Appendix A
House Resolutions

STATE OF ILLINOIS
NINETY-FOURTH GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES

House Resolution No. 479

Offered by Representatives John A. Fritchey-Julie Hamos-Harry Osterman-Joseph M. Lyons-Ed Sullivan, Jr., Sara Feigenholtz, John D'Amico, Marlow H. Colvin, Robin Kelly, Paul D. Froehlich and Sidney H. Mathias

WHEREAS, *The Chicago Transit Authority (CTA) is currently operating with a budget deficit of approximately $55 million, according to the chairperson of the Chicago Transit Board, and estimates have placed the 2005 deficit at up to $80 million; and*

WHEREAS, *The Chicago Transit Authority has repeatedly threatened that without adequate funding, the CTA will drastically restructure its service by cutting 54 bus routes and increasing fares; and*

WHEREAS, *On April 13, 2005, the Chicago Transit Board approved plans to increase fares and reduce CTA service by up to 36%, beginning July 17th, unless the General Assembly provides sufficient funds to address the 2005 CTA operating budget deficit; and*

WHEREAS, *The CTA is seeking in excess of $55 million in funding from the General Assembly for the 2005 CTA operating budget; and*

WHEREAS, *The Metropolitan Transit Authority Pension Fund, the pension system for the employees of the CTA, is underfunded and CTA officials predict the Pension Fund could be bankrupt by 2014; and*

WHEREAS, *All public entities have a responsibility to manage public funds with the highest level of efficiency and to eliminate waste and mismanagement; and*

WHEREAS, *The office of the Auditor General of Illinois is highly respected throughout Illinois for the thoroughness, fairness, and non-partisan manner in which it conducts audits of governmental entities; and*

WHEREAS, *The Auditor General is recognized as an authority upon whom the General Assembly can rely for audits that provide* *information that is beneficial during legislative deliberations about budgets, appropriations, efficiency of programs, and budget savings achievable through improved management; therefore, be it*

***RESOLVED*, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-FOURTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS**, *that the members of the House of Representatives direct the Auditor General to immediately conduct financial, compliance, and performance audits of the CTA, including, without limitation, CTA operations, including the Brown Line Capacity Expansion Program, pensions, and capital programs; and be it further*

RESOLVED, *That the Auditor General, in these audit reports, advise the General Assembly concerning the severe cuts in CTA service and the increased CTA fares recently approved by the Chicago Transit Board; and be it further*

RESOLVED, *That the Auditor General address in these audit reports to what extent the CTA is adversely affected by mismanagement or inefficiencies and that, if corrected, to what extent the improvements would result in budget savings for the CTA; and be it further*

RESOLVED, *That the Auditor General's audit reports concerning the CTA be submitted to the General Assembly and the Governor; and be it further*

RESOLVED, *That suitable copies of this resolution be delivered to the Auditor General, the Legislative Audit Commission, the Chicago Transit Board, and the Regional Transportation Authority.*

Adopted by the House of Representatives on May 31, 2005.

Michael J. Madigan

Michael J. Madigan, Speaker of the House

Mark Mahoney

Mark Mahoney, Clerk of the House

STATE OF ILLINOIS
NINETY-FOURTH GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
House Resolution No. 650

Offered by Representatives Julie Hamos-Sidney H. Mathias-Kathleen A. Ryg-Suzanne Bassi-John A. Fritchey, Harry Osterman, Deborah L. Graham, John D'Amico, Edward J. Acevedo, Joseph M. Lyons, Annazette Collins, Gary Hannig, Patrick J Verschoore, Karen May, Monique D. Davis, Arthur L. Turner, Robin Kelly, Milton Patterson, David E. Miller, Susana A Mendoza, Elaine Nekritz, William Delgado, Cynthia Soto, Constance A. Howard, Paul D. Froehlich, Eileen Lyons, Patricia R. Bellock, Michael Tryon and Sandra M. Pihos

WHEREAS, A viable, comprehensive, and coordinated system of mass transit is vital for the quality of life and future development of the northeastern region of the State of Illinois; and

WHEREAS, The region is served by the Chicago Transit Authority (CTA), Metra, and Pace, with financial oversight by the Regional Transportation Authority (RTA); and

WHEREAS, The CTA, Metra, and Pace carry over 500,000,000 riders each year; and

WHEREAS, The General Assembly passed a $54.3 million appropriation to the RTA to provide, for the first time, paratransit services pursuant to the Americans with Disabilities Act (ADA); and

WHEREAS, All public entities have a responsibility to manage public funds with the highest level of efficiency and to eliminate waste and mismanagement; and

WHEREAS, The federal SAFETEA-LU capital spending bill (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users) contains funding for many expansions of service, including Metra's STAR Line and Pace's J line Bus Rapid Transit, and this federal funding will require a local match; and

WHEREAS, The General Assembly will have to consider the merits of these transportation expansion projects and determine the appropriation of State funds towards the most beneficial and effective projects; and

WHEREAS, The office of the Auditor General of Illinois is highly respected throughout Illinois for the thoroughness, fairness, and non-partisan manner in which it conducts audits of governmental agencies; and

WHEREAS, The Auditor General is recognized as an authority upon whom the General Assembly can rely for audits that provide information that is beneficial during legislative deliberations about budgets, appropriations, efficiency of programs, and budget savings achievable through improved management; and

WHEREAS, There is already an audit underway for the CTA pursuant to House Resolution 479; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-FOURTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that the members of the House of Representatives direct the Auditor General to immediately conduct financial, compliance, and performance audits of the RTA, Metra, and Pace including, without limitation, their operations, pensions, capital programs, and identifiable areas where redundant operations between RTA, Metra, and Pace and the CTA may be eliminated; and be it further

RESOLVED, That the Auditor General address, in these audit reports, the extent to which the RTA, Metra, and Pace are adversely affected by mismanagement or inefficiencies and that if mismanagement or inefficiencies were corrected, to what extent the improvements would result in budget savings for the agencies; and be it further

RESOLVED, That the Auditor General's audit reports concerning RTA, Metra, and Pace be submitted to the General Assembly and the Governor; and be it further

RESOLVED, That suitable copies of this resolution be delivered to the Auditor General, the Legislative Audit Commission, the Regional Transportation Authority, Metra, and Pace.

Adopted by the House of Representatives on October 27, 2005.

Michael J. Madigan

Michael J. Madigan, Speaker of the House

Mark Mahoney

Mark Mahoney, Clerk of the House

Appendix B
Peer Agencies

APPENDIX B
LIST OF PEER AGENCIES

CHICAGO TRANSIT AUTHORITY

Motor Bus

1. Los Angeles County Metropolitan Transportation Authority
2. Metropolitan Atlanta Rapid Transit Authority
3. Massachusetts Bay Transportation Authority
4. MTA New York City Transit
5. Southeastern Pennsylvania Transportation Authority

Heavy Rail

6. San Francisco Bay Area Rapid Transit District
7. Metropolitan Atlanta Rapid Transit Authority
8. Massachusetts Bay Transportation Authority
9. MTA New York City Transit
10. Southeastern Pennsylvania Transportation Authority

METRA

Commuter Rail

1. Massachusetts Bay Transportation Authority
2. MTA-Long Island Rail Road
3. Metro-North Commuter Railroad Company, dba: MTA Metro-North Railroad
4. New Jersey Transit Corporation
5. Southeastern Pennsylvania Transportation Authority
6. Southern California Regional Rail Authority

PACE

Motor Bus

1. City of Phoenix Public Transit Department
2. Milwaukee County Transit System
3. Metropolitan Suburban Bus Authority, dba: MTA Long Island Bus
4. Orange County Transportation Authority
5. San Mateo County Transit District
6. Southwest Ohio Regional Transit Authority
7. VIA Metropolitan Transit

Demand-Responsive

8. City of Phoenix Public Transit Department

9. Milwaukee County Transit System
10. Metropolitan Suburban Bus Authority, dba: MTA Long Island Bus
11. Orange County Transportation Authority
12. San Mateo County Transit District
13. Southwest Ohio Regional Transit Authority
14. VIA Metropolitan Transit

Appendix C
Financial Information

Table 9-1
Regional Transportation Authority
SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, 2001-2005
Total Governmental Funds
($000, unless otherwise indicated)

	2001	***2002***	***2003***	***2004***	***2005***	***Increase (Decrease) 2001- 2005***	***% Change 2001-2005***	***Average Annual % Change***
Revenues								
Sales taxes	98,028	97,153	98,248	101,344	105,059	7,031	7.2%	1.7%
Interest on sales taxes	131	68	41	53	137	6	4.6%	1.1%
Public transportation fund	164,987	165,665	164,738	170,397	175,668	10,681	6.5%	1.6%
Operating assistance - CTA	-	-	-	-	54,252	54,252	na	na
State assistance	43,662	67,455	85,226	86,785	111,419	67,757	155.2%	26.4%
Investment income	25,283	20,595	16,548	27,538	24,608	(675)	-2.7%	-0.7%
Other revenues	1,870	4,872	3,469	2,839	912	(958)	-51.2%	-16.4%
Total revenues	333,961	355,808	368,270	388,956	472,055	138,094	41.4%	9.0%
Expenditures								
Financial assistance to service boards	168,857	209,106	213,127	179,799	168,076	(781)	-0.5%	-0.1%
Capital grants--discretionary	31,736	31,096	34,830	33,767	25,437	(6,299)	-19.8%	-5.4%
Capital grants--bonds	169,812	319,945	319,253	290,103	251,693	81,881	48.2%	10.3%
CTA Operating assistance grant	-	-	-	-	54,252	54,252	na	na
Administrative	5,030	5,997	6,480	6,370	6,380	1,350	26.8%	6.1%
Regional and non-administration	14,301	18,395	16,833	20,617	19,705	5,404	37.8%	8.3%
Capital outlay	72	1,115	214	160	1,438	1,366	1897.2%	111.4%
Debt service:								
Principal	19,805	25,560	37,940	40,430	49,570	29,765	150.3%	25.8%
Interest	74,969	84,310	102,668	119,271	128,852	53,883	71.9%	14.5%
Debt related and issuance costs	1,326	3,458	4,240	3,424	2,773	1,447	109.1%	20.3%
Total expenditures	485,908	698,982	735,585	693,941	708,176	222,268	45.7%	9.9%
Excess (deficiency) of revenues over expenditures	(151,947)	(343,174)	(367,315)	(304,985)	(236,121)	(84,174)	-55.4%	-11.7%
Other financing sources (uses)								
Bond proceeds	111,209	390,486	457,167	260,000	-	(111,209)	-100.0%	-100.0%
Refunding bond proceeds	41,067	-	12,313	-	148,110	107,043	260.7%	37.8%
Other financing sources/premium	-	-	-	42,974	18	18	na	na
Payment to refunded bond escrow agent	(39,736)	-	-	-	(147,186)	(107,450)	-270.4%	-38.7%
Transfers out								
Capital projects fund	-	-	-	(6,225)	(70)	(70)	na	na
Debt service fund	(84,099)		(136,006)	(140,786)	(171,240)	(87,141)	-103.6%	-19.5%
Joint self insurance fund	(3,000)	-	-	-	-	3,000	-100.0%	na
General fund	-	-	-	-	(540)	(540)	na	na
Operating	-	-	-	-			na	na
Transfers in								
Capital projects fund	306	-	(85)	-	8,541	8,235	2691.2%	129.9%
Debt service fund	-	-	-	6,225	610	610	na	na
General fund	83,793	-	136,091	140,786	162,699	78,906	94.2%	18.0%
Operating	-	-	-	-	-	-	na	na
Total other financing	109,540	390,486	469,480	302,974	942	(108,598)	-99.1%	-69.5%

Table 9-1
Regional Transportation Authority
SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, 2001-2005
Total Governmental Funds
($000, unless otherwise indicated)

	2001	***2002***	***2003***	***2004***	***2005***	***Increase (Decrease) 2001- 2005***	***% Change 2001-2005***	***Average Annual % Change***
sources (uses)								
Net change in fund balances	(42,407)	47,312	102,165	(2,011)	(235,179)	(192,772)	-454.6%	-53.5%
Fund balances:								
Beginning of year	533,503	491,096	538,408	640,573	638,562	*End of year 2005 versus beginning of year 2001*		
End of year	491,096	538,408	640,573	638,562	403,383	(130,120)	-24.4%	-6.8%
Breakdown of End-of-Year fund balances:								
General fund	153,883	119,954	71,295	71,462	95,038	(58,845)	-38.2%	-11.4%
Debt service fund	44,577	57,177	69,904	64,616	66,025	21,448	48.1%	10.3%
Capital projects fund	292,636	361,277	499,374	502,484	242,320	(50,316)	-17.2%	-4.6%

Note: Some totals and computations may not calculate due to rounding.
Source: RTA Comprehensive Annual Financial Reports, Statement of Revenues, Expenditures, and Changes in Fund Balances

Table 9-2A Chicago Transit Authority OPERATING FINANCIAL TRENDS, 2001-2005 Computed from National Transit Database except where noted								
	2001	*2002*	*2003*	*2004*	*2005*	*Increase (Decrease) 2001-2005*[3]	*% Change 2001-2005*[3]	*Average Annual % Change*[3]
BUS								
O&M Expense ($mil)	523.0	559.7	615.1	669.8	724.1	201.1	38.5%	8.5%
Passenger miles (mil)	749.6	807.5	753.2	788.7	782.0	32.4	4.3%	1.1%
Vehicle Revenue Miles (mil)	63.8	65.9	66.4	66.6	66.8	3.0	4.7%	1.2%
Passenger trips (mil)	301.7	303.3	291.8	294.0	303.2	1.5	0.5%	0.1%
Vehicle revenue hours (mil)	6.4	6.6	6.6	6.8	6.7	0.3	4.7%	1.2%
Vehicles available	1,919.0	2,013.0	2,026.0	2,049.0	2,041.0	122.0	6.4%	1.6%
Average fleet age	8.8	8.6	9.2	8.8	9.7	.9	10.2%	2.5%
Spare ratio	18.0%	19.0%	18.0%	20.0%	19.0%	1.0%	5.6%	1.4%
Passenger revenues ($mil) [1]		224.2	219.6	238.1	247.6	23.4	10.4%	3.4%
Operating subsidy ($mil) [2]		319.4	379.8	414.7	458.9	139.4	43.6%	12.8%
O&M unit costs:								
Per vehicle revenue mile	8.20	8.49	9.26	10.06	10.84	2.64	32.2%	7.2%
Per vehicle revenue hour	81.72	84.80	93.20	98.50	108.07	26.36	32.3%	7.2%
Per passenger trip	1.73	1.85	2.11	2.28	2.39	0.65	37.8%	8.3%
Per passenger mile	0.70	0.69	0.82	0.85	0.93	0.23	32.7%	7.3%
Passenger trips per:								
Vehicle revenue mile	4.73	4.60	4.39	4.41	4.54	(0.19)	-4.0%	-1.0%
Vehicle revenue hour	47.14	45.95	44.21	43.24	45.25	(1.89)	-4.0%	-1.0%
Vehicle revenue miles per vehicle	33,246	32,737	32,774	32,504	32,729	(517)	-1.6%	-0.4%
Operating speed	9.97	9.98	10.06	9.79	9.97	0.00	0.0%	0.0%
Average passenger trip length	2.48	2.66	2.58	2.68	2.58	0.09	3.8%	0.9%
Operating ratio (CAFR)		40%	36%	36%	34%	(0.06)	-14.6%	-5.1%
Revenue per passenger		0.74	0.75	0.81	0.82	0.08	10.5%	3.4%
Revenue per passenger mile		0.28	0.29	0.30	0.32	0.04	14.0%	4.5%
Subsidy per passenger (CAFR)		1.05	1.30	1.41	1.51	0.46	43.7%	12.8%
Subsidy per passenger mile (CAFR)		0.40	0.50	0.53	0.59	0.19	48.3%	14.0%
RAIL								
O&M Expense ($mil)	339.4	359.0	356.2	399.9	435.5	96.1	28.3%	6.4%
Passenger miles (mil)	1,009.2	995.6	1,060.4	1,074.8	1,136.5	127.3	12.6%	3.0%
Vehicle Revenue Miles (mil)	57.7	61.5	63.6	64.3	68.9	11.2	19.4%	4.5%
Passenger trips (mil)	181.7	180.4	181.1	178.7	186.8	5.1	2.8%	0.7%
Vehicle revenue hours (mil)	2.8	3.4	3.5	3.4	3.7	0.9	32.1%	7.2%
Vehicles available	1,190.0	1,190.0	1,190.0	1,190.0	1,190.0	0.0	0.0%	0.0%
Average fleet age	17.7	18.7	19.7	20.7	21.7	4.0	22.6%	5.2%
Spare ratio	20.0%	20.0%	19.0%	18.0%	19.0%	-1.0%	-5.0%	-1.3%
Passenger revenues ($mil) [1]		158.9	147.3	163.1	168.1	9.2	5.8%	1.9%
Operating subsidy ($mil) [2]		188.7	198.4	225.2	255.4	66.7	35.3%	10.6%
O&M unit costs:								
Per vehicle revenue mile	5.88	5.84	5.60	6.22	6.32	0.44	7.5%	1.8%
Per vehicle revenue hour	121.21	105.59	101.77	117.62	117.70	(3.51)	-2.9%	-0.7%
Per passenger trip	1.87	1.99	1.97	2.24	2.33	0.46	24.8%	5.7%
Per passenger mile	0.34	0.36	0.34	0.37	0.38	0.05	13.9%	3.3%
Passenger trips per:								
Vehicle revenue mile	3.15	2.93	2.85	2.78	2.71	(0.44)	-13.9%	-3.7%
Vehicle revenue hour	64.89	53.06	51.74	52.56	50.49	(14.41)	-22.2%	-6.1%
Vehicle revenue miles per vehicle	48,487	51,681	53,445	54,034	57,899	9,412	19.4%	4.5%
Operating speed	20.61	18.09	18.17	18.91	18.62	(1.99)	-9.6%	-2.5%
Average passenger trip length	5.55	5.52	5.86	6.01	6.08	0.53	9.5%	2.3%
Operating ratio (CAFR)		44%	41%	41%	39%	(0.06)	-12.8%	-4.5%
Revenue per passenger		0.88	0.81	0.91	0.90	0.02	2.2%	0.7%
Revenue per passenger mile		0.16	0.14	0.15	0.15	(0.01)	-7.3%	-2.5%

Table 9-2A Chicago Transit Authority OPERATING FINANCIAL TRENDS, 2001-2005 Computed from National Transit Database except where noted								
	2001	*2002*	*2003*	*2004*	*2005*	*Increase (Decrease) 2001-2005[3]*	*% Change 2001-2005[3]*	*Average Annual % Change[3]*
Subsidy per passenger (CAFR)		1.05	1.10	1.26	1.37	0.32	30.7%	9.3%
Subsidy per passenger mile (CAFR)		0.19	0.19	0.21	0.22	0.04	18.6%	5.8%
DEMAND RESPONSE								
O&M Expense ($mil)	33.4	37.5	43.5	50.4	55.1	21.7	65.0%	13.3%
Passenger miles (mil)	11.9	12.1	14.3	16.1	17.7	5.8	48.7%	10.4%
Vehicle Revenue Miles (mil)	8.5	9.0	10.6	11.6	14.5	6.0	70.6%	14.3%
Passenger trips (mil)	1.4	1.5	1.8	2.0	2.3	0.9	64.3%	13.2%
Vehicle revenue hours (mil)	0.9	1.0	1.2	1.1	1.2	0.3	28.9%	6.6%
Vehicles available	775.0	879.0	1,299.0	1,277.0	1,496.0	721.0	93.0%	17.9%
Average fleet age	1.7	1.7	1.9	2.4	1.7	0.0	0.0%	0.0%
Spare ratio	25.0%	29.0%	31.0%	17.0%	16.0%	-9.0%	-36.0%	-10.6%
Passenger revenues ($mil) [1]		1.7	2.0	2.7	2.9	1.2	70.6%	19.5%
Operating subsidy ($mil) [2]		35.7	41.4	47.6	52.0	16.3	45.7%	13.4%
O&M unit costs:								
Per vehicle revenue mile	3.93	4.17	4.10	4.34	3.80	(0.13)	-3.3%	-0.8%
Per vehicle revenue hour	37.44	36.84	37.37	46.93	47.91	10.47	28.0%	6.4%
Per passenger trip	23.86	25.00	24.17	25.20	23.96	0.10	0.4%	0.1%
Per passenger mile	2.81	3.10	3.04	3.13	3.11	0.31	10.9%	2.6%
Passenger trips per:								
Vehicle revenue mile	0.16	0.17	0.17	0.17	0.16	(0.01)	-3.7%	-0.9%
Vehicle revenue hour	1.57	1.47	1.55	1.86	2.00	0.43	27.4%	6.2%
Vehicle revenue miles per vehicle	10,968	10,239	8,160	9,084	9,693	(1,275)	-11.6%	-3.0%
Operating speed	9.5	8.8	9.1	10.8	12.6	3.08	32.3%	7.3%
Average passenger trip length	8.50	8.07	7.94	8.05	7.70	(0.80)	-9.5%	-2.5%
Operating ratio (CAFR)		4.5%	4.6%	5.2%	5.3%	0.01	16.1%	5.1%
Revenue per passenger		1.13	1.11	1.35	1.26	0.13	11.3%	3.6%
Revenue per passenger mile		0.14	0.14	0.17	0.16	0.02	16.6%	5.3%
Subsidy per passenger (CAFR)		23.79	22.98	23.75	22.61	(1.18)	-5.0%	-1.7%
Subsidy per passenger mile (CAFR)		2.95	2.89	2.95	2.94	(0.01)	-0.4%	-0.1%
SYSTEM TOTAL								
O&M Expense ($mil) - CAFR	903.1	964.5	1,022.3	1,125.9	1,216.2	313.1	34.7%	7.7%
Passenger miles (mil)	1,770.7	1,815.2	1,827.9	1,879.6	1,936.2	165.5	9.3%	2.3%
Vehicle Revenue Miles (mil)	130.0	136.4	140.6	142.5	150.2	20.2	15.5%	3.7%
Passenger trips (mil)	484.8	485.2	474.7	474.7	492.3	7.5	1.5%	0.4%
Vehicle revenue hours (mil)	10.1	11.0	11.3	11.3	11.6	1.5	14.4%	3.4%
Vehicles available	3,884	4,082	4,515	4,516	4,727	843	21.7%	5.0%
Average fleet age	10.1	10.1	9.9	10.1	10.2	0.1	0.8%	0.2%
Spare ratio	20%	21%	22%	19%	18%	-2%	-9.8%	-2.5%
Passenger revenues ($mil) [1]	375.7	384.8	368.9	403.9	418.6	42.9	11.4%	2.7%
Operating subsidy ($mil) - CAFR	502.9	552.1	627.0	693.3	767.8	264.9	52.7%	11.2%
O&M unit costs:								
Per vehicle revenue mile	6.95	7.07	7.27	7.90	8.10	1.15	16.6%	3.9%
Per vehicle revenue hour	89.48	87.53	90.76	99.87	105.30	15.82	17.7%	4.2%
Per passenger trip	1.86	1.99	2.15	2.37	2.47	0.61	32.6%	7.3%
Per passenger mile	0.51	0.53	0.56	0.60	0.63	0.12	23.2%	5.3%
Passenger trips per:								
Vehicle revenue mile	3.73	3.56	3.38	3.33	3.28	(0.45)	-12.1%	-3.2%
Vehicle revenue hour	48.04	44.04	42.14	42.11	42.62	(5.41)	-11.3%	-2.9%
Operating ratio (CAFR)	44.3%	42.8%	38.7%	38.4%	36.9%	-7.4%	-16.8%	-4.5%
Revenue per passenger	0.77	0.79	0.78	0.85	0.85	0.08	9.7%	2.3%
Revenue per passenger mile	0.21	0.21	0.20	0.21	0.22	0.01	1.9%	0.5%
Subsidy per passenger (CAFR)	1.04	1.14	1.32	1.46	1.56	0.52	50.3%	10.7%

