

Budget Briefing Book

Proposed

*2007 Budget and Two-Year Financial Plan
and
Five-Year Capital Program*

October 2006

Executive Summary

The upcoming year will prove to be an extremely difficult year to achieve a balanced budget. Overall cost pressures – particularly relating to fuel, security, labor, healthcare, and electricity – look to increase the system's \$1.7 billion operating expenses. Even a modest increase pushes costs up by millions – with items such as paying CTA healthcare out of the operating budget potentially adding another \$70 million. A reasonable increase in revenues will only offset a portion of the cost pressure. The projected growth in sales tax – our largest source of funding – will not keep pace with the additional costs.

In addition, ADA paratransit demand is projected to rapidly increase the cost of that service. We must allocate sufficient funds to provide service to the disabled community. The State Legislature has expressed a strong interest in ensuring that transportation services are available for people with disabilities, by appropriating funding to the RTA in each of the past two years to cover a portion of the region's cost in providing ADA paratransit service. The Legislature also has required that the RTA, in cooperation with Pace, CTA and IDOT, develop a paratransit funding plan to identify additional funding sources and cost efficiencies for paratransit. That funding plan is due to the Legislature by April 1, 2007, but we plan to have it completed in 2006 so its results can be incorporated into the 2007 paratransit program. Furthermore, the RTA and Pace entered into a Memorandum of Understanding in June 2006, which reflected our shared objective of having a well-coordinated and efficient paratransit system. The paratransit funding mark therefore reflects this ongoing interest by the State, Pace and RTA in ensuring that service for people with disabilities is adequately funded, that all funding options be explored, and that service be operated as efficiently as possible.

To address this dire situation and make the case for public transportation, the RTA, CTA, Metra, and Pace have joined forces in *Moving Beyond Congestion* – a forward-looking view of what transit can do to improve the mobility in America’s transportation hub. We expect this effort to have the result of providing us with the resources we need not just to balance our operating budgets, but to invest in the valuable public transportation system of the region – to keep it in good repair and to address the growing needs and changing demographics of the region.

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Section I

Operating Funds

Operating Funds

Overview

The Regional Transportation Authority (RTA/Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in northeastern Illinois as set forth by the *RTA Act*. The *Act* designates the Agency as the primary public body in the region to secure funds for public transportation. The Agency is authorized to impose taxes in the region, issue debt, and is responsible for the allocation of federal, state and local funds to finance both the operating and capital needs of public transportation in the region. The RTA Board of Directors governs the Agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra commuter rail and Pace suburban bus, have operational responsibility (set fares and provide service) for public transportation within the six-county region and are governed by their own boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region and Pace provides bus service in the suburbs and between the suburbs.

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

In September, the RTA Board approves ordinances that establish the operating (Section I) and capital program (Section II) marks for each Service Board. The operating marks include the recovery ratio for the annual budget, and operations funding for the annual budget and two-year financial plan. The capital marks set funding levels for the five-year capital program. The marks guide the Service Boards' budgetary process. Each Service Board prepares and publishes, for public hearing and comment, a comprehensive

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budget document that is to conform to the RTA marks. After considering public comment, the CTA, Metra and Pace board members adopt their respective budgets. In November, those budgets are forwarded to the RTA, which consolidates the Agency and the Service Board budgets into a proposed RTA budget document. The RTA Board distributes this document for public hearing and comment before adoption in December.

Section III provides a summary of the RTA's statement of revenue and expenditures proposed for the 2007 Budget and 2008 -2009 financial plan. Section IV provides regional sales tax and demographic data.

Environment

Since the RTA established the 2006 budget and 2007-2008 financial plan in December 2005, the economic climate both locally and nationally has shown some improved results, especially in the areas of employment and consumer spending, despite international events and rising fuel prices. Through June, the region's sales tax revenues for 2006 have increased 7.0% compared to the first six months of 2005. However, the U.S. gross domestic product (GDP), the value of all goods and services produced, increased at a 2.5% annual rate during the second quarter of 2006, after expanding at a 5.6% annual rate during the first quarter of 2006 and 3.2% during all of 2005. During the second half of the year, the economy is expected to continue to slow as higher gasoline prices cause consumers to spend less on other goods and services. In August, Illinois motorists paid an average of \$3.15 per gallon for regular unleaded gasoline, an increase of \$0.52 or 19.8% from August 2005. U.S. employers added 113,000 workers to payrolls in July following a gain of 124,000 jobs in June. The national unemployment rate rose 4.6% in June to 4.8% in July, the first increase since November 2005. The June unemployment rate in Illinois and Chicago were 0.1 percentage points less and greater, respectively, than the national unemployment rate

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during the same month. Between July 2005 and June 2006, the Chicago area unemployment rate fell from 6.2% to 4.7%, while the national unemployment rate declined from 5.0% to 4.6%.

On August 8, the Federal Reserve Open Market Committee (FOMC) held the federal funds rate at 5.25%, the highest level since March 2001, ending a record two-year run of consecutive quarter percent point increases. While allowing for further increases in the benchmark rate, the FOMC indicated that the decline in economic growth caused by the softening of the housing market and increases in energy prices contributed to the committee's decision.

Service Board costs continue to increase, especially fuel and security-related expenses. June year-to-date fuel charges at the Service Boards increased 25.6% over prior year, while total expenses have risen 8.9%. From a revenue standpoint, June year-to-date farebox revenue at the Service Boards declined 2.5% at Pace, while rising 12.6% and 14.9% at the CTA and Metra, respectively. Total revenue at the Service Boards has risen 9.9%. On January 1, 2006, the CTA raised its bus and rail cash fare from \$1.75 to \$2.00 per boarding and eliminated cash transfers. The CTA also raised its rail fare from \$1.75 to \$2.00 when purchased with stored value magnetic strip cards. Effective April 1, 2004, the CTA discontinued the 10% bonus on stored value transit cards. The CTA raised its base fare in January 2004 for the first time since 1991. In February 2006, Metra raised its fares by approximately 5%. Metra also raised fares in June 2002. Pace increased fares in 2001.

The magnitude of continued capital funding remains uncertain. Uncertainty remains as to whether the State will reauthorize IDOT bonds in 2007 or initiate a new initiative to replace the SCIP program.

Budget Process

On September 14, 2006, the RTA Board adopted an ordinance (included in this section), which sets 2007 farebox recovery ratios and 2007-2009 funding marks for the three Service Boards. “Marks” represent the amount of funds that each Service Board can expect to receive from the RTA and other sources. The *RTA Act* provides that Service Board budgets and plans shall not project or assume receipt of revenues from the RTA in amounts greater than those set forth in these estimates.

