.

Figure 24: CTA Cash Fares, 1947-present

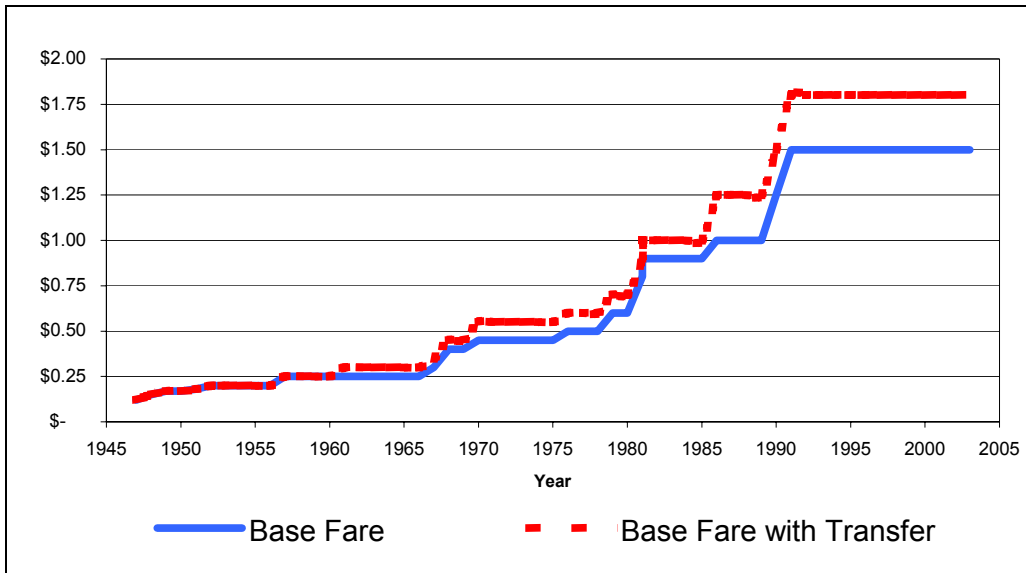
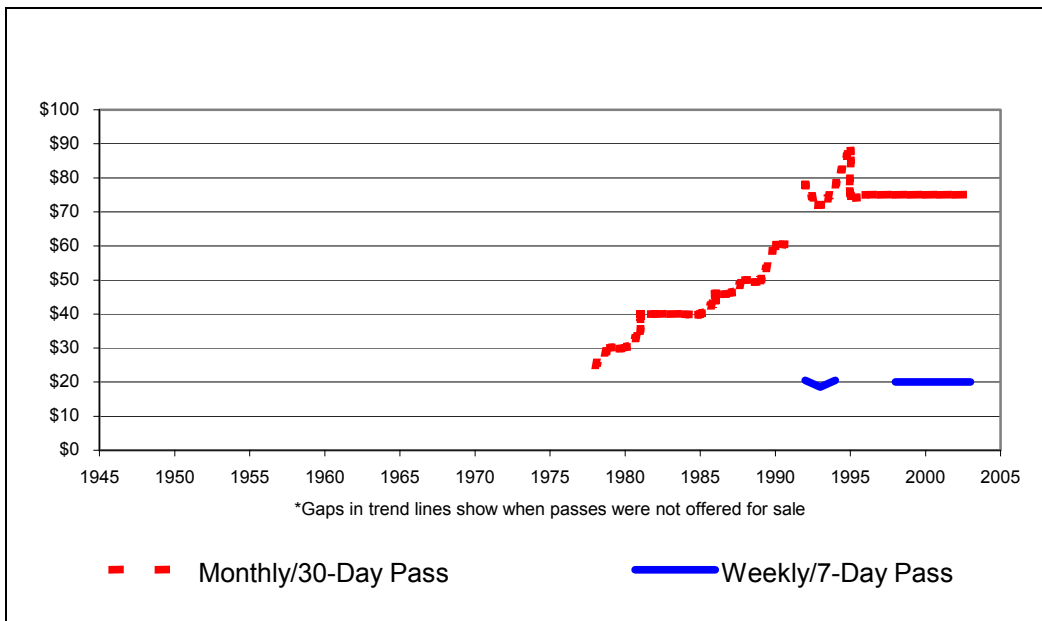


Figure 25: CTA Monthly/30-Day Pass & Weekly/7-Day Pass Fares, 1947-present



Notes: Monthly passes were first offered in February 1978. From Sept. 1992 to Jan. 1993, monthly passes were replaced by \$45 permits that required a payment of \$0.25 per boarding. Weekly passes were offered from January 1992 to July 1994. Seven day rolling passes have been offered since December 1998.

Table 12: CTA Base Fare Changes 1948-1995

Effective Date	Bus Fare	Rail Fare	Transfer	Unlimited Monthly/ 30 Day Pass
1/1948	\$0.10	\$0.12	Free	
8/1948	\$0.11	\$0.13	Free	
6/1948	\$0.13	\$0.15	Free	
10/1949	\$0.15	\$0.17	Free	
8/1951	\$0.17	\$0.18	Free	
6/1952	\$0.20	\$0.20	Free	
7/1957	\$0.25	\$0.25	Free	
7/1961	\$0.25	\$0.25	\$0.05	
11/1967	\$0.30	\$0.30	\$0.05	
12/1968	\$0.40	\$0.40	\$0.05	
7/1970	\$0.45	\$0.45	\$0.10	
9/1976	\$0.50	\$0.50	\$0.10	
2/1978	\$0.50	\$0.50	\$0.10	\$25
11/1979	\$0.60	\$0.60	\$0.10	\$30
1/1981	\$0.80	\$0.80	\$0.10	\$35
7/1981	\$0.90	\$0.90	\$0.10	\$40
2/1986	\$0.90	\$1.00	\$0.25	\$46
1/1988	\$1.00	\$1.00	\$0.25	\$50
4/1990	\$1.25	\$1.25	\$0.25	\$60
12/1991	\$1.50	\$1.50	\$0.30	\$60
8/1992	\$1.50	\$1.50	\$0.30	Discontinued ⁵
1/1993	\$1.50	\$1.50	\$0.30	\$78
8/1993	\$1.50	\$1.50	\$0.30	\$72
7/1994	\$1.50	\$1.50	\$0.30	\$78
1/1995	\$1.50	\$1.50	\$0.25	Discontinued
8/1995	\$1.50	\$1.50	\$0.25	\$88
12/1998	\$1.50	\$1.50	\$0.30	\$75

Table 13: Summary of Current CTA Fares

Category	Base Fare	Transfer	7-Day Pass	30-Day Pass
Full fare	\$1.50	\$0.30	\$20	\$75
Reduced fare ⁶	\$0.75	\$0.15	NA	\$35
Child up to age 6	Free	NA	NA	NA

⁵ From August 1992 to January 1993, CTA offered a \$45 monthly pass that required an additional 25 cent boarding charge.

⁶ Available to seniors and students through grade 12 with appropriate permit. Children age 6-11 accompanied by a full-fare adult are eligible for the reduced fare and do not require a permit.

Full Fares

The base fare for adults was set at \$1.50 in 1991. Full-fare customers using debit instruments such as Chicago Card or Transit Cards receive a \$1 bonus for each \$10 credit purchased. This bonus reduces the actual cost of the ride to \$1.36. Full-fare transfers cost \$0.30, and may be paid with cash or with the debit instruments. The transfer cost is subject to a bonus as well. The total cost of a full fare with a transfer is \$1.80; with the bonus, the actual cost to the prepaid-fare customer is \$1.64. Transfers are valid for two additional rides within two hours of the payment of the initial fare.

Reduced Fares

Reduced fares of \$0.75 are applicable to children aged 7 to 11, and to younger children traveling alone or with a non-paying customer. Seniors 65 years of age and older and customers with disabilities, regardless of age, may pay a reduced fare if they hold an RTA Reduced Fare permit. One attendant accompanying each customer with disabilities may also pay the reduced fare.

Reduced fares are also available to elementary and high school students presenting a valid CTA Student Riding Permit during the school year. Student reduced fares are only available between 5:30 a.m. and 8:00 p.m. on weekdays. Since 1989, the CTA has lost over \$174 million as a result of the State of Illinois' limited reimbursement of lost revenue from this program.

Full Fare Passes

A variety of unlimited ride passes are available to full fare customers. The 1-day Fun Pass costs \$5 and is good for 24 hours from the time of first use. Customers may also purchase 7-day passes for \$20 and 30-day passes for \$75. The 30-day pass is also valid on Pace.

Visitor Passes

Similar to full fare passes, Visitor Passes are targeted at visitors and are sold primarily at hotels, tourist attractions, and at both airports. The 1-Day Visitor Pass, like the Fun Pass, is \$5. Two-, three- and five-day passes are also available, priced at \$9, \$12 and \$18, respectively.

U-Pass

The U-Pass is an unlimited ride pass available to full-time students of participating colleges and universities in CTA's service area. The U-Pass is valid for the length of the school term, from the first day of classes to the last, and is priced at \$0.60 per day.

Institutions are billed for all full-time students, regardless of whether or not they ride CTA. The pass was created to increase ridership, especially in off-peak hours when CTA has excess capacity. In addition, the pass introduces many college students who are new to Chicago to CTA and the convenience of transit. The 2003 Participating U-Pass Schools are as follows:

- ❑ Chicago Kent – College of Law
- ❑ Chicago Semester
- ❑ Columbia College
- ❑ Dawson Technical Institute
- ❑ DePaul University
- ❑ East West University
- ❑ Harold Washington
- ❑ Harrington College of Design
- ❑ Illinois Institute of Art
- ❑ Illinois Institute of Technology
- ❑ Illinois Institute of Technology – Design
- ❑ Illinois Institute of Technology – Stuart
- ❑ International Academy of Design and Technology
- ❑ John Marshall Law School
- ❑ Kennedy King College
- ❑ Lexington College
- ❑ Loyola University
- ❑ MacCormac College
- ❑ Malcolm X College
- ❑ Northwestern University – Law
- ❑ Northwestern University – Medill School of Journalism
- ❑ Northwestern Business College
- ❑ Olive Harvey College
- ❑ Robert Morris College
- ❑ Roosevelt University
- ❑ School of The Art Institute of Chicago
- ❑ Taylor Business Institute
- ❑ Truman College
- ❑ University of Illinois at Chicago

Inter-agency Fares

As regional transit providers, CTA and Pace utilize compatible fare structures and collection equipment to ensure system integration through convenient transfers between the two transit operators. CTA and Pace honor each other's transfers and coordinate fares where possible. Pace honors CTA's 30-day pass. There are no direct transfers available between Metra and CTA because Metra does not honor CTA passes. However, the CTA offers a Link-Up pass program that allows Metra customers to transfer to CTA buses and trains. A \$36 Link-Up pass is also available with the purchase of a Metra monthly pass underwritten in part by Metra. Additionally, CTA offers a discounted rush-hour fare of \$1.00 to Metra customers on certain routes connecting service to downtown railroad terminals.

