

Steering a Positive Course for Transit

President's 2006
Budget Recommendations



Chicago Transit Authority

Steering a Positive Course for Transit

Chicago Transit Board



*Carole L. Brown
Chairman*

Carole L. Brown, Chairman
Appointed by: Mayor, City of Chicago

Susan A. Leonis, Vice Chairman
Appointed by: Governor, State of Illinois

Cynthia A. Panayotovich
Appointed by: Governor, State of Illinois

Charles E. Robinson
Appointed by: Mayor, City of Chicago

Alejandro Silva
Appointed by: Mayor, City of Chicago

Nicholas C. Zagotta
Appointed by: Governor, State of Illinois

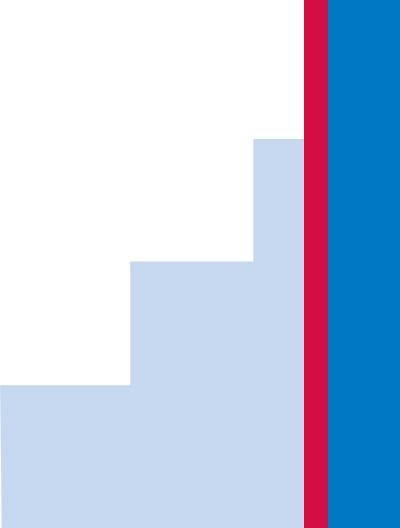
Frank Kruesi, President

www.transitchicago.com

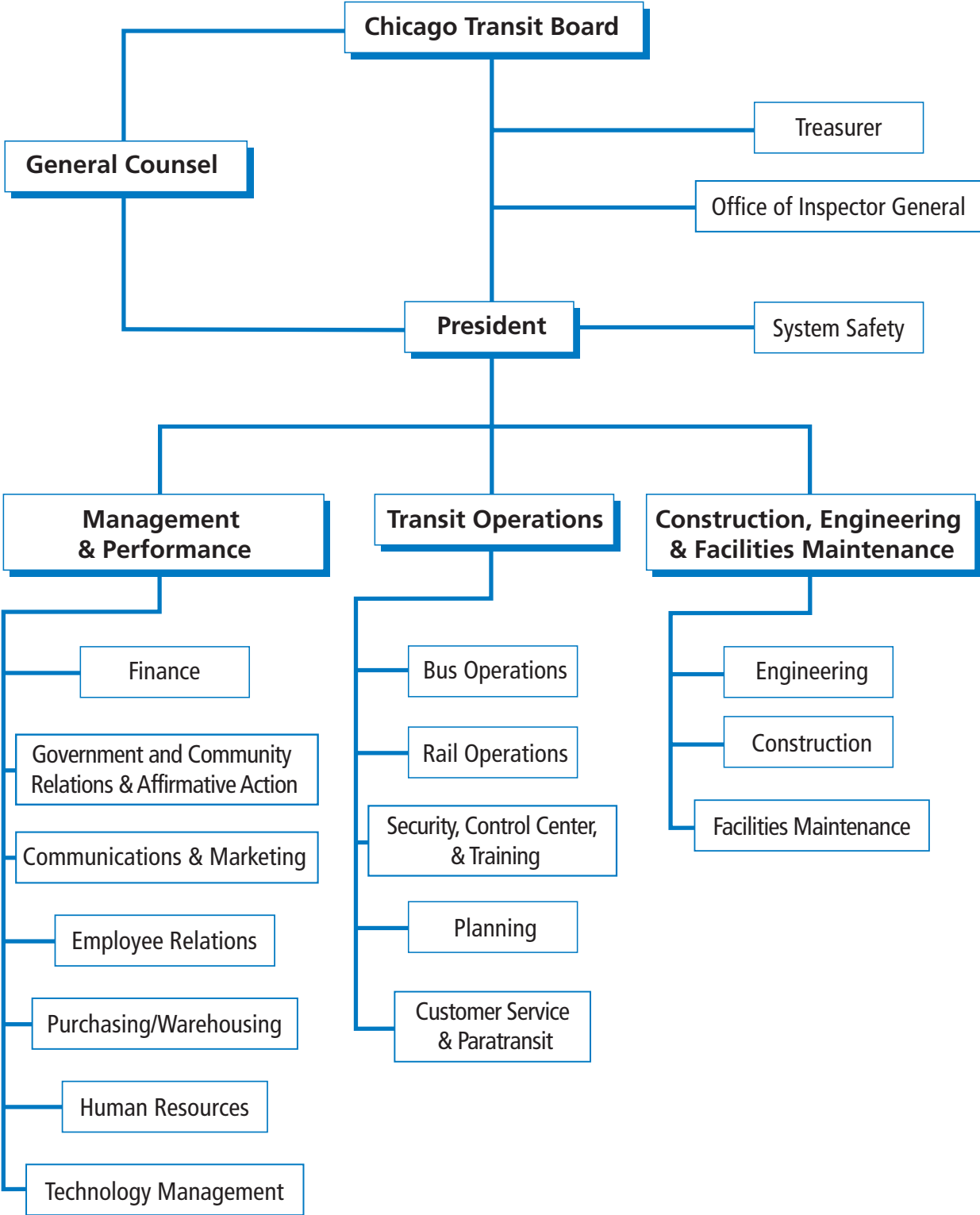
1-888-YOUR CTA

Steering a Positive Course for Transit

- CTA Organizational Chart**i
- CTA Mission and Values**ii
- Letter from the President**iii
- Introduction**v
- CTA Efficiencies**viii
- Accomplishments & Plans**xi
- Vision for CTA**xxiv
- 2005 Operating Budget**
 - 2005 Operating Budget Schedule1
 - 2005 Operating Budget Performance Summary2
- President’s 2006 Proposed Operating Budget**
 - President’s 2006 Proposed Operating Budget Schedule7
 - 2006 Highlights and Major Budget Assumptions8
 - President’s 2006 Proposed Operating Budget Summary9
 - President’s 2006 Proposed Operating Budget Schedule
by Department19
- President’s 2007 - 2008 Proposed Operating Financial Plan**
 - President’s 2007 - 2008 Proposed
Operating Financial Plan Summary23
 - President’s 2007 - 2008 Proposed
Operating Financial Plan Schedule30
- Business Units**
 - Business Unit Descriptions and Goals31
 - Business Unit Activities34
- President’s 2006 - 2010 Proposed
Capital Improvement Program**
 - Introduction40
 - Sources of Funds43
 - Uses of Funds47
 - Looking Ahead56
 - Project Descriptions57
- Appendices**A



Chicago Transit Authority Organization Chart



Chicago Transit Authority

Our Mission

We deliver quality, affordable transit services that link people, jobs and communities.

Our Values

We will accomplish our mission with a diverse workforce that is:

- Courteous — We will create a pleasant environment for ourselves and our customers.
- Innovative — We will seek out and encourage employees who initiate change, improvement, learning and advancement of our goals.
- Motivated — We will meet each task with spirit, enthusiasm and a sense of pride to be second to none.
- Professional — We will provide transit service with the highest standards of quality and safety for our customers and ourselves.
- Reliable — We will be dependable for our customers and fellow employees, and will maintain the highest standards of trust.
- Results-Oriented — We will focus on getting the job done and will derive personal satisfaction from the service we provide.

Our Commitments

We will accomplish our mission by:

- Setting clear goals, standards and priorities.
- Communicating openly with customers and employees.
- Helping all of our employees develop to their fullest potential through enhanced training and education.
- Being accountable to fellow employees and customers.
- Supporting employees so that they can serve customers.
- Engaging employees in decisions that affect them and their work and creating a stronger sense of ownership among our employees.

Letter from the President



Clearly 2005 was one of the most financially challenging years facing the CTA in a long time. It was reminiscent of my first day as president in October of 1997. On that day, previously approved service cuts went into effect. My first few months on the job were spent implementing those service cuts, which had been necessary in order to balance the budget.

The savings from those reductions, and many other efficiencies implemented since then, allowed the CTA to manage through budget shortfalls for the next seven years. But long-standing structural flaws in the way in which the CTA is funded resulted in an ongoing loss of purchasing power and, despite our best efforts, our budget problems continued to mount. They culminated in a significant structural deficit in 2005 and, once again, deep service cuts had to be considered to make up for insufficient funding. It was a frustrating period for CTA customers, employees and transit supporters throughout the region.

I am glad to say, however, that perceptions on transit have shifted since 1997 and this year we were able to work through our financial issues enough to end on a positive note with a balanced budget, impressive ridership gains and the achievement of having a bus system that is now 100 percent accessible in accordance with the Americans with Disabilities Act. Most importantly, although the CTA's long-term financial problems are not yet solved, we can embark on 2006 with much greater optimism than we began 2005.

Why is that? Over the past year, the CTA has received vital, bi-partisan political support from the Illinois General Assembly, Governor Blagojevich and the new leadership at the Regional Transportation Authority. They all clearly recognize the value of transit to this region and, continuing to work with them, we are confident we can steer a positive course for transit in the coming years.

In addition, the Illinois Congressional delegation continued support of transit customers. The federal transportation funding bill was reauthorized and all of the CTA's priority projects were included on the list of projects eligible to compete for New Start funding. Given this action by Congress, we are optimistic that the state legislature will put into place a successor bill to Illinois FIRST so that we will have the matching funding we need to access federal dollars.

The final reasons are the steadfast attitude and performance of CTA employees and the inspired leadership of Chairman Carole Brown and members of the Chicago Transit Board. Despite very difficult circumstances, employees and the Board remained focused on delivering quality, reliable service for our customers and on doing so as effectively as possible. We have seen the result with continued, and increasingly impressive, gains in ridership. If current trends continue, ridership for 2005 will end the year close to three percent higher than 2004. This is a very good result for any year but especially satisfying given the many obstacles facing the CTA this past year.

One of the most important milestones this year was the report from the Mass Transit Committee of the Illinois House, which was chaired by Representative Julie Hamos. With independent technical assistance from the Urban Transportation Center at the University of Illinois at Chicago (UIC), the Committee undertook a very detailed and careful review of transit funding. Their findings affirmed many of the points raised by the CTA regarding inadequate funding levels and changing allocations over time, and they concluded that, as currently structured, funding levels will not meet future regional transit needs for either operations or capital improvements.

Clearly, this is just a first step on the journey to reform transit funding. But it is a significant one and provides a cornerstone for my budget recommendations for 2006. Because the General Assembly has recognized that there is a problem with the structure of transit funding and demonstrated its willingness to solve that problem, the CTA is committed to working as efficiently as possible to manage our way through anticipated budget shortfalls in 2006 and give the General Assembly the additional time it needs to devise a fair solution that meets the region's needs.

The future of transit is also on the mind of Jim Reilly, the new Chairman at the RTA. As part of our budget preparations this year, he has asked the CTA, Metra and Pace to provide statements on their vision for transit. How do we really grow transit and how does that matter for the region? That is the type of challenge we at the CTA welcome. My response recognizes calls for one billion transit rides per year in the region and looks at ways in which the CTA could contribute by growing its ridership to as many as two million rides per day. It is very heartening to see the regional dialogue recognize transit growth as a logical and valuable step in the ongoing development of the Chicagoland area.

To be clear, our operating budget problems still exist. We had to find ways to make up a \$90 million shortfall this year, and shortfalls will continue to worsen until there are changes to the way in which we are funded. Dealing with this issue on a long-term basis is of paramount importance. But there is a new spirit of cooperation in the region. We have gone to our peer agencies, our customers and our elected officials to make our case. They have listened and acted, and a consensus is emerging that a problem exists and it needs to be fixed.

We will continue to challenge ourselves to find more efficiencies and carefully manage our headcount. Over the past year, the Board and management have embarked on an intense, but thorough, review of CTA operations with an independent team of efficiency experts, AECOM Consult.

They have commended the many steps we have already taken to improve the ways in which we operate, but, as efficiency is a never-ending commitment, they have also helped us develop a blueprint for new initiatives that will take us to the next level and many of those plans are central to my budget recommendations for 2006.

Spiking fuel prices continue to put significant pressure on our budget. The CTA alone uses about 24 million gallons of fuel annually, so when prices rise as quickly and as high as they have this year, our budget suffers. For every 10 cent increase in fuel prices, the CTA needs a corresponding ridership increase of 2.7 million rides just to break even. With prices likely to go even higher, I must recommend a 25 cent increase to cash fares and their equivalents to help counter the rising cost of fuel. This increase would be identical to the one proposed but not implemented in 2005, and I again propose keeping fares the same for customers who use our Chicago Card options as they speed boarding and enable us to provide faster, more efficient service. We anticipate that this fare increase will generate \$17 million.

The state, through the actions of the General Assembly and Governor Blagojevich, is expected to continue to provide interim assistance for paratransit funding. In 2005, they approved \$54 million in funding for the CTA that enabled us to balance the budget and cancel plans for service cuts, fare increases and layoffs.

The CTA anticipates receiving half of that funding in 2006 with the other half going to Pace when it takes over delivery of all paratransit service in July. Because of the General Assembly's decision to transfer paratransit service to Pace exclusively, with RTA oversight, I recommend that the previously planned fare increase for paratransit scheduled to go into effect at the start of 2006 be cancelled to allow Pace maximum flexibility going forward. In my view, it is not appropriate for the CTA to implement policy changes during this transition period since we will not be operating paratransit much longer and will, like Metra, provide mainline service only. With our increasingly accessible system, however, the CTA is an ever more viable transit option for customers with disabilities. In addition to a completely accessible bus system, half of our rail stations and all of our trains are accessible. More rail stations will become accessible in the coming years as we complete work on the Dan Ryan branch of the Red Line and begin station reconstruction on the Brown Line.

I propose keeping service levels the same as 2005. With healthy ridership gains this year, it is our long-term hope to be able to add service to continue to grow transit ridership and improve mobility for the region. We cannot afford to expand service at present, but I recommend that we avoid cuts and give the General Assembly the time it needs to resolve the region's funding issues.

In order to avoid cuts, I reluctantly concur with the RTA's recommendation that the CTA transfer an additional \$29 million in capital funds to its operating budget, although I do so with the understanding that this is purely a temporary measure to buy time for the region's funding issues to be resolved. As I have made very clear in the past, I think this practice is bad public policy. I recognize, however, that circumstances are different this year and that we are not being asked to do this as a permanent step but rather as a prudent interim step that will enable us to avoid a worsening spiral of service cuts while the General Assembly works on funding. If we do not do this, we will be facing continual service cuts year after year until we have in effect undone all the work that has rebuilt and revitalized the CTA. So, in the spirit of regional cooperation, I recommend that the CTA compromise on this point and allow our new RTA leadership the opportunity to work with CTA, Metra, Pace and the General Assembly on the complex long-term issues that are really critical to all our financial futures.

With these steps, the CTA can maintain its service for the next year and meet its financial obligations while continuing to work toward permanent financial stability.

When I joined the CTA in 1997, I identified three critical tasks necessary to reverse the downward spiral then plaguing the CTA. The first was to rebuild ridership and I am proud to say the CTA is on track to have our seventh ridership gain in eight years. The next was to increase capital funding so that we could make the necessary investment in our fleet and facilities to bring them to a state of good repair. As a result, the CTA has become much more competitive and successful at securing federal funds as evidenced by our success with the 1998 federal transportation reauthorization legislation, and this year's successor. Although we still have much work to do, including the challenge of securing a non-federal match for federal funds, we can definitely say that the CTA has made great progress on this front.

The final task was arguably the most complex, and that was fixing the problems with the CTA's operating budget. To just identify the root cause of the problem took a substantial commitment of time and resources. But, we persevered and we, and our colleagues throughout the region, now understand the core problem. One of the most important lessons we have learned while working on it is that this problem is a marathon and not a sprint. We are not to the finish line yet, but we are closer to it than we have ever been. More importantly, we are not running the race alone any more. We have partners helping us and, as a team, we will get there. Transit is coming back!



Steering a Positive Course for Transit

Introduction

Despite a difficult year in 2005, we begin 2006 with a fresh and hopeful outlook that, in partnership with the General Assembly, the new leadership at the RTA, our colleagues at Metra and Pace, and of course, our customers, we can steer a positive course for transit for the region.

There is increasing acknowledgement that a healthy public transit system is critical to the economic vitality of this region. Every day public transit meets a fundamental need for millions of customers by providing

affordable, reliable and convenient transportation in and around the city and surrounding suburbs. Without transit, area roadways would reach critical mass, unable to handle the crush of traffic. Gridlock would become the norm and the air quality would radically decline as a result. Those without cars would have great difficulty getting to work, school and retail centers, which would hurt the economy and quality of life in this region.

But even with the clear and growing demand and need for transit—nearly two million customers use some combination of CTA, Pace and Metra to travel to and from destinations

throughout the six-county region—the challenges involved in providing bus and rail service have intensified over time because the CTA's public subsidy has not kept up with inflation.

The CTA's purchasing power for day-to-day operations has steadily decreased, growing at almost one percent less than the rate of inflation since 1985. In addition to the significant loss in inflation-adjusted funding, CTA's

share of regional funding has eroded. While the CTA's share of regional ridership has remained above 80 percent, either with direct service or connecting service to Metra and Pace, including nearly half of all transit trips in the six-county region that have a suburban component, its share of regional public transit funding has declined from 71 percent to 59 percent since 1980.

As a result, the CTA had to plan in 2005 to cut service, lay off more than 2,000 employees and raise fares in order to balance its budget. And if this situation were not challenging enough, the additional pressure of escalating fuel prices and emerging security costs placed greater demands on scarce resources. As recent events in London and Madrid have made tragically clear, the safety and security of transit customers must be a top priority at the local level with transit agencies and local law enforcement, and also at the state and federal levels for funding and intelligence so potential threats can be identified and resources made available to guard against them.

Fortunately, thanks to assistance from the state legislature and Governor Blagojevich, the CTA was able to avert its worse case scenario. In acknowledgment of the value of transit, the Illinois General Assembly authorized and the Governor approved a \$54.3 million grant in May that enabled the CTA to balance its budget. In addition, new leadership and a fresh approach at the Regional Transportation Authority helped the CTA in its efforts to secure funding.

The Mass Transit Committee of the Illinois House, chaired by Representative Julie Hamos with technical assistance from the Urban Transportation Center at the University of Illinois at Chicago (UIC), undertook a very detailed and careful review of transit funding. Their findings affirmed many of the points raised by the CTA regarding inadequate funding levels and changing allocations over time and they concluded that, as currently structured, funding levels will not meet future transit needs for either operations or capital improvements.

This was a very positive development and a building block for the president's budget recommendations for 2006. Because the General Assembly and Governor Blagojevich have recognized that there is a problem with the structure of transit funding and indicated their



The renovated platform at the Kedzie station on the 54th/Cermak branch of the Blue Line features a stainless steel canopy.

Steering a Positive Course for Transit

willingness to solve that problem, the CTA is committed to working as efficiently as possible to manage its way through anticipated budget shortfalls in 2006 and give the General Assembly the additional time it needs to devise a solution.

Another measure of support from the state was a change in the way in which paratransit service will be operated in the region. The right to paratransit service is guaranteed under the Americans with Disabilities Act. It is, however, much more costly to provide than mainline service and although it is federally mandated, there is no federal funding provided. The General Assembly approved an amendment to the RTA Act which transfers paratransit service to Pace exclusively, with RTA oversight, by July 1, 2006. Going forward the CTA, like Metra, will provide mainline service only. With an increasingly accessible system, however, the CTA is an ever more viable transit option for customers with disabilities. In addition to a completely accessible bus system, half of all rail stations and all trains are accessible. More rail stations will become accessible in the coming year as we complete work on the Red Line and begin station reconstruction on the Brown Line.

These steps provided a welcome but temporary resolution to what has emerged as a long-term problem with the way transit is funded in this region. Until a long-term solution the CTA will continue to struggle with budget shortfalls because its funding has failed to keep pace with inflation. But it is clear that members of the state legislature, the Governor and the new leadership of the RTA have an appreciation of the value of transit to the region and the complex funding issues facing transit. Just as importantly, the CTA has their commitment to continue to work on this issue in the coming year. That is why despite similar financial challenges the CTA can approach 2006 with hope instead of the trepidation of 2005.

The CTA will continue to find more efficiencies and carefully manage our headcount. Over the past year it embarked on an intense, but thorough, review with an independent team of efficiency experts, AECOM Consult. They have commended the many steps already taken to improve the ways in which the CTA operates but, as efficiency is a never-ending commitment, they have also helped develop a blueprint for

new initiatives for continued efficiency going forward. Those plans are included in the president's budget recommendation for 2006.

With these steps, and others outlined in the budget, the CTA can maintain its service for the next year and meet its financial obligations while continuing to work toward permanent financial stability.

Notwithstanding the recurring challenge of insufficient funding, the CTA's record of progress continued in 2005. Ridership has increased for six out of the past seven years as a result of fleet upgrades, new bus routes, expanded service hours, rehabilitated stations and rail cars, and service adjustments implemented to meet changing residential and commercial needs. That trend continued with ridership showing healthy gains for the first half of the year. Through August 2005, systemwide ridership was up 3.8 percent over 2004, clearly demonstrating the demand by customers and the value of public transit to this region. The fact that ridership has continued to post increases is a clear message that there is a real demand for public transit throughout the region. The strong growth in weekend ridership demonstrates that more customers are choosing the CTA for discretionary trips as well as their



Traffic backs up entering the city as a CTA train moves quickly toward downtown.

Steering a Positive Course for Transit



An Orange Line train pulls into the Clark/Lake station on its way to Midway Airport.

workday commutes, which reflects the important around-the-clock nature of the service CTA provides.

There is other good news. CTA's financial performance for 2005 was better than expected. With increased ridership comes an increase in farebox revenue. In addition, sales tax revenues in the city and suburbs were stronger than projected due to a rebounding economy.

A continued investment in our fleet improved service and reliability for all CTA customers and enabled the CTA bus fleet to become 100 percent accessible. Good service is vital to keeping and growing ridership and continued investment is necessary to maintain good service. There is also good news to report on that front.

In August, federal legislators reauthorized the federal transportation bill known as SAFETEA-LU. This bill is essential to ensure effective transportation networks that provide economic opportunities and support livable communities in Illinois. The authorized CTA projects will benefit customers in the city and suburbs, and those who transfer from Metra and Pace.

The authorized CTA projects are the extension of the Yellow Line; an extension of the Orange Line to Ford City Mall; an extension of the Red Line to 130th Street; the Circle Line, which links up Metra and CTA lines outside the Loop; the Ogden Corridor project; and, of course, it also provides continued support for the current Brown Line capacity expansion project and the recently completed rehabilitation of the 54th/Cermak branch of the Blue Line.

Like every other transit-intensive metropolitan area, the Chicagoland area relies on federal investment to rebuild and repair its system. Now that federal legislators have made this financial commitment to the future health of public transit, of equal importance is securing the necessary match of funds that will make these projects a reality and the state legislature has indicated that it will put in place a successor to Illinois FIRST.

In 1998, TEA-21 was authorized by the federal government to provide \$218 billion in funding for transportation projects, with \$41 billion authorized for transit.

The Illinois General Assembly quickly mobilized to provide matching funds. In 1999, the state established Illinois FIRST, a \$12 billion matching program to improve transportation infrastructure. The state designated approximately \$2.1 in Illinois FIRST funding for transit. CTA received more than \$1 billion of Illinois FIRST transit funding over four years for capital improvements to its rail and bus system.

Major CTA capital improvements such as the recently completed rebuild of the 54th/Cermak branch of the Blue Line, the purchase of new buses, current work on the rehabilitation of the Dan Ryan branch of the Red Line and expanding capacity on the Brown Line would not have been possible without the matching funds provided by the state's Illinois FIRST program and the CTA looks forward to all it can do to enhance the system with new capital funding.

The transit projects included in the new law can enhance the State of Illinois' economic vitality and help to bring our mass transit system to a state of good repair while ensuring that it meets the dynamic needs of a growing and interdependent region.

CTA Efficiencies

As a public agency, CTA has continued to use its existing public funding in an efficient and effective manner. Since 1997, major efficiency initiatives have helped reverse over a decade-long downward spiral of service cuts, fare increases and lost ridership. In 2006, the number of CTA employees is projected to be approximately 1,200 (about 10 percent) lower than in 1997. Cumulatively, an estimated \$1.025 billion has been saved through cost-cutting initiatives over the past eight years.

Since 1997, CTA has done more with less. Even with staffing reductions, ridership increased by about six percent through 2004, and posted additional calendar-adjusted ridership gains of 3.8 percent for the first eight months of 2005. CTA has improved service on about two-thirds of its bus routes and all rail routes, and introduced over 20 new bus routes. CTA has also expanded system accessibility for customers with disabilities: today, all CTA buses and half of all rail stations are accessible compared to 70 percent of CTA buses and one-third of CTA rail stations in 1997. CTA has also completed the rehabilitation of the 54th/Cermak branch of the Blue Line, modernizing a line that might otherwise have had to be closed. This project was completed ahead of time and nearly \$1 million under budget. CTA is currently rehabilitating the Dan Ryan branch of the Red Line and implementing station accessibility and capacity enhancements on the Brown Line.

One indicator of how far CTA has come is to look at



Since 1997, CTA has saved \$13 million each year by moving to one-person rail car operation.

improvements in employee productivity. From 1997 to 2004, the number of customers served per employee has increased by nearly 13 percent, from about 40,000 to 45,000 annually. The number of service hours provided per employee has increased by over 18 percent, from about 825 hours to over 975 hours annually per employee.

Even with these past accomplishments and efficiency initiatives, CTA remains committed to improving efficiency. In 2005, CTA engaged AECOM Consult to perform a management and operations review of CTA's efficiency and business practices. AECOM summarized CTA's overall performance as follows:

"CTA is cost-effective relative to other major U.S. transit systems. For key ratios of cost-effectiveness using data from the National Transit Database, CTA's bus system clearly ranks first among the major U.S. systems, and its rail system also ranks first, setting aside the passenger loading factors where CTA is constrained by its rail technology to lower numbers of passengers per car and per train."

Further,

"CTA had accomplished substantial improvements in the quality of service and substantial reductions in the cost of the service in recent years. CTA has proposed and is in the process of implementing additional improvements that will increase the cost-effectiveness in future years."

At the beginning of 2005, CTA faced a \$55 million operating budget deficit based on the expectation that public funding would remain stagnant at the 2002 level of \$441.6 million. To reduce this projected deficit, CTA implemented the following measures:

- Hiring and overtime were monitored and restricted, saving \$5 million to \$6 million.
- Parking fees were increased at Park & Ride lots, generating an estimated \$300,000 in additional revenue.
- CTA swapped out investment securities used in a 1995 lease deal with Government Agency bonds that netted CTA \$2.3 million.

CTA Efficiencies



Through the windows of moving trains, customers are now seeing a moving picture ad appear on the wall of the subway tunnel.

- A new contract was executed to provide revenue from advertising in subway tunnels. This new advertising medium is expected to generate \$100,000 annually in revenue in addition to existing advertising revenue which totaled over \$20 million in 2004.
- In currently ongoing union negotiations, CTA has been seeking productivity gains and has proposals on the table to address healthcare and pension issues.

In addition to these recent steps and past efficiency measures, AECOM recommended 10 priority actions for CTA to improve efficiency:

1. Implement a comprehensive attendance improvement program.
2. Expand rostering of bus operator assignments to all garages.
3. Optimize the size of the extraboard for bus and rail operations.
4. Seek outsourcing capabilities in union labor contracts.
5. Implement a schedule-to-pay and automated time and attendance system.
6. Continue maintenance management information system (MMIS) implementation.
7. Refine the service planning process.
8. Develop a strategic marketing organization.
9. Revise the procurement contract approval process.
10. Streamline the change order approval process.

Some of these opportunities can be implemented expeditiously by CTA, but others require changes in union contracts or state law, which CTA is either currently seeking or would have to obtain. Most specifically, CTA is currently prohibited from subcontracting activities such as bus operations by the terms of its collective bargaining agreement. Under the circumstances, many of the productivity improvements can only be partially achieved. Additionally, AECOM observed that CTA's ability to reduce the size of its workforce may be restricted by layoff protection clauses contained in the collective bargaining agreements that provide protection to employees hired before January 1, 1999. These clauses have a widespread impact on CTA's ability to increase efficiency.

Even after acknowledging these legal restrictions, CTA is taking AECOM's recommendations to heart. Some specific actions include:

- **Rostering**

Rosters improve the efficiency of crew schedules by creating assignments around a 40-hour week rather than five individual 8-hour days. Overtime and minimum guarantee premiums are based on a 40-hour work week rather than each 8-hour workday. With rosters, a 9-hour assignment can offset a 7-hour assignment without incurring overtime or paying for unperformed work. Under conventional rules, overtime is paid for the 9-hour assignment while the 7-hour assignment is paid a minimum contractual guarantee of 8 hours.

In November 2003, CTA and Local 241 reached an agreement to introduce experimental rosters at two bus garages. Results from the initial experiment with rosters have produced annualized savings estimated at \$2 million. Following recommendations by AECOM Consult, CTA is working to expand rosters to all garages contingent upon successful union negotiations.

- **Extraboard**

The extraboard consists of vehicle operators at bus garages and rail terminals who are ready to take over assignments from other employees who are absent due to illness, vacation or other reasons. CTA has started a 12-month extraboard pilot project to improve extraboard utilization at one bus garage. Extension to other garages would start in 2007 if the pilot project proves successful and union concurrence is received. CTA rail operations has recently initiated a working group to identify ways to improve extraboard utilization on the rail system.

CTA Efficiencies

- **Time and Attendance System**

The automated time and attendance system will track employee attendance and absenteeism, replacing manual bookkeeping. This year, CTA issued a request for proposal (RFP) for this system. Vendor selection and system implementation is scheduled for 2006.

- **Service Planning Process**

CTA has revised its service planning process to facilitate timely and more efficient service changes. More specifically, the Chicago Transit Board will continue to approve major changes that have significant impacts on customers and resources. The Board will not act on minor or moderate service changes, but will continue to be updated by staff on these changes. CTA planning staff is continuing to study where other alterations should be made to streamline the service planning process.

- **Strategic Marketing**

CTA will embark with AECOM on a strategic marketing plan. The goals of the plan are to brand CTA services, raise awareness of CTA's value and increase ridership.

- **Real Estate**

AECOM noted steps CTA has already undertaken to improve the efficiency of its real estate operations, including introducing private-sector management at most parking lots and exploring opportunities to increase advertising and other revenues. Based on AECOM recommendations for additional improvements, CTA will develop a strategic plan to fully leverage its real estate assets and maximize revenues.

- **Maintenance Management Information System (MMIS)**

The maintenance management information system (MMIS) is a computerized workorder system for vehicle maintenance. The system tracks the life cycle of vehicle parts and time required to perform maintenance duties, allowing CTA to improve maintenance efficiency. The MMIS system will become fully operational in 2006 and the savings will be reflected in future budgets.

Privatization

The AECOM report also suggested that CTA seek outsourcing capabilities in union labor contracts. CTA currently contracts out several large components of its day-to-day operations, including:

- Paratransit (\$29.6 million estimated for January-June 2006)
- Security private contractor (\$25.5 million)
- Security - Chicago, Evanston and Oak Park Police Departments (\$8.6 million)
- Revenue Collection Guard Services (\$1.1 million)
- Engine and Transmission Rebuilding (\$7.8 million)
- Bus Inspection (\$3.0 million)
- Selected Janitorial Services (\$0.2 million)
- Workers' Compensation Management (\$4.3 million)
- Elevator Maintenance (\$1.8 million)

Collective bargaining agreements with CTA's two largest unions, Amalgamated Transit Union (ATU) Locals 241 and 308, currently prohibit most subcontracting or outsourcing of work regularly provided by union members.

Although outsourcing certain functions of CTA may produce additional savings, privatization cannot substitute for the public funding of public transit. It is worth noting that nearly all transit operations throughout the United States used to be privately operated. During the mid-20th century, the public sector took over private transit operations because transit could not be profitable in an environment that was becoming increasingly automobile oriented and automobile subsidized. At the same time, there was a growing awareness that transit is essential for overall mobility, traffic congestion relief and environmental protection. Public funding for transit was established in recognition that transit benefits not only its customers, but also people who do not regularly ride. They enjoy reduced traffic congestion, cleaner air, less competition for parking spaces and other benefits because others have chosen to ride transit.



Artist's rendering of the proposed Fullerton station on the Brown Line.

Accomplishments and Plans

2005 Accomplishments

Although CTA started 2005 with uncertainty about its funding situation, it remained customer focused and made progress on many fronts.

The year began with encouraging news. In 2004, CTA ridership increased despite a base fare increase, the possibility of service cuts proposed for 2005 and a reduction in public operating funding of nearly \$12 million from 2003. CTA provided 444.5 million rides in 2004, an increase of 481,000 rides, or 0.1 percent over 2003. With the 2004 results, CTA has now achieved ridership increases in six of the past seven years while operating in an increasingly challenging environment.

This growth in ridership has continued in 2005. Through August, ridership was up 3.8 percent over 2004, clearly demonstrating the demand by customers and the value of public transit to the region.

In 2005, the CTA continued its commitment to improve neighborhood facilities and service for customers, which are among the most important elements in maintaining and growing ridership. A number of accomplishments were realized throughout the year which improved service and facilities for CTA customers.

The rehabilitation of the 54th/Cermak branch of the Blue Line was successfully completed in January, ahead



Mayor Richard M. Daley is joined by Chicago Transit Board Chairman Carole Brown, elected officials and community members to celebrate the completion of the rehabilitation of the 54th/Cermak branch of the Blue Line.

of schedule and nearly \$1 million under budget. The \$482 million renovation provided customers with eight newly renovated, fully accessible stations, a faster, smoother ride and uninterrupted service throughout three years of construction. The fully rebuilt line provided CTA the opportunity to work with the community to encourage more people to ride. To that end, on January 1, 2005, weekend service along the line was provided for the first time since 1998.

Ridership on the branch increased 12 percent in 2004 compared to 2003, reporting 8,750 rides on an average weekday, an increase of 950 rides per weekday over 2003. In 2005, with the addition of weekend service, year-to-date ridership figures through August show a ridership increase of 42 percent, or nearly 600,000 additional rides, compared to the same period of 2004.

Rebuilding of the track and support structure resulted in the complete elimination of slow zones along the line. Customers are now experiencing faster and more efficient service and improved travel times. The trip from the terminal at 54th/Cermak to the Loop now takes 25 minutes or less instead of the 45 minutes it took prior to reconstruction.



The Chicago skyline provides the backdrop for the elevated station at Western.



Improved lighting at the Blue Line's newly renovated Damen station on the 54th/Cermak branch lights up the neighborhood at dusk.

Accomplishments and Plans

In addition to faster, smoother rides, the eight newly rehabilitated stations offer a number of customer-friendly amenities. For customer comfort, new center platforms feature benches, overhead heaters and enhanced lighting. Attractive stainless steel and glass canopies have been installed to protect customers from the elements. Station signs and a state-of-the-art public address system help customers more easily navigate the stations and receive travel information.

Renovated stations also include new elevators, escalators, wheelchair turnstiles, TTY telephones, tactile edging and Braille signs for customers with disabilities making all 11 stations along the branch accessible.

As part of the CTA's ongoing effort to increase safety and security on its rail system, in September, security cameras at all 11 stations on the 54th/Cermak branch were the first to connect to the Control Center where both live and recorded images can be viewed.

To complement the rehabilitation project, the CTA and the City of Chicago's Department of Cultural Affairs established a unique partnership to create and install public art at the renovated stations. A panel consisting of city, CTA, art and community representatives served as advisors to select the appropriate original artwork for each station. The art enhancements help foster a sense of ownership and identity within the surrounding neighborhoods, and contribute to the overall appearance of the rail stations by promoting a friendly, inviting atmosphere.

In 2005, the CTA also made significant progress on the Brown Line capacity expansion project. The purpose of this project is to improve service by increasing capacity on the entire line. Platforms will be lengthened to accommodate eight-car trains instead of the six-car trains currently in use. What that means for customers is that every train will be able to accommodate many more people.

Brown Line stations will also be renovated and made accessible to people with disabilities as part of CTA's ongoing commitment to have an accessible system. The project will also improve service in other ways. Wider stairways, additional entrances and exits, and more turnstiles will ease congestion during busy hours.



As seen in the fare area, parts of the original station were incorporated into the newly renovated Kedzie station on the 54th/Cermak branch of the Blue Line.

The station construction portion of the capacity expansion project began in fall 2005. The 18 stations included in the project are grouped into five separate construction packages according to location. To date, the Chicago Transit Board has approved construction contracts for 10 stations. The first station package was for Belmont and Fullerton, followed by Chicago, Armitage and Sedgwick, then Kimball, Kedzie, Francisco, Rockwell and Western.

The remaining station groups, Damen, Montrose, Irving Park and Addison, and Paulina, Southport, Wellington and Diversey, will go out for bid later this year and early in 2006.

Customers who rely on the Brown Line can continue to do so during station construction. Although some temporary station closures are necessary as part of station construction, Brown Line service will be maintained throughout the entire course of the project. Although temporary station closures will occur throughout the project, no adjacent stations will be closed at the same time on weekdays.

In addition to station construction, the Brown Line project also includes upgrading substations, and signal and communication systems from Kimball to Western along the line. Along the tracks crews began to install signal equipment, new crossing gates and circuitry where the Brown Line crosses at street level. Kimball Tower, where signals control switches and direct Brown Line trains, is also undergoing rehabilitation.

Accomplishments and Plans



Artist's rendering of the completed renovation of the Belmont platform on the Brown Line.

Work to rehabilitate Clark Junction - the location where Brown, Purple and Red Line tracks merge just north of the Belmont station - is also underway. Crews are working on installing a new signal system from Armitage to Addison, and providing signals for 14 rail crossovers. Upgrades to Clark Junction will enable CTA to better manage train traffic through this busy area resulting in more efficient service for all three lines.

Because the majority of stations along the Brown Line are close to one another, and this area also has a great deal of CTA service aside from the Brown Line, customers will have a number of service options during station construction. Throughout construction CTA will make alternate service details readily available for customers.

CTA has worked and will continue to work with local elected officials, local businesses and community members to keep them informed of plans for station



Artist's rendering of the proposed Montrose station on the Brown Line. Design features reflect the look of the neighborhood it serves.

renovation and other pertinent details to help reduce the impact of construction on their daily lives.

As the project continues to move forward, CTA remains committed to staying within budget and meeting the completion dates required. The project's Full Funding Grant Agreement (FFGA) with the federal government requires that the CTA complete construction by the end of 2009. In a separate agreement, the FTA requires that work to make the Fullerton station accessible be completed by the end of 2008.

Work continues on the Dan Ryan Red Line rehabilitation project. Improving power reliability and the delivery of that power are the most significant aspects of the project. The CTA is constructing two new substations, upgrading two existing substations, installing a permanent signal system and replacing the power rail.



A new concrete platform is one of the upgrades at the Garfield station on the Red Line as part of the rehabilitation of the Dan Ryan branch.

In addition, seven stations from Sox-35th to 87th will receive upgrades that include new flooring, enhanced lighting, refurbished platform canopies, new customer assistant kiosks and improved signs. Eight escalators along the branch will be replaced and new elevators will be installed at 47th and 69th, making the stations accessible to customers with disabilities. There also will be enhancements to improve bus connections, such as curb cuts, canopies over station entrances and improved lighting on the approach to each station.

The \$283 million project remains on time and on budget and is scheduled to be completed in late 2006.

Accomplishments and Plans

Construction began in August to replace an aged viaduct on Main Street in Evanston. The existing viaduct was constructed in 1910 and has deteriorated over time due to use and repeated freezing and thawing during winter months. Replacing the Main Street viaduct will eliminate the need for a slow zone along that expanse of track thereby improving travel time for customers. The \$5.3 million project includes replacing the existing concrete viaduct with a single 100-foot span steel bridge in addition to rebuilding the concrete abutments and adding new lighting, sidewalks, retaining walls and asphalt paving. Construction is expected to be completed by the end of the year.

Plans for a new transit station were also approved in 2005. In April, the Chicago Transit Board approved an agreement with The Mills Corporation to finance and develop a transit center under Block 37, also known as 108 North State Street. Plans include a new subway station, track connections and a common downtown airport check-in facility for train service to both O'Hare and Midway airports.

The opportunity to build a station at Block 37 is a unique one for CTA. Because it is the only vacant parcel between CTA's Blue Line and Red Line subways, the Block 37 site makes possible a track connection project that would otherwise be prohibitively expensive. A station at this location will create a track connection between the existing subways and enhance options for subway operations. This will be the CTA's first major tunneling project since the Dearborn subway



Customers exit the Red Line's renovated Lake station which features ceramic tile on the walls and new escalators.

project was completed in 1951. Since then, there have been two smaller subways constructed - the Logan Square Subway and the O'Hare Subway - both on the Blue Line and both handled by the City of Chicago.

Future plans for express connections to Chicago's airports will contribute to Chicago's reputation as an easy to navigate city for residents and tourists, and it will provide additional revenue for operation throughout the region. It will also provide more service options for both area residents and visitors to the region, as well as improvements for all customers traveling on the Blue and Orange Lines. The overall cost of the transit center is estimated at \$213.3 million.

In September, the newly renovated Lake Street subway station on the Red Line re-opened. In cooperation with the CTA, the Chicago Department of Transportation rebuilt the station's mezzanine and platform between Lake and Randolph streets. The new areas feature ceramic tile walls and ceilings, and brighter and more energy-efficient lighting. Additionally, the \$15 million project expanded the public area of the mezzanine level by 1,500 square feet, creating space for additional turnstiles. One new escalator was installed between the platform and mezzanine level, while two escalators between the mezzanine and street level were refurbished. Except for the addition of tactile edging, the platform that runs under State Street had not been renovated since it opened in 1943.

In addition to upgrading facilities, CTA continued in its effort to upgrade its bus and rail fleets. A Request for Proposal (RFP) for the manufacture of new rail cars was issued in early 2005. The RFP calls for a base order of 206 rail cars with additional options that could bring the total purchase to 706 cars and includes upgraded features as part of the bid criteria such as AC, or alter-



CDOT's investment in the Lake station on the Red Line features brighter lighting on the subway platform.

Accomplishments and Plans

nating current propulsion motors, security cameras and aisle-facing seating.

The existing CTA fleet uses DC, or direct current, motors to drive trains. The new AC propulsion rail cars will be able to operate on the DC powered track by converting the DC energy in the third (power) rail to alternating current for the traction motors. AC propulsion is used by transit agencies in New York, Washington, D.C., and Atlanta, among others.