Table 9-2A
Chicago Transit Authority
OPERATING FINANCIAL TRENDS, 2001-2005
Computed from National Transit Database except where noted

	2001	*2002*	*2003*	*2004*	*2005*	*Increase (Decrease) 2001-2005[3]*	*% Change 2001-2005[3]*	*Average Annual % Change[3]*
Subsidy per passenger mile (CAFR)	0.28	0.30	0.34	0.37	0.40	0.11	39.6%	8.7%
CAFR operating results ($mil):								
O&M expense, net of depreciation	903.1	964.5	1,022.3	1,125.9	1,216.2	313.1	34.7%	7.7%
Operating revenues	400.1	412.4	395.3	432.6	448.4	48.3	12.1%	2.9%
Operating subsidy	502.9	552.1	627.0	693.3	767.8	264.9	52.7%	11.2%

Notes:
1. Passenger revenues as reported to NTD.
2. Operating subsidy reflects a pro-rata allocation of non-passenger operating revenues (from CAFR) to each mode, as a function of passenger revenues. It is the difference between O&M expense and operating revenues.
3. Average fleet ages may differ due to timing differences in reporting and analysis.
4. Some totals and computations may not calculate due to rounding.

Source:
For all but CAFR operating results, year 2005, see CTA profile reported by the National Transit Database (www.ntdprogram.com), CTA Comprehensive Annual Financial Reports (CAFRs), 2001-2005: statements of revenues, expenses, and changes in net assets.

Table 9-2B
Chicago Transit Authority
AUDITED FINANCIAL RESULTS

	2001	*2002*	*2003*	*2004*	*2005*	*Increase (Decrease) 2001-2005*	*% Change 2001-2005*	*Average Annual % Change*
CTA Depreciable Capital Assets ($mil)								
Items from balance sheet:								
Gross depreciable assets (cost basis)	4,746.4	5,046.7	5,428.8	5,811.7	5,883.9	1,137.5	24.0%	5.5%
Accumulated depreciation	(2,290.1)	(2,486.6)	(2,835.7)	(3,141.0)	(3,388.5)	(1,098.4)	-48.0%	-10.3%
Net depreciable assets	2,456.3	2,560.1	2,593.1	2,670.7	2,495.4	39.1	1.6%	0.4%
Ratio of net to gross capital assets	51.8%	50.7%	47.8%	46.0%	42.4%	-9.3%	-18.0%	-4.9%
Δ depreciable assets	320.0	300.3	382.1	382.9	73.2			
Δ depreciation	(244.10)	(196.50)	(349.10)	(305.30)	(247.50)			
Δ net depreciable assets	75.90	103.80	33.00	77.60	(175.30)			
CTA Capital Structure ($mil)								
Items from balance sheet:								
Long-Term Liabilities:								
Bonds payable	-	-	207.2	375.4	318.3	318.3	na	na
Capital lease obligation[1]	1,254.5	1,521.8	1,608.1	1,624.1	1,647.9	393.4	31.4%	7.1%
Net pension obligation	395.3	442.9	613.2	799.4	1,022.2	626.9	158.6%	26.8%
Other long-term liabilities	174.6	181.1	157.5	189.1	190.1	15.5	8.9%	2.1%
Total long-term liabilities	1,824.4	2,145.8	2,584.3	2,988.0	3,178.5	1,354.1	74.2%	14.9%
Net assets (fund equity)	2,089.5	2,128.8	2,039.4	2,000.7	1,847.1	(242.4)	-11.6%	-3.0%
Ratio of long-term liabilities to net assets	87.3%	100.8%	126.8%	149.3%	172.1%	84.8%	97.1%	18.5%
Ratio excluding capital lease obligation	*27.3%*	*29.3%*	*48%*	*68.2%*	*82.9%*	*55.6%*	*203.8%*	*32.0%*
Note 1: offset by corresponding asset								
CTA Liquidity ($mil)								
Items from balance sheet:								
Cash, cash equivalents & investments	167.6	73.9	54.1	30.3	73.9	(93.7)	-55.9%	-18.5%
Grants and Accounts receivable	137.9	150.8	184.0	210.1	245.3	107.4	77.9%	15.5%
Accounts payable	60.4	74.6	65.4	77.9	79.0	18.6	30.8%	6.9%
Current Assets	375.4	293.4	313.5	331.3	407.7	32.3	8.6%	2.1%
Current Liabilities	437.7	490.8	529.7	437.7	429.1	(8.6)	-2.0%	-0.5%
Working capital (current, assets – liabilities)	(62.3)	(197.4)	(216.2)	(106.4)	(21.4)	40.9	na	na
Governmental revenues (from statement of revenues, expenditures, and changes in net assets)	451.5	471.8	488.7	497.5	554.7	103.2	22.9%	5.3%
Items from statement of cash flows:								
Net cash flow	(14.7)	(106.5)	(92.7)	(22.3)	44.6	59.3	na	na
Operating expenditures	877.9	924.7	1,009.4	1,104.1	1,189.6	311.7	35.5%	7.9%
Capital expenditures	352.0	486.0	479.1	492.4	358.5	6.5	1.8%	0.5%
Ratios:								
Current ratio	0.86	0.60	0.59	0.74	0.95	0.09	10.8%	2.6%
Acid ratio	0.70	0.46	0.45	0.53	0.74	0.05	6.6%	1.6%
A/P percent of total expenditures	4.9%	5.3%	4.4%	4.9%	5.1%	0.2%	3.9%	1.0%
A/R percent of governmental revenues	30.5%	32.0%	37.6%	42.2%	44.2%	13.7%	44.8%	9.7%
Weeks of cash ((cash ÷ total exp) x 52)	7	3	2	1	2	(5)	-65.0%	-23.1%
CTA Income Statement ($000s) (All items from statement of revenues, expenditures, and changes in net assets)								
Operating revenues								
Farebox revenue	302,839	311,800	294,021	308,221	303,868	1,029	0.3%	0.1%
Pass revenue	70,970	72,059	73,885	94,547	113,556	42,586	60.0%	12.5%
Total fare box and pass revenue	373,809	383,859	367,906	402,768	417,424	43,615	11.7%	2.8%
Advertising and concessions	20,372	21,340	21,846	24,882	23,963	3,591	17.6%	4.1%
Other revenue	5,945	7,163	5,500	4,969	7,024	1,079	18.1%	4.3%
Total operating revenues	400,127	412,362	395,252	432,619	448,411	48,284	12.1%	2.9%
Operating expenses								
Labor and fringe benefits	667,561	707,594	798,042	867,829	914,034	246,473	36.9%	8.2%
Materials and supplies	64,879	67,931	59,188	61,387	71,366	6,487	10.0%	2.4%
Fuel	23,326	20,098	24,477	30,093	45,788	22,462	96.3%	18.4%
Electric power	21,835	21,062	21,058	21,640	22,909	1,074	4.9%	1.2%
Purchase of security services			24,780	27,555	31,221	31,221	na	na
Purchase of paratransit			42,350	48,999	53,257	53,257	na	na
Maintenance & repairs, utilities, rent & other[2]	100,284	107,985	39,472	46,577	51,069	(49,215)	-49.1%	-15.5%
Subtotal	877,885	924,670	1,009,367	1,104,080	1,189,644	311,759	35.5%	7.9%

Table 9-2B Chicago Transit Authority AUDITED FINANCIAL RESULTS								
	2001	*2002*	*2003*	*2004*	*2005*	*Increase (Decrease) 2001-2005*	*% Change 2001-2005*	*Average Annual % Change*
			1,009,367					
Provisions for injuries and damages	25,189	39,780	12,928	21,854	26,573	1,384	5.5%	1.3%
Provision for depreciation	275,111	331,340	367,536	349,162	360,559	85,448	31.1%	7.0%
Total operating expenses	1,178,186	1,295,790	1,389,831	1,475,096	1,576,776	398,590	33.8%	7.6%
Operating expenses in excess of operating revenues	(778,059)	(883,428)	(994,579)	(1,042,477)	(1,128,365)	(350,306)	-45.0%	-9.7%
Nonoperating revenues (expenses):								
Public funding from the RTA	419,005	441,632	453,488	441,630	495,885	76,880	18.3%	4.3%
Reduced-fare subsidies	32,463	30,197	33,161	31,302	31,961	(502)	-1.5%	-0.4%
Operating grant revenue	-	-	2,097	24,530	26,823	26,823	na	na
Investment income	12,667	6,451	3,025	3,288	19,705	7,038	55.6%	11.7%
Other nonoperating revenues (expenses)	27,289	33,914	16,366	12,592	1,765	(25,524)	-93.5%	-49.6%
Total nonoperating revenues, net	491,425	512,194	508,137	513,342	576,139	84,714	17.2%	4.1%
Change in net assets before capital contributions	(286,634)	(371,234)	(486,442)	(529,135)	(552,226)	(265,592)	na	na
Capital contributions	341,381	386,128	397,035	490,402	398,654	57,273	16.8%	4.0%
Change in net assets	54,746	14,894	(89,407)	(38,733)	(153,572)	(208,318)	-380.5%	na
Total net assets--beginning of year	2,034,769	2,113,900	2,128,794	2,039,387	2,000,654			
Total net assets--end of year[3]	2,089,515	2,128,794	2,039,387	2,000,654	1,847,082	(187,687)	-9.2%	-2.4%
Note 2: Maintenance & repairs, utilities, rent & other including purchase of security services and paratransit, under OPEX								
Note 3: The three right-most columns are based on 2005 end-of-year versus 2001 beginning-of-year.								
CTA Operating Cash Flow ***(derived from income statement)***	100,284	107,985	106,602	123,131	135,547	35,263	35.2%	7.8%
Operating expense + provision for damages	903,074	964,450	1,022,295	1,125,934	1,216,217	313,143	34.7%	7.7%
Operating Revenues								
Passenger fares	373,809	383,859	367,906	402,768	417,424	43,615	11.7%	2.8%
Other operating revenues	26,318	28,503	27,346	29,851	30,987	4,669	17.7%	4.2%
Total operating revenues	400,127	412,362	395,252	432,619	448,411	48,284	12.1%	2.9%
Subsidy required	502,948	552,088	627,043	693,315	767,806	264,858	52.7%	11.2%
Sources of operating assistance:								
Public funding from the RTA	419,005	441,632	453,488	441,630	495,885	76,880	18.3%	4.3%
Reduced-fare subsidies	32,463	30,197	33,161	31,302	31,961	(502)	-1.5%	-0.4%
Operating grant revenue	-	-	2,097	24,530	26,823	26,823	na	na
Investment income	12,667	6,451	3,025	3,288	19,705	7,038	55.6%	11.7%
Other nonoperating revenues (expenses)	27,289	33,914	16,366	12,592	1,765	(25,524)	-93.5%	-49.6%
Total operating assistance	491,425	512,194	508,137	513,342	576,139	84,714	17.2%	4.1%
Net cash flow	(11,523)	(39,894)	(118,906)	(179,973)	(191,667)	(180,144)	na	na

Note: Some totals and computations may not calculate due to rounding.
Source: CTA Annual Financial Statements. Refer to the statements noted above.

Table 9-3A
Metra
OPERATING FINANCIAL TRENDS, 2001-2005
Computed from National Transit Database, except where noted

	2001	*2002*	*2003*	*2004*	*2005*	*Increase (Decrease) 2001-2005*	*% Change 2001-2005*	*Average Annual % Change*
COMMUTER RAIL								
O&M Expense ($mil) (CAFR)	430.6	445.2	455.2	466.2	503.6	73.1	17.0%	4.0%
Passenger miles (mil)	1,577.2	1,534.3	1,506.4	1,518.7	1,548.3	(28.9)	-1.8%	-0.5%
Vehicle Revenue Miles (mil)	36.9	37.6	38.0	38.5	38.3	1.4	3.8%	0.9%
Passenger trips (mil)	72.1	69.6	67.7	67.7	68.6	(3.5)	-4.9%	-1.2%
Vehicle revenue hours (mil)	1.2	1.2	1.2	1.2	1.2	-	0.0%	0.0%
Vehicles available	1,079.0	1,081.0	1,153.0	1,151.0	1,172.0	93.0	8.6%	2.1%
Average fleet age	26.1	27.1	26.3	23.9	23.3	(2.8)	-10.7%	-2.8%
Spare ratio	8.0%	10.0%	15.0%	15.0%	16.0%	8.0%	100.0%	18.9%
Passenger revenues ($mil)	189.4	190.3	191.1	191.8	198.5	9.1	4.8%	1.2%
Other transportation revenues ($mil)	53.4	56.1	61.6	62.1	62.6	9.2	17.2%	4.1%
Operating subsidy (CAFR)	181.5	195.8	202.5	212.4	242.5	61.1	33.7%	7.5%
O&M unit costs:								
Per vehicle revenue mile	11.67	11.84	11.98	12.11	13.15	1.48	12.7%	3.0%
Per vehicle revenue hour	358.81	370.97	379.34	388.51	419.7	60.89	17.0%	4.0%
Per passenger trip	5.97	6.40	6.72	6.89	7.34	1.37	22.9%	5.3%
Per passenger mile	0.27	0.29	0.30	0.31	0.33	0.05	19.2%	4.5%
Passenger trips per:								
Vehicle revenue mile	1.95	1.85	1.78	1.76	1.79	(0.16)	-8.3%	-2.2%
Vehicle revenue hour	60.08	58.00	56.42	56.42	57.17	(2.92)	-4.9%	-1.2%
Vehicle revenue miles per vehicle	34,198	34,783	32,958	33,449	32,679	(1,519)	-4.4%	-1.1%
Operating speed	30.75	31.33	31.67	32.08	31.92	1.17	3.8%	0.9%
Average passenger trip length	21.88	22.04	22.25	22.43	22.57	0.69	3.2%	0.8%
Operating ratio (CAFR)	58%	56%	56%	54%	52%	-6%	-10.4%	-2.7%
Revenue per passenger	2.63	2.73	2.82	2.83	2.89	0.27	10.2%	2.4%
Revenue per passenger mile	0.12	0.12	0.13	0.13	0.13	0.01	6.8%	1.6%
Subsidy per passenger (CAFR)	2.52	2.81	2.99	3.14	3.54	1.02	40.5%	8.9%
Subsidy per passenger mile (CAFR)	0.12	0.13	0.13	0.14	0.16	0.04	36.2%	8.0%
CAFR operating results ($mil):								
O&M expense, net of depreciation	430.6	445.2	455.2	466.2	503.6	73.1	17.0%	4.0%
Operating revenues	249.1	249.4	252.7	253.9	261.1	12.0	4.8%	1.2%
Operating subsidy	181.5	195.8	202.5	212.4	242.5	61.1	33.7%	7.5%

Notes:
1. Passenger revenues as reported to NTD.
2. Operating subsidy is the difference between O&M expense and operating revenues.
3. Approximately $13 million of Metra's operating costs in 2005 were paid to the Northern Indiana Commuter Transportation District (NICTD) as an operating subsidy. If this cost is excluded from the above calculations, the effect would be to reduce the O&M unit costs by about 2.5% each, and to reduce the operating subsidy per passenger and passenger mile by about 5.7%. Similar data were not examined for 2001-2004, but the effect is believed to be similar.
4. Note: Some totals and computations may not calculate due to rounding.

Source:
Metra comprehensive annual financial reports (CAFRs), 2001-2005: statements of revenues, expenses, and changes in net assets. For all but CAFR operating results, see Metra profile reported by the National Transit Database (www.ntdprogram.com).

Table 9-3B Metra AUDITED FINANCIAL RESULTS								
	2001	2002	2003	2004	2005	Increase (Decrease) 2001-2005	% Change 2001-2005	Average Annual % Change
Metra Depreciable Capital Assets ($mil)								
Items from balance sheet:								
Gross depreciable assets (cost basis)	3,056.9	3,298.3	3,637.1	3,915.6	4,337.5	1,280.6	41.9%	9.1%
Accumulated depreciation	(1,426.4)	(1,564.7)	(1,712.4)	(1,852.1)	(2,014.0)	(587.6)	-41.2%	-9.0%
Net depreciable assets	1,630.5	1,733.7	1,924.7	2,063.6	2,323.5	693.0	42.5%	9.3%
Ratio of net to gross capital assets	53.3%	52.6%	52.9%	52.7%	53.6%	0.0	0.4%	0.1%
Δ depreciable assets	221.8	241.5	338.7	278.6	421.8			
Δ depreciation	(134.32)	(138.27)	(147.71)	(139.67)	(161.94)			
Δ net depreciable assets	87.48	103.20	191.00	138.92	259.89			
Metra Capital Structure ($mil)								
Items from balance sheet:								
Total long-term liabilities	320.6	292.2	290.6	292.4	288.2	(32.4)	-10.1%	-2.6%
Net assets (fund equity)	1,820.5	2,002.6	2,329.6	2,556.2	2,708.3	887.8	48.8%	10.4%
Ratio of long-term liabilities to net assets	0.18	0.15	0.12	0.11	0.11	(0.07)	-39.6%	-11.8%
Metra Liquidity								
Items from balance sheet:								
Cash, cash equivalents & investments	80.3	62.8	51.5	58.2	46.2	(34.1)	-42.4%	-12.9%
Grants and Accounts receivable	97.2	105.8	130.2	113.4	89.9	(7.3)	-7.5%	-1.9%
Accounts payable	63.1	55.6	71.8	64.3	51.7	(11.4)	-18.1%	-4.9%
Current Assets	191.0	183.6	198.2	186.0	148.8	(42.2)	-22.1%	-6.1%
Current Liabilities	105.4	119.6	128.5	127.1	113.3	7.9	7.5%	1.8%
Working capital (current, assets – liabilities)	85.6	64.0	69.7	58.9	35.5	(50.1)	-58.5%	–19.7%
Governmental revenues (from statement of revenues, expenditures, and changes in net assets)	479.2	515.2	675.0	611.6	571.2	92.0	19.2%	4.5%
Items from statement of cash flows:								
Net cash flow	(71.1)	(17.5)	(11.3)	6.7	(12.0)	59.1	83.1%	35.9%
Operating expenditures	430.6	445.2	455.2	466.2	503.6	73.0	17.0%	4.0%
Capital expenditures	339.9	330.2	508.0	403.8	319.8	(20.1)	-5.9%	-1.5%
Ratios:								
Current ratio	1.81	1.54	1.54	1.46	1.31	(0.50)	-27.5%	-7.7%
Acid ratio	1.68	1.41	1.41	1.35	1.20	(0.48)	-28.6%	-8.1%
A/P percent of total expenditures	8.2%	7.2%	7.5%	7.4%	6.3%	-1.9%	-23.4%	-6.4%
A/R percent of governmental revenues	20.3%	20.5%	19.3%	18.5%	15.7%	-4.6%	-22.5%	-6.2%
Weeks of cash ((cash ÷ total exp) x 52)	5	4	3	3	3	(2)	-46.1%	-14.3%
Metra Income Statement ($000s) (All items from statement of revenues, expenditures, and changes in net assets)								
Operating revenues								
Passenger revenue								
Passenger operating	183,295	181,315	182,075	182,688	189,102	5,807	3.2%	0.8%
Capital farebox financing	9,121	9,023	9,056	9,075	9,392	271	3.0%	0.7%
Total passenger revenues	192,416	190,338	191,131	191,763	198,494	6,078	3.2%	0.8%
Other	56,692	59,035	61,598	62,093	62,600	5,908	10.4%	2.5%
Total operating revenues	249,108	249,373	252,730	253,856	261,094	11,986	4.8%	1.2%
Operating expenses								
Transportation	149,396	155,107	158,287	166,316	170,427	21,031	14.1%	3.3%
Fuel and motive power	27,398	26,280	27,434	23,444	47,417	20,019	73.1%	14.7%
Maintenance of way	84,803	93,185	94,354	96,613	101,240	16,437	19.4%	4.5%
Maintenance of equipment	94,965	100,739	101,896	103,681	105,706	10,741	11.3%	2.7%
Administration	34,380	35,579	35,343	35,208	36,582	2,202	6.4%	1.6%
Claims, insurance & risk management	12,830	10,650	12,937	15,340	16,905	4,075	31.8%	7.1%

