STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

FOLLOW UP REPORT

STATUS OF RECOMMENDATIONS FROM THE 2007 PERFORMANCE AUDIT OF THE MASS TRANSIT AGENCIES OF NORTHEASTERN ILLINOIS

DECEMBER 2009

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OFFICE OF THE AUDITOR GENERAL
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*To the Legislative Audit Commission, the
Speaker and Minority Leader of the House
of Representatives, the President and
Minority Leader of the Senate, the members
of the General Assembly, and
the Governor:*

This is our Follow Up Report on the Status of Recommendations from the 2007 Performance Audit of the Mass Transit Agencies of Northeastern Illinois.

The report was prepared pursuant to House Resolution Number 1596 which required the Regional Transportation Authority (RTA) to submit to the Office of the Auditor General in February 2009 a Status Report on the recommendations made in the 2007 Performance Audit of the Mass Transit Agencies of Northeastern Illinois.

The report for this follow up is transmitted in conformance with Section 5/3-14 of the Illinois State Auditing Act.

WILLIAM G. HOLLAND
Auditor General

Springfield, Illinois
December 2009

REPORT DIGEST

Follow Up Report

STATUS OF RECOMMENDATIONS FROM THE 2007 PERFORMANCE AUDIT OF THE MASS TRANSIT AGENCIES OF NORTHEASTERN ILLINOIS

Released: December 2009

State of Illinois
Office of the Auditor General

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SYNOPSIS

The Office of the Auditor General (OAG) released a performance audit of the Mass Transit Agencies of Northeastern Illinois in March 2007. In November 2008, the Illinois House of Representatives adopted Resolution Number 1596 directing the Regional Transportation Authority (RTA) to compile a Status Report on the performance audit's recommendations.

The RTA submitted a Status Report to the OAG. The OAG reviewed the Status Report and the supporting documents, and followed-up with the individual transit agencies as necessary.

- **2007 Audit.** The March 2007 performance audit had reviewed the RTA's governance and operations, along with the operations of Chicago Transit Authority (CTA), Commuter Rail Division (Metra), and Suburban Bus Division (Pace).

- **Recommendations in the 2007 Audit.** The audit made 47 recommendations that required over 130 actions by the transit agencies. The actions related to planning, operations, performance management, fares, services, staffing, pensions, financial management, capital program, procurement, real estate, fleet, and other related matters.

- **Implementation of Recommendations.** The four transit agencies have made significant progress in implementing the recommendations in the 2007 audit. The Status Report submitted by the RTA in February 2009 to the OAG showed that over one-half of the 47 recommendations in the audit were implemented and the others were partially implemented. After the RTA's submission of its Status Report to the OAG, the mass transit agencies have continued to implement additional audit recommendations. We followed up to determine these recommendations were implemented.

INTRODUCTION

The Office of the Auditor General (OAG) released a performance audit of the Mass Transit Agencies of Northeastern Illinois in March 2007. In November 2008, the Illinois House of Representatives adopted Resolution Number 1596 directing the Regional Transportation Authority (RTA) to compile a Status Report on the performance audit's recommendations.

- The Resolution directed the RTA to set forth each audit recommendation, the action taken by the mass transit agencies to implement the recommendation, and the supporting documentation for the action taken.
- The RTA was directed to submit its Status Report to the OAG within three months so that the OAG could then follow-up as necessary with the transit agencies, and issue a report summarizing the results of its review.

The 2007 performance audit reviewed the RTA's governance and operations, along with the operations of Chicago Transit Authority (CTA), Commuter Rail Division (Metra), and Suburban Bus Division (Pace). The audit made 47 recommendations that required over 130 actions by these transit agencies related to planning, operations, performance management, fares, services, staffing, pensions, financial management, capital program, procurement, real estate, fleet, and other related matters.

After the audit, the General Assembly adopted Public Act 95-0708 in 2008 which addressed many audit issues. For example, it made extensive revisions to the CTA's Retirement Plan, including establishing a separate entity to administer retiree health care benefits. It established a new funding mechanism and funding requirements for the CTA's Retirement Plan and Retiree Health Care Trust. It also directed the RTA to adopt a comprehensive, long-term Strategic Plan.

REPORT CONCLUSIONS

More than one-half of the 47 recommendations made in the 2007 performance audit have now been implemented by the transit agencies.

The four transit agencies have made significant progress in implementing the recommendations contained in the OAG 2007 performance audit. The Status Report submitted by the RTA in February 2009 to the OAG showed that over one-half of the 47 recommendations in the performance audit were implemented and the others were partially implemented.

After the RTA submitted its Status Report to the OAG, the mass transit agencies have continued to implement additional recommendations in the audit. The status of recommendations as of October 1, 2009 is shown below in Digest Exhibit 1 and Exhibit 2.

Regional Transportation Authority (RTA)

Of the ten recommendations made to the RTA, six dealt with its responsibilities to govern and coordinate matters related to the Service Boards. These recommendations dealt with coordination of services, regional fares, planning, financial management, and capital programming. Some of the recommendations have been implemented while others remain in the process of being implemented. They require coordination with and cooperation by the Service Boards before they can be fully implemented (see inset below).

Digest Exhibit 1
STATUS OF 2007 PERFORMANCE AUDIT RECOMMENDATIONS

	Fully Implemented	Partially Implemented
RTA	4	6
CTA	11	9
Metra	7	8
Pace	10	3
TOTAL*	**32**	**26**

*Total exceeds the number of audit recommendations as some recommendations were made to multiple transit agencies.
Source: RTA Status Report submitted in February 2009 and subsequent follow-up by the OAG.

Actions taken by the RTA, in conjunction with the Service Boards, to address systemwide issues identified in the 2007 performance audit include the following:

- Working with the Service Boards to develop standards and measures for evaluating new routes **(Recommendation #1)**;

- Creating a policy group to develop an implementation plan for regional fare issues. The group is examining the use of a Universal Fare Card to permit travel between the CTA, Metra, and Pace **(Recommendation #2)**;

- Establishing a task force which has developed a performance measurement system **(Recommendation #3)**;

SYSTEMWIDE PERFORMANCE ISSUES IN THE 2007 AUDIT

- **Service Routes.** No process for RTA to ensure that adequate planning and coordination of service routes occurs.
- **Fares.** No comprehensive policy or agency responsible for coordinating fares; region lacks uniform intersystem transfers, as well as a uniform fare media.
- **Performance Measures.** RTA should establish performance measures.
- **New Initiatives.** Service Boards carry out planning initiatives without consulting each other, such as with “New Starts” projects. RTA should establish criteria for seeking funds and prioritize Service Boards’ initiatives.

Source: OAG 2007 Performance Audit.

Digest Exhibit 2
STATUS OF 2007 PERFORMANCE AUDIT RECOMMENDATIONS

COUNT	RECOMMENDATION NUMBER	CHAPTER	SUBJECT OF RECOMMENDATION	CURRENT IMPLEMENTATION STATUS
1.	3	2	RTA Performance Measurement	☑ **Implemented ***
2.	5	2	RTA Paratransit Operations	☑ **Implemented**
3.	6	2	RTA Call Center	☑ **Implemented**
4.	7	3	CTA Rail Maintenance Operations	☑ **Implemented**
5.	8	3	CTA Bus Maintenance Management	☑ **Implemented**
6.	9	3	CTA Safety Operations	☑ **Implemented**
7.	10	3	CTA Customer Service Operations	☑ **Implemented**
8.	15	4	Metra Customer Service Operations	☑ **Implemented**
9.	16	5	Pace Vanpool	☑ **Implemented**
10.	17	5	Pace Information Technology	☑ **Implemented**
11.	18	5	Pace Safety	☑ **Implemented ***
12.	19	5	Pace Customer Satisfaction	☑ **Implemented ***
13.	21	7	CTA Pension Plan	☑ **Implemented**
14.	22	7	CTA Supplemental Pension Plans	☑ **Implemented**
15.	23	7	RTA, Metra, & Pace: Pension Plan	☑ **Implemented ***
16.	24	7	Pace Pension Plans	☑ **Implemented ***
17.	25	8	CTA Revenues	☑ **Implemented**
18.	26	8	Metra Fares	☑ **Implemented**
19.	29	9	CTA Financial Management	☑ **Implemented**
20.	31	9	Pace Financial Management	☑ **Implemented**
21.	34	10	Metra Capital Program	☑ **Implemented**
22.	35	10	Pace Capital Program	☑ **Implemented**
23.	37	12	CTA Fleet	☑ **Implemented**
24.	38	12	Metra Fleet	☑ **Implemented**
25.	39	12	Pace Fleet	☑ **Implemented**
26.	41	13	Metra Headquarters	☑ **Implemented**
27.	43	13	CTA, Metra, & Pace Commercial Activities	☑ **Implemented**
28.	47	13	CTA: AECOM Recommendations	☑ **Implemented**
1.	1	2	RTA Coordination of Services	⦸ **Partially Implemented**
2.	2	2	RTA and Regional Fare Issues	⦸ **Partially Implemented**
3.	4	2	RTA Planning	⦸ **Partially Implemented**
4.	11	3	CTA Performance Improvement	⦸ **Partially Implemented**
5.	12	4	Metra Operations	⦸ **Partially Implemented**
6.	13	4	Metra Safety Operations	⦸ **Partially Implemented**
7.	14	4	Metra Employee Safety Operations	⦸ **Partially Implemented**
8.	20	6	CTA, Metra, & Pace: Staffing	⦸ **Partially Implemented**
9.	27	8	Pace Fares	⦸ **Partially Implemented**
10.	28	9	RTA Financial Management	⦸ **Partially Implemented**
11.	30	9	Metra Financial Management	⦸ **Partially Implemented**
12.	32	10	RTA Capital Program	⦸ **Partially Implemented**
13.	33	10	CTA Capital Program	⦸ **Partially Implemented**
14.	36	11	RTA, CTA, Metra, & Pace: Contracts and Procurements	⦸ **Partially Implemented**
15.	40	13	CTA Headquarters	⦸ **Partially Implemented**
16.	42	13	CTA & Metra: Surplus Real Property	⦸ **Partially Implemented**
17.	44	13	CTA Private Investment	⦸ **Partially Implemented**
18.	45	13	CTA Real Estate Management	⦸ **Partially Implemented**
19.	46	13	CTA & Metra: Real Estate Management	⦸ **Partially Implemented**

*Implemented since the RTA Status Report in February 2009.
Source: RTA Status Report submitted in February 2009 and subsequent follow-up by the OAG.

The RTA and the transit agencies may have reached an impasse regarding prioritizing capital projects.

- Prioritizing capital projects. However, the RTA reported reaching an impasse regarding prioritizing capital projects: "*. . . due to the diversity of the SBs' [Service Boards] operations and the complexities of the interests of the four agencies, negotiations [regarding prioritizing capital projects] are still underway and perhaps* ***may even have reached an impasse****.*" [emphasis added] **(Recommendation #4)**.

Four of the ten recommendations in the 2007 performance audit were directed to RTA operations. The RTA implemented two of these recommendations (operations of its Call Center and processing of ADA certifications) and has partially implemented the remaining two recommendations (on its capital program and financial management).

Chicago Transit Authority (CTA)

The 2007 performance audit made 20 recommendations to the CTA. Of the 20 recommendations, 11 recommendations have been implemented while the remaining 9 are partially implemented. The following are examples of actions taken by the CTA to implement the recommendations:

- **Bus Maintenance and Management (Recommendation #8):** As recommended, the CTA implemented its Maintenance Management Information System (MMIS) and provided examples of the MMIS monthly reports for bus and rail to the OAG. The CTA reached an agreement with its union to implement a new program to address bus cleanliness by hiring apprentices.
- **Safety Operations (Recommendation #9):** CTA reorganized its Safety Department and added staff to improve safety. As recommended, CTA is now a participant in the American Public Transportation Association's Bus Safety Audit program and provided documentation showing it will undergo a bus safety peer audit in 2009.
  - CTA added a Safety Communications Coordinator who is responsible for developing safety-related content that addresses key areas of identified risk, such as the most frequent causes of employee injuries-on-duty.
  - CTA provided the OAG its Bus System Safety Program Plan (April 2009) which documents its bus safety policies and procedures. CTA has also revised its safety incentive (awards) program.
- **Pension Plan (Recommendation #21):** The passage of Public Act 95-0708 in January 2008 effectively addressed the major concerns regarding CTA's pension plan. The Act established specific funding requirements for the CTA and its employees, and required the Auditor General to annually review compliance with the Act's provisions

related to pensions and retiree health care. The Act created a separate Retiree Health Care Trust to administer retiree health care benefits.

Commuter Rail Division (Metra)

The 2007 performance audit made 15 recommendations to Metra. Of the 15 recommendations, 7 have been implemented while the remaining 8 have been partially implemented. The following are examples of actions taken by Metra to implement the recommendations:

- **Customer Service Operations (Recommendation #15):** Metra has developed procedures for handling customer complaints and provided the OAG a report that is now prepared which shows the complaints by rail line. The newly created log is issued to management personnel for review and corrective action. The audit had found that complaint information was collected but was not readily compiled or systematically reviewed.
- **Fleet (Recommendation #38):** As recommended in the audit, Metra has assessed the operational and economic feasibility of another possible rehabilitation of its Electric District car fleet and determined that it is not a candidate for additional rehabilitation. Metra provided the OAG the RFP it issued for new electric cars in 2009.
- **Headquarters (Recommendation #41):** Metra has significantly increased the leased space in its headquarters building. The audit reported that 19 percent of its headquarters building was vacant; Metra has since found additional tenants, increasing the occupancy rate to approximately 95 percent (or 5% vacancy).

Metra has also taken action on other recommendations made in the 2007 performance audit. Metra issued an RFP for a MMIS system to monitor and track maintenance data. Proposals have been received and a contract was expected to be awarded in late 2009. Metra continues to advocate eliminating grade crossings and informed the OAG that two crossings had been closed. Metra has raised public safety awareness through programs such as Operation Life Saver and the School Safety program. Metra has installed railroad simulators for training, according to information provided to the OAG. Metra has continued to install an electronic train management system between Chicago and Joliet at a cost of over $10 million.

Suburban Bus Division (Pace)

The 2007 performance audit made 13 recommendations to Pace. Of the 13 recommendations, 10 have been implemented while the remaining 3 have been partially implemented. The following are examples of actions taken by Pace to implement the recommendations:

- **Information Technology (Recommendation #17):** The 2007 performance audit concluded that many of the computer systems that Pace relied upon for daily operations and performance tracking were obsolete and inefficient. Therefore, a Risk Management System and a Customer Assistance System were implemented in 2007. The e-Business Suite Accounts Payable, General Ledger, Purchasing, Receiving and Requisition implementations for the Enterprise Resource Planning (ERP) Project were implemented in 2008. The Accounts Receivable, Budget and Grants, and the Enterprise Data Warehouse applications are to be implemented in 2009.
- **Capital Program (Recommendation #35):** Pace noted that in 2007 and 2008, it completed a review of its projects and closed out eight grants, addressing an issue raised in the 2007 performance audit concerning slow-moving projects. In addition, Pace reported progress to reduce unexpended balances.
- **Fleet (Recommendation #39):** With the passage of the RTA reform legislation in January 2008 (Public Act 95-708), Pace said that it now has adequate operating funds and has been able to restore the Federal 5307 funds for capital projects. In 2008 and 2009, Pace plans to replace 59 fixed route buses and 208 paratransit vehicles.

Pace has also taken action on the other recommendations. For example the 2007 performance audit concluded that Pace fares have tracked closely with inflation for over ten years, and they compare reasonably well with peer transit systems with one exception – fare revenue per passenger mile is relatively low. The audit noted that distance-based fares may allow Pace to increase its revenue with minimal ridership loss. Pace provided the OAG with documentation that it has contracted with AECOM to analyze its fare policies and technologies. Pace said it continues to be supportive of a regional fare management strategy that allows both a service based fare (feeder service, community based service) and a distance based fare.

WILLIAM G. HOLLAND
Auditor General

WGH:AD
December 2009

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Chapter One
INTRODUCTION

The Office of the Auditor General (OAG) released a performance audit of the Mass Transit Agencies of Northeastern Illinois in March 2007. In November 2008, the Illinois House of Representatives adopted Resolution Number 1596 directing the Regional Transportation Authority (RTA) to compile a Status Report on the implementation of the performance audit's recommendations (see Appendix A).

- The RTA was to set forth each audit recommendation, the action taken by the mass transit agencies to implement the recommendation, and the supporting documentation for the action taken.
- The RTA was directed to submit its Status Report to the OAG within three months to review and issue a report summarizing the results of its review.

After the 2007 performance audit was issued, the General Assembly adopted Public Act 95-0708 in 2008 which addressed many of the issues raised in the Auditor General's 2007 performance audit. For example, it made extensive revisions to the CTA's Retirement Plan, including establishing a separate entity to administer retiree health care benefits – the Retiree Health Care Trust. It also established a new funding mechanism and funding requirements for the CTA's Retirement Plan and Retiree Health Care Trust.

Other changes made by Public Act 95-0708 which addressed matters raised in the audit report included requiring the RTA Board to adopt a comprehensive, long-term Strategic Plan for regional transit, to be reviewed and updated periodically. The legislation requires the Strategic Plan to include: goals and objectives regarding the coordination of fare and transfer policies; the process and criteria by which proposals for capital improvements by Service Boards will be evaluated for inclusion in the five year capital program; performance standards and measurements regarding the adequacy, efficiency, and coordination of public transportation services in the region; and a 10-year assessment of the transit system's financial condition. The RTA is also required to do "alternatives analysis" for any proposed transit expansion projects with construction costs of over $25 million where more than one Service Board could provide the service.

REPORT CONCLUSIONS

The 2007 performance audit of the Mass Transit Agencies of Northeastern Illinois reviewed the RTA's governance and operations, along with the operations of the Chicago Transit Authority (CTA), Commuter Rail Division (Metra), and Suburban Bus Division (Pace). The audit made 47 recommendations that required over 130 actions by these transit agencies related to planning, operations, performance management, fares, services, staffing, pensions, financial management, capital program, procurement, real estate, fleet, and other related matters.

The four transit agencies have made significant progress in implementing the recommendations contained in the OAG's 2007 performance audit. The Status Report submitted by the RTA in February 2009 to the Auditor General's Office showed that over one-half of the 47 recommendations in the performance audit were implemented and the other half were partially implemented.

In the eight months since the RTA submitted its Status Report to the OAG, the mass transit agencies have implemented additional recommendations. The status of recommendations as of October 1, 2009 is shown below in Exhibit 1 and in Exhibit 2 on the next page.

Exhibit 1
STATUS OF 2007 PERFORMANCE AUDIT RECOMMENDATIONS

	Fully Implemented	Partially Implemented	Not Implemented
RTA	4	6	0
CTA	11	9	0
Metra	7	8	0
Pace	10	3	0
TOTAL*	**32**	**26**	**n/a**

*Total exceeds the number of audit recommendations as some recommendations were made to multiple transit agencies.
Source: RTA Status Report submitted in February 2009 and subsequent follow-up by the OAG.

Regional Transportation Authority (RTA)

Of the ten recommendations made to the RTA, six dealt with its responsibilities to govern and coordinate matters related to the Service Boards. Some have been implemented while others remain in the process of being implemented. These recommendations dealt with coordination of services, regional fares, planning, financial management, and capital programming (see Exhibit 3). They require coordination with and cooperation by the Service Boards before they can be fully implemented.

Actions taken by the RTA, in conjunction with the Service Boards, to address systemwide issues identified in the 2007 performance audit include the following:

- Working with the Service Boards to develop service standards and measures for evaluating new routes **(Recommendation #1)**;

- Creating a policy group to develop an implementation plan for regional fare issues. The group is examining the use of a Universal Fare Card to permit travel between the CTA, Metra, and Pace **(Recommendation #2)**;

Exhibit 2
STATUS OF 2007 PERFORMANCE AUDIT RECOMMENDATIONS

COUNT	RECOMMENDATION NUMBER	CHAPTER	SUBJECT OF RECOMMENDATION	CURRENT IMPLEMENTATION STATUS
1.	3	2	RTA Performance Measurement	☑ **Implemented ***
2.	5	2	RTA Paratransit Operations	☑ **Implemented**
3.	6	2	RTA Call Center	☑ **Implemented**
4.	7	3	CTA Rail Maintenance Operations	☑ **Implemented**
5.	8	3	CTA Bus Maintenance Management	☑ **Implemented**
6.	9	3	CTA Safety Operations	☑ **Implemented**
7.	10	3	CTA Customer Service Operations	☑ **Implemented**
8.	15	4	Metra Customer Service Operations	☑ **Implemented**
9.	16	5	Pace Vanpool	☑ **Implemented**
10.	17	5	Pace Information Technology	☑ **Implemented**
11.	18	5	Pace Safety	☑ **Implemented ***
12.	19	5	Pace Customer Satisfaction	☑ **Implemented ***
13.	21	7	CTA Pension Plan	☑ **Implemented**
14.	22	7	CTA Supplemental Pension Plans	☑ **Implemented**
15.	23	7	RTA, Metra, & Pace: Pension Plan	☑ **Implemented ***
16.	24	7	Pace Pension Plans	☑ **Implemented ***
17.	25	8	CTA Revenues	☑ **Implemented**
18.	26	8	Metra Fares	☑ **Implemented**
19.	29	9	CTA Financial Management	☑ **Implemented**
20.	31	9	Pace Financial Management	☑ **Implemented**
21.	34	10	Metra Capital Program	☑ **Implemented**
22.	35	10	Pace Capital Program	☑ **Implemented**
23.	37	12	CTA Fleet	☑ **Implemented**
24.	38	12	Metra Fleet	☑ **Implemented**
25.	39	12	Pace Fleet	☑ **Implemented**
26.	41	13	Metra Headquarters	☑ **Implemented**
27.	43	13	CTA, Metra, & Pace Commercial Activities	☑ **Implemented**
28.	47	13	CTA: AECOM Recommendations	☑ **Implemented**
1.	1	2	RTA Coordination of Services	⦸ **Partially Implemented**
2.	2	2	RTA and Regional Fare Issues	⦸ **Partially Implemented**
3.	4	2	RTA Planning	⦸ **Partially Implemented**
4.	11	3	CTA Performance Improvement	⦸ **Partially Implemented**
5.	12	4	Metra Operations	⦸ **Partially Implemented**
6.	13	4	Metra Safety Operations	⦸ **Partially Implemented**
7.	14	4	Metra Employee Safety Operations	⦸ **Partially Implemented**
8.	20	6	CTA, Metra, & Pace: Staffing	⦸ **Partially Implemented**
9.	27	8	Pace Fares	⦸ **Partially Implemented**
10.	28	9	RTA Financial Management	⦸ **Partially Implemented**
11.	30	9	Metra Financial Management	⦸ **Partially Implemented**
12.	32	10	RTA Capital Program	⦸ **Partially Implemented**
13.	33	10	CTA Capital Program	⦸ **Partially Implemented**
14.	36	11	RTA, CTA, Metra, & Pace: Contracts and Procurements	⦸ **Partially Implemented**
15.	40	13	CTA Headquarters	⦸ **Partially Implemented**
16.	42	13	CTA & Metra: Surplus Real Property	⦸ **Partially Implemented**
17.	44	13	CTA Private Investment	⦸ **Partially Implemented**
18.	45	13	CTA Real Estate Management	⦸ **Partially Implemented**
19.	46	13	CTA & Metra: Real Estate Management	⦸ **Partially Implemented**

*Implemented since the RTA Status Report in February 2009.
Source: RTA Status Report submitted in February 2009 and subsequent follow-up by the OAG.

- Establishing a task force which has developed a performance measurement system **(Recommendation #3)**;

- Prioritizing capital projects. However, the RTA reported reaching an impasse regarding prioritizing capital projects: *". . . due to the diversity of the SBs' [Service Boards] operations and the complexities of the interests of the four agencies, negotiations [regarding prioritizing capital projects] are still underway and perhaps **may even have reached an impasse**."* [emphasis added] **(Recommendation #4)**.

Exhibit 3 SYSTEMWIDE PERFORMANCE ISSUES IN THE 2007 AUDIT
• **Fares.** No comprehensive policy or agency responsible for coordinating fares; region lacks uniform intersystem transfers, as well as a uniform fare media. • **Service Routes.** No process for RTA to ensure that adequate planning and coordination of service routes occurs. • **Performance Measures.** RTA should establish performance measures. • **New Initiatives.** Service Boards carry out planning initiatives without consulting each other, such as with "New Starts" projects. RTA should establish criteria for seeking funds and prioritize Service Boards' initiatives.
Source: OAG 2007 Performance Audit.

Four of the ten recommendations were directed to RTA operations. The RTA implemented two of these recommendations (operations of its Call Center and processing of ADA certifications) and has partially implemented the remaining two recommendations (that pertain to its capital program and financial management).

Chicago Transit Authority (CTA)

The 2007 performance audit made 20 recommendations to the CTA. The Status Report submitted by the RTA showed that the CTA had implemented 11 of the recommendations and partially implemented the remaining 9. The following are examples of actions taken by the CTA to implement the recommendations:

- **CTA Bus Maintenance and Management (Recommendation #8):** As recommended, the CTA implemented its Maintenance Management Information System (MMIS) and provided examples of the MMIS monthly reports for bus and rail to the Office of the Auditor General. The CTA reached an agreement with its union to implement a new program to address bus cleanliness. CTA provided a copy of the Bus Servicer Apprentice Agreement, which allows the hiring of apprentices to assist in cleaning buses.