The new rail cars will include aisle-facing seats that will accommodate more customers per rail car and provide a more comfortable trip, a priority for the second largest transit system in the country. Customers carrying backpacks, packages, luggage, strollers and bikes will have more room to maneuver. Additionally, the new configuration allows for one more wheelchair position (two per car) than the current configuration (one per car).

The rail cars will replace older rail cars, some more than 30 years old, such as the 2200-series Budd cars that were purchased in 1969-70, as well as the 2400-series Boeing-Vertol cars purchased in 1976-78. CTA's most recent purchase of new rail cars was in the 1990s when 3200-series cars were purchased for the opening of the Orange Line, and to replace older cars on the Brown and Yellow Lines.

CTA achieved a major milestone in 2005 by making all of its buses in the fleet accessible to people with disabilities. Because of the narrow streets along four of CTA's bus routes, standard-sized accessible buses could not be put into service on those routes and the existing narrow buses in CTA's fleet were not accessible. To achieve accessibility on all of its bus routes, CTA surveyed the market for a small quantity of narrow, accessible buses that it could put into service quickly and inexpensively while awaiting the purchase and manufacture of new buses. In early February, CTA purchased 13 narrow, lift-equipped, air-conditioned buses retired from service by Pace. The buses were outfitted for use on CTA's system and put into service on CTA bus routes #170, #171, #172 and #173 that serve the University of Chicago campus in Hyde Park.

Every bus in service on all 150 of CTA's bus routes is now equipped with a ramp or a hydraulic lift. These features, along with low floor and kneeling buses, make it easier for senior citizens and people with disabilities to board CTA buses. In addition, CTA buses are equipped with an automated announcement system that helps visually and hearing impaired customers better navigate the system.

In recent years, CTA has been able to phase out its remaining non-accessible buses and upgrade its bus fleet thanks mostly to capital funding provided by the Federal Transit Administration and the state's Illinois FIRST transportation funding program. Since 2000, the CTA has purchased and received more than 700 new buses.

All CTA trains are also accessible with at least two accessible cars per train and are equipped with a pre-recorded announcement system that informs customers of upcoming station stops. Following the completion of the rehabilitation of the 54th/Cermak branch of the Blue Line and the renovation of eight stations, half of the CTA's 144 rail stations are now accessible. CTA incorporates accessibility features into the design of new stations and those stations being substantially renovated.

Increasing the accessibility of CTA's service creates additional travel options for senior citizens and customers with disabilities. CTA is committed to providing quality, affordable transit service to all of its customers, and to lowering barriers that have



Mayor Richard M. Daley looks on as CTA Citizens' Advisory Board member Jack Catlin and Mayor's Office for People with Disabilities Commissioner Karen Tamley demonstrate boarding an accessible bus in recognition of CTA's bus system achieving 100 percent accessibility.

Accomplishments and Plans



In 2005, the CTA's new articulated buses were a familiar sight on many high-density routes.

prevented seniors and customers with disabilities from using buses and trains.

The addition of 225 NABI articulated, or accordion-style buses, to CTA's fleet is resulting in improved reliability, comfort and convenience of CTA bus service. The NABI buses are 60-feet long, have seats for 61 passengers and no steps upon entry. Compared to the older models, which have three steps, the new NABIs are easier to board and also have a ramp that can be extended to the sidewalk to provide accessibility to customers with disabilities.

These buses are well suited for the express routes on North and South Lake Shore Drive. Two articulated buses can replace three 40-foot standard-sized buses which allow fewer buses to carry the same number of people and reduces bus bunching.

In addition, a \$95 million contract was approved for the purchase of 265 new CTA buses designated to replace older buses in CTA's fleet that have reached the end of their useful life. The 40-foot, low-floor, accessible, air-conditioned buses will help to further improve service reliability and the overall transit experience for many CTA bus customers. The purchase also will include 20 environmentally friendly diesel hybrid buses that are powered by both diesel engines and electric motors to help reduce emissions. The new buses will replace 5300-series Flexible buses purchased by the CTA in 1991. Delivery is expected to begin in early 2006.

By including 20 hybrid buses as part of the purchase, CTA will be able to evaluate the performance of the environmentally friendly vehicles in Chicago's extreme weather conditions. Performance results will help determine if hybrid buses are suitable as future additions to CTA's fleet. The contract provides options for the purchase of up to 1,050 buses as capital funding becomes available.

Another contract for \$17.2 million was approved this year for the purchase of up to 125 new 30-foot buses that will begin delivery in late 2006. The new buses are shorter and narrower than the standard 40-foot buses in CTA's fleet and will be placed on routes where narrow streets or lower peak ridership call for smaller vehicles.

Equipped with low emission engines, the low floor, air conditioned, accessible buses will have the same amenities that are part of CTA's existing bus fleet including surveillance cameras, bike racks, next stop announcement system and automatic passenger counters that provide route usage information to further improve schedules.

Upgrading the bus fleet with these slightly smaller buses will allow CTA to better allocate its resources throughout the service area, much like having the right tool for the job. New buses not only improve the reliability of service, but having a smaller sized bus in the fleet will allow CTA to better match service with ridership and realize cost efficiencies that come from operating a smaller vehicle.

In addition to fleet and facility improvements, CTA continued its investment in new technology to further improve service and safety. State-of-the-art simulators were purchased and put into practice to provide the latest in training technology for CTA bus operators. The simulators give instructors the ability to recreate specific driving conditions that challenge operators to drive defensively.



CTA's new bus simulator recreates driving conditions to prepare operators for service in the real world.

Accomplishments and Plans



Chicago Card Plus can be used on CTA's bus and rail system as well as Pace.

Investment in technology has also helped improve the boarding process. CTA is currently conducting a pilot program that allows express boarding for customers using Chicago Card and Chicago Card Plus to pay fares on the bus and rail system. The Go Lane, an express fare payment lane, has been designated on the left side of the bus entrance for Chicago Card and Chicago Card Plus customers, and the right side is reserved for customers paying with a magnetic strip transit card or cash. At selected rail stations, at least one turnstile has been dedicated for use of either Chicago Card option. The pilot is part of CTA's continued commitment to customer service and is being conducted to determine if providing two lanes for boarding bus customers and a dedicated turnstile at stations will help to speed boarding and, therefore, speed service.

The faster and easier the boarding process, the more the transit experience is improved for existing customers. Faster boarding also helps to attract new customers. Initial observation and customer feedback show customers are taking advantage of the feature with average weekday use of the Chicago Card and Chicago Card Plus farecards by bus customers increased an average of 21 percent on buses offering Go Lane boarding. On the rail system daily use of the cards increased an average of six percent at stations with Go Lanes.

Go Lanes allow customers to board faster than with cash or transit cards.

Go Lane buses can be identified by bright yellow and blue decals on the outside of the bus and bus operators are making announcements as customers board. Dedicated Go Lanes at rail stations are identified by signs over the turnstile and on the floor in front of the turnstile.

CTA will continue to monitor Go Lane boarding times during morning and evening rush periods to measure time saved during boarding, as well as the ratio of customers using electronic fare media compared to cash or transit cards. Customer reaction and ease of use will also continue to be evaluated as part of the pilot. Currently, 115,886 Chicago Card Plus farecards and 91,399 Chicago Card farecards are in circulation for a grand total of 207,285 Chicago Card and Chicago Card Plus farecards.



New Visitor Pass machines, such as the one at O'Hare (Blue Line), provide customers convenient fare payment options.

The CTA has seen a marked increase this year in sales of Visitor Passes since installing several new Visitor Pass vending machines that accept credit and debit cards, as well as cash just as the old machines did. In addition, the new machines provide audio and visual instructions in English and Spanish, and have instructions in Braille and raised lettering for customers with disabilities. Machines have been installed at locations frequented by visitors such as the Cumberland, Rosemont and O'Hare stations on the Blue Line, Midway station on the Orange Line, Chicago Avenue station on the Red Line and at the Water Works Visitor Center.

This year, customers were introduced to a new type of advertising technology in the southbound Blue Line Dearborn subway tunnel between the Clark/Lake and Washington stations. Through the windows of the

Accomplishments and Plans

moving trains, customers are now seeing a moving picture ad appear on the tunnel wall. This new advertising medium is expected to generate \$100,000 annually in revenue for CTA. This innovative technology allows CTA to use tunnel space, which in the past has not normally been considered an attractive ad space, to generate additional advertising revenue to support CTA operations.

In addition to this newest medium, CTA generates advertising revenue from buses, trains, stations and billboards located on CTA property. In 2004, CTA generated \$20 million in advertising revenue and \$2.1 million in billboard revenue.

A new Park & Ride also opened on the O'Hare branch of the Blue Line. The new facility is located adjacent to the Harlem station at 5550 N. Harlem Avenue and provides an additional 53 parking spaces for CTA customers who wish to combine driving and public transit, and generates additional revenue for the CTA. Park & Ride facilities help expand travel options for commuters by making it more convenient to make CTA part of their trips. The addition of the Blue Line Harlem Park & Ride facility brings the total number of Park & Ride lots in the CTA system to 18, with a total of 6,289 spaces.

Plans for 2006

The CTA, like its sister agencies, will continue to contend with higher fuel, healthcare and labor costs in 2006, in addition to the structural flaws in the transit funding formula that have eroded funding over time.

While developing the recommendations for the 2006 budget, CTA also faced the issue of unfunded obligations to the retirement plan for CTA employees. The plan is self-insured, but the CTA administers the plan's healthcare program and is reimbursed by the plan. But with growing healthcare costs, and huge unfunded obligations, the CTA cannot predict the extent to which the retirement plan will be able to reimburse the CTA for costs incurred on its behalf. Resolving these issues and finding a permanent, stable and fair way to fund transit in the region is, and will remain, an overriding CTA objective.

Even with these serious financial challenges, the CTA is committed to moving forward with facilities and service improvements that will benefit customers. CTA is investing an additional \$31 million in its rail communication system to expand the use of fiber optics, which increases the speed and capacity of information transmitted both internally and to customers. Fiber optics will enhance communication systems because of its ability to carry more information, more reliably, with clearer audio and video reception which, among other benefits, will result in clearer platform announcements.

CTA has been upgrading its communications capabilities over the past several years. Fiber optics have already been installed and are in use along the Green and Orange Lines, the 54th/Cermak branch of the Blue Line, the Blue Line from O'Hare to the Jackson subway station and the Red Line from Howard to Roosevelt.

The fiber optic expansion will increase CTA's capacity for transporting key information from track level to its Control Center, enabling the Control Center staff to better coordinate service planning and strategic response to service interruptions.

While rail lines already equipped with fiber optics are currently tied into the network, a number of stations along those rail lines are not. As part of the project, these stations will have fiber optics installed for connection to the network.

In addition to the increased speed and capacity of the CTA's communication system, the fiber optic upgrade will save the CTA operating costs by eliminating the need to lease several communication lines from an



CTA buses and trains provide nearly 1.5 million rides on an average weekday.

Accomplishments and Plans



Security cameras, such as the one pictured here on the Red Line Lake station mezzanine, are part of CTA's ongoing effort to enhance security on its system.

outside company. As a result, the CTA will own and operate all of its communications lines for an expected savings of at least \$500,000 annually. The project is expected to take two years to complete.

Security cameras are an increasingly important component of enhancing security on CTA's system because they serve as a deterrent to crime and assist law enforcement in identifying perpetrators. They also provide additional information to operations staff in the event of a service disruption. In September, CTA completed a key portion of its systemwide fiber optic expansion that allows CTA to connect security cameras along the 54th/Cermak branch of the Blue Line to its Control Center.

As additional fiber optic installation is completed over the next few years, cameras currently on the CTA system as well as new cameras will be added to the network. Ultimately, CTA's network will feed directly into the 9-1-1 Center. When completed, the link between CTA's Control Center and the City's 9-1-1

Center will be part of the Office of Emergency Management Communication's larger Homeland Security grid that is designed to expand the use of surveillance cameras throughout Chicago. By the end of 2006, CTA's security camera network will include a total of approximately 1,200 cameras at 48 stations.

Aside from capital construction projects, where the cost of security cameras is included as part of the renovation, CTA needs an additional \$20 million to install security cameras at all remaining rail stations and connect them to the network. Funding for fiber optic installation is provided by a combination of grants from the Department of Homeland Security, other federal funding and Regional Transportation Authority bonds.

Further improving communication with customers remains a priority in 2006. CTA is currently setting up an electronic subscription service that will automatically e-mail customized service alerts directly to customers' cell phones and other wireless devices.

Although the goal is to provide uninterrupted service, on occasion CTA may experience an unexpected service delay. Providing customers with timely and accurate service information will help improve their ability to plan their trips on CTA. For customers who do not have immediate access to traffic reports or the CTA's web site before they head out to catch their bus or train, the service will be invaluable.

Next year, CTA will begin work on the renovation of the Howard 'L' Station on Chicago's North Side. The station is a busy boarding and transfer point. An estimated 17,200 customers change trains at the station each day, and another 6,000 people enter the station from the street.

The project includes building a new ADA accessible station entrance and fare control area that will provide a convenient, accessible path between the existing platforms and the recently-constructed multi-story parking garage and bus terminal on the west side of the station. The existing Howard Street station and viaduct also will be renovated. Additionally, new facilities will be constructed to house the Red Line rail operations and maintenance staff.

Accomplishments and Plans



CTA's Control Center constantly monitors trains and buses in service throughout the area.

The project will bring major overall improvements and boost ongoing neighborhood revitalization efforts in the Howard Street area, where CTA's major intermodal transportation center serves customers on the Red, Purple and Yellow Lines, seven CTA bus routes and two Pace bus routes.

The design phase of rehabilitating the Wilson station on the Red Line will also begin next year. Customers using this station will experience the benefit of modern amenities while preserving the station's historic architectural features. The station was originally constructed in 1900.

Design alternatives will include moving the main entrance to the corner of Broadway and Wilson and creating an auxiliary entrance on the south side of Wilson. The station will be fully accessible to people with disabilities and offer upgraded customer amenities, such as a new platform, signage, overhead heaters and elevator.

Projects of the scope and magnitude necessary to maintain the second largest transit system in the country require a great deal of support, and the CTA has received generous support from the City of Chicago in restoring its facilities. In 2006, CDOT (Chicago Department of Transportation) will begin renovation work on the Grand station on the Red Line. The renovation project involves the complete renova-

tion of the mezzanine and platform, and expansion of the subway station.

The public mezzanine area, which houses the station, will be expanded by 2,100 square feet, a 40 percent increase over the existing area, allowing for more efficient travel through the station. In addition, the number of turnstiles will increase from four to 12 and the installation of four exit-only rotogates will accommodate current and future ridership needs. The platform design theme follows the design motif incorporated at other Red Line subway stations rehabilitated by CDOT - Lake, Chicago and Jackson - and includes glazed ceramic tile, vaulted ceiling panels and walls featuring the cityscape.

Since 1989, the City has invested \$828.5 million in CTA infrastructure improvements. These include renovations to the platform at the Jackson station on the Red Line and reconstruction of the Red Line platform between Adams and Van Buren completed in 2004, as well as rehabilitation of the underground transfer tunnel that provides a pedway connection between the Red and Blue Line platforms at Jackson completed in 2003. Additional projects include the Roosevelt Connector project, which was completed in December 2002, the renovated Chicago Avenue station on the Red Line that was completed in 2001 and the elevated Library-State/Van Buren station that was completed in 1997.



A CTA maintenance crew tends to the elevated tracks near Fullerton.

Accomplishments and Plans



CTA's bus system consists of 150 routes that provide approximately one million rides on an average weekday.

Future Plans - Beyond 2006

The Chicago region has a world-class surface transportation system with over 24,000 miles of interconnected major roadways and a regional interconnected public transportation network that includes shared use of highway corridors by two transit systems.

With the combined services of CTA, Metra and Pace, the Chicago region has one of the most extensive networks in the United States. Weekday ridership is close to two million daily.

The Chicago region depends, in so many ways, on this effective transportation system.

It is vital to our economy, our security and our health. It attracts both businesses and residents to the region. Further investment in this system will sustain the region's economic competitiveness, ensure flexibility in times of emergency and enhance quality of life. The recent reauthorization of the federal transportation bill is a major step in securing the future of public transit in the region. The CTA will be working closely with its sister agencies and the General Assembly to secure matching funds so that every federal dollar available can be used.

State and federal funding have been crucial to CTA's ability to rebuild its system. Specifically, City of Chicago Mayor Richard M. Daley, U.S. House Speaker Dennis Hastert, Governor Rod R. Blagojevich, the Illinois Congressional delegation, and the Illinois General Assembly have provided the financial support needed to help start the CTA on the road to a state of good repair.

Like every other transit-intensive metropolitan area, the Chicagoland area relies on federal investment to rebuild and repair its system. Now that federal legislators have made this financial commitment to the future health of public transit, of equal importance is securing the necessary non-federal match of funds that will make these projects a reality. It is the next critical step to take transit projects from concept to reality.

When the last transportation bill was authorized in 1998, it provided \$218 billion in funding for transportation projects, with \$41 billion authorized for transit. The Illinois General Assembly quickly mobilized to provide matching funds. In 1999, the state established Illinois FIRST, a \$12 billion matching program to improve transportation infrastructure. The state designated approximately \$2.1 billion in Illinois FIRST funding for transit. CTA received more than \$1 billion of Illinois FIRST transit funding over four years for capital improvements to its rail and bus system.

Major CTA capital improvements such as the recently completed rebuild of the 54th/Cermak branch of the Blue Line, the purchase of new buses, current work on the rehabilitation of the Dan Ryan branch of Red Line and expanding capacity on the Brown Line would not have been possible without the matching funds provided by the state's Illinois FIRST program. Also made possible by Illinois FIRST were notable upgrades to the CTA fleets.



With matching funds from the State of Illinois, CTA was able to rebuild the 54th/Cermak branch of the Blue Line.

Accomplishments and Plans



Travelers at Midway station on the Orange Line purchase farecards for the train ride from Midway Airport to downtown.

The transit projects included in the new bill will enhance the State of Illinois' economic vitality and will move our mass transit system closer to a state of good repair while ensuring that it meets the dynamic needs of a growing and interdependent region. The CTA will be working with our transit colleagues and state legislators on a program to match the federal funds.

Projects such as the Circle Line, extending the Orange Line from Midway Airport to Ford City, extending the Red Line from 95th to 130th/Stony Island, extending the Yellow Line to Old Orchard shopping center, and establishing a streetcar and bus rapid transit system along the Ogden and Carroll Avenue corridors will benefit customers in the city and suburbs, and those who transfer from Metra and Pace.

The Circle Line would leverage the CTA's ongoing investment in its rail infrastructure by connecting nearly all of the city's major employment and special event destinations with CTA and Metra rail lines. This would make rail service more attractive to all transit customers and reduce travel times. The Circle Line project is designed to provide convenient shortcuts for CTA and Metra customers making crosstown trips,

while also improving access to the periphery of Chicago's central area.

Extending the Orange Line to Ford City would complete the original Orange Line plan to provide improved access to downtown from the far southwest side and from the central city to the strong employment corridor along South Cicero Avenue.

Extending the Red Line from its existing south terminal at 95th Street to a new terminal at 130th would streamline bus-to-rail connections for 13 CTA bus routes and six Pace routes, and would also connect with Metra's South Shore commuter rail line.

The proposed extension of the Yellow Line would provide service to major destinations such as Old Orchard shopping center, Cook County Courthouse, and adjacent office and retail developments currently just beyond the reach of the existing terminal. Expanding service would strengthen the reverse-commute flow along both the Yellow and Red Lines, and make better use of CTA's existing service capacity.

Plans for new transit service along the Ogden and Carroll Avenue corridors would involve bus rapid transit and electric streetcar transit service, and serve as a catalyst for further transit-oriented economic revi-



Many CTA customers choose public transit over driving because of its convenience and affordability.

Accomplishments and Plans



The Davis station in downtown Evanston connects CTA rail and bus service with Metra.

talization of the communities through which it travels. The line would connect several Chicago neighborhoods including Douglas Park, the West Loop and the 42,000-employee Illinois Medical District. The proposed transit line would have a western terminal at North Riverside Park Mall at Harlem and Cermak, and operate along Cermak Road, Ogden Avenue, Randolph Street, Carroll Avenue and Grand/Illinois with an eastern terminal at the main entrance to Navy Pier.

Even with all of these ambitious initiatives and projects, the CTA still has a great deal of work to do. Transit agencies are facing a number of challenges. Competition for limited funds is fierce due to the growing demand for new transit projects. The need for non-federal sources to match federal funding requirements is critical. And, most recently, the cost associated with safety and security has increased.

Capital funding is needed to pay for security enhancements, whether it is security cameras or public address systems, cutting edge technology or specialized training. Homeland Security grants over the past three years have enabled CTA to enhance security measures - in some ways that are visible to the public and in some ways that are not. But there are many more measures CTA would like to implement.

In its proposed 2006-2010 Capital Program, the CTA identifies \$1.8 billion in funding. But this will only partially meet the CTA's needs. A substantial amount remains unfunded. As the Illinois legislature looks at capital funding for transit, the CTA will be conducting a thorough and systemic analysis of the additional funding it needs to reach a state of good repair.

And, while it is vital to secure capital funding, it is also imperative to secure dedicated operating funding for both system growth and existing service. Without sufficient operating funding, the CTA will be unable to operate let alone continue to provide an attractive level of service for existing customers.

A viable public transportation system is a tremendous asset for any region - whether urban or suburban. It reduces commute times, promotes cleaner air, sharpens economic competitiveness, supports more livable communities, and provides greater access and freedom for people from every walk of life. Conversely, the Texas Transportation Institute estimates that time wasted in traffic congestion costs the region over \$43 billion annually.

Clearly the better choice is to invest in public transportation. It is an investment in the economic productivity and security of Illinois. But for too long the CTA has been forced to focus on survival rather than growth due to insufficient funding. All of the region's transit providers - the CTA, Metra and Pace - need to have a growing and reliable source of funding.

Today the need for public transit is greater than ever. The region's population is growing and plans must be made to accommodate that growth. In the Chicago region, the average household spends over \$8,000 per year -or 16.9 percent of its earnings-on transportation related costs, and that figure is sure to escalate now that gas prices have passed the \$3 per gallon mark.

The CTA will continue to work with the RTA, the Illinois General Assembly and Governor Blagojevich to find solutions that will support the transit system that is so vital to this region.

President's Response to the Call for a Future Vision

RTA Chairman Reilly has challenged CTA, Metra and Pace to envision what a strong transit system would look like with more resources. His positive approach is a welcome and exciting step towards addressing this region's mounting traffic congestion - now the second worst in the nation.

Many people have already begun to think big about the future of public transit. Supported by Illinois' Congressional delegation, recent federal legislation signed by President Bush in the Chicago region provides major capital support to advance CTA towards a state of good repair and for new transit infrastructure. In addition to continued federal capital support for upgrades to the Brown Line and recently renovated Blue Line 54th / Cermak Branch, the legislation authorizes the proposed Red, Yellow and Orange Line extensions, the Circle Line and the Ogden Corridor-Navy Pier project. Diverting capital funds to sustain day-to-day CTA operations in 2006 will delay some critical capital projects and is never a good long-term strategy, but one I can accept because I am confident that state, regional and RTA leaders will find a permanent funding solution in the near future.

Moving Forward

The ideas I have outlined in this alternative vision at Chairman Reilly's request are a tentative, beginning step and are meant to spark a healthy and vital debate about the future of public transit. I welcome your thoughts on what makes sense and what needs improvement as this vision takes shape. The focus is to increase transit ridership dramatically. CTA can do its part to meet calls for one billion annual transit trips in the region that are needed to make a significant impact on congestion. Two decades ago, CTA provided over two million rides per weekday. Surpassing that ridership level will be required as a first step towards providing CTA's full contribution towards the regional ridership goal. Ridership is the single most important indicator of the health and success of the entire transportation network. Increased ridership means not only more riding by current transit customers, but also a shift of people from automobiles to transit. Simply put, additional transit ridership means fewer cars on the road in front of those who drive, cleaner air quality, and enhanced economic competitiveness.



Expanding capacity on the Brown Line will allow CTA to add two more train cars during rush hour to ease congestion.

In response to Chairman Reilly's request to envision what transit would look like with increased funding, I suggest focusing on enhanced and expanded service to improve transit and grow ridership. Building upon recent accomplishments, which have begun to reverse decades of ridership losses, CTA could rapidly transition from a struggle for survival to a new era of unprecedented ridership increases.

Enhance Service

To compete with the automobile, I believe that transit should be frequent, reliable, and fast. The following strategies have been identified to improve service quality by making the CTA system more attractive, comprehensible and convenient for both new and existing customers.

- Enhance Off-Peak Mobility - Travel and associated parking problems are increasing outside of traditional commute hours. Correspondingly, CTA's weekend ridership growth has been outperforming weekdays since 1998. Frequent off-peak service and longer service hours make it feasible for households to reduce dependence on auto travel, lowering traffic congestion. With additional funding, off-peak service can be improved relatively quickly using existing vehicles.

President's Response to the Call for a Future Vision



The #9 Ashland bus stops at the Ashland station on the Green Line, providing a convenient connection for customers between CTA bus and rail service.

- **Increase Peak-Period Capacity** - Compared to last year, CTA buses are serving on average over 20,000 more customers during the morning and afternoon rush hour period. Without increased service, overcrowding may cause CTA to lose potential customers to cars, resulting in additional traffic congestion. Initiatives to address peak-hour overcrowding include the Brown Line Capacity Expansion Project, which will increase capacity by 33 percent on this busy line by 2009. CTA expects to take delivery of nearly 300 new buses by the end of 2006. With sufficient operating funds, CTA could increase peak-hour service.
 - **Increase Speeds** - Improving service speed in key corridors can make transit more competitive with the automobile. Initiative possibilities include:
 - Incentives to use smart cards to speed boarding
 - Transit signal priority allowing buses to proceed through intersections faster
 - Limited stop and express service, which make fewer stops than local service
- **Expand Services in Neighborhoods and Corridors**- CTA would build upon recent successes with restructuring and expansion initiatives in the north suburbs and along the Lake Shore corridor, which have resulted in respective ridership gains of 4.1 and 7.7 percent. Future initiatives would cover the West Side, the far South Side and south suburbs, the Southwest Side and southwest suburbs, the Northwest Side and northwest suburbs, and the central area and associated suburban train connections.
 - **Enhance Regional Bus Connections** - Improving connections and service levels along key regional corridors offers an opportunity to increase ridership. Some of these corridors lie within Chicago, while others are located in neighboring suburbs and outlying parts of Chicago -well within the CTA's statutory service area.
 - **Expand and Connect the Rail Rapid Transit System**- CTA is currently pursuing long-term expansion projects that would provide valuable connections to facilitate regional travel and promote transit-oriented development, benefiting both the City of Chicago and the suburbs alike. These projects include:
 - Circle Line connecting all CTA and Metra rail lines on the periphery of Chicago's central area
 - Red Line Extension to 130th Street
 - Orange Line Extension to Ford City
 - Yellow Line Extension to Old Orchard
 - Ogden-Carroll-Navy Pier Transitway to North Riverside

Expand Service

The ridership growth strategy might well also include bringing CTA to more places. Some of these initiatives could involve extensions of existing CTA lines. Other initiatives could enhance connections that allow customers to reach locations faster and more directly. Candidate initiatives include:

President's Response to the Call for a Future Vision

- Intermodal Transit Center at Block 37
- Express Airport Train premium rail service between downtown and both airports
- New Rail Stations serving emerging transit markets along existing rail lines

Value to the Region

A good start towards the implementation of these strategies would involve a modest inflation-adjusted operating budget increase of 2percent per year. This would result in an actual service increase between 3percent and 4 percent per year, which would remove many thousands of cars from the region's already overcrowded roads each day -improving mobility for everyone and adding to the vibrancy of the region as one of the world's premiere economic engines.

Conversely, if there were not the prospect of additional funding, CTA would face a troubling future. Each year that the structural funding problem is not addressed, shortfalls will continue to grow cumulatively. As of today, there is the potential for a budget shortfall of \$41 million in 2007 and of \$55 million in 2008. Although always the options of last resort, without the expected progress toward funding solutions, service reductions and layoffs become increasingly likely in the coming years. As the size of the shortfalls increases, the cuts would have to become deeper and the quality of service would deteriorate more quickly in what would become an annual necessity. In just a few years, the system would be a shadow of what it is today and transit would be less convenient to customers and less effective as a tool to support a growing economy and prevent worsening gridlock. The short-term solution of reducing the size of the system ultimately results in a more serious problem for the region. This approach cannot substitute for a fair solution to the structural funding problem.



An elevated train travels above runners competing in Chicago's LaSalle Bank Marathon.

In these challenging times for CTA, RTA Chairman Jim Reilly's direction to develop a vision for transit helps us focus on what transit is all about. The preliminary suggestions outlined above are offered as ways to combat our region's worsening traffic congestion. These ideas are merely tentative suggestions for the expanding regional conversation about how best to improve and fund transit. The discussion is imperative and the decisions and actions that arise will do much to determine our region's continued vitality in the coming years.

CTA Salutes its 2005 Bus & Rail Champions and its Osterman Award Finalists



**Kathy Osterman Finalist
Outstanding
Educational Employee
Dan Dyzyacky,
Bus Instructor II**



**Kathy Osterman Finalist
Executive Finalist
Michael Shiffer,
Vice President, Planning**



**Kathy Osterman Finalist
Outstanding Supervisory
Employee
Walter Thomas, Transportation**



**Bus Operator
Champion
Lorenzo Gunn, Jr.
(103rd Street
Garage)**



**Rapid Transit
Operator Champion
Michael Sheehan
(Midway)**



**Rail Switchman Champions
(L to R) Paris Bradely
(Green Line, Harlem) and
Anthony Martin
(Red Line, Howard)**



**Bus Maintenance
Champions
(L to R) Richard Dolan,
Bryan Hedstroms and
Robert Burns
(North Park Garage)**



**Rail Maintenance
Team Champions
(l to r) Terry Sottile,
Darnell Stovall and
Elmer Costabile
(Skokie Shop)**



**Cleanliness
Champion
Allen Marshall
(98th Street Shop)**



**Rail Customer
Assistant
Champion
Robert Kaempfe
(Blue Line, O'Hare)**



**Bus Fare Box
Technician Champion
Tony Lazaro
(901 W. Division)**

2005 Operating Budget

Courteous

We will create a pleasant environment for our customers and ourselves.



2005 Operating Budget Schedule

(In Thousands)	2005 <u>Budget</u>	2005 <u>Projected</u>	(Unfav)/Fav <u>Variance</u>	(Unfav)/Fav <u>% Variance</u>
Operating Expenses				
Labor	\$ 718,538	\$ 707,265	\$ 11,273	1.6 %
Material	65,332	65,300	32	0.0 %
Fuel - Revenue Equipment	33,837	42,956	(9,119)	(26.9) %
Power - Revenue Equipment	24,526	24,000	526	2.1 %
Provision for Injuries and Damages	19,000	30,000	(11,000)	(57.9) %
Purchase of Security Services	34,777	34,800	(23)	(0.1) %
Purchase of Paratransit	52,473	54,441	(1,968)	(3.8) %
Other Expenses				
Utilities	17,588	17,523	65	0.4 %
Advertising and Promotion	4,956	4,182	774	15.6 %
Contractual Services	32,333	35,936	(3,603)	(11.1) %
Leases and Rentals	3,096	2,155	941	30.4 %
Travel, Training, Seminars, and Dues	2,801	2,313	488	17.4 %
Warranty and Other Credits	(20,471)	(19,686)	(785)	3.8 %
General Expenses	7,343	5,219	2,124	28.9 %
Total Other Expenses	47,646	47,641	5	0.0 %
Total Operating Expenses	\$ 996,129	\$ 1,006,403	\$ (10,274)	(1.0) %
System Generated Revenue				
Fares and Passes	\$ 406,948	\$ 409,500	\$ 2,552	0.6 %
Reduced Fare Reimbursement	30,590	30,590	0	0.0 %
Advertising, Charter, & Concessions	24,313	24,300	(13)	(0.1) %
Investment Income	2,949	4,120	1,171	39.7 %
Statutory Required Contributions	5,000	5,000	-	0.0 %
All Other Revenue	30,445	37,010	6,565	21.6 %
Total System Generated Revenue	\$ 500,245	\$ 510,520	\$ 10,275	2.1 %
Public Funding Required for Operations	\$ 495,882	\$ 495,883	\$ -	- %
Public Funding Available through RTA	\$ 495,883	\$ 495,883	\$ -	- %
Recovery Ratio	53.06%	53.55%	0.49	0.92 %
Required Recovery Ratio	52.90%	52.90%	-	-
Fund Balance	\$ 1	\$ -	\$ -	\$ -

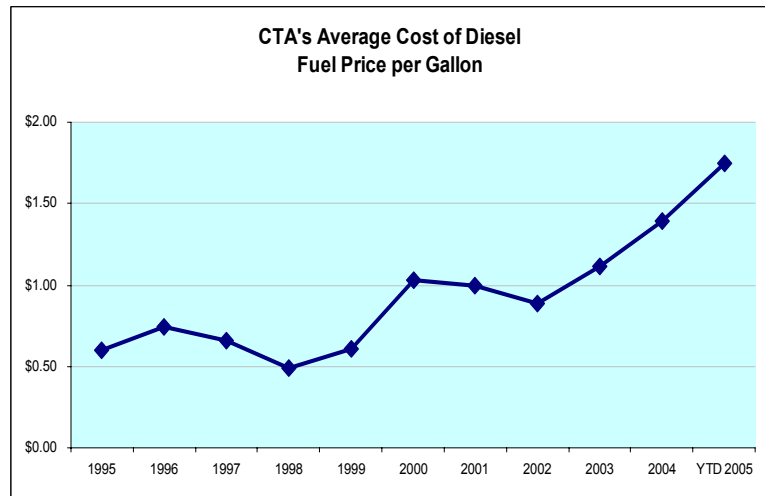
Note: Recovery Ratio includes In-Kind revenue and In-Kind expenses for CPD and excludes security expenses.

2005 Operating Budget Performance Summary

Chicago and the forty suburbs served by the Chicago Transit Authority (CTA) showed just how important the CTA is to the region during 2005 through increased use of the system. With the CTA expecting to achieve another year of ridership growth in 2005, the CTA will have seen ridership growth in seven of the last eight years.

The 2005 budget benefited from increased state support for paratransit and other services. Thanks to the funding approved by the Illinois General Assembly and Governor Rod Blagojevich, the CTA Board rescinded the service cuts as required by the 2005 Gridlock budget. The General Assembly continues to work diligently on the needs of public transit. The task of reviewing the current funding problems, future funding needs, and how these needs can be adequately funded remains for the General Assembly.

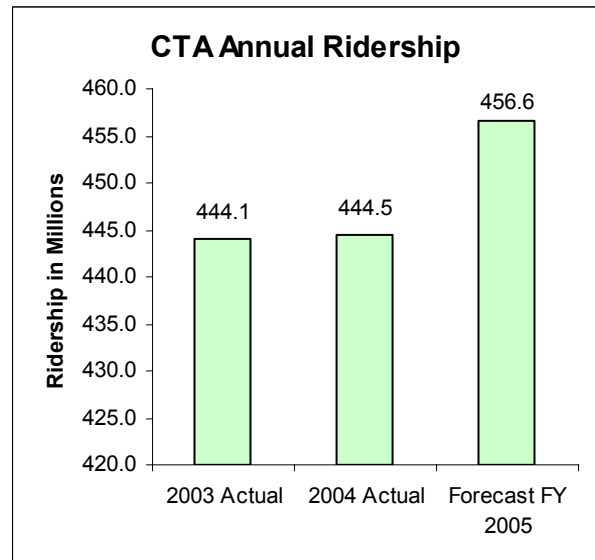
The spiraling cost of fuel for revenue operations and the additional public funding from the General Assembly were the primary factors that affected the 2005 operating performance. The increase in fuel prices generated \$9.1 million of additional cost to CTA's operating expenses. Although higher fuel prices aided ridership growth, the increased costs far exceed the marginal revenue growth. On average, for every \$0.10 increase in fuel prices, CTA's annual fuel cost increases by \$2.4 million. The CTA needs a corresponding ridership increase of



2.7 million rides to break even. Since 2003, fuel cost has increased by \$0.79 per gallon resulting in an \$18.5 million increase in fuel expense. Ridership during this time frame, however, increased 12.5 million trips; 8.8 million trips short of what was needed to break even on fuel costs alone.

RIDERSHIP

During 2005, more customers chose to ride the CTA. Ridership for 2005 is now forecast at 456.6 million trips. This forecast is 9.3 million trips, or 2.1 percent higher than the 2005 budget, and 12.1 million trips, or 2.7 percent higher than the 2004 actual ridership. Although employment levels in the metropolitan region remained flat, changing demographics, improved service, and higher fuel prices contributed to the growth in ridership.



The CTA experienced peak and off-peak ridership growth in 2005. On an average weekday, customers in the region took 1.5 million trips on CTA, of which over 65 percent were on the bus

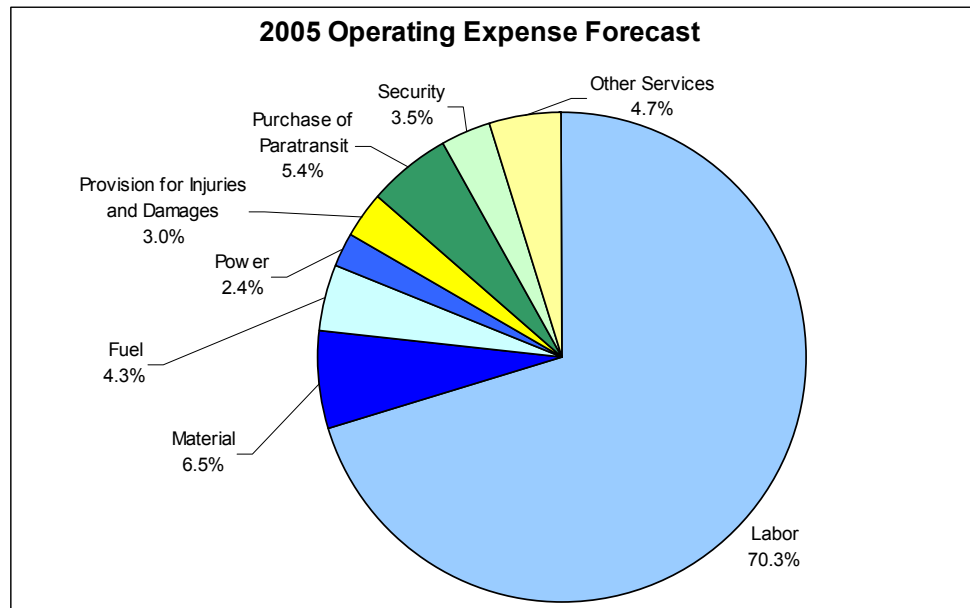
2005 Operating Budget Performance Summary

system. As of August 2005, weekday ridership has experienced a 3.5 percent increase over 2004, primarily due to the higher gas prices. Weekend ridership, however, experienced growth of 4.0 percent on Saturdays and almost 7.0 percent on Sundays compared to 2004 results. Ridership averaged 0.9 million trips on Saturdays and 0.6 million trips on Sundays during 2005.

Bus ridership is forecast at 302.1 million trips for 2005, which is 5.5 million trips or 1.8 percent higher than budget, and 8.0 million or 2.7 percent higher than prior year. Rail ridership is projected at 152.2 million trips, which is 3.6 million or 2.5 percent higher than budget, and 3.9 million or 2.6 percent higher than prior year. Paratransit ridership is expected to end the year at 2.4 million trips, exceeding both the 2005 budget and the prior year actual by 6.9 percent.

OPERATING EXPENSES

Operating expenses for 2005 are estimated at \$1.006 billion. This exceeds budget by \$10.3 million or 1.0 percent primarily due to three expense categories: fuel; provision for injuries, damages and litigation; and paratransit services. This is due to higher market prices for fuel, increased demand for paratransit services, and actuarial recommended funding levels of reserves for



injuries, damages, and litigation in prior years. Labor and the other expense categories that are more easily controlled by management are forecast to finish at or below budget due to on-going cost containment measures needed to balance the budget.

Since 2003, the CTA has eliminated 730 positions, or 12.2 percent of its non-operator workforce, resulting in a savings of over \$42 million

Over 86 percent of CTA's operating expenses are for bus and rail operations, maintenance, and paratransit services. Transportation support services such as scheduling, customer service, safety and security represent another 6.5 percent of expenses. Administrative expenses and funding for injuries and damages comprises the remaining 7.5 percent.

In 2005, labor expenses accounted for 70.3 percent of total operating expense. Labor expense is projected at \$707.3 million, which is \$11.3 million or 1.6 percent lower than budget. Lower labor expenses were due to the cost

2005 Operating Budget Performance Summary

containment measures (monitoring hiring and additional restrictions on overtime) that were implemented during 2005 as well as lower benefit costs. Compared to the prior year, labor is forecast at \$27.2 million, or 4.0 percent higher. Increased costs for health care, workers compensation, and wage rate increases were the primary factors. Since 2003, the CTA has eliminated 730 positions in the workforce; this represents a 12.2 percent reduction in the non-operator workforce. These reductions resulted in a savings of over \$42.0 million annually.

Material expense is forecast at \$65.3 million, which is on par with budget. CTA has been very successful with containing the growth of material expense. In 1998, material expense was \$73.4 million. Through careful management of resources, a vehicle overhaul program, and infrastructure modernization funded with capital money, CTA has been able to minimize any growth in operating material expenses.

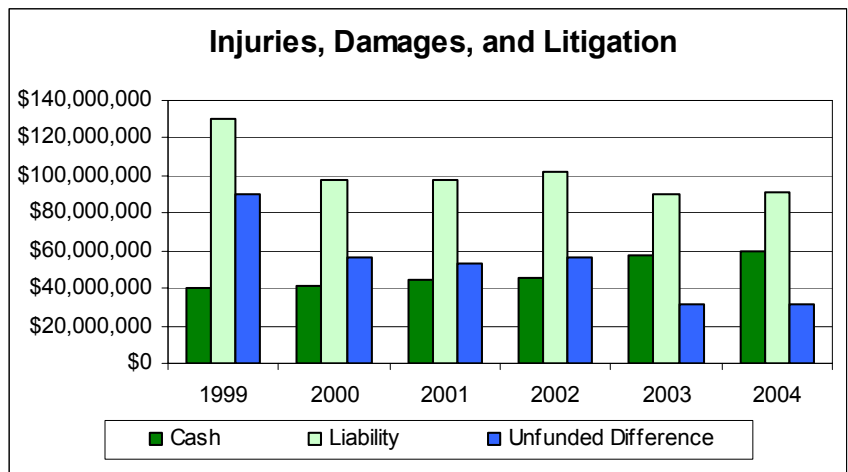
For every \$0.10 increase in fuel prices, the CTA needs a corresponding ridership increase of 2.7 million rides just to break even.

