The Civic Federation

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CHICAGO TRANSIT AUTHORITY PRESIDENT'S FY2015 BUDGET RECOMMENDATIONS

Analysis and Recommendations

November 17, 2014

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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 FY2015 proposed Chicago Transit Authority operating budget of nearly $1.4 billion because it strives to meet Chicago's transit demands by improving service quality while holding fares flat. The CTA proposes to increase spending by approximately $58.9 million, or 4.2%, over last year's budget due primarily to labor costs and increased service levels, including alternative transport during construction.

The Civic Federation offers the following **key findings** on the FY2015 Recommended Budget:

- The total proposed FY2015 operating budget will be nearly $1.4 billion, a 4.2%, or $58.9 million, increase from the FY2014 approved budget;
- Labor expenses will be approximately $1.0 billion, which is an increase of $52.3 million, or 5.5%, over the FY2014 approved budget;
- FY2015 system-generated revenue is expected to be $687.5 million while public funding through the Regional Transportation Authority will be $756.2 million;
- Since FY2011 system-generated revenues will have increased by $75.2 million, or 12.3%, and public funding provided through the Regional Transportation Authority will have increased by $194.2 million or 34.5%;
- The CTA expects ridership to increase from the FY2014 forecast by 3.6 million rides, or 0.7%, to 522.5 million rides in FY2015; and
- The CTA's Pension Fund expected rate of return is overly optimistic and remains well above other local funds, even after it was dropped in FY2013 from 8.50% to 8.25%.

The Civic Federation **supports** the following elements of the CTA's FY2015 budget:

- Producing a structurally balanced operating budget that, for the third consecutive year does not include one-time revenue sources;
- Keeping fares flat while increasing service levels;
- Reducing financing costs through alternative funding sources; and
- Continuing to prudently manage personnel costs.

The Civic Federation has the following **concerns** about the FY2015 proposed budget:

- The FY2015 proposed budget anticipates receiving the full $28.3 million from the State of Illinois as a partial reimbursement for providing reduced fare rides despite the fact that the State cut its FY2015 appropriations and faces significant financial uncertainty. Rather than prudently planning for what the State has actually budgeted, the CTA is continuing to rely on State funds that may not be available;
- The FY2015 budget book does not include sufficient details on operating expenses or deficit-reduction measures implemented in previous years to account for the reduction in the State of Illinois' reduced fare subsidy; and
- Despite major reforms that have had a significantly positive impact on the CTA's pension fund, the long-term stability of the fund could be in jeopardy if reasonable changes are not made to its funding structure.

The Civic Federation offers the following **recommendations** to improve the CTA's financial situation:

- Improve the budget document by providing more detail about labor expenditures by type, other expenses and full-time equivalent positions by department;
- Establish a level-principal policy for new bond issuances in order to avoid extraordinarily expensive borrowings and protect long-term debt capacity;
- Update the debt policy to prohibit refinancing of debt that extends the life of outstanding principal to reap near-term operating savings without reducing the actual total debt service owed;
- Further examine assumptions and funding schedule for CTA Pension Fund;
- 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 and consider tying fares to an annual escalator to avoid uneven increases in fares in coming years; and
- Develop a long-term financial plan to maintain the budgetary balance projected through FY2017 that takes into account ongoing capital needs and back-loaded debt with models that present different options for aligning expenditures, revenues and service targets for future years.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the FY2015 proposed Chicago Transit Authority operating budget of nearly $1.4 billion because it strives to meet Chicago's transit demands while holding fares flat and improving service levels. The CTA proposes to increase spending by approximately $58.9 million, or 4.2%, over last year's budget due primarily to labor costs and increased service levels, including alternative transport during construction.

The FY2015 proposed budget is possible because of efforts over the past three years to stabilize the CTA's finances. It is structurally balanced without transfers from capital funds thanks in large part to significant work rule adjustments and health care cost sharing from an agreement reached between labor and CTA management in FY2012.

Although the FY2015 operating budget proposal would allow the CTA to remain on this sustainable path, the agency should develop a long-term financial plan to ensure that positive budgetary trends continue. Additionally, the agency still faces enormous capital funding challenges. The CTA estimates that it needs approximately $950 million annually to keep its capital stock in good repair. However, due in large part to Federal and State funding cuts, the five-year capital plan only provides for an average of $489.9 million in funding annually, which is a substantial funding gap.[1]

Issues the Civic Federation Supports

The Civic Federation supports the following elements of the CTA President's FY2015 Budget Recommendations.

Producing a Structurally Balanced Operating Budget

The FY2015 proposed budget does not include one-time revenue sources. Prior to FY2013, the CTA had relied on at least one non-recurring revenue source to meet its operating obligations. These one-time revenue sources included transfers from capital funds, transfers from State funds in exchange for forestalling fare increases, transfers from prior year positive balance and most recently, savings generated from replacing a pension obligation bond debt service reserve with a surety bond.

Keeping Fares Flat While Increasing Service Levels

The FY2015 budget proposes no base fare increases or service cuts. The last increase in base fares was in FY2009, when cash fares for the bus system increased from $2.00 to $2.25 and transit card fares increased from $1.75 to $2.00 for buses and from $2.00 to $2.25 for trains. Pass fares also increased by 20% that year. In FY2013 the CTA increased pass fares for daily, weekly and monthly passes and increased fares for trips departing O'Hare Airport, but held base fares flat. This year the CTA will increase rail service during rush-hour trips on the Blue, Brown,

[1] CTA President's FY2015 Budget Recommendations, p. 92.

Orange and Red Lines to better accommodate customers and continue to invest in capital improvements.[2]

Given the agency's vital role as an economic asset to the City, the Civic Federation commends the agency for proposing a budget that will attempt to improve CTA's ability to meet the demand for public transportation in the region, given resource limitations.

Reducing Financing Costs through Alternative Financing Sources

As part of the agency's financing package to renovate the Red Line's 95th Street Terminal, the CTA received a $79.2 million federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the U.S. Department of Transportation. The TIFIA loan program provides three forms of credit assistance: secured (direct) loans, loan guarantees, and standby lines of credit.[3] According to the CTA, utilizing this form of financing for the 95th Street renovation will save the agency over $20 million.[4] The Civic Federation is supportive of the CTA utilizing the federal TIFIA loan program to reduce borrowing costs related to capital improvement projects.

Continuing to Prudently Manage Personnel Costs

In recent years the CTA has taken a number of steps to better manage personnel-related costs. The FY2015 proposed budget continues to benefit from changes made in prior years. By making changes to CTA employee health care plan offerings and working with labor organizations to transfer both outsourced security contractors and third-party workers' compensation claims administrators to in-house employees, the agency is in a much better financial position when compared to previous years when capital funds were being used to pay for operating costs. With these management initiatives and the CTA pension reforms, this year's proposed budget is a reasonable plan that continues to improve service levels while continuing to manage costs. In FY2015 the CTA is continuing its efforts to manage personnel costs with expected savings of $10.0 million from better management of the causes of absenteeism.[5]

Civic Federation Concerns

The Civic Federation has the following concerns regarding the CTA's proposed FY2015 operating budget.

Dependence on Increased Subsidy from State of Illinois

The State of Illinois provides a reduced-fare subsidy to the CTA as a partial reimbursement for the number of discounted and free rides given to students, low-income seniors, veterans and people with disabilities. In 2013 the State reduced its reimbursement, which caused the CTA to lose approximately $6.9 million in FY2013 and would have caused the loss of over $8.0 million in the first half of FY2014. The Regional Transportation Authority (RTA) provided nearly $8.2

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[2] CTA President Releases 2015 Budget Recommendations, http://www.transitchicago.com/news/default.aspx?Month=&Year=&Category=2&ArticleId=3359 (last accessed 11/10/2014).
[3] CTA President's FY2015 Recommendation, p. 83.
[4] CTA President's FY2015 Recommendation, p. 20.
[5] CTA President's FY2015 Proposed Budget, p. 19.

million to replace the reduced fare subsidy for the first half of FY2014.[6] The State eventually restored the funding in May 2014 and then cut the subsidy again for FY2015. In the CTA's FY2015 proposed budget, the CTA notes that the RTA anticipates prior State funding levels to be restored for the entire State FY2015 budget and has given budgeting guidance to the CTA to assume the funding will be restored.[7] This is despite the State of Illinois' ongoing financial challenges, including the scheduled rollback of the 2011 income tax increase on January 1, 2015, which is projected to reduce State revenues by $1.9 billion for the State's 2015 fiscal year.

The Civic Federation believes that it is overly optimistic to expect State funding levels to return to normal levels at a time of such funding uncertainty. Our concern is that the RTA and CTA are relying on the restoration of State funds without fully accounting for the State's continued fiscal deterioration.

While the loss from the reduced fare subsidy is relatively small in the context of a $1.4 billion budget, the Civic Federation believes that a more prudent course given the State of Illinois' precarious fiscal position would be for the CTA to prepare multi-year revenue and expenditure trends that include the modeling of various revenue and expenditure options. The CTA could then prepare a budget that prioritizes what spending it would fund if the State did not restore the reimbursement. For example, due to funding uncertainty from the State of Illinois previous City Colleges of Chicago budgets have assumed a lower level of funding from the State and include a menu of items that would be incorporated into the budget if more resources from the State became available.[8]

Lack of Transparency in Budget Book

Although the CTA provides ample narrative in its budget book to help explain the capital initiatives put forth in the upcoming fiscal year, as well as updates to the current fiscal year, the Civic Federation is concerned that the budget book offers very little detail in a number of other areas.

The budget book does not provide sufficient detail on how the agency plans to cope with the potential reduction in funding for reduced-fare rides if the full subsidy provided by the State is not fully restored in FY2015. Such information, including measures the agency would implement and dollar estimates associated with each measure, should be included in the Executive Summary or budget forecast. Without these details, it can be difficult to ascertain whether the agency's budget will be balanced by year-end.

Additionally, although labor expenses represent nearly 70% of total CTA operating expenses, the budget document does not provide detail on all components of labor expense. This information would provide greater transparency for a significant portion of the district's budget, including wages, health care, pension contributions, workers' compensation and payroll taxes for Social Security and Medicare. Similarly, the large category of "Other Expenses" presented in the budget includes a number of important components that should be shown separately, including

[6] CTA President's FY2014 Proposed Budget, pp. 40 and 96.
[7] CTA President's FY2015 Proposed Budget, p. 46.
[8] City Colleges of Chicago, FY2014 Annual Operating Budget, p. 9.

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.

Long-Term Stability of the CTA Pension Fund

Beginning in 2006, the Illinois General Assembly enacted a number of reforms that have had a significant effect on the CTA pension fund, and which the Civic Federation supported. The urgency for reform of the CTA pension fund arose from an actuarial projection that the fund would be unable to pay retiree health care costs by 2008 and would 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.[9] The legislated reforms specifically addressed each of these issues.

While acknowledging the progress the Fund has made since it was close to insolvency, the Civic Federation retains some concerns about the fund's overly optimistic expected rate of return of 8.25%, which remains well above other local funds, even after it was dropped in FY2013. Additionally, the Fund's 50-year plan to get to 90% is less than ideal from an actuarial perspective. The State of Illinois has moved to a 30-year plan and other local funds are also looking to shorter time frames to ensure intergenerational equity. Both the rate of return and lower amortization period have the effect of lowering the CTA's required payments in the short-run, but at the cost of increased contributions later and for which the CTA has no public plan to accommodate. If the CTA pension fund is to remain stable over the long run at an affordable cost to taxpayers, these ongoing issues must be examined and addressed.

Civic Federation Recommendations

The Civic Federation offers the following recommendations regarding the CTA's financial management.

Improve Budget Detail

The Civic Federation recommends that the CTA improve its budget documents by providing the details currently missing from the budget as outlined in the concerns section above.

