To: Chicago Transit Authority Board

From: Karen Walker, Chief Financial Officer

Re: Financial Results for October 2010

Date: December 16, 2010

CTA's financial results show a $0.6m deficit for the month of October and a surplus of $31.9 million for the year to date. The deficit for the month is primarily due to lower farebox and pass revenues than anticipated in the budget. The surplus for the year to date period is a result of lower operating expenses. Ridership for the month of October was 46.6 million and was on par with budget.

The chart below highlights CTA's key working capital results at October 2010 compared to October 2009 and year end 2009.

	Oct 2010	Oct 2009	Increase (Decrease)	Dec 2009
Working Cash	$ 62.2	$ 200.1	$ (137.9)	$ 60.5
Damage Reserve Cash	123.1	23.0	100.1	85.1
Inventory	73.2	97.3	(24.1)	92.8
Funds owed by RTA	171.0	126.9	44.1	205.6
Funds owed by State of Illinois	0.1	-	0.1	-
Funds CTA owes (accounts payable)	23.7	16.7	7.0	24.4

CTA's working cash balance remains well below the target of three months' operating expense. Funds owed to CTA by the RTA and the state is approximately $171.1 million. CTA inventories have decreased by $24.1 million from the prior year. Funds CTA owes to creditors is more than prior year and slightly less than December 2009.

Ridership for the month of October was 46.6 million and was on par with budget, but was 0.9 million less than prior year. Bus ridership for the month of October was 27.2 million. This was 0.3 million or 1.0% less than budget and was 1.5 million or 5.2% less than October 2009. Rail ridership for October was 19.3 million and was 0.3 million or 1.6% more than budget and was 0.6 million or 3.5% more than October 2009.

Ridership for the year was 435.6 million and was 0.4 million more than budget and was 3.1 million less than prior year. Bus ridership is 9.9 million less than the prior year to date while rail ridership was 6.8 million higher. The lower bus ridership reflects the service cuts implemented in February that primarily affected bus passengers.

Free rides totaled 6.8 million for the month and 64.0 million for the year; this is on par with October 2009 but was 2.3 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 5.6 million of the total free rides for the month while rail is 1.2 million.

Public Funding Required for Operations was $49.2 million for the month and was unfavorable to budget by $0.6 million. For the year to date, public funding required for operations was $524.1 million and was $31.9 million favorable to budget.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 61.61% for the month and 57.52% for the year. This was unfavorable to budget by 2.08 percentage points for the month and favorable by 0.77 percentage points for the year to date.

Operating Expenses for the month and year equaled $102.4 million and $1.0 billion, respectively. For the current month, operating expenses were $1.4 million or 1.3% less than budget. For the year to date, operating expenses were $44.4 million or 4.2% lower than budget. For the year to date all categories of expense were favorable to budget except the provision for injuries and damages.

Labor Expense was $69.1 million for the month of October and was $0.5 million less than budget. Labor expense was impacted by increased costs associated with unemployment and workers compensation. CTA's unemployment costs were approximately $7.0 million higher than the prior year primarily due to the layoffs implemented on February 7, 2010. The increases in these labor related costs are partially offset by vacancies, lower overtime and higher charges to capital jobs. Labor expense for the year to date equaled $692.9 million and was favorable to budget by $14.7 million. Labor expense is $29.7 million lower than the prior year to date.

Material Expense was $5.5 million for the month and was on par with budget. Material expense for the year to date equaled $59.5 million and was favorable to budget by $3.6 million. Compared to the prior year to date, material expense is 11.0 million or 15.6% 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 $4.2 million for the month or $1.4 million less than budget, and was $9.6 million less than budget for the year to date. Compared to the prior year to date, fuel is $40.7 million less than 2009 due to favorable results from the fuel hedge program. The average price paid in October was $2.79 per gallon and was under the budget price of $3.75 per gallon.

Electric Power for Revenue Equipment was $1.8 million for the month and $24.7 million for the year. Power expense was $1.3 million below budget for the month and was $7.0 million lower for the year to date. Compared to the prior year to date, power cost was $7.9 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 $33.3 million for the year to date period. This was over budget by $2.5 million for the month and $10.0 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 $2.5 million for the month and was $0.2 million less than budget. Year to date security expense is $27.0 million and was $0.6 less than budget.

Other Expenses equaled $14.3 million for the month and were $0.5 million less than budget. Year to date other expense was $128.8 million and was $18.8 million less than budget. The year to date favorable budget variances are as follows: utilities $3.9 million, advertising and promotion $2.1 million, contractual services $11.9 million, leases and rentals $2.0 million. These favorable variances were offset by the general expense category which is unfavorable by $1.1 million for the year primarily due to costs associated with restructuring of the green line lease agreements.

System-Generated Revenue was $53.2 million for the month and was $2.0 million less than budget, primarily due to lower farebox and pass revenues. Year to date System-Generated Revenue was $485.2 million and was $12.4 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.

Fare and Pass Revenue was $45.2 million for the month and was $1.7 million less than budget. The unfavorable variance for the month is primarily due to lower than average fare. Year to date fare revenue was $427.2 million and was $6.5 million less than budget primarily due to a lower than average fare. The average fare for the year to date was $0.98 per ride; this was $0.02 less than budget.

Reduced Fare Reimbursements were $3.2 million for the month and $21.6 million for the year to date. The month was $0.5 million more than budget, but the year was $5.2 million less than budget due to anticipated State budget cuts.

Advertising, Charter and Concessions Revenue equaled $1.3 million in October and $16.4 million for the year to date. This was $0.6 million lower than budget for the month.

This revenue category was $2.7 million lower than budget for the year as the budget had anticipated higher vehicle and platform advertising revenues than realized.

Investment Income was $44,000 for the month and $0.4 million for the year to date period. This was $0.2 million less than budget for the current month and $1.0 million lower for the year to date period due to lower cash balances and investment rates.

Statutory Required Contributions were $2.0 million for the month and $5.0 million for year to date. This category was favorable to budget by $3.0 million for the year to date due to the receipt of funds earlier than anticipated in the budget.

All Other Revenue was $1.5 million for the month and $14.5 million for the year to date period. This was on par with budget for the month and $0.1 million less than budget for the year to date period. The year to date unfavorable results are primarily due to lower revenues for property sales than assumed in the budget.