



THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY Serving Northeastern Illinois

Comprehensive Annual Financial Report
For the Year Ended December 31, 2018

PACE SUBURBAN BUS SERVICE

2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2018



Prepared by the Finance Department

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The Suburban Bus Division
of the Regional Transportation Authority
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Rocky Donahue
Executive Director

May 29, 2019

The Board of Directors
Pace, the Suburban Bus Division of the Regional Transportation Authority
Arlington Heights, Illinois

Dear Honorable Board Members:

The Comprehensive Annual Financial Report (“CAFR”) for Pace, the Suburban Bus Division of the Regional Transportation Authority (RTA), for fiscal year ended December 31, 2018 is hereby submitted.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Pace’s management. A comprehensive system of internal controls has been established by the management of Pace to ensure that the financial statements are fairly presented. Because the cost of a control should not exceed the anticipated benefits, the objective of Pace’s internal controls are to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Disclosures necessary to enable the reader to gain an understanding of Pace’s financial activities have been included.

Pace is required by the RTA Act to undergo an annual audit by independent certified public accountants. Baker Tilly Virchow Krause, LLP performed the audit and issued an unmodified opinion on Pace’s financial statements. The independent auditors’ report is located at the front of the financial section of this report. Baker Tilly Virchow Krause, LLP also conducted an audit of Pace’s major federal program for the year ended December 31, 2018 based on the Single Audit Act of 1996 and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

PROFILE OF THE GOVERNMENT

In 1974, the Illinois General Assembly adopted, and a six-county referendum approved, the establishment of the RTA. The RTA was to serve as a mechanism through which State funds and taxes authorized by the referendum would flow to the Chicago Transit Authority (“CTA”), the several railroads providing commuter rail services to Chicago, and to a host of public and private bus companies operating in the region outside the City of Chicago. The RTA was also authorized to contract directly for the provision of bus service to the suburban area outside the City of Chicago.

By 1983, mass transit in the northeastern Illinois six-county region consisting of Cook, DuPage, Will, Lake, Kane and McHenry counties was facing financial challenges. The Illinois General Assembly responded by amending the RTA Act to restructure both the funding and the structure of the RTA. The authority of the RTA to directly contract for bus service was eliminated. Instead, three service boards were created effective on July 1, 1984; one being the CTA, the second being the Northeast Illinois Railroad Corporation (“Metra”), and the third being the Suburban Bus Division of the RTA (“Pace”). The CTA remained responsible for heavy rail and bus service in Chicago as well as in some suburbs adjacent to Chicago. Metra became responsible for providing commuter rail service in the six-county region. Pace became responsible for providing bus transportation services in suburban Cook County and the five Collar Counties. The RTA remained a taxing authority, but otherwise was limited to serving as a fiscal and policy oversight agency for the six-county area.

In the ensuing years Pace assumed the operation of a host of public and privately owned bus companies. Besides providing fixed route service, Pace also initiated demand-responsive service, vanpool service and Americans with Disabilities Act (ADA) paratransit service outside of Chicago. Pace provides these services through a mixture of its own facilities and equipment, as well as private and municipal contracted services.

In July of 2005, Illinois statutes made Pace the sole provider of ADA services for the region including the City of Chicago. Pace assumed the Chicago ADA service from the CTA on July 1, 2006.

Structure

Pace is governed by a Board of Directors consisting of thirteen members. Six directors are appointed by the suburban members of the Cook County Board of Commissioners, five directors are appointed by the chairman of the county boards of the five Collar Counties (DuPage, Kane, Lake, McHenry and Will), and one director is the Commissioner of the Chicago Mayor’s Office for People with Disabilities. The Chairman of the Pace Board is appointed by a majority of the suburban Cook County Commissioners, and the Chairman of the Collar County Boards.

Each member of the Pace Board, except the Commissioner of the Chicago Mayor’s Office of People with Disabilities, must be a mayor or village president from his or her respective region, or a former mayor or village president and, in either case, must reside in his or her respective region. The Chairman of the Board need not be a mayor or former mayor. Each Board member and the Chairman serve a four year term.

Services

Pace operates fixed route service throughout the six county area serving over 200 municipalities. The fixed route service is operated out of Pace’s nine operating divisions as well as through contracted service operated by both public and private carriers. Pace operates a Bus-On-Shoulder program along Interstate 55, an expressway linking the southwest suburbs to

Chicago's central business district, the Loop. Pace also operates express bus service along the Jane Addams Tollway (I-90). Pace partnered with the Illinois Tollway to develop designated bus lanes along the corridor.

Pace contracts with a number of outside carriers that provide Dial-A-Ride service to the communities in Pace's region. In most cases, Pace has a financial partnership with a city or township to pay for and operate the Dial-A-Ride service. Dial-A-Ride programs have different rules on fares, geographic boundaries and passenger eligibility. Pace also operates a number of On Demand services (previously known as Call-N-Rides) that provide curb to curb service through the use of a reservation based system. The On Demand service is similar to Dial-A-Ride, except it is open to the general public so everyone is eligible to ride. Passengers need to call to reserve a trip only one hour in advance. By 2019, Pace will add an online booking feature to all of the On Demand Services. Pace currently operates eleven different On Demand services across the six county region.

The ADA Paratransit service is required by the Americans with Disabilities Act and is provided for customers whose disability or health condition prevents them from using CTA and/or Pace fixed route services for some or all of their travel. Only persons who are certified by the Regional Transportation Authority are eligible to ride ADA Paratransit. Trips are provided at the same times and within the same geographic areas as fixed route. In 2006, Pace became the designated provider of ADA Paratransit service for the entire Chicago region. Pace currently contracts with private carriers that provide service in the six county region and the City of Chicago. In addition to the private carriers, Pace also contracts with a number of taxi companies to provide service for the Taxi Access Program ("TAP") and Mobility Direct program in the City of Chicago. Pace's fixed route service is also accessible to people with disabilities. The Regional Transportation Authority offers a training program for those who wish to learn how to ride fixed route services.

Pace's traditional Vanpool program (VIP) allows people that live or work in the same area to commute together for a low monthly fare. Pace expanded its traditional Vanpool program to local communities by offering employer shuttle service and Metra feeder service. Pace provides vans to organizations or workshops that provide work related transportation service to persons with disabilities through its Advantage Program. Pace also has a Community Vehicle Program that offers townships and communities the opportunity to use vans to implement a transportation program or to supplement their existing transportation services. Pace continues to work with organizations such as RTA and WageWorks to provide customers with options for paying their Vanpool fares with pre-tax benefits.

Pace is the designated public rideshare administrator for Northeastern Illinois. The program provides a free matching service to commuters who are interested in forming carpools or vanpools.

Organization

Pace operates its directly provided transportation services out of nine operating divisions. Each operating division has its own collective bargaining agreement, which covers wages, fringe benefits and working conditions as well as retirement plans for bus operators, mechanics and servicers. Pace also has a location in East Dundee that houses buses for the I-90 service.

Pace has an acceptance facility that prepares new deliveries of fixed route and paratransit buses for service to all Pace locations. This facility also services all of the electronic accessories associated with buses such as revenue collection devices, communication devices, destination signs and the equipment used as part of Pace's Intelligent Bus System.

Pace has a central headquarters facility in suburban Cook County that houses Pace senior management and the personnel responsible for revenue, planning and administrative services. In 2006, Pace opened an administrative office in Chicago to house personnel that support the ADA services. In addition to these facilities, Pace also currently has eleven transportation and transfer centers, eighteen bus turnaround facilities and fourteen Park-n-Ride lots. Pace also has a number of other boarding and transfers locations throughout the six county region.

Revenue and Funding

Pace generates operating income through a formal fare structure based on the bus and vanpool service that it provides. Pace also relies on operating assistance received from federal and local funding sources. Pace's primary source of non-operating assistance comes from the RTA in the form of sales taxes. Sales taxes authorized by the RTA Act are collected by the Illinois Department of Revenue and apportioned to the three service boards by the RTA. Legislation passed in 2008 established new sales tax and PTF funding that designated monies for an ADA Paratransit Fund as well as other funding to support additional service and projects that enhance ridership and improve transit. In July 2017, the State of Illinois passed a budget bill that contained a 2% surcharge on the collection of RTA sales tax funds which are collected by the Illinois Department of Revenue. In the State's fiscal year 2019 budget, the sales tax surcharge was decreased to 1.5%. This change took effect beginning with Pace's April sales tax funding. Information regarding Sales Tax and PTF funding can be found on page 36 of the Management's Discussion & Analysis ("MD&A").

In addition to operating assistance, Pace also receives capital funding from the Federal Transit Administration ("FTA"), Illinois Department of Transportation ("IDOT") and the RTA. A summary of the capital funding received in 2018 is detailed on page 31 of the MD&A.

Financial Planning

Pace is subject to the budgetary controls of the RTA Act, which requires Pace to submit an annual budget, a three year financial plan for the proposed budget, and a five year capital plan. The RTA notifies Pace of their estimated sales tax funding expected to be available during the upcoming fiscal year and next two following years. Pace must then prepare and publish a comprehensive annual budget and financial plan which complies with the RTA funding estimates. Prior to submitting the budget to the RTA, Pace must hold at least one public hearing in each county that it services. After incorporating input received during the public hearings, Pace finalizes its budget and submits it to the RTA by November 15 of each year.

National and Local Economy

The national economy continues to expand at a moderate pace. The projected U.S. annual growth rate of 3% fell short in 2018 despite \$1.5 trillion in tax cuts and increased government spending. The Gross Domestic Product (GDP) grew at a rate of 2.9% in 2018 largely due to increases in consumer spending, exports, federal government spending and business investment. The growth in 2018 was the strongest since 2015. The annual average unemployment rates decreased in 25 states in 2018. The U.S. jobless rate declined by .5% to 3.9% in 2018. With the decreasing unemployment, the primary concerns are labor shortages and inflationary pressures that can occur due to full employment. Economic expansion and job growth continues to result in more tax revenue for state governments. U.S. Census Bureau reports show that nationwide tax revenues increase 7.8% in second quarter of 2018 compared with the second quarter of 2017.

The Illinois economy and job rate has been expanding at a slow and stable rate. Illinois' jobless rate trended lower and decreased to 4.1% in the fall of 2018. The economy added roughly 70,000 net positions which was two-thirds more than 2017. Wage growth has been accelerating as the quality of new jobs keeps improving.

On June 4, 2018, Governor Rauner signed P.A. 100-586 authorizing an agreed upon fiscal year 2019 budget. This was the first on time State budget in over three years. The State's three largest revenue sources, individual income tax, corporate income tax and sales tax, are estimated to total \$28.7 billion, a net increase of approximately 4.3% over fiscal year 2018. Sales tax revenues reflect an approximate increase of \$372 million due to expanded legal authority to require out-of-state retailers to collect sales tax on sales to Illinois customers. In 2018, Illinois elected a new governor, J.B. Pritzker, who is establishing a number of transition committees. The Restoring Illinois' Infrastructure Committee has been established to focus on surface, rail, water, broadband and community infrastructure improvements. A long overdue comprehensive capital bill is one of the priorities of this committee.

Financial Polices

In order to allow for the payment of obligations in a timely manner, the Pace Board of Directors adopted a Working Cash Policy in 2004. The policy required the unrestricted net position of the Suburban Services Fund to be the value of at least eight percent (8%) of the current operating budget. In 2018, the decision was made to replace the policy with a Working Capital Policy. The implementation of a new accounting standard regarding Other Post Employment Benefits in 2018 significantly impacted the net position for Pace. The new Working Capital Policy calculates the amount of cash availability as a percentage of operating expenses to determine the number of days of liquidity. Information regarding the Working Capital Policy can be found on page 98.

The Pace Board of Directors updated the Investment Policy in December 2013. The policy conforms to all applicable Illinois statutes and incorporates the Government Finance Officers Association of the United States and Canada (“GFOA”) investment best practices. The primary objective of the policy is to invest in public funds in a manner which will maximize return, minimize risk and meet the daily cash flow needs of Pace. The investment policy applies to all financial assets of Pace except the employee pension funds which have their own investment policies.

Pace also adopted a Debt Management Policy in December 2013, in response to its statutory authority granted through legislation to issue revenue bonds effective January 1, 2013. The policy was updated in April 2015. Pace is authorized to issue up to \$100 million in bonds for four specific projects. The Debt Management Policy recognizes the statutory authority to issue debt and incorporates GFOA best practices for debt management within the policy. Pace completed its first bond issuance in 2015 for \$12 million that was used for the conversion of the South Division facility in Markham into a compressed natural gas facility.

Major Initiatives

As part of the push to establish a capital bill for the State of Illinois, Pace along with CTA and Metra have developed a “Get on Board” campaign to encourage taxpayers to voice their support for more funding for public transportation. The RTA’s Regional Transit Strategic Plan outlines public transportation needs across Chicago and Northeastern Illinois totaling between two and three billion dollars.

In November 2018, Pace purchased a facility in Wheeling, Illinois that was previously operated by Allstate Insurance. The facility has the potential to house both administrative offices as well as a bus garage. Pace will be contracting with design and construction engineers to develop plans for the new facility.

Pace and the IDOT have partnered to launch a new bus-on-shoulder service on the Edens (I-94) Expressway. IDOT's construction work on the right-hand shoulder of the Edens was completed and the bus-on-shoulder operations commenced in April 2018. Two existing routes near the CTA Dempster Station in Skokie were the first to use the shoulder in this corridor. Pace has seen the ridership on their I-55 Bus-On-Shoulder service increase more than 600%. Pace does not anticipate the same ridership increase for the Edens service but does expect ridership growth and improved schedule reliability. Pace is working on determining additional routes that will be able to utilize this new service.

In 2013, the Illinois Tollway announced a \$240 million project to integrate transit as part of the Jane Addams Memorial Tollway (I-90) Rebuilding and Widening Project. New buses with Wi-Fi and USB charging ports were purchased and the service started in 2016 after completion of the tollway construction. Pace expanded service on this corridor by adding six new routes and enhanced service on six existing routes. New park-n-ride facilities were constructed at the intersection of I-90 and Randall Road, I-90 and IL-25 and at I-90 and Barrington Road. The Barrington Road Station opened in 2018 and features the first in-line transit station in Illinois. The funding for this interchange was made possible by the Illinois Tollway, IDOT and the Village of Hoffman Estates. The previous partial interchange at Barrington Road was rebuilt into a full access interchange. The I-90/Barrington Road Station has the region's first bus-only ramps built within the roadway providing passenger drop off service. There is also a 170-space parking lot and bike racks for the Pace Park-N-Ride located on the north side of I-90. The design requires less space and provides more efficient traffic flow.

Pace and the Village of Plainfield partnered on the construction of a new Plainfield Park-n-Ride to accommodate the rapidly growing ridership on the I-55 bus-on-shoulder service. In August 2018, the new park-n-ride opened providing 600 additional parking spots along with additional amenities.

Pace continued public outreach for its new Pulse Arterial Bus Rapid Transit program. Pulse will provide enhancements to fixed route service including limited stops, express service and improved station design. Construction on the Milwaukee Line began and Pulse stations are being set up along Milwaukee Avenue. Service on the Milwaukee Line is anticipated to begin in 2019. Pace also plans to move to the design phase for the Dempster Line. Pace has secured a grant through the Congestion Mitigation and Air Quality program to fund construction on this line. Pace and CTA have partnered to develop a Pulse Halsted Line along South Halsted Street that will connect with the future CTA Red Line extension. Pace is also starting the planning for a new Pulse Line along 95th Street between Chicago and Palos Hills.

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AWARDS AND ACKNOWLEDGEMENTS

The GFOA presented Pace with a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for fiscal year ending December 31, 2017. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA for its consideration.

The preparation of this report would not have been possible without the efforts of the staff at Pace. In particular, we wish to express our appreciation to the members of the Finance Department who contributed to the preparation of this report.

Respectfully submitted,



Melinda J. Metzger
General Manager and Chief Operating Officer



Dominick Cuomo
Chief Financial Officer

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PACE
THE SUBURBAN BUS DIVISION OF
THE REGIONAL TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2018

BOARD OF DIRECTORS

Chairman

Richard A. Kwasneski

Directors

Central Suburban Cook County

Terrance Carr

South Suburban Cook County

Terry R. Wells

Southwest Suburban Cook County

Kyle R. Hastings

Northwest Suburban Cook County

Al Larson

DuPage County

Thomas D. Marcucci

Will County

Roger C. Claar

North Central Suburban Cook County

David B. Guerin

Kane County

Jeffery D. Schielke

McHenry County

Aaron T. Shepley

North Shore Suburban Cook County

Christopher S. Canning

Lake County

Linda Soto

Mayor's Office for People with Disabilities,

Karen Tamley

City of Chicago

ADMINISTRATION

Interim Executive Director

Rocco Donahue

Deputy Executive Director, Revenue Services

Melinda J. Metzger

Deputy Executive Director, Strategic Services

Lorraine Snorden

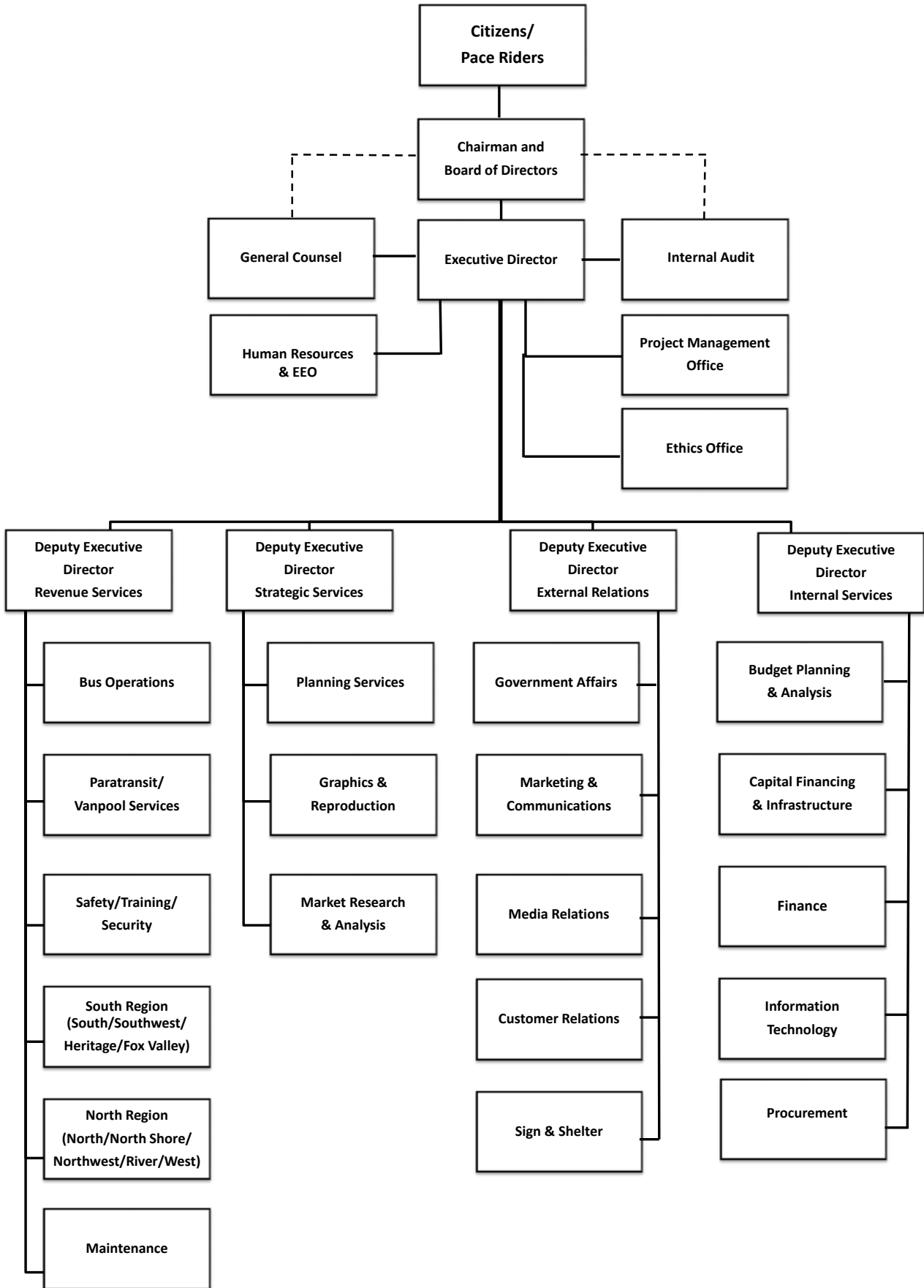
Chief Financial Officer

Dominick Cuomo

Department Manager, Accounting

Laura LaDuke

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Pace the Suburban Bus Division
of the Regional Transportation Authority
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pace, the Suburban Bus Division of the
Regional Transportation Authority
Arlington Heights, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Pace, the Suburban Bus Division of the Regional Transportation Authority ("Pace"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Pace's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Pace's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Pace, the Suburban Bus Division of the Regional Transportation Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Pace as of December 31, 2018 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, Pace adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pace's basic financial statements. The Other Supplementary Exhibits as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Exhibits are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pace's basic financial statements. The Introductory, Statistical, and Other Information sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Pace's financial statements for the year ended December 31, 2017, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2019 on our consideration of Pace's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pace's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
May 29, 2019

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

Our discussion and analysis of Pace Suburban Bus Service's ("Pace") financial performance provides an overview of the agency's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the agency's basic financial statements and footnotes that begin on page 40.

Using This Report

This annual report consists of a series of financial statements. The *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position* and the *Statement of Cash Flows* (on pages 40 - 45) provide information about the activities of Pace as a whole and present a long term view of the agency's finances. Since Pace operates as a single governmental program in two enterprise funds, fund financial statements are not required.

Reporting on the Agency as a Whole

Our analysis of Pace as a whole – which consists of two enterprise funds – begins on page 26. The *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position* can be used to determine whether Pace as a whole is better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the agency's net position and changes in them. The net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure Pace's financial health or financial position. Over time, increases or decreases in Pace's net position are one indicator of whether its financial health is improving or deteriorating. Other financial factors should be considered as well, such as, the level of public funding received from the RTA, sales tax revenue, external funding for capital projects and working cash balances. Based on Pace's current year financial and operating performance, the agency's overall financial position improved during 2018.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

Financial Highlights

- **Net Position decreased by \$6.5 million** in 2018. Net Position represents Total Assets and Deferred Outflows of Resources minus Total Liabilities and Deferred Inflows of Resources. The decrease in Net Position reflects an \$8.2 million reduction due to the implementation of Governmental Accounting Standards Board Statement No. 75. A prior period adjustment was made to record the liability for Other Post Employment Benefits which resulted in the decrease to Net Position. Net Investment in Capital Assets increased \$20.0 million which was primarily due to the purchase of 40 fixed route buses and 83 vanpool vehicles.
- **Total Operating Revenues for 2018 were \$70.5 million** which represented a 5.9% increase from 2017. The primary increases were in Pace-Owned Service Revenue and Paratransit Revenue.
- **Non-Operating Revenues increased \$.5 million** (or .2%) to \$332.3 million in 2018. A decrease in Regional ADA Paratransit Funding of \$7.1 million was offset by an increase of \$3.5 million in Retailer's Occupation & Use Tax from RTA (85% Formula) and an increase of \$4.2 million in ADA State Funding.
- **Total Operating Expenses decreased by \$1.1 million** (or .3%) to \$443.2 million during 2018. The main increase were in Pace-Owned Service Expense and Depreciation Expense which were offset by decreases in Contract Payments to Carriers and Administrative Expenses.
- **Pace achieved a recovery ratio of 31.1%** which was above the RTA mandated recovery ratio of 30.3% for Suburban Services in 2018. The recovery ratio calculation includes credits for revenue lost from the Seniors Circuit Ride Free Program, expenses incurred by Not-For-Profit Providers from the VIP Advantage program and the pension expense in excess of actual contributions. The Suburban Services Recovery Ratio schedule can be found in Schedule 1A on page 134.
- **Pace achieved a recovery ratio of 10.4%** which was above the 10% recovery ratio requirement for Regional ADA Paratransit Services in 2018. The recovery ratio calculation includes an expense credit for costs incurred by ADA Paratransit contractors' expenses. The Regional ADA Paratransit Recovery Ratio schedule can be found in Schedule 1B on page 135.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

Ridership

Pace ridership decreased in 2018. Some of the highlights are as follows:

Highlights:

- **Pace served 34.5 million passengers** in 2018 which reflected a 3.2% decrease over the 2017 ridership total of 35.6 million.
- **Ridership on Pace operated service decreased 3.8%** in 2018. The largest increase was at River Division which operates the I-90 Express Service and continued to see growth in 2018.
- **ADA Paratransit ridership increased slightly in 2018** with ridership of 4,265,453 for Chicago and Suburban ADA service versus 2017 ridership of 4,255,637.
- **Vanpool ridership decreased .7% in 2018** to 1,720,242. The total number of active vans at the end of 2018 was 641 which was down from 663 active vans at the end of 2017.
- **Pace opened the Barrington Road Park-N-Ride station** in 2018 which serves passengers on the I-90 Express Service. The station includes an in-line transit station, pedestrian bridge over the tollway and a 170 space park-n-ride lot.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

The Agency as a Whole

	<u>2018</u>	<u>2017</u>	<u>Change</u>
		*	
ASSETS			
Current Assets	\$ 138,864,183	\$ 159,710,886	\$ (20,846,703)
Capital Assets	327,825,389	308,909,172	18,916,217
Other Noncurrent Assets	-	160,138	(160,138)
Total Assets	<u>466,689,572</u>	<u>468,780,196</u>	<u>(2,090,624)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	9,828,004	18,560,743	(8,732,739)
Deferred Outflows - OPEB	1,277,860	-	1,277,860
Total Deferred Outflows of Resources	<u>11,105,864</u>	<u>18,560,743</u>	<u>(7,454,879)</u>
LIABILITIES			
Current Liabilities	61,335,210	87,710,485	(26,375,275)
Total Noncurrent Liabilities	80,377,228	59,107,661	21,269,567
Total Liabilities	<u>141,712,438</u>	<u>146,818,146</u>	<u>(5,105,708)</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	4,274,090	2,238,407	2,035,683
Deferred Inflows - OPEB	8,108	-	8,108
Total Deferred Inflows of Resources	<u>4,282,198</u>	<u>2,238,407</u>	<u>2,043,791</u>
NET POSITION			
Net Investment in Capital Assets	320,625,389	300,669,310	19,956,079
Restricted for Bond Repayment	1,200,000	1,200,000	-
Unrestricted	9,975,411	36,415,076	(26,439,665)
Total Net Position	<u>\$ 331,800,800</u>	<u>\$ 338,284,386</u>	<u>\$ (6,483,586)</u>

* The 2017 Net Position in the above schedule does not reflect restatement of the beginning balance for the change in accounting principle due to implementation of GASB 75.