The Federation recommends that the CTA budget be improved by adding detail on labor expenses including wages, health care, pension contributions, workers' compensation and payroll taxes for Social Security and Medicare. Similarly, the large category of "Other Expenses" presented in the budget should be broken down with its components shown separately, including 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.

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[9] 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.

The Civic Federation also recommends that the CTA provide more detail on full-time equivalent positions including scheduled transit operators (STO), non-STO operations positions and administrators. Further detail on positions by department would also help readers understand the staffing structure of the CTA.

Finally, the budget document currently provides one year of actual data and data for the current year's budget and proposed budget. Ideally, five years of data should be included to provide the reader with a clear understanding of budgetary trends. This would consist of three actual years, the current budget and the proposed budget.

End the Use of Back-loaded Debt Issuances

The CTA should set forth a level-principal policy for new bond issuances in order to avoid extraordinarily expensive back-loaded debt issuances and protect its long-term debt capacity.

In FY2014 the CTA issued $555.0 million in long-term capital bonds with no principal payments until after FY2041.[10] Delaying principal payments until the out-years of the bonds creates moderate near-term savings for the CTA's annual debt service payments. However, holding the principal for 25 years and longer greatly increases the total interest cost for the capital projects financed with this borrowing. In all, the CTA will pay interest totaling $908.7 million through FY2049 for this borrowing. The annual debt service payment for these bonds increases by $50.2 million: from $28.6 million in FY2041 to $78.7 million though FY2049. The spike in debt service will limit future borrowing capacity and lead to potential budget stress in these final years of repayment.

The CTA also issued capital improvement bonds on October 26, 2011 with principal payments delayed for 10 years. The 2011 Sales Tax Receipts Revenue bonds totaled $476.9 million in new funds for capital projects but will cost $504.4 million in total interest payments between FY2013 and FY2040.[11]

The Civic Federation opposes the issuance of bonds with heavily back-loaded principal amounts because of the increased interest cost and stress caused in future budget years by ballooning of debt service payments resulting from this structure. In some circumstances it is appropriate to delay principal payments during the construction of new capital assets to allow for completion and receipt of new revenues or savings associated with capital upgrades. However, it is not fiscally responsible to issue debt with repayment beyond the usable life of the assets or with no principal payments until the final years of the debt service schedule.

Prohibit "Scoop and Toss" Refundings

The CTA should update its debt policy to prohibit refinancing that extends the life of outstanding principal to reap near-term operating savings without reducing the actual total debt service owed. Although the CTA does not include refinancing debt as part of its recommended FY2015 budget,

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[10] Chicago Transit Authority, Sales Tax Receipts Revenue Bonds, Series 2014, *Official Statement*, June 18, 2014, p. 19.
[11] CTA President's FY2014 Budget Recommendation, p. 114.

the Civic Federation remains concerned about its past use of "scoop and toss" refunding, which often takes place outside the annual budget process.

In 2004 the CTA enacted a debt policy that prohibits the use of long-term debt for operating purposes and endeavors to avoid high cost borrowing for capital projects.[12] However, the CTA issued refunding bonds in FY2010 and FY2011 that reduced annual operating costs for debt service but extended the life of the principal owed.

On May 6, 2010, the CTA issued $90.7 million in capital refunding bonds to pay for $42.8 million in principal amounts due in FY2010 and $44.8 million due in FY2011. By refinancing this debt for 25 years the CTA freed up additional operating funds that would have otherwise been dedicated to debt service payments, a refinancing maneuver commonly referred to as "scoop and toss." Although the refunding of the bonds provided short-term savings for the FY2010 and FY2011 budgets, the extension of the life of the bonds for 25 years greatly increased the total interest payments due on the originally borrowed funds. Further increasing the cost is the back-loaded structure of the refunding bonds, which do not include principal payments until FY2027. The CTA will pay an additional $68 million in interest costs for this borrowing from FY2013 through FY2028.[13]

The Federation opposes any future refinancing that extends the life of current debt and does not provide actual economic savings compared to total existing debt service costs.

The CTA should formalize additional debt policies to prohibit extensions of the life of existing debt in a way that only lowers near-term debt service payments at a higher overall cost. The CTA should also prevent any refinancing that does not create real economic savings compared to total existing debt service costs.

Further Examine Assumptions and Funding Schedule for the CTA Pension Fund

For fiscal year 2013 the CTA Pension Fund lowered its expected investment rate of return to 8.25% from 8.5% after previously reducing it from 8.75% in FY2010. The expected rate of return prior to FY2008 had been set at 9.0% during collective bargaining.[14] Of the major local pension funds in the Chicago area, the CTA Fund has by far the highest expected rate of return. The next highest is the Chicago Fire Fund at 8.0% with the rest of the funds in the 7.5%-7.75% range after several reduced their rates in the last few fiscal years. At the State of Illinois, all five funds' expected rates of return now range from 7.0% to 7.5%.

Additionally, in its annual review of the CTA Pension Fund's financial statements, the Illinois Auditor General must determine whether the Fund's assumptions are "unreasonable in the aggregate." In its November 2013 review, the Auditor General noted that the then 8.5% rate of return used by the Plan was, "an aggressive assumption" that was unusual among public pension

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[12] CTA President's FY2014 Budget Recommendation, p. 99.
[13] CTA President's FY2014 Budget Recommendation, p. 108.
[14] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2014,* p. 25.

plans and recommended that the Fund include "additional details as to the analysis conducted to justify its investment rate of return assumption."[15]

The assumed rate of return is used to calculate the present value of future pension obligations. A higher rate decreases the present value of future commitments to employees and retirees and results in lower statutorily required CTA pension contributions. If expected investment returns are lowered, then the CTA must increase its contributions to provide a given amount of retirement benefits. Because the CTA's return assumption is out of the mainstream among pension funds in Illinois and around the country, the Civic Federation encourages the CTA Pension Fund Board of Trustees to study reducing the rate further. Such an action could increase unfunded liabilities and push the fund's ratio back under 60%, triggering higher contribution rates for employees and the CTA. However, it would also ensure greater intergenerational equity as less of the burden of funding retirement benefits would fall on future generations who have not benefitted from current employees' and retirees' service.

The Federation additionally believes it would benefit the fund to explore whether its funding schedule should be changed from the current goal of 90% funded by 2059. At the time the pension reform package for the CTA was passed in 2008, the State of Illinois was on its own 50-year plan to get to 90% funded. However, since then many proposed pension reform packages have included time frames that are more actuarially sound, such as the 30-year plan to get to 100% funded included in Public Act 98-0599, the reform package for Illinois' pension funds. Additionally, it appears that such a reduction would be feasible and affordable because the CTA's actuary projects that if current employee and employer contribution rates continue, the fund will reach 97.41% funded by 2039, 20 years earlier than required by statute.[16]

Study Zone Fare or Peak Hour Options and Consider Indexing Fares

In FY2013 the CTA approved a $5.00 flat fee for passengers leaving O'Hare airport. This is a step forward for the agency since the additional fare will increase revenues while still providing a reasonable value for riders traveling from O'Hare airport to downtown.

The Civic Federation recommends that the CTA go further and 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.

In addition, the Civic Federation recommends that the CTA consider following the Government Finance Officers Association (GFOA) best practice of adopting a charges and fees policy and possibly including tying fare rates to an annual escalator to help guide the board when making

[15] State of Illinois Office of the Auditor General, *2013 Annual Review Information Submitted by the Retirement Plan for CTA Employees*, November 2013, synopsis and p. 8.
[16] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2014*, p. 16. It is important to recognize that any change to the expected rate of return would change the actuary's projection of the Fund's status in 2039.

difficult decisions. One of the many benefits of such a policy is that it will "smooth charges and fees over several years rather than having uneven impacts" on transit customers.[17]

Implement a Formal Long-Term Financial Plan

The CTA has faced significant gaps between ongoing revenues and expenses in past years, leading to a variety of actions including fare increases, service cuts, borrowing from the State of Illinois and using capital funds for operating purposes. While the CTA projects balanced budgets through FY2017, with ongoing capital needs and back-loaded debt service costs coming due in future years, the Civic Federation recommends that the CTA undertake a formal long-term financial planning process in order to consider and model future options for the System under different scenarios, as well as performance targets.

Therefore, we recommend that the CTA undertake a four-stage financial planning process.[18] First, the President and Board articulate fiscal and programmatic goals and priorities informed by public input. Then the President and Board evaluate financial and service data in order to determine how to accomplish the goals and priorities. The written plan includes a review of the CTA's financial policies, a financial condition analysis that presents ten years of historical trend information, multi-year financial forecasts, a reserve fund analysis, an evaluation of debt and capital obligations and a series of action recommendations. The insights derived from the Long-Term Financial Plan would directly inform the development of a balanced CTA budget that is fiscally sustainable each year. The budget would then be regularly monitored to ensure its viability by means of regular financial reports.

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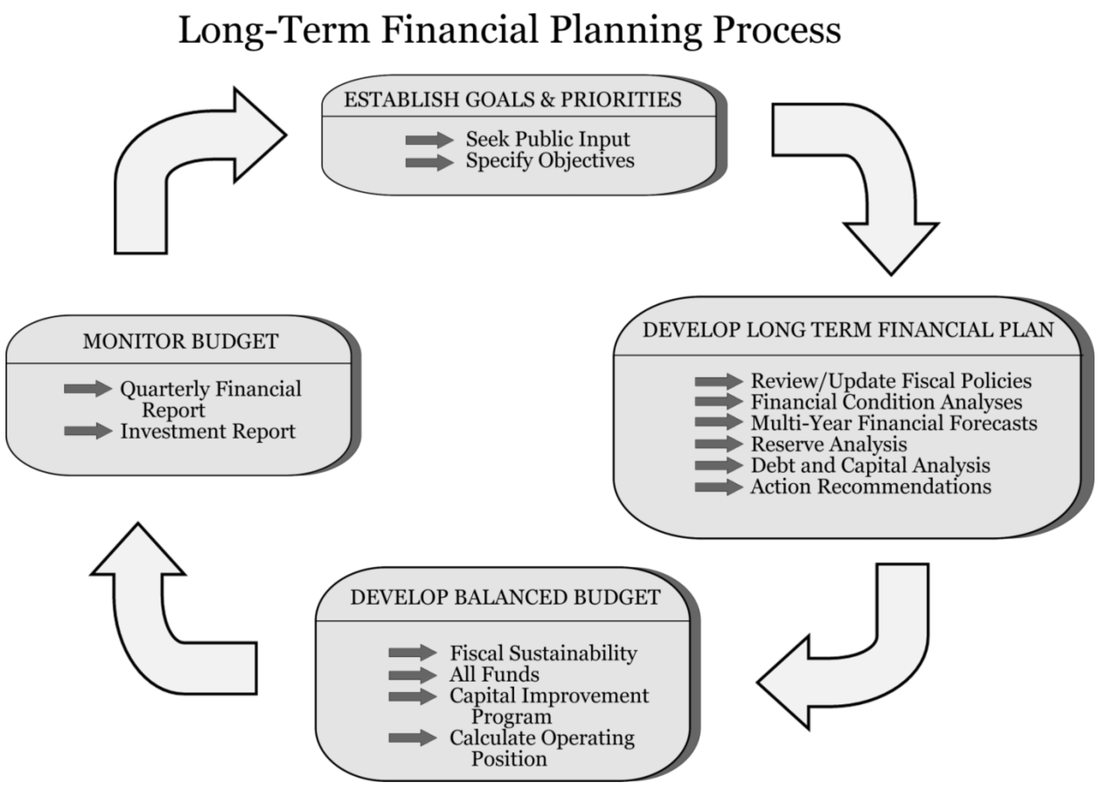
[17] Government Finance Officers Association, "Establishing Government Charges and Fees," (http://www.gfoa.org/establishing-government-charges-and-fees). (last visited November 12, 2014)
[18] The graphic illustration of the long-term financial planning process is based on the City of San Clemente, California's Long-Term Financial Plan and is reproduced in the Government Finance Officers Association document "Long-Term Financial Planning for Governments" available at http://www.gfoa.org/downloads/LTFPbrochure.pdf.