Current Paratransit Fares

As part of its obligations under the Americans with Disabilities Act (ADA), CTA provides a mix of subsidized van and taxi services for persons with disabilities who are unable to use regular bus and rail services either some or all of the time. To be eligible for services, individuals must be certified under the eligibility guidelines of the ADA. RTA handles certification for CTA, Metra and Pace. Once certified, a customer may avail himself of all RTA-funded Paratransit services from any of the Service Boards.

Two types of Paratransit services are available. Special services Paratransit is available by reservation from subcontracted Paratransit vendors. Certified Paratransit customers may also use the Taxi Access Program (TAP) using CTA vouchers to ride taxis. The fare is \$1.50, although the CTA is permitted to charge up to twice the base fare for Paratransit trips. A voucher is good for a taxi ride from a participating taxi company, up to a maximum meter charge of \$12. The value of the single-ride voucher was increased from \$10.00 to \$12.00 or 20% in 2000 to enable TAP customer deal with recent taxicab fare increases.

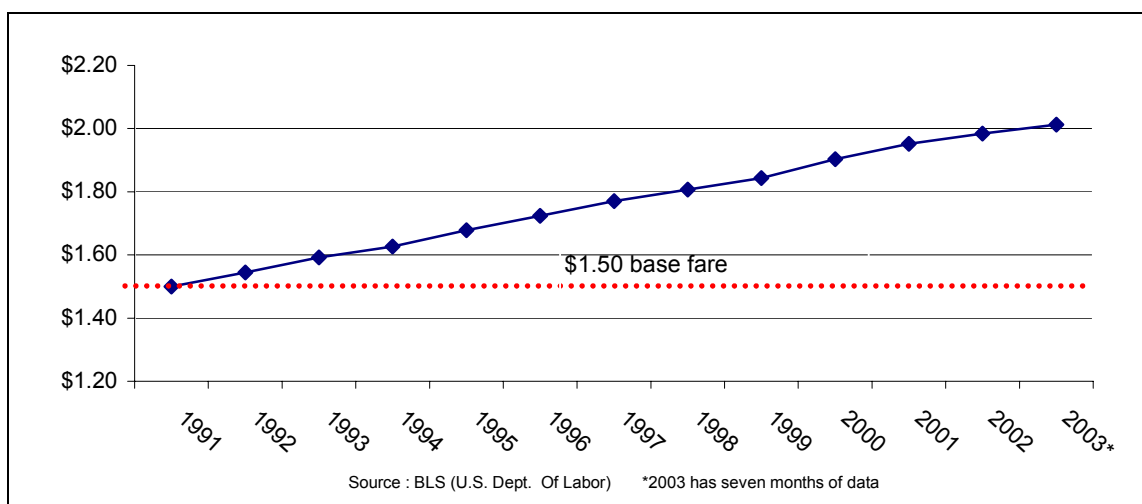
Chapter IV. Fare Scenarios Evaluation

This chapter discusses the developments that have led CTA staff to recommend a change in CTA fare structure. It discusses the impact of inflation on the Chicago area economy since the last fare increase in 1991, as well as projected inflation over the next decade. The relationship of rising costs and CTA's essentially static fare structures and public subsidy is also considered, along with our current understanding of how transit ridership levels typically respond to fare increases. A review of recent fare increase experiences at peer transit operating agencies shows how their ridership levels and revenue needs have been affected by recent events. The chapter also introduces CTA's Fare Change Model, a computer-based fare and ridership modeling methodology, and summarizes the results of its application to nearly 50 different fare change scenarios, including the logic behind those scenarios and associated estimates of revenue and ridership impacts. Finally, the chapter discusses the alternative of service cuts.

Growth in the Consumer Price Index since 1990

Figure 26 shows how the annual Consumer Price Index (CPI) has grown in the Chicago region since 1980. Although area inflation has been relatively modest, averaging 2.5% annually, its effect has been cumulative. While fare adjustments enacted during the 1980s almost kept pace with inflation, Figure 26 shows that CTA's current fare levels now lag far behind inflationary trends. Had CTA's base fare kept even with inflation, it would now be over \$2.00. Concurrently, respondents to CTA's biannual Customer Satisfaction Survey have indicated that CTA's fares are increasingly viewed as a relative bargain.⁷

Figure 26: Changes in Chicago Area Consumer Price Index Since 1990



⁷ Chicago Transit Authority, 2001 *Travel Behavior and Attitudes Survey*.

How CTA Responds to Inflation

Although inflation continues to impact all elements of CTA's annual operating budget, CTA has, until now, been able to maintain fares at the same level for over a decade for several reasons:

Controlling costs: Throughout CTA, efforts have been made continually to reduce costs and operate more efficiently. Some of these efforts are summarized in Chapter II.

Innovative financing: CTA has worked over the years to find ways to reduce the burden of the fare-paying customer by maximizing income from non-fare sources such as leaseback transactions, real estate and advertising revenues. A full description of savings gained through CTA's innovative financing efforts can be found in Chapter II. Although these savings can be very significant, they tend to be "one-time" revenue sources.

Growing ridership: CTA has continually made efforts to respond to customer desires by providing on time, clean, safe and friendly service. Customers have responded by reporting continual improvements in satisfaction levels. More importantly, they have responded at the turnstiles and bus stops. Significant ridership growth over the last 5 years has added farebox revenue at a rate that has kept pace with inflation's effect on operating costs.

Unfortunately, the CTA cannot rely solely on cost containment of the last decade and one-time revenue enhancement measures to balance its budget. As indicated in Figure 26, applying the annual CPI growth rate to the basic CTA adult cash fare suggests that a current fare of \$2.00 would be consistent with the overall Chicago area economy. Keeping pace with inflation has been a policy guideline of several peer transit agencies.

The U. S. Office of Management and Budget (OMB) and the U. S. Congressional Budget Office (CBO) forecast that the rate of growth in the U. S. Consumer Price Index (all urban consumers) will range from 2.2% to 2.5% per year through 2012.⁸ Using this average growth rate, or the 2.5% average growth indicated by Figure 26, suggests that by the year 2012, CTA's base cash fare might be as high as \$2.50.

To avoid further inflationary cost pressures on CTA's service quality and operations, it is essential that serious consideration be given this budget year to a well thought-out fare adjustment.

⁸ "Report on Muni's Fares and a Proposal for the FY2004 Budget," San Francisco Municipal Railway, January 7, 2003.

Price Elasticities of Transit Fares

Transit services, like anything else people buy, are subject to the laws of supply and demand: if the price goes up, sales will go down, and vice versa. CTA's preliminary ridership models show that price is a key factor in predicting overall ridership. As CTA considers a fare increase, the degree to which a fare increase affects ridership (i.e., the price elasticity of transit demand) becomes a key consideration.

Transit fares are considered relatively elastic, within limits: customers can and do ride more if it costs less, and they ride less when it costs more. Historically, fare increases at CTA and other transit agencies have caused ridership losses. Similarly, reducing fares can boost ridership, as CTA experienced when it reduced prices on its monthly pass in 1998. Each of these situations provided CTA with an opportunity to observe how customers responded to changes in pricing.

A majority of CTA customers are considered "choice" customers—i.e., they have access to a car but prefer to ride CTA for many trips because they find it more convenient, cost effective, or otherwise preferable to the alternatives. The still-growing segment of choice customers is thought to be somewhat price-sensitive, because they have alternative transportation available. Because CTA is priced well below the comparative cost of driving for many trips (including gas, parking, insurance, etc.) choice customers' consumption of CTA services is less affected by CTA prices and more dependent on the price of alternatives.

Another group of CTA customers is considered "transit-dependent" because they cannot drive or have limited access to a car. These customers are also price-sensitive, but in a different way. They need CTA to get around, and their demand for a base level of transit usage does not depend very much on price.

Both choice and transit-dependent customers are much more price-sensitive in their off-peak consumption of transit services. Choice customers often have a car available for these trips, while transit-dependent customers will modify their consumption of off-peak trips based on the price of the trip and their available funds.

Price elasticities can be calculated as the ratio between the change in the price of a good or service and the change in its consumption. Because an increase in price usually causes a decrease in consumption, price elasticities generally range from zero to -1 . Zero elasticity means that changing the price has no effect at all on consumption, while an elasticity of -1 means a 1:1 relationship between changes in price and consumption—i.e., a 10% price increase will lead to a 10% sales loss.⁹

Price elasticities for transit can vary considerably among transit markets. One survey found demand elasticity for Golden Gate Transit, a bus and ferry operator serving the counties north of San Francisco, to be -0.15 , a very low figure that represents a market that is not very sensitive to price—unsurprising, as Golden Gate serves a wealthy area

⁹ McCloskey, Donald. *Applied Theory of Price* (New York: Macmillan, 1985), p. 136.

and provides primarily commuter service. Generally, -0.36 is an accepted industry standard for bus systems in large metropolitan areas.

Measuring elasticities is a complicated process, but it is critical to predicting the effects of changes in fare structures. Since 1988, CTA has worked with consultants to conduct studies to measure its market elasticities and update its fare revenue modeling efforts. The most recent of these studies was conducted in 2000 and based on customer surveys conducted in both 1995 and 2000. This allowed CTA to measure elasticities among different groups of customers and different types of fare payment media.

CTA's peak-hour elasticity is estimated at -0.28, while the off-peak elasticity is estimated at -0.56. In addition, it was determined that rail customers as a group are also less sensitive than bus customers to fare increases. These elasticities suggest that, all other ridership-influencing factors being equal, fare adjustments that raise peak-hour and/or rail fares higher than off-peak or bus fares will lead to lower ridership losses.

The CTA Fare Change Model, described below, also includes an analysis step that accounts for induced trips associated with fare cards (Transit Card and Chicago Card) and passes. Customer surveys have indicated that users of these fare media tend to make a few additional trips, compared to paying cash only, because of the convenience of already having that fare medium in their pocket. Fare cards with multiple stored rides were estimated to induce 2% additional peak trips and 4% additional off-peak and weekend trips. Multi-day passes were estimated to induce 11% additional peak trips, 41% additional off-peak trips, and 27% additional weekend trips. Analysis adjustments are made in the Fare Change Model to account for these modest levels of induced demand for any increases estimated in the usage of these fare media.

Recent Fare Increase Experience At Other Transit Agencies

To better understand the potential impacts of transit fare increase, it is often helpful to study the actual experience of other transit agencies. What happened when they recently changed their fares? The experience of several transit agencies that have increased their fares in the last decade, some more than once, is summarized and discussed below.

NYCTA: New York City's transit system, the nation's largest, faced circumstances similar to CTA's through much of the 1990s and early 2000s. A series of ridership initiatives led to increased revenues that enabled NYCTA to expand services and fare options. NYCTA suffered a serious ridership drop in the wake of the economic slowdown and the attacks of September 2001. The need to offset the resulting deficit led to an increase in the base fare to \$2. As at CTA, prepaid purchase bonuses and a variety of pass options mean that many customers pay less than the posted base fare.