Fuel for revenue equipment is forecast at \$43.0 million, which is \$9.1 million or 26.9 percent more than budget and \$12.9 million or 42.7 percent more than 2004 due to higher fuel prices. The 2005 budget assumed an average price of \$1.40 per gallon. Fuel prices are estimated to end the year at a net average price of \$1.79 per gallon, and consumption is forecast at 24.0 million gallons. This price is net of gains achieved from the fuel hedge initiative. Since the inception of the fuel hedge initiative in 2003, the CTA has realized over \$5.0 million dollars in savings.

Higher fuel expenses resulted from record high oil prices, which reached near \$70.00 per barrel in summer 2005. Higher oil prices were driven by OPEC cartel pricing, Hurricane Katrina, and increased world consumption, especially in China and India.

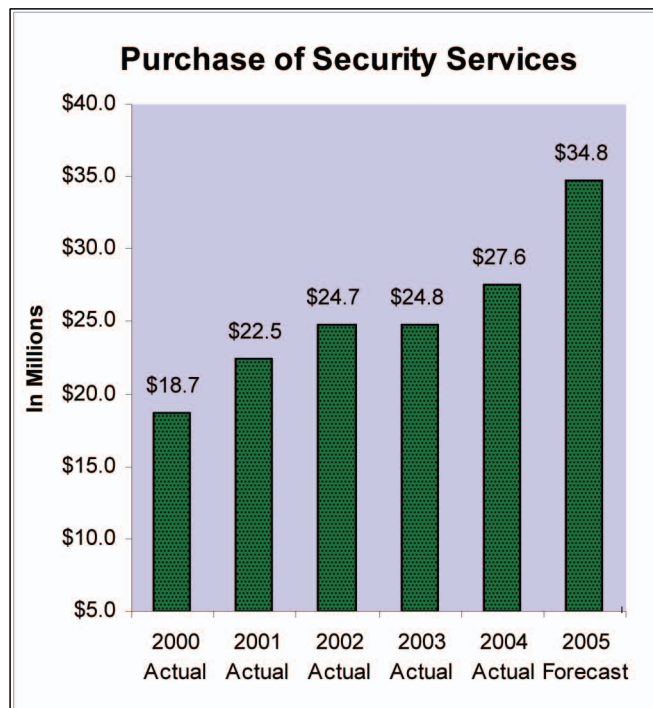
Electric power expense for the rail system is forecast at \$24.0 million, which is below budget by \$0.5 million or 2.1 percent.

Provision for injuries, damages, and litigation represents expenses for claims and litigation for incidents that occur on CTA property or with CTA vehicles. The 2005 forecast for this category is \$30.0 million. This exceeds budget by \$11.0 million as the CTA works on funding actuarially-determined outstanding liabilities. According to the 2004 actuarial report, the damage reserve fund was under funded by more than \$30.0 million.



2005 Operating Budget Performance Summary

Paratransit services are projected to grow by only 6.9 percent over 2004. This is the lowest growth experienced over the past five year period. The lower growth is attributed to both the implementation of a new scheduling system and the CTA's achievement of a 100% ADA accessible bus fleet which makes CTA's mainline bus system fully accessible to our customers with disabilities. The purchase of paratransit services is forecast at \$54.4 million, which is \$2.0 million or 3.8 percent higher than budget. Paratransit trips are projected to finish the year at 2.4 million trips, which is 152,483 trips or 6.9 percent more than the 2005 budget. This curb-to-curb service is provided by three private carriers (SCR, CDT, and Art's Transportation) and taxicab companies. It is difficult for the CTA to control the growth in this expense because Federal law requires the CTA to provide service equal to demand.



Security services are provided by the Chicago, Evanston, and Oak Park Police departments and through contracts with private security firms. In addition, the Public Transportation Unit of the Chicago Police Department (CPD) continues to provide dedicated services to CTA customers at an estimated cost of \$21.0 million, paid for by the City of Chicago. This produces a combined total security budget of over \$55 million for the CTA system. Security is strategically deployed throughout the system to provide coverage twenty-four hours a day, seven days a week. Full-year security expenses funded by the CTA are estimated at \$34.8 million, which is on par with budget but is \$7.2 million more than 2004. This increase is due to expanded system security coverage due to the heightened need for security since September 11, the Madrid and London bombings, and third party provider's rate adjustments.

Other services include utilities, rent, maintenance and repair, advertising, commissions, consulting, insurance, overhead allocated to capital work, and other general expenses. The current forecast equals \$47.6 million and mirrors budget.

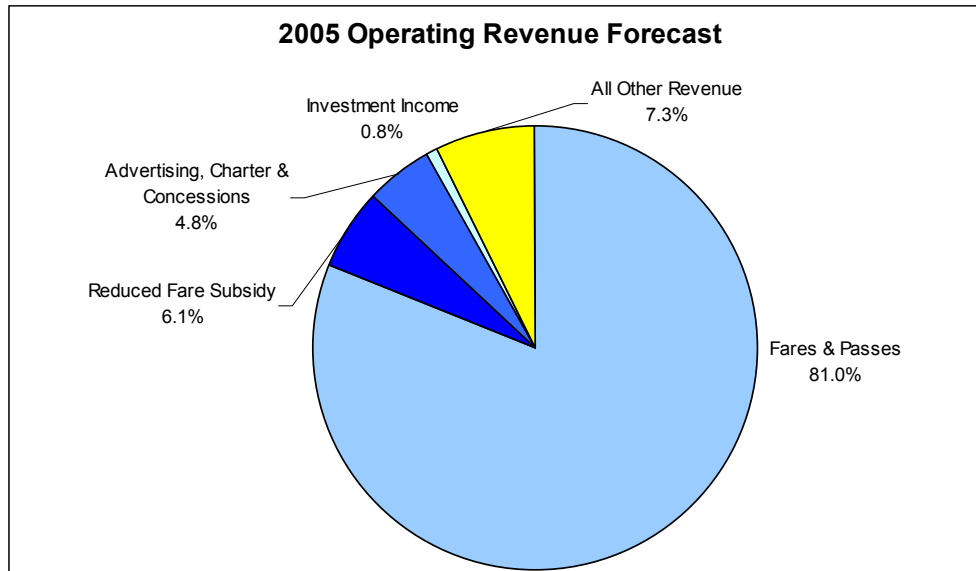
OPERATING REVENUES

System-generated revenues are projected at \$510.5 million and compare favorably to budget by \$10.3 million or 2.1 percent. All revenue categories are projected to finish the year ahead of or on par with budget.

Revenues from fares are forecast at \$409.5 million. This is \$2.6 million or 0.6 percent more than budget principally due to higher ridership. The average fare is projected at \$0.90, which is below the budgeted average fare of \$0.91 due to value-seeking customers migrating to fare passes.

2005 Operating Budget Performance Summary

Reduced fare reimbursement is the State of Illinois's reimbursement to Service Boards for discounted fares to the elderly, people with disabilities, and student customers. Revenue from reduced fare reimbursement is projected at \$30.6 million and is on par with budget.



Advertising, charter, and concessions revenues in 2005 are projected to be \$24.3 million, which is equal to budget.

Investment income is estimated at \$4.1 million, which is \$1.2 million or 39.7 percent higher than budget. This is due to higher investment rates resulting from Federal Reserve Board rate increases. Since the

start of the year, the Federal Reserve has increased the Federal Funds rate from 2.25 percent to 3.75 percent. The CTA benchmarks its investments against the 90-day treasury rates. In January 2005, the 90-day treasury rate was 2.25 percent. This rate has since increased to 3.54 percent.

Statutory required contributions of \$5.0 million are on par with budget. The RTA Act requires the City of Chicago and County of Cook to contribute \$3.0 million and \$2.0 million, respectively, in cash towards CTA operations each year.

Other revenues are projected at \$37.0 million, \$6.5 million higher than budget. This is due to gains on sales of surplus property and on a prior lease transaction investment securities swap.

Public funding received through the RTA was \$495.9 million. This funding is composed of sales tax and discretionary funding from the RTA. This was \$54.3 million more than the original budget. The budget was amended after the State of Illinois provided additional financial assistance in support of paratransit and other services. As a result of this additional funding, the Chicago Transit Board rescinded the proposed service cuts in the Gridlock Budget.

As a result of these revenue and cost containment efforts, the CTA projects a balanced budget for 2005 as required by the RTA Act. The recovery ratio, which measures the percentage of operating expense CTA funds from internally generated revenues, is estimated to be 53.5 percent and exceeds the required system-recovery ratio of 52.9 percent. This is due to the higher proportion of system-generated revenues relative to operating expenses.

Innovative

We will seek out and encourage employees who initiate change, improvement, learning and advancement of our goals.



President's 2006 Proposed Operating Budget Schedule

(In Thousands)	2004 <u>Actual</u>	2005 <u>Budget</u>	2005 <u>Projected</u>	2006 <u>Budget</u>
Operating Expenses				
Labor	\$ 680,081	\$ 718,538	\$ 707,265	\$ 748,922
Material	61,387	65,332	65,300	67,088
Fuel - Revenue Equipment	30,093	33,837	42,956	48,000
Power - Revenue Equipment	21,640	24,526	24,000	24,526
Provision for Injuries and Damages	22,000	19,000	30,000	33,000
Purchase of Security Services	27,555	34,777	34,800	35,335
Purchase of Paratransit	48,999	52,473	54,441	29,582
Other Expenses				
Utilities	16,892	17,588	17,523	17,542
Advertising and Promotion	2,358	4,956	4,182	4,935
Contractual Services	30,436	32,333	35,936	36,993
Leases and Rentals	5,903	3,096	2,155	2,420
Travel, Training, Seminars, and Dues	2,710	2,801	2,313	3,211
Warranty and Other Credits	(18,628)	(20,471)	(19,686)	(20,932)
General Expenses	6,905	7,343	5,219	6,063
Total Other Expenses	46,577	47,646	47,641	50,232
Total Operating Expenses	\$ 938,332	\$ 996,129	\$ 1,006,403	\$ 1,036,685
System Generated Revenue				
Fares and Passes	\$ 402,768	\$ 406,948	\$ 409,500	\$ 426,522
Reduced Fare Reimbursement	31,302	30,590	30,590	30,590
Advertising, Charter, & Concessions	24,882	24,313	24,300	24,800
Investment Income	3,051	2,949	4,120	4,944
Statutory Required Contributions	5,000	5,000	5,000	5,000
All Other Revenue	29,888	30,445	37,010	20,773
Total System Generated Revenue	\$ 496,891	\$ 500,245	\$ 510,520	\$ 512,629
Public Funding Required for Operations	\$ 441,441	\$ 495,883	\$ 495,883	\$ 524,056
Public Funding Available through RTA	\$ 441,632	\$ 495,883	\$ 495,883	\$ 524,056
Recovery Ratio	54.88%	53.06%	53.55%	52.24%
Required Recovery Ratio*	52.90%	52.90%	52.90%	53.00%
Fund Balance	\$ 191	\$ -	\$ -	\$ -

*The CTA would be able to meet the RTA mandated recovery ratio in 2006 if RTA designates preventive maintenance funds as system-revenue, which would be consistent with its treatment of the capital cost of contracting. Recovery Ratios for 2004 Actual, 2005 Budget, 2005 Projected, and 2006 Budget include In-Kind revenue and In-Kind expenses for CPD and excludes 15% of reduced fare subsidy and 1988 base year security expenses. Since 2005, RTA has excluded all security cost from the Recovery Ratio calculation.

2006 Highlights and Major Budget Assumptions

Target Service Levels

	Bus		Rail	
	'06 Proposed Budget	% Change vs. '05 Budget	'06 Proposed Budget	% Change vs. '05 Budget
Vehicle Revenue Hours * - Train hours	6,809,807	0.25%	643,118	0.77%
Vehicle Revenue Miles	68,308,125	(1.68%)	69,125,239	2.78%
Ridership	303,892,903	2.46%	153,108,445	3.07%

Financial Assumptions

	Change to '05 Budget	Assumption
Revenues		
Fares & Passes	+\$19.6 million, +4.8%	\$0.25 increase to cash fare with no cash transfer and \$0.25 increase on rail transit cards
All Other Revenue	-\$7.2 million, -7.7%	Lower FTA paratransit grant revenue as this service transitions to Pace
Average Fare	+\$0.019 per ride	\$0.25 increase to cash and rail transit card fares
Expenses		
Labor	+\$30.4 million, +4.2%	Higher wage rates and continued double-digit health care cost increases
Fuel Costs	+\$14.2 million, +41.9%	Continued increase in diesel prices
Materials	+\$1.8 million, +2.7%	Inflation
Injuries & Damages	+\$14.0 million, +73.7%	Fund actuarial liability
Paratransit	-\$22.9 million, -43.6%	Service to be transferred to Pace on 7/1/06
Public Funding		
RTA Funding	+\$43.3 million, +9.8%	Increased sales tax receipts and additional capital funding from RTA
Preventive Maintenance (PM)	+\$12.0 million	PM expenses paid with capital dollars as allowable by FTA
IDOT Grant	-\$27.1 million, -50.0%	Payment for six months for Paratransit and other services

Capital Program

Total funding of \$1.8 billion available for 2006 – 2010 Capital Improvement Program

- Federal: \$1.4 billion
- State: \$0.2 billion
- RTA: \$0.2 billion

Major Capital Projects (\$000)		Funded	Proposed	Outyear	Total
System:	Brown Line Capacity Expansion	\$248,939	\$280,917	\$0	\$529,910
	Power Distribution and Signals	129,139	138,950	42,241	357,279
Rolling Stock:	Rail Car Purchase	175,029	478,317	531,250	1,254,486
	Bus Purchase	\$102,190	\$182,535	\$279,788	\$605,407

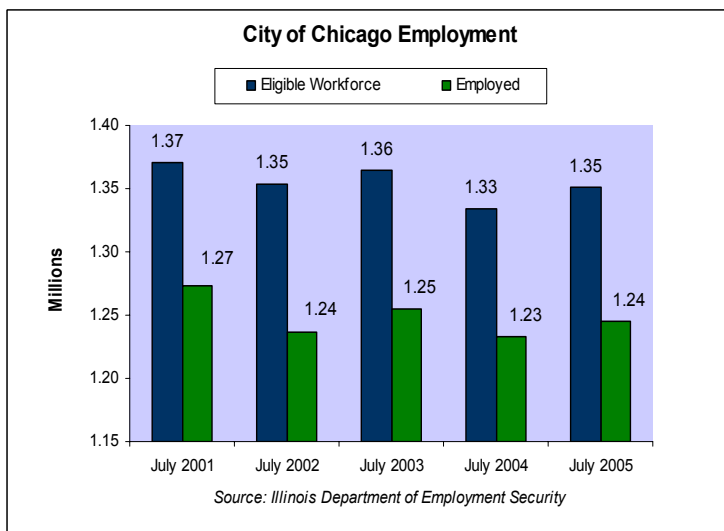
President's 2006 Proposed Operating Budget Summary

With increasing energy costs and a tight operating budget, 2006 will be another challenging year. In 1999, the CTA spent \$12.5 million on fuel, or 1.5 percent of the operating budget. The 2006 proposed operating budget projects fuel to be \$48.0 million – a 285 percent increase. Fuel expense now comprises 4.6 percent of CTA's total operating expenses.

In 1999, CTA fuel cost was \$12.5M or 1.5% of the budget; in 2006, fuel cost is \$48.0M or 4.6% of the proposed budget.

However, as 2006 approaches, the greatest risk factor facing the budget may be inflation. Inflation impacts the budget in two ways: first, high inflation hurts consumer spending which in turn hurts sales tax growth; and second, with inflation, the price of materials needed to provide service increases. On the positive side, inflation may spur ridership as consumers seek more cost-effective means of transportation.

The CTA's budget is affected by economic factors including employment, retail sales, interest rates, and energy prices. These economic factors present some financial risk to the operating budget. Unfortunately, the job growth in the Chicago area has lagged national levels. According to the Illinois Department of Employment Security (IDES), employment in the City of Chicago is flat with 2002 at 1.2 million people employed.



The unemployment rate for Chicago at the end of July was 7.7 percent; which compares unfavorably to the national average of 5.2 percent and the State of Illinois average of 6.1 percent.

The overall growth of the economy, measured by the Gross Domestic Product (GDP), is projected between 2.6 and 2.9 percent in 2006. Likewise, overall inflation growth, measured by the Consumer Price Index (CPI), is forecast to finish 2005 at 3.5 percent. For the first eight months of 2005, the CPI grew by 3.0

percent; for 2006, forecasts range from 2.4 to 4.0 percent. Since the end of 2004, the Federal Reserve has increased the federal funds rate by 150 basis points to 3.75 percent in an effort to manage economic growth and contain inflation pressures. The Federal Reserve is expected to continue to increase rates to 4.0 percent in 2006. Personal consumption is projected to be flat. These forecasts remain subject to national and international events that can impact growth and stability.

OVERVIEW

The proposed 2006 operating budget maintains current service levels and does not anticipate an across-the-board fare increase; however, increases to cash fares and rail transit card fares are proposed. Last year, the 2005 financial plan for 2006 projected a \$90.0 million deficit.

President's 2006 Proposed Operating Budget Summary

Under new leadership, the RTA has committed to work with the Service Boards and the Illinois General Assembly to address the structural funding problems created by the current funding formula. Based on the actions of the General Assembly in 2005, which provided \$54.3 million in additional funding to avert service cuts, the CTA is optimistic that state and local officials will find a long-term solution and ensure the future of public transit.

In the meantime, the RTA has made available other resources to help eliminate the 2006 budget shortfall while providing the General Assembly additional time to identify long-term solutions for funding public transit in Northeastern Illinois. These additional resources include funding from the State for paratransit and other services and additional capital funding from the RTA. To help close the remaining budget gap, the 2005 cash and rail transit card fare increase (from \$1.75 to \$2.00) that was deferred by the Chicago Transit Board would be reinstated. Furthermore, customers paying with cash would no longer be able to purchase a transfer. In addition, the CTA will transfer paratransit operations to Pace on July 1, 2006.

To lessen the impact of the proposed cash and rail transit card fare increase on our customers, the budget recommendation includes waiving the \$5.00 Chicago Card and Chicago Card Plus fee from December 1, 2005 through the first quarter of 2006 to further encourage customers to migrate to the Chicago Card.

CTA's bus system is now 100 percent accessible in accordance with ADA guidelines. Fifty percent of CTA rail stations are accessible as well.

In 2005, the Chicago Transit Authority Board voted to increase Special Services and Taxi Access Program (TAP) paratransit fares from \$1.75 to \$3.50 effective January 1, 2006. Under the approved ordinance, the price of the paratransit monthly pass was also increased from \$75 to \$150. The President's proposed budget recommends rescinding this fare increase in recognition of CTA's transition of paratransit service to Pace. This recommendation assures Pace maximum flexibility in fairly structuring future paratransit fares and service levels throughout the entire RTA region.

Although the CTA believes in general that capital funds should not be utilized to fund operations excessively, the RTA has made available additional capital funding which the President's proposed budget utilizes to balance the operating budget instead of cutting service or further raising fares. Under this recommendation, the CTA will utilize this funding to cover the gap as a short-term solution while the General Assembly continues its work on developing a long term solution for regional transit funding. Without this additional funding from the RTA, the CTA would have been forced to cut over \$46.0 million of service to close the operating budget gap in 2006.

Last year, the CTA engaged AECOM Consult to perform a management and operations review of its business units to ensure that the CTA continues to deliver efficient and effective transit services to its customers. AECOM found that the CTA had accomplished substantial improvements in the quality of service and substantial reductions in the cost of the service in recent years. The team found that the CTA is cost-effective relative to other major transit systems. In fact, utilizing the National Transit Database (NTD), AECOM found CTA's bus and rail system ranks first among the major U.S. transit agencies for service efficiency. The ranking

President's 2006 Proposed Operating Budget Summary

for the rail system was based on the exclusion of passenger loading factors since CTA's infrastructure constrains passengers per car and per train.

Based on its assessment, AECOM concluded that the CTA was in the process of implementing additional improvements that will increase the cost-effectiveness of the service in future years. AECOM recommended ten priority actions to the CTA for increased savings beyond the \$1.025 billion saved by the CTA since 1997. Some of these opportunities can be implemented expeditiously by the CTA, but others require changes in union contracts or state law which the CTA is seeking or would have to obtain. Most specifically, the CTA is currently prohibited from subcontracting activities such as bus operations by the terms of its collective bargaining agreement. Many of the suggested productivity improvements can only be partially achieved until collective bargaining or legislative changes have been obtained. Additionally, AECOM noted that CTA's ability to reduce the size of its workforce may be restricted by layoff protection clauses contained in the collective bargaining agreements that provide protection to employees hired before January 1, 1999. These clauses have a widespread impact on CTA's ability to increase its efficiency.

The priority recommendations in AECOM's report include:

1. Implement a comprehensive attendance improvement program.
2. Expand rostering of bus operator assignments to all garages.
3. Optimize the size of the extraboard for bus and rail operations.
4. Seek outsourcing capabilities in union labor contracts.
5. Implement an automated time and attendance system.
6. Continue Maintenance Management Information System (MMIS) implementation.
7. Refine the service planning process.
8. Develop a strategic marketing organization.
9. Revise procurement contract approval process.
10. Streamline change order approval process.

Based on AECOM's recommendations, the CTA has revised its service planning process to facilitate timely and more efficient service changes and started a 12-month extraboard pilot project at one bus garage. Extension to other garages would occur if the pilot proves successful. In 2005, the CTA issued a request for proposal for an automated time and attendance system; selection and implementation of a system should begin in 2006. The CTA will also undertake AECOM's recommendation that the CTA develop a strategic marketing plan that includes developing a branding analysis.

Other work rule changes recommended by AECOM that have the greatest potential for cost savings (such as improved attendance management controls, additional rostering and outsourcing) require changes to the existing union contract before the CTA could start implementation. As in the past, the CTA will continue to seek these changes through collective bargaining negotiations and arbitration. In the meantime, implementation of the Maintenance Management Information System (MMIS) is proceeding. This new MMIS system will become fully operational in 2006, and the savings will be reflected in future budgets. Following AECOM's recommendations, the proposed 2006 budget provides funding for consulting services and

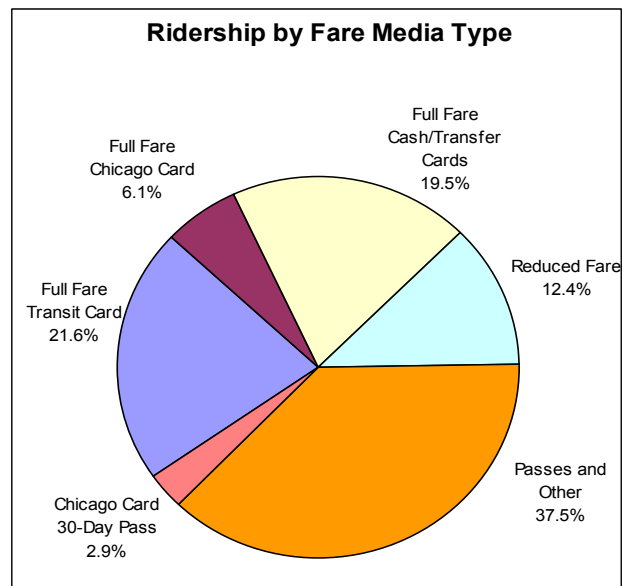
President's 2006 Proposed Operating Budget Summary

additional positions focused on refining the service planning process in order to improve service schedule productivity.

In 2006, the CTA will further streamline its supply chain by providing procurement cards for the buyers of building materials; this will allow purchasing staff to focus on more complicated procurements. In general, the implementation of AECOM recommendations, including additional extraboard optimization as a means of further reducing labor cost, is the cornerstone of the 2006 operating budget. Implementation of these recommendations will span the next several years.

RIDERSHIP

The CTA estimates system ridership at 458.2 million in 2006. This is an increase of 1.6 million or 0.4 percent over the 2005 forecast, and a 10.9 million or 2.4 percent increase over the 2005 budget. This ridership increase is driven by improvements in service design and delivery, the improving economy, higher fuel prices, and changing demographics. Bus ridership is estimated at 303.9 million rides, an increase of 1.8 million or 0.6 percent over the 2005 forecast and a 7.3 million or 2.5 percent increase over 2005 budget. Rail ridership is estimated at 153.1 million rides, an increase of 0.9 million or 0.6 percent over 2005 forecast trips and an increase of 4.6 million or 3.1 percent over the 2005 budget.



Through July 2005, Chicago Card and Chicago Card Plus have accounted for 9 percent of the rides on the CTA. Although this is a considerable increase from 2004, the CTA aims to further increase Chicago Card market share in 2006.

OPERATING EXPENSES

In 2005, the Illinois General Assembly designated Pace as the region's paratransit service provider. The CTA will transition its paratransit operations to Pace effective July 1, 2006. As a result, the CTA has budgeted for paratransit operations for the first half of 2006 only. Except for paratransit services, all other costs reflect expected expenses for the 12-month calendar year.

The projected operating budget for 2006 is \$1.037 billion, which is \$40.6 million or 4.1 percent higher than the 2005 budget and \$30.3 million or 3.0 percent more than the 2005 forecast. The growth in operating expense over the 2005 budget is primarily due to higher benefit costs (such as healthcare and pension), wage increases, fuel prices, and claims and litigated expenses.

President's 2006 Proposed Operating Budget Summary

Labor

Since 1997, the CTA has eliminated a total of 925 non-operator positions as a result of streamlining operations, automating business processes through technology or other capital investment, and reengineering and consolidating business functions. The CTA eliminated a total of 446 positions during 2003 through the end of 2004. In 2005, the CTA eliminated 284 positions, of which 86 were tied to service reductions. Although the CTA did not reduce service, these 86 positions were still eliminated in 2005. The 2006 proposed budget adds 14 of these positions back to address safety and security concerns as well as real estate and branding recommendations by AECOM.

As the nation's second largest transit operator, the CTA provides 1.5 million rides on an average weekday and over 80 percent of all transit trips in the six-county region, including nearly half of suburban-related transit trips.

Labor costs are projected at \$748.9 million for 2006. This is \$30.4 million or 4.2 percent higher than the 2005 budget. Higher wages and benefits such as healthcare, pension, and FICA account for the cost increases. Healthcare costs continue to increase at double-digit growth rates. In addition, the CTA Pension Plan is severely under funded. With a current funding ratio of 39.0 percent, the actuary projects that the fund will deplete its assets by 2012 without additional funding and substantial changes to the plan. Changes to the plan require union agreement or legislative intervention and the CTA currently has proposals pending in arbitration with ATU Locals 241 and 308 to address this issue. Although the CTA continues to meet its obligations under the plan, the depletion of plan assets may impact CTA employees and operations.

Material

Material costs are projected at \$67.1 million in the 2006 proposed budget, which is \$1.8 million higher than the 2005 budget and forecast. This increase is due to inflation for petroleum-based products such as tires. To help manage these costs, the CTA is implementing the Maintenance Management Information System (MMIS) which will track the life cycle of vehicle parts, warranties and vehicle maintenance information. This will enable the CTA to track and improve internal management of vehicles and associated materials used to maintain them. When MMIS is fully operational in mid-2006, the CTA will be able to improve resource allocation efficiency and capture higher warranty reimbursements.

The major impact on world oil supplies and prices will come from countries such as China and India. In 1997, China and India had 10 cars and 12 cars, respectively, per 1,000 people as compared to over 600 cars per 1,000 people for developed nations.

Fuel for Revenue Equipment

In September 2005, diesel fuel prices hit their highest average monthly level ever at over \$2.71 per gallon. This was partly a result of Hurricane Katrina causing

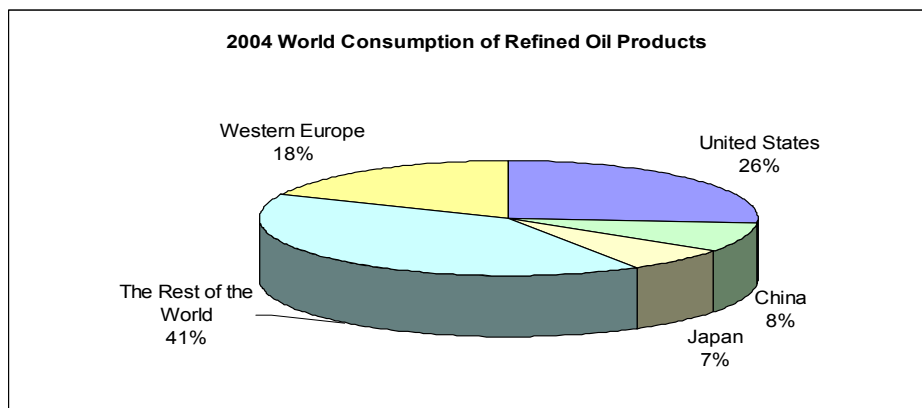
President's 2006 Proposed Operating Budget Summary

significant damage to offshore rigs, refineries, pipelines, and ports in the Gulf of Mexico, a major oil and natural gas supply center for the United States. Although prices are beginning to come down from this level, they are still relatively high compared to historic levels. Demand for oil products will continue to be strong as demand continues to grow in China and India. The United States, China, and Japan are the world's largest oil consumers, accounting for 26 percent, 8 percent, and 7 percent respectively, of the world's consumption. World oil consumption increased 3.1 percent in 2004; growth in China was 17.4 percent. According to the United Nations Statistics Division, developed countries on average have 600 cars per 1,000 people. With only 10 cars and 12 cars per 1,000 people in China and India, respectively, there is much room for growth in these countries. That growth will clearly have an impact on world oil supplies and prices. With fuel as a key and growing part of the CTA budget, rising prices are a major risk to the budget.

With fuel price volatility expected to continue, fuel for revenue equipment is estimated to increase by \$14.1 million or 41.9 percent over the 2005 budget to \$48.0 million. The average price per gallon is budgeted at \$2.00 with an estimated annual consumption of 24.0 million gallons. The CTA has hedged most of its diesel fuel consumption to ensure some degree of budget stability.

Electric Power for Revenue Equipment

The cost for electric power for revenue equipment is estimated at \$24.5 million, which is on par with the 2005 budget. The electricity rate is expected to remain stable during 2006.



Provision for Injuries and Damages

Funding for injuries, damages, and litigation is estimated at \$33.0 million, reflecting a \$14.0 million or 73.7 percent increase over the 2005 budget. This amount is consistent with historical funding levels but is higher than 2004 due to prior year pre-funding of this reserve with one-time revenues. According to the latest actuarial report, the CTA has a \$30.0 million unfunded liability for injuries, damages, and litigation.

President's 2006 Proposed Operating Budget Summary

Purchase of Paratransit Services

In 2005, CTA's mainline bus service became 100 percent fully compliant with ADA guidelines. This accomplishment gives CTA customers with disabilities increased transportation options within the CTA system. Purchase of paratransit services is projected at \$29.6 million which reflects service for the first six months of 2006. After July 1, 2006, regional paratransit services will be provided by Pace as directed by the Illinois General Assembly. The proposed budget assumes a 5.0 percent annual growth in demand and a 3.5 percent increase in trip cost.

Paratransit trips are projected at 1.2 million for the first six months of 2006, consisting of 0.9 million Special Service trips and 0.3 million Taxi Access Program (TAP) and Mobility Direct trips. This is predicated on an annual growth of 5 percent over 2005 forecast.

Purchase of Security Services

Security services expenses are estimated to increase by \$0.6 million or 1.6 percent from the 2005 budget to \$35.3 million due to inflationary adjustments for private security service and supplementary police services from Chicago, Oak Park, and Evanston police departments. In addition to the services contracted by the CTA, the City of Chicago provides \$22.0 million of Chicago Police Department services that are not reimbursed. The CTA is also investing capital funds to expand its security camera program in rail stations and in rail cars with the 2008 rail car procurement. Security cameras are currently on all CTA buses. Security cameras are an increasingly important component of enhancing security and serve as a deterrent to crime on the system and assist law enforcement in identifying perpetrators. Cameras also provide additional information to CTA staff in the event of a service disruption.

Since 1997, CTA's direct security costs have more than doubled, from \$14.4 million to \$35.3 million.

As additional fiber optic installations are completed, CTA's security cameras will be networked to the Control Center and the City of Chicago's 9-1-1 Center. By the end of 2006, CTA's security camera network will include approximately 1,200 cameras at 48 stations on the rail system.

Other Expenses

Other expenses are budgeted at \$50.2 million, an increase of \$2.6 million or 5.4 percent over the 2005 budget. This category includes utilities, advertising, equipment and software maintenance, accounting, engineering, legal and other consulting services, bank fees, and commissions. This increase primarily reflects inflation and outsourcing of some technology resources to support the enterprise resource planning (ERP) system.

OPERATING REVENUES

The CTA has two main categories of revenue: system-generated revenues and public funding. System-generated revenues include fares and passes, advertising, investment income, reduced

President's 2006 Proposed Operating Budget Summary

fare reimbursement, statutory required contributions, and other miscellaneous revenues such as parking income. System-generated revenue is projected at \$512.6 million, representing a growth rate of 2.5 percent over the 2005 budget.

Public funding primarily includes monies received through the RTA from a regional sales tax and the State of Illinois public transportation match on sales tax. In 2006, public funding is budgeted at \$524.1 million.

Fares and Passes

Increased use of Chicago Card will decrease operating expenses and provide faster boarding for customers.

Revenue from fares and passes is projected at \$426.5 million in 2006. This represents a growth of 4.8 percent over the 2005 budget. The growth in fare and pass revenues is tied to increased ridership, along with the implementation of the proposed cash and rail transit card fare increase from \$1.75 to \$2.00. Additionally, under the President's proposal customers paying with cash will no longer be able to purchase a transfer. Transfers will remain available to Chicago Card and transit card customers.

The proposed cash and rail transit card fare adjustment will help the CTA offset recent increases in fuel prices and will have minimal impact on most daily customers who already pay for fares with passes, transit cards or Chicago Card products. It will also improve operational efficiency through increased customer migration to automated fare media. Automated fare media, particularly Chicago Card and Chicago Card Plus, make transit more convenient for CTA customers through quicker boarding which results in faster trips. Unlike automated fare media, cash has a high processing cost and is an extremely labor-intensive operation. Consequently, as more customers transition from cash, the CTA will be able to further reduce its operating costs.

Full Fares	Current	Recommended For FY2006	Percent Change
Cash	\$1.75	\$2.00	14.3%
Full Fare Transit Card - Bus	\$1.75	\$1.75	Unchanged
Full Fare Transit Card - Rail	\$1.75	\$2.00	14.3%
Full Fare Chicago Card	\$1.75	\$1.75	Unchanged
Chicago Card Bonus ¹	10%	10%	Unchanged
Transfer ²	\$0.25	\$0.25	Unchanged
1-Day Pass	\$5.00	\$5.00	Unchanged
2-Day Visitor Pass	\$9.00	\$9.00	Unchanged

¹ For every \$20 purchase, \$22 of value is added to the card.

² A transfer allows two additional rides within two hours of issuance. Transfers will be available to customers using transit cards and Chicago Cards only. Transfer cards will no longer be issued to customers paying with cash on CTA buses.

President's 2006 Proposed Operating Budget Summary

3-Day Visitor Pass	\$12.00	\$12.00	Unchanged
5-Day Visitor Pass	\$18.00	\$18.00	Unchanged
Full Fare 7-Day Pass	\$20.00	\$20.00	Unchanged
Full Fare 30-Day Pass	\$75.00	\$75.00	Unchanged

Reduced & Paratransit Fares	Current	Recommended for FY2006	Percent Change
Cash (mainline bus and rail)	\$0.85	\$1.00	17.6%
Transit Card (mainline bus)	\$0.85	\$0.85	Unchanged
Transit Card (mainline rail)	\$0.85	\$0.85	Unchanged
Transfer (mainline service)	\$0.15	\$0.15	Unchanged
Reduced Fare 30-Day Pass	\$35.00	\$35.00	Unchanged
Paratransit Special Services	\$1.75	\$1.75	Unchanged
Taxi Access Program (TAP) & Mobility Direct	\$1.75	\$1.75	Unchanged
Paratransit 30-Day Pass	\$75.00	\$75.00	Unchanged

Reduced Fare Reimbursement

The Reduced Fare Reimbursement from the State of Illinois is budgeted at \$30.6 million. This is based upon an annual \$40.0 million appropriation by the Illinois General Assembly for the region. The RTA allocates this amount to the service boards based on their share of reduced fare ridership and lost revenue. The CTA provides approximately 72.6 million reduced fare trips for qualified student, disabled, and elderly customers each year.

Advertising, Charter, and Concessions

Advertising, charter, and concessions revenues include advertisements on buses, trains, and stations, as well as income from concessions. In 2006, advertising revenues are estimated at \$24.8 million. This is up due to increased revenues from concessions and advertising contracts.

Investment Income

Higher interest rates will increase 2006 investment income to \$4.9 million. This is \$2.0 million more than the 2005 budget. The 90-day treasury rates are forecast to edge up slightly in 2006 as the Federal Reserve continues to increase short term rates as a hedge against inflation.

Statutory Required Contributions

Statutory required contributions is budgeted at \$5.0 million, on par with the 2005 budget. The RTA Act requires the City of Chicago and County of Cook to annually contribute \$3.0 million and \$2.0 million, respectively, towards CTA operations. These required cash contributions are in

President's 2006 Proposed Operating Budget Summary

addition to other cash and in-kind contributions from the City of Chicago or Cook County each year including over \$22.0 million of services from the Chicago Police Department - Mass Transit Unit.

All Other Revenues

Revenues in this category include grants from the Federal Transit Administration (FTA) to fund part of the capital cost of contracting for paratransit services, parking charges, rental revenue income, third party contractor reimbursements, and filming fees. Other revenues are projected at \$20.8 million, which is \$9.7 million or 31.8 percent less than the 2005 budget. This is a result of lower grant revenue from the Federal Transit Administration (FTA) for paratransit expenses as a result of the planned mid-year transfer of paratransit service responsibility to Pace.

Public Funding

Public Funding available for operations represents the funding mark issued by the RTA, based upon the State of Illinois Office of Management and Budget and the RTA's own regional revenue expectations. All of the public funding for operations that the CTA, Metra, and Pace receive is funneled through RTA and currently comes through two principal sources: RTA Sales Tax and the Public Transportation Fund appropriated by the State. The 2006 proposed budget assumes the State will again provide an additional \$54.3 million of operating assistance as received in 2005, half of which will be allocated to the CTA.

The Chicago region now has the 2nd worst urban congestion in the nation. The CTA removes up to 400 million automobile trips from area roads each year.

For 2006, the RTA has recommended total public funding of \$524.1 million for the CTA, which is an increase of \$28.2 million from 2005. The recommended public funding level acknowledges CTA's need for additional operating funding and assumes that public funding for operations will be provided from additional RTA assistance that may enable the Service Boards to temporarily use additional capital resources to balance the operating budget. In order to meet the transit funding needs of the region and prevent future service cuts, fare increases, or the additional diversion of capital funds to balance the operating budget, CTA anticipates that the Illinois General Assembly will address the structural deficit inherent in the current transit funding formula. The CTA will continue to work with its sister agencies, the RTA, and the General Assembly on this issue.

Recovery Ratio

The RTA has assigned a 53 percent recovery ratio to the CTA for 2006. As calculated by the RTA, the recovery ratio requires CTA's system-generated revenues to cover at least 53 percent of projected expenses while the proposed budget estimates the recovery ratio at 52.24 percent. The CTA would be able to meet the RTA-mandated recovery ratio if the RTA designates preventive maintenance funds as system revenue, which would be consistent with its treatment of the capital cost of contracting.

