The Civic Federation

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CHICAGO TRANSIT AUTHORITY
FY2011 BUDGET

Analysis and Recommendations

October 26, 2010

The Civic Federation ● 177 N. State Street ● Chicago, IL 60601 ● civicfed.org

The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.

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EXECUTIVE SUMMARY

The Civic Federation **supports** the Chicago Transit Authority's (CTA) proposed FY2011 budget of $1.3 billion but has significant concerns for the agency in the longer term. The budget is a 5.2% or $66.7 million increase from the adopted FY2010 budget of $1.2 billion. The proposed FY2011 budget maintains the current level of transit service for the Chicagoland area. However, it is precariously balanced on $83.0 million in anticipated payments from the State which have not yet materialized, as well a $113.0 million transfer from capital funds.

The Civic Federation offers the following **key findings** on the FY2011 Recommended Budget:

- The total proposed FY2011 CTA budget will increase by 5.2% from $1.27 billion to $1.33 billion. This is a $66.7 million increase from the proposed FY2010 budget;
- Appropriations for employee compensation, including salaries and benefits, will increase by 9.5% in FY2011, rising from $850.3 million to $931.2 million;
- Sales tax revenues for all funds are projected to total $381.2 million, a 9.9% increase from the FY2010 figure of $346.8 million;
- Total public funding for CTA will increase from the FY2010 appropriation of $497.3 million to $529.3 million, an increase of $31.9 million, or 6.4%; and
- CTA ridership is projected to increase from 512.2 million rides in FY2010 to 521.7 million in FY2011, a 1.9% increase over the two-year period.

The Civic Federation **supports** the following elements of the CTA's FY2011 budget:

- The FY2011 budget proposes no service cuts. This is good news for transit riders who experienced reductions in service delivery during the current fiscal year; and
- The CTA continues to implement cost saving management and administrative efficiencies. These include a reduction of 70 positions, saving $17.44 million in fuel and power costs from the strategic use of hedging instruments and $13.0 million in reductions to the budget for injuries and damages.

However, the Civic Federation has **concerns** about the FY2011 proposed budget including:

- The CTA's statutory obligation to provide free rides to senior citizens regardless of ability to pay that has contributed to the system's multi-million dollar deficit and will continue to require higher fares for all; and
- The CTA plans to use $113 million in capital funds for its FY2010 operating budget. This practice has been employed every fiscal year since FY2006 and diverts critical dollars from capital maintenance needs.

The Civic Federation offers the following **recommendations** to improve the CTA's financial management, including:

- Continue advocating that the Illinois General Assembly repeal the *Seniors Ride Free* program;
- Formulate a multi-year plan to create a reserve fund to pay for emergencies and contingencies as they arise;
- Develop, along with the Regional Transportation Authority, a universal fare-card that would allow passengers to easily transfer between CTA, Metra and Pace transit options; and
- Undertake a study of the benefits and drawbacks of transitioning from a flat fare structure to a zone-based or peak-hour-based fare structure and make the results publicly available.

CIVIC FEDERATION POSITION

The Civic Federation **supports** CTA's FY2011 proposed budget of approximately $1.3 billion but has significant concerns regarding the agency's long term financial needs. The budget is a 5.2% or $66.7 million increase from the adopted FY2010 budget of $1.2 billion. The proposed FY2011 budget maintains the current level of transit service for the Chicagoland area. However, it is precariously balanced on anticipated payments from the State of Illinois, as well a $113.0 million transfer from capital funds.

The Civic Federation supports the FY2011 CTA proposed budget because it continues to deliver the same level of services by implementing cost-cutting measures and introducing new efficiencies into its daily operations. For FY2011 the System is proposing an additional $53.6 million in savings, primarily by reducing personnel costs. By eliminating 70 positions, which include managerial employees, the System will save $7.2 million. Another $9.7 million will be saved when non-union employees forgo wage increases and take 18 unpaid days. Another $19.2 million will be saved by delaying hiring and managing overtime expenses. The System will also reduce spending on materials and contracts for a savings of $11.8 million. Strategic hedging on fuel and electric power costs will save the District $7.7 million in FY2011.

Despite the CTA's continual efforts to reduce expenditures while delivering the same level of daily transit service for residents of Chicago and Cook County, the Civic Federation remains **very concerned** about the System's financial future.

Public funding has been below projected levels over the past three years while personnel costs, which constitute two-thirds of the System's expenditures, continue to rise. The lack of cooperation from unionized employees to reduce personnel expenditures, coupled with delayed payments from the State of Illinois, leave the System continually on the brink of financial failure. While the CTA works to maintain service despite these challenges, important initiatives such as pursuing additional capital funds are not receiving the complete attention they deserve.

Rising Personnel Expenditures

Personnel expenditures, both union wages and employee benefits, are the primary cost-drivers behind the System's $66.7 million budget increase. As a result of a 3.5% pay increase for the Amalgamated Transit Union employees, the System must fund an additional $11.5 million in salaries. Salaries for the Craft Coalition will also rise in FY2011, increasing by $12.2 million. Health care expenditures continue to rise, increasing by $17.8 million over FY2010. The System's pension contribution will increase by $22.0 million.

Non-union employees will not receive pay increases for the third year in a row. They will also be required to take unpaid holidays for yet another year. Union employees, however, have refused to share in these necessary cost reduction measures. Given that 90% of the System's workforce is unionized, placing the burden of the personnel cuts on the non-unionized employees is unfair and may be counterproductive in the long term. Unions must come to the table with a good faith desire to work with the System during the upcoming contract negotiations.

Delayed State Payments

While working to keep personnel costs in line with available revenues, the System is also facing difficulty obtaining the monies it was promised by the State of Illinois. Similar to the plight of other units of local governments and non-profit organizations across the State, the CTA is waiting for funding it is owed by the State of Illinois. The System has agreed to maintain the current service levels without raising fares, but this is predicated on receiving state funds that have not been paid in full. By delaying payments to the CTA, the State is yet again placing a unit of government in a precarious position.

Repeated Use of Capital Funds for Operating Expenses

While working with the unions and the State to keep the proverbial lights on, the CTA has not been able to fully address its growing capital needs and continues to use capital funds for operating expenses. Since FY2006 the System has transferred capital funds to its operating fund. Including the FY2011 proposed transfer, the transfers of capital funds over this five-year period will total $456.8 million. Currently the System is predicting an estimated $6.8 billion in unmet capital needs through FY2015 necessary to bring its system into a state of good repair.[1]

The Civic Federation has supported CTA budgets in the past that have used capital funds for operating expenses as a means to solve short-time crises. However, the CTA's continuing need to use capital funds for operating expenses is an indication that the Authority has a structural deficit. Consistently borrowing from capital funds to pay for operating expenses is also a poor long-term financial practice.

Issues the Civic Federation Supports

There are several steps that the CTA proposes to implement in the FY2011 budget that the Civic Federation supports.

Maintaining Current Bus and Rail Service

The FY2011 budget proposes no service cuts. This is good news for transit riders who experienced a number of reductions in the current fiscal year including longer waits for buses and trains in off peak hours and the elimination of nine express bus routes where a local alternative was available. As a result of the reductions, approximately 1,100 employees were laid off.[2] While service cuts should be a last resort, the Civic Federation supported service reductions last year as a painful but necessary action needed to help maintain the CTA's fiscal solvency.

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[1] CTA President's FY2011 Budget Recommendations, p. 55.
[2] "RTA Approves 2010 CTA Budget," 12/17/2009 at
http://www.transitchicago.com/news/default.aspx?ArticleId=2528

Continuing to Implement Management and Administrative Efficiencies

The CTA continues to make efforts to manage costs through the prudent use of efficiencies. These include reducing personnel and reducing appropriations for fuel and power and provisions for injuries and damages.

More than 70 positions will be eliminated in the new fiscal year. As personnel costs will consume 69.6% of the entire FY2011 CTA operating budget, or $931.2 million, continued reductions in staffing are necessary and unavoidable. In addition to the staffing reductions, non-union employees will take 12 unpaid furlough days and 6 unpaid holidays as well as having their wages frozen for the third consecutive year.[3] New hiring will be closely monitored.

The CTA will benefit from decreased fuel and power costs in FY2011 from the strategic use of hedging instruments that allow the Authority to lock in lower fuel and electric power prices.[4] Appropriations for fuel will decrease by nearly 14.7% or $9.34 million in FY2011. Power expenses for electricity also will decrease by $8.1 million, or 21.2%.

An evaluation of historic costs for awards, available fund balances and a projection of future liabilities will enable the CTA to reduce its appropriations for the provision for injuries and damages by 46.4%, or $13.0 million.[5]

Civic Federation Concerns

The Civic Federation has a number of concerns regarding the CTA's proposed FY2011 budget that are listed below.

Failure of the State of Illinois to Honor its Financial Commitments in a Timely Fashion

The CTA and the State of Illinois brokered a deal last year to balance the FY2010 budget. The CTA agreed to forego fare hikes for two years in return for $83.0 million in loans from the RTA for FY2010 and FY2011. The State would pay the interest on the loan for those two years. As of this writing, the State has failed to provide $94 million in funds that are owed to the CTA. Governor Quinn claims that payments will be made by the end of this year.[6] If the state fails to meet the Governor's promise and/or reneges on its commitment, the CTA will have no choice but to raise fares to balance its budget early in the new year.

The borrowing scheme between the State of Illinois and the CTA was not an ideal arrangement. Using borrowed funds to pay for operations is always a fiscally irresponsible strategy. However, as the deal was concluded, the State and the Governor have an obligation to meet this substantial financial obligation immediately.

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[3] CTA President's FY2011 Budget Recommendations, p. 25.
[4] CTA President's FY2011 Budget Recommendations, p. 51.
[5] CTA President's FY2011 Budget Recommendations, p. 51.
[6] John Hilkevitch. "Quinn pledges money coming 'soon' to avoid CTA cuts, fare hikes," Chicago Tribune, October 7, 2010.

Continuation of the Costly Free Rides for Seniors Program

The Seniors Ride Free program is a huge financial drain on CTA resources. In FY2011, the CTA estimates that there will be a total of 51 million free rides for seniors, up from 49.8 million the previous fiscal year.[7] According to a study commissioned by the Regional Transportation Authority, the annualized loss from the *Seniors Ride Free* program for 2009 across the three service boards will range between $25.1 million and $76.3 million. The same study projects that the senior population for the Chicago region will double between 2000 and 2030, thereby increasing the annual revenue losses for the program to range between $58.8 million and $172.7 million, assuming no increase in fares, by 2030.