Between the date on which the RTA Board sets its marks and November 15, the Service Boards will prepare detailed budgets and financial plans that conform to the approved funding marks and recovery ratios, and which do not project or assume funding from the RTA in excess of the marks established in the ordinance. By November 15, after holding public hearings, the Service Boards must submit their budgets and plans to the RTA. The RTA will hold public hearings throughout the region on December 12, 2006 and make County Board presentations on a consolidated budget and plan. The RTA Board will then consider the consolidated budget and financial plan at its meeting on December 15, 2006. The RTA Board is authorized to adopt such consolidated budget and plan if it meets the following criteria set out in Section 4.11 of the RTA Act:

The budget and plan show a balance between anticipated revenues from all sources, including operating subsidies, and the costs of (i) providing the services specified and (ii) funding any operating deficits or encumbrances incurred in prior periods, including provision for payment when due of principal and interest on outstanding indebtedness;

The budget and plan show cash balances, including the proceeds of any anticipated cash flow borrowing, sufficient to pay with reasonable promptness all costs and expenses incurred;

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The budget and plan provide for a level of fares or charges and operating or administrative costs for the public transportation provided by, or subject to the jurisdiction of, each Service Board sufficient to allow the Service Board to meet its required system-generated revenue recovery ratio;

The budget and plan are based upon and employ assumptions and projections which are reasonable and prudent;

The budget and plan have been prepared in accordance with sound financial practices as determined by the RTA Board; and

The budget and plan meet such other financial, budgetary, or fiscal requirements that the RTA Board may by rule or regulation establish.

ORDINANCE NO. 2006-50
AN ORDINANCE ESTABLISHING ESTIMATES OF AMOUNTS
AVAILABLE TO THE SERVICE BOARDS
FOR 2007-2009 AND THE REQUIRED RECOVERY RATIOS FOR 2007
Adopted September 14, 2006

WHEREAS, Section 4.11(a) of the Regional Transportation Authority Act (the "Act"), requires that the Regional Transportation Authority (the "RTA"), on the basis of estimates of receipts from taxes imposed by the RTA and of estimates of amounts expected to be available from the State and other sources: (1) advise each Service Board of the amounts estimated to be available to it during the next fiscal year and the two following fiscal years and the times at which such amounts will be available; and (2) advise each Service Board of the system-generated revenues recovery ratio ("recovery ratio") it is required to achieve for the next fiscal year; and

WHEREAS, Section 4.11(b) of the Act directs each Service Board to submit its proposed budget for the next fiscal year and its proposed financial plan for the following two fiscal years in conformity with such actions by the RTA; and

WHEREAS, the amounts available to the Service Boards for 2007-2009 are predicated on the RTA receiving from the State of Illinois funding for Reduced Fare Reimbursement; and

WHEREAS, the amounts available to Pace for 2007 – 2009 are predicated on the RTA continuing to receive funding from the State of Illinois for ADA paratransit services and other costs and services and are also predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit funding plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of the RTA Act; and

WHEREAS, the amounts available to the Service Boards for operations in 2007 – 2009 are predicated on securing additional funding, and to the extent that such additional funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares; and

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WHEREAS, the RTA recognizes that the Chicago Transit Authority (the "CTA") and the Suburban Rail Division ("Metra") have taken measures to protect their operations from terrorism and consequently have incurred significantly higher security costs, and moreover the RTA has determined that it is in the best interests of public transportation in the region to exclude certain amounts of security costs for purposes of calculating the CTA and Metra recovery ratios, thereby providing the CTA and Metra with a period of time to balance such higher security costs within their respective budgets; and

WHEREAS, the RTA desires to continue to facilitate the integration of fare media accepted for fare payment by the Suburban Bus Division ("Pace") and the CTA by funding a portion of Pace's costs in providing service to riders using the CTA 7-day pass, U-pass, and Visitor/Fun (1-day, 2-day, 3-day and 5-day) passes (collectively, the "Additional Passes"), in addition to any CTA fare media that are already accepted by Pace; and

WHEREAS, the RTA has considered current and projected economic conditions in its development of estimates of amounts expected to be available for expenditure for public transportation purposes in the metropolitan region in the fiscal years 2007, 2008 and 2009; and

WHEREAS, the RTA has taken into account the needs for, and the costs of, public transportation in the region.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY that:

1. The RTA hereby advises the Service Boards that the amounts shown in Exhibit A, Schedule I, "Total Funds for Service Board Operations," of this Ordinance are estimated to be available for operating purposes for the CTA, Metra, Pace, and ADA paratransit services respectively, for 2007, 2008 and 2009, provided that the RTA determines that the Service Boards' respective budgets and financial plans for 2007, 2008 and 2009 satisfy the provisions of Section 4.11 of the Act.
2. The Service Boards are hereby directed to develop and submit to the RTA, as part of the documents that the Act requires the Service Boards to submit to the RTA by November 15, 2006, their proposed budgets for 2007 and proposed financial plans for 2008 and 2009, which budgets and plans shall not project or assume a receipt of revenues from the RTA for operations in 2007, 2008 and 2009 in amounts greater than those set forth in Exhibit A, Schedule I, "Total Funds for Service Board Operations."

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3. The required recovery ratios for 2007 for the CTA, Metra, Pace, and ADA paratransit services are set forth in Exhibit B, Schedule II, "2007 Recovery Ratios."
4. The times at which the receipts from taxes imposed by the RTA and other amounts expected to be available from the State and other sources for operating purposes for 2007 are estimated to be available to the Service Boards are set forth in Exhibit B, Schedule III, "2007 Estimated Cash Flow for RTA Sales Tax and RTA Discretionary Funds".
5. Nothing in this Ordinance estimating amounts available to the Service Boards is intended to or shall have the effect of waiving any discretion the RTA may have under law to appropriate amounts available to the Service Boards, subject to compliance by the Service Boards with terms and conditions established by the RTA.
6. The Executive Director is authorized and directed to inform each of the Service Boards of the amounts, times and ratios established by this Ordinance promptly after enactment of this Ordinance.

Exhibit A

Schedule I
Total Funds for Service Board Operations
(dollars in thousands)

	2007	2008	2009
CTA Operating Funds	580,349	655,400	775,933
Metra Operating Funds	267,924	270,253	278,548
Pace Operating Funds	112,416	117,039	124,330
ADA Paratransit Operating Funds	81,810	91,627	99,893

The amounts available to the Service Boards for operations in 2007 – 2009 are predicated on securing additional funding, and to the extent that such additional funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares. Pace's amount includes separate RTA Discretionary Funds to Pace for a portion of Pace's cost in providing services to riders using CTA passes ("Additional Passes"). The ADA Paratransit Operating Funds figure includes additional RTA Discretionary Funds sourced from Additional State Funding for the costs of ADA Paratransit services and other costs or services, and is also predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit funding plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of the RTA Act.