If the CTA chooses not to undertake a full long-term financial planning process, at a minimum an annual document should be produced that includes:

1. A description of financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added;
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable;
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues, such as a discussion of the long-term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation; and
4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the City’s financial challenges.

ACKNOWLEDGEMENTS

The Civic Federation would like to express its appreciation to Chicago Transit Authority President Forrest Claypool, Chief Financial Officer Ron DeNard and Vice President of Budget, Management and Finance Tom McKone and Budget Director Yvonne Towers and their staffs for their willingness to answer our questions about the budget.

APPROPRIATIONS

This section provides an analysis of appropriations in the CTA's proposed FY2015 budget compared to previous years. This year, the CTA's operating budget will total $1.44 billion, a

4.2%, or $58.9 million, increase from the FY2014 adopted appropriation of approximately $1.38 billion.

Appropriations by Object: Two-Year and Five-Year Trends

The following charts and corresponding narratives review the CTA's operating budget by object, or category, of expenditure and by non-labor and labor expenses. Figures used in the analysis include actual expenditures for FY2011, FY2012 and FY2013; FY2014 adopted and forecast or revised appropriations; and proposed appropriations for FY2015.[19]

The "Other Expenses" category is the second largest expenditure category after labor expenses, which are described in more detail below. 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 (POBs) as well as the $13 per hour minimum wage established in 2014 for certain contractual services.[20] Other Expenses are projected to increase by 5.6%, or $13.8 million, between FY2014 and FY2015. The increase in Other Expenses reflects the normal increase in contractual expenses and additional maintenance support for the CTA's camera systems and support technology.[21]

Appropriations for power, or electricity, will increase by 8.4%, or $2.3 million, in FY2015. Electricity for powering the rail lines continues to be purchased through a combination of wholesale advance block purchases and real-time pricing through strategic hedging.[22] The CTA has already purchased about 80% of its anticipated power needs in advance; only the remaining 20% will be exposed to real-time market price fluctuations.[23] Security costs will rise slightly, from $14.1 million to $14.4 million over the two-year period. This increase is due in part to a slight increase in the K-9 contract costs. The increased appropriation for Security also reflects FY2014 levels that were reduced by a one-time security grant received in FY2014 that will not be renewed in FY2015.[24]

Appropriations for fuel will decline in FY2015 by 8.1%, or approximately $4.9 million. The fuel budget is managed using CTA's fixed priced purchasing policy. Fixed fuel purchase is projected at 90% of 2015 usage. For the FY2015 budget, fuel prices are budgeted at $3.00 per gallon, which represents the average price the CTA has secured in 2015 at the time of the release of the budget.[25] Material expenses are expected to increase by 18.7%, or $11.5 million, primarily due to

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[19] Adopted appropriations refer to appropriations approved by the CTA Board of Trustees. Revised appropriations are forecasts for the fiscal year estimated by budget staff. FY2013 adopted appropriations are used in the analysis of non-labor expenses. FY2013 revised appropriations are used in the analysis of labor expenses, which are not provided in the CTA's FY2014 budget document. A breakdown of labor expenses was provided by the CTA to the Civic Federation upon request. This data only included revised appropriation data for FY2013. For data including the FY2013 Budget, FY2013 Forecast and FY2014 Proposed figures, see Appendix A on page 48 of this report.
[20] CTA President's FY2014 Budget Recommendations, p. 38 and CTA President's FY2015 Budget Recommendations, p. 44.
[21] CTA President's FY2015 Budget Recommendations, p. 44.
[22] CTA President's Budget Recommendations, FY2012, p. 27; FY2013, p. 37; FY2014, p. 38; FY2015, p.44.
[23] CTA President's FY2015 Budget Recommendations, p. 44.
[24] CTA President's FY2015 Budget Recommendations, p. 44.
[25] CTA President's FY2015 Budget Recommendations, p. 44.

increased service levels, including alternative service provided for construction projects and improvements in facility maintenance.[26]

The annual expense for provision for injuries and damages is actuarially calculated based on claims history and future projections. It changes considerably from year to year. The CTA has budgeted $3.5 million for FY2015.

In a five-year comparison, the CTA's operating budget will increase by 11.7%, or $150.7 million, between the actual expenditures in FY2011 and proposed appropriations for FY2015.

Labor expenses have increased each year since FY2011. Following layoffs and service reductions in FY2010, labor expenses rose in FY2011 due to collectively bargained wage increases of 3.5% effective January 1, 2011 for members of the Amalgamated Transit Union (ATU) and prevailing wage increases for members of the Craft Coalition unions.[27] Labor expenses increased again in FY2012, FY2013 and FY2014. Labor expenses will constitute 69.7% of the proposed FY2015 operating budget, which is a slight increase from 68.8% in revised FY2014 budget and 69.2% in FY2011. Labor expenses as a percentage of the total operating budget have averaged 69.5% over the past five years.

Fuel costs are estimated to decrease by 3.3%, or $1.9 million, from FY2011 to FY2015. Spending for security and provision for injuries and damages are projected to fall over the five-year period with the only exception being power, which will increase by $1.6 million over the five-year period. As described above, these reductions in spending are attributable to commodities hedging and price contracts as well as maintenance savings resulting from a newer and more efficient fleet.

CTA Operating Budget by Object of Expenditure: FY2011-FY2015
(in $ thousands)

Object	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Approved	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Labor	$ 894,490	$ 921,884	$ 948,272	$ 973,700	$ 1,005,919	$ 32,219	3.3%	$ 111,429	12.5%
Other Expenses	$ 193,394	$ 134,789	$ 245,336	$ 247,572	$ 261,393	$ 13,821	5.6%	$ 67,999	35.2%
Material	$ 67,919	$ 85,437	$ 60,353	$ 61,800	$ 73,331	$ 11,531	18.7%	$ 5,412	8.0%
Fuel	$ 57,273	$ 62,908	$ 61,836	$ 60,246	$ 55,396	$ (4,850)	-8.1%	$ (1,877)	-3.3%
Security	$ 36,815	$ 37,468	$ 24,160	$ 14,087	$ 14,427	$ 340	2.4%	$ (22,388)	-60.8%
Power	$ 28,099	$ 25,020	$ 26,174	$ 27,444	$ 29,736	$ 2,292	8.4%	$ 1,637	5.8%
Provision for Injuries & Damages	$ 15,000	$ 24,000		$ -	$ 3,500	$ 3,500		$ (11,500)	-76.7%
Total	**$ 1,292,990**	**$ 1,291,506**	**$ 1,366,131**	**$ 1,384,849**	**$ 1,443,702**	**$ 58,853**	**4.2%**	**$ 150,712**	**11.7%**

Note: Totals may differ from budget documents due to rounding.

Source: CTA President's Budget Recommendations: p. 31; FY2012, p. 31; FY2013, p. 41; FY2015 p. 48.

Labor Expenses

The chart below displays a detailed breakdown for labor expenses over the five-year period from FY2011 to FY2015. This detailed breakdown is not provided in the CTA's budget document and was provided by the CTA to the Civic Federation upon request.

Base wages will increase by 5.2%, or $29.4 million, between FY2014 forecast estimates and the FY2015 proposed budget. Overall benefits costs will increase by 5.6%, or $23.0 million, over the two-year period. Expenses for sick day compensation will increase by 35.2% to $5.4 million in

[26] CTA President's FY2015 Budget Recommendations, p. 44.
[27] CTA President's FY2012 Budget Recommendations, pp. 18-19.

FY2015.

Base wages will increase over the five-year period by 12.6%, or $66.8 million, while total benefits will also increase by 7.9% or $31.6 million. Jury duty benefit expenses will increase by the greatest amount, rising by 79.3%, or $580,000, from $731,000 in FY2011 to $1.3 million in FY2015.

CTA Labor Expenses: FY2011-FY2015
(in $ thousands)

Object	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Forecast	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Base Wages & Salaries	$ 528,869	$ 538,628	$ 558,387	$ 566,275	$ 595,686	$ 29,411	5.2%	$ 66,817	12.6%
Benefits									
Vacation	$ 40,380	$ 44,210	$ 38,446	$ 40,602	$ 42,830	$ 2,228	5.5%	$ 2,450	6.1%
Holiday	$ 25,678	$ 25,440	$ 23,969	$ 25,199	$ 24,721	$ (478)	-1.9%	$ (957)	-3.7%
Sick	$ 6,232	$ 4,943	$ 4,667	$ 3,964	$ 5,361	$ 1,397	35.2%	$ (871)	-14.0%
Jury Duty	$ 731	$ 799	$ 901	$ 1,189	$ 1,311	$ 122	10.3%	$ 580	79.3%
Workers' Comp	$ 57,723	$ 60,129	$ 50,059	$ 54,023	$ 57,484	$ 3,461	6.4%	$ (239)	-0.4%
Tuition Aid	$ 657	$ 101	$ 159	$ -	$ -	$ -		$ (657)	-100.0%
FICA	$ 47,151	$ 48,365	$ 46,506	$ 46,378	$ 48,489	$ 2,111	4.6%	$ 1,338	2.8%
Unemployment Ins	$ 3,143	$ 2,451	$ 2,492	$ 1,755	$ 1,847	$ 92	5.2%	$ (1,296)	-41.2%
Group Ins	$ 117,236	$ 127,794	$ 127,057	$ 110,990	$ 119,137	$ 8,147	7.3%	$ 1,901	1.6%
Uniform Allowance	$ 1,260	$ 1,394	$ 1,485	$ 1,189	$ 1,370	$ 181	15.2%	$ 110	8.8%
Supplemental Retirement	$ 7,308	$ 5,056	$ 4,613	$ 4,813	$ 4,110	$ (703)	-14.6%	$ (3,198)	-43.8%
Incentive Retirement	$ 1,567	$ 1,413	$ 1,485	$ 1,529	$ 1,668	$ 139	9.1%	$ 101	6.4%
Pension	$ 89,967	$ 98,487	$ 108,497	$ 116,086	$ 122,354	$ 6,268	5.4%	$ 32,387	36.0%
Subtotal Benefits	**$ 399,035**	**$ 420,582**	**$ 410,335**	**$ 407,718**	**$ 430,681**	**$ 22,963**	**5.6%**	**$ 31,646**	**7.9%**
Fringe Benefit Offset	$ (14,110)	$ (17,481)	$ -	$ -	$ -	$ -		$ 14,110	-100.0%
Other Labor Credits	$ (19,305)	$ (19,844)	$ (20,451)	$ (20,417)	$ (20,448)	$ (31)	0.2%	$ (1,143)	5.9%
Total	**$ 894,490**	**$ 921,885**	**$ 948,271**	**$ 953,576**	**$ 1,005,919**	**$ 52,343**	**5.5%**	**$ 111,429**	**12.5%**

Note: Totals may differ from budget documents due to rounding.

Source: Information provided by CTA, November 4, 2011; December 6, 2012; November 5, 2013 and November 4, 2014.

REVENUES

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

CTA Budgeted Revenues: Two-Year and Five-Year Trends

The following section will examine revenue trends from FY2011 to FY2015 using actual data for FY2011 through FY2013, FY2014 budget figures as approved by the CTA's Board of Trustees and FY2015 proposed budget figures.

The President's FY2015 Budget Recommendations include just over $1.4 billion in revenues, which is a 4.2%, or $58.9 million, increase from the adopted FY2014 budget. Estimated year-end revenues for FY2014 are $16.9 million above budget because of higher than expected revenues from the reduced fare subsidy and because of an increase in grant revenue and the sale of property and other general increases in permit and parking revenue.[28] The CTA anticipated significant growth in fares and passes in FY2014, with the increased rates for fare passes and higher ridership levels. Although forecasted revenues for fares and passes are lower than expected for FY2015, they are projected to be $15.2 million over FY2013 actual revenues. For

[28] CTA President's FY2015 Budget Recommendations, pp. 37-38.

the FY2014 year-end forecasts and FY2015 proposed budget figures, see Appendix A on page 48 of this report.

