To: Chicago Transit Authority Board

From: Dennis Anosike
Senior Vice President Finance/Treasurer

Re: Financial Results for February 2007

Date: April 24, 2007

February financial results continued to show signs of weakness as ridership and revenues were below budget and prior year. Operating expenses were $2.2 million higher than budget due to overtime and increased material requirements to maintain the aging fleet and infrastructure. System generated revenues fell short of the budget projections by $2.9 million due to lower ridership. As a result of the higher expenses and lower revenues, CTA's financial results showed a deficit of $5.1 million for the month and $8.7 million for the year to date. Ridership for the month of February was 35.7 million and was 6.8% lower than budget and was 1.9 million trips or 5.1% lower than prior year.

The budget assumes new transit funding of $110.0 million to enable CTA to balance the budget and improve pension plan funding. Each month that this new funding is not made available will result in a $9.2 million revenue shortfall.

Ridership for the month of February was negatively impacted by the severe cold weather experienced in the Region. Weekday, Saturday and Sunday ridership was 4.7%, 5.9% and 9.6% lower than February last year. Ridership taken with passes was up 0.4% from February 2006, while full fare, reduced fare and transfer trips were all lower.

Bus ridership for the month of February was 22.0 million. This was 1.3 million or 5.6% lower than budget and 1.1 million or 4.7% lower than February 2006. Rail ridership for February was 13.7 million and was 1.3 million or 8.6% less than budget and 0.6 million or 4.4% less than prior year. For the first two months of 2007, bus ridership was 46.5 million and was 0.8 million or 1.6% less than budget, but was 0.2 million or 0.4% more than prior year. Rail ridership was 28.9 million and was below budget and prior year by 2.1 million or 6.8% and 0.4 million or 1.3%, respectively.

Public Funding Required for Operations for the month of February was $54.0 million and was $5.1 million more than budget resulting in a budget deficit for the month. For the first two months of 2007, CTA has a budget deficit of $8.7 million.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 44.9% for the month of February; this was below budget by 4.45 percentage points primarily due to the lower revenues. For the first two months of 2007, the recovery ratio was 45.3% and was 4.11 percentage points lower than budget.

Operating Expenses for the month and year to date period exceeded budget as labor, material and fuel requirements all exceeded levels established in the budget. Operating expenses were $92.8 million for the month of February and $190.9 million for the year to date period. This was $2.2 million or 2.4% higher than budget for the month and was $2.4 million or 1.3% higher for the year to date period.

Labor Expense was $68.2 million for the month of February and $143.2 million for the first two months of 2007. This exceeded budget by $1.0 million or 1.5% for the month and $3.6 million or 2.6% for the first two months of 2007 due to overtime needed for track, signal and structure repairs, and maintenance of the aged fleet. Over 1,100 buses or 52.0% of the total bus fleet now exceeds its useful life of 12 years. Of the 1,100 buses, 721 or 34% of the fleet were acquired in 1991 making them over 15 years old. The rail fleet is operating 336 cars or 28.2% of the fleet that was acquired in the 70's. These cars are well beyond their useful life of 25 years.

Material Expense was $7.3 million for the month and was over budget by $1.0 million or 15.5%. For the two month period material expense was $14.0 million and was $1.0 million more than budget. Compared to prior year, material expense is $2.8 million higher. The higher material expense is primarily due to maintenance required for the rail fleet. In particular, axle assemblies and wheel replacements on the 2600 series rail cars are currently being replaced.

Fuel for Revenue Equipment was $5.7 million for the month and $11.3 million for the two month period. This exceeded budget for the month by $0.9 million and the year to date period by $1.3 million primarily due to higher fuel prices. The gross average price paid per gallon for the month was $2.35. The fuel swap increased the average price by $0.56 bringing the net cost per gallon to $2.91. The fuel swap should turn around in the third quarter of 2007. The budget assumed an average price of $2.50 per gallon.

Electric Power for Revenue Equipment is estimated at $2.3 million for the month using the budget for February as Exelon/Com Ed is still having trouble getting the February bills out with the rate adjustment.

Provision for Injuries and Damages Expense was $2.1 million for the month and $4.2 million year to date and was on par with budget.

Purchase of Security Services was $2.7 million for the month and was below budget by $0.3 million due to timing differences. Year to date security expense is $5.3 million and was $0.6 million lower than budget.

Other Expenses equaled $4.5 million for the month and was $0.4 million lower than budget for the month. Year to date other expenses were $7.4 million and were $2.9 million lower than budget due timing differences for utilities, advertising, training and contract services.

System-Generated Revenue was $38.8 million for the month and $80.8 million for the year to date. This was $2.9 million and $6.3 million, respectively, lower than budget due to lower fare, other revenue, and investment income.

Fare Revenue was $32.5 million for the month and was below budget by $2.7 million due to lower ridership and a lower average fare. The average fare for the month was $0.91 per ride and was $0.03 lower than budget as more customers transitioned from cash on bus and farecards on rail to passes and Chicago cards. Year to date fare revenue was $4.0 million lower than budget. Compared to prior year, fare revenue is $2.4 million lower for the month and $0.3 million lower for the year to date.

Reduced Fare Reimbursements were $2.8 million for the month of February and $5.7 million for the year to date. This was $0.2 million more than budget.

Advertising, Charter and Concessions Revenue equaled $2.3 million for the month of February and was $0.2 million more than budget. Year to date revenue for this category was $2.6 million and was $1.4 million lower than budget as the new contract for advertising revenues for platforms and vehicles was not approved until mid February. The contract with the prior vendor expired on December 31, 2006.

Investment Income was $0.7 million for the month and $1.4 million for the year to date. This was $0.3 million less than budget for the month and $0.6 million lower for the two month period due to a lower cash balance.

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

All Other Revenue was $0.6 million for the month and $1.2 million for the year to date. This was under budget by $0.3 million for the month and $0.4 million for the year to date due to timing differences in non capital grant revenue.

Non STO full-time employees were capped by the Board at 5,302. As of February 28, CTA was under the cap by 203 employees.