Exhibit B

Schedule II
2007 Recovery Ratios

	CTA	Metra	Pace	ADA Paratransit
Recovery Ratio %	52.0%	55.0%	36.0%	10.0%

The CTA figure includes Chicago Police Department (CPD) "in-kind" revenue and expense. The RTA Act allows certain expenses to be excluded from the recovery ratio calculation including security, depreciation and facility leases. In addition, Ordinance 2005-06 authorized the exclusion of additional security costs from Service Board expenditures. These exclusions are reflected in the CTA and Metra recovery ratio calculation. The Pace figure includes under contract, RTA discretionary funds for "Additional Passes", and ADvAntage "in-kind" revenue and expense.

Schedule III
2007 Estimated Cash Flow

for RTA Sales Tax and RTA Discretionary Funds

(dollars in thousands)

	CTA	Metra	Pace
January	37,534	19,937	6,558
February	38,264	21,047	6,905
March	42,471	25,354	8,259
April	36,017	18,919	6,200
May	37,099	19,440	7,355
June	38,162	20,803	6,646
July	38,134	20,958	6,709
August	38,749	21,390	7,853
September	54,154	22,757	20,695
October	53,093	21,447	20,281
November	53,841	22,810	21,706
December	53,129	21,070	20,167
Total	520,647	255,931	139,333

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Capital Funds

Capital Funds

Budget Process

On or before September 15 of each year, the RTA Board adopts the preliminary Capital Program marks. On September 14, 2006, the RTA Board adopted an ordinance establishing the preliminary 2007-2011 Capital Program marks. The purpose of the marks is to allocate among the Service Boards the estimated federal and other funds available to the region for capital investment purposes. On June 22, 2006, the RTA issued the 2007-2011 Capital Program preparatory marks that established the Service Boards' Capital Program funding targets, including the RTA's estimates of federal and local funding. The federal funding levels for 2007 through 2009 in these marks were based on the Safe, Accountable, Flexible, and Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU). This bill, signed into law by President Bush on August 10, 2005, provided \$286.4 billion in guaranteed funding for federal surface transportation programs over six years through federal fiscal year (FFY) 2009 with \$52.6 billion for federal transit programs. The 2010 and 2011 federal funding amounts have been projected based on the funding increases for 2007 through 2009 in the SAFETEA-LU. The proposed preliminary marks are detailed in the ordinance included later in this section.

Federal Funding Overview

The SAFETEA-LU authorized transit funding through FFY 2009. For planning purposes, the RTA preliminary marks assume the continued availability of federal funds in 2010 and 2011. On June 14, 2006, the House passed its version of the FFY 2007 Transportation Appropriations bill. On July 20, 2006, the Senate Committee on Appropriations approved its version of the FFY 2007 Transportation, Treasury, and Housing and Urban Development, the Judiciary, and Related Agencies Appropriations bill. The

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Senate bill funds Federal Transit Administration (FTA) programs at an \$8.875 billion level, a 4.4 percent increase over the final amount appropriated for FFY 2006. At present, Congress appears unlikely to complete action on the FFY 2007 Transportation Appropriations bill until after the mid-term elections on November 7, 2006. While both houses of Congress will return to session during the week of September 4, 2006, they are expected to adjourn again in late September for the upcoming elections. Since the Senate is not expected to bring the Appropriation Committee-approved bill to the floor during the short September session, it is unlikely that the final FFY 2007 Transportation Appropriations bill will be completed until a "lame duck" session scheduled to begin the week of November 13, 2006. Under this scenario, Congress will need to pass a continuing resolution in late September to provide funds for the new fiscal year that begins on October 1, 2006. Once federal 2007 funds are appropriated and local funding decisions are finalized, the 2007-2011 Capital Program Marks will be revised if necessary.

Certain federal funding programs are allocated to urbanized areas based on statutorily defined formulas. The RTA region receives Section 5307 Urbanized Area Formula funds and Section 5309 (m)(2)(B) Fixed Guideway Modernization funds in this fashion. SAFETEA-LU included a new program, Section 5340 Growing and High Density States, also distributed by formula that will provide monies to Northeastern Illinois. All of these formula-based funds are allocated by the RTA to the Service Boards according to the historical distribution of 58 percent to the CTA, 34 percent to Metra, and 8 percent to Pace.

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

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commitments. The Section 5309 (m)(2)(A) New Start and Section 5309 (m)(2)(C) Bus and Bus Facility capital funding are often earmarked in federal legislation. The Section 5309 (m)(2)(A) New Starts funding includes funds to complete the two CTA projects currently underway as earmarked in SAFETEA-LU. Further, funds are programmed for additional New Starts system expansion projects also as identified in SAFETEA-LU. The funds programmed at this time will support engineering and environmental study activities. In addition, the Federal Flexible funds, such as the Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP) funds, are sought by the Service Boards through a regional competitive process.

In addition, other federal funds will be made available to the region by formula but may be allocated among a variety of agencies, including but not limited to transit operators, on a competitive basis. These programs include the Section 5316 Job Access and Reverse Commute (JARC) Program and Section 5317 New Freedom Program (for services supplemental to ADA requirements). Since projects using funds for these programs will be selected in 2007 based on a competitive selection process coordinated by the RTA and the Chicago Area Transportation Study (CATS) no funding marks have been proposed at this time. In 2007, the RTA Capital Program marks will be amended to include JARC and New Freedom funding for capital projects only. Note, in 2006, the February 3, 2006 *Federal Register* allocated \$3.3 million for Section 5316 JARC Program and \$2.3 million for Section 5317 New Freedom Program funding for Northeastern Illinois. These allocations exclude pending negotiated JARC and New Freedom amounts for Northeastern Indiana and Southeastern Wisconsin. The project selection for 2006 program is underway. In 2007, the RTA estimates that these amounts will slightly increase over 2006 funding levels to \$3.5 million

and \$2.4 million respectively. The estimated 2007-2011 federal funding marks are detailed in ordinance.

Local Funding Overview

State of Illinois Transportation Funds

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

RTA Funds

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

The RTA's Five-Year Capital Marks contain no additional SCIP or RTA Bond funds since there has been no legislation passed to extend the RTA's SCIP or RTA bond program. Note that any additional bonding authority would require State legislation, as well as a funding source to pay debt service on any additional bonds that were authorized to be issued.