The FY2015 revenue total includes $687.5 million from system-generated revenue and $756.2 million in public funding through the Regional Transportation Authority (RTA). System-generated revenue in FY2015 will increase by $11.6 million, or 1.7%, above the FY2014 adopted budget levels. System-generated revenue will increase by $75.2 million, or 12.3%, above FY2011 actual revenues. Farebox revenues, which represent 85.7% of system-generated revenue, will total $589.2 million in FY2015. This represents a 0.6%, or $3.8 million, decline from the FY2014 budget. The decline reflects a more conservative estimate of farebox revenue growth after FY2014 year-end estimates came in significantly lower than budget primarily due to low ridership levels in 2014 caused by extreme weather.[29] The FY2015 budget projects a slight increase in farebox revenue over FY2014 year-end forecasts due to a slight projected increase in ridership.[30]

In FY2013 there were a number of increases to non-base fare rates including increasing the rates of fare passes, equalizing mandated reduced fares for qualified riders to the statutory 50 percent of base fares and increasing fares for trips departing from O'Hare Airport.[31] However, base fares for bus and rail travel have not increased since FY2009 when fares were increased by $0.25 to $2.00 (transit card) and $2.25 (cash) for buses and to $2.25 for trains.[32] The CTA provides free rides to low-income seniors and people with disabilities per P.A. 96-1527, but as of FY2012 no longer provides free rides to all persons aged 65 or older.[33]

Advertising, charter and concession revenue will increase by approximately $360,000 or 1.2%, from the FY2014 adopted budget to $30.0 million in FY2015. The slight increase reflects continued growth in advertisement sales. Over the past five years, revenue from advertising, charter and concessions has increased steadily by $8.6 million, or 39.9%. Investment income is expected to increase by approximately $186,000, or 37.7%, from FY2014. The slight increase is in line with the low investment income trend since FY2010 and reflects the Authority's conservative cash investments and near zero federal funds rates.[34]

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.[35] The amounts contributed to the CTA by the City of Chicago and Cook County have remained unchanged since 1985. However, the City of Chicago also makes in-kind law enforcement contributions to the CTA.[36] This represents $22.0

[29] CTA President's FY2015 Budget Recommendations, pp. 45-47.
[30] CTA President's FY2015 Budget Recommendations, p. 45.
[31] CTA President's FY2013 Budget Recommendations, p. 38.
[32] In FY2009, cash fares for the bus system increased from $2.00 to $2.25 and transit card fares increased from $1.75 to $2.00 for buses and from $2.00 to $2.25 for trains. Pass fares increased by 20% with the exception of student passes. See CTA President's FY2009 Budget Recommendations, p. 17.
[33] The CTA must provide half fare rides to all people aged 65 or older per a federal requirement tied to funding.
[34] CTA President's FY2015 Budget Recommendations, p. 46.
[35] The CTA notes that in-kind revenues are included as system-generated revenues in its explanation of the statutory required contributions on page 40 of the FY2014 Budget Recommendations.
[36] CTA President's FY2015 Budget Recommendations, p. 46.

million in police services for 2015, provided at no charge to the CTA. In addition, Cook County provides in-kind services through the Sheriff's Work Alternative Program, which assigns non-violent offenders to help CTA workers clean bus turnarounds and garages.[37]

The State of Illinois provides a reduced-fare subsidy to the CTA as a partial reimbursement for the number of discounted and free rides given to students, low-income seniors, veterans and people with disabilities. In 2013 the State reduced its reimbursement, which caused the CTA to lose approximately $6.9 million in FY2013 and would have caused the loss of over $8.0 million in the first half of FY2014. The Regional Transportation Authority (RTA) provided nearly $8.2 million to replace the reduced fare subsidy for the first half of FY2014.[38] The State eventually restored the funding in May 2014 and then cut the subsidy again for FY2015. In the CTA's FY2015 proposed budget, the CTA notes that the RTA anticipates prior State funding levels to be restored for the entire State FY2015 budget and has given budgeting guidance to the CTA to assume the funding will be restored.[39] This is despite the State of Illinois' ongoing financial challenges, including the scheduled rollback of the 2011 income tax increase on January 1, 2015, which is projected to result in a State revenue loss of $1.9 billion for the State's 2015 fiscal year.

Other revenue, which includes non-capital grants, parking charges, filming fees, third-party contractor reimbursements and rental revenue will increase by approximately $8.0 million, or 30.3%, above FY2014 adopted figures to $34.3 million in FY2015.

Public funding for the CTA will increase in FY2015 by 6.7% above FY2014 budget according to Regional Transportation Authority projections. This represents a $47.3 million increase, from $708.9 million to $756.2 million. Public funding through the RTA reflects approximately 52.4% of the system's resources in FY2015. The projected increase is due to anticipated continued improvement in sales tax receipts for the next year.[40] 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.[41] For details on the structure of public funding from the RTA, see page 19 of this analysis.

The recovery ratio, which measures the proportion of operating expenses recovered from operating revenues, is an indicator of the CTA's financial performance. The ratio is determined by dividing system-generated revenues by operating expenses, excluding depreciation and other exempt expenses. It excludes security expenses, pension obligation bond debt service and includes some grant revenues. The RTA Act requires that the entire RTA region must achieve an annual recovery ratio of at least 50 percent. For FY2015 the CTA will recover 57.0% of its operating expenses through system-generated revenues.[42]

The five-year revenue trend reflects significant increases in RTA funding and fares and passes. Income from fares and passes will increase by $61.4 million, or 11.6%, largely due to ridership

[37] CTA President's FY2015 Budget Recommendations, p. 46.
[38] CTA President's FY2014 Proposed Budget, pp. 40 and 96.
[39] CTA President's FY2015 Proposed Budget, p. 46.
[40] CTA President's FY2015 Budget Recommendations, pp. 46-47.
[41] 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.
[42] CTA President's FY2015 Budget Recommendations, p. 48.

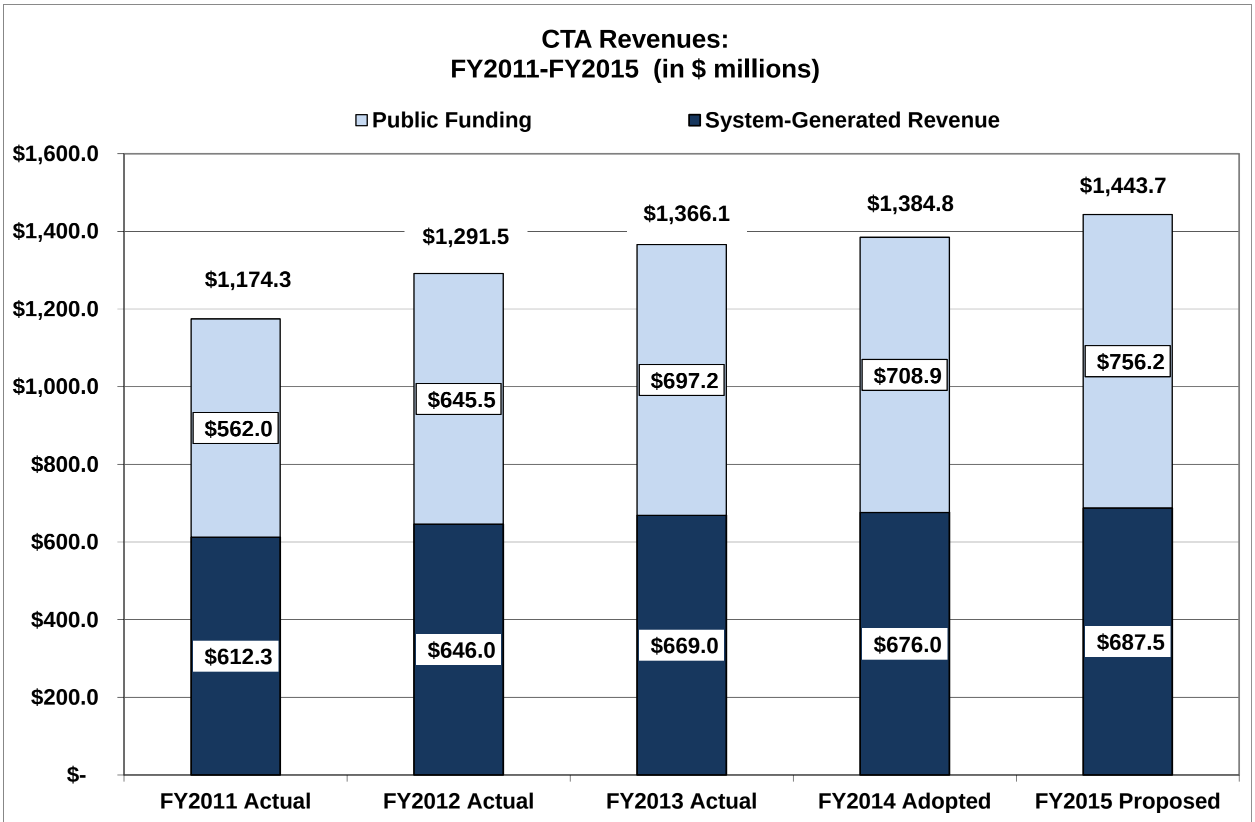
increases since FY2011 and the FY2013 fare structure changes. Public funding from the RTA will increase by 34.5%, or $194.2 million. Since FY2011, public funding has increased on average by approximately $74.1 million annually, which the CTA attributes to improving sales tax receipts and higher returns from real estate transfer taxes in Chicago.[43]

CTA Operating Budget Revenue: FY2011-FY2015 (in $ millions)									
Source	**FY2011 Actual**	**FY2012 Actual**	**FY2013 Actual**	**FY2014 Adopted**	**FY2015 Proposed**	**Two-Year $ Change**	**Two-Year % Change**	**Five-Year $ Change**	**Five-Year % Change**
System-Generated Revenue									
Fares and Passes	$ 527.9	$ 548.8	$ 574.0	$ 593.1	$ 589.2	$ (3.8)	-0.6%	$ 61.4	11.6%
Reduced Fare Reimbursement	$ 26.0	$ 27.8	$ 21.9	$ 21.5	$ 28.3	$ 6.9	32.0%	$ 2.3	8.8%
Advertising, Charter & Concessions	$ 21.5	$ 25.7	$ 25.7	$ 29.7	$ 30.0	$ 0.4	1.2%	$ 8.6	39.9%
Investment Income	$ 0.6	$ 0.7	$ 0.4	$ 0.5	$ 0.7	$ 0.2	37.7%	$ 0.1	17.6%
Required Contributions from Cook County & Chicago	$ 5.0	$ 5.0	$ 5.0	$ 5.0	$ 5.0	$ -	0.0%	$ -	0.0%
Other Revenue	$ 31.4	$ 38.1	$ 41.9	$ 26.3	$ 34.3	$ 8.0	30.3%	$ 2.9	9.2%
Total System-Generated Revenue	**$ 612.3**	**$ 646.0**	**$ 669.0**	**$ 676.0**	**$ 687.5**	**$ 11.6**	**1.7%**	**$ 75.2**	**12.3%**
Public Funding through RTA	**$ 562.0**	**$ 645.5**	**$ 697.2**	**$ 708.9**	**$ 756.2**	**$ 47.3**	**6.7%**	**$ 194.2**	**34.5%**
Transfer from Capital-Preventive Maintenance Funds	$ 118.0	$ -	$ -	$ -	$ -	$ -	$ -	$ (118.0)	-100.0%
Total	**$ 1,292.3**	**$ 1,291.5**	**$ 1,366.1**	**$ 1,384.8**	**$ 1,443.7**	**$ 58.9**	**4.2%**	**$ 151.4**	**11.7%**

Source: CTA President's FY2012 Budget Recommendations, p. 31; FY2013, p. 41; FY2014, p. 42; and FY2015, p. 48.