Continued Use of Capital Funds for Operating Expenses

In FY2011 the CTA is proposing to use $113.2 million in capital funds for its operating budget. This is the sixth year in a row that the CTA has proposed to use capital funds for operating expenditures.

- In FY2010, the CTA appropriated $90.0 million in capital maintenance funds for operating purposes.[8]
- In FY2009 the CTA used $128 million in capital funds for maintenance activities to offset operating costs.[9]
- The same holds true for FY2006 ($41.2 million), FY2007 ($63.5 million) and FY2008 ($20.0 million).[10]

Including the FY2011 projections, capital funds transferred to the operating budget will total $456.8 million since FY2007. This is an enormous sum to redirect from capital purposes and it has serious consequences for the CTA's ability to maintain and rebuild an infrastructure that has over $7 billion in needs over time. In addition, while the transfer from the capital budget helps achieve a balanced budget in the short-term, it inevitably causes a higher annual operating cost to maintain the same level of service on a neglected bus and rail infrastructure.[11]

Given the system's looming capital needs and the negative effects capital transfers have on its future finances, the Civic Federation strongly encourages the CTA to develop an alternate plan for funding future operating expenses. Continuing its multi-year approach of using capital funds to prop up its operating budget is not an optimal strategy.

Civic Federation Recommendations

The Civic Federation offers the CTA the following recommendations regarding ways that the System might improve its short- and long-term financial management and fulfill its long-term financial obligations.

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[7] CTA President's FY2011 Budget Recommendations, p. 29.
[8] CTA President's FY2011 Budget Recommendations, p. 31.
[9] CTA President's FY2010 Budget Recommendations, p. 14.
[10] CTA President's FY2010 Budget Recommendations, p. 34.
[11] CTA President's FY2010 Budget Recommendations, p. 34.

Illinois General Assembly Must Eliminate the Seniors Ride Free Program

The Civic Federation continues to call on the Illinois General Assembly and Governor to repeal the costly and ill-conceived *Seniors Ride Free* program. According to a study commissioned by the Regional Transportation Authority, the annualized loss from the *Seniors Ride Free* program for 2009 across the three service boards was projected to be between $25.1 million and $76.3 million.[12] The same study projects that the senior population for the Chicago region will double between 2000 and 2030, thereby increasing the annual revenue losses for the program to a range of between $58.8 million and $172.7 million, assuming no increase in fares, by 2030.[13]

There is no sound public policy reason to provide free rides for affluent seniors who are able to pay and help defray the cost of public transit. Exempting such a large pool of individuals from paying their fair share of expenses simply shifts the cost onto other riders, many of whom are low-income workers. It has contributed to the CTA's multi-million dollar deficit and led to the need for higher fares for all. A far more rational approach to address equity concerns would be to provide reduced fares only for low-income riders. In that way, assistance is targeted to those individuals who truly need it.

The Illinois General Assembly must repeal the free rides for seniors program. Allowing the free rides program to continue without question places an unfair burden on the majority of CTA riders to subsidize free rides for others who could afford to pay their fair share.

The Civic Federation urges the CTA to continue to advocate for repealing the existing *Seniors Ride Free* program. The existing CTA Reduced Fares program could be used to offer fare relief to low-income seniors, disabled individuals, active military and disabled veterans, in addition to the students who are currently enrolled in the reduced fare program.

Develop a Multi-Year Plan to Create a Reserve Fund

It is important for all governments to maintain a healthy fund balance or "rainy day" fund to pay for emergencies or contingencies as they arise. The Government Finance Officers Association (GFOA) recommends that general purpose governments maintain a Corporate or General Fund balance ratio of 2 months or 16.7% of operating expenditures or revenues. For the CTA, this would require a reserve of at least $223.4 million in FY2011. The National Advisory Council on State and Local Budgeting, via Practice 4.1, advises local governments to adopt a fund balance policy to explicitly outline the acceptable uses for the reserve funds.

The Civic Federation encourages the CTA to develop a plan to establish a reserve fund over time once revenues return to previously-projected levels. We also encourage the System to adopt a corresponding formal fund balance policy to guide this action. While setting aside funds, even during strong economic conditions, may be difficult, the CTA's lack of reserves has negatively impacted its ability to deal with the current economic downturn. In order to help mitigate service

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[12] DiJohn, Joseph, et al. *Analysis of the RTA Seniors and People with Disabilities Ride Free Programs- Review Draft.* September 2009.
[13] DiJohn, Joseph, et al. *Analysis of the RTA Seniors and People with Disabilities Ride Free Programs- Review Draft.* September 2009.

reductions and fare increases during future economic downturns, the CTA should make concrete plans to develop a healthy reserve fund it can turn to when revenues fall below projected levels.

Universal Fare Card

The Civic Federation strongly recommends that the CTA work with the RTA to implement a long-overdue universal fare card. This pass would allow passengers to travel and transfer seamlessly between CTA, Metra and Pace transit options, creating an easier process for using mass transit on trips that include the City of Chicago and the surrounding suburban communities. Ease of transfer may increase ridership, and at a time when ridership is projected to increase by only 1.9%, the CTA should pursue available options to increase the attractiveness of its service.

Study Zone Fare or Peak Hour Options

The Civic Federation recommends that the CTA study the options to transition from a flat fare structure to a zone-based fare structure, which would base the cost of a transit ride on the length traveled, or a peak hour option, which would charge users higher rates during rush hour. The results of the study should be made publicly available. Other large transit systems in the United States employ zone transit fares, including Washington D.C.'s Metro system and San Francisco's BART system. The option of transitioning to a peak-hour fare system is currently being debated by the New York City transit system.

ACKNOWLEDGEMENTS

The Civic Federation would like to express its appreciation to Chicago Transit Authority President Richard Rodriguez, Chief Financial Officer Karen Walker and Vice President of Finance Paul Volpe and their staffs for their willingness to meet with us regarding the FY2011 Recommended Budget and answer many of our budget questions.

APPROPRIATIONS

This section provides an analysis of appropriations in the CTA's proposed FY2011 budget. This year, the CTA's operating budget will total nearly $1.3 billion, a 5.2% or $66.7 million increase from the FY2010 appropriation of $1.2 billion.

Appropriations by Object: Two-Year Trend

Personnel will consume 69.6% of the entire FY2011 CTA operating budget, or $931.2 million. This amount is a $79.1 million or 9.3% increase over the prior year. The budget will require a wage freeze for the approximately 10% of the workforce that is not unionized. These employees also will be required to take 12 unpaid furlough days and 6 unpaid holidays.[14]

Appropriations for fuel will decrease by nearly 14.7% or $9.3 million in FY2011. Power expenses for electricity also will decrease by $8.1 million, or 21.2%. These decreases are due to

[14] CTA President's FY2011 Budget Recommendations, p. 25.

savings that will accrue from the strategic use of hedging instruments that enable the CTA to lock in lower fuel and electric power prices.[15]

Projected expenditures for security will increase by 2.8%, rising from $33.2 million to $34.1 million. This includes the cost of 24-hour patrols provided by the Chicago, Evanston and Oak Park police departments and contracts with private firms.[16]

FY2011 spending for the provision for injuries and damages and for materials is projected to decrease next year:

- Material expenses are projected to decline in FY2011 by 6.4% or nearly $5.0 million due to efficiencies from the implementation of supply chain improvements; and

- Appropriations for the provision for injuries and damages will decrease by 46.4%, or $13.0 million. This large reduction is based on an evaluation of awards made in previous years, available fund balances and a projection of future liabilities. The evaluation concluded that the CTA could reasonably budget a smaller amount for this purpose than it had in the past.[17]

The Other Expenses category is projected to increase by 12.4% in FY2011 or $22.1 million. This category includes utilities for CTA facilities, advertising and marketing, equipment and software maintenance, accounting, engineering, legal and consulting services, banking fees and interest on the outstanding pension obligation bonds.

CTA Proposed Operating Budget by Object of Expenditure: FY2010 & FY2011

Appropriation	FY2010 Appropriation	FY2011 Budget	$ Change	% Change
Labor	$ 852,081,000	$ 931,179,000	$ 79,098,000	9.3%
Other Expenses	$ 178,004,000	$ 200,149,000	$ 22,145,000	12.4%
Material	$ 77,724,000	$ 72,762,000	$ (4,962,000)	-6.4%
Fuel	$ 63,879,000	$ 54,487,000	$ (9,392,000)	-14.7%
Security	$ 33,181,000	$ 34,109,000	$ 928,000	2.8%
Power	$ 38,176,000	$ 30,070,000	$ (8,106,000)	-21.2%
Provision for Injuries & Damages	$ 28,000,000	$ 15,000,000	$ (13,000,000)	-46.4%
Total	**$ 1,271,045,000**	**$ 1,337,756,000**	**$ 66,711,000**	**5.2%**

Source: CTA President's FY2011 Budget Recommendation p. 31.

[15] CTA President's FY2011 Budget Recommendations, p. 51.
[16] CTA President's FY2011 Budget Recommendations, p. 27.
[17] CTA President's FY2011 Budget Recommendations, p. 51.

Appropriations by Object: Five-Year Trend

From FY2007 to FY2011, the CTA's total operating budget will increase by 22.3%, or $243.6 million.

The largest dollar increase, or $146.3 million, will come in the labor category, which will rise by 18.6% over the five-year period. The Other Expenses category will increase by the largest percentage amount or 188.1%, from $69.5 million to $200.1 million. This category includes utilities for CTA facilities, advertising and marketing, equipment and software maintenance, accounting, engineering, legal and consulting services, banking fees and interest on the outstanding pension obligation bonds.

Appropriations for security services will increase by 8.8% or $2.7 million. Power costs also will increase, rising by 6.9% or $1.9 million.

Fuel costs will have decreased by 23.5% over the past five years due primarily to savings from hedging contracts. In addition, material costs will drop by 13.6% and the provision for injuries and damages will decrease by 40.0%, or $10.0 million.

CTA Proposed Operating Budgets by Object of Expenditure: FY2007 & FY2011				
Appropriation	**Actual FY2007 Budget**	**FY2011 Budget**	**$ Change**	**% Change**
Labor	$ 784,841,000	$ 931,179,000	$ 146,338,000	18.6%
Other Expenses	$ 69,465,000	$ 200,149,000	$ 130,684,000	188.1%
Material	$ 84,178,000	$ 72,762,000	$ (11,416,000)	-13.6%
Fuel	$ 71,181,000	$ 54,487,000	$ (16,694,000)	-23.5%
Security	$ 31,363,000	$ 34,109,000	$ 2,746,000	8.8%
Power	$ 28,141,000	$ 30,070,000	$ 1,929,000	6.9%
Provision for Injuries & Damages	$ 25,000,000	$ 15,000,000	$ (10,000,000)	-40.0%
Total	**$ 1,094,169,000**	**$ 1,337,756,000**	**$ 243,587,000**	**22.3%**

Source: CTA President's FY2009 Budget Recommendations, p. 24; FY2011 Budget Recommendations, p. 31.