Table 14: Fare increases at various transit agencies across the country

Transit Agency	Former Base Fare	New Base	Percent Increase	Year of Increase
New York City Transportation Authority (NYCTA)	\$1.50	\$2.00	33%	May 2003
San Francisco Municipal Railway (Muni)	\$1.00	\$1.25	25%	September 2003
Bay Area Rapid Transit (BART), San Francisco*	\$1.15	\$1.25	8%	January 2004
Washington Metropolitan Area Transit Authority (WMATA)*	\$1.10	\$1.20	9%	June 2003
Southeastern Pennsylvania Transportation Authority (SEPTA), Philadelphia	\$1.60	\$2.00	25%	July 2001

* BART and WMATA fares are distance based; minimum fare is shown

Muni: The San Francisco Municipal Railway recently raised the base fare from \$1.00 to \$1.25. Pass prices were raised proportionally, yet Muni's heavily subsidized fares remain low for a large urban transit agency. So far, the fare increase has minimally affected ridership.

BART: The San Francisco Bay Area Rapid Transit District (BART) increased fares by a cumulative 45% in 1995, 1996, and 1997. During this period, BART ridership remained stable. However, were it not for rail extensions, ridership would have declined. In all likelihood, the strength of the Bay Area economy at this time negated any detrimental impact that the fare increase otherwise would have had on ridership. More recently, BART raised fares by 5% in January 2003 and plans to raise them again by approximately 8% in January 2004. Since BART does not offer unlimited-ride monthly passes, BART's fare increases particularly impact frequent customers.

SEPTA: The Philadelphia area transportation provider's base fares are often among the highest in the country. For the 2004 budget, SEPTA proposed increasing revenue through a fare increase. The proposal will keep cash fares at \$2.00 but would increase token prices by \$0.10 to \$1.40 from \$1.30 and transfer prices also increase \$0.10 from \$0.60 to \$0.70. Regional rail passes, weekly passes and monthly passes all increased by approximately 5%. Daily parking fee would increase from \$0.50 to \$1.00. The monthly pass price of \$70 will be raised by \$3.00 to \$73.00. Despite the increase in price in discounted fares, the increase is small enough that frequent customers still have strong incentive to buy pre-paid trips.

Estimating Revenue And Ridership Impacts Of A Fare Change

Following the implementation of its automated fare collection (AFC) system, CTA retained a consultant team to develop a computerized “model”, or systematic analysis procedure, to analyze the potential ridership and revenue impacts of future fare increases.

Given the wide range of pricing options that are now possible with AFC, CTA determined that the model should be redesigned to test additional payment options -- for example, new kinds of passes and farecards, possibly priced differently by mode or by time of day or week, or in other ways. In addition, the consultant team undertook new market research -- of both customers and non-customers -- to examine the role fares could play in drawing new customers to the system as well as the usage patterns of, and attitudes toward, AFC. This consultant effort did not recommend any changes in CTA’s fare structure, but rather gave CTA a better tool for analyzing potential fare changes and a better understanding of some alternatives related to AFC.

AFC equipment can be programmed to accommodate a wide variety of fare structures, and thus allows CTA considerable flexibility in establishing its fare policy. Fares can be differentiated by type of payment option (time, trip, or value-based), time-of-day, mode (or level of service), and by nature of minimum purchase price and discount offered. The following basic categories of fare payment were used to organize and test the Fare Change Model -- cash fare level and differential pricing, stored value pricing (AFC farecards), transfer pricing/policy, and unlimited ride pass pricing and structure.

The authors of the Fare Change Model provide the following description:

The Fare Change Model was designed to allow CTA to easily test the ridership and revenue impacts of potential fare structure changes involving a wide range of payment methods (e.g., stored value transit cards, one day passes, 7 day passes, two week passes, 30 day passes, and annual passes) and pricing levels. Besides the survey results, the Fare Change Model was based on existing CTA usage and fare payment characteristics, as well as fare sensitivities (“elasticities”) developed through an analysis of CTA’s recent fare changes and previous categories based primarily on the fare structure available (including a differentiation for full fare or reduced fare payment categories), the frequency of travel, and the mode used. Special calculations are made for student fares, university passes (U-Pass), children traveling free or at a reduced fare, visitors passes, and the Metra Link-Up pass.¹⁰

This computerized Fare Change Model was used to thoroughly analyze nearly 50 fare adjustment scenarios for 2004 and beyond, as described in the next section.

¹⁰ “Fare Structure Pricing Research and Update of Ridership/Revenue Fares Model”, MultiSystems Inc. with NuStats International, 2000.

Summary Of Fare Adjustment Options

In examining a wide range of CTA fare adjustment options, a computerized fares model permitted rapid, consistent impact analyses. Several different scenarios or themes were investigated, and the range of prices tested for these scenarios is summarized in Table 17. The different fare structures that are emphasized in each scenario include Cash fares; Transit Cards (automated fare cards); Chicago Cards (“smart” automated fare cards, permitting contactless operation, and storing more information); Transfer pricing; Purchase bonuses associated with both Transit Cards & Chicago Cards, if a required minimum purchase is made; and number and pricing of time-based passes (daily, 7-day, 14-day, 30-day).

Six basic principles guided the development of different fare increase scenarios, which themselves emphasized different fare structure elements (Cash fares, Chicago Cards, etc.) These principles are:

- Meet projected revenue needs, with a minimum associated loss in ridership;
- Offer flexibility to customers, with fare payment options more tailored to specific market segments;
- Reward frequent, committed CTA customers with price incentives;
- Simplify the fare structure, including understandable and convenient denominations;
- Leverage excess, off-peak capacity to better serve customer needs;
- Encourage pre-purchasing of fare media to encourage faster boarding.

Scenarios Tested

- 1. Higher Fares for Cash Customers:** In general, cash-paying customers are least sensitive to price increases. These customers probably will not switch to other fare media, but will continue to ride CTA. It follows that relatively higher increases could be asked of these customers. However, as discussed further below, some bus customers pay cash fares primarily because they have not obtained Transit Cards.
- 2. Average Fare Increases for Transit Card Customers:** Automated Transit Cards are now CTA’s most popular fare media. They are convenient and allow faster access to the bus and rail systems. It makes sense for any overall fare adjustment to indicate about an average price increase for this fare media. The bonus discount might stay at 10%, or possibly be raised to test relative ridership impacts.
- 3. Lower Fare Increases for Pass Customers:** CTA offers pass products for frequent users due to the customer convenience and cost savings. While under the current fare structure it takes 50 trips to “break even,” under the new fare structure the number of trips to break even is 43 trips, due to the fact that the pass fares will

not increase (see Table 15). Consequently, the pass buyer share of CTA’s fare media - 24% - is relatively low, and oriented towards work commuters who must also transfer, or other very frequent travelers. Holding pass prices constant, while increasing cash and Transit Card fares, is likely to encourage additional discretionary travel by a higher proportional share of pass users. This added discretionary travel would most likely be in the off-peak, when CTA vehicles have capacity to accommodate more customers.

Table 15: Pass Pricing Multiples in Major Transit Markets.

Agency	Number of rides to break even using monthly or 30 day pass
CTA (current)	50
San Francisco Muni	45
SEPTA	44
CTA (proposed)	43
New York MTA	42

4. **Higher Pre-Purchase Bonus for Chicago Cards:** The Chicago Card, CTA’s “smart card”, also provides significant non-monetary benefits such as faster boarding, customer convenience, insurance against loss, and better ridership data. In addition to ongoing marketing campaign to promote the Chicago Card, associated pricing incentives are likely to accelerate customer acceptance of the card. These incentives can include a higher discount rate on the Chicago Card to encourage usage--and possibly also including free transfers. These options have been investigated for their ability to contribute to widespread Chicago Card acceptance.
5. **Mode-Specific Fares and Time-of-Day Pricing:** Customer research has shown that rail customers are generally less sensitive to price increases than bus customers, because rail is often perceived as a “premium” service. This suggests that higher rail fares would generate relatively less ridership loss than the same increase in bus fares. Bus/rail fare differentials are included in the alternatives tested. Similarly, customer surveys have also shown that peak-hour customers (primarily commuters going to and from work) are also less sensitive to price increases, compared to off-peak customers.
6. **Transfer Pricing and Availability:** Some alternatives were tested that offered free transfers—for example, in association with Chicago Cards--to learn more about ridership and revenue impacts, and the relative growth in use of that fare media. Other alternatives examined the elimination of transfers for cash-paying customers to encourage the use of Transit Cards or Chicago Cards. Such options would

require cash customers to pay a full fare each time they board, including when transferring. Eliminating transfers for cash-paying customers raises equity concerns. Under such an alternative, opportunities for bus customers to purchase fare cards would have to be expanded (see Figure 27). Expansion of marketing and publicizing of Jewel, Dominick's, currency exchanges, etc., as convenient CTA service locations would also be necessary.

Summary of Potential Revenue & Ridership Impacts

Table 16 indicates the types of fare increases tested, by fare structure component. For example, cash fares and Transit Card fares as high as \$2.25 (and \$2.50 for rail) were investigated under some scenarios. In general, these scenarios generated annual revenue gains in the vicinity of \$100 million. However, the model also generated ridership losses of 7% to 12% for these options. Similarly, most scenarios held pass prices at their current levels, though some also examined significant pass price increases. While most Transit Card bonuses were tested at 0% or 10% (and some at 20%), several options also tested Chicago Card bonuses at 25%.

Five different groups of fare increase options are summarized in Table 16:

Across the Board: This group, with 14 different scenarios actually tested, generally involves increasing each fare structure element about the same—for example, raising all fares by 20%, or by 50%. Within this basic theme, each of these scenarios varied one or more fare elements—for example, Transit Card bonuses or pass prices.

Boost Cash Fares, Hold Pass Prices: This group of four options varied by the Transit Card & Chicago Card discount rates offered. These two fare media also offered free transfers.

Boost Cash Fares, Hold Pass Prices, No Transfers for Cash Customers: These 8 options were similar to the previous group, but added further emphasis to the possible elimination of transfers for cash customers.

Peak-Hour Premium Fares: Three options were examined here, with the peak-hour fare \$0.20 - \$0.25 higher than off-peak.

Rail Premium Fares: The highest number of alternatives, 17, was investigated here. This largely reflects additional gradations in pricing for other fare structure elements - for example different pass pricing, transfer pricing and availability, and Transit Card and Chicago Card bonus rates. In general, the rail fare was set \$0.20, \$0.25, or \$0.50 higher than the bus fare.