The following exhibit illustrates system-generated revenues and public funding between FY2011 and FY2015. It does not include one-time revenue sources such as capital funds transferred to the operating budget (FY2011) or additional State loans provided in exchange for forestalling fare increases. These revenue sources cannot be relied upon in any given year and as such, would not provide an accurate trend analysis if they were included in total revenues for the past five years.

[43] CTA President's FY2015 Budget Recommendations, pp. 38 and 47.



Source: CTA President's FY2012 Budget Recommendations, p. 31; FY2013, p. 41; FY2014, p. 42; and FY2015, p. 48.

Structure of Public Funding for the CTA from the RTA

The CTA will receive public funding from three sources in FY2015: 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.[44] The increase in the RTA sales tax provided additional revenue for collar counties (DuPage, Kane, Lake, McHenry and Will Counties) to use at their discretion for local road, transit and public safety projects. 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.[45]

[44] See Public Act 095-0708.

[45] 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.

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.[46] The RTA also has authority to levy taxes on automobile rentals, motor fuel and off-street parking facilities, but has not exercised this authority.[47]

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

RTA Sales Tax Distribution: FY2015			
	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 FY2015 Budget Recommendations, p. 108.

The next exhibit details public funding for the CTA provided through the RTA since FY2011. The CTA does not provide actual data for the sources of public funding in prior years, so the anticipated revenue for each source from proposed budgets is shown. Due to the significant differences between anticipated public funding revenues shown below and actual total public funding provided through the RTA as shown in previous exhibits in FY2011 through FY2013, comparisons are not applicable.

As a result of the above sales tax formula and the distribution of RTA discretionary funds, the CTA expects to receive $556.7 million in total sales tax revenue from the RTA in FY2015. When compared to revenues in the FY2014 proposed budget, this is a $33.1 million, or 6.3%, increase. Of the $556.7 million, $349.6 million is expected to come directly from the sales tax distribution formula and $207.1 million will be RTA discretionary funds, allocated from the 15% of total tax revenue retained by the RTA.

The CTA expects to receive an additional $15.7 million from real estate transfer taxes collected in Chicago compared to FY2014. The CTA will also receive $119.1 million in revenues from the RTA sales tax increase and State funding enacted in 2008 by PA 95-0708, which is an increase of $1.8 million, or 1.6%, from FY2014.

[46] CTA President's FY2015 Budget Recommendations, p. 108.
[47] 70 ILCS 3615/4.03.

CTA Sources of Public Funding Through the RTA: FY2011-FY2015 (in $ millions)	FY2011 Proposed	FY2012 Proposed	FY2013 Proposed	FY2014 Proposed	FY2015 Proposed	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
RTA Formula Sales Tax Revenues	$ 271.9	$ 301.4	$ 314.6	$ 335.6	$ 349.6	$ 14.0	4.2%	$ 77.7	28.6%
RTA Discretionary Sales Tax	$ 109.4	$ 168.7	$ 181.0	$ 188.1	$ 207.1	$ 19.1	10.1%	$ 97.8	89.4%
Sub-Total RTA Sales Tax	**$ 381.2**	**$ 470.1**	**$ 495.7**	**$ 523.6**	**$ 556.7**	**$ 33.1**	**6.3%**	**$ 175.5**	**46.0%**
Real Estate Transfer Tax (Chicago)	$ 24.0	$ 28.0	$ 36.2	$ 47.9	$ 63.6	$ 15.7	32.9%	$ 39.6	165.0%
Real Estate Transfer Tax (25% Public Transportation Fund)	$ 6.0	$ 7.0	$ 9.1	$ 12.0	$ 15.9	$ 3.9	32.9%	$ 9.9	165.0%
Sales Tax and PTF per PA 95-0708	$ 118.1	$ 111.5	$ 112.1	$ 117.3	$ 119.1	$ 1.8	1.6%	$ 1.0	0.8%
Reduced Fare Reimbursement Replacement	$ -	$ -	$ -	$ 8.2		$ (8.2)	-100.0%	$ -	-
Total	**$ 529.3**	**$ 616.6**	**$ 653.0**	**$ 708.9**	**$ 755.3**	**$ 46.4**	**6.5%**	**$ 226.0**	**42.7%**

Note: Totals may differ due to rounding. All figures are anticipated revenues from the President's Budget Recommendations and as such, the total public funding presented for FY2010-FY2012 differ from actual figures in the previous exhibits.

*Innovation, Coordination and Enhancement (ICE) Fund.

Source: CTA President's FY2010 Budget Recommendations, p. 67; FY2011, p. 86; FY2012, p. 90; FY2013, p. 94; FY2014 p. 96; and FY2015, p. 110.

PERSONNEL

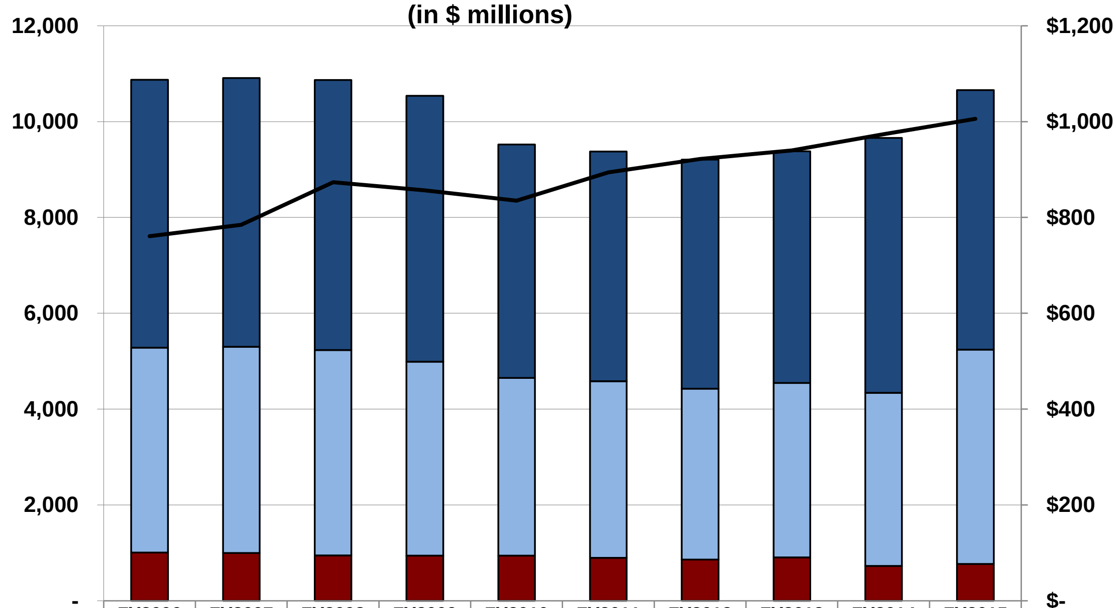
The CTA plans to fund 9,887 positions in FY2015. This is an increase of 2.3%, or 266 positions, from the FY2014 adopted budget. This includes increases of 90 scheduled transit operation (STO) positions, 41 administrative positions and 136 non-STO operating positions.[48] The increase in STO positions is attributable to the addition of 65 rail apprenticeships and 200 bus servicer apprenticeships.[49] Over the past ten years, the budgeted CTA workforce has declined by 9.1% or 986 positions.

[48] STO represents Scheduled Transit Operations and includes staffing for bus and rail operations. Information provided by CTA Budget Office on 11/4/2014.
[49] CTA President's FY2015 Budget Recommendations, pp. 41 and 48.

The ten-year decline includes reductions of:

- 239 administrative positions, or 23.7%;
- 180 STO positions, or 3.2%; and
- 806 non-STO operating positions, or 15.3%.

CTA Labor Appropriations and Budgeted Positions by Type: FY2006-FY2015 (in $ millions)



	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
TOTAL	10,873	10,907	10,867	10,540	9,520	9,377	9,206	9,381	9,661	9,887
STO	5,592	5,605	5,634	5,552	4,868	4,796	4,778	4,836	5,322	5,412
Non-STO Operations	4,274	4,304	4,287	4,045	3,709	3,684	3,569	3,638	3,612	4,475
Administration	1,007	998	946	943	943	897	859	907	727	768
Labor ($)	$760.8	$784.8	$873.6	$856.5	$835.1	$893.8	$921.9	$939.7	$973.7	$1,005.9

Note: STO represents Scheduled Transit Operations and includes staffing for bus and rail operations.
Source: Information provided by CTA, November 4, 2011; December 6, 2012; November 6, 2013; November 4, 2014 and CTA President's Budget Recommendations FY2006-FY2015.

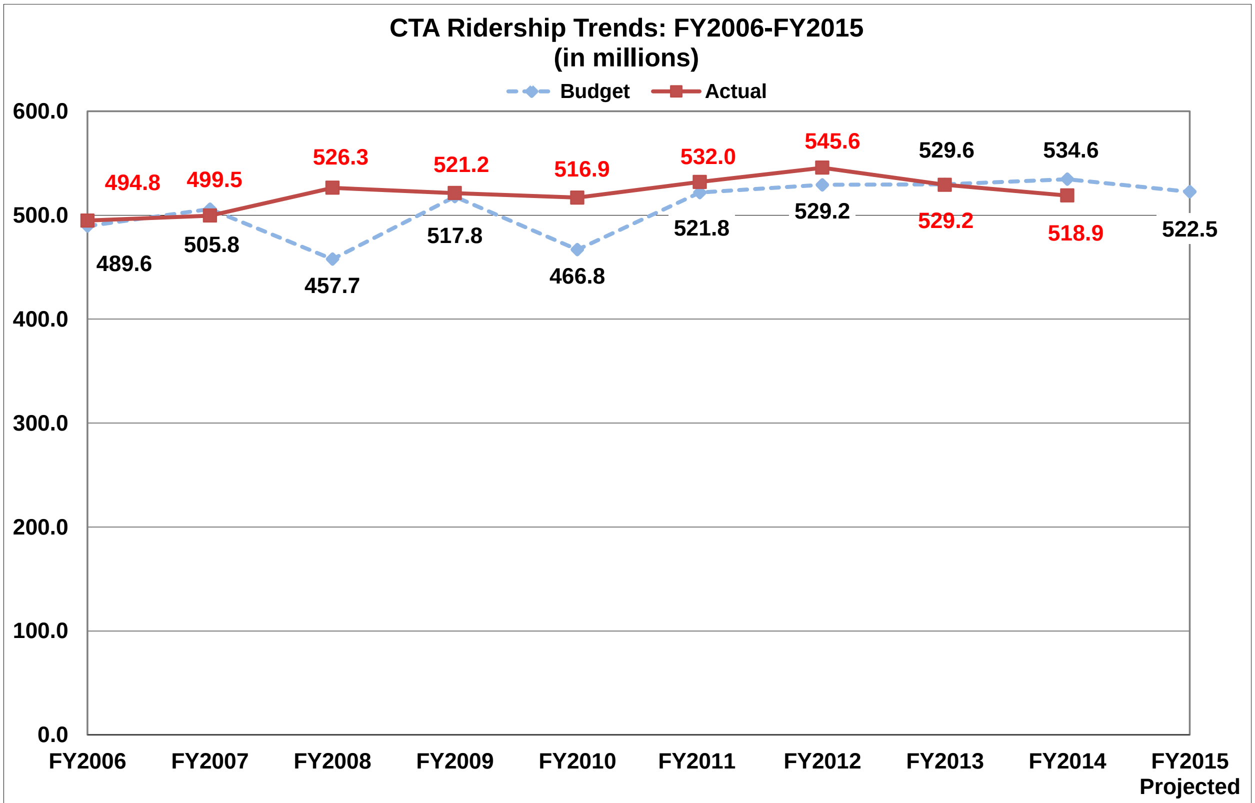
RIDERSHIP

The CTA projects that ridership will be 522.5 million rides in FY2015. The FY2015 ridership is projected to be an increase of 3.6 million rides, or 0.7%, from the FY2014 forecast. The terms "ridership" and "unlinked passenger trips" refer to total number of rides. Each passenger is counted each time that passenger boards a vehicle (bus or rail).[50]

Ridership has fallen slightly from its peak in FY2012 of 545.6 million rides. The CTA attributes the high number of rides in FY2012 to increasing parking rates and particularly favorable weather that year. The drop in ridership in FY2013 was due to extensive track work on the Red Line and the implementation of increased rates for fare passes.[51] The further decline in ridership in FY2014 was attributed to extreme weather during the first quarter of the fiscal year. The

[50] CTA President's FY2015 Budget Recommendations, p. 198.
[51] Communication with the CTA's budget staff, October 18, 2013.