President's 2006 Proposed Operating Budget

Department Budget Schedule

(In Thousands)

	<u>2004 Actual</u>	<u>2005 Budget</u>	<u>2005 Projected</u>	<u>2006 Budget</u>
CTA Board	\$ 987	\$ 1,110	\$ 1,115	\$ 1,169
Office of the President	785	1,062	912	896
System Safety	3,503	3,290	2,935	3,250
Office of Inspector General	1,505	1,985	1,795	2,093
General Counsel	12,494	14,083	13,410	15,003
TRANSIT OPERATIONS				
EVP Transit Operations	660	674	779	904
BUS OPERATIONS				
VP Bus Operations	311	362	312	321
Bus Operations Oversight	816	1,179	703	704
Bus Service Management	14,441	13,275	12,446	14,721
Scheduled Transit Operations - Bus	251,541	270,697	264,207	281,855
Bus Garages	132,332	132,325	143,486	148,161
Bus Heavy Maintenance	31,168	33,742	34,447	38,148
Engineering & Technical Services - Bus	1,447	2,383	1,815	1,971
<i>Total Bus Operations</i>	<u>432,056</u>	<u>453,963</u>	<u>457,416</u>	<u>485,881</u>
RAIL OPERATIONS				
VP Rail Operations	288	371	354	350
Rail Operations Capital Oversight	1,112	1,029	927	1,201
Rail Terminals	54,851	58,845	57,846	59,366
Scheduled Transit Operations - Rail	76,698	84,806	83,671	87,223
Rail Heavy Maintenance	6,393	8,729	8,683	10,663
Rail Car Appearance	10,010	11,279	10,016	10,872
Engineering & Technical Services - Rail	2,420	2,976	2,810	3,214
<i>Total Rail Operations</i>	<u>151,772</u>	<u>168,036</u>	<u>164,306</u>	<u>172,889</u>
SECURITY, CONTROL CENTER, & TRAINING				
VP Security & Control Center	-	202	497	179
Communication Center	6,639	6,959	6,908	7,457
Security Services	27,935	34,743	34,701	35,674
Training & Instruction	10,820	11,209	10,712	11,665
<i>Total Security, Control Center, & Training</i>	<u>45,394</u>	<u>53,113</u>	<u>52,818</u>	<u>54,974</u>
PLANNING	6,043	5,780	5,731	6,150
CUSTOMER SERVICE & PARATRANSIT				
VP Customer Service & Paratransit	237	238	251	243
Customer Service	1,501	1,382	1,110	1,562
ADA Compliance	148	153	157	255
Paratransit Operations	49,962	53,407	55,524	30,120
<i>Total Customer Service & Paratransit</i>	<u>51,848</u>	<u>55,179</u>	<u>57,043</u>	<u>32,180</u>
Total Transit Operations	<u>687,773</u>	<u>736,745</u>	<u>738,093</u>	<u>752,978</u>
CONSTRUCTION, ENGINEERING & FACILITIES				
EVP Construction, Engineering & Facilities Mntc.	1,669	1,678	1,760	1,701
ENGINEERING	33,334	35,970	36,090	43,176
CONSTRUCTION	2,739	3,857	2,963	3,261
FACILITIES MAINTENANCE				
VP Facilities Maintenance	7,010	5,953	5,703	5,648
System Maintenance Support	14,693	14,271	15,938	16,017
Power & Way Maintenance	27,396	28,220	30,178	32,126
Customer Facilities Maintenance	24,708	23,639	21,741	24,681
System Maintenance	29,207	26,946	32,313	28,424
<i>Total Facilities Maintenance</i>	<u>103,014</u>	<u>99,029</u>	<u>105,874</u>	<u>106,896</u>
Total Construction, Engineering & Facilities Maintenance	<u>140,756</u>	<u>140,534</u>	<u>146,687</u>	<u>155,034</u>
MANAGEMENT & PERFORMANCE				
EVP Management & Performance	412	438	525	524
COMMUNICATIONS AND MARKETING	7,382	10,189	9,145	10,050
GOV'T & COMM. RELATIONS/AFFIRMATIVE ACTION	2,719	2,703	2,601	3,022
FINANCE				
Sr VP Finance/Treasurer	16,746	15,735	15,662	17,188
Finance/Comptroller	2,669	3,571	3,418	3,742
Capital Investment	937	1,183	1,044	1,196
<i>Total Finance</i>	<u>20,352</u>	<u>20,490</u>	<u>20,124</u>	<u>22,126</u>
HUMAN RESOURCES	6,964	5,891	5,330	5,724
EMPLOYEE RELATIONS	2,113	1,961	2,282	2,397
TECHNOLOGY MANAGEMENT	34,762	35,154	34,449	36,032
PURCHASING/WAREHOUSING	19,615	21,514	20,953	21,800
Total Management & Performance	<u>94,319</u>	<u>98,340</u>	<u>95,409</u>	<u>101,675</u>
Non - Departmental	(3,789)	(1,019)	6,046	4,586
TOTAL CTA	<u>\$ 938,333</u>	<u>\$ 996,130</u>	<u>\$ 1,006,403</u>	<u>\$ 1,036,685</u>

President's 2006 Proposed Operating Budget

Department By Line Item Schedule

(In Thousands)

	Labor	Material	Other Services*	Fuel/Power/Provisions	Total
CTA Board	\$ 1,092	\$ 15	\$ 63	\$ -	\$ 1,169
Office of the President	845	9	43	-	896
System Safety	1,418	18	1,814	-	3,250
Office of Inspector General	1,971	50	71	-	2,093
General Counsel	10,082	82	4,839	-	15,003
TRANSIT OPERATIONS					
EVP Transit Operations	711	15	178	-	904
BUS OPERATIONS					
VP Bus Operations	197	1	123	-	321
Bus Operations Oversight	686	11	7	-	704
Bus Service Management	14,694	22	5	-	14,721
Scheduled Transit Operations - Bus	281,840	14	1	-	281,855
Bus Garages	74,016	24,643	1,502	48,000	148,161
Bus Heavy Maintenance	24,760	13,500	(112)	-	38,148
Engineering & Technical Services - Bus	1,912	22	37	-	1,971
<i>Total Bus Operations</i>	<u>398,104</u>	<u>38,213</u>	<u>1,564</u>	<u>48,000</u>	<u>485,881</u>
RAIL OPERATIONS					
VP Rail Operations	302	20	28	-	350
Rail Operations Capital Oversight	1,326	4	(128)	-	1,201
Rail Terminals	45,052	14,170	144	-	59,366
Scheduled Transit Operations - Rail	87,206	17	-	-	87,223
Rail Heavy Maintenance	9,843	85	735	-	10,663
Rail Car Appearance	10,554	282	35	-	10,872
Engineering & Technical Services - Rail	3,049	96	69	-	3,214
<i>Total Rail Operations</i>	<u>157,332</u>	<u>14,674</u>	<u>883</u>	<u>-</u>	<u>172,889</u>
SECURITY, CONTROL CENTER, & TRAINING					
VP Security & Control Center	179	-	1	-	179
Communication Center	7,129	21	306	-	7,457
Security Services	1,164	4	34,505	-	35,674
Training & Instruction	11,281	253	131	-	11,665
<i>Total Security, Control Center, & Training</i>	<u>19,753</u>	<u>278</u>	<u>34,944</u>	<u>-</u>	<u>54,974</u>
PLANNING	5,562	27	561	-	6,150
CUSTOMER SERVICE & PARATRANSIT					
VP Customer Service & Paratransit	242	1	-	-	243
Customer Service	1,540	6	16	-	1,562
ADA Compliance	255	-	0	-	255
Paratransit Operations	478	55	29,587	-	30,120
<i>Total Customer Service & Paratransit</i>	<u>2,514</u>	<u>63</u>	<u>29,603</u>	<u>-</u>	<u>32,180</u>
Total Transit Operations	<u>583,977</u>	<u>53,269</u>	<u>67,733</u>	<u>48,000</u>	<u>752,978</u>
CONSTRUCTION, ENGINEERING & FACILITIES					
EVP Construction, Engineering & Facilities Mntc.	1,677	6	19	-	1,701
ENGINEERING	4,429	94	14,127	24,526	43,176
CONSTRUCTION	3,059	9	193	-	3,261
FACILITIES MAINTENANCE					
VP Facilities Maintenance	867	9	4,772	-	5,647
System Maintenance Support	13,235	1,766	1,016	-	16,017
Power & Way Maintenance	28,867	2,328	931	-	32,126
Customer Facilities Maintenance	19,479	1,687	3,515	-	24,681
System Maintenance	23,452	3,478	1,495	-	28,424
<i>Total Facilities Maintenance</i>	<u>85,900</u>	<u>9,268</u>	<u>11,728</u>	<u>-</u>	<u>106,896</u>
Total Construction, Engineering & Facilities Maintenance	<u>95,065</u>	<u>9,376</u>	<u>26,067</u>	<u>24,526</u>	<u>155,034</u>
MANAGEMENT & PERFORMANCE					
EVP Management & Performance	514	3	7	-	524
COMMUNICATIONS AND MARKETING	3,755	195	6,100	-	10,050
GOV'T & COMM. RELATIONS/AFFIRMATIVE ACTION	2,264	43	716	-	3,022
FINANCE					
Sr VP Finance/Treasurer	9,266	1,910	6,012	-	17,188
Finance/Comptroller	3,203	39	500	-	3,742
Capital Investment	1,176	10	10	-	1,196
<i>Total Finance</i>	<u>13,645</u>	<u>1,959</u>	<u>6,522</u>	<u>-</u>	<u>22,126</u>
HUMAN RESOURCES	4,064	49	1,610	-	5,724
EMPLOYEE RELATIONS	1,678	13	705	-	2,397
TECHNOLOGY MANAGEMENT	22,054	1,826	12,152	-	36,032
PURCHASING/WAREHOUSING	20,770	266	763	-	21,800
Total Management & Performance	<u>68,745</u>	<u>4,354</u>	<u>28,575</u>	<u>-</u>	<u>101,675</u>
Non - Departmental	(14,275)	(85)	(14,054)	33,000	4,586
TOTAL CTA	<u>\$ 748,922</u>	<u>\$ 67,088</u>	<u>\$ 115,150</u>	<u>\$ 105,526</u>	<u>\$ 1,036,685</u>

* Includes Security and Paratransit Expense

President's 2006 Proposed Operating Budget

Department Budgeted Positions

	2004 Budgeted Positions	2005 Budgeted Positions	2006 Budgeted Positions
CTA Board	14	14	14
Office of the President	7	6	6
System Safety	17	16	18
Office of Inspector General	18	17	18
General Counsel	118	108	108
TRANSIT OPERATIONS			
EVP Transit Operations	4	6	6
BUS OPERATIONS			
VP Bus Operations	1	1	1
Bus Operations Oversight	13	8	8
Bus Service Management	199	166	166
Scheduled Transit Operations - Bus	4,381	4,297	4,297
Bus Garages	1,088	1,054	1,066
Bus Heavy Maintenance	381	358	358
Engineering & Technical Services - Bus	34	32	32
<i>Total Bus Operations</i>	<u>6,097</u>	<u>5,916</u>	<u>5,928</u>
RAIL OPERATIONS			
VP Rail Operations	2	2	2
Rail Operations Capital Oversight	14	15	15
Rail Terminals	584	560	560
Scheduled Transit Operations - Rail	1,372	1,295	1,295
Rail Heavy Maintenance	222	216	216
Rail Car Appearance	185	174	174
Engineering & Technical Services - Rail	36	36	36
<i>Total Rail Operations</i>	<u>2,415</u>	<u>2,298</u>	<u>2,298</u>
SECURITY, CONTROL CENTER, & TRAINING			
VP Security & Control Center	1	1	1
Communication Center	82	78	78
Security Services	9	12	16
Training & Instruction	146	144	144
<i>Total Security, Control Center, & Training</i>	<u>238</u>	<u>235</u>	<u>239</u>
PLANNING	69	63	65
CUSTOMER SERVICE & PARATRANSIT			
VP Customer Service & Paratransit	2	2	2
Customer Service	17	17	24
ADA Compliance	2	2	4
Paratransit Operations*	13	12	-
<i>Total Customer Service & Paratransit</i>	<u>34</u>	<u>33</u>	<u>30</u>
Total Transit Operations	<u>8,857</u>	<u>8,551</u>	<u>8,566</u>
CONSTRUCTION, ENGINEERING & FACILITIES MAINTENANCE			
EVP Construction, Engineering & Facilities Maintenance	3	3	3
ENGINEERING	75	71	71
CONSTRUCTION	48	47	45
FACILITIES MAINTENANCE			
VP Facilities Maintenance	4	4	4
System Maintenance Support	195	195	195
Power & Way Maintenance	418	390	391
Customer Facilities Maintenance	316	306	306
System Maintenance	311	296	295
Property Management & Services	3	3	5
<i>Total Facilities Maintenance</i>	<u>1,244</u>	<u>1,194</u>	<u>1,196</u>
Total Construction, Engineering & Facilities Maintenance	<u>1,370</u>	<u>1,315</u>	<u>1,315</u>
MANAGEMENT & PERFORMANCE			
EVP Management & Performance	3	3	5
COMMUNICATIONS & MARKETING	49	44	46
GOVERNMENT AND COMMUNITY RELATIONS & AFFIRMATIVE ACTION	29	26	26
FINANCE			
Sr VP Finance/Treasurer	136	133	124
Finance/Comptroller	51	47	45
Capital Investment	31	28	27
<i>Total Finance</i>	<u>218</u>	<u>208</u>	<u>196</u>
HUMAN RESOURCES	44	38	42
EMPLOYEE RELATIONS	19	19	19
TECHNOLOGY MANAGEMENT	268	242	242
PURCHASING/WAREHOUSING	284	266	266
Total Management & Performance	<u>914</u>	<u>846</u>	<u>842</u>
TOTAL CTA	<u>11,315</u>	<u>10,873</u>	<u>10,887</u>
Bus STO Positions	4,381	4,297	4,297
Rail STO Positions	1,372	1,295	1,295
TOTAL CTA WITHOUT STO	<u>5,562</u>	<u>5,281</u>	<u>5,295</u>
Pension	15	15	15

* Note: Effective July 1, 2006, Paratransit Operations will be transferred to PACE. Labor Expense has been budgeted until July 1, 2006 and 2006 Budgeted Positions reflects position elimination.

President's 2006 Proposed Operating Budget

Summary of Projected Cash Flow for Year 2006

(In Millions)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
BEGINNING CASH BALANCE	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
CASH RECEIPTS													
System Generated Revenue	39.7	39.2	44.2	45.9	40.4	43.2	40.6	45.1	43.4	45.5	41.3	44.0	512.6
RTA Assistance	36.6	37.2	41.1	34.8	35.5	37.2	38.1	43.0	44.1	43.4	43.4	45.2	479.5
Capital Grants	12.1	14.2	44.1	25.6	23.1	20.6	26.9	26.5	27.6	26.5	29.1	32.8	309.1
TOTAL CASH RECEIPTS	88.3	90.6	129.4	106.2	99.1	101.0	105.7	114.6	115.1	115.5	113.8	122.0	1,301.2
CASH DISBURSEMENTS													
Labor & Related Payroll	59.6	59.6	66.6	61.2	62.6	61.7	59.6	66.4	61.1	63.2	63.9	63.3	748.9
All Other	28.7	31.0	62.8	45.0	36.4	39.2	46.1	48.2	53.9	52.3	49.9	58.7	552.3
TOTAL CASH DISBURSEMENTS	88.3	90.6	129.4	106.2	99.1	101.0	105.7	114.6	115.1	115.5	113.8	122.0	1,301.2
ENDING CASH BALANCE	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0

**President's 2007-2008
Proposed Operating Financial Plan**

Motivated

We will meet each task with spirit, enthusiasm and a sense of pride to be second to none.

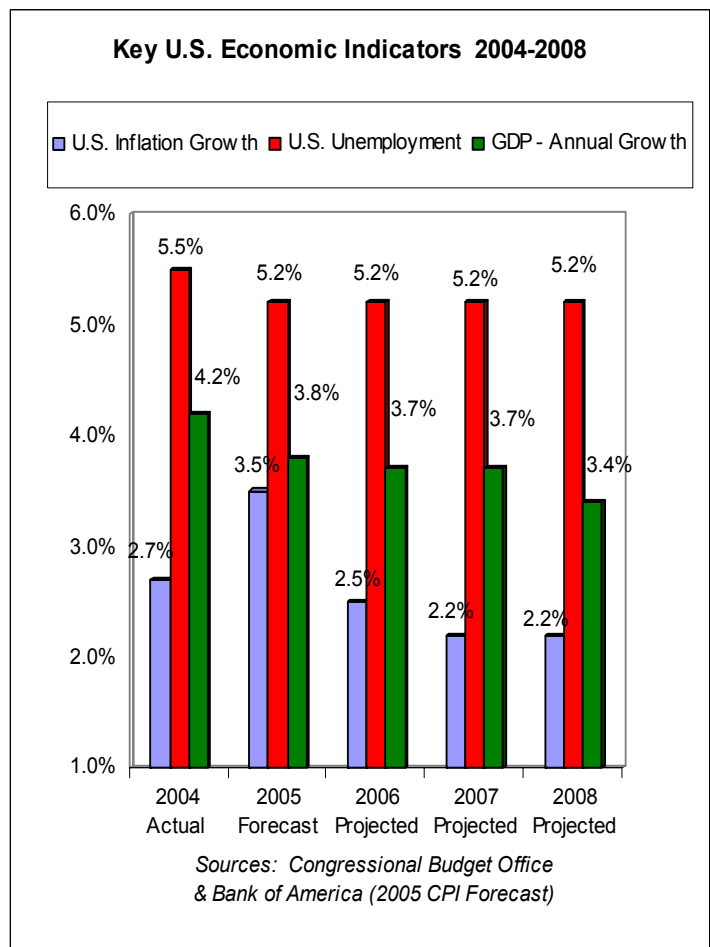


President's 2007 – 2008 Proposed Operating Financial Plan Summary

FINANCIAL PLAN

The Proposed Financial Plan for 2007-2008 assumes sustained economic growth and increased use of public transportation in the region. It also relies on increased state and federal financial support for transit in Northeastern Illinois. Growing ridership trends and the increasing importance of transit in alleviating traffic congestion and supporting economic development of the region makes increased funding a necessity. The Texas Transportation Institute's 2005 Urban Mobility report cited the region as having the second worst traffic congestion in the country. The report also stated that congestion would be much worse without the public transit system. As the nation's second largest transit system, the CTA removes up to 440 million automobile trips from our roads each year.

A key component of the 2007-2008 Proposed Financial Plan is public funding for operations. Without additional public funding from the RTA in 2007 and 2008, the CTA would have to reprogram \$65.1 million and \$79.5 million in capital funds for 2007 and 2008, respectively. Clearly, shifting capital funds to support operations will result in the deferral of critical capital projects in later years. The alternative is service cuts of approximately 17 percent in 2007 and 22 percent in 2008 to fill the funding gap. Because the General Assembly has recognized that there is a problem with the structure of transit funding and is working on a solution, the CTA has utilized additional capital funds to balance the budget in 2007 and 2008 as recommended by RTA. The CTA remains hopeful that for 2007-2008, the Illinois General Assembly will find a long-term funding solution that balances the needs of both the operating and capital budgets.



An additional key component of the 2007-2008 Proposed Financial Plan is prevailing economic forecasts for the U.S. and the Chicago region. The U.S. economy has sustained economic growth in recent years with low inflation. Rising global fuel prices, however, have put increased pressure on businesses and households. More recently, Hurricane Katrina has damaged oil production and major transportation hubs in the Gulf coast. Economic forecasts prior to the Hurricane Katrina disaster for 2007-2008 estimated moderate but stable Real Gross Domestic Product (GDP) growth. Economists' predictions on inflation vary from 2.2 percent to a high of 4.0 percent. Concern about inflationary pressure from energy prices led the

President's 2007 – 2008 Proposed Operating Financial Plan Summary

Federal Reserve to raise short-term interest rates for the 11th consecutive time in September 2005.

Due to rising fuel prices, the Congressional Budget Office (CBO) revised its 2007 and 2008 estimates for GDP growth downward to 3.4 percent for both years. Although the economic impact of rising fuel prices and Hurricane Katrina is yet to be determined, economists and energy analysts predict that increased fuel costs may impede expected economic growth and spur inflation.

The CBO predicts national unemployment levels to stabilize at 5.2 percent for 2005 through 2010. The anticipated national unemployment rates are below the 6.0 percent unemployment rate in 2003 and are consistent with the current July 2005 rate of 5.2 percent. The unemployment rate for the City of Chicago was 7.7 percent for July 2005, which was below July 2003 rates of 8.6 percent. The Illinois Department of Employment Security (IDES) reported between 2001 and 2003, Illinois employment decreased more than the U.S. average by about one percentage point. Between 1999 and August 2004, Illinois lost 173,800 manufacturing jobs -- a 19.8 percent decrease in this sector. Gains in employment for construction, education, and health service sectors, however, helped to improve employment conditions for Illinois and Chicago.

The CBO forecasts inflation growth to be 2.2 percent for both 2007 and 2008 as measured by the Consumer Price Index (CPI). Economists at Yale University, however, forecast inflation at 3.5 percent and 3.2 percent, respectively, for 2007 and 2008. Improvements in the labor market coupled with high fuel prices are expected to improve CTA's ridership as more employees use public transportation for work trips. New jobs added are more likely to be lower paid temporary positions that have fewer benefits, which impacts consumer spending. Many families and individuals have experienced flat or minimal income growth, which stretches overall income available to cover the cost of food, housing, and utilities.

OPERATING EXPENSES

The 2007 and 2008 estimated operating expenses are \$1.041 billion and \$1.076 billion, respectively. The increases in 2007 and 2008 are primarily due to rising wages, healthcare, workers compensation, pension benefits, and higher energy costs.

Labor

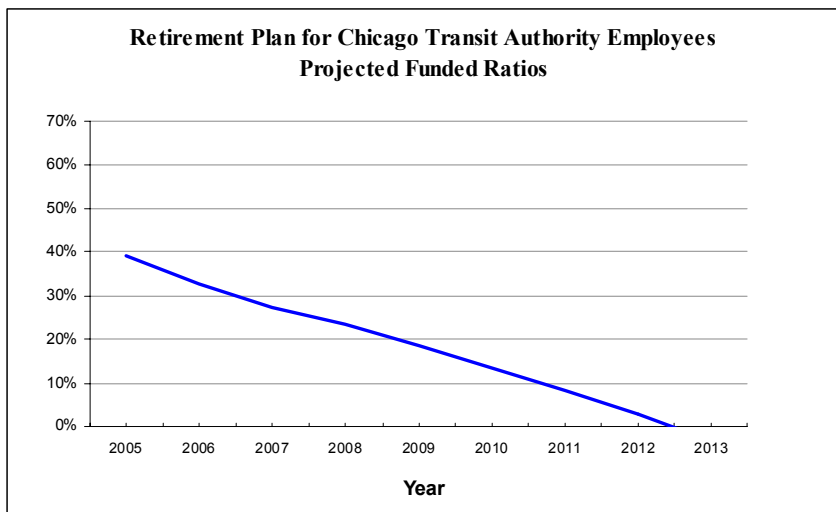
Labor expenses, which constitute approximately three-fourths of CTA total expenses, include the cost of wages, health care, dental, pension, workers compensation and FICA. Labor expenses are projected to increase to \$784.2 million in 2007 and to \$811.3 million in 2008.

Healthcare, workers compensation, pension and wages are the primary cost drivers. The CTA continues to emphasize cost reductions through productivity gains, improved scheduling of transit operations, and continuous re-evaluation of business processes to ensure maximum efficiencies. As a result of these on-going efforts, the CTA has been able to reduce operating costs by an estimated \$1.025 billion from 1997 through 2005.

President's 2007 – 2008 Proposed Operating Financial Plan Summary

Offsetting these gains in productivity is growth in benefit costs, particularly healthcare and workers compensation expenses. Healthcare expenses have been growing at an average annual rate of 14.0 percent since 1995 - over five times the rate of inflation. The CTA anticipates annual employee healthcare costs to grow by over 10 percent for 2007 and 2008. Where possible, the CTA has negotiated lower healthcare costs through joint purchasing agreements, such as its prescription drugs alliance with sister agencies in the Chicago region in 2004, and it will seek additional cost sharing through labor negotiations.

In addition, the Retirement Plan for CTA Employees is currently under funded by \$2.1 billion. The Plan was created in 1949 by an agreement between the CTA and the Amalgamated Transit Union (ATU). As of January 1, 2005, the Plan had assets of just under \$1.4 billion and



liabilities of \$3.5 billion for a 39 percent funded ratio. This compares to assets of \$1.6 billion and liabilities of \$3.3 billion as of January 1, 2004. The decline in Plan assets is the result of inadequate contributions, benefits, and retiree healthcare costs. The Plan's actuary projects that the assets will be exhausted by 2012 without significant increased contributions and changes to the funding structure and benefit levels. The CTA and ATU Locals

241 and 308 are negotiating changes to the Plan and will have to address the funding shortfall. The pension fund is the responsibility of the Pension Plan; nevertheless, the CTA employees and retirees would be affected by the Plan's inability to meet its obligations under the collective bargaining agreements.

Material

Materials are used to maintain the CTA bus and rail fleet, rail tracks, facilities, stations and fare revenue equipment. The CTA has continually sought to contain costs for materials through streamlining its supply chain and reengineering sole-sourced materials. The agency also anticipates additional efficiencies in material acquisition through implementation of the new Maintenance Management Information System (MMIS). The new MMIS system will track the life cycle of vehicle parts, warranties and vehicle repairer information. Due to this and other initiatives, CTA projects material expense to remain flat at \$67.1 million in 2007 and increase slightly to \$67.5 million in 2008.

Total world oil consumption is forecast to grow by about 2.0 percent each year. Emerging Asian nations, including China and India, will account for 45 percent of the total world oil consumption increase. – Source: Energy Information Association

President's 2007 – 2008 Proposed Operating Financial Plan Summary

Fuel and Power

Due to rising demand and limited resources, energy prices are expected to remain high. Likewise, the U.S. Energy Information Association has forecast world energy consumption to grow by 57 percent between 2002 and 2025, largely due to demand from emerging economies. The increased demand, combined with limited extraction and refinery capacity, is expected to impact the CTA energy budgets in 2007 and 2008.

For 2007 and 2008, the CTA has proposed a budget of \$2.05 and \$2.10 per gallon for fuel respectively, compared to \$1.00 per gallon in 2004 and \$1.40 per gallon in 2005. The CTA assumes annual consumption of 24.0 million gallons of fuel for revenue service for both years. Fuel expense for revenue equipment is forecast at \$49.2 million for 2007 and \$50.4 million for 2008. The total budgeted cost of fuel is more than double the amount budgeted in 2004: \$23.0 million.

Likewise, energy analysts predict that electricity demand will increase along with natural gas prices. In 1996, the CTA joined a consortium of municipal agencies, known as the Local Government Power Alliance, to negotiate lower power rates for member agencies. This rate agreement ends at the end of 2006. A 20 percent increase in rates is expected. For this reason, the CTA has budgeted \$29.4 million in 2007 and \$29.5 million in 2008 for power, compared to \$24.5 million budgeted for 2006. Consumption is expected to remain at 2005 levels.

Provision for Injuries, Damages and Litigation

Funding for injuries, damages, and litigation expenses are expected to drop to \$25.0 million in 2007 from \$33.0 million in the proposed budget for 2006, then rise to approximately \$30.0 million in 2008. The injuries, damages, and litigation reserve fund has ranged from a high of \$44.0 million in 2001 to a low of \$17.6 million in 2003, a range impacted by the availability of one-time revenues and resource constraints created by the 1983 RTA Act.

Purchase of Paratransit Services

The CTA has zero expenditures in the proposed budget for paratransit services for 2007 and 2008 due to state legislation consolidating regional paratransit services under the Americans with Disability Act of 1990 (ADA) in Northeastern Illinois under PACE. After the July 1, 2006 transfer date, Pace will assume responsibility for paratransit services and the CTA will no longer budget for paratransit expenses.

Security

Providing safe transit service to customers remains a key part of the CTA security strategy for the 2007-2008 proposed plan periods. CTA's security network includes security guards and guard dog coverage in addition to services provided by the Chicago, Evanston and Oak Park Police Departments. For the proposed plan years, CTA forecasts security expenses will increase to \$36.2 million in 2007 from \$35.3 million in 2006. Security expenses in 2008 are forecast to increase to \$37.3 million due to rate increases for contracted security. Between 2001 and 2005, CTA's allocation for security services has increased by over 50 percent, or

President's 2007 – 2008 Proposed Operating Financial Plan Summary

\$12.3 million, from \$22.5 million in 2001 to \$34.8 million in 2005. Transit agencies have found it increasing challenging to operate in an elevated security environment since September 11, 2001, and the attacks on the Madrid and London transit systems.

Other Services

Other services include expenses such as utilities, advertising, equipment and software maintenance, accounting, engineering, legal and other consulting services, bank fees and commissions. Other services expenses are projected to increase modestly from \$50.2 million in 2006 to \$50.3 million for both 2007 and 2008. Capital investments in communication equipment and fiber optics are expected to reduce telephone and communication line charges and capital investments in new systems are projected to reduce technology consulting and maintenance expense.

OPERATING REVENUES

Operating revenues are comprised of system-generated revenues and public funding which are estimated at \$1.041 billion for 2007 and \$1.076 billion for 2008. System-generated revenues include primarily fares and passes along with other internally generated revenues, while public funding through the RTA includes a portion of sales tax collections and State match on sales tax collection in addition to other RTA funding.

System-Generated Revenues

System-generated revenues include revenue from fares and passes, advertising, investment income, parking and rental properties. System-generated revenue is estimated at \$506.0 million in 2007 and \$511.3 million in 2008. System-generated revenue for 2007 is expected to decline by 1.3 percent from 2006 due to a loss of revenue from FTA grants to subsidize paratransit service. However, an increase of 1.1 percent is estimated for 2008 due to growth in ridership and increases in advertising and investment income.

Fares and Passes

Revenue from the sale of fares and passes is projected at \$430.1 million in 2007 and \$434.4 million in 2008 representing an increase of nearly 0.8 percent in 2007 and 1.0 percent in 2008. The increase in fare revenue is based on a ridership growth of approximately 1 percent each year with projected average fares of \$0.93 for 2007 and 2008, which approximates the 2006 projected average fare.

Reduced Fare Reimbursement

Reduced fare reimbursement from the state is projected to be flat at \$30.6 million in both 2007 and 2008. This amount is consistent with funding for 2005 and 2006.

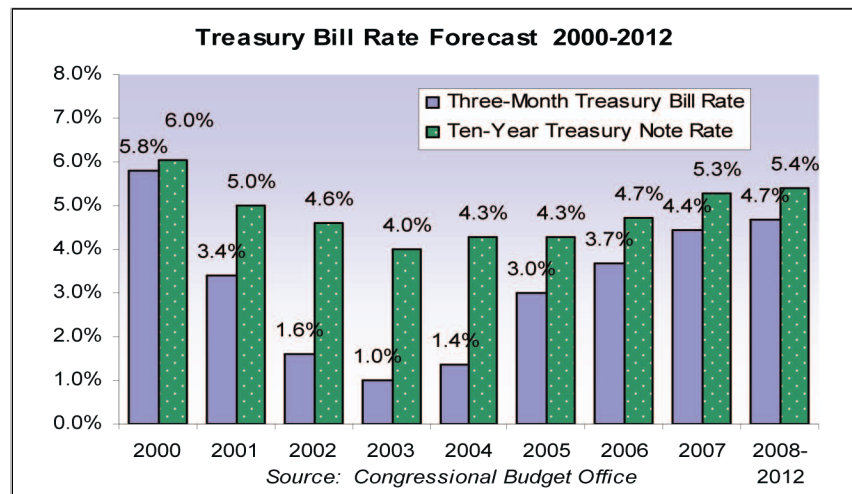
President's 2007 – 2008 Proposed Operating Financial Plan Summary

Advertising, Charter and Concessions

Advertising, charter, and concessions revenues are derived from advertisements placed on buses, trains and stations, as well as income from concessions and charters. Advertisement revenues in 2007 are projected to increase by \$0.5 million or 2.0 percent to \$25.3 million from \$24.8 million in 2006. In 2008, advertising revenues are expected to increase by an additional \$0.5 million or 2.0 percent to \$25.8 million due to an increase in advertisements, including additional subway tunnel advertising.

Investment Income

Investment income for 2007 and 2008 is expected to grow as interest rates rise. For 2007, investment income is forecast at \$5.9 million, a growth of nearly \$1.0 million or 20 percent, due to rising short-term interest rates and a higher cash balance. Likewise, investment income for 2008 is forecast to grow by \$0.6 million or 9.6 percent to \$6.5 million. Recent decisions by the Federal Reserve Board Open Market Committee suggests that they will continue to increase the Federal Funds rate to 4.0 basis points or higher in 2006. The chart shows that three-month Treasury bill rates, which generally mirror Federal Funds rates, are forecast to grow from a low of 1.0 percent in 2003 to 4.7 percent for 2008-2012. As the economy strengthens, more upward movement in interest rates will result to contain inflation.



Other Revenues

Revenues in this category include parking fees, revenue from rental properties, third party contractor reimbursements, fees from filming, and other miscellaneous revenues. Other revenues are forecasted at \$9.0 million in 2007, a decline of \$11.7 million or 56.5 percent due to a loss in grant revenue that supported paratransit operations, which CTA will transfer to Pace in 2006. The CTA forecasts all other revenue to remain flat at \$9.0 million in 2008.

Public Funding

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 and RTA internal estimates. The Proposed Financial Plan assumes the Illinois General Assembly will not increase transit funding until 2007. To close the gap in the interim, RTA will release other funds to fund the service boards. Public funding through RTA is forecast at to be \$535.5 million in 2007 and \$564.9 million in 2008.

President's 2007 – 2008 Proposed Operating Financial Plan Summary

These funding marks are based on the statutory funding formula included in the 1983 RTA Act that allocates sales taxes collected in the City of Chicago, suburban Cook County, and the collar counties to the Service Boards. In 2005, the Illinois House of Representatives Committee on Mass Transit began a comprehensive review of the 22 year-old transit formula. The initial findings suggested that the formula is outdated and does not match current or future transit needs. The Committee on Mass Transit plans to continue its review through 2006 and is anticipated to propose solutions that support long-term expansion to the region's transit system.

Recovery Ratio

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

The RTA assigns each Service Board a recovery ratio when it issues the funding marks as required by the Act. The budgets submitted by each service board must be balanced and meet the required recovery ratio before obtaining RTA approval. The RTA exempted all security expenses from the recovery ratio calculation starting in 2005. The CTA projects achieving a 51.4 percent recovery ratio in 2007 and 50.3 percent in 2008. This is below the required recovery ratio of 52.0 percent set by RTA, but exceeds the 50 percent recovery ratio required by the RTA Act for the region. The CTA's estimated recovery ratio would be higher if RTA would designate preventive maintenance funds as system-generated revenue, which would be consistent with its treatment of the capital cost of contracting paratransit services. If this policy change is made, the CTA would meet the 52.0% mark.

Accounting Notes

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

During 2003, the CTA issued debt to finance the renovation of the Cermak (Douglas) Branch of the Blue Line. This debt is backed by the full funding grant agreement with the FTA. All debt service payments will be made with FTA funds. In 2004, the CTA issued the 2004 Bonds which totaled \$250.0 million. The proceeds of the 2004 Bonds will be used to pay for or reimburse the CTA for prior expenditures relating to a portion of the capital improvement. The 2004 Bonds are secured solely via Federal Transit Administration 5307 Urbanized Area Formula funds.

President's 2007-2008 Proposed Operating Financial Plan Schedule

(In Thousands)	2004	2005	2005	2006	2007	2008
	<u>Actual</u>	<u>Budget</u>	<u>Projected</u>	<u>Budget</u>	<u>Plan</u>	<u>Plan</u>
Operating Expenses						
Labor	\$ 680,081	\$ 718,538	\$ 707,265	\$ 748,922	\$ 784,219	\$ 811,301
Material	61,387	65,332	65,300	67,088	67,100	67,500
Fuel - Revenue Equipment	30,093	33,837	42,956	48,000	49,200	50,400
Power - Revenue Equipment	21,640	24,526	24,000	24,526	29,431	29,450
Provision for Injuries and Damages	22,000	19,000	30,000	33,000	25,000	30,000
Purchase of Security Services	27,555	34,777	34,800	35,335	36,200	37,253
Purchase of Paratransit	48,999	52,473	54,441	29,582	-	-
Other Expenses						
Utilities	16,892	17,588	17,523	17,542	17,610	17,610
Advertising and Promotion	2,358	4,956	4,182	4,935	4,935	4,935
Contractual Services	30,436	32,333	35,936	36,993	36,993	36,993
Leases and Rentals	5,903	3,096	2,155	2,420	2,420	2,420
Travel, Training, Seminars, and Dues	2,710	2,801	2,313	3,211	3,211	3,211
Warranty and Other Credits	(18,628)	(20,471)	(19,686)	(20,932)	(20,932)	(20,932)
General Expenses	6,906	7,343	5,219	6,063	6,063	6,063
Total Other Expenses	46,577	47,646	47,641	50,232	50,300	50,300
Total Operating Expenses	\$ 938,332	\$ 996,129	\$ 1,006,403	\$ 1,036,685	\$ 1,041,450	\$ 1,076,204
System Generated Revenue						
Fares and Passes	\$ 402,768	\$ 406,948	\$ 409,500	\$ 426,522	\$ 430,130	\$ 434,379
Reduced Fare Reimbursement	31,302	30,590	30,590	30,590	30,590	30,590
Advertising, Charter, & Concessions	24,882	24,313	24,300	24,800	25,300	25,800
Investment Income	3,051	2,949	4,120	4,944	5,933	6,500
Statutory Required Contributions	5,000	5,000	5,000	5,000	5,000	5,000
All Other Revenue	29,888	30,445	37,010	20,773	9,040	9,040
Total System Generated Revenue	\$ 496,891	\$ 500,245	\$ 510,520	\$ 512,629	\$ 505,993	\$ 511,309
Public Funding Required for Operations	\$ 441,441	\$ 495,883	\$ 495,883	\$ 524,056	\$ 535,457	\$ 564,895
Public Funding Available through RTA	\$ 441,632	\$ 495,883	\$ 495,883	\$ 524,056	\$ 535,457	\$ 564,895
Recovery Ratio	54.88%	53.06%	53.55%	52.24%	51.40%	50.27%
Required Recovery Ratio*	52.90%	52.90%	52.90%	53.00%	52.00%	52.00%
Fund Balance	\$ 191	\$ 0	\$ 0	\$ 0	\$ 0	0

*The CTA would be able to meet the RTA mandated recovery ratio in 2006 if RTA designates preventive maintenance funds as system-revenue, which would be consistent with its treatment of the capital cost of contracting. Recovery Ratio for 2004 -2008 includes In-Kind revenue and In-Kind expenses for CPD and excludes 15% of reduced fare subsidy and 1988 base year security expenses. Since 2005, RTA has excluded all security cost from the Recovery Ratio calculation.

Business Units

Results-Oriented

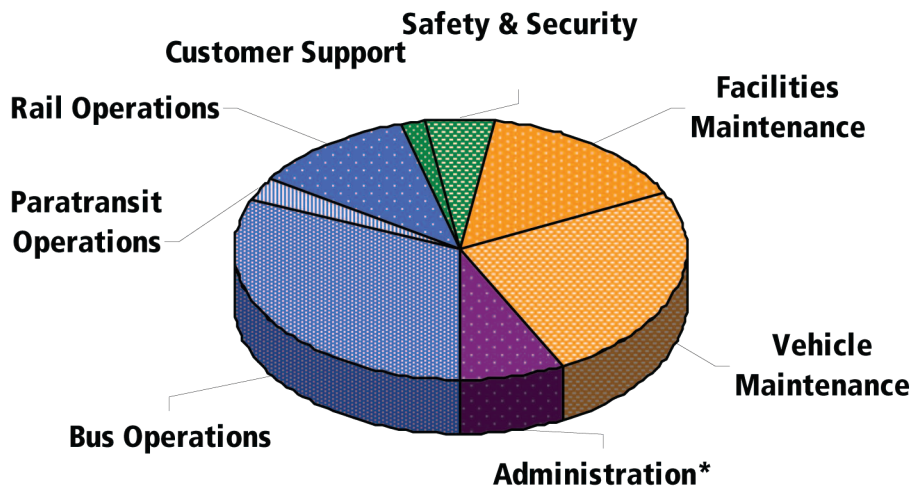
We will focus on getting the job done and will derive personal satisfaction from the service we provide.



Business Units

**Distribution of Expenses by Function -
2006 Budget - (\$ in 000's)**

Operations	Operations Support	Maintenance	Administration*
\$476,543 46.0%	\$68,985 6.6%	\$413,442 39.9%	\$77,714 7.5%



Operations Bus Operations - \$324,133 Paratransit Operations - \$30,522 Rail Operations - \$121,889	Operations Support Customer Support - \$14,559 Safety & Security - \$54,426
Maintenance Facilities Maintenance - \$156,198 Vehicle Maintenance - \$257,244	Administration* Administration - \$77,714
Total \$1,036,685	
* Includes \$33,000 for Injuries and Damages	

Business Units - Goals

Transit Operations

As the nation's second largest transit operator, the Chicago Transit Authority carries 1.6 million customers on an average weekday, serving Chicago and 40 suburbs, with connections beyond.



Priority Goals:

- Increase ridership by meeting customer needs and expectations
- Provide friendly, courteous interaction with all customers
- Implement operational efficiencies to reduce costs
- Provide transit service with minimum wait time for customers
- Maintain safe and secure facilities and vehicles for customers and employees
- Modernize fleet through purchase of new buses and rail cars

Operations Support

Including Communications and Marketing, Service Planning, Customer Service, Government and Community Relations, and Safety and Security, Operations Support is vital to maintaining a safe and effective system.



Priority Goals:

- Maintain customer focus
- Increase efficiency of public transit travel through effective service planning
- Pursue initiatives to expand markets
- Strengthen connections between traffic generators
- Plan capacity to meet current and future transit needs
- Ensure projects comply with all safety and environmental standards
- Achieve accident/incident reduction of 10% over prior year
- Improve communications concerning routes, service enhancements, and new fare products
- Effectively communicate with RTA, State, City, and Federal agencies to maximize funding and support

Business Units - Goals

Maintenance

Vehicle Maintenance includes bus, rail, and non-revenue fleets. This includes cleaning, repairs, rebuilds, overhauls, seasonal preparations, and preventive maintenance of all CTA vehicles and equipment. Construction, Engineering, and Facilities Maintenance responsibilities include planning, building, repairing, and maintaining CTA's subway, ground, and elevated rail structures, stations/platforms, rail yards, rail terminals, bus garages, elevators, escalators, and over 5 million square feet of property.



Priority Goals:

- Maintain existing fleet in accordance with fleet maintenance programs
- Increase mileage between road calls and rail vehicle defects
- Rebuild and modernize the aging rail system through efforts such as the Brown Line capacity expansion and the Red Line south rebuild
- Bring CTA systems into a state of good repair
- Complete capital projects on time and on budget while minimizing service disruptions
- Reduce expenses and increase accountability and productivity through enhanced computer-based maintenance management information system implementation
- Maintain clean bus and rail vehicles

Administration

Behind the scenes of Operations, Operations Support, and Maintenance, CTA's Administrative function serves to coordinate efforts, and provide a level of seamless collaboration in support of these areas.

Priority Goals:

- Focus on cost efficiency of operations
- Effectively manage limited dedicated transit funds
- Continue to protect CTA customers, employees, and assets through aggressive management of complex transactions
- Increase Chicago and Chicago Card Plus penetration and usage
- Maximize employee value to CTA
- Review and refine all CTA policies and procedures
- Maintain state-of-the-art communication and information systems
- Reduce unfunded capital need and enhance funding for security
- Increase funding and ensure fiscal discipline

Business Units - Transit Operations

Operations



Bus, Rail, and Paratransit Operations transport almost 1.6 million customers on an average weekday through 150 bus routes with 11,924 bus stops and 7 rail lines with 144 stations and platforms. A fleet of 2,033 buses and 1,190 rail cars are required to cover the 205,000 bus miles and 197,370 rail miles driven everyday. Approximately 4,300 full-time equivalent bus operators and 1,300 rail operators provide this service to our customers.

CTA provides bus and rail service 24 hours each day, 7 days per week. The logistics of assigning operators to different portions of routes at different times of day and different days of the week are the responsibility of the Transportation Management staff of CTA. In each of CTA's 8 bus garages and 9 rail terminals, administrative staff keeps track of operator assignments and hours.

Bus Operations Facts

- Almost 1 million rides provided on an average weekday
- Approximately 205,000 miles traveled each day – roughly 8 times around the world
- 150 bus routes with a total of 11,924 bus stops

Rail Operations Facts

- Almost 600,000 rides provided on an average weekday
- 7 rail lines with 144 rail stations
- 222.6 route miles
- 197,370 miles traveled every weekday

Paratransit Operations Facts

- 2.4 million rides in 2005, a 7% increase over 2004
- Contract with three carriers with a total of 382 vehicles
- 1.2 million trips anticipated during the first half of 2006

CTA believes that public transportation is a service that should be available to everyone. As such, CTA provides 24-hour operations and curb-to-curb service for our physically disabled customers whose needs cannot be met by the CTA's fixed route bus and rail system. In 2005, CTA supplied curb-to-curb transportation services to 2.3 million customers. The average cost to the CTA is roughly \$23 per ride, while the customer pays a fare of \$1.75.