REVENUES

The CTA receives its operating funding both from system-generated revenues (revenue generated internally by the CTA, such as fares, concessions and advertising) and from public funding sources (sales taxes, which are distributed by the RTA, and the real estate transfer tax). Each of these revenue sources will be examined in turn.

CTA Budgeted Revenues: Two-Year Trend

The Proposed FY2011 CTA Budget includes nearly $1.3 billion in revenues, a 5.2% increase from prior year revenues. The revenue total includes $612.3 million from system-generated revenue, $529.3 million in public funding through the Regional Transit Authority, $83.0 million provided by the State of Illinois in accordance with the CTA's agreement not to raise fares in FY2010 and FY2011 and $113.2 million in funds transferred to the operating budget from capital preventive maintenance funds.[18]

Public funding for the CTA will increase in FY2011 by 6.4%. This represents a nearly $32.0 million increase, from $497.3 million to $529.3 million. Public funding through the RTA includes: 1) RTA sales tax revenues collected in the City of Chicago and suburban Cook County; 2) discretionary RTA funds generated by local sales taxes and a State General Fund sales tax match; and 3) a portion of the Chicago real estate transfer tax. The RTA sales tax was increased by 0.25 percentage points in 2008 and the CTA was provided a dedicated portion of the City of Chicago real estate transfer tax.

System-generated revenue in FY2011 will include $612.3 million in farebox revenue, a 1.9% increase from the previous year. The modest growth is due to ridership increases. Farebox revenue represents 85.5% of all system-generated revenue in the proposed budget. Investment income will decline by approximately $0.9 million or 53.6%. The projected decrease is due to low investment rates of return and low investable cash balances.[19]

The annual payment of $5.0 million that the CTA receives by law from local governments – $3.0 million from the City of Chicago and $2.0 million from Cook County – is considered system-generated revenue rather than public subsidy according to the recovery ratio. The amounts contributed to the CTA by the City of Chicago and Cook County have remained unchanged since 1985. The City of Chicago does, however, also make in-kind law enforcement contributions to the CTA. This represents $22.0 million in police services for 2011, provided at no charge to the CTA. In addition, Cook County provides $3.5 million of in-kind services through the Sheriff's Work Alternative Program, which has non-violent offenders help CTA workers to clean bus turnarounds and garages.[20]

[18] CTA President's FY2011 Budget Recommendations, p. 30.
[19] CTA President's FY2011 Budget Recommendations, p. 29.
[20] CTA President's FY2011 Budget Recommendations, p. 29.

The State of Illinois annually provides the CTA with a reimbursement or subsidy for reduced fares. The amount provided in FY2011 is expected to be $28.0 million, the same amount as in FY2010.

Advertising, charter and concession revenue will decrease by $4.0 million or 17.3%. The decrease is due to the continued effects of the current negative economic situation.

Other revenue, which includes parking charges, filming fees, third-part contract reimbursements and rental revenue, will increase by $18.4 million or 106.1%. A portion of the increase is due to the subsidy the CTA is entitled to for Build America Bonds issued in 2010 as well as a change in the accounting treatment of an operating grant from the RTA.[21]

CTA Budgeted Revenue: FY2010 & FY2011

Source	FY2010 Appropriation	FY2011 Budget	$ Change	% Change
System-Generated Revenue				
Fares and Passes	$ 521,417,000	$ 523,660,000	$ 2,243,000	0.4%
Reduced Fare Reimbursement	$ 32,200,000	$ 28,000,000	$ (4,200,000)	-13.0%
Advertising, Charter & Concessions	$ 22,876,000	$ 18,924,000	$ (3,952,000)	-17.3%
Investment Income	$ 1,832,000	$ 850,000	$ (982,000)	-53.6%
Required Contributions - Cook County & Chicago	$ 5,000,000	$ 5,000,000	$ -	0.0%
Other Revenue	$ 17,381,000	$ 35,817,000	$ 18,436,000	106.1%
Total System-Generated Revenue	**$ 600,706,000**	**$ 612,251,000**	**$ 11,545,000**	**1.9%**
Public Funding through RTA	**$ 497,339,000**	**$ 529,305,000**	**$ 31,966,000**	**6.4%**
Fare Agreement with State	$ 83,000,000	$ 83,000,000	$ -	0.0%
Transfer from Capital-Preventive Maintenance Funds	$ 90,000,000	$ 113,200,000	$ 23,200,000	25.8%
Total	**$ 1,271,045,000**	**$ 1,337,756,000**	**$ 66,711,000**	**5.2%**

Source: CTA President's FY2011 Budget Recommendation, p. 31.

The recovery ratio, which measures the proportion of operating expenses recovered from operating revenues, is a significant indicator of the CTA's performance. The ratio is determined by dividing system-generated revenues by operating expenses, excluding depreciation and other exempt expenses. The RTA Act requires that the entire RTA region must achieve an annual recovery ratio of at least 50 percent. For FY2011, the CTA will recover 54.6% of its operating expenses through system-generated revenues.[22]

[21] CTA President's FY2011 Budget Recommendations, pp .29- 30.
[22] CTA President's FY2011 Budget Recommendations, p. 31.

CTA Budgeted Revenues: Five-Year Trend

Comparing the CTA's FY2011 Proposed Budget with the actual FY2007 budget, total revenues are projected to increase by 22.2% or $243.4 million. Income from fares and passes will increase by $66.4 million or 14.5%. Overall, system generated revenue will rise by 10.8% or $59.5 million. Public funding from the RTA will increase by 12.2% or $66.3 million, rising from $545.9 million to $612.2 million. The largest percent increase will come from other revenues, including parking charges, filming fees, third-party contract reimbursements and rental revenue. These revenues will increase by 115.1%.

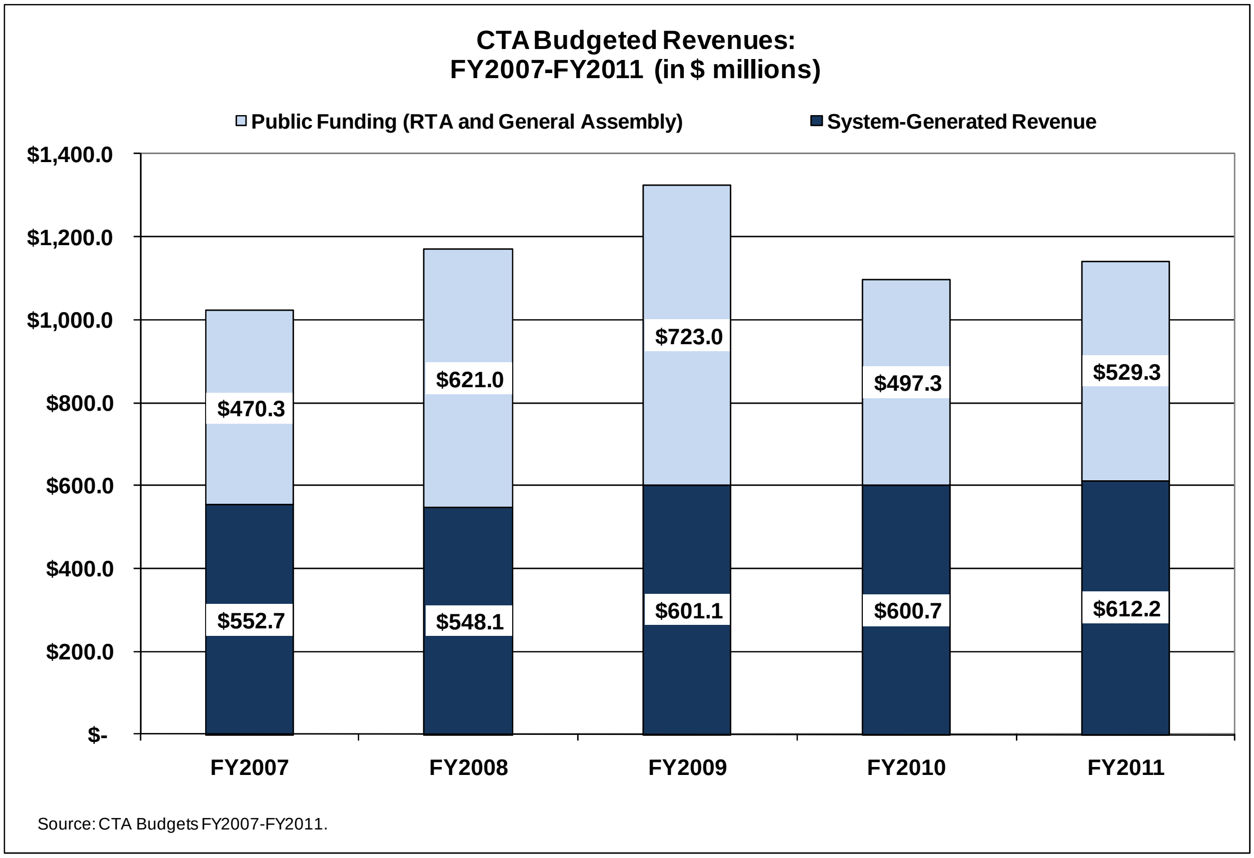
Several revenue items will decrease over this five-year period: investment income will fall by 91.9%; the reduced fare reimbursement from the State of Illinois will fall by 15.9%; advertising, charter and concession income will decrease by 18.3%; and required contributions from the City of Chicago and Cook County remain unchanged at $5.0 million.

CTA Budgeted Revenue: FY2007 & FY2011

Source	Actual FY2007	FY2011 Budget	$ Change	% Change
System-Generated Revenue				
Fares and Passes	$ 457,299,000	$ 523,660,000	$ 66,361,000	14.5%
Reduced Fare Reimbursement	$ 33,308,000	$ 28,000,000	$ (5,308,000)	-15.9%
Advertising, Charter & Concessions	$ 23,164,000	$ 18,924,000	$ (4,240,000)	-18.3%
Investment Income	$ 10,495,000	$ 850,000	$ (9,645,000)	-91.9%
Required Contributions from Cook County & Chicago	$ 5,000,000	$ 5,000,000	$ -	0.0%
Other Revenue	$ 16,654,000	$ 35,817,000	$ 19,163,000	115.1%
Total System-Generated Revenue	**$ 545,920,000**	**$ 612,251,000**	**$ 66,331,000**	**12.2%**
Public Funding through RTA	**$ 548,249,000**	**$ 529,305,000**	**$ (18,944,000)**	**-3.5%**
Fare Agreement with State	$ -	$ 83,000,000	$ 83,000,000	-
Transfer from Capital-Preventive Maintenance Funds	$ -	$ 113,200,000	$ 113,200,000	-
Total	**$ 1,094,169,000**	**$ 1,337,756,000**	**$ 243,587,000**	**22.3%**

Source: CTA President's FY2009 Budget Recommendation, p. 24 and FY2011 Budget Recommendation, p. 31.