FY2015 budget projects a slight increase in ridership from FY2014 actual ridership primarily due to improvements in the unemployment rate in the region.[52]



PRODUCTIVITY MEASURES

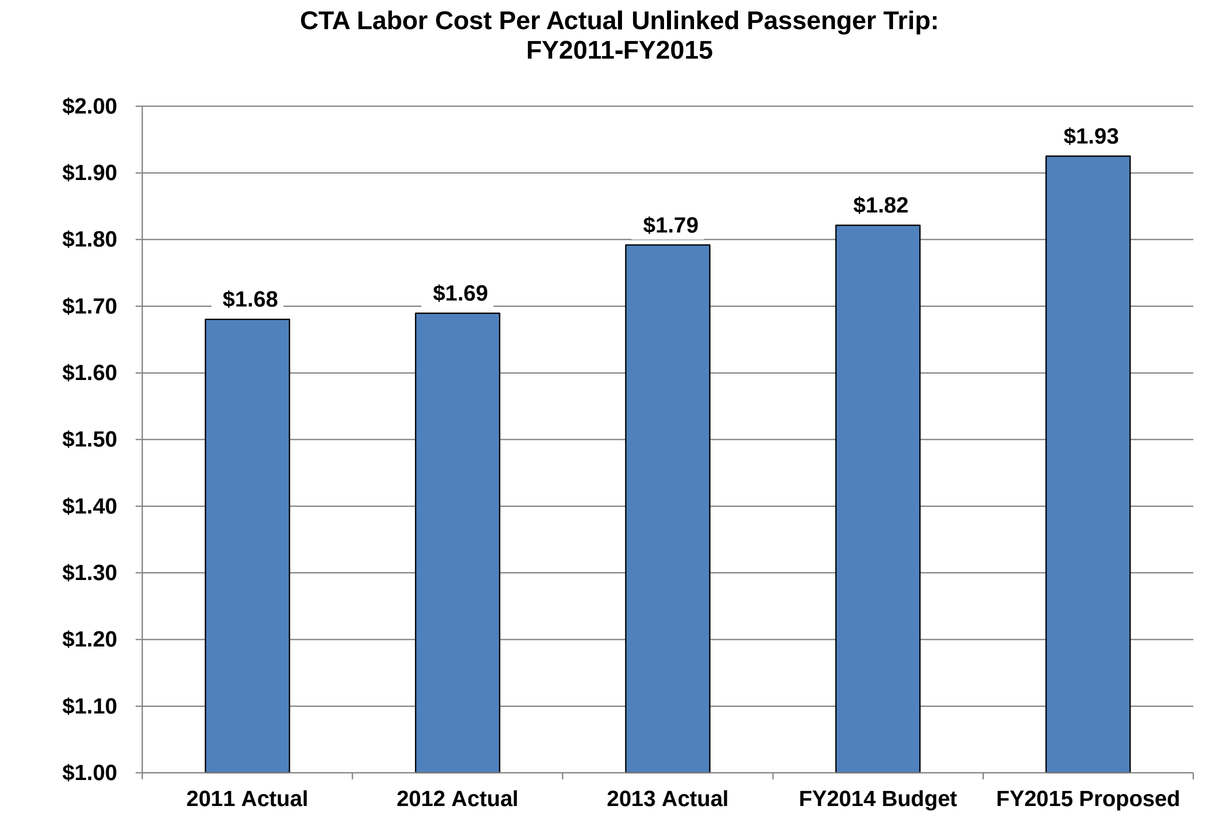
In this analysis, the Civic Federation uses two measures to assess CTA's productivity over time: labor cost per actual unlinked passenger trip and operating expense per passenger mile.[53] The data used to calculate the productivity measures is obtained from the annual budget documents.

Productivity can be measured in terms of labor cost per unlinked passenger trip. A lower dollar amount indicates higher productivity. The labor cost per unlinked passenger trip indicator increased steadily from $1.68 in FY2011 to $1.93 in FY2015.

Between FY2011 and FY2012, productivity stayed relatively even since ridership, which grew at 2.6%, nearly kept pace with increasing labor costs, which grew at 3.1%. However, between FY2012 and FY2013, the ratio increased by $0.10 per unlinked trip, from $1.69 to $1.79. This decrease in productivity can be linked to the 3.0% decrease in ridership, which was the result of track construction and increased rates in fare passes in FY2013. The labor cost per unlinked passenger trip is expected to increase between FY2014 and FY2015 by $0.11 from $1.82 to

[52] CTA President's FY2015 Budget Recommendations, p. 42.
[53] "Ridership" and "unlinked passenger trips" refers to total number of rides. Each passenger is counted each time that passenger boards a vehicle (bus or rail). CTA President's FY2015 Budget Recommendations, p. 198.

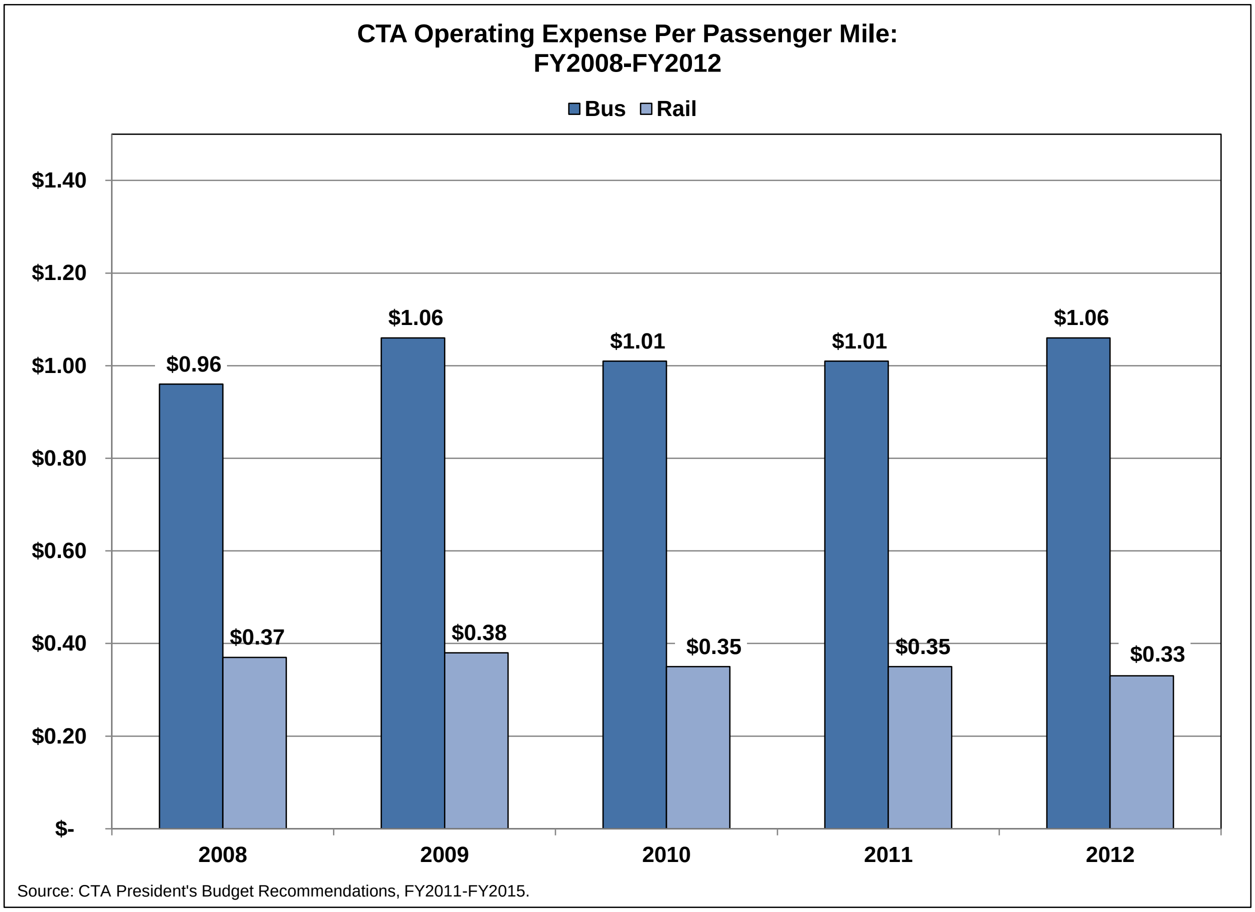
$1.93, which is due to a 3.3% increase in labor costs compared to 2.3% decrease in ridership over the previous year.



Source: CTA President's FY2013 Budget Recommendations, pp. 41 and 131; FY2014, pp. 42 and 135; FY2014; and FY2015, pp. 48 and 151.

The chart below illustrates operating expense per passenger mile for bus and rail service between 2008 and 2012, the most recent years for which data is available. As with all transit systems, rail service is more cost effective than bus service. The operating expense per passenger mile for rail service for 2012 is the lowest in the past five years at $0.33.

The operating expense per passenger mile for bus has fluctuated over the last five years from a low of $0.96 in FY2008 then increasing to $1.06 in FY2009 before dropping to $1.01 for FY2010 and FY2011 before increasing to $1.06 again in FY2012.



PENSION FUND

The Civic Federation analyzed three indicators of the fiscal health of the CTA's pension fund: funded ratios, unfunded actuarial accrued liabilities and investment rate of return. This section presents multi-year data for those indicators and describes recent reforms to the CTA's pension benefits and contributions.

Plan Description

The Retirement Plan for Chicago Transit Authority Employees is a single-employer contributory defined-benefit governmental plan covering all full-time CTA permanent employees. Recent changes to Illinois statutes have codified most aspects of the plan into state statute. The plan is governed by an 11-member board of trustees composed of five members appointed by the CTA management, five members appointed by the Amalgamated Transit Union and one appointed by the Regional Transportation Authority.[54]

[54] Retirement Plan for Chicago Transit Authority Employees, *Financial Statements for the Year Ended December 31, 2013*, p. 15.

In FY2013 the Fund had 8,186 active employees and 9,693 beneficiaries for a ratio of 0.84 active members for every beneficiary.[55] This ratio has fallen from 1.21 in FY2004 as the number of active members has declined and the number of beneficiaries has risen. This trend puts financial stress on the fund as there are fewer employees contributing to the fund and more annuity payments to make.

Chicago Transit Authority Pension Fund Membership: FY2004-FY2013			
Fiscal Year	Active Employees	Beneficiaries	Ratio of Active to Beneficiary
FY2004	10,751	8,877	1.21
FY2005	10,644	8,998	1.18
FY2006	9,710	9,116	1.07
FY2007	9,635	9,215	1.05
FY2008	9,689	9,356	1.04
FY2009	9,865	9,275	1.06
FY2010	8,932	9,310	0.96
FY2011	8,751	9,418	0.93
FY2012	8,317	9,591	0.87
FY2013	8,186	9,693	0.84
Ten-Year Change	**-2,565**	**816**	**-0.4**
Ten-Year % Change	**-23.9%**	**9.2%**	**-30.3%**

Source: Retirement Plan for CTA Employees Financial Statements, FY2004-FY2013.