Table 9-3B Metra AUDITED FINANCIAL RESULTS								
	2001	***2002***	***2003***	***2004***	***2005***	***Increase (Decrease) 2001-2005***	***% Change 2001-2005***	***Average Annual % Change***
Regional services	16,001	15,629	13,634	14,083	13,481	(2,520)	-15.7%	-4.2%
Downtown stations	10,796	7,999	11,326	11,528	11,879	1,083	10.0%	2.4%
Depreciation	138,409	138,267	147,712	172,670	176,558	38,149	27.6%	6.3%
Total operating expenses	568,978	583,434	602,924	638,882	680,195	111,217	19.5%	4.6%
Operating income (loss)	(319,870)	(334,061)	(350,194)	(385,026)	(419,101)	(99,231)	-31.0%	-7.0%
Nonoperating revenue (expenses)								
Federal	118,852	151,131	222,885	175,566	184,327	65,475	55.1%	11.6%
Local	360,327	364,107	452,083	444,062	386,848	26,521	7.4%	1.8%
Total financial assistance	479,178	515,237	674,969	619,628	571,175	91,997	19.2%	4.5%
Interest income from restricted assets	17,245	18,141	18,167	18,191	18,216	971	5.6%	1.4%
Interest expense on leasehold transaction obligations	(17,245)	(18,141)	(18,167)	(18,191)	(18,216)	(971)	-5.6%	-1.4%
Total nonoperating revenues (expenses)	479,178	515,237	674,969	619,628	571,175	91,997	19.2%	4.5%
Income (loss) before contributions	159,308	181,176	324,775	234,603	152,074	(7,234)	-4.5%	-1.2%
Contributed capital								
Investment in capital grant properties, net of retirements	1,837	922	2,175	(7,999)	-	(1,837)	-100.0%	-100.0%
Total contributed capital	1,837	922	2,175	(7,999)	-	(1,837)	-100.0%	-100.0%
Change in net assets	161,145	182,098	326,950	226,603	152,074	(9,071)	na	na
Net assets at beginning of year	1,659,389	1,820,534	2,002,632	2,329,582	2,556,185	*End of year 2005 versus beginning of year 2001*		
Net assets at end of year	1,820,534	2,002,632	2,329,582	2,556,185	2,708,259	1,048,870	63.2%	13.0%
Operating Cash Flow: ***(derived from income statement)***								
Operating expense net of depreciation	430,569	445,167	455,212	466,212	503,637	73,068	17.0%	4.0%
Operating Revenues								
Passenger fares	192,416	190,338	191,131	191,763	198,494	6,078	3.2%	0.8%
Other operating revenues	56,692	59,035	61,598	62,093	62,600	5,908	10.4%	2.5%
Total operating revenues	249,108	249,373	252,730	253,856	261,094	11,986	4.8%	1.2%
Subsidy required	181,461	195,794	202,482	212,356	242,543	61,082	33.7%	7.5%
Sources of operating assistance:								
Public funding from the RTA	225,826	238,955	233,632	233,429	241,728	15,902	7.0%	1.7%
Reduced-fare subsidies	-	-	-	-	-	-	na	na
Operating grant revenue	-	-	-	-	-	-	na	na
Investment income	-	-	-	-	-	-	na	na
Other nonoperating revenues (expenses)	-	-	-	-	-	-	na	na
Total operating assistance	225,826	238,955	233,632	233,429	241,728	15,902	7.0%	1.7%
Net cash flow	44,365	43,161	31,150	21,073	(815)	(45,180)	na	na

Note: Capital farebox financing is presented as operating revenue in this appendix for each of the years shown for comparison purposes. However, it is reported as nonoperating revenue in the audited financial statements for the years ended 12/31/01 and 12/31/02. Also, some totals and computations may not calculate due to rounding.

Source: Metra comprehensive annual financial reports (CAFRs), 2001-2005. Refer to statements cited above.

Table 9-4A Pace Suburban Bus OPERATING FINANCIAL TRENDS, 2001-2005 Computed from National Transit Database except where noted								
	2001	*2002*	*2003*	*2004*	*2005*	*Increase (Decrease) 2001- 2005*[3]	*% Change 2001-2005*	*Average Annual % Change*
BUS								
O&M Expense ($mil)	101.7	103.6	109.4	114.8	124.3	22.6	22.2%	5.1%
Passenger miles (mil)	200.8	206.4	198.1	205.2	227.2	26.4	13.1%	3.1%
Vehicle Revenue Miles (mil)	20.4	20.8	20.7	20.5	20.4	(0.0)	0.0%	0.0%
Passenger trips (mil)	34.3	32.3	31.0	31.4	33.8	(0.5)	-1.5%	-0.4%
Vehicle revenue hours (mil)	1.4	1.4	1.5	1.4	1.4	-	0.0%	0.0%
Vehicles available	688.0	737.0	741.0	736.0	716.0	28.0	4.1%	1.0%
Average fleet age	7.2	7.0	5.8	6.4	6.5	(0.7)	-9.7%	-2.5%
Spare ratio	13.0%	22.0%	22.0%	22.0%	25.0%	12.0%	92.3%	17.8%
Passenger revenues ($mil) [1]		32.5	31.2	31.1	32.4	(0.1)	-0.2%	-0.1%
Operating subsidy ($mil) [2]		64.6	71.9	76.7	84.9	20.3	31.3%	9.5%
O&M unit costs:								
Per vehicle revenue mile	4.99	4.98	5.29	5.60	6.10	1.11	22.3%	5.2%
Per vehicle revenue hour	72.64	74.00	72.93	82.00	88.79	16.14	22.2%	5.1%
Per passenger trip	2.97	3.21	3.53	3.66	3.68	0.72	24.1%	5.6%
Per passenger mile	0.51	0.50	0.55	0.56	0.55	0.04	8.0%	1.9%
Passenger trips per:								
Vehicle revenue mile	1.68	1.55	1.50	1.53	1.66	(0.03)	-1.5%	-0.4%
Vehicle revenue hour	24.50	23.07	20.67	22.43	24.12	(.38)	-1.5%	-0.4%
Vehicle revenue miles per vehicle	29,651	28,223	27,935	27,853	28,478	(1,174)	-4.0%	-1.0%
Operating speed	14.57	14.86	13.80	14.64	14.56	(0.01)	-0.0%	-0.0%
Average passenger trip length	5.85	6.39	6.39	6.54	6.73	0.87	14.9%	3.5%
Operating ratio (CAFR)		38%	34%	33%	32%	-6%	-15.7%	-5.5%
Revenue per passenger		1.01	1.01	0.99	0.96	(0.05)	-4.6%	-1.6%
Revenue per passenger mile		0.16	0.16	0.15	0.14	(0.01)	-9.4%	-3.2%
Subsidy per passenger (CAFR)		2.00	2.32	2.44	2.51	0.51	25.6%	7.9%
Subsidy per passenger mile (CAFR)		0.31	0.36	0.37	0.37	0.06	19.3%	6.1%
DEMAND-RESPONSE								
O&M Expense ($mil)	14.4	23.5	25.1	27.2	30.2	15.8	109.7%	20.3%
Passenger miles (mil)	5.9	8.9	8.9	10.9	11.9	6.0	101.2%	19.1%
Vehicle Revenue Miles (mil)	4.5	7.2	7.7	8.0	8.8	4.3	95.1%	18.2%
Passenger trips (mil)	1.0	1.4	1.5	1.5	1.6	0.6	57.7%	12.1%
Vehicle revenue hours (mil)	0.3	0.5	0.5	0.6	0.6	0.3	98.3%	18.7%
Vehicles available	215.0	371.0	361.0	435.0	460.0	245.0	114.0%	20.9%
Average fleet age	4.0	2.7	3.1	3.3	3.6	(0.4)	-10.0%	-2.6%
Spare ratio	7.0%	16.0%	13.0%	13.0%	19.0%	12.0%	171.4%	28.4%
Passenger revenues ($mil) [1]		7.8	8.3	9.1	11.1	3.3	42.3%	12.5%
Operating subsidy ($mil) [2]		14.3	15.4	16.6	17.7	3.4	23.7%	7.3%
O&M unit costs:								
Per vehicle revenue mile	3.20	3.26	3.26	3.40	3.44	0.24	7.5%	1.8%
Per vehicle revenue hour	48.00	47.00	50.20	45.33	50.76	2.76	5.7%	1.4%
Per passenger trip	14.40	16.79	16.73	18.13	19.15	4.75	33.0%	7.4%
Per passenger mile	2.44	2.64	2.82	2.50	2.54	0.10	4.2%	1.0%
Passenger trips per:								
Vehicle revenue mile	0.22	0.19	0.19	0.19	0.18	(0.04)	-19.2%	-5.2%
Vehicle revenue hour	3.33	2.80	3.00	2.50	2.65	(0.68)	-20.5%	-5.6%
Vehicle revenue miles per vehicle	20,930	19,407	21,330	18,391	19,085	(1,845)	-8.8%	-2.3%
Operating speed	15.00	14.40	15.40	13.33	14.75	(0.25)	-1.6%	-0.4%
Average passenger trip length	5.90	6.36	5.93	7.27	7.53	1.63	27.6%	6.3%
Operating ratio (CAFR)		39%	38%	39%	42%	2%	5.9%	1.9%
Revenue per passenger		5.57	5.53	6.07	7.04	1.47	26.3%	8.1%
Revenue per passenger mile		0.88	0.93	0.83	0.94	0.06	6.7%	2.2%

Table 9-4A Pace Suburban Bus OPERATING FINANCIAL TRENDS, 2001-2005 Computed from National Transit Database except where noted								
	2001	***2002***	***2003***	***2004***	***2005***	***Increase (Decrease) 2001- 2005[3]***	***% Change 2001-2005***	***Average Annual % Change***
Subsidy per passenger (CAFR)		10.20	10.29	11.06	11.19	1.00	9.8%	3.2%
Subsidy per passenger mile (CAFR)		1.60	1.73	1.52	1.49	(0.12)	-7.3%	-2.5%
VANPOOL								
O&M Expense ($mil)	3.9	4.4	4.9	5.2	5.2	1.3	34.1%	7.6%
Passenger miles (mil)	37.7	28.9	31.6	31.9	34.2	(3.5)	-9.2%	-2.4%
Vehicle Revenue Miles (mil)	6.5	6.4	6.7	6.9	7.7	1.2	19.1%	4.5%
Passenger trips (mil)	1.1	1.2	1.3	1.4	1.5	0.4	39.0%	8.6%
Vehicles available	490.0	518.0	659.0	601.0	676.0	186.0	38.0%	8.4%
Average fleet age	1.8	2.4	2.3	2.8	2.4	0.6	33.3%	7.5%
Spare ratio	28.0%	14.0%	42.0%	23.0%	13.0%	-15.0%	-53.6%	-17.5%
Passenger revenues ($mil) [1]		2.2	2.5	2.5	2.7	0.5	20.8%	6.5%
Operating subsidy ($mil) [2]		2.0	2.2	2.5	2.3	0.4	18.8%	5.9%
O&M unit costs:								
Per vehicle revenue mile	0.60	0.69	0.73	0.75	0.68	0.08	12.6%	3.0%
Per passenger trip	3.55	3.67	3.77	3.71	3.42	(0.12)	-3.5%	-0.9%
Per passenger mile	0.10	0.15	0.16	0.16	0.15	0.05	47.6%	10.2%
Passenger trips per:								
Vehicle revenue mile	0.17	0.19	0.19	0.20	0.20	0.03	16.7%	3.9%
Vehicle revenue miles per vehicle	13,265	12,355	10,167	11,481	11,453	(1,813)	-13.7%	-3.6%
Average passenger trip length	34.3	24.1	24.3	22.8	22.4	(11.9)	-34.7%	-10.1%
Operating ratio (CAFR)		55.2%	54.7%	52.8%	55.2%	0.0%	0.1%	0.0%
Revenue per passenger		1.86	1.91	1.80	1.76	(0.10)	-5.2%	-1.8%
Revenue per passenger mile		0.08	0.08	0.08	0.08	0.00	2.0%	0.7%
Subsidy per passenger (CAFR)		1.64	1.71	1.75	1.53	(0.11)	-6.8%	-2.3%
Subsidy per passenger mile (CAFR)		0.07	0.07	0.08	0.07	0.00	0.3%	0.1%
SYSTEM TOTAL								
O&M Expense ($mil) - CAFR	127.2	130.8	138.9	147.2	159.6	32.4	25.5%	5.8%
Passenger miles (mil)	244	244	239	248	273	29	11.8%	2.8%
Vehicle Revenue Miles (mil)	31	34	35	35	37	6	17.6%	4.1%
Passenger trips (mil)	36	35	34	34	37	0	1.3%	0.3%
Vehicles available	1,393	1,626	1,761	1,772	1,852	459	33.0%	7.4%
Average fleet age	4.81	4.55	3.94	4.42	4.28	(0.52)	-10.9%%	-2.8%%
Spare ratio	17%	18%	28%	20%	19%	2%	10.3%	2.5%
Passenger revenues ($mil)	36.4	42.5	42.0	42.7	46.2	9.8	26.8%	6.1%
Operating subsidy (see calculation from CAFR below)	76.0	80.2	89.1	95.8	104.8	28.8	37.9%	8.4%
O&M unit costs:								
Per vehicle revenue mile	4.05	3.80	3.96	4.16	4.32	0.27	6.8%	1.7%
Per passenger trip	3.49	3.75	4.11	4.29	4.33	0.83	23.9%	5.5%
Per passenger mile	0.52	0.54	0.58	0.59	0.58	0.06	12.2%	2.9%
Passenger trips per:								
Vehicle revenue mile	1.16	1.01	0.96	0.97	1.00	(0.16)	-13.8%	-3.6%
Average passenger trip length	6.71	7.00	7.06	7.23	7.41	0.70	10.4%	2.5%
Operating ratio (CAFR)	40.2%	38.6%	35.9%	34.9%	34.39%	-5.9%	-14.7%	-3.9%
Revenue per passenger	1.00	1.22	1.24	1.25	1.25	0.25	25.2%	5.8%
Revenue per passenger mile	0.15	0.17	0.18	0.17	0.17	0.02	13.4%	3.2%
Subsidy per passenger (CAFR)	2.09	2.30	2.64	2.79	2.84	0.75	36.1%	8.0%
Subsidy per passenger mile (CAFR)	0.31	0.33	0.37	0.39	0.38	0.07	23.3%	5.4%
CAFR operating results ($mil):								
O&M expense, net of depreciation	127.2	130.8	138.9	147.2	159.6	32.4	25.5%	5.8%
Operating revenues	51.2	50.5	49.8	51.5	54.8	3.6	7.1%	1.7%

Table 9-4A Pace Suburban Bus OPERATING FINANCIAL TRENDS, 2001-2005 Computed from National Transit Database except where noted								
	2001	***2002***	***2003***	***2004***	***2005***	***Increase (Decrease) 2001- 2005[3]***	***% Change 2001-2005***	***Average Annual % Change***
Operating subsidy	76.0	80.2	89.1	95.8	104.8	28.8	37.9%	8.4%

Notes:
1. Passenger revenues as reported to NTD.
2. Operating subsidy reflects a pro-rata allocation of non-passenger operating revenues (from CAFR) to each mode, as a function of passenger revenues. It is the difference between O&M expense and operating revenues.
3. Some totals and computations may not calculate due to rounding.

Sources:
Pace comprehensive annual financial reports (CAFRs), 2001-2005: statements of revenues, expenses, and changes in net assets.
For all but CAFR operating results, see Pace profile reported by the National Transit Database (www.ntdprogram.com).

Table 9-4B
Pace Suburban Bus
AUDITED FINANCIAL RESULTS

	2001	*2002*	*2003*	*2004*	*2005*	*Increase (Decrease) 2001-2005*	*% Change 2001-2005*	*Average Annual % Change*
Pace Depreciable Capital Assets ($mil)								
Items from balance sheet:								
Gross depreciable assets	391.2	405.3	455.1	456.1	471.7	80.5	20.6%	4.8%
Accumulated depreciation	(232.1)	(249.2)	(273.6)	(289.1)	(299.9)	(67.8)	-29.2%	-6.6%
Net depreciable assets	159.1	156.1	181.5	167.0	171.8	12.7	8.0%	1.9%
Ratio of net to gross capital assets	40.7%	38.5%	39.9%	36.6%	36.4%	(4.2%)	-10.4%	-2.7%
Δ depreciable assets	38.3	14.1	49.8	1.1	15.6			
Δ depreciation	(6.65)	(17.07)	(24.40)	(15.51)	(10.79)			
Δ net depreciable assets	31.67	(2.95)	25.37	(14.44)	4.76			
Pace Capital Structure ($mil)								
Items from balance sheet:								
Total long-term liabilities	10.5	10.4	108.8	105.8	111.7	101.2	963.8%	80.6%
Net assets (fund equity)	177.9	179.1	224.1	203.1	206.3	28.4	16.0%	3.8%
Ratio of long-term liabilities to net assets	6%	6%	49%	52%	54%	48.2%	817.2%	74.0%
Pace Liquidity ($mil)								
Items from balance sheet:								
Cash, cash equivalents & investments	11.3	10.9	24.6	25.2	30.0	18.7	166.5%	27.8%
Grants and Accounts receivable	30.7	35.7	36.1	28.0	29.5	(1.2)	-3.9%	-1.0%
Accounts payable	2.3	2.4	7.4	1.9	2.8	0.5	21.7%	5.0%
Current Assets	46.1	51.9	65.6	71.0	69.0	22.9	49.6%	10.6%
Current Liabilities	19.0	25.0	34.8	37.8	32.3	13.3	70.0%	14.2%
Working capital (current, assets – liabilities)	27.1	26.9	30.9	33.2	36.7	9.6	35.4%	7.9%
Governmental revenues (from statement of revenues, expenditures, and changes in net assets)	128.5	112.3	167.8	107.3	138.7	10.2	7.9%	1.9%
Items from statement of cash flows:								
Net cash flow	(0.4)	(0.4)	13.7	0.6	4.8	5.2	na	na
Operating expenditures	127.2	130.8	138.9	147.2	159.6	32.4	25.5%	5.8%
Capital expenditures	56.2	30.5	67.1	24.7	34.0	(22.2)	-39.5%	-11.8%
Ratios:								
Current ratio	2.43	2.08	1.89	1.88	2.14	(0.29)	-12.0%	-3.1%
Acid ratio	2.21	1.86	1.75	1.41	1.84	(0..37)	-16.5%	-4.4%
A/P percent of total expenditures	1.3%	1.5%	3.6%	1.1%	1.4%	.2%	15.3%	3.6%
A/R percent of governmental revenues	23.9%	31.7%	21.5%	26.1%	21.3%	-2.6%	-10.9%	-2.9%
Weeks of cash ((cash ÷ total exp) x 52)	3	4	6	8	8	5	152.4%	26.0%
Pace Income Statement ($000s) (All items from statement of revenues, expenditures, and changes in net assets)								
Operating Revenue								
Pace-owned service revenue	28,433	27,456	26,351	26,455	27,606	(827)	-2.9%	-0.7%
CMAQ/JARC Services	652	1,136	541	244	245	(407)	-62.5%	-21.7%
Fixed route carrier revenue	4,632	4,644	4,510	4,551	4,635	3	0.1%	0.0%
Paratransit revenue	7,473	7,867	8,348	9,161	11,093	3,620	48.4%	10.4%
Vanpool revenue	2,042	2,230	2,486	2,519	2,694	652	31.9%	7.2%
Reduce fare reimbursement from IDOT	3,657	3,274	3,408	3,266	3,236	(421)	-11.5%	-3.0%
Advertising revenue	2,993	3,047	3,346	3,674	4,084	1,091	36.4%	8.1%
Miscellaneous	1,295	887	850	1,581	1,222	(73)	-5.6%	-1.4%
Total operating revenue	51,177	50,541	49,841	51,451	54,817	3,640	7.1%	1.7%
Operating Expenses								
Pace-owned service expenses	61,933	61,098	64,363	67,637	70,702	8,769	14.2%	3.4%
CMAQ/JARC expenses	1,056	2,138	3,154	1,219	933	(123)	-11.7%	-3.1%
Contract Payments:								
Fixed route carriers	10,631	10,596	10,738	11,338	11,585	954	9.0%	2.2%
Paratransit carriers	20,050	20,802	22,442	23,881	26,157	6,107	30.5%	6.9%
Vanpool expenses	2,054	2,134	2,431	2,554	2,531	477	23.2%	5.4%
Centralized operations	19,383	20,555	22,365	25,785	32,362	12,979	67.0%	13.7%
Administrative expenses	12,071	13,466	13,434	14,806	15,354	3,284	27.2%	6.2%
Depreciation	29,844	31,069	36,363	33,036	31,568	1,724	5.8%	1.4%
Total operating expenses	157,021	161,860	175,291	180,257	191,192	34,171	21.8%	5.0%
Operating income (loss)	(105,844)	(111,319)	(125,450)	(128,806)	(136,375)	(30,531)	-28.8%	-6.5%
Nonoperating Revenue								

