To: Chicago Transit Authority Board

From: Karen Walker, Chief Financial Officer

Re: Financial Results for July 2010

Date: September 15, 2010

CTA’s financial results show a surplus for the month of July of $0.8 million and $28.1 million for the year to date. The surplus for the month and year to date period is primarily due to lower operating expenses than anticipated in the budget. Ridership for the month of July was 43.6 million and was 1.2 million less than budget.

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

<table>
<thead>
<tr>
<th></th>
<th>July 2010</th>
<th>July 2009</th>
<th>Increase/Decrease</th>
<th>Dec 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Cash</td>
<td>$63.5</td>
<td>$180.9</td>
<td>$(117.4)</td>
<td>$60.5</td>
</tr>
<tr>
<td>Damage Reserve Cash</td>
<td>79.1</td>
<td>11.0</td>
<td>68.1</td>
<td>85.1</td>
</tr>
<tr>
<td>Inventory</td>
<td>80.0</td>
<td>100.0</td>
<td>(20.0)</td>
<td>92.8</td>
</tr>
<tr>
<td>Funds owed by RTA</td>
<td>191.6</td>
<td>147.3</td>
<td>44.3</td>
<td>205.6</td>
</tr>
<tr>
<td>Funds owed by State of Illinois</td>
<td>0.1</td>
<td>0.8</td>
<td>(0.7)</td>
<td>-</td>
</tr>
<tr>
<td>Funds CTA owes (accounts payable)</td>
<td>27.7</td>
<td>28.6</td>
<td>(0.9)</td>
<td>24.4</td>
</tr>
</tbody>
</table>

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 $191.6 million. CTA inventories have decreased by $20.0 million from the prior year. Funds CTA owes to creditors is less than prior year and more than December 2009.

Ridership for the month of July was 43.6 million and was 1.2 million less than budget and was 1.7 million less than prior year. Bus ridership for the month of July was 25.1 million. This was 0.9 million or 3.5% less than budget and was 1.8 million or 6.5% less than July 2009. Rail ridership for July was 18.5 million and was 0.3 million or 1.8% less than budget and was on par with July 2009.
Ridership for the year was 298.9 million and was 2.5 million less than budget and was 2.8 million less than prior year. The unfavorable variance to budget is primarily due to lower than anticipated bus ridership. Bus ridership is 7.0 million less than the prior year to date while rail ridership was 4.2 million higher. The lower bus ridership reflects the service cuts implemented in February that primarily affected bus passengers.

Free rides totaled 6.4 million for the month and 43.9 million for the year; this is 0.1 million less than 2009 for the month and 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 5.3 million of the total free rides for the month while rail is 1.1 million.

Public Funding Required for Operations for the month and the year was $49.7 million and $372.4 million, respectively and was favorable to budget by $0.8 million and $28.1 million, respectively.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 61.54% for the month and 56.13% for the year. This was unfavorable to budget by 0.49 percentage points for the month and favorable by 0.85 percentage points for the year to date.

Operating Expenses for the month and year equaled $103.0 million and $698.9 million, respectively. For the current month, operating expenses were $1.9 million or 1.9% less than budget. For the year to date period, operating expenses were $42.5 million or 5.7% lower than budget. For the month and year to date all categories of expense were favorable to budget except the provision for injuries and damages.

Labor Expense was $68.9 million for the month of July and was $0.5 million less than budget due to vacancies, lower overtime and higher charges to capital jobs. Labor expense for the year to date equaled $482.5 million and was favorable to budget by $14.2 million. The year to date variance is net of a $7.3 million increase in unemployment costs (vs. 2009) primarily due to the layoffs implemented on February 7, 2010.

Material Expense was $6.9 million for the month and was $0.4 million or 4.9% less than budget. Material expense for the year to date equaled $41.6 million and was favorable to budget by $4.8 million. 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 $4.5 million for the month and was $0.8 million less than budget and was $6.5 million less than budget for the year to date. Compared to the prior year to date, fuel is $27.8 million less than 2009 due to favorable results from the fuel hedge program. The average price paid in July was $2.73 per gallon and was under the budget price of $3.54 per gallon.
Electric Power for Revenue Equipment was $1.8 million for the month and $18.2 million for the year. Power expense was $1.6 million below budget for the month and was $3.6 million lower for the year to date.

Provision for Injuries and Damages Expense was $4.8 million for the month and $18.8 million for the year to date period. This was $2.5 million over budget for the month and year as CTA utilized favorable results from the fuel hedge and energy programs to fully fund the actuarial liability.

Purchase of Security Services was $2.7 million for the month and was $0.1 million less than budget. Year to date security expense is $19.3 million and was $0.1 less than budget.

Other Expenses equaled $13.3 million for the month and were $1.1 million less than budget. Year to date other expense was $88.5 million and was $15.8 million less than budget due to timing differences between actual and budget.

System-Generated Revenue was $53.3 million for the month and was $1.1 million less than budget. Year to date System-Generated Revenue was $326.5 million and was $14.3 million less than budget. The year to date unfavorable variance was primarily due to lower than anticipated farebox revenues. However, all categories of revenue were below budget except for contributions from local governments.

Fare and Pass Revenue was $46.9 million for the month and was $1.3 million less than budget. Year to date fare revenue was $293.1 million and was $4.8 million less than budget primarily due to a lower average fare and lower ridership. The average fare for the year to date was $0.98 per ride; this was $0.01 less than budget.

Reduced Fare Reimbursements were $2.7 million for the month and $13.1 million for the year to date. The month was on par with budget, but the year was $5.7 million less than budget due to anticipated State budget cuts.

Advertising, Charter and Concessions Revenue equaled $3.0 million in July and $12.3 million for the year to date. This was $1.1 million higher for the month due receipt of a billboard contract settlement. The year to date was $0.8 million lower than budget for the year as the budget had anticipated higher vehicle and platform advertising revenues than realized.

Investment Income was $36,000 for the month and $0.3 million for the year to date period. This was $0.1 million less than budget for the current month and $0.6 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 year to date and were on par with budget.
All Other Revenue was $0.7 million for the month and $7.7 million for the year to date period. This was $0.9 million less than budget for the month and $2.4 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.