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.[56] 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 were similar to the funding plan for the State of Illinois' five retirement systems.[57]

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[55] Retirement Plan for Chicago Transit Authority Employees, *Financial Statements for the Year Ended December 31, 2013*, p. 16.
[56] 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.
[57] 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

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. 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; 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-thirds/one-third increased contribution standard applies to the second requirement, which states that beginning in FY2040 the fund must 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%.

In FY2011 the plan funded ratio fell below the 60% threshold, to 59.2% funded, triggering increased contributions by the CTA and employees. The rates needed to return the plan to 60% funded in ten years and all subsequent years through 2039 as required by statute were actuarially calculated to be 14.25% for the CTA (net of the 6% POB debt service credit) and 10.125% for the employees for plan years 2013 and 2014-2040. This was an increase from 11.3% for the CTA and 8.65% for the employees in plan year 2012.[58] Despite an increase in the funded ratio to 60.9% as of December 31, 2013, FY2014 contributions remain at FY2013 levels for both employees and the CTA.

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%.[59]

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 $1.8 billion as of January 1, 2007 to $68.8

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[58] Retirement Plan for Chicago Transit Authority Employees, *Financial Statements for the Year Ended December 31, 2013*, p. 17.
[59] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2008*, p. 3. Actual year-end funded ratio on a smoothed actuarial basis in FY2008 was 75.6%.

million as of January 1, 2008.[60] 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.[61]

The CTA Fund actuaries 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.[62]

In fiscal year 2011, the Retirement Fund actuaries changed demographic assumptions and changed the actuarial asset valuation method from the five-year smoothed method to the market value, which recognizes gains and losses between actual and expected returns immediately. This contributed to the decrease in funded ratio between FY2010 and FY2011 from 70.1% to 59.2%.[63] In FY2013 the actuaries changed several actuarial assumptions, including reducing the expected rate of return on investments to 8.25% from 8.50% and a reduction in assumed inflation rate to 3.25%, among other economic and demographic assumption changes. These changes increased the liability by $148,841,651.

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 was 39.4% on an actuarial value basis in FY2004 and declined to 25.2% in FY2006 before climbing to 75.6% in FY2008. The increase in the funded ratio is largely attributed to a one-time extraordinary employer contribution of $1.1 billion from the issue of debt, which nearly doubled the fund's total actuarial assets.[64]

A trust fund was also created in May 2008 to assume full responsibility for health care funding, payment and administration on July 1, 2009. The FY2009 actuarial value funded ratio dropped slightly to 74.8% due to changes in population, actuarial assumptions, payroll and investment return.[65] The FY2010 ratio declined to 70.1% primarily due to a reduction in the assumed investment rate of return (discount rate) from 8.75% to 8.50% and because the effects of the FY2008 market decline were still being recognized.[66] As noted above, the FY2011 ratio declined sharply primarily because of a change from smoothed asset valuation to market valuation but also because of unfavorable market conditions in 2011.[67] The funded ratio remained level for FY2012 at 59.4% before climbing slightly to 60.9% in FY2013 due to strong investment returns

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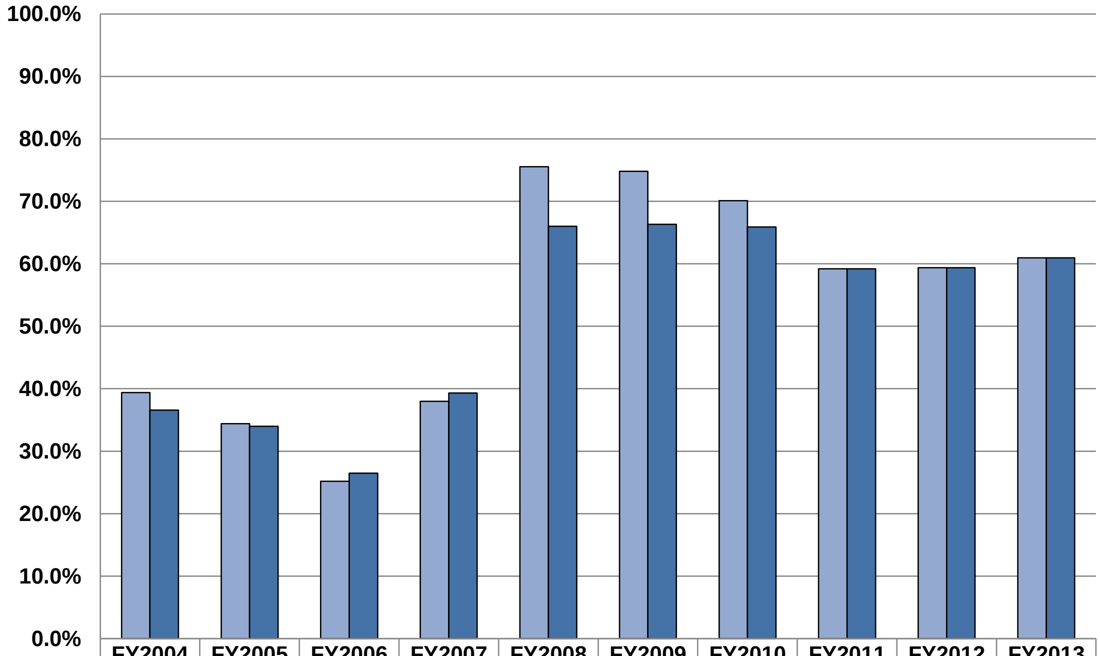
[60] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2008*, p. 16.
[61] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2009*, p. 4.
[62] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2008*, p. 4.
[63] Retirement Plan for CTA Employees, *Financial Statements as of December 31, 2011*, p. 4.
[64] See *Chicago Transit Authority Retirement Plan of Employees Actuarial Valuation as of January 1, 2009*, p. 2.
[65] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2010*, p. 1.
[66] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 2, 2011*, p. 1. The discount rate assumption was reduced in order to better reflect the expected long-term investment return on plan assets.
[67] Retirement Plan for CTA Employees, *Financial Statements as of December 31, 2011*, p. 4.

and despite actuarial changes including a reduction to the assumed long-run rate of return to 8.25% from 8.5%.[68]

CTA Employees' Pension Fund Funded Ratios: Actuarial Value of Assets and Market Value of Assets: FY2004-FY2013



	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Actuarial Value	39.4%	34.4%	25.2%	38.0%	75.6%	74.8%	70.1%	59.2%	59.4%	60.9%
Market Value	36.6%	34.0%	26.5%	39.3%	66.0%	66.3%	65.9%	59.2%	59.4%	60.9%

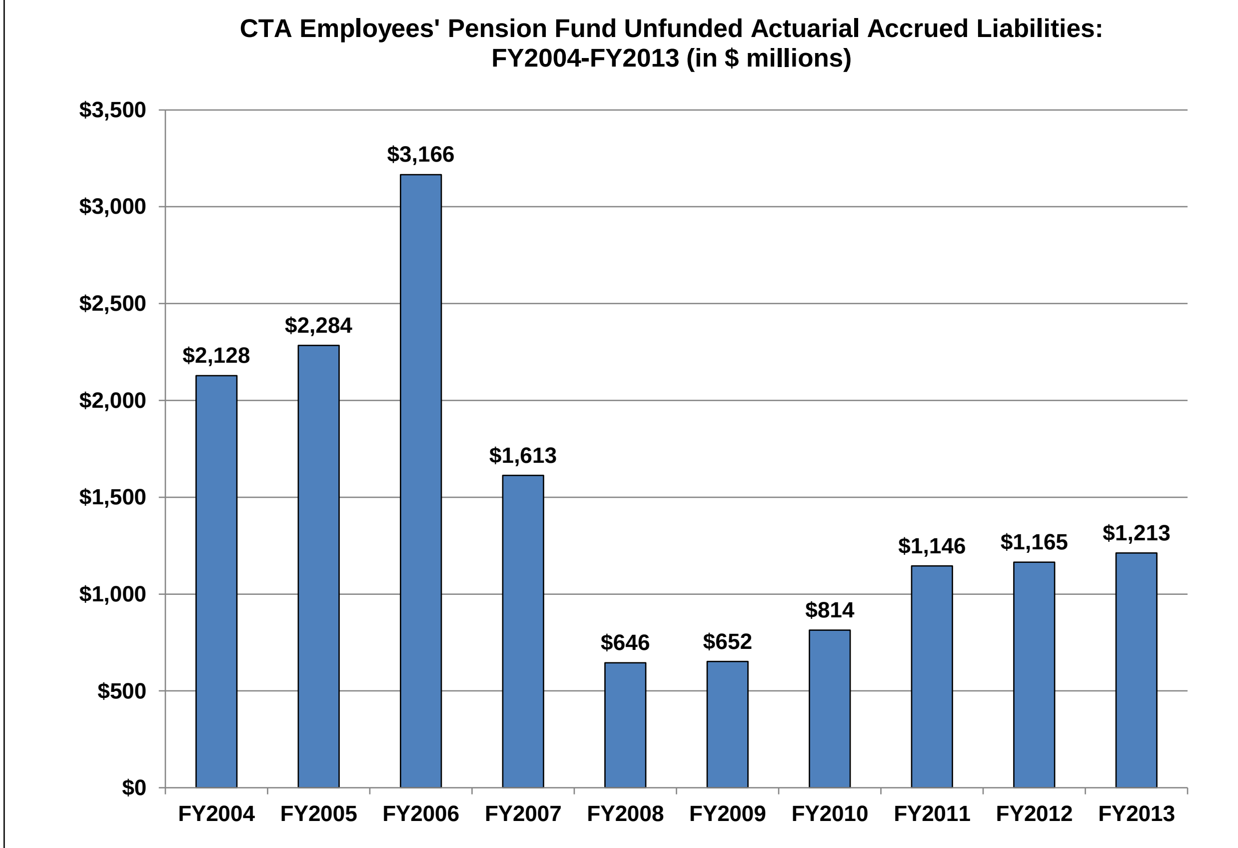
Note: Due to a change in the accounting for pension fund assets effective in FY2011, the market value and actuarial value are equal for that year and all subsequent years.
Source: Retirement Plan for CTA Employees Financial Statements, FY2004-FY2013.

Unfunded Actuarial Accrued Liabilities

Unfunded actuarial accrued liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for the CTA pension fund grew from $2.1 billion in FY2004 to almost $3.2 billion in FY2006 before falling to $0.6 billion in FY2008. This $2.5 billion decline resulted from the one-time employer contribution of $1.1 billion in pension obligation bond proceeds. Unfunded liabilities rose to $0.8 billion in FY2010 due to a reduction in the assumed investment rate of return (discount rate) from 8.75% to 8.50% and because the effects of the FY2008 market decline were still being recognized. Unfunded liabilities rose again in FY2011 to $1.1 billion due to unfavorable market conditions and a change in the valuation of assets from a smoothed valuation to market valuation, which recognized 2011 losses immediately. Unfunded liabilities increased slightly in FY2012 as a result of insufficient employer contributions not completely offset by greater than expected

[68] Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2014*, p. 3-4.

