To: Chicago Transit Authority Board

From: Karen Walker, Chief Financial Officer

Re: Financial Results for November 2010

Date: January 12, 2011

CTA's financial results show a $0.9m surplus for the month of November. For the year to date period, CTA's financial results show a surplus of $32.8 million which is primarily due to operating expenses that were significantly lower than anticipated in the budget. Ridership for the month of November was 42.8 million and was 2.0 million more than budget. Year to date ridership was 478.4 million and was 2.4 million more than budget.

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

	Nov 2010	Nov 2009	Increase (Decrease)	Dec 2009
Working Cash	$ 102.6	$ 158.7	$ (56.1)	$ 60.5
Damage Reserve Cash	97.3	24.4	72.9	85.1
Inventory	65.5	96.6	(31.1)	92.8
Funds owed by RTA	164.0	152.7	11.3	205.6
Funds owed by State of Illinois	0.8	-	0.8	-
Funds CTA owes (accounts payable)	25.5	22.0	3.5	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 $164.8 million. CTA inventories have decreased by $31.0 million from the prior year. Funds CTA owes to creditors is more than prior year and slightly more than December 2009.

Ridership for the month of November was 42.8 million and was 2.0 million more than budget and was on par with prior year. Bus ridership for the month of November was

25.2 million. This was 0.9 million or 3.6% more than budget and was 1.0 million or 3.9% less than November 2009. Rail ridership for November was 17.5 million and was 1.1 million or 6.9% more than budget and was 1.1 million or 6.5% more than November 2009.

Ridership for the year was 478.4 million and was 2.4 million more than budget but was 3.0 million less than prior year. Bus ridership is 10.9 million less than the prior year to date while rail ridership was 7.9 million higher. The lower bus ridership reflects the service cuts implemented in February that primarily affected bus passengers.

Free rides totaled 6.3 million for the month and 70.3 million for the year; this is on par with November 2009 but was 2.2 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 5.2 million of the total free rides for the month while rail is 1.1 million.

Public Funding Required for Operations was $54.1 million for the month and was favorable to budget by $0.9 million. For the year to date, public funding required for operations was $578.2 million and was $32.8 million favorable to budget.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 59.16% for the month and 57.68% for the year. This was favorable to budget by 1.79 percentage points for the month and favorable by 0.87 percentage points for the year to date.

Operating Expenses for the month and year equaled $108.6 million and $1.1 billion, respectively. For the current month, operating expenses were $3.2 million or 3.1% more than budget. For the year to date, operating expenses were $41.1 million or 3.5% lower than budget. For the year to date all categories of expense were favorable to budget except the provision for injuries and damages and materials expense.

Labor Expense was $68.5 million for the month of November and was $1.7 million less than budget. Labor expense for the year to date equaled $761.3 million and was favorable to budget by $16.3 million. Labor expense is $31.4 million lower than the prior year to date.

Material Expense was $12.4 million for the month and was $5.5 million more than budget. In November 2010, CTA received the first subsidy payment associated with the 2010 Build America Bonds in the amount of $7.0 million. CTA used the receipt of this subsidy as an opportunity to increase the provision for obsolescence in anticipation of various series of bus and rail fleets, and related materials, being taken out of service. Therefore, the unfavorable variance for the month reflects an increase of $7.0 million to the reserve for inventory obsolescence. Material expense for the year to date equaled $71.9 million and was unfavorable to budget by $1.9 million due to the increase in obsolescence reserve. Compared to the prior year to date, material expense is 4.5 million or 5.9% lower. 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 $1.1 million less than budget, and was $10.8 million less than budget for the year to date. Compared to the prior year to date, fuel is $44.7 million less than 2009 due to favorable results from the fuel hedge program. The average price paid in November was $2.83 per gallon and was less than the budget price of $3.72 per gallon.

Electric Power for Revenue Equipment was $0.9 million for the month and $25.6 million for the year. Power expense was $1.9 million below budget for the month and was $8.9 million lower for the year to date. Compared to the prior year to date, power cost was $10.0 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 $38.2 million for the year to date period. This was over budget by $2.5 million for the month and $12.5 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 $3.0 million for the month and was $0.3 million more than budget. Year to date security expense is $30.0 million and was $0.4 less than budget.

Other Expenses equaled $14.7 million for the month and were $0.3 million less than budget. Year to date other expense was $143.5 million and was $19.1 million less than budget. The year to date favorable budget variances are as follows: utilities $3.0 million, advertising and promotion $2.0 million, contractual services $12.0 million, leases and rentals $2.1 million.

System-Generated Revenue was $54.5 million for the month and was $4.1 million more than budget, primarily due to receipt of the new Build America Bond subsidy. Year to date System-Generated Revenue was $539.6 million and was $8.3 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 and other revenue.

Fare and Pass Revenue was $41.5 million for the month and was $2.6 million less than budget. The unfavorable variance for the month is primarily due to an increase in pass revenue that was anticipated in the budget but not realized despite the positive variance in ridership. Year to date fare revenue was $468.7 million and was $9.1 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 $0.02 less than budget.

Reduced Fare Reimbursements were $3.3 million for the month and $24.9 million for the year to date. The month was $0.6 million more than budget, but the year was $4.6 million less than budget due to anticipated State budget cuts.

Advertising, Charter and Concessions Revenue equaled $1.6 million in November and $18.0 million for the year to date. This was $0.3 million lower than budget for the month. This revenue category was $2.9 million lower than budget for the year as the budget had anticipated higher vehicle and platform advertising revenues than realized.

Investment Income was $51,000 for the month and $0.5 million for the year to date period. This was $0.2 million less than budget for the current month and $1.2 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 $5.0 million for year to date. This category was favorable to budget by $3.0 million for the year to date due to the receipt of funds earlier than anticipated in the budget.

All Other Revenue was $7.9 million for the month and was $6.6 million favorable to budget. In November 2010, CTA received the first subsidy payment associated with the 2010 Build America Bonds (BABs) in the amount of $7.0 million, which was not anticipated in the budget. For the year to date, other revenue was $22.5 million and was $6.5 million favorable to budget, primarily due to the BABs subsidy.