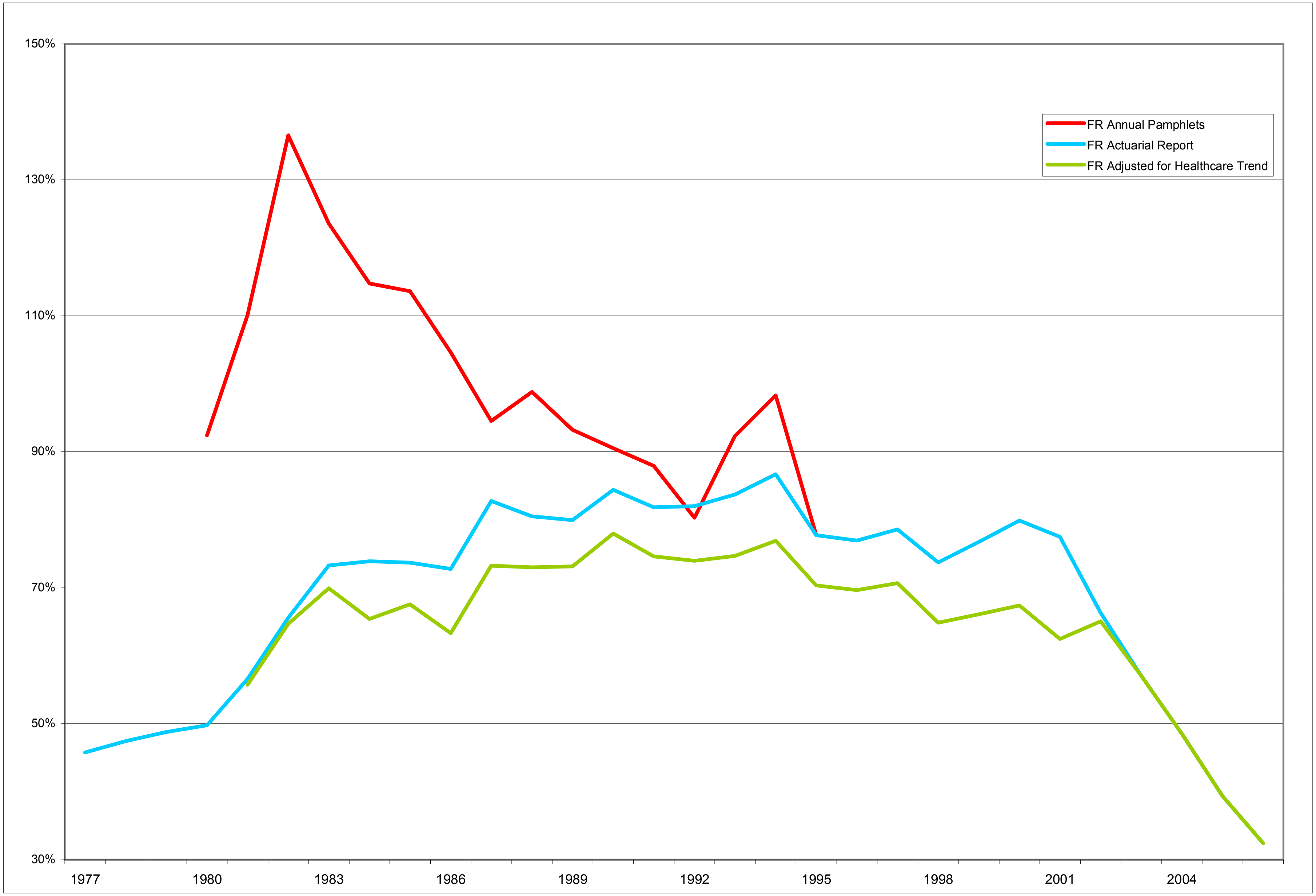
Table 9-4B Pace Suburban Bus AUDITED FINANCIAL RESULTS								
	2001	***2002***	***2003***	***2004***	***2005***	***Increase (Decrease) 2001-2005***	***% Change 2001-2005***	***Average Annual % Change***
Retailers' occupation and use tax from RTA	70,735	70,194	70,995	73,536	76,399	5,664	8.0%	1.9%
State operating assistance from RTA	4,267	8,858	11,752	5,516	3,653	(614)	-14.4%	-3.8%
Federal operating grants	425	2,129	13,697	9,439	24,502	24,077	5661.6%	175.5%
Capital grants reimbursements	53,068	31,162	71,327	18,839	34,112	(18,956)	-35.7%	-10.5%
Interest on investments	597	243	230	438	966	369	61.8%	12.8%
Gain on loss portfolio transfer								
Leasing transaction proceeds	-	-	2,424	-		-	na	na
Interest revenue from leasing transaction	-	-	1,497	6,747	6,718	6,718	na	na
Interest expense on leasing transaction	-	-	(1,497)	(6,747)	(6,718)	(6,718)	na	na
Total nonoperating revenue	129,092	112,586	170,425	107,769	139,632	10,540	8.2%	2.0%
Net change in net assets	23,247	1,267	44,975	(21,037)	3,257	(19,990)	na	na
Beginning net assets	154,623	177,870	179,137	224,112	203,075	*End of year 2005 versus beginning of year 2001*		
Ending net assets	177,870	179,137	224,112	203,075	206,333	51,710	33.4%	7.5%
Pace Operating Cash Flow								
(Derived from income statement)								
Operating expense net of depreciation	127,177	130,790	138,928	147,221	159,624	32,447	25.5%	5.8%
Operating Revenues								
Passenger fares	43,232	43,333	42,236	42,931	46,273	3,041	7.0%	1.7%
Other operating revenues	7,945	7,208	7,605	8,521	8,542	597	7.5%	1.8%
Total operating revenues	51,177	50,541	49,841	51,451	54,817	3,640	7.1%	1.7%
Subsidy required	76,001	80,249	89,087	95,769	104,807	28,806	37.9%	8.4%
Sources of operating assistance:								
Public funding from the RTA	70,735	70,194	70,995	73,536	76,399	5,664	8.0%	1.9%
Reduced-fare subsidies	4,267	8,858	11,752	5,516	3,653	(614)	-14.4%	-3.8%
Operating grant revenue	425	2,129	13,697	9,439	24,502	24,077	5661.6%	175.5%
Investment income	597	243	230	438	966	369	61.8%	12.8%
Other nonoperating revenues (expenses)	-	-	2,424	-	-	-	na	na
Total operating assistance	76,024	81,423	99,098	88,929	105,520	29,496	38.8%	8.5%
Net cash flow	24	1,174	10,011	(6,840)	713	689	na	na

Note: Some totals and computations may not calculate due to rounding.
Source: Pace comprehensive annual financial reports (CAFRs), 2001-2005. Refer to statements referenced above.

Appendix D
CTA Employees' Retirement Plan:
Contributions and Benefit Payments

Graph I

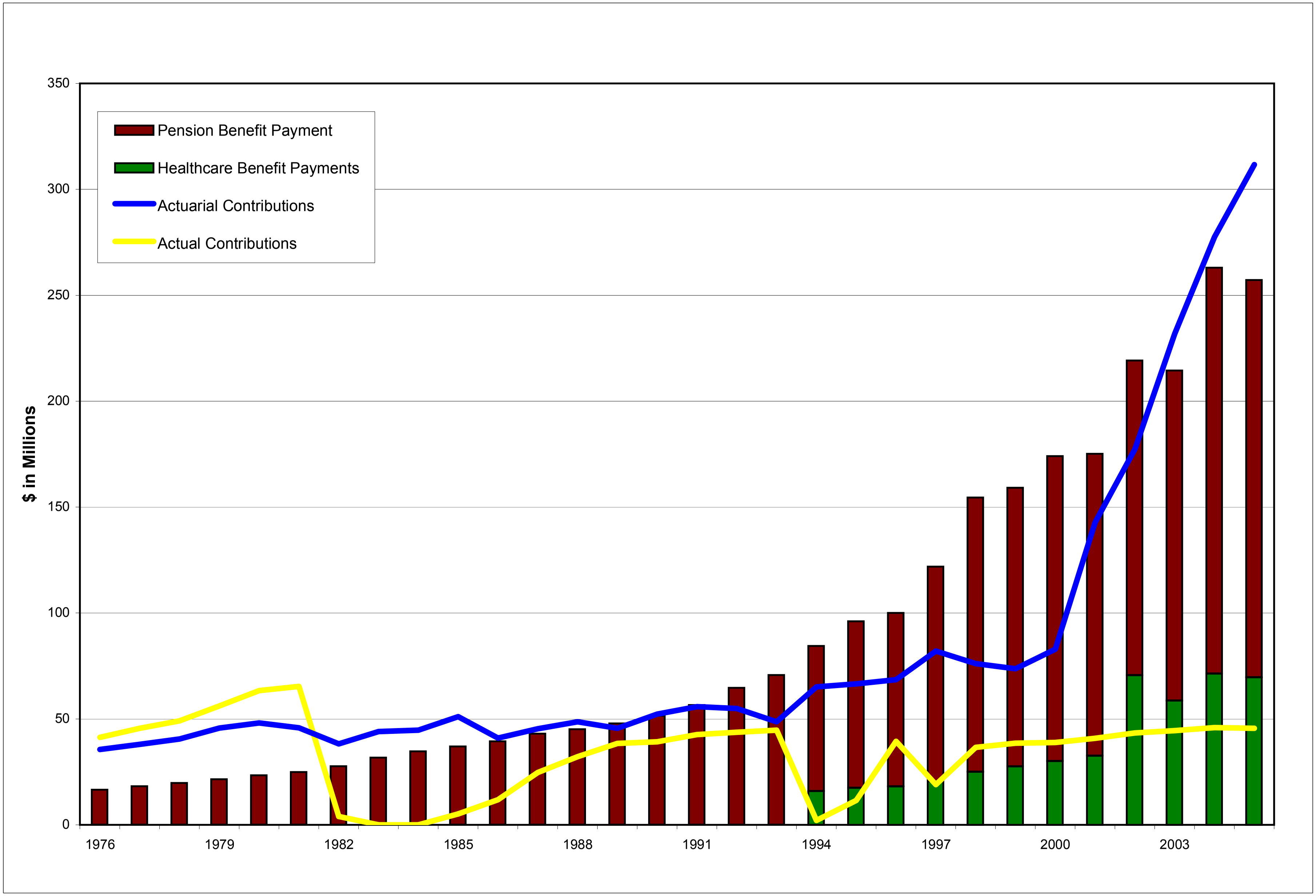
Chicago Transit Authority Employees' Retirement Plan
Historical Review
Funded Ratio (FR) by Plan Year



March 08, 2006

Graph 2

Chicago Transit Authority Employees' Retirement Plan
Historical Review
Contributions and Benefit Payments
Comparison of Actuarial and Bargained Contributions



March 08, 2006

Appendix E
Agencies' Written Responses to Audit Report

Regional
Transportation
Authority

175 W. Jackson Blvd.
Suite 1550
Chicago, IL 60604
(312) 913-3200
www.rtachicago.com

February 22, 2007

Mr. William G. Holland, Auditor General
Office of the Auditor General
160 N. LaSalle, Suite S-900
Chicago, IL 60601-3103

Dear Mr. Holland:

Per your request, attached is a hard copy of the RTA's response to the audit due on February 22. An electronic copy was also sent this morning to both Ameen Dada and Teresa DeStasio via email.

Sincerely,

Steve Schlickman
Bn

Stephen E. Schlickman
Executive Director

Attachment.

/bn

RTA COORDINATION OF SERVICES	
RECOMMENDATION NUMBER 1	***The RTA should develop and oversee a process that ensures that adequate planning and coordination of service routes occurs.*** • ***Standards should be developed which set forth guidelines for establishing new routes, with an important factor being that adequate consideration will be given to assigning new routes to the least cost carrier when service routes overlap.*** • ***Sub-regional route studies should be organized as a part of a single regional transit planning activity, with the overall work program agreed to on a regional level, and the rules for participating in the studies set at the regional level.*** • ***Included should be an examination of the feasibility and cost savings that could be realized by transferring non-overlapping routes to the low-cost carrier.***
RTA RESPONSE	The RTA intends to build on the partnership and cooperation established with the Service Boards in our Moving Beyond Congestion strategic planning work. The RTA agrees that adequate planning and coordination of service routes is essential. In conjunction with the Service Boards the RTA will establish general performance measures and guidelines that would guide specific, detailed service planning. Performance measures should include a balance of objectives including feasibility, cost efficiency, evaluation of existing services for duplication, geographic/jurisdictional considerations, local needs and equity. A combined, cooperative and collaborative approach to service coordination should be utilized by the RTA and Service Boards.

RTA AND REGIONAL FARE ISSUES	
RECOMMENDATION NUMBER 2	***The RTA should establish a fare system for all Service Boards that fosters intersystem transfers.*** • ***The fare system should charge customers the same for the same types and travel distances of service among all modes.*** • ***Furthermore, RTA should work toward establishing more uniform fare media among all Service Boards.*** • ***Should the RTA require additional legislative authority to deal with regional fare issues, the RTA should seek such authority.***
RTA RESPONSE	Fare coordination and integration are important for riders to seamlessly and easily use the entire regional transit system. As part of our Moving Beyond Congestion strategic planning work, the RTA is proposing to develop an integrated fare program. Our fare coordination plan will address two primary elements that include coordination of fare media (tickets and passes) and fare policy. Both elements are critical to the success of an integrated fare program. There are very few examples around the world of a fully integrated regional fare system that incorporates "closed" urban rail, city and suburban bus systems with "open" commuter rail systems. Ensuring efficient operations and a cost effective program must also factor into to the program proposal.

PERFORMANCE MEASUREMENT	
RECOMMENDATION NUMBER 3	***The RTA should work in conjunction with CTA, Metra, and Pace to:*** • ***Define the critical 15-25 measures that best measure the achievement of each agency's mission, including aspects of financial, customer service and productivity performance, and publicly report them on a regular basis;*** • ***Establish its own set of performance measures;*** • ***Develop key indicators that link performance for all of the agencies, such as on-time performance, ridership, mean distance between failures (mechanical reliability), safety metrics (employee, passenger and vehicle accidents), financial measures, customer service metrics, and fostering of intermodal and inter-Service Board trips;*** • ***Convene a working group, as part of the strategic plan, to share "best practices" in performance evaluations and performance measurement; and*** • ***Additionally, the RTA, CTA, Metra, and Pace should use these performance measures to evaluate the performance of all managers.***

RTA RESPONSE	Building upon the strategic planning work and initiatives, the RTA agrees that it should coordinate the development of performance measures for itself and its Service Boards. We will: • Develop key indicators that link performance for all agencies. Indices should include on-time performance, system reliability and safety, financial measures, customer service metrics. • An Interagency Best Practices working group shall be established. • These measures will be used to evaluate manager performance.
CTA RESPONSE	
METRA RESPONSE	
PACE RESPONSE	

PLANNING	
RECOMMENDATION NUMBER 4	***The RTA should conduct a long-term, comprehensive strategic planning process that sets a structure and broad guidelines encompassing financial, programmatic, and operational functions of the Service Boards and the RTA. The RTA should perform this strategic planning process on an ongoing basis.*** ***In addition, regarding major new Service Board initiatives, such as New Start projects, the RTA should establish a set of criteria for funding and prioritizing such initiatives across all agencies. Such criteria could include:*** • ***How does the proposed project fit within the regional long-range strategic planning process;*** • ***What is its priority;*** • ***What is the desired schedule;*** • ***What resources are available; and*** • ***Which transportation mode is preferred.***
RTA RESPONSE	The RTA agrees that long-term, comprehensive strategic planning is vital to the success of transit in the region. The RTA has recently developed such as strategic plan, in conjunction with the CTA, Metra and Pace. The RTA agrees that it should continue to perform this function on an ongoing basis. The RTA will build upon its strategic planning work and lead an effort to develop and establish a regional project evaluation process. Presently we have developed a draft framework for project evaluation. We will continue to work to refine and implement this process.

RTA PARATRANSIT OPERATIONS	
RECOMMENDATION NUMBER 5	***The RTA should take the steps necessary to reduce the backlog in the processing of applicants for ADA certification.***
RTA RESPONSE	The RTA agrees with this recommendation. The RTA determined in mid-2006 that an additional Certifier was needed to address the level of applications being received and to respond to the need to eliminate the number of individuals on interim eligibility status. This has been accomplished. The RTA now has 5 full-time Certifiers. The most recent hire has been employed for 4 months. The RTA anticipates the number of individuals on interim service for extended time periods will decrease rapidly in 2007. With 5 full-time Certifiers the RTA anticipates eliminating the backlog by May 1, 2007. The RTA is currently certifying over 80% of applications received within 21 days and is anticipating that by May 1, an additional 15% of applicants will be certified within 60 days; resulting in 95% of applicants being certified within 60 days of the completed applications being received. Applications not given certifications within this time frame would be outstanding due to additional information being needed to finalize a decision.

RTA CALL CENTER	
RECOMMENDATION NUMBER 6	***RTA should revise the incentive system in the contract with the call center contractor to enable them to increase their call capture rate without violating RTA's current budgetary constraints.***
RTA RESPONSE	The RTA and Archway Marketing have negotiated an amendment to the contract which went into effect January 1, 2007. The amendment eliminates incentive pay and raises the cost paid per call to $0.89 in 2007 and $0.90 in 2008. The fixed monthly fee is raised to $75,000. The contractor is expected to have a monthly average call capture rate under this agreement. A monthly 96% call capture rate is about the maximum that can be achieved under even the best circumstances by a Call Center. The contractor will pay a penalty if in any month the call capture rate is below 94%. This should reduce customer wait time. This new agreement will cost the RTA less than raising the call capture rate and continuing to pay the incentive that had been established.

RTA PENSION PLAN ***(RTA, Metra, and Pace)***	
RECOMMENDATION NUMBER 23	***RTA, Metra, and Pace should:*** • ***Continue to take the actions necessary to ensure the pension plan is adequately funded;*** • ***The parties should periodically review the 8.5 percent investment return assumption; and*** • ***The parties should consider phase-out of the lump sum option.***
RTA RESPONSE	The RTA agrees with the recommendation. The trustees of the RTA pension plan have adopted a formal written policy of making pension contributions at the actuarially recommended amounts to fund the plan at 100%. Further, the trustees will continue to periodically review all of the actuarial assumptions, including the 8.5% investment return assumption; and will consider the phase-out of the lump sum option.
METRA RESPONSE	
PACE RESPONSE	

RTA FINANCIAL MANAGEMENT	
RECOMMENDATION NUMBER 28	***RTA should prepare and adopt annually a ten-year financial plan, reflecting:*** • ***The agency's current cash position and all then-known obligations;*** • ***The amounts of discretionary sales tax and PTF revenues, and planned distributions of these funds to RTA uses, debt service, and to Service Boards as a group;*** • ***Anticipated amounts of State and federal capital grants, and State appropriations for servicing existing and planned debt issued by RTA on behalf of the State;*** • ***The Service Boards' capital replacement and rehabilitation plans, based on asset replacement standards and fleet plans; and*** • ***Positive working capital (i.e., current assets less current liabilities).*** ***In addition, the RTA should adopt a financial planning standard that requires a Service Board to demonstrate the financial capability to achieve a state of good repair for existing plant and equipment and sustain existing services, prior to designing or constructing expanded services or facilities.***
RTA RESPONSE	The RTA agrees that the annual budget and financial plan

	process should provide a comprehensive and transparent assessment of the RTA system's existing and anticipated financial and physical condition, and existing and anticipated financial obligations, as well as a comprehensive and transparent near term and long range plan that addresses ongoing financial stability, continuity of service delivery, and responsiveness to future mobility needs of the region.

RTA CAPITAL PROGRAM	
RECOMMENDATION NUMBER 32	***RTA should investigate whether pay-as-you-go financing for a portion of the capital program would be a more efficient use of State funds than the current strategy that relies totally on bond financing.*** ***In addition, in the capital program it adopts, the RTA should include a provision for the disclosure of unfunded capital needs so that decision makers and the public are aware of the cost of attaining a state of good repair, even if the funds do not exist to attain it.***
RTA RESPONSE	The RTA agrees that the RTA system capital program should include "pay-as-you-go" funding to meet the objectives of efficiency, equity, and effectiveness. An appropriate amount of "pay-as-you-go" funding requires that the RTA system have a greater level of funding than existing levels. Further, appropriate capital investment funding requires a reliable, preferably dedicated, source of revenue. The RTA agrees that it will be beneficial to policymakers in the region to assess and report on a regular basis the total capital funding needed to maintain, enhance and expand the region's transit system. The Strategic Plan recently developed by the RTA, in conjunction with the CTA, Metra and Pace, contains such an assessment, and should be updated as necessary.

CONTRACTS AND PROCUREMENTS	
RECOMMENDATION NUMBER 36	***Regarding contracts and procurements:*** • ***The RTA should assist the Service Boards in identifying and facilitating opportunities for joint procurements that would result in cost savings and/or coordinated service delivery; and*** • ***The CTA and Pace should work together to bring about the joint bus farebox procurement.***

RTA RESPONSE	The RTA agrees that it should assist the Service Boards in identifying and facilitating opportunities for joint procurements that would result in cost savings and/or coordinated service delivery.
CTA RESPONSE	
METRA RESPONSE	
PACE RESPONSE	

Carole L. Brown
Chairman

Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661

Frank Kruesi
President

February 22, 2007

The Honorable William G. Holland
Office of the Auditor General
Iles Park Plaza, 740 East Ash
Springfield, IL 62703-3154

Dear General Holland:

Thank you for the opportunity to review and comment on the Compliance and Performance Audits for Northeastern Illinois Mass Transit Agencies. In general, CTA agrees with your recommendations. Your audit confirms that any earlier concerns regarding the integrity of CTA's financial reporting and accounting were unfounded. On the financial audit, CTA received an unqualified opinion and the Compliance report noted no findings and no matters considered material involving internal controls. The performance audit found CTA's efficiency generally to be in line with industry standards. If empowered to implement all of your recommendations, CTA's performance will improve even further. We would like to thank IMG, KPMG, Wolf & Company and your staff for their work on these audits.