Net Position at December 31, 2018 decreased to \$331.8 million from \$338.3 million due to a \$20.0 million increase in Net Investment in Capital Assets offset by an \$26.4 million decrease in Unrestricted Net Position. The increase in Net Investment in Capital Assets is comprised of \$42.1 million in capital grants reimbursements, \$28.6 million in Pace funded capital projects and \$1.2 million in bond payments offset \$51.9 million in depreciation. Restricted Net Position represents one year of bonds payable that is legally restricted. The implementation of a new accounting standard in 2018 resulted in a prior period adjustment that decreased Unrestricted Net Position by \$8.2 million. Information regarding the adjustment to Net Position can be found on page 98 of the notes to the financial statements.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

The Agency as a Whole (Continued)

Total Assets decreased \$ 2.1 million in 2018 to \$466.7 million. The \$20.8 million decrease in Current Assets is attributed to a \$5.8 million increase in other receivables and a \$.3 million increase in inventory offset by a \$17.5 million decrease in cash, a \$3.3 million decrease in receivables from RTA, a \$5.4 million decrease in receivables for capital grants and a \$.7 million decrease in prepaid expenses. The decrease in cash is primarily due to the \$14.0 million purchase of property in Wheeling during 2018. Pace funds were used to purchase the property. Capital Assets increased \$18.9 million in 2018 due to a \$14.2 million increase in land and a \$25.6 million increase in equipment and buildings and improvements offset by an \$11.0 million decrease in capital projects in progress and a \$9.9 million increase in accumulated depreciation. Information regarding capital asset activity can be found on page 31. The bond proceeds were completely expended in 2018 which is the reason for the decrease in Other Noncurrent Assets.

Deferred outflows of resources decreased \$7.5 million in 2018. The implementation of the new accounting standard for other post retirement benefits resulted in the addition of a \$1.3 million deferred outflow for OPEB offset by a \$8.7 million decrease in deferred outflows related to pensions.

Current Liabilities decreased \$26.4 million in 2018. The decrease is comprised of a \$.6 million increase in accrued payroll, a \$5.3 million increase in other accrued expenses and a \$.5 million increase in unearned revenue offset by a \$7.7 million decrease in accounts payable and a \$25.1 million decrease in the current portion of insurance reserves. The decrease in the current portion of insurance reserves is due to a change in the methodology for determining the current and noncurrent portions.

Noncurrent Liabilities increased \$21.3 million as of the end of 2018. The increase was due to an increase of \$21.3 million in the noncurrent portion of insurance reserves, an increase of \$9.9 million in net OPEB liability and a \$.3 million increase in other liabilities offset by a \$9.0 million decrease in net pension obligation and a \$1.2 million decrease in the long term portion of bonds payable. The increase in the noncurrent portion of insurance reserves is due to a change in the methodology for determining the current and noncurrent portions.

Deferred inflows of resources increased \$2.0 million in 2018. The implementation of the new accounting standard for other post retirement benefits resulted in the addition of a deferred outflow for OPEB that was in addition to a \$2.0 million increase in deferred outflows related to pensions.

Information regarding the defined benefit pension plans and the associated pension liability, OPEB liability and the associated OPEB expense along with the deferred outflows of resources and deferred inflows of resources can be found beginning on page 65 of the notes to the financial statements and pages 102 - 109 in the Required Supplementary Information section.

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

Capital Assets

Pace received \$42.1 million in capital grant reimbursements in 2018 including:

- \$28.1 million from the Federal Transit Administration (FTA),
- \$14.0 million from the Regional Transportation Authority (RTA)

In addition, Pace used \$28.6 million for capital projects from its positive budget variance account.

These grant reimbursements were primarily used for:

- \$17.7 million in fixed route buses,
- \$8.6 million in paratransit vehicles,
- \$4.7 million in bus equipment,
- \$2.6 million in vanpool vehicles,
- \$2.5 million in building and improvements,
- \$1.3 million in capital parts and maintenance,
- \$1.1 million in shelters,
- \$1.0 million in garage and park-n-ride design,
- \$.6 million in transit signal priority and consulting,
- \$.7 million in computer equipment and software,
- \$.5 million in community transit vehicles,
- \$.4 million Real Time Bus Stop Signs
- \$.3 million in non-revenue vehicles,
- \$.1 million in project administration.

Pace purchased 40 fixed route buses totaling \$17.7 million, 83 vanpool vehicles totaling \$2.6 million, 7 community transit vehicles for \$.5 million, and 141 paratransit vehicles totaling \$8.6 million.

Information regarding capital asset activity for 2018 can be found in the notes to the financial statements on page 55 through 56 and page 60 as well as in Schedule 7 on page 141. Unrestricted Net Position is used to fund capital projects that do not have an external funding source. In 2018, the available Unrestricted Net Position is less than the total scheduled capital projects listed in Schedule 7. Management will work on obtaining alternate funding options for these projects. Information regarding Unrestricted Net Position can be found on pages 98 - 99.

Long Term Debt

On February 24, 2015 Pace issued \$12 million in Revenue Bonds Series of 2015 to be used for converting the South Division Garage into a compressed natural gas facility. The outstanding debt is backed by the operating revenues of the Suburban Services Fund. The debt must be repaid in annual principal payments of \$1,200,000. Pace currently does not have a credit rating. Its only debt issue was a taxable bank direct placement which did not require a credit rating. Details regarding long term debt can be found on page 63 and 64 of the notes to the financial statements and pages 126 - 127 of the Statistical Section.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%</u>
<u>Operating Revenue</u>				
Pace-Owned Service Revenue	\$ 33,423,398	\$ 31,529,471	\$ 1,893,927	6.0%
CMAQ/JARC Services	309,328	197,354	111,974	56.7%
Fixed Route Carrier Revenue	3,237,896	3,147,559	90,337	2.9%
Paratransit Revenue	23,999,015	22,052,769	1,946,246	8.8%
Vanpool Revenue	2,479,123	2,637,916	(158,793)	-6.0%
Reduced Fare Reimbursement	1,278,569	1,346,001	(67,432)	-5.0%
Advertising Revenue	2,874,169	2,833,629	40,540	1.4%
Miscellaneous	2,900,622	2,816,489	84,133	3.0%
Total Operating Revenue	<u>70,502,120</u>	<u>66,561,188</u>	<u>3,940,932</u>	<u>5.9%</u>
<u>Operating Expenses:</u>				
Pace-Owned Service Expenses	100,358,738	97,442,666	2,916,072	3.0%
CMAQ/JARC Expenses	5,048,909	5,222,387	(173,478)	-3.3%
Contract Payments:				
Fixed Route Carriers	9,097,482	9,891,307	(793,825)	-8.0%
Paratransit Carriers	165,233,406	174,538,536	(9,305,130)	-5.3%
Vanpool Expenses	2,444,895	2,456,557	(11,662)	-0.5%
Centralized Operations	69,662,001	70,045,201	(383,200)	-0.5%
Administrative Expenses	39,502,734	40,896,768	(1,394,034)	-3.4%
Depreciation	51,842,971	43,841,430	8,001,541	18.3%
Total Operating Expenses	<u>443,191,136</u>	<u>444,334,852</u>	<u>(1,143,716)</u>	<u>-0.3%</u>
Operating Income (Loss)	<u>(372,689,016)</u>	<u>(377,773,664)</u>	<u>5,084,648</u>	<u>1.3%</u>
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation & use tax from RTA (85% Formula)	95,682,874	92,119,153	3,563,721	3.9%
RTA Sales Tax/PTF (PA 95-0708)	33,757,658	33,022,154	735,504	2.2%
Regional ADA Paratransit Fund	150,334,299	157,413,630	(7,079,331)	-4.5%
RTA Discretionary Funding	4,314,789	4,423,872	(109,083)	-2.5%
Suburban Community Mobility Fund (SCMF)	25,077,390	24,140,579	936,811	3.9%
South Suburban Job Access Fund	7,500,000	7,500,000	-	0.0%
ADA State Funding	7,975,000	3,825,000	4,150,000	108.5%
Innovation Coordination and Enhancement Fund (ICE)	-	72,518	(72,518)	-100.0%
Federal Operating Grants	6,470,108	8,565,575	(2,095,467)	-24.5%
Interest on Investments	1,418,197	922,727	495,470	53.7%
Interest Expense	(241,800)	(264,000)	22,200	-8.4%
Total Non-Operating Revenue (Expenses)	<u>332,288,515</u>	<u>331,741,208</u>	<u>547,307</u>	<u>0.2%</u>
Income Before Other Revenues, Expenses, Gains, Losses & Transfers	<u>(40,400,501)</u>	<u>(46,032,456)</u>	<u>5,631,955</u>	<u>12.2%</u>
<u>Other Revenues, Expenses, Gains, Losses & Transfers</u>				
Capital Grant Reimbursements	42,144,846	98,514,054	(56,369,208)	-57.2%
Total Other Revenues, Expenses, Gains, Losses & Transfers	<u>42,144,846</u>	<u>98,514,054</u>	<u>(56,369,208)</u>	<u>-57.2%</u>
Change in Net Position	1,744,345	52,481,598	(50,737,253)	-96.7%
Beginning Net Position	338,284,386	285,802,788	52,481,598	18.4%
Restatement - Cumulative Effect of Change in Accounting Principle	(8,227,931)	-	(8,227,931)	-
Ending Net Position	<u>\$ 331,800,800</u>	<u>\$ 338,284,386</u>	<u>\$ (6,483,586)</u>	<u>-1.9%</u>

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

Comparison of Results: FY2018 vs. FY2017

Operating Revenue

Total Operating Revenue increased 5.9% or \$3.9 million in 2018. Significant changes in operating revenue are noted as follows:

- **Pace-Owned Service Revenue** – The \$1.9 million increase in revenue is due to an increase in Ventra related revenue. While ridership on Pace-Owned Service decreased, revenue on higher premiums routes contributed to an increase in revenue.
- **Paratransit Revenue** – The \$1.9 million increase in revenue is due to an increase in the ADA cash fare from \$3.00 to \$3.25 as well as higher local share revenues due to increased services.

Operating Expenses

Total Operating Expenses decreased by \$1.1 million (or .3%) in 2018 which is comprised primarily of the following changes:

- **Pace-Owned Service Expenses** – The \$2.9 million increase in expense is primarily due to increased service for the I-90 routes which resulted in an increase in operator wages and other salaries and fringe benefits.
- **Paratransit Carrier Expenses** – The \$9.3 million decrease in expense is primarily due to funding received in 2018 that offsets contracted carrier expenses.
- **Administrative Expense** – The \$1.4 million decrease is primarily due to a decrease in net pension expense, consulting expense and Pace Service Study and Unified Work Program expenses offset by increases in salaries and fringe benefits.
- **Depreciation Expense** – The \$8.0 million increase in expense is due to the large number of new vehicles that were purchased and put in service during the later part of fiscal year 2017 and throughout fiscal year 2018.

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Non-Operating Revenue (Expenses)

Non-Operating Revenue (Expenses) increased \$.5 million or .2% to \$332.3 million in 2018. Specific factors contributing to the increase are outlined below:

- **Operating Assistance from the RTA** – RTA Sales Tax under the 85% Formula increased \$3.6 million in 2018.
- **RTA Sales Tax/PTF (PA 95-0708)** –RTA Sales Tax/PTF funding increased \$.7 million in 2018.
- **Regional ADA Paratransit Fund** – Funding from the Regional ADA Paratransit Fund decreased \$7.1 million in 2018.
- **RTA Discretionary Funding** – The RTA Discretionary Funding decreased \$.1 million in 2018.
- **Suburban Community Mobility Fund (SCMF)** –SCMF funding increased \$.9 million in 2018.
- **South Suburban Job Access Fund** – Pace received \$7.5 million in funding from the RTA for services in South Suburban Cook County in 2018.
- **ADA State Funding** – Funding for ADA service increase \$4.2 million in 2018.
- **Innovation, Coordination and Enhancement Fund (ICE)** – Pace did not have any funding for ICE routes in 2018.
- **Federal Operating Grants** – Pace had decrease of \$2.1 million in federal operating grants for 2018 due to a decrease of \$.4 million in CMAQ funding and a JARC grant that ended in 2017.

Other Revenues, Expenses, Gains, Losses and Transfers

- **Capital Grant Reimbursements** – The \$56.3 million decrease is due to a lower number of capital funded assets acquired in 2018 compared to 2017.

Net Position

- A change in accounting principle related to Other Post Employment Benefits resulted in a prior period adjustment of \$8.3 million and a decrease to beginning net position. Details regarding Other Post Employment Benefits can be found beginning on page 87.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

Economic Trends

RTA Sales Tax

The RTA Sales Tax is the primary source of revenue for Pace. The tax is authorized by Illinois statute, imposed by the RTA in the six-county area, and collected by the state. Historically, the Service Board statutory share is 85% of RTA Sales Tax and is apportioned to the three Service Boards: Pace, Metra and CTA. Pace receives 15% of the Service Board statutory share of sales tax collected in Suburban Cook County, and 30% of the share collected in the collar counties of DuPage, Kane, Lake, McHenry and Will. Pace received \$95.7 million in RTA Sales Tax in 2018 under the 85% Formula.

On January 17, 2008, Public Act (PA) 95-0708 was signed into law. The legislative action amended the RTA Act by establishing key RTA reforms and providing additional funding for the RTA and its three Service Boards. A new sales tax and PTF was established that identified funding for the following:

- *ADA Paratransit Fund* - The ADA Paratransit Fund started at \$100 million in 2008 and adjusts annually based on regional sales tax performance. For 2018, the RTA provided \$150.3 million in funding from the ADA Paratransit Fund.
- *Suburban Community Mobility Fund (SCMF)* - The fund is intended to support new and existing non-traditional service activities such as demand response, vanpool, reverse commute and others. The SCMF started at \$20 million in 2008 and adjusts annually based on the regional sales tax performance. For 2018, the RTA provided \$25.1 million in funding.
- *Innovation Coordination and Enhancement Fund (ICE)* - The fund was established for projects intended to improve or enhance ridership or customer service, for transit improvements intended to promote transfers, increase ridership and for transit-oriented land development. The ICE Fund started at \$10 million for 2008 and adjusts annually based on regional sales tax performance. For 2018, Pace did not submit any reimbursement requests from the ICE Fund.
- *New Sales Tax and Public Transportation Funds (PTF)* - After all monies are allocated to the above funds, the remaining amount is distributed as a New Sales Tax and PTF to the three Service Boards. Pace's allocation of the New Sales Tax and PTF is equal to 13% of the remaining amount. For 2018, Pace received \$33.8 million in New Sales Tax and PTF funding.

In addition to the above, the 2008 legislation also provided funding for the South Suburban Job Access program which is directed to pay for transit services in South Cook County that support employment opportunities. For 2018, the RTA provided \$7.5 million in funding for the South Suburban Job Access program. The RTA also provided \$4.3 million in Discretionary Funding in 2018.

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Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

The allocation of the funds established for 2018 and 2017 is as follows:

RTA OPERATING FUNDING (000's)

	<u>2018</u>	<u>2017</u>
Suburban Services Fund:		
RTA Sales Tax (85% Formula)	\$ 95,683	\$ 92,119
RTA Sales Tax/PTF (PA 95-0708)	33,758	33,022
RTA Discretionary Funding	4,315	4,424
Suburban Community Mobility Fund	25,077	24,141
South Suburban Job Access Fund	7,500	7,500
Innovation, Coordination & Enhancement Fund	<u>-</u>	<u>73</u>
Total Suburban Services Funding	<u>\$166,333</u>	<u>\$161,279</u>
Regional ADA Paratransit Fund:		
RTA Paratransit Fund	<u>150,334</u>	<u>157,414</u>
Total RTA Funding	<u>\$316,667</u>	<u>\$318,693</u>

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2018

Contacting Pace's Financial Management

If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Pace Suburban Bus Service, 550 West Algonquin Road, Arlington Heights, IL 60005.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash:		
Cash and Investments	\$ 56,295,203	\$ 73,940,226
Restricted Cash	1,204,406	1,202,547
Total Cash	<u>57,499,609</u>	<u>75,142,773</u>
Accounts Receivable:		
Regional Transportation Authority	54,377,288	57,680,234
Capital Grant Projects-FTA & IDOT	4,210,534	9,619,514
Other	14,105,942	8,273,233
Total Accounts Receivable	<u>72,693,764</u>	<u>75,572,981</u>
<u>Other Current Assets</u>		
Prepaid Expenses	1,951,595	2,609,709
Inventory - Spare Parts	6,719,215	6,385,423
Total Other Current Assets	<u>8,670,810</u>	<u>8,995,132</u>
Total Current Assets	<u>138,864,183</u>	<u>159,710,886</u>
<u>Noncurrent Assets</u>		
Capital Assets not Being Depreciated		
Land	31,829,385	17,600,771
Capital Projects in Progress	26,152,221	37,095,545
Total Capital Assets not Being Depreciated	<u>57,981,606</u>	<u>54,696,316</u>
Capital Assets Being Depreciated, Net		
Equipment	521,610,669	510,561,925
Building and Improvements	208,642,043	194,173,016
Less Accumulated Depreciation	(460,408,929)	(450,522,085)
Total Capital Assets Being Depreciated, Net	<u>269,843,783</u>	<u>254,212,856</u>
<u>Other Noncurrent Assets</u>		
Restricted Cash - Bond Proceeds	-	160,138
Total Other Noncurrent Assets	<u>-</u>	<u>160,138</u>
Total Noncurrent Assets	<u>327,825,389</u>	<u>309,069,310</u>
Total Assets	<u>466,689,572</u>	<u>468,780,196</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension	9,828,004	18,560,743
Deferred Outflows - OPEB	1,277,860	-
Total Deferred Outflows of Resources	<u>11,105,864</u>	<u>18,560,743</u>

See accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

LIABILITIES	<u>2018</u>	<u>2017</u>
<u>Current Liabilities</u>		
Accounts Payable:		
Operating	\$ 555,507	\$ 571,889
Capital	5,378,490	13,020,772
Accrued Payroll Expenses	11,333,901	10,758,651
Other Accrued Expenses	30,721,800	25,460,853
Unearned Revenue	2,328,410	1,847,882
Bonds Payable - Current	1,200,000	1,200,000
Current Portion of Insurance Reserves	9,817,102	34,850,438
Total Current Liabilities	<u>61,335,210</u>	<u>87,710,485</u>
<u>Noncurrent Liabilities</u>		
Insurance Reserve, Non-Current Portion	27,929,448	6,615,233
Net Pension Liability	18,093,850	27,074,200
Net Other Post Employment Benefits (OPEB) Liability	14,870,792	4,990,786
Advance From State	11,213,545	11,065,169
Bonds Payable, Non-current	6,000,000	7,200,000
Other Liabilities	2,269,593	2,162,273
Total Noncurrent Liabilities	<u>80,377,228</u>	<u>59,107,661</u>
Total Liabilities	<u>141,712,438</u>	<u>146,818,146</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension	4,274,090	2,238,407
Deferred Inflows - OPEB	8,108	-
Total Deferred Inflows of Resources	<u>4,282,198</u>	<u>2,238,407</u>
NET POSITION		
Net Investment in Capital Assets	320,625,389	300,669,310
Restricted for Bond Repayment	1,200,000	1,200,000
Unrestricted	9,975,411	36,415,076
Total Net Position	<u><u>\$ 331,800,800</u></u>	<u><u>\$ 338,284,386</u></u>

See accompanying notes to the Financial Statements.