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In 1995, the RTA began funding a new Transfer Capital (TC) program that utilizes funds available for operations to be used for capital investments. The 2007-2011 Capital Program includes \$101.8 million for the CTA from Transfer Capital funds.

Service Board Funds

Five-year funding for this category includes local community and other funding based on information supplied by Metra.

CTA Financing

The funds available for the CTA's capital projects for 2007-2010 include debt issuance of \$425 million. The ordinance reflects the CTA financing in 2007, 2008 and 2010. Further, the Capital Marks were reduced by \$385.1 million to reflect the CTA's proposed use of Section 5307 funds for interest and debt repayment.

Tollway Revenue Credits

Due to the lack of SCIP funding and IDOT Bonds, the Service Boards are left with no local funds available to provide a local match for federal funding in 2007. Therefore, the Service Boards, as a temporary solution, may exercise the toll revenue credit provision that was established in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), incorporated in TEA-21 and continued in SAFETEA-LU. The toll revenue credit provision permits states to use certain expenditures of toll revenue as a "credit" toward the required local match for certain highway and transit programs. These credits are not actually funds that can be used; rather they are a mechanism to count toll revenues already spent for tollway capital projects as local matching dollars for federal capital funds for transit.

Transfer to Operating

The Capital Marks have not been reduced to reflect the Service Boards' use of Section 5307 Urbanized Area Formula and Section 5309 Fixed Guideway Modernization funds for their operating budgets for the capital cost of providing paratransit services, ADA complementary services and preventive maintenance. However, these funds may have to be reduced in the future if additional operations funding or deficit reductions are not obtained. The estimated 2007-2011 local funding marks are detailed in the ordinance.

Public transportation represents a good investment. Its congestion-reducing ability delivers a very favorable impact on its operating area—particularly true in the Northeastern Illinois region, which in turn has a positive impact on the state and the nation. The favorable impact to business works to create jobs and increase per capita income.

Unfortunately, the current transit resources are not growing fast enough to keep pace with ridership demands and growing local needs. In addition, the Service Boards have been forced to use capital funds for operating expenses to make ends meet for the past few years. This is not sustainable and certainly not a recipe for growth.

Public transportation gets cars off the road, and thereby reduces air pollution and improves the quality of life. Transit provides mobility to the disabled and access to jobs for those without other means to work. So transit benefits those who use it—and those that don't—and thereby requires sufficient on-going funding.

**ORDINANCE NO. 2006-52
AN ORDINANCE ESTABLISHING
THE 2007-2011 CAPITAL PROGRAM MARKS
Adopted September 14, 2006**

WHEREAS, Section 2.01(c) of the Regional Transportation Authority Act (the “Act”) requires the Regional Transportation Authority (the “Authority” or the “RTA”), in consultation with the Service Boards, to annually prepare and adopt a Five-Year Program listing anticipated capital improvements exceeding \$250,000; and

WHEREAS, such a Five-Year Program must be based on an estimate of funds available for capital projects for calendar years 2007-2011 from all sources including Federal, State, Authority-funded programs and Service Board-generated funds; and

WHEREAS, the amounts available to the Service Boards for operations in 2007 – 2009 are predicated on securing additional funding, and to the extent that such additional funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses; and

WHEREAS, the RTA Board has determined that it is desirable and in the best interests of the RTA to authorize the implementation of capital improvement projects by the Chicago Transit Authority (the “CTA”) pursuant to a financing plan; and

WHEREAS, the CTA is preparing a financing plan providing for the issuance of \$425 million of bonds in 2007, 2008 and 2010 backed by federal Section 5307 and/or Section 5309 formula funds.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY that:

- 1) The amounts estimated to be available for capital projects for calendar years 2007-2011 are set forth in Attachment 1. Such estimates assume the appropriation of Federal and State funding and the availability of additional resources for the Authority.

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- 2) The RTA Board hereby acknowledges that the CTA is developing a financing plan to enable the implementation of capital improvement projects. Any obligations for borrowings contained in the financing plan prepared by the CTA must be payable from and secured solely by CTA federal Section 5307 and/or Section 5309 formula funds, any local share identified in a Five-Year Program, proceeds of the borrowings, investment earnings on the borrowings, customary reserve funds, and bond insurance or other credit enhancements related to the borrowings. However, except as otherwise provided in this paragraph, any obligations related to such borrowings may not be payable from or secured by sales tax, Public Transportation Fund or other revenues of the RTA.
- 3) The RTA Board hereby directs RTA staff to work with the CTA to review the financing plan and relevant information relating to the CTA's borrowings and to report back to the RTA Board. The CTA will supply RTA staff, in a timely manner, additional information relating to the financing plan and the borrowings, including, but not limited to, drafts of the financing plan, preliminary official statements, official statements, and other customary and reasonable information.
- 4) This Ordinance does not waive any discretion the Authority may have under law to appropriate such amounts as may become available to the Service Boards after the adoption of this ordinance.
- 5) The Executive Director is hereby authorized and directed to inform each of the Service Boards of the amounts and purposes of available funding sources promptly after adoption of this Ordinance.

Summary - 2007 Capital Program Preliminary Marks

(dollars in thousands)

Capital Fund Sources	2007	2008	2009	2010	2011	Total
Federal	501,286	439,976	488,215	442,443	466,947	2,338,867
State	-	-	-	-	-	-
RTA	20,353	20,353	20,353	20,353	20,353	101,765
Service Board	159,066	180,745	31,234	180,831	31,647	583,523
Total	680,705	641,074	539,802	643,627	518,947	3,024,155
Debt Repayment	(30,337)	(56,831)	(95,304)	(95,303)	(107,341)	(385,116)
Total Available For Capital Program	650,368	584,242	444,498	548,325	411,606	2,639,039

Federal sources include formula and discretionary funds. Funds for system expansion will complete projects under construction but do not include funds for new projects beyond 2007. **State sources** are not included since no new state funds have been appropriated since 2004. **RTA sources** are limited to discretionary grants from general funds. All SCIP bonding authority has been exhausted. **Service Board sources** include Service Board bonding, discretionary funds from operations and funds from other local government grants.

