



To: Chicago Transit Authority Board
From: Karen Walker, Chief Financial Officer
Re: Financial Results for December 2010
Date: February 9, 2011

CTA's financial results show a \$7.5m deficit for the month of December. For the year to date period, CTA's financial results show a surplus of \$25.3 million which is primarily due to operating expenses that were significantly lower than anticipated in the budget. The positive budget variance of \$25.3 million is anticipated to fund capital projects in 2011.

The chart below highlights CTA's key working capital results at December 2010 compared to December 2009.

	Dec 2010	Dec 2009	Increase (Decrease)
Working Cash	\$ 138.6	\$ 60.5	\$ 78.1
Damage Reserve Cash	102.4	85.1	17.3
Inventory	63.5	92.8	(29.3)
Funds owed by RTA	139.5	205.6	(66.1)
Funds CTA owes (accounts payable)	20.1	24.4	(4.3)

CTA's working cash balance continues to be below the target of three months' operating expense. Working cash is \$78.1 million more than the prior year. Funds owed to CTA by the RTA and the state is approximately \$139.5 million which is \$66.1 million less than the prior year. CTA inventories have decreased by \$29.3 million from the prior year due to changes made to min/max levels and an increase in the reserve for obsolescence. Funds CTA owes to creditors is \$4.3 million less than prior year.

Ridership for the month of December was 38.5 million and was 1.0 million more than budget and was 1.4 million less than prior year. Bus ridership for the month of December was 22.9 million. This was 0.4 million or 1.7% more than budget and was 1.7 million or 7.0% less than December 2009. Rail ridership for December was 15.6 million and was 0.6 million or 4.0% more than budget and was 0.4 million or 2.4% more than December 2009.

Ridership for the year was 516.9 million and was 3.4 million more than budget but was 4.4 million less than prior year. Bus ridership is 12.6 million less than the prior year to date while rail ridership was 8.3 million higher. The lower bus ridership reflects the service cuts implemented in February that primarily affected bus passengers. For the full year of 2010, average daily ridership decreased 0.8% from 2009, average Saturday and Sunday ridership decreased 1.2% and 1.93%, respectively.

Free rides totaled 5.7 million for the month and 76.0 million for the year; this is 0.3 million less than December 2009 but was 1.9 million more for the year. Free rides for seniors went into effect on March 17, 2008. The majority of free rides occurred on the bus system. Bus accounts for 4.6 million of the total free rides for the month while rail is 1.1 million.

Public Funding Required for Operations was \$66.8 million for the month and was unfavorable to budget by \$7.5 million. For the year to date, public funding required for operations was \$645.0 million and was \$25.3 million favorable to budget. The positive budget variance of \$25.3 million is anticipated to fund capital projects in 2011. Actual public funding receipts are expected to exceed budget and such variance would be used to fund capital projects in 2011. Final public funding receipts for the year are due in March 2011.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 51.02% for the month and 57.04% for the year. This was unfavorable to budget by 4.94 percentage points for the month and favorable by 0.31 percentage points for the year to date.

Operating Expenses for the month and year equaled \$118.0 million and \$1.2 billion, respectively. For the current month, operating expenses were \$5.9 million or 5.3% more than budget. For the year to date, operating expenses were \$35.2 million or 2.8% lower than budget. For the year to date all categories of expense were favorable to budget except materials expense, provision for injuries and damages, and security expense.

Labor Expense was \$73.8 million for the month of December and was \$0.6 million less than budget. Labor expense for the year to date equaled \$835.1 million and was favorable to budget by \$16.9 million. Labor expense is \$21.3 million lower than the prior year to date. The favorable labor variances are primarily due to vacancies and furlough days.

Material Expense was \$8.0 million for the month and was \$0.3 million more than budget. Material expense for the year to date equaled \$79.9 million and was

unfavorable to budget by \$2.2 million due to an increase in obsolescence reserve. Compared to the prior year to date, material expense is 8.0 million or 9.1% lower. The lower material expense for the year is due to the reduction in the bus fleet with scraping of the 19 year old buses, lower material usage for rail cars and lower fare card material.

Fuel for Revenue Equipment was \$4.7 million for the month or \$1.0 million less than budget, and was \$11.8 million less than budget for the year to date. Compared to the prior year to date, fuel is \$48.5 million less than 2009 due to favorable results from the fuel hedge program. The average price paid in December was \$2.80 per gallon and was less than the budget price of \$3.72 per gallon.

Electric Power for Revenue Equipment was \$2.6 million for the month and \$28.2 million for the year. Power expense was \$1.1 million below budget for the month and was \$10.0 million lower for the year to date. Compared to the prior year to date, power cost was \$9.4 million lower due to the negotiated electric supply contract that went into effect in January 2010.

Provision for Injuries and Damages Expense was \$4.8 million for the month and \$43.0 million for the year to date period. This was over budget by \$2.5 million for the month and \$15.0 million for the year as CTA utilized favorable results from the fuel hedge and energy programs to fully fund the actuarial liability.

Purchase of Security Services was \$3.3 million for the month and was \$0.5 million more than budget. Year to date security expense is \$33.3 million and was \$0.1 less than budget.

Other Expenses equaled \$20.7 million for the month and were \$5.3 million more than budget. The unfavorable variance for the month is due to year end accruals of various expenses. Year to date other expense was \$164.2 million and was \$13.8 million less than budget due to lower utilities, advertising and promotion, contractual services, and leases and rental expense.

System-Generated Revenue was \$51.2 million for the month and was \$1.6 million less than budget. Year to date System-Generated Revenue was \$590.8 million and was \$9.9 million less than budget. The year to date unfavorable variance was primarily due to lower than anticipated farebox revenues. However, all major categories of revenue were below budget except for contributions from local governments and other revenue.

Fare and Pass Revenue was \$40.4 million for the month and was \$3.1 million less than budget. The unfavorable variance for the month is primarily due to an increase in pass revenue that was anticipated in the budget but not realized. Year to date fare revenue was \$509.2 million and was \$12.2 million less than budget primarily due to a lower average fare. The average fare for the year to date was \$0.99 per ride; this was \$0.03 less than budget.

Reduced Fare Reimbursements were \$3.3 million for the month and \$28.2 million for the year to date. The month was \$0.6 million more than budget, but the year was \$3.9 million less than budget due to State budget cuts.

Advertising, Charter and Concessions Revenue equaled \$1.3 million in December and \$19.4 million for the year to date. This was \$0.6 million lower than budget for the month. This revenue category was \$3.5 million lower than budget for the year as the budget had anticipated higher vehicle and platform advertising revenues than realized.

Investment Income was \$172,000 for the month and \$0.6 million for the year to date period. This was \$0.1 million less than budget for the current month and \$1.2 million lower for the year to date period due to lower cash balances and investment rates.

Statutory Required Contributions were \$0.0 million for the month and \$5.0 million for year to date. This category was on par with budget for the year to date.

All Other Revenue was \$5.9 million for the month and was \$4.6 million favorable to budget. For the year to date, other revenue was \$28.4 million and was \$11.0 million favorable to budget, primarily due to the BABs subsidy. In 2010, CTA received the first subsidy payment associated with the 2010 Build America Bonds (BABs) in the amount of \$7.0 million, which was not anticipated in the budget.