- **CTA Safety Operations (Recommendation #9):** CTA reorganized its Safety Department and added staff to improve safety. As recommended, CTA is now a participant in the American Public Transportation Association's Bus Safety Audit program and provided documentation showing it will undergo a bus safety peer audit in November 2009. CTA added a Safety Communications Coordinator who is responsible for developing safety-related content that addresses key areas of identified risk, such as the most frequent causes of employee injuries-on-duty. The CTA provided to the Office of the Auditor General its Bus System Safety

Program Plan (April 2009) which documents its various bus system safety policies and procedures. CTA has also revised its safety incentive (awards) program.

- **CTA Pension Plan (Recommendation #21):** The CTA responded to the follow-up that the passage of Public Act 95-0708 in January 2008 effectively addressed the major concerns regarding its pension plan. For example, the Public Act separated the retiree health care plan from the pension plan and created separate funding and governance structures. CTA was authorized, and has issued, bonds to fund both the retirement plan and retiree health care trust. The proceeds of the bond sale were held in an interest-bearing account by the CTA while waiting for the market to improve. CTA noted that legislation established specific funding requirements for both the CTA and employees, and required the Auditor General to annually review compliance with the Public Act's provisions related to pensions and retiree health care.

Several of the recommendations made to the CTA that have been only partially implemented pertain to its real estate operations. CTA's real estate department was dissolved in 2008 but a core staff of real estate personnel has been retained to leverage the work of a real estate consultant.

While the outsourcing of its real estate function was not recommended by the 2007 performance audit, it was recommended by CTA's own consulting firm AECOM. CTA provided documentation that its consultant is actively pursuing the real estate related recommendations made in the Auditor General's audit report, including leasing available space (e.g., in its headquarters building) and disposing surplus property.

Commuter Rail Division (Metra)

Of the 15 recommendations made to Metra in the 2007 performance audit, 7 recommendations have been implemented while the remaining 8 have been partially implemented. The following are examples of actions taken by Metra to implement recommendations:

- **Metra Fleet (Recommendation #38):** As recommended in the 2007 performance audit, Metra has assessed the operational and economic feasibility of another possible rehabilitation of its Electric District car fleet and determined that it is not a candidate for additional rehabilitation. Metra provided to auditors the RFP it issued for new electric cars in 2009.

- **Metra Customer Service Operations (Recommendation #15):** Metra has developed procedures for handling customer complaints and provided the Office of the Auditor General a report that is now prepared showing the complaints by rail line. The 2007 performance audit found that complaint information, while collected, was not readily compiled or systematically reviewed. The newly created log is issued to management personnel for review and corrective action.

- **Metra Headquarters (Recommendation #41):** Metra has significantly increased the amount of space in its headquarters building that is leased to tenants. The 2007 performance audit reported that 19 percent of its headquarters building was vacant; Metra has since found additional tenants for its building, increasing the occupancy rate to approximately 95 percent.

Although not fully implemented, Metra has also taken action on other recommendations made in the 2007 performance audit. Metra issued an RFP for a MMIS system to monitor and track maintenance data. Proposals have been received and a contract was expected to be awarded later in 2009. Metra continues to advocate eliminating grade crossings and informed the Office of the Auditor General that two crossings had been closed. Metra has raised public safety awareness through programs such as Operation Life Saver and the School Safety program. Metra provided the Office of the Auditor General with information which showed that it has installed railroad simulators for training. Metra has continued to install an electronic train management system between Chicago and Joliet for over $10 million.

Suburban Bus Division (Pace)

Of the 13 recommendations made to Pace in the 2007 performance audit, 10 recommendations have been implemented while the remaining 3 recommendations have been partially implemented. The following are examples of actions taken by Pace to implement recommendations:

- **Pace Information Technology (Recommendation #17):** The 2007 performance audit concluded that many of the computer systems that Pace relied upon for daily operations and performance tracking were obsolete and inefficient. Addressing this finding, a Risk Management system and a Customer Assistance System were implemented in 2007. The e-Business Suite Accounts Payable, General Ledger, Purchasing, Receiving and Requisitions implementations for the Enterprise Resource Planning (ERP) Project were started in 2008. The Accounts Receivable, Budget and Grants, and the Enterprise Data Warehouse applications are to become functional in July 2009.

- **Pace Capital Program (Recommendation #35):** Pace noted that in 2007 and 2008, it completed a review of their projects and closed out eight grants, addressing an issue concerning slow-moving projects raised in the 2007 performance audit. In addition, Pace reported progress to reduce unexpended balances.

- **Pace Fleet (Recommendation #39):** With the passage of the RTA reform legislation in January 2008 (Public Act 95-708), Pace responded it now has adequate operating funding and has been able to restore Federal 5307 funds for capital projects. In 2008 and 2009, Pace has programmed for the replacement of 59 fixed route buses and 208 paratransit vehicles.

Although Pace has not fully implemented all of the recommendations, it has taken action on the other recommendations. For example the 2007 performance audit concluded that Pace fares have closely tracked with inflation for over ten years, and compare reasonably well with peer transit systems, with one exception – fare revenue per passenger mile is relatively low. The audit noted that a distance-based fare structure may allow Pace to increase its revenue with minimal ridership loss. Pace provided the Office of the Auditor General with documentation that it has contracted with AECOM to analyze its fare policies and technologies. Pace said it continues to be supportive of a regional fare management strategy that allows both a service based fare (feeder service, community based service) and a distance based fare.

SCOPE AND METHODOLOGY

In November 2008, the House of Representatives directed the RTA to compile a Status Report specifying the actions taken by the transit agencies to implement the recommendations made in the March 2007 performance audit. Resolution Number 1596 directed the RTA to compile its Status Report and the supporting documentation for the actions taken and provide them to the Office of the Auditor General (OAG) within three months (February 17, 2009). It also directed the OAG to issue a report summarizing the results of its review.

The RTA submitted its Status Report to the Office of the Auditor General on February 17, 2009. On February 26, 2009 RTA submitted an updated report to the Auditor General. The updated report was largely the same as the initial report, with some additional explanations of actions taken for RTA-related recommendations. After receiving the RTA Status Report and the supporting documents from the transit agencies, the Office of the Auditor General began its review of the responses and documents to determine the agencies' progress in implementing the recommendations.

The OAG needed additional documentation and information to verify the actions that the transit agencies stated they had taken. More than 10 written requests were made to the transit agencies to request additional documentation and information until October 2009.

The RTA also submitted to the Auditor General the status of statutory mandates in Public Act 95-0708. House Resolution 1596 did not require the OAG to review this submission. This information is reproduced in Appendix C.

REPORT ORGANIZATION

Chapter Two – Status of Recommendations

Appendix A – House Resolution 1596

Appendix B – Updated Agency Responses to 2007 Performance Audit

Appendix C – RTA's Status Report on 2007 Audit Recommendations (February 2009)

Appendix D – Agency Letters

Chapter Two

STATUS OF RECOMMENDATIONS

The Chicago area mass transit agencies have implemented over one-half of the 47 recommendations made in the 2007 performance audit. A summary of each audit recommendation is color coded and bolded below to quickly and easily show its implementation: **green** means the recommendation is implemented and **yellow** means the recommendation is partially implemented. The 2007 audit results (findings) are presented in the first full paragraph and the actions taken by the agencies to implement the recommendations are summarized below under 2009 Status (see Appendix B for the mass transit agencies' 2007 responses to the audit and the February 2009 responses to the RTA Status Report).

1. RTA COORDINATION OF SERVICES: RTA should coordinate service routes.

2007 Audit: Pace and CTA compete for markets, particularly in suburban Cook County. Some of these overlapping services are logical but others provide duplicative and competitive service. (2007 performance audit report pages 22-25)

2009 Status: The RTA responded that it is leading a joint effort with the Service Boards to develop service standards and measures for evaluating new routes. The RTA has engaged a vendor to perform a market analysis in 2009 to develop a baseline understanding of the regional travel patterns, document the role of transit in serving different geographic markets, and identify any barriers. RTA stated that its staff met with Service Boards' planning heads on June 9, 2009 and has completed some preliminary analysis of overlapping CTA and Pace service. Pace has provided the data and RTA met with CTA's president on July 28, 2009 to request the data. Once the analysis is completed, RTA said it will meet with CTA and Pace to present its recommendations for service improvements.

2. RTA AND REGIONAL FARE ISSUES: RTA should establish a fare system that fosters intersystem transfers.

2007 Audit: Intersystem trips are those using the transit services of two or more Service Boards in the course of a single trip. Intersystem transfers are seldom considered in each Service Board's ridership and revenue monitoring systems. Also, consideration needs to be given to establish more uniform fare media among all Service Boards. (pp.25-32)

2009 Status: The RTA has formed a policy group to develop an implementation plan. This group is examining the use of a Universal Fare Card which would permit travel between CTA, Metra, and Pace. The RTA noted that the Universal Fare Card would also allow the development of fare structures that are more equitable among all modes of travel within the region. The RTA's planning committee gave a presentation (November 2008) that dealt with fare coordination and fare media. In June 2009, the RTA Board adopted an Ordinance establishing principles for regional fare coordination, including a regional fare payment system. Also in June the RTA Board adopted an Ordinance authorizing the firm of Booz, Allen, Hamilton to determine the cost for collecting fares through existing structures at each of the Service Boards. RTA plans to use this baseline to evaluate alternatives in the selection of a universal fare payment system.

3. PERFORMANCE MEASUREMENT: RTA should work with CTA, Metra, and Pace to establish performance measures.

2007 Audit: The Service Boards have performance measures for operations and maintenance, however, they lack one set of written performance measures. It is critical that all stakeholders agree upon the performance measures of the whole organization and are given understandable and frequent updates. Also, the degree to which performance measures are incorporated into annual written performance evaluations vary among the four entities. (pp.32-34)

2009 Status: The RTA established a Performance Measures Task Force with representatives from the Service Boards. In May 2009, the RTA Board adopted an Ordinance implementing regional performance measures for five areas: 1) Service Coverage, 2) Service Efficiency and Effectiveness, 3) Service Delivery, 4) Service Maintenance and Capital Investment, and 5) Service Level Solvency. The measures link performance with the RTA's Moving Beyond Congestion Strategic Plan's goals and objectives and are intended to provide a comprehensive analysis of the region's transit system. Data was collected and a Report Card for Regional Performance Measures was reported to the RTA Board, published, and is available on the RTA website. The Report Card will be prepared on an annual basis and will include trend analysis of five years of data.

4. PLANNING: RTA should conduct long-term strategic planning that sets a structure and broad guidelines encompassing financial, programmatic, and operational functions of the Service Boards and the RTA. The RTA should also establish criteria for new Service Board initiatives, such as New Starts projects, for funding and prioritizing such initiatives across all agencies.

2007 Audit: Planning for transit in northeastern Illinois is undertaken by numerous agencies and must meet federal and State requirements. The three Service Boards undertake their own separate planning activities. The Regional Transportation Authority Act directs the RTA to establish a policy to provide adequate public transportation throughout the region, review capital and operating plans of the Service Boards, and prepare and adopt a five-year program to inform the public of the Authority's objectives and programs for operations and capital development during the upcoming five-year period. (pp.44-50)

2009 Status: The RTA completed its Moving Beyond Congestion Strategic Plan in 2007 and plans to continue to update its strategic plan. The RTA leads a Task Force that is working to develop a process for prioritizing capital projects across the region: *"The Task Force . . . has created a structure to allocate transit resources . . . for prioritizing capital projects within each SB [Service Board] . . . ."*

Additional efforts at the RTA and the Service Boards also include developing a Capital Asset Decision Prioritization Support Tool which will provide information for prioritizing capital projects and developing a needs-based capital plan. The RTA said the methodology is similar to that used by the Federal Transit Administration.

The RTA said its next step is to develop a methodology for evaluation that prioritizes across Service Boards to better guide investment choices for the region. Unfortunately, the RTA and the Service Boards have been in negotiations since late 2008 and have not yet agreed even to an interim approach. The RTA said that it wishes to reach a consensus with the Service Boards on the process for allocating capital funds and noted, that "*. . . due to the diversity of the SBs' [Service Boards'] operations and the complexities of the interests of the four agencies, negotiations are still underway and perhaps may even have reached an impasse."*

5. RTA PARATRANSIT OPERATIONS: RTA should reduce the backlog of applicants for ADA certification to receive paratransit services.

2007 Audit: The Federal Transit Administration's 2005 Triennial Review identified a backlog of approximately 1,200 ADA applications. The backlog was reduced to 797 applicants as of June 2006. While improvements have been made, there remained a backlog of applicants for ADA certification due to staffing concerns. (pp.54-55)

2009 Status: The RTA determined that additional staffing was required to reduce the existing backlog; thus, certification staff has been increased from four to five. The RTA reported that it filled the position in January 2009 and the backlog has been eliminated. The RTA has less than 0.5% of eligible paratransit riders on interim service at any one time, with this situation only resulting if further information is needed prior to a decision being made.

6. RTA CALL CENTER: RTA should revise the incentive system in the call center contract.

2007 Audit: RTA contracted with a private company to provide call center operations. The terms of the contract provided incentives depending on the call capture rate. Due to the high call capture rate that the call center operator was able to attain, RTA was unable to pay the incentives earned by the contractor due to budgetary constraints. (p.56)

2009 Status: The RTA negotiated an amendment to the contract at the time of the 2007 audit. Since then, RTA has solicited proposals for the operation of the RTA Call Center and has executed an agreement that the RTA stated is more cost effective. Based on documentation submitted by the RTA to the Office of the Auditor General, the old contract was for $24.9 million over five years; the new contract is for $20.0 million over five years.

7. CTA RAIL MAINTENANCE OPERATIONS: CTA should make improvements in the reporting of rail maintenance performance, including consistently reporting performance indicators for rail maintenance, and obtain input from customers on rail equipment cleanliness.

2007 Audit: The CTA did not use consistent metrics when reporting on the performance of rail maintenance activities. Three CTA reports (Rail Operations Quarterly Executive Summaries, Rail Operations Year-end Performance Indicators, and Performance Indicators Report) covering the same time period use different metrics.

- Auditors noted that the cleanliness of the CTA rail equipment could be improved.
- In 2001, CTA began reporting to the Federal Transit Administration (FTA) only major service interruptions which result in the vehicle not being able to complete its revenue trip and did not report other service interruptions. (pp.80-83)

2009 Status: The CTA has developed a performance management program involving weekly meetings with business units that focus on key metrics. Performance metrics are published in the CTA's website. The CTA provided the Office of the Auditor General with documentation showing implementation of a "Mystery Shopper" program in 2007 that allows customers to give feedback on cleanliness and other issues.

- Action plans have been developed and implemented to improve cleanliness of vehicles and stations.
- As evidenced in its annual report to the FTA provided by the CTA, it is now reporting all service interruptions to the FTA.

8. <u>CTA BUS MAINTENANCE AND MANAGEMENT:</u> CTA should develop the MMIS to maximize productivity, develop retention strategy, and prioritize labor rule changes.

2007 Audit: The CTA's vehicle maintenance system (VMS) dates from the 1970s which makes its use difficult. A Maintenance Management Information System (MMIS) is expected to replace VMS in 2007 and enable cost accountability tracking by vehicle, person, and part. Detailed tracking assists in ensuring warranty repairs are paid by the manufacturer.

- Labor rules limit CTA's flexibility in its use of current personnel for cleaning.
- Hiring and retaining experienced employees has been a challenge, according to bus managers. (pp.83-85)

<u>2009 Status:</u> The Maintenance Management Information System has been implemented and examples of its reports for bus and rail were reviewed by the Office of the Auditor General.

- The CTA reported that a new CIO was hired and other staffing changes were made.
- The CTA reported that negotiations with the union for rule changes are ongoing, but noted that an agreement was reached on a new program to address bus cleanliness. The CTA provided a copy of the Bus Servicer Apprentice Agreement, which allows the hiring of apprentices to assist in the cleaning of buses.
- The performance audit raised a concern regarding retention of personnel. CTA reported that its employee retention was high, approximately 90 percent in 2008 and 2009.

9. <u>CTA SAFETY OPERATIONS:</u> CTA should implement the specific actions recommended to improve the safety of its operations, including: requesting an APTA Peer Review for the Bus System; finalize and implement the Bus System Safety Plan; formalize procedures that delineate clear accountability for implementation of follow-up action for personnel related to specific safety concerns; and clarify the role of the Safety Department.

2007 Audit: CTA's safety statistics indicate that while there are positive trends in some areas, there is a need for improvement in employee and public safety incidents. (pp.85-89)

<u>2009 Status:</u> CTA reorganized its Safety Department and added staff to improve safety. CTA is now a participant in the American Public Transportation Association Bus Safety Audit program and provided documentation showing it will undergo a bus safety peer audit in November 2009.

- CTA has added a Safety Communications Coordinator who is responsible for developing safety-related content that addresses key areas of identified risk, such as the most frequent causes of employee injuries-on-duty.

- The CTA provided the Office of the Auditor General its Bus System Safety Program Plan (April 2009) which documents its various bus system safety policies and procedures. CTA has also revised its safety incentive program.
- CTA launched its SafeLine program in September 2007 and will hold another one during CTA Safety Week in fall 2009 for employees to report safety issues not addressed by management.

10. CTA CUSTOMER SERVICE OPERATIONS: CTA should prepare more detailed complaint reports and research the high abandonment rates for customer service calls.

2007 Audit: CTA reviews the number of customer service comments by topic but presents little analysis of the issues and does not indicate any action items. CTA customers still experience long hold times and high abandonment rates at the CTA call center. (pp.89-91)

2009 Status: The CTA customer service operations have been reorganized, new managers have been put in place, and changes to the phone system have been made. Customer Service has been using a computer program called "eRoom" to improve complaint resolution process since 2008. CTA also provided the Office of the Auditor General its Mystery Shopper Program reports which include customer input. In addition, CTA said that:

- Customer feedback is reviewed for trends and customers can communicate with the CTA in additional ways.
- The telephone call abandonment rate has decreased from 35 percent in 2006 to 13 percent in 2009. Also, the CTA call response time improved to approximately 2 minutes in 2009, as compared to 6.45 minutes three years ago in 2006.

11. CTA PERFORMANCE IMPROVEMENT: CTA should prioritize implementing AECOM recommendations based on financial benefit and likelihood of implementation and seek labor changes to enact the recommendations.

2007 Audit: AECOM estimated that CTA could save approximately $250 million to $300 million if it successfully implemented all of the recommendations. CTA estimated that over $100 million of these savings required changes in the bargaining agreement or in legislation. (pp.91-92)

2009 Status: The CTA and its unions reached a 5-year labor agreement in 2007 and the CTA continues to work with the union on the contract.

12. <u>METRA OPERATIONS:</u> Metra should implement MMIS to better track and monitor maintenance trend data.

2007 Audit: Metra needs to use technology to better analyze maintenance data. (pp.101-102)

<u>2009 Status:</u> Metra provided the Office of the Auditor General an RFP for a MMIS system and said that a number of responses were received in spring 2009. The proposals were being evaluated and the contract was not expected to be awarded until later in 2009.

13. <u>METRA SAFETY OPERATIONS:</u> Metra should implement programs to formalize the collection and review of safety trend data, and continue its efforts to improve safety of grade crossings.

2007 Audit: Metra's commitment to tracking and communicating the injury rate is noteworthy. Metra records information related to all injuries and tracks the disciplinary investigations associated with each injury. However, most other safety information is not examined in regularly scheduled intervals. Also, given how extensive grade crossings are throughout its operational area, Metra needs to continue to advocate for additional State and federal funding to eliminate the most hazardous crossings. (pp.103-105)

<u>2009 Status:</u> Metra continues to advocate eliminating grade crossings and informed the Office of the Auditor General that two crossings had been closed. Metra has raised public safety awareness through programs such as Operation Life Saver and the School Safety program and provided auditors with documentation that showed it provided funds to Health World and Operation Life Saver. Over the past year, Metra's Safety & Rules Department has refined the collection and review of safety data. Metra noted that its safety data reporting and trend analysis are considered an industry best practice, in particular its daily review of safety by senior managers.

14. <u>METRA EMPLOYEE SAFETY OPERATIONS:</u> Metra should continue to focus on NTSB recommendations relating to the 2003 derailments, including the simulator training program and positive train control system, as well as implementing a Violation Tracking System.

2007 Audit: Metra is making operational adjustments to respond to the NTSB's concerns and has contracted to provide simulators for training and continued education of engineers; the project was expected to be completed by 2007. No system is in place to review rule violations on a system-wide basis. (pp.105-107)

<u>2009 Status:</u> Metra provided the Office of the Auditor General with information which showed that it has installed railroad simulators for training. Metra has continued to install an electronic train management system between Chicago and Joliet for over $10 million. The system, scheduled to become operational later in 2009, is designed to take control of the train in the event the engineer violates a signal restriction. Metra will need to comply with the mandate of Positive Train Control by 2015 given the passage of the 2008 Railway Safety Improvement Act. Metra said the Chicago Terminal may be the most complex rail territory in the United States and estimated the cost of complying at over $200 million. Metra currently tracks violations manually but will consider automating such data collection if funding becomes available.

15. METRA CUSTOMER SERVICE OPERATIONS: Metra should compile a customer complaint report for management, the Board, and public.

2007 Audit: A compilation of complaint-related information is not carried out on a periodic basis, nor is it part of any systematic review process. (pp.108-109)

2009 Status: Metra has developed procedures for handling customer complaints and provided the Office of the Auditor General a report that is now prepared indicating the complaints by rail line. This log is issued to management personnel for review and corrective action.

16. PACE VANPOOL: In the absence of any other funding sources, Pace should consider increasing vanpool fares and conducting a study of the elasticity of demand for vanpool service.

2007 Audit: Pace's farebox recovery shortfall per passenger for its vanpool services was higher than the average of its peers. Pace may want to review whether fares can be increased in order to reduce subsidies without adversely impacting ridership. (p.133)

2009 Status: Pace reported that it has increased vanpool fares and fees in recent years. For example, Pace provided documentation to the Office of the Auditor General that showed all the Directors of Pace's Board voted for the fare increase in 2009. Pace also continues to analyze its fare policies and programs, including assessing the demand elasticities for the vanpool program.

17. PACE INFORMATION TECHNOLOGY: Pace should roll out the new risk management, customer service, and Enterprise Resource Planning systems.

2007 Audit: Many of the computer systems that Pace relies upon for daily operations and for performance tracking are obsolete and inefficient. (pp.135-136)

<u>2009 Status:</u> Pace provided the Office of the Auditor General with information that it purchased a Risk Management Information System in 2006-2007. A Risk Management System and a Customer Assistance System were implemented in 2007. An e-Business Suite Accounts Payable, General Ledger, Purchasing, Receiving and Requisitions implementations for the Enterprise Resource Planning (ERP) Project were started in 2008. The Accounts Receivable, Budget and Grants, and the Enterprise Data Warehouse applications are to become functional in 2009.

18. <u>PACE SAFETY</u>: Regarding its safety program, Pace should: consider rolling out an onboard video safety system on all routes; implement performance goals for the Zero Accident Program; update its System Safety Program Plan; and conduct a formal study of implementing a transitional return to work program.

2007 Audit: Pace data collection and analysis tools have limited management's ability to identify trends in safety and liability data. Pace launched an onboard video system as a pilot program and has experienced good results. The Zero Accident Challenge program encourages safety. However, while the number of employees completing safety refresher training is tracked on the quarterly performance review, there are neither goals nor comparisons to other time periods. A full benefit-cost analysis of the transitional return to work program has not been conducted. (pp.136-138)

<u>2009 Status:</u> Pace secured $1.2 million for an On-Board Video Safety System, known as DriveCam, for its fixed route fleet. The benchmark for the Zero Accident Program is set at zero accidents and summary reports specify accident activity by both frequency and type of occurrence. The System Safety Plan has been updated and a Transitional Duty/Return to Work program has been implemented on a case-by-case basis. When Pace submitted information to the February 2009 RTA Status Report, it was in the process of procuring the Drive-Cam safety video safety system. The system has since been installed. Management reviews incidents and receives reports that identify safety incidents by garage and operator. As of October 2009, this recommendation can be considered implemented.

19. <u>PACE CUSTOMER SATISFACTION:</u> Pace should adjust Intelligence Bus System (IBS) on-time data to reflect reasonable schedule deviations and adjust routes or schedules as needed. In addition, it should track routes that repeatedly appear on action/review or watch lists.

2007 Audit: Pace established an "Action Plan" to monitor on-time performance monthly, identify poorly performing routes, and adjust schedules to take other corrective action. Total Pace on-time performance was approximately 75 percent for the first four months of 2006. (pp.139-140)

2009 Status: The Intelligent Bus System (IBS) reports buses that are off schedule – at least five minutes late or one minute early. Pace said this was standard throughout the industry. Their dispatch application displays trips that are at least ten minutes late so the dispatcher can resolve bus scheduling. Pace produces a report which identifies on-time performance for all its operating divisions and major contractors. Pace stated that it now makes regular schedule adjustments and tracks routes on the action/ review watch list. As of October 2009, this recommendation can be considered implemented.

20. STAFFING: CTA, Metra, and Pace should follow-up where staffing benchmarking indicated performance could be improved. In addition, the CTA should make the Attendance Improvement Program a priority and explore ways to reduce the time it takes to finalize labor agreements.

