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To: Chicago Transit Authority Board

From: Karen Walker, Chief Financial Officer

Re: Financial Results for August 2010

Date: October 6, 2010

CTA's financial results show a surplus for the month of August of $0.5 million and $28.6 million for the year-to-date. Surplus for the month and year-to-date period is primarily due to lower than anticipated operating expenses. Ridership for the month of August was 44.3 million which is 1.3 million more than budgeted.

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

	Aug 2010	Aug 2009	Increase (Decrease)	Dec 2009
Working Cash	$ 77.6	$ 166.8	$ (89.2)	$ 60.5
Damage Reserve Cash	84.5	14.7	69.8	85.1
Inventory	78.2	97.1	(18.9)	92.8
Funds owed by RTA	196.3	157.3	39.0	205.6
Funds owed by State of Illinois	-	2.8	(2.8)	-
Funds CTA owes (accounts payable)	24.2	33.7	(9.5)	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 $196.3 million. CTA inventories have decreased by $18.9 million from the prior year. Funds CTA owes to creditors is less than prior year, and less than December 2009.

Ridership for the month of August was 44.3 million; which is 1.3 million more than budget, and 0.9 million more than prior year. Bus ridership for the month of August was 25.7 million; which is 0.5 million (or 2.0%) more than budget, and 0.3 million (or 1.0%) less than August 2009. Rail ridership for August was 18.7 million; which is 0.7 million (or 4.1%) more than budget, and 1.2 million (or 6.6%) more than August 2009.

Ridership for the year was 343.2 million; which is 1.3 million less than budget and 1.9 million less than prior year. The unfavorable variance to budget is primarily due to lower than anticipated bus ridership. Bus ridership is 7.3 million less than the prior year-to-date, while rail ridership was 5.3 million higher. Lower bus ridership reflects the service cuts implemented in February which primarily affected bus passengers.

Free rides totaled 6.7 million for the month and 50.6 million for the year; which is 0.1 million more than 2009 for the month, and 2.4 million more for the year. Free rides for seniors went into effect on March 17, 2008, and the majority of free rides occur on the bus system. Bus accounts for 5.5 million of the total free rides for the month while rail is 1.2 million.

Public Funding Required for Operations for the month and the year was $55.6 million and $428.0 million, respectively, and was favorable to budget by $0.5 million and $28.6 million, respectively.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 56.12% for the month and 56.13% for the year. This was unfavorable to budget by 0.52 percentage points for the month and favorable by 0.68 percentage points for the year-to-date.

Operating Expenses for the month and year equaled $105.0 million and $803.9 million, respectively. For the current month, operating expenses were $1.1 million or 1.0% less than budget. For the year-to-date, operating expenses were $43.5 million or 5.1% lower than budget. For the year-to-date, all expense categories were favorable to budget except the provision for injuries and damages.

Labor Expense was $71.4 million for the month of August and $0.4 million more than budget due to the 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 in February, 2010. Increases in these labor related costs are partially offset by vacancies, less overtime and higher costs allocated to capital jobs. Labor expense for the year-to-date equaled $554.0 million and was favorable to budget by $13.8 million. Labor expense is $20.8 million lower than the prior year-to-date.

Material Expense was $6.3 million for the month and $0.2 million (or 3.8%) less than budget. Material expense for the year-to-date equaled $47.9 million and was favorable to budget by $5.1 million. The lower material expense for the year is due to scraping the 19-year old buses, lower material usage for rail cars, and less material for fare cards.

Fuel for Revenue Equipment was $4.5 million for the month which is $0.9 million less than budget. Fuel for Revenue Equipment was $34.5 million for the year-to-date, which is $7.4 million less than budget. Compared to the prior year-to-date, fuel is $31.8 million less than 2009 due to favorable results from the fuel hedge program. The average price paid in August was $2.70 per gallon which is less than the budgeted price and was under the budget price of $3.54 per gallon.

Electric Power for Revenue Equipment was $2.7 million for the month and $20.9 million for the year. Power expense was $1.0 million below budget for the month and was $4.5 million lower for the year-to-date. Compared to the prior year-to-date, power costs were $5.9 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 $23.7 million for the year-to-date period. This was over budget by $2.5 million for the month and $5.0 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 $2.6 million for the month; which is $0.2 million less than budget. Year-to-date security expense is $21.9 million and was $0.2 less than budget.

Other Expenses equaled $12.6 million for the month and were $1.7 million less than budget. Year-to-date other expenses were $101.1 million; which is $17.5 million less than budget. The year-to-date favorable budget variances are: utilities ($1.8 million), advertising and promotion ($1.8 million), contractual services ($9.6 million), leases and rentals ($1.6 million) and other general expenses ($2.7 million).

System-Generated Revenue was $49.5 million for the month; which is $0.6 million less than budget. Year-to-date System-Generated Revenue was $375.9 million which is $14.9 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 $43.8 million for the month; which is $0.2 million less than budget. Year-to-date fare revenue was $336.9 million and was $5.0 million less than budget primarily due to lower average fare and lower ridership. The average fare for the year-to-date was $0.98 per ride; which is $0.01 less than budget.

Reduced Fare Reimbursements were $2.7 million for the month and $15.8 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 $1.4 million in August and $13.7 million for the year-to-date. This was $0.4 million lower than budget for the month. This revenue category was $1.2 million lower than budget for the year as the budget had anticipated higher vehicle and platform advertising revenues than realized.

Investment Income was $47,000 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 $0.7 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 $1.5 million for the month and $9.2 million for the year-to-date period. This was $0.1 million more than budget for the month and $2.3 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.