The following exhibit illustrates system-generated revenues and public funding between FY2007 and FY2011.



Structure of Public Funding for the CTA from the RTA

The CTA will receive public funding from three sources in 2011: 1) RTA sales tax revenues collected in the City of Chicago and suburban Cook County; 2) discretionary RTA funds generated by local sales taxes and a State General Fund sales tax match; and 3) a portion of the Chicago Real Estate Transfer tax.

Legislation approved in 2008 provided for financial relief and pension reform for the CTA, authorized an increase in the RTA sales tax and authorized an increase in the City of Chicago real estate transfer tax to support the CTA.[23] The RTA is authorized to levy a sales tax in the six-county region of northeastern Illinois at the following rates:

- 1.00% sales tax on general merchandise in Cook County;
- 1.25% sales tax on qualifying food, drugs and medical appliances in Cook County; and
- 0.50% sales tax on general merchandise and qualifying food, drugs and medical appliances in DuPage, Kane, Lake, McHenry and Will Counties.[24]

The CTA also receives funds at a tax rate of 0.3% on real estate transfers in the City of Chicago.

Additional monies are provided by the State of Illinois to the RTA. The State Treasurer remits from the State General Fund an amount equal to 25% of RTA sales tax collections into a Public Transportation Fund. Revenues from that fund are remitted to the RTA on a monthly basis. The RTA uses these revenues to fund the needs of the three service boards as well as RTA operations, debt service and capital investment.[25] The RTA also has authority to levy taxes on automobile rentals, motor fuel and off-street parking facilities, but has not exercised this authority.[26]

The RTA retains 15% of the total tax revenue collected and distributes the remaining 85% to the service boards according to a statutory formula:

RTA Sales Tax Distribution: FY2011

	Chicago Sales Tax Revenue	Suburban Cook Sales Tax Revenue	Collar County Sales Tax Revenue
CTA	100.0%	30.0%	0.0%
Metra	0.0%	55.0%	70.0%
Pace	0.0%	15.0%	30.0%
Total	**100.0%**	**100.0%**	**100.0%**

Source: CTA President's FY2011 Budget Recommendation, p. 84.

[23] See Public Act 095-0708.
[24] An additional 0.25% sales tax is imposed on general merchandise and qualifying food, drugs and medical appliances in these counties that is to be used for public safety expenses and transportation projects.
[25] CTA President’s FY2011 Budget Recommendations, pp. 83-84.
[26] 70 ILCS 3615/4.03.

The next exhibit details public funding for the CTA that is provided through the RTA. As a result of the above sales tax formula and the distribution of RTA discretionary funds, the CTA expects to receive $381.2 million in total sales tax revenue from the RTA in FY2011. This is a $34.7 million or 9.9% increase over budgeted CTA sales tax revenues in FY2010. Of the $381.2 million, $271.8 million is expected to come directly from the sales tax distribution formula and $109.3 million will be RTA discretionary funds, allocated from the 15% of total tax revenue retained by the RTA.[27]

The CTA share of RTA discretionary funds will increase by 22.8% from FY2010, a rise of $20.2 million. The CTA will receive $6.0 million from real estate transfer taxes collected in Chicago as well as $24.0 million from the increase in that tax authorized in 2008. The CTA will also receive $118.0 million in revenues from the RTA sales tax increase enacted in 2008 by PA 95-0708.

CTA Sources of Public Funding Through the RTA
FY2010 & FY2011

	FY2010	FY2011	$ Change	% Change
RTA Formula Sales Tax Revenues	$ 257,749,000	$ 271,850,000	$ 14,101,000	5.5%
RTA Discretionary Sales Tax Revenues	$ 89,086,000	$ 109,356,000	$ 20,270,000	22.8%
Real Estate Transfer Tax (Chicago)	$ 25,000,000	$ 24,000,000	$ (1,000,000)	-4.0%
Real Estate Transfer Tax (25% Public Transportation Fund)	$ -	$ 6,000,000	$ -	0.0%
Sales Tax and Public Transit Funds per PA 95-0708	$ 108,409,000	$ 118,098,000	$ 9,689,000	8.9%
ICE Fund	$ 5,000,000	$ -	$ (5,000,000)	-
Federal 5307 Preventative Maintenance Funds	$ 128,574,000	$ -	$ (128,574,000)	-
Working Cash Borrowing	$ 56,147,000	$ -	$ (56,147,000)	-
Total	**$ 669,965,000**	**$ 529,304,000**	**$ (146,661,000)**	**-21.9%**

Source: CTA President's FY2010 Budget Recommendation, p. 67, FY2011 Budget Recommendation, p. 86.

[27] CTA President's FY2011 Budget Recommendations, p. 30.

Operating Transfer

The CTA has found it necessary to divert capital funding on an annual basis to close gaps in its operating budget in each of the last five years. The following chart compares total new annual funding for capital and the amount transferred to the operating budget between FY2007 and FY2011.

FY2007-FY2011 (in $ millions)						
	FY2007	FY2008	FY2009*	FY2010	FY2011	Total
New Capital Funding	$ 434.7	$ 722.5	$ 310.9	$ 745.4	$ 599.6	$ 3,184.3
Transfer to Operating Budget	$ 63.5	$ 20.0	$ 128.9	$ 90.0	$ 113.2	$ 456.8
Transfer as % of Total Capital Funds	14.6%	2.8%	41.5%	12.1%	18.9%	14.3%

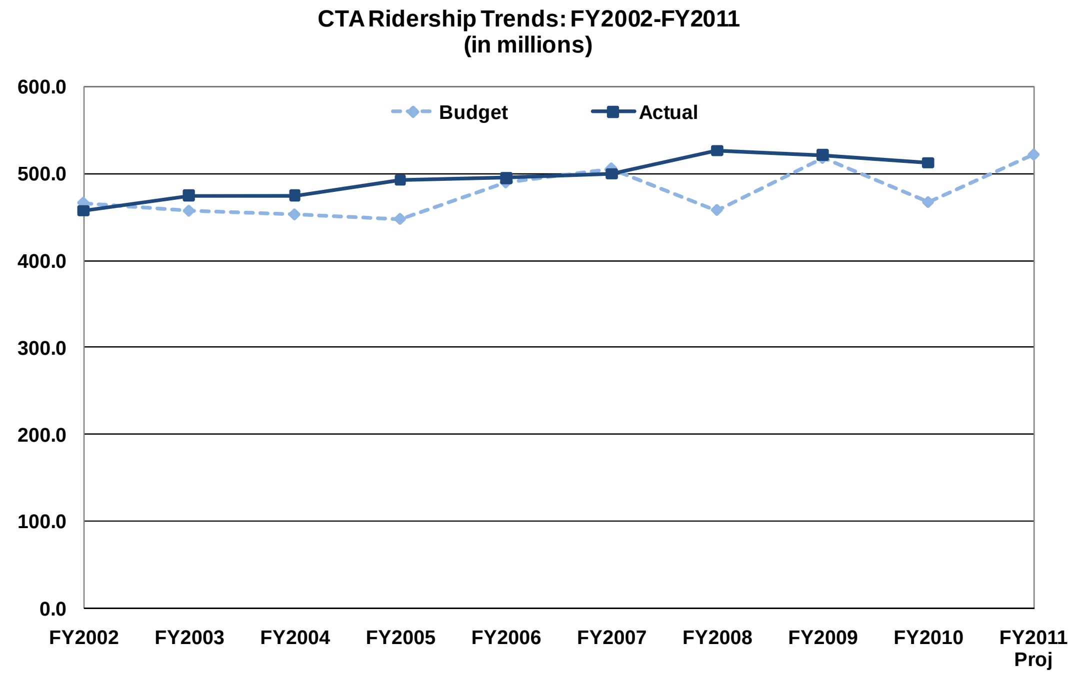
*Not including Federal Recovery Funds added in FY2009.

Source: CTA President's Budget Recommendation FY2007-FY2011.

Capital funds transferred to the operating budget have totaled $456.8 million over the past five years, and have reduced the total new funding for capital projects by 14.3% in that period. The CTA reduces annual Capital appropriations in order to make the additional funding for operations available.

RIDERSHIP

CTA projects that ridership will increase in FY2011 by 1.9%, from 512.2 million rides as forecast in the FY2010 budget, to approximately 521.7 million rides in FY2011 for an increase of 9.5 million rides.



Note: FY2010 actual ridership is the CTA FY2010 budget forecast.
Source: CTA President's FY2011 Budget Recommendations, p. 119; FY2001-FY2009 Budget Recommendations.

SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. The CTA currently reports no short-term debt but does include the following short-term liabilities in the report of net assets in its annually issued Audited Financial Statements and Supplemental Information:[28]

- *Accounts Payable*: monies owed to vendors for goods and services;
- *Accrued Payroll, Vacation Pay and Related Liabilities*: employee pay and benefits carried over from the previous year;
- *Accrued Interest Payable:* interest that is owed on deposits or bonds payable in the next fiscal year;
- *Advances, Deposits and Other:* Comprised of security deposits on rents and concessions, various grant deposits and other deposits required from vendors that do business with the CTA;
- *Advance from the RTA:* Funds provided by the RTA for future capital projects;
- *Deferred Passenger Revenue:* represents cash collected from the sale of fares for which rides have not yet been taken;
- *Other Deferred Revenue:* unearned rent, advertising and concession revenue and cash receipts that have not yet been applied to accounts; and
- *Deferred Operating Assistance:* Illinois Department of Revenue ("IDOR") sales tax payments to the CTA in advance of the first month of the new fiscal year to compensate for the delayed processing of sales tax payments to the RTA.

In FY2009 the CTA reported that total short-term liabilities decreased by $79.6 million or 20.2% from the previous year. Since FY2005, short-term liabilities have increased by $54.1 million or 20.8%. The bulk of the CTA's short-term liabilities are made up of accounts payable, which have increased by $50.1 million between FY2005 and FY2009 or 63.5%. The following exhibit shows short-term liabilities by category and the percent change over the past five years.