2007 Audit: There were a few areas where the benchmarking analyses showed the agencies could potentially improve. Employee absenteeism is a problem in the transit industry. The CTA had the highest absenteeism costs among the three Service Boards, when such costs were viewed as a percent of total operating expenses. The time required to complete the CTA labor negotiation/arbitration process is excessive and should be significantly reduced. (pp.154-175)

2009 Status: CTA replaced its mainframe system in fall 2008 to track vacations and holidays and said it is making progress in addressing absence management. CTA has formed a risk management group to reduce non-work time; initiated an absence management program; and contracted to administer absenteeism, worker compensation, and disability. A five-year labor contract with the unions was expedited.

- Metra stated that it has taken actions to ensure its cost effectiveness and efficiency is equal to or better than its peers.
- Pace stated that its staffing measures were equal to or better than its peers but it will continue to look for ways to improve efficiency and effectiveness.

21. CTA PENSION PLAN: CTA should fund its pension and retirement healthcare plans; pursue alternatives to setting contribution rates through collective bargaining; review the feasibility of changing the defined benefit plan to a defined contribution plan for new employees; etc.

2007 Audit: As of January 1, 2006, the CTA Retirement Plan was 34 percent funded, with actuarial liabilities of $3.5 billion. The Plan also faced a significant shortfall for post-retirement healthcare benefits. Contributions to the Plan by both the CTA and employees were significantly under the actuarially recommended amount. The Plan's 9 percent investment return assumption was higher than rates used by peer transit agencies in the United States. Given its serious underfunding, significant action needed to be taken to adequately fund both the pension and healthcare plans. (pp.182-210)

2009 Status: The CTA responded to the follow-up that the passage of Public Act 95-0708 in January 2008 effectively addressed the major concerns regarding its pension plan. For example, the Public Act separated the retiree health care plan from the retirement plan and created separate funding and governance structures. The CTA was authorized, and has issued, bonds to fund both the retirement plan and retiree health care trust. The proceeds of the bond sale were held in an interest-bearing account by the CTA for the market to improve.

CTA stated that during the course of negotiations regarding the pension and retiree health care options, many different cost reduction strategies were pursued and discussed with the Union. All of these options became a moot point with the passage of the legislation. The legislation is very specific as to the actions required by the retirement trust. CTA stated its management does not have a controlling vote on the trust, so as much as management may want to execute a different strategy, it is not possible to do so without the majority of the votes. The trust is required to annually file a report with the Auditor General and report that the fund is on target with the objectives in the legislation. If the funding is not on target, then the contributions by CTA and the employees will be increased with CTA paying two-thirds of the increase. For the health care, the trust must either increase employee contributions, increase retiree premiums or change the plan design to achieve the objectives.

22. CTA SUPPLEMENTAL PENSION PLANS: CTA should ensure that its supplemental pension plans are adequately funded.

2007 Audit: CTA has four other smaller plans for its management and Board members, known as the "Supplemental Plan," which are not all fully funded. (pp.210-213)

2009 Status: The supplemental plans were closed to new employees on January 18, 2008 and the CTA closed the plan to employees who were not participating in the plan on November 13, 2008. CTA provided documentation to the Office of the Auditor General that showed it had made over 93 percent of the annual required contribution in 2008 and said it continues to work with the actuary to ensure proper annual funding. Later during this follow-up review, CTA noted that the independent actuarial report for December 31, 2008 showed the funding level was 62 percent due to poor economic conditions and that CTA increased its 2009 funding over the actuarial amount in the report. CTA reported that in 2009, it provided funding at the actuarially required amount, or $2.4 million. In addition, CTA funded another $5.0 million in 2009 to help offset the lower investment returns from the poor economic conditions. CTA officials noted that the actuary amortizes the unfunded actuarial liability over a 20 year period; therefore, as long as CTA funds the plan at the ARC, the plan should remain on target to become fully funded.

23. <u>RTA PENSION PLAN:</u> RTA, Metra, and Pace should ensure their pension plan is adequately funded and consider the phase-out of the lump sum option.

2007 Audit: The RTA Plan (which includes Metra and Pace employees) had been well over 100 percent funded for several years (159% as of January 1, 1999), which led to a three-year contribution "holiday" through the end of 2001. The end of the funding holiday coincided with two very poor investment return years, 2001 and 2002, which produced the underfunded condition that is now being amortized. Also, the Plan offers a "lump sum" benefit which is a source of losses for the Plan. (pp.214-217)

<u>2009 Status:</u> The RTA stated that the adequacy of the pension plan funding is legislatively mandated and it is the fiduciary responsibility of the trustees to review actuarial studies, return assumptions, and other aspects of the fund's solvency. The 2008 review of the actuarial valuation documented that the 8.5 percent investment return assumption was reviewed. Also, the lump sum option was reviewed and, due to concern over its cost, the discount assumption was revised, resulting in smaller lump sum payments. As a result, the RTA expects fewer lump sum payments to be made. The RTA stated that it has made the actuarially recommended contribution for 2008.

24. <u>PACE PENSION PLANS:</u> Pace should ensure that pension plans are adequately funded, such as by ensuring that collectively bargained contribution rates are actuarially sufficient or replacing the pension plans with defined contribution plans.

2007 Audit: The setting of contribution rates for the two Pace pension plans is accomplished through the labor bargaining process. While the unfunded amounts are not major for an institution the size of Pace, given the recent experience of the CTA, Pace may want to examine alternatives to this contribution rate-setting process. (pp.217-221)

<u>2009 Status:</u> Pace's Actuarial Valuation Report (January 1, 2008) shows the West Division's pension plan ratio is 82 percent funded and the North Division's pension plan ratio is 85 percent funded. Pace officials stated they discussed switching the North Division defined benefit plan to a 401(k) defined contribution plan during contract negotiations in 2008 but the union was opposed to changing it. Pace provided the Office of the Auditor General documentation that proposed switching the West Division defined benefit plan to a 401(k) defined contribution plan during contract arbitration in 2008. Consequently, this recommendation can be considered implemented.

25. <u>CTA REVENUES:</u> In the absence of any other funding sources, CTA should consider adjusting rail fares and monthly pass rates.

2007 Audit: Given the funding shortfall at the CTA, additional revenue needed to be generated. Compared to its peers, CTA's farebox recovery ratio for rail was significantly lower than its peers. The base fare today, $2.00, is 5 percent lower than the inflation-indexed fare ($2.10). Base cash fare increases in 2004 and 2006 have very little impact on ridership, mainly because the monthly pass price was not increased, thereby encouraging many riders to buy monthly passes instead of paying cash fares. (pp.225-235)

<u>2009 Status:</u> Effective January 2009, CTA increased its fares by approximately 15 percent and this fare increase is expected to generate an additional $25-$30 million in 2009.

26. <u>METRA FARES:</u> In the absence of any other funding sources, Metra should consider increasing fares and exploiting other non-fare revenues.

2007 Audit: Metra's operating revenues have been growing at a slower rate than operating expenses. Metra's fares were priced below what the price would have been if adjusted for inflation since 1992. Also, fare increases in 2002 and 2006 had little discernible impact on ridership levels. Opportunities also existed for Metra to increase its non-fare revenue. (pp.238-250)

<u>2009 Status:</u> Metra raised fares an average of ten percent on February 1, 2008. Metra said its policy is to institute small fare increases to address rising costs. Regarding non-fare revenues, Metra provided the Office of the Auditor General with documentation showing it has entered into new agreements that will increase parking and advertising revenue and generate income from the development of facilities at Millennium Station and the Metra Market (at Ogilvie Transportation Center). Metra has entered into a lease with United States Equities, Inc. to develop 200,000 square feet of property beneath the Ogilvie Transportation Center and is expected to generate $45 million in lease revenue to Metra in the first 25 years.

27. <u>PACE FARES:</u> In the absence of any other funding sources, Pace should consider a distance-based fare structure.

2007 Audit: Pace fares have closely tracked with inflation for over ten years, and compare reasonably well to peer transit systems, with one exception – fare revenue per passenger mile is relatively low. A distance-based fare structure may allow Pace to increase its operating revenue with minimal ridership loss. (pp.251-262)

<u>2009 Status:</u> Pace provided the Office of the Auditor General with documentation that it has contracted with AECOM to analyze its fare policies and technologies.

Pace has high revenue per passenger, but low revenue per passenger mile because its trips are longer distances. Pace said they continue to be supportive of a regional fare management strategy that allows them to offer both a service based fare (feeder service, community based service) and a distance based fare, and that the RTA will need to take the lead in this area.

28. RTA FINANCIAL MANAGEMENT: RTA should prepare and adopt annually a ten-year financial plan that includes: certain critical information, such as the agency's current cash position and all then-known obligations; anticipated amounts of State and federal capital grants and State appropriations for servicing existing and planned debt issued by the RTA; and the Service Boards' capital replacement and rehabilitation plans. 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 to sustain existing services, prior to designing or constructing expanded services or facilities.

2007 Audit: The revenues available to the RTA's continuing programs are not sufficient to meet current operating needs or to fund the capital improvement program (CIP) on a continuing basis. The on-going revenues available to the RTA that are under its control have grown at a very slow rate over the past five years, just 1.4 percent annually, indicating that State financial intervention or other measures will soon be needed. (pp.279-284)

2009 Status: The RTA provided to the Office of the Auditor General an ordinance that it adopted which requires a ten-year business (financial) plan as part of the budget process, and began implementation. The Service Boards are required to prepare their own ten-year plans using assumptions provided by the RTA. Based on their FY2009 experience, the RTA said the process is being improved for FY2010.

29. CTA FINANCIAL MANAGEMENT: CTA's budget should include all operating costs per GAAP, adopt annually a ten-year financial plan, and demonstrate the financial capability to achieve a state of good repair prior to expanding services or facilities.

2007 Audit: In 2005, CTA funded 23 percent of the actuarial recommended contributions for its pension plans. The $217 million contribution shortfall represents 18 percent of the GAAP-basis operating cost (excluding depreciation), accounting for virtually all of the difference between the GAAP- and budget-basis presentations. (p.285-294)

2009 Status: The passage of Public Act 95-0708 has made CTA more closely aligned with GAAP. The Public Act now statutorily requires the CTA to fund its pension plan based on contribution percentages delineated in the Act, which thereby results in such costs being included in its budget. In 2009, labor cost was approximately $872 million: base labor was $532 million and fringe benefits were $340 million, including $41 million for pension and $44 million for debt service on the pension obligation bonds. CTA provided the Office of the Auditor General a copy of the ten-year forecast it submitted to the RTA in 2008 to achieve a state of good repair, indicating costs exceeding $11 billion. On January 22, 2009, CTA testified before the congressional Committee on Transportation and Infrastructure that CTA has an unfunded need of $6.8 billion over five-years to achieve a state of good repair.

30. <u>METRA FINANCIAL MANAGEMENT:</u> Metra should continue to present its budget to include all operating costs per GAAP, adopt a ten-year financial plan, and demonstrate the financial capability to achieve a state of good repair prior to expanding.

2007 Audit: The combination of baseline services, new services, ridership response, and cost growth, resulted in a 34 percent increase in operating subsidy between 2001 and 2005. This increase was accommodated by reducing capital projects and drawing down cash reserves, neither of which is a sustainable practice. (pp.295-301)

<u>2009 Status:</u> Metra has prepared its operating budget in accordance with GAAP. Metra provided the Office of the Auditor General a copy of the ten-year financial projection that it submitted to the RTA in October 2008, in accordance with the RTA's guidelines and assumptions. Metra anticipated receiving $1.3 billion in new State capital funding beginning in 2010. If that funding is not received, then Metra stated that its current and long-term operating and capital projections would be rendered invalid. Metra has developed financial projection models, which have been reviewed and accepted by the Federal Transit Administration, that address issues raised in the recommendation.

31. <u>PACE FINANCIAL MANAGEMENT:</u> Pace should continue to present its budget to include all operating costs per GAAP, annually adopt a ten-year financial plan and demonstrate the financial capability to achieve a state of good repair prior to expanding services.

2007 Audit: Between 2001 and 2005, Pace expanded service, realized no net gain in ridership, and experienced an increase in operating subsidy that outpaced the growth in sources of funds traditionally used for operating assistance. Consequently, Pace transferred funds to operations that would otherwise have been available to its capital program, which is a non-sustainable financial practice. (pp.301-310)

<u>2009 Status:</u> Pace prepares financial reports in conformity with GAAP, except depreciation for some grant assets. With the passage of Public Act 95-0708, the RTA has required the Service Boards to provide ten-year financial plan information, which

Pace has provided. Pace said it concurs with achieving a state of good repair prior to any expansion. Its unconstrained capital plan is based on achieving a state of good repair and the plan shows that Pace's needs exceed forecasted revenue. Pace stated that, as a result, no major system expansion is planned.

32. <u>RTA CAPITAL PROGRAM:</u> RTA should investigate whether pay-as-you-go financing would be a more efficient use of funds. In addition, the RTA should include in its adopted capital program it adopts a provision for the disclosure of unfunded capital needs so that decision-makers and the public are aware of such costs.

2007 Audit: RTA's capital project financing costs are magnified by its over-reliance on debt as opposed to "cash pay as you go" or grants. There is virtually no remaining cash flow to leverage additional RTA debt, although RTA has, by law, net remaining debt capacity of $429 million as of December 31, 2005. (pp.312-314)

<u>2009 Status:</u> The RTA agreed that the capital program should include "pay-as-you-go" funding but noted that it would require higher funding. The RTA provided the Office of the Auditor General its Strategic Plan that contains an assessment of the region's capital funding needs in 2007, which will be updated as needed. The RTA stated that the new State Capital Plan relies upon financing mechanisms and does not authorize RTA "pay-as-you-go" financing. The RTA is developing both "constrained" and "unconstrained" capital budgets and will require the Service Boards to submit this information as part of the budget process. The RTA has contracted for a Capital Asset Condition Assessment to identify the condition of assets and determine the investment necessary to bring the system into a state of good repair.

33. <u>CTA CAPITAL PROGRAM:</u> CTA should review its capital program, including the following: reexamine its 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 its increasing "percent unobligated" and "percent unexpended" balances in recent years; and increase the Brown Line project contingency to ensure its adequacy.

2007 Audit: CTA's capital funding sources diminished significantly in 2005 from prior years due to the expiration of the *Illinois FIRST* funding program. CTA's estimated unfunded needs to reach a state of good repair far exceed planned CIP expenditures over a five-year timeframe, calling into question CTA's pursuit of system expansion projects. The current CIP approval process limits the presentation of capital projects to those that can be funded with the capital program "marks" (essentially, a 5-year program budget) identified by the RTA. Thus, unfunded needs, such as those presented by CTA, have no visibility in the regional capital program document. The CTA has brought the Brown Line construction project costs in line with available funds through reorganization of the construction packages. However, the remaining project contingency appears to be inadequate relative to remaining project costs and should be increased, given a steady trend of construction bids that exceed the engineer's estimate. (pp.314-330)

2009 Status: CTA stated that it has been re-prioritizing its capital program, including vehicle replacement and eliminating slow zones, to move the system to a state of good repair.

- CTA's long-range strategy is to focus on current system maintenance given limited capital funding and added that capital projects related to customer or employee safety receive the highest ranking.
- Federal funds for system expansion come from Section 5309 New Starts, which are discretionary funds for new projects identified in federal law. CTA reported it has not proposed diverting formula funds for system extensions/expansions.
- CTA stated its project contingency for the Brown Line is adequate at this point in construction.

34. METRA CAPITAL PROGRAM: 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.

2007 Audit: There has been a steady increase in the unobligated capital balance percentage of Metra projects approved in prior years, which rose to over 60 percent in 2005, from about 45 percent in 2003. This indicates the existence of slow-moving projects, and should be further reviewed. (pp.330-338)

2009 Status: Metra provided the Office of the Auditor General documentation that showed Metra had closed out numerous capital grants that contributed to Metra's unobligated fund balance. One factor affecting Metra's unobligated fund balance was federal New Starts Projects that were completed under budget. Their unobligated balances were 17 percent of the total unobligated capital fund balance. Metra has asked the FTA to allow it to use these surplus funds for other New Starts projects.

35. PACE CAPITAL PROGRAM: 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.

2007 Audit: Recent year trends show that Pace has improved its ability to move from grant awards to procurement with respect to all active grants, but has experienced a declining trend (increasing "percent unobligated", as well as "percent unexpended" balance) for current year programs indicating some slow-moving projects. (pp.338-344)

2009 Status: Pace evaluates its projects to determine if they remain viable during its annual budget. If the projects are not viable, they are deobligated so their funds can be used for other projects. Pace completed this review in 2007 and 2008 and closed eight grants. In addition, Pace reported progress to reduce unexpended balances.

36. CONTRACTS AND PROCUREMENTS: RTA should assist the Service Boards in facilitating joint procurements. In addition, the CTA and Pace should work together to bring about the joint bus farebox procurement.

2007 Audit: There is little coordination of contract and procurement functions among the RTA, CTA, Metra and Pace. While opportunities for joint procurement may be limited, given the differing modes of service offered by the Service Boards, some opportunities for improvement exist. For example, the CTA-Pace farebox procurement has been underway for over three years without reaching an award and, according to CTA and Pace officials, it is not clear that this procurement will produce a contract. The RTA should assist the Service Boards in identifying and facilitating opportunities for joint procurements. (pp.349-353)

2009 Status: The RTA has established a working group for procurement officers of each Service Board to explore joint procurements, such as for the purchase of diesel fuel. The RTA provided a draft policy that addresses the issues and outlines the protocols that each agency can include in its procurement process to permit joint procurements. The CTA noted that the Pace/CTA joint farebox procurement is on hold due to a lack of funding.

37. CTA FLEET: CTA should update its Capital Improvement Program, even-out its fleet maintenance needs, and continue to implement non-revenue fleet recommendations by AECOM.

2007 Audit: Fleet replacement needs for both rail cars and buses exceeded the capital improvement program (CIP) budget. CTA should try to even-out the fleet age so that it has a more age-diverse fleet that flattens the demand for maintenance. CTA is in the process of implementing recommendations from the AECOM study which should reduce the non-revenue fleet and increase the efficiency of capital investment, vehicle use, and repair cost. (pp.357-368)

2009 Status: The CTA's capital improvement program reflects a 5-year fleet replacement cost, although the total cost of replacing the bus and rail fleets extends beyond this period due to lack of capital funds. In 2008, CTA retired its old buses from 1991. CTA has taken steps to reduce its non-revenue fleet as recommended by AECOM. For example, some pool vehicles are located near the CTA's headquarters and policies for reservation/use are being explored for automation. Also, CTA has pooled its parts/materials purchases for maintenance vehicles with the City of Chicago's to get better pricing and reduce surplus.

38. METRA FLEET: Metra should examine whether it is more cost-effective to rehabilitate its electric fleet which is beyond the FTA-eligible retirement age, or replace the fleet with new electric cars.

2007 Audit: The electric fleet is beyond the FTA-eligible retirement age, is a poor candidate for rehabilitation, and should be given greater consideration in Metra's financially constrained Capital Improvement Program (CIP). (pp.368-374)

2009 Status: Metra has assessed the operational and economic feasibility of another possible rehabilitation of its Electric District car fleet and has determined that it is not a candidate for additional rehabilitation. Metra issued an RFP for new electric cars in 2009 and said the 160 electric cars' cost of $585 million will require a new State capital bond program.

39. PACE FLEET: Pace should review its Capital Improvement Program given it would need to replace 29 percent of its bus fleet in the next 5 years.

2007 Audit: Absent funding constraints, Pace would need to replace about 29 percent of its bus fleet in the next five years, at an estimated cost of $65 million, or about $18 million (38%) higher than presented in the financially constrained Capital Improvement Program (CIP). (pp.375-379)

2009 Status: With the passage of the RTA reform legislation in January 2008, Pace responded it now has adequate operating funding and has been able to restore Federal 5307 funds for capital projects. In 2008 and 2009, Pace has programmed for the replacement of 59 fixed route buses and 208 paratransit vehicles.

40. CTA HEADQUARTERS: CTA should lease the top floor of its headquarters building.

2007 Audit: CTA has been attempting to rent the top floor of its headquarters building (34,000 square feet) but has been unsuccessful. CTA's financial plan for acquiring the new headquarters assumed that rental income would be generated by this space. (pp.382-384)

2009 Status: CTA's real estate consultant is attempting to lease the top two floors of the CTA headquarters building. CTA said it has seen interest in the space and has provided tours of the site.

41. METRA HEADQUARTERS: Metra should continue its efforts to lease the unoccupied space in its headquarters building.

2007 Audit: Metra occupies approximately 63 percent of its headquarters building and an additional 18 percent is leased to tenants. The remaining 19 percent is vacant. (p.385)

2009 Status: Metra is using a commercial broker and has marketed the vacant space in its building. Metra noted the West Loop Class C market occupancy for buildings similar to Metra's was 83 percent in 2008 while its current occupancy rate is approximately 95 percent.

42. SURPLUS REAL PROPERTY: CTA and Metra should implement a formal process to regularly assess property utilization, declaring inactive property as surplus, and then disposing of the surplus real property.

2007 Audit: There are instances in which real estate has outlived its useful life, such as unused bus turnarounds and dormant or abandoned sections of right-of-way. The current approach of holding these properties until they are sold piecemeal has not resulted in disposal of these properties. There appears to be a lack of policy within CTA and Metra, to continually monitor their portfolios to identify opportunities to reconfigure their operations or facilities to enhance efficiency. Opportunities exist in the areas of surplus property management. (pp.386-387)

2009 Status: CTA's "Surplus Property Sale" procedures document its process for identifying and disposing surplus property; CTA said it will expand this process to include an annual review.

- CTA's real estate consultant will try to sell any new parcels found during its review. Available properties can be viewed on CTA's website at **www.ctarealestate.com.**
- Metra has developed a policy (Excess Real Estate Property Inventory and Utilization Plan: Federally Funded Property) to deal with parcels of property that are surplus.

43. COMMERCIAL ACTIVITIES: Service Boards real estate management personnel should continue to pursue initiatives and opportunities to introduce or expand commercial services and update their goals for revenue.

2007 Audit: CTA, Metra, and Pace are introducing commercial activities, such as automated teller machines, food and beverage concessions, and premium parking spaces. The pursuit of additional commercial activities consistent with recent initiatives in the service areas of each organization can result in a higher level of customer service and additional non-fare revenue. (pp.388-389)

2009 Status: CTA's real estate department was dissolved in 2008 but a core staff of real estate personnel has been retained to leverage the work of a real estate consultant.

- CTA said its Department of Real Estate and Asset Management is issuing or reviewing RFPs for 29 retail concession locations, beverage vending machines, parking management, and ATM machines, and advertising. Real Estate activities are shown at **www.ctarealestate.com**.
- Metra continued to market its real estate in 2008 using the services of a commercial real estate broker when necessary.
- Pace said it examines passenger facilities for their potential to support commercial services, but noted that its transportation center facilities do not generate sufficient market demand to support commercial development.

44. PRIVATE INVESTMENT: CTA should examine outsourcing commercial development opportunities at major installations.

2007 Audit: CTA may be missing opportunities to capitalize on changes in market conditions and the use of under-utilized transit facilities as a supplemental source of income. (pp.389-391)

2009 Status: CTA has contracted with a real estate consultant to establish transit-oriented developments. CTA said three sites for joint development projects have undergone Phase 1 (pre-due diligence) and will undergo additional valuation/opportunity assessments. Fifteen additional properties have been identified for Phase 1 pre-due diligence.

45. REAL ESTATE MANAGEMENT: CTA should develop a codified list of building condition requirements for cleanliness or repair.

2007 Audit: Only Metra and Pace have developed codified lists of building condition requirements that represent minimum acceptable standards of cleanliness and repair of facilities. (pp.391-392)

2009 Status: CTA's real estate consultant will develop an estimate of maintenance tasks and costs to improve concession locations for marketing.

46. REAL ESTATE MANAGEMENT: CTA and Metra should develop a process of owning and managing their own real estate.

2007 Audit: None of the Service Boards had a standardized form for conducting financial due diligence with respect to real estate acquisitions and disposal. (pp.392-394)

2009 Status: CTA's real estate consultant has begun this process by implementing a formal analysis process of surplus properties. Metra said it has reorganized its real estate and contract management function to track and monitor real estate and agreements.

47. AECOM RECOMMENDATIONS: CTA should continue to implement the AECOM recommendations related to property.

2007 Audit: The AECOM report cited a number of recommendations for action by CTA with respect to real estate planning and operations. Overall, we found CTA is working to implement the majority of the recommendations. (pp.394-395)

2009 Status: The CTA said that it has pursued AECOM recommendations by reorganizing and outsourcing its real estate operations to consultant and provided a November 2007 document that listed AECOM recommendations and showed that real estate asset management was consolidated.

