CHICAGO TRANSIT AUTHORITY

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To: Chicago Transit Authority Board

From: Dennis Anosike, Chief Financial Officer

Re: Financial Results for September 2007

Date: September 12, 2007

CTA incurred a deficit of $2.3 million for the month of September and $11.6 million for the year to date period. The deficit for the month is primarily due to postponement of service reductions and fare increases that were slated for implementation on September 16, but postponed until November 4th.

Governor Blagojevich provided RTA with an advance of the State's 2007/2008 fiscal year appropriation for reduced fares as a temporary solution to provide additional time for the state legislature to pass a long-term funding solution for transit. As a result, CTA postponed the elimination of 39 bus routes, fare increases and layoffs of more than 600 employees originally planned for September 16th to November 4th.

Sales tax for the RTA region equaled $424.7 million through July 2007. This is $2.5 million more than budget but was $0.2 million less than the prior year. Sales tax distributed to CTA from the formula equaled $170.0 million and was higher than budget and prior year by $3.1 million and $1.4 million, respectively. However, RTA funds budgets, so this overage will be retained by RTA.

Ridership for the month of September was 43.1 million and was 2.2 million higher than budget and was on par with prior year. Ridership for the year was 373.3 million and was 0.1 million lower than budget but was 2.9 million or 0.8% higher than prior year. Average weekday ridership was higher than September 2006 by 1.7% due to high bus ridership offset by lower rail. Saturday and Sunday ridership for the month was higher than prior year by 3.4% and 7.2%, respectively. For the first nine months, average weekday ridership was 0.6% higher than prior year. Average Saturday and Sunday ridership was 0.9% and 3.0%, respectively, higher than the prior year to date due to strong ridership on the bus system. Ridership taken with passes was up 2.5% from September 2006 and 6.6% for the year to date.

Bus ridership for the month of September was 26.7 million. This was 3.3 million or 14.2% more than budget and was 0.8 million or 3.1% higher than September 2006. Rail ridership for September was 16.4 million and was 1.2 million or 6.6% less than budget and 0.8 million or 4.6% less than prior year. For the year to date, bus ridership was 229.9 million and was 9.6 million or 4.5% more than budget and was 7.5 million or 3.4% more than prior year. Rail ridership was 143.4 million and was below budget and prior year by 10.1 million or 6.6% and 3.5 million or 2.4%, respectively.

Public Funding Required for Operations for the month was $34.9 million resulting in a $2.3 million budget deficit for the month. For the first nine months, CTA has a budget deficit of $11.6 million.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 59.80% for the month and was unfavorable by 2.20 percentage points primarily due to the higher expenses than budgeted. For the year to date period, recovery ratio was 51.9% and was 1.66 percentage points lower than budget.

Operating Expenses for the month equaled $79.7 million and were $2.1 million more than budget. For the year to date, operating expenses were $825.5 million and were $0.5 million or 0.1% less than budget. The current month overage is primarily a result of deferring the service cuts, maintenance cost associated with an aging fleet, higher fuel costs, and preparation costs for the fare increase and service cuts.

Labor Expense was $55.9 million for the month of September and $605.1 million for the year to date. This was below budget for the month and year to date by $0.6 million and $12.3 million, respectively, due to elimination of administrative and support positions, vacancies and other cost controls.

Material Expense was $6.2 million for the month and was over budget by $0.7 million or 12.5%. For the year to date, material expense was $61.0 million and was $3.6 million or 6.3% more than budget. Compared to the prior year to date period, material expense is $3.9 million or 6.7% higher. The higher material expense is primarily due to the postponement of the service cuts, rail fleet maintenance required due to delays in the quarter and mid life overhauls. In particular, axle and wheel assemblies on the 2600 series rail cars and brakes and brake calipers are currently being replaced. Material for rail operations is $6.4 million more than budget for the year to date.

Fuel for Revenue Equipment was $5.1 million for the month and $52.9 million for the year. This exceeded budget for the month by $0.8 million and the year to date period by $7.7 million primarily due to higher miles and fuel prices. The current month variance also reflects postponement of the service cuts. The gross average price paid per gallon for the month was $2.68. The fuel swap increased the average price by $0.13 bringing the net cost per gallon to $2.81. The budget assumed an average price of $2.50 per gallon.

Electric Power for Revenue Equipment was $2.4 million for the month and $21.6 million for the year. Power expense was on par with budget for the month, but was $0.9 million more than budget for the year. The year to date unfavorable variance is primarily due to the cold weather in February.

Provision for Injuries and Damages Expense was $2.1 million for the month and $18.8 million year to date and is on par with budget.

Purchase of Security Services was $2.5 million for the month and was $0.4 million less than budget. Year to date security expense is $23.3 million and was $3.2 million less than budget due to lower contractual rates for guard service than anticipated in the budget.

Other Expenses equaled $5.5 million for the month and were $1.6 million higher than budget due to costs associated with the fare increase and service cuts such as maps, newspaper ads, etc. Additionally one time costs for facilities maintenance (elevator floor, fencing and glass replacements) and rail car floors sealants also contributed to the overage. Year to date other expenses were $42.8 million and were $2.8 million more than budget due to the aforementioned items.

System-Generated Revenue was $44.7 million for the month and $402.3 million for the year to date. This was $0.2 million lower than budget for the month and $12.1 million lower than budget for the year principally due to lower fare, advertising, and investment income.

Fare Revenue was $37.7 million for the month and was below budget by $0.8 million. The average fare for the month was $0.87 per ride and was $0.06 lower than budget due in part to the postponement of the fare increase and customers opting for fare media that offers a lower cost per ride based on their travel patterns. Year to date fare revenue was $344.1 million and was $10.7 million lower than budget. Compared to prior year, fare revenue is $2.3 million lower for the month and $5.8 million lower for the year to date.

Reduced Fare Reimbursements were $3.3 million for the month and $24.7 million for the year to date period. This was $0.8 million more than budget for the month and $1.0 million higher than budget for the year. The favorable variance for the month and year to date is due to higher than budgeted reduced fare ridership and reimbursement.

Advertising, Charter and Concessions Revenue equaled $2.0 million in September and was $0.1 million less than budget due to timing difference for revenue from contracted services. Year to date revenue for this category was $17.2 million and was $1.7 million lower than budget as the new contract for advertising revenues for platforms and vehicles was not approved until mid-January. The contract with the prior vendor expired on December 31, 2006.

Investment Income was $0.7 million for the month and $6.5 million for the year to date. This was $0.3 million less than budget for the month and $2.5 million lower for the year due to a lower cash balance.

Statutory Required Contributions were $0.0 million and were on par with budget.

All Other Revenue was $1.1 million for the month and $9.8 million for the year to date. This was $0.2 more than budget for the month and was $2.0 million more for the year to date period due to higher revenue from rentals, scrap sales, non capital grant expenditure reimbursements and Chicago card sales.

Non STO full-time employees were capped by the Board at 5,302. Subsequently President Huberman eliminated 75 positions in June and July reducing the 2007 budgeted positions to 5,227 positions. As of September 30, CTA was under the cap by 158 employees.