CTA Short-Term Liabilities by Category: FY2005 - FY2009 (in $ thousands)

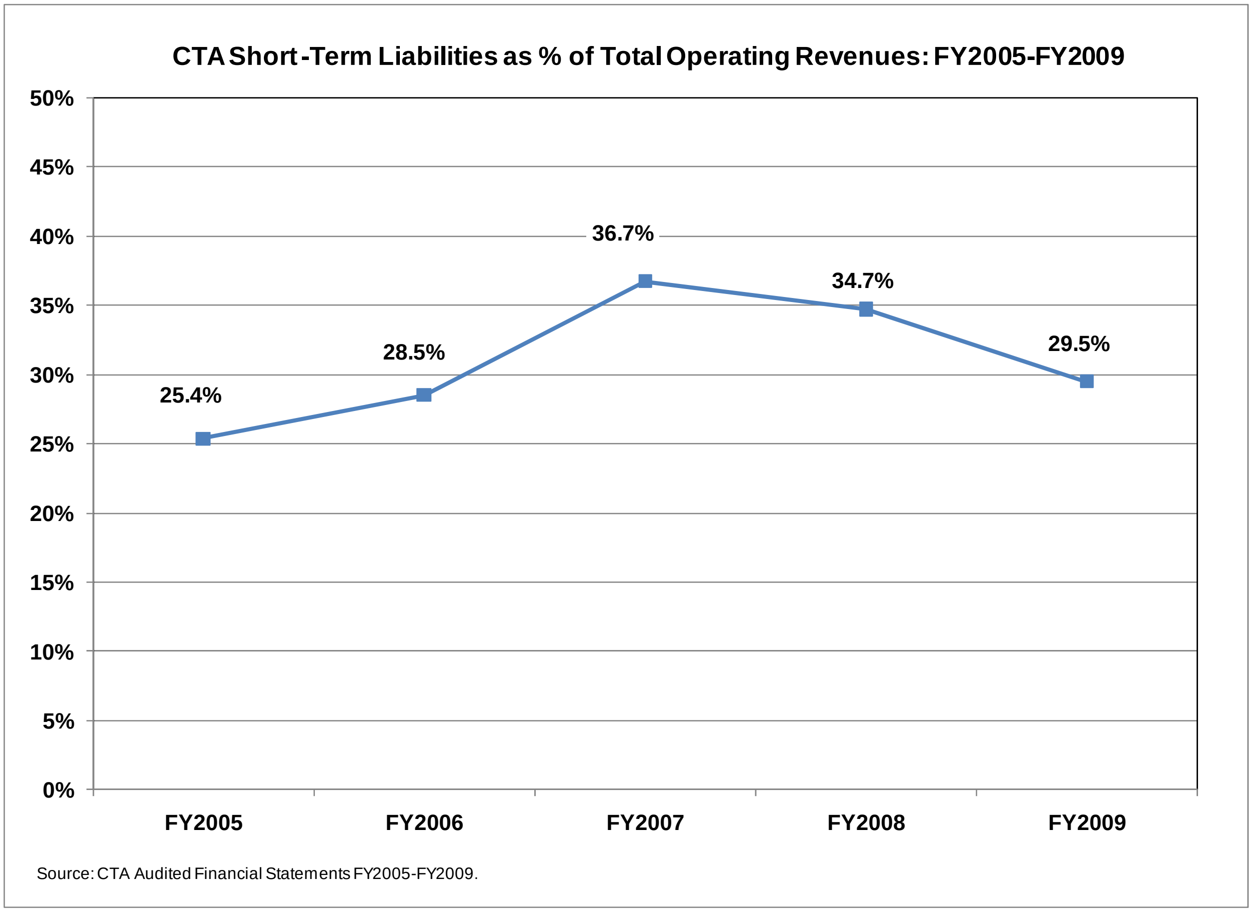
Liability	FY2005	FY2006	FY2007	FY2008	FY2009	5-year $ Change	5-year % Change
Accounts Payable & Expenses	$ 79,041	$ 123,719	$ 172,190	$ 207,026	$ 129,198	$ 50,157	63.5%
Accrued Payroll	$ 87,875	$ 98,925	$ 99,626	$ 95,456	$ 90,717	$ 2,842	3.2%
Accrued Interest Payable	$ 3,357	$ 3,458	$ 3,480	$ 16,909	$ 13,081	$ 9,724	289.7%
Advances and Deposits	$ 10,725	$ 9,333	$ 49,552	$ 2,508	$ 1,581	$ (9,144)	-85.3%
Advances from RTA	$ 32,478	$ 23,201	$ 20,302	$ 10,949	$ 8,451	$ (24,027)	-74.0%
Deferred Passenger Revenue	$ 23,188	$ 29,290	$ 29,273	$ 33,617	$ 38,095	$ 14,907	64.3%
Other Deferred Revenue	$ 785	$ 992	$ 2,705	$ 2,211	$ 2,507	$ 1,722	219.4%
Deferred Operating Assistance	$ 22,645	$ 23,273	$ 24,602	$ 25,215	$ 30,583	$ 7,938	35.1%
Total	**$ 260,094**	**$ 312,191**	**$ 401,730**	**$ 393,891**	**$ 314,213**	**$ 54,119**	**20.8%**

Source: CTA Audited Financial Statements FY2005-FY2009.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of a government's future financial

[28] CTA FY2009 Audited Financial Statement, p. 16.

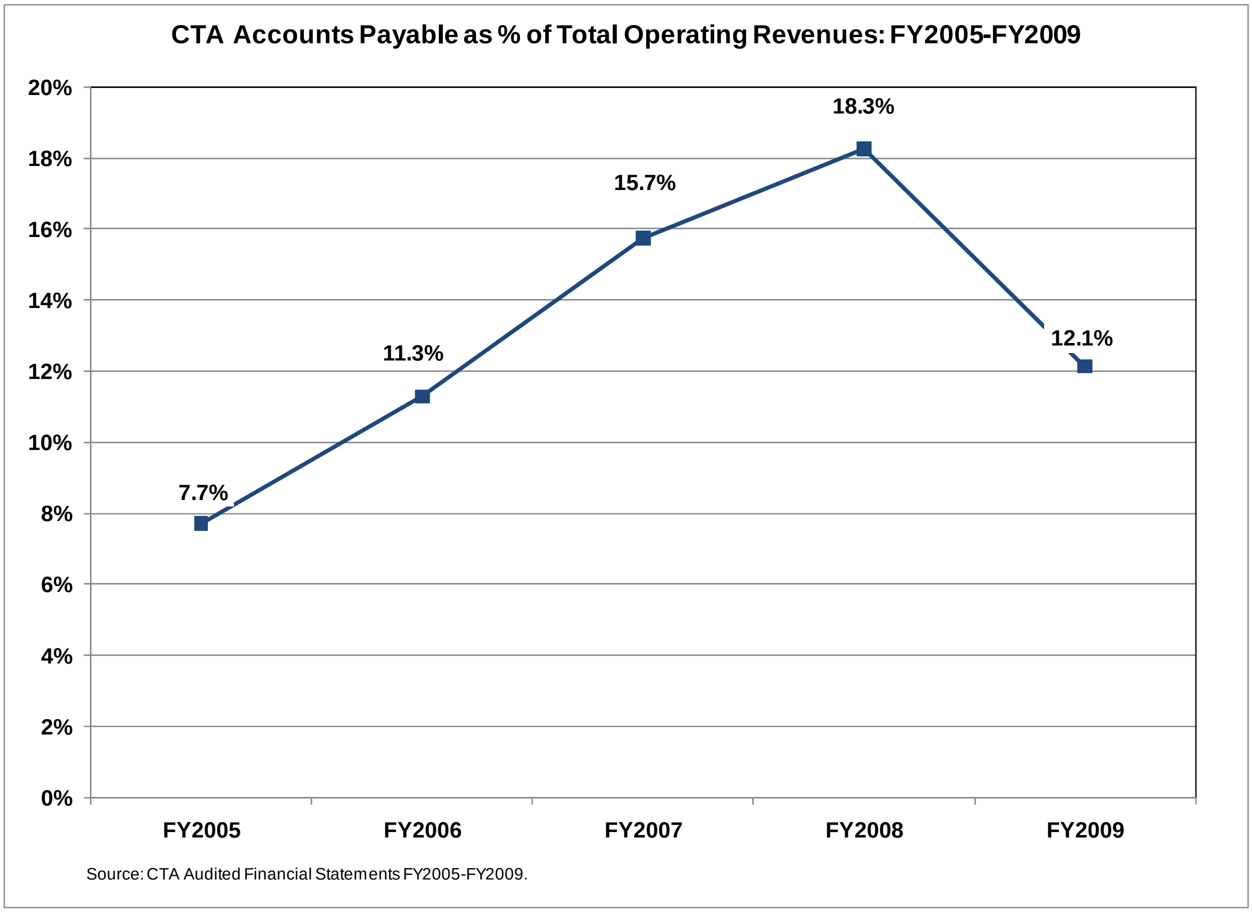
difficulties.[29] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. CTA showed a positive trend by reducing its short-term liabilities compared to total operating revenue between FY2007 to FY2009 from 36.7% to 29.5%.



[29] Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), p. 77 and p. 169.

Accounts Payable

Over time, rising amounts of accounts payable compared to operating funds may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. CTA's ratio of operating funds accounts payable to operating revenues increased from 7.7% to 18.3% between FY2005 and FY2008 before falling to 12.1% in FY2009. The decrease is FY2009 was a positive sign that will bear watching in future years.