Appendix A

HOUSE RESOLUTION NUMBER 1596

STATE OF ILLINOIS
NINETY-FIFTH GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
House Resolution No. 1596

Offered by Representatives Julie Hamos-Sidney H. Mathias-Suzanne Bassi-Mike Fortner-Karen May and Fred Crespo

WHEREAS, *The Illinois House of Representatives adopted House Resolutions 479 and 650 in 2005 directing the Office of the Auditor General to conduct a performance audit of the 4 mass transit agencies of northeastern Illinois, namely the Regional Transportation Authority (RTA), the Chicago Transit Authority (CTA), the Commuter Rail Division (Metra), and the Suburban Bus Division (Pace); and*

WHEREAS, *The Auditor General issued the performance audit of the mass transit agencies of northeastern Illinois in March 2007; and*

WHEREAS, *The performance audit report contained 47 recommendations to the mass transit agencies to make improvements in various areas of operations, including planning, staffing, pensions, and monitoring; and*

WHEREAS, *The mass transit agencies of northeastern Illinois accepted the Auditor General's recommendations and stated they would implement the recommendations; and*

WHEREAS, *More than a year has now elapsed since the Auditor General's recommendations were made; therefore, be it*

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-FIFTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, *that the Auditor General is directed to follow up with the Regional Transportation Authority on the status of implementation of the audit recommendations made in the March 2007 performance audit report; and be it further*

RESOLVED, *That the RTA should coordinate with CTA, Metra, and Pace and compile a status report that sets forth each recommendation, the actions taken to implement the recommendation, and the supporting documentation for the actions taken; and be it further*

RESOLVED, *That the RTA shall submit the status report to Auditor General within 3 months after the adoption of this resolution; and be it further*

RESOLVED, *That the Auditor General shall review the submitted status report, follow up as necessary with the transit agencies to resolve questions concerning the status of actions taken to implement the recommendations, and issue a report summarizing the results of the Auditor General's review; and be it further*

RESOLVED, *That all the agencies and employees with information relevant to this status report shall cooperate fully and promptly in the preparation of this report; and be it further*

RESOLVED, *That the Auditor General shall commence this follow-up as soon as possible and report the results upon completion to the General Assembly, Legislative Audit Commission, Governor, RTA, CTA, Metra, Pace, and any other interested parties; and be it further*

RESOLVED, *That copies of this resolution be delivered to the Auditor General, Legislative Audit Commission, Governor, RTA, CTA, Metra, and Pace.*

Adopted by the House of Representatives on November 20, 2008.

Michael J. Madigan

Michael J. Madigan, Speaker of the House

Mark Mahoney

Mark Mahoney, Clerk of the House

Appendix B

UPDATED AGENCY RESPONSES IN FEBRUARY 2009 TO THE 2007 PERFORMANCE AUDIT

Appendix B
UPDATED AGENCY RESPONSES IN FEBRUARY 2009 TO THE 2007 PERFORMANCE AUDIT

This appendix summarizes the audit issues/findings that were reported in the Auditor General's March 2007 performance audit of the Mass Transit Agencies of Northeastern Illinois (RTA, CTA, Metra, and Pace). The appendix includes the complete 2007 recommendations and agency responses, and the complete responses provided in February 2009.

For some 2009 responses, we followed up with the mass transit agencies to request additional documentation and/or explanation. A summary of their explanation has already been presented previously in Chapter Two of this report.

In this Appendix, **green** shading represents recommendations that have been implemented and **yellow** shading represents recommendations that have been partially implemented as of the date that the RTA submitted its Status Report to the Auditor General in February 2009.

- The 2007 audit made 47 recommendations and included the responses of the Chicago-area mass transit agencies to the audit's recommendations.
- This 2009 follow-up report requested the mass transit agencies to update their 2007 responses and to inform us of the steps they have taken to implement our 2007 audit recommendations. We checked the agencies support for their 2009 responses.

If the agency took further action to implement the recommendation after we received the RTA Status Report, we have noted it at the bottom of the recommendation. The recommendation remains the same color (e.g., green, yellow) since this Appendix shows the status as of February 2009.

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 least-cost carrier.**
Auditors Assessment: ⃠ Partially Implemented	

AUDIT ISSUE:

- **Pace and CTA compete for markets, particularly in suburban Cook County.**
- **Some of these overlapping services are logical but others provide duplicative and competitive service. (Performance Audit Report pages 22–25)**

2009
RTA Response

RTA is leading a joint effort with the Service Boards to develop service standards and measures for evaluating new routes that ensures cost effective service. A senior coordinating committee of all four agencies will be formed and meet monthly to develop these service standards. RTA is currently working with the SBs to define specific processes and procedures.

Furthermore, the RTA has engaged Cambridge Systematics to perform a "market analysis". The assessment is intended to produce a comprehensive summary of regional travel and travel markets and thus serve as a baseline for future service coordination. It is expected to be complete in 2009.

2007
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 amounts 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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:

Intersystem trips are those using the transit services of two or more Service Boards in the course of a single trip.

- **Intersystem transfers are seldom considered in each Service Board's ridership and revenue monitoring systems.**
- **Also, consideration needs to be given to establish more uniform fare media among all Service Boards. (pp.25–32)**

2009
RTA Response

The RTA has formed a senior policy group to develop an implementation plan. This group is focusing on the use of a Universal Fare Card, which would permit seamless travel between the CTA, Metra and Pace. A region-wide universal fare card concept is becoming more feasible due to improvements in fare collection technology and the growth in the use of contactless smart cards for retail purchases. The overall concept merges transit fare collection with advanced wireless technology and at the same time fosters new relationships with the credit/debit card industry and the banking sector. This model, referred to as "the transit as merchant model", utilizes a contactless smart credit/debit card to serve as a new type of fare instrument that could be used as a platform for a region-wide universal fare card. This can provide a unique opportunity to reduce operating costs associated with revenue collection and at the same time enhance customer convenience. It would not only ensure a more uniform fare media among SBs, but also allow the development of fare structures that are more equitable among all modes of travel within the region.

RTA has performed extensive research on the Universal Fare Card and has presented the concept to its Board for review and discussion. The presentation was well received and the Board has encouraged further exploration and development.

2007
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 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.**
Auditors Assessment: ⦸ Partially Implemented [Update: Implemented as of October 1, 2009]	

AUDIT ISSUE:

The Service Boards have a wide variety of performance measures for operations and maintenance. However, they lack one set of written performance measures.

- **It is critical that all stakeholders agree upon the performance measures of the whole organization and are given understandable and frequent updates.**
- **Also, the degree to which performance measures are incorporated into annual written performance evaluations vary among the four entities. (pp.32-34)**

2009
RTA Response

RTA has established a Performance Measures Task Force, which includes the SBs. The group meets monthly to discuss and implement the utilization of performance measures as well as to share "best practices". The Task Force is in the process of developing a comprehensive performance measurement system that includes regional and sub-regional measures. The output will be measures that aggregate data from all three SBs to present a truly regional perspective, as well as measures that reflect individual SB performance.

Although the Task Force was assembled and began its work before the passage of the new legislation, it has integrated requirements from the legislation into its assignments. For example, the Task Force is cognizant of the linkage that the legislation defines between the development of performance measures and the goals, objectives, and standards that are outlined in the Strategic Plan, and therefore, has placed great emphasis on assuring consistency and support between the two. It has also developed various levels of performance measures, with a particular emphasis on customer related data, to address the legislative requirements.

To date, the Task Force has already developed a menu of Regional Performance Measures, a data collection process, and is finalizing the report format. The measures link performance for all of the agencies and focus on five areas: 1) Service Coverage, 2) Service Efficiency and Effectiveness, 3) Service Delivery, 4) Service Maintenance and Capital Investment, and 5) Service Level Solvency.

RTA has completed the calculation and analysis of 2007 data, using both NTD and audited financials and is currently in the process of posting the information on its website. Although the RTA has made great strides towards the implementation of this recommendation and the fulfillment of the legislative requirement, the final release of the regional performance data has not yet occurred due to the diversity of the SBs' operations and the complexities of the interests of the four agencies. It has been RTA's position that the SBs are partners and therefore wishes to reach consensus with the SBs on the specific measures to include within the "Report Card", as well as the overall message that is being communicated.

2007
RTA Response

Building upon the strategic planning work and initiatives, the RTA agrees that it should coordinate the development of performance measures.

- Develop key indicators that link performance for all agencies. Indices should include on-time performance, system reliability and safety, financial measures, customer service metrics.
- Establish a Best Practices working group.
- These measures will be used to evaluate manager performance.

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 Starts 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.**
Auditors Assessment: ⃠ Partially Implemented	

AUDIT ISSUE:

Planning for transit in northeastern Illinois is undertaken by numerous agencies and must meet federal and State requirements.

- **The three Service Boards undertake their own separate planning activities.**
- **The Regional Transportation Authority Act directs the RTA to establish a policy to provide adequate public transportation throughout the region, review capital and operating plans of the Service Boards, and prepare and adopt a five-year. (pp.44-50)**

2009
RTA Response

Although the RTA completed its Moving Beyond Congestion Strategic Plan in 2007, it is committed to on-going strategic planning and intends to perform major updates to the plan for Board approval every five years. Furthermore, as a result of the new legislation passed in January 2008, an interim update is currently underway to include items now legally mandated A comprehensive process required to complete such an update is being led by RTA with input from the SBs and other stakeholders, and includes opportunities for public comment as legislated. The schedule for the development of the interim update is attached as supporting documentation. It identifies the specific actions that the RTA is taking to fulfill it role as described in the RTA Act.

The RTA leads a Task Force that is working to develop a process for prioritizing capital projects across the region. The Task Force, which meets monthly and includes the SBs, is creating a structure to allocate transit resources among SBs. The long term objective is to allocate funding for capital projects based on regional priorities regardless of SB project ownership, particularly for New Starts Projects. The Task Force completed an interim proposal that was adopted by the RTA Board as part of the Business Plan Call and used for the preparation of the 2009 Budget. This proposal established a uniform process and criteria for prioritizing capital projects within each SB and included Maintenance, Enhancement and Expansion projects. The 2009 Capital Prioritization Process is attached as supporting documentation.

The next step is to develop a methodology for evaluation that prioritizes across SBs to better guide future investment choices for the region. And although this effort will include processes for Maintenance, Enhancement, and Expansion projects, the RTA will focus its role on the evaluation and selection of Expansion projects.

The goal is to have such a methodology complete in 2009 for utilization in 2010. Unfortunately, the RTA and the SBs have been in negotiations since late 2008 and have not yet agreed even to an interim approach. The RTA has proposed a procedure for the distribution of resources utilizing a combination of existing formulas and an RTA driven prioritization process. RTA has facilitated these discussions at joint meetings of the Executive Directors and Boards, as well as approaching the SBs individually. It has been RTA's position that the SBs are partners and therefore wishes to reach consensus with the SBs on the process for the allocation of capital funding. However, due to the diversity of the SBs' operations and the complexities of the interests of the four agencies, negotiations are still underway and perhaps may even have reached an impasse.

2007
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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

The Federal Transit Administration's 2005 Triennial Review identified a backlog of approximately 1,200 ADA applications.

- **The backlog was reduced to 797 applicants as of June 2006.**
- **While improvements have been made, there remained a backlog of applicants for ADA certification due to staffing concerns. (pp.54-55)**

2009
RTA Response

RTA determined that additional staffing was required to reduce the existing backlog as well as more effectively process future applications. Thus, the approved number of certification staff has been increased from four to five and a new certifier has been hired. This improvement represents an increase in the capacity for processing applications by 25% and has reduced the backlog to acceptable levels.

2007
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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

RTA contracted with a private company to provide call center operations.

- **The terms of the contract provide incentives depending on the call capture rate.**
- **Due to the high call capture rate that the call center operator was able to attain, RTA was unable to pay the incentives earned by the contractor due to budgetary constraints. (p.56)**

2009
RTA Response

In the short-term, the RTA negotiated an amendment to the contract existing at the time of the OAG audit. This change, which was effective January 1, 2007, cost the RTA less than raising the call capture rate while continuing to pay the incentive that had been established. Since then, RTA has solicited new proposals for the operation of the RTA Call Center and has executed a new agreement with Cambridge Integrated Services that is more cost effective.

2007
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.

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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

Three different CTA reports (Rail Operations Quarterly Executive Summaries, Rail Operations Year-end Performance Indicators, and Performance Indicators Report) covering the same time period use different metrics, which do not allow for easy comparison.

- **CTA includes metrics pertaining to cleaning in its monthly performance indicators.**
- **Auditors noted that the cleanliness of the CTA rail equipment could be improved.**
- **In 2001, CTA began reporting only major service interruptions which result in the vehicle not being able to complete its revenue trip. Neither the CTA nor the Federal Transit Administration (FTA) noted the discrepancy. (pp.80–83)**

2009
CTA Response

The CTA has implemented a performance management program, involving weekly meetings with key business units and focused on key performance metrics. CTA implemented a Mystery Shopper program in 2007 that allows customers to give direct feedback on cleanliness among other issues to the CTA to action and analysis. Action plans have been developed and implemented to improve cleanliness of vehicles and stations. FTA reporting issues have been addressed and revised.

2007
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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

CTA's vehicle maintenance system (VMS) dates from the 1970s which makes its use difficult.

- **A Maintenance Management Information System (MMIS) is expected to replace it in 2007 and enable cost accountability tracking by vehicle, person, and part.**
- **Detailed tracking assist in ensuring warranty repairs are paid by the manufacturer.**
- **Labor rules limit CTA's ability to use current personnel.**
- **Hiring and retaining experienced employees has been a challenge, according to bus managers. (pp.83–85)**

2009
CTA Response

MMIS implementation was completed in 2007. A new CIO was hired and a host of executive, managerial, operational, and staff changes have been effectuated. Negotiations with the union for rule changes are ongoing – agreement reached on a new program to address bus cleanliness.

2007
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 in 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 for 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 (completion of Bus System Safety Plan) and externally (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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:
CTA's safety statistics indicate that while there are positive trends in some areas, there is a need for improvement in employee and public safety incidents. (pp.85-89)

2009
CTA Response

CTA reorganized its Safety Department and staff added to address each of the OAG recommendations and improve safety throughout the system.

2007
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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

- **CTA reviews the number of comments by topic but presents little analysis of the issues and does not indicate any action items.**
- **CTA customers still experience long hold times and high abandonment rates at the CTA call center. (pp.89-91)**

2009
CTA Response

Customer service operations have been reorganized, new management team put in place, and changes to the phone system implemented. The new organization chart that documents these changes is attached.

2007
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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:

- **AECOM estimated that CTA could save approximately $250 million to $300 million if it successfully implemented all of the recommendations.**
- **CTA estimated that over $100 million of these savings required changes in the bargaining agreement or legislation. (pp.91-92)**

2009
CTA Response

CTA and its unions reached a 5-year labor agreement in 2007. CTA continues to work with union leadership on contract issues.

2007
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.

Metra Operations	
Recommendation Number 12	**Metra should implement MMIS to better facilitate the tracking and monitoring of maintenance trend data.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:
Metra needs to use technology to better analyze customer service and maintenance data. (pp.101-102)

2009
Metra Response

As previously noted, Metra agrees with this recommendation. Required funding for this system was programmed within Metra's approved 2008 and 2009 capital programs. The project RFP is currently nearing completion and should be out for proposals early in the first quarter of 2009. Award of a contract is anticipated for the second quarter of next year.

2007
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.

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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:

Metra's commitment to tracking and communicating the injury rate is noteworthy.

- **However, most other safety information is not examined in regularly scheduled intervals.**
- **Also, given how extensive grade crossings are throughout Metra's operational area, it should continue to advocate for additional State and federal funding to eliminate the most hazardous crossings. (pp.103–105)**

2009
Metra Response

Metra's present comment remains consistent with its response as originally submitted to the final OAG report. As such, Metra has continued to work toward improved grade crossing safety, especially with regard to its strong advocacy for funding to eliminate grade crossings as well as continuing efforts to raise public awareness through such education and enforcement programs as Operation LifeSaver, the school safety program, and other similar initiatives.

In terms of safety data reporting and trend analysis, Metra's current and ongoing efforts are considered as an industry best practice standard; in particular, the daily review of all safety matters by senior operations managers and the detailed labor/management assessment of trends that occurs on a regularly scheduled basis through Metra's nationally recognized Labor/Management Committee Safety Task Group process. Over the past year, Metra's Safety & Rules Department has refined the collection and review of related safety data; however, Metra continues to believe that its overall reporting and analytical procedures are appropriate given the size and complexity of its safety experience.

2007
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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:

- **Metra is making operational adjustments to respond to the NTSB's concerns and has contracted to provide simulators for training and continued education of engineers; the project was expected to be completed by 2007.**
- **No system is in place to review rule violations on a system-wide basis. (pp.105–107)**

2009
Metra Response

As previously reported, Metra has installed five half cab railroad simulators and the use of these simulators has been incorporated as a fundamental component of its ongoing engineer training and certification programs. These simulators are fully functional, FRA Type 1.

In addition, Metra has actively continued its efforts relative to the installation of an electronic train management system on the Rock Island District between Chicago and Joliet, Illinois. Required funding has been included within Metra's current five year capital program.

Now in the final stages of implementation, the system once complete will cost in excess of $10 million. Testing is currently ongoing with the manufacturer and is expected to be completed in March 2009. In April 2009, Metra is scheduled to begin system testing with the Federal Railroad Administration (FRA). Following the testing phase, Metra will submit its Product Safety Plan to the FRA. At this time, the system is still scheduled to become operational in September 2009.

As previously reported, the system provides a safety overlay for engineers and is designed to take control of the train in the event the engineer should violate a signal restriction. Pending a successful implementation on the Rock Island District, it had been Metra's intention to move forward with installation of ETMS systemwide. However, with the recent passage and signing of the 2008 Railway Safety Improvement Act, Metra will now need to comply with the mandate of full implementation of Positive Train Control by 2015. PTC is a much more extensive system than ETMS and, as such, will be much more costly. Nationwide, installation of the system could exceed $3 billion.

The Chicago Terminal in which Metra operates is perhaps the most operationally complex rail territory in the entire United States. As such, installation of the PTC system in the Chicago area will be one of the most challenging--and expensive--sections of the country to complete. The cost to Metra for its compliance with the requirements of the rail safety act are estimated at more than $200 million. It is, therefore, imperative that a State capital program be developed to provide the monies necessary to meet this unfunded federal mandate and ensure the uninterrupted operation of vital commuter rail services region wide.

With regard to violation tracking, Metra continues to track violations manually, which is considered appropriate given the size of its operations and the relatively limited number of violations it experiences. Automating such data collection will be considered further in the event required funding should become available.

2007
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 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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

A compilation of complaint-related information is not carried out on a periodic basis, nor is it part of any systematic review process. (pp.108-109)

2009
Metra Response

As previously reported, Metra agrees with this recommendation. In this regard, it has established an expanded procedure for addressing customer complaints. A report is now prepared on a regular basis indicating the type and number of complaints by rail line. This log is issued to all pertinent management personnel for review and required corrective action. Copies of the forms used as a part of this new log system are attached. In addition, Metra has continued its preexisting practice of immediately investigating and resolving customer complaints or concerns as they are received.

2007
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.

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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

- **Pace's farebox recovery shortfall per passenger for its vanpool services was higher than the average of its peers.**
- **Pace may want to review whether fares can be increased in order to reduce subsidies without adversely impacting ridership. (p.133)**

2009
Pace Response

Pace agrees with the recommendation to increase vanpool charges and has already implemented it. Pace increased vanpool fares and fees in 2006, 2007, 2008 and 2009.

Attached documentation identifies the fare increase details for 2008 and 2009 (2007 and prior fare increase data was provided during the OAG audit).

We are confident that the vanpool recovery ratio has maintained stable and improved performance relative to the peer group identified in the OAG audit.

Pace is currently conducting an analysis of its fare policies and programs. The study will assess the demand elasticities for the vanpool pricing program including the results of the recent fare adjustments. We expect to have this analysis in hand for development of the 2010 Budget and Ten Year Plan.

Pace is in the process of updating the peer analysis for years 2006 and 2007 based on NTD data to verify the impact of the fare increases that went into effect beyond the audit period of review.

2007
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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

Many of the computer systems that Pace relies upon for daily operations and for performance tracking are obsolete and inefficient. (pp.135-136)

2009
Pace Response

The RiskMaster Risk Management system was deployed to production on August 15, 2007. Approximately 300 open claims in the legacy system were migrated into the RiskMaster system; all new claims are entered exclusively into the RiskMaster system.

Supporting documentation which validates this statement are attached, including a copy of the contract summary for the software procurement, implementation services and several example reports produced using the new system.

The Customer Assistance System (CAS) was deployed to production in 2007 and is being used by multiple departments. The system has increased staff efficiency by reducing complaint processing time from several days to a few hours. The CAS's e-mail notification feature streamlined business processes and enables multiple departments to respond quickly to complaints and commendations. Lastly, the reporting features enable Customer Assistance staff to analyze the various types of complaints and commendations to reveal trends and patterns.

Supporting documentation which validates this statement are attached, including a copy of the contract summary for the software procurement, implementation services and several example reports produced using the new system.

The Oracle e-Business Suite Accounts Payable, General Ledger, Purchasing, Receiving and Requisitions implementations for the ERP Project went live on January 2, 2008. The system is functional and being used to process all transactions involving the above functions. Redundant data entry where it had previously occurred has been eliminated by the new system. Work flow approval processes have been automated and transaction processing time has improved in many cases. Pace has been recognized by Oracle Corporation, the software provider, for being the first public sector agency in the nation to go live with their latest ERP software release which is Version 12.

Pace launched the second implementation phase in 2008 which encompasses the Accounts Receivable, Budget and Grants implementations and the Enterprise Data Warehouse applications. This phase is expected to be functional by the second quarter of 2009. The project is proceeding as planned.

2007
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.

Pace Safety	
Recommendation Number **18**	**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.**
Auditors Assessment: ⦸ Partially Implemented [Update: Implemented as of October 1, 2009]	

AUDIT ISSUE:

Pace data collection and analysis tools have limited management's ability to identify trends in safety and liability data.

- **Pace launched an onboard video system as a pilot program and has experienced good results.**
- **Pace encourages safety through programs such as the Zero Accident Challenge program.**
- **However, while the number of employees completing safety refresher training is tracked on the quarterly performance review, there are neither goals nor comparisons to other time periods.**
- **A full benefit-cost analysis of the transitional return to work program has not been conducted. (pp.136-138)**

2009
Pace Response

- **Consider rolling out an Onboard Video Safety System on all routes;**

Pace agrees with the recommendation to consider rolling out a video safety system on buses and is in the process of completing the project as scheduled. Pace has secured $1.2 million in funding in its 2008 capital program for the purchase and installation of an On-Board Video Safety System for its fixed route fleet.

The system selected is known as Drive Cam. The system procurement is complete and the contractor is presently installing the system at Pace's operating divisions and contractor locations where Pace fixed route buses are in service.

- **Implement performance goals and track success regarding the Zero Accident Program;**

The goal of the Zero Accident Challenge has been from its inception and continues to be the reduction of accidents, with the focus on preventable accidents with zero as a performance benchmark. In addition to monthly reports indicating the performance ranking of each operating division, Monthly Accident Summary reports are distributed for posting at each property, which specify accident activity by both frequency and type of occurrence. DriveCam and its managed services program now gives Pace the ability to monitor and correct operator performance with regard to risky behavior and near-miss incidents, and measure types of events and root cause across a broad spectrum of driving behaviors.

- **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;**

The System Safety Plan (SSP) document, and Contingency Plan(s) for Recovery (CPR) for

Pace and its operating divisions are part of the System Safety Emergency Preparedness Plan (SSEPP). The CPR describes all-hazard emergency procedures and identifies Pace's role in coordination and communication with emergency agencies. The SSPP has been updated to reference internal chain of command, adoption of the Incident Command System (ICS), multi-agency coordination and dissemination of information in emergencies as defined in the CPR. The contents of the SSEPP are proprietary and are marked and protected as Security Sensitive Information (SSI). Pace is an active member of the ITTF Transportation Subcommittee, RTSWG (Regional Transportation Security Working Group) and CTAN (Chicago Transportation Alert Network). Pace is linked to local, county and state Emergency Management and first responding agencies through EMNET (Emergency Management Network). Through the FY2009 Transit Security Grant Program, (TSGP), Pace has applied for funding to equip transit vehicles with Motorola STARCOM 21 interoperable Radio Systems to ensure effective communication with other agencies in the event of any emergency.

- **Conduct a formal study of implementing a transitional return to work program to reduce lost workdays.**

Pace Suburban Bus Services recognizes that a Transitional Duty/Return to Work program provides significant financial and psychological benefits to the injured employee. In return, Pace Suburban Bus receives considerable direct and indirect cost savings as a result of returning an injured employee back to work as soon as medically possible. In recognition of these benefits, Pace has elected to implement a Transitional Duty/Return to Work program on a case-by-case basis. The factors that influence the viability of offering transitional duty work assignments to an injured employee include; however, are not limited to:

- Nature and extent of injury
- Previous Workers Compensation claim history
- Desire of injured employee to malinger in a transitional duty job longer than necessary to circumvent a return to their pre-injury job
- Collective bargaining agreements
- Projected total length of disability (# of days)
- Availability of transitional duty jobs in the injured employees respective Division

Therefore, when an injured employee is expected to be out of work less than 2 months, we will consider transitional duty assignments on a case by case basis as long as we can 1) accommodate the work restrictions assigned by the treating physician and 2) the injured employee will be a good fit for transitional duty based on the bullet points shown above.

<u>2007</u>
Pace Response

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.

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.**
Auditors Assessment: ⦸ Partially Implemented [Update: Implemented as of October 1, 2009]	

AUDIT ISSUE:

- **Pace established an "Action Plan" to monitor on-time performance monthly, identify poorly performing routes, and adjust schedules to take other corrective action.**
- **Total Pace on-time performance was approximately 75 percent for the first four months of 2006. (pp.139-140)**

2009
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 produces a comprehensive report which identifies on time performance for all of its operating divisions and major contractors. A copy of the most recent On Time Performance Report is attached.

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.

Pace continues its long established process of monitoring all of its routes for overall performance against established criteria on a quarterly basis. Routes failing to meet minimum benchmark standards are targeted for corrective actions up to and including discontinuance.

2007
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.

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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:

The CTA wage survey produced different results from the American Public Transportation Authority's (APTA) wage rate summary.

