



To: Chicago Transit Authority Board

From: Dennis Anosike, Chief Financial Officer

Re: Financial Results for December 2007

Date: December 12, 2007

CTA finished the year with a balanced budget as lower operating expenses offset lower revenues. For the month of December, CTA's financial results show a surplus of \$5.5 million. The surplus for the month is primarily due to an increase in public funding and higher revenues. Ridership for the month of December was 37.8 million and was 2.8 million or 6.9% less than budget.

Sales tax for the RTA region equaled \$616.6 million through October 2007. This is \$7.1 million more than budget and \$5.3 million more than the prior year. Sales tax distributed to CTA from the formula equaled \$247.9 million and was higher than budget and prior year by \$6.4 million and \$4.2 million, respectively. These excess sales tax revenues do not accrue to CTA, but rather to RTA's fund balance.

Ridership for the month of December was 37.8 million and was 2.8 million less than budget. Ridership for the year was 499.5 million and was 6.4 million less than budget but was 4.7 million or 1.0% higher than prior year. Average weekday ridership was lower than December 2006 by 1.0% due to lower rail ridership. Saturday and Sunday ridership for the month was lower than prior year by 1.8% and 3.0%, respectively, due to lower rail ridership. For the full year of 2007, average weekday ridership was 0.6% higher and average Saturday and Sunday ridership was 1.1% and 1.9% higher due to strong ridership on the bus system. Ridership taken with passes was 2.0% lower for the month and 5.6% higher for the year.

Bus ridership for the month of December was 24.1 million. This was 1.4 million or 5.3% less than budget and was 0.3 million or 1.2% more than December 2006. Rail ridership for December was 13.7 million and was 1.4 million or 9.4% less than budget and was 0.8 million or 5.3% less than prior year. For the year to date, bus ridership was 309.3 million and was 7.7 million or 2.6% more than budget and was 10.8 million or 3.6% more than prior year. Rail ridership was 190.3 million and was below budget and prior year by 14.1 million or 6.9% and 5.0 million or 2.5%, respectively.

Public Funding Required for Operations for the month was \$40.2 million resulting in a \$5.5 million budget surplus for the month. For the year, public funding was \$548.2 million and was on par with budget.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 59.19% for the month and was favorable by 6.91 percentage points primarily due to higher revenue. For the year, recovery ratio was 53.09% and was 0.49 percentage points lower than budget.

Operating Expenses for the month equaled \$90.8 million and were \$1.5 million more than budget. For the year, operating expenses were \$1.1 billion and were \$6.8 million or 0.6% less than budget. The favorable variance is primarily a result of lower labor expenses.

Labor Expense was \$54.8 million for the month of December and \$784.8 million for the year. This was below budget for the month by \$8.8 million and was \$33.9 million lower for the year due to vacancies and lower funding for pension and retiree healthcare than anticipated in the budget.

Material Expense was \$8.1 million for the month and was over budget by \$1.5 million or 22.1%. For the year to date, material expense was \$84.2 million and was \$6.3 million or 8.1% more than budget. Compared to prior year, material expense is \$1.0 million or 1.2% higher. The higher material expense is primarily due to bus and rail fleet maintenance required due to delays in the quarter and mid life overhauls and replacement of vehicles exceeding their useful life. In particular, axle and wheel assemblies on the 2600 series rail cars and brakes and brake calipers are currently being replaced. Material for rail operations is \$8.9 million more than budget for the year.

Fuel for Revenue Equipment was \$5.2 million for the month and \$71.2 million for the year. This exceeded budget for the month by \$0.2 million and the year by \$9.9 million primarily due to higher miles and fuel prices. The gross average price paid per gallon for the month was \$3.16. The fuel swap decreased the average price by \$0.46 bringing the net cost per gallon to \$2.69. The budget assumed an average price of \$2.50 per gallon. For the year, CTA's net average cost per gallon averaged \$2.82, \$0.32 more than budget.

Electric Power for Revenue Equipment was \$2.8 million for the month and \$28.1 million for the year. Power expense was \$0.4 million less than budget for the month, but was \$0.1 million more than budget for the year. The year to date unfavorable variance is primarily due to the cold weather.

Provision for Injuries and Damages Expense was \$2.1 million for the month and \$25.0 million year to date and is on par with budget.

Purchase of Security Services was \$3.0 million for the month and was on par with budget. Year to date security expense is \$31.4 million and was \$4.0 million less than budget.

Other Expenses equaled \$14.9 million for the month and were \$9.0 million higher than budget. Other expenses for the full year were \$69.5 million and were \$14.7 million more than budget due to higher equipment and facilities maintenance expenses and lower overhead charged to capital.

System-Generated Revenue was \$50.6 million for the month and \$545.9 million for the year. This was \$7.0 million more than budget for the month, but were \$6.8 million less than budget for the year principally due to lower fare, advertising, and investment income.

Fare Revenue was \$35.2 million for the month and was \$1.0 million more than budget primarily due to higher average fare offset by lower ridership. The average fare for the month was \$0.93 per ride and was \$0.05 more than budget. Year to date fare revenue was \$457.3 million and was \$11.0 million lower than budget due to a lower average fare and lower ridership. Compared to prior year, fare revenue is \$5.0 million lower for the year.

Reduced Fare Reimbursements were \$2.9 million for the month and \$33.3 million for the year to date period. This was \$0.3 million more than budget for the month and \$1.3 million higher than budget for the year due to higher ridership and the Governor advancing the 2008 appropriation.

Advertising, Charter and Concessions Revenue equaled \$1.8 million in December and was \$0.2 million less than budget. Year to date revenue for this category was \$23.2 million and was \$1.8 million lower than budget as the new contract for advertising revenues for platforms and vehicles was not approved until mid-January. The contract with the prior vendor expired on December 31, 2006.

Investment Income was \$1.8 million for the month and \$10.5 million for the year to date. This was \$0.8 million more than budget for the month and \$1.6 million less than budget for the year due to a lower cash balance.

Statutory Required Contributions were \$3.0 million for the month and \$5.0 for the year to date and were on par with budget.

All Other Revenue was \$5.9 million for the month and \$16.7 million for the year to date. This was \$5.0 million more than budget for the month and was \$6.4 million more for the year to date period due to higher revenue from rentals, scrap sales, non capital grant expenditure reimbursements and a one-time rate settlement with Com Ed.

Non STO full-time employees were capped by the Board at 5,302. Subsequently President Huberman eliminated 75 positions in June and July reducing the 2007 budgeted positions to 5,227 positions. As of December 31, 2007 CTA was under the cap by 121 employees.