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PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
<u>Operating Revenue</u>		
Pace-Owned Service Revenue	\$ 33,423,398	\$ 31,529,471
CMAQ/JARC Services	309,328	197,354
Fixed Route Carrier Revenue	3,237,896	3,147,559
Paratransit Revenue	23,999,015	22,052,769
Vanpool Revenue	2,479,123	2,637,916
Reduced Fare Reimbursement	1,278,569	1,346,001
Advertising Revenue	2,874,169	2,833,629
Miscellaneous	2,900,622	2,816,489
Total Operating Revenue	<u>70,502,120</u>	<u>66,561,188</u>
<u>Operating Expenses:</u>		
Pace-Owned Service Expenses	100,358,738	97,442,666
CMAQ/JARC Expenses	5,048,909	5,222,387
Contract Payments:		
Fixed Route Carriers	9,097,482	9,891,307
Paratransit Carriers	165,233,406	174,538,536
Vanpool Expenses	2,444,895	2,456,557
Centralized Operations	69,662,001	70,045,201
Administrative Expenses	39,502,734	40,896,768
Depreciation	51,842,971	43,841,430
Total Operating Expenses	<u>443,191,136</u>	<u>444,334,852</u>
Operating Income (Loss)	<u>(372,689,016)</u>	<u>(377,773,664)</u>
<u>Non-Operating Revenue (Expenses)</u>		
Retailers' occupation and use tax from RTA (85% Formula)	95,682,874	92,119,153
RTA Sales Tax/PTF (PA 95-0708)	33,757,658	33,022,154
Regional ADA Paratransit Fund	150,334,299	157,413,630
RTA Discretionary Funding	4,314,789	4,423,872
Suburban Community Mobility Fund (SCMF)	25,077,390	24,140,579
South Suburban Job Access Fund	7,500,000	7,500,000
ADA State Funding	7,975,000	3,825,000
Innovation Coordination and Enhancement Fund (ICE)	-	72,518
Federal Operating Grants	6,470,108	8,565,575
Interest on Investments	1,418,197	922,727
Interest Expense	(241,800)	(264,000)
Total Non-Operating Revenue (Expenses)	<u>332,288,515</u>	<u>331,741,208</u>
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(40,400,501)</u>	<u>(46,032,456)</u>
Other Revenues, Expenses, Gains, Losses and Transfers		
Capital Grant Reimbursements	42,144,846	98,514,054
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>42,144,846</u>	<u>98,514,054</u>
Change in Net Position	1,744,345	52,481,598
Beginning Net Position	338,284,386	285,802,788
Restatement - Cumulative Effect of Change in Accounting Principle	(8,227,931)	-
Ending Net Position	<u>\$ 331,800,800</u>	<u>\$ 338,284,386</u>

See accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

Increase (Decrease) in cash and temporary investments	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from fares	\$ 59,320,358	\$ 63,469,160
Cash received from other operating items	5,744,453	5,637,765
Cash payments to and on behalf of employees for services	(154,138,201)	(149,292,639)
Cash payment to contractual service providers and suppliers	<u>(232,319,333)</u>	<u>(254,772,532)</u>
Net cash used for operating activities	<u>(321,392,723)</u>	<u>(334,958,246)</u>
Cash flows from non-capital financing activities:		
Cash received from R.O.T. and use tax	93,633,879	93,041,289
Cash received from RTA Sales Tax/PTF	38,072,447	33,022,154
Cash received from Suburban Community Mobility Funding	24,849,934	24,117,429
Cash received from South Suburban Job Access	7,500,000	7,500,000
Cash received from Innovation Coordination and Enhancement	-	72,518
ADA Regional Paratransit Funding from RTA	163,542,467	156,012,138
Cash received from Federal Funding	6,470,108	12,989,447
Cash Advance on Sales Tax	<u>148,377</u>	<u>114,445</u>
Net cash provided by non-capital financing activities	<u>334,217,212</u>	<u>326,869,420</u>
Cash flows from capital and related financing activities:		
Capital contributed from capital grants	47,930,391	94,494,351
Acquisition and construction of capital assets	(78,534,579)	(108,007,013)
Payment of bond interest	(241,800)	(264,000)
Principal payments on bonds payable	<u>(1,200,000)</u>	<u>(1,200,000)</u>
Net cash used by capital and related financing activities	<u>(32,045,988)</u>	<u>(14,976,662)</u>
Cash flows from investing activities:		
Cash received from interest on short-term investments	<u>1,418,197</u>	<u>922,727</u>
Net cash provided by investing activities	<u>1,418,197</u>	<u>922,727</u>
Net increase (decrease) in cash and short-term investments	(17,803,302)	(22,142,761)
Cash and short-term investments at beginning of year	<u>75,302,911</u>	<u>97,445,672</u>
Cash and short-term investments at end of year	<u>\$ 57,499,609</u>	<u>\$ 75,302,911</u>

See the accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating Income (Loss)	(\$372,689,016)	(\$377,773,664)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation Expense	51,842,971	43,841,430
Change in assets and liabilities:		
(Increase) decrease in other accounts receivable	(5,863,046)	3,519,616
(Increase) decrease in inventory	(333,792)	(37,918)
(Increase) decrease in other assets	658,116	(509,323)
(Increase) decrease in deferred outflows related to pension	7,691,406	3,878,292
(Increase) decrease in deferred outflows related to OPEB	(1,277,863)	-
Increase (decrease) in accounts payable	(16,382)	17,115
Increase (decrease) in accrued payroll	575,250	749,883
Increase (decrease) in self insurance liability	(3,719,121)	4,643,892
Increase (decrease) in pension and other post employment obligations	(7,267,124)	475,227
Increase (decrease) in noncurrent liabilities	5,920,754	(13,888,297)
Increase (decrease) in deferred inflows related to pension	3,077,016	125,501
Increase (decrease) in deferred inflows related to OPEB	8,108	-
Total adjustments	<u>51,296,293</u>	<u>42,815,418</u>
Net cash used by operating activities	<u>\$ (321,392,723)</u>	<u>\$ (334,958,246)</u>
Non-cash Operating, Investing and Financing Activities:		
Purchase of capital assets in accrued expenses at year end	\$ 5,184,799	\$ 12,960,191

See the accompanying notes to the Financial Statements.

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**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF OPERATIONS

The Regional Transportation Authority Act, as amended effective November 9, 1983, established a Suburban Bus Division Board empowered to operate bus service serving suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry and Will.

On July 29, 2005, the governor signed House Bill 1663 making Pace Suburban Bus the sole provider of all ADA (American with Disabilities Act) services in the City of Chicago and the surrounding six counties. The Bill states that Pace becomes the official operator of CTA's (Chicago Transit Authority) ADA services on July 1, 2006.

The Suburban Bus Division Board consisted of twelve directors from suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry and Will. For the collar counties, each of the directors is appointed by the Chairman of the County Board in which his or her municipality is located. In Cook County, each of the directors is appointed by the Suburban members of the Cook County Board. The Chairman of the Board is appointed by a majority of suburban Cook County Board Members and Chairmen of the Collar County Boards. In August 2008, Senate Bill 1920 was passed which called for the appointment of the City of Chicago's Commissioner of the Mayor's Office for People with Disabilities to serve on the Pace Board as its thirteenth director. Each director must be a chief executive officer, or former chief executive officer, of a municipality within the county, or portion of the county, that appointed him or her. This restriction does not apply to the appointed Chairman or the City of Chicago's Commissioner of the Mayor's Office for People with Disabilities. Each Board Member serves a four year term.

The Suburban Bus Board determines the level, nature and kind of public bus transportation services that should be provided in the suburban region. Independent operations of the Suburban Bus Division (Pace) commenced July 1, 1984 and after June 30, 2006 for ADA service in the entire RTA region. In January 2008, Public Act 95-0708 was passed which addressed the financial crisis for transit and provided additional funding for both Suburban and ADA services.

Pace operates suburban bus services in Northeastern Illinois using rolling stock and structures and equipment purchased through capital grants funded by the Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA) and Pace's own funds.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pace maintains its accounting records and prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting policies:

a. Reporting Entity

As defined by Governmental Accounting Standards Board (GASB) Statement No. 14 – “The Financial Reporting Entity,” and amended by GASB Statement No. 61 – “The Financial Reporting Entity: Omnibus”, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Under GASB Statement No. 14, financial accountability is defined as:

- (a) Appointment of a voting majority of the component unit’s board, and either (1) the ability to impose will by the primary government, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (b) Fiscal dependency on the primary government.

GASB Statement No. 61 amends GASB Statement No. 14 in regard to fiscal dependency by requiring that a financial benefit or burden relationship would have to be present with the primary government. A financial benefit exists when the primary government is either legally entitled to the assets of the potential component unit or effectively has access to them. A financial burden would exist if the primary government was legally obligated or assumed an obligation to finance deficits of a potential component unit.

Under the RTA Act, the RTA Board has no control over the selection or the appointment of any of Pace’s directors or management. Further, directors of Pace are excluded from serving on the Board of Directors of the RTA.

In addition, Pace maintains separate management, exercises control over all operations (including the passenger fare structure), and is accountable for fiscal matters including: ownership of assets, issuance of debt, relations with federal and state transportation funding agencies that provide financial assistance, and the preparation of the operating budget. Pace is also responsible for the purchase of services and approval of contracts relating to its operation.

Applying the aforementioned criteria used to determine financial accountability, management does not consider Pace to be a component unit of the RTA. Pace is a separate legal entity from the RTA.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Based on this criteria Pace has defined its reporting entity as set forth below. The basic financial statements include the accounts of Pace's wholly-owned operating divisions. This includes a total of nine operating divisions: Pace North, Waukegan; Pace South, Markham; Pace Southwest, Bridgeview; Pace West, Melrose Park; Pace Fox Valley, North Aurora; Pace Heritage, Joliet; Pace Northwest, Des Plaines; Pace River, Elgin and Pace North Shore, Evanston. Pace also has an acceptance facility in South Holland, an outstation in East Dundee, a paratransit garage in McHenry and an administrative office in Chicago. In 2018, Pace purchased a building in Wheeling with the intention to convert it into offices and a bus garage.

b. Change in Accounting Principles

In June 2015, GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefit other than pensions (other postemployment benefits or OPEB). Pace offers other postemployment benefits in the form of retiree healthcare for West Division union employees as well as for the administrative non-bargained employees. This Statement is effective for fiscal years beginning after June 15, 2017. This Statement was implemented for fiscal year ending December 31, 2018. The notes disclosures for the OPEB plans can be found beginning on page 87. The implementation of this pronouncement resulted in a prior period adjustment that reduced Unrestricted Net Position. Details regarding this adjustment can be found in Note 12 on page 98.

In March 2016, GASB issued Statement No. 82 "Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73". This Statement addresses issues that have been raised regarding presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee contribution requirements. This Statement is effective for the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Statement was implemented for fiscal year ending December 31, 2018.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (Continued)

In November 2016, GASB issued Statement No. 83 “Certain Asset Retirement Obligations”. This Statement addresses accounting and financial reporting for certain asset retirement obligations. This Statement is effective for reporting periods beginning after June 15, 2018. Adoption of this Statement is not anticipated to have a material effect on Pace.

In January 2017, GASB issued Statement No. 84 “Fiduciary Activities”. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In March 2017, GASB issued Statement No. 85 “Omnibus 2017”. This Statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements and addresses a variety of topics such as component units, goodwill, fair value measurements and postemployment benefits. This Statement is effective for reporting periods beginning after June 15, 2017. This Statement was implemented for fiscal year ending December 31, 2018.

In May 2017, GASB issued Statement No. 86 “Certain Debt Extinguishment Issues”. This Statement addresses the accounting and financial reporting for in-substance defeasance of debt where cash and other monetary assets acquired only with existing resources outside of the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for reporting periods beginning after June 15, 2017. The implementation of this Statement does not impact the financial reporting for fiscal year ending December 31, 2018.

In June 2017, GASB issued Statement No. 87 “Leases”. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement is effective for reporting periods beginning after December 15, 2019. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (Continued)

In April 2018, GASB issued Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”. This Statement addresses the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement is effective for reporting periods beginning after June 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2018, GASB issued Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period”. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period as well as simplify the accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In August, 2018, GASB issued Statement No. 90 “Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61”. The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in legally separate organizations and to improve the relevance of financial statement information for component units. This Statement is effective for reporting periods beginning after December 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting

The financial activities of Pace are organized on a basis of an individual fund which is an accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The financial activities of Pace accounted for in the accompanying financial statements have been classified into the following fund type:

Proprietary Fund Type

Pace operates as an Enterprise Fund, a type of Proprietary Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. Net Position is segregated into Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. Revenues and expenses of the proprietary fund types are recognized using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred.

Pace's operating revenues are made up of farebox revenue, local subsidies, state fare subsidies, advertising revenue and miscellaneous revenue. Operating expenses for Pace include the costs of operating the transit system, administrative expenses and depreciation of capital assets. All other revenues and expenses are reported as non-operating.

Pace segregates activities into two separate enterprise subfunds, Suburban Services Fund and Regional ADA Paratransit Services Fund. The Suburban Services Enterprise Fund includes revenues and expenses generated from its Fixed Route, Dial-A-Ride and Vanpool Services. The Regional ADA Paratransit Services Enterprise Fund includes revenues and expenses related to the ADA services provided in the City of Chicago and the six county region. Separate activity for each Enterprise Fund is presented in the supplementary exhibits presented on pages 112 – 117.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Public Funding

Public funding for Pace's operations is provided by Sales and Use Taxes, payments from the State's Public Transportation Fund (PTF), Federal Operating Assistance under the Transit Act (FTA), Suburban Community Mobility Funding, South Suburban Job Access Program Funding and a dedicated source of funding from the RTA for the Regional ADA Paratransit Program.

Sales and use taxes are collected by retailers in the six-county area and remitted to the State of Illinois. In 2017, the State began deducting a 2% surcharge from the sales tax collections prior to remitting them to the RTA. In 2018, the State reduced the surcharge to 1.5%. The State remits the tax collections net of the surcharge to the RTA in the second month following collection by the retailers. The RTA then distributes the taxes to Pace and the other Service Boards based on a formula set by statute. Pace accrues its share of the sales and use taxes based on the budget amounts for these funds and then reconciles amounts actually received with the budget figure at the end of the year.

Revenues provided to Pace under the FTA are recognized by Pace in the fiscal years to which they apply. Pace also recognizes in the fiscal years to which they apply distributions from the RTA which are made from other funds over which the RTA has discretionary authority.

The Service Boards are collectively entitled to a distribution by the RTA of the PTF revenues which the RTA receives from the State. The portion of these revenues which is allocated by the RTA to Pace is recognized by Pace in the fiscal year to which the distribution applies.

On July 29, 2005, the Illinois General Assembly amended the RTA Act with regard to ADA Paratransit service. Based on the amendment, the RTA is responsible for the funding of all ADA Paratransit services within the RTA region.

In January 2008, Public Act 95-0708 was passed which established an increase of .25% in regional sales tax throughout the six county region along with a new PTF grant from the State equal to 5% of total sales tax collections. The funds from this additional sales tax and PTF is first allocated to the Regional ADA Paratransit Fund, Suburban Community Mobility Fund, and Innovation Coordination and Enhancement Fund. The remaining balance is allocated to the Service Boards under a new distribution in which Pace receives 13%. In addition to this funding, the RTA is also required to provide additional funding to Pace for the South Suburban Job Access Program.

e. Reimbursement of Public Contract Carriers Expense

Pace has agreements with certain municipal carriers to provide transportation in return for their budgeted expense reimbursement, which confirmed Pace ownership of collected revenue. Agreements between Pace and the particular transportation carriers defined the allowed expense reimbursement. Pace's financial statements recognize the ownership of these revenues and the reimbursement of their budgeted expenses.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Contract Payments to Private Transportation Carriers

Contract carriers expense is recognized as the purchased service is provided.

g. Compensated Absences

Vacation benefits have been accounted for in conformity with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16. GASB Statement No. 16 provides that employee vacation, sick and other leave benefits that vest and accumulate and it is probable the employer will compensate, must be recognized as expenses and liabilities in the year in which the benefits are earned rather than in the year in which they are paid. Statement No. 16 also requires additional amounts to be accrued for certain salary-related payments associated with the payment of compensated absences, for example, the employer's share of social security and medicare taxes. Accrued vacation and the associated employer's share of social security and medicare taxes are presented in current liabilities.

Effective in 2009, Pace implemented a policy that allows for the conversion of sick time to a 401k account upon voluntary termination of employment. The provisions of the policy require that the employee have a minimum of 10 years of credited service as defined by the RTA Pension Plan. An employee who leaves Pace employment with 10 years of credited service but is not retirement eligible under the RTA Pension Plan receives 60% of the value of their accrued sick time as a contribution to their 401k account. Employees that leave Pace with 10 years of credited service and are retirement eligible will receive 100% of the value of the accrued sick time as a contribution to their 401k account. In September 2016, the policy was amended to allow a cash payout of the sick pay balance upon termination instead of a 401k contribution. The eligibility requirements did not change. The maximum total sick time that can be accrued by an employee is 72 days. The compensated absences for sick pay are presented in current and long term liabilities.

h. Restricted Assets

In 2015, Pace issued \$12 million in bonds for capital projects. The restricted cash of \$1.2 million at December 31, 2018 represents the unexpended portion of the bond proceeds and \$1.2 million is restricted for debt repayment.

i. Inventories - Spare Parts

Inventories are valued at cost based on the first-in, first-out method. The inventories are located at the suburban bus system's operating divisions and public contract transportation agencies.

**PACE
THE SUBURBAN BUS DIVISION
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost associated with prepaid items is recorded as an expense when consumed rather than when purchased.

k. Property and Equipment and Accumulated Depreciation

Property and equipment are recorded at historical cost. Pace capitalizes assets with a useful life of one year or more that is either (a) capital equipment, (b) operation equipment with a unit cost of \$5,000 or more, (c) costs incurred to extend an asset's useful life as part of a fleet enhancement or major rebuild/rehabilitation program, or (d) an item determined to be highly susceptible to theft. Most of the assets have been acquired through capital grant projects funded by FTA, IDOT and the RTA. Costs funded by capital grants are recorded as capital items and are included in capital assets. Lease agreements generally require transportation agencies to use property and equipment only for public transportation and to maintain them. The asset costs include indirect costs based upon a rate approved by FTA.

The depreciation expense recorded on Pace's statement of revenues, expenses and changes in net position represents depreciation on assets purchased by Pace through the use of operating funds and capital grant funds. As required by GASB, depreciation expense has been classified as an operating expense for all depreciable capital assets, including those acquired through capital grants. Depreciation is computed on a straight-line basis using estimated useful lives listed below.

The estimated useful lives are as follows:

Buildings	20 - 30 years
Improvements	7 - 20 years
Equipment	3 - 12 years

Pace records intangible assets that meet the cost threshold of \$100,000 or greater. The amortization period for intangible assets ranges from 5 years to 20 years and is computed on a straight-line basis. Pace has elected not to retroactively record development costs related to internally generated software that were incurred prior to January 1, 2010.

**PACE
THE SUBURBAN BUS DIVISION
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Projects in Progress

Capital projects in progress represent ongoing capital grant projects in various stages of completion. Capital projects in progress totaled \$26,152,221 at December 31, 2018 and \$37,095,545 at December 31, 2017. The balance at December 31, 2018 represents the following projects in process: Improvements to the Randall Road Park and Ride of \$3,434,578, Route 25 Park and Ride totaling \$1,489,347, Barrington Road Park and Ride of \$1,857,782, Plainfield Park and Ride of \$4,151,107, Barrington Road Pedestrian Bridge construction of \$8,868,325, Northwest Transportation Center mid-life improvements of \$141,124, Toyota Transit Center improvements of \$197,435, South Campus master planning project totaling \$201,306, Heritage Midlife improvement project totaling \$372,723, West Midlife improvement project totaling \$1,029,832, Milwaukee Ave Pulse Station project for \$1,556,983, stand by generators at Northwest Division for \$30,964, smart boards at all Pace locations for \$350,421, Shed renovation at Headquarters for \$59,029, Southwest Division Roof improvements for \$12,767, RNC upgrade project for \$74,624, replacement of vehicles lifts at Northwest Division for \$437,552, and Wheeling property Traffic Study and Land Survey totaling \$79,718. The remaining balance consists of fourteen seventeen foot caravans totaling \$359,114, twenty-seven nineteen foot transit vans totaling \$1,005,345, six twenty-five foot Aerotech vehicles totaling \$370,548, and one twenty-three foot Champ Crusader totaling \$71,597. In 2018, Pace had contracts in place with Midwest Specialty for \$5,743,680, to purchase vans, Eldorado National (California) Inc. for \$51,032,159 to purchase CNG transit buses, Midwest Transit for \$21,167,410 to purchase 15 Passenger Paratransit vehicles and \$2,580,304 to purchase vans, Napleton Fleet for \$5,327,488 to purchase vans, Central State for \$5,662,123 to purchase 12 passenger Community vehicles, National Auto Fleet Group for \$103,556 to purchase non-revenue truck with a crane, Roesch Ford for \$157,065 to purchase non-revenue trucks, and Freeway Ford for \$195,416 to purchase non-revenue vehicles.

m. Capital Grants

Pace receives capital grants for asset acquisition, rehabilitation and construction of public transportation facilities and equipment from the Federal Transit Administration through 5307 Urbanized Area Formula Grants, 5309 Capital Investment Grants, 5316 Job Access and Reverse Commute Programs, 5317 New Freedom Grants, 5339 Buses and Bus Facilities Grants and USC 149 Congestion Mitigation and Air Quality Improvement (CMAQ) Program. The Illinois Department of Transportation continues to contribute capital grant funding from past years' appropriations in addition to the RTA for the acquisition of certain capital assets. Pace may fund from its own accumulated resources a portion of a capital grant project when federal, state, and RTA grants are not sufficient or eligible for the total cost of the project. Pace funded \$28,614,342 for capital projects from its positive budget variance account and from bond proceeds in 2018.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Centralized Operations

Pace incurs costs of operations such as fuel, insurance, maintenance, etc. which, to the extent that they may be specifically identified, are allocated to funded carriers and considered additional assistance.

o. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in Pace's financial position and operations. However, comparative data has not been presented in all exhibits because their inclusion would make certain exhibits unduly complex.

p. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. The reclassifications did not affect the change in net position or total net position.

q. Deposits and Investments

Permitted Deposits and Investments Statutes authorize Pace to make deposits and investments in insured/collateralized commercial banks, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Metropolitan Investment Fund and The Illinois Funds. State statutes require this fund to comply with the Illinois Public Funds Investment Act (30 ILCS 235).

Pace categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are valued using the market valuation method.

Pace has the following recurring fair value measurements as of December 31, 2018:

- Illinois Metropolitan Investment Fund of \$663,955 are valued using unobservable inputs. (Level 3)

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NOTE 3 DEPOSITS AND INVESTMENTS

a. Cash

The carrying amount of cash was \$39,486,880 at December 31, 2018, while the bank balances were \$45,008,734. At December 31, 2018, Pace's petty cash fund totaled \$3,683. All account balances aside from petty cash were either insured by the Federal Deposit Insurance Corporation (FDIC) or had pledge collateral held in a third party institution in the name of Pace. Bank deposits over FDIC insurable limits are secured by collateral to protect deposits in a single financial institution if it were to default. Collateral will have a market value equivalent to at least 105% of deposits at that particular institution. The collateral shall be marked to market and adjusted on at least a monthly basis. In 2018, \$1.2 million of Restricted Cash is in a bond reserve fund and was restricted for repayment of debt. All bond proceeds were expended in 2018 so Restricted Cash was \$0 at December 31, 2018.

b. Certificates of Deposit

Certificates of Deposit amounted to \$17,345,091 at December 31, 2018. All Certificates of Deposit were insured by the Federal Deposit Insurance Corporation (FDIC) or by a Federal Home Loan Bank (FHLB) line of credit.

c. Investments

Investments are governed by 30 ILCS 235, Public Funds Investment Act. The Board of Directors maintains a formal Investment Policy which addresses the governing provisions of the state law as well as specifying additional guidelines for the investment process. The allowable investments per Pace's policy mirror those specified in the State statute. In general, these investments include instruments issued by the U.S. Government, federal agencies, high grade commercial paper, bank deposits, investment pools created under the State Treasurer's Act, and selected money market mutual funds.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for Pace's investments at December 31, 2018.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>Quality Rating</u>
		<u>Less Than 1</u>	<u>1-2</u>	<u>3-5</u>	
Illinois Metropolitan Investment Fund	\$ 663,955	\$ 663,955	\$ -	\$ -	Aaa

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NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

c. Investments (Continued)

The \$1,076,596 for Illinois Metropolitan Investment Fund (IMET) represents 100% of the carrying value of the investment. In 2014, IMET reported that fraud had occurred with one of the investors First Farmers Financial (FFF). At December 31, 2018, IMET reflected a net realizable value of 57.1% of Pace's investment which represents the estimated amount of asset recovery to date, realized mostly from the sale of hotels. Pace expects that additional funds will be realized in the future in addition to potential recoveries from insurance mediation talks between Pennant (advisor responsible for IMET's investment in FFF), its parent companies and insurance carriers. However, the decision was made in 2017 to begin writing down some of the balance that is outside of the net realizable value. As of December 31, 2018, the IMET cash balance was reduced by \$412,641 to \$663,955.

Interest Rate Risk. As a means of limiting its exposure to fair market value losses arising from rising interest rates, investments of Pace shall be limited to instruments maturing no longer than five years from the time of purchase.

Credit Risk. Pace's Investment Policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. Pace's Investment Policy limits investments in short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase; (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations.

Concentration of Credit Risk. Pace places no limit on the amount that may be invested in any one issuer. As of December 31, 2018, all Pace's investments are in the State Investment Pool and the Illinois Metropolitan Investment Fund which represents roughly 2% of Pace's total cash and investments.

NOTE 4 RELATIONSHIP WITH REGIONAL TRANSPORTATION AUTHORITY

Transactions with the RTA include receipt of Pace's portion of sales tax revenues, state operating and federal operating assistance grants and funding for the ADA program. Pace also receives reimbursements from the RTA for amounts expended by Pace on behalf of the RTA.

