CHICAGO TRANSIT AUTHORITY

567 West Lake Street
Chicago, Illinois 60661-1498
TEL 312 664-7200
www.transitchicago.com

To: Chicago Transit Authority Board

From: Dennis Anosike, Chief Financial Officer

Re: Financial Results for July 2008

Date: September 10, 2008

CTA's financial results as of July 2008 show a deficit of $2.6 million for the month and $3.5 million for the year. The financial results incorporate the amended budget approved at the July board meeting. The current deficit is primarily driven by lower reduced fare reimbursements. Subsequent to CTA's 2008 budget amendment, the Governor cut the Reduced Fare Reimbursement as part of his strategy to eliminate the State's 2009 budget deficit. This will result in an $18.5 million revenue shortfall in CTA's 2008 budget and combined with the seniors, disabled and veterans ride free program, will reduce revenue to the CTA by over $40.0 million in 2008. Had the state not cut this funding, CTA would be on track with balancing its budget.

Sales tax for the RTA region equaled $296.8 million through May 2008. This is $9.0 million or 2.9% less than budget, but is $1.4 million or 0.5% more than the prior year. Sales tax distributed to CTA from the formula equaled $118.5 million and was less than budget by $1.8 million but was $0.2 million more than prior year.

Ridership for the month of July was 46.6 million and was 0.9 million less than budget but was 4.3 million or 10.2% more than July 2007. Ridership for the year was 302.5 million which is 15.0 million or 5.2% higher than prior year. For the year, the number of free rides increased by 10.9 million rides over prior year; primarily due to the seniors ride free program initiated by the Governor.

Bus ridership for the month of July was 28.7 million. This was 0.1 million more than budget and was 3.3 million or 13.0% more than July 2007. Rail ridership for July was 18.0 million and was 1.1 million less than budget and was 1.0 million or 6.1% more than prior year. For the year to date, bus ridership was 189.4 million and was 0.1 million more than budget and was 12.1 million or 6.8% more than prior year. Rail ridership was 113.0 million and was 1.1 million less than budget and was higher than prior year by 2.9 million or 2.6%.

Public Funding Required for Operations for the month was $57.9 million or $2.6 million more than budget resulting in a $2.6 million budget deficit for the month. For the year to date, public funding was $387.3 million which is $3.5 million more than budget. This deficit is due to the loss of reduced fare reimbursement.

Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 50.49% for the month and was unfavorable by 0.40 percentage points primarily due to the loss of reduced fare reimbursement revenues that were anticipated in the budget. For the year, recovery ratio was 48.44% and was unfavorable by 0.23 percentage points.

Operating Expenses for the month and year equaled $102.5 million and $698.9 million respectively; and were favorable to budget as the budget balancing plan implemented by President Huberman is being achieved.

Labor Expense was $73.5 million for July and $509.9 million for the year. This was $1.7 million less than budget for the month and $0.6 million lower for the year primarily due to vacancies, overtime reductions and timing differences between actual and budget for paid time off.

Material Expense was $8.5 million for the month and was on par with budget. For the year, material expense was $51.0 million and was on par with budget. Compared to prior year, material expense is $2.9 million or 6.1% higher.

Fuel for Revenue Equipment was $8.4 million for the month and $50.9 million for the year. This was $0.5 million more than budget for the month, but was on par with budget for the year to date. The gross cost per gallon for the month was $4.15 but after adjusting for the fuel hedge the net cost per gallon was $3.81, a savings of $0.34 per gallon. The amended budget assumes an average price of $3.87 per gallon.

Electric Power for Revenue Equipment was $3.2 million for the month and $18.8 million for the year. Power expense was $0.5 million more than budget for the month but was $1.6 million less than budget for the year to date.

Provision for Injuries and Damages Expense was $0 for the month and $14.0 million year to date and is on par with budget.

Purchase of Security Services was $2.4 million for the month and was $0.7 million less than budget. Year to date security expense is $17.3 million and was $1.2 million less than budget.

Other Expenses equaled $6.5 million for the month and were $0.1 million less than budget. Year to date, Other Expenses were $37.0 million and were $1.7 million more than budget due to timing differences.

System-Generated Revenue was $44.6 million for the month and $311.6 million for the year. This was $4.1 million less than budget for the month and $5.0 million less for the year primarily due to the loss of reduced fare reimbursement revenue.

Fare Revenue was $41.8 million for the month and $271.6 million for the year. This was $0.1 million lower than the amended budget. The average fare for July was $0.90 per ride and was $0.02 higher than budget due to a higher average fare on pass rides.

Compared to prior year, fare revenue is $2.1 million higher than July 2007 and $6.7 million higher for the year.

Reduced Fare Reimbursements were ($0.3) million for the month and $15.1 million for the year. This was $2.8 million less than the amended budget due to the loss of reduced fare grant from the State of Illinois.

Advertising, Charter and Concessions Revenue equaled $2.2 million in July and was $0.2 million less than the amended budget. Year to date, revenue for this category was $16.3 million and was $0.2 million less than budget.

Investment Income was $0.2 million for the month and $2.9 million for the year. This was $0.4 million less than budget for the month and year due to a low cash balance.

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

All Other Revenue was $0.8 million for the month and $5.6 million for the year. This was $0.5 million less than budget for July and $0.8 million less for the year. This is due to lower revenue from rental property, capital grants and miscellaneous revenues. The lower rental property revenue reflects the delayed implementation of the real estate property management outsourcing. Miscellaneous revenues are below budget due to limited tickets issued for vehicles parked at CTA bus stops. Lastly, lower revenues from grants reflect the delayed implementation of the cold start engine initiative.