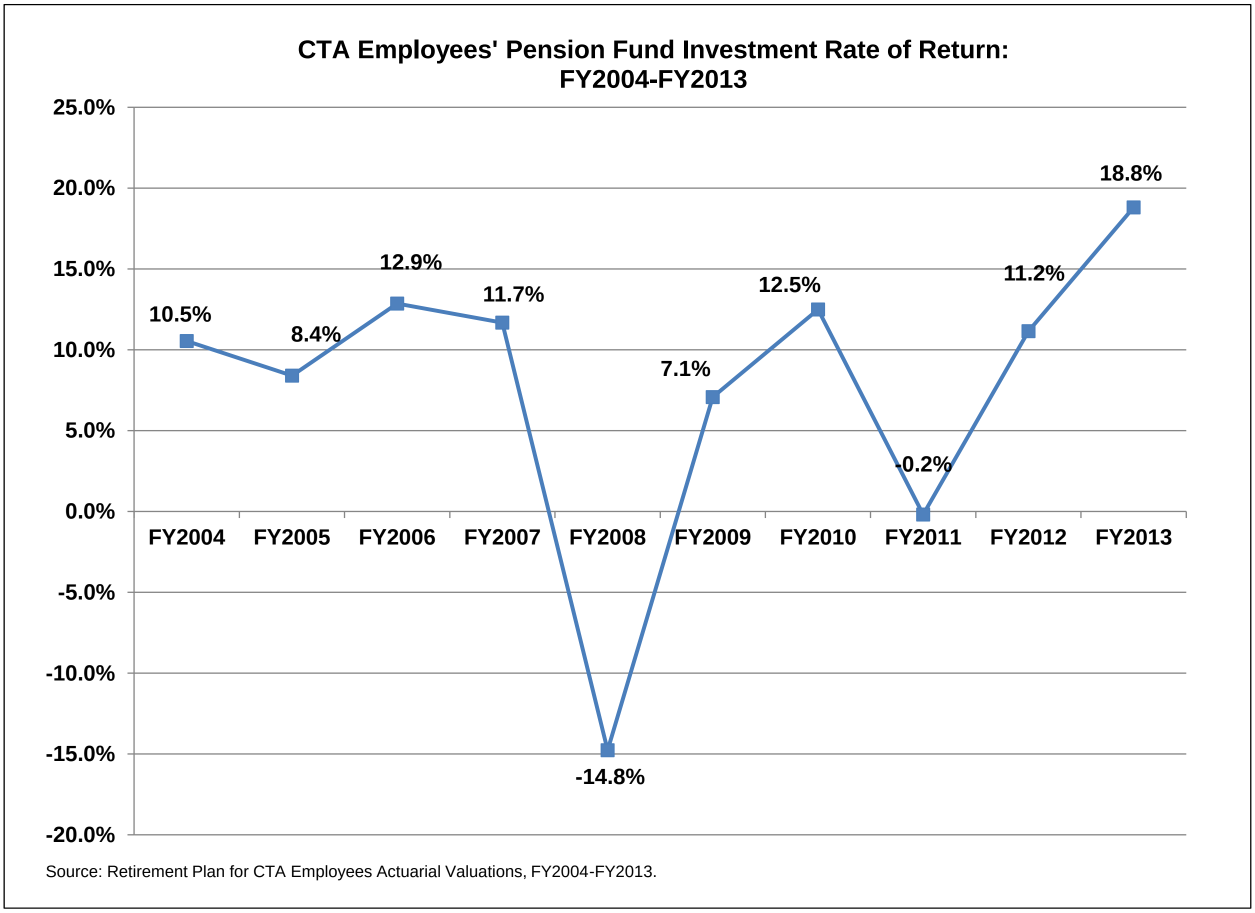
investment returns. Unfunded liabilities increased slightly again in FY2013 due to increases in liabilities not completely offset by high investment returns.



Source: Retirement Plan for CTA Employees Financial Statements, FY2004-FY2013.

Investment Rates of Return

Between FY2004 and FY2013, the investment rate of return for the CTA Employees' Pension Fund has fluctuated, with a high of 18.8% in FY2013 and a low of -14.8% in FY2008. 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.[69] The average return between FY2004 and FY2013 was 7.8%, less than the current assumed rate of return of 8.25%.[70]



Employer Annual Required Contribution

The financial reporting requirements for public pension funds and their associated governments are set by the Governmental Accounting Standards Board (GASB). GASB standards require disclosure of an Annual Required Contribution (ARC), which is an amount equal to the sum of (1) the employer's "normal cost" of retirement benefits earned by employees in the current year and (2) the amount needed to amortize any existing unfunded accrued liability over a period of not more than 30 years.[71] Normal cost is that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year and is calculated using one of six standard actuarial cost methods. Each of these methods provides a way to calculate the present value of future benefit payments owed to active employees. The methods also specify

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[69] Chicago Transit Authority FY2008 Pension Financial Statements, p. 20.

[70] Over the past 10 years, the CTA Pension Fund's expected rate of return assumption has been reduced twice. Between FY2004 and FY2009, it was 8.75%; between FY2010 and FY2012 it was 8.5% and was lowered to 8.25% for the 2013 fiscal year.

[71] The ARC reporting requirement was established by GASB Statements 25 and 27. GASB Statements 67 and 68 will end the requirement for ARC disclosure. No substitute measure of a government's annual pension funding adequacy was proposed by the GASB.

procedures for systematically allocating the present value of benefits to time periods, usually in the form of the normal cost for the valuation year and the actuarial accrued liability (AAL). The actuarial accrued liability is that portion of the present value of benefits which is not covered by future normal costs.

ARC is a financial reporting requirement but not a funding requirement. The statutorily required CTA contribution to its pension fund is set in the state pension code. However, because paying the normal cost and amortizing the unfunded liability over a period of 30 years does represent a reasonably sound funding policy, the ARC can be used as an indicator how well a public entity is actually funding its pension plan.

The following table compares the ARC to the actual CTA contribution over the last ten years. In FY2004 through FY2007 the employer contribution was significantly below the ARC. The difference between the ARC and the actual employer contribution grew from a $133.0 million shortfall in FY2004 to $173.4 million in FY2017. The difference between the ARC and the employer contribution was negative in FY2008 because of an extraordinary infusion of pension obligation bond funds into the fund. After the passage of P.A. 95-0708, the new funding requirements raised the employer contribution as a percentage of the ARC to between 34.9% and 51.8%. The CTA is on a 50-year payment plan to get the pension fund to 90% funded, while the ARC calls for a 30-year amortization and a 100% funding goal, so the CTA's required payments under its funding plan are below those required under the GASB reporting requirement. The cumulative ten-year difference between the ARC and the actual employer contribution is only $41.8 million despite significant underfunding because of the employer contribution of over $1.1 billion in FY2008, which offsets the shortfalls in the other nine years examined below.

Expressing ARC as a percent of payroll provides a sense of scale and affordability. In FY2004 the ARC was 28.1% of payroll while the actual employer contribution was 3.7% of payroll. In FY2013 the pension ARC was 28.6% of payroll while the actual employer contribution was 14.4% of payroll, net of contributions to pension obligation bond debt service. Employees contributed 10.125% of salary to the pension fund in FY2013.

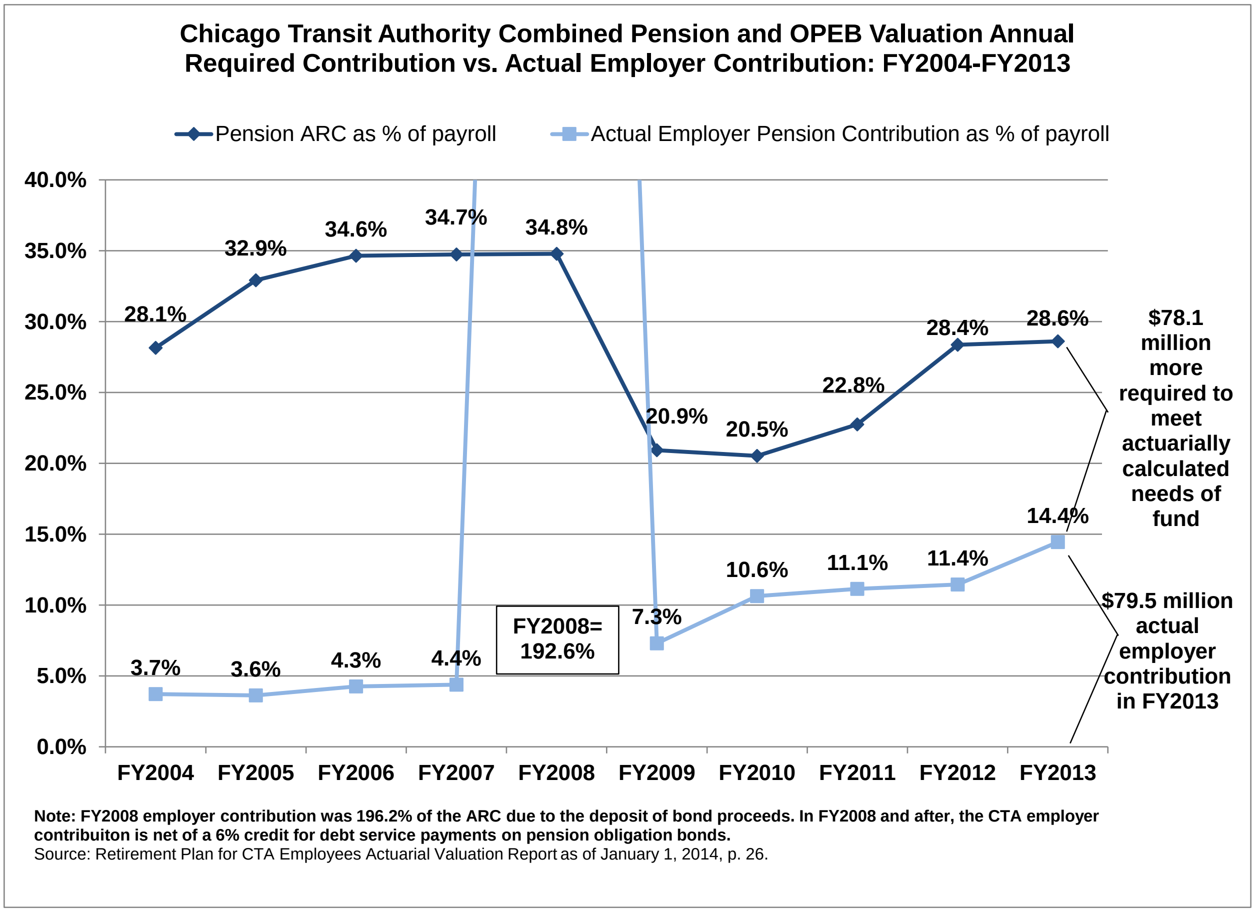
CTA Pension Fund
Schedule of Employer Contributions - Pension Plan as Computed for GASB Statement 25

Fiscal Year	Employer Annual Required Contribution (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ARC Contributed	Payroll	ARC as % of Payroll	Actual Employer Contribution as % of Payroll	Actuarial Funded Ratio
2004	$ 153,253,000	$ 20,210,000	$ 133,043,000	13.2%	$ 544,442,000	28.1%	3.7%	39.4%
2005	$ 180,227,000	$ 19,850,000	$ 160,377,000	11.0%	$ 547,532,000	32.9%	3.6%	34.4%
2006	$ 194,926,000	$ 23,931,000	$ 170,995,000	12.3%	$ 562,567,000	34.6%	4.3%	25.2%
2007	$ 198,457,000	$ 25,038,000	$ 173,419,000	12.6%	$ 571,314,000	34.7%	4.4%	38.0%
2008	$ 206,670,000	$ 1,165,947,000	$ (959,277,000)	564.2%	$ 594,139,000	34.8%	196.2%	75.6%
2009	$ 118,717,000	$ 41,448,000	$ 77,269,000	34.9%	$ 567,173,247	20.9%	7.3%	74.8%
2010	$ 108,478,000	$ 56,216,000	$ 52,262,000	51.8%	$ 528,287,879	20.5%	10.6%	70.1%
2011	$ 123,158,582	$ 60,318,000	$ 62,840,582	49.0%	$ 541,353,693	22.8%	11.1%	59.2%
2012	$ 155,600,474	$ 62,788,000	$ 92,812,474	40.4%	$ 548,515,157	28.4%	11.4%	59.4%
2013	$ 157,594,269	$ 79,518,000	$ 78,076,269	50.5%	$ 550,616,338	28.6%	14.4%	60.9%

Note: Data for all years shows pension obligations only, not including OPEB.
* Although the actuarial valuation shows the percent of