CTA also provides additional service for special events. For instance, each July 3rd, CTA has additional buses, rail service, and paratransit vehicles ready to take customers home after the fireworks along the lakefront. CTA provides this extra service for Cubs and Sox games, Bears games, United Center events, Venetian Night, the Air & Water Show, the Chicago Marathon and other activities throughout the Chicago area.

CTA Training and Instruction utilizes classroom work, simulator training, and on-the-road training techniques to make sure that new employees are well prepared to perform their job duties safely and effectively. Training and Instruction also provides on-going education services so that CTA employees continue to refresh existing qualifications and obtain new skills.

Business Units - Operations Support

Safety and Security

The safety and security of CTA's customers, employees and properties is of principal importance.

Security Services has the triple mission of investigations, facility security, and performance control. Activities range from preparation of security assessments and plans, compliance with national and regional security requirements, performance of quality reviews of rail and bus safety guidelines, and collection and reporting of security statistics.

CTA operations are monitored in its Control Center. The CTA Control Center uses data communication, radios, GPS monitoring, and other systems to obtain real-time information of service and incidents throughout the CTA system. It operates 24 hours per day, 7 days a week.

Many layers of security have been built in to minimize security threats. Monitoring and periodic investigations of CTA facilities are done. The Security department works with the Chicago Police Department, the Office of Homeland Security, and many other organizations to provide a secure environment for customers and employees.



A significant milestone was achieved in 2005 when the CTA announced the completion of a key portion of fiber optic expansion that allows CTA to connect security cameras along portions of the Blue Line. Additional expansions are planned for other areas within the Rail system. By the end of 2006 approximately 1,200 cameras at 48 stations will be in place. These cameras will be linked to the City's 9-1-1 Center. CTA's entire bus fleet is already equipped with security cameras.

Security, however, is not a one-group function at the CTA, but a process that extends across departmental lines. As such, Security Services has engaged cross-departmental committees to discuss strategies for enhanced security measures.

Systems Safety works to prevent accidents involving both employees and customers. Safety analysts examine facilities for potential safety hazards. They also investigate incidents so that similar incidents do not reoccur. All new capital projects are reviewed and monitored by safety engineers to make sure that they comply with CTA safety standards.

Earlier this year the CTA began its Destination Safety program with goals of significantly reducing employee and third party accidents and injuries. With oversight from DuPont Safety Resources, the CTA has developed a charter team with 5 sub-committees to focus efforts to investigate accidents, understand the nature and causes, implement and communicate processes to prevent future accidents, and provide detailed reports on overall performance going forward.

Business Units - Operations Support

Customer Outreach and Support

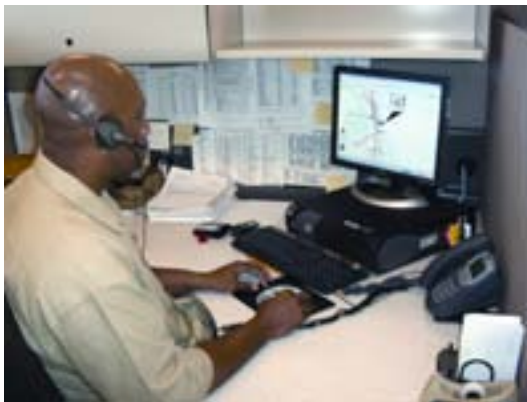
Customer interaction is crucial for the CTA to operate effectively. The CTA routinely needs to provide customers with information regarding new initiatives and service-related events. The CTA also requires information from customers to better match service levels with demand.

Communications & Marketing works to keep customers and the public informed of CTA initiatives and events that will impact service so that customers can make informed travel decisions. The department continues to develop ways to promote the CTA service and programs that will lead to increased ridership. One such program is the New Resident Ridership Program which proactively targets new residents to the Chicago metropolitan area in an effort to encourage them to try transit. Others duties include regular updates to maps and brochures and notification of service changes.

Another focus for this year and next will be the marketing of the Chicago Card/Chicago Card Plus. The numerous benefits of the touch-n-go cards will be aggressively marketed to our customers.

CTA will continue to enhance our public web site to provide up-to-date information on projects and services. Similarly, the successful and highly popular **Connections** municipal cable television program will continue for next year.

Government and Community Relations communicates initiatives to elected officials, customers, community organizations, and sister agencies. Outreach includes: providing information and obtaining feedback on major capital projects, sponsoring service enhancement workshops, working with senior citizen groups through the City of Chicago - Department on Aging, and participating in neighborhood festivals and parades.



Customer Service obtains feedback from customers as well as provides answers to their questions. Additionally, market research and surveying is performed to obtain customer opinions. Observance of ADA issues and solutions are a major concern to the CTA, and are handled through compliance to ADA requirements and through customer interaction.

Planning and Scheduling uses customer feedback as well as data collected from buses, rail stations, and other sources, to develop routes and schedules that will best match CTA service with customer demand. Sophisticated computer programs are used that make sure that the CTA provides the highest level of service while maximizing the use of our resources. Special schedules are produced as needed for any extraordinary circumstance such as out of the ordinary school events, construction projects, or special events.

Additionally, the CTA is always looking to augment service. Initiatives to expand the regional market for transportation are continually analyzed and developed by Planning.

Business Units - Maintenance

Vehicle Maintenance

Every time a bus or train door opens, customers see a bus or rail operator. For every operator that customers see on the bus or train they ride, it takes many more people to make that trip possible— machinists, mechanics, servicers, engineers, painters, and many others play a roll in maintaining the vehicles.

The maintenance staff's responsibility is to have vehicles that are clean and ready for service as required. When major repairs are needed, buses and trains are serviced at CTA's Heavy Maintenance Facilities or, as required taken to an outside vendor. A regular maintenance program is in place, as required by the Urban Mass Transportation Act.



Advanced features, such as air conditioning, security cameras, automated announcement systems and destination signs, have made CTA vehicles more complex and sophisticated and therefore more labor-intensive to maintain. Engineering and Technical Services perform over 15,000 quality control inspections per year to ensure CTA operates safe and reliable vehicles.

Rail Maintenance Facts – All 1,190 rail cars required for service are swept and cleaned each night. Interior cleaning is also performed on a regular basis. In-depth inspections are performed on the rail cars each year. Quarter and mid-life rail car overhauls are performed every 6-7 and 12-14 years, respectively.

Summer/Winter tune-ups: 72 de-icers, 4 diesel rail track snow plows, 4,700 sleet scrapers, 225 rail car HVAC.

Other maintenance: 2,485 brake parts, 475 hydraulic power control units and motors rebuilt each year, 2,600 wheels trued each year, 675 tractions motors rebuilt and 30,000 traction motor carbon brushes replaced each year, 890 wheel assemblies and 250 trucks repaired/rebuilt per year, 45 Control Groups, 300 line breakers, 185 reversers, and 245 batteries rebuilt per year, 1,800 trolley shoes built each year.

Bus Maintenance Facts – 1,716 buses are fueled and serviced per day. Bus inspections and preventative maintenance tasks are performed every 4,000 miles. Over 17,000 total inspections and preventative maintenance tasks are performed per year. Buses are thoroughly cleaned every 2,000 miles.

Other maintenance: Inspect/repair 17,000 wheelchair lifts per year, brakes relined every 40,000 miles, roughly 1,600 brake relines performed per year, maintain over 14,000 wheels and tires, repair/replace 100 bus radios per month, repair/replace 75 public address systems per month, approximately 92 total bus overhauls are performed per year, major body work on 375 buses per year, 900 buses repainted in 2004, 180 engines replaced in 2004, rebuild over 21,000 remanufactured parts per year.

Business Units - Maintenance

Facilities Maintenance

With 287.8 miles of track, 52.3 miles of elevated structure, 144 rail stations, 12 rail yards, 9 rail terminals, 8 bus garages, 108 elevators, 146 escalators and over 5 million square feet of CTA property in more than 450 buildings, Facilities Maintenance plays a significant role in the day-to-day operations of the CTA .



Customer Facilities Maintenance Facts – Responsible for the repair and maintenance of 325,000 square feet of glass, removal of all graffiti on the system, and repair of all vandalism on the system. Other activities include: perform over 2,000 power washes of stations and platforms per year (average of 11 times per station per year), inspect and repair over 400 miles of rail car track protective fencing, clean and maintain 112 CTA bus turnarounds, 200 bus stop shelters, 146 escalators, and 108 elevators, provide pest control, landscaping and weeding services, clean all CTA employee facilities, and maintain 1,300 public information signs.

Power and Way Maintenance Facts – Responsible for the inspection, repair, and maintenance of 24 miles of subway tunnels, 52 subway system venting fans, 52.3 miles of elevated structure, 64 elevated stations, 115 bridges and viaducts, 238 miles of contact rail (3rd rail), 241 AC breakers, 600 miles of traction power cable, 813 signals, 1,064 rail track switches, 1,136 automatic block signals, and 24,000 vital signal relays.

System Maintenance Facts – Responsible for the preparation and painting of all CTA properties and signs, as well as the installation, repairs, and maintenance of all ceramic and quarry floors, and wall tiles; inspects, installs and repairs all electrical components and electrical controls on system. Other System Maintenance activities include: maintain over 50,000 light fixtures on CTA system annually, repair and maintain all hoists and jacks, repair and maintain heating, ventilation and air conditioning systems, maintain an extensive sewer network with over 1,300 manholes, maintain over 2,000 heaters on rail platforms, service over 4,000 subway exhaust fans, replace 70,000 air filters system wide per year, install, inspect and/or repair 640,000 railroad ties per year.

System Maintenance Support Facts – Responsible for the repair and maintenance of CTA's fleet of 664 non-revenue emergency response vehicles, dump trucks, cranes, and snowplows, as well as the installation, service, and repair of bus stop signs. In the winter they provide snow removal and disburse 2,100 tons of salt for melting ice on the system. Up to 20 tons of garbage are collected a day.

Real Estate Administrative Services Facts – Responsible for the management of the CTA Headquarters building at 567 W. Lake, the CTA Control Center building at 120 Racine, and for the management of all properties leased by the CTA, as well as providing an extensive mail delivery system for all CTA locations.

Warehousing – All maintenance facilities receive materials through Warehouse Operations. Over 1 million inventory transactions are performed valued at roughly \$70 million.

Business Units - Administration

Administration

Administration is an integral part of CTA's total operations. The CTA takes the business side of transit very seriously. Because the CTA has limited funding, we must make sure that we use our resources wisely. CTA management is committed to running an efficient and effective operation. The annual budget process is the first step in evaluating the CTA's financial situation and current business processes. The Budget department works with each CTA department to determine funding levels for the next year. Each position and area is evaluated to make sure that everyone is contributing to the CTA mission and its financial goals.

Treasury/Finance must effectively manage CTA's limited funds to maximize operations. The CTA Finance department has the unique challenge of accounting for operating and capital expenses and revenues, and ensuring resources are used effectively. Finance works with other departments to streamline operations and achieve savings.



The Accounting department ensures all transactions are properly recorded and comply with all generally accepted accounting principles. Treasury ensures cash is collected and invested to maximize revenue. Audits are performed annually to make sure that the finances are accurate.

The Capital department works to justify, secure, and distribute critical capital funding for projects crucial to maintaining and enhancing CTA's facilities and vehicles for our customers.

Employee Relations functions to ensure labor-management effectiveness and to maintain a high level of employee satisfaction. This includes ensuring compliance with FTA/CTA drug/alcohol policies and programs. They also must provide grievance and contract information to management.

Technology provides and maintains the systems the CTA needs to perform at a high level. Continual enhancements are required. Updated technology helps employees do their jobs faster and at a higher quality than ever before.

Human Resources must provide the workforce and ensure the well being of that workforce. To continue to deliver high-quality transit service, the CTA must hire and retain talented individuals and give them the right tools to succeed. The hiring process includes extensive background checks and drug testing because the CTA is committed to safety in all aspects of the operation.

General Counsel is called upon to provide advice and counsel concerning CTA's legal and financial transactions and to represent CTA in all corporate litigation. The office of the General Counsel has focused on streamlining processes and provides advice regarding compliance with applicable laws and regulations. The department also handles all accident and workers compensation claims.

Purchasing produces over 1,000 specifications and processes over 10,000 contracts on an annual basis. The department works to make sure that CTA secures the best prices for the good and services that it buys.

Altogether, the administration function of the CTA is crucial to running a quality transit agency.

President's 2006-2010 Proposed Capital Improvement Plan and Program

Reliable

We will be dependable for our customers and fellow employees, and will maintain the highest standards of trust.



President's 2006-2010 Proposed Capital Improvement Program

Introduction

This recommended 2006-2010 Capital Improvement Program (CIP) identifies and targets available capital funds toward key capital renewal and improvement needs of CTA's system. Substantial and consistent investment in capital infrastructure has a significant positive effect on CTA's operating budget. Capital infrastructure in a state of good repair leads to reduced maintenance costs, greater operating efficiency and improved customer satisfaction.

The program is funded from three sources:

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

Each of these sources provides funding to cover projects contained in the typical CTA five-year capital program. While *Illinois FIRST* provided nearly \$200 million per year in the past, the non-federal funding over the next five years will be reduced dramatically to about half the size of the 2002 – 2006 program until a successor to this State funding is approved.

This recommended CIP totals \$1.8 billion over the next five years. It should be noted that the recommended capital program includes \$41.3 million in preventive maintenance in 2006 and \$65.1 million in 2007, which will alleviate a shortfall in CTA's 2006 and 2007 operating budgets. Clearly, this will result in the deferral of critical capital projects to later years. In 2005, CTA opted not to divert capital funds to preventive maintenance. For 2006, however, the President recommends this approach. In 2005, the Illinois legislature took initial steps to provide additional operating funds for CTA with a \$54.3 million grant. The legislature has demonstrated that it recognizes the need to provide additional funding for transit in the region. Recognizing this new spirit of cooperation and to allow time for this process to be completed, it is prudent to utilize preventive maintenance as a short term method to provide relief to the operating budget. In addition, the RTA has indicated that it will provide CTA with \$61.9 million in additional capital funding in 2006 to allow CTA to use capital funds for preventive maintenance. When future funding is made available by the Illinois General Assembly, additional capital funds will not have to be diverted to the operating budget and CTA's ability to maintain and improve its infrastructure will be improved.

The \$1.8 billion in funding identified in this CIP will only partially meet CTA's needs to bring its system to a state of good repair. A substantial amount remains unfunded. As the Illinois legislature looks at providing additional capital funding to the Chicago region, CTA will be taking a thorough and systemic look at the additional funding needed to reach a state of good repair. Vital projects such as replacement of subway lighting and ventilation systems, viaduct renewal, track and track bed renewal, and station upgrades remain unfunded. In addition, CTA needs \$4.2 billion for new projects such as Airport Express, Circle Line and the Ogden Transitway, to meet the needs of future growth in the region.

President's 2006-2010 Proposed Capital Improvement Program

State of Good Repair Standards

Although CTA projects that total capital funding of \$1.8 billion will be available over the next five years, this amount will only partially meet CTA's need to bring CTA's system to a state of good repair. Based on industry standards, the CTA will have reached a state of good repair when:

- ***No bus is in service over the industry standard retirement age of 12 years. In special circumstances buses may be kept in service 14 years, but extension beyond 14 years creates significant maintenance problems that affect service quality. Any such extension should be based on a life-extending rehabilitation of the buses. All buses should be rehabilitated at mid-life (after six or seven years of service). This ensures reliability and customer comfort, and will reduce maintenance expenses.***
- ***All rail cars are rehabilitated at mid-life (12-13 years), overhauled at their quarter-life points (6 and 18 years), and either rehabilitated or replaced at the end of their useful life (25 years). Vehicle life can be extended up to 30 years, but extension beyond 30 years begins to raise serious maintenance issues and affects the quality of service CTA can provide customers. Any such extension should be based on a life-extending rehabilitation of the cars.***
- ***All rail stations are in state-of-the-art condition, and able to meet modern standards for customer comfort, security, and reliability. Stations should be replaced or rehabilitated at the end of their useful life of 40 years.***
- ***All rail lines operate at scheduled speeds; no areas are slowed down because of track or structural disrepair. Rail signal systems are fully reliable and meet modern standards of performance.***
- ***Service management systems are fully reliable and incorporate current technology. Such systems are used to send information between CTA's control center and its vehicles and stations, and are vital in dealing with emergencies and service problems.***
- ***All maintenance facilities are designed and kept in good condition, to permit buses and trains to be maintained efficiently***

President's 2006-2010 Proposed Capital Improvement Program

and effectively. CTA cannot ensure a quality ride if it lacks the wherewithal to maintain its vehicles. As with stations, 40 years represents the average useful life of a maintenance facility. With suitable maintenance and reinvestment, such buildings can effectively serve for as much as 70 years.

CTA has judiciously used certain categories of capital funds to maintain assets such as buses and rail cars. This keeps the bulk of capital funds committed to replacing or renewing the equipment and facilities while continuing services until additional operating funding becomes available.

Meeting and maintaining these standards improves the comfort and reliability of the services CTA provides its customers, and reduces operational and maintenance costs for CTA. Prudent investment strategies address both visible signs of system aging such as station roofs in disrepair, less visible signs such as leaking tunnels, and overburdened power and communication systems. The CIP strives to maintain a balance between investment to upgrade existing infrastructure and projects responding to service needs that are visible to our customers. Given the advanced age of many CTA assets and the limited resources available for capital needs, the prioritization of proposed projects is crucial in balancing the maintenance of the existing system and providing for needed strategic service expansion. However, given the current constraints on capital funding, it is not always possible to achieve this balance each year. As additional non-federal funding is made available in future years, achieving this goal will be possible.

Efficient Use of Available Capital Funding

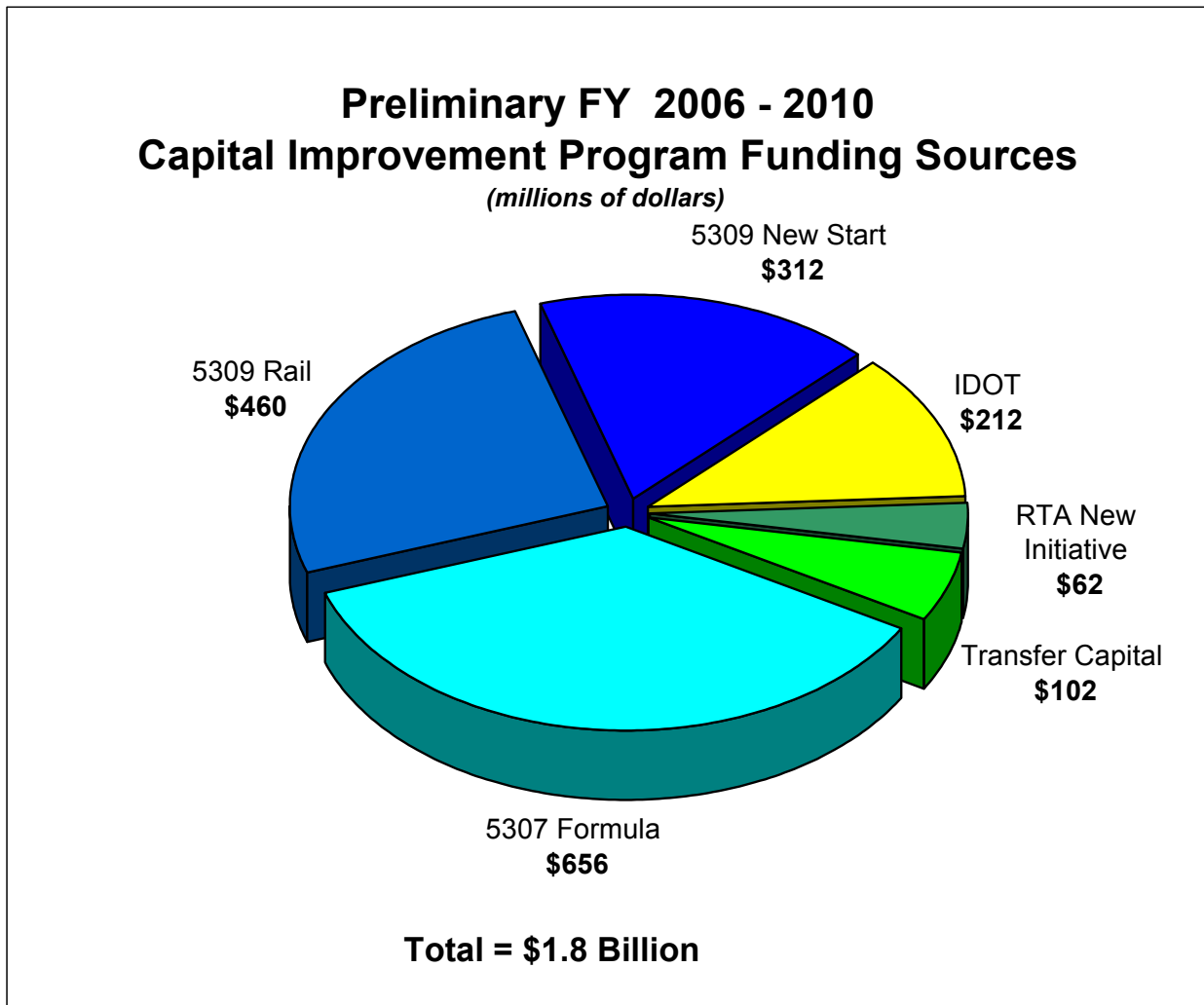
When Congress enacted *TEA-21* in 1998, the Illinois General Assembly responded, enacting *Illinois FIRST* in 1999 to provide adequate non-federal match. CTA's goal was to obligate 80 percent and spend 50 percent of the funds available between 2000-2004. CTA met that goal by December 31, 2004 – exceeding both goals, with 81.5 percent of these funds obligated and 64.2 percent of the funds spent.

Over the past five years, CTA's Capital Program has totaled nearly \$3 billion. Capital projects involve long lead times for planning, design and engineering before construction actually begins. As a result CTA and other transit agencies build up large reserves of capital funds for ongoing projects. CTA currently has \$562.4 million in unobligated capital funds available for programmed capital projects. To accelerate capital projects and reduce capital funding accumulations, federal rules permit the use of "pre-award authority," that is, CTA can award contracts and obligate funds prior to grant approval and receipt of federal funds. Neither the RTA nor IDOT permit the use of "pre-award authority" to award contracts prior to receipt of funds. This practice forces CTA and the other service boards to amass all funding necessary for a large capital project before awarding the contract and obligating funds. The application of federal rules in this situation would make this process much more efficient because it would both reduce capital accumulation and accelerate capital projects.

President's 2006-2010 Proposed Capital Improvement Program

Sources of Funds

The funding levels used in preparing the CIP reflect the capital resources available to the Regional Transportation Authority (RTA). These include \$1.4 billion from the Federal Transit Administration (FTA), \$212 million from the State of Illinois and \$164 million from the RTA. Total available funding is \$1.8 billion. A summary of this funding is presented in the figure, *Preliminary 2006-2010 Capital Improvement Program Funding Sources*. The federal funds reflect the passage of *SAFETEA-LU*, reauthorizing federal funding through 2009. Although no successor to *Illinois FIRST* has been passed, the CIP assumes modest levels of non-federal funding consistent with RTA funding marks. The table *Projected FY 2006 – 2010 Five Year Program Marks* details the funding sources supporting this program.



President's 2006-2010 Proposed Capital Improvement Program

CHICAGO TRANSIT AUTHORITY FY 2006 - FY 2010 CIP FIVE YEAR PROGRAM MARKS (thousands of dollars)

<u>NEW FUNDS</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>TOTAL</u>
Sec.9 (5307) Formula	\$ 117,579	\$ 122,399	\$ 132,929	\$ 141,559	\$ 141,559	\$ 656,026
Sec.3 (5309) Rail Mod.	\$ 85,332	\$ 87,754	\$ 92,925	\$ 96,997	\$ 96,997	\$ 460,005
Sec.3 (5309) New Start	\$ 85,825	\$ 53,650	\$ 53,650	\$ 78,803	\$ 40,000	\$ 311,928
Total Federal	\$ 288,737	\$ 263,803	\$ 279,504	\$ 317,359	\$ 278,556	\$ 1,427,959
IDOT Bonds	\$ -	\$ 39,674	\$ 40,002	\$ 63,052	\$ 69,639	\$ 212,367
RTA New Initiative	\$ 61,864	\$ -	\$ -	\$ -	\$ -	\$ 61,864
Transfer Capital	\$ 20,353	\$ 20,353	\$ 20,353	\$ 20,353	\$ 20,353	\$ 101,765
Total Local	\$ 82,217	\$ 60,027	\$ 60,355	\$ 83,405	\$ 89,992	\$ 375,995
Total Available Funds	\$ 370,953	\$ 323,830	\$ 339,859	\$ 400,763	\$ 368,548	\$ 1,803,954

Enactment of Federal Transit Funding

On July 29, 2005 Congress approved the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (*SAFETEA-LU*). President Bush signed the act on August 10, 2005. The new federal transit and highway authorization bill totals \$286.4 billion nationwide through 2009, including \$52.6 billion for transit. The bill will make available over \$1.5 billion in transit formula funds for the Chicago region over the next four years. *SAFETEA-LU* includes continued funding for the Brown Line Capacity Expansion Project and will complete the federal funding commitment to the recently completed Blue Line Cermak (Douglas) Branch Reconstruction Project.

Until CTA gets the required non-federal matching funds, CTA is unable to use all the federal funds that may become available under SAFETEA-LU.

The federal funds available under *SAFETEA-LU* will require approximately \$220 million in non-federal matching funds to fully utilize the federal formula funds. Additional funds will also be required to match federal New Starts funds for new lines and extensions to existing lines. With the expiration of *Illinois FIRST* in 2004, non-federal funds are no longer available to match these federal programs, except for the Brown Line Capacity Expansion Project which is fully funded.

The proposed 2006 – 2010 CIP is lower by \$608.6 million compared to the 2005-2009 CIP. The temporary loss of these funds results in the delay of several critical infrastructure investments. Projects slowed or delayed include: bus midlife overhauls, bus replacements, railcar midlife overhauls, rail car replacement, signal upgrades, rail track and tie replacement, and rehabilitation of elevators and escalators. In the past, these funds have provided the critical, required non-federal match for federal funds. This reduction also seriously impacts CTA's ability to reach a state of good repair on its capital infrastructure.

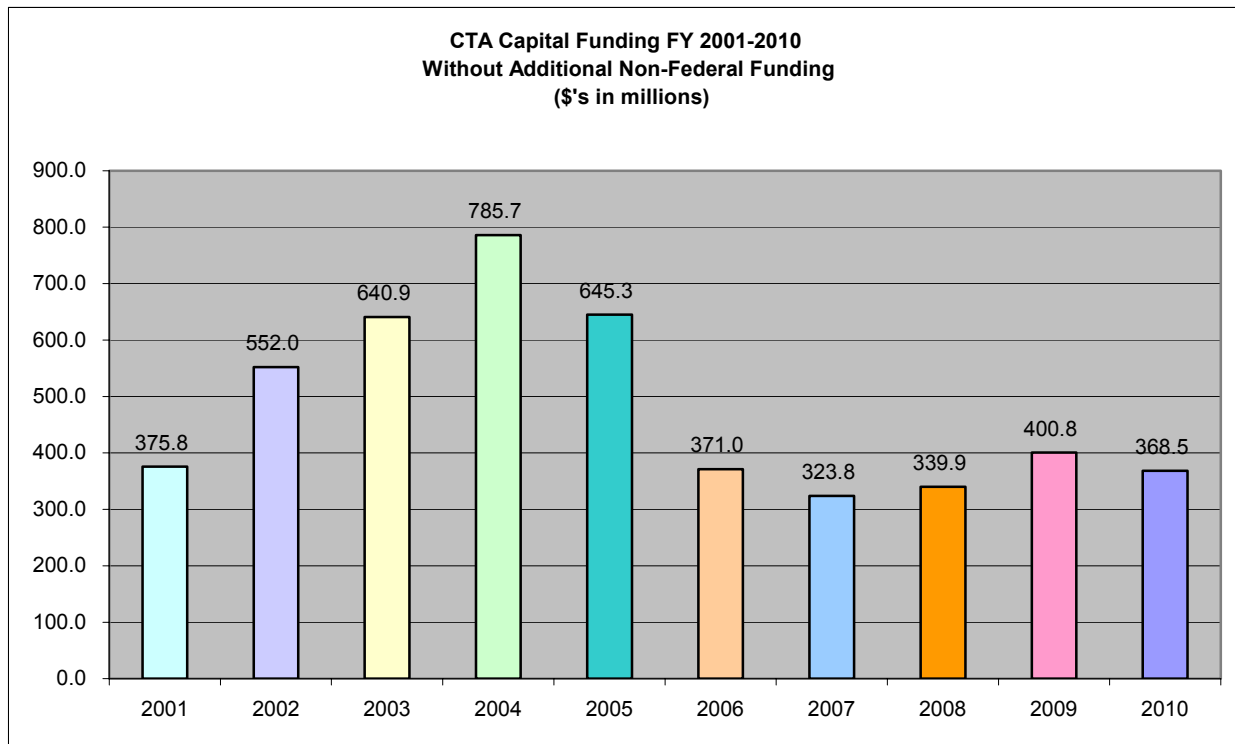
President's 2006-2010 Proposed Capital Improvement Program

The above table anticipates \$61.9 million in new initiative funding from the RTA in 2006, which will enable the reallocation of other capital funds to help balance the 2006 operating budget.

The Downward Spiral of Disinvestment

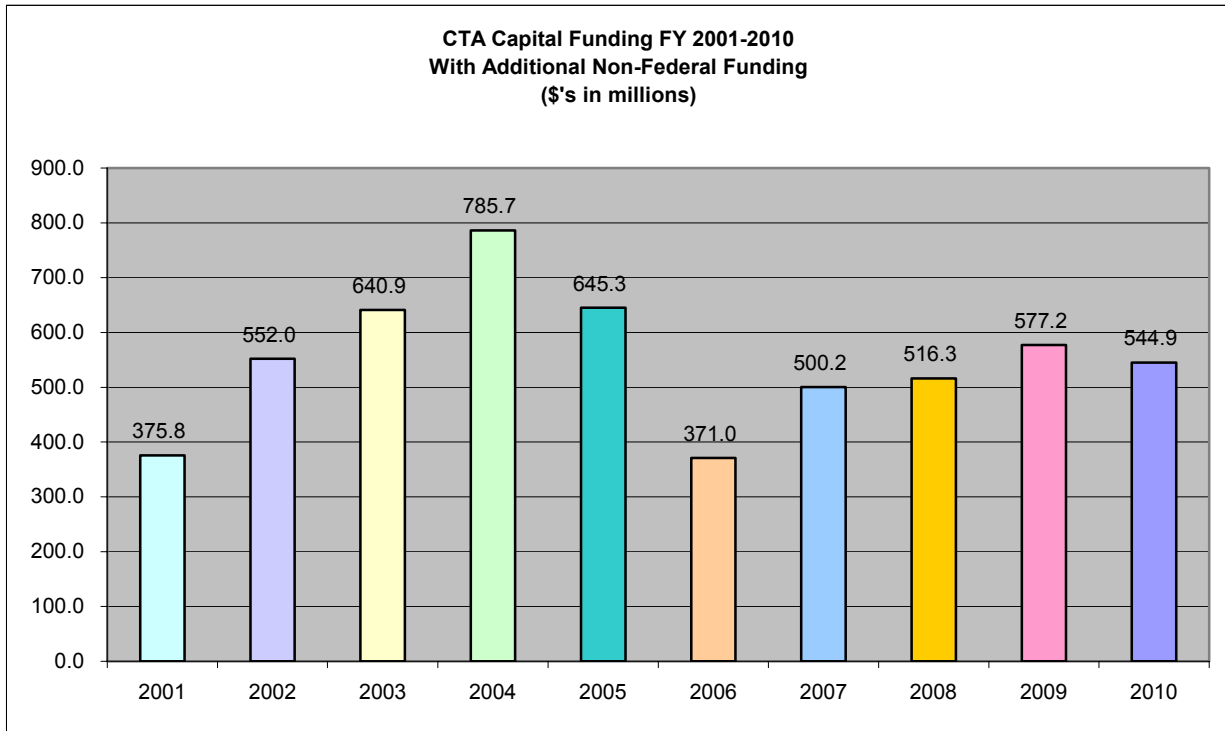
Thanks to *Illinois FIRST* and *TEA 21*, CTA has made progress in rebuilding its infrastructure and preventing further system deterioration. CTA must continue capital investment in maintaining and upgrading assets to preclude movement toward a state of disinvestment. The opposite status from a state of good repair, disinvestment can be characterized by lagging capital investment resulting in system and trip delays which leads to deteriorating system quality. Consequently, customers leave the system and the financial base begins to erode. This spiral, once engaged, is difficult to reverse. Significant progress towards a state of good repair has been made under *Illinois FIRST* and *TEA-21*. The passage of *SAFETEA-LU* provides the base for continued progress. When a successor to *Illinois FIRST* is passed, it will continue to ensure CTA's forward movement towards a state of good repair. It will also ensure that the region gets back in sync with the federal transit program and continue the momentum that existed under *TEA-21* and *Illinois FIRST*. Consistent, reliable capital funding is essential to prevent future disinvestment.

The following graphs illustrate three CIP funding scenarios. All show actual capital funding levels for the 2001-2005 period. The graph below shows projected capital funding without additional non-federal funding. This reflects the proposed 2006-2010 program and is consistent with RTA funding marks. Under this scenario, capital funding during the next five years will remain at levels well below funding levels in the 2001-2005 period.

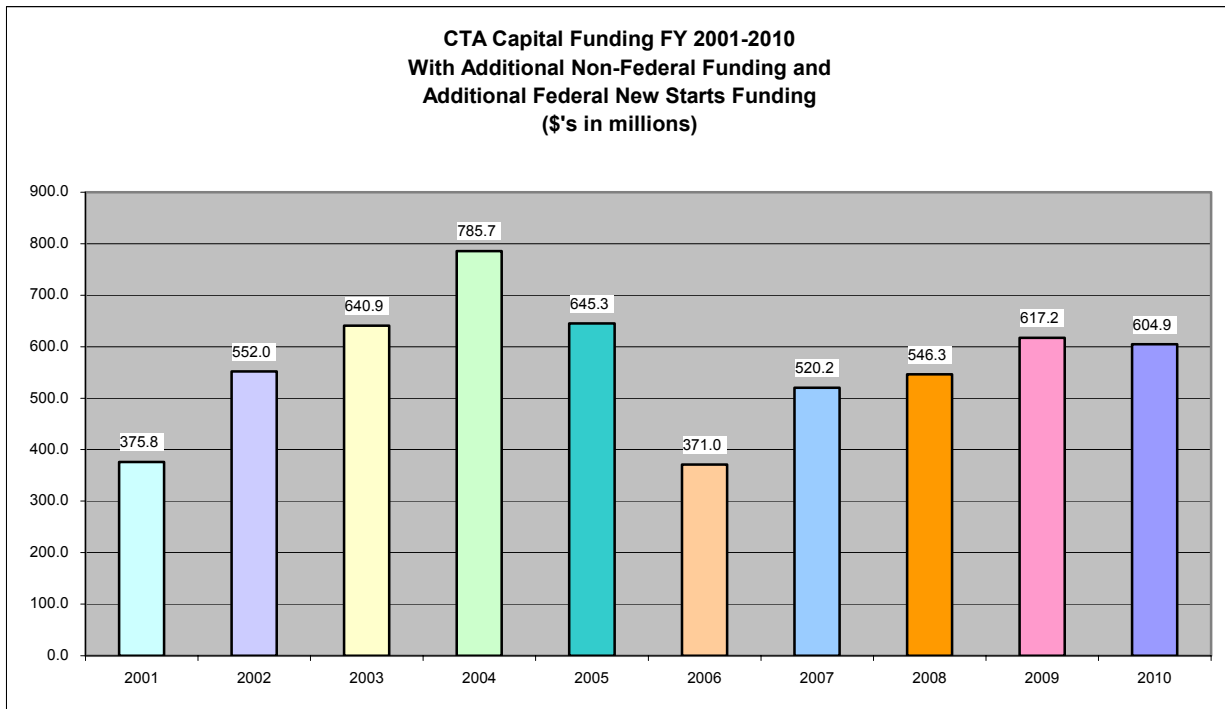


President's 2006-2010 Proposed Capital Improvement Program

The graph below assumes state legislative action to provide capital funding at a level similar to that provided during Illinois FIRST.



The following graph illustrates a capital program with additional non-federal funding as well as federal New Starts funding growing throughout the period as CTA proceeds with system expansion authorized in SAFETEA-LU.



President's 2006-2010 Proposed Capital Improvement Program

Uses of Funds - CIP Goals and Objectives

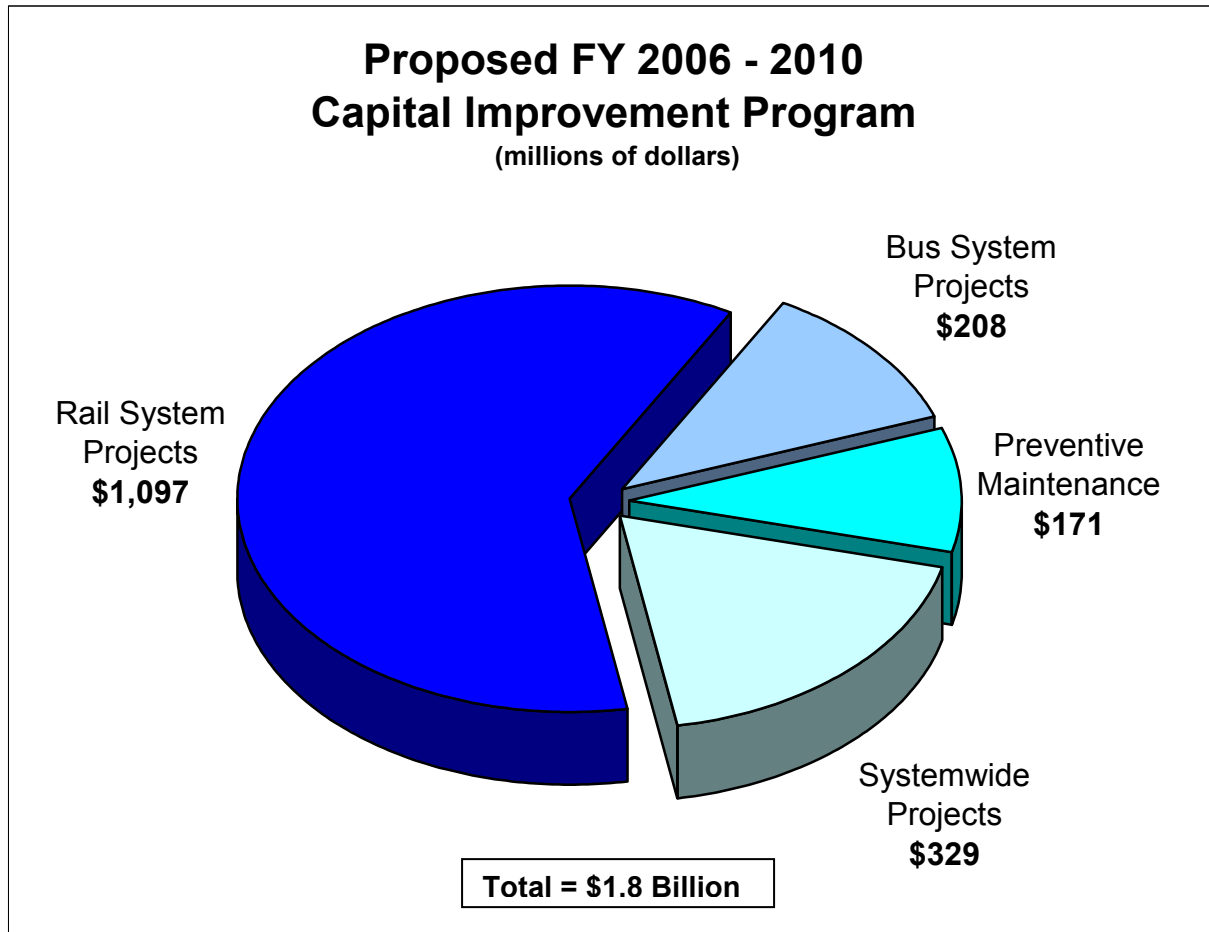
With the RTA capital program marks as a foundation, CTA has developed a program of capital projects for the 2006–2010 Capital Improvement Program. CTA's recommended 2006-2010 capital budget continues to work towards the goals and objectives outlined in the 2005-2009 CIP:

- ***Fund the procurement/replacement of vehicles as needed. Replace CTA's bus and rail fleets, and provide safe and reliable transportation to CTA customers.***
- ***Support enhanced security throughout CTA facilities and systems. Focus on safety and security needs for customers, employees and the community.***
- ***Continue New Starts projects intended to rehabilitate deteriorated rail infrastructure [Blue Line – Cermak (Douglas) Branch] and expand capacity to accommodate growth in ridership [Brown Line]. Rebuild the system, starting with the segments of CTA's rail system most in need to improve system reliability.***
- ***Renew CTA's rail right-of-way (ROW). Eliminate ROW slow zones that increase travel times. Work to place CTA's rail system in a state of good repair and increase the reliability of CTA service.***
- ***Fund the implementation of preventive maintenance programs for CTA's bus and rail fleets, facilities and right-of-way enabling CTA to provide on-time, clean, safe and friendly transit service.***
- ***Upgrade maintenance facilities and provide the necessary equipment to keep CTA's buses and trains running. Sustain the momentum reflected in CTA's growth in ridership and customer satisfaction.***

As gas prices have reached record levels, public transit becomes an increasingly attractive option to the traveling public. Investment in vital public infrastructure projects provides jobs, creates and supports economic growth, and helps ensure the future of the region. As ridership continues to increase, capital infrastructure becomes increasingly important to providing high quality transit services. The 2006-2010 capital program provides some of the funding necessary to continue to address CTA's customers' concerns over the next five years. The CTA will be able to meet the CIP goals when additional non-federal funding is provided by the Illinois General Assembly.