	<u>2018</u>
Amounts Due from RTA:	
Sales Tax and Public Funding	\$53,208,003
Operating and Capital Grants	518,893
Regional ADA Funding	588,985
Other	<u>61,407</u>
Total Due from RTA	<u>\$54,377,288</u>

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NOTE 5 CHANGES IN CAPITAL ASSETS

<u>Type</u>	<u>1/1/2018 Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>12/31/2018 Balance</u>
Capital Assets not Being Depreciated					
Land	\$ 17,600,771	\$ 14,228,614		\$ -	\$ 31,829,385
Capital Projects in Progress	37,095,545	26,152,221	(37,095,545)	-	26,152,221
Total Capital Assets not Being Depreciated	<u>54,696,316</u>	<u>40,380,835</u>	<u>(37,095,545)</u>	<u>-</u>	<u>57,981,606</u>
Capital Assets Being Depreciated					
Equipment	510,561,925	23,929,221	29,075,649	(41,956,126)	521,610,669
Buildings and Improvements	194,173,016	6,449,131	8,019,896	-	208,642,043
Total Capital Assets Being Depreciated	<u>704,734,941</u>	<u>30,378,352</u>	<u>37,095,545</u>	<u>(41,956,126)</u>	<u>730,252,712</u>
Accumulated Depreciation					
Equipment	(348,082,463)	(50,657,216)		41,956,126	(356,783,553)
Buildings and Improvements	(102,439,622)	(1,185,754)		-	(103,625,376)
Total Accumulated Depreciation	<u>(450,522,085)</u>	<u>(51,842,970)</u>	<u>-</u>	<u>41,956,126</u>	<u>(460,408,929)</u>
Total Capital Assets Being Depreciated, Net	<u>254,212,856</u>	<u>(21,464,618)</u>	<u>37,095,545</u>	<u>-</u>	<u>269,843,783</u>
Net Capital Assets	<u>\$ 308,909,172</u>	<u>\$ 18,916,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,825,389</u>

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NOTE 6 RISK MANAGEMENT

Pace's basic risk financing policy is to retain a portion of the financial risk of loss for its General Liability, Automobile Liability, and Workers Compensation exposures. Pace does purchase aggregate insurance coverage in excess of specific self-insured retentions for each of the liability exposures highlighted below. Pace also purchases conventional insurance for its property, environmental, crime, employment practice, directors & officers and cyber liability exposures. The basic premise of Pace's Risk Management program is to make risk control and risk financing decisions that minimize the adverse effects that accidental losses have on our organization. The employee health plan and workers' compensation programs are administered primarily by third-party administrators that provide claims management services in exchange for a service fee.

There were no settlements in the past three years that exceeded the allotted coverage. There were also no significant reductions in coverage in 2018. Pace's specific self-insured retentions as of December 31, 2018 are structured as follows:

General Liability	\$2,500,000 Each Occurrence
Pollution Legal Liability	\$25,000 Each Occurrence
Underground Storage Tank Liability	\$50,000 Each Occurrence Tanks Under 30 Years Old \$100,00 Each Occurrence Tanks Over 30 Years Old
Automobile Liability	\$5,000,000 Each Occurrence
Excess Workers Compensation	\$1,000,000 Each Occurrence
Property	\$25,000 Per Occurrence Deductible
Employment Practice Liability	\$100,000 Each Occurrence
Cyber Liability	\$50,000 Each Occurrence

Pace also has assumed the financial risk for its employee health and welfare coverage. The stop loss coverage at December 31, 2018 is as follows:

	<u>Specific Stop Loss</u>	<u>Aggregate Stop Loss</u>
Corporate and all Divisions	<u>\$150,000</u>	<u>\$5,831,750</u>

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NOTE 6 RISK MANAGEMENT (Continued)

Claim reserves (liabilities) for general liability, automobile liability, and workers compensation are established based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and for claims that have been incurred but not reported (IBNR). For general and automobile liability, case reserves are established by the claim adjuster at the time the claim file is established and are modified throughout the life cycle of the claim.

The reserves on larger cases, particularly those in litigation, are reviewed with legal staff. Reserves are reviewed regularly by the Pace General Counsel and adjusted on an as needed basis.

General liability, automobile liability, and workers compensation claim reserves reflect the ultimate settlement value of the claim. For workers compensation claims, reserves for temporary total disability (TTD), permanent partial disability, permanent total disability and medical expenses are established in accordance with the benefit structure outlined in the Illinois Workers Compensation Act. If permanency is involved on the case, the reserves will be increased to reflect the appropriate amount as determined by previous cases settled at the Illinois Workers Compensation Commission. Reserves are updated as necessary and reflect the ultimate settlement value of the claim.

General liability, automobile liability, and workers compensation claim liabilities for incurred losses to be settled by a lump-sum payment or other agreement, represent their present value using an expected future investment yield of 3% per year. Reserves for employee health and welfare coverage are established based on historical claim experience. The ultimate liability for general liability, automobile liability, workers compensation, and the employee health and welfare plan is approximately \$37,746,550 and \$41,465,671 as of December 31, 2018 and 2017, respectively. Cash is intended to pay for general liability, automobile liability, and workers compensation at a present value of \$36,628,700 and \$40,140,671 for this liability at December 31, 2018 and 2017, respectively.

In 2018, a change was made to the methodology for estimating the current and noncurrent portion of the reserves. Changes in the balances of claims liabilities were as follows:

	For the Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 41,465,671	\$ 36,821,779
Current year claims and changes in estimates	4,447,892	34,621,535
Claim payments	<u>(8,167,013)</u>	<u>(29,977,643)</u>
	<u>\$37,746,550</u>	<u>\$41,465,671</u>
Current portion of insurance reserves	\$ 9,817,102	\$ 34,850,438
Non-current portion of insurance reserves	<u>27,929,448</u>	<u>6,615,233</u>
Total insurance reserves	<u>\$ 37,746,550</u>	<u>\$ 41,465,671</u>

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NOTE 7 LONG TERM DEBT

On February 24, 2015, Pace issued \$12 million in Special Revenue Bonds through a competitive bid process utilizing the Illinois Finance Authority's direct bank placement program. The bond proceeds are used to finance the conversion of South Division in Markham into a compressed natural gas facility. These revenue bonds are not general obligations of Pace and must be repaid with Pace operating revenue in equal annual principal payments.

State statute limits the amount of debt Pace is allowed and specifies projects for each bond issuance. Specifically, only four specific projects are allowed, with a total limit of \$100 million. The bond issued in 2015 comprises the total bonding authority for one of the four projects.

A requirement of the bond covenant is that Pace deposit \$1.2 million into a reserve account. In addition, Pace is required to make a monthly deposit that represents one-twelfth of the annual principal payment and one-sixth of the semiannual interest payment into a debt service account held at the bond depository bank. Semi-annual interest payments began on June 15, 2015 and continued semi-annually each June and December going forward. The annual principal payment was made on December 17, 2018.

Revenue bonds currently outstanding as of year ending December 31, 2018 are as follows:

Bond Issuance	Fund Debt Retired By	Beginning Balance	Issuances	Retirements	Ending Balance at 12/31/2018	Due In One Year
Taxable Revenue Bond Series of 2015, the South Cook Compressed Natural Gas facility project, authorized issue of \$12,000,000, due in annual installments of \$1,200,000, interest payable June 15 and December 15 at rates ranging from 1.40% to 3.50%, through December 15, 2024	Suburban Services	\$ 8,400,000	\$ -	\$ 1,200,000	\$ 7,200,000	\$ 1,200,000

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NOTE 7 LONG TERM DEBT (Continued)

Annual requirements to amortize all debt outstanding as of December 31, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	1,200,000	216,000	1,416,000
2020	1,200,000	186,600	1,386,600
2021	1,200,000	154,200	1,354,200
2022	1,200,000	119,400	1,319,400
2023	1,200,000	82,200	1,282,200
2024	1,200,000	42,000	1,242,000
Total	<u>\$ 7,200,000</u>	<u>\$ 800,400</u>	<u>\$ 8,000,400</u>

NOTE 8 ADVANCE FROM STATE

Pace receives a one month advance from the Illinois Department of Revenue to compensate for the delay in the processing of sales tax payments. The advance is forwarded to the Regional Transportation Authority and is then allocated among the three Service Boards. Pace reported a liability of \$11,213,545 and \$11,065,169 respectively, for this advance for the year ended December 31, 2018 and December 31, 2017.

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NOTE 9 PENSION PLANS

Pace participates in two single-employer defined benefit pension plans that are administered through a trust: The Amalgamated Transit Union Local 900 Pension Plan for Pace North Division and the Retirement Plan for Pace West Division Employees. Pace also participates in The Regional Transportation Authority (“RTA”) Pension Plan which is a governmental multiple-employer, defined benefit pension plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Amalgamated Transit Union Local 900 Pension Plan, the Retirement Plan for Pace West Division Employees and RTA Pension Plan (“the plans”) and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The aggregate amount of pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the North Division and West Division single-employer plans and Pace’s proportionate share for the RTA Pension Plan as of December 31, 2018 are as follows:

	Amalgamated Transit Union Local 900 Pension Plan	Retirement Plan for Pace West Division Employees	The Regional Transportation Authority (“RTA”) Pension Plan	Total
Net Pension Liability	\$ 1,025,050	\$ 10,669,590	\$ 6,399,210	\$ 18,093,850
Deferred Outflows of Resources related to Pensions	\$ 195,210	\$ 1,070,037	\$ 8,562,757	\$ 9,828,004
Deferred Inflows of Resources related to Pensions	\$ (228,831)	\$ (377,301)	\$ (3,667,958)	\$ (4,274,090)
Pension Expense	\$ 156,917	\$ 1,117,950	\$ 5,934,531	\$ 7,209,398

Details regarding each pension plan are outlined in the note disclosures below.

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NOTE 9 PENSION PLANS (Continued)

a. North Division

The Amalgamated Transit Union Local 900 Pension Plan (Plan) is a single-employer defined benefit pension plan covering substantially all union employees of Pace North Division. Wells Fargo Bank, NA is the trustee of the Plan under a contractual agreement with the employer. Wells Fargo holds and manages the assets and maintains all record of the Plan. The Plan is administered by a Pension Committee that reports to the plan trustees and is comprised of a member appointed by the Employer and a member appointed by the Amalgamated Transit Union Local 900. The collective bargaining agreement is approved by the Union and, if ratified, then approved by the Pace Board of Directors. After it is ratified by both parties, a pension plan amendment is prepared and goes to the Plan Trust Committee for vote and approval to enact the plan amendment. The Plan issues a separate financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Pace, 500 West Algonquin Road, Arlington Heights, IL 60005-4412 or by calling (847) 364-8130.

All Pace employees who are covered by the collective bargaining agreement are eligible to participate in the Plan upon completing one year of service. Under the collective bargaining agreement, plan participants are required to contribute 5% of their compensation. Such employee contributions are treated as pick-up contributions (pre-tax) under Section 414(h) of the Internal Revenue Code. The Employer also contributes 4% of an employee's compensation to the Plan under the collective bargaining agreement.

The participant's vested interest in his/her employee contribution account balance is 100%. A participant's vested interest in employer contributions is determined in accordance with the following schedule:

<u>Years of Vesting Service</u>	<u>Vested Interest</u>
0 to 4 years	0%
5 or more years	100%

The Plan provides normal early retirement and disability benefits based upon years and hours of service credited to the participant during each year of service. Benefits fully vest upon attaining 5 years of service. Normal retirement age is 65 or age 62 with 30 years of benefit service and entitles an employee to 100% of his vested benefits. An employee may retire after age 55 with 10 years of service and receive reduced benefits. Pension benefit payments are based upon the employee's benefit service and monthly benefit rates. The benefit level for all service is \$36 for each year of service not to exceed 40 years. The Post-1997 service is \$30 for each year of service after December 31, 1997, in which an employee works 1,500 hours or more, plus \$22 for each year of service after December 31, 1997, in which an employee works 1,000 to 1,499 hours.

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NOTE 9 PENSION PLANS (Continued)

a. North Division (Continued)

The actuarial valuation report date is January 1, 2018. Measurements as of the reporting date are based on fair value of assets as of December 31, 2017 and the Total Pension Liability as of the valuation date of December 31, 2016, updated to December 31, 2017. The table below shows the changes in Total Pension Liability, the Plan Fiduciary Net Position and the Net Pension Liability during the measurement year based on the measurement date of December 31, 2017.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2017	\$ 6,868,551	\$ 5,373,088	\$ 1,495,463
Changes for year:			
Service Cost	179,341	-	179,341
Interest	518,429	-	518,429
Changes of Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	15,719	-	15,719
Contributions - Employer	-	169,821	(169,821)
Contributions - Member	-	212,279	(212,279)
Net Investment Income	-	887,068	(887,068)
Benefit Payments	(302,450)	(302,450)	-
Administrative Expense	-	(85,266)	85,266
Net Changes	<u>411,039</u>	<u>881,452</u>	<u>(470,413)</u>
Balances at 12/31/2017	<u>\$ 7,279,590</u>	<u>\$ 6,254,540</u>	<u>\$ 1,025,050</u>

There were no changes in assumptions during the year. During the measurement year there was an experience loss of \$15,719 resulting in an increase in the Net Pension Liability. Total contributions and net investment income were more than the service cost, interest cost, the experience loss and administrative expenses resulting in a decrease in the Net Pension Liability of \$470,413.

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NOTE 9 PENSION PLANS (Continued)

a. North Division (Continued)

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was a difference between projected and actual investment earnings of \$484,293 that resulted in an investment gain. Approximately \$96,859 of that difference was recognized in the current year and an identical amount will be recognized in each of the next four years resulting in a deferred inflow of resource of \$387,434. In addition, there was \$81,039 recognized from the prior years' investment losses resulting in a remaining deferred outflow of resources of \$160,138. The deferred inflow nets with the deferred outflow resulting in a net deferred inflow of \$227,296.

The impact of experience gains or losses is recognized over the average expected remaining service life of all active and inactive members. For 2017, the average expected remaining service life was 5 years. In the measurement year, there was an experience loss of \$15,719. Approximately \$3,144 of that loss was recognized in the current year and an identical amount will be recognized in each of the next four years resulting in a deferred outflow of \$12,575. There was also \$2,122 recognized as expense from the prior year experience loss resulting in a deferred outflow of resource of \$4,246.

In addition, there was \$511 was recognized as expense from the prior year experience gain resulting in a deferred inflow of resource of \$1,535.

The table below summarizes the current balance of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to the Measurement Date	\$ 178,389	\$ -
Differences Between Expected and Actual Experience	16,821	1,535
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		227,296
Total	<u>\$ 195,210</u>	<u>\$ 228,831</u>

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NOTE 9 PENSION PLANS (Continued)

a. North Division (Continued)

In 2018, there was \$178,389 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date. The contribution will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2019. Amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year Ended December 31:		
2019	\$	(11,062)
2020		(16,268)
2021		(90,967)
2023		(93,713)
2024		-
Thereafter		-

At December 31, 2017 and 2016, the number of participants were:

	<u>2017</u>	<u>2016</u>
Current Employees	79	83
Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	49	41
Terminated employees entitle to, but not yet receiving, benefits	<u>19</u>	<u>21</u>
	<u>147</u>	<u>145</u>

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NOTE 9 PENSION PLANS (Continued)

a. North Division (Continued)

Pension plan fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2016, updated to December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market value of assets
Amortization Method	Unfunded Actuarial Liability (UAL) is amortized as a level dollar amount over 20-year periods.
Life expectancy	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2012 using Scale AA
Investment Rate of Return	7.50%
Salary increases	4.00%
Inflation	Included in the salary increases
Retirement Age	Age 65 or age 62 with 30 year of benefit service

Long-term Expected Rate of Return. The long-term expected rate of return is developed through the use of proprietary software designed to simulate and assess potential risk of return characteristics of portfolios. The software is based on a Monte Carlo simulation of macroeconomic factors, which are used to model monthly return outcomes of capital markets. The expected asset return assumption is geometric. Data is simulated on a monthly basis; the simulation is based on historical monthly figures dating back to 1926. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Type and Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.4%	80.0%
International Equity	7.7%	10.0%
Fixed Income	3.0%	10.0%
Cash	2.1%	0.0%

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NOTE 9 PENSION PLANS (Continued)

a. North Division (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Employer, calculated using the discount rate of 7.50%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's Net Pension Liability	\$ 1,763,904	\$ 1,025,050	\$ 393,244

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NOTE 9 PENSION PLANS (Continued)

b. West Division

The Retirement Plan for Pace West Division Employees is a single-employer defined benefit pension plan covering substantially all union employees of Pace's West Division. Wells Fargo Bank, NA is the trustee of the Plan under a contractual agreement with the Employer. Wells Fargo holds and manages the assets and maintains all records of the Plan. The Plan is administered by the Retirement Allowance Committee, which is comprised of three members appointed by the Employer, two members appointed by the Amalgamated Transit Union Local 241, and one member who is a non-bargained employee of the Employer. Benefit terms are established and/or amended through the collective bargaining agreement. The collective bargaining agreement is approved by the Union and, if ratified, then approved by the Pace Board of Directors. After it is ratified by both parties, a pension plan amendment is prepared and goes to the Retirement Allowance Committee for vote and approval to enact the plan amendment. The Plan issues a separate financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Pace, 500 West Algonquin Road, Arlington Heights, IL 60005-4412 or by calling (847) 364-8130.

Generally, an employee who is represented by the Amalgamated Transit Union Local No. 241 and is covered for all fringe benefits under the collective bargaining agreement shall become a participant in the Plan as of the first day of employment. Contributions to the Plan by the employer and employees are subject to labor negotiations which consider, among other things, the actuarial valuation of the Plan. The negotiated contract that expired on December 31, 2010, required contribution percentages for the employees of 5.4% of each employee's compensation and an employer contribution of 3.5% of each employee's compensation. These contribution percentages were continued until August 2, 2013, at which time a new labor agreement was approved and retroactively dated back to January 1, 2011. The following represents the required employer and employee contribution percentages under the new agreement:

	<u>Employer</u>	<u>Employee</u>
January 1, 2011 to December 31, 2011	5.5%	5.4%
January 1, 2012 to December 31, 2012	6.0%	5.4%
January 1, 2013 to Current	6.5%	6.5%

Employee contributions are deducted from payroll. Both the employee and employer contributions are to be paid to the trustee monthly.

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NOTE 9 PENSION PLANS (Continued)

b. West Division (Continued)

A participant's vested interest in his/her employee contribution account balance shall at all times be 100%. A participant's vested interest in employer contributions is determined in accordance with the following schedule:

<u>Year of Vesting Service</u>	<u>Vested Interest</u>
0 to 9 years	0%
10 or more years	100%

The normal retirement benefit is 1.85% of compensation for each year of service, but not more than 70% of the average of the employee's highest five plan years of earnings. Under the terms of the Plan, the normal retirement date is the date the participant reaches his/her sixty-fifth (65th) birthday, or the first day of the calendar month following the date on which a participant has completed 25 years of credited service, regardless of age. The Plan also provides for early retirement at reduced benefits for participants with three years of service who have attained age 57. In addition, the Plan provides for death benefits payable to surviving spouses and certain disability benefits.

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NOTE 9 PENSION PLANS (Continued)

b. West Division (Continued)

The actuarial valuation report date is January 1, 2018. Measurements as of the reporting date are based on the fair value of assets as of December 31, 2017, and the Total Pension Liability as of the valuation date of December 31, 2016, updated to December 31, 2017. The table below shows the changes in Total Pension Liability, the Plan Fiduciary Net Position and the Net Pension Liability during the measurement year based on the measurement date of December 31, 2017.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2017	\$ 32,599,991	\$ 20,819,635	\$ 11,780,356
Changes for year:			
Service Cost	849,707	-	849,707
Interest	2,588,128	-	2,588,128
Changes of Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	(72,392)	-	(72,392)
Contributions - Employer	-	900,263	(900,263)
Contributions - Member	-	900,222	(900,222)
Net Investment Income	-	2,765,608	(2,765,608)
Benefit Payments	(2,051,407)	(2,051,407)	-
Administrative Expense	-	(89,884)	89,884
Net Changes	<u>1,314,036</u>	<u>2,424,802</u>	<u>(1,110,766)</u>
Balances at 12/31/2017	<u>\$ 33,914,027</u>	<u>\$ 23,244,437</u>	<u>\$ 10,669,590</u>

There were no assumption or benefit changes during the year. There was an experience gain of \$72,392. Total contributions, net investment income and the experience gain exceeded the service cost, interest cost and expenses resulting in a decrease in Net Pension Liability of \$1,110,765.

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NOTE 9 PENSION PLANS (Continued)

b. West Division (Continued)

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$1,113,407. Approximately \$222,681 of that gain was recognized in the current year and an identical amount will be recognized in each of the next four years totaling \$890,726 in deferred inflows. In addition, there was \$513,033 recognized from the prior years' investment losses resulting in a remaining deferred outflow of resources of \$881,200. The deferred inflows of \$890,726 from the current year investment gain exceeded the remaining deferring outflows of \$881,198 resulting in net deferred inflows of \$9,526.

The impact of experience gains or losses is recognized over the average expected remaining service life of all active and inactive members. As of December 31, 2017, this average was five years. During the measurement year, there was an experience gain of \$72,392. In 2018, \$14,478 of this experience gain was recognized as expense and the remaining \$57,914 will be recognized over the next four years resulting in a deferred inflow of resources. In addition, there was \$133,221 recognized from the prior year experience gain resulting in a remaining deferred inflow of resources of \$309,861. The table below summarizes the current balance of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to the Measurement Date	\$ 1,070,037	\$ -
Differences Between Expected and Actual Experience	-	367,775
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		9,526
Total	\$ 1,070,037	\$ 377,301

In 2018, there was \$1,070,037 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date. The contribution will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2019. Amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year Ended December 31:	
2017	\$ 142,654
2018	999
2019	(283,791)
2020	(237,163)
2021	-
Thereafter	-

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NOTE 9 PENSION PLANS (Continued)

b. West Division (Continued)

At December 31, 2017 and 2016, the number of participants were:

	<u>2017</u>	<u>2016</u>
Current Employees	262	238
Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	186	185
Terminated employees entitled to, but not yet receiving, benefits	<u>42</u>	<u>44</u>
	<u>490</u>	<u>467</u>

Pension plan fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2016, updated to December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Five-year smoothing with asset gains or losses recognized at 20% per year
Amortization Method	Unfunded Actuarial Liability (UAL) is amortized as a level dollar amount over a 30-year period.
Life expectancy	RP-2000 Combined Mortality Table with Blue Collar Adjustment Projected to 2006 using Scale AA
Assumed Rate of Return	8.0% (established by the collective bargaining agreement)
Salary increases	3.50%
Inflation	Included in salary increases
Retirement Age	Age 65 or 25 years of service

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NOTE 9 PENSION PLANS (Continued)

b. West Division (Continued)

Long-term Expected Rate of Return. The long term expected rate of return was determined by establishing best-estimate ranges of expected future real rates of return. Real returns differ from total returns in that real returns are calculated net of plan investment expenses and inflation. Expected real returns are determined using a geometric means assumption for each asset class in which the Plan has exposure. Best estimates of real rates of return for each major asset class, included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Type and Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity	6.75%	58.0%
Fixed Income	1.80%	39.5%
Cash or Cash Equivalents	0.80%	2.5%

Discount rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that Employer contributions will be made at a rate equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Plan, calculated using the discount rate of 8.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Employer's Net Pension Liability	\$ 13,701,042	\$ 10,669,590	\$ 8,031,684

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NOTE 9 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan

The Regional Transportation Authority Pension Plan is a governmental cost sharing multiple-employer, defined benefit pension plan. The Plan covers substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (“Metra” and “Pace”, respectively), who are not otherwise covered by a union pension plan. The responsibilities for administering the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors (“RTA Board”). Benefit terms are established and/or amended by approval of the RTA Board of Directors. The Plan issues a separate financial report that includes financial statements and required supplementary information. More information regarding the elements of the Plan’s basic financial statements can be obtained by writing to Pace, 550 West Algonquin Road, Arlington Heights, IL 60005-4412 or by calling (847) 364-8130 to request a copy of the financial report.