- **Metra uses the "traditional" railroad operator pay scheme based on miles traveled.**
- **Employee absenteeism is a problem in the transit industry.**
- **The time required to complete the CTA labor negotiation/arbitration process is excessive and should be significantly reduced. (pp.154-175)**

2009
CTA Response

In Fall 2008, CTA implemented a server based payroll system eliminating the old legacy mainframe system. This new system includes a positive pay time capture component which also tracks vacation and holidays. CTA also instituted a new risk management group to focus on safety and operational risks to reduce non-work time; initiated an absence management program; and has contracted with a third party administrator to administer absenteeism, worker compensation, and short-term disability. A five-year labor contract was recently expedited in record time with all unions.

2007
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.

2009
Metra Response

While Metra did not submit a formal response in the original OAG report, it concurs with this recommendation. Metra has always sought to undertake those staffing actions as necessary to ensure maximum cost effectiveness and cost efficiency and will continue to do so in the future. As a result of these ongoing efforts, Metra stands equal to or better than its peers on virtually all measures of staffing performance.

2007
Metra Response

No response submitted.

2009
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.

2007
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.

CTA Pension Plan	
Recommendation Number **21**	**The CTA should:** • **Develop a plan to fund the CTA employee pension plan, as required by PA 94-0839;** • **Pursue alternatives to setting contribution rates through the 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 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 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 with the CTA; and** • **Identify any matters or changes in State law that require legislative action regarding pension and post employment healthcare benefits, and present these matters to the General Assembly for its consideration.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

The provisions of the recently enacted Public Act 94-0839 require that the Retirement Plan contributions be increased to the actuarial recommendation no later than January 1, 2009.

- **The Retirement Plan is in extremely poor financial condition and contributions are far below the actuarial recommendations to meet its long-term commitments.**
- **Perhaps the most important assumption is that post-retirement healthcare benefits and funding will be split off from pension funding.**
- **U.S. organizations have been converting from defined benefit plans to defined contribution plans, such as those that Pace has implemented. (pp.182–210)**

2009
CTA Response

This matter was addressed in P.A. 95-0708, the legislation authorizing funding, pension, and healthcare reforms to the CTA employee pension plan and which was approved by the State legislature on January 18, 2008. CTA has issued the authorized bonds and the pension is now 80% funded. Funds have yet to be invested in equities and are currently held in an interest-bearing account until the market improves.

The pension and health care trust have been separated and an Employee Retirement Healthcare Board created. Organizational matters are being finalized according to the plan design and employee contribution levels. Per P.A. 95-0708, reports have been submitted to the Illinois Auditor General.

2007
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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:
CTA currently has four other, far smaller plans for its management and Board members, collectively known as the "Supplemental Plan," which are not all fully funded. (pp.210–213)

2009
CTA Response

This matter was addressed in P.A. 95-0708. CTA continues to work with the actuary to ensure proper annual funding. The plans were closed to new participants as of January 18, 2008 and on November 13, 2008 the Chicago Transit Board adopted an ordinance (Board Ordinance 08-0153 is attached) implementing a voluntary termination program for the plan and closed the plan to all current employees who were not currently participating in the plan. CTA is funding at the level equal to at least the level outlined in the actuarial report.

2007
CTA Response

CTA agrees and would work to fully fund these supplemental plans subject to the availability of new operating resources.

RTA Pension Plan	
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.**
Auditors Assessment: ⦸ Partially Implemented [Update: Implemented as of October 1, 2009]	

AUDIT ISSUE:

The RTA Plan (which includes Metra and Pace employees) had been well over 100 percent funded for several years (159% as of January 1, 1999), which led to a three-year contribution "holiday" through the end of 2001.

- **The end of the funding holiday coincided with two very poor investment return years, 2001 and 2002, which produced the underfunded condition that is now being amortized.**
- **Also, the Plan offers a "lump sum" benefit which is a source of losses for the Plan. (pp.214–217)**

2009
RTA Response

All recommendations are being addressed as part of on-going efforts to manage the Pension. The adequacy of the pension plan funding is legislatively mandated and thus it is the fiduciary responsibility of the trustees to review actuarial studies, return assumptions, and other aspects of the fund's solvency. For example, the 8.5% return assumption is reviewed annually; and, upon review of the lump sum option, concern over its cost resulted in a revision to the discount assumption, making it less attractive.

2007
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.

2007
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 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.

2007
Pace Response

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.

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.**
Auditors Assessment: ⦸ Partially Implemented [Update: Implemented as of October 1, 2009]	

AUDIT ISSUE:

- **The setting of contribution rates for the two Pace pension plans is accomplished through the labor bargaining process.**
- **While the unfunded amounts are not major for its size, Pace may want to examine alternatives to this contribution rate-setting process. (pp.217-221)**

2009
Pace Response

The Pace Pension Plans continue to be in a strong financial position. As of the most recent Actuarial Valuation Reports (January 1, 2008) the West Division plan funded ratio is 82.13% and the North Division plan funded ratio is 85.36%. During labor negotiations, Pace proposed switching the West Division defined benefit plan to a 401(k) defined contribution plan during the union contract arbitration in 2008, but the union was opposed and the arbitration did not change the status. Pace will continue to pursue in future negotiations.

Pace discussed switching the North Division defined benefit plan to a 401(k) defined contribution plan during the union contract negotiations in 2008 but the union was not interested in pursuing those discussions.

<u>2007</u>
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.

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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

CTA increased its base cash fare in January of 2004 and 2006 by 25¢ each time but left the monthly pass price unchanged since 1998.

- **The base fare today, $2.00, is 5 percent lower than the inflation-indexed fare ($2.10).**
- **Base cash fare increases in 2004 and 2006 have very little impact on ridership, mainly because the monthly pass price was not increased, thereby encouraging many riders to buy monthly passes instead of paying cash fares. (p.235)**

2009
CTA Response

CTA reviewed its service and pricing policies. As part of this review, the Chicago Transit Board approved several changes and increases to the CTA's fare structure that went into effect January 1, 2009. In general, CTA implemented a 15% fare increase expected to generate an additional $25-30 million in 2009.

2007
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.

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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

Metra's operating revenues have been growing at a slower rate than operating expenses.

- **Metra's fares were priced below what the price would have been if adjusted for inflation since 1992.**
- **Also, fare increases in 2002 and 2006 had little discernible impact on ridership levels.**
- **The February 2006 fare increase seems to have had little discernible impact. (pp.238-250)**

2009
Metra Response

Despite the objections of some, the Metra Board of Directors made the difficult but fiscally responsible decision to raise fares an average of ten percent, effective February 1, 2008. Such action was proper given the volatile expense increases Metra had experienced relative to such items as fuel, motive power, health insurance, and security and is consistent with the Board's longstanding policy to institute small, periodic fare increases in order to address rising costs and minimize adverse ridership impacts.

In this latter regard, Metra continues to dispute the notion that its ridership is immune to the effects of ongoing fare increases. In particular, as the overall customer base has expanded and grown more diverse, Metra now serves a much wider range of lower and middle income riders. Metra must, therefore, balance its fare actions with a continuing commitment to holding the line on expenses, in particular through strategic capital investment designed to replace antiquated equipment facilities and equipment, thereby enhancing efficiency and reducing costs.

With respect to non-fare revenues, Metra continues to support this recommendation and has aggressively pursued all available opportunities to develop such sources. Efforts are somewhat limited given that, unlike the New York and other commuter properties, Metra does not own all of its facilities, including some of the major downtown terminals (e.g., Chicago Union Station). Nonetheless, Metra has entered into new agreements to maximize parking and advertising revenues as well as income from the development of facilities at Millennium Station and the Metra Market (at Ogilvie Transportation Center).

With specific respect to this latter project, Metra has entered into a long term land lease with United States Equities, Inc. to develop 200,000 sq. feet of property beneath the Ogilvie Transportation Center.... This project, which is expected to generate in excess of $45 million in lease revenue to Metra in the first 25 years, is being privately financed and with a two-phase construction loan. Phase I of the project involves a $25 million loan which closed at the end of August 2008. It is one of only a few commercial retail transactions that have been financed over the past year given the turmoil in the credit markets and is a testament to public/private cooperation. The project will open in June of 2009 and will feature a fresh food market operated by the Bensiidoun family of Paris, France, one of Europe's leading fresh market operators.

AUDITOR COMMENTS

This audit recommendation does not state that Metra's *". . . ridership is immune to the effects of ongoing fare increases."* The recommendation simply says that in the absence of any other funding source that Metra should consider increasing its fares.

2007
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 [sic] 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, [sic] 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, 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.

2007
AUDITOR COMMENTS

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.

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.**
Auditors Assessment: ⃠ Partially Implemented	

AUDIT ISSUE:

Pace fares have closely tracked with inflation for over ten years, and compare reasonably well to peer transit systems, with one exception – fare revenue per passenger mile is relatively low. (pp.251-262)

2009 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.

We continue to be supportive of a regional fare management strategy that allows us to offer both a service based fare (feeder service, community based service) and a distance based fare. We also believe that there are opportunities to partner with credit card and electronic payment services to provide a regional solution that is administered by a company providing clearing house services. The current costs associated with handling cash and check based payments are unsustainable. The RTA will have to take the lead in implementing a solution that combined the best of the Seoul and Montreal experiences while it incorporated the open platform solution used in the Docklands rail system in London.

2007
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.

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 to sustain existing services, prior to designing or constructing expanded services or facilities.**
Auditors Assessment: ⃠ Partially Implemented	

AUDIT ISSUE:

- **The revenues available to the RTA's continuing programs are not sufficient to meet current operating needs or to fund the capital improvement program (CIP) on a continuing basis.**
- **The on-going revenues available to RTA that are under its control have grown at a very slow rate over the past five years, just 1.4 percent annually, indicating that State financial intervention or other measures will soon be needed. (pp.279-284)**

2009
RTA Response

RTA has adopted an ordinance requiring a ten-year financial plan as part of the budget process and has begun implementation. The FY2009 Business Plan Call process includes the details of this requirement, as legislated in the new RTA Act, including the specific elements. Thus, as part of the annual Budget process, the SBs are required to prepare their own individual ten-year plans using baseline assumptions provided by RTA, and then RTA aggregates the data for the development of a region wide ten-year financial plan. In addition to providing projections of financial positions, the additional analyses provide the opportunity for improved strategic planning for the region's transportation operations. These documents are attached as validation of RTA's commitment and progress stronger financial management. Based on FY2009 experience, the process is being further improved for FY2010.

2007
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.

CTA Financial Management	
Recommendation Number 29	**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 expanded services or facilities.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

- **In 2005, CTA funded 23% of the actuarial recommended contributions for its pension plans.**
- **The $217 million contribution shortfall is 18% of the GAAP-basis operating cost, accounting for virtually all of the difference between the GAAP- and budget-basis presentations. (p.286)**

2009
CTA Response

With the passage of pension reform (see P.A. 95-0708), CTA is more closely aligned with GAAP. CTA continues to receive unqualified opinions and no audit findings from all independent auditors.

CTA is voluntarily complying with Sarbanes-Oxley requirements for an in-depth review and risk assessment of internal controls. Expected completion is April 2009.

The CTA has a ten-year forecast in place, including capital program requirements, to achieve a state of good repair for the system. This information was submitted to RTA in October 2008. On January 22, 2009, CTA Chairman Carole Brown testified in front of the congressional Committee on Transportation and Infrastructure that the "CTA has a "$6.8 billion, five-year unfunded state of good repair need."

<u>2007</u>
CTA Response

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 demand.

<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 colspan="2">Auditors Assessment: ⦸ Partially Implemented</td></tr>
</table>

AUDIT ISSUE:

The combination of baseline services, new services, ridership response, and cost growth, resulted in a 34 percent increase in operating subsidy between 2001 and 2005. (pp.295-301)

2009
Metra Response

As noted previously by the auditors, Metra staff has presented its comprehensive operating budgets in accordance with GAAP and has continued to do so. There is no intention to deviate from this approach.

Metra submitted to the RTA an updated ten-year financial projection in October 2008. Following RTA guidelines and assumptions, the projections estimated Metra's cash position and estimated obligations as of December 31, 2008 through December 31, 2018. A cornerstone RTA assumption to the operating and capital projections in the ten-year plan is that Metra would receive $1.3 billion of new State capital funding beginning in 2010. If new State funding is not available in sufficient amounts, and in a timely manner, the operating and capital financial projections as set forth in the plan will need to be completely revised.

These projections assumed a capital replacement and rehabilitation plan that reflects Metra's asset replacement standards and fleet plans. It must be stressed again, however, that in the absence of a new State capital program, as assumed by the RTA in its planning guidance, current and longer term operating and capital projections would be rendered invalid and would be subject to substantial revision given the resulting deterioration in physical assets and the dramatically higher costs required to operate and maintain them.

Similarly, under the RTA's assumptions for a new State capital funding program, the ten-year projections demonstrate positive working capital. If, however, the funding assumption does not prove true, either in terms of the sufficiency or timing of the funds, these projections would also become invalid.

Metra has developed a long-range planning process and models to project operating and capital requirements, funding, expenditures, and cash balances. The financial projection models have been reviewed and accepted by the Federal Transit Administration and they are updated annually. The FTA requires that financial projections be developed which demonstrate the financial capacity to achieve a state of good repair for existing plant and equipment and to sustain existing services, as well as to meet the operating, capital, and cash balance requirements for selected proposed new services. It is important to note that these financial projections stress the critical nature of receiving sufficient new State capital funding in a timely manner over reasonably expected time frames. If that critically needed capital funding from the State does not or will not be forthcoming, then Metra would not pursue those new services.

2007
Metra Response

- 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.

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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

Pace's current level of service is not sustainable with current revenues; Pace has had to defer capital projects as a growing portion of grants are used for operations. (pp.301-310)

2009
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.

With the passage of the RTA reform legislation in January 2008, the RTA has required Pace and the other Service Boards to provide ten year financial plan information to RTA in response to their budget information call. Pace has provided the Ten Year Financial Plan in the format requested and is the only Service Board to include the ten year plan information in its published budget document (reference attached).

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 Five and Ten Year Capital 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.

Both versions of the plan are included in the published Budget Document (attached). The unconstrained plan is based on achieving and maintaining a state of good repair and the funding required to do so is in excess of current forecasts. As a result, no major projects are identified for system expansion.

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.

2007
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.

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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.

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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:
RTA's capital project financing costs are magnified by its over-reliance on debt as opposed to "cash pay as you go" or grants. (pp.312-314)

2009
RTA Response

The RTA agrees that the capital program should include "pay-as-you-go" funding, but that would require the RTA system to have a greater level of funding, including a dedicated source of revenue. The RTA Strategic Plan contains an assessment of the region's capital funding needs, and will be updated as necessary. A State Capital Plan is expected this year, and will allow the RTA to better consider the "pay-as-you-go" funding option.

As defined in the RTA Act, the RTA is in the process of developing both "constrained" and "unconstrained" capital budgets and will require that the SBs submit them regularly as part of the budget process. Furthermore, this concept of disclosing unfunded capital needs has been formulated into a performance measure under the "Maintenance and Capital Investment" section and is intended to be evaluated annually. The "Measures Matrix-Goals" is attached as validation.

In addition, in order to develop a baseline of capital needs, the RTA has executed a contract with URS to complete a Capital Asset Condition Assessment. This project will result in a report that not only identifies the condition of individual assets and asset categories, but will determine the investment level necessary to bring the system into a State of Good Repair. The report will identify the resources required to eliminate the current backlog of projects that exists and will project a timeline for the replacement and rehabilitation of assets that will exceed their useful life within the next ten-years. It is expected that the assessment will be completed by the end of 2009.

2007
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.

CTA Capital Program	
Recommendation Number **33**	**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 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.**
Auditors Assessment: ⃠ Partially Implemented	

AUDIT ISSUE:

CTA has a process to identify capital projects and manage its implementation but more emphasis should be placed on bringing the system into a state of good repair. (pp.314-330)

2009
CTA Response

The CTA has implemented the recommendations, and re-prioritized the capital program, including the elimination of slow zones and vehicle replacement to move the system to a state of good repair. The long-range strategy is to focus on current system maintenance consistent with limited capital funding.

2007
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.

Metra Capital Program	
Recommendation Number **34**	**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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:
There has been a steady increase in the unobligated capital balance percentage of Metra projects approved in prior years, which rose to over 60 percent in 2005, from about 45 percent in 2003. (pp.330-338)

2009 Metra Response

Over the past two years, Metra has worked closely with its funding partners, the FTA, RTA, and IDOT, to reduce its unobligated balance of grant funds. To this end, Metra has closed out numerous capital grants that were contributing to its unobligated fund balance and is continuing to make progress in reducing its overall unobligated fund balance.

In this regard, it should be noted that one of the major factors affecting Metra's total unobligated fund balance has been its federal New Starts Projects. Because these projects were each completed significantly under budget, the unobligated balances of the new start grants comprise nearly 17% of Metra's total unobligated capital fund balance. Metra is currently in discussions with the FTA to use substantial portions of these funds for additional work under the new start projects, thereby ensuring that federal dollars are not lost to the region.

2007 Metra Response

Metra staff conducts project review meetings on a monthly basis. At these 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

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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

Recent year trends show that Pace has improved its ability to move from grant awards to procurement with respect to all active grants, but has experienced a declining trend (increasing "percent unobligated", as well as "percent unexpended" balance) for current year programs only, indicating some slow-moving projects. (pp.338-344)

2009
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. We completed this annual review in 2007 and 2008 and closed out 8 grants.

Documentation which supports the close-out of these grants is attached. In addition, Pace has made progress in its efforts to reduce unexpended balances. Pace's unobligated federal capital grants balance at year end 2008 was $36,580,830.

2007
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.

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.**
Auditors Assessment: ⃠ Partially Implemented	

AUDIT ISSUE:
There is little coordination of contract and procurement functions among the RTA, CTA, Metra, and Pace. (pp.349-353)

2009
RTA Response

The RTA has established a procurement working group for the procurement officers of each agency to interact on a regular basis to explore possible joint procurements. RTA has also spearheaded the research of specific potential opportunities, such as the joint procurement of diesel fuel.

RTA has written a policy (draft) that addresses the issues and outlines the protocols that each agency can include in its procurement process to permit joint procurements.

2007
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.

2009
CTA

The Pace/CTA joint farebox procurement is on hold due to a lack of funding. The CTA is also evaluating more effective transit fare collection strategies.

In 2008, CTA began catalog contracts and a purchasing card program in order to expedite purchasing and gain efficiencies.

2007
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.

2009
Metra

As previously reported, Metra has over its history explored various opportunities for joint purchasing with the other service boards; however, these prior efforts have found little in terms of practical application. Metra is not opposed to such efforts and has, in fact, actively pursued the consolidated procurement of various high volume, high dollar items among the various purchase of service carriers in order to achieve maximum competitive pricing and to take advantage of Metra's sales tax exemption. It has also enjoyed some success at the state and federal levels, where Metra (and the other service boards) have been able to take advantage of certain joint purchasing strategies.

Beyond those situations where joint purchasing has made sense, Metra's experiences to date would seem to indicate that a broader move in that regard would not represent a particularly efficacious utilization of resources. The problem is not so much a matter of the service boards having divergent terms, conditions, or administrative procedures. Rather, it is that most of the items that are purchased by the agencies are, themselves, different or unique to that organization's core business operation.

As a prime illustration, Metra's locomotive fleet requires a different type of diesel fuel than that used by the CTA or Pace. Additionally, the service boards have also found that whatever price advantages there may be are oftentimes offset by the increased administrative cost involved. Potential concerns relative to delivery schedules, vendor responsiveness, product reliability, and other similar quality control issues, as well as the possible adverse impact problems in any of these areas can have on actual operations, have also been identified as limiting factors.

<u>2007</u>
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.

CTA Fleet	
Recommendation Number **37**	**The CTA should:** • **Review and update its Capital Improvement Program 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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

Fleet replacement needs exceeded the capital improvement program (CIP) budget.

- **CTA should try to even-out the fleet age so that it has a more age-diverse fleet that flattens the demand for maintenance.**
- **CTA is in the process of implementing recommendations from the AECOM study which should reduce the non-revenue fleet and increase the efficiency of capital investment, vehicle use, and repair cost. (pp.357-368)**

2009
CTA Response

The CTA CIP reflects a 5-year fleet replacement cost per RTA Act, whereas the total cost of replacing the bus and rail fleets extends beyond this period; CTA has been unable to reduce the average fleet age due to insufficient capital funds; and the AECOM recommendations have been implemented.

In 2008, CTA executed two bus leases in order to accelerate the replacement of overage vehicles. As a result of these transactions, CTA retired its oldest buses in the fleet (1991).

2007
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.

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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:
The electric fleet is far beyond the FTA-eligible retirement age, is a poorer candidate for rehabilitation, and should be given greater consideration in Metra's financially constrained in its Capital Improvement Program. (pp.368-374)

2009 Metra Response

As previously reported, Metra has thoroughly assessed the operational and economic feasibility of another possible rehabilitation of its Electric District car fleet. At this time, replacement of the Highliners is Metra's single highest capital priority as there is simply no question that the fleet is beyond its useful life and is not a candidate for additional rehabilitation.

The Highliner cars were purchased by the Chicago South Suburban Mass Transit District in the early 1970s and subsequently assumed by Metra when it acquired the former Illinois Central Gulf commuter operation in 1987. Unfortunately, an array of shortsighted decisions were made as a part of the original design and construction of the equipment--not the least of which was the choice to utilize carbon steel car bodies despite the industry standard by then having shifted to stainless steel. As a result, rather than a typical car life expectancy of 50 years or more, the Highliner fleet is already at the end of its economically useful life.

Other design deficiencies in the cars purchased by the CSSMTD required Metra to undertake extensive modifications in order to maintain basic operational performance. Metra has, in the past, had to completely upgrade and replace the cars' traction motors, compressor units, pneumatic contactors (that control the propulsion system), and braking systems. The cars also underwent a major mid-life rehabilitation, completed in 1995, at a cost of more than $150 million.

Currently, many of the electrical components of the cars are no longer supported by the original equipment manufacturer; car bodies are subject to continuing and serious corrosion problems; and the present fleet cannot accommodate any restroom facilities as now required by Metra Board policy. Accordingly, the fleet must be replaced. Per recent Board action, an RFP for the acquisition of 160 new electric multi-unit gallery cars has been prepared and will be issued by the end of the year. Proposals are due to be received in early March, 2009.

However, at a price tag of $585 million, it is clear that this acquisition simply will not occur without the emergence of a new State capital bond program. Development of such a funding source is the only viable mechanism available by which to finance the Highliner purchase; the same as was the case with the last two State programs which also included major rolling stock acquisitions. Failure to replace the Highliner fleet, due to an absence of required State funding, will result in major adverse operational, financial, and service reliability issues on Metra's Electric District.

2007 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.

Pace Fleet	
Recommendation Number 39	**Pace should review its Capital Improvement Program to determine if it needs to be updated given that it would need to replace about 29 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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:

Absent funding constraints, Pace would need to replace about 29 percent of its bus fleet in the next five years, at an estimated cost of $65 million, or about $18 million (38%) higher than presented in the financially constrained CIP. (pp.375-379)

2009
Pace Response

With the passage of the RTA reform legislation in January, 2008, Pace now has adequate operating funding and has been able to restore Federal 5307 funds to capital purposes. This action has allowed Pace to pursue its bus fleet replacement program. In 2008, Pace programmed for the replacement of 22 fixed route buses and 80 paratransit vehicles. In 2009, Pace programmed for the replacement of 37 fixed route buses and 128 paratransit vehicles.

These actions along with continued annual programming of fleet replacements will bring Pace's fleet into alignment with industry standards for useful life over the next five years.

2007
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.

CTA Headquarters	
Recommendation Number 40	**The CTA should continue its efforts to find a tenant for the top floor of its headquarters building.**
Auditors Assessment: ⃠ Partially Implemented	

AUDIT ISSUE:

CTA has been attempting to rent the top floor of its headquarters building (34,000 square feet) but has been unsuccessful. CTA's financial plan for acquiring the new headquarters assumed that rental income would be generated by this space. (pp.382-384)

2009
CTA Response

The CTA's real estate consultant, Jones Lang LaSalle (JLL), is helping lease the top two floors of the CTA headquarters building. Several parties have expressed interest in leasing the space and multiple tours of the site have been conducted.

2007
CTA Response

CTA agrees.

Metra Headquarters	
Recommendation Number **41**	**Metra should continue its efforts to find tenants for the unoccupied space in its headquarters building.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:
Metra occupies approximately 63 percent of its headquarters building and an additional 18 percent is leased to tenants. The remaining 19 percent is vacant. (p.385)

2009
Metra Response

Metra has actively marketed the vacant space in its building over the past year and has continued to utilize the services of a commercial broker to assist us in these efforts. With the downturn in the economy, especially hard hit has been the commercial real estate market. Metra's corporate headquarters office is a Class C building. Average downtown occupancy of Class C buildings is currently running at approximately 83%. As the result of a concerted effort by Metra's in-house property development staff, supported by the marketing efforts of its commercial broker, Metra's current occupancy rate is approximately 95%, significantly above the market average. During 2008, five new leases were signed placing an additional 27,953 rental square feet under lease that will generate approximately $2.0 to $2.2 million in revenue over a five year period. While some of these leases extend beyond five years, Metra will continue its leasing efforts in 2009 with the goal of achieving 100% leased status in 2009.

2007
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 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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:

Opportunities exist in the areas of surplus property management. (pp.386-387)

2009
CTA Response

CTA has a process in place for identifying and disposing of surplus property, and will expand this process to include an annual review. The CTA real estate consultant, Jones Lang LaSalle (JLL) has completed its 2008 review and will actively seek new owners for parcels, including those found along the Brown Line in 2009.