Figure 27: CTA Fare Media Sales Locations

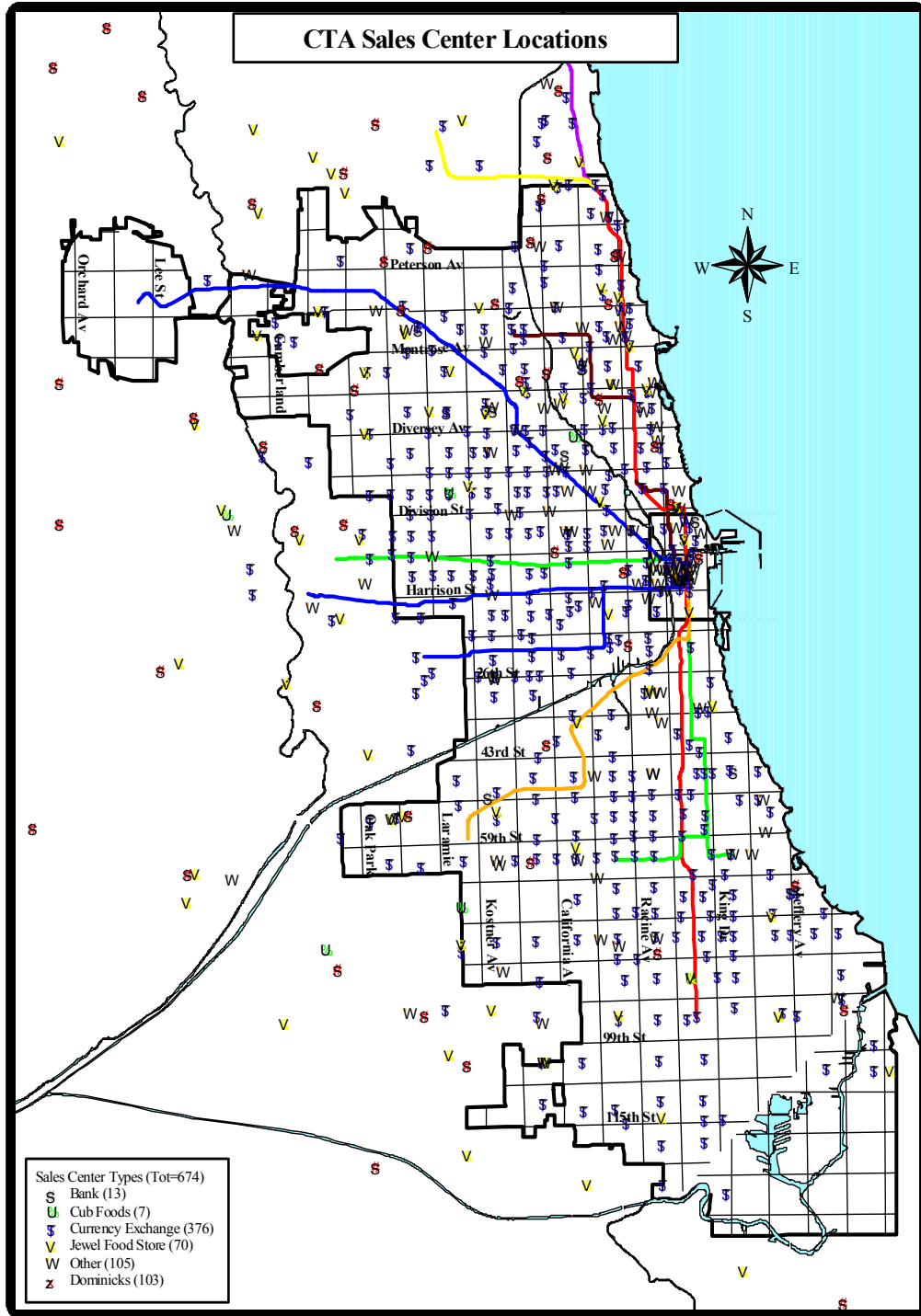


Table 16: Summary of CTA Fare Adjustment Options Evaluated

Option Category	No. of Options Tested	Cash Fare	Transit Cards		Transfers	Chicago Cards			Passes			
			Fare	Bonus		Fare	Bonus	Transfers	1 Day	7 Day	14 Day	30 Day
Current Fare	-	\$1.50	\$1.50	10%	\$0.30	\$1.50	10%	\$0.30	\$5	\$20	-	\$75
Across the board	14	\$1.80-\$2.25	\$1.75 – \$2.25	0 – 20%	\$0 -2.00	\$1.75 – \$2.25	0 -25%	\$0 - \$0.30	\$6 – \$7.50	\$20 - \$36	\$36 - \$40	\$75 - \$112.50
Boost Cash Fares, Hold Pass Prices	4	\$2.00	\$2.00	0 -10%	\$0 - \$2.00	\$2.00	10 - 25%	\$0	\$5	\$20	-	\$75
Boost Cash Fares, Hold Pass Prices, No Cash Transfers	8	\$1.75 – \$2.00	\$1.75 – \$2.00	0 -10%	\$0 - \$2.00	\$2.00	25%	\$0	\$5	\$20	-	\$75
Peak Hour Premium Fare	3	\$2.00	\$1.75 – \$2.00	5 -20%	\$0 - \$2.00	\$1.80-\$1.90	10%	\$0.30	\$5 - \$6	\$20 - \$22	-	\$75 - \$80
Peak Hour Rail Fare	17	\$1.75 – \$2.50	\$1.75 – \$2.00	0 -10%	\$0 - \$2.50	\$1.75-\$2.50	10 - 25%	\$0 - \$0.40	\$5 - \$7	\$20 - \$25	-	\$75 - \$90

Table 17: Summary of Potential Revenue and Ridership Impacts

Option Category	Annual Revenue Increase		Annual Ridership Loss	
	\$ millions	% increase	millions	% change
Across the board	\$23.0 -118.0	6.1%- 31.3%	1.5 - 50.9	0.3%-10.4%
Boost Cash Fares, Hold Pass Prices	\$48.3- \$59.0	12.8% -15.6%	1.5 – 6.7	0.3%-1.4%
Boost Cash Fares, Hold Pass Prices, No Cash Transfers	\$38.5- \$63.0	10.2% -16.7%	1.7 – 6.0	0.3%-1.2%
Peak Hour Premium Fare	\$53.5-\$59.6	14.2% -15.8%	7.9 - 18.0	1.6%-3.7%
Peak Hour Rail Fare	\$26.8-\$107.4	7.1%-28.5%	0.1- 30.5	0%-6.3%

Table 17 summarizes the ranges of annual revenue gain and ridership loss associated with fare adjustment scenarios falling into one of these five categories. In very general terms, annual revenue gains ranged from \$23 million up to \$118 million. The higher the revenue gain, the higher the associated increases in fares, with the less sensitive fare structure elements increasing more than the more sensitive. Projected annual ridership losses could be almost negligible for a few options, but most ranged from -1.5% to -4.0%. The most alarming projected ridership loss, -12%, was associated with an across-the-board fare increase of 50%. That fare option was also estimated to yield an additional \$108 million in farebox revenue.

Chapter V. Staff Recommendations

CTA's goal is to continue to provide quality transit services that its customers want to use and have come to expect. To maintain current service levels and continue making service improvements, given the current financial difficulties and lower operating revenue forecast for 2004, staff is recommending changes to the existing fare structure (see Table 18). In making these recommendations, staff is mindful of CTA's recent ridership experience and has been careful to leverage CTA's off-peak service capacity and minimize ridership loss.

In designing a new fare structure, CTA sought to minimize the impact on customers while providing sufficient revenues for operations. Based on current customer preference for fare media, the fare increases is forecasted to generate \$30 million and reduce ridership by 1.4%.

While this amount is by no means insignificant, the ability to avoid larger potential ridership loss was a key factor in deciding upon specific recommendations. Key aspects that are designed to combat the ridership decrease include:

- Holding pass prices constant: This feature enables customers to avoid the increase altogether, and thus experience no change to their out-of-pocket costs based on current transit travel patterns. It also stimulates additional rides, as passholders are more likely to take discretionary trips at no additional fares.
- Lowering transfer fare to \$0.25: This feature takes advantage of CTA's extensive transit system which is both less expensive and more convenient; it also speeds up bus trips in that the \$0.25 transfer will be paid with \$2.00 even.
- Eliminating Express surcharges: Eliminating the surcharge for express service on the system will likely make these already popular routes even more so.
- Chicago Card 10% Bonus: By providing a financial incentive to Chicago Card use, the recommended fare structure should speed the fare-payment process at bus fareboxes and at rail station turnstiles, making transit more attractive to those who may not currently use it.

Pass Prices

Staff recommends *no* changes to CTA pass prices, including 1-day, 3-day, 5-day, 7-day and 30-day passes.

Past experience has shown that pass usage increases ridership and encourages customers to develop a "transit habit." In 1998, CTA revisited monthly pass pricing,

replacing the \$88 monthly pass with a new \$75 rolling 30-day pass and introducing 1-day and 7-day passes. Customers responded enthusiastically, and passes now account for 24.5% of CTA's rides. Passes reward customer loyalty by effectively providing additional rides at a much lower price than the full-fare commute round trip that constitutes the bulk of CTA's peak-hour ridership. This helps CTA make better use of unused off-peak capacity.

However, the proportion of pass use at CTA still trails that of comparable transit agencies, reflecting customer perception that CTA's pass offerings are overpriced. Proposed increases in the base fare will encourage more customers to use passes, and holding pass prices constant will help minimize ridership loss. Keeping the 30-day pass priced at \$75 will bring CTA's pass pricing in line with other large metro areas.

Base Fares

Staff recommends an increase of \$0.25 per ride to \$1.75 for full cash fares in 2004. Reduced fare rides would increase \$0.10 to \$0.85. Full fare transfer will be reduced by 16.7% from \$0.30 to \$0.25 while reduced fare transfer would remain unchanged at \$0.15. Although federal guidelines permit the CTA to charge up to twice the base mainline fare in recognition of the relative cost of providing Paratransit services, staff recommends that Paratransit fares be increased to \$1.75 only. As discussed earlier, Paratransit costs continue to significantly impact CTA's annual expense without federal or state funding reimbursement. As CTA works to make its mainline system fully accessible by 2004, the solution to increasing Paratransit cost must include both fare adjustments and increased public funding.

Express Surcharges

Under the new fare structure, CTA would eliminate the \$0.25 express surcharge currently paid by cash fares customers on certain express bus routes. The elimination of these surcharges will result in greater convenience to CTA customers and facilitate faster operation for all customers on these routes.

Fare Bonuses

Under the new fare structure, a 10% bonus will be provided to Chicago Card customers purchasing \$10 or more in fares. In addition to the advantages that Chicago Card provides to CTA customers, the Chicago Card enhances CTA's efficiency by reducing the amount of cash handled by CTA employees. It also facilitates quicker vehicle and rail car boarding by CTA passengers, resulting in a faster journey for customers and significant cost savings for CTA. Because of the substantial benefits resulting from Chicago Card, it is recommended that Chicago Card retain its 10% bonus structure.

Impact of Fare Changes on Out-of-Pocket Costs

Many CTA customers do not pay the base fare. Instead, they take advantage of savings available through bonuses on Transit Cards and Chicago Cards, or use one of CTA's passes. The accounts for CTA's current average fare of \$0.82 per ride.