Employees are eligible for participation on the first day of the month that coincides with or follows their date of employment. Participants are entitled to annual pension benefits upon normal retirement at age 65, generally a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service. At January 1, 2017 the number of participants were:

	<u>2017</u>
Active	1,156
Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	730
Terminated employees entitled to, but not yet receiving, benefits	<u>486</u>
	<u><u>2,372</u></u>

The Plan provides that, upon retirement, benefits will be reduced by a defined percentage for participants who received credit for prior service with an eligible employer. The Plan permits early retirement with reduced benefits at age 55 after completing ten years of credited service. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age at retirement and credited years of service equals eighty-five or higher (known as “Rule of Eighty Five Early Retirement”). The Plan provides for benefit payments to beneficiaries subject to the election of the participant. In addition, the lump sum payment form is no longer an optional form of payment for participants that have not earned credited service prior to January 1, 2011. This change did not affect the valuation results. Effective July 1, 2016, a change was made to provide additional pre-retirement death benefits for the survivors of plan members along with additional forms of benefit payment options. An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

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NOTE 9 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Contributions. The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. The pension plan document defines the employers' funding policy as contributions at least equal to an amount determined advisable by the Plan's actuary to maintain the Plan on a sound actuarial basis. For the purpose of determining contributions, the Plan uses an asset smoothing method which smooths asset gains and losses over a 5-year period. The minimum contribution is the sum of the normal cost and the 30-year amortization of the unfunded liability. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer. The calculation of the recommended annual contribution requirements for fiscal year 2017 is as follows:

	Fiscal Year <u>2017</u>
Annual Normal Cost as of Valuation Date	\$ 7,127,301
Normal Cost Expense Load	603,675
Interest on Normal Cost to End of Year	579,823
30-Year Level Dollar Amortization of Unfunded Actuarial Accrued Liability at End of Year	2,270,907
Total Recommended Annual Contribution for the Current Plan Year	\$ 10,581,706
Total Covered Payroll	\$ 93,950,500
Recommended Annual Contribution (as a percentage of pay)	11.263%

The allocation of the recommended annual contribution requirements for fiscal year 2017 is shown below:

	2016 Pensionable Payroll	Allocation Percent		Allocated Recommended Annual Contribution Requirements for Fiscal Year 2016
Metra	\$ 43,354,715	54.3%	\$	5,745,866
Pace	28,594,157	35.8%		3,788,251
RTA	7,900,294	9.9%		1,047,589
Total	\$ 79,849,166	100.0%	\$	10,581,706

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NOTE 9 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Net Pension Liability. The table below shows Pace's proportion of the changes in the collective Total Pension Liability, Plan Fiduciary Net Position and Net Pension Liability during the measurement year based on the measurement date of December 31, 2017. Measurements as of the reporting date are based on fair value of assets as of December 31, 2017 and the total pension liability is based on an actuarial valuation performed as of January 1, 2017 with liabilities rolled forward to the measurement date of December 31, 2017.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2017	\$ 120,498,449	\$ 106,700,069	\$ 13,798,380
Changes for year:			
Service Cost	2,551,572	-	2,551,572
Interest	8,009,302	-	8,009,302
Changes of Benefits	-	-	-
Changes of Assumptions	231,185	-	231,185
Differences Between Expected and Actual Experience	753,933	-	753,933
Changes in Employer Proportionate Share	(264,627)	-	(264,627)
Contributions - Employer	-	4,253,651	(4,253,651)
Net Investment Income	-	14,595,304	(14,595,304)
Benefit Payments	(6,084,012)	(6,084,012)	-
Administrative Expense	-	(168,420)	168,420
Net Changes	<u>5,197,353</u>	<u>12,596,523</u>	<u>(7,399,170)</u>
Balances at 12/31/2017	<u>\$ 125,695,802</u>	<u>\$ 119,296,592</u>	<u>\$ 6,399,210</u>

The difference between expected and actual experience is due to an increase in the number of benefit recipients since the last valuation. The increase in net investment income in 2017 was the result of upward movement in the securities market. There was an increase in administrative expenses due to an increase in the volume of actuarial and audit services provided to the Plan.

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NOTE 9 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Pace's proportion of the collective Net Pension Liability is consistent with the manner in which contributions to the pension plan were determined. The schedule of employer allocations shown below presents the actual fiscal year 2016 contributions used within the proportionate share calculation for each employer and the respective allocation percentage.

	<u>2017</u>		<u>2016</u>	
	Actual Employer Contribution	Employer Allocation Percentage	Actual Employer Contribution	Employer Allocation Percentage
Metra	\$ 5,745,866	54.3%	\$ 5,062,642	53.1%
Pace	3,788,251	35.8%	3,479,971	36.5%
RTA	1,047,589	9.9%	991,553	10.4%
Totals	<u>\$ 10,581,706</u>	<u>100.0%</u>	<u>\$ 9,534,166</u>	<u>100.0%</u>

Deferred Outflows and Inflows. Deferred outflows and inflows of resources can arise from differences between expected and actual experiences, changes in assumptions, differences between projected and actual earnings, changes in the employer's proportion and the difference between the employer's contributions and the employer's proportionate share of contributions as well as contributions made subsequent to the measurement date. The difference between projected and actual earnings on investments is recognized over a period of five years. The net effect of changes in assumptions, the difference between expected and actual experience and the change in the employer proportionate share are amortized over the average of the expected remaining service lives of all employees. The average expected remaining service life by year is as follows:

<u>Year</u>	<u>Average Remaining Service Life</u>
2014	5.0778
2015	5.0769
2016	5.0301
2017	5.0469

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NOTE 9 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

The table below summarizes Pace's proportionate share of the deferred outflows and deferred inflows of resources that are to be recognized in future pension expenses:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to Measurement Date	\$ 4,173,155	\$ -
Changes in Assumptions	185,377	277,215
Difference Between Expected and Actual Experience	2,690,532	
Difference Between Projected and Actual Earnings on Pension Plan Investments		2,069,596
Change in Employer Proportionate Share	<u>1,513,693</u>	<u>1,321,147</u>
Total	<u>\$ 8,562,757</u>	<u>\$ 3,667,958</u>

In 2018, there was \$4,173,155 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2019. Amounts reported as deferred outflows and deferred inflows will be recognized as pension expense in the following periods:

Year Ended December 31:

2019	\$ 2,001,936
2020	\$ 1,449,766
2021	\$ (1,267,905)
2022	\$ (1,466,184)
2023	\$ 4,031
Thereafter	\$ -

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NOTE 9 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Five-year smoothed market
Amortization Method	Level dollar closed
Life expectancy	RP2014 Combined Mortality Table
Assumed Rate of Return	7.50%
Salary increases	3.25% to 8.75% including inflation
Inflation	2.75%
Retirement Age	First day of the calendar month coinciding with or following a participant's 65 th birthday; or age 55 with 10 years of vesting service.

Discount rate. A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the future expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents Pace's proportionate share of the Plan's collective net pension liability, calculated using a single discount rate of 7.50%, as well as what the proportionate share would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's Net Pension Liability	\$ 18,008,385	\$ 6,399,211	\$ (3,573,192)

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NOTE 9 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Long-term Expected Rate of Return. The assumed rate of investment return was adopted by the Plan's trustees after considering input from the Plan's investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of January 1, 2017. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are based on both an arithmetic and geometric means and are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the RTA Pension Plan Committee. For each major asset class that is included in the pension plan's target asset allocation as of January 1, 2017, these best estimates are summarized in the following table:

<u>Asset Type and Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Large Cap U.S. Equity	6.30%	15.0%
Small/Mid Cap Equities	6.90%	8.0%
International Equity	6.50%	10.0%
Emerging Market International Equity	10.30%	6.0%
Core Bonds	1.30%	15.5%
Multi-Sector Fixed Income	1.50%	12.5%
Private Equity	7.80%	8.0%
Private Real Assets	5.40%	5.0%
Real Estate (Core)	3.80%	8.0%
Hedge Funds	3.10%	5.0%
Global Asset Allocation	2.80%	5.0%
Cash	0.20%	2.0%

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NOTE 10 DEFINED CONTRIBUTIONS PLANS

a. Pace Administrative Defined Contribution Plan

In addition to the RTA Defined Benefit Plan, all Pace employees who are not covered by a retirement plan which is the subject of a Collective Bargaining Agreement, are eligible to participate in a voluntary 401(K) Plan. Employees are eligible to participate after 60 days of service. A participant is fully vested in his/her account immediately. Contributions to the plan are voluntary for each participant. The Internal Revenue Code places limits on the amounts which employees may elect to contribute. There is no employer obligation to contribute. Plan provisions and contribution requirements are established and may be amended by the Administrative Plan Committee. For 2018, Pace contributed \$202,048 and the participants contributed \$1,915,919 which includes \$99,437 contributed to the Roth 401(K).

b. Union 401(K) and Defined Contribution Plans

The operating divisions of the Pace Suburban Bus Division have established 401(K) plans and defined contribution plans through their respective Collective Bargaining Agreements with the bargained for (union) employees at the divisions. Each division contributes a percentage of compensation for each participant as provided in their respective Collective Bargaining Agreement. In some cases, there is a required employee 401(K) contribution pursuant to the Collective Bargaining Agreement. Each 401(K) plan allows the employee participant to elect to contribute a percentage of the participant's compensation up to a maximum percentage. The defined contribution plans provide only for an employer contribution at the percentage of compensation specified in the Collective Bargaining Agreement. The plans can be amended by the Collective Bargaining Agreement or in writing by the parties to the Collective Bargaining Agreement. The plans issue a financial report that includes financial statements and required supplementary information.

Basis of Accounting. The financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. The plans are all self-directed by the participant from a selection of mutual funds. All assets of the plan are valued at fair value.

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NOTE 10 DEFINED CONTRIBUTIONS PLANS (Continued)

b. Union 401(K) and Defined Contribution Plans (Continued)

Contributions. The following table provides additional information regarding these defined contribution plans:

Plan Name	Type of Plan	Number of Covered Employees	Employer Contribution Requirement	Employee Contribution Requirement	Employer Contribution Amount	Employee Contribution Amount
Fox Valley	401(K)	79	4% of Compensation	None	\$155,333	\$114,002
Fox Valley	Defined Contribution	1	4% of Compensation	4% of Compensation	\$2,270	\$2,270
Heritage	401(K)	65	4% of Compensation	4% of Compensation	\$144,948	\$235,878
North Shore	401(K)	49	4% of Compensation	None	\$105,588	\$148,845
Northwest	401(K)	214	4.5% of Compensation	4% of Compensation	\$562,636	\$743,296
River	401(K)	108	4% of Compensation	None	\$228,387	\$225,536
River	Defined Contribution	5	4% of Compensation	4% of Compensation	\$13,041	\$13,041
South	401(K)	230	4% of Compensation	4% of Compensation	\$468,581	\$662,352
Southwest	401(K)	129	4% of Compensation	2% of Compensation	\$247,723	\$255,491

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NOTE 11 OTHER POST EMPLOYMENT BENEFITS

Pace offers two retiree health plans to bargained for union employees that are not administered through a trust. The North Division Retiree Health Plan is offered to employees in Amalgamated Transit Union Local 900 and the West Division Retiree Health Plan is offered to employees in Pace West Division and Local 241, Amalgamated Transit Union.

For purposes of measuring the total Other Post Employment Benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense of the North Division Retiree Health Plan and the West Division Retiree Plan (“the plans”) have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as these are pay-as-you-go plans.

The aggregate amount of OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense for the North Division and West Division Retiree Health Plans as of December 31, 2018 are as follows:

	North Division Retiree Health Plan	West Division Retiree Health Plan	Total
Total OPEB Liability	\$ 370,353	\$ 14,500,439	\$ 14,870,792
Deferred Outflows of Resources related to OPEB	\$ 10,767	\$ 1,267,093	\$ 1,277,860
Deferred Inflows of Resources related to OPEB	\$ 8,108	\$ -	\$ 8,108
OPEB Expense	\$ 43,302	\$ 915,229	\$ 958,531

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

a. North Division Retiree Health Plan

Pace provides bargained for employees in Amalgamated Transit Union Local 900 a retiree health plan upon retirement after completion of 10 years of service. The plan includes Hospital, Surgical, Health and Accident Insurance for retired employees age 62 to 65. Pace contributes 50% of the premium for the retirees and the North Division Pension Plan pays the other 50%. Spouses are not covered under the plan. This plan is not administered by a trust and does not have a separate financial report.

At December 31, 2018, total OPEB liability totaled \$370,353. The total OPEB liability was measured as of January 1, 2017 and was determined by an actuarial valuation as of that date. The expected total OPEB liability as of December 31, 2017 was determined using standard roll-forward techniques. For the year ended December 31, 2018, Pace recognized OPEB expense of \$43,302. The changes in total OPEB liability are as follows:

	Total OPEB Liability
Balances at 01/01/2017	\$ 336,352
Changes for year:	
Service Cost	30,750
Interest	12,257
Changes of Benefits	-
Changes of Assumptions	11,963
Differences Between Expected and Actual	(9,009)
Contributions - Employer	<u>(11,960)</u>
Net Changes	<u>34,001</u>
Balances at 12/31/2017	<u><u>\$ 370,353</u></u>

At January 1, 2017 and January 1, 2018 the number of participants were:

	<u>2018</u>	<u>2017</u>
Actives Fully Eligible to Retire	-	-
Actives not yet Fully Eligible to Retire	65	65
Retirees Receiving Coverage	<u>3</u>	<u>1</u>
Total	<u><u>68</u></u>	<u><u>66</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

a. North Division Retiree Health Plan (Continued)

Sensitivity of the total OPEB liability to changes in discount rate. The following represents the effect of increasing or decreasing both the assumed annual healthcare trend rate and the discount rate by 1%.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$ 338,077	\$ 370,353	\$ 407,413

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 393,966	\$ 370,353	\$ 348,200

At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 8,108
Changes in Assumptions	10,767	-
Total	\$ 10,767	\$ 8,108

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,	
2019	\$ 295
2020	295
2021	295
2023	295
2023	295
Total Thereafter	1,184

**PACE
THE SUBURBAN BUS DIVISION
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NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

a. North Division Retiree Health Plan (Continued)

The OPEB Expense recorded at December 31, 2018 is comprised of the following:

	<u>2018</u>
Service Cost	
Beginning of year service cost	\$ 29,650
Interest on service cost to end of year	1,100
Interest on total OPEB Liability	
Total OPEB liability at beginning of year	336,352
Benefit payments	11,960
Average OPEB Liability for the year	330,372
Interest on average OPEB liability for the year	12,257
Recognition of Deferred (Inflows)/Outflows from:	
Experience	(901)
Asset (Gain)/Loss	-
Assumption Changes	<u>1,196</u>
Total Amortization	295
Administrative expenses	-
Effect of plan changes	-
Projected Earnings on OPEB investments	N/A
Retiree Contributions	-
OPEB Expense	<u><u>\$ 43,302</u></u>

**PACE
THE SUBURBAN BUS DIVISION
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

a. North Division Retiree Health Plan (Continued)

Assumptions. The OPEB liability was determined by an actuarial valuation as of January 1, 2017 using the following actuarial assumptions:

Valuation Date	January 1, 2017
Measurement Date	January 1, 2018
Actuarial Cost Method	Entry age normal, level percent of pay
Asset Valuation Method	Not applicable
Amortization Method	Closed, straight line for average remaining service period
Mortality	RPH-2014 Mortality for Males and Females Projected generationally using Scale MP-2017
Discount Rate	3.16%
Salary increases	3.50%
Retirement Age	Age 62 with 10 years of service
Participation	100% of all eligible active and retired participants

The discount rate used is the equivalent index rate for 20-year Municipal Bonds with an average rate of AA or higher. The S&P Municipal Bond 20-Year High Grade Rate Index is used. Additional assumptions used are:

Health Care Cost Trend Rates

<u>Fiscal Year</u>	<u>Pre-65</u>	<u>Post-65</u>
2017 - 2018	7.50%	5.00%
2018 - 2019	7.14%	5.00%
2019 - 2020	6.78%	5.00%
2020 - 2021	6.43%	5.00%
2021 - 2022	6.07%	5.00%
2022 - 2023	5.71%	5.00%
2023 - 2024	5.35%	5.00%
2024+	5.00%	5.00%

Withdrawal Rates

<u>Age</u>	<u>Rate</u>
20	10.00%
30	8.00%
40	6.00%
50	3.00%
60	0.00%

Retirement Rates

<u>Age</u>	<u>Rate</u>
62	50.0%
63	50.0%
64	50.0%
65	100.0%

**PACE
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NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

b. West Division Retiree Health Plan

The contractual obligation to provide retiree health coverage is under the Collective Bargaining Agreement with Pace West Division and Local 241, Amalgamated Transit Union. Effective January 1, 2004, a retiree health plan was established where Pace contribute 2.5% of earnings to cover the costs of retirees' health coverage per the Collective Bargaining Agreement. On August 2, 2013, a new Collective Bargaining Agreement was signed which resulted in an increase to the employer retiree health contribution. Effective the first full pay period after January 1, 2011, the employer contribution increased to 3.5%. The most recent collective bargaining agreement effective January 1, 2016 did not increase the contribution and it remains at 3.5%. In the event such amount is insufficient to pay the cost of retirees' health coverage, Pace will advance the funds. If the insufficiency is \$10,000 or less, Pace agrees to pay. If the insufficiency is greater, then Pace and Local 241 Amalgamated Transit Union will resolve the insufficiency. This plan is not administered by a trust and does not have a separate financial report.

Active employees hired prior to December 5, 2003 are eligible to receive HMO benefits from the retiree health plan either upon attainment of age 55 and completion of 25 year of service or attainment of age 62 with completion of 20 years of service. Former employees who were age 57 or older on or before the ratification of the Collective Bargaining Agreement that also qualify as a deferred vested pensioner under the Retirement Plan for Pace West Division are eligible for retiree health and life insurance coverage subject to the terms of the agreement. Retiree health coverage consists of enrollment in Pace's HMO plan or payment of a single coverage cash equivalent ("stipend") as outlined in the Collective Bargaining Agreement. Retirees also qualify for a \$2,000 life insurance benefit. Retirees can maintain spouse coverage provided the retiree pays 50% of the difference between single and spouse coverage. Spouse coverage is available until the retiree reaches age 65.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

b. West Division Retiree Health Plan (Continued)

At December 31, 2018, total OPEB liability totaled \$14,500,439. The total OPEB liability was measured as of January 1, 2017 and was determined by an actuarial valuation as of that date. The expected total OPEB liability as of December 31, 2017 was determined using standard roll-forward techniques. For the year ended December 31, 2018, Pace recognized OPEB expense of \$915,229. The changes in total OPEB liability are as follows:

	Total OPEB Liability
Balances at 01/01/2017	\$ 13,370,350
Changes for year:	
Service Cost	289,842
Interest	487,210
Changes of Benefits	-
Changes of Assumptions	766,909
Differences Between Expected and Actual Experience	62,153
Contributions - Employer	<u>(476,025)</u>
Net Changes	<u>1,130,089</u>
Balances at 12/31/2017	<u><u>\$ 14,500,439</u></u>

At December 31, 2016 and 2017, the number of participants were:

	<u>2017</u>	<u>2016</u>
Actives Fully Eligible to Retire	8	8
Actives not yet Fully Eligible to Retire	92	92
Retirees Receiving a Stipend	69	69
Retirees Receiving Medical Coverage	29	29
Spouses	<u>2</u>	<u>2</u>
Total	<u><u>200</u></u>	<u><u>200</u></u>

**PACE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

b. West Division Retiree Health Plan (Continued)

Sensitivity of the total OPEB liability to changes in discount rate. The following represents the effect of increasing or decreasing both the assumed annual healthcare trend rate and the discount rate by 1%.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$ 12,793,155	\$ 14,500,439	\$ 16,580,278

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 16,357,890	\$ 14,500,439	\$ 12,947,228

At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to the Measurement Date	\$ 576,208	\$ -
Differences Between Expected and Actual Experience	51,794	-
Changes in Assumptions	639,091	-
Total	\$ 1,267,093	\$ -

In 2018, there was \$576,208 reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date. The contribution will be recognized as a reduction of the OPEB liability in the reporting year ended December 31, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,	
2019	\$ 138,177
2020	138,177
2021	138,177
2023	138,177
2023	138,177
Total Thereafter	-

**PACE
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NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

b. West Division Retiree Health Plan (Continued)

The OPEB Expense recorded at December 31, 2018 is comprised of the following:

	<u>2018</u>
Service Cost	
Beginning of year service cost	\$ 279,474
Interest on service cost to end of year	10,368
Interest on total OPEB Liability	
Total OPEB liability at beginning of year	13,370,350
Benefit payments	476,025
Average OPEB Liability for the year	13,132,338
Interest on average OPEB liability for the year	487,210
Recognition of Deferred (Inflows)/Outflows from:	
Experience	10,359
Asset (Gain)/Loss	-
Assumption Changes	<u>127,818</u>
Total Amortization	138,177
Administrative expenses	-
Effect of plan changes	-
Projected Earnings on OPEB investments	N/A
Retiree Contributions	-
OPEB Expense	<u><u>\$ 915,229</u></u>

**PACE
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NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

b. West Division Retiree Health Plan (Continued)

Assumptions. The OPEB liability was determined by an actuarial valuation as of January 1, 2017 using the following actuarial assumptions:

Valuation Date	January 1, 2017
Measurement Date	January 1, 2018
Actuarial Cost Method	Entry age normal, level percent of pay
Asset Valuation Method	Not applicable
Amortization Method	Closed, straight line for average remaining service period
Mortality	RPH-2014 Mortality for Males and Females projected generationally using Scale MP-2017
Discount Rate	3.16%
Salary increases	3.50%
Participation	100% of all eligible active and retired participants
Stipend Trend Rate	Stipend amount is assumed to increase \$120 per year

The discount rate used is the equivalent index rate for 20-year Municipal Bonds with an average rate of AA or higher. The S&P Municipal Bond 20-Year High Grade Rate Index is used. Additional assumptions used are:

Health Care Cost Trend Rates

<u>Fiscal Year</u>	<u>Pre-65</u>	<u>Post-65</u>
2017 - 2018	7.50%	5.00%
2018 - 2019	7.14%	5.00%
2019 - 2020	6.78%	5.00%
2020 - 2021	6.43%	5.00%
2021 - 2022	6.07%	5.00%
2022 - 2023	5.71%	5.00%
2023 - 2024	5.35%	5.00%
2024+	5.00%	5.00%

Withdrawal Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	9.80%	14.40%
30	3.70%	4.50%
40	1.20%	2.30%
50	0.20%	0.30%
60	0.00%	0.00%

**PACE
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(CONTINUED)**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (Continued)

c. West Division Retiree Health Plan (Continued)

For stipend election, 50% are assumed to take the stipend and 50% are assumed to take the medical benefit. Actual elections were used for current retirees. For retirement marriage assumptions, 80% of actives are assumed to be married with husbands three years older than wives. Actual spouse data was used for current retirees.

Retirement Rates	Less Than 25	25 or More
<u>Age</u>	<u>Years of Service</u>	<u>Years of Service</u>
57	5.0%	33.0%
58	5.0%	33.0%
59	5.0%	33.0%
60	20.0%	33.0%
61	5.0%	33.0%
62	50.0%	33.0%
63	25.0%	33.0%
64	50.0%	33.0%
65	100.0%	100.0%

Annual Retiree Stipend Amounts	<u>2018</u>
<u>Age</u>	
Pre-65	\$ 5,131.87
Post-65	\$ 4,714.85

**PACE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 12 NET POSITION

a. Restricted Net Position

Restricted Net Position represents a legal debt restriction of \$1,200,000 for repayment of the Revenue Bond Series of 2015 that were issued for the South Cook Compressed Natural Gas facility.

b. Unrestricted Net Position and Restatement

The change in Unrestricted Net Position for fiscal year 2018 is as follows:

Unrestricted Net Position at 12/31/17 - as restated	\$ 28,187,145
Suburban Services Surplus (Deficit)	11,442,470
Pace Capital Grants	(28,614,342)
Change in Capital Related Borrowings	<u>(1,039,862)</u>
Unrestricted Net Position at 12/31/18	<u><u>\$ 9,975,411</u></u>

The implementation of GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in 2018 resulted in a prior period adjustment and change to beginning Unrestricted Net Position in the amount of \$8,227,931.

c. Working Capital Policy

In December 2018, the Board of Directors approved a Working Capital Policy for the Suburban Services Fund that replaces the previous Working Cash Policy. The policy adopts best practices outlined by the Government Finance Officers Association (GFOA). Working Capital is defined by GFOA as the difference between current assets and current liabilities, or cash availability. For Pace’s policy, the current unexpended, approved PBV capital projects balance is also deducted from current assets. The policy requires a working capital of between 45 and 90 days.

At December 31, 2018, the Working Capital calculation for Suburban Services is as follows:

Current Assets	\$ 115,507,866
Less: Current Liabilities	(38,175,301)
Less: PBV Projects	<u>(13,045,685)</u>
	\$ 64,286,880
Operating Expenses	\$ 267,387,298
Working Capital Ratio	24%
Days of Liquidity	88

**PACE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

NOTE 12 NET POSITION (Continued)

d. Designated Net Position

While net position represents residual equity in addition to investment in capital assets, it is important to note that management has designated a portion of this balance for future commitments. These obligations are not legal restrictions on net position and therefore are not segregated on the statement of net position, but are for future consideration. Refer to Schedule 7 on page 141 for the detail of these designations.