Section II

Ordinance Schedules

Attachment 1
September 14, 2006

2007-2011 CAPITAL PROGRAM PRELIMINARY MARKS

		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
CTA	FTA						
	§5309(m)(2)(A)	\$ 64,953,675	\$ 40,000,000	\$ 65,948,615	\$ 0	\$ 0	\$ 170,902,290
	§5309(m)(2)(B)	87,745,187	92,915,358	96,987,045	101,791,055	106,411,984	485,850,629
	§5309(m)(2)(C)	0	0	0	0	0	0
	§5339 Alternative Analysis	14,100,000	0	0	0	0	14,100,000
	§5307/§5340	<u>122,545,497</u>	<u>133,087,409</u>	<u>141,727,895</u>	<u>151,635,998</u>	<u>161,227,197</u>	<u>710,223,996</u>
	Subtotal FTA	<u>289,344,359</u>	<u>266,002,767</u>	<u>304,663,555</u>	<u>253,427,053</u>	<u>267,639,181</u>	<u>1,381,076,915</u>
	Federal Flexible	0	0	0	0	0	0
	SUBTOTAL FEDERAL	<u>289,344,359</u>	<u>266,002,767</u>	<u>304,663,555</u>	<u>253,427,053</u>	<u>267,639,181</u>	<u>1,381,076,915</u>
	IDOT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Subtotal IDOT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	RTA	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Discretionary	0	0	0	0	0	0
	Transfer Capital (Discretionary)	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>101,765,000</u>
	Subtotal RTA	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>101,765,000</u>
	SB	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Transfer Capital (Sales Tax)	0	0	0	0	0	0
	Service Board Funds	0	0	0	0	0	0
	Local Community/Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Subtotal SB	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	SUBTOTAL LOCAL	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>20,353,000</u>	<u>101,765,000</u>
	SUBTOTAL CTA	<u>\$ 309,697,359</u>	<u>\$ 286,355,767</u>	<u>\$ 325,016,555</u>	<u>\$ 273,780,053</u>	<u>\$ 287,992,181</u>	<u>\$ 1,482,841,915</u>
	Deobligated Federal (§5307 & §5309A)	0	0	0	0	0	0
	Deobligated IDOT	0	0	0	0	0	0
	Deobligated RTA SCIP	0	0	0	0	0	0
	Subtotal Carryover/Deob	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	TOTAL CTA FUNDING	<u>\$ 309,697,359</u>	<u>\$ 286,355,767</u>	<u>\$ 325,016,555</u>	<u>\$ 273,780,053</u>	<u>\$ 287,992,181</u>	<u>\$ 1,482,841,915</u>
	CTA Debt Repayment Principal (§5307/§5340)	<u>(19,335,000)</u>	<u>(35,038,345)</u>	<u>(58,134,867)</u>	<u>(60,932,257)</u>	<u>(68,612,101)</u>	<u>(242,052,570)</u>
	CTA Debt Repayment Interest (§5307/§5340)	<u>(11,001,650)</u>	<u>(21,793,124)</u>	<u>(37,169,480)</u>	<u>(34,370,376)</u>	<u>(38,728,783)</u>	<u>(143,063,413)</u>
	NET CTA CAPITAL FUNDING	<u>\$ 279,360,709</u>	<u>\$ 229,524,298</u>	<u>\$ 229,712,208</u>	<u>\$ 178,477,420</u>	<u>\$ 180,651,297</u>	<u>\$ 1,097,725,932</u>
	CTA Financing	125,000,000	150,000,000	0	150,000,000	0	425,000,000
	TOTAL CTA AVAILABLE	<u>\$ 404,360,709</u>	<u>\$ 379,524,298</u>	<u>\$ 229,712,208</u>	<u>\$ 328,477,420</u>	<u>\$ 180,651,297</u>	<u>\$ 1,522,725,932</u>

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Ordinance Schedules

Attachment 1
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2007-2011 CAPITAL PROGRAM PRELIMINARY MARKS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
Metra FTA						
§5309(m)(2)(A)	\$ 49,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,000,000
§5309(m)(2)(B)	62,915,620	66,933,866	70,130,068	73,874,299	77,481,523	351,335,376
§5309(m)(2)(C)	3,506,184	3,798,366	3,944,457	0	0	11,249,007
§5339 Alternative Analysis	1,250,000	0	0	0	0	1,250,000
§5307/§5340	<u>60,358,230</u>	<u>65,550,515</u>	<u>69,806,276</u>	<u>74,686,386</u>	<u>79,410,409</u>	<u>349,811,816</u>
Subtotal FTA	<u>177,030,034</u>	<u>136,282,747</u>	<u>143,880,801</u>	<u>148,560,685</u>	<u>156,891,932</u>	<u>762,646,199</u>
Federal Flexible/Other	<u>443,520</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>8,443,520</u>
Subtotal Fed Flexible	<u>443,520</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>8,443,520</u>
SUBTOTAL FEDERAL	<u>177,473,554</u>	<u>138,282,747</u>	<u>145,880,801</u>	<u>150,560,685</u>	<u>158,891,932</u>	<u>771,089,719</u>
IDOT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal IDOT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
RTA	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Discretionary	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Transfer Capital (Discretionary)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal RTA	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
SB	<u>28,955,000</u>	<u>25,245,000</u>	<u>25,734,000</u>	<u>25,331,000</u>	<u>26,147,000</u>	<u>131,412,000</u>
Transfer Capital (Sales Tax)	<u>28,955,000</u>	<u>25,245,000</u>	<u>25,734,000</u>	<u>25,331,000</u>	<u>26,147,000</u>	<u>131,412,000</u>
Service Board Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Local Community/Other Funds	<u>5,110,880</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>27,110,880</u>
Subtotal SB	<u>34,065,880</u>	<u>30,745,000</u>	<u>31,234,000</u>	<u>30,831,000</u>	<u>31,647,000</u>	<u>158,522,880</u>
SUBTOTAL LOCAL	<u>34,065,880</u>	<u>30,745,000</u>	<u>31,234,000</u>	<u>30,831,000</u>	<u>31,647,000</u>	<u>158,522,880</u>
SUBTOTAL METRA	<u>\$ 211,539,434</u>	<u>\$ 169,027,747</u>	<u>\$ 177,114,801</u>	<u>\$ 181,391,685</u>	<u>\$ 190,538,932</u>	<u>\$ 929,612,599</u>
Deobligated Federal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deobligated IDOT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deobligated RTA SCIP	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deobligated SB/LLB/Local	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Carryover/Deob	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL METRA FUNDING	<u>\$ 211,539,434</u>	<u>\$ 169,027,747</u>	<u>\$ 177,114,801</u>	<u>\$ 181,391,685</u>	<u>\$ 190,538,932</u>	<u>\$ 929,612,599</u>