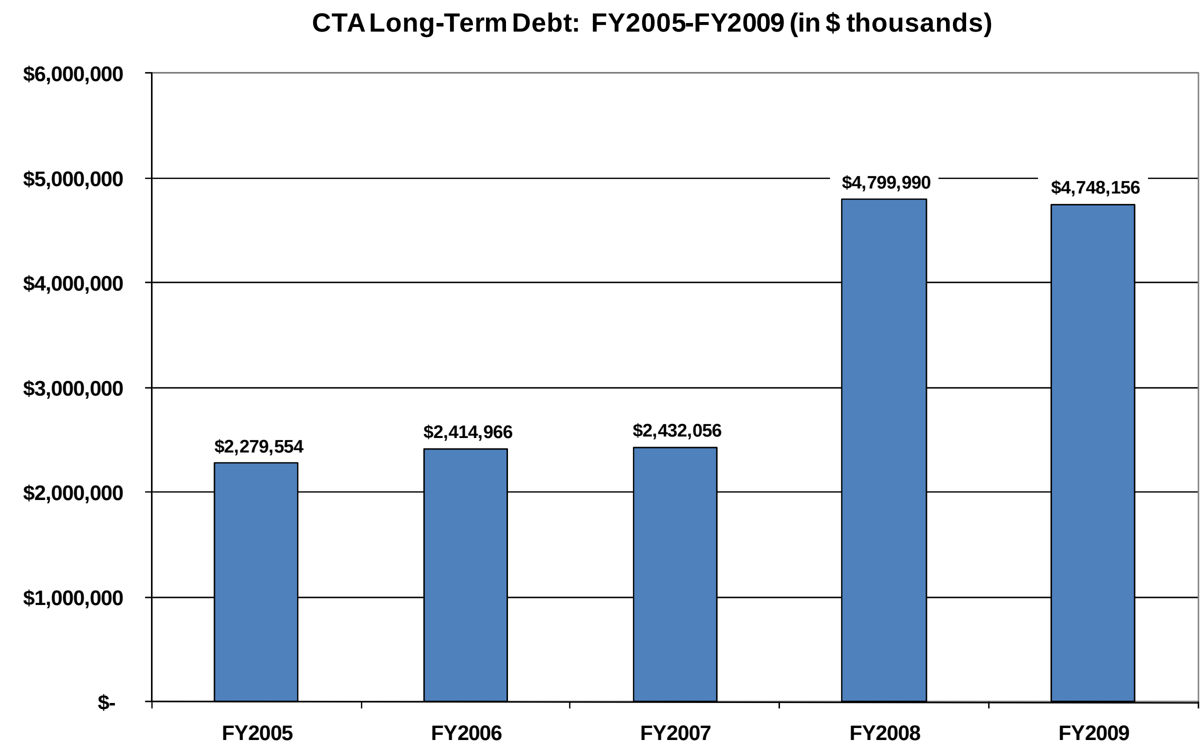


LONG-TERM OBLIGATIONS

This section presents information about long-term debt trends of the CTA. It includes information about long-term obligations, debt per capita and bond ratings. For purposes of this analysis, long-term debt includes bonds payable, capital lease obligations and self-insurance claims. It does not include accrued pension costs or other post-employment healthcare costs.

Total Long-Term Liabilities

Mainly due to an issuance of $1.9 billion of Pension Obligation Bonds in FY2008, the CTA's long-term liabilities have more than doubled in recent years. Total long-term liabilities increased from $2.4 billion in FY2007 to $4.7 billion in FY2009. During the five-year period between FY2005 and FY2009, long-term debt increased by a total of $2.4 billion or 108.0%. Also contributing to increased long-term obligations over this period was the issuance of three series of bonds to support capital projects. In FY2003 the CTA sold general obligation bonds totaling $207 million and a subsequent $250 million of capital bonds were issued in FY2004. The FY2004 debt was issued in anticipation of grants from the federal government. A third bond series was issued on November 1, 2006 for $275 million.

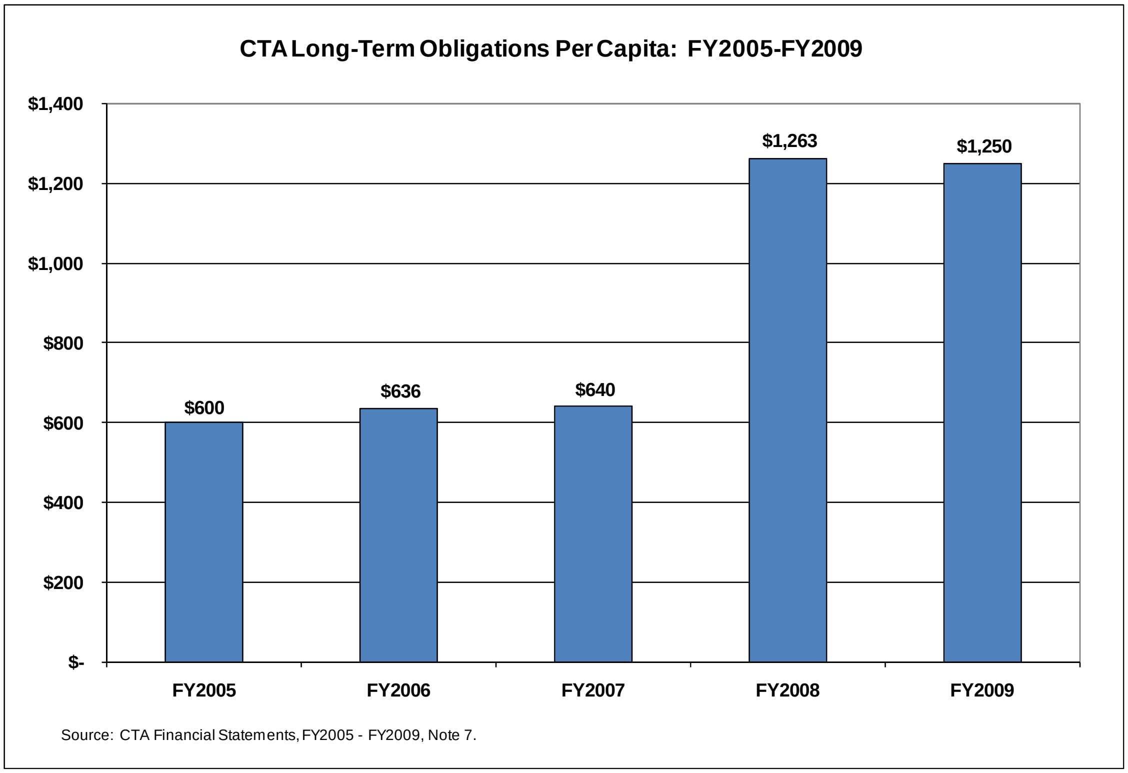


Source: CTA Financial Statements FY2005-FY2009, Note 7.

Per Capita Long-Term Liabilities

Long-term obligations per capita is a measure of a government's ability to maintain its current financial policies. This analysis takes the amount of Chicago Transit Authority total long-term liabilities per year and divides it by the population served by the CTA. Until the 2000 census, this population was 3.7 million. In succeeding years, the service population increased slightly to 3.8 million. The CTA's long-term liabilities include self-insurance claims, capital lease obligations and bonds payable. Sharp increases should be monitored as a potential sign of increasing financial risk.

In FY2005 long-term obligations per capita were $600. Since that time, long-term obligations per capita increased to $1,250, a 108.3% increase. Between FY2007 and FY2008, long-term obligations per capita rose dramatically by 95.2% or from $640 to $1,250. The majority of this increase comes from the sale of $1.9 billion of pension obligation bonds in FY2008. Total long term obligations per capita declined slightly in FY2009 from $1,263 to $1,250, a decrease of 1.1%.



Current CTA Bond Ratings

The CTA's outstanding debt is assigned the following ratings:

CTA Credit Ratings				
	Sales/Transfer Tax Receipt Revenue Bonds	Sales Tax Receipts Revenue Bonds	Building Revenue Bonds	Capital Grant Receipts Revenue Bonds
Moody's	Aa3	Aa3	A1	A1
S & P	AA	AA	A	A
Fitch	Not rated		Not rated	A

Source: CTA FY2011 Budget, p. 89.

PENSION FUND

The CTA employees' pension fund is a defined benefit pension plan covering most full-time permanent union and nonunion employees. In FY2009 the Fund had 9,865 active employees and 9,275 beneficiaries.[30]

Recent Reforms

Major reforms of the Chicago Transit Authority (CTA) pension plan passed by the Illinois General Assembly have had a significant effect on the CTA pension fund beginning in FY2007.

The urgency for reform of the CTA pension fund arose from the actuarial projection that the fund would be unable to pay retiree health care costs by 2008 and reach 0% funding by 2013 if nothing was done to boost assets or reduce liabilities. The fund's poor financial health was primarily the result of insufficient employer and employee contributions, early retirement programs, benefit increases and dramatic increases in the cost of health care over the past few decades.[31] The legislated reforms specifically addressed each of these issues.

Passed in the spring of 2006 as part of the FY2007 Budget Implementation Act, **Public Act 94-0839** required that beginning January 1, 2009 the CTA and its employees make annual pension contributions sufficient to bring the funded ratio to 90% by the end of 2058. The Act specified that payments are to be made as a level percentage of payroll, and that post employment health care benefits provided by the pension fund were to be excluded from the actuarial calculations used to determine required contributions. The 50-year schedule and 90% funding target are similar to the funding plan for the State of Illinois' five retirement systems.[32]

The second piece of CTA pension reform legislation, **Public Act 95-0708**, was passed on January 18, 2008 and made changes to the pension and retiree health care benefits and contributions.[33] More specifically, employee and employer contributions were increased to 6% and 12% of payroll, respectively, which doubled their previous contribution rates of 3% and 6%. The employer, however, will receive a "credit" for pension obligation bond debt service payments of up to 6% of payroll.

In addition to the baseline 6% and 12% employee and employer contributions, the legislation also set funded ratio standards and if these standards are not met, additional employer and employee contributions are triggered. P.A. 95-0708 adjusted the 50-year schedule forward one year to 2059 and required that the fund maintain a minimum 60% funded ratio through FY2039. If the fund falls below this requirement, then the combined contribution is increased with the employer paying two-thirds of the increased contribution and employees covering the remaining one-third of the increased contribution. The same two-third/one-third increased contribution standard applies to the second requirement, which states that beginning in FY2040 the fund must

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[30] See *Chicago Transit Authority Retirement Plan of Employees Actuarial Valuation as of January 1, 2010*, p. 3.
[31] Retirement Plan for Chicago Transit Authority Employees *Basic Financial Statements and Management's Discussion and Analysis for the Year Ended December 31, 2006*, p. 6.
[32] See The Civic Federation, "The State of Illinois Retirement Systems: Funding History and Reform Proposals," (October 26, 2006). http://www.civicfed.org/articles/civicfed_220.pdf
[33] See page 65 for more details.

maintain a contribution schedule that is sufficient to bring total assets of the plan to 90% by FY2059. Going forward from FY2060, the fund must collect a minimum contribution amount needed to maintain the funded ratio at or above 90%.

The minimum rates needed to keep the plan over 60% funded through 2039 were actuarially calculated to be 10.33% for the CTA and 8.165% for the employees for plan year 2011.[34] However, the **pension board of trustees chose to adopt 2011 contribution rates that are unchanged from 2010, at 10.69% for the CTA and 8.345% for employees.** The board retained rates slightly higher than the minimum required by law in order to improve the plan's funded status and reduce future fluctuation in rates.[35]

The legislation also changed benefits for employees hired after January 18, 2008, raising the years-of-service requirement for the reduced pension benefit available at 55 years of age from 3 years to 10 years of service. The legislation raised the age requirement for receiving an unreduced pension from 55 years of age to 64 years of age and 25 years of service.