NOTE 13 COMMITMENTS AND CONTINGENCIES

- a. Agreements with Pace's paratransit public funded carriers generally provide that Pace will reimburse the lesser of the approved budget, \$3.00 per ride, or up to 75% of defined operating deficits incurred, within defined service guidelines, in the provision of specified demand response public transportation services.
- b. Grant agreements with Pace's public contract carriers provide that Pace reimburse defined operating expenses, limited to their approved budget level, incurred in providing public transportation services.
- c. Pace receives significant financial assistance from federally assisted programs, principal of which is FTA. These programs are subject to audit under the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for which a separate report is issued.

NOTE 14 PLEDGED REVENUES

Pace has pledged future portions of the Suburban Service Fund's operating revenue to repay the Special Revenue Bonds Series 2015 bonds. Proceeds from the bonds provided financing to convert the South Division location into a compressed natural gas facility. The bonds are payable from 2015 through years ended 2024. If the pledged revenues from these sources are insufficient to provide for the principal and interest payments on the bonds, a debt service reserve fund would be used to make the payments. Annual principal and interest payments on the bonds are expected to require less than 2.7% of the operating revenue. The total principal and interest remaining to be paid on the bonds is \$8,000,400. Principal and interest paid for the current year is \$1,441,800, and the Suburban Service Funds' operating revenue for the current year is \$56,395,912.

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Pension Contributions	105
Schedule of Changes in Total OPEB Liability	108



**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AMALGAMATED TRANSIT UNION LOCAL 900 PENSION PLAN**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 179,341	\$ 186,026	\$ 195,168	\$ 133,375
Interest	518,429	487,814	449,547	333,911
Changes of benefit terms	-	-	-	1,191,632
Differences between expected and actual experience	15,719	(2,557)	10,612	-
Changes of assumptions	-	-	-	-
Benefit payment, including refunds of employee contributions	<u>(302,450)</u>	<u>(246,872)</u>	<u>(193,903)</u>	<u>(123,505)</u>
Net change in total pension liability	411,039	424,411	461,424	1,535,413
Total pension liability - beginning	<u>6,868,551</u>	<u>6,444,141</u>	<u>5,982,717</u>	<u>4,447,304</u>
Total pension liability - ending (a)	<u><u>\$ 7,279,590</u></u>	<u><u>\$ 6,868,552</u></u>	<u><u>\$ 6,444,141</u></u>	<u><u>\$ 5,982,717</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 169,821	\$ 164,182	\$ 165,936	\$ 149,926
Contributions - employee	212,279	205,226	204,980	149,926
Net investment income	887,068	358,789	6,897	312,685
Benefit payments, including refunds of employee contributions	(302,450)	(246,872)	(193,903)	(123,505)
Administrative expense	(85,266)	(96,731)	(76,406)	(73,634)
Other	-	-	-	-
Net change in plan fiduciary net position	881,452	384,594	107,504	415,398
Plan fiduciary net position - beginning	<u>5,373,088</u>	<u>4,988,494</u>	<u>4,880,990</u>	<u>4,465,592</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 6,254,540</u></u>	<u><u>\$ 5,373,088</u></u>	<u><u>\$ 4,988,494</u></u>	<u><u>\$ 4,880,990</u></u>
Net Pension Liability - ending (a) - (b)	<u><u>\$ 1,025,050</u></u>	<u><u>\$ 1,495,464</u></u>	<u><u>\$ 1,455,647</u></u>	<u><u>\$ 1,101,727</u></u>
Plan fiduciary net position as a percentage of the total pension liability	85.92%	78.23%	77.41%	81.58%
Covered payroll	\$ 4,140,722	\$ 4,104,533	\$ 4,121,289	\$ 3,748,150
Net pension liability as a percentage of covered- employee payroll	24.76%	36.43%	35.32%	29.39%

Notes:

For 2014, A change in benefits of \$1,191,632 contributed to the increase in Net Pension Liability. A change to the collective bargaining agreement effective January 1, 2014 outlined various benefit changes including an increased multiplier for all service, a 13th check provision and adjusted early retirement requirements. These changes accounted for the increase in Net Pension Liability for Changes in Benefits.

This schedule is intended to show ten years of information. Additional years will be included as they become available.

See Independent Auditors' Report

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
RETIREMENT PLAN FOR PACE WEST DIVISION EMPLOYEES**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 849,708	\$ 807,716	\$ 808,140	\$ 752,719
Interest	2,588,128	2,488,260	2,376,281	2,313,170
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(72,392)	(217,077)	(449,032)	-
Changes of assumptions	-	-	-	-
Benefit payment, including refunds of employee contributions	<u>(2,051,407)</u>	<u>(1,983,048)</u>	<u>(1,937,718)</u>	<u>(1,775,689)</u>
Net change in total pension liability	1,314,037	1,095,851	797,671	1,290,200
Total pension liability - beginning	<u>32,599,990</u>	<u>31,504,140</u>	<u>30,706,469</u>	<u>29,416,269</u>
Total pension liability - ending (a)	<u>\$ 33,914,027</u>	<u>\$ 32,599,991</u>	<u>\$ 31,504,140</u>	<u>\$ 30,706,469</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 900,263	\$ 889,323	\$ 846,152	\$ 790,856
Contributions - employee	900,222	888,736	850,243	794,934
Net investment income	2,765,608	1,569,326	(271,311)	850,200
Benefit payments, including refunds of employee contributions	(2,051,407)	(1,983,048)	(1,937,718)	(1,775,689)
Administrative expense	(89,884)	(119,224)	(102,386)	(87,594)
Other	-	-	-	-
Net change in plan fiduciary net position	2,424,802	1,245,113	(615,020)	572,707
Plan fiduciary net position - beginning	<u>20,819,635</u>	<u>19,574,522</u>	<u>20,189,542</u>	<u>19,616,835</u>
Plan fiduciary net position - ending (b)	<u>\$ 23,244,437</u>	<u>\$ 20,819,635</u>	<u>\$ 19,574,522</u>	<u>\$ 20,189,542</u>
Net Pension Liability - ending (a) - (b)	<u>\$ 10,669,590</u>	<u>\$ 11,780,356</u>	<u>\$ 11,929,618</u>	<u>\$ 10,516,927</u>
Plan fiduciary net position as a percentage of the total pension liability	68.54%	63.86%	62.13%	65.75%
Covered payroll	\$ 14,056,417	\$ 13,640,822	\$ 12,899,438	\$ 12,349,946
Net pension liability as a percentage of covered- employee payroll	75.91%	86.36%	92.48%	85.16%

Note:

This schedule is intended to show ten years of information. Additional years will be included as they become available.

See Independent Auditors' Report

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF NET PENSION LIABILITY AND RELATED RATIOS
REGIONAL TRANSPORTATION AUTHORITY PENSION PLAN**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	35.8000%	36.5000%	39.1000%	40.7553%
Proportionate share of the net pension liability (asset)	\$ 6,399,210	\$ 13,798,380	\$ 13,520,828	\$ 28,527,177
Covered payroll	\$ 33,774,264	\$ 33,890,431	\$ 31,278,732	\$ 30,225,262
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.95%	40.71%	43.23%	94.38%
Plan fiduciary net position as a percentage of the total pension liability	94.32%	87.38%	87.70%	73.92%

Note:

This schedule is intended to show ten years of information. Additional years will be included as they become available.

See Independent Auditors' Report

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
AMALGAMATED TRANSIT UNION LOCAL 900 PENSION PLAN**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	Not Available	\$ 208,938	\$ 204,842	\$ 156,328	\$ 97,358
Contributions in relation to the actuarially determined contribution	178,389	169,821	164,182	165,936	149,926
Contribution deficiency (excess)	Not Available	\$ 39,117	\$ 40,660	\$ (9,608)	\$ (52,568)
Covered payroll	\$ 4,457,984	\$ 4,140,722	\$ 4,104,533	\$ 4,121,289	\$ 3,748,150
Contribution as a percentage of covered payroll	4.00%	4.10%	4.00%	4.03%	4.00%

Valuation Date:	Not Available	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015
-----------------	---------------	-----------------	-----------------	-----------------	-----------------

Methods and assumptions used to determine contribution rates:

	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Straight Line	Straight Line	Straight Line	Straight Line
Remaining amortization period	20 years	20 years	20 years	20 years
Asset valuation method	Market	Market	Market	Market
Inflation	Included in salary increases	Included in salary increases	Included in salary increases	Included in salary increases
Salary increases	4.00%	4.00%	4.00%	4.00%
Investment rate of return	7.50%	7.50%	7.50%	7.50%
Retirement age	Age 65	Age 65	Age 65	Age 65
Mortality	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2012 using Scale AA	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2012 using Scale AA	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2012 using Scale AA	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2006 using Scale AA

Note:
The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Additional years will be included as they become available.

An actuarial valuation with the actuarially determined contribution for fiscal year 2018 is not available.

See Independent Auditors' Report

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
RETIREMENT PLAN FOR PACE WEST DIVISION EMPLOYEES**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	Not available	\$ 1,022,858	\$ 779,214	\$ 819,246	\$ 813,565
Contributions in relation to the actuarially determined contribution	<u>1,070,037</u>	<u>900,263</u>	<u>889,323</u>	<u>846,152</u>	<u>790,856</u>
Contribution deficiency (excess)	<u>Not available</u>	<u>\$ 122,595</u>	<u>\$ (110,109)</u>	<u>\$ (26,906)</u>	<u>\$ 22,709</u>
Covered payroll	\$ 16,291,529	\$ 14,056,417	\$ 13,640,822	\$ 12,899,438	\$ 12,349,946
Contribution as a percentage of covered payroll	6.57%	6.40%	6.52%	6.56%	6.40%
Valuation Date:	Not Available	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015
Methods and assumptions used to determine contribution rates:					
Actuarial cost method		Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method		Straight Line	Straight Line	Straight Line	Straight Line
Remaining amortization period		30 years	30 years	30 years	30 years
Asset valuation method		Smoothed Market Value	Smoothed Market Value	Smoothed Market Value	Smoothed Market Value
Inflation		4%	4%	4%	4%
Salary increases		3.50%	3.50%	3.50%	3.50%
Investment rate of return		8.00%	8.00%	8.00%	8.00%
Retirement age		Age 65	Age 65	Age 65	Age 65
Mortality		RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2006 using Scale AA	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2006 using Scale AA	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2006 using Scale AA	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2006 using Scale AA

Note:

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Additional years will be included as they become available.

An actuarial valuation with the actuarially determined contribution for fiscal year 2018 is not available.

See Independent Auditors' Report

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
REGIONAL TRANSPORTATION AUTHORITY PENSION PLAN**

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 4,173,155	\$ 3,788,251	\$ 3,479,971	\$ 5,317,168	\$ 5,579,076
Contributions in relation to the actuarially determined contribution	<u>4,173,155</u>	<u>3,788,251</u>	<u>3,479,971</u>	<u>5,317,168</u>	<u>5,579,076</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 35,470,140	\$ 33,774,264	\$ 33,890,431	\$ 31,278,732	\$ 30,225,262
Contribution as a percentage of covered payroll	11.77%	11.22%	10.27%	17.00%	18.46%
Valuation Date:	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period	30 years	30 years	30 years	30 years	30 years
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	3.25%	3.25%	3.25%	3.25%	3.25%
Investment rate of return	7.50%	7.50%	7.50%	7.50%	7.50%
Retirement age	Age-based tables that are specific to the type of eligibility condition	Age-based tables that are specific to the type of eligibility condition	Age-based tables that are specific to the type of eligibility condition	Age-based tables that are specific to the type of eligibility condition	Age-based tables that are specific to the type of eligibility condition
Mortality	RP-2014 Mortality Table, sex-distinct, with white collar adjustment, projected to the year 2018 for post-retirement mortality.	RP-2014 Mortality Table, sex-distinct, with white collar adjustment, projected to the year 2018 for post-retirement mortality.	RP-2014 Mortality Table, sex-distinct, with white collar adjustment, projected to the year 2018 for post-retirement mortality.	RP-2014 Mortality Table, sex-distinct, with white collar adjustment, projected to the year 2018 for post-retirement mortality.	RP-2014 Mortality Table, sex-distinct, with white collar adjustment, projected to the year 2018 for post-retirement mortality.

Notes:

In 2015, employer contributions of \$33,844,343 were made and are reflected in the Net Pension Liability as of December 31, 2016. These contributions were \$28,527,175 in excess of the actuarially determined contribution.

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Additional years will be included as they become available.

See Independent Auditors' Report

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
NORTH DIVISION RETIREE INSURANCE PLAN**

LAST TEN FISCAL YEARS

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 30,750
Interest	12,257
Changes of benefit terms	-
Differences between expected and actual experience	(9,009)
Changes of assumptions	11,963
Benefit payment, including refunds of employee contributions	<u>(11,960)</u>
Net change in total OPEB liability	34,001
Total OPEB liability - beginning	<u>336,352</u>
Total OPEB liability - ending	<u><u>\$ 370,353</u></u>
Covered payroll	\$ 4,121,289
Total OPEB liability as a percentage of covered- employee payroll	9.0%

Notes:

There are no assets accumulated in a trust and therefore no fiduciary net position is reported.

This schedule is intended to show ten years of information. Additional years will be included as they become available.

See Independent Auditors' Report

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
WEST DIVISION RETIREE INSURANCE PLAN**

LAST TEN FISCAL YEARS

2018

Total OPEB Liability

Service cost	\$	289,842
Interest		487,210
Changes of benefit terms		-
Differences between expected and actual experience		62,153
Changes of assumptions		766,909
Benefit payment, including refunds of employee contributions		(476,025)
Net change in total OPEB liability		1,130,089
Total OPEB liability - beginning		13,370,350
Total OPEB liability - ending	\$	14,500,439

Covered payroll	\$	14,101,334
Total OPEB liability as a percentage of covered- employee payroll		102.8%

Notes:

There are no assets accumulated in a trust and therefore no fiduciary net position is reported.

This schedule is intended to show ten years of information. Additional years will be included as they become available.

See Independent Auditors' Report

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FINANCIAL SECTION

OTHER SUPPLEMENTARY EXHIBITS

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**THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017**

ASSETS	Suburban Services Fund 2018	Regional ADA Paratransit Services Fund 2018	Total 2018	Unaudited Total 2017
<u>Current Assets</u>				
Cash:				
Cash and Investments	\$ 33,674,155	\$ 22,621,048	\$ 56,295,203	\$ 73,940,226
Restricted Cash	1,204,406	-	1,204,406	1,202,547
Cash and Investments	<u>34,878,561</u>	<u>22,621,048</u>	<u>57,499,609</u>	<u>75,142,773</u>
Accounts Receivable:				
Regional Transportation Authority	53,788,303	588,985	54,377,288	57,680,234
Interfund Receivable	281,368	-	281,368	335,417
Capital Grant Projects-FTA & IDOT	4,210,534	-	4,210,534	9,619,514
Other	13,989,071	116,871	14,105,942	8,273,233
Total Accounts Receivable	<u>72,269,276</u>	<u>705,856</u>	<u>72,975,132</u>	<u>75,908,398</u>
<u>Other Current Assets</u>				
Prepaid Expenses	1,640,814	310,781	1,951,595	2,609,709
Inventory-Spare Parts	6,719,215	-	6,719,215	6,385,423
Total Other Current Assets	<u>8,360,029</u>	<u>310,781</u>	<u>8,670,810</u>	<u>8,995,132</u>
Total Current Assets	<u>115,507,866</u>	<u>23,637,685</u>	<u>139,145,551</u>	<u>160,046,303</u>
<u>Noncurrent Assets</u>				
Capital Assets not Being Depreciated				
Land	31,829,385	-	31,829,385	17,600,771
Capital Projects in Progress	26,152,221	-	26,152,221	37,095,545
Total Capital Assets not Being Depreciated	<u>57,981,606</u>	<u>-</u>	<u>57,981,606</u>	<u>54,696,316</u>
Capital Assets Being Depreciated, Net				
Equipment	493,074,788	28,535,881	521,610,669	510,561,925
Building and Improvements	208,642,043	-	208,642,043	194,173,016
Less Accumulated Depreciation	(441,489,771)	(18,919,158)	(460,408,929)	(450,522,085)
Total Capital Assets Being Depreciated, Net	<u>260,227,060</u>	<u>9,616,723</u>	<u>269,843,783</u>	<u>254,212,856</u>
<u>Other Noncurrent Assets</u>				
Restricted Cash - Bond Proceeds	-	-	-	160,138
Total Other Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,138</u>
Total Noncurrent Assets	<u>318,208,666</u>	<u>9,616,723</u>	<u>327,825,389</u>	<u>309,069,310</u>
Total Assets	<u>433,716,532</u>	<u>33,254,408</u>	<u>466,970,940</u>	<u>469,115,613</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow - Pension	9,139,766	688,238	9,828,004	18,560,743
Deferred Outflow - OPEB	1,277,860	-	1,277,860	-
Total Deferred Outflow of Resources	<u>10,417,626</u>	<u>688,238</u>	<u>11,105,864</u>	<u>18,560,743</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND (Continued)
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

LIABILITIES	Suburban Services Fund 2018	Regional ADA Paratransit Services Fund 2018	Total 2018	Unaudited Total 2017
<u>Current Liabilities</u>				
Accounts Payable:				
Operating	\$ 516,698	\$ 38,809	\$ 555,507	\$ 571,889
Capital	5,378,490	-	5,378,490	13,020,772
Accrued Payroll Expenses	11,126,628	207,273	11,333,901	10,758,651
Other Accrued Expenses	9,331,261	21,390,539	30,721,800	25,460,853
Unearned Revenue	995,389	1,333,021	2,328,410	1,847,882
Interfund Payable	-	281,368	281,368	335,417
Bonds Payable - Current	1,200,000	-	1,200,000	1,200,000
Current Portion of Insurance Reserves	9,626,835	190,267	9,817,102	34,850,438
Total Current Liabilities	38,175,301	23,441,277	61,616,578	88,045,902
<u>Noncurrent Liabilities</u>				
Insurance Reserve, Non-Current Portion	27,929,448	-	27,929,448	6,615,233
Net Pension Liability	17,579,511	514,342	18,093,853	27,074,200
Net Other Post Employment Benefits (OPEB) Liability	14,870,792	-	14,870,792	4,990,786
Advance From State	11,213,545	-	11,213,545	11,065,169
Bonds Payable, Non-Current	6,000,000	-	6,000,000	7,200,000
Other Liabilities	2,194,110	75,480	2,269,590	2,162,273
Total Noncurrent Liabilities	79,787,406	589,822	80,377,228	59,107,661
Total Liabilities	117,962,707	24,031,099	141,993,806	147,153,563
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow - Pension	3,979,266	294,824	4,274,090	2,238,407
Deferred Inflow - OPEB	8,108	-	8,108	-
Total Deferred Inflow of Resources	3,987,374	294,824	4,282,198	2,238,407
NET POSITION				
Net Investment in Capital Assets	311,008,666	9,616,723	320,625,389	300,669,310
Restricted for Bond Repayment	1,200,000	-	1,200,000	1,200,000
Unrestricted	9,975,411	-	9,975,411	36,415,076
Total Net Position	\$ 322,184,077	\$ 9,616,723	\$ 331,800,800	\$ 338,284,386

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PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION BY FUND FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Suburban Services Fund 2018	Regional ADA Paratransit Services Fund 2018	Total 2018	Unaudited Total 2017
<u>Operating Revenue</u>				
Pace-owned service revenue	\$ 33,423,398	\$ -	\$ 33,423,398	\$ 31,529,471
CMAQ/JARC Services	309,328	-	309,328	197,354
Fixed route carrier revenue	3,237,896	-	3,237,896	3,147,559
Paratransit revenue	12,077,345	11,921,670	23,999,015	22,052,769
Vanpool revenue	2,479,123	-	2,479,123	2,637,916
Reduced fare reimbursement	1,278,569	-	1,278,569	1,346,001
Advertising revenue	2,874,169	-	2,874,169	2,833,629
Miscellaneous	716,084	2,184,538	2,900,622	2,816,489
Total Operating Revenue	56,395,912	14,106,208	70,502,120	66,561,188
<u>Operating expenses:</u>				
Pace-owned service expenses	100,358,738	-	100,358,738	97,442,666
CMAQ/JARC expenses	5,048,909	-	5,048,909	5,222,387
Contract Payments:				
Fixed route carriers	9,097,482	-	9,097,482	9,891,307
Paratransit carriers	12,059,632	153,173,774	165,233,406	174,538,536
Vanpool expenses	2,444,895	-	2,444,895	2,456,557
Centralized operations	65,308,445	4,353,556	69,662,001	70,045,201
Administrative expenses	31,433,722	8,069,012	39,502,734	40,896,768
Depreciation	48,708,464	3,134,507	51,842,971	43,841,430
Indirect overhead allocation	(7,072,989)	7,072,989	-	-
Total Operating Expenses	267,387,298	175,803,838	443,191,136	444,334,852
Operating Income (Loss)	(210,991,386)	(161,697,630)	(372,689,016)	(377,773,664)
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation and use tax from RTA (85% Formula)	95,682,874	-	95,682,874	92,119,153
RTA Sales Tax/PTF (PA 95-0708)	33,757,658	-	33,757,658	33,022,154
Regional ADA Paratransit Fund	-	150,334,299	150,334,299	157,413,630
RTA Discretionary Funding	4,314,789	-	4,314,789	4,423,872
ADA State Funding	-	7,975,000	7,975,000	3,825,000
Suburban Community Mobility Fund (SCMF)	25,077,390	-	25,077,390	24,140,579
South Suburban Job Access Fund	7,500,000	-	7,500,000	7,500,000
Innovation Coordination and Enhancement Fund (ICE)	-	-	-	72,518
Federal Operating Grants	6,470,108	-	6,470,108	8,565,575
Interfund Asset Allocation	(7,485,495)	7,485,495	-	-
Interest on Investments	1,164,373	253,824	1,418,197	922,727
Interest Expense	(241,800)	-	(241,800)	(264,000)
Total Non-Operating Revenue (Expenses)	166,239,897	166,048,618	332,288,515	331,741,208
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	(44,751,489)	4,350,988	(40,400,501)	(46,032,456)
Other Revenues, Expenses, Gains, Losses and Transfers				
Capital Grant Reimbursements	42,144,846	-	42,144,846	98,514,054
Total Other Revenues, Expenses, Gains, Losses and Transfers	42,144,846	-	42,144,846	98,514,054
Change in Net Position	(2,606,643)	4,350,988	1,744,345	52,481,598
Beginning Net Position	333,018,651	5,265,735	338,284,386	285,802,788
Restatement - Cumulative Effect of Change in Accounting Principle	(8,227,931)	-	(8,227,931)	-
Ending Net Position	\$ 322,184,077	\$ 9,616,723	\$ 331,800,800	\$ 338,284,386

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Actual	Final Amended Budget	Variance
<u>Operating Revenue</u>			
Pace-Owned Service Revenue	\$ 33,423,398	\$ 36,516,125	\$ (3,092,727)
CMAQ/JARC Passenger Revenue	309,328	213,276	96,052
Fixed Route Carrier Revenue	3,237,896	3,290,477	(52,581)
Paratransit Revenue	12,077,345	10,792,199	1,285,146
Vanpool Revenue	2,479,123	2,818,946	(339,823)
Reduced Fare Reimbursement	1,278,569	2,610,000	(1,331,431)
Advertising Revenue	2,874,169	2,833,000	41,169
Interest on Investments	1,164,373	480,854	683,519
Miscellaneous/Other Revenue	716,084	1,306,067	(589,983)
Total Operating Revenue	57,560,285	60,860,944	(3,300,659)
<u>Operating Expenses</u>			
Pace-Owned Service Expenses	100,358,738	100,624,741	266,003
CMAQ/JARC Expenses	5,048,909	4,601,881	(447,028)
Contract Payments:			
Fixed Route Carriers	9,097,482	9,212,763	115,281
Paratransit Carriers	12,059,632	16,744,152	4,684,520
Vanpool Expenses	2,444,895	3,276,922	832,027
Centralized Operations	65,308,445	66,412,842	1,104,397
Interest Expense	241,800	990,966	749,166
Indirect Overhead Allocation	(7,072,989)	(7,589,366)	(516,377)
Administrative Expenses	31,433,722	37,806,571	6,372,849
Total Operating Expenses	218,920,634	232,081,472	13,160,838
Operating Income (Loss)	(161,360,349)	(171,220,528)	9,860,179
<u>Non-Operating Revenue</u>			
Retailers' occupation and use tax from RTA (85% Formula)	95,682,874	95,466,169	216,705
RTA Sales Tax/PTF (PA 95-0708)	33,757,658	33,797,848	(40,190)
RTA Discretionary Funding	4,314,789	4,317,904	(3,115)
Suburban Community Mobility Fund (SCMF)	25,077,390	25,153,607	(76,217)
South Suburban Job Access Fund	7,500,000	7,500,000	-
Innovation Coordination and Enhancement Fund (ICE)	-	-	-
Federal Operating Grants - Suburban Services	6,470,108	4,985,000	1,485,108
Total Non-Operating Revenue	172,802,819	171,220,528	1,582,291
Increase (Decrease) in Net Position	\$ 11,442,470	\$ -	\$ 11,442,470
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(48,708,464)		
Capital Grant Reimbursements	42,144,846		
Interfund Asset Allocation	(7,485,495)		
Increase (Decrease) in Net Position - GAAP Basis	\$ (2,606,643)		

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Actual	Final Amended Budget	Variance
<u>Operating Revenue</u>			
ADA Service Revenue	\$ 11,921,670	\$ 11,687,045	\$ 234,625
Interest on Investments	253,824	155,000	98,824
Miscellaneous/Other Revenue	2,184,538	1,453,430	731,108
Total Operating Revenue	<u>14,360,032</u>	<u>13,295,475</u>	<u>1,064,557</u>
<u>Operating Expenses</u>			
ADA Service Expenses	153,173,774	158,836,558	5,662,784
Centralized Operations	4,353,556	4,003,846	(349,710)
Indirect Overhead Allocation	7,072,989	7,589,366	516,377
Administrative Expenses	8,069,012	8,157,427	88,415
Total Operating Expenses	<u>172,669,331</u>	<u>178,587,197</u>	<u>5,917,866</u>
Operating Income (Loss)	<u>(158,309,299)</u>	<u>(165,291,722)</u>	<u>6,982,423</u>
<u>Non-Operating Revenue</u>			
Regional ADA Paratransit Funding from RTA	150,334,299	156,791,722	(6,457,423)
ADA State Funding	7,975,000	8,500,000	(525,000)
Total Non-Operating Revenue	<u>158,309,299</u>	<u>165,291,722</u>	<u>(6,982,423)</u>
Increase (Decrease) in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(3,134,507)		
Interfund Asset Allocation	7,485,495		
Increase (Decrease) in Net Position - GAAP Basis	<u>\$ 4,350,988</u>		

STATISTICAL SECTION

Financial Trends

An analysis of Net Position by component and Change in Net Position are presented as an indicator of Pace’s financial performance and to show the overall change in financial position over time. A schedule is also included that details the ratio of working capital to operating expenses.