President's 2006-2010 Proposed Capital Improvement Program

The figure, *Proposed 2006-2010 Capital Improvement Program*, shows the proposed program by general categories of asset improved or replaced. The table, *Proposed 2006-2010 Capital Improvement Program* lists each project in the program. A detailed description of each project can be found following this narrative in the section headed 2006 Capital Improvement Program - Project Descriptions.



Sixteen projects comprise CTA's 2006-2010 capital program. Each project is evaluated in an annual review process that is based on CTA's customers' needs. Evaluation factors include customer and employee safety, impact on system reliability, reductions to travel time, increased customer comfort and convenience, system security, compliance with regulations and community impact. 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 and the fact that CTA buses operate on streets maintained by other units of government. This program recognizes the use of capital funds for preventive maintenance, traditionally an operating budget activity. This temporary shift of funds will ensure continued transit operations while the structural imbalance in regional funding is rectified. The capital projects for 2006 and beyond will address CTA's most pressing needs for the bus and rail system, customer facilities and system-wide support network, as constrained by the level of projected funding.

President's 2006-2010 Proposed Capital Improvement Program

Proposed FY 2006-2010 Capital Program							
<i>(thousands of dollars)</i>							
Proj #	Title	Funded	2006	2007-2010	5 Year Funding	Outyear	Project Total
<u>Bus Projects</u>							
<u>Rolling Stock</u>							
021.803	Perform Bus Maintenance Activities	\$ 14,738	\$ 5,088	\$ 20,353	\$ 25,441	\$ 25,441	\$ 65,621
031.054	Replace Buses	102,190	96,154	86,381	182,535	279,788	605,407
	Sub-Total	116,928	101,242	106,734	207,976	305,229	671,027
<u>Rail Projects</u>							
<u>Acquisitions & Extensions</u>							
194.002	New Start Projects	0	0	81,150	81,150	0	156,150
194.115	Expand Capacity - Brown Line	248,939	63,955	217,017	280,971	0	529,910
194.117	Rehabilitate Blue Line - Cermak Branch	414,809	60,325	0	60,325	0	475,134
	Sub-Total	663,747	124,280	298,167	422,447	0	1,161,194
<u>P/W Electric, Signal, Comm.</u>							
121.500	Power Distribution and Signals	129,139	51,863	87,087	138,950	42,241	357,279
	Sub-Total	129,139	51,863	87,087	138,950	42,241	357,279
<u>P/W Track & Structure</u>							
171.133	Repair Track and Structure Defects	5,401	5,401	21,603	27,004	27,004	59,409
	Sub-Total	5,401	5,401	21,603	27,004	27,004	59,409
<u>Rolling Stock</u>							
022.906	Perform Rail Car Maintenance Activities	8,460	5,960	23,839	29,798	42,298	132,143
132.056	Purchase Rail Cars	175,029	0	478,317	478,317	531,250	1,254,486
	Sub-Total	183,488	5,960	502,156	508,115	573,548	1,386,629
<u>Systemwide Projects</u>							
<u>Miscellaneous</u>							
102.039	Implement Automated Fare Control	62,179	0	3,503	3,503	12,309	77,991
141.273	Reconstruct Rail Stations	0	0	9,420	9,420	0	65,694
150.028	Implement Security Projects	61,834	0	16,988	16,988	0	108,574
306.001	Program Management	4,664	4,664	0	4,664	20,000	29,328
308.002	Bond Repayment, Interest & Finance Cost	37,387	30,332	200,213	230,545	451,999	719,932
407.001	Preventive Maintenance	0	41,166	129,529	170,695	76,324	247,019
	Sub-Total	166,065	76,162	359,654	435,816	560,632	1,248,538
<u>Support Facilities & Equip.</u>							
073.500	Improve Facilities - Systemwide	62,693	6,046	57,599	63,645	151,219	277,557
	Sub-Total	62,693	6,046	57,599	63,645	151,219	277,557
	Capital Total	1,327,461	370,953	1,433,001	1,803,954	1,659,873	5,161,633
	Marks	\$ 370,953	\$ 1,433,001	\$ 1,803,954			

President's 2006-2010 Proposed Capital Improvement Program

The Bus System

CTA operates approximately 2,033 buses, making over 24,213 weekday trips on 150 routes, providing almost one million rides on a typical weekday. Each customer who boards a bus at one of 11,924 bus stops located throughout CTA's service area expects reliable service that is on time, clean, safe and friendly. The backbone of the bus system is the bus fleet. The system's success depends on CTA's ability to renew, maintain and operate the bus fleet.

Bus Rolling Stock

CTA will receive forty five new 30' buses in 2006. These fully accessible and air conditioned buses represent a new initiative to better serve CTA customers, operating in areas where a traditional 40' bus is not practical.

Providing new buses reinforces CTA's commitment to quality bus service. A total of 226 new North American Bus Industries (NABI) articulated, fully accessible, buses have been delivered and placed into service in the last two years. In 2005, CTA achieved the goal of having its entire bus fleet air-conditioned and ADA accessible. Over the next five years, CTA plans to spend over \$182 million on additional purchases of new low-floor, accessible, air-conditioned buses. These new buses will replace models that entered service in 1991 and later. Replacing this outdated equipment will increase the comfort and reliability for thousands of CTA customers. CTA plans to replace some of the

traditional 40' buses in the fleet with heavy duty 30' buses. These smaller buses add flexibility for service in areas with narrow streets or extensive on-street parking. The neighborhoods surrounding Hyde Park (University of Chicago) served by routes 170, 171 and 173 are typical of the type of communities CTA can better serve with these smaller vehicles.

The bus preventative maintenance program continues to improve service through regular replacement of major mechanical components subject to extensive wear. Under the bus preventive maintenance program, CTA will invest \$25.4 million over five years, aimed at reducing costs and improving service. Unscheduled maintenance - required by the failure of a bus in service - disrupts operations, inconveniences customers and increases operating costs.

Other customer-focused improvements to CTA's existing buses are also on the capital agenda. CTA recently completed the installation and activation of a new high-tech automated announcement system on the bus fleet at a cost of \$22.3 million. CTA's installation of this system is the largest undertaking of its kind in the United States. This announcement system provides automated bus stop announcements on CTA buses and electronic signs that display upcoming stops. When buses are at stops, the system announces the route and destination of the bus. This new technology makes CTA buses friendlier for customers to use, especially those customers who are visually or hearing impaired and those who are unfamiliar with the route. The project also included the installation of automatic passenger counters on 435 buses. The system is based on global positioning satellite technology that indicates where customers board and alight buses and the number of customers on board buses at any given point on a

President's 2006-2010 Proposed Capital Improvement Program

route. The automatic passenger counters will assist the CTA in determining how best to meet the challenges of improving reliability to meet customer needs.

The Rail System

CTA's rail system consists of approximately 1,190 rail cars, traveling over 287.8 miles of track, making approximately 2,200 train trips on seven routes and serving 144 stations on a typical weekday. The rail system provides 600,000 trips each weekday and customers depend on CTA's rail system to deliver them to their destinations quickly and safely every day. To meet customer expectations, CTA must coordinate the efforts of thousands of employees working together to deliver on-time, clean, safe and friendly service.

Rail Rolling Stock

The five-year CIP allocates \$478.3 million for the purchase of rail cars that will replace the aging 2200 and 2400 Series fleet and provide additional cars to meet service requirements such as the Brown Line Capacity Expansion Project. The 2200 Series cars have been in service for more than 35 years and are beyond their expected service lives. Due to ongoing overhaul programs these cars continue to provide safe, reliable service as a key part of the CTA rail fleet. The 2400 Series have been in service for more than 27 years and will be beyond their expected service lives when new cars are received. The average car in the CTA rail fleet is over 20 years of age in 2005. Currently approximately 28 percent of the fleet meets or exceeds the 25-year FTA standard life of a rapid transit car.

Over the last five years, CTA invested over \$400 million in bus and rail fleet overhaul programs. Strategic renewal of vehicles at mid-life and/or quarter-life intervals has increased service reliability and reduced the fleet spare ratio. CTA customers can continue to expect a safe and comfortable environment when riding the rail system.

The scheduled replacement of cars that are beyond their expected service life continues CTA's effort in rebuilding the rail car fleet and improving rail car accessibility for customers. These cars will be powered by a state-of-the-art A/C propulsion system and will incorporate the most efficient technologies into system operation, reducing both operating and maintenance costs.

CTA's 2006-2010 capital program also sets aside \$29.7 million in projected funding during the next five years for the systematic maintenance and upgrade of CTA's rail fleet. Without an aggressive campaign-based maintenance program, many more rail cars would fail in service causing inconvenience for customers and increasing operating costs. The rail overhaul program helps ensure that CTA's rail fleet is kept in a state of good repair to serve customers.

Major New Start Projects on Blue and Brown Lines

Using *TEA-21* and *Illinois FIRST* funds, the reconstruction of the Blue Line's Cermak (Douglas) Branch was completed in 2005. This complex capital construction project has been completed on time and nearly one million dollars under budget, providing a fully rehabilitated and modernized rapid transit line for customers. In addition to funds already spent, a total of \$60

President's 2006-2010 Proposed Capital Improvement Program

million is projected to be funded in 2006 bringing total project cost to \$483 million. The final installment of federal New Start funds will be used to repay construction bonds obtained to accelerate this vital line reconstruction. This project included the reconstruction of eight elevated stations and over five miles of elevated structure and trackwork, as well as the purchase and installation of new signal/communications equipment, plus miscellaneous work on the right-of-way and track.

CTA has begun its largest yet capital project to expand capacity on the Brown (Ravenswood) Line. The capital budget provides \$63.9 million in 2006, in addition to \$249 million previously provided. Current projections estimate an additional \$217 million will be allocated to the Brown Line expansion over the period 2007 through 2009 to complete this project, with a total project budget of \$530 million. This project will extend station platforms at 18 stations to accommodate eight-car trains and increase capacity by 33 percent. Sixteen stations will be reconstructed, of which 12 will have elevators installed to provide improved station accessibility for all customers. The other four are at-grade and will be made accessible through the use of ramps. Signal, electrical and communications upgrades will be made as well. To facilitate construction, Clark Junction is being rehabilitated at the same time. Clark Junction is located where the Brown, Purple and Red Line trains merge, just north of Belmont station. The rehabilitation effort consists of replacing sections of track, installing special track work, and upgrading traction power, communications and signal systems.

Signal System and Traction Power

Train movement through the heart of the Loop, controlled by a signal territory including both Tower 12 and Tower 18, is slated for rehabilitation and upgrades expected to cost \$75 million over five years. This project will upgrade the train control and track interlocking on this busy part of the CTA rail system with modern equipment, providing increased reliability for customers. As part of this initiative, train control will be enhanced on both the Lake and Wells Street bridges reducing delay during seasonal bridge lifts and improving service and operational flexibility on the Green, Brown, Orange, and Purple Lines. The figure *FY 2006-2010 Signals Projects* outlines specific funding for this initiative.

Signal upgrade and replacement is also funded for the Blue Line in the five-year CIP. Over \$180 million is programmed to replace the entire signal system in the Dearborn Subway, on the Congress (Forest Park) Line and on a portion of the O'Hare branch. These upgrades will replace systems that are beyond their useful life, some of which were installed during the initial subway system construction during the 1950s. CTA customers will benefit from smoother train operation, reduced travel times and greater reliability.

President's 2006-2010 Proposed Capital Improvement Program

FY 2006 – 2010 Signals Projects		
Location	Details	Funding
Blue Line	<ul style="list-style-type: none"> • Dearborn Subway • Kennedy section of O'Hare Branch • Forest Park Branch 	• Funded \$90,197,588
		• FY 2006 \$43,886,081
		• FY 2007 \$11,877,023
		• FY 2008 \$34,133,827
		Total \$180,094,519
The Loop	<ul style="list-style-type: none"> • Tower 18 and nearby Interlockings • Tower 12 and dependent crossovers • Downtown River Crossings for Boat Lifts 	• Funded \$26,066,981
		• FY 2006 \$ 7,976,711
		• FY 2007 \$25,681,463
		• FY 2008 \$15,394,888
		Total \$75,120,043

Other Major Rail Initiatives

The Dan Ryan branch of the Red Line had not undergone major rehabilitation or upgrades since the branch was built thirty-six years ago. The Dan Ryan Rehabilitation project, begun in 2004, will upgrade rail stations, reconstruct a bus bridge and bus turnarounds, as well as replace track, power and signal systems. The project is scheduled for an October 2006 completion with a total project cost of \$294 million.

In addition to the improvements realized through the reconstruction of the Cermak (Douglas) Branch of the Blue Line, the Brown Line and the Red Line (Dan Ryan Branch) projects, \$5.4 million is budgeted in 2006 to improve and upgrade CTA's rail system infrastructure. The Main Street viaduct on the Evanston Purple Line is being reconstructed in 2005. Design of the remaining Evanston viaducts has been funded. Footwalks at trackside used by maintenance staff and by customers in case of emergencies will be replaced or renewed. Right-of-way, ties, track and structure will be replaced throughout the system based on continuous assessment of vital assets, thereby eliminating slow zones and maintaining heightened service standards. The structural steel elements used to support CTA's elevated track will be rehabilitated in locations throughout the system. An additional \$27 million is budgeted during 2006-2010 to continue systematic rehabilitation of CTA rail right-of-way.

SAFETEA-LU authorized several system extensions and enhancements for CTA. The authorized Circle Line project adds new track and 11 new or rebuilt stations to CTA's system. The 6.6 miles of new elevated and subway tracks will enable CTA to operate a new crosstown route which would significantly reduce travel times between CTA and Metra stations throughout the city and region. The first phase of this project, the reconstruction of the Paulina connector between the Green and Blue Lines, has been completed and alternatives analysis has begun on

President's 2006-2010 Proposed Capital Improvement Program

the remaining phases. The Ogden Avenue Transitway project will extend from central Chicago to North Riverside Park shopping center, with an emphasis on local access. CTA began alternatives analyses in FY 2005 for this project to meet federal requirements.

Also authorized in *SAFETEA-LU* are potential extensions of the Yellow Line to Old Orchard, the Red Line south to 130th Street, and of the Orange Line to the Ford City Shopping Center. The federally required planning and alternatives analysis for these projects is anticipated to begin during 2006-2010.

Systemwide Improvements

System Security Enhancements

The events of 9/11 affected CTA's security strategy. Security assessments have identified priority investments needed to harden the system against terrorist threats. Many projects, including improved station access, sightlines and lighting as well as security cameras, reflect a commitment to safety and security for customers and employees. Eleven cameras at stations along the 54th/Cermak branch of the Blue Line have been installed, the first of over 2,000 new cameras to be installed over the next two years, to increase safety and security for riders. An ongoing fiber optic installation project is upgrading the communications backbone throughout the rail system. Subway stations are also being outfitted with cameras to provide a comprehensive view of the transit system to the CTA Control Center, and through redundant fiber optic links, to the Chicago's 9-1-1 Center. CTA's new rail cars will be equipped with enhanced security features, including digital video cameras and recorders. Train control systems, communications infrastructure and access control, funded in the five-year program, contribute to a safe environment for all. CTA is pursuing additional federal funding for other needed security projects and \$16.9 million is projected during 2006-2010.

Howard and Fullerton Stations are the last of CTA's Key Stations to be upgraded to comply with ADA requirements. In addition to improving accessibility, these station reconstructions will enhance customers' waiting facilities, platforms, and fare collection areas. By 2010, sixty four percent of all CTA rail stations will be accessible.

Service Delivery System Improvements

The 2006-2010 CIP includes an additional \$8.1 million allocated to various projects, which directly or indirectly support CTA's service delivery. These projects improve the operation of CTA's Control Center, upgrade communications systems, manage information technology, upgrade CTA's financial systems and provide critical management information and operational support to CTA's bus and rail fleets.

In the 2006-2010 program, CTA provides approximately \$3.5 million for design and replacement of aging fareboxes that are beyond their useful lives. This project continues CTA's efforts in automating the fare collection system to provide faster customer entry and access to the transit

President's 2006-2010 Proposed Capital Improvement Program

system. Additional improvements to the Chicago Card in 2005 will enhance CTA's fare media for the convenience of customers. These rechargeable plastic cards are embedded with a special computer chip, which tracks the value of the card. They can be touched to the turnstile or farebox rather than inserted, helping to speed the boarding process. Computer software upgrades will facilitate customer use of their cards. Systemwide smart card usage is growing, increasing from 6.5 percent to 8 percent of total rides from December 2004 to June 2005.

Facility Improvements

CTA will spend \$12.7 million on facility improvements in 2006, including upgrades to rail stations and various support facilities throughout the system. In the five-year program, \$87.5 million is allocated to construct or improve CTA support facilities including Wilson station and 77th Street garage.

The 2006 – 2010 CIP includes funding for 25 neighborhood rail station rehabilitations. Eight stations were upgraded as part of the Blue Line Cermak (Douglas) branch project. All are in the Pilsen, Little Village or Lawndale area. Eighteen stations are funded for reconstruction during the Brown Line capacity expansion project, located in neighborhoods from Albany Park to the Loop. Funding of \$9.4 million in the 2006-2010 CIP will complete the reconstruction of Howard station on the Red Line as a vital intermodal transfer point between buses and trains. CTA will make significant progress in rail station accessibility during this CIP. Currently 50 percent of CTA rail stations are accessible (72 of 144). At the completion of the 2006-2010 CIP, 64 percent of stations will have ADA accessibility (92 of 144), providing additional travel options for all CTA customers.

Preventive Maintenance

CTA is projected to spend \$41.3 million on capital eligible preventive maintenance in 2006. Over the five-year program, \$170.7 million of capital funding is allocated to supplement the CTA operating budget. This use of scarce capital funds for operating budget purposes is expected to be a temporary measure, buttressing the cost of continuing vital public transit service with federal capital grant funding. While this measure will ensure a stable CTA operating budget in the short term, deferring needed capital investment is only a stop gap until the structural imbalance in the regional operating funding formula is addressed.

President's 2006-2010 Proposed Capital Improvement Program

Looking Ahead

CTA is dedicated to providing on-time, clean, safe and friendly service but much remains to be done to bring CTA's system to a state of good repair. The 2006-2010 Capital Improvement Program projects \$1.8 billion will be available over the next five years, but that will only be the first step.

Completely rebuilding CTA's system means addressing a considerable funding shortfall resulting in unfunded capital needs. Strategic investment is needed in rail car replacement, traction power system modernization, right-of-way, viaduct renewal, escalators and elevators in rail stations, and upgrade of critical communications systems. Population growth continues to prime local economic growth, but brings traffic congestion, transportation gridlock and the need for transit service expansion. Potential future expansion projects such as Circle Line, Ogden Avenue and Orange, Red and Yellow Line extensions will be predicated on additional capital funding through federal and non-federal sources.

CTA continues to work tirelessly to bridge the funding gap between today's needs and tomorrow's increasing demand for service. 2006 represents the first year of federal funding under *SAFETEA-LU* and forms the basis for replacing the expired *Illinois FIRST* program. Thanks to the strong support of Mayor Richard M. Daley, Governor Rod R. Blagojevich, House Speaker J.

Dennis Hastert, the Illinois Congressional delegation and the Illinois General Assembly, these capital funding programs have helped advance CTA's efforts to rehabilitate rail lines, to renew CTA's bus fleet, and to incorporate or expand preventive maintenance programs. The expiration of *Illinois FIRST* has highlighted the need for additional non-federal matching funds to support the CTA capital program. These non-federal funds are a vital part of the funding needed to continue investment in the region's public transportation infrastructure. CTA will program over \$170 million of needed capital funding for operating use over the five year program; some portions of which can be used capital projects when the Illinois General Assembly addresses *SAFETEA-LU* matching requirements and the regional funding issues for transit. This interim diversion, while necessary to meet continued public transportation operating needs, temporarily results in the deferral of important capital projects.

With every dollar of new capital funding obtained, with every capital dollar well spent and with each project completed, CTA comes closer to realizing its goal of providing high quality service for its customers. When one of the new NABI articulated buses stops to pick up customers, or a fully overhauled 2600 Series rail car pulls into a newly rebuilt station, CTA customers experience the results of its capital program. They see first hand that CTA is providing quality, affordable transit services that link people, jobs and communities.

To facilitate project completion CTA issues Capital Bonds backed by future federal formula funds for investment in long life assets. This program permits major projects including the Signal System upgrade, Howard Station and security upgrades to proceed without delay. The Bond program allows CTA to provide capital improvements more rapidly than is possible using annual federal grant allocations.

President's 2006-2010 Proposed Capital Improvement Program

Detail Capital Improvement Project Descriptions

021.803 ***Perform Bus Maintenance Activities***

Funding will provide labor and material to support the repair of buses. Maintenance costs will stabilize as more buses are cycled through the Mid-Life Overhaul Program.

CTA has embarked on an aggressive Bus Preventive Maintenance Program to schedule replacement of parts nearing the end of their useful life before they fail. By investing in a Preventive Maintenance Program centered on the timely overhaul and replacement of buses CTA will improve the comfort, quality and reliability of its service while reducing operating expenses. As more buses are cycled through the Mid-Life Overhaul Program, unscheduled maintenance on buses will be significantly reduced.

022.906 ***Perform Rail Car Maintenance Activities***

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

CTA has embarked on an aggressive rail preventative maintenance program to schedule replacement of parts nearing the end of their useful life before they fail. This effort will center on "C" level overhauls at 6 to 18 years, and a mid-life ("D" level) overhaul at 12 to 13 years. By performing these maintenance activities and replacing rail cars at the appropriate time, generally at 25 years of age, CTA will improve the comfort, quality and service reliability of the rail cars while reducing operating maintenance costs. As more rail cars are cycled through the overhaul program, unscheduled maintenance will be significantly reduced.

031.054 ***Replace Buses***

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

The 426 Flixible buses manufactured in 1991 are still in service and will be replaced. These buses have reached their industry standard retirement age of 12 years. Continued operation of these overage buses imposes unnecessarily high maintenance and operating costs on the CTA and reduces service reliability for our customers. All of the new buses will be air conditioned and fully accessible.

President's 2006-2010 Proposed Capital Improvement Program

073.500 Improve Facilities - Systemwide

Upgrade and improve facilities systemwide.

This program will fund the rehabilitation of CTA facilities where building components have defects needing repair and require security enhancements. These facilities must be kept in a good state of repair in order to allow efficient performance of maintenance duties on CTA rolling stock and right-of-way, and to serve the needs of CTA's customers. This also includes the 567 W. Lake building, which replaced the Merchandise Mart as the Transit Authority's headquarters.

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

Various escalators and elevators throughout the system are beyond their service life and are in disrepair, requiring continual maintenance work. These escalators and elevators are in poor condition and need to be rehabilitated.

102.039 Implement Automated Fare Control (AFC) Projects

Design, purchase and implement projects associated with the existing Automated Fare Collection System (AFC). Funding will provide for the phased implementation of AFC projects such as the following: replacement of fareboxes on all CTA buses, Chicago Card technology enhancements and an upgrade of the AFC system components that have reached the end of their useful life and require replacement.

These AFC system improvements will continue to provide the CTA with highly accurate revenue and ridership data, while decreasing operational costs associated with handling cash, cash counting and revenue loss. The continuing automation of the fare collection system will allow for faster customer entry and access to the transit system. The Chicago Card technology enhancements provides for expired card trade in, card data format, hot list and communication enhancements, point of sale devices, transit benefit and web services. It will also support general deployment of the automated fare collection system. The current bus farebox equipment is 17 years old and beyond its service life of 10 years. As the equipment ages, the failure rate will cause increased malfunctions, revenue loss and customer inconvenience. Replacement parts are becoming hard to find, which contributes to the high cost of maintaining the equipment.

President's 2006-2010 Proposed Capital Improvement Program

121.500 Replace/Upgrade Power Distribution and Signals

Replace and upgrade power distribution, substations and associated facilities. Replace and upgrade Loop signals and interlockings, various signal equipment systemwide and Blue Line signals including the Dearborn subway, a portion of the O'Hare and the Congress branches.

Replacement and upgrading of the signal and power distribution system must be accomplished in order to provide continued safe operation. Replacing this power distribution system will decrease the possibility of power shutdowns and service disruptions, and will eliminate slow zones. Antiquated substations facilities are susceptible to failure that results in a disruption in service. This project will also replace Loop signals and interlockings system, and signal equipment systemwide. The block signal equipment system in the Dearborn subway and the Congress branch is over 40 years old, and parts of the O'Hare branch are beyond their expected service life and maintenance is limited because of lack of spare parts.

132.056 Purchase Rail Cars

Replace the 2200 and 2400 series rapid transit cars and purchase cars to meet expanded service needs.

The replacement of the 2200 and 2400 Series rail car is necessary due to the age and deteriorated condition of these cars. The 2200 Series rail cars have been in service for over 30 years, which is well beyond their 25-year design life, and the 2400 Series have been in service over 25 years. The deteriorated condition of these vehicles is evidenced in the form of increased service failures and longer repair downtime which results in decreased availability for service. Replacement of these rail cars will provide the CTA with modern updated vehicles that will decrease maintenance and operating costs while enhancing customer comfort. The new cars will have sliding doors wide enough to accommodate wheelchairs. The number of cars to be purchased will be determined on the basis of bid prices for the rail car procurement and future schedule and maintenance requirements.

141.273 Reconstruct Rail Stations

The scope of this project is to reconstruct Howard Station on the Red Line, including reconstruction of the bus terminal and parking lot.

Howard Station was constructed in the 1920s and has an average weekday ridership of approximately 5,400 rides. Due to the age, usage and structural condition of this station, replacement or rehabilitation is required in order to maintain a safe and acceptable level of service. Upon completion, the station will be fully ADA compliant.

President's 2006-2010 Proposed Capital Improvement Program

150.028 Implement Security Projects

Purchase and install equipment and systems to harden security of transit assets and ensure safety of systems and customers. Implement security strategies to conduct targeted surveillance, control access and stop intrusion. Support enhanced command and control systems to facilitate incident response.

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

171.133 Repair Track and Structure Defects

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

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

194.002 CTA New Start Projects

Provide for the next New Start project by expanding the existing CTA Rail System.

The CTA serves Chicago and 40 suburbs. As the nation's second largest transit operator, the CTA provides nearly 1.6 million rides on an average weekday and over 80 percent of all transit trips in the six-county region. The proposed CTA rail expansion/extensions for FY 2006-2010 will enable the organization to link and expand rail services around Chicago and the surrounding suburban communities. Expansions include extending the Red Line from 95th Street station to 130th Street; extending the Orange Line from Midway Airport to Ford City Mall; and extending the Yellow Line from Dempster Station to Old Orchard Mall. Also proposed for New Start funding is the Circle Line, which will link CTA's rail lines to Metra rail lines. The expansions will enhance services that will link people, communities and neighborhoods to job areas within the Northeastern Illinois region. The Ogden Avenue Transitway project will extend from central Chicago to North Riverside Park shopping center, with an emphasis on local access.

President's 2006-2010 Proposed Capital Improvement Program

194.115 Expand Capacity - Brown Line

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

The elevated portion of the Ravenswood route was constructed between 1893 and 1910 from Belmont to Campbell, and extended at grade to its present terminal in the 1910's. It includes 19 stations, and serves approximately 66,000 customers each weekday. Ridership has increased 79% since 1983, and rush hour trains are crush-loaded. The line's market area continues to redevelop and potential customers are being discouraged from using the Brown Line due to crowded conditions. All CTA lines operate eight-car trains, but the Brown Line is limited to six-car trains due to station platform length. Lengthening all platforms to accommodate eight-car trains and selected track, signal and yard improvements will substantially increase capacity of the line. Station alterations will provide ADA accessibility.

194.117 Rehabilitate Blue Line - Cermak Branch

Provide for the reconstruction of the 54th/Cermak Branch from 54th/Cermak in Cicero through the incline connection to the Congress Branch.

Rehabilitation of the 54th/Cermak Branch of the Blue Line was accomplished in three phases. Phase I replaced the deteriorated iron structure with concrete bents and cross girders. Stations were reconstructed as the track structure was being built. Six stations were replaced in coordination with bent replacement. Phase II of the project involved rehabilitating the existing structure, track and construction of column bases and foundations on the north section of the elevated structure from Loomis Incline to Wood Street. Phase III consisted of improvements to the ballasted section of the 54th/Cermak Branch from Kildare to 54th Avenue. Project completion was in January 2005. Although construction is complete, federal funding continues in 2006 as outlined in the New Start Full Funding Grant Agreement.

306.001 Program Management

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

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

President's 2006-2010 Proposed Capital Improvement Program

308.002 Bond Repayment, Interest Costs, & Finance Costs

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

This element will provide for interest costs associated with financing the Bond series issued in 2004. Additional bonds have been authorized to be issued in subsequent years. These bonds are anticipated to support construction of Howard Station, the Dan Ryan Rehabilitation, purchase of fareboxes, purchase of replacement rail cars, and various capital improvement projects.

407.001 Preventive Maintenance

Provide for capital eligible transit system maintenance costs.

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

Professional

We will provide transit service with the highest standards of quality and safety for our customers and ourselves.



Appendices

Table of Contents

Section 1	History of the Agency	A-1
Section 2	Transit Facts	A-3
Section 3	Why Fund Transit?	A-4
Section 4	Operating Funding Summary	A-8
Section 5	Debt Administration	A-11
Section 6	Annual Budget Process	A-16
Section 7	Accounting System and Financial Controls	A-19
Section 8	Financial Policy.....	A-22
Section 9	Operating Statistics – System	A-24
Section 10	Operating Statistics – Bus	A-25
Section 11	Operating Statistics – Heavy Rail	A-26
Section 12	Operating Statistics – Paratransit	A-27
Section 13	Comparative Ridership Reporting	A-28
Section 14	Comparative Performance Analysis – Bus	A-29
Section 15	Comparative Performance Analysis – Heavy Rail	A-30
Section 16	Comparative Performance Analysis – Paratransit	A-31
Section 17	CTA Fare Structure	A-32
Section 18	Comparative Fare Structure	A-33
Section 19	Acronyms	A-34
Section 20	Glossary	A-35

1 History of the Agency

Transit in Chicago: Creation of CTA

The Chicago Transit Authority (CTA), an independent government agency, was formed when the Illinois General Assembly passed the Metropolitan Transit Authority Act in 1945. In the same year, the City of Chicago passed an ordinance granting CTA the exclusive right to own and operate a unified local transportation system. Voters in a referendum passed the Act and Ordinance on June 4, 1945.

In the years between the two World Wars, the viability of privately owned and operated mass transportation in Chicago was in doubt. At the time, two of the three transit companies in Chicago were facing bankruptcy as repeated restructuring efforts failed. Cash shortages caused delays of essential capital investment.

The CTA began operations in 1947 when it issued \$105 million in revenue bonds to purchase assets of the Chicago Surface Lines and the Chicago Rapid Transit Company. Through additional bond issues, the Chicago Motor Coach Company and a portion of the Chicago Milwaukee St. Paul and Pacific Railroad right-of-way were added to the CTA in 1952 and 1953, respectively.

Chicago Surface Lines

1859 marked the beginning of public transit in Chicago. Early service was horse-drawn. In 1882, the Chicago City Railway obtained the exclusive rights to operate San Francisco-style cable cars in Chicago. Cable cars gave way to innovations in electric traction. Electric-powered streetcars replaced the last cable and horse-drawn cars in 1906.

Streetcar lines operated along most major streets in Chicago. On February 1, 1914, five streetcar companies united under a single management: the Chicago Surface Lines. At its peak, the Chicago Surface Lines operated along 1,100 miles of tracks; it was the largest and most heavily used streetcar system in the world.

Chicago Motor Coach Company

Buses were first used in Chicago in 1917 with the creation of the Chicago Motor Bus Company. Bus use was limited to Chicago's boulevards and parks. The Chicago Motor Coach Company succeeded the company in 1922.

Chicago Rapid Transit Company

The Chicago and South Side Rapid Transit Railroad Company opened on June 6, 1892, bringing elevated train service to Chicago. At the turn of the century, four separate transit railroads operated in Chicago. The first trains, powered by steam, were quickly converted to electricity. Elevated tracks were built along available right-of-ways often above alleys and less heavily used streets. The opening of the Loop 'L' in 1897 connected rapid transit lines serving the north, south, and west sides of Chicago. The rapid transit companies formed a cost-saving trust in 1911 and later, in 1924, merged creating the Chicago Rapid Transit Company. To ease traffic congestion, the US Department of Interior, the Public Works Administration, and the City

1 History of the Agency

of Chicago financed the State Street Subway that opened in 1943 and the Dearborn Street Subway that opened in 1951.

The Congress Branch

During the 1950's and 60's, Chicago expressways were expanded to ease traffic congestion. In 1958 the Congress branch opened along the median of the newly expanded Congress (Eisenhower) expressway. The Congress branch extended east-west from Forest Park, IL to the loop with connection to the northwest subway at the Dearborn station.

Regional Transportation Authority

By the early 1970's the popularity of car travel and declining rider levels threatened the fiscal stability of the three public transportation agencies. In 1974, the Illinois General Assembly created the Regional Transportation Authority (RTA) as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system. The RTA continues to provide annual fiscal oversight to CTA, Metra, and Pace today.

Skokie Swift

In 1964 the CTA partnered with federal planners to create the first "light rail" service, the Skokie Swift. The Skokie Swift operated on track lines purchased by the CTA from the Chicago North Shore & Milwaukee Railway. The Skokie Swift quickly became a popular rail shuttle and also served as a suburban and inter-city bus hub.

Kennedy / O'Hare

The CTA responded to changing demographics during the 1970's by expanding the northwest subway to Jefferson Park from Logan Square. In 1983, the subway was further extended along the Kennedy Expressway median to River (Mannheim) Road. In 1984, the northwest transit extension was completed at O'Hare airport with a station within the airport terminal.

Loop ' L ' Track and Subway Consolidation

In 1993 the Dan Ryan branch, formerly linked to the Englewood and Jackson Park lines, was linked with the Howard line. The Lake to Englewood-Jackson Park lines were moved from the Howard branch to the loop elevated connection. Elevated loop connections were made more convenient with the Merchandise Mart station.

"Orange" Midway Line

The O'Hare terminal service proved so successful that transportation planners were encouraged to build a new elevated train service to the Southwest side to Midway Airport. The Midway "Orange" line was completed in 1993 linking the downtown elevated loop to the southwest side airport, providing improved transportation to the southwest side.

Neighborhood Revitalization

The CTA celebrated the re-opening of the rehabilitated Green Line in 1996, improving the service to our customers on the west and south sides of Chicago. In 1997, the CTA revitalized its services with a mission to provide on-time, clean, safe and friendly bus and rail service.

2 Transit Facts

Creation of CTA

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

CTA Governance

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

Service Area & Population

- 220 square miles of Chicago and 40 nearby suburbs
 - The service area has 3.8 million people
-

Ridership

- Over 456 million trips projected for 2005 and more than 458 million trips projected for 2006
 - Approximately 1.5 million trips per weekday
-

Bus Service

- 2,033 buses travel 150 routes
 - Routes cover 2,273 miles, with approximately 11,924 bus stops
-

Rail Service

- 1,190 rail cars travel over seven routes
 - CTA Rail serves 288 miles of track, including yard track
-

Paratransit Service

- The CTA contracts with three carriers and taxicab companies to provide door-to-door service for riders with disabilities
- 2.4 million trips projected in 2005

3 Why Fund Transit?

Transit: A solid investment

The need for public transit is greater than ever as the Chicago region continues to grow.

Based on experience from the past two decades, an approach of trying to build our way out of congestion with more roads while under-investing in public transit will not work. Since 1985, the region's population has grown by approximately 1 million, or about 15 percent. Roadway capacity has outpaced population growth, yet traffic has become much worse. According to the Texas Transportation Institute, the region now has the nation's second worst traffic congestion, up from seventh in 1983. Daily vehicle miles traveled have skyrocketed over 60 percent. Traffic delays per peak-hour traveler have more than doubled.

Congestion is hurting the region's economic competitiveness. The Texas Transportation Institute has estimated that time and fuel wasted in traffic costs the region \$4.3 billion annually – almost double the figure a decade ago even after adjusting for inflation.

The private costs of automobiles are also high. According to the Bureau of Labor Statistics, the average household in the Chicago region spends about \$8,000 per year on transportation, primarily for automobile ownership, maintenance and fuel. This equates to about 16.9 percent of all expenditures, second only to the cost of housing.

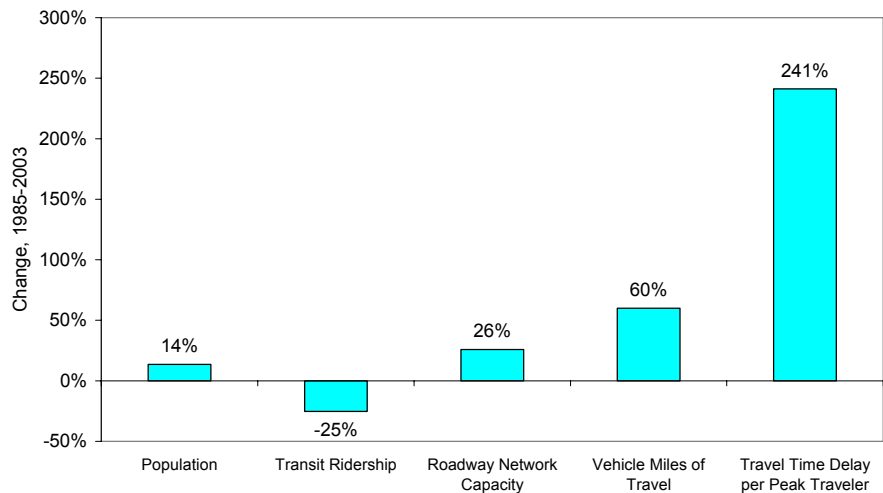
Automobile costs are likely to escalate as gasoline has recently exceeded \$3.0 per gallon.

Finally, from an environmental standpoint, exhaust from automobiles is contributing to severe air pollution problems. The Environmental Protection Agency has designated the region as a non-attainment area for ozone and particulate matter.

According to the Northeastern Illinois Planning Commission, the region's population is forecasted to grow by another 1.6 million in 2030. With this growth, traffic will only get worse if we continue "business as usual." At current rates, the typical automobile commuter a decade from now could spend more than two workweeks per year in traffic.

Transit is clearly part of the solution to the region's traffic and air pollution problems. A CTA bus can remove up to 90 cars from the road; a CTA train up to 1,000. At about \$900 per person per

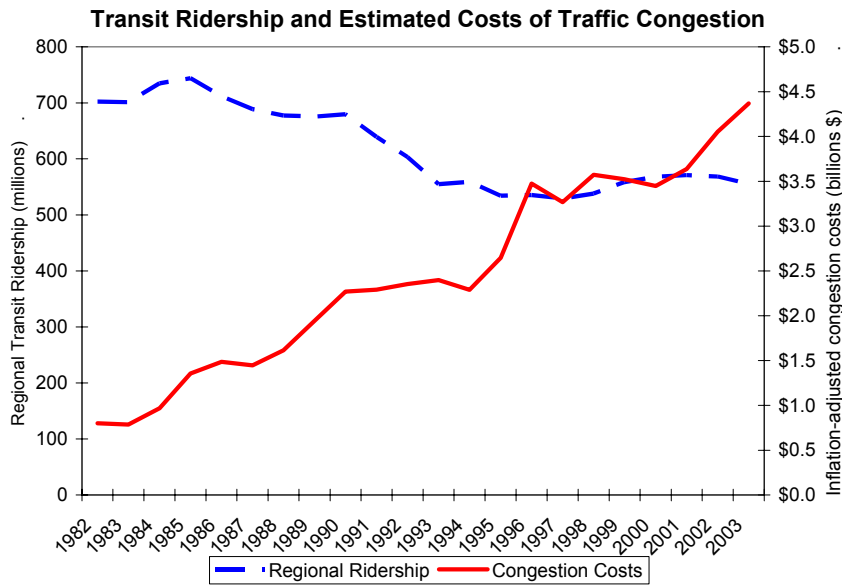
Changes in the Region's Population and Transportation Network
1985-2003



Sources: Texas Transportation Institute and RTA

3 Why Fund Transit?

year for unlimited-ride CTA passes, transit is also an affordable alternative to the rising costs of automobile travel.



Source: RTA budget documents (ridership) and Texas Transportation Institute (traffic congestion). To determine estimated congestion costs (for 2003), the value of time was estimated at \$13.75 per hour of person travel and \$72.65 per hour of truck time. Excess fuel consumption costs were estimated using the state average cost per gallon.

Investing in CTA helps the region

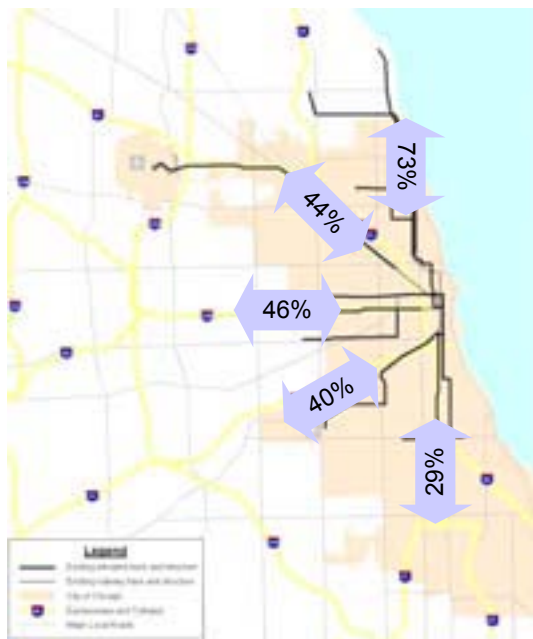
Investing in CTA is critical to fighting regional traffic congestion. Some of the region’s most congested corridors – both in terms of overall traffic volumes and slow speeds – are the expressways radiating from the Loop. Many arterial roads within central Cook County are also heavily congested.

Without CTA, more people would be forced to drive and congestion in the Chicago region would be much worse. During the peak hour, CTA carries roughly 30 percent to 70 percent of people traveling along major highway corridors in the region. Over two-thirds of CTA customers have access to an automobile. If transit does not provide high-quality service, they could turn to driving.



