



To: Chicago Transit Authority Board

From: Dennis Anosike, Chief Financial Officer

Re: Financial Results for March 2008

Date: May 14, 2008

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CTA's financial results show a deficit for the month of March of \$2.0 million and \$3.7 million for the first quarter. The drivers of the deficit for the month and quarter are higher labor and fuel expense. By contrast, fare revenue continues to exceed budget due to higher ridership and a higher average fare. However, this increase is not enough to fully offset the higher expenses. Looking forward, higher energy prices are adding increasing pressure on the operating budget. The current price of diesel fuel, if maintained at the current levels, could drive a \$25.0 million overage in fuel expense. As such, management has put a business plan together to bring the budget in line. All operating departments have been given monthly overtime targets and hiring plans are being implemented to drive favorable labor variances. Operating departments have also been given targets for reductions in contractual services spending. A host of other initiatives are also being reviewed for implementation.

Sales tax for the RTA region equaled \$54.9 million for January 2008. This is \$4.9 million less than budget and \$0.4 million more than the prior year. Sales tax distributed to CTA from the formula equaled \$22.2 million and was less than budget by \$1.4 million, but was \$0.3 million more than prior year.

Ridership for the month of March was 41.8 million and was 0.3 million more than budget. Ridership for the year was 120.6 million and was 1.2 million more than budget and was 2.1 million or 1.8% higher than prior year. Average weekday ridership was lower than March 2007 by 0.8%. Saturday ridership for the month was higher than prior year by 0.15%. Sunday ridership for the month was 0.9% lower than prior year. However, average weekday, Saturday and Sunday ridership for the first quarter exceeded prior year by 1.0%, 2.8% and 2.7%, respectively, due to strong ridership on the bus system. Ridership taken with passes was 1.6% lower for the month, but was 2.7% higher for the year to date.

Bus ridership for the month of March was 26.4 million. This was 0.6 million or 2.2% more than budget and was 0.5 million or 1.7% less than March 2007. Rail ridership for March was 15.4 million and was 0.2 million or 1.5% less than budget and was 0.8

million or 4.9% less than prior year. For the year to date, bus ridership was 75.5 million and was 1.7 million or 2.3% more than budget and was 2.2 million or 3.0% more than prior year. Rail ridership was 45.1 million and was below budget by 0.5 million or 1.2% and was lower than prior year by 0.1 million or 0.1%.

Public Funding Required for Operations for the month was \$55.1 million, \$2.0 million more than budget resulting in a \$2.0 million budget deficit for the month. For the first quarter, public funding was \$167.1 million and was \$3.7 million more than budget.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 45.92% for the month and was unfavorable by 1.17 percentage points primarily due to higher operating expenses than budgeted. For the year to date, recovery ratio was 45.74% and was 0.33 percentage points less than budget.

Operating Expenses for the month equaled \$98.0 million and were \$2.1 million more than budget. For the first quarter, operating expenses were \$296.4 million and were \$6.1 million or 2.1% more than budget. The current month unfavorable variance is primarily a result of higher labor and fuel expenses.

Labor Expense was \$74.7 million for the month of March and \$219.5 million for the quarter. This was \$4.1 million more than budget for the month and was \$7.2 million higher for the quarter due to overtime required for snow removal, maintenance of the fleet and track, an increase in service and the delayed implementation of the nonrevenue fleet maintenance by the City fleet department. For the month of March, Bus and Rail STO labor was \$2.1 million and \$1.6 million over budget, bus maintenance was \$0.5 million higher, Power and Way maintenance was \$0.7 million higher and facilities maintenance was \$1.1 million higher.

Material Expense was \$3.7 million for the month and was under budget by \$3.2 million or 46.0% due to capitalizing parts issued in the first quarter for the rail fleet that qualify as associated capital maintenance items under FTA guidelines. For the year to date, material expense was \$20.8 million and was on par with budget. Compared to prior year, material expense is \$3.6 million or 49.4% lower primarily due to the 2008 material capitalization.

Fuel for Revenue Equipment was \$7.6 million for the month and \$20.0 million for the quarter. This exceeded budget for the month by \$1.9 million and \$3.2 million for the quarter primarily due to higher fuel prices than budgeted. The cost per gallon for the month was \$3.95. The budget assumed an average price of \$2.60 per gallon.

Electric Power for Revenue Equipment was \$2.3 million for the month and \$8.0 million for the year. Power expense was on par with budget for the month and was \$0.4 million less than budget for the year to date.

Provision for Injuries and Damages Expense was \$2.3 million for the month and \$7.0 million year to date and is on par with budget.

Purchase of Security Services was \$2.4 million for the month and was \$0.4 million less than budget. Year to date security expense is \$7.2 million and was \$1.2 million less than budget.

Other Expenses equaled \$5.0 million for the month and were \$0.4 million less than budget due to timing differences between actual and budget. Year to date other expenses were \$13.9 million and were \$2.7 million less than budget due to lower equipment maintenance, other services and non capital grant expenses.

System-Generated Revenue was \$42.9 million for the month and \$129.3 million for the year to date. This was on par with budget for the month, but was \$2.4 million more than budget for the quarter principally due to higher fare and pass revenues.

Fare Revenue was \$36.9 million for the month and was \$1.0 million more than budget primarily due to higher ridership. The average fare for the month was \$0.88 per ride and was \$0.01 more than budget. Year to date fare revenue was \$110.1 million and was \$4.5 million more than budget due to higher ridership and a higher average fare. Compared to prior year, fare revenue is \$1.6 million higher for the quarter.

Reduced Fare Reimbursements were \$2.6 million for the month and \$8.1 million for the quarter. This was on par with budget.

Advertising, Charter and Concessions Revenue equaled \$2.6 million in March and was \$0.4 million more than budget. Year to date revenue for this category was \$7.0 million and was \$0.4 million more than budget due to higher revenue than budgeted from contracted transit services.

Investment Income was \$0.6 million for the month and \$1.8 million for the quarter. This was \$0.3 million less than budget for the month and \$1.1 million less than budget for the quarter due to a lower cash balance and lower interest rates.

Statutory Required Contributions were \$0.0 million for the month and \$0.0 for the year to date and were on par with budget.

All Other Revenue was \$0.2 million for the month and \$2.3 million for the quarter. This was \$0.9 million less than budget for the month and was \$1.4 million less for the quarter due to lower than budgeted revenue from rental properties and non capital grant revenues.