Because the costs of monthly passes will remain unchanged, many customers will find it more economical to switch to passes. Currently, 24.5% of CTA customers use passes; this proportion is expected to increase to 35% under the proposed fare change.

Customers who commute daily and now pay for a transfer will experience an increase in out-of-pocket cost of only 9% if they switch to passes. Customers who use CTA for other travel in addition to their commute will find passes even more attractive than they do now.

CTA Fares: Not many prices have remained the same for so long

In comparison, the price of a Sunday Sun-Times has increased 20%, the weekday Chicago Tribune increased by 42.9% to \$0.50 and Crain's Chicago Business by 33.3%, while the price of a postage stamp has increased three times since 1995 for a total increase of 15.6%. Even the cost of ice cream as measured by the consumer price index for ice cream products has increased by over 36% since 1991. Metra raised fares twice, some of which are for capital purposes and Pace raised fares three times during this period. There are very few businesses or governments that have not increased prices during the past 12 years.

Figure 28: Price Increases since 1991

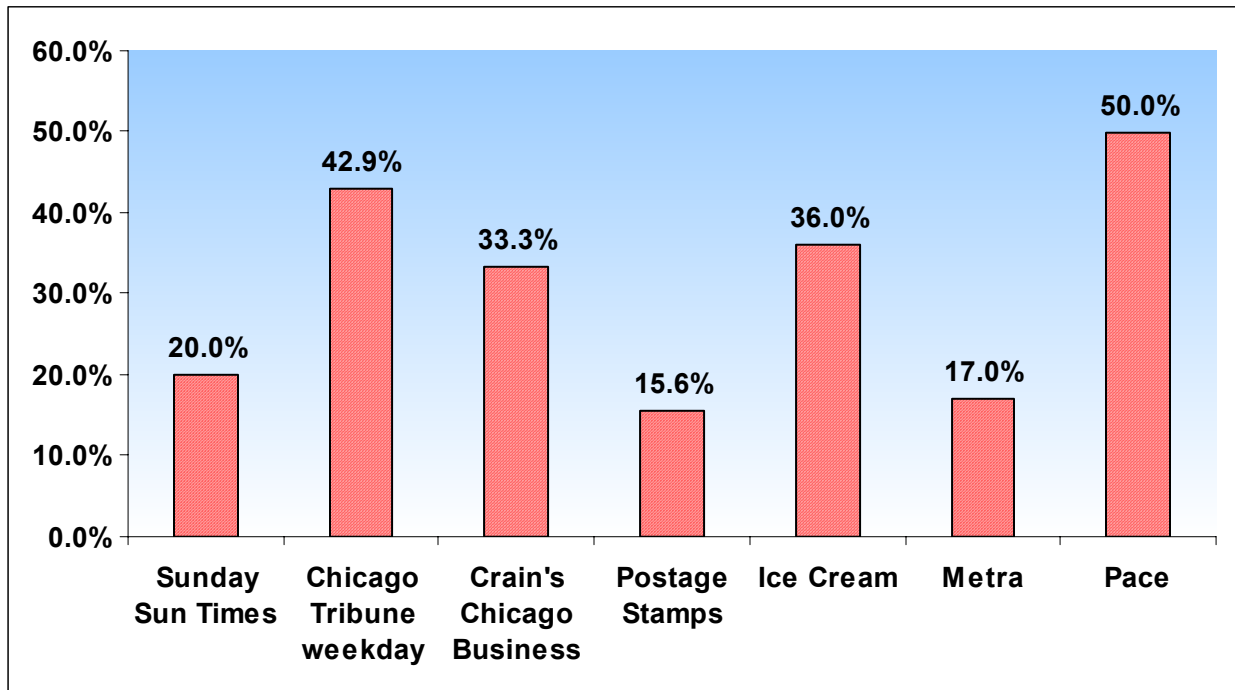


Table 18: Recommended Base Fares and Passes

Single-ride fares	Current	Last Changed (Introduced)	Recommended for FY2004	% Change
Cash	\$1.50	1991	\$1.75	17%
Full-Fare Transit Card	\$1.50	(1997)	\$1.75	17%
Transit Card Bonus	10% ¹	(1997)	0%	Eliminated
Full-Fare Chicago Card	\$1.50	(2002)	\$1.75	17%
Chicago Card Bonus	10% ¹	(2002)	10% ¹	Unchanged
Transfer	\$0.30 ²	1995	\$0.25 ²	-17%

Passes	Current	Last Changed (Introduced)	Recommended for FY2004	% Change
One-Day Pass	\$5.00	(1998)	\$5.00	Unchanged
2-Day Visitor Pass	\$9.00	(1998)	\$9.00	Unchanged
3-Day Visitor Pass	\$12.00	(1998)	\$12.00	Unchanged
5-Day Visitor Pass	\$18.00	(1998)	\$18.00	Unchanged
Full Fare 7-Day Pass	\$20.00	(1998)	\$20.00	Unchanged
Full-Fare 30-Day Pass	\$75.00	1998	\$75.00	Unchanged

Table 19: Recommended Reduced Fare

Reduced Fares	Current	Last Changed (Introduced)	Recommended for FY2004	Percent Change
<u>Single-ride fares</u>				
Cash	\$0.75	1991	\$0.85	13%
Reduced-Fare Transit Card	\$0.75	(1997)	\$0.85	13%
Reduced-Fare Chicago Card	\$0.75	(1997)	\$0.85	13%
Transfer	\$0.15 ²	1991	\$0.15 ²	Unchanged
<u>Pass</u>				
Reduced-Fare 30-Day Pass ³	\$35.00	1998	\$35.00	Unchanged

¹ For every \$10 purchase, \$11 of value is added to the card.

² Allows two additional rides within two hours of issue.

³ Valid for 30 days from the first use for unlimited riding on CTA only.

Table 20: Recommended Paratransit Fares

Paratransit Fares	Current	Description	Recommended for FY2004	Percent Change
Special Services	\$1.50	Curbside van service	\$1.75	17%
Taxi Access Program	\$1.50	Taxi service using pre-paid vouchers	\$1.75	17%
Mobility direct	\$1.50	Taxi service for recurring trips that is voucherless	\$1.75	17%
Paratransit 30-Day Pass	\$75.00	Monthly pass – unlimited trips	\$75	Unchanged

Additional Fare Revenue Generated

Based on CTA's fares elasticities model, staff estimates that the recommended fare increase will generate \$30 million in additional fare revenue per year, representing a 7.5% increase over the year-end forecasted FY2003 revenue. Ridership is projected to decline by 1.4% as a result of this increase in base fare. CTA regrets the increase in fare. However, the high cost of labor, the growing demand for Paratransit services and the federal government's failure to assist transit agencies in meeting the ADA requirements, leave the CTA with no other reasonable option to balance the budget.

The CTA expects that this incremental revenue will help balance the FY2004 operating budget deficit. However, unless the economy rebounds or the current outmoded RTA funding system is revamped so that the level of public subsidies are more closely tied to Service Board ridership, additional fare increases will be needed to balance FY2005 and FY2006 budgets.

Impact on Ridership

- 23.3% of CTA customers would have \$0 increase (or 0% increase) in fare prices
- 13% of CTA customers would have \$0.10 (or 12%) increase in fare (reduced fare customers)
- 24% of CTA customers would have \$0.20 increase (11% increase) in fare prices
- 39.7% of customers would have \$0.25 (or 17%) increase in fare

FY2004 Fares Approval Process

CTA will issue a formal public notice of the recommended fare change in the *Chicago Sun-Times*, the *Chicago Tribune*, several local community newspapers and on CTA buses and rail cars. This notice will describe the fare recommendations (as shown in Table 18, 10 and 11) and provide the date(s), time(s) and location(s) of public meeting(s) scheduled for staff to present the recommendations and collect public comment. As required by CTA bylaws, this notice will be published no less than 14 days in advance of the (first) public meeting.

CTA will then hold public meeting(s) to present the fares recommendations and collect public comment as part of the public hearing on the 2004 budget. Comments will be compiled and used by staff to prepare a report for the Chicago Transit Board. This report, including staff's final fares recommendation, will be presented to the Chicago Transit Board at its November 5, 2003 meeting.

Pending approval, the new fare structure is scheduled to go into effect on January 1, 2004.

Chapter VI. Future Transit Funding

The measures to balance the budget outlined in this document pertain to FY 2004. While these efforts were strenuous, they only cover the near term. Long term, the CTA will continue to face annual budget imbalances driven by changes in funding sources.

For 2004, the CTA has increased some fares, reduced some fares and kept other fares unchanged. We have also taken a series of aggressive actions including reducing our workforce by 400 positions and reducing other expenses. We have also maintained current service levels to ensure that CTA customers continue to have service that meets their transit needs. But this is a short-term solution.

CTA's revenues reflect the state of the economy. Employment, tourism, and consumer spending affect System-Generated Revenue and sales tax revenues. An economic downturn has a doubly-negative effect on CTA revenues: less economic activity means less sales tax revenue, and the lower ridership that results from the downturn means less fare revenue.

Since 1979, the proportional amount of public funding provided to the CTA has declined from 69.5% to 59.4% in 2004 as a result of slower growth in local sales tax revenues and a rigid public funding allocation structure that ignores the number of transit customers served. Consequently, the CTA has struggled to deal with the inflationary impact on expenditures while investing in increased services to reduce system overcrowding and penetrate new markets without appropriate public support.

As a result of current economic conditions, revenues are expected to decline in both total and real terms in 2004, if fares are held constant.

Regional Transit Funding

As discussed in Chapter II, current regional public funding allocation structure threatens to sidetrack transit improvements in the region.

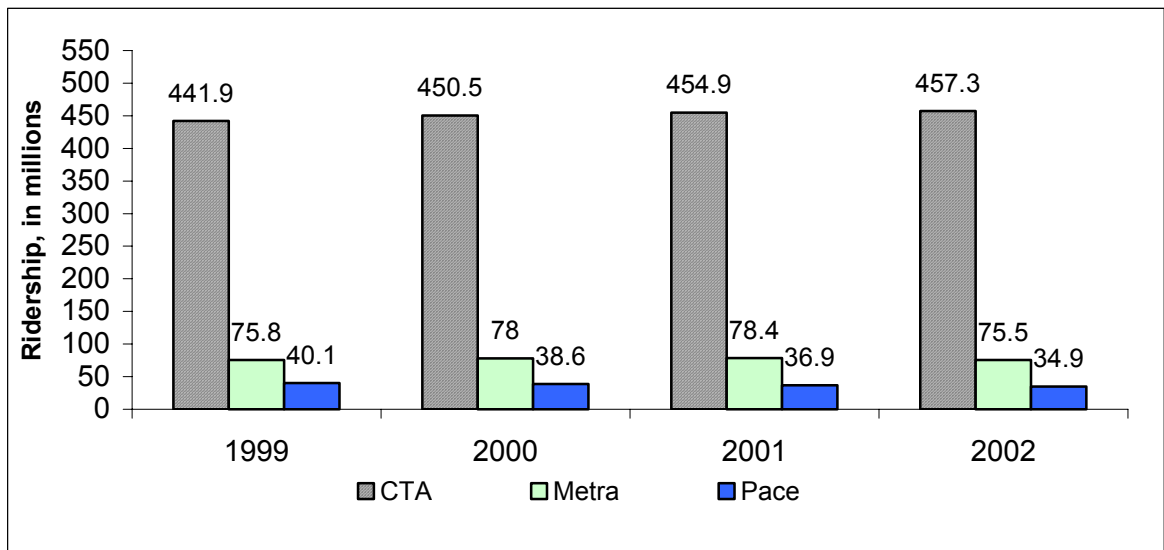
CTA, Metra and Pace perform vital functions that merit the region's support. Metra serves long-distance suburban commuters working in Chicago. Pace offers bus service within the suburbs and to CTA rail terminals. CTA provides bus and rail service within Chicago and 40 suburban communities.