P.A. 95-0708 required that no less than $1,110,500,000 in pension obligation bond proceeds be deposited into the retirement fund and no less than $528,800,000 be deposited into a new Retiree Health Care Trust. The infusion of $1.1 billion into the retirement fund was expected to raise its funded ratio to approximately 80%.[36]

The effects of these two pieces of legislation were first realized in the FY2007 pension financial statements. As a result of legislation that created the separate Retiree Health Care Trust, health care liabilities for the pension fund decreased from $1.766 billion as of January 1, 2007 to $68.8 million as of January 1, 2008.[37] The FY2008 actuarial valuation for the CTA fund assumed that by June 30, 2009 the pension fund will no longer bear any responsibility for funding retiree health care benefits.[38]

The CTA Fund actuaries also adjusted the retirement probability assumptions due to the changes in retirement eligibility age, required years of service and health care eligibility that took effect January 18, 2008. These assumption changes reduced the FY2007 actuarial liabilities by $28.0 million.[39]

Pension Fund Indicators

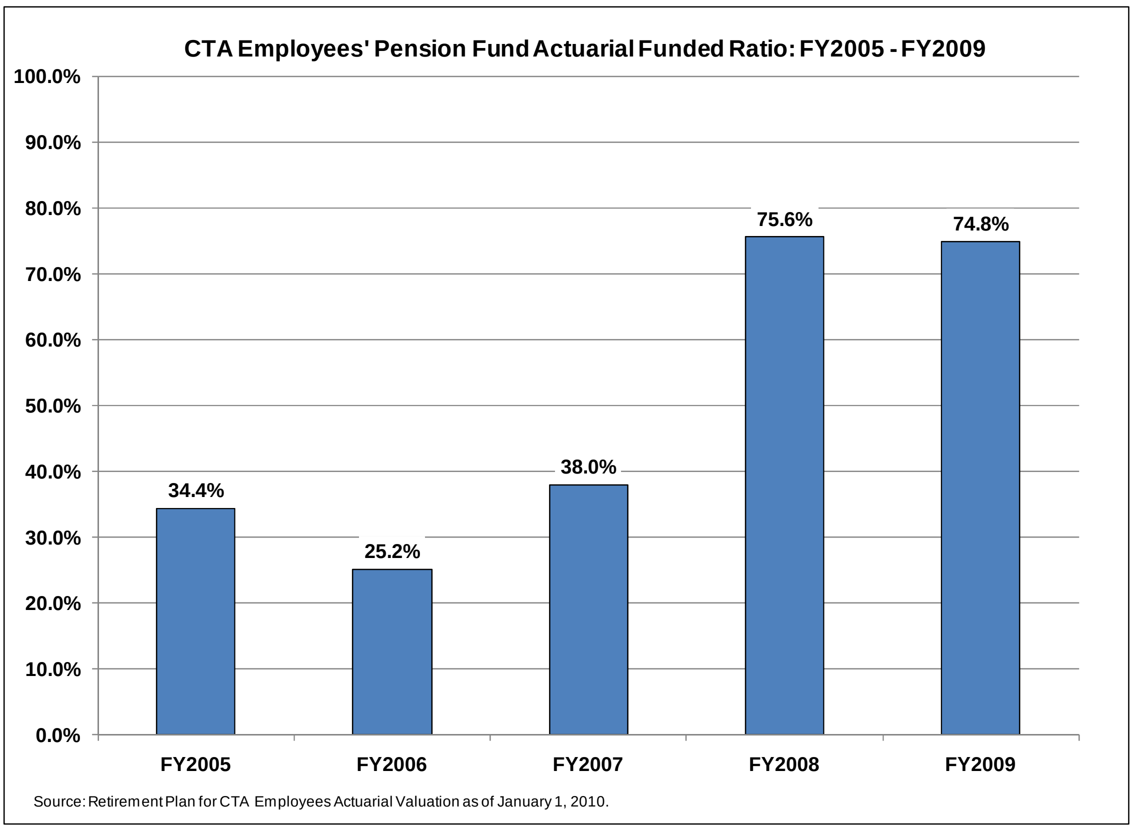
The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of the Chicago Transit Authority's employees' pension fund: funded ratios, the value of unfunded liabilities, and investment rates of return. These figures were calculated using data available in the Fund's FY2009 Actuarial Valuation.

[34] Retirement Plan for CTA Employees *Actuarial Valuation as of January 1, 2010*, p. 1.
[35] Retirement Plan for CTA Employees *Actuarial Valuation as of January 1, 2010*, p. 1.
[36] Retirement Plan for CTA Employees *Actuarial Valuation as of January 1, 2008*, p. 3.
[37] Retirement Plan for CTA Employees *Actuarial Valuation as of January 1, 2008*, p. 16.
[38] Retirement Plan for CTA Employees *Actuarial Valuation as of January 1, 2009*, p. 4.
[39] Retirement Plan for CTA Employees *Actuarial Valuation as of January 1, 2008*, p. 4.

Funded Ratios – Actuarial Value of Assets

The following exhibit shows the actuarial funded ratio for the CTA Employees' Pension Fund. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage the more difficulty a government may have in meeting future obligations. The funded ratio for the CTA pension fund rose by 40.4 percentage points between FY2005 and FY2009, increasing from 34.4% to 74.8%.

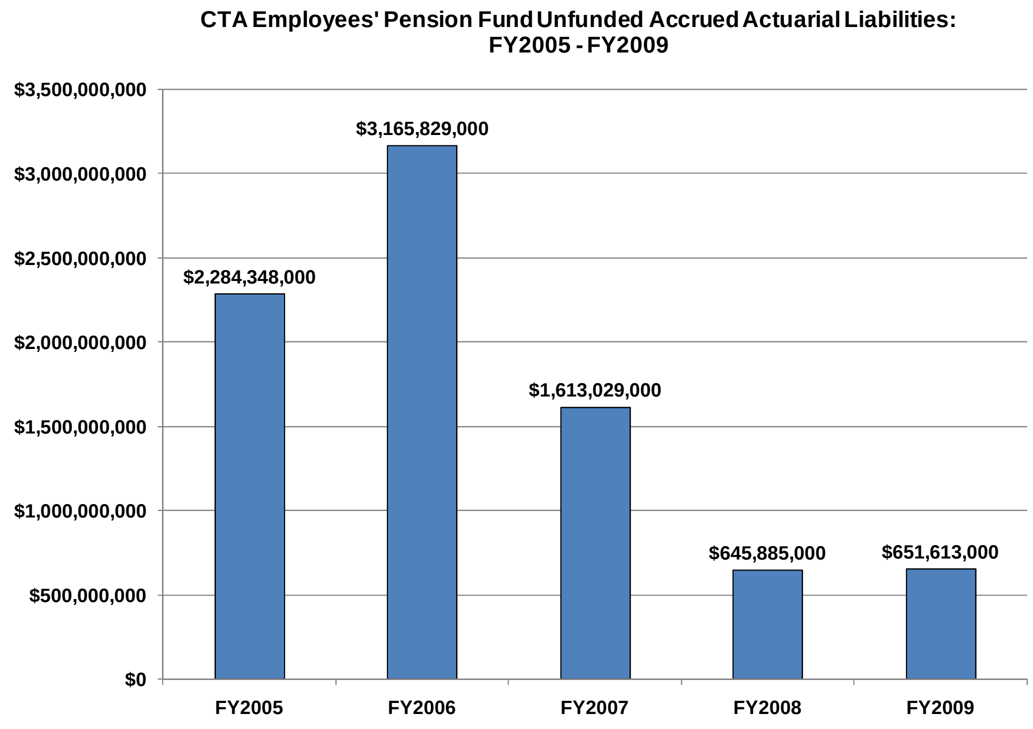
In FY2007 the funded ratio for the pension fund rose to 38.0%, a 12.8 percentage point increase over the 25.2% ratio for FY2006. The increase in the funded ratio is largely attributed to the creation of the separate Healthcare Trust Fund for CTA employees.[40] The trust fund was created in May 2008 and assumed full responsibility for health care funding, payment and administration on July 1, 2009. FY2008 audited CTA pension data reflected the infusion of $1.1 billion in bond proceeds, nearly doubling its total actuarially-valued assets. This cash infusion raised the CTA's pension funded ratio from 38.0% in FY2007 to 75.6% in FY2008. The FY2009 actuarial value funded ratio dropped slightly to 74.8% due to changes in population, actuarial assumptions, payroll and investment return.[41]



[40] See *Chicago Transit Authority Retirement Plan of Employees Actuarial Valuation as of January 1, 2009*, p. 15 note b.
[41] Retirement Plan for CTA Employees *Actuarial Valuation as of January 1, 2010*, p. 1.

