CHICAGO TRANSIT AUTHORITY

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To: Chicago Transit Authority Board

From: Dennis Anosike, Chief Financial Officer

Re: Financial Results for May 2008

Date: July 24, 2008

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CTA's financial results show a deficit for the month of May of $3.5 million and $10.0 million for the year to date. The primary drivers of the deficit for the month and year are higher labor and fuel expense. By contrast, fare revenue continues to exceed budget due to higher ridership and a higher average fare. However, this increase is not enough to fully offset the higher expenses. Looking forward, higher energy prices are adding increasing pressure on the operating budget. The current price of diesel fuel, if maintained at the current levels, could drive a $25.0 million overage in fuel expense. The year to date May producer price index was 8.7% over 2007 and the consumer price index measured inflation at 4.5%. Unemployment rate in Chicago inched up to 5.9% compared to 5.4% in May 2007.

CTA continues to closely monitor key economic indicators to forecast impacts on CTA costs and revenues. Management has put a business plan together to bring the budget in line due to the budgetary impacts from higher energy prices and service levels. Several cost cutting actions are being implemented by the business units to improve efficiencies and reduce costs. All operating departments have been given monthly overtime targets and hiring plans are being implemented to drive labor cost down.

Sales tax for the RTA region equaled $170.9 million for March 2008. This is $1.8 million less than budget and $0.3 million more than the prior year. Sales tax distributed to CTA from the formula equaled $68.5 million and was more than budget by $0.5 million, but was $0.1 million less than prior year. CTA received its first payment of the real estate transfer tax (RETT) in May. The first RETT payment was $2.7 million, which was well below the average monthly budgeted amount of $7.0 million.

Ridership for the month of May was 45.6 million and was 3.0 million more than budget. Ridership for the year was 211.2 million and was 6.5 million more than budget and 8.1 million or 4.0% higher than prior year. Average weekday ridership was higher than May 2007 by 3.7%. Saturday ridership for the month was higher than prior year by 11.7%. Sunday ridership for the month was 6.4% higher than prior year. The average weekday, Saturday and Sunday ridership for the year exceeded prior year by 3.1%, 6.3% and 4.4%, respectively, due to strong ridership on the bus system. Ridership taken with passes was 0.6% lower for the month primarily due to lower reduced fare riders as a result of the seniors ride free program. Pass ridership was 2.8% higher for the year to date.

Bus ridership for the month of May was 29.0 million. This was 2.3 million or 8.7% more than budget and was 1.3 million or 4.6% more than May 2007. Rail ridership for May was 16.6 million and was 0.7 million or 4.4% more than budget and was 0.1 million or 0.7% more than prior year. For the year to date, bus ridership was 133.1 million and was 5.9 million or 4.6% more than budget and was 6.7 million or 5.3% more than prior year. Rail ridership was 78.1 million and was over budget by 0.6 million or 0.8% and was higher than prior year by 1.4 million or 1.8%.

Public Funding Required for Operations for the month was $54.9 million, $3.5 million more than budget resulting in a $3.5 million budget deficit for the month. For the year to date, public funding was $276.9 million and was $10.0 million more than budget.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 47.47% for the month and was unfavorable by 0.85 percentage points primarily due to higher operating expenses than budgeted. For the year to date, recovery ratio was 46.47% and was 0.58 percentage points less than budget.

Operating Expenses for the month equaled $100.6 million and were $5.6 million more than budget. For the year, operating expenses were $497.6 million and were $15.3 million or 3.2% more than budget. The current month unfavorable variance is primarily a result of higher labor, material, fuel and other expenses.

Labor Expense was $71.2 million for the month of May and $366.1 million for the year. This was $1.4 million more than budget for the month and was $14.3 million higher for the year 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 May, Bus and Rail STO labor was $2.7 million and $1.2 million over budget, respectively.

Material Expense was $7.7 million for the month and was over budget by $0.9 million or 12.6%. For the year to date, material expense was $34.3 million and was $0.6 million or 1.6% less than budget due to capitalizing parts issued for the rail fleet that qualify as associated capital maintenance items under FTA guidelines. Compared to prior year, material expense is $0.7 million or 1.9% lower primarily due to the 2008 material capitalization.

Fuel for Revenue Equipment was $7.8 million for the month and $34.9 million for the year. This exceeded budget for the month by $2.2 million and $7.1 million for the year primarily due to higher fuel prices than budgeted. The cost per gallon for the month was $4.12. The budget assumed an average price of $2.60 per gallon. The buses achieved higher fuel efficiency due to receipt of more New Flyer hybrid buses. Miles per gallon were 3.28 compared to budget mpg of 2.82.

Electric Power for Revenue Equipment was $2.0 million for the month and $13.6 million for the year. Power expense was $0.5 million less than budget for the month and was $0.7 million less than budget for the year to date.

Provision for Injuries and Damages Expense was $2.3 million for the month and $11.7 million year to date and is on par with budget.

Purchase of Security Services was $2.4 million for the month and was $0.4 million less than budget. Year to date security expense is $12.1 million and was $1.9 million less than budget.

Other Expenses equaled $7.2 million for the month and were $1.9 million more than budget. The current month reflects timing differences between actual and budget for equipment and facilities maintenance expenses. Year to date other expenses were $24.9 million and were $2.9 million less than budget due to lower equipment maintenance, other services and non capital grant expenses and due to capitalization of elevator/escalator rehabilitation and track structure improvements.

System-Generated Revenue was $45.7 million for the month and $220.7 million for the year to date. This was $2.0 million more than budget for the month and was $5.2 million more than budget for the year principally due to higher fare and pass revenues.

Fare Revenue was $40.0 million for the month and was $3.3 million more than budget primarily due to higher ridership. The average fare for the month was $0.88 per ride and was $0.02 more than budget. Year to date fare revenue was $189.4 million and was $9.4 million more than budget due to higher ridership and a higher average fare. Compared to prior year, fare revenue is $4.5 million higher for the year.

Reduced Fare Reimbursements were $2.6 million for the month and $13.5 million for the year. This was on par with budget.

Advertising, Charter and Concessions Revenue equaled $2.2 million in May and was on par with budget. Year to date revenue for this category was $11.3 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 $2.5 million for the year. This was $0.6 million less than budget for the month and $2.5 million less than budget for the year due to a lower cash balance and lower interest rates.

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 $0.6 million for the month and $4.1 million for the year. This was $0.7 million less than budget for the month and was $2.1 million less for the year due to lower than budgeted revenue from rental properties and non capital grant revenues.