Over 80% of public transportation trips in the six-county RTA region originate in the City of Chicago, and over 90% originate in Cook County. Over 65% of Metra's boardings are in the City and over 80% of its boardings are in Cook County. Pace runs substantial service in Cook County, including the City. In 2002, the CTA, Metra and Pace provided 560 million passenger trips, with CTA carrying almost 80% of the passenger trips in the region (see Figure 29). Nevertheless, CTA receives approximately 59.4% of regional public transit funding for operations.

Part of the reason for CTA's declining public funding support is that the region relies on sales taxes to provide a large portion of regional transit funding. As we have witnessed lately, the volatility of sales taxes during economic cycles can cause funding shortfalls. More stable sources and additional sources of revenue can provide more funds, as well as increased stability for transit funding, especially during economic downtimes.

As discussed in Chapter III, the current funding structure has resulted in disparities that have impaired CTA's ability to expand or even maintain existing service. The problem will continue to intensify in the future unless the region fundamentally alters its transit funding structure to ensure equitable distribution of service and funding to regional customers. RTA's reduction of CTA public funding comes at a difficult time. When combined with inflation, lower funding puts pressure on CTA to raise fares in order to increase revenues or to reduce services as a means of reducing operating costs.

Figure 29: Transit Ridership 1999-2002



Establishing the long-term financial stability that is necessary to improve transit requires a commitment from the CTA, its customers, and the State. CTA has worked diligently to contain costs and increase non-fare revenues, while improving a transit system that is already the envy of many of the nation's metropolitan areas. To avoid degrading service in the immediate future, CTA is asking customers to pay a modestly higher base fare.

Nevertheless, the recommended base fare increase is not enough to fund long-term growth at CTA. In fact, the revenues generated will only be able to support existing service for one year, especially if the economy does not improve. More fundamental changes on a regional level will be required if CTA, Metra and Pace are to sustain the momentum of the past years. With a six-year record of service improvements, capital investments and cost containment, CTA is doing its part to provide efficient and

effective transit services in the region. Now, CTA customers are being asked to do their part by supporting a base fare increase.

The CTA has made it through twelve years without a fare increase. During this time, CTA's ridership and service quality has increased or at least declined at a slower pace than that of sister agencies. At the same time, the number of choice customers that the CTA carries has increased.

The reality is that providing transit services that are on time, clean, safe, and friendly requires commitment and broad-based support. CTA customers are being asked to increase their support. Now the state and federal governments must do more.

The choices facing the CTA and region are simple. Over time, CTA can increase its fares to levels that many customers cannot afford and reduce its service until it becomes less attractive to its customers in order to meet the RTA financial requirements or CTA can keep fares reasonable and continue to invest in services that customers want to use.

APPENDIX I: Fare Levels, Ridership and Fare Revenue History

This appendix summarizes changes in CTA's base fare since CTA was founded in 1947. Changes in fare structure and fare media are also discussed. Table 12 lists the key changes in CTA fares over the years.

CTA Fare Levels and Fare Structure

Until the early 1990s, CTA's fare history was marked by intermittent periods of modest fare increases, interspersed with frequent and steep fare increases. The period from 1992 until the present is the longest amount of time in CTA history without a fare increase, both for cash fares and monthly/30-day pass prices.

CTA Fares from 1947 to 1967

CTA was created in the throes of a fiscal crisis among Chicago's transit providers, and the agency inherited many of their financial problems. Fare increases were frequent during the first few years of CTA's existence, but stabilized in 1952. Thereafter, fare changes were infrequent through much of the next 15 years.

1947-1957: In 1948, CTA established fares of 10 cents for the surface system (buses and streetcars) and 12 cents for the rail system. In the first few years of CTA, fares increased regularly, in one and two cent increments. By 1951, the fares were 17 cents for the surface system and 18 cents for the elevated lines. In June 1952, fares were equalized at 20 cents for both systems. This fare would remain unchanged for 5 years.

1957-1967: In 1957, the fare was raised to 25 cents. The quarter fare would remain with CTA for a decade, although free transfers ended in 1961. Transfers were priced at 5 cents—20% of the base fare.

CTA Fares from 1967 – Present

From 1967, fares increased steadily as CTA struggled to adjust to increased costs and decreasing ridership. Occasionally, a serious fiscal crisis would arise, resulting in sharp fare increases and/or service cuts. Such crises tended to be followed by a few years without fare increases.

1967-1976: After ten years, the era of the quarter fare ended in November 1967, when fares were increased to 30 cents. Subsequent increases to 40 and 45 cents followed in 1968 and 1970. The increase to 45 cents accompanied a doubling of the price of a transfer, to 10 cents. The 45-cent fare would last for over 6 years.

Table 21: Detailed CTA Fare Summary 1947-2003

Year	Full Fare						Reduced Fare					
	Rail	Bus	Transfer	Multiple Ride Discount	Weekly/ 7-Day Pass	Monthly/ 30-Day Pass	Rail	Bus	Transfer	Multiple Ride Discount	Monthly /30-Day Pass	
1947	\$0.12	\$0.10	free				\$0.05	\$0.05	free			
1948	\$0.15	\$0.13	"				\$0.06	\$0.06	"			
1949	\$0.17	\$0.15	"				\$0.07	\$0.07	"			
1950	"	\$0.15	"				"	"	"			
1951	\$0.18	\$0.17	"				\$0.08	\$0.08	"			
1952	\$0.20	\$0.20	"	\$0.18			\$0.10	\$0.10	"	\$0.08		
1953	"	"	"	"			"	"	"			
1954	"	"	"				"	"	"			
1957	\$0.25	\$0.25	"	\$0.23			\$0.13	\$0.13	"	\$0.11		
1959	"	"	"				\$0.15	\$0.15	"	\$0.13		
1961	"	"	\$0.05				\$0.12	\$0.12	\$0.05			
1967	\$0.30	\$0.30	"				"	"	"			
1968	\$0.40	\$0.40	"				\$0.20	\$0.20	\$0.05			
1969	"	"	"				"	"	"			
1970	\$0.45	\$0.45	\$0.10				"	"	\$0.10			
1975	"	"	"				"	"	\$0.05			
1976	\$0.50	\$0.50	"				\$0.25	\$0.25	"			
1978	"	"	"			\$25	"	"	"			
1979	\$0.60	\$0.60	"			\$30	"	"	"			
1981	\$0.80	\$0.80	"			\$35	\$0.35	\$0.35	"		\$15	
1981	\$0.90	\$0.90	"	\$0.85		\$40	\$0.40	\$0.40	\$0.10		\$18	
1986	\$1	"	\$0.25	"		\$46	\$0.50	\$0.50	\$0.15	\$0.40	\$23	
1988	"	\$1	"	\$0.95		\$50	"	"	"	\$0.50	\$25	
1990	\$1.25	\$1.25	"	\$0.90		\$60	\$0.45	\$0.40	"	\$0.40	"	
1991	\$1.50	\$1.50	\$0.30	\$1.20		"	\$0.65	\$0.65	"	\$0.55	\$30	
1993	"	"	"	\$1.25	\$20.50	\$78	\$0.75	\$0.75	"	\$0.60	\$35	
1993	"	"	"	"	\$18.50	\$72	"	"	"	"	\$33	
1994	"	"	"	"	\$20.50	\$78	"	"	"	"	\$35	
1995	"	"	"	"		\$88	"	"	"	"	\$44	
1996	"	"	"	\$1.35		\$75	"	"	"	\$0.68	\$35	
1998	"	"	"	"	\$20	\$75	"	"	"	\$0.68	\$35	

Notes:

- Quote marks (") indicate that there were no fare changes in that category.
- A blank indicates that this fare category was not offered (e.g. monthly passes until 1978).
- "Multiple Ride Discount" indicates the fare when purchasing multiple rides in advance (e.g. 10% bonus with a \$10 farecard purchase).
- When a year is repeated twice, two fare changes occurred.
- From Sept. 1992 to Jan. 1993, monthly passes were replaced by \$45 permits requiring \$0.25 per boarding.
- Between 1990 and 1993, off-peak bus fares were \$0.20 to \$0.25 lower than base fares.
- Express fares and zone surcharges are not included in this table.

1967-1986: The motor vehicle fuel shortages of the early 1970s emphasized CTA's importance, but increased fuel prices hit the agency hard. Once again, fares increased steadily, reaching 50 cents in September of 1976, 60 cents in 1979, and 80 cents in 1981. The base fare leveled out at 90 cents in July of 1981. CTA first offered monthly passes in 1978 for \$25; by 1981, passes cost \$40. The 90 cent base fare lasted almost 5 years.

1986-1991: The 1986 fare changes marked a return to premium pricing for rail. Rail fares were raised to \$1, while bus fares stayed at 90 cents. Transfers, which had been 10 cents since 1970, were raised to 25 cents. The differential ended in 1988, when bus fares were raised to \$1 to match the rail fare. Both systems went to \$1.25 in 1990.