2007
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.

2009
Metra Response

Metra has developed a formal policy to deal with parcels of its property that are determined to be surplus. Such policy, which has been submitted and accepted by the FTA, guides Metra's annual review of its property.

2007
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.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:
CTA, Metra, and Pace are introducing commercial activities, such as automated teller machines, food and beverage concessions, and premium parking spaces. (pp.388-389)

2009
CTA Response

CTA has reorganized its real estate operations and has outsourced portions of this operation to better focus on commercial opportunities at its transit facilities.

2007
CTA Response

CTA agrees.

2009
Metra Response

Metra's efforts to maximize the value of its real estate, whether managed by in-house staff or by third parties continued in earnest in 2008. The basic goal is to ensure, at all times, that Metra is generating the maximum benefit that can be achieved. Metra staff constantly reviews the terms and conditions associated with property under lease or license to ensure that fair market value is being received. When necessary, Metra utilizes the services of a commercial real estate broker to enhance this effort.

2007
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.

2009
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.

2007
Pace Response

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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.

Private Investment	
Recommendation Number **44**	**Regarding private investment, 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.**
Auditors Assessment: ⃠ Partially Implemented	

AUDIT ISSUE:

CTA may be missing opportunities to capitalize on changes in market conditions and the use of under-utilized transit facilities as a supplemental source of income. (pp.389-391)

2009
CTA Response

CTA's real estate consultant Jones Lang LaSalle (JLL) has increased agency efforts to establish transit-oriented developments across the system. Three sites for joint development projects have already undergone an initial Phase 1 Pre-due diligence process and will undergo additional valuation/opportunity assessments. Fifteen additional properties have been identified for Phase 1 Pre-due diligence stage.

2007
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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:

Only Metra and Pace have developed codified lists of building condition requirements that represent minimum acceptable standards of cleanliness and repair of facilities. (pp.391-392)

2009
CTA Response

CTA's real estate consultant Jones Lang LaSalle is coordinating with CTA Facilities Planning to develop an estimate of physical maintenance tasks and associated costs to improve available concession locations to make them market ready for leasing.

2007
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.

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.**
Auditors Assessment: ⦸ Partially Implemented	

AUDIT ISSUE:
None of the Service Boards had a standardized form for conducting financial due diligence with respect to real estate acquisitions and disposal. (pp.392-394)

2009
CTA Response

CTA's real estate consultant, Jones Lang LaSalle has begun this process by implementing a formal analysis process of surplus properties.

2007
CTA Response

CTA agrees and is pursuing these efforts through the outsourcing of real estate management.

2009
Metra Response

In 2006, Metra reorganized the real estate and contract management function and transferred these responsibilities under the direction of the General Counsel. As part of this reorganization, separate and distinct business units were created to track, monitor, assess and maximize the real estate holdings, or potential real estate holdings, of the corporation. These separate units are (1) Real Estate Acquisition and Development; (2) Property Management and Revenue Development; and (3) Contract Management. Each of these business units is led by one of Metra's senior associate general counsels, attorneys each with more than 20 years of experience in the practice of real estate and related matters. Each area works closely with user departments within Metra, primarily in the operations department, to determine how best to acquire and manage the organization's overall real estate portfolio.

Under this approach, when Metra acquires property, it will typically seek to contract with the local municipalities as to the operation and maintenance of the parcels, which reflects Metra's overall policy to work cooperatively with the communities it serves relative to their stations and parking facilities. These decisions are made on a case-by-case basis in consultation with the Chief Operations Officer and the Executive Director. Often, though, the municipalities will desire to operate and maintain commuter parking facilities and train stations within their communities. Metra has numerous such agreements and requires that all revenue derived from such operation, in excess of expenses, is maintained in a separate fund available for station and parking lot improvements. In the absence of such an agreement, the property development team works to lease all available space and turns the operation of the parking spaces over to Metra's contractor (Imperial Parking).

As a final note, the contract management unit tracks and monitors all agreements on a computer based software program. Each unit works closely with the other, and with user departments, and is always conscious of the opportunity cost of owning and managing our property interests.

<u>2007</u>
Metra Response

Metra currently employees [sic] 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.

AECOM Recommendations	
Recommendation Number 47	**The CTA should continue to implement the AECOM recommendations related to the management of real property.**
Auditors Assessment: ☑ Implemented	

AUDIT ISSUE:
The AECOM report cited a number of recommendations for action by CTA with respect to real estate planning and operations. Overall, we found CTA is working to implement the majority of the recommendations. (pp.394-395)

2009
CTA Response

The CTA has pursued these efforts through the reorganization and outsourcing of its real estate operations which began in July with the contract with Jones Lang LaSalle.

2007
CTA Response

CTA agrees.

Appendix C

RTA STATUS REPORT
(February 2009)

RTA STATUS REPORT (February 2009)
STATUS UPDATE OF OAG RECOMMENDATIONS

RECOMMENDATION	STATUS	COMMENTS
1. RTA Coordination of Services RTA should develop and oversee a process that ensures that adequate planning and coordination of service routes occurs, including standards that set forth guidelines for new routes, and assigning new routes to the least cost carrier when routes overlap. Note: The new RTA Act requires that the Strategic Plan identify goals and objectives with respect to coordination of public transportation services to enhance the integration of public transportation throughout the metropolitan region.	In-Process	RTA is leading a joint effort with the Service Boards to develop service standards and measures for evaluating new routes that ensures cost effective service. A senior coordinating committee of all four agencies will be formed and meet monthly to develop these service standards. RTA is currently working with the SBs to define specific processes and procedures. Furthermore, the RTA has engaged Cambridge Systematics to perform a "market analysis". The assessment is intended to produce a comprehensive summary of regional travel and travel markets and thus serve as a baseline for future service coordination. It is expected to be complete in 2009.
2. RTA and Regional Fare Issues RTA should establish a fare system for all SBs that foster intersystem transfers. Note: The new RTA Act requires that the Strategic Plan identify goals and objectives with respect to coordination of fare and transfer policies to promote transfers by riders among SBs, agencies, and modes, which may include the development of a universal fare instrument that can be used interchangeably on all RTA funded services.	In-Process	The RTA has formed a senior policy group to develop an implementation plan. This group is focusing on the use of a Universal Fare Card, which would permit seamless travel between the CTA, Metra and Pace. A region-wide universal fare card concept is becoming more feasible due to improvements in fare collection technology and the growth in the use of contactless smart cards for retail purchases. The overall concept merges transit fare collection with advanced wireless technology and at the same time fosters new relationships with the credit/debit card industry and the banking sector. This model, referred to as "the transit as merchant model", utilizes a contactless smart credit/debit card to serve as a new type of fare instrument that could be used as a platform for a region-wide universal fare card. This can provide a unique opportunity to reduce operating costs associated with revenue collection and at the same time enhance customer convenience. It would not only ensure a more uniform fare media among SBs, but also allow the development of fare structures that are more equitable among all modes of travel within the region. RTA has performed extensive research on the Universal Fare Card and has presented the concept to its Board for review and

RECOMMENDATION	STATUS	COMMENTS
		discussion. The presentation was well received and the Board has encouraged further exploration and development. A copy of the presentation is attached.
3. Performance Measures RTA should work with the SBs to develop performance measures. Note: The new RTA Act requires that the RTA establish performance measures and standards regarding the adequacy, efficiency, and coordination of public transportation services in the region that are linked to the Strategic Plan. It specifically mentions customer related performance data requirements and requires the publishing of the reports on the agency website.	In-Process	RTA has established a Performance Measures Task Force, which includes the SBs. The group meets monthly to discuss and implement the utilization of performance measures as well as to share "best practices". The Task Force is in the process of developing a comprehensive performance measurement system that includes regional and sub-regional measures. The output will be measures that aggregate data from all three SBs to present a truly regional perspective, as well as measures that reflect individual SB performance. Although the Task Force was assembled and began its work before the passage of the new legislation, it has integrated requirements from the legislation into its assignments. For example, the Task Force is cognizant of the linkage that the legislation defines between the development of performance measures and the goals, objectives, and standards that are outlined in the Strategic Plan, and therefore, has placed great emphasis on assuring consistency and support between the two. It has also developed various levels of performance measures, with a particular emphasis on customer related data, to address the legislative requirements. To date, the Task Force has already developed a menu of Regional Performance Measures, a data collection process, and is finalizing the report format. The measures link performance for all of the agencies and focus on five areas: 1)Service Coverage, 2)Service Efficiency and Effectiveness, 3)Service Delivery, 4)Service Maintenance and Capital Investment, and 5)Service Level Solvency. RTA has completed the calculation and analysis of 2007 data, using both NTD and audited financials and is currently in the process of posting the information on its website. Although the RTA has made great strides towards the implementation of this recommendation and the fulfillment of the legislative requirement, the final release of

RECOMMENDATION	STATUS	COMMENTS
		the regional performance data has not yet occurred due to the diversity of the SBs' operations and the complexities of the interests of the four agencies. It has been RTA's position that the SBs are partners and therefore wishes to reach consensus with the SBs on the specific measures to include within the "Report Card", as well as the overall message that is being communicated. Two draft documents are attached to demonstrate progress: "Measures Matrix-Goals", which identifies Regional Performance Measures and the "Report Card", which highlights a summary performance report.
4. Long Term Planning RTA should conduct a long-term comprehensive strategic planning process. For New Start projects, RTA should establish a set of criteria for funding and prioritizing such initiatives. Note: The new RTA Act requires that the RTA adopt a Strategic Plan no less than every five years and continuously review it for possible amendments and updates. The strategic plan must describe specific actions to be taken by RTA and the SBs to provide adequate, efficient, and coordinated public transportation. Note: The new RTA Act requires that the RTA establish the process and criteria by which capital project proposals will be evaluated and selected for inclusion into the capital program. It also gives RTA the authority to select new corridor studies and substantively provide alternative analyses and preliminary environmental analyses for expansion or "new start" type projects.	In-Process	Although the RTA completed its Moving Beyond Congestion Strategic Plan in 2007, it is committed to on-going strategic planning and intends to perform major updates to the plan for Board approval every five years. Furthermore, as a result of the new legislation passed in January 2008, an interim update is currently underway to include items now legally mandated A comprehensive process required to complete such an update is being led by RTA with input from the SBs and other stakeholders, and includes opportunities for public comment as legislated. The schedule for the development of the interim update is attached as supporting documentation. It identifies the specific actions that the RTA is taking to fulfill it role as described in the RTA Act. The RTA leads a Task Force that is working to develop a process for prioritizing capital projects across the region. The Task Force, which meets monthly and includes the SBs, is creating a structure to allocate transit resources among SBs. The long term objective is to allocate funding for capital projects based on regional priorities regardless of SB project ownership, particularly for New Starts Projects. The Task Force completed an interim proposal that was adopted by the RTA Board as part of the Business Plan Call and used for the preparation of the 2009 Budget. This proposal established a uniform process and criteria for prioritizing capital projects within

RECOMMENDATION	STATUS	COMMENTS
		each SB and included Maintenance, Enhancement and Expansion projects. The 2009 Capital Prioritization Process is attached as supporting documentation. The next step is to develop a methodology for evaluation that prioritizes across SBs to better guide future investment choices for the region. And although this effort will include processes for Maintenance, Enhancement, and Expansion projects, the RTA will focus its role on the evaluation and selection of Expansion projects. The goal is to have such a methodology complete in 2009 for utilization in 2010. Unfortunately, the RTA and the SBs have been in negotiations since late 2008 and have not yet agreed even to an interim approach. The RTA has proposed a procedure for the distribution of resources utilizing a combination of existing formulas and an RTA driven prioritization process. RTA has facilitated these discussions at joint meetings of the Executive Directors and Boards, as well as approaching the SBs individually. It has been RTA's position that the SBs are partners and therefore wishes to reach consensus with the SBs on the process for the allocation of capital funding. However, due to the diversity of the SBs' operations and the complexities of the interests of the four agencies, negotiations are still underway and perhaps may even have reached an impasse.
5. RTA Paratransit Operation RTA should reduce the backlog in the processing of applicants for ADA certifications.	Complete	RTA determined that additional staffing was required to reduce the existing backlog as well as more effectively process future applications. Thus, the approved number of certification staff has been increased from four to five and a new certifier has been hired. This improvement represents an increase in the capacity for processing applications by 25% and has reduced the backlog to acceptable levels. An HR ADA Certification Staffing Report and a Certifiers Report-Backlog are attached as supporting documentation.
6. RTA Call Center RTA should revise the incentive system outlined in the contract with the call center	Complete	In the short-term, the RTA negotiated an amendment to the contract existing at the time of the OAG audit. This change, which

RECOMMENDATION	STATUS	COMMENTS
contractor to enable them to increase their call capture rate without violating RTA's budgetary constraints.		was effective January 1, 2007, cost the RTA less than raising the call capture rate while continuing to pay the incentive that had been established. Since then, RTA has solicited new proposals for the operation of the RTA Call Center and has executed a new agreement with Cambridge Integrated Services that is more cost effective. The New Contract with Cambridge is attached as supporting documentation.
7. CTA Rail Maintenance Operations CTA should consistently report performance indicators across performance reporting documents; review customer perceptions of cleanliness in customer surveys; and complete the revision of data reported to FTA regarding major and other mechanical failures.	Complete	The CTA has implemented a performance management program, involving weekly meetings with key business units and focused on key performance metrics. CTA implemented a Mystery Shopper program in 2007 that allows customers to give direct feedback on cleanliness among other issues to the CTA to action and analysis. Action plans have been developed and implemented to improve cleanliness of vehicles and stations. FTA reporting issues have been addressed and revised. For supporting documentation, please see Key Performance Metrics that are posted monthly at http://www.transitchicago.com/news_initiatives/performance_metrics.aspx. Also, Mystery Shopper Program information can be found at http://www.transitchicago.com/news_initiatives/mystery_shopper.aspx.
8. CTA Bus Maintenance and Management CTA should implement the Maintenance Management Information System (MMIS) on schedule with performance measures and reports; develop recruiting and employee retention strategies; and prioritize labor rule changes.	Complete	MMIS implementation was completed in 2007. A new CIO was hired and a host of executive, managerial, operational, and staff changes have been effectuated. Negotiations with the union for rule changes are ongoing—agreement reached on a new program to address bus cleanliness. The Bus Servicer Apprentice Agreement is attached as supporting documentation.
9. CTA Safety Operations CTA should implement various recommended actions to improve the safety of its operations.	Complete	CTA reorganized its Safety Department and staff added to address each of the OAG recommendations and improve safety throughout the system. The new organization chart that documents these changes is attached.

RECOMMENDATION	STATUS	COMMENTS
10. CTA Customer Service CTA should continue to implement new technology to enhance the customer experience; compile a monthly customer complaint/commendation report to ensure better customer service; and research cause of high abandonment rate at its call center.	Complete	Customer service operations have been reorganized, new management team put in place, and changes to the phone system implemented. The new organization chart that documents these changes is attached.
11. CTA Performance Improvement Per the AECOM Consult report, CTA should seek labor changes to its collective bargaining agreement to implement the cost savings recommendations.	In-Process	CTA and its unions reached a 5-year labor agreement in 2007. CTA continues to work with union leadership on contract issues. For supporting documentation, the text of P.A. 95-0708 can be found at http://ilga.gov/legislation/publicacts/fulltext.asp?name=095-0708.
12. Metra Operations Metra should implement MMIS to better facilitate the tracking and monitoring of maintenance trend data.	In-Process	As previously noted, Metra agrees with this recommendation. Required funding for this system was programmed within Metra's approved 2008 and 2009 capital programs. The project RFP is currently nearing completion and should be out for proposals early in the first quarter of 2009. Award of a contract is anticipated for the second quarter of next year.
13. Metra Safety Operations Metra should implement programs to formalize the collection and review of safety trend data and continue to improve the safety of grade crossings.	In-Process	Metra's present comment remains consistent with its response as originally submitted to the final OAG report. As such, Metra has continued to work toward improved grade crossing safety, especially with regard to its strong advocacy for funding to eliminate grade crossings as well as continuing efforts to raise public awareness through such education and enforcement programs as Operation LifeSaver, the school safety program, and other similar initiatives. In terms of safety data reporting and trend analysis, Metra's current and ongoing efforts are considered as an industry best practice standard; in particular, the daily review of all safety matters by senior operations managers and the detailed labor/management assessment of trends that occurs on a regularly scheduled basis through Metra's nationally recognized Labor/Management Committee Safety Task Group process. Over the past year, Metra's Safety & Rules Department has refined the collection and review of related safety data; however, Metra continues to believe that its

RECOMMENDATION	STATUS	COMMENTS
		overall reporting and analytical procedures are appropriate given the size and complexity of its safety experience.
14. Metra Employee Safety Operations Metra should continue to focus on NTSB recommendations from 2003 derailments, including re-establishing simulator training programs, installing a positive train control system, and implementing a Violation Tracking System.	In-Process	As previously reported, Metra has installed five half cab railroad simulators and the use of these simulators has been incorporated as a fundamental component of its ongoing engineer training and certification programs. These simulators are fully functional, FRA Type 1. In addition, Metra has actively continued its efforts relative to the installation of an electronic train management system on the Rock Island District between Chicago and Joliet, Illinois. Required funding has been included within Metra's current five year capital program. Now in the final stages of implementation, the system once complete will cost in excess of $10 million. Testing is currently ongoing with the manufacturer and is expected to be completed in March 2009. In April 2009, Metra is scheduled to begin system testing with the Federal Railroad Administration (FRA). Following the testing phase, Metra will submit its Product Safety Plan to the FRA. At this time, the system is still scheduled to become operational in September 2009. As previously reported, the system provides a safety overlay for engineers and is designed to take control of the train in the event the engineer should violate a signal restriction. Pending a successful implementation on the Rock Island District, it had been Metra's intention to move forward with installation of ETMS systemwide. However, with the recent passage and signing of the 2008 Railway Safety Improvement Act, Metra will now need to comply with the mandate of full implementation of Positive Train Control by 2015. PTC is a much more extensive system than ETMS and, as such, will be much more costly. Nationwide, installation of the system could exceed $3 billion. The Chicago Terminal in which Metra operates is perhaps the most operationally complex rail territory in the entire United

RECOMMENDATION	STATUS	COMMENTS
		States. As such, installation of the PTC system in the Chicago area will be one of the most challenging--and expensive--sections of the country to complete. The cost to Metra for its compliance with the requirements of the rail safety act are estimated at more than $200 million. It is, therefore, imperative that a State capital program be developed to provide the monies necessary to meet this unfunded federal mandate and ensure the uninterrupted operation of vital commuter rail services region wide. With regard to violation tracking, Metra continues to track violations manually, which is considered appropriate given the size of its operations and the relatively limited number of violations it experiences. Automating such data collection will be considered further in the event required funding should become available.
15.Metra Customer Service Operations Metra should compile a customer complaint/recommendation report to target priority areas for management attention.	Complete	As previously reported, Metra agrees with this recommendation. In this regard, it has established an expanded procedure for addressing customer complaints. A report is now prepared on a regular basis indicating the type and number of complaints by rail line. This log is issued to all pertinent management personnel for review and required corrective action. Copies of the forms used as a part of this new log system are attached. In addition, Metra has continued its preexisting practice of immediately investigating and resolving customer complaints or concerns as they are received.
16. Pace Vanpool In the absence of other funding sources, Pace should consider increasing the cost of vanpool service to improve farebox recovery and decrease operating subsidies.	Complete	Pace agrees with the recommendation to increase vanpool charges and has already implemented it. Pace increased vanpool fares and fees in 2006, 2007, 2008 and 2009. Attached documentation identifies the fare increase details for 2008 and 2009 (2007 and prior fare increase data was provided during the OAG audit). We are confident that the vanpool recovery ratio has maintained stable and improved performance relative to the peer group identified in the OAG audit.

RECOMMENDATION	STATUS	COMMENTS
		Pace is currently conducting an analysis of its fare policies and programs. The study will assess the demand elasticities for the vanpool pricing program including the results of the recent fare adjustments. We expect to have this analysis in hand for development of the 2010 Budget and Ten Year Plan. Pace is in the process of updating the peer analysis for years 2006 and 2007 based on NTD data to verify the impact of the fare increases that went into effect beyond the audit period of review.
17. Pace Information Technology Pace should roll out the new risk management, customer service, and Enterprise Resource Planning (ERP) systems as timely as feasible. Pace should focus on more efficient reporting and reducing redundant data entry.	Complete	The RiskMaster Risk Management system was deployed to production on August 15, 2007. Approximately 300 open claims in the legacy system were migrated into the RiskMaster system; all new claims are entered exclusively into the RiskMaster system. Supporting documentation which validates this statement are attached, including a copy of the contract summary for the software procurement, implementation services and several example reports produced using the new system. The Customer Assistance System (CAS) was deployed to production in 2007 and is being used by multiple departments. The system has increased staff efficiency by reducing complaint processing time from several days to a few hours. The CAS's e-mail notification feature streamlined business processes and enables multiple departments to respond quickly to complaints and commendations. Lastly, the reporting features enable Customer Assistance staff to analyze the various types of complaints and commendations to reveal trends and patterns. Supporting documentation which validates this statement are attached, including a copy of the contract summary for the software procurement, implementation services and several example reports produced using the new system. The Oracle e-Business Suite Accounts Payable, General Ledger, Purchasing,

RECOMMENDATION	STATUS	COMMENTS
		Receiving and Requisitions implementations for the ERP Project went live on January 2, 2008. The system is functional and being used to process all transactions involving the above functions. Redundant data entry where it had previously occurred has been eliminated by the new system. Work flow approval processes have been automated and transaction processing time has improved in many cases. Pace has been recognized by Oracle Corporation, the software provider, for being the first public sector agency in the nation to go live with their latest ERP software release which is Version 12. Pace launched the second implementation phase in 2008 which encompasses the Accounts Receivable, Budget and Grants implementations and the Enterprise Data Warehouse applications. This phase is expected to be functional by the second quarter of 2009. The project is proceeding as planned. Supporting documentation which validates this statement is attached, including a copy of the contract summary for the software procurement and implementation services.
<u>18. Pace Safety</u> Pace should consider the 'onboard video safety system' for all routes; implement performance goals for the 'zero accident program'; update system safety program; and conduct study to implement 'return to work program' to reduce lost workdays.	In-Process	○ ***Consider rolling out an Onboard Video Safety System on all routes;*** Pace agrees with the recommendation to consider rolling out a video safety system on buses and is in the process of completing the project as scheduled. Pace has secured $1.2 million in funding in its 2008 capital program for the purchase and installation of an On-Board Video Safety System for its fixed route fleet. The system selected is known as Drive Cam. The system procurement is complete and the contractor is presently installing the system at Pace's operating divisions and contractor locations where Pace fixed route buses are in service. Attached documentation which validates these statements includes a copy of the contract summary with Drive Cam. Operational and management reports will be available once the system installation is

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		complete which is expected in the first quarter of 2009. ○ ***Implement performance goals and track success regarding the Zero Accident Program;*** The goal of the Zero Accident Challenge has been from its inception and continues to be the reduction of accidents, with the focus on preventable accidents with zero as a performance benchmark. In addition to monthly reports indicating the performance ranking of each operating division, Monthly Accident Summary reports are distributed for posting at each property, which specify accident activity by both frequency and type of occurrence. DriveCam and its managed services program now gives Pace the ability to monitor and correct operator performance with regard to risky behavior and near-miss incidents, and measure types of events and root cause across a broad spectrum of driving behaviors. ○ ***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;*** The System Safety Plan (SSP) document, and Contingency Plan(s) for Recovery (CPR) for Pace and its operating divisions are part of the System Safety Emergency Preparedness Plan (SSEPP). The CPR describes all-hazard emergency procedures and identifies Pace's role in coordination and communication with emergency agencies. The SSPP has been updated to reference internal chain of command, adoption of the Incident Command System (ICS), multi-agency coordination and dissemination of information in emergencies as defined in the CPR. The contents of the SSEPP are proprietary and are marked and protected as Security Sensitive Information (SSI). Pace is an active member of the ITTF Transportation Subcommittee, RTSWG (Regional Transportation Security Working Group) and CTAN (Chicago Transportation Alert Network). Pace is linked to local, county and state Emergency Management and first

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		responding agencies through EMNET (Emergency Management Network). Through the FY2009 Transit Security Grant Program, (TSGP), Pace has applied for funding to equip transit vehicles with Motorola STARCOM 21 interoperable Radio Systems to ensure effective communication with other agencies in the event of any emergency. • ***Conduct a formal study of implementing a transitional return to work program to reduce lost workdays.*** Pace Suburban Bus Services recognizes that a Transitional Duty/Return to Work program provides significant financial and psychological benefits to the injured employee. In return, Pace Suburban Bus receives considerable direct and indirect cost savings as a result of returning an injured employee back to work as soon as medically possible. In recognition of these benefits, Pace has elected to implement a Transitional Duty/Return to Work program on a case-by-case basis. The factors that influence the viability of offering transitional duty work assignments to an injured employee include; however, are not limited to: • Nature and extent of injury • Previous Workers Compensation claim history • Desire of injured employee to malinger in a transitional duty job longer than necessary to circumvent a return to their pre-injury job • Collective bargaining agreements • Projected total length of disability (# of days) • Availability of transitional duty jobs in the injured employees respective Division Therefore, when an injured employee is expected to be out of work less than 2 months, we will consider transitional duty assignments on a case by case basis as long as we can 1) accommodate the work restrictions assigned by the treating physician and 2) the injured employee will be a good fit for transitional duty based on the

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		bullet points shown above. **Pace Modified Return to Work** **Pace Policy Statement** It is the policy of Pace Suburban Bus Service, when possible, to modify work assignments for a limited period of time (60 days with the possibility of a 60 day extension) to assist employees who are temporarily restricted from performing their regularly assigned duties due to an on-the-job injury. **Goals of the Pace Suburban Bus Modified Return to Work Program** Pace has outlined seven (7) goals for our modified return to work program. These goals are as follows: (1) Foster and enhance the physical and psychological recovery process for the injured employee, reduce medical, disability, and lost time costs, reduce indirect accident costs, minimize the possibility of re-injury, encourage cooperation between employees, management, and unions, establish a more stable workforce, and enhance the injured employee's sense of confidence and well being. **Scope of the Pace Suburban Bus Modified Return to Work Program** The modified return to work program will apply to all Pace employees. **Definitions** Key terms used in the modified return to work program have been outlined to assist in managing the program consistently and uniformly throughout the organization. **Eligibility Guidelines** In order for a Pace employee to be eligible for participating in the modified return to work program, the following criteria must be met: • Employee must provide written

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		authorization from his/her treating physician. • Temporarily unable to perform the essential duties of his/her job following an on-the-job injury. • Capable of carrying out work on a modified basis. • Employee is expected to return to his/her regular job within 60 calendar days. **Modified Duty Return to Work Procedures** Specific guidelines have been established for the modified duty return to work program that define the specific responsibilities for Division safety personnel, the injured employee, Risk Management, Human Resources, Pace's Third-Party Administrator, and Workers Compensation defense counsel. **Compensation** Our procedure states that during the period of time that an injured employee is recovering from a work related injury or illness and participating in a modified duty position, the salary of the injured employee will remain the responsibility of the original employing Division/Department. **End of Modified Duty** The policy will permit employees who are off work for a period of time that exceeds our 60 day maximum (in certain cases, an additional 60 day extension may be granted for modified duty) to remain authorized off work until the treating physician and/or the Pace IME physician opines that the injured employee may return to full duty work. **Future Efforts** Job descriptions for the major classifications of jobs at Pace should have formal job descriptions defined and include a physical demand analysis. In addition, the jobs or tasks that are being considered for the "modified duty job bank" should have a physical demand analysis completed so that when the treating physician defines the injured employee's restrictions, Pace can assign a modified duty position that falls

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		within the range of the work restrictions defined by the physician. These efforts will remain a work in process since jobs change, procedures on how jobs are performed change, equipment used to perform jobs change, etc. As a result, having current job descriptions and physical demand analysis will be constantly changing and evolving and so will the need to manage these documents. The job analysis developed for our largest employee group (bus operators) is attached.
19. Pace Customer Satisfaction Pace should adjust Intelligence Bus System (IBS) on-time data to reflect reasonable schedule deviations (under 5 minutes), and adjust routes or schedules as needed. Track routes that repeatedly appear on action/review or watch list.	In-Process	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 produces a comprehensive report which identifies on time performance for all of its operating divisions and major contractors. A copy of the most recent On Time Performance Report is attached. 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. Pace continues its long established process of monitoring all of its routes for overall performance against established criteria on a quarterly basis. Routes failing to meet minimum benchmark standards are targeted for corrective actions up to and including discontinuance. A copy of the most recent Quarterly Service Review is attached.