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Attachment 1
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2007-2011 CAPITAL PROGRAM PRELIMINARY MARKS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
Pace FTA						
§5309(m)(2)(A)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
§5309(m)(2)(B)	0	0	0	0	0	0
§5309(m)(2)(C)	3,462,112	1,017,288	1,244,876	0	0	5,724,276
§5307/§5340	29,005,611	31,172,795	32,926,199	34,955,456	36,915,750	164,975,811
Subtotal FTA	32,467,723	32,190,083	34,171,075	34,955,456	36,915,750	170,700,087
Federal Flexible	2,000,000	3,500,000	3,500,000	3,500,000	3,500,000	16,000,000
SUBTOTAL FEDERAL	34,467,723	35,690,083	37,671,075	38,455,456	40,415,750	186,700,087
IDOT	0	0	0	0	0	0
Subtotal IDOT	0	0	0	0	0	0
RTA	0	0	0	0	0	0
Discretionary	0	0	0	0	0	0
Subtotal RTA	0	0	0	0	0	0
SB	0	0	0	0	0	0
Transfer Capital (Sales Tax)	0	0	0	0	0	0
Service Board Funds	0	0	0	0	0	0
Lease-Leaseback	0	0	0	0	0	0
Subtotal SB	0	0	0	0	0	0
New Initiative	0	0	0	0	0	0
Subtotal New Initiative	0	0	0	0	0	0
SUBTOTAL LOCAL	0	0	0	0	0	0
SUBTOTAL PACE	\$ 34,467,723	\$ 35,690,083	\$ 37,671,075	\$ 38,455,456	\$ 40,415,750	\$ 186,700,087
Deobligated Federal	0	0	0	0	0	0
Deobligated IDOT	0	0	0	0	0	0
Deobligated RTA SCIP	0	0	0	0	0	0
Subtotal Carryover/Deob	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL PACE FUNDING	\$ 34,467,723	\$ 35,690,083	\$ 37,671,075	\$ 38,455,456	\$ 40,415,750	\$ 186,700,087

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Ordinance Schedules

Attachment 1
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2007-2011 CAPITAL PROGRAM PRELIMINARY MARKS

		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
Regional Total							
FTA	§5309(m)(2)(A)	113,953,675	40,000,000	65,948,615	0	0	219,902,290
	§5309(m)(2)(B)	150,660,807	159,849,224	167,117,113	175,665,354	183,893,507	837,186,005
	§5309(m)(2)(C)	6,968,296	4,815,654	5,189,333	0	0	16,973,283
	§5339 Alternative Analysis	15,350,000	0	0	0	0	15,350,000
	§5307/§5340	211,909,338	229,810,719	244,460,370	261,277,840	277,553,356	1,225,011,623
	Subtotal FTA	498,842,116	434,475,597	482,715,431	436,943,194	461,446,863	2,314,423,201
	Federal Flexible/Other	2,443,520	5,500,000	5,500,000	5,500,000	5,500,000	24,443,520
	Subtotal Fed Flexible	2,443,520	5,500,000	5,500,000	5,500,000	5,500,000	24,443,520
	SUBTOTAL FEDERAL	501,285,636	439,975,597	488,215,431	442,443,194	466,946,863	2,338,866,721
IDOT		0	0	0	0	0	0
	Subtotal IDOT	0	0	0	0	0	0
RTA	Discretionary	0	0	0	0	0	0
	Transfer Capital (Discretionary)	20,353,000	20,353,000	20,353,000	20,353,000	20,353,000	101,765,000
	Subtotal RTA	20,353,000	20,353,000	20,353,000	20,353,000	20,353,000	101,765,000
SB	Transfer Capital (Sales Tax)	28,955,000	25,245,000	25,734,000	25,331,000	26,147,000	131,412,000
	Service Board Funds	0	0	0	0	0	0
	Lease-Leaseback Funds	0	0	0	0	0	0
	Local Community/Other Funds	5,110,880	5,500,000	5,500,000	5,500,000	5,500,000	27,110,880
	Subtotal SB	34,065,880	30,745,000	31,234,000	30,831,000	31,647,000	158,522,880
	SUBTOTAL LOCAL	54,418,880	51,098,000	51,587,000	51,184,000	52,000,000	260,287,880
	SUBTOTAL ALL SERVICE BOARDS	555,704,516	491,073,597	539,802,431	493,627,194	518,946,863	2,599,154,601
	Deobligated Federal (§5307 & §5309A)	0	0	0	0	0	0
	Deobligated IDOT	0	0	0	0	0	0
	Deobligated RTA SCIP	0	0	0	0	0	0
	Subtotal Carryover/Deob	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	TOTAL SERVICE BOARDS FUNDING	\$ 555,704,516	\$ 491,073,597	\$ 539,802,431	\$ 493,627,194	\$ 518,946,863	\$ 2,599,154,601
	CTA Debt Repayment Principal (§5307/§5340)	(19,335,000)	(35,038,345)	(58,134,867)	(60,932,257)	(68,612,101)	(242,052,570)
	CTA Debt Repayment Interest (§5307/§5340)	(11,001,650)	(21,793,124)	(37,169,480)	(34,370,376)	(38,728,783)	(143,063,413)
	NET SERVICE BOARD CAPITAL FUNDING	\$ 525,367,866	\$ 434,242,128	\$ 444,498,084	\$ 398,324,561	\$ 411,605,979	\$ 2,214,038,618
	CTA Financing	125,000,000	150,000,000	0	150,000,000	0	425,000,000
	TOTAL SERVICE BOARDS AVAILABLE	\$ 650,367,866	\$ 584,242,128	\$ 444,498,084	\$ 548,324,561	\$ 411,605,979	\$ 2,639,038,618
	TOTAL REGIONAL CAPITAL FUNDING	\$ 650,367,866	\$ 584,242,128	\$ 444,498,084	\$ 548,324,561	\$ 411,605,979	\$ 2,639,038,618

Section III

Consolidated RTA Statements Of Revenues and Expenditures

Proposed 2007 Budget and Two-Year Financial Plan

Consolidated RTA Statement of Revenue and Expenditures

Overview

As previously discussed, each year the RTA Board must adopt an annual budget and two-year financial plan. A summary of the major line items on the RTA consolidated statement of revenue and expenditures, which can be reviewed at the end of this section, are outlined below.

Revenue

Sales Tax

The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, without appropriation, by the State Treasury on the order of the State Comptroller.

The sales tax is the equivalent of 1 percent on sales in Cook County and 0.25 percent on sales in DuPage, Kane, Lake, McHenry and Will counties. The 1 percent sales tax in Cook County is comprised of 1 percent on food and drugs and 0.75 percent from all other sales, with the State then providing a “replacement” amount to the RTA equivalent to 0.25 percent of all other sales. The RTA retains 15 percent of the total sales tax and distributes the remaining 85 percent to the Service Boards according to the formula specified in the *RTA Act*.

