To: Chicago Transit Authority Board

From: Jeremy Fine, Chief Financial Officer

Re: Financial Results for May 2018

Date: July 11, 2018

I. Summary

CTA's financial results are unfavorable to budget for May and year-to-date by $1.5 million and $3.1 million, respectively, primarily due to lower reduced fare reimbursements from the State and higher labor costs resulting from negotiated union contract increases.

Ridership for the month was 41.1 million and was 0.8 million higher than budget. Ridership was 0.7 million or 1.8% lower than May 2017. Ridership year-to-date was higher than budget but less than prior year by 1.2 million and 5.4 million, respectively. The ridership loss over the prior year to date is due to weather, low gas prices, and competition from rideshare services such as Uber and Lyft.

II. Cash & Liquidity

The chart below highlights CTA's cash position at May 2018 compared to May 2017.

<table>
<thead>
<tr>
<th></th>
<th>May 2018</th>
<th>May 2017</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Cash</td>
<td>$128,268</td>
<td>$183,417</td>
<td>$(55,149)</td>
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<tr>
<td>Damage Reserve</td>
<td>$70,088</td>
<td>$93,932</td>
<td>$(23,844)</td>
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<tr>
<td>Funds Owed by RTA</td>
<td>$315,989</td>
<td>$349,042</td>
<td>$(33,053)</td>
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<tr>
<td>Trust Portfolio Assets</td>
<td>$531,632</td>
<td>$660,390</td>
<td>$(128,758)</td>
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<tr>
<td>Total Cash and Receivables</td>
<td>$1,045,977</td>
<td>$1,286,781</td>
<td>$(240,804)</td>
</tr>
</tbody>
</table>

CTA’s total cash/receivables balance was equal to $1.0 billion. Unrestricted cash was $55.1 million lower than the prior year due to retroactive payments resulting from the negotiated wage agreements as well as the timing of cash receipts and invoice payments particularly related to capital reimbursements from the State. The Damage Reserve fund was $23.8 million lower than last year due to an increase in settlement payments throughout 2017 and 2018. Funds owed by the RTA were approximately $316.0 million which was $33.1 million less than the prior year due to the timing of payments from the State. CTA continues to work closely with the RTA to monitor their receivable balance owed; Trust Portfolio Assets represents bond proceeds held in Trust for funding capital projects and making required debt service payments and therefore goes down when payments are made.
### III. Revenue

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual May-18</th>
<th>Variance to Budget May-18</th>
<th>Variance to Prior Year May18 vs. May17</th>
<th>Actual Full Year</th>
<th>Variance to Budget Full Year</th>
<th>Variance to Prior Year Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fare &amp; Pass Revenue</td>
<td>$50,568</td>
<td>$(220)</td>
<td>$1,705</td>
<td>$234,987</td>
<td>$1,474</td>
<td>$9,851</td>
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<tr>
<td>Reduced Fare Subsidy</td>
<td>$1,180</td>
<td>$(1,180)</td>
<td>$-</td>
<td>$5,900</td>
<td>$(5,900)</td>
<td>$-</td>
</tr>
<tr>
<td>Advertising, Charter, Concession</td>
<td>$3,301</td>
<td>$54</td>
<td>$338</td>
<td>$16,113</td>
<td>$(61)</td>
<td>$1,811</td>
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</tbody>
</table>

- Fare and pass revenue for May was $0.2 million unfavorable to budget due to lower-than anticipated bus cash revenue and $1.7 million favorable to prior year mainly due to the fare increase in 2018. The average fare for the month was $1.23 and was $0.03 less than budget and $0.06 higher than the prior year.

- Year-to-date fare and pass revenue was $1.5 million favorable to budget and $9.9 million favorable to prior year due to the fare increase in 2018 and higher pass revenue. The average fare for the year was $1.23 per ride and was on par with budget.

- Reduced Fare Subsidy was less than budget for the month and year-to-date by $1.2 million and $5.9 million, respectively, based on expected reimbursements from the State.

- Advertising, Charter and Concessions Revenue was $0.1 million favorable to budget and $0.3 million favorable to prior year for the month due to advertising and billboard revenues. Year-to-date, the revenue was $0.1 million unfavorable to budget and $1.8 million higher than prior year due to advertising revenue.
- Investment income was $0.2 million and $0.5 million higher than budget for the month and year-to-date, respectively, due to higher short-term market rates.

- Other Revenue was unfavorable to budget for the month and year-to-date primarily due to the timing of non-capital grant revenue, a lower than anticipated BAB subsidy, and park & ride revenues. Other revenue was higher than May 2017 and prior year-to-date by $0.1 million and $4.2 million, respectively, primarily due to the new ride-hailing fee revenue from the City of Chicago.

- Total System-Generated Revenue was less than budget for the month and year-to-date by $1.8 million and $5.5 million, respectively, primarily due to lower reduced fare revenue. It was more than May 2017 and prior year-to-date by $2.3 million and $15.9 million, respectively, due to an increase in fares and new ride-hailing fee revenue in 2018.