As your audit states, "The transit agencies of the Chicago metropolitan area are facing a serious financial shortfall." Other recent studies have reached similar conclusions. In 2005, the Mass Transit Committee of the Illinois House examined transit funding under the 1983 RTA Act. Its report, according to committee chair Rep. Julie Hamos, "makes a convincing case for reform." RTA's recently-released *Moving Beyond Congestion Regional Strategic Transportation Plan* further notes, "More than two years have gone by since the last state capital program for transit expired, and more than 23 years have passed since the state restructured operating funding. As a result, the immediate future of transit is in question: without additional funding, service reductions will be required to balance operating budgets, possibly before the end of 2007."

These independent evaluations, bolstered by the fact that the Texas Transportation Institute has ranked the Chicago region as the second most congested in the nation, suggest that transit funding should be revisited after more than two decades. The 1983 legislation states that it was intended "to provide for, aid and assist public transportation in the northeastern area of the State without impairing the overall quality of existing public transportation." In reality, insufficient funding under this statute contributed to the region losing 200 million annual transit rides between 1985 and 1997. CTA has been the most directly impacted. As you observe, nearly all of the ridership loss occurred on CTA even though it serves some of the most dense, transit-supportive parts of the region, if not the country. This ridership loss has been only partially offset by notable gains in recent years, including a CTA increase of 55 million annual rides since 1997 even as CTA operations have continued to be underfunded. Recent ridership gains are a result of board and management policies intended not only to increase efficiency, but also to improve and grow service with limited resources.

The 1983 legislation is also at the heart of CTA's pension underfunding. The statute was structured to provide just enough cash flow to cover day-to-day operations, but not long-term pension obligations. The statutory budget guidelines excluded the actual costs of pension obligations. As you note, under the RTA Act, "pension cost is not technically a cash expense." Additionally, the legislation did not reform the process of determining employee pension contributions and benefits. Thus, CTA's statutorily-mandated collective bargaining with binding arbitration process has resulted in a pension plan that threatens CTA's ability to maintain service levels. We agree that reforms are needed to the collective bargaining process and employee pensions.

Policy objectives and equity considerations relating to the RTA structure and distribution of transit funds are primarily for the Governor and the General Assembly to evaluate and decide. Reducing traffic congestion, improving air quality, and achieving other policy goals require a structure and a funding approach to transit that explicitly considers ridership and related performance criteria, so that public resources are used effectively. Current funding – with sales tax rates varying by county and allocations based upon where retail sales occur – has no explicit relationship with any transit-related policy objective and is incompatible with meeting regional transit needs that cross political boundaries.

The direct beneficiaries of transit already pay for services through fares. Public funding is provided by all taxpayers because they benefit from transit, whether or not they ride it regularly. These benefits include 1) reduced congestion, 2) air quality improvements and fewer greenhouse gas emissions, 3) more efficient use of energy, road capacity, and land, 4) a stronger economy, and 5) accessibility for non-drivers and drivers alike. This is no different from how all taxpayers benefit from and fund other essential public services such as fire and police protection, not just those whose property catches fire or who are a crime victim. Thus, funding for transit should reflect its indirect benefits to the region. While the current state of transit finances demonstrates that the funding structure does not serve the region well, we agree with your conclusion that "regardless of the allocation formula utilized, changing the formula will not address the problem of lack of funding for all of the transit agencies."

As you also observe, "CTA's capital funding sources diminished significantly in 2005 from prior years due to the expiration of the *Illinois FIRST* funding program." Specifically, Illinois FIRST had provided as much as $176 million annually and was used to match federal transit capital formula and discretionary grants, in turn generating more funding. While state capital funding for transit has been suspended pending legislative renewal, capital projects for highways continue to receive over $1.3 billion annually from the state's dedicated motor fuel tax.

Planning for the future must remain a priority even when there are immediate financial challenges. Many of today's key transit links – including the Red Line Dan Ryan Branch, the Blue Line to O'Hare, the Orange Line to Midway, and the Yellow Line to Skokie – were spearheaded by past generations of leaders who understood the need to invest in transit's future even as they addressed significant day-to-day financial pressures. To address growing congestion, the region has an obligation to capture federal capital discretionary funds that might otherwise go elsewhere. With each service board making its best case for its expansion priorities, the region maximizes the chance to secure an appropriate share of these funds. We agree with your conclusion that, "Given the condition of the region's transit finances, it may be difficult for the nine proposed New Starts projects to obtain federal grants without significant changes in local and/or State funding."

Even as CTA examines ways to meet future demand, we agree with your assessment that funding existing needs – both for operating and capital programs – is the top priority. This is consistent with the region's *Moving Beyond Congestion* initiative, which aims to secure new funding and allocate these resources to first maintain existing service and then enhance and expand the transit network. Potential solutions to the region's transit financial shortfall should reflect these priorities.

Thank you again for highlighting important issues for the General Assembly to consider during the upcoming legislative session and confirming that any concerns over CTA's financial recordkeeping or compliance with rules and laws were unfounded.

Sincerely,

Carole Brown

Frank Kruesi

PERFORMANCE MEASUREMENT	
RECOMMENDATION NUMBER 3	***The RTA should work in conjunction with CTA, Metra, and Pace to:*** • ***Define the critical 15-25 measures that best measure the achievement of each agency's mission, including aspects of financial, customer service and productivity performance, and publicly report them on a regular basis;*** • ***Establish its own set of performance measures;*** • ***Develop key indicators that link performance for all of the agencies, such as on-time performance, ridership, mean distance between failures (mechanical reliability), safety metrics (employee, passenger and vehicle accidents), financial measures, customer service metrics, and fostering of intermodal and inter-Service Board trips;*** • ***Convene a working group, as part of the strategic plan, to share "best practices" in performance evaluations and performance measurement; and*** • ***Additionally, the RTA, CTA, Metra, and Pace should use these performance measures to evaluate the performance of all managers.***
RTA RESPONSE	
CTA RESPONSE	CTA agrees. Regional policy measures should be grounded in policy objectives, such as reducing traffic congestion, increasing ridership, and maintaining the quality of the transit system (70 ILCS 3615/1.02(c)). These measures should be tied to the Moving Beyond Congestion objective to "Maintain, Enhance, and Expand" the region's transit network. Regional performance can also be improved by linking governance and funding to measures such as ridership, fares, taxes, or traffic congestion. Ridership is one of the most important performance measures because it reflects the purpose of having a transit system. Other performance measures sometimes contradict the ridership goal. For example, mandating a high farebox recovery ratio can result in higher fares and service reductions that would reduce the public benefits of transit.
METRA RESPONSE	
PACE RESPONSE	

CTA RAIL MAINTENANCE OPERATIONS	
RECOMMENDATION NUMBER 7	***Regarding maintenance operations, the CTA should:*** • ***Ensure that reporting of performance indicators is consistent across various performance reporting documents;*** • ***Review customer perceptions of cleanliness in upcoming customer satisfaction surveys; and*** • ***Complete the process of revising the data reported to FTA with respect to major and other failures.***
CTA RESPONSE	CTA agrees that customer perception of service cleanliness is extremely important to capture in these surveys. CTA conducts a Customer Satisfaction Survey approximately every two years. Customer perception of rail car appearance is one of many attributes measured. CTA uses this information to ensure on-time, clean, safe and friendly service. With respect to the major and other failures reported to FTA, CTA will comply with this recommendation in future reports to FTA.

CTA BUS MAINTENANCE AND MANAGEMENT	
RECOMMENDATION NUMBER 8	***Regarding bus maintenance and management operations, the CTA should undertake the following activities:*** • ***Conduct regular evaluation of the MMIS system rollout to ensure it is on schedule;*** • ***Develop MMIS measures and reports that will maximize productivity;*** • ***Develop a detailed recruiting and employee retention strategy;*** • ***Prioritize labor rule changes CTA will seek in the next round of collective bargaining; and*** • ***Continue with innovative efforts to develop human capital, including training current employees.***
CTA RESPONSE	CTA agrees. The entire MMIS system has been installed at all bus garages and rail terminals, and training and implementation are expected to be complete at all of these locations by the end of March 2007. Reports that will measure productivity are under development. CTA has identified numerous labor rule changes to reduce operating costs and several initiatives to improve employee recruiting and retention.

CTA SAFETY OPERATIONS	
RECOMMENDATION NUMBER 9	***CTA should take the following actions to improve the safety of its operations:***

	• ***Become a participant of the APTA Bus Audit Program and request an APTA Peer Review for the Bus System;*** • ***Integrate operating/represented personnel into the agency's safety programs;*** • ***Formalize procedures that delineate clear accountability for implementation of follow-up action personnel related to specific safety concerns;*** • ***Improve communication of safety objectives to employees;*** • ***Review options for revising employee incentive programs. This may be an opportunity to involve unionized workforce to identify effective incentive programs;*** • ***Review the application of discipline as a disincentive for improving safety performance;*** • ***Finalize and implement the Bus System Safety Plan;*** • ***Clarify the leadership role of the Safety Department for facilitating the resolution of outstanding safety issues internally, e.g., completion of Bus System Safety Plan and externally, e.g., response to APTA Safety Audit; and*** • ***Consider modifying the Injury-On-Duty rate calculation methodology to one that is not dependent on the period of time being reviewed.***
CTA RESPONSE	CTA agrees with the recommendations regarding safety, and has contacted APTA to register for the APTA Bus Audit Program. CTA reports its Injury-On-Duty rate consistent with National Transit Database guidelines, but will consider modifying the calculation to one that is not dependent on the period of time being reviewed.

CTA CUSTOMER SERVICE OPERATIONS	
RECOMMENDATION NUMBER 10	***Regarding customer service operations, the CTA should:*** • ***Continue to proactively evaluate and implement new technology options to enhance the customer experience;*** • ***Add detail to the monthly customer complaint/commendation report to understand and target priority areas for management attention to ensure better customer service; and*** • ***Research the high abandonment rate and ascertain whether it is based on the website referral or the long waiting time.***
CTA RESPONSE	CTA agrees. CTA continues to improve its customer service. In recent months, CTA's call abandonment rate has dropped substantially, from over 40% in August 2006 to less than 20% in January 2007. CTA's enhanced phone system contains a recorded message that informs

	customers of other ways to communicate with CTA, including through its website and email. Many customers take advantage of these communication channels; CTA receives an average of more than 2,000 emails per month. Average call response times have also dropped from 9 minutes, 26 seconds in August 2006 to 3 minutes, 2 seconds in January 2007.

CTA PERFORMANCE IMPROVEMENT	
RECOMMENDATION NUMBER 11	***Regarding the AECOM recommendations, CTA should undertake the following actions:*** • ***Prioritize implementing recommended changes based on financial benefit and likelihood of implementation;*** • ***Work with labor representatives to find common ground where changes in labor rules can be beneficial to both CTA and its employees;*** • ***When the next round of collective bargaining takes place, seek key labor changes to enact the recommendations; and*** • ***If arbitration is required, be prepared to provide detailed analysis of the benefits of requested changes and the effect on bargained-for workers.***
CTA RESPONSE	CTA agrees and has included many of these recommendations in its collective bargaining proposals. As CTA experienced in 2006, such changes can be blocked by opposition from CTA's unions and an arbitrator appointed under state labor law. Absent legislative changes to this statutory process, such changes may not be possible to implement.

STAFFING	
RECOMMENDATION NUMBER 20	***The Service Boards should follow-up on areas where the staffing benchmarking data indicated that performance could be improved and determine whether changes can be made.*** ***The CTA Attendance Improvement Program, now underway, should be treated as one of the CTA's highest priorities, with implementation and accountability delegated to middle and first-line managers, with frequent reporting and monitoring of performance. Improving CTA's systems for tracking non-work time and providing accurate, timely, and relevant information to all levels of management on a daily basis is an important part of this effort.***

	The CTA should explore ways to expedite the arbitration process to significantly reduce the time it takes to finalize labor agreements.
CTA RESPONSE	CTA agrees. While benchmarking shows that CTA performs well against its peers based on current contract constraints and system geometry, benchmarks can provide new ways to seek continuous improvement. Most changes would require changes in law or labor contracts. CTA has undertaken two major programs to improve attendance and workforce planning: • The Transitional Return to Work (TRTW) program enables employees who are injured on duty to assume other assignments until they are ready to return to their regular job. TRTW improves employee productivity, helping CTA to reduce workers' compensation costs and retain skilled workers. • The Maintenance Management Information System (MMIS) is an integrated system that helps managers track staffing levels and requirements in addition to materials, thus enabling CTA to improve its workforce planning. AECOM noted that attendance is an industry-wide challenge in public transit, and that – while CTA's attendance rates compare favorably to other large systems – several smaller systems have had recent success at improving those rates. CTA agrees that an expedited arbitration process could be beneficial for the agency.
METRA RESPONSE	
PACE RESPONSE	

CTA PENSION PLAN	
RECOMMENDATION NUMBER 21	***The CTA should:*** • ***Develop a plan to fund the CTA employee pension plan, as required by Public Act 94-0839;*** • ***Pursue alternatives to setting contribution rates through the collective bargaining process, given that such a process has resulted in drastic underfunding of the pension plan;*** • ***Examine the 9 percent investment return assumption;*** • ***Develop and implement a plan to fund the post-retirement healthcare plan;*** • ***Pursue all possible cost reduction strategies of the post-***

	retirement healthcare plan that have not already been implemented; • ***Monitor the Plan's compliance with the retiree healthcare subordination test, under Internal Revenue Code Section 401(h) and develop plans to help assure continued compliance;*** • ***Examine the feasibility of the CTA making all contributions to employee pension plans (along with a commensurate decrease in employee compensation) and the potential costs savings that could accrue;*** • ***Review the feasibility of changing the defined benefit plan to a defined contribution plan, such as for new employees starting employment with the CTA; and*** • ***Identify any matters or changes in State law that requires legislative action regarding pension and post employment healthcare benefits, and present these matters to the General Assembly for its consideration.***
CTA RESPONSE	CTA agrees. Currently, approval of specific changes is subject to the collective bargaining process or binding arbitration. Historically, collective bargaining or binding arbitration has not resulted in substantive changes to improve the financial health of the pension plan. To meet the requirements of Public Act 94-0839: • CTA has developed funding as well as cost-reduction plans, and will continue to discuss them with various stakeholders. • CTA and the Plan have both examined the 9 percent return assumption. In 2006, the Plan implemented an asset allocation strategy designed to reduce the risk profile of the Plan. The Plan's investment advisor estimates that these changes will cause the portfolio to perform with the predictability and stability of portfolios with closer to an 8.0% targeted return assumption. • CTA does not control the Plan's compliance with Section 401(h); however, it will ensure that it does not inadvertently facilitate 401(h) violation by permitting the Plan to incur CTA health care liabilities after the 401(h) balance reaches zero. • CTA has examined the potential tax savings of a shift in employer/employee contribution levels. • Alternative methods of setting contribution rates and a change to a defined contribution benefit structure would require changes in law and/or collective bargaining agreements.

CTA SUPPLEMENTAL PENSION PLANS	
RECOMMENDATION NUMBER 22	***The CTA should take the action necessary to ensure that its various Supplemental pension plans are adequately funded and trusted to protect the interests of the beneficiaries of these plans.***
CTA RESPONSE	CTA agrees and would work to fully fund these supplemental plans subject to the availability of new operating resources.

CTA REVENUES	
RECOMMENDATION NUMBER 25	***In the absence of any other funding sources, the CTA should consider adjusting its rail fares and its monthly pass rates to reduce its projected operating subsidy requirements and to improve its rate of cost recovery.***
CTA RESPONSE	CTA's base fare has increased 122% since 1985, compared to 30% for Metra, 67% for Pace, and CPI growth of around 85%. Because CTA's inflation-adjusted public funding has shrunk for bus and rail operations by nearly 1% each year, CTA customers and employees have made up the difference in disproportional fare increases, service cuts, and deferred pension obligations. Between 1990 and 1995, monthly pass prices increased by nearly 50%, while ridership dropped by more than 140 million rides – twice Metra's total ridership. Currently priced at $75, CTA's monthly pass is priced high compared to its peers. The "break even" rate – the cost of a monthly pass divided by the base fare – for CTA (43) exceeds that for Pace (33) and Metra (27). As CTA discussed with Auditor General staff, Exhibit 8-34 shows that CTA's operating subsidy in 2005 was $714.3 million. On a cash basis, CTA actually received $495.9 million in sales tax revenues, discretionary funds and a one-time state grant. In Exhibit 8-34, "subsidy" per boarding (excluding paratransit) is $1.46 for CTA, $3.54 for Metra and $2.51 for Pace. Using actual public funding received, the "subsidy" per boarding for CTA, Metra and Pace in 2005 was $0.90, $3.52 and $1.99, respectively. Continued growth in these disparities could subject the region to scrutiny under Title VI of the federal Civil Rights Act. Increasing fares faster than inflation is not a long-term solution to a structural deficit, nor will it do anything but increase traffic congestion.
AUDITOR COMMENT	**Since 1992, CTA fares have not kept up with inflation, although CTA closed the gap with its January 2006 fare increase.**

<table>
<tr><th colspan="2">CTA FINANCIAL MANAGEMENT</th></tr>
<tr><td>RECOMMENDATION NUMBER
29</td><td>The CTA should:
• Modify the presentation of its budget to include all operating costs per GAAP, and require Board approval of any deferral of operating costs to subsequent years;
• Prepare and adopt annually a ten-year financial plan, reflecting:
– The agency's current cash position and all then-known obligations, including pension contributions;
– A capital replacement and rehabilitation plan that reflects CTA asset replacement standards; and
– Positive working capital (i.e., current assets less current liabilities); and
• Demonstrate the financial capability to achieve a state of good repair for existing plant and equipment and to sustain existing services, prior to designing or constructing considering expanded services or facilities.</td></tr>
<tr><td>CTA RESPONSE</td><td>CTA agrees that GAAP accounting presents a more accurate picture of long-term obligations. CTA financial statements report GAAP figures, but the 1983 RTA Act requires CTA's budget to comply with GAAP but exclude certain expenditures.

CTA agrees that a ten-year financial plan would be useful, both for operating and capital expenditures and hopes to work with RTA to set common, objective asset replacement and capital funding standards across the region.

CTA has submitted a funding request to the RTA to bring the system to a state of good repair. It will also seek to be responsive to the Illinois Congressional delegation's desire to increase the region's share of federal funds and expand service to meet growing demand.</td></tr>
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<table>
<tr><th colspan="2">CTA CAPITAL PROGRAM</th></tr>
<tr><td>RECOMMENDATION NUMBER
33</td><td>Regarding its capital program, the CTA should:
• Reexamine system expansion decisions given that the significant estimated five-year unfunded needs to reach a state of good repair are significantly higher than planned CIP expenditures;
• Investigate why the "percent unobligated" balance for current years' CIP has been increasing in recent years and address the issue accordingly;
• Investigate the problem of increasing "percent unexpended" balances in recent years and address the</td></tr>
</table>

	issue accordingly, possibly by expediting its capital procurement process; • ***Identify whether its proposed capital projects are primarily for: (i) safety; (ii) infrastructure renewal; (iii) capacity expansion for the existing system; (iv) extensions to the existing system; or (v) other supporting assets;*** • ***Increase the Brown Line project contingency to ensure its adequacy; and*** • ***Review its engineer's estimates during the course of major projects to ensure that the cost-to-complete estimate is current and reliable.***
CTA RESPONSE	CTA's Capital Improvement Program balances needs to bring the system to a state of good repair with future needs to respond to changing demands of its customers. Federal funding for system expansion or "New Starts" comes largely from Section 5309 New Starts funds. New starts funds are discretionary funds which are available only for "New Starts" projects identified in federal law. The system expansions and extensions shown in CTA's 2007-2011 CIP would use federal New Starts funds. As seen below, extensions make up just 0.53% of the CIP. CTA does not propose diverting formula funds to support system extensions and expansions. Percent unobligated for current year measures how quickly CTA obligates funds received in that year. In 2006, both unexpended and unobligated balances declined. Through December 2006, CTA had obligated $717.7 million and spent $639.2 million. This reflects resumption of the normal federal funding cycle with earlier grant receipts, and CTA's success in implementing certain major projects. CTA agrees that reducing the unobligated and unexpended balances of capital funds helps improve capital assets sooner. Funding tools including pre-award authority, Letters-of-No Prejudice, and other advance obligation mechanisms allow CTA to enter into third-party contracts before funds are in hand. Although federal rules permit CTA and other service boards to proceed using pre-award authority, RTA and Illinois Department of Transportation have imposed rules in the past that CTA have all cash in place before proceeding with obligating contracts. A further impediment to accelerating obligations is the uncertainty of non-federal capital funding. Over the past several decades, major state bonding initiatives (SCIP I&II) have been authorized for a fixed period, followed by a funding drought. It is extremely difficult to adopt just-in-time funding strategies if there is uncertainty about future funding availability. Providing a reliable, continuous funding source is the best means of reducing unobligated and unexpended capital balances. CTA believes safety is an integral part of almost every infrastructure

	renewal project. For example, CTA's current project to renew and upgrade signals on the Congress/Dearborn Subway/O'Hare Branch of the Blue Line is an infrastructure renewal project that will ensure safe operation of CTA's rail system. Therefore, the following classification of projects, in response to the Auditor General's request, combines safety and infrastructure renewal. Auditor General Report Categories — FY 2007-2011 — Percentage (i) safety & (ii) infrastructure renewal — $1,408,938,321 — 53.03% (iv) extensions to the existing system — $14,100,000 — 0.53% (iii) capacity expansion-existing system — $772,539,800 — 29.08% (v) other supporting assets — $461,423,593 — 17.37% Total — $2,657,001,715 — 100.00% In December 2006, CTA completed a budget revision to reflect award of the final station contract that was approved by all three of CTA's funding agencies (Federal Transit Administration, Illinois Department of Transportation, and RTA). All elements of the project are now under contract except the communications package. That package (which is estimated at under $6 million) will be awarded in 2008. With this budget revision the contingency line item is now $9.6 million. It is anticipated that approximately $4 million in excess land will be sold in the future (prior to project completion). This amount will be added to contingencies. This and other projected credits will increase the contingency by approximately $7 million to approximately $16.6 million or 5.9% of unspent construction. This level is considered appropriate at this point in construction. CTA has instituted a procedure to review the engineer's estimate with a third-party estimating company and the program manager every four to six months before a specification is put out for bid. In addition, the estimate is checked just before the specification is advertised.