*Morning Peak-hour Congestion in the Chicago region (Data source: CATS)

3 Why Fund Transit?



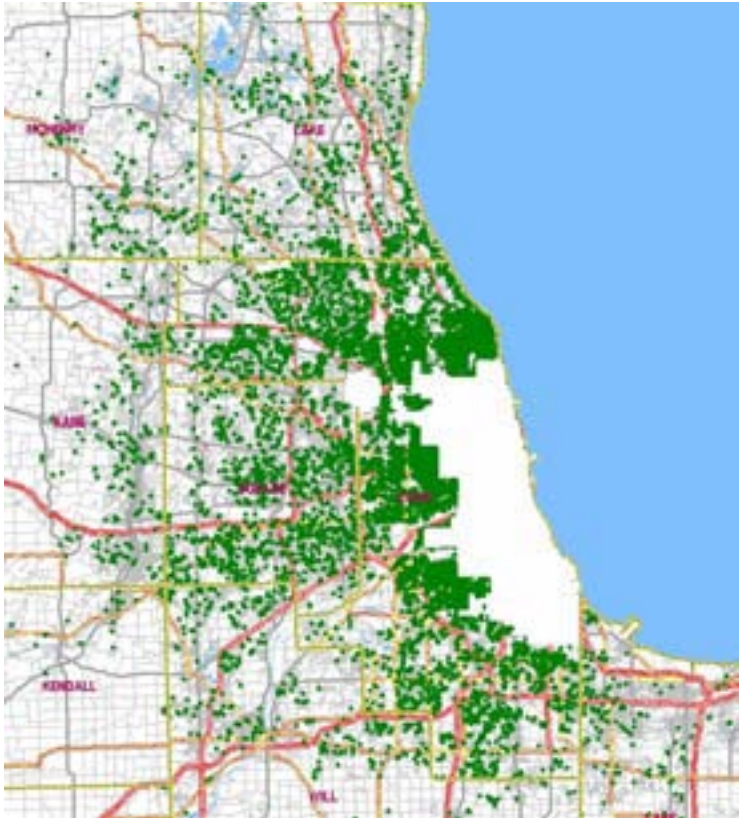
CTA AM Peak-Hour Mode Share along Major Expressway Corridors

CTA enables many people to avoid car ownership altogether. According to the 2003 American Community Survey conducted by the U.S. Census Bureau, over 25 percent of the households in the City of Chicago and about 7 percent of the households in suburban Cook County do not own a motor vehicle. Without CTA, households without an automobile could be forced to purchase one, resulting in even more traffic congestion in the region.

Investing in CTA is cost-effective. With dense residential and employment concentrations, pedestrian and transit-friendly neighborhoods, relatively short travel distances, and a large base of existing transit customers and pedestrians, the CTA service area has the potential to generate high transit ridership for the resources invested. CTA's transit services are among the most cost-effective in the region – an estimated public funding of \$0.87 per trip within the City of Chicago and \$1.55 per trip in suburban Cook County.

Investing in CTA also benefits suburban transit customers. CTA's presence is widespread even in suburban communities that CTA does not directly serve. CTA currently provides nearly half of all suburban-related transit trips, making essential connections with Metra and Pace. Nearly 40 percent of Pace's customers, for example, transfer to or from CTA during the course of their trip. CTA customers live throughout the six-county RTA region, including the collar counties. This fact is demonstrated by examining the locations of registered users of CTA smart card fare media, who represent just a subset of all CTA customers.

3 Why Fund Transit?



A sample of CTA suburban customers (locations of registered suburban users of CTA smartcard fare media, the Chicago Card and Chicago Card Plus)



Transit is efficient: During the peak hour, CTA carries nearly 50 percent of the people traveling along the Kennedy Expressway corridor.

4 Operating Funding Summary

Most of CTA's public funding for operating and capital needs is funneled through the RTA. RTA receives funding from several sources for both operating and capital expenses for the region. Under the Regional Transportation Authority Act, as amended in 1983, some of the funds are allocated to the Service Boards based on a formula included in the RTA Act. Other funds are allocated based on RTA's discretion. The sources and allocations are outlined below.

Sales Tax Revenue

RTA has authority to levy a sales tax of 0.75% in Cook County and 0.25% in the five collar counties and a tax on automobile rentals. At this time, RTA has levied only the sales tax. In addition, the RTA receives from the Occupation and Use Tax Replacement Fund a sum equal to the amount generated by a 0.25% sales tax in Cook County.

The 2006 Sales Tax Budget for the Region is estimated to be \$719.9 million. Sales tax revenue is distributed by legislative formula per the RTA Act. The first 15 percent is allocated to RTA to fund the RTA's budget. The remaining 85 percent is distributed as follows:

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

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

Federal Assistance (Federal Transit Administration)

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

Public Transportation Funds

As authorized by the RTA Act, the Illinois State Treasurer transfers from the State General Revenue Fund an amount equal to 25 percent of RTA sales tax collections (or gasoline or parking taxes, if imposed by the RTA). The Treasurer transfers this amount monthly to a special fund, called the "Public Transportation Fund" (PTF), and then remits it to the RTA. Remittance requires an annual appropriation made by the State of Illinois. In addition, the RTA must certify to the Governor, State Comptroller and Mayor of the City of Chicago that the RTA has adopted a budget and financial plan in conformance with the requirements of the RTA Act.

4 Operating Funding Summary

The RTA uses these funds at its discretion to fund the service board needs, RTA operations, debt service and capital investment. RTA's 2006 Budget includes \$179.9 million in PTF funds.

State Assistance

The RTA Act provides supplemental State funding in the forms of additional state assistance and additional financial assistance (collectively, "State Assistance") to the RTA in connection with its issuance of Strategic Capital Improvement Program (SCIP) bonds. The funding equals debt service amounts paid to bondholders on the Strategic Capital Improvement Bonds issued by RTA, plus any debt service savings from the issuance of refunding or advanced refunding SCIP bonds, less the amount of interest earned by the RTA on the proceeds of SCIP bonds. The RTA Act limits the amount of State Assistance available to the RTA to the lesser of the debt service or \$55.0 million. Remittance requires an annual appropriation made by the State of Illinois.

Reduced Fare Reimbursements (RFR)

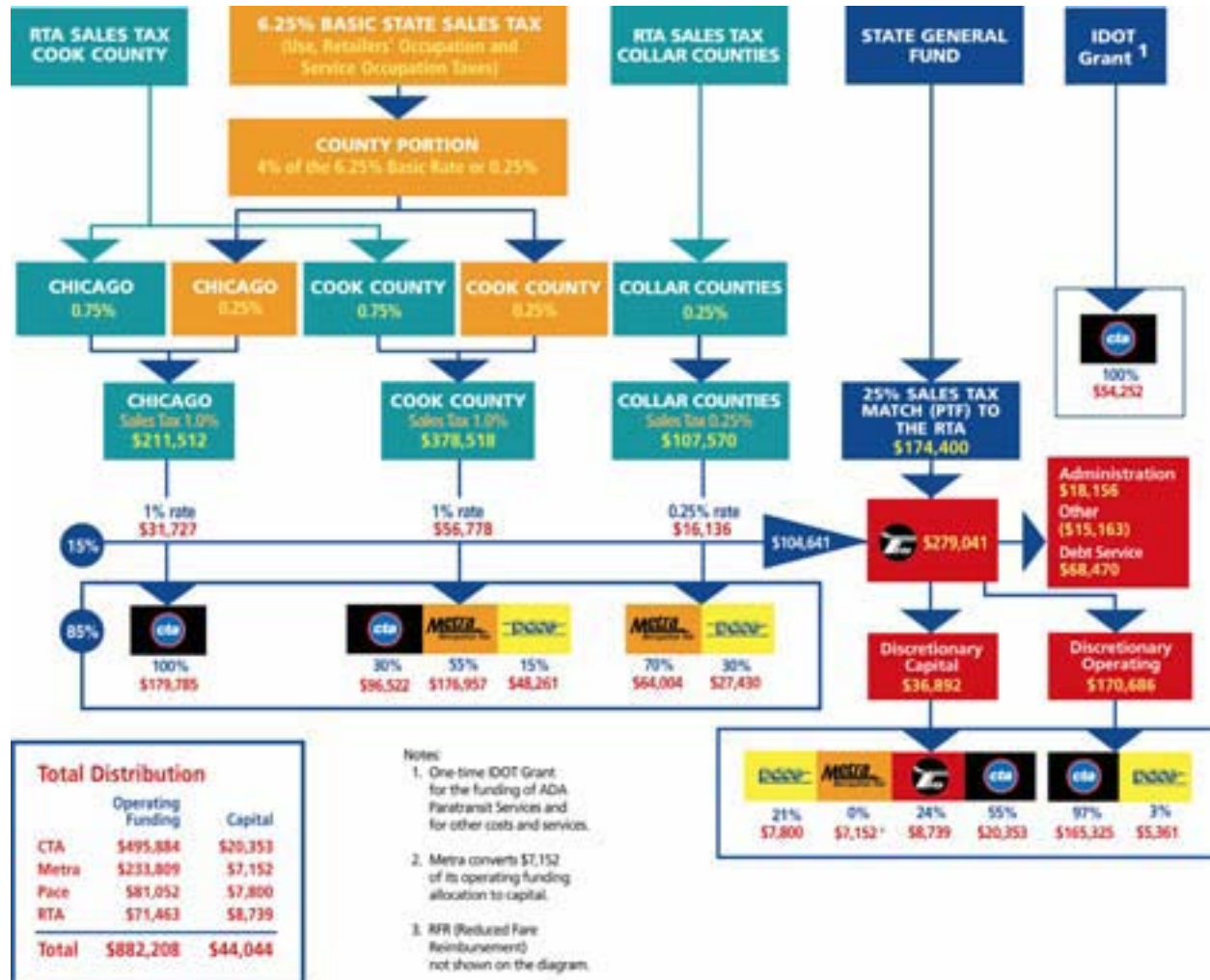
This funding represents reimbursement of revenues lost by the service boards due to providing reduced fares to student, elderly and disabled riders, as mandated by State law. The funding is subject to the terms of the grant agreement, state statute (20 ILCS 2705) and annual state appropriation. Reimbursement amounts are allocated to the service boards based on reduced fare passenger trips taken during the grant year.

IDOT Grant

The FY 2006 state budget provides an anticipated appropriation of \$54.3 million from the state's General Revenue Fund to the Illinois Department of Transportation (IDOT) grant to the RTA "for the funding of the Americans with Disabilities Act of 1990 (ADA) paratransit services and for other costs and services." The RTA appropriated the full amount of this grant to CTA in 2005. In 2006, RTA has projected that CTA will receive half of this grant amounting to \$27.1 million.

4 Operating Funding Summary

Operating Funding (Based on 2005 Budget, \$ in 000's)



5 Debt Administration

DEBT MANAGEMENT POLICY GUIDELINES

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

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

Long-term bonds are deemed appropriate to finance essential capital activities and certain management initiatives. The Debt Policy prohibits the use of long-term debt to fund operations. The CTA may also use long-term lease obligations to finance or refinance capital equipment. Prior to entering into any lease financing, the Authority will evaluate 1) the useful life of assets financed, 2) terms and conditions of the lease and 3) budgetary, debt capacity and tax implications. Short-term debt may also be used by the CTA as a cash management tool to provide interim financing or to bridge temporary cash flow deficits within a fiscal year. Currently, the CTA has no outstanding short-term debt obligations.

The Debt Policy recognizes the need for a credit rating strategy focused on achieving the best economic value for CTA. Attaining a proper balance between minimizing borrowing and maximizing financial flexibility is a key goal of the CTA debt program. The CTA is not subject to statutory debt limitations for capital investment.

CURRENT DEBT

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

Lease/Leaseback Agreements

The CTA has entered into several economically defeased lease and leaseback agreements in fiscal years 1995 through 2003. These agreements were entered into with various third parties and pertain to certain assets of the CTA, including rail lines and equipment, rail cars, facilities, buses and qualified technology equipment. Under the lease/leaseback financings, the CTA entered into a long-term lease for applicable assets with trusts established by equity investors which trusts concurrently leased the respective assets back to CTA under sublease agreements. Each sublease contains a fixed date and a fixed price purchase option that allows

5 Debt Administration

the CTA, at its option, to purchase the assets back from the lessor. As of December 31, 2004, the total obligations due under the lease agreements which have been economically defeased were approximately \$1.7 billion.

Other Capital Leases

On March 31, 2003, the Public Building Commission of Chicago (the "PBC") issued \$119,020,000 of Building Revenue Bonds, Series 2003 (Chicago Transit Authority) (the "PBC Bonds"). The interest on the PBC Bonds is 5.00% - 5.25%. The PBC used the proceeds of these bonds, among other things, to acquire the site for and construct a 12-story office building, which the PBC leased to the CTA for a 20-year term to be used as its headquarters. Rent payments due to the PBC from the CTA under the lease are general obligations of the CTA payable from any lawfully available funds. Upon satisfaction of all of the obligations of the CTA under the lease and payment, or provision for payment, of the PBC Bonds in full, the PBC will transfer title of the leased premises to the CTA.

CTA is obligated to pay to the Trustee on behalf of the PBC on or before February 15 of each year in which the headquarters lease is in effect, rent which equals the debt service on the PBC bonds due through and including September 1 of that calendar year. The source of funds for PBC lease payments is primarily FTA grant funds. The total rent due to PBC over the life of the lease is \$195,948,208.

SCHEDULE I: \$119,020,000 Building Revenue Bonds (Public Building Commission on behalf of Chicago Transit Authority) Series 2003 Lease Payment Schedule 2006-2023				
PAYMENT YEAR	PORTION OF LEASE PAYMENT ATTRIBUTABLE TO INTEREST	PORTION OF LEASE PAYMENT ATTRIBUTABLE TO PRINCIPAL	TOTAL LEASE PAYMENT	PBC DEBT OUTSTANDING (end of period)
2006	\$ 5,847,250	\$ 4,000,000	\$ 9,847,250	\$ 111,120,000
2007	\$ 5,641,000	\$ 4,250,000	\$ 9,891,000	\$ 106,870,000
2008	\$ 5,422,250	\$ 4,500,000	\$ 9,922,250	\$ 102,370,000
2009	\$ 5,194,250	\$ 4,620,000	\$ 9,814,250	\$ 97,750,000
2010	\$ 4,953,750	\$ 5,000,000	\$ 9,953,750	\$ 92,750,000
2011	\$ 4,700,000	\$ 5,150,000	\$ 9,850,000	\$ 87,600,000
2012	\$ 4,433,750	\$ 5,500,000	\$ 9,933,750	\$ 82,100,000
2013	\$ 4,156,250	\$ 5,600,000	\$ 9,756,250	\$ 76,500,000
2014	\$ 3,862,687	\$ 5,850,000	\$ 9,712,687	\$ 70,650,000
2015	\$ 3,542,437	\$ 6,350,000	\$ 9,892,437	\$ 64,300,000
2016	\$ 3,199,875	\$ 6,700,000	\$ 9,899,875	\$ 57,600,000
2017	\$ 2,840,250	\$ 7,000,000	\$ 9,840,250	\$ 50,600,000
2018	\$ 2,463,562	\$ 7,350,000	\$ 9,813,562	\$ 43,250,000
2019	\$ 2,065,875	\$ 7,800,000	\$ 9,865,875	\$ 35,450,000
2020	\$ 1,645,875	\$ 8,200,000	\$ 9,845,875	\$ 27,250,000
2021	\$ 1,204,875	\$ 8,600,000	\$ 9,804,875	\$ 18,650,000
2022	\$ 740,250	\$ 9,100,000	\$ 9,840,250	\$ 9,550,000
2023	\$ 250,688	\$ 9,550,000	\$ 9,800,688	\$ -

5 Debt Administration

Bonds Payable-Revenue Bonds

Capital Grant Receipts Revenue Bonds, Douglas Branch

On March 12, 2003, the CTA issued \$207,200,000 of Capital Grant Receipts Revenue Bonds, Douglas Branch Project (Series 2003A and 2003B) (the "Douglas Branch Bonds"). These bonds were issued in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The Douglas Branch Bonds bear interest ranging from 3.80% to 5.00%. Interest is payable semiannually on June 1 and December 1. The premium on the bonds and the bond issuance costs are being amortized over the life of the bonds using the straight-line method.

The bonds were issued to provide funds to finance a portion of the costs of the extensive rehabilitation of eight rail stations and five miles of track as well as the installation of signal and communications equipment, the traction power system and various infrastructure improvements that together constitute the Douglas Branch Reconstruction Project. The Douglas Branch Bonds are limited obligations of the CTA payable solely from amounts pledged pursuant to a Trust Indenture entered into by the CTA.

The CTA has an option to call, or redeem, prior to maturity the Douglas Branch Bonds in accordance with an Indenture between the CTA and the Trustee. The redemption price for bonds called by the CTA is equal to the principal amount of the bonds to be redeemed, plus accrued interest. To date, CTA has redeemed an aggregate principal amount of bonds in the amount of \$121,165,000. The CTA will continue to avail itself of the opportunity to redeem outstanding bonds prior to maturity as funds become available and an economic benefit is generated by the early redemption. The debt service is funded from proceeds from the full funding grant agreement CTA received from FTA. As of October 1, 2005, \$86,035,000 Douglas Branch Bonds were outstanding.

Schedule II: \$207,200,000 Capital Grant Receipts Revenue Bonds (Douglas Park Branch) Series 2003A and Series 2003B Combined Total Debt Service 2006-2008				
PAYMENT YEAR	INTEREST PAYMENT	PRINCIPAL PAYMENT	TOTAL DEBT SERVICE	DEBT OUTSTANDING (end of period)
2006	\$ 3,870,238	\$ -	\$ 3,870,238	\$ 86,035,000
2007	\$ 3,157,738	\$ 28,500,000	\$ 31,657,738	\$ 57,535,000
2008	\$ 1,222,619	\$ 57,535,000	\$ 58,757,619	\$ -

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

On October 20, 2004, CTA issued Capital Grant Receipts Revenue Bonds, Series 2004A and 2004B, (Federal Transit Administration Section 5307 Formula Funds), (together referred to as the "2004 Bonds"). Par value of the 2004 Bonds was \$250,000,000, with \$150,000,000 in Series 2004A and \$100,000,000 in Series 2004B, The 2004 Bonds are solely secured via Federal Transit Administration 5307 Urbanized Area Formula funds.

The proceeds of the 2004 Bonds will be used to pay for, or reimburse the CTA for prior expenditures relating to a portion of certain capital improvement projects identified by the CTA

5 Debt Administration

(the "2004 Projects"). These capital improvements must be approved by the CTA Board, the RTA and included in the CTA Capital Plan. The 2004 Projects include infrastructure improvements including facility rehabilitation, rail station reconstruction, replace/upgrade track, structure and signal systems, communication infrastructure improvement and replace bus and rail fleet. The 2004 Projects may be substituted from time to time, provided there are funds in the 2004 Project Account of the Construction fund.

The 2004 Bonds bear interest ranging from 3.60% to 5.25%. Interest payments for the 2004 Bonds are payable June 1 and December 1 of each year. Principal payments begin June 1, 2006 (Please see Schedule III). Subject to market conditions, CTA may enter into one or more Qualified Swap Agreements. The 2004 Bonds are not eligible for early redemption, except under certain extraordinary circumstances. The source of grant receipts available to CTA to pay principal and interest on the 2004 Bonds is its annual share of Section 5307 Formula Funds; subject to a prior pledge applied to the funding requirements of the Douglas Branch Bonds through 2006. As of October 1, 2005, \$250,000,000 2004 Bonds were outstanding.

Schedule III: \$250,200,000 Capital Grant Receipts Revenue Bonds				
(Federal Transit Administration 5307 Formula Funds)				
Series 2004A and Series 2004B Total Debt Service 2006-2016				
PAYMENT YEAR	INTEREST PAYMENT	PRINCIPAL PAYMENT	TOTAL DEBT SERVICE	DEBT OUTSTANDING (end of period)
2006	\$ 12,276,250	\$ 17,705,000	\$ 29,981,250	\$ 232,295,000
2007	\$ 11,461,900	\$ 18,410,000	\$ 29,871,900	\$ 213,885,000
2008	\$ 10,542,825	\$ 19,335,000	\$ 29,877,825	\$ 194,550,000
2009	\$ 9,562,569	\$ 20,250,000	\$ 29,812,569	\$ 174,300,000
2010	\$ 8,492,781	\$ 21,295,000	\$ 29,787,781	\$ 153,005,000
2011	\$ 7,367,856	\$ 22,390,000	\$ 29,757,856	\$ 130,615,000
2012	\$ 6,173,231	\$ 23,545,000	\$ 29,718,231	\$ 107,070,000
2013	\$ 4,904,700	\$ 24,780,000	\$ 29,684,700	\$ 82,290,000
2014	\$ 3,602,494	\$ 26,085,000	\$ 29,687,494	\$ 56,205,000
2015	\$ 2,231,906	\$ 27,385,000	\$ 29,616,906	\$ 28,820,000
2016	\$ 756,525	\$ 28,820,000	\$ 29,576,525	\$ -

A summary of combined CTA lease and debt service obligations follows in Schedule IV.

5 Debt Administration

Schedule IV: CTA TOTAL ANNUAL LEASE / DEBT SCHEDULE 2006-2023				
PAYMENT YEAR	2003 PBC LEASE	DOUGLAS BRANCH BONDS	2004 BONDS	TOTAL ANNUAL DEBT SERVICE
2006	\$ 9,847,250	\$ 3,870,238	\$ 29,981,250	\$ 43,698,738
2007	\$ 9,891,000	\$ 31,657,738	\$ 29,871,900	\$ 71,420,638
2008	\$ 9,922,250	\$ 58,757,619	\$ 29,877,825	\$ 98,557,694
2009	\$ 9,814,250		\$ 29,812,569	\$ 39,626,819
2010	\$ 9,953,750		\$ 29,787,781	\$ 39,741,531
2011	\$ 9,850,000		\$ 29,757,856	\$ 39,607,856
2012	\$ 9,933,750		\$ 29,718,231	\$ 39,651,981
2013	\$ 9,756,250		\$ 29,684,700	\$ 39,440,950
2014	\$ 9,712,687		\$ 29,687,494	\$ 39,400,181
2015	\$ 9,892,437		\$ 29,616,906	\$ 39,509,343
2016	\$ 9,899,875		\$ 29,576,525	\$ 39,476,400
2017	\$ 9,840,250			\$ 9,840,250
2018	\$ 9,813,562			\$ 9,813,562
2019	\$ 9,865,875			\$ 9,865,875
2020	\$ 9,845,875			\$ 9,845,875
2021	\$ 9,804,875			\$ 9,804,875
2022	\$ 9,840,250			\$ 9,840,250
2023	\$ 9,800,688			\$ 9,800,688

6 Annual Budget Process

CTA Budget Calendar

June 15th	Budget Call distributed from the RTA. The Budget Call outlines the required budget information by the RTA and provides economic assumptions for the region.
August 15th	CTA is required to submit a macro-level budget and a two-year financial plan to the RTA.
September 15th	The RTA Board is required by the RTA Act to set operating funding “ Marks” for the three Service Boards.
October 6th	CTA releases the President's proposed budget to the public and publishes notice.
October 27th	Public hearing held to receive comments from the public.
November 1st	CTA presents the budget to the Cook County Board as required by the RTA Act.
November 9th	CTA Board meeting to adopt the budget.
November 15th	CTA submits a detailed version of the approved budget to the RTA.
December 15th	RTA Board meeting. The budget is adopted pending the approval of nine of RTA's thirteen directors.

6 Annual Budget Process

The Budget & Financial Plan Process

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

Budget Development

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

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

Budget Adoption

By the middle of August, CTA is required to submit a macro-level budget and a two-year financial plan to the RTA. By September 15, the RTA Board is required to set operating funding "Marks" for the three Service Boards. The Marks include estimates of available operating funding for the budget and financial plan, estimated cash flows and a required recovery ratio (the ratio or percentage of operating expenses that must be recovered from system-generated revenue) for the budget. Upon issuance of the budget Marks, CTA revises its expenses and revenues to conform to the Marks.

The CTA then makes the President's proposed budget document available to the public. The statute requires documents be available for public inspection 21 days prior to public hearing. After the public hearing, the budget is presented at the November Cook County Board meeting. Then the CTA Board incorporates any changes and adopts the budget and two-year financial plan. By November 15, CTA is required to submit to RTA its detailed budget and financial plan that conforms to the Budget Marks set by the RTA on September 15. The RTA Board adopts the proposed budget and plan upon the approval of nine of the RTA's thirteen directors. If the budget meets the RTA's six criteria identified in the RTA Act, then the RTA is required to adopt the budget by December 31. If the RTA Board does not approve the budget, the RTA Board cannot release any discretionary funds for the periods covered by the budget and financial plan except the proceeds of sales taxes due by formula to the CTA.

Budget Execution & Administration

After the proposed budget and financial plan are adopted, the budget execution and administration phase begins. Detailed budgets of revenues and expenses calendarized for the 12 months of the budget year are forwarded to the RTA. CTA's actual monthly financial performance is measured against the monthly budget and reported to the RTA Board.

6 Annual Budget Process

Amendment Process

During this monitoring, changes may be required to the budget. The RTA might revise its sales tax forecast, which may mean less public funding for the CTA. This in turn would require reduced spending to meet the revised funding Mark and Recovery Ratio.

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

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

7 Accounting System & Financial Controls

Organization Overview

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

The Regional Transportation Authority Act provides for the funding of public transportation in the six-county region of Northeastern Illinois. The Act established a regional oversight board (Regional Transportation Authority (RTA)) and designated three service boards (Chicago Transit Authority, Commuter Rail Board and Suburban Bus Board). The Act requires, among other things, that the RTA approve the annual budget of the CTA, that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least \$5,000,000 for public transportation and that the CTA (collectively with the other service boards) finance at least 50% of their operating costs, excluding depreciation and certain other items, from system-generated sources.

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

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

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

Budget and Budgetary Basis of Accounting

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with generally accepted accounting principles, except for the exclusion of certain income and expenses. For 2004 and 2003, these

7 Accounting System & Financial Controls

amounts include provision for injuries and damage in excess of budget, depreciation expense, pension expense in excess of pension contributions, revenue from leasing transactions, interest income and expense from sale/leaseback transactions, and capital contributions.

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

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

The RTA approves the proposed budget based on a number of criteria:

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

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

Financial Reporting

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

Basis of Presentation – The operations of the CTA are accounted for on a proprietary (enterprise) fund basis. This basis is used when operations are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, and the periodic determination of revenues earned, costs incurred, and change in net assets is appropriate.

7 Accounting System & Financial Controls

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

Internal Controls

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

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

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

As a part of the CTA’s single audit, tests are made to determine the adequacy of the internal control system, including that portion related to federal financial assistance programs, as well as to determine that the CTA has complied with applicable laws and regulations. The results of the CTA’s single audit for the fiscal year ended December 31, 2004, provided no instances of material weaknesses in the internal control system or violations of applicable laws and regulations.

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

8 Financial Policy

Financial Planning Policies

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

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

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

2. **Long-Range Planning** – The CTA also develops a longer range plan for the period beyond the current budget and two-year financial plan. This 10-year plan assesses the implications of current and proposed budget and policy priorities and financial assumptions. Additionally, external economic studies, demographics and traffic patterns are used to estimate the future transit needs of the Chicago metropolitan area, as well as to establish the future system requirements of the CTA. Current infrastructure, needs as well as system growth needs, are developed, prioritized and incorporated in the long-term plan.

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

3. **Capital Investment Planning** – CTA continuously maintains an inventory and assessment of the condition of all major capital assets. A detailed 5-year capital program prioritizes the short term capital needs in order to bring the system to a state of good repair and maximize customer benefits in the regional transit system. A 20-year capital program condition and assessment report provides a broader list of CTA's capital investment needs.

8 Financial Policy

Revenue Policies

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

- 1. Revenue Diversification** – CTA’s revenue diversification policy allows the agency to manage potential fluctuations in individual revenue streams. CTA encourages its organizational units to submit additional revenue ideas for consideration. The CTA has embarked upon numerous alternative revenue enhancements, such as vending machines and ATMs on the system, wireless communications in the subway tunnels, and parking under the elevated right-of-way. Additionally, creative financing transactions have produced millions of dollars over the past few years for the CTA. The CTA continues to find ways to enhance system advertising, charter, and concession revenues, as well as revenue from investments.
- 2. Use of One-Time Revenues** – Extraordinary revenues from the sale of surplus assets provide one-time benefits to the CTA. These additional revenues are used to fund expense items that are non-recurring.

Expenditure Policies

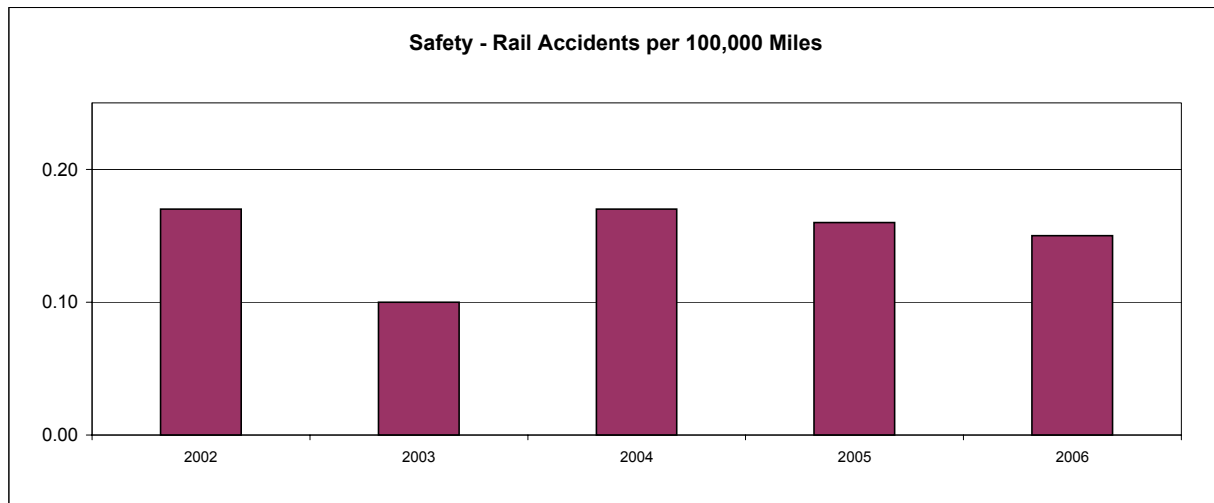
Prudent expenditure planning, monitoring and accountability are key elements of fiscal stability. As such, the CTA maintains policies with respect to:

- 1. Debt Capacity, Issuance and Management** – These policies serve as a management tool to ensure CTA a) may utilize leverage as part of its overall funding strategy to speed up investment in the system, b) utilizes debt in the most efficient and effective manner to fund operating and capital improvement programs, and c) makes full and timely repayment of all borrowings. Additionally, the policy provides broad guidelines to ensure that the agency 1) achieves the lowest possible cost of capital within prudent risk parameters, 2) secures ongoing access to the capital markets and 3) authorizes the appropriate amount, type and structure of debt for various financing situations.
- 2. Reserve Accounts** – To protect against temporary revenue shortfalls or unpredicted one-time expenditures, the RTA maintains a discretionary reserve to provide funding to the service boards. These reserve amounts can be used for potentially large one-time expenditures.
- 3. Expenditure Accountability** – Every month, CTA compares its operating and capital performance to budget. Any deviations from budget are reviewed and corrective measures are implemented by appropriate organizational units. Each unit is responsible for maintaining budget compliance. Actual capital expenditures to budget are also reviewed monthly and adjustments to capital projects spending are made accordingly.

9 Operating Statistics

SYSTEM

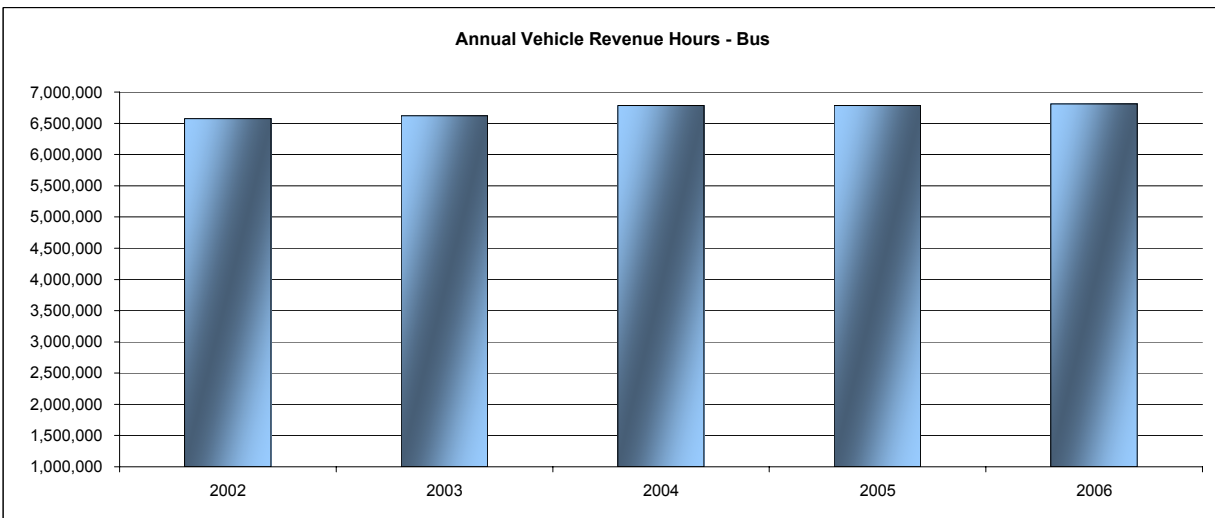
CHARACTERISTICS	2002	2003	2004	2005	2006
	Actual	Actual	Actual	Forecast	Budget
Ridership					
Avg. Daily Weekday	1,481,629	1,437,416	1,425,790	1,468,367	1,471,996
Avg. Daily Saturday	877,762	855,258	869,631	897,224	912,299
Avg. Daily Sunday	585,720	569,843	582,201	610,215	617,215
System Wide Ridership	457,270,578	444,065,492	444,547,187	456,606,482	458,237,977
Expense					
Top Operator Rate	\$ 21.91	\$ 23.01	\$ 23.01	\$ 23.01	\$ 23.01
Capital Expenditures	\$ 490,101,105	\$ 484,061,897	\$ 457,699,068	\$ 346,000,000	\$ 350,000,000
Revenue					
Average Fare per Trip (fare box only)	\$ 0.84	\$ 0.83	\$ 0.91	\$ 0.90	\$ 0.93
Public Funding per Trip	\$ 0.97	\$ 1.02	\$ 0.96	\$ 1.09	\$ 1.14
Safety (Reported & Blind)					
Bus Accidents per 100,000 Miles	6.52	5.69	5.78	5.49	5.22
Rail Accidents per 100,000 Miles	0.17	0.10	0.17	0.16	0.15



10 Operating Statistics

BUS

CHARACTERISTICS	2002	2003	2004	2005	2006
	Actual	Actual	Actual	Forecast	Budget
Expenses					
Scheduled Transportation Expense	\$ 230,638,912	\$ 235,954,371	\$ 251,540,948	\$ 264,206,790	\$ 281,854,955
Garage Maintenance Expense	\$ 73,086,370	\$ 76,873,485	\$ 78,785,696	\$ 75,785,839	\$ 78,474,683
Supervision Expense*	\$ -	\$ -	\$ 14,441,082	\$ 12,446,324	\$ 14,720,889
Heavy Maintenance Expense	\$ 33,670,808	\$ 34,579,458	\$ 31,167,675	\$ 34,447,002	\$ 38,148,290
Fuel Expense	\$ 20,097,898	\$ 24,476,713	\$ 33,434,144	\$ 46,962,228	\$ 48,000,000
Other Expenses	\$ 31,633,672	\$ 33,827,660	\$ 22,686,159	\$ 23,568,026	\$ 24,682,498
Total Operating Expense - Bus	\$ 389,127,660	\$ 405,711,687	\$ 432,055,704	\$ 457,416,209	\$ 485,881,315
Miles					
Annual Vehicle Revenue Miles	67,095,718	67,858,281	69,334,000	68,576,000	68,308,125
Trips					
Annual Unlinked Trips	303,295,027	291,804,434	294,030,775	302,064,000	303,892,903
Vehicles					
Annual Vehicle Revenue Hours	6,576,310	6,619,108	6,782,813	6,783,414	6,809,807
Vehicles Operated in Max. Service	1,695	1,719	1,735	1,704	1,732
Vehicles Owned by CTA (at Fall Fleet Assignment)	2,013	1,991	2,017	2,033	2,100
Average Age of Vehicles	8.5	9.5	8.9	9.4	8.2

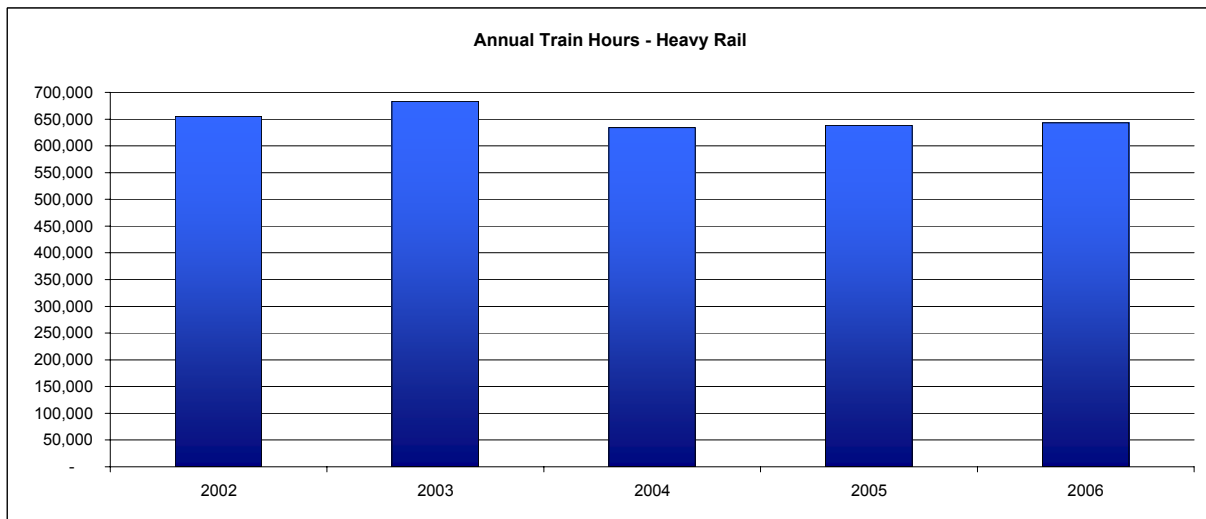


* Supervision Expense: In 2004, Supervision department expense was separated from Other Expenses

11 Operating Statistics

HEAVY RAIL

CHARACTERISTICS	2002	2003	2004	2005	2006
	Actual	Actual	Actual	Forecast	Budget
Expenses					
Scheduled Transportation Expense	\$ 77,674,041	\$ 78,237,717	\$ 76,698,270	\$ 83,671,029	\$ 87,222,978
Terminal Maintenance and Support Expense	\$ 56,373,000	\$ 58,331,000	\$ 54,850,824	\$ 57,845,825	\$ 59,366,489
Heavy Maintenance Expense	\$ 9,385,436	\$ 7,173,311	\$ 6,393,112	\$ 8,682,872	\$ 10,662,690
Rail Car Appearance Expense	\$ 9,374,000	\$ 9,976,000	\$ 10,009,809	\$ 10,015,759	\$ 10,871,703
Other Expenses	\$ 3,462,306	\$ 4,048,854	\$ 3,820,146	\$ 4,090,975	\$ 4,765,297
Total Operating Expense - Rail	\$ 156,268,783	\$ 157,766,882	\$ 151,772,161	\$ 164,306,460	\$ 172,889,157
Power Expense	\$ 21,061,705	\$ 21,057,983	\$ 21,640,380	\$ 24,000,000	\$ 24,526,000
Miles					
Annual Rail Car Revenue Miles	63,697,802	65,649,684	66,806,000	68,424,000	69,152,239
Trips					
Annual Unlinked Trips	152,364,552	150,319,580	148,312,412	152,187,000	153,108,445
Vehicles					
Annual Train Hours	655,041	683,197	634,134	638,209	643,118
Vehicles Operated in Max. Service	988	996	978	978	978
Vehicles Owned by CTA (at Fall Fleet Assignment)	1,190	1,190	1,190	1,190	1,190
Average Age of Vehicles	19.0	20.0	21.0	22.0	23.0

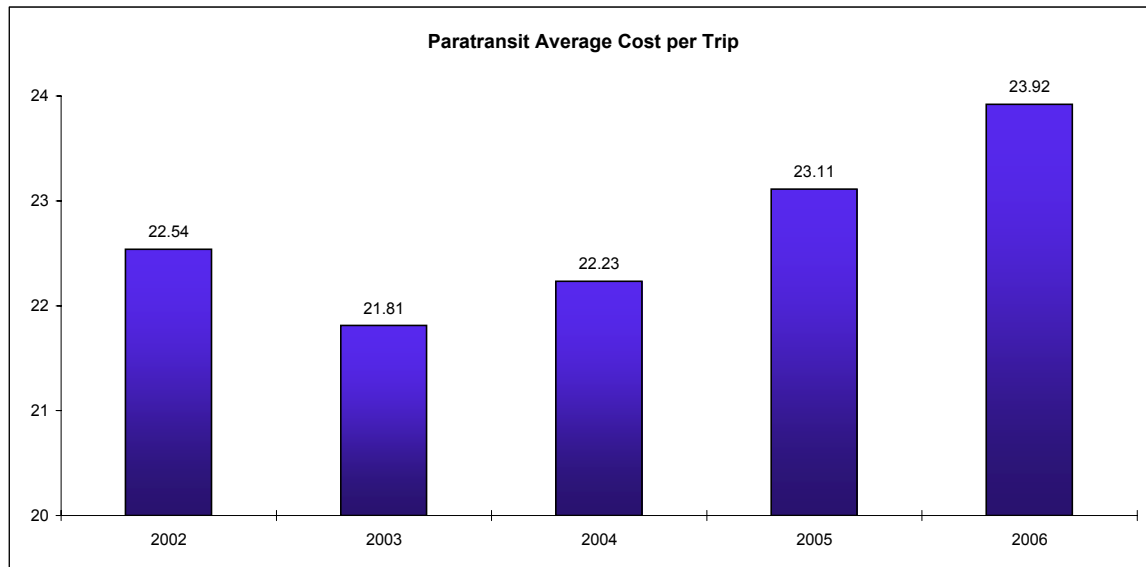


12 Operating Statistics

PARATRANSIT

CHARACTERISTICS	2002	2003	2004	2005	2006
	Actual	Actual	Actual	Forecast	Budget
Contracted Paratransit Expense					
Paratransit Services	\$ 32,554,769	\$ 36,271,512	\$ 42,034,969	\$ 46,081,340	\$ 25,039,449
TAP Services	\$ 3,754,379	\$ 6,078,814	\$ 6,964,715	\$ 8,359,516	\$ 4,542,352
Total Paratransit Expense	\$ 36,309,148	\$ 42,350,326	\$ 48,999,684	\$ 54,440,856	\$ 29,581,801 (1)
Average Cost per Trip	\$ 22.54	\$ 21.81	\$ 22.23	\$ 23.11	\$ 23.92
Trips					
Paratransit Trips	1,323,967	1,478,859	1,682,689	1,717,351	901,610
Taxi Trips	287,032	462,619	521,311	638,131	335,019
Total Trips	1,610,999	1,941,478	2,204,000	2,355,482	1,236,629
Average Cost per Trip					
Paratransit Trips	\$ 24.59	\$ 24.53	\$ 24.98	\$ 26.83	\$ 27.77
Taxi Trips	\$ 13.08	\$ 13.14	\$ 13.36	\$ 13.10	\$ 13.56
Mainline Service					
Bus Routes Offering Lift Service (2)	125	131	148	150	153
ADA Accessible Stations	64	66	72	72	74

(1) Assumes Pace will take over paratransit service within the region on July 1st, 2005.



