To: Chicago Transit Authority Board

From: Karen Walker, Chief Financial Officer

Re: Financial Results for September 2010

Date: November 10, 2010

CTA's financial results show a surplus for the month of September of $4.0 million and $32.6 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 September was 45.8 million and was 1.6 million more than budget.

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

	Sep 2010	Sep 2009	Increase (Decrease)	Dec 2009
Working Cash	$ 95.6	$ 305.4	$ (209.8)	$ 60.5
Damage Reserve Cash	87.8	19.1	68.7	85.1
Inventory	75.9	97.7	(21.8)	92.8
Funds owed by RTA	186.6	151.6	35.0	205.6
Funds owed by State of Illinois	-	-	-	-
Funds CTA owes (accounts payable)	18.6	24.6	(6.0)	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 $186.6 million. CTA inventories have decreased by $21.8 million from the prior year. Funds CTA owes to creditors is less than prior year and December 2009.

Ridership for the month of September was 45.8 million and was 1.6 million more than budget and was 0.3 million less than prior year. Bus ridership for the month of September was 26.8 million. This was 0.9 million or 3.3% more than budget but was 1.1 million or 4.1% less than September 2009. Rail ridership for September was 19.1

million and was 0.8 million or 4.2% more than budget and was 0.8 million or 4.6% more than September 2009.

Ridership for the year was 389.1 million and was 0.3 million more than budget and was 2.2 million less than prior year. Bus ridership is 8.4 million less than the prior year to date while rail ridership was 6.2 million higher. The lower bus ridership reflects the service cuts implemented in February that primarily affected bus passengers.

Free rides totaled 6.6 million for the month and 57.2 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 5.5 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 $47.0 million and $474.9 million, respectively and was favorable to budget by $4.0 million and $32.6 million, respectively.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 64.27% for the month and 57.06% for the year. This was favorable to budget by 3.76 percentage points for the month and favorable by 1.06 percentage points for the year to date.

Operating Expenses for the month and year equaled $102.9 million and $906.8 million, respectively. For the current month, operating expenses were $0.5 million or 0.5% more than budget. For the year to date, operating expenses were $43.0 million or 4.5% 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 $69.8 million for the month of September and was $0.4 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 $623.7 million and was favorable to budget by $14.2 million. Labor expense is $23.5 million lower than the prior year to date.

Material Expense was $6.1 million for the month and was $1.5 million or 31.6% more than budget. The unfavorable variance for the month was due to a delay in charging certain material cost to capital. This expense is expected to reverse in October. Material expense for the year to date equaled $54.0 million and was favorable to budget by $3.6 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 $4.3 million for the month or $0.8 million less than budget, and was $8.3 million less than budget for the year to date. Compared to the prior year to date, fuel is $36.4 million less than 2009 due to favorable results from the fuel hedge program. The average price paid in September was $2.67 per gallon and was under the budget price of $3.53 per gallon.

Electric Power for Revenue Equipment was $2.1 million for the month and $23.0 million for the year. Power expense was $1.2 million below budget for the month and was $5.7 million lower for the year to date. Compared to the prior year to date, power cost was $6.9 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 $28.5 million for the year to date period. This was over budget by $2.5 million for the month and $7.5 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 and was $0.2 million less than budget. Year to date security expense is $24.5 million and was $0.4 less than budget.

Other Expenses equaled $13.3 million for the month and were $0.9 million less than budget. Year to date other expense was $114.4 million and was $18.3 million less than budget. The year to date favorable budget variances are as follows: utilities $2.5 million, advertising and promotion $1.9 million, contractual services $11.3 million, leases and rentals $1.8 million and other general expenses $0.8 million.

System-Generated Revenue was $56.0 million for the month and was $4.5 million more than budget. The favorable variance for the month is primarily due to the receipt of local government contributions earlier than anticipated in the budget. Year to date System-Generated Revenue was $431.9 million and was $10.4 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 $45.1 million for the month and was $0.2 million more than budget. Year to date fare revenue was $382.0 million and was $4.7 million less than budget primarily due to a lower average fare. 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 $18.5 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 September and $15.1 million for the year to date. This was $0.8 million lower than budget for the month. This revenue category was $2.1 million lower than budget for the year as the budget had anticipated higher vehicle and platform advertising revenues than realized.

Investment Income was $39,000 for the month and $0.4 million for the year to date period. This was $0.1 million less than budget for the current month and $0.8 million lower for the year to date period due to lower cash balances and investment rates.

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

All Other Revenue was $3.8 million for the month and $13.0 million for the year to date period. This was $2.2 million more than budget for the month and $0.1 million less than budget for the year to date period. The favorable variance for the month is due to the receipt of non-capital grants. The year to date unfavorable results are primarily due to lower revenues for property sales than assumed in the budget.