## IV. Expenses

- Labor expense was $3.2 million unfavorable to budget for the month due to negotiated union contract increases. Higher fringe benefits in 2018 contributed to higher expenses compared to 2017 year-to-date.
Material expense was $0.6 million unfavorable to budget for the month and $0.5 million unfavorable to prior year. Material expense was $1.4 million unfavorable to prior year-to-date, primarily due to higher vehicle part usage due to an aging fleet with buses and railcars coming out of warranty and additional costs related to 2018 weather conditions.

Fuel for Revenue Equipment expense was $0.1 million unfavorable to budget in May primarily due to higher than expected usage and an increase in the price of diesel fuel. A combination of higher usage to pre-heat buses in cold weather and higher fuel prices accounts for the unfavorable variance to the prior year-to-date.

The Electric Power for Revenue Equipment expense was $0.1 million unfavorable to budget for the month. This was due to higher consumption as a result of hotter than normal temperatures over the Memorial Day weekend and two extra days in the ComEd meter-reading cycle. Year-to-date, expenses were $1.3 million unfavorable to prior year, primarily due to higher consumption associated with the weather conditions this year and an increase in fees on electricity bills.

The Provision for Injuries & Damages expense is budgeted quarterly in 2018 and was budgeted monthly in 2017. The expense was favorable to prior year-to-date by $1.9 million due to lower funding requirements in 2018.
- **Purchase of Security Services** was on par with budget for the month but slightly less than prior year due to the timing of invoices and expected increased contract costs. Year-to-date, expenses were $0.4 million favorable to budget and $0.3 million unfavorable compared to the prior year.

- The $4.2 million and $12.4 million favorable variances to budget for the month and year-to-date, respectively, were mainly due to the timing of contractual services invoices. The other expense category includes the pension obligation bond expense, utilities, maintenance contracts, services, and other expenses.

- Operating Expenses were $0.2 million favorable to budget for the month due to the timing of contractual expenses. The unfavorable variance to prior year-to-date was due primarily to higher labor from contractual wage increases and higher fuel expenses due to higher consumption.

### V. Recovery Ratio

<table>
<thead>
<tr>
<th>Category</th>
<th>Current Month</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual May-18</td>
<td>Variance to Budget</td>
</tr>
<tr>
<td>Purchase of Security Services</td>
<td>$1,455</td>
<td>$29</td>
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<tr>
<td>Other Expenses</td>
<td>$20,039</td>
<td>$4,242</td>
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<tr>
<td>Total Operating Expenses</td>
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<td>$245</td>
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</table>

- Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 57.21% for the month. This was unfavorable to budget
by 1.40 percentage points for the month. Year-to-date, the recovery ratio was 53.34%, which was unfavorable to budget by 0.78 percentage points but is on target to meet the RTA required recovery ratio.

VI. Ridership

<table>
<thead>
<tr>
<th>Category</th>
<th>Current Month</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual May-18</td>
<td>Variance to Budget May-18</td>
</tr>
<tr>
<td>Bus</td>
<td>21,469</td>
<td>500</td>
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<tr>
<td>Rail</td>
<td>16,071</td>
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<tr>
<td>Rail to Rail Transfers</td>
<td>3,547</td>
<td>18</td>
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<tr>
<td>Total</td>
<td>41,086</td>
<td>757</td>
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</table>

- Ridership for the month of May was 41.1 million and was higher than budget and lower than prior year by 0.8 million and 0.7 million, respectively.

- Calendar adjusted ridership was down 1.8% from prior year due to cold weather, low gas prices, and competition from rideshare services such as Uber and Lyft.

- Ridership for the year-to-date was 191.5 million and was 1.2 million higher than budget and 5.4 million lower than the prior year-to-date.

- Calendar adjusted ridership was down 3.2% from the prior year-to-date.

- More details on ridership can be found in the May Ridership Report.
Cash & Liquidity Cont’d

Trust Portfolio Assets

Revenue

Fare & Pass Revenue

Reduced Fare Subsidy
Revenue Cont’d

**Advertising, Charter, Concession**

**Investment Income**

**Statutory Required Contribution**
Revenue Cont'd

Other Revenue

Total System Generated Revenue

Total Public Funding
Expenses

Labor

Material

Fuel
Expenses Cont’d

**Power**

**Provision Injuries & Damages**

**Purchase of Security Services**
<table>
<thead>
<tr>
<th>Cash</th>
<th>May-17</th>
<th>Jun-17</th>
<th>Jul-17</th>
<th>Aug-17</th>
<th>Sep-17</th>
<th>Oct-17</th>
<th>Nov-17</th>
<th>Dec-17</th>
<th>Jan-18</th>
<th>Feb-18</th>
<th>Mar-18</th>
<th>Apr-18</th>
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<td>178</td>
<td>196</td>
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<td>141</td>
<td>148</td>
<td>176</td>
<td>117</td>
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<td>83</td>
<td>83</td>
<td>82</td>
<td>81</td>
<td>81</td>
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<td>80</td>
<td>78</td>
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<td>346</td>
<td>370</td>
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<tr>
<td>Fare &amp; Pass Revenue</td>
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<td>Statutory Required Contribution</td>
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<td>3,000</td>
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<td>84,844</td>
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<td>114,172</td>
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