Unfunded Pension Liabilities

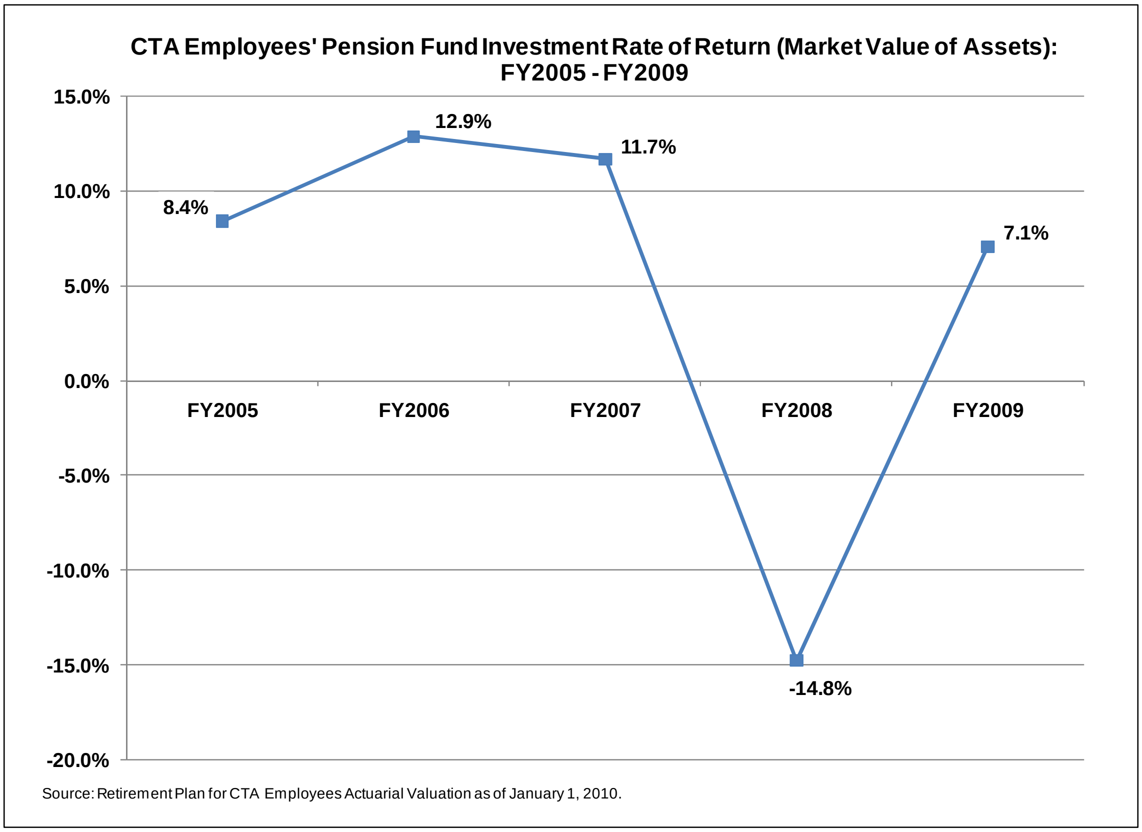
Unfunded accrued actuarial liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for the CTA pension fund totaled almost $3.2 billion in FY2006 but fell to just over $0.6 billion in FY2009. This $2.5 billion decline resulted from the one-time employer contribution of $1.1 billion in pension obligation bond proceeds. Between FY2005 and FY2009 unfunded liabilities fell by $1.6 billion or 71.5%.



Source: Retirement Plan for CTA Employees Actuarial Valuation as of January 1, 2010.

Investment Rates of Return

The investment rate of return for the CTA Employees' Pension Fund was -14.8% in FY2008 and rebounded to 7.1% in FY2009. This is an increase of 21.9 percentage points. The -14.8% return for FY2008 was better than the benchmark portfolio and the returns of many other pension funds because most of the $1.1 billion of the pension obligation bond proceeds was held in cash during the financial market crisis of the fall of 2008.[42]



OTHER POST EMPLOYMENT BENEFITS

Public Act 95-0708 created a separate Retiree Health Care Trust to manage and fund CTA retiree health benefits and a one-time pension obligation bond of which no less than $528,800,000 in proceeds was deposited into the trust. As a result, health care liabilities for the pension fund decreased from $1.766 billion as of January 1, 2007 to $68.8 million as of January 1, 2008.[43] The CTA and the CTA pension fund have no further obligations regarding retiree health insurance. The Chicago Transit Authority Retiree Health Care Trust reported total present value of projected benefits of $772.6 million and total income and assets of $781.0 million, for a 101.1% coverage ratio.[44]

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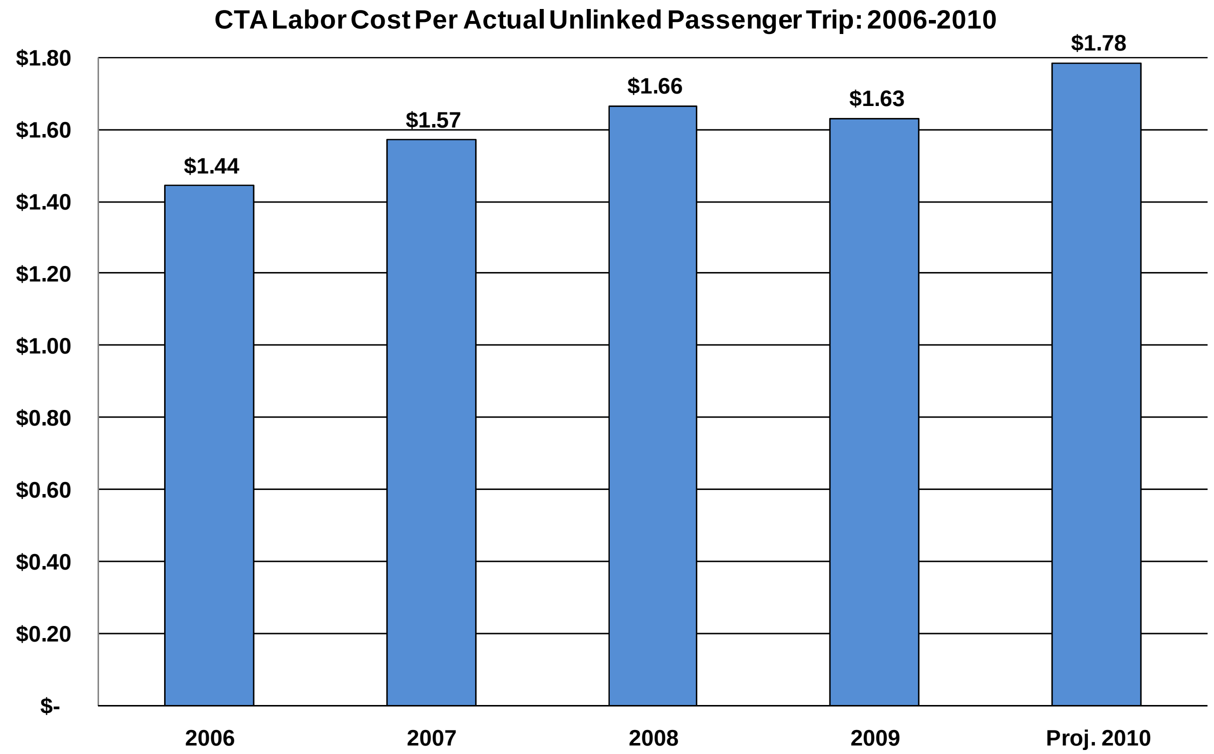
[42] Chicago Transit Authority FY2008 Pension Financial Statements, p. 20.
[43] P.A. 95-0708 ; Retirement Plan for CTA Employees *Actuarial Valuation as of January 1, 2008*, p. 16.
[44] Chicago Transit Authority Retiree Health Care Trust, *Funding Results as of January 1, 2010*, p. 3.

PRODUCTIVITY MEASURES

In this analysis, the Civic Federation used two measures to assess CTA's productivity over time: labor cost per actual unlinked passenger trip and operating expense per passenger mile.[45]

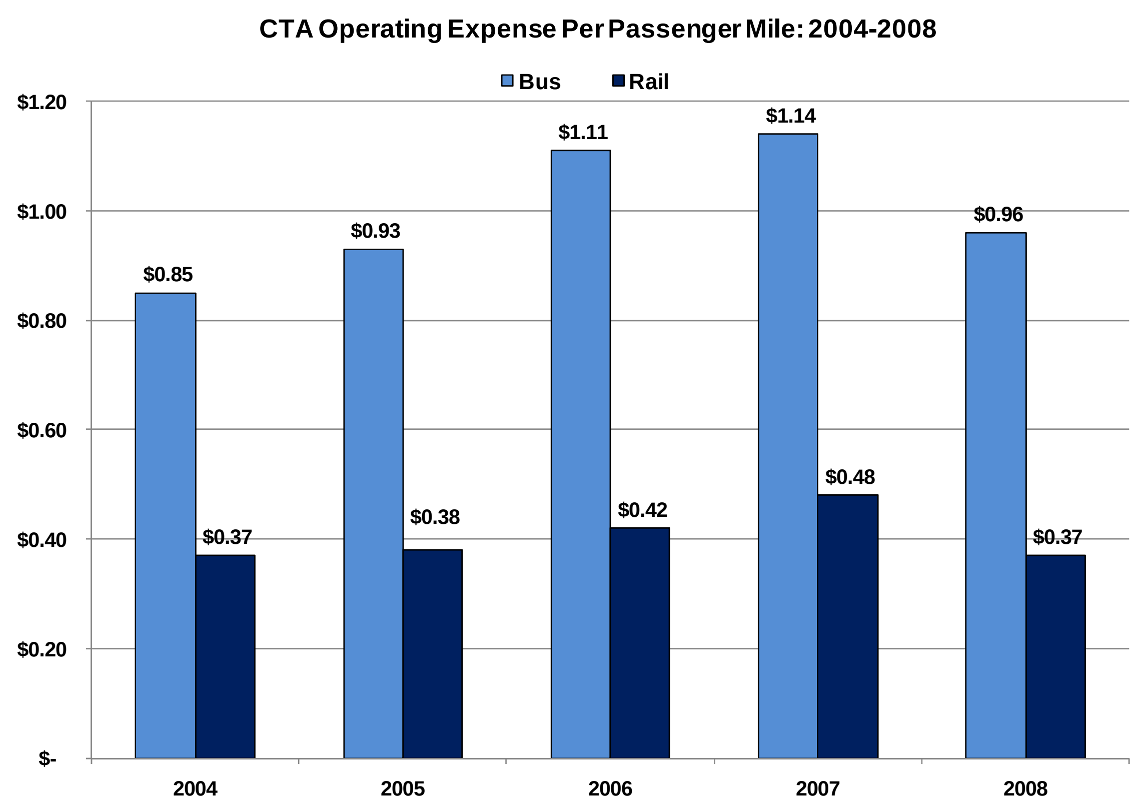
Productivity can be measured in terms of labor cost per unlinked passenger trip. A lower dollar amount indicates higher productivity. In the last five years this dollar amount has risen from $1.44 in 2006 to $1.78 in 2010, a 23.6% increase. Between 2006 and 2010, labor costs increased by 30.4%, while ridership increased by 5.4%.



Note: FY2010 Actual Unlinked Passenger Trips and Labor Costs are CTA FY2011 Budget Forecasts.
Source: CTA President's FY2011 Budget Recommendations, pp. 31 and 129; CTA Comprehensive Annual Financial Reports, 2006-2009.

[45] Unlinked passenger trips are a single journey by one passenger on a transit vehicle. CTA President's FY2010 Budget Recommendations, p. 112.

The chart below illustrates operating expense per passenger mile for bus and rail service between 2004 and 2008. As with all transit systems, rail service is more cost effective than bus service. The operating expense per passenger mile for rail service remained constant at $0.37 between 2004 and 2008 – however, it did increase as high as $0.48 in FY2007 before falling the next year. For buses, operating expense per passenger mile increased from $0.85 to $0.96 (after increasing to $1.14 in FY2007). This is a change of 12.9% over the 5-year period reviewed.



Source: CTA President's FY2011 Budget Recommendations, pp. 124-126.