Public Transportation Funds (PTF)

Revenue from this special fund may be paid to the RTA only upon state appropriation. In accordance with the *RTA Act*, the State Treasurer is

Section III

authorized and required to transfer from the State's General Revenue Fund an amount equal to 25 percent of net revenue realized from sales taxes. These receipts are based on a formula tied to sales tax results and are, therefore, projected to increase at the sales tax growth rate. For every four dollars that is collected in sales tax, the RTA receives an additional dollar in public transportation funds.

None of the PTF revenue is payable to the RTA until it certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the *RTA Act*. The amounts that each Service Board receives through the RTA from the PTF are allocated at the discretion of the RTA Board upon the review and approval of each Service Board's annual or revised budget.

State Financial Assistance

This revenue source is state-authorized assistance to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds. Subject to the appropriation of funds by the State, the RTA will continue to be eligible to receive State Financial Assistance (SFA) payments.

Reduced Fare

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

The Illinois General Assembly passed legislation in 1989 that provided funds to reimburse the Service Boards for the cost of providing reduced fares for the above-mentioned categories. The fare reimbursement is included in revenue and became available in July 1989.

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In the State's 2000 fiscal year budget, the reimbursement level was increased from \$20 million to \$40 million. In 2004, the State reduced its fiscal year funding to \$36 million. In 2004, funding was returned to \$40 million, less a 2 percent (or \$0.8 million) administrative fee. In calendar year 2004, the RTA received \$40 million in funds from the State. However, in recent years, the State has reduced its fiscal year (July to June) amount and applied an administration fee to the fund.

Additional State Funding

In 2005 and 2006, the State of Illinois appropriated \$54.3 million for ADA paratransit services and other costs and services. The amounts available for operations from 2007 through 2009 are predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit funding plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of the RTA Act.

Additional Funding

The amounts available for operations from 2007 through 2009 are predicated on securing additional funding, and to the extent that such additional funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares.

Other Revenue

The other revenue category includes sales tax interest, investment income, and program revenue. The State pays interest on sales tax receipts to the

RTA from the time of collection until it is disbursed to the RTA. The RTA then disburses this interest to the Service Boards based on the RTA Sales Tax formula. RTA investment income is dependent on available cash balances and prevailing market rates. The RTA's cash balance is primarily composed of funds reserved in prior years for various Service Board capital projects and associated RTA financial transaction proceeds.

Program revenue includes fees charged to employers for RTA Transit Checks. These fees help offset the costs of administering this program. Also included are matching funds obtained under federal, state and local programs for regional planning, development and new technology efforts.

Operating Expenditures

RTA Operations Funding to Service Boards

The RTA's primary expenditure is the funding of the Service Boards' operating deficits. An operating deficit is the difference between a Service Board's system-generated revenue (farebox and other revenue) and system operating expenditures. The RTA provides operating funds to each Service Board equivalent to its budgeted deficit for the year as opposed to funding the actual deficit. This policy encourages cost efficiencies by the Service Boards and allows them to retain any budgeted funds that are not expended. Such funds are generally referred to as a positive budget variance, or PBV.

RTA Discretionary Funds to Pace

The RTA continues to facilitate the integration of CTA and Pace fare media by using additional RTA discretionary funds to fund a portion of Pace's cost for providing service to riders using certain CTA passes.

Additional State Funding - RTA Discretionary

As previously discussed, in 2005 and 2006, the State of Illinois appropriated additional funds to the RTA in the amount of \$54.3 million for *ADA* paratransit service and other costs and services. The CTA received the full appropriation amount for 2005 *ADA* paratransit services and other costs and services. In 2006, the funds were divided evenly with the CTA and Pace since Pace is responsible for all *ADA* paratransit service in the region beginning July 1, 2006. The financial plan for 2007 and 2009 disburses all of these funds to Pace.

Additional Funding – RTA Discretionary

As previously discussed, The amounts available for operations from 2007 through 2009 are predicated on securing additional funding, and to the extent that such additional funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares.

Reduced Fare and Sales Tax Interest

State reduced fare reimbursements are received as revenue by the RTA and flow directly to the Service Boards to help defray program costs. The reimbursement level provided will not fully cover the cost of this program.

There is a lag between when the State collects the RTA Sales Tax and when the State transfers it to the RTA. The RTA receives interest on this sales tax, and then disburses 85 percent of the interest to the Service Boards according to the same formula used for sales tax distribution. Sales tax interest is approximately \$0.9 million annually.

Agency Administration, and Regional Programs and Services

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, strategic planning (e.g. *Moving Beyond Congestion*), local advertising (e.g. *Drive Less. Live More.*), the transit benefit program, the Travel Information Center (TIC), ADA certification, Reduced Fare, and the Customer Service Center.

The RTA also supports the growing demand for technical assistance initiatives that encourage transit-oriented improvements in the region. Programs supported include the Regional Technical Assistance Program (RTAP) and regional corridor studies. In partnership with other state and local agencies, the RTA receives external funds that defray part of the program costs.

Debt Service and Capital Expenditures

Principal and Interest

Principal and interest payments reflect the RTA's expenditures for the issuance of bonds authorized by the State. The State provides reimbursement for debt service expenses incurred when the RTA issues Strategic Capital Improvement Program (SCIP) bonds. This reimbursement helps defray about 65 percent of the total debt service costs.

Regional Technology and Agency Programs

The proposed budget and financial plan continues the RTA's commitment to region-wide capital-driven technology enhancements. Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies and therefore, receive funding, which reduces RTA funding. Included in this category are expenditures for the Agency's capital needs. These annual funds are used to enhance

various information technology programs and preserve the office environment.

Transfer Capital to Service Boards

Two funding sources cover this category of expenditure, statutory and RTA discretionary. The statutory apportionment of sales tax to a Service Board can exceed its operating marks. When this occurs, the Service Board transfers these statutory funds to its capital program. The level of sales tax estimated to be available for the proposed 2007 budget and 2008-2009 financial plans do not provide statutory funds for capital.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. From 1995 through 1997, the program was funded at an annual level of \$11 million. In 1998, CTA's funding for this program was increased to \$16.5 million. The CTA transfer capital program was funded at \$19.2 million in 1999 and increased to \$20.4 in 2000, the level of funding included on the schedule of revenue and expenditures.

Remainder/(Deficit) from Operations/Changes in Reserves

Total RTA revenue less total RTA expenditures produces a change to the fund balance. When total revenue exceeds total expenditures, the gain (remainder) is added to the fund balance. If expenditures exceed revenue, the deficit reduces the fund balance. Certain Agency program expenditures are obligated in the current year's balance when the RTA Board adopts the following year's program. As funds are de-obligated and/or re-obligated, changes in the fund balance occur.