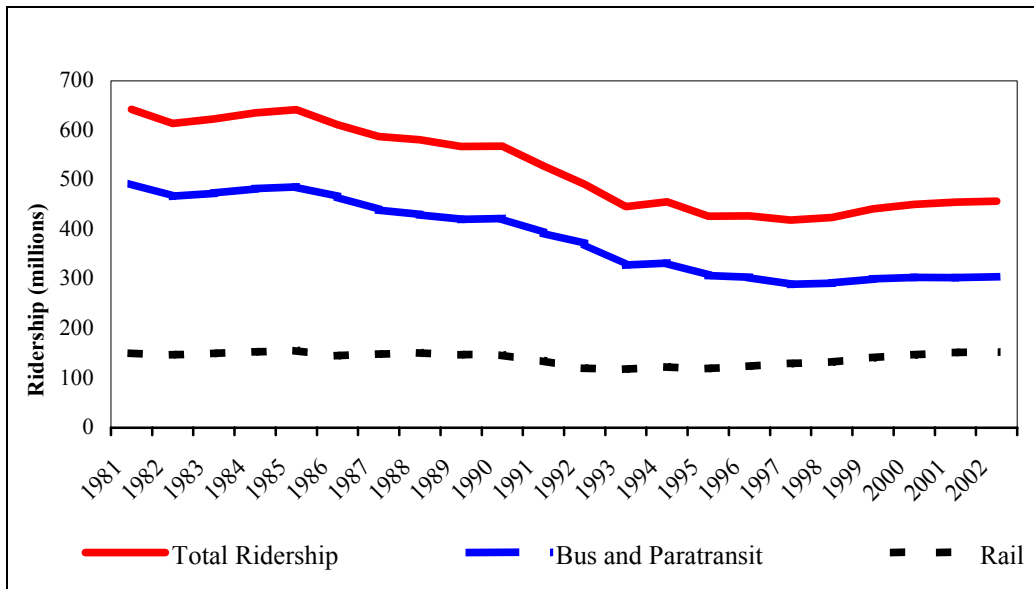
1991-present: The base fare of \$1.50, effective in December 1991, was CTA's most durable fare. Transfers were raised to 30 cents. During this time, CTA experimented with different pass prices due to concerns regarding revenue loss associated with pass usage. The monthly pass price ultimately reached a price of \$88. Automated fare collection (AFC) systems allowed CTA to better track revenue effects of pass pricing, and the \$88 monthly pass was replaced with a 30-day rolling pass for \$75 in 1998.

The decade since 1993 is the longest period in CTA history without an increase in either base or monthly pass fares. Base fares have remained at \$1.50 for nearly 12 years. Monthly pass prices have actually *decreased* from a high of \$88 in 1995 to \$75 currently. Starting in 1997, CTA has also introduced new fare programs such as the 1-, 2-, 3- and 5-day Visitor Passes and the U-Pass to stimulate ridership.

Ridership History

During the past three decades, CTA experienced severe ridership losses. Beginning in the mid-1990s, ridership began increasing. For five years straight, ridership increased through 2002. However, the economic downturn has led to ridership declines in 2003, and the year is expected to end in the first year-end ridership decline for CTA since 1997. From a recent low of 419 million in 1997, CTA ridership climbed each year thereafter, reaching 457 million in 2002. A graphic summary of ridership trends is shown in Figure 30.

Figure 30: CTA Ridership 1981-2002, by Mode



Overall Ridership: From CTA’s inception in 1947 until the mid-1990s, overall ridership fell from 1.8 billion to 419 million annual rides. The decentralization of the Chicago area and an increase in automobile ownership and usage were responsible for much of this decline. However, some of this decline can be attributed to the lack of investment in the CTA’s infrastructure.

Bus Ridership: The surface network saw the most precipitous ridership decline, from 1.5 billion to 700 million annual rides between 1947 and 1958. This trend coincided with the complete elimination of streetcars in favor of buses. Bus ridership continued to fall into the early 1970s but then grew to 560 million rides in 1979. From 1979 to 1997, bus ridership fell nearly 50% to under 300 million rides, primarily due to system neglect, service cuts, and increasing congestion. Since 1997, bus ridership has grown slightly as CTA has invested in better equipment and introduced new and innovative services.

Rail Ridership: On CTA’s rail (‘L’) network, ridership has also fallen since the authority’s inception but has fared much better than the bus network in recent years. From a high of 240 million rides shortly after World War II, rapid transit ridership fell to about 150 million rides by 1972, where it held steady until 1990. By 1995, ridership had fallen to under 120 million, in part due to the closure of the Green Line and slower operating speeds on decaying infrastructure. With the reinvestment in the system since 1995, rapid transit ridership has rebounded to approximately 150 million annual rides.

Fare Revenue History

CTA's fare revenues have more than doubled over the past 30 years, from \$175 million in 1970 to \$373 million in 2001. However, due to declining ridership and consistent with trends across the United States, CTA's farebox recovery ratio (fare revenues divided by total operating expenses) has also fallen over the same period. In 1970, fares covered 93% of operating expenses at CTA. By 1980, the ratio had declined to 44%. Since the RTA Act's fare recovery ratio requirement mandates that a minimum of 52.9% of CTA's operating revenues come from the farebox. Chapter VII provides additional historical data and analysis concerning the full range of CTA's operating revenue.

APPENDIX II: Transit Fare Overview

Although it is theoretically possible for a transit agency to charge no fare at all, most agencies in the U.S. charge a fare. There are many different ways a transit agency can charge for Transit fare, but U.S. transit agencies' strategies are divided into two broad categories: flat fares and differentiated fares.

Flat Fares

A flat fare strategy is the simplest fare strategy, and is the most common among U.S. transit providers. Although referred to as "flat", most agencies offering such a strategy still offer discounts for certain riders. Under federal law, all U.S. transit agencies offer reduced fares for seniors and persons with disabilities. Most also offer discounted fares for school-age children. A flat fare structure is thus defined as one that is not differentiated by distance traveled or time of day. Flat fare structures charge the same fare regardless of the distance traveled or the time of day. Flat fares are often offered in conjunction with various prepaid fare options, such as monthly passes.

Distanced-Based Fares

Distance-based fares allow the fare to vary in proportion to the distance traveled. The zone fares employed in Seattle are one example of distance-based fares, as are the distance surcharges used for certain trips in Boston's rail system. Zone fares charge customers more for longer trips in order to reflect both the greater benefit for the customer and the higher costs of the agency.

Time-Based Fares

Time-based fares are generally found in the form of peak surcharges or off-peak discounts. Many transit agencies charge higher fares during morning and afternoon rush hours; London's bus system charges a premium for late night bus service. As with distanced-based fares, time-based fares reflect the higher value received by the customer; they may also reflect the higher marginal cost of service at those times. Time-based fares also encourage travelers with flexible schedules to shift their travel to off-peak times, thus easing the peak load on the transit system. Additionally, peak customers are generally considered to be less sensitive to price changes. Time-based fares allow an agency to recover more of its costs from peak customers by charging a higher peak fare, and to encourage off-peak travel by offering a discounted fare during off-peak hours.

Service-Based Fares

Many agencies differentiate fares by mode, such as charging higher fares for rail than for bus service. Service-based pricing can reflect the higher level of service offered by many rail systems, as well as the longer distance traveled on a typical rail trip. They also reflect higher operating and capital costs of rail service. Express surcharged bus services provide another example of service-based fares.

Market-Based Fares

A market-based structure provides for different fares for different customers, based on their frequency of use and their willingness to pre-pay for service. While seldom offered as a sole pricing strategy, market-based fares are often offered in conjunction with other fare structures. Examples of market-based pricing include passes and discounted tickets or tokens, which tend to provide a lower per-ride price for frequent riders.

Table 22: Advantages and Disadvantages of Various Fare Structure Types¹¹

	Flat Fare	Market-Based	Distance-Based	Time-Based	Service-Based
Advantages	<p>Easiest to understand</p> <p>Simplest, least expensive to implement and administer</p> <p>Lowest level of fare evasion</p>	<p>Generally considered equitable</p> <p>Can mitigate opposition to fare increase</p> <p>Can minimize ridership loss associated with fare increase</p> <p>Maximizes pre-payment</p>	<p>Should produce greatest revenue</p> <p>Considered to be more equitable, with longer trips paying higher fare</p>	<p>Should increase ridership</p> <p>Allows better management of fleet by shifting some customers to off-peak services</p> <p>Considered more equitable - commuters pay more</p>	<p>Relatively easy to understand</p> <p>Considered more equitable -customers using higher quality service pay higher fare</p> <p>Higher revenue potential</p> <p>Allows more efficient fleet management by shifting vehicles between services</p>
Disadvantages	<p>Places inequitable burden on short trips</p> <p>Fare increase may cause greatest ridership loss</p>	<p>Generally produces least revenue</p> <p>Potentially high level of fare evasion</p> <p>Requires extensive marketing to maximize ridership</p> <p>Highest fare media costs</p>	<p>Difficult to use</p> <p>Difficult to implement and administer</p> <p>Potential for abuse through fare under-payment</p> <p>May be unpopular with affected customers</p>	<p>Difficult to implement and administer</p> <p>Potential for conflicts With operators</p>	<p>Complicates transfers</p> <p>May be unpopular with affected customers who have to pay higher fare</p>

¹¹ Adapted from "Report on Muni's Fares and a Proposal for the FY2004 Budget," San Francisco Municipal Railway, January 7, 2003, p. 39.

Transit Agency Fare Policies

Although some transit agencies have fare structures that adjust the fare according to distance traveled, time of day, type of service, most U.S. transit agencies rely on flat fare structures. According to the TCRP researchers, transit agencies' reluctance to employ differentiated strategies is "rooted in the perception that the benefits of these approaches do not compensate for the practical disadvantages and implementation obstacles."¹²

Often one type of fare differentiation can be incompatible with another. Zone fares become increasingly complex when used in conjunction with time-of-day pricing. Seattle Metro has successfully addressed this by limiting the fare area to two zones and the time of day differentiation to peak vs. off-peak.

Transfer Policies

Transfer pricing is a key element of a transit agency's fare structure. While an ideal transit network would provide every customer with a "one seat" ride to their destination, in reality, many transit systems offer grid-style networks or feeder networks. These systems, by design, require the customer to make one or more transfers in order to reach many destinations.

A transit system may price transferring rides any number of ways. The basic transfer price options include the following:

Free transfers: Many systems do not charge for a transfer. A transfer is issued to the customer upon payment of the fare. The transfer is generally good for a limited time, and may also be limited in the direction of travel, the routes it may be used on, or the number of times it may be used for reboarding. Free transfers may also be honored only at specified transfer points.

Paid transfers: Low-cost transfers are used like free transfers, but are provided to the customer only upon payment of a transfer fee, which is less than the cash fare. Paid transfers provide extra revenue to the transit agency for the extra rides consumed by customers.

No transfer: Under a no-transfer fare policy, neither free nor paid transfers are issued. Agencies employing such a policy require full payment upon reboarding, without regard to the number of connections required for passengers to reach their destination.

Upgrade fares: Upgrade fares are most often employed when transferring from one transit operator to another. The upgrade fare may involve a discount off of the fare that

¹² Transit Cooperative Research Program, p. 22.

would be needed if both agencies were to charge a full fare; or the full connecting fare may be charged up-front in a single transaction.

Most U.S. transit agencies typically offer free transfers. As most U.S. transit agencies are bus operators with low fare recovery ratios, there is little incentive for them to recover the marginal revenue a paid transfer or an additional fare could provide, and far more incentive to the agency to price transit services to encourage ridership. For such an operator, free transfers are an obvious choice.

However, for large metropolitan agencies such as CTA that charge for transfers, revenue associated with transfers can be a considerable portion of total system revenue. For CTA, the 30-cent transfer charge adds up to about 6% of total fare revenue. Charging for transfers helps maximize revenue, not only by providing an additional farebox revenue stream, but also by minimizing fare evasion - paid transfers provide a disincentive for customers to share unused transfers.