(2) In 2005, the CTA bus system became **100% ADA accessible**.

13 Comparative Ridership Reporting

SYSTEM RIDERSHIP STATISTICS

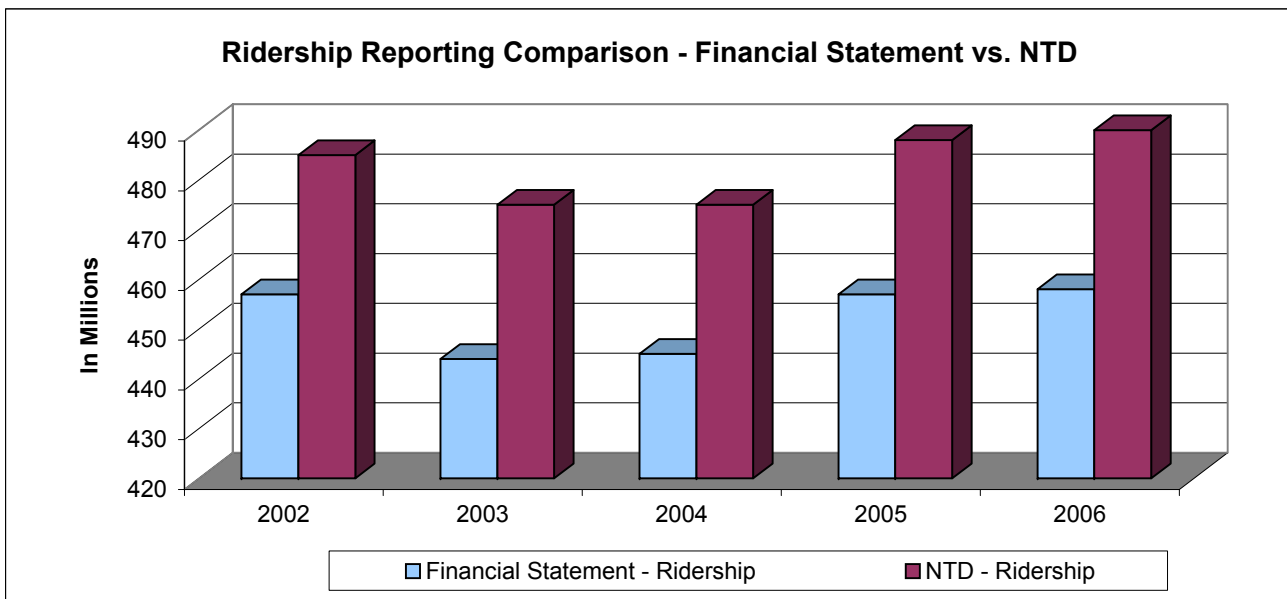
Summarized below is a comparison of ridership reported in the Financial Statements to the RTA and the Federal Transit Administration (FTA) in the National Transit Database (NTD) report. The ridership reported to the FTA is approximately 17% higher than to the RTA. This is because the ridership reports use different methodologies. The reports submitted to RTA do not include non-paid rail-to-rail transfers that are not captured by the fare equipment. For the NTD, these "cross-platform" transfers are estimated using methodologies consistent with FTA's specifications. To estimate cross-platform transfers CTA uses a passenger intercept survey that reviews the customer's trip pattern. Cross-platform transfers typically averages 17% of all rail boardings, and represent over 100,000 rides each weekday and 30 million annually. Only NTD reports are acceptable for official counts of system ridership for purposes of allocating federal formula grants, as well as, for comparisons of transit agency ridership.

RIDERSHIP - REPORTED IN FINANCIAL STATEMENT

CHARACTERISTICS	2002 Actual	2003 Actual	2004 Actual	2005 Forecast	2006 Budget
Ridership					
Bus	303,295,027	291,804,434	294,030,775	302,064,000	303,892,903
Rail	152,364,552	150,319,580	148,312,412	152,187,000	153,108,445
Paratransit	1,610,999	1,941,478	2,204,000	2,355,482	1,236,629
System Wide Ridership	457,270,578	444,065,492	444,547,187	456,606,482	458,237,977

RIDERSHIP - REPORTED TO NTD

CHARACTERISTICS	2002 Actual	2003 Actual	2004 Actual	2005 Forecast	2006 Budget
Ridership					
Bus	303,295,027	291,804,434	294,030,775	302,064,000	303,892,903
Rail	180,399,630	181,135,094	178,716,456	183,385,335	184,495,676
Paratransit	1,610,999	1,941,478	2,204,000	2,355,482	1,236,629
System Wide Ridership	485,305,656	474,881,006	474,951,231	487,804,817	489,625,208

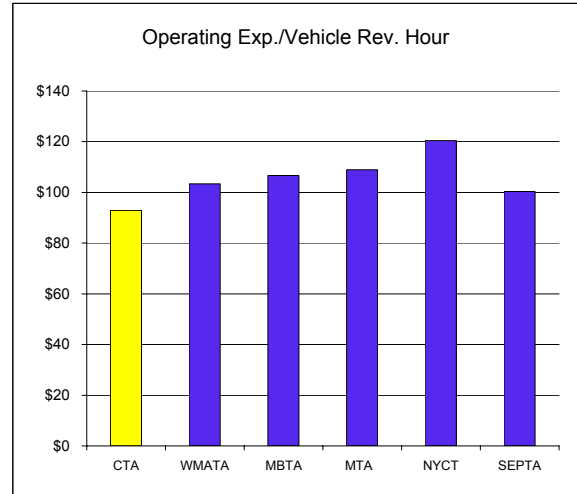
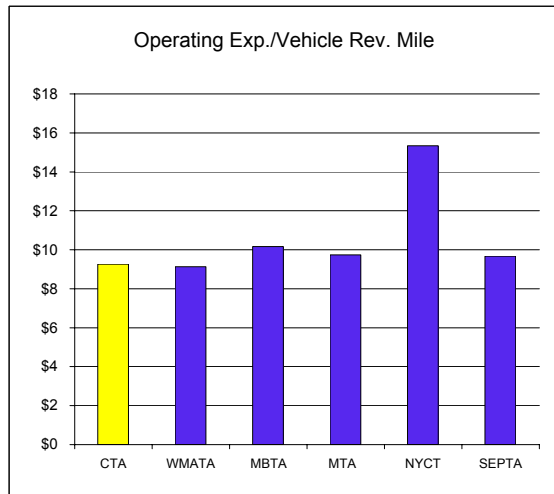


14 Comparative Performance Analysis

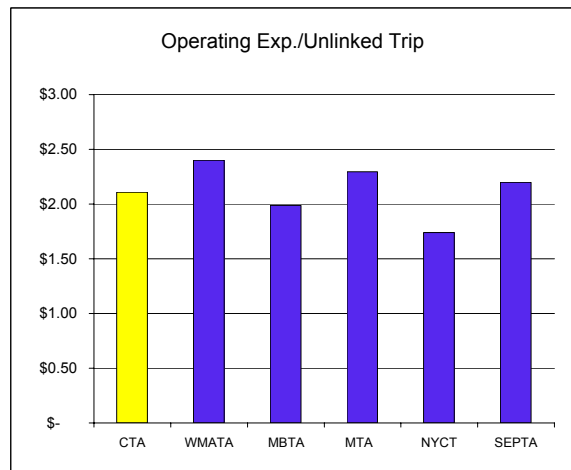
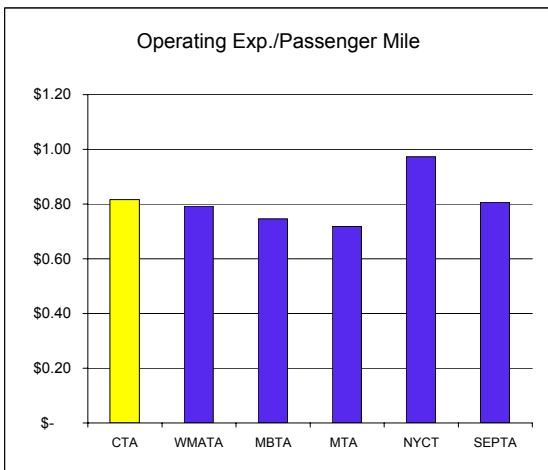
BUS

PERFORMANCE MEASURES	CTA	Comparison Group				
		WMATA	MBTA	MTA	NYCT	SEPTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	\$ 9.27	\$ 9.13	\$ 10.16	\$ 9.74	\$ 15.33	\$ 9.67
Operating Exp./Vehicle Rev. Hour	\$ 92.92	\$ 103.40	\$ 106.71	\$ 108.95	\$ 120.49	\$ 100.36
Cost Effectiveness						
Operating Exp./Passenger Mile	\$ 0.82	\$ 0.79	\$ 0.75	\$ 0.72	\$ 0.97	\$ 0.81
Operating Exp./Unlinked Trip	\$ 2.11	\$ 2.40	\$ 1.99	\$ 2.30	\$ 1.74	\$ 2.20
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	4.40	3.80	5.11	4.24	8.81	4.40
Unlinked Trips/Vehicle Rev. Hour	44.09	43.06	53.63	47.47	69.21	45.65

Service Efficiency



Cost Effectiveness



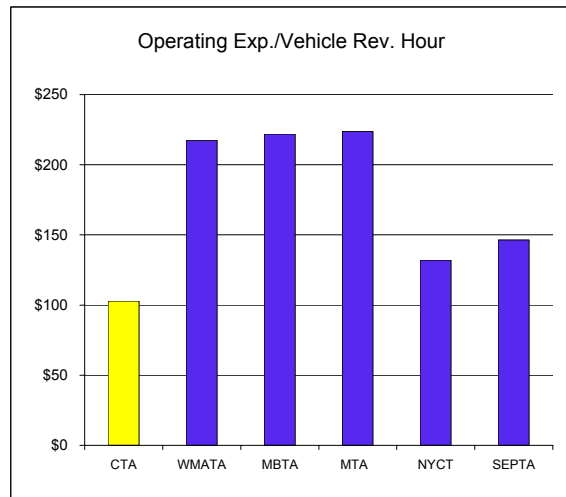
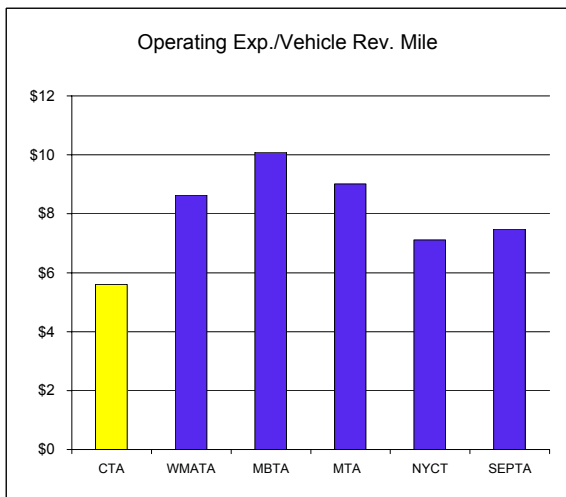
Data obtained from 2003 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program.

15 Comparative Performance Analysis

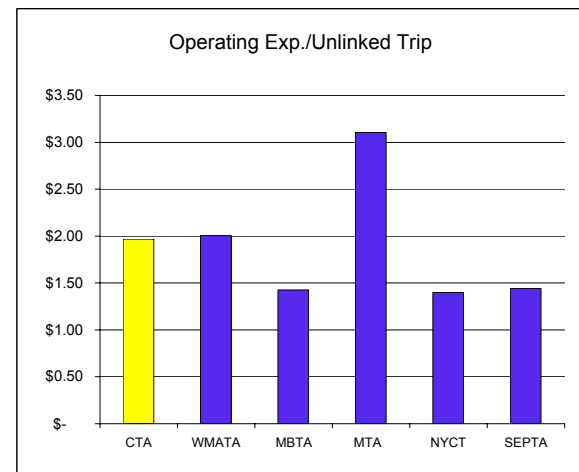
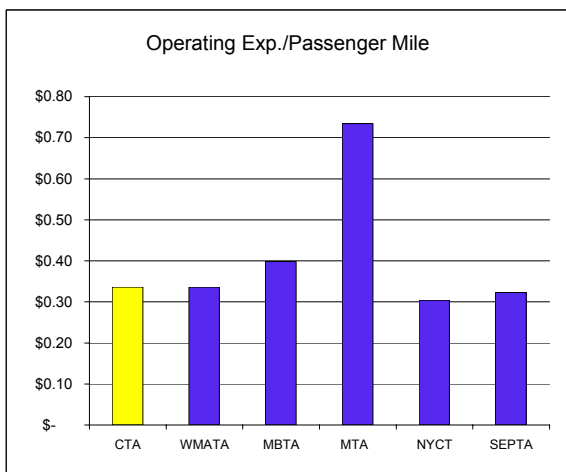
HEAVY RAIL

PERFORMANCE MEASURES	CTA	Comparison Group				
		WMATA	MBTA	MTA	NYCT	SEPTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	\$ 5.61	\$ 8.63	\$ 10.09	\$ 9.02	\$ 7.11	\$ 7.48
Operating Exp./Vehicle Rev. Hour	\$ 102.79	\$ 217.46	\$ 222.02	\$ 223.81	\$ 132.06	\$ 146.45
Cost Effectiveness						
Operating Exp./Passenger Mile	\$ 0.34	\$ 0.34	\$ 0.40	\$ 0.73	\$ 0.30	\$ 0.32
Operating Exp./Unlinked Trip	\$ 1.97	\$ 2.00	\$ 1.43	\$ 3.10	\$ 1.40	\$ 1.44
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	2.85	4.31	7.08	2.91	5.09	5.19
Unlinked Trips/Vehicle Rev. Hour	52.26	108.48	155.80	72.13	94.48	101.60

Service Efficiency



Cost Effectiveness



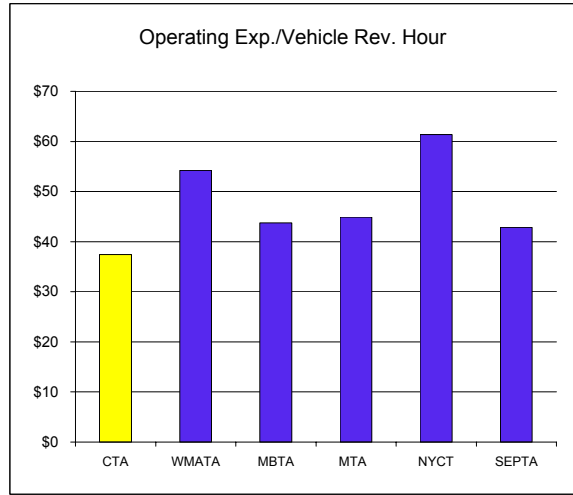
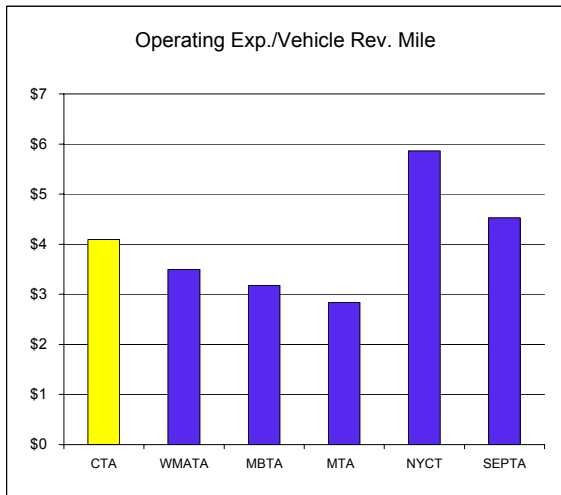
Data obtained from 2003 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program.

16 Comparative Performance Analysis

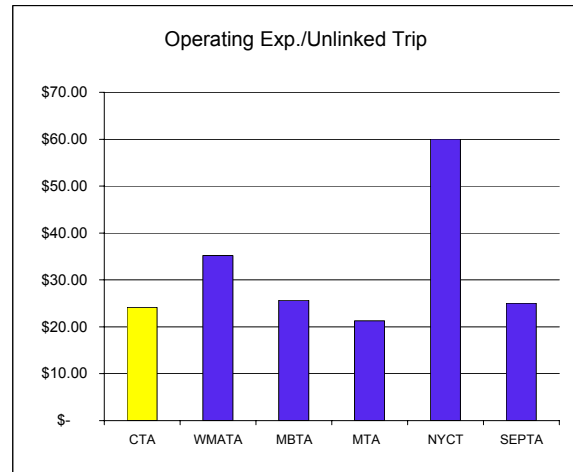
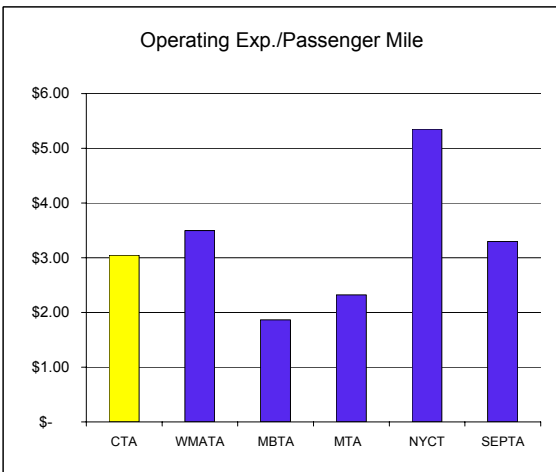
PARATRANSIT

PERFORMANCE MEASURES	CTA	Comparison Group				
		WMATA	MBTA	MTA	NYCT	SEPTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	\$ 4.09	\$ 3.50	\$ 3.18	\$ 2.84	\$ 5.86	\$ 4.53
Operating Exp./Vehicle Rev. Hour	\$ 37.42	\$ 54.25	\$ 43.77	\$ 44.88	\$ 61.35	\$ 42.87
Cost Effectiveness						
Operating Exp./Passenger Mile	\$ 3.05	\$ 3.50	\$ 1.87	\$ 2.32	\$ 5.35	\$ 3.30
Operating Exp./Unlinked Trip	\$ 24.14	\$ 35.22	\$ 25.68	\$ 21.32	\$ 60.02	\$ 25.05
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	0.17	0.10	0.12	0.13	0.10	0.18
Unlinked Trips/Vehicle Rev. Hour	1.55	1.54	1.70	2.11	1.02	1.71

Service Efficiency



Cost Effectiveness



Data obtained from 2003 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program.

17 CTA Fare Structure

BUS

	Bus Regular Fare		Bus Reduced Fare	
	<i>Current</i>	<i>Proposed</i>	<i>Current</i>	<i>Proposed</i>
Cash	\$1.75	\$2.00 (1)	\$0.85	\$1.00
Transit Card	\$1.75	\$1.75	\$0.85	\$0.85
Chicago Card	\$1.75	\$1.75	-	-
Transfer (2)	\$0.25	\$0.25	\$0.15	\$0.15
1-Day Pass	\$5.00	\$5.00	-	-
1-Day Visitor Pass	\$5.00	\$5.00	-	-
2-Day Visitor Pass	\$9.00	\$9.00	-	-
3-Day Visitor Pass	\$12.00	\$12.00	-	-
5-Day Visitor Pass	\$18.00	\$18.00	-	-
7-Day Pass	\$20.00	\$20.00	-	-
30-Day Pass	\$75.00	\$75.00	\$35.00	\$35.00

(1) \$2.00 Cash Fare. Chicago Cards and Transit Cards will remain \$1.75 on bus, Chicago Cards will remain \$1.75 and Transit Cards will be \$2.00 on rail. Transfers will not be allowed with Cash.

(2) A transfer allows two additional rides within two hours of issuance and will not be allowed with a cash fare.

RAIL

	Rail Regular Fare		Rail Reduced Fare	
	<i>Current</i>	<i>Proposed</i>	<i>Current</i>	<i>Proposed</i>
Cash	\$1.75	\$2.00 (3)	\$0.85	\$1.00
Transit Card	\$1.75	\$2.00 (3)	\$0.85	\$0.85
Chicago Card	\$1.75	\$1.75	-	-
Transfer (4)	\$0.25	\$0.25	\$0.15	\$0.15
1-Day Pass	\$5.00	\$5.00	-	-
1-Day Visitor Pass	\$5.00	\$5.00	-	-
2-Day Visitor Pass	\$9.00	\$9.00	-	-
3-Day Visitor Pass	\$12.00	\$12.00	-	-
5-Day Visitor Pass	\$18.00	\$18.00	-	-
7-Day Pass	\$20.00	\$20.00	-	-
30-Day Pass	\$75.00	\$75.00	\$35.00	\$35.00

(3) \$2.00 Cash Fare. Chicago Cards and Transit Cards will remain \$1.75 on bus, Chicago Cards will remain \$1.75 and Transit Cards will be \$2.00 on rail. Transfers will not be allowed with Cash.

(4) A transfer allows two additional rides within two hours of issuance and will not be allowed with a cash fare.

PARATRANSIT

	Paratransit Regular Fare		Paratransit Reduced Fare	
	<i>Current</i>	<i>Proposed</i>	<i>Current</i>	<i>Proposed</i>
Paratransit/TAP/Mobility Direct	\$1.75	\$1.75	-	-
Paratransit/TAP/Mobility Direct	\$1.75	\$1.75	-	-
Paratransit 30-Day Pass	\$75.00	\$75.00	-	-

18 Comparative Fare Structure

<u>CITY (SYSTEM)</u>	<u>Full Cash Bus Fare</u>	<u>Express Bus Fare</u>	<u>Full Cash Rail Fare</u>	<u>Senior/Disable Fare</u>	<u>Paratransit Base Fare</u>
CHICAGO (CTA)	\$2.00 (1)	-	\$2.00 (1)	\$0.85	\$1.75
NEW YORK CITY (NYCTA)	\$2.00	\$5.00	\$2.00	\$1.00	\$2.00
PHILADELPHIA (SEPTA)	\$2.00	-	\$2.00 (2)	\$0.00 - \$0.75/2.00 (3)	\$3.50
ATLANTA (MARTA)	\$1.75	-	\$1.75	\$0.85	\$3.50
SAN FRANCISCO (MUNI/BART)	\$1.50	-	ZB \$1.25 - \$7.45	\$0.35, Half-price Rail	ZB \$1.00 - \$6.75 (4)
WASHINGTON D.C. (WMATA)	\$1.25	\$3.00	ZB \$1.35 - \$3.90	\$0.60, Half-price Rail	\$2.50
LOS ANGELES (LACMTA)	\$1.25	-	\$1.25	\$0.45	ZB \$1.80 - \$2.70 (4)
BOSTON (MBTA)	\$0.90 - \$3.45	\$2.20 - \$3.45	ZB \$0.90 - \$3.00	\$0.25 Bus, \$0.35 Rail	\$0.25 Bus, \$0.35 Ra

(1) CTA Proposed: \$2.00 Cash Fare. Chicago Cards and Transit Cards will remain \$1.75 on bus, Chicago Cards will remain \$1.75 and Transit Cards will be \$2.00 on rail. Transfers will not be allowed with Cash.

(2) SEPTA: Subway Fare is \$2.00, Regional Rail Fares range from \$3.00 - \$7.00 and have peak/off-peak rates.

(3) SEPTA: Fares vary depending on mode and hours traveled. Full-fare during peak hours, discount for off-peak hours.

(4) MUNI/BART/LACMTA: Paratransit fares are based on distance and type of service.

<u>CTA Historical Fare Structure</u>	<u>Full Cash Bus Fare</u>	<u>Full Cash Rail Fare</u>	<u>Transfer Charge</u>	<u>Reduced Fare</u>	<u>Reduced Fare Transfer Charge</u>
2001	\$1.50	\$1.50	\$0.30	\$0.75	\$0.15
2002	\$1.50	\$1.50	\$0.30	\$0.75	\$0.15
2003	\$1.50	\$1.50	\$0.30	\$0.75	\$0.15
2004	\$1.75	\$1.75	\$0.25	\$0.85	\$0.15
2005	\$1.75	\$1.75	\$0.25	\$0.85	\$0.15
2006 Proposed Budget	\$2.00 (1)	\$2.00 (1)	\$0.25	\$0.85	\$0.15

(1) CTA Proposed: \$2.00 Cash Fare. Chicago Cards and Transit Cards will remain \$1.75 on bus, Chicago Cards will remain \$1.75 and Transit Cards will be \$2.00 on rail. Transfers will not be allowed with Cash.

19 Acronyms

AC	Alternating current
ADA	Americans with Disabilities Act
AFC	Automated Fare Collection
APC	Automatic Passenger Counter
AVAS	Automated Voice Annunciation System
CATS	Chicago Area Transportation Study
CBO	Congressional Budget Office
CDOT	Chicago Department of Transportation
CIP	Capital Improvement Program
CPD	Chicago Police Department
CPI	Consumer Price Index
CTA	Chicago Transit Authority
DBE	Disadvantaged Business Enterprise
DC	Direct current
EIA	Energy Information Administration
ePMO	Enterprise Program Management Office
ERP	Enterprise Resource Planning
FAA	Federal Aviation Administration
FFGA	Full Funding Grant Agreement
FTA	Federal Transit Administration
FY	Fiscal year
GDP	Gross Domestic Product
IDOT	Illinois Department of Transportation
MMIS	Maintenance Management Information System
NABI	North American Bus Industries
PBC	Public Building Commission of Chicago
PPA/AV	Platform Public Address/Audio Visual
RTA	Regional Transportation Authority
SCADA	Supervisory Control And Data Acquisition
SCIP	Strategic Capital Improvement Program
SGR	State of Good Repair
STO	Scheduled Transit Operations
TEA-21	Transportation Equity Act - 21st Century
TTI	Texas Transportation Institute

20 Glossary

Accessible	As defined by FTA, a site, building, facility, or portion thereof that complies with defined standards and that can be approached, entered, and used by persons with disabilities.
Accrual Basis	A method of accounting that recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash flows.
ADA	The Americans with Disabilities Act of 1990. This federal act requires many changes to ensure that people with disabilities have access to jobs, public accommodations, telecommunications, and public services, including public transit. Examples of these changes includes mandating that all new buses and rail lines be wheel chair accessible, and that alternative transportation be provided to customers unable to access the transit system.
AFC	The automated fare collection system.
Articulated Bus	A high capacity passenger bus that flexes in the middle.
Block Runs	Runs that are scheduled between Monday and Friday. These runs consist of a ten-hour shift at straight pay. Overtime is not a factor.
Bond	An interest bearing promise to pay a specified sum of money on a specified date.
Capital Budget	A formal plan of action for a specified time period for purchases of fixed assets using capital grants that is expressed in monetary terms.
Capital Expense	The costs associated with the purchase of property, buildings, vehicles and infrastructure improvements. It can also include the costs associated with the long-term maintenance of these assets such as bus overhaul programs, rail overhaul programs, and preventative maintenance. Also referred to as a capital improvement.
Capital Grant	Monies received from a grantor funding agencies used to acquire, construct or rehabilitate fixed assets.

20 Glossary

Chicago Card	A type of fare media which allows passengers to register their card in case of theft or loss. The Chicago Card is valid for a period of four years and offers touch-and-go boarding. Chicago Card does not have an online account. Account balance information is stored in a microchip within the plastic card.
Chicago Card Plus	A type of fare media similar to the Chicago Card. The Chicago Card Plus farecard can be used as payment of bus or rail fares. It is distinguished from other fare media because the cash balance is kept in an online account, rather than stored on the card itself. Fare transactions are recorded to the account each time a Chicago Card Plus is touched to the touchpad on any CTA or Pace fare equipment. The card also features online reloading — customers will have their accounts automatically reloaded each time their account value falls below the customer's pre-selected reload amounts.
Collar Counties	The five counties identified in the RTA Act. Collar (or suburban) counties include Will, Kane, DuPage, Lake, and McHenry.
Corridor	A defined metropolitan area considered for significant transportation projects such as highway improvements, bus transitways, rail lines, bikeways, etc.
CPI	Consumer Price Index. A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e. economic inflation).
Deferred Operating Assistance	Operating funds remaining from a prior year as a result of a budget surplus that can be used to cover shortfalls or capital expenditures in future years. Spending is allowed only after RTA budgetary approval.
Demand Response	A type of transit service where an individual passenger can request transportation from a specific location to another specific location at a certain time. CTA's demand response service is provided by a third party contract vendor.
Depreciation	The allocation of the acquisition cost of a fixed asset to each period benefited by the asset based on a limited useful life of the fixed asset.

20 Glossary

Discretionary Funds	Funds that the RTA allocates, at its discretion, to the service boards.
Fare	The amount charged to passengers for bus, rail and paratransit services.
Farebox	Equipment used for the collection of bus fares.
Farecard	Electronic fare media used for payment of fares.
Financial Plan	In addition to an annual budget, the Regional Transportation Authority Act, amended in 1983, requires that all transit agencies prepare a financial plan encompassing the two years subsequent to the budget year. This provides a three-year projection of expenses, revenues, and public funding requirements.
Fiscal Year	The calendar year is the fiscal year for the CTA.
Fixed Route Service	Buses that operate according to fixed schedules and routes.
FTA	Federal Transit Administration. The FTA is the federal agency which helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial and planning assistance to help plan, build, and operate rail, bus and paratransit systems.
Full Funding Grant Agreement (FFGA)	The FFGA defines the project, including cost and schedule; commits to a maximum level of federal financial assistance (subject to appropriation), establishes the terms and conditions of federal financial participation covers the period of time for completion of the project and helps to manage the project in accordance with federal law. The FFGA assures the grantee of predictable federal financial support for the project while placing a ceiling on the amount of that federal support.
Fund Balance	The cumulative amount that has not been used by which total revenues (including Public Funding) exceed (or are exceeded by) total expenses over a series of years. Annual budget surpluses (or deficits) generally add to (or subtract) from the Fund Balance. This balance is available to fund current or future operating or capital needs.
Funding (Budget) Marks	The Regional Transportation Authority Act, as amended in 1983, calls for RTA to advise each of its Service Boards by September

20 Glossary

15th of its required revenue recovery ratio for the subsequent year, and the public funding to be available. These figures are referred to as budget marks.

GDP	Gross Domestic Product. A measure of economic activity, it is the amount of goods and services produced in the United States in a year. It is calculated by adding together the market values of all of the final goods and services produced in a year and reported by the Bureau of Economic Analysis.
Headway	The time span between service vehicles (bus or rail) on specified routes. Sometimes called frequency.
Heavy Rail	High speed passenger rail cars and trains operating on fixed rails in separate rights-of-way from which all other vehicular and foot traffic is excluded.
Illinois FIRST	State legislation referred to as “Illinois First” - a Fund for Infrastructure, Roads, Schools and Transit is a five year public works program.
Infrastructure	The basic installations and facilities on which the continuance and growth of a community depend. For the CTA, this means such facilities as elevated structure, stations, track, repair shops, bus garages, rail terminals, and power substations, etc.
In-Kind Service	Refers to services provided at no cost to the CTA. For example, the City of Chicago provides dedicated security forces to the CTA at no cost to the CTA.
Intermodal	Transportation by more than one mode (bus, train, etc) during a single journey.
Labor Base	Labor expense for time actually worked. It excludes holidays, sick time, and vacation time.
Labor Load	The cost of fringe benefits. The burden includes group health insurance, paid time off, FICA, workers compensation, and retirement obligations.
Metra	The Commuter Rail Division of the RTA responsible for the day-to-day operation of the region’s commuter rail transit service with the exception of those services provided by the CTA. Metra was created in 1983 by an amendment to the RTA Act.

20 Glossary

Non-Operating	Expenses funded with capital grants.
Non-Revenue Vehicle	Vehicles that do not carry fare paying passengers that are used to support transit operations.
Off Peak	Non rush hour time periods.
Operating Budget	Annual revenues and expenses forecast to maintain operations.
Operating Expenses	Costs associated with the operation of the transit agency. Examples of operating expenses include fuel, maintenance supplies, labor, professional fees, and office supplies.
Operating Revenues	Revenues generated from transit services and from other activities directly related to operations.
Owl Service	Service that is provided continuously between midnight and 5 a.m. Owl Service is provided only on routes that run 24-hour service.
Pace	The Suburban Bus Division of the RTA responsible for all non-rail suburban public transit service with the exception of those services provided by the CTA. Pace was created in 1983 by an amendment to the RTA Act.
Paratransit Service	Non-fixed route paratransit service utilizing vans and small buses to provide pre-arranged trips to and from specific locations within the service area to certified participants in the program. Paratransit includes demand-response transportation services, subscription bus services and shared-ride taxis. Most often refers to wheelchair-accessible, demand-response van service.
Pass	Type of discounted media for fare payment which offers unlimited rides for a specified period of time. Examples include 30-day pass, 7-day pass and visitor's pass.
Passenger Miles	The cumulative sum of the distances traveled by passengers.
Peak	Rush hour time periods, typically defined as 6:00 a.m. through 9:00 a.m. and 3:00 p.m. through 6:00 p.m., Monday through Friday.
Platform Time	The period of time in which a transit vehicle is in operation. Platform time contains time that buses are in revenue service and

20 Glossary

time required to support revenue service, for example time from a garage to the beginning of a route.

Positive Budget Variance	Calculated as the difference between a service board's budgeted and actual deficit, a positive budget variance results when the actual deficit is less than budgeted. Since the RTA funds the budgeted deficit, a positive budget variance represents available funds for the service boards.
Public Funding	Funding received from the RTA.
Purchase of Paratransit Service	The cost of providing door-to-door to certified participants in the paratransit program.
Recovery Ratio	One of the key performance indicators, which measures the amount of operating expense that was recovered from operating revenues. The ratio is calculated as system generated revenues divided by operating expenses excluding depreciation and other exempt expenses. This ratio is calculated for each of the Service Boards and for the RTA region as a whole. The RTA Act mandates that the RTA region must attain an annual recovery ratio of at least 50 percent.
Reduced Fares	Discounted fare for children age 7 – 11, grade school and high school students (with CTA ID), seniors 65 and older (with RTA ID), and riders with disabilities (with RTA ID) except paratransit riders.
Reduced Fare Reimbursement	Reimbursements from the state that are made to the service boards for the difference between the actual cost and the reduced fares charged to students, the elderly and the disabled.
Revenue Bond	A certificate of debt issued by an organization in order to raise revenue. It guarantees payment of the original investment plus interest by a specified date. Debt service payment is secured by a specific revenue source.
Revenue Equipment	Includes vehicles that carry fare-paying passengers and equipment used for the collection of fares.
Ride	A trip taken by passengers on the bus or rail system.
Ridership (Unlinked Passenger Trips)	Each passenger counted each time that person boards a vehicle.
Rolling stock	Public transportation vehicles including rapid transit (rail) cars and buses.

20 Glossary

RTA	Regional Transit Authority. The RTA is the financial oversight and regional planning body for the three public transit operators in northeastern Illinois: the Chicago Transit Authority (CTA), Metra commuter rail and Pace suburban bus.
Run	Rail or bus operator's assigned work for the day.
Service Board	The Regional Transportation Authority Act, as amended in 1983, refers to the CTA, Metra commuter rail, and Pace suburban bus system as service boards.
Slow Zone	Sections of track where trains must reduce speed in order to safely operate rail service.
Special Service	A transportation service, as defined by the FTA, specifically designed to serve the needs of persons who, by reason of disability, are unable to use mass transit systems designated for the use of the general public.
SPTO	Part-time STO personnel that are restricted to weekend work, at a lower pay rate, and who do not receive fringe benefits from the CTA.
STO	The portion of labor that represents Scheduled Transit Operations. This classification includes bus operators, motormen, conductors, and customer assistants.
System Generated Revenue	Revenue generated internally by CTA. Includes fares, charter, revenue, advertising, investment income, income from local governments per a provision of the Regional Transportation Authority Act, and a subsidy for reduced fare riders per 1989 legislation.
Shift	A part of the daily working schedule of a transit employee. Also considered as a trick.
Taxi Access Program	Allows "ADA Paratransit Certified" customers to travel in specially designated Chicago taxicabs at reduced rates anywhere in Chicago.
TEA – 21	Federal transportation package which reauthorized the Federal Transit Program for eight years (1998-2005). Grants can pay up

20 Glossary

to 80 percent of a capital project, with the remaining 20 percent funded from local sources.

Top Operator Rate	The top hourly rate paid to Bus Operators and Rail Operators, based on employee seniority within the job, as specified by the union contract.
Transit Benefit Program	Program which allows employees to pay for transit using pre-tax income.
Trip	<i>Bus</i> - one-way bus trip. <i>Rail</i> - one-way train trip from originating terminal to destination terminal.
Unlinked Passenger Trip	Each boarding of a transit vehicle by a passenger is defined as an unlinked passenger trip. A single journey by one passenger, consisting of one or more unlinked boardings is considered a linked trip.
Vehicle Revenue Hours	The hours that vehicles travel while in revenue service. Vehicle revenue hours include layover/recovery time but exclude travel to and from storage facilities, training operators prior to revenue service, road test and deadhead travel, as well as school bus and charter services.
Vehicle Revenue Miles	The miles that vehicles travel while in revenue service. Vehicle revenue miles exclude travel to and from storage facilities, training operators prior to revenue service, road tests and deadhead travel, as well as school bus and charter services.
Warranty & Credits	Reimbursement for repairs covered by manufacturers warranty agreements.

Distinguished Budget Presentation Award

2005 marked the 15th consecutive year that CTA has received the distinguished budget award from the Government Finance Officers Association (GFOA) for excellence in budget presentation. To receive this award, the budget document must meet program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. We believe the 2006 budget document continues to satisfy the award criteria and are again submitting it to GFOA for 2006.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

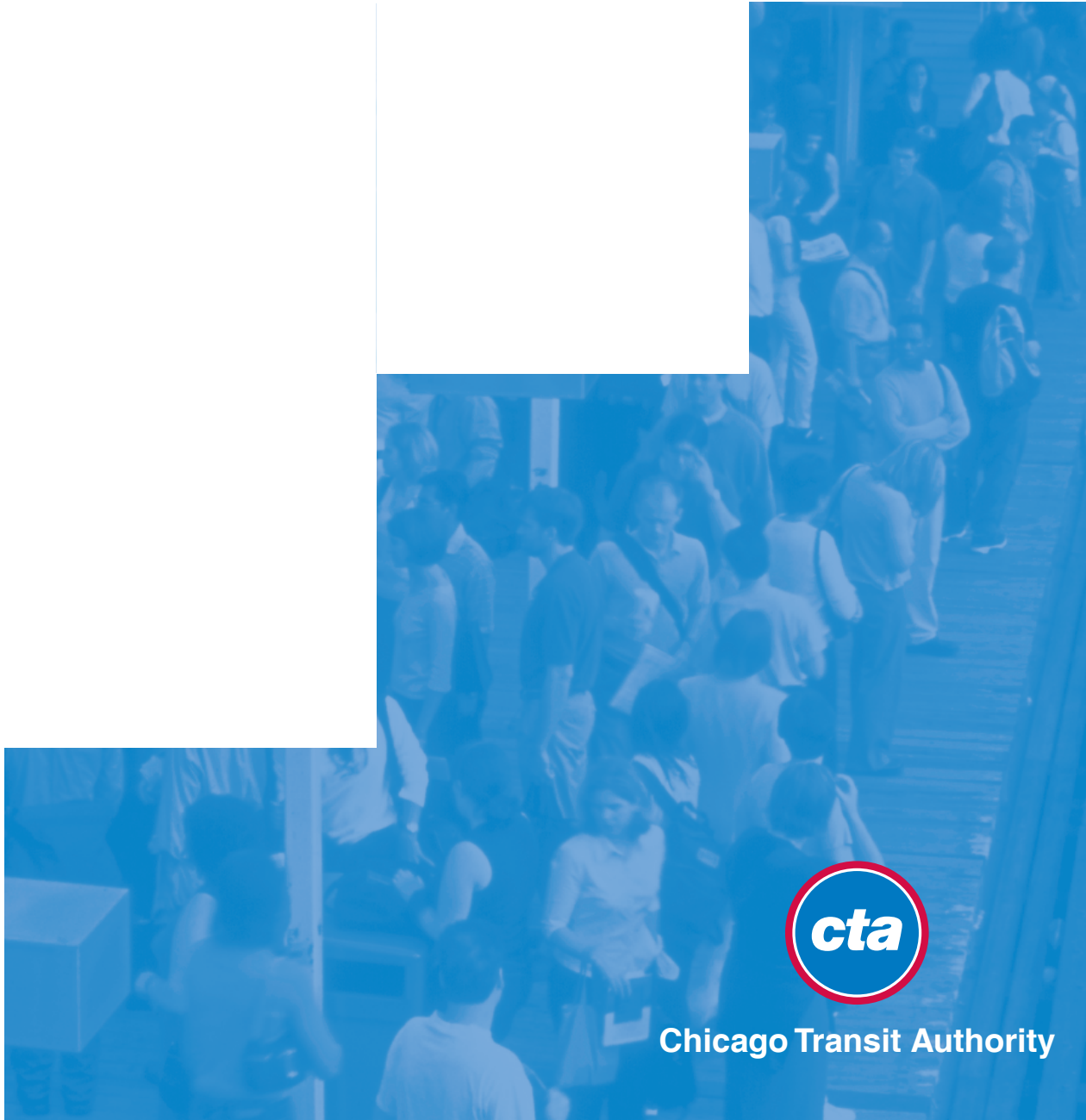
**Chicago Transit Authority
Illinois**

For the Fiscal Year Beginning

January 1, 2005

Norman Zeller
President

Jeffrey R. Egan
Executive Director



Chicago Transit Authority