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20. Staffing SBs should follow-up on areas where the benchmarking of staffing data indicates that performance could be improved. Implementing CTA's 'Attendance Improvement Program' should be one of its highest priorities. CTA should also improve the tracking of non-work time, and expedite the arbitration process to reduce time to finalize labor agreements.	In-Process	CTA In Fall 2008, CTA implemented a server based payroll system eliminating the old legacy mainframe system. This new system includes a positive pay time capture component which also tracks vacation and holidays. CTA also instituted a new risk management group to focus on safety and operational risks to reduce non-work time; initiated an absence management program; and has contracted with a third party administrator to administer absenteeism, worker compensation, and short-term disability. A five-year labor contract was recently expedited in record time with all unions. Closeout documents from payroll cutover and the Absence Management Handbook (July 08) are attached as support. Metra While Metra did not submit a formal response in the original OAG report, it concurs with this recommendation. Metra has always sought to undertake those staffing actions as necessary to ensure maximum cost effectiveness and cost efficiency and will continue to do so in the future. As a result of these ongoing efforts, Metra stands equal to or better than its peers on virtually all measures of staffing performance. Pace 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.
21. CTA Pension Program CTA should implement specific actions to improve the solvency of its employee pension plan, including legislative action as necessary.	Complete	This matter was addressed in P.A. 95-00708, the legislation authorizing funding, pension, and healthcare reforms to the CTA employee pension plan and which was approved by the State legislature on January 18, 2008. CTA has issued the authorized bonds and the pension is now 80% funded. Funds have yet to be invested in equities and are currently held in an interest-bearing account until the market improves.

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		The pension and health care trust have been separated and an Employee Retirement Healthcare Board created. Organizational matters are being finalized according to the plan design and employee contribution levels.Per P.A. 95-0708, reports have been submitted to the Illinois Auditor General. Supporting documentation can be found at: http://ilga.gov/legislation/publicacts/fulltext.asp?name=095-0708
22. CTA Supplemental Pension Plans CTA should take the action necessary to ensure that its various Supplemental pension plans are adequately funded.	Complete	This matter was addressed in P.A. 95-0708. CTA continues to work with the actuary to ensure proper annual funding. The plans were closed to new participants as of January 18, 2008 and on November 13, 2008 the Chicago Transit Board adopted an ordinance (Board Ordinance 08-0153 is attached) implementing a voluntary termination program for the plan and closed the plan to all current employees who were not currently participating in the plan. CTA is funding at the level equal to at least the level outlined in the actuarial report. Supporting documentation can be found at: http://ilga.gov/legislation/publicacts/fulltext.asp?name=095-0708.
23. RTA Pension Plan (RTA, Metra, and Pace) Continue to take actions to ensure pension plan is adequately funded; periodically review the 8.5% return assumption; and consider phase-out of lump sum option. Note: The RTA pension fund was addressed in a previous amendment to the RTA, which included language to ensure that the plan was adequately funded.	In-Process	All recommendations are being addressed as part of on-going efforts to manage the Pension. The adequacy of the pension plan funding is legislatively mandated and thus it is the fiduciary responsibility of the trustees to review actuarial studies, return assumptions, and other aspects of the fund's solvency. For example, the 8.5% return assumption is reviewed annually; and, upon review of the lump sum option, concern over its cost resulted in a revision to the discount assumption, making it less attractive.
24. Pace Pension Plans Pace should take action necessary to ensure that pension plans are adequately funded. Also, consider setting up defined contribution plans to replace defined plans that are still in place at two of the bargaining units.	In-Process	The Pace Pension Plans continue to be in a strong financial position. As of the most recent Actuarial Valuation Reports (January 1, 2008) the West Division plan funded ratio is 82.13% and the North Division plan funded ratio is 85.36%. During labor negotiations, Pace proposed switching the West Division defined benefit plan to a 401(k) defined contribution plan during the union contract arbitration in 2008, but the union was opposed and the arbitration did

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		not change the status. Pace will continue to pursue in future negotiations. Pace discussed switching the North Division defined benefit plan to a 401(k) defined contribution plan during the union contract negotiations in 2008 but the union was not interested in pursuing those discussions. Supporting information includes the actuarial valuation reports for January 1, 2008 for the West and North Division plans. Additional information on Pace employer contributions to these plans in 2008 is also provided.
25. CTA Revenues In the absence of any other funding sources, the CTA should consider increasing its rail fares and monthly pass rates to reduce its operating subsidy requirements.	Complete	CTA reviewed its service and pricing policies. As part of this review, the Chicago Transit Board approved several changes and increases to the CTA's fare structure that went into effect January 1, 2009. In general, CTA implemented a 15% fare increase expected to generate an additional $25-30 million in 2009. CTA Board Ordinance 08-154 is attached as supporting documentation.
26. Metra Fares In the absence of any other funding sources, Metra should consider increasing its fares and exploiting under-utilized sources of non-fare revenues to reduce its operating subsidy requirements.	Complete	Despite the objections of some, the Metra Board of Directors made the difficult but fiscally responsible decision to raise fares an average of ten percent, effective February 1, 2008. Such action was proper given the volatile expense increases Metra had experienced relative to such items as fuel, motive power, health insurance, and security and is consistent with the Board's longstanding policy to institute small, periodic fare increases in order to address rising costs and minimize adverse ridership impacts. In this latter regard, Metra continues to dispute the notion that its ridership is immune to the effects of ongoing fare increases. In particular, as the overall customer base has expanded and grown more diverse, Metra now serves a much wider range of lower and middle income riders. Metra must, therefore, balance its fare actions with a continuing commitment to holding the line on expenses, in particular through strategic capital investment designed to replace antiquated equipment facilities and equipment, thereby enhancing efficiency and reducing costs.

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		With respect to non-fare revenues, Metra continues to support this recommendation and has aggressively pursued all available opportunities to develop such sources. Efforts are somewhat limited given that, unlike the New York and other commuter properties, Metra does not own all of its facilities, including some of the major downtown terminals (e.g., Chicago Union Station). Nonetheless, Metra has entered into new agreements to maximize parking and advertising revenues as well as income from the development of facilities at Millennium Station and the Metra Market (at Ogilvie Transportation Center). With specific respect to this latter project, Metra has entered into a long term land lease with United States Equities, Inc. to develop 200,000 sq. feet of property beneath the Ogilvie Transportation Center... This project, which is expected to generate in excess of $45 million in lease revenue to Metra in the first 25 years, is being privately financed and with a two-phase construction loan. Phase I of the project involves a $25 million loan which closed at the end of August 2008. It is one of only a few commercial retail transactions that have been financed over the past year given the turmoil in the credit markets and is a testament to public/private cooperation. The project will open in June of 2009 and will feature a fresh food market operated by the Bensiidoun family of Paris, France, one of Europe's leading fresh market operators.
27. Pace Fares In the absence of any other funding sources, Pace should consider implementing a distance-based fare structure in order to reduce its operating subsidy requirements.	In-Process	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

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		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. We continue to be supportive of a regional fare management strategy that allows us to offer both a service based fare (feeder service, community based service) and a distance based fare. We also believe that there are opportunities to partner with credit card and electronic payment services to provide a regional solution that is administered by a company providing clearing house services. The current costs associated with handling cash and check based payments are unsustainable. The RTA will have to take the lead in implementing a solution that combined the best of the Seoul and Montreal experiences while it incorporated the open platform solution used in the Docklands rail system in London.

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28. RTA Financial Management RTA should prepare and adopt annually a ten-year financial plan with specifically recommended elements. Note: The new RTA Act now mandates that the RTA describe its financial condition over a ten-year period, which includes ten-year financial plans for the SBs as well.	In-Process	RTA has adopted an ordinance requiring a ten-year financial plan as part of the budget process and has begun implementation. The FY2009 Business Plan Call process includes the details of this requirement, as legislated in the new RTA Act, including the specific elements. Thus, as part of the annual Budget process, the SBs are required to prepare their own individual ten-year plans using baseline assumptions provided by RTA, and then RTA aggregates the data for the development of a region wide ten-year financial plan. In addition to providing projections of financial positions, the additional analyses provides the opportunity for improved strategic planning for the region's transportation operations. These documents are attached as validation of RTA's commitment and progress stronger financial management. Based on FY2009 experience, the process is being further improved for FY2010.
29. CTA Financial Management CTA should modify its budget presentation to include all operating costs per GAAP; prepare and adopt a ten-year financial plan; and demonstrate the financial capability to achieve a state of good repair for the system.	Complete	With the passage of pension reform (see P.A. 95-0708 as referenced above), CTA is more closely aligned with GAAP. CTA continues to receive unqualified opinions and no audit findings from all independent auditors. CTA is voluntarily complying with Sarbanes-Oxley requirements for an in-depth review and risk assessment of internal controls. Expected completion is April 2009. The CTA has a ten-year forecast in place, including capital program requirements, to achieve a state of good repair for the system. This information was submitted to RTA in October 2008. On January 22, 2009, CTA Chairman Carole Brown testified in front of the congressional Committee on Transportation and Infrastructure that the "CTA has a "$6.8 billion, five-year unfunded state of good repair need." Supporting documentation can be found at http://www.transitchicago.com/assets/1/testimony/ChairBrownTestimony_20090122.pdf.

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30. Metra Financial Management Metra should continue to present its budget to GAAP; prepare and adopt a ten-year financial plan; and demonstrate the financial capability to achieve a state of good repair for the system.	In-Process	As noted previously by the auditors, Metra staff has presented its comprehensive operating budgets in accordance with GAAP and has continued to do so. There is no intention to deviate from this approach. Metra submitted to the RTA an updated ten-year financial projection in October 2008. Following RTA guidelines and assumptions, the projections estimated Metra's cash position and estimated obligations as of December 31, 2008 through December 31, 2018. A cornerstone RTA assumption to the operating and capital projections in the ten-year plan is that Metra would receive $1.3 billion of new State capital funding beginning in 2010. If new State funding is not available in sufficient amounts, and in a timely manner, the operating and capital financial projections as set forth in the plan will need to be completely revised. These projections assumed a capital replacement and rehabilitation plan that reflects Metra's asset replacement standards and fleet plans. It must be stressed again, however, that in the absence of a new State capital program, as assumed by the RTA in its planning guidance, current and longer term operating and capital projections would be rendered invalid and would be subject to substantial revision given the resulting deterioration in physical assets and the dramatically higher costs required to operate and maintain them. Similarly, under the RTA's assumptions for a new State capital funding program, the ten-year projections demonstrate positive working capital. If, however, the funding assumption does not prove true, either in terms of the sufficiency or timing of the funds, these projections would also become invalid. Metra has developed a long-range planning process and models to project operating and capital requirements, funding, expenditures, and cash balances. The financial projection models have been reviewed and accepted by the Federal Transit Administration and they are updated annually. The FTA requires that financial projections be

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		developed which demonstrate the financial capacity to achieve a state of good repair for existing plant and equipment and to sustain existing services, as well as to meet the operating, capital, and cash balance requirements for selected proposed new services. It is important to note that these financial projections stress the critical nature of receiving sufficient new State capital funding in a timely manner over reasonably expected time frames. If that critically needed capital funding from the State does not or will not be forthcoming, then Metra would not pursue those new services.
31. Pace Financial Management Pace should continue to present its budget per GAAP; prepare and adopt a ten-year financial plan; and demonstrate the financial capability to achieve a state of good repair for the system.	Complete	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.

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		With the passage of the RTA reform legislation in January 2008, the RTA has required Pace and the other Service Boards to provide ten year financial plan information to RTA in response to their budget information call. Pace has provided the Ten Year Financial Plan in the format requested and is the only Service Board to include the ten year plan information in its published budget document (reference attached). 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 Five and Ten Year Capital 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. Both versions of the plan are included in the published Budget Document (attached). The unconstrained plan is based on achieving and maintaining a state of good repair and the funding required to do so is in excess of current forecasts. As a result, no major projects are identified for system expansion. 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.

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<u>32. RTA Capital Program</u> RTA should investigate whether "pay-as-you-go" financing for a part of the capital program would be a more efficient use of State funds than relying totally on bond financing. RTA's capital program should include a provision for disclosure of unfunded capital needs. Note: The new RTA Act requires the RTA to describe the financial condition of public transportation over a ten-year period for both operating and capital. For capital, this would require the identification of both funded and unfunded needs in support of operations, and thus necessitates an assessment of the condition of existing capital assets and the preparation of replacement and rehabilitation schedules.	In-Process	The RTA agrees that the capital program should include "pay-as-you-go" funding, but that would require the RTA system to have a greater level of funding, including a dedicated source of revenue. The RTA Strategic Plan contains an assessment of the region's capital funding needs, and will be updated as necessary. A State Capital Plan is expected this year, and will allow the RTA to better consider the "pay-as-you-go" funding option. As defined in the RTA Act, the RTA is in the process of developing both "constrained" and "unconstrained" capital budgets and will require that the SBs submit them regularly as part of the budget process. Furthermore, this concept of disclosing unfunded capital needs has been formulated into a performance measure under the "Maintenance and Capital Investment" section and is intended to be evaluated annually. The "Measures Matrix-Goals" is attached as validation. In addition, in order to develop a baseline of capital needs, the RTA has executed a contract with URS to complete a Capital Asset Condition Assessment. This project will result in a report that not only identifies the condition of individual assets and asset categories, but will determine the investment level necessary to bring the system into a State of Good Repair. The report will identify the resources required to eliminate the current backlog of projects that exists and will project a timeline for the replacement and rehabilitation of assets that will exceed their useful life within the next ten-years. It is expected that the assessment will be completed by the end of 2009.
<u>33. CTA Capital Program</u> The CTA should implement various recommended actions regarding its capital program.	In-Process	The CTA has implemented the recommendations, and re-prioritized the capital program, including the elimination of slow zones and vehicle replacement to move the system to a state of good repair. The long-range strategy is to focus on current system maintenance consistent with limited capital funding.
<u>34. Metra Capital Program</u> Metra should review its past grant awards and determine if projects that are	Complete	Over the past two years, Metra has worked closely with its funding partners, the FTA, RTA, and IDOT, to reduce its unobligated

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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.		balance of grant funds. To this end, Metra has closed out numerous capital grants that were contributing to its unobligated fund balance and is continuing to make progress in reducing its overall unobligated fund balance. In this regard, it should be noted that one of the major factors affecting Metra's total unobligated fund balance has been its federal New Starts Projects. Because these projects were each completed significantly under budget, the unobligated balances of the new start grants comprise nearly 17% of Metra's total unobligated capital fund balance. Metra is currently in discussions with the FTA to use substantial portions of these funds for additional work under the new start projects, thereby ensuring that federal dollars are not lost to the region.
<u>35. Pace Capital Program</u> 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.	Complete	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. We completed this annual review in 2007 and 2008 and closed out 8 grants. Documentation which supports the close-out of these grants is attached. In addition, Pace has made progress in its efforts to reduce unexpended balances. Pace's unobligated federal capital grants balance at year end 2008 was $36,580,830.
<u>36. Contracts and Procurements</u> RTA should assist the SBs in identifying and facilitating opportunities for joint procurements. CTA and Pace should pursue a joint bus farebox procurement.	In-Process	<u>RTA</u> The RTA has established a procurement working group for the procurement officers of each agency to interact on a regular basis to explore possible joint procurements. RTA has also spearheaded the research of specific potential opportunities, such as the joint procurement of diesel fuel. RTA has written a policy (draft) that addresses the issues and outlines the protocols that each agency can include in its procurement process to permit joint procurements. The draft "Joint Procurement"

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		policy is attached as supporting documentation. <u>CTA</u> The Pace/CTA joint farebox procurement is on hold due to a lack of funding. The CTA is also evaluating more effective transit fare collection strategies. In 2008, CTA began catalog contracts and a purchasing card program in order to expedite purchasing and gain efficiencies. <u>Metra</u> As previously reported, Metra has over its history explored various opportunities for joint purchasing with the other service boards; however, these prior efforts have found little in terms of practical application. Metra is not opposed to such efforts and has, in fact, actively pursued the consolidated procurement of various high volume, high dollar items among the various purchase of service carriers in order to achieve maximum competitive pricing and to take advantage of Metra's sales tax exemption. It has also enjoyed some success at the state and federal levels, where Metra (and the other service boards) have been able to take advantage of certain joint purchasing strategies. Beyond those situations where joint purchasing has made sense, Metra's experiences to date would seem to indicate that a broader move in that regard would not represent a particularly efficacious utilization of resources. The problem is not so much a matter of the service boards having divergent terms, conditions, or administrative procedures. Rather, it is that most of the items that are purchased by the agencies are, themselves, different or unique to that organization's core business operation. As a prime illustration, Metra's locomotive fleet requires a different type of diesel fuel than that used by the CTA or Pace. Additionally, the service boards have also found that whatever price advantages there may be are oftentimes offset by the increased administrative cost involved. Potential concerns relative to delivery

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		schedules, vendor responsiveness, product reliability, and other similar quality control issues, as well as the possible adverse impact problems in any of these areas can have on actual operations, have also been identified as limiting factors.
<u>37. CTA Fleet</u> CTA should review and update its Capital Improvement Program (CIP) to ensure it captures the total cost of replacing bus and rail fleets; even out the fleet age profile; and continue to implement AECOM Consult recommendation relative to CTA's non-revenue fleet of vehicles.	Complete	The CTA CIP reflects a 5-year fleet replacement cost per RTA Act, whereas the total cost of replacing the bus and rail fleets extends beyond this period; CTA has been unable to reduce the average fleet age due to insufficient capital funds; and the AECOM recommendations have been implemented. In 2008, CTA executed two bus leases in order to accelerate the replacement of overage vehicles. As a result of these transactions, CTA retired its oldest buses in the fleet (1991).
<u>38. Metra Fleet</u> Metra should examine whether it is more cost-effective to maintain and rehabilitate its electric fleet or replace it .	Complete	As previously reported, Metra has thoroughly assessed the operational and economic feasibility of another possible rehabilitation of its Electric District car fleet. At this time, replacement of the Highliners is Metra's single highest capital priority as there is simply no question that the fleet is beyond its useful life and is not a candidate for additional rehabilitation. The Highliner cars were purchased by the Chicago South Suburban Mass Transit District in the early 1970s and subsequently assumed by Metra when it acquired the former Illinois Central Gulf commuter operation in 1987. Unfortunately, an array of shortsighted decisions were made as a part of the original design and construction of the equipment--not the least of which was the choice to utilize carbon steel car bodies despite the industry standard by then having shifted to stainless steel. As a result, rather than a typical car life expectancy of 50 years or more, the Highliner fleet is already at the end of its economically useful life. Other design deficiencies in the cars purchased by the CSSMTD required Metra to undertake extensive modifications in order to maintain basic operational performance. Metra has, in the past, had to completely upgrade and replace the cars' traction

RECOMMENDATION	STATUS	COMMENTS
		motors, compressor units, pneumatic contactors (that control the propulsion system), and braking systems. The cars also underwent a major mid-life rehabilitation, completed in 1995, at a cost of more than $150 million. Currently, many of the electrical components of the cars are no longer supported by the original equipment manufacturer; car bodies are subject to continuing and serious corrosion problems; and the present fleet cannot accommodate any restroom facilities as now required by Metra Board policy. Accordingly, the fleet must be replaced. Per recent Board action, an RFP for the acquisition of 160 new electric multi-unit gallery cars has been prepared and will be issued by the end of the year. Proposals are due to be received in early March, 2009. However, at a price tag of $585 million, it is clear that this acquisition simply will not occur without the emergence of a new State capital bond program. Development of such a funding source is the only viable mechanism available by which to finance the Highliner purchase; the same as was the case with the last two State programs which also included major rolling stock acquisitions. Failure to replace the Highliner fleet, due to an absence of required State funding, will result in major adverse operational, financial, and service reliability issues on Metra's Electric District.
39. Pace Fleet Pace should review its CIP to determine if it needs to be updated given that the total fleet replacement cost is not currently reflected. .	Complete	With the passage of the RTA reform legislation in January, 2008, Pace now has adequate operating funding and has been able to restore Federal 5307 funds to capital purposes. This action has allowed Pace to pursue its bus fleet replacement program. In 2008, Pace programmed for the replacement of 20 fixed route buses and 80 paratransit vehicles. In 2009, Pace programmed for the replacement of 37 fixed route buses and 128 paratransit vehicles. These actions along with continued annual programming of fleet replacements will bring Pace's fleet into alignment with industry standards for useful life over the next five years. The multi-year fleet replacement capital plan is identified in the 2009 Budget

RECOMMENDATION	STATUS	COMMENTS
		document attached.
40. CTA Headquarters CTA should continue its efforts to find a tenant for the top floor of its headquarters building.	In-Process	The CTA's real estate consultant, Jones Lang LaSalle (JLL) has issued an RFP for the top two floors of the CTA headquarters building. Several parties have expressed interest in leasing the space and multiple tours of the site have been conducted. Supporting documentation can be found at http://www.ctarealestate.com/.
41. Metra Headquarters Metra should continue its efforts to find tenants for the unoccupied space in its headquarters building.	Complete	Metra has actively marketed the vacant space in its building over the past year and has continued to utilize the services of a commercial broker to assist us in these efforts. With the downturn in the economy, especially hard hit has been the commercial real estate market. Metra's corporate headquarters office is a Class C building. Average downtown occupancy of Class C buildings is currently running at approximately 83%. As the result of a concerted effort by Metra's in-house property development staff, supported by the marketing efforts of its commercial broker, Metra's current occupancy rate is approximately 95%, significantly above the market average. During 2008, five new leases were signed placing an additional 27,953 rental square feet under lease that will generate approximately \$2.0 to \$2.2 million in revenue over a five year period. While some of these leases extend beyond five years, Metra will continue its leasing efforts in 2009 with the goal of achieving 100% leased status in 2009.
42. Surplus Real Property CTA and Metra should implement a formal process to regularly assess property utilization, declaring inactive property as surplus, and then disposing of the surplus property.	In-Process	<u>CTA</u> CTA has a process in place for identifying and disposing of surplus property, and will expand this process to include an annual review. The CTA real estate consultant, Jones Lang LaSalle (JLL) has completed its 2008 review and will actively seek new owners for parcels, including those found along the Brown Line in 2009. Supporting documentation can be found at http://www.ctarealestate.com/. <u>Metra</u> Metra has developed a formal policy to deal with parcels of its property that are