Net Position by Component	120
Change in Net Position.....	121
Working Capital Ratio	122

Revenue Capacity

Pace’s primary own-source revenue is system farebox revenue. The fare structure and system ridership both affect the revenue collected each year. Schedules are included that present trends in fares and ridership over the last ten years. The primary source of funding for Pace is sales tax receipts. A schedule is presented showing the trend in sales tax receipts over the past ten years.

Change in Fare Structure	123
System Ridership	124
Sales Tax Collection for the Six County Region	125

Debt Capacity

In 2015, Pace issued \$12 million in Special Revenue Bonds. These revenue bonds are not general obligations of Pace and must be repaid with Pace operating revenue in equal annual principal payments. The schedules include the information regarding outstanding debt, pledged revenue and legal debt margin.

Ratios of Outstanding Debt	126
Pledge-Revenue Coverage	127



STATISTICAL SECTION

(Continued)

Demographic and Economic Information

Population growth and personal income trends impact ridership, fare revenues and funding such as sales tax receipts. Also since many riders rely on public transportation to get to and from work, employment throughout the region plays a part in the environment in which Pace operates. Schedules are presented showing trends in population, personal income and unemployment for the last ten years.

Population, Personal Income and Unemployment	128
Principal Employers of the RTA Area	129

Operating Information

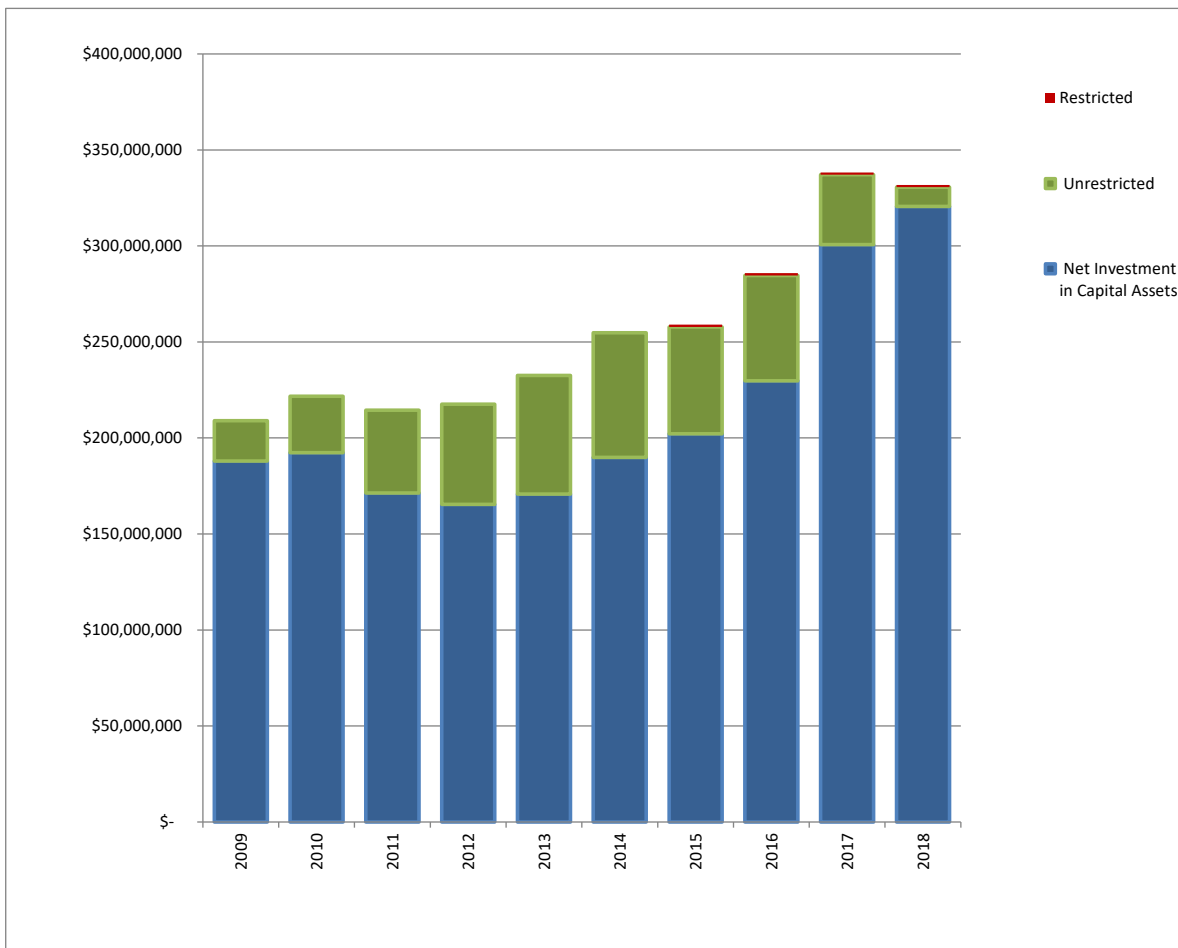
Pace operates bus transportation service over a six county region and within the City of Chicago for ADA Paratransit service. This section provides information in regard to the size and scope of Pace's operations. The schedules include detailed capital asset and infrastructure information, number of employees and other operating indicators that relate to the service Pace provides.

Capital Assets and Infrastructure Information	130
Full-Time Equivalent Employees by Function/Program	131
Operating Indicators	132



**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NET POSITION BY COMPONENT
LAST TEN YEARS**

<u>Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
2009	\$ 188,007,774	-	\$ 20,938,344	\$ 208,946,118
2010	192,311,667	-	29,435,568	221,747,235
2011	171,290,055	-	43,157,031	214,447,086
2012	165,446,453	-	52,161,234	217,607,687
2013	170,831,448	-	61,692,139	232,523,587
2014	189,848,707	-	64,923,906	254,772,613
2015	202,166,573	1,200,000	55,665,024	259,031,597
2016	229,819,359	1,200,000	54,783,429	285,802,788
2017	300,669,310	1,200,000	36,415,076	338,284,386
2018	320,625,389	1,200,000	9,975,411	331,800,800



Source: Pace Annual Financial Reports

**PACE
THE SUBURBAN BUS DIVISION
OF THE OF THE REGIONAL TRANSPORTATION AUTHORITY
CHANGE IN NET POSITION
LAST TEN YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Revenue										
Pace-owned service revenue	\$25,988,557	\$26,162,982	\$28,191,535	\$28,725,933	\$29,094,500	\$32,327,470	\$32,197,304	\$32,110,815	\$31,529,471	\$33,423,398
CMAQ/JARC Services	395,654	10,209	40,292	86,473	230,763	424,192	688,967	199,889	197,354	309,328
Fixed route carrier revenue	4,656,466	4,066,649	3,692,221	3,014,050	3,294,462	3,412,753	3,337,954	3,350,679	3,147,559	3,237,896
Paratransit revenue	16,143,772	17,979,188	19,978,787	21,761,056	22,409,864	22,693,571	22,205,676	22,428,374	22,052,769	23,999,015
Vanpool revenue	3,845,452	3,578,691	3,675,781	3,926,622	4,158,850	4,189,130	4,035,025	3,267,864	2,637,916	2,479,123
Reduced fare reimbursement	2,350,689	2,415,786	2,571,462	2,628,912	1,977,876	3,241,648	162,469	1,345,862	1,346,001	1,278,569
Advertising revenue	2,630,182	3,930,876	4,355,475	4,483,746	4,503,458	4,534,233	3,105,226	2,766,255	2,833,629	2,874,169
Miscellaneous	2,948,948	3,864,154	6,348,239	4,510,678	4,948,947	4,845,714	6,306,187	5,538,076	2,816,489	2,900,622
Total Operating Revenue	58,959,720	62,008,535	68,853,792	69,137,470	70,618,720	75,668,711	72,038,808	71,007,814	66,561,188	70,502,120
Operating expenses										
Pace-owned service expenses	70,197,738	73,273,066	74,311,676	78,277,509	79,708,876	83,705,687	86,388,267	92,806,319	97,442,666	100,358,738
CMAQ/JARC expenses	1,890,135	198,665	290,232	911,980	2,034,397	2,968,329	2,692,441	2,952,131	5,222,387	5,048,909
Contract Payments:										
Fixed route carriers	13,262,046	11,639,829	10,584,807	9,060,737	9,470,685	9,848,158	10,045,768	9,955,326	9,891,307	9,097,482
Paratransit carriers	119,465,945	121,511,022	133,160,676	142,641,448	151,287,226	158,734,067	159,468,364	164,327,776	174,538,536	165,233,406
Vanpool expenses	3,374,719	3,655,554	4,529,570	4,745,135	4,669,751	4,365,908	3,486,354	3,037,343	2,456,557	2,444,895
Centralized operations	54,317,776	55,886,171	58,509,532	61,788,712	63,873,741	71,124,251	54,362,958	65,825,451	70,045,201	69,662,001
Administrative expenses	26,601,926	25,125,710	26,404,823	29,908,725	32,915,020	36,285,585	36,271,779	39,461,949	40,896,768	39,502,734
Depreciation	37,446,875	41,712,329	44,356,587	47,778,646	46,402,723	46,942,530	40,516,493	40,562,165	43,841,430	51,842,971
Total Operating Expenses	326,557,160	333,002,346	352,147,903	375,112,892	390,362,419	413,974,515	393,232,424	418,928,460	444,334,852	443,191,136
Operating Income (Loss)	(267,597,440)	(270,993,811)	(283,294,111)	(305,975,422)	(319,743,699)	(338,305,804)	(321,193,616)	(347,920,646)	(377,773,664)	(372,689,016)
Non Operating Revenue										
Sales Tax from RTA (85% Formula)	70,438,841	73,053,667	76,085,053	79,326,746	83,215,418	87,298,041	90,272,781	91,559,244	92,119,153	95,682,874
RTA Sales Tax/PTF (PA 95-0708)	28,965,867	29,784,991	31,449,703	31,429,206	31,870,642	32,957,499	33,494,733	34,002,247	33,022,154	33,757,658
Regional ADA Paratransit Fund	91,010,358	94,796,109	99,298,087	113,232,896	125,994,893	131,661,582	130,980,972	140,923,975	157,413,630	150,334,299
RTA Discretionary Funding	4,366,739	-	535,000	5,440,000	3,694,000	3,978,339	4,602,594	4,901,422	4,423,872	4,314,789
Suburban Community Mobility Fund	18,202,072	18,959,222	19,859,618	20,796,258	21,804,636	22,878,795	23,800,266	24,124,103	24,140,579	25,077,390
South Suburban Job Access Fund	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
ADA State Funding	-	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,394,800	3,825,004	3,825,000	7,975,000
Innovation Coordination and Enhancement Fund	4,136,823	1,431,706	6,586,687	-	-	-	1,847,711	1,632,237	72,518	-
Federal Operating Grants	12,341,970	5,037,856	3,596,665	1,703,169	5,600,465	6,224,430	3,539,940	4,174,296	8,565,575	6,470,108
Interest on Investments	214,343	111,382	129,548	187,728	234,506	340,606	435,784	613,890	922,727	1,418,197
Interest Expense	(58,461)	(21,570)	(7,134)	(344)	-	-	(242,500)	(283,200)	(264,000)	(241,800)
Interest Revenue from Leasing Transaction	5,432,224	5,780,382	6,051,167	6,438,942	6,851,817	6,444,052	4,232,106	668,538	-	-
Interest Expense on Leasing Transaction	(5,432,224)	(5,780,382)	(6,051,167)	(6,438,942)	(6,851,817)	(6,444,052)	(4,232,106)	(668,538)	-	-
Total Non-Operating Revenue (Expense)	237,118,552	239,153,363	253,533,227	268,115,659	288,414,560	301,339,292	304,627,081	312,973,218	331,741,208	332,288,515
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	(30,478,888)	(31,840,448)	(29,760,884)	(37,859,763)	(31,329,139)	(36,966,512)	(16,566,535)	(34,947,428)	(46,032,456)	(40,400,501)
Other Revenues, Expenses, Gains, Losses and Transfers										
Capital Grant Reimbursements	36,411,542	44,641,565	22,460,735	41,020,364	46,245,039	51,438,723	48,879,594	61,718,619	98,514,054	42,144,846
Extraordinary ADA Revenue	-	-	-	-	-	7,776,815	-	-	-	-
Total Other Revenues, Expenses, Gains, Losses and Transfers	36,411,542	44,641,565	22,460,735	41,020,364	46,245,039	59,215,538	48,879,594	61,718,619	98,514,054	42,144,846
Net Change in Net Position	5,932,654	12,801,117	(7,300,149)	3,160,601	14,915,900	22,249,026	32,313,059	26,771,191	52,481,598	1,744,345
Restatement - Cumulative Effect of Change in Accounting Principle	-	-	-	-	-	-	(28,054,075)	-	-	(8,227,931)
Beginning Net Position	203,013,464	208,946,118	221,747,235	214,447,086	217,607,687	232,523,587	254,772,613	259,031,597	285,802,788	338,284,386
Ending Net Position	\$ 208,946,118	\$ 221,747,235	\$ 214,447,086	\$ 217,607,687	\$ 232,523,587	\$ 254,772,613	\$ 259,031,597	\$ 285,802,788	\$ 338,284,386	\$ 331,800,800

Note: The implementation of GASB 68 in 2015 resulted in a restated Beginning Unrestricted Net Position that was reduced \$28,054,075.

Note: The implementation of GASB 75 in 2018 resulted in a restated Beginning Unrestricted Net Position that was reduced \$8,227,931.

Source: Pace Annual Financial Reports

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
WORKING CAPITAL RATIO
LAST TEN YEARS**

	Current Assets <u>(in thousands)</u>	Current Liabilities <u>(in thousands)</u>	Working Capital <u>(in thousands)</u>	Operating Expenses <u>(in thousands)</u>	Ratio of Working Capital to Operating Expenses
2009	\$ 89,869	\$ 38,260	\$ 51,609	\$ 174,415	29.6%
2010	101,187	36,936	64,251	176,249	36.5%
2011	116,542	36,369	80,173	179,690	44.6%
2012	132,315	41,955	90,360	190,322	47.5%
2013	196,217	95,391	100,826	195,832	51.5%
2014	149,393	53,915	95,478	209,951	45.5%
2015	198,277	110,562	87,715	197,900	44.3%
2016	146,580	61,513	85,067	217,547	39.1%
2017	143,193	71,206	71,987	226,202	31.8%
2018	115,508	38,175	77,333	218,679	35.4%

Source: Pace Annual Financial Reports

Note: The GFOA defines working capital for enterprise funds as current assets less current liabilities. The GFOA recommends larger governments operate with at least two months of working capital equivalence of operating expenses, or a ratio of 17% of working capital to operating expenses.

Note: Operating expenses exclude depreciation expense. Refer to Exhibit 3A on page 116.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
CHANGE IN FARE STRUCTURE
CURRENT AND TEN YEARS AGO**

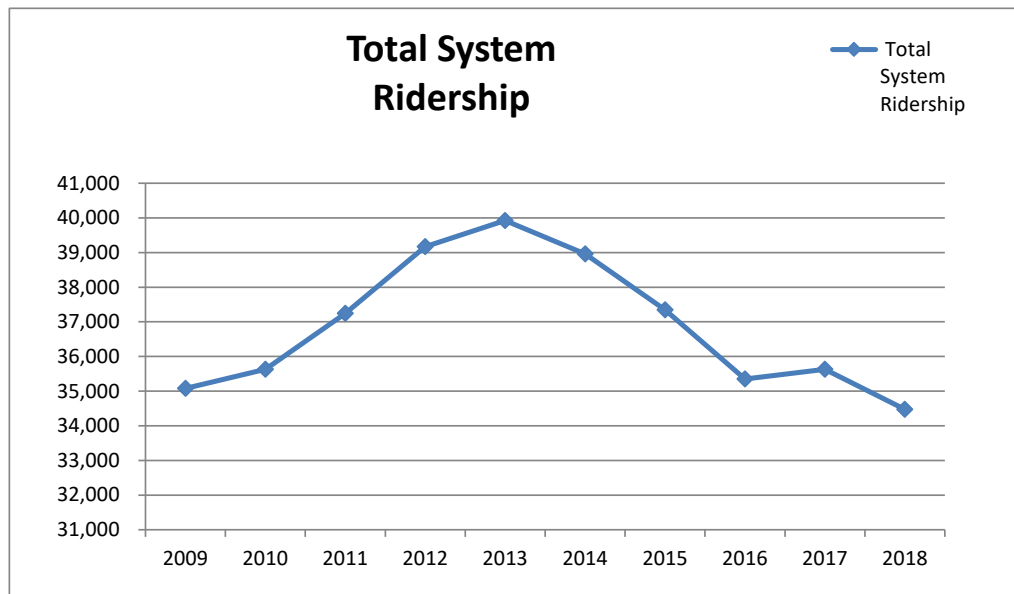
Fare Type	Effective <u>12/31/2018</u>		Effective <u>12/31/2009</u>	
	Full	Reduced	Full	Reduced
Basic Fare	\$2.00	\$1.10	\$1.75	\$0.85
Cash Fare	\$2.25	\$1.10	-	-
Local Fare	-	-	\$1.75	\$0.85
Premium Fare	\$4.50	\$2.25	\$4.00	\$2.00
Pace 30 Day Pass	\$60.00	\$30.00	\$60.00	\$30.00
Pace Premium 30 Day Pass	\$140.00	\$70.00	-	-
CTA/Pace 30 Day Pass	\$105.00	\$50.00	\$86.00	\$35.00
CTA/Pace 7 Day Pass	\$33.00	-	\$28.00	-
10 Ride Plus Regular Ticket	-	-	\$17.50	\$8.50
10 Ride Plus Local Ticket	-	-	\$17.50	\$8.50
10 Ride Plus Premium Ticket	-	-	\$40.00	\$20.00
One Day Pass	\$4.00	-	\$3.50	-
One Ride Pass	\$2.30	-	\$1.50	-
Link-up Pass	\$55.00	-	\$39.00	-
Plus Bus Pass	\$30.00	-	\$30.00	-
ADA Paratransit Regular Service Ticket	\$3.25	-	\$3.00	-
ADA Paratransit Local Service Ticket	-	-	\$2.50	-
Taxi Access Program - City of Chicago	\$3.00	-	\$5.00	-
Student Haul Pass	-	-	\$0.00	\$30.00
Student Summer Pass (valid June - August)	\$45.00	-	\$45.00	-

Source: Pace Fare Schedules

Note: Vanpool fares vary based on distance and the number of riders in the vanpool and are not included in the above schedule.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SYSTEM RIDERSHIP
(in thousands)
LAST TEN YEARS**

Year	Fixed Route	Dial A Ride	Vanpool	Total Suburban Services	Regional ADA Paratransit	Total System Ridership
2009	29,247	1,230	1,810	32,287	2,790	35,077
2010	29,292	1,273	1,751	32,316	3,310	35,626
2011	30,630	1,293	1,778	33,701	3,546	37,247
2012	32,151	1,280	1,962	35,393	3,776	39,169
2013	32,513	1,418	2,004	35,935	3,989	39,924
2014	31,686	989	2,156	34,831	4,127	38,958
2015	30,118	938	2,060	33,116	4,227	37,343
2016	28,398	892	1,881	31,171	4,178	35,349
2017	28,804	1,048	1,518	31,370	4,256	35,626
2018	27,673	1,027	1,509	30,209	4,265	34,474

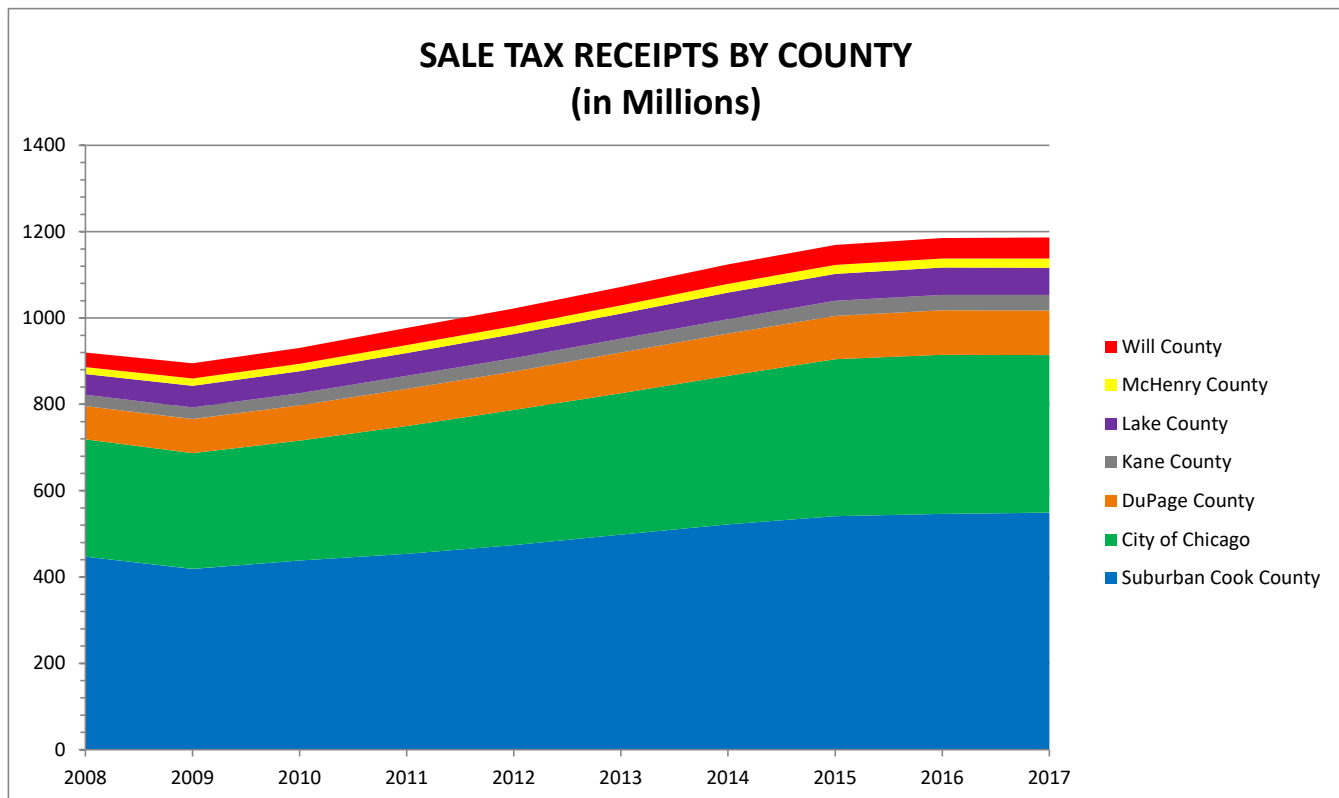


Source: Pace Budget and Ridership Reports

Note: Beginning in 2010, ADA includes companions and personal care attendants.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SALES TAX COLLECTIONS FOR THE SIX COUNTY REGION
(In Millions)
LAST TEN YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City of Chicago	\$ 272	\$ 268	\$ 278	\$ 296	\$ 313	\$ 328	\$ 344	\$ 363	\$ 369	\$ 365
Suburban Cook County	447	419	438	454	474	498	522	541	546	549
DuPage County	77	79	82	86	89	94	98	101	103	103
Kane County	26	27	28	30	31	32	33	34	35	36
Lake County	48	50	51	53	56	58	62	63	64	63
McHenry County	16	17	17	18	18	19	20	20	21	21
Will County	34	35	37	40	41	43	45	47	47	49
Total	\$ 920	\$ 895	\$ 931	\$ 977	\$ 1,022	\$ 1,072	\$ 1,124	\$ 1,169	\$ 1,185	\$ 1,186



Source: RTA 2017 CAFR

Note: The Sales Tax Rate changed on April 1, 2008

Note: Actual data for 2018 was not available

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
RATIOS OF OUTSTANDING DEBT
LAST TEN YEARS**

<u>Year</u>	<u>ANNUAL DEBT SERVICE</u>	<u>OUTSTANDING SPECIAL REVENUE BONDS</u>	<u>PERCENTAGE OF OPERATING REVENUES</u>	<u>DEBT PER RIDER</u>
2009	\$ -	\$ -	-	\$ -
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	1,442,500	10,800,000	19.4%	0.29
2016	1,483,200	9,600,000	15.3%	0.24
2017	1,464,000	8,400,000	15.6%	0.24
2018	1,441,800	7,200,000	12.8%	0.21

Note: Details regarding Pace's outstanding debt can be found on pages 63-64 of the notes to the financial statements.