CONTRACTS AND PROCUREMENTS	
RECOMMENDATION NUMBER 36	***Regarding contracts and procurements:*** • ***The RTA should assist the Service Boards in identifying and facilitating opportunities for joint procurements that would result in cost savings and/or coordinated service delivery; and*** • ***The CTA and Pace should work together to bring about the joint bus farebox procurement.***
RTA RESPONSE	
CTA RESPONSE	Regarding joint procurement, CTA is pursuing a Purchasing Card program and is also evaluating pre-negotiated contracts through the

	State of Illinois Joint Procurement program, as well as local sister agencies for suppliers of common goods. CTA's shift in fare policy to reduce cash has resulted in significant operating and capital efficiencies, including extending the life of existing fareboxes through dramatically reduced maintenance. CTA had originally budgeted about $60 million for farebox replacement, but now is planning to extend the life of the existing fareboxes at a substantially lower cost.
METRA RESPONSE	
PACE RESPONSE	

CTA FLEET	
RECOMMENDATION NUMBER 37	***The CTA should:*** • ***Review and update its Capital Improvement Plan to ensure it accurately captures the total estimated cost of replacing bus and rail fleets;*** • ***Seek to even-out the fleet age profile to ensure more even maintenance needs; and*** • ***Continue to implement the non-revenue fleet recommendations contained in the AECOM report.***
CTA RESPONSE	The total cost of replacing bus and rail fleets is reflected in CTA's Unfunded Need Report completed in August 2006. Under the 1983 RTA Act, CTA's 2007-2011 Capital Improvement Program is constrained by RTA's funding "marks" which are projections of funding availability over the 5-year period. Thus, CTA can only program bus and rail car replacements and other capital initiatives equal to available funds. CTA would support a change to the RTA Act's reporting requirements that would highlight the total estimated costs of maintaining its fleet and other infrastructure in a state of good repair. CTA agrees with the recommendation to reduce the average fleet age; however, due to insufficient capital funds, CTA has had to keep vehicles in service beyond their useful life which increases operating costs. CTA agrees with AECOM non-revenue fleet recommendations, has implemented four of the twelve recommendations, and is pursuing implementation of the remainder.

CTA HEADQUARTERS	
RECOMMENDATION NUMBER 40	***The CTA should continue its efforts to find a tenant for the top floor of its headquarters building.***
CTA RESPONSE	CTA agrees.

SURPLUS REAL PROPERTY	
RECOMMENDATION NUMBER 42	***Regarding surplus real property:*** • ***CTA and Metra should develop and implement a formal process to guide senior operational managers in a regular assessment of property utilization. In this process, property would be declared surplus unless a decision is made to retain the property for operational or administrative needs; and*** • ***CTA and Metra should actively dispose of real property that was determined to be surplus, which may include non-traditional (i.e., non-sale) methods in the case of properties for which there is no competitive market.***
CTA RESPONSE	CTA agrees. CTA currently maintains a process for declaring property as surplus and disposing of property thereafter. CTA will continue and expand this process to include an annual review. CTA seeks to outsource some or all of its real estate functions. Once this process is complete, the selected contractor will oversee this function.
METRA RESPONSE	
PACE RESPONSE	

COMMERCIAL ACTIVITIES	
RECOMMENDATION NUMBER 42	***Real estate management personnel within each Service Board should continue to pursue initiatives and opportunities to introduce or expand commercial services and annually update their goals for revenue generated from self-managed and third party commercial services***
CTA RESPONSE	CTA agrees.
METRA RESPONSE	
PACE RESPONSE	

PRIVATE INVESTMENT	
RECOMMENDATION NUMBER 44	***Regarding private investment, the CTA should:*** • ***Examine the potential to outsource development opportunities at major installations and identify the risk/reward profile of any identified options; and*** • ***Develop a methodology to systematically address opportunities to introduce or increase commercial services on its property in conjunction with the private sector on a routine basis, such as every two years.***
CTA RESPONSE	CTA agrees and is seeking proposals to privatize its real estate development management.

REAL ESTATE MANAGEMENT	
RECOMMENDATION NUMBER 45	***The CTA should develop a codified list of building condition requirements for administrative, operational and transit facilities that represent minimum acceptable standards of cleanliness or repair, as appropriate to their real estate assets, staff and customer service requirements.***
CTA RESPONSE	CTA agrees. These requirements exist for privately managed facilities at 567 W. Lake, 120 Racine and 3125 S. Federal, and will be codified as part of the outsourcing of CTA's real estate management.
METRA RESPONSE	
PACE RESPONSE	

REAL ESTATE MANAGEMENT	
RECOMMENDATION NUMBER 46	***CTA and Metra should develop a formal process based on current practices that considers the opportunity cost of owning and managing their own real estate portfolio, which can be employed on a systematic basis when considering the manner in which property should be acquired, managed and disposed.***
CTA RESPONSE	CTA agrees and is pursuing these efforts through the outsourcing of real estate management.
METRA RESPONSE	
PACE RESPONSE	

AECOM RECOMMENDATIONS	
RECOMMENDATION NUMBER 47	***The CTA should continue to implement the AECOM recommendations related to the management of real property.***
CTA RESPONSE	CTA agrees.

Metra Responses

Metra provided written responses and comments to the audit report that warranted numerous Auditor Comments. As a result, on the following pages, Metra's responses appear on the left-hand page, and the Auditor Comments are on the right-hand page. Also, Metra submitted several attachments with its written responses. These attachments may be viewed in either the Auditor General's Chicago or Springfield office.

Philip A. Pagano
Executive Director
Direct Dial: (312) 322-6979
Facsimile: (312) 322-6965

February 22, 2007

The Honorable William G. Holland
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

Re: RTA et al Compliance Audit

Dear Mr. Holland:

Attached please find the response of the Commuter Rail Division of the Regional Transportation Authority ("Metra") to the recommendations made by your staff and consultants regarding the performance audit of our operation. I have also attached a separate response to the body of this report that continues to, in our opinion, misinform or mislead the reader if left unchanged. Metra believes that you and your staff share our goal that all the information in this report be accurate, and that any discussion of the matters in this report be limited, as much as possible, to the conclusions drawn by the report and not to have disagreements remain over factual matters upon which conclusions in the report are based.

Metra wishes to point out certain elements in its historical experience that it believes are relevant to any analysis of its operation that the document does not address. First, upon the formation of Metra, we inherited a system reeling from decades of deferred maintenance. Substantial portions of our capital expenditures over the past 20 years have been invested to correct this failure. In addition, immediately prior to Metra's formation, draconian service cuts were instituted by the RTA due to a severe funding shortfall. Over the past 20 years, Metra has sought to restore much of this lost service. Metra's mission and its focus have been to make this commuter rail system the premiere operation in the country. We have instituted sound management oversight in our operating decisions. We have streamlined procurement in all facets of commuter rail operations, whether directly provided by Metra, or through purchase of service agreements with private sector freight railroads. We established the first new commuter rail service operation in northeastern Illinois in the past 70 years, bringing much needed service to the suburbs, and have extended and added service to other areas rapidly growing sectors in our region. We also believe that it merits pointing out that any new service that we add requires a huge investment in capital for track, signal, rolling stock and facilities not present when adding new service to other modes

Auditor Comments

#1 **Comment 1: The auditors stand by our report. The "inaccuracies" mentioned by Metra are addressed, point by point, in the following pages.**

of transit operations. We have accomplished all of these tasks while holding down our operating costs and balancing passenger fare revenue and non-fare revenue within the mandate provided by our General Assembly. Metra has, without fail, met the statutory farebox recovery ratio every year since its creation. Metra also wishes to acknowledge the spirit of cooperation with respect to fare media that serve intersystem trips. Metra, the CTA and Pace have long sought to provide customers with the opportunity to move seamlessly on their trip from home to work and have had a large degree of success in this area. Finally, Metra has enjoyed its success due to a long-standing spirit of cooperation with its labor unions and the employees they represent. Metra's greatest investment is in its hard working men and women who strive every day to provide our riders with the safest and best possible commuting experience.

One matter which Metra feels needs to be addressed, and which does not neatly fit in the responses to the recommendations, is the statement on page 32 to the General Assembly. Prior to this draft, Metra's focus has been on matters directly pertaining to the review of its operation. Upon a fresh review of the latest draft, Metra wishes to comment on the suggestion to the General Assembly regarding the need to strengthen the powers of the Regional Transportation Authority ("RTA") in matters pertaining to "financial and programmatic planning."

Metra wishes to point out to the Auditor General that this statement seems to suggest that the RTA currently lacks these powers. Such a suggestion is, in our opinion, inaccurate. A review of the legislative history from those sessions is perhaps in order to put the powers of the RTA in the proper perspective. Under the re-organization of the the RTA at that time, it was charged with being the financial oversight agency, and given the so-called "power of the purse strings" over the Service Boards. (Metra notes that this power enables the RTA to review all financial liabilities of a Service Board, which of course includes pension plan funding, or lack thereof, as discussed in Chapter 7.) In order to ensure proper political balance, the RTA Board, which controlled the finances of the Service Boards, was required to achieve a super- majority on all budgetary matters. In this fashion, no one agency could be left vulnerable to the benefit of another. The RTA Act as a whole, and specifically the following sections, clearly provides the powers which the Auditor General has suggested that the RTA currently lacks. For instance, with respect to your assertions that:

1. *The General Assembly may wish to provide the RTA a greater role over financial and programmatic planning in the RTA service area*, I refer you to Sections 1.02(Findings and Purpose), 3A.10(Budget and Program), 3B.10(Budget and Program), 4.01(Budget and Program), and 4.11(Budget Review Powers);

2. *The RTA Act could be revised to incorporate a comprehensive strategic planning process as a statutory requirement,* I refer you to Sections 2.01(Provision of Public Transportation – Review and Program), 2.09(Research and Development), 4.12(RTA Strategic Capital Improvement Program), and 4.13(Annual Capital Improvement Plan);

3. *The RTA could be given direct responsibility to review and approve major service expansion programs*, I refer you to Sections 2.01(Provision of Public Transportation – Review and Program), 2.02(Purchase of Service Contracts – Grants), 2.09(Research and Development), 2.13[Eminent Domain], 2.16(Employee Protection), 2.20(iii)(General

#2

Comment 2: The audit report acknowledges that there are various provisions of the RTA Act that give the RTA powers and responsibilities, many of which are delineated in Metra's response. The audit report notes, however, that the RTA Act is unclear in places, which can lead to varying interpretations of what the Act actually requires. For example, the RTA Act has been interpreted to allow the exclusion of non-cash expenditures from a Service Board's budget. However, as discussed in the Pensions chapter of the audit, the RTA Act is not totally clear in this regard, in that there are provisions that could be interpreted to require inclusion of actuarially required pension costs in the Service Boards' budgets.

Chapter 2 of the report states that, "Whether the RTA lacks statutory authority to effectively manage and/or oversee transit in the region, or whether it is a matter of such powers not being clearly delineated, additional specific statutory powers and responsibilities could be given to the RTA to require it to more effectively manage and oversee transit operations in northeastern Illinois."

Furthermore, even though the Act grants the RTA certain responsibilities, there are questions regarding whether the Act provides the RTA with appropriate powers to enforce such requirements. RTA officials noted that the Act gives them strong financial oversight authority (such as setting statutory ratio requirements and providing public funding of Service Boards) but that the RTA's enforcement tools are limited (essentially to withholding discretionary funding it provides to the Service Boards). They noted that while the Act directs them to coordinate planning in the region, it gives them limited authority to carry out or enforce planning activities. RTA officials also noted that the Act gives them limited authority regarding coordination of service and fares.

The bottom line of Metra's argument appears to be that the RTA Act currently grants the RTA the authority in areas where the auditors concluded that additional authority could be granted. If that is the case, i.e., that clarifying legislation on this point would not result in additional authority being granted to the RTA, then one must question *why* Metra is objecting to the Matter for Consideration. The auditors' position remains: When in doubt, clarify.

(Continued on page 469)

Powers), 2.30(Paratransit Services), 4.02(Federal, State and Other Funds), and 4.13(Annual Capital Improvement Plan);

4. *The General Assembly could add more detailed system performance measures with the requirement that they be reported annually to the General Assembly and the public*, I refer you to Sections 2.01(Provision of Public Transportation – Review and Program), 2.02(Purchase of Service Contracts – Grants), 4.01(Budget and Program), 4.05(Financial Statements and Annual Reports), 4.11(Budget Review Powers), 4.12(RTA Strategic Capital Improvement Program), and 4.13(Annual Capital Improvement Plan);

5. *The goal would be to bring about a more coordinated and efficient system of mass transit delivery to northern Illinois*, I refer you to Sections 1.02(Findings and Purpose), 2.01(Provision of Public Transportation – Review and Program), 2.02(Purchase of Service Contracts – Grants), 2.09(Research and Development), 2.12(Coordination with Planning Agencies), 2.30(Paratransit Services), and 4.01(Budget and Program), and 4.11(Budget Review Powers), and

6. *There should be legislation to strengthen the RTA's role in the budget process, coordination of fares and technology, and oversight of operations*, I refer you to Sections 2.01(Provision of Public Transportation – Review and Program), 2.02(Purchase of Service Contracts – Grants), 2.04(Fares and Nature of Service), 2.06(Use of Streets and Roads – Relationship with Illinois Commerce Commission), 2.09(Research and Development), 2.12(Coordination with Planning Agencies), 2.12a[Mediation of disputes concerning competing services], 2.20(iii)(General Powers), 2.30(Paratransit Services), 3A.10(Budget and Program), 4.05(Financial Statements and Annual Reports), 4.06(Public Bidding), 4.11(Budget Review Powers), 4.12(RTA Strategic Capital Improvement Program), and 4.13(Annual Capital Improvement Plan).

In addition to the extensive powers and obligations listed above, I would like to point out that the RTA's review and approval of the "Five Year Program" insures that they have the authority to examine every element of the capital programs provided by the Service Boards. This includes all capital activities to maintain, enhance and expand the public transportation systems throughout the region. If a Service Board's project is not in the RTA Board-adopted "Five Year Program," it does not have the authority to proceed with any activities associated with the project. Furthermore, even after the Service Boards have received approval to proceed with the capital projects contained within the approved "Five Year Program," the RTA provides oversight throughout the implementation of the projects. Attached is a list of powers over Service Board's capital program activities. While this list is not exhaustive, it does provide an overall view of the existing powers and authority over the Service Boards capital programs.

There are also references to the RTA grants in response to several of your suggestions. This is because these agreements provide the RTA, pursuant to and as a complement to what is expressed in the Act, with extensive oversight and powers to review and approve those projects that it funds. For your convenience, there is an example of an RTA Grant Agreement in this package.

Comment 2 *(continued from page 467)*: **Given the current state of northeastern Illinois' public transit system and the demands being placed on the General Assembly and the citizens of Illinois for additional funding, the auditors stand by their conclusion that the General Assembly should review the RTA Act, identify areas where it needs to be clarified, and, if necessary, strengthen the authority of the RTA to bring about more efficient, effective mass transit in northeastern Illinois.**

#2 **Finally, it is both troubling and curious that Metra chose to wait until the submission of its formal, written comments to the audit report to document its concerns regarding the report's discussion of the authority and responsibilities of the RTA. The initial draft of the performance audit report was provided to all four agencies, including Metra, on December 18, 2006, for review and comment. This initial draft contained the Matter for Consideration by the General Assembly to which Metra now objects. A formal exit conference was held with Metra on January 17, 2007 and a subsequent conference call was held with Metra's Executive Director on January 22, 2007 to discuss matters in the draft report. On January 26, 2007, Metra provided auditors with written comments on the draft report. Numerous other conference calls, follow-up e-mails, and phone calls took place between the auditors and Metra officials. At no time prior to the receipt of Metra's written comments to the final audit report on February 22, 2007 did Metra document its concerns with the specific matters raised in the audit report's Matter for Consideration by the General Assembly.**

The last attachment I have included is the RTA Funding Policy, which covers a wide range of issues, including those raised in your report. The topics are: Service Board Operating and Capital Budgets; Service Board Positive Budget Variances; Service Board Financing Transactions; and RTA Fund Balance.

The RTA also plays a significant and practical role in the capital planning process that is not necessarily contained in the provisions of the Act, but is a reality in the capital funding process nonetheless. The following are some examples of the function that RTA performs in a variety of significant programs effecting transit in northeastern Illinois:

- The JARC Program. Job Access Reverse Commute Grant funds are appropriated by the FTA on an Urbanized Area basis. The Chicago Area Transportation Study (CATS), as the Region's Metropolitan Planning Organization (MPO), has the authority to determine who gets these federal transportation funds on an annual basis. CATS has designated the RTA as the regional public transportation agency to: request and review applications for project funding; determine which projects will get funded; and allocate federal funds to various agencies who then apply to FTA for grants.

- The Chicago Area Transportation Study (CATS) is currently the regional Metropolitan Planning Organization (MPO). Within this organization are various committees and sub-committees that study transportation activities, including transit and highway, and make recommendations to the CATS Policy Committee for approval to be part of the Regional Transportation Plan (RTP). The RTA serves as a voting member on almost all committees, including the RTP and Policy Committee.

- The Chicago Metropolitan Area for Planning (CMAP) is the potential successor to both NIPC and CATS, from the land use, environmental and transportation planning perspectives. The RTA serves as a non-voting member of the CMAP Board. Additionally as the activities of CMAP expand, the committees originally reporting to CATS will be absorbed into CMAP. The RTA will then be the primary public transportation representative on the various CMAP committees.

- The Regional Technical Assistance Program (RTAP) was established by the RTA and gives planning funds to communities, counties, and the Service Boards to undertake planning studies related to transit station area development, county-wide transportation plans, corridor planning studies, paratransit studies, and intelligent transportation demonstration projects. Through these studies the RTA is molding the overall transportation network in the northeastern Illinois six county area.

- Additional activities that warrant consideration are: the Travel Information Center; the RTA Trip Planner web site; the "Drive Less Live More" marketing campaign; and the RTA Strategic Plan, "Moving Beyond Congestion." The RTA also administers and runs the Transit Check Program, as well as the ADA and Senior Citizen Reduced Fare Programs. In addition, the RTA is currently undertaking a human services coordination plan to unify public and private services for the elderly and disabled communities.

#2

#3 **Comment 3: Many of these functions are discussed in the planning section in Chapter 2 of the report.**

On behalf of Metra, its Board of Directors, and all of its employees, I wish to thank you for the time and attention you and your staff have invested in this project. We are very proud of our operation, and I believe the report reflects many of the accomplishments that we have worked so very hard to achieve over these past twenty plus years of service. As we discussed at the outset of this effort, the task that you have been directed to undertake was enormous. This was further complicated by the lack of any clear national standards on commuter rail performance, and a database for information that is collected that is less than perfect. My staff advises me that your consultants and your staff acted in a professional manner, and I trust that this courtesy was mutual. Metra looks forward to receiving the final report and the executive summary, and is prepared to answer any additional questions that you, your staff or your consultants may have regarding our comments and our response.

Sincerely,

Philip A. Pagano
Executive Director

Auditor Comments

No Auditor Comments have been included for this page.

PERFORMANCE MEASUREMENT	
RECOMMENDATION NUMBER 3	***The RTA should work in conjunction with CTA, Metra, and Pace to:*** • ***Define the critical 15-25 measures that best measure the achievement of each agency's mission, including aspects of financial, customer service and productivity performance, and publicly report them on a regular basis;*** • ***Establish its own set of performance measures;*** • ***Develop key indicators that link performance for all of the agencies, such as on-time performance, ridership, mean distance between failures (mechanical reliability), safety metrics (employee, passenger and vehicle accidents), financial measures, customer service metrics, and fostering of intermodal and inter-Service Board trips;*** • ***Convene a working group, as part of the strategic plan, to share "best practices" in performance evaluations and performance measurement; and*** • ***Additionally, the RTA, CTA, Metra, and Pace should use these performance measures to evaluate the performance of all managers.***
RTA RESPONSE	
CTA RESPONSE	
METRA RESPONSE	• Metra measures performance by many separate critical factors. Key to customer satisfaction is on-time performance and capacity utilization. On-time performance is broken down by causation and duration of delay. Capacity utilization measures service efficiency and seat availability. Safety is analyzed by types of incident; employee or customer injuries, grade crossing collisions, trespasser injuries or fatalities and violations of safety rules and procedures. Ticket sales by type and zone track customer utilization along with intermodal transfers from our PlusBus and Link-Up programs. • That being said, Metra would be a willing participant in any system wide performance measurement program that could add value, improve service delivery and customer satisfaction.
PACE RESPONSE	

METRA OPERATIONS	
RECOMMENDATION NUMBER 12	***Metra should implement MMIS to better facilitate the tracking and monitoring of maintenance trend data.***
METRA RESPONSE	Metra agrees with this recommendation. Within our ability to prioritize funding for an MMIS system, Metra will program this project in a future capital program.

No Auditor Comments have been included for this page.