RECOMMENDATION	STATUS	COMMENTS
		determined to be surplus. Such policy, which has been submitted and accepted by the FTA, guides Metra's annual review of its property. A copy of the policy is attached.
43. Commercial Activities SB real estate management personnel should continue to pursue initiatives and opportunities to introduce or expand commercial services.	Complete	CTA CTA has reorganized its real estate operations and has outsourced portions of this operation to better focus on commercial opportunities at its transit facilities. Metra Metra's efforts to maximize the value of its real estate, whether managed by in-house staff or by third parties continued in earnest in 2008. The basic goal is to ensure, at all times, that Metra is generating the maximum benefit that can be achieved. Metra staff constantly reviews the terms and conditions associated with property under lease or license to ensure that fair market value is being received. When necessary, Metra utilizes the services of a commercial real estate broker to enhance this effort. Pace 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.
44. Private Investment The CTA should examine private investment opportunities and develop a methodology to address it.	In-Process	CTA's real estate consultant Jones Lang LaSalle (JLL) has increased agency efforts to establish transit-oriented developments across the system. Three sites for joint development projects have already

RECOMMENDATION	STATUS	COMMENTS
		undergone an initial Phase 1 Pre-due diligence process and will undergo additional valuation/opportunity assessments. Fifteen additional properties have been identified for Phase 1 Pre-due diligence stage. Supporting documentation can be found at http://www.ctarealestate.com/.
45. Property Management CTA should develop a codified list of building condition requirements that represents minimum acceptable standards of cleanliness or repair.	In-Process	CTA's real estate consultant Jones Lang LaSalle is coordinating with CTA Facilities Planning to develop an estimate of physical maintenance tasks and associated costs to improve available concession locations to make them market ready for leasing. Supporting documentation can be found at http://www.ctarealestate.com/.
46. Real Estate Management CTA and Metra should develop a formal process that considers the opportunity cost of owning and managing their own real estate portfolio.	In-Process	CTA CTA's real estate consultant, Jones Lang LaSalle has begun this process by implementing a formal analysis process of surplus properties. Supporting documentation can be found at http://www.ctarealestate.com/. Metra In 2006, Metra reorganized the real estate and contract management function and transferred these responsibilities under the direction of the General Counsel. As part of this reorganization, separate and distinct business units were created to track, monitor, assess and maximize the real estate holdings, or potential real estate holdings, of the corporation. These separate units are (1) Real Estate Acquisition and Development; (2) Property Management and Revenue Development; and (3) Contract Management. Each of these business units is led by one of Metra's senior associate general counsels, attorneys each with more than 20 years of experience in the practice of real estate and related matters. Each area works closely with user departments within Metra, primarily in the operations department, to determine how best to acquire and manage the organization's overall real estate portfolio. Under this approach, when Metra acquires property, it will typically seek to contract with the local municipalities as to the operation and maintenance of the parcels, which

RECOMMENDATION	STATUS	COMMENTS
		reflects Metra's overall policy to work cooperatively with the communities it serves relative to their stations and parking facilities. These decisions are made on a case-by-case basis in consultation with the Chief Operations Officer and the Executive Director. Often, though, the municipalities will desire to operate and maintain commuter parking facilities and train stations within their communities. Metra has numerous such agreements and requires that all revenue derived from such operation, in excess of expenses, is maintained in a separate fund available for station and parking lot improvements. In the absence of such an agreement, the property development team works to lease all available space and turns the operation of the parking spaces over to Metra's contractor (Imperial Parking). As a final note, the contract management unit tracks and monitors all agreements on a computer based software program. Each unit works closely with the other, and with user departments, and is always conscious of the opportunity cost of owning and managing our property interests.
47. AECOM Consult Recommendations The CTA should continue to implement the AECOM Consult recommendations related to the management of real property.	Complete	The CTA has pursued these efforts through the reorganization and outsourcing of its real estate operations which began in July with the contract with Jones Lang LaSalle. Supporting documentation can be found at http://www.ctarealestate.com/.

STATUS UPDATE OF "OTHER ISSUES"

(pertaining to the implementation of Public Act 95-0708)

LEGISLATIVE REQUIREMENT	STATUS	COMMENTS
1. Increased participation and coordination with CMAP.	Complete	The amended RTA Act calls for increased participation and collaboration between the RTA and the Chicago Metropolitan Agency for Planning (CMAP). This has been accomplished throughout 2008 at both the committee level and the staff level. At the committee level, the RTA continues to participate actively as a member of all CMAP committees that deal specifically with transportation. This includes the MPO Policy Committee, the Transportation Committee, the CMAQ Project Selection Committee, the Unified Work Program (UWP) Committee, the Advanced Technology Task Force, the Bicycle and Pedestrian Task Force, and the Intermodal Advisory Task Force. In addition, the RTA is also a member of both the Human Services Committee and the Land Use Committee, which have scopes that extend beyond transportation. Furthermore, the RTA Executive Director represents the MPO Policy Committee on the CMAP Board and on the CMAP Programming Coordinating Committee. New activities in 2008 included a standing item on the CMAP Transportation Committee meeting agenda for the RTA to provide an update on implementation of House Bill 656 and other relevant topics. In addition, the RTA presented recommendations for the new funding programs to both the MPO Policy Committee and CMAP Transportation Committee during the public comment period as part of the RTA's public participation process. In turn, CMAP presented their Developments of Regional Importance (DRI) process to the RTA Planning Committee in November 2008. At the staff level, RTA and CMAP senior executives now meet on a monthly basis to ensure continuous collaboration between staff. Activities resulting from this increased collaboration include CMAP staff participation in the Selection Review Committees for the RTA's funding programs (ICE, JARC/New Freedom, Community Planning, and Sub-regional Planning). In addition, RTA staff and consultants are now using regional survey data

		from the recent CMAP household travel and activity inventory to conduct the RTA's Market Analysis Study. CMAP is also participating in the RTA-led transit component of the Elgin-O'Hare Study. In 2009, CMAP staff will conduct the travel demand modeling for the RTA's Cook-DuPage Corridor System Alternatives Analysis. On the flip side, RTA staff is now supporting the financial forecasting component of CMAP's GO TO 2040 initiative to develop the region's long range transportation and land use plan. Such collaboration eliminates duplication of efforts and expertise between the RTA and CMAP. Furthermore, in regards to Outreach Collaboration, the RTA and CMAP established an staff level Outreach Collaboration Committee that meets monthly. The intent of the committee is to discuss what each other is doing in the arena of outreach and to look for ways to collaborate or offer assistance that will maximize each other's outreach goals. RTA's outreach efforts include publicizing public hearings, educating the public about the Strategic Plan and capital investment needs. CMAP has worked to publicize *GOTO 2040,* their regional strategic plan that encompasses public transit within their comprehensive regional planning strategy. The principle thrust of the Committee is to synchronize the region's strategic plan where feasible as it relates to public transit. Interaction between the RTA and CMAP has been fruitful thus far. Both parties have been open and transparent on their outreach efforts and where they are headed. Both avail themselves of each other's marketing resources in order to multiply outreach efforts (e.g. website link, Internet announcements, InTransit references, etc.). To date, specific initiatives for mutually sharing information include CMAP's 2040 Partner Program, previewing and commenting on CMAP's Latino community Regional Snapshot draft and seeking RTA involvement in the Future Leaders in Planning, or F.L.I.P. program. As we move forward in our collaboration efforts, we will include periodic progress review sessions for evaluative purposes.
2. Establishment of an ICE Fund.	Complete	The Innovation, Coordination and Enhancement (ICE) program was established as part of the Mass Transit Funding and Reform legislative package (P.A. 95-0708) enacted in January

		2008 by the State of Illinois. The amended RTA Act authorizes the RTA to establish a new competitive funding program (with a $10 million annual appropriation beginning in 2008) to enhance the coordination and integration of public transportation, and to develop and implement innovations to improve the quality and delivery of public transportation. ICE program funds are for operating or capital grants or loans that advance the goals and objectives of the RTA's strategic plan. Eligible recipients include the RTA's Service Boards (Chicago Transit Authority, Metra and Pace), transportation agencies, or units of local government. The intent of the ICE program is to advance the RTA's Strategic Plan goal of providing transportation options by ensuring that passengers experience a seamless public transportation system with coordinated fares, services, information and physical connections. In addition, the ICE program supports the Strategic Plan objectives of facilitating the use of transit to access jobs and for other trip purposes, providing reliable and convenient transit services, and enhancing efficiencies through effective management, innovation and technology. Immediately after amendment of the RTA Act in January 2008, RTA staff began preparation of ICE Program guidance materials including the grant application and selection criteria. In June 2008, the program website was launched and the call for projects was issued, followed by an open house in July 2008. Twenty-one ICE applications were received by the RTA and evaluated by the Selection Review Committee in August 2008. The Selection Review Committee consists of staff from the RTA and the Chicago Metropolitan Agency for Planning (CMAP), and is charged with developing a recommended Program of Projects by first ranking the projects in accordance with the project selection criteria. This competitive selection process resulted in a recommended program of 11 projects that was released for public comment in September 2008. The pubic comment period included presentations to the CMAP Transportation Committee and the MPO Policy Committee in September and October, respectively. After considering input from the public participation process, the RTA Board approved the recommended 2009 ICE Program of Projects in

		October 2008, and subsequently included this program in the 2009 RTA Budget. RTA staff is now working on grant agreements with the 11 applicants that received 2009 ICE project awards, in order to distribute the ICE funding and implement the approved projects.
<u>3. Development of a coordinated marketing program.</u>	In-Process	The Regional Transportation Authority (RTA) is working to develop a regional marketing program through collaboration and increased coordination between the Authority and the CTA, Metra and Pace. The Authority is working to fulfill legislation that was signed into law in 2008. That legislation reads: *"The Authority shall, after consulting with the Service Boards, develop regionally coordinated and consolidated sales, marketing, advertising, and public information programs that promote the use and coordination of, and transfers among, public transportation services in the metropolitan region. The Authority shall develop and adopt, with the affirmative vote of at least 12 of its then Directors, rules and regulations for the Authority and the Service Boards regarding such programs to ensure that the Service Boards' independent programs conform with the Authority's regional programs."* **Marketing implementation status:** - **Rules & Regulations**: RTA staff has begun considering rules and regulations that will be adopted by the RTA Board to ensure collaboration continues on an ongoing basis between the RTA and its Service Boards to achieve the goals of improving ridership and making the transit system more user-friendly. - **Marketing Summit**: In November, 2008, the RTA convened an inaugural Transit Marketing Summit that convened over 20 marketing professionals from the RTA and the service boards. Together, the various agencies: briefed one another on their marketing plans; discovered areas of overlap; and had meaningful exchanges on how best to collaborate further on various marketing topics. - **Marketing Collaboration Committee**: Chaired by the RTA's Director of Communications, the marketing heads of all four agencies planned the summit, and the group has been sustained on an

		ongoing basis to strategize, implement and assess regional marketing on a broader level. - **Working Groups:** To maintain ongoing collaboration, the following groups were developed after the Transit Marketing Summit and focus on four areas to achieve efficiencies, improve collaboration and aid in the promotion and exchange of information. o Transit Events o Market Research o The Transit Benefit Fare program o New Rider Guide The Working Groups have begun meeting as needed to exchange information and determine next steps. - **Paratransit**: The RTA has begun working with Pace to collaborate on a campaign to help convert eligible paratransit riders to use fixed-route transit in an effort to reduce paratransit costs. The RTA's Travel Training program will also be integral to this effort. - **Peer Review**: The RTA has begun working with APTA to conduct a peer review of the marketing efforts at the RTA, the CTA, Metra and Pace. - ***drive less. live more.***: The RTA continues to lead the multi-agency committee guiding the *drive less. live more.* campaign to promote alternate forms of transportation other than driving. This initiative is a $1.25 million grant funded by a Congestion Mitigation Air Quality (CMAQ) grant.
4. Studying of BRT.	In-Process	The amended Act states that to improve public transportation service in areas with limited access to commuter rail service, the RTA and Pace shall evaluate the feasibility of implementing new bus rapid transit services using the expressway and tollway systems and shall explore a BRT demonstration project on Interstate to test and refine approaches to bus rapid transit operations. In the Northeast Illinois region, transit demand is growing not only in existing transit rich areas but also in areas where there has been less transit demand in the past. However, transit funding is limited (especially capital funding), making high

		cost rail investment unaffordable. As a result an interest in BRT, which is thought to be a cost effective transit solution, is developing throughout the region. In the Fall of 2008, the RTA Board formed a Bus Rapid Transit Subcommittee with the following objectives: • To learn from regions that have experience in planning and implementing BRT; • To explore the viability of BRT in our region with regard to cost effectiveness, market potential and engineering; • To catalyze interest among relevant agencies and stakeholders; and • To coordinate and facilitate initiatives among agencies and stakeholders that will move BRT forward in a concerted fashion within our region. To this end, the RTA will lead the region in identifying demonstration BRT projects for implementation and evaluation. As a first step, the RTA has formed an interagency working group to begin information sharing and partnering among the Illinois Department of Transportation, the Illinois Tollway, CTA, Metra, Pace, Chicago Metropolitan Agency for Planning and Chicago Department of Transportation. The RTA has also begun to reach out to peer regions through a RTA-hosted roadway engineer's workshop, site visits to Cleveland and Los Angeles and information exchange with other regions such as Toronto, Kansas City and the Twin Cities. Based on a body of existing and current studies, the process of identifying potential corridors for BRT implementation is in progress. The RTA is working closely with individual agencies to examine the potential merits and costs of specific corridors. To assist in further efforts, a consultant has been retained to provide detailed planning and engineering analysis. To date, high-level cost estimates have already been conducted to better understand the magnitude of cost for a potential BRT service along I-55. Pace is currently conducting a study to identify lead candidate suburban arterials for BRT implementation. Also, a partnership with the Tollway has been established to examine high-capacity transit options as part of their Green Lanes plan. Before demonstration

		projects are announced, RTA must further explore each project's market potential and determine each project's financial plan.
5. Creation of a disadvantaged business enterprise program and an equal opportunity employment program.	In-Process	**Disadvantaged Business Enterprise Operating Program (DBE)** RTA With regards to the requirement to establish and maintain a disadvantaged business enterprise (DBE) contracting program designed to ensure non-discrimination in the award and administration of contracts not covered under a federally mandated DBE program, RTA currently has such a program, which meets the guidelines of 49 Code of Federal Regulations, Part 26, Participation by Disadvantaged Business Enterprises in Department of Transportation Programs. RTA is working to update its contractor availability study, and use that study to update its annual overall DBE goal, based on demonstrable evidence of the availability of ready, willing and able DBEs to participate in the program's contracts. RTA also establishes contract specific DBE goals. As a component of this program, RTA also is committed to monitoring DBE compliance, requiring two-party signed DBE subcontracts, and proof of payment to the DBEs. Further, as required, RTA will meet the program implementation and reporting deadlines in the Act. CTA The Chicago Transit Authority has retained the services of a consultant to develop a procurement study, pursuant to Illinois Public Act 95-0708, which will be the foundation for the components of the Disadvantaged Business Enterprise Operating Program (DBEOP). The first phase of the study has been completed and the consultant is currently engaged in Phase II. The CTA, in agreement with the consultant has set a target completion date of July 31, 2009, at which time the results of the study shall be evaluated, a DBEOP developed for internal review and approval and submission to the CTA Board for final review and approval. The DBEOP will be designed to ensure nondiscrimination in the award and administration of contracts not covered under a federally mandated disadvantaged business enterprise program. The program will also establish narrowly tailored goals for the participation of disadvantaged business

		enterprises as the CTA deems appropriate. The goals shall be based on demonstrable evidence of the availability of ready, willing, and able disadvantaged business able to participate on the program's contracts. The program shall include monitoring the progress of the contractors' obligations with respect to the program's goals. <u>Metra</u> With regards to establishing and maintaining a disadvantaged business enterprise (DBE) contracting program designed to ensure non-discrimination in the award and administration of contracts not covered under a federally mandated DBE program, Metra is currently preparing such a program, following its approved DBE program, which meets the guidelines of 49 Code of Federal Regulations, Part 26, Participation by Disadvantaged Business Enterprises in Department of Transportation Programs. For this program, Metra shall establish narrowly tailored goals for the participation of DBEs as Metra determines appropriate. To that end, besides certain non-federally funded purchases of $100,000 or more, where Metra has already been awarding contracts to DBE prime contractors and DBE subcontractors, Metra is currently reviewing all of its non-federally funded purchases, regardless of the dollar amount of the contract, in order to establish an annual overall DBE goal, as well as contract specific DBE goals, based on demonstrable evidence of the availability of ready, willing and able DBEs to participate in the program’s contracts. As a component of this program, Metra also is committed to monitoring DBE compliance as it does in its federally funded DBE program, requiring two-party signed DBE subcontracts, proof of payment to the DBEs, and site visits, as appropriate. Further, as required, Metra will meet the program implementation and reporting deadlines in the Act. **Equal Employment Opportunity Program (EEOP)** <u>RTA</u> The RTA currently maintains an equal employment opportunity (EEO) program in accordance with Federal Transit Authority (FTA) regulations. The RTA’s EEO program consists

		of an analysis of its workforce and it identifies job categories, and levels of employment in which minorities and women are underrepresented. Included in the EEO program is a written, detailed, results oriented set of procedures designed to achieve full utilization of minorities and women at all levels and in all parts of the RTA's workforce. These procedures include the role of the Human Resources Department, the EEO officer and management personnel in outreach, targeted recruitment and training development of both minorities and women. RTA has filed its first annual report, and is fully prepared to fulfill its future reporting requirements pursuant to 70 ILCS 3615/2.31. <u>CTA</u> The CTA currently maintains an EEOP. The CTA's EEOP consists of an analysis of its workforce and it identifies job categories, and levels of employment in which minorities and women are underrepresented. Included in the EEOP is a written, detailed, results oriented set of procedures designed to achieve full utilization of minorities and women at all levels and in all parts of the CTA's workforce. These procedures include the role of the Human Resources Department, the Diversity Programs Section of the Diversity and Small Business Compliance Programs Department and management personnel in outreach, targeted recruitment and training development of both minorities and women. <u>Metra</u> Metra created its Equal Employment Opportunity Plan and Program in accordance with FTA Circular 4701.1, "Equal Employment Opportunity Program Guidelines for Grant Recipients," dated July 26, 1988. The current EEO Program was received by the FTA's Office of Civil Rights on April 26, 2007. The Program has been approved by the FTA through May 30, 2010. In addition to documenting Metra's commitment to equal opportunity, it underscores the importance of providing non-whites, females of all races, and otherwise qualified people with disabilities the opportunity to be recruited, hired, promoted, trained and retained. Amongst other things, it contains Metra's EEO and Sexual Harassment Policies, Metra's Reasonable Accommodation Procedures, the Director of Employment Services' Recruitment and Selection Procedures, Metra Job Titles, and U.S. Census workforce availability baselines

		currently in use at Metra. The Plan does not interfere with the exercise of sound and unbiased managerial discretion in hiring and promotion. Metra has filed its first annual report, and is fully prepared to fulfill its future reporting requirements pursuant to 70 ILCS 3615/2.31.

Appendix D

AGENCY LETTERS

Regional Transportation Authority

November 20, 2009

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(312) 913-3200
www.rtachicago.com

William G. Holland
Auditor General
740 East Ash
Springfield, Illinois 62703-3154

Dear General Holland:

Thank you for the opportunity to review, comment and elaborate further on the Office of the Auditor General's Follow-Up Report, Status of 2007 Performance Recommendations. There has been significant activity on the part of the RTA as we continue to implement the various recommendations.

I am happy to report, since first submitting information in February 2009 on the status of the various recommendations contained in the audit, further progress has been made. Two additional recommendations have been implemented: Recommendation #3, (Establishment of Performance Measures) and Recommendation #23 (Adequate Funding of the RTA Pension Plan). Please find attached a report on the Status Update of OAG Recommendations, which includes updated information on the additional implemented recommendations.

The RTA continues to make progress on fully implementing the outstanding six audit recommendations, which requires a joint collaboration between the RTA and the Service Boards. The RTA views the Audit recommendations as an opportunity and is committed to pursuing completion of the proposals to attainment.

Sincerely,

Stephen E. Schlickman
Executive Director

Attachment

cta Metra pace

STATUS UPDATE OF OAG RECOMMENDATIONS IMPLEMENTED

RECOMMENDATION	STATUS	COMMENTS
3. Performance Measures RTA should work with the SBs to develop performance measures. Note: The new RTA Act requires that the RTA establish performance measures and standards regarding the adequacy, efficiency, and coordination of public transportation services in the region that are linked to the Strategic Plan. It specifically mentions customer related performance data requirements and requires the publishing of the reports on the agency website.	Implemented	The RTA established a Performance Measures Task Force, which included the SBs. The RTA developed, with input from the Task Force, a comprehensive performance measurement system that included regional and sub-regional measures. The output measures aggregate data from all three SBs to present a truly regional perspective, as well as measures that reflect individual SB performance. Although the Task Force was assembled and began its work before the passage of the new legislation, it has integrated requirements from the legislation into its assignments. For example, the Task Force is cognizant of the linkage that the legislation defines between the development of performance measures and the goals, objectives, and standards that are outlined in the Strategic Plan, and therefore, has placed great emphasis on assuring consistency and support between the two. It has also developed various levels of performance measures, with a particular emphasis on customer related data, to address the legislative requirements. In May, 2009 the RTA Board adopted an Ordinance implementing a set of regional performance measures for five areas: 1) Service Coverage, 2) Service Efficiency and Effectiveness, 3) Service Delivery, 4) Service Maintenance and Capital Investment, and 5) Service Level Solvency. The measures link performance and are intended to provide a comprehensive analysis of the region's transit system. Data was collected and a Report Card for Regional Performance Measures was published. The Report Card will be prepared on an annual basis and will include trend analysis of five years of data. In June 2009, an analysis of the system's performance, as compared

		to its peers, was prepared and presented to the RTA Board and the "2007 Peer Group Report Card" was issued covering northeastern Illinois and nine other regions. The RTA Board has directed staff to continue working on the next major steps in the performance management process: 1) Develop targets/goals for each measure; and 2) Develop "sub-regional" and Service Board specific measures. Three documents are attached which demonstrate implementation: "Regional Performance Measures Matrix", which identifies Regional Performance Measures and the "Regional Performance Measures 2007 Group Report Card", which highlights a summary performance report, and the "2007 Peer Report Card". Separate from the recommendations contained in the audit, internally, and following best practices, the RTA has developed and implemented internal performance measures for each employee. Individual goals are based on the overall strategic goals of the RTA. These performance measures are then used to evaluate the performance of each employee. Relevant materials from the RTA Human Resources Department are attached.
<u>23. RTA Pension Plan (RTA, Metra, and Pace)</u> Continue to take actions to ensure pension plan is adequately funded; periodically review the 8.5% return assumption; and consider phase-out of lump sum option. Note: The RTA pension fund was addressed in a previous amendment to the RTA, which included language to ensure that the plan was adequately funded.	Implemented	All recommendations have been addressed. The adequacy of the pension plan funding is legislatively mandated and thus it is the fiduciary responsibility of the trustees to review actuarial studies, return assumptions, and other aspects of the fund's solvency. The RTA has made the actuarially recommended contribution each year which funds the System at 100%. The 8.5% return assumption is reviewed annually. The Pension Plan Trustees considered a phase out of the lump sum option and decided to revise the discount assumption, thus making the lump sum option less attractive. This approach will diminish the use of the lump sum option. Please find attached documentation indicating payments made to the RTA Pension Plan for calendar year 2007. Also included is a statement from a representative of the Pension System indicating the 2008 required contributions are consistent with the RTA adopted policy of making contributions at the actuarially recommended amount to fund the plan at 100%. Finally, attached is a document from the

		Plan's actuary which indicates the required contribution amount.

RICHARD L. RODRIGUEZ
President

CHICAGO TRANSIT AUTHORITY

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October 16, 2009

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

Dear Mr. Holland:

Thank you for providing the Chicago Transit Authority with the draft of the Follow-Up Report on the Status of the 2007 Performance Audit Recommendations. The 2007 Audit confirmed the integrity of CTA's accounting, and the performance audit verified that CTA's efficiency is generally consistent with industry standards. Both of these findings gave CTA the basis to successfully pursue P.A. 95-0708.

CTA has made significant progress towards implementing many of the areas identified in 2007, and will continue its best efforts to close the findings labeled "partially implemented." As we have previously stated, fully addressing these remaining findings is contingent upon contract negotiations with our unions as well as the amount of capital funding made available from the State and Federal governments.

In these tough economic times we continue to look for ways to tighten our belts and achieve additional operational efficiencies, and we appreciate your office's efforts in promoting transparency on these issues. We are committed and dedicated to continuing the work identified by the report.

Thank you for your office's thorough analysis and review.

Sincerely,

Richard L. Rodriguez
President

Metra[SM]

547 W. Jackson Blvd. Chicago, Illinois 60661 Telephone: (312) 322-6900 TTY# 1-312-322-6774

October 8, 2009

Mr. Ameen Dada
Senior Auditor Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, Illinois 62703-3154

Dear Mr. Dada:

In follow-up to your correspondence dated September 23, 2009, please be advised that Metra has completed its review of the Auditor General's Follow Up Report on the status of 2007 Performance Audit Recommendations. Metra believes the report fairly conveys our efforts as we reported in our update earlier this year and, as such, we stand by our response as submitted at that time. If there is any other assistance we can provide as the review process continues, please let us know.

Sincerely,

Philip A. Pagano
Executive Director