Ridership totals can be found in Table 5 in the Statistical Section.

Suburban Services Fund Operating Revenues can be found in Exhibit 2

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
PLEGGED REVENUE COVERAGE
LAST TEN YEARS**

Year	SUBURBAN SERVICES FUND OPERATING REVENUE	PRINCIPAL	INTEREST	COVERAGE
2009	\$ 50,417,028	\$ -	\$ -	N/A
2010	51,467,273	-	-	N/A
2011	55,091,642	-	-	N/A
2012	56,297,363	-	-	N/A
2013	56,985,795	-	-	N/A
2014	61,475,908	1,200,000	242,500	2.3%
2015	55,569,605	1,200,000	283,200	2.7%
2016	55,074,181	1,200,000	242,500	2.6%
2017	53,701,358	1,200,000	264,000	2.7%
2018	56,395,912	1,200,000	241,800	2.6%

Note: Details regarding Pace's outstanding debt can be found on pages 63 - 64 of the notes to the financial statements.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
POPULATION, PERSONAL INCOME AND UNEMPLOYMENT
LAST TEN YEARS**

Year	Six County Population	Personal Income (in billions)	Per Capita Personal Income	Six County Average Unemployment Rate
2008	8,252,073	393,609	47,708	4.9%
2009	8,289,812	374,882	45,229	6.2%
2010	8,316,650	379,479	45,578	10.0%
2011	8,345,262	397,122	47,565	10.4%
2012	8,372,591	415,326	49,595	9.9%
2013	8,397,509	422,662	50,379	8.7%
2014	8,404,358	438,734	52,203	9.1%
2015	8,401,315	466,920	55,577	7.0%
2016	8,397,700	482,596	57,468	5.8%
2017	8,381,361	504,629	60,208	4.8%

Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Dept. of Commerce
Illinois Department of Employment Security, Local Area Unemployment Statistics
United States Census Bureau, Population Estimates by County

* 2018 Per Capital Personal Income is not available

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
PRINCIPLE EMPLOYERS OF THE RTA AREA
CURRENT AND TEN YEARS AGO**

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>No. of Employees</u>	<u>Rank</u>	<u>Percentage of Total RTA Area Employment</u>	<u>No. of Employees</u>	<u>Rank</u>	<u>Percentage of Total RTA Area Employment</u>
US Government	41,500	1	1.01%	77,000	1	1.99%
Chicago Public Schools	36,415	2	0.89%	43,740	2	1.13%
City of Chicago	31,854	3	0.77%	36,242	3	0.94%
Cook County	22,438	4	0.55%	23,416	4	0.60%
Northwest Memorial Healthcare	19,886	5	0.48%			
Advocate Aurora Health	19,513	6	0.47%	14,784	6	0.38%
University of Chicago	17,345	7	0.42%			
Amita Health	16,231	8	0.39%			
United Continental Holdings	14,582	9	0.35%			
Amazon.Com, Inc.	14,018	10	0.34%			
Walmart Inc.				19,990	5	0.52%
Walgreens				13,281	7	0.34%
JP Morgan Chase & Co.				13,142	8	0.34%
Abbott Laboratories				13,000	9	0.34%
AT&T				13,000	10	0.34%

Source: Crain's Chicago Business Annual List of Largest Employers
 Illinois Department of Employment Security, Local Area Unemployment Statistics
 Regional Transportation Authority 2009 CAFR

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
CAPITAL ASSETS AND INFRASTRUCTURE INFORMATION
CURRENT DATA**

PACE ROLLING STOCK - ACTIVE FLEET															
Fixed Route (Fully Accessible)				Paratransit (Fully Accessible)				Vanpool				Community Transit Vehicles			
Manufacturer	Number of Vehicles	Year	Age	Manufacturer	Number of Vehicles	Year	Age	Type	Number of Vehicles	Year	Age	Type	Number of Vehicles	Year	Age
Nabi 35'	6	2003	15	Eldorado Aerotech 23'	2	2008	10	Ford Econ E3	3	2008	10	Chevy G350	5	2008	10
Nabi 40'	5	2003	15	Eldorado Aerolite '22	9	2009	9	Dodge Carava	1	2009	9	Chevy G350	6	2009	9
Orion 40'	3	2004	14	Eldorado Aerotech 23'	28	2009	9	Ford E350	6	2009	9	Chevy G350	7	2010	8
Nabi 40'	56	2005	13	Eldorado Aerolite '22	7	2010	8	Dodge Carava	2	2010	8	Eldorado Aerolite	3	2010	8
ElDorado 30'	31	2006	12	Eldorado Aerotech 23'	55	2010	8	Ford E350	28	2010	8	Chevy G350	3	2011	7
ElDorado 30'	76	2007	11	Eldorado Aerolite '22	4	2011	7	Dodge Carava	5	2011	7	Chevy G350	1	2012	6
ElDorado 30'	31	2008	10	Eldorado Aerotech 23'	25	2011	7	Ford E350 Su	21	2011	7	Chevy Champion	2	2012	6
ElDorado 30'	23	2009	9	Eldorado Aerotech 23'	1	2012	6	Ford E350 Su	11	2012	6	Dodge Caravan	9	2013	5
ElDorado 30'	59	2010	8	Eldorado Aerotech 25'	156	2014	4	Dodge Grand	28	2012	6	Ford E350	11	2013	5
Orion Hybrid 30'	2	2012	6	Chevy Champion '22	51	2014	4	Dodge Carava	2	2012	6	Chevy Champion	6	2013	5
ElDorado 30'	4	2012	6	Chevy Champion '22	46	2015	3	Dodge Grand	36	2013	5	Ford E350	11	2014	4
ElDorado 40'	14	2012	6	Eldorado Aerotech 25'	48	2016	2	Ford E350	63	2013	5	Dodge Caravan	1	2014	4
ElDorado 40'	63	2013	5	Eldorado Aerotech 25'	2	2017	1	Dodge Grand	52	2014	4	Chevy Champion	5	2014	4
MCI 40'	13	2014	4	Eldorado Aerotech 25'	118	2018	0	Ford E350	54	2014	4	Ford E350	1	2015	3
ElDorado 40'	20	2014	4					Ford E350	10	2015	3	Chevy Champion	11	2015	3
ElDorado 40'	65	2015	3					Ford E350	1	2016	2	Ford E350	2	2016	2
MCI 40'	9	2015	3					Dodge Carava	19	2016	2	Chevy Champion	6	2016	2
ElDorado CNG 40'	20	2016	2					Ford Transco	18	2016	2	Ford E350	1	2017	1
ElDorado 40'	58	2016	2					Ford Transit	39	2016	2	Chevy Champion	25	2017	1
ElDorado 40'	59	2017	1					Ford Transit	11	2017	1	Chevy Champion	8	2018	0
ElDorado Trolley	7	2017	1					Ford Transco	1	2017	1				
ElDorado CNG 40'	68	2017	1					Dodge Carava	134	2017	1				
MCI 40'	8	2017	1					Ford Transit	53	2017	1				
ElDorado 40'	69	2018	0					Dodge Carava	24	2018	0				
ElDorado CNG 40'	11	2018	0					Ford Transit	1	2018	0				
								Ford Transit	1	2018	0				
								Dodge Carava	30	2018	0				
								Ford Transit	3	2018	0				
Total	780			Total	552			Total	657			Total	124		
Average Age	5.4			Average Age	3.8			Average Age	3.1			Average Age	4.0		

Facilities	
Park -N- Rides	14
Transportation Centers	9
Transfer Facilities	2
Operating Garages	10

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS**

	<u>General Administration</u>	<u>Regional ADA Paratransit</u>	<u>Vehicle Operations</u>	<u>Vehicle Maintenance</u>	<u>Non-Vehicle Maintenance</u>	<u>Total FTE</u>
2009	206	36	956	243	23	1,464
2010	206	36	943	244	23	1,452
2011	206	36	943	244	23	1,452
2012	219	35	971	247	23	1,495
2013	231	35	994	248	25	1,533
2014	239	35	992	277	25	1,568
2015	239	34	1,026	277	25	1,601
2016	232	38	1,063	284	25	1,642
2017	232	39	1,144	307	27	1,749
2018	237	47	1,168	315	30	1,797

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
OPERATING INDICATORS
LAST TEN YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fixed Route Service										
Number of Fixed Routes	213	194	194	194	199	195	209	212	224	225
Number of Accessible Routes	213	194	194	194	199	195	209	212	224	225
Number of Private Contractors	4	4	3	3	3	2	2	2	2	2
Number of Municipal Contractors	2	2	3	3	3	2	2	2	2	2
Paratransit										
Number of Communities Served	210	210	210	210	210	210	210	210	210	210
Number of Local Dial-a-Ride (DAR) Projects	65	66	68	68	68	68	67	65	68	68
Vanpool										
Vehicles in Service	690	673	708	621	781	785	767	719	668	650
Vehicle Miles (000's)										
Fixed Route	24,893	24,167	23,704	24,144	24,822	25,757	27,048	28,107	30,291	30,308
DAR/Ride DuPage/Kane	5,007	5,225	5,357	5,579	5,807	5,638	5,372	5,264	4,934	4,849
Vanpool	11,842	11,295	11,732	12,662	13,167	12,776	11,717	10,661	9,497	8,856
Regional ADA Paratransit *	23,517	23,298	27,581	29,779	31,892	33,777	34,603	34,250	33,407	32,318
Vehicle Hours (000's)										
Fixed Route	1,658	1,614	1,581	1,602	1,636	1,688	1,753	1,820	1,929	1,968
DAR/Ride DuPage/Kane	274	278	285	299	309	308	295	282	267	264
Regional ADA Paratransit **	1,651	1,634	1,895	1,900	2,032	2,252	2,369	2,361	2,385	2,301

Source: Pace Budgets

Note:

Vehicle Miles and Hours for 2018 are estimates.

* Beginning in 2009, vehicle miles include ADA for Chicago ADA

** Beginning in 2008, vehicle hours include ADA for Chicago ADA

OTHER INFORMATION

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PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUE	
Pace-Owned Service Revenue	\$ 33,423,398
CMAQ/JARC Passenger Revenue	309,328
Fixed Route Carrier Revenue	3,237,896
Paratransit Revenue	12,077,345
Van Pool Revenue	2,479,123
Reduced Fare Reimbursement	1,278,569
Advertising Revenue	2,874,169
Interest on Investments	1,164,373
Miscellaneous	716,084
* Senior's Ride Free	2,292,688
** Not-For-Profit Service Providers Revenue	10,800,379
Total System Generated Revenue	\$ 70,653,352
OPERATING EXPENSES	
Pace-Owned Service Expenses	\$ 100,358,738
CMAQ/JARC Expenses	5,048,909
Contract Payments:	
Fixed Route Carriers	9,097,482
Paratransit Carriers	12,059,632
Van Pool Expenses	2,444,895
Centralized Operations	65,308,445
Administrative Expenses	31,433,722
Indirect Overhead Allocation	(7,072,989)
*** Pension Expense in Excess of Actual Contributions	(2,350,803)
** Not-For-Profit Service Providers Expense	10,800,379
Total Operating Expenses	\$ 227,128,410
FAREBOX RECOVERY RATIO	31.1%

* Legislation was created in 2011 for the Seniors Circuit Ride Free program and the Seniors Reduced Fare program. Due to the revenue lost from these free and reduced fare rides, the RTA has allowed Pace to reflect the uncollected fares in its recovery ratio calculation.

** Pace has a relationship with entities involved in the Advantage Program in which Pace leases a vehicle to that entity in order to provide public transportation. Revenues and expenses incurred by such entities can be included in the recovery ratio calculation.

*** It is the opinion of the RTA that pension expense in excess of actual contributions can be excluded from Operating Expenses for recovery ratio calculation purposes.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2018**

REVENUE	
ADA Services Revenue	\$ 11,921,670
Interest on Investments	253,824
Miscellaneous	2,184,538
Total System Generated Revenue	\$ 14,360,032
OPERATING EXPENSES	
ADA Services Expenses	\$ 153,173,774
Centralized Operations	4,353,556
Administrative Expenses	8,069,012
Indirect Overhead Allocation	7,072,989
* Capital Cost of Contracting	(34,100,219)
Total Operating Expenses	\$ 138,569,112
FAREBOX RECOVERY RATIO	10.4%

* Under a 2008 change in legislation, the ADA Paratransit recovery ratio calculation now includes an expense credit for costs incurred by ADA Paratransit contractors for their capital expenses. In 2018, there is \$34,100,219 of Capital Cost of Contracting funding included in the recovery ratio calculation.

**THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF FIXED ROUTE CARRIER FINANCIAL
RESULTS - PUBLIC FUNDED CARRIERS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Direct Expense</u>	<u>Total Centralized Expense</u>	<u>PACE Funding</u>	<u>Net Passenger Revenue</u>	<u>Public Funding</u>
City of Highland Park	\$ 1,400,450	\$ 137,233	\$ 1,537,683	\$ 688,160	\$ 849,523
Village of Niles	1,515,765	(106,102)	1,409,663	542,288	867,375
Village of Schaumburg	441,384	34,191	475,575	285,794	189,781
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 3,357,599</u>	<u>\$ 65,322</u>	<u>\$ 3,422,921</u>	<u>\$ 1,516,242</u>	<u>\$ 1,906,679</u>

**PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF FIXED ROUTE CARRIER
FINANCIAL RESULTS - PRIVATE CONTRACT CARRIERS
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Regular Fixed Route</u>	<u>Operating Expenses</u>	<u>Passenger Revenue</u>	<u>Net Expenses</u>
First Student	\$ 3,075,654	\$ 1,005,867	\$ 2,069,787
First Transit	553,575	27,130	526,445
MV Transportation	<u>2,110,654</u>	<u>688,657</u>	<u>1,421,997</u>
 TOTALS	 <u>\$ 5,739,883</u>	 <u>\$ 1,721,654</u>	 <u>\$ 4,018,229</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF
PARATRANSIT MUNICIPAL - CARRIER EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>CARRIER</u>	<u>TOTAL REVENUE</u>	<u>TOTAL EXPENSE</u>	<u>OPERATING DEFICIT</u>	<u>PACE ASSISTANCE</u>	<u>NON-PACE ASSISTANCE</u>
Bensenville	\$ 15,323	\$ 262,866	\$ 247,543	\$ 21,021	\$ 226,522
Bloom	21,823	362,013	340,190	48,269	291,921
Crestwood	4,270	95,194	90,924	12,145	78,779
Forest Park	26,230	108,511	82,281	61,710	20,571
Lemont	5,342	63,120	57,778	14,489	43,289
Lyons	14,541	282,414	267,873	37,968	229,905
Norridge	7,697	92,158	84,461	18,837	65,624
Orland Park	14,770	253,594	238,824	22,471	216,353
Palatine	20,256	157,292	137,036	23,813	113,223
Palos Hills	6,532	64,395	57,863	12,120	45,743
Park Forest	16,497	96,490	79,993	33,993	46,000
Rich Township	25,423	365,782	340,359	37,826	302,533
Schaumburg	73,673	1,293,762	1,220,089	190,361	1,029,728
Stickney	17,964	332,795	314,831	46,275	268,556
Tinley Park	7,629	75,151	67,522	17,448	50,074
Vernon Township	3,772	146,107	142,335	9,817	132,518
Worth	6,954	245,059	238,105	18,961	219,144
Total	\$ 288,696	\$ 4,296,703	\$ 4,008,007	\$ 627,524	\$ 3,380,483

*In 2018, Pace received funding totaling \$1,630,595 that is reflected as a reduction of expenses in the Statement of Revenues, Expenses and Changes in Net Position shown on pages 32, 42 and 115.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF PARATRANSIT CARRIER FINANCIAL
RESULTS - PRIVATE CONTRACT CARRIERS - NON -ADA SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Project</u>	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Non - Pace Assistance</u>	<u>Net Contract Cost</u>
Bloomington Township	\$ 277,733	\$ 23,748	\$ 82,029	\$ 171,956
Call Centers	762,648	-	-	762,648
Call in Rides	1,708,941	113,418	-	1,595,523
Central Lake	36,482	5,676	9,205	21,601
Central Will	667,184	55,703	169,669	441,812
Community Service Transit	60,918	112,586	-	(51,668)
Downers Grove	105,078	13,686	28,447	62,945
DuPage County	14,828	2,010	-	12,818
DuPage Township	123,286	5,842	32,710	84,734
Elk Grove	337,718	10,796	291,562	35,360
Leyden Township	108,794	7,069	90,582	11,143
McHenry County	345,138	18,903	338,066	(11,831)
Milton Township	277,102	64,394	10,701	202,007
Naperville/Lisle	1,152,837	249,410	666,098	237,329
Northeast Lake	311,200	15,746	26,668	268,786
Northeast Lake-Zion	59,627	3,721	11,270	44,636
Northwest Kane - Hampshire	18,030	516	4,379	13,135
Northwest Lake	119,901	18,832	-	101,069
Northwest Lake Demo	253,554	37,108	189,003	27,443
North Suburban Cook - Non-ADA	54,716	2,576	17,246	34,894
North Suburban Cook - Trip	182,890	28,480	-	154,410
Pioneer Center	269,873	1,920	-	267,953
Ride DuPage	1,649,681	227,029	1,062,220	360,432
Ride In Kane	2,851,503	343,633	2,012,233	495,637
Ride Lake	119,743	15,535	113,657	(9,449)
Ride McHenry	2,083,068	218,985	1,035,766	828,317
Shields Township	43,624	6,079	12,527	25,018
South Cook	72,049	-	-	72,049
Southwest Lake-Wauconda	6,216	-	-	6,216
Southwest Will	25,998	1,704	5,177	19,117
TriState Park Shuttle	2,903	-	-	2,903
Wayne Township	54,389	4,040	15,647	34,702
West Cook	119,555	-	114,543	5,012
Will County	403,051	40,792	418,824	(56,565)
Total	\$ 14,680,258	\$ 1,649,937	\$ 6,758,229	\$ 6,272,092

*In 2018, Pace received funding totaling \$5,286,734 that is reflected as a reduction in expenses in the Statement of Revenues, Expenses and Changes in Net Position shown on pages 32, 42 and 115.

**PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF PARATRANSIT CARRIER FINANCIAL
RESULTS - PRIVATE CONTRACT CARRIERS - ADA SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Project</u>	<u>ADA SERVICES</u>		
	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Net Contract Cost</u>
South Cook	\$ 9,520,361	\$ 905,484	8,614,877
North Suburban Cook	7,144,551	951,935	6,192,616
West Cook (Suburban)	3,537,570	342,359	3,195,211
North Lake	1,330,918	172,920	1,157,998
Kane County	807,539	75,369	732,170
Southwest/Central Will	772,262	65,563	706,699
DuPage County	2,368,207	216,924	2,151,283
Chicago ADA	127,692,366	9,191,116	118,501,250
Total	\$ 153,173,774	\$ 11,921,670	\$ 141,252,104

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PROJECTS FUNDED/TO BE FUNDED
FROM UNRESTRICTED NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

The Unrestricted Net Position detailed in footnote 12 on pages 98 - 99 is comprised of the unexpended portion of the accumulated positive budget variance.

	<u>2018</u>	<u>2017</u>
Group I: Approved and Completed	\$ 18,837,896	\$ 19,714,797
Group II: Approved and in Progress		
Computer Equipment - Multiple projects	\$ 2,531,955	\$ 2,519,943
Facilities Environmental Cleanup	511,337	511,337
Barrington Rd (1-90) BRT Ramp/underpass	2,500,000	2,500,000
Barrington Rd (1-90) Pedestrian Bridge - Engineering	654,000	654,000
Barrington Rd (1-90) Pedestrian Bridge	8,400,000	8,400,000
Plainfield Park and Ride Lot - Engineering	1,000,000	1,000,000
Plainfield Park and Ride Lot - Construction	4,800,000	-
Support Equipment/Non-Revenue Vehicles	970,204	1,051,733
I-90 Corridor Infrastructure	1,060,000	1,160,000
Milwaukee Ave Infrastructure	800,000	800,000
Facilities Site/Environment Review	350,119	350,119
Bus Shelters/Pads	1,000,000	1,000,000
Bus Stop Shelters/Signs	1,000,000	1,000,000
Bus Stop Infrastructure Improvements	1,250,000	1,250,000
Sign & Shelters	-	20,000
Sales proceeds designated for Capital Projects	1,572,595	1,104,671
A/E for Capital Projects	3,358,706	3,372,706
Oracle Refresh	5,000,000	5,000,000
Land Easement	350,000	350,000
Transit Asset Management Plan - Consulting	805,253	805,253
Northshore Division Improvements	206,697	206,697
South Div CNG Construction/General Contingency	2,000,000	2,000,000
Improvements to Garages - Multiple Years	591,642	627,680
Improvements to Facilities	705,000	705,000
Real Time Next Bus Stop Signs	160,000	160,000
Real Time Link - Schedules/Next Bus Info	-	15,300
Related Capital Projects/Support Services	95,883	81,883
Rosemont Transit Center Improvements - A/E	1,500,000	1,500,000
Unanticipated Capital - Multiple Years	445,599	205,686
Totals Approved and in Progress	<u>43,618,990</u>	<u>38,352,008</u>
Group III: Approved But Not Yet Started		
25' - 30' Cut Away Buses Replacements	2,043,000	2,043,000
Improve Security System - Systemwide	300,000	300,000
Computer Systems	-	300,000
Plainfield Park and Ride Construction	-	4,800,000
Unanticipated Capital - 2017	-	239,913
Totals Approved But Not Yet Started	<u>2,343,000</u>	<u>7,682,913</u>
Total Commitments	64,799,886	65,749,718
Previously Recognized Expenditures	<u>(51,754,201)</u>	<u>(34,288,855)</u>
Net Commitments	<u>\$ 13,045,685</u>	<u>\$ 31,460,863</u>