Ending Unreserved/Undesignated Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5 percent of total operating expenditures. The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods. The RTA Board manages the expenditure of funds to arrive at a planned balance of un-reserved and undesignated funds.

Recovery Ratio

Total System-Generated Revenue Recovery Ratio

The *RTA Act* requires the RTA Board to set a recovery ratio for the next fiscal (calendar) year for each Service Board and further requires that the combined revenue from RTA operations cover at least 50% of the system operating costs.

Recovery Ratio – ADA Paratransit Service

In 2007, the *RTA Act* requires the recovery ratio for ADA paratransit service to be measured separately. The recovery ratio for 2007 is to be at least 10% of the aggregate costs of providing such ADA paratransit services.

Section III

Consolidated RTA Statement of Revenues and Expenditures
Proposed 2007 Budget and 2008-2009 Financial Plan

(dollars in thousands)

	2005	2006	2007	2008	2009
Revenue	Actual	Budget	Budget	Plan	Plan
Sales Tax	700,395	719,900	745,937	769,807	794,440
Public Transportation Fund (PTF)	175,668	179,975	186,484	192,452	198,610
Total Sales Tax and PTF	876,063	899,875	932,421	962,259	993,050
State Financial Assistance	111,419	119,001	122,836	125,180	127,500
Reduced Fare	37,127	36,275	36,275	36,275	37,240
Additional State Funding	54,252	54,252	81,810	91,627	99,893
Additional Funding	-	-	144,774	223,113	334,811
Other Revenue	17,196	14,869	13,538	13,214	13,214
Total Revenue	1,096,057	1,124,272	1,331,654	1,451,668	1,605,708
Operating Expenditures					
RTA Operations Funding to Service Boards	762,412	786,072	811,915	837,880	864,648
RTA Discretionary Funds to Pace	3,000	3,592	4,000	4,000	4,000
Additional State Funding - RTA Discretionary	54,252	54,252	81,810	91,627	99,893
Additional Funding - RTA Discretionary	-	-	144,774	200,812	310,163
Reduced Fare and Sales Tax Interest	37,900	37,125	37,125	37,125	38,090
Agency Administration, and Regional Programs and Services	26,337	30,773	31,643	32,541	33,582
Total Operating Expenditures	883,901	911,814	1,111,267	1,203,986	1,350,377
Debt Service & Capital Expenditures					
Principal & Interest	188,211	182,102	186,218	194,805	195,953
RTA Regional Technology and Agency Programs	8,739	7,270	8,010	8,010	8,010
RTA Transfer Capital to Service Boards	27,136	21,507	20,353	20,353	20,353
Total Debt Service & Capital Expenditures	224,086	210,878	214,581	223,168	224,316
Total Expenditures	1,107,987	1,122,693	1,325,848	1,427,154	1,574,693
Remainder/(Deficit) from Operations	(11,930)	1,579	5,806	24,514	31,016
Beginning Fund Balance	12,507	1,654	6,184	11,990	36,504
Remainder/(Deficit) from Operations/Change in Reserves	(10,853)	1,579	5,806	24,514	31,016
Ending Unreserved/Undesignated Fund Balance	1,654	3,233	11,990	36,504	67,519
Recovery Ratio - Total System-Generated Revenue Recovery Ratio	52.6%	50.6%	50.4%	-	-
Recovery Ratio - ADA Paratransit Service	-	-	10.0%	-	-

Section III

Notes to the Consolidated RTA Statement of Revenues and Expenditures for the Proposed 2007 Budget and 2008-2009 Financial Plan

Note 1. Additional State Funding

In 2005 and 2006, the State of Illinois appropriated \$54.3 million for ADA paratransit services and other costs and services. The amounts available for operations from 2007 through 2009 are predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit funding plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of the RTA Act.

Note 2. Additional Funding

The amounts available for operations from 2007 through 2009 are predicated on securing additional funding, and to the extent that such additional funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares.

Note 3. Beginning Fund Balance

The Beginning Fund Balance in 2007 includes an estimate of \$3 million from additional RTA Sales Tax and PTF revenue in 2006.

Note 4. Ending Unreserved/Undesignated Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the Unreserved and Undesignated Fund Balance. If the amount is below 5 percent, the financial plan must show full replenishment by the end of the current planning cycle. The 2009 Financial Plan meets the requirement.

Note 5. Recovery Ratio – Total System-Generated Revenue Recovery Ratio

The *RTA Act* requires the RTA Board to set a recovery ratio for the next fiscal (calendar) year for each Service Board and further requires that the combined revenue from RTA operations cover at least 50% of the system operating costs.

Note 6. Recovery Ratio – ADA Paratransit Service

In 2007, the *RTA Act* requires the recovery ratio for ADA Paratransit Service to be measured separately. The recovery ratio for 2007 is to be at least 10% of the aggregate costs of providing such ADA Paratransit Services.

Section IV

Sales Tax, Ridership & Demographic Data

Section IV

Sales Tax Collections

(dollars in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Chicago	197,370	195,417	198,383	205,355	214,134
Suburban Cook	<u>357,522</u>	<u>353,999</u>	<u>356,386</u>	<u>363,792</u>	<u>373,317</u>
Total Cook	554,892	549,416	554,770	569,147	587,451
DuPage	42,498	40,961	40,916	42,785	44,495
Kane	11,796	12,256	12,828	13,954	15,328
Lake	25,017	24,913	24,969	26,150	27,348
McHenry	7,122	7,373	7,599	8,160	8,635
Will	<u>12,197</u>	<u>12,766</u>	<u>13,906</u>	<u>15,432</u>	<u>17,138</u>
Total Collar	<u>98,630</u>	<u>98,269</u>	<u>100,218</u>	<u>106,482</u>	<u>112,944</u>
Total	653,522	647,685	654,988	675,629	700,395

Passenger Ridership

(in millions)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
CTA Bus	303.1	304.8	293.7	296.2	305.6
CTA Rail	<u>151.7</u>	<u>152.4</u>	<u>150.3</u>	<u>148.8</u>	<u>155.0</u>
Total CTA	454.8	457.2	444.0	445.0	460.6
Metra	79.2	76.8	74.8	74.4	77.0
Pace	<u>37.0</u>	<u>34.8</u>	<u>33.7</u>	<u>34.1</u>	<u>36.9</u>
Total RTA	571.0	568.8	552.5	553.5	574.5

Section IV

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

Source: Northern Illinois Planning Commission (NIPC)

Population Trend by County *(in thousands)*

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

Source: United States Census Bureau