An agency's transfer policy establishes other parameters regarding the use of transfers. Transfers are regulated by time valid for reboarding, number of reboardings allowed, where they may be used, and on which routes they can be used. CTA allowed unlimited reboardings using transfers until 1986, when the transfer policy was changed to allow a maximum of two additional boardings on a transfer. A single base fare payment and transfer may be used for up to three boardings.

The 1986 transfer policy change limited not only the number of times a transfer could be used, but also the routes it could be used on. Transfers were not valid on the issuing bus route or rail branch. Both changes were intended to reduce the use of transfers for round trips and limit the reuse of transfers by passengers other than the customer who paid for them. However, the policy proved unpopular, and in 1998, CTA lifted the route restrictions on transfers. Transfers could now be used for round trips with CTA's blessing.

Northeastern Illinois Transit Agency Fares Since the Early 1990's

CTA last increased its adult cash fare in 1991, when the fare was increased to \$1.50 (see Chapter IV for additional information on the history of CTA's fares). Because of similar economic pressures, CTA's fare has generally moved in tandem with Pace, the other large-scale flat-fare public transportation provider in the region, although Pace's fare has generally been lower than CTA's since Pace was established in 1983. Metra's fares are distance based, and thus are not directly comparable to CTA's. However, Metra and CTA provide competitive service within certain parts of CTA service area. CTA have remained roughly parallel with Metra's fare for travel between zone A and zone B, which includes many stations within the City of Chicago.

Fares for Senior Citizens, Customers with Disabilities and Youth

Like CTA, most other U.S. transit agencies offer discount fares for seniors, youth, and customers with disabilities. CTA's 50 percent reduced fare for these customer groups is comparable to the reduced fare offered by other large transit agencies. In addition to

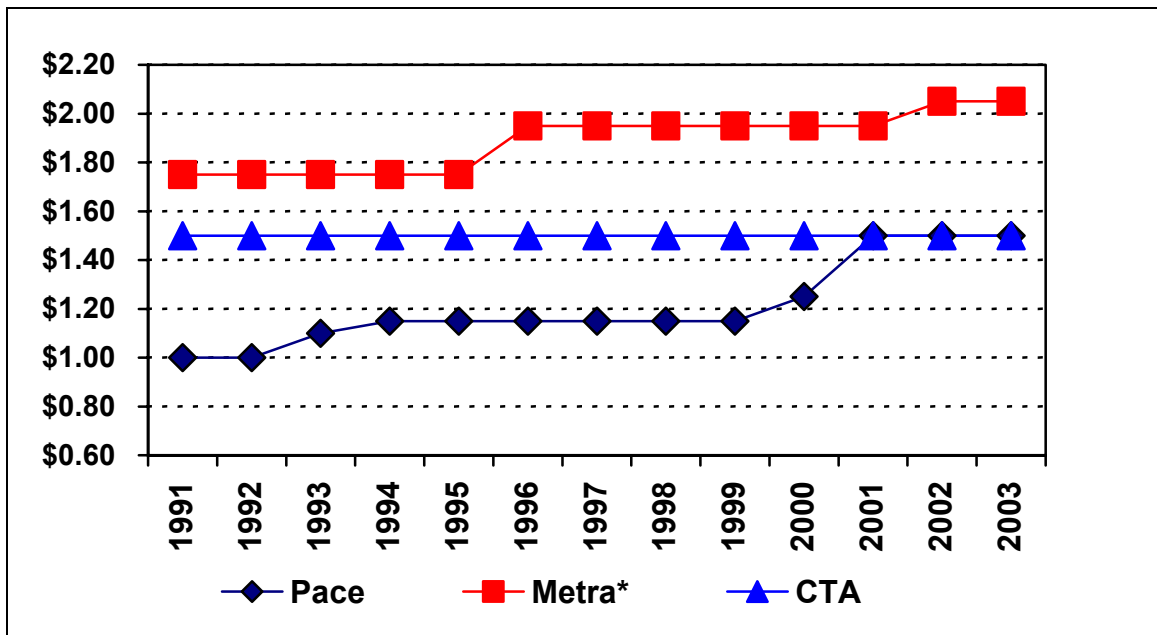
the reduced fare, CTA allows children younger than age 6 to ride free when accompanied by a full-fare paying adult.

Table 23: Metra and Pace Fares Since 1991

Year	One-way Cash Fares	
	Pace	Metra*
1991	\$1.00	\$1.75
1992	\$1.00	\$1.75
1993	\$1.10	\$1.75
1994	\$1.15	\$1.75
1995	\$1.15	\$1.75
1996	\$1.15	\$1.95
1997	\$1.15	\$1.95
1998	\$1.15	\$1.95
1999	\$1.15	\$1.95
2000	\$1.25	\$1.95
2001	\$1.50	\$1.95
2002	\$1.50	\$2.05
2003	\$1.50	\$2.05

* Zone B

Figure 31: CTA, Pace and Metra Fares, 1991-2003



APPENDIX III: Miscellaneous Service Improvements 1997-2003

Part-time stations reopened at all times when trains are in service

Stations opened late evenings and on Sundays

New or Reopened Stations (*)

Station	Line(s)
Armitage	Brown
Chicago	Brown
Chicago*	Blue (O'Hare)
Conservatory*	Green
Diversey	Brown
Grand	Blue (O'Hare)
Harrison	Red
LaSalle	Blue (Forest Park)
LaSalle	Brown, Orange
Madison	Green, Brown, Orange
Merchandise Mart	Brown
Sedgwick	Brown
Washington	Brown, Orange
Wellington	Brown

Stations with significant capital improvements since 1997
 (* denotes ADA-compliant station)

<u>Station</u>	<u>Line(s)</u>
51st*	Green
54th/Cermak*	Blue (Douglas)
69th	Red
95th/Dan Ryan*	Red
Ashland*	Green (Lake)
Chicago*	Red
Cicero*	Green (Lake)
Clinton*	Green (Lake)
Conservatory*	Green (Lake)
Garfield*	Green
Grand	Blue (O'Hare)
Halsted*	Green
Howard	Red, Yellow, Purple
Indiana*	Green
Jackson*	Blue, Red
Jefferson Park*	Blue
Kedzie-Homan*	Blue (Forest Park)
Kostner*	Blue (Douglas)
Laramie*	Green (Lake)
Logan Square*	Blue
Medical Center*	Blue
Pulaski*	Green (Lake)
Roosevelt*	Red, Orange, Green
Sox-35th*	Red
UIC-Halsted*	Blue
Washington*	Red
Western*	Blue (O'Hare)

APPENDIX IV: CTA Cost Reduction/Revenue Generation 1998-2003

CATEGORY	DESCRIPTION	FY98	FY99	FY00	FY01	FY02	FY03	TOTAL
COST	Oper/Admin Cost Reduction	\$62.5	\$62.5	\$62.5	\$62.5	\$62.5	\$62.5	\$375.0
	Service Restructuring	25.0	25.0	25.0	25.0	25.0	25.0	\$150.0
	Parts Redesign	0.0	0.0	0.0	3.0	3.0	3.0	\$9.0
	Swap/Overtime/Hire Freeze	0.0	0.0	0.0	2.5	3.5	13.5	\$19.5
	Eliminate Vacation Buyback	0.0	0.0	0.0	0.0	0.0	1.3	\$1.3

	Annual Cost Savings	\$87.5	\$87.5	\$87.5	\$93.0	\$94.0	\$105.3	\$554.8
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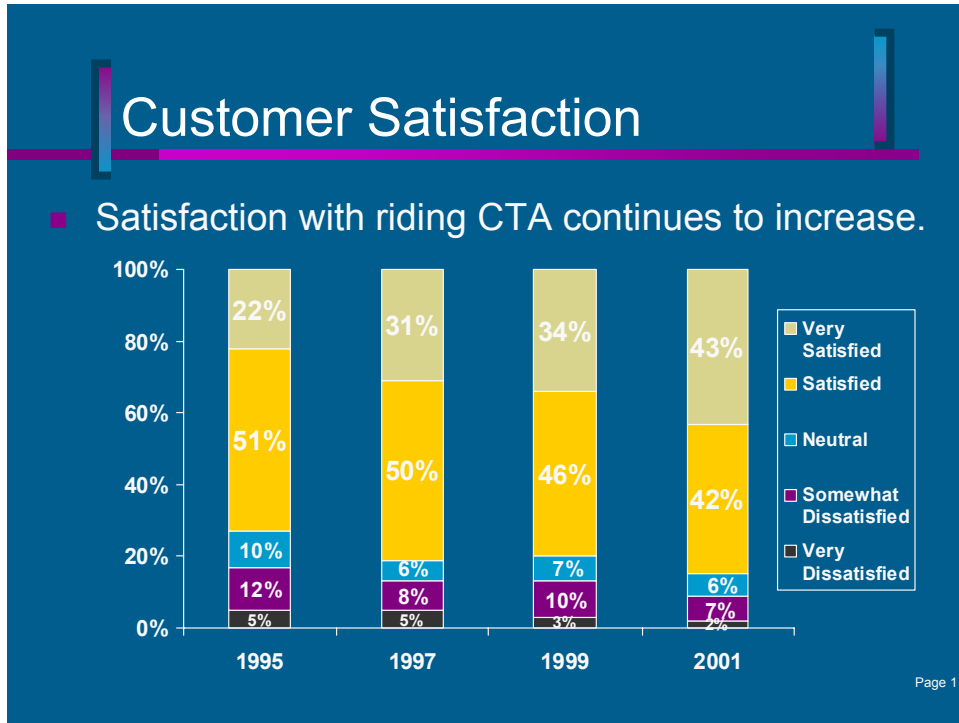
REVENUES	Wilson, Ballard, Pepsi, LB	37.4	0.5	0.5	0.5	0.5	0.5	\$39.9
	Asset sales	0.0	1.0	0.0	0.0	0.0	0.0	\$1.0
	BONY Refinancing (LL)	0.0	0.0	4.7	0.0	0.0	0.0	\$4.7
	Limits Garage Sales	0.0	0.0	0.0	15.8	0.0	0.0	\$15.8
	Nova/QTE/Asset sales	0.0	0.0	0.0	0.0	26.3	0.0	\$26.3
	Asset sales/ATM	0.0	0.0	0.0	0.0	0.0	4.3	\$4.3

	Annual New Revenues	\$37.4	\$1.5	\$5.2	\$16.3	\$26.8	\$4.8	\$92.0
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SERVICE	Additional Services	\$0.0	\$0.6	\$4.7	\$5.2	\$2.0	\$4.2	\$16.7
	Cumulative Services	\$0.0	0.6	5.3	10.5	12.5	16.7	

	Annual Service Increase	\$0.0	\$0.6	\$5.9	\$16.4	\$28.9	\$45.6	
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APPENDIX V: CTA Customer Satisfaction Survey





Chicago Transit Authority

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