



To: Chicago Transit Authority Board

From: Dennis Anosike, Chief Financial Officer

Re: Financial Results for April 2008

Date: June 11, 2008

CTA's financial results show a deficit for the month of April of \$2.8 million and \$6.5 million for the year to date. The deficit drivers for the month and year are higher labor and fuel expense. Higher fuel prices are driving ridership growth which in turn is driving higher fare revenue. However, this increase in fare revenue is not enough to fully offset the higher expenses, partially due to the greater usage of pass media. Every \$0.10 change in the price per gallon of fuel increases expense by \$2.4 million. Fuel prices are now at \$4.53 per gallon which alone could increase operating expenses by as much as \$25.0 million over budget levels. As such, CTA is amending its 2008 operating budget to offset this negative impact. Management has implemented a business plan to bring the budget in line including issuance of monthly overtime targets to all departments and implementation of hiring plans to drive favorable labor variances. Operating departments have also been given targets for reductions in contractual services spending.

Sales tax for the RTA region equaled \$109.3 million for the first two months of 2008. This is \$6.2 million less than budget, but is \$0.7 million more than the prior year. Sales tax distributed to CTA from the formula equaled \$44.2 million and was less than budget by \$1.4 million, but was \$0.3 million more than prior year.

Ridership for the month of April was 45.0 million and was 2.3 million more than budget. Ridership for the year was 165.6 million and was 3.5 million more than budget and was 6.7 million or 4.2% higher than prior year. Average weekday ridership was higher than April 2007 by 8.8%. Saturday ridership for the month was higher than prior year by 8.3%. Sunday ridership for the month was 10.2% higher than prior year. The average weekday, Saturday and Sunday ridership for the year exceeded prior year by 3.0%, 4.2% and 3.7%, respectively, due to strong ridership on the bus system. Ridership taken with passes was 6.5% higher for the month and 3.7% higher for the year to date.

Bus ridership for the month of April was 28.5 million. This was 1.9 million or 7.0% more than budget and was 3.2 million or 12.8% more than April 2007. Rail ridership for April was 16.5 million and was 0.5 million or 2.9% more than budget and was 1.3

million or 8.9% more than prior year. For the year to date, bus ridership was 104.0 million and was 3.6 million or 3.6% more than budget and was 5.4 million or 5.5% more than prior year. Rail ridership was 61.5 million and was below budget by 0.1 million or 0.1%, but was higher than prior year by 1.3 million or 2.1%.

Public Funding Required for Operations for the month was \$54.8 million, \$2.8 million more than budget, resulting in a deficit for the month. For the year to date, public funding was \$221.9 million and was \$6.5 million more than budget.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 47.63% for the month and was unfavorable by 1.10 percentage points primarily due to higher operating expenses than budgeted. For the year to date, recovery ratio was 46.22% and was 0.52 percentage points less than budget.

Operating Expenses for the month equaled \$100.5 million and were \$3.6 million more than budget. For the year, operating expenses were \$396.9 million and were \$9.7 million or 2.5% more than budget. The current month unfavorable variance is primarily a result of higher labor and fuel expenses.

Labor Expense was \$75.4 million for the month of April and \$294.9 million for the year. This was \$5.6 million more than budget for the month and was \$12.8 million higher for the first four months due to overtime required for snow removal, maintenance of the fleet and track, an increase in service and the delayed implementation of the nonrevenue fleet maintenance by the City fleet department. For the month of April, Bus and Rail STO labor was \$4.4 million and \$1.0 million over budget, respectively, bus maintenance was \$1.6 million higher and facilities maintenance was \$0.6 million higher. The STO overage is due in part to manpower shortages which have been driving overtime expense to meet the schedule.

Material Expense was \$5.8 million for the month and was under budget by \$1.4 million or 19.3% due to capitalizing parts issued for the rail fleet that qualify as associated capital maintenance items under FTA guidelines. For the year to date, material expense was \$26.6 million and was \$1.4 million or 5.1% less than budget.

Fuel for Revenue Equipment was \$7.2 million for the month and \$27.1 million for the year. This exceeded budget for the month by \$1.6 million and \$4.8 million for the year primarily due to higher fuel prices than budgeted. The cost per gallon for the month was \$3.56. The budget assumed an average price of \$2.60 per gallon.

Electric Power for Revenue Equipment was \$3.6 million for the month and \$11.6 million for the year. Power expense was \$0.2 million more than budget for the month and was \$0.2 million less than budget for the year to date.

Provision for Injuries and Damages Expense was \$2.3 million for the month and \$9.3 million year to date and is on par with budget.

Purchase of Security Services was \$2.6 million for the month and was \$0.3 million less than budget. Year to date security expense is \$9.8 million and was \$1.5 million less than budget.

Other Expenses equaled \$3.7 million for the month and were \$2.1 million less than budget due to capitalization of elevator/escalator rehabilitation and track structure improvements and the delay in outsourcing of the nonrevenue fleet to the city. Year to date other expenses were \$17.7 million and were \$4.8 million less than budget due to lower equipment maintenance, other services and non capital grant expenses.

System-Generated Revenue was \$45.7 million for the month and \$175.0 million for the year to date. This was \$0.8 million more than budget for the month and was \$3.2 million more than budget for the year principally due to higher fare and pass revenues.

Fare Revenue was \$39.3 million for the month and was \$1.6 million more than budget primarily due to higher ridership. The average fare for the month was \$0.87 per ride and was \$0.01 less than budget. Year to date fare revenue was \$149.3 million and was \$6.1 million more than budget due to higher ridership and a higher average fare. Compared to prior year, fare revenue is \$4.1 million higher for the year.

Reduced Fare Reimbursements were \$2.8 million for the month and \$10.8 million for the year. This was on par with budget.

Advertising, Charter and Concessions Revenue equaled \$2.1 million in April and was \$0.1 million less than budget. Year to date revenue for this category was \$9.1 million and was \$0.3 million more than budget due to higher revenue than budgeted from contracted transit services.

Investment Income was \$0.3 million for the month and \$2.1 million for the year. This was \$0.7 million less than budget for the month and \$1.8 million less than budget for the year due to a lower cash balance and lower interest rates. Due to a lack of sufficient and or timely revenues, the state of Illinois is delaying its payments to CTA and RTA.

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

All Other Revenue was \$1.2 million for the month and \$3.6 million for the year. This was on par with budget for the month and was \$1.4 million less for the year due to lower than budgeted revenue from rental properties and non capital grant revenues.