METRA SAFETY OPERATIONS	
RECOMMENDATION NUMBER 13	***Metra should implement programs to formalize the collection and review of safety trend data.*** ***In addition, Metra should continue its efforts to improve the safety of grade crossings.***
METRA RESPONSE	Metra agrees that programs could be implemented to more formally collect safety trend data, however, we believe our current reporting and analysis of safety trends is adequate. As pointed out, Metra captures all injuries to both passengers and employees. Injuries are reviewed each morning by the Chief Operations Officer and staff , with further reviews on a monthly and quarterly basis by senior staff for cause, prevention, process improvement, personal responsibility and infrastructure modification. Injuries and incidents are tracked by trends and discussed in depth during Metra's Labor/Management Committee' Safety Task Force that meets on a monthly basis. Based on statements from our union leadership, no other railroad, commuter or freight, in the country, has such an open and proactive process to address these issues. Metra will continue to look at opportunities to improve its safety program. Metra will continue to strongly advocate for funding to eliminate grade crossings. Additionally, we will continue our aggressive grade crossing and trespasser education, engineering and enforcement program with Operation Lifesaver.

METRA EMPLOYEE SAFETY OPERATIONS	
RECOMMENDATION NUMBER 14	***Metra should continue to focus on NTSB recommendations from the 2003 derailments including re-establishing and broadening the simulator training program and continuing steps towards the installation of a positive train control system.*** ***Metra should implement a Violation Tracking System that will store and analyze information about rules violations that occur on the system.***
METRA RESPONSE	Metra is fully invested in recommendations made by the National Transportation Safety Board. Installation of a simulator training center and a safety overlay known as the Electronic Train Management System ("ETMS") are contracted and underway. Corys Tess, a highly regarded simulator development company, has been awarded a contract to install five half-cab locomotive/cab car simulators at Metra's headquarters facility. All student engineers will train at the facility. Additionally, currently certified engineers will be able to retrain and refresh their skills on the simulators. The simulators will precisely mimic Metra's equipment and allow students and engineers to encounter various scenarios they might not otherwise encounter while operating in a live environment. By being confronted with programmed emergencies, they will be able to hone their reaction skills without any consequences. The simulator should be in

#4

Comment 4: While Metra's current reporting of safety trends may be adequate, it could be improved. This would include collecting and analyzing information electronically and publishing this information on its web-site.

	service by late summer. The ETMS is currently being engineered by Wabtec, a recognized leader in railroad technology. The system is already functional on the Burlington Northern Santa Fe Railroad ("BNSF") and just recently received Federal Railroad Administration ("FRA") approval for operation on their central Illinois freight line. Phase One of the system on Metra is programmed to be operational during the latter half of 2008 on Metra's Rock Island District. The system will be programmed using wayside signals and GPS locating technology to alert engineers to signal aspects which require a reduction in train speed. In the event the engineer fails to react within a calculated time frame, the ETMS computer will apply the train's brakes. ETMS will assure compliance with all signals on the line. Metra has very few operating rules violations during a calendar year. While the data is recorded in each department, no single document exists. Metra agrees with the recommendation to develop a violation tracking system, and will develop a program for immediate implementation

METRA CUSTOMER SERVICE OPERATIONS	
RECOMMENDATION NUMBER 15	***Metra should begin compiling a customer complaint/ recommendation report to target priority areas for management attention and to provide systematic tracking and service trends for reporting to the Board and general public.***
METRA RESPONSE	Metra agrees with this recommendation, and will begin compiling a consolidated report on customer complaints. The report will be used to categorize complaints by line and type to more closely review possible areas of concern and ultimate attention.

RTA PENSION PLAN ***(RTA, Metra, and Pace)***	
RECOMMENDATION NUMBER 23	***RTA, Metra, and Pace should:*** • ***Continue to take the actions necessary to ensure the pension plan is adequately funded;*** • ***The parties should periodically review the 8.5 percent investment return assumption; and*** • ***The parties should consider phase-out of the lump sum option.***
METRA RESPONSE	Metra agrees with the above recommendations. Metra is committed to bringing the Plan to a fully funded condition. Metra has made all of required pension contributions as directed by the RTA Pension Plan Trustees. The pension contributions are determined annually by the Trustees based upon a range of contributions calculated and advised by

Auditor Comments

No Auditor Comments have been included for this page.

	the Plan Actuary to maintain the Pension Plan on a sound actuarial basis. The investment return assumption is monitored and reviewed annually by the Trustees and Plan Actuary. The current 8.5% assumption is supportable based upon historic returns. Metra will consider and discuss with the RTA and Pace, the possible phase out of the lump sum option.

METRA FARES	
RECOMMENDATION NUMBER 26	***In the absence of any other funding sources, Metra should consider increasing its fares and exploiting under-utilized sources of non-fare revenues, such as from concessions and advertising, in order to reduce its operating subsidy requirements.***
METRA RESPONSE	It has long been the policy of the Metra Board to institute small, periodic increases in price, generally every 3 to 4 years, in order to address rising costs and to avoid ridership loss. To compliment this philosophy, Metra has taken every available opportunity to hold its expenses in line. Metra has long held the view that its investment in its capital programs has been a core component of this effort. We have long stated that "the more we capitalize, the less we have to subsidize." By replacing antiquated equipment and facilities, we have gained productivity and reduced costs. We strongly believe that our method of fare increases has been wise and prudent and consistent with our statutory mission. Metra strongly disagrees with any notion that its riders will only be slightly impacted by higher fare increases. First, the demographics of Metra's ridership have significantly changed since 1985. Its customer base covers a wider range of lower and middle income households. As seen by the effects on Metra ridership after the significant fare increases instituted by the RTA in the early 1980's (pre- Metra), the rail system lost a huge percentage of its customers due to this price increase. Given the diversity of our ridership, and the likely greater effect such increases have on our lower income, transit dependent customers, Metra submits that the effect of such increases will likely be disproportion ally absorbed by our minority ridership who have traditionally suffered from lower income levels. As for non-fare revenues, Metra believes that the figures in the audit report demonstrate that it has done well in developing non-fare revenue sources, and will continue to do so. Regarding advertising, Metra has entered into a new agreement that will boost revenues, As for non-fare revenues, Metra believes that the figures in the audit report demonstrate that it has done well in developing non-fare revenue sources, and will continue to do so. Regarding advertising, Metra has entered into a new agreement that will boost revenues, including enhanced minimum guarantees and new initiatives. But as noted by the auditors, unlike the New York and other commuter railroad properties,

#5

Comment 5: Metra's disagreement appears to be based on the loss of ridership due to fare increases that occurred in the 1980s. The auditors did not attempt to ascertain what factors resulted in a loss of ridership over 20 years ago. The auditors *did* examine the two most recent fare increases in 2002 and 2006 and concluded that ridership levels were not adversely impacted by these fare increases. Why Metra would choose to focus its own analysis on fare increases that occurred in the early 1980s, rather than on the two most recent fare increases, is inexplicable. Further, while Metra postulates in its response about the possible impact of a fare increase on ridership, the auditors were not provided with any study or documentation to support Metra's speculation. Finally, the auditors' recommendation is that Metra *consider* increasing its fares. Implicit in such a recommendation would be a detailed, documented study by Metra supporting any decision it may make about whether or not to raise its fares. As noted in this report, Metra's fares are priced approximately 16 percent below what the fare price would be if adjusted for inflation since 1992. Furthermore, auditors concluded that Metra's fares are much lower than peers for trips of similar distances.

	Metra does not own its major downtown terminal, Chicago Union Station, which restricts opportunities in the more lucrative downtown market. Opportunities for concessions earnings are similarly limited, although Metra has recently entered into agreements with private third party organizations to generate income from development of facilities at Millennium Station and at the Olgilvie Transportation Center.

<table>
<tr><th colspan="2">METRA FINANCIAL MANAGEMENT</th></tr>
<tr><td>RECOMMENDATION NUMBER
30</td><td>Metra should:
• Continue to present its budget to include all operating costs per GAAP, and require Board approval of any deferral of operating costs to subsequent years;
• Prepare and adopt annually a ten-year financial plan, reflecting:
– The agency’s current cash position and all then-known obligations, including pension contributions;
– A capital replacement and rehabilitation plan that reflects Metra asset replacement standards and fleet plans; and
– Positive working capital (i.e., current assets less current liabilities); and
• Demonstrate the financial capability to achieve a state of good repair for existing plant and equipment and to sustain existing services, prior to designing or constructing expanded services or facilities.</td></tr>
<tr><td>METRA RESPONSE</td><td>• As noted by the auditors, Metra staff has presented comprehensive operating budgets in accordance with GAAP to its Board, and intends to continue to do so.
• Metra is currently developing a long-range planning process that will be the base for addressing these objectives.
• Metra has prided itself on demonstrating a comprehensive approach and good judgment when approaching the designing and constructing of facilities and expanding services. Its sustained growth in ridership and high operating ratios are evidence of this. It should also be noted that Metra’s thorough and comprehensive plans for the addition of new services implemented in 2006 on the SouthWest Service, the Union Pacific West Line, and the North Central Service were cited by federal agencies and staff as examples for other transits to follow.
• In its current planning for New Start services on the Union Pacific West and Northwest Lines, the proposed South East Service, and the proposed STAR Line, Metra will use even more comprehensive planning.</td></tr>
</table>

<table>
<tr><th colspan="2">METRA CAPITAL PROGRAM</th></tr>
<tr><td>RECOMMENDATION NUMBER
34</td><td>Metra should review its past grant awards and determine if projects that are contributing to the growth in the unobligated balances are still necessary, and, if so, why they are not being expended in a more timely manner.</td></tr>
<tr><td>METRA RESPONSE</td><td>Metra staff conducts project review meetings on a monthly basis. At these</td></tr>
</table>

Auditor Comments

No Auditor Comments have been included for this page.

	meetings, status of all project activities, including obligation and expenditure amounts, are discussed and evaluated as to their progress. Over the long term, Metra's total unobligated balance, both in absolute dollars and percentage, has been fairly consistent and, in fact, has been decreasing in recent years. Examining one year of unobligated prior year's funding does not provide an accurate picture of Metra's ability to obligate funds. A myriad of factors affect the obligation rate and type of projects that get obligated in any given year. While each project is unique, the following gives a flavor for some of the underlying factors that have affected Metra's project obligation and subsequent project expenditure rates. In recent years, grant awards have been made later in the year than previously experienced. Because of the limited construction season (mid-March through mid-November), there often isn't enough time to move forward with a project until the subsequent year. Several of Metra's projects involved purchase of property through condemnation and therefore experienced delays due to the detailed land acquisition process required by the FTA when using federal funds. Several of the projects required more financial resources than Metra can provide in a single year. Therefore, Metra banked funding within the project for several years until there was enough funding available to proceed with the project. During the period reviewed by the Auditor General, Metra was completing its New Start projects. These projects had a grant contract required absolute in-service date. As such, staff resources were focused on these projects. The New Start projects were delivered on time and under budget. (See attached letter from the Regional Administrator of the FTA complimenting Metra for its efforts in this area) These and other factors result in unobligated balances which give the appearance of inactivity when, in fact, progress is being made and funds are being obligated and expended in a timely manner. Metra monitors all grant activities and constantly strives to improve performance

CONTRACTS AND PROCUREMENTS	
RECOMMENDATION NUMBER 36	***Regarding contracts and procurements:*** • ***The RTA should assist the Service Boards in identifying and facilitating opportunities for joint procurements that would result in cost savings and/or coordinated service delivery; and*** • ***The CTA and Pace should work together to bring about the joint bus farebox procurement.***
CTA RESPONSE	

#6 **Comment 6: Metra has acknowledged that the report's multi-year examination of unobligated balances is accurate and offered several reasons why the unobligated balance grew. Among these reasons was the allocation of resources to the completion of New Starts projects.**

METRA RESPONSE	Over its history, including most recently the possible joint acquisition of electric power with the CTA, Metra has explored opportunities and ways to benefit the region and itself through potential joint procurements. Currently, Metra and the RTA jointly procure health insurance for non-contract staff, and all of the Service Boards procure excess liability insurance with the RTA. However, as pointed out by the Auditor General's report, there are very few opportunities for joint procurements due to the differences in service provided; vehicles, rights-of-way, etc. Metra is willing to explore a procurement that can be done in an efficient manner and that would reduce costs. Additionally, Metra wishes to point out that for some time, it has consolidated, amongst its purchase of service carriers, the procurement of high volume and high dollar items. The result has been to receive more competitive pricing and to take advantage of Metra's sales tax exemption. Fuel, wheels, brake shoes and repair and return of locomotive components are some examples of items directly procured by Metra and distributed to the BNSF and Union Pacific. Metra also procures all insurance to cover all commuter rail operations, eliminating this cost recovery item from the purchase of service carriers and achieving a substantial savings in the placement of this coverage overall.
PACE RESPONSE	

METRA FLEET	
RECOMMENDATION NUMBER 38	***Metra should examine whether it is more cost-effective to maintain and rehabilitate its electric fleet, which is far beyond the FTA-eligible retirement age, or replace it with new electric cars.***
METRA RESPONSE	Since the completion of the last rehabilitation of the Electric District fleet of Highliners, Metra has analyzed the operational and economic feasibility of a second rehabilitation project. There is no doubt that the fleet is beyond its useful life and is not a candidate for rehabilitation. The electrical components of the vehicles are no longer supported by the original equipment manufacturer. The bodies of the vehicles are carbon steel (a decision made by a predecessor organization of Metra's) and present a continuous and serious corrosion problem. Finally, the current fleet cannot accommodate any restroom facilities which are now required under Metra Board policy.

METRA HEADQUARTERS	
RECOMMENDATION NUMBER 41	***Metra should continue its efforts to find tenants for the unoccupied space in its headquarters building.***
METRA RESPONSE	Metra concurs with this recommendation, and is constantly seeking to generate tenant income at its headquarters building. Metra's selection of a recognized and highly regarded commercial broker to market its vacant space has already yielded 2 lease renewals, the signing of a new tenant to occupy

Auditor Comments

No Auditor Comments have been included for this page.

	6,000 square feet of vacant space, has a letter of intent for a major national credit operation in its ground floor space, and has lease proposal out to potential tenants that, if signed, will result in Metra's headquarters being over 93% occupied.

SURPLUS REAL PROPERTY	
RECOMMENDATION NUMBER 42	***Regarding surplus real property:*** • ***CTA and Metra should develop and implement a formal process to guide senior operational managers in a regular assessment of property utilization. In this process, property would be declared surplus unless a decision is made to retain the property for operational or administrative needs; and*** • ***CTA and Metra should actively dispose of real property that was determined to be surplus, which may include non-traditional (i.e., non-sale) methods in the case of properties for which there is no competitive market.***
CTA RESPONSE	
METRA RESPONSE	Metra will develop and implement formal guidelines for managers to reference. As noted in the audit, Metra has very few parcels that were categorized as surplus. Metra is familiar with non-traditional methods of property disposal and has utilized such approaches in the past.

COMMERCIAL ACTIVITIES	
RECOMMENDATION NUMBER 43	***Real estate management personnel within each Service Board should continue to pursue initiatives and opportunities to introduce or expand commercial services and annually update their goals for revenue generated from self-managed and third party commercial services.***
CTA RESPONSE	
METRA RESPONSE	Since the time of the audit, Metra has reorganized its real estate function, merging contract management, real estate, legal services and risk management into one central operation. One outgrowth of this re-organization is significantly greater emphasis on revenue development opportunities . Metra expects that this effort will continue to develop already significant non-fare revenue growth. Metra's new real estate management team is currently evaluating all current revenue generating activities, and will be setting goals for the year during the first quarter of 2007. Metra agrees that this must be an annual process.
PACE RESPONSE	

REAL ESTATE MANAGEMENT	
RECOMMENDATION NUMBER 46	***CTA and Metra should develop a formal process based on current practices that considers the opportunity cost of owning and managing their own real***

Auditor Comments

No Auditor Comments have been included for this page.

	estate portfolio, which can be employed on a systematic basis when considering the manner in which property should be acquired, managed, and disposed.
CTA RESPONSE	
METRA RESPONSE	Metra currently employees such a process, though not in a codified form. Metra fully comprehends the opportunity cost of owning and managing real estate, and factors in all of the pros and cons and various types of acquisition interests at the time of initial property acquisition consideration. As an example, Metra has a policy of partnership with the local municipalities it serves in the region, with respect to the control of commuter rail parking and/or stations. Metra believes that there are inherent benefits in entering into agreements to turn over the operation and maintenance responsibility of these parking lots and stations to the local communities so that it can focus on its core operation. While Metra agrees to forgo the revenue these operations may generate, it is relieved of the maintenance and other liabilities associated with operating this property. In return, the local communities become more vested in enhancing the commuter rail operation, take pride in "their" parking lots and stations, and pledge all revenue earned towards future capital improvements for these facilities. Metra points out the seeming inconsistency of the comments in Section 8 of the report regarding the fact that its parking revenues are below "peer" railroads, with the comment in this section about evaluating the opportunity cost of owning and managing all of its parking lots and stations. Metra will document its process.

#7

Comment 7: There is no "seeming inconsistency" between the auditors' conclusions in Chapter 8 that Metra's parking revenues are below peer averages and Recommendation #45 that Metra should exercise due diligence in its real estate management practices. First, Recommendation #45 includes all real estate, not just parking lots. Second, Metra's parking revenues *are* below the peer average. Third, Recommendation #45 is recommending that Metra *formally* document the opportunity costs associated with its property management decisions, which Metra, in its response, acknowledges is *not* being done.

Chapter 1

Page 4

Pensions:

Metra again stresses its belief that this section needs to be clearly delineated between the discussion on the CTA pension and the discussion on the RTA pension. The discussion regarding the RTA Pension Plan remains as a "dot point" under the CTA Pension in the current draft.

Page 5:

Section 7: Capital Program

OAG Comment: "Capital replacement and rehabilitation projects are not given priority and capital replacement needs are not being met."

Metra Response: Metra believes that this comment will mislead the reader, especially as it pertains to its commuter rail operation. As we pointed out in our meeting with the staff of the Auditor General and its consultants, Metra's capital replacement projects are given the highest priority. Metra allocates its resources within its approved and available capital budgets in order to maximize its ability to accomplish these projects. For matters outside of its funded programs, Metra has identified key areas of need and has communicated these needs in public forums and within our budget documents.

Metra agrees that its capital needs are not being met, and this is a matter that it has continually brought to the attention of all of its funding agencies to address its shortfall.

Section 8: Passenger Trips

OAG Comment: "Metra's commuter rail passengers have increased from 62.1 million in 1985 to 68.6 million in 2005." (see similar comment on page 15)

Metra Response: Metra believes that the number of passenger trips detailed in the audit understates the growth in commuter rail ridership. Changes in the parameters of NTD reporting which occurred in 1990 reduced the number of trips per passenger per monthly ticket, without a corresponding restatement for prior time periods.

#8

Comment 8: The section cited by Metra accurately refers to the "RTA pension plan". However, to address Metra's concern, the dot point has been changed to a paragraph.

#9

Comment 9: The text cited by Metra is an overall conclusion for all three Service Boards, and not specifically for Metra.

#10

Comment 10: After the exit conferences, auditors informed all three Service Boards that for consistency purposes, the report would use ridership data that the Service Boards reported to the National Transit Database. On February 2, 2007, the auditors e-mailed Metra officials noting differences between RTA reported data and NTD reported data for Metra's passenger trips. The e-mail specifically referenced NTD figures of 61.8 million passenger trips in 1985 and 68.6 million passenger trips in 2005. In their February 9, 2007 response to the auditors' e-mail, Metra officials did not raise their specific concern of understating Metra's ridership levels due to "changes in the parameters of NTD reporting which occurred in 1990".

Chapter 7 Pensions:

Page 38:

OAG Comment (second paragraph) "The governing board of the RTA Plan is "The Committee" appointed by the Chairman and Chief Executive Officer of the Authority. There are six member of The Committee, two each from Metra, Pace, and the RTA.

Metra Response: The governing body of the RTA Pension Plan ("Plan") is the RTA Board. The RTA Board has sole discretion over changes to the Plan. The Retirement Committee referred to in the audit is empowered to administer the Plan, interpret the Plan, can hire a plan administrator and engage plan actuaries. It can make recommendations for Plan changes to the RTA Board, but it has no amendatory authority.

Chapter 8 Revenues

Page 14

OAG Comment: See box entitled "2005 Metra Statistics (millions)

Metra Response: Regarding this summary of 2005 Metra statistics, Metra's operating revenues from concessions was approximately $159,000.

Page 15:

OAG Comment: (in first paragraph) Metra's performance on other categories of non-fare revenues (e.g., advertising, concessions, parking fees) is below peer average."

Metra Response: Approximately 25% of Metra's reported revenue to the NTD, as acknowledged by the Auditor General, is generated by non-capital grant and non-trackage rights sources. This amount is approximately $15.3 million, or roughly 22 cents per passenger, which is higher than the "peer average" as reported by the auditors.

#11

Comment 11: The text was revised to address Metra's comment.

#12

Comment 12: The summary was revised to address Metra's comment.

#13

Comment 13: The revenues Metra is referring to *are* included in our analysis as "other transportation revenues" which is how they were reported by Metra to NTD. Metra reported little revenue for advertising (by far and away the lowest of the peer group, excluding Metrolink which reported no non-fare revenue) and for the other categories shown in Exhibit 8-13.

Page 16:

OAG Comment: (last paragraph) "…..if Metra's fare policy were applied to the trips served by the peer operators, the peers' resulting revenue would be 11.6 cents per passenger mile, or 30.6 percent below the revenue actually earned by the peers."

Metra response: Metra questions the relevance and value of this analysis and commentary. The other peer commuter railroads require higher fares because, as noted by the auditors, they are less cost effective than Metra. Fares should be predicated relative to operating expenses, not those of other railroads.

Page 20

OAG Comment: Metra performs below the peer average. Metra earns about 3 cents per passenger, versus the peer average of 11.8 cents per passenger. Metra reports little parking revenue or concession revenue, and only about half the advertising revenue earned by the peer systems, which indicate some unrealized income potential."

Metra response: 25% of Metra's reported revenue to the NTD, as acknowledged by the Auditor General, is generated by non capital grant and trackage rights sources. This amount is approximately $15.3 million, or roughly 22 cents per passenger. In addition, the report overstates the amount of revenue attributed through leases due to railroad trackage rights agreements. As an example, Metra generates approximately $600,000 in lease revenue alone from its third party tenants at its headquarters building. In other income from PSA carriers, Metra generated an additional $476,173 in advertising fees from PSA generated sources. And, as discussed with the auditors, Metra has arrangements with a multitude of municipalities whereby they retain parking lot revenues in return for assuming responsibility for all aspects of maintaining those parking facilities. Metra does agree and has concurred with the Auditor General's assessment that it can generate additional non-fare revenues, has already done so, and will continue to explore future opportunities as they arise.

Page 24

OAG Comments: While it can be assumed that higher fares do have some impact on Metra ridership, the results from 2002 and 2006 infer that Metra ridership is fairly insensitive to price increases."

Metra Response: It has long been the policy of the Metra Board to institute small, periodic increases in price, generally every 3 to 4 years, in order to address rising costs

#14

Comment 14: The auditors believe that providing differing perspectives on fare policies is useful information for decision makers and the public.

#15

Comment 15: Metra reported little revenue for advertising (by far and away the lowest of the peer group, excluding Metrolink which reported no non-fare revenue) and for the other categories shown in Exhibit 8-13. Metra's response indicates its agreement with the auditors that non-fare revenue sources should be assessed.

and to avoid ridership loss. To compliment this philosophy, Metra has taken every available opportunity to hold its expenses in line. Metra has long held the view that its investment in its capital programs has been a core component of this effort. We have long stated that "the more we capitalize, the less we have to subsidize." By replacing antiquated equipment and facilities, we have gained productivity and reduced costs. We strongly believe that our method of fare increases has been wise and prudent and consistent with our statutory mission.

Metra strongly disagrees with any notion that its riders will only be slightly impacted by higher fare increases. First, the demographics of Metra's ridership have significantly changed since 1985. Its customer base covers a wider range of lower and middle income households. As seen by the effects on Metra ridership after the significant fare increases instituted by the RTA in the early 1980's (pre- Metra), the rail system lost a huge percentage of its customers due to this price increase. Given the diversity of our ridership, and the likely greater effect such increases have on our lower income, transit dependent customers, Metra submits that the effect of such increases will likely be disproportion ally absorbed by our minority ridership who have traditionally suffered from lower income levels.

Chapter 9

Page 20

OAG Comment: …..between 2001 and 2005, Metra expanded its services by 3.8% (0.9% annual average), as measured by annual vehicle revenue miles. Ridership (i.e., annual boardings) fell by 4.9% (1.2% annual average). Passenger miles (not shown) fell by 1.8% (0.5% annually), which relative to the loss on boardings reflects an increase in average passenger trip length, to 22.6 miles in 2005 from 21.9 miles in 2001.

Metra Response: The report comments that Metra increased service 3.8% between 2001 and 2005. The increase is based on annual vehicle revenue miles. During this period, Metra added 42 bi-level gallery cars which resulted in a fleet size increase of about 4%. The additional cars were necessary due to seat loss in the new cars versus those that were retired. The seat loss was caused by the addition of the ADA accessible restrooms. More vehicle revenue miles were operated to maintain system seating capacity.

OAG Comment: "Metra's operating cost increased by 17 percent ($73 million) between 2001 and 2005. This is a 4.0 percent annual rate of growth."

Metra Response: As noted in our discussions and also in our previous written commentary to prior draft reports from the Auditor General, diesel fuel, security (post September 11th), health insurance, property and liability insurance, and RTA Pension Plan expenses, all of which are determined by factors and market forces beyond Metra's

#16

Comment 16: Metra's disagreement appears to be based on the loss of ridership due to fare increases that occurred in the 1980s. The auditors did not attempt to ascertain what factors resulted in a loss of ridership over 20 years ago. The auditors *did* examine the two most recent fare increases in 2002 and 2006 and concluded that ridership levels were not adversely impacted by these fare increases. Why Metra would choose to focus its own analysis on fare increases that occurred in the early 1980s, rather than on the two most recent fare increases, is inexplicable. Further, while Metra postulates in its response about the possible impact of a fare increase on ridership, the auditors were not provided with any study or documentation to support Metra's speculation. Finally, the auditors' recommendation is that Metra *consider* increasing its fares. Implicit in such a recommendation would be a detailed, documented study by Metra supporting any decision it may make about whether or not to raise its fares. As noted in this report, Metra's fares are priced approximately 16 percent below what the fare price would be if adjusted for inflation since 1992. Furthermore, auditors concluded that Metra's fares are much lower than peers for trips of similar distances.

#17

Comment 17: There may be many factors which result in increases in vehicle revenue miles, including the factor cited by Metra. However, it is unclear as to the extent of the impact that the addition of the bi-level cars may have had on Metra's annual vehicle revenue miles, as the 42 vehicles mentioned by Metra with slightly reduced passenger carrying capacity were under 4 percent of Metra's total fleet of over 1,100 vehicles. This measurement of service is based on annual vehicle revenue miles, and on that basis, the conclusion that Metra expanded its services in the period is accurate.

#18

Comment 18: These factors have impacted costs of other transit agencies in a similar fashion.

control, had very high growth rates as compared to the majority of Metra's operating expenses during this period, which increased at a much lower rate.

Auditor Comments

#18

pace

A Fresh Approach To Public Transportation

Thomas J. Ross
Executive Director

February 22, 2007

Honorable William G. Holland
Auditor General
State of Illinois
Iles Park Plaza, 740 East Ash
Springfield, IL 62703-3154

Dear Mr. Holland:

Attached please find Pace's responses to the recommendations contained in the Performance Audit of the Mass Transit Agencies of Northeastern Illinois dated February 13, 2007.

I believe the report will play an important role in the discussion of transit's funding and future in our region.

The Board and management team here at Pace are committed to addressing the opportunities identified in the report.

We would like to acknowledge your staff, in particular Mr. Jim Schlouch and Mr. Ameen Dada, for their professionalism exhibited throughout this project.

Sincerely,

T.J. Ross

T.J. Ross
Executive Director

TB/cdj
Attachment

PERFORMANCE MEASUREMENT	
RECOMMENDATION NUMBER 3	***The RTA should work in conjunction with CTA, Metra, and Pace to:*** • ***Define the critical 15-25 measures that best measure the achievement of each agency's mission, including aspects of financial, customer service and productivity performance, and publicly report them on a regular basis;*** • ***Establish its own set of performance measures;*** • ***Develop key indicators that link performance for all of the agencies, such as on-time performance, ridership, mean distance between failures (mechanical reliability), safety metrics (employee, passenger and vehicle accidents), financial measures, customer service metrics, and fostering of intermodal and inter-Service Board trips;*** • ***Convene a working group, as part of the strategic plan, to share "best practices" in performance evaluations and performance measurement; and*** • ***Additionally, the RTA, CTA, Metra, and Pace should use these performance measures to evaluate the performance of all managers.***
PACE RESPONSE	Pace agrees with the recommendation. As noted in this chapter on page 12, "Pace has developed a high level of balanced performance measures." Pace will make the performance indicators available on its website. With regard to management performance evaluations, all Pace management personnel are given a formal written evaluation on an annual basis. All management level reviews either contain references to goal attainment or refer to attachments where (due to their length) goal assessment reports are provided. The Pace Executive Director is evaluated annually by the Pace Board using a 10 point evaluation format. The Board utilizes the results of this evaluation to facilitate Board discussions concerning the Executive Director's performance and to set priorities for the coming year.

PACE VANPOOL	
RECOMMENDATION NUMBER 16	***In the absence of any other funding sources, Pace should consider increasing the cost of vanpool service to improve farebox recovery and decrease vanpool operating subsidies. A study of the elasticity of demand for vanpool service would help assess the effect of this decision.***
PACE RESPONSE	Pace agrees with the recommendation to increase vanpool charges and has already implemented it. Pace increased vanpool fares and fees in both January, 2006 and January, 2007, which was just beyond the time period of the study. Pace has raised vanpool fares six times over the past ten years, including a 3% to 6% increase for each (2006, 2007) of the last two years. Pace intends to continue to increase vanpool fares annually in line with inflation and fuel costs unless it starts to negatively affect demand. Pace also agrees that a study of elasticity of demand for vanpool services would be beneficial and we will pursue funding for this purpose.

PACE INFORMATION TECHNOLOGY	
RECOMMENDATION NUMBER 17	***Pace should roll out the new risk management, customer service, and ERP systems as timely as feasible.*** ***Pace should focus on more efficiently producing regular monthly and quarterly reports and altering business processes to reduce redundant data entry, even before the new systems come online.***
PACE RESPONSE	Pace concurs. The Customer Assistance System is in the final stages of implementation and is scheduled to go live in February, 2007. The new system reduces or eliminates redundant data entry required by the current system. Pace is approximately four months away from rolling out the Risk Management System. All software and hardware have been purchased and installed. Remaining tasks include development and testing of interfaces to existing systems, including Human Resources, Safety, and Accounts Payable and loading data from these systems into the RiskMaster system. The ERP system is on schedule to be completed by May, 2009. Funding for the ERP project is constrained and has required a phased implementation approach.

<table>
<tr><th colspan="2">PACE SAFETY</th></tr>
<tr><td>RECOMMENDATION NUMBER
18</td><td>Regarding safety, Pace should:
• Consider rolling out an Onboard Video Safety System on all routes;
• Implement performance goals and track success regarding the Zero Accident Program;
• Update the system safety program plan to include a description of emergency procedures and how Pace would work with public safety and other agencies in an emergency; and
• Conduct a formal study of implementing a transitional return to work program to reduce lost workdays.</td></tr>
<tr><td>PACE RESPONSE</td><td>Pace agrees with the recommendation to consider rolling out a video safety system on buses. Due to severe funding constraints, we do not have the resources to implement the system at this time. Management is exploring financing options including RTA loss prevention and safety funding.

Pace agrees to implement performance goals and track success regarding the Zero Accident Program.

Pace agrees to update the system safety program plan to include a description of emergency procedures and how Pace would work with public safety and other agencies in an emergency.

Pace has and will continue to utilize a light duty return to work program analyzed on a case by case basis between risk management and operating units.</td></tr>
</table>

PACE CUSTOMER SATISFACTION	
RECOMMENDATION NUMBER 19	***Pace should adjust IBS on-time data to reflect reasonable (departing early or arriving at a time point less than five minutes) deviation from the schedule, identify reasons for deviation, and adjust routes or schedules as needed. Pace should also track routes that repeatedly appear on the action/review or watch list in the quarterly performance review.***
PACE RESPONSE	For schedule adherence reporting purposes, the IBS system reports buses off schedule only if they have departed a time-point more than five minutes late or more than one minute early. This is a configurable threshold, but is standard throughout most of the industry. Due to the volume, our dispatch application is configured to display trips operating ten minutes or more late so that the dispatcher has a better opportunity to resolve the scheduling issue. Pace is currently involved with the FTA in a program to increase the prioritization of messages provided by the IBS system. The Transit Operations Dispatch Support System (TODSS) is expected to enhance the capabilities of the IBS system so that a dispatcher can respond more quickly to service interruptions and delays. As part of our recent dispatcher training, we instructed dispatchers to apply waivers to runs in the IBS system. Along with the waiver, a comment would be attached that gives the reason for the delay or missed trip. When someone calls regarding a trip, Passenger Services has the information for the delay from their IBS access. Pace is also looking at ways for drivers to apply reasons for delays using canned messages on their Mobile Display Terminal. This will provide documentation for planning purposes. Pace planning and scheduling staff are working with the data from the IBS system to develop schedules that represent the real world conditions. Using a newly acquired software add-in to our scheduling software, we are developing schedules that achieve the 75th percentile for running time by end of the trip and achieve the 90th percentile for layover/recovery at the end of the route. Schedules developed using this method will be more reliable for the customers. Tracking schedule adherence for routes on the watch list will be a task assigned to the IBS Reports Committee scheduled to convene in January.

Chapter 6
Staffing

STAFFING	
RECOMMENDATION NUMBER 20	***The Service Boards should follow-up on areas where the staffing benchmarking data indicated that performance could be improved and determine whether changes can be made.*** ***The CTA Attendance Improvement Program, now underway, should be treated as one of the CTA's highest priorities, with implementation and accountability delegated to middle and first-line managers, with frequent reporting and monitoring of performance. Improving CTA's systems for tracking non-work time and providing accurate, timely, and relevant information to all levels of management on a daily basis is an important part of this effort.*** ***The CTA should explore ways to expedite the arbitration process to significantly reduce the time it takes to finalize labor agreements.***
PACE RESPONSE	Staffing measures at Pace were equal to or better than peers in virtually all staffing-related performance measures. Pace will continue to look for ways to improve our efficiency and effectiveness in the provision of our service.

<table>
<tr><th colspan="2">RTA PENSION PLAN
(RTA, Metra, and Pace)</th></tr>
<tr><td>RECOMMENDATION NUMBER
23</td><td>RTA, Metra, and Pace should:
• Continue to take the actions necessary to ensure the pension plan is adequately funded;
• The parties should periodically review the 8.5 percent investment return assumption; and
• The parties should consider phase-out of the lump sum option.</td></tr>
<tr><td>PACE RESPONSE</td><td>We agree with the above recommendations. In regards to point one, Pace is committed to bringing the Plan to a fully-funded condition. Pace has made all required pension contributions as directed by the RTA Pension Plan Trustees. The pension contributions are determined annually by the Trustees based on a range of contributions calculated and advised by the Plan Actuary to maintain the Pension Plan on a sound actuarial basis.

In regards to point 2, the investment return assumption is monitored and reviewed annually by the Trustees and the Plan Actuary. The current 8.5% assumption is supportable taking into account both historical and expected future returns based on the portfolio allocation of the plan.

In regards to point 3, Pace will consider and discuss with the RTA and Metra the possible phase-out of the lump sum option.</td></tr>
</table>

PACE PENSION PLANS	
RECOMMENDATION NUMBER 24	***Pace should take the action necessary to ensure that pension plans are adequately funded. Such action could include ensuring that contribution rates included in collective bargaining agreements are actuarially sufficient; pursuing alternatives to setting contribution rates through the collective bargaining process; or setting up defined contribution plans to replace the defined benefit plans, as has been done for other Pace bargaining unit employees.***
PACE RESPONSE	Pace is concerned with the adequacy of funding for all of our pension plans and will continue to ensure that the pension plans are well funded. Actuarial reports are scrutinized on an annual basis and the actuaries are consulted prior to any benefit or contribution rate change being considered. Conservative actuarial assumptions and methodologies are utilized. Pace pension plans are in a strong financial position. We will continue to be vigilant to keep them well funded. Pace's two defined benefit plans (West Division and North Division) have been considered on more than one occasion to be moved to a defined contribution (401k) plan. This has not occurred due to union resistance to such change. Prior to any such change, an actuarial evaluation would be necessary to identify all the costs associated with the change.

PACE FARES	
RECOMMENDATION NUMBER 27	***In the absence of any other funding sources, Pace should consider implementing a distance-based fare structure in order to offset growth in its operating subsidy requirements.***
PACE RESPONSE	Pace agrees with the recommendation aspect of implementing a distance-based fare structure. However, this should not be tied as a means of offsetting the growth in operating subsidy requirements. The two aspects are independent of each other and should not be linked. The report highlights the fact that Pace has a relatively high revenue per passenger, but a low revenue per passenger mile. This occurs because Pace passenger trips are longer than typical and its peers. Pace would like to consider a distance-based fare structure, but not tied to subsidy requirements. Pace ridership has a high fare elasticity which means that Pace riders are sensitive to fare increases and find alternative travel when fares are increased. There is also a technology requirement for distance-based fares that is an important component of its solution. The best way to accomplish this is through the related report recommendation to develop a regional coordinated fare structure. A distance-based fare structure for Pace can become part of a regional fare administration plan. This regional plan could better reflect the technology, coordination, rate structure and funding need aspects that are inherent to most of these fare recommendations. The higher elasticity of its riders and the recent revenue loss along combined service corridors demonstrate the risk to Pace from a lack of a regional fare administration plan. Pace therefore believes that a distance-based fare should be part of a regional plan that includes the technology requirements, the centralized fare rate and structure policy framework, the data warehousing and back office functions, and the funding to move this forward to implementation. The experience of urban areas such as San Francisco, Montreal, Los Angeles and Washington D.C. demonstrate that these are viable expectations and the public-private partnerships organized in Seoul and Hong Kong illustrate how this can be accomplished in a constrained funding situation.

PACE FINANCIAL MANAGEMENT	
RECOMMENDATION NUMBER 31	***Pace should:*** • ***Continue to present its budget to include all operating costs per GAAP, and require Board approval of any deferral of operating costs to subsequent years;*** • ***Prepare and adopt annually a ten-year financial plan, reflecting:*** – ***The agency's current cash position and all then-known obligations, including pension contributions;*** – ***A capital replacement and rehabilitation plan that reflects Pace asset replacement standards and fleet plans; and*** – ***Positive working capital (i.e., current assets less current liabilities); and*** • ***Demonstrate the financial capability to achieve a state of good repair for existing plant and equipment, and to sustain existing services, prior to designing or constructing expanded services or facilities.***
PACE RESPONSE	Pace maintains all accounting records and prepares all financial reports in conformity with generally accepted accounting principles (GAAP). Pace's operating budget is prepared in a manner consistent with the Agency's financial statements which are prepared on the accrual basis of accounting for a proprietary (enterprise) fund type. The only difference between financial and budget reporting is that depreciation expenses for grant funded assets are excluded from both the planning and reporting of the operating budget. The Board approves all budgeted operating costs through adoption of an annual budget appropriation ordinance. This action approves all known operating budget expenditures for a finite (one-year period). All planned / known costs are generally accrued for in the current year. During the annual budget process, it usually becomes evident if specific operating costs will be delayed, or may require deferral. When this occurs, these costs are re-evaluated, and if determined to be necessary, are reprogrammed into a subsequent year of the three year financial plan. Pace has prepared and adopted a three year financial plan annually since the Agency was formed in 1984. A three year planning horizon is consistent with the "Recommended Practices for State and Local Governments" approved by the Government Finance Officers Association (GFOA). The RTA Act specifically calls for a (3) three year operating financial plan and a (5) five year capital plan and program. Further budget planning requirements included in the RTA Act also include the provision that proposed programs and budgets contain statements of funds estimated to be on-hand at the beginning of the fiscal year, the funds estimated to be received from all sources for the given year, and the funds to be on hand at the end of such year. Pace's

	annual submittals meet these requirements, showing all cash flows / cash needs, as well as all known costs, including required pension obligations for all years of the plan. Pace's multiyear plans also incorporate required capital replacement needs and Pace asset replacement standards and fleet plans. Funding restrictions currently necessitate the preparation of two plans—one based on known replacement needs (unconstrained) and one based on funding levels identified by RTA (constrained). Pace is required by the RTA Act to adopt its annual capital program and five year plan in conformance with the RTA's constrained funding levels. Pace concurs with the importance of achieving a state of good repair for existing plant and equipment, and maintaining the financial capability to sustain existing services prior to expanding services or facilities.

Chapter 10
Capital Program

PACE CAPITAL PROGRAM	
RECOMMENDATION NUMBER 35	***Pace should review its past grant awards and determine if projects that are contributing to the growth in the unexpended balances are still necessary, and, if so, why they are not being expended in a more timely manner.***
PACE RESPONSE	As part of Pace's annual budget process, all outstanding projects not yet obligated are evaluated to determine if the project is still viable. If not the project is deobligated and the funds are reobligated to new projects proposed as part of the next year's capital budget. This process is a routine function of the annual budget process evidenced by the numerous scope changes Pace processes each year.

Chapter 11
Contracts and Procurements

CONTRACTS AND PROCUREMENTS	
RECOMMENDATION NUMBER 36	***Regarding contracts and procurements:*** • ***The RTA should assist the Service Boards in identifying and facilitating opportunities for joint procurements that would result in cost savings and/or coordinated service delivery; and*** • ***The CTA and Pace should work together to bring about the joint bus farebox procurement.***
PACE RESPONSE	Pace agrees with the recommendation to bring about the joint farebox procurement. Unfortunately, the current financial crisis has forced the re-direction of the necessary resources from capital investments of this type to support daily operations. Pace considers this project a high priority and will pursue it provided there is a restoration of capital funding.

Chapter 12
Fleet

PACE FLEET	
RECOMMENDATION NUMBER 39	***Pace should review its Capital Improvement Plan to determine if it needs to be updated given that it would need to replace about 26 percent of its bus fleet in the next five years, at an estimated cost of $65 million, or about 38 percent higher than presented in the current financially constrained CIP.***
PACE RESPONSE	Pace annually updates bus fleet needs as part of its budget process. Reductions in capital funding due to the lapse of RTA and State bond capital financing has resulted in Pace not being able to adequately fund its bus fleet replacement needs.

COMMERCIAL ACTIVITIES	
RECOMMENDATION NUMBER 43	***Real estate management personnel within each Service Board should continue to pursue initiatives and opportunities to introduce or expand commercial services and annually update their goals for revenue generated from self-managed and third party commercial services.***
PACE RESPONSE	Pace examines each passenger facility investment for its potential to support commercial services. The considerations include the volume and duration of passenger occupancy, the cost of providing the requisite infrastructure and local market conditions. In general, our transportation center facilities do not generate sufficient market demand to support commercial development. In addition, Pace's limited capital resources for the past 20 years has precluded Pace from pursuing more aggressive joint development and commercial infrastructure opportunities. Of our (9) nine transportation centers, the only one that supports commercial use is the Harvey Transportation Center which has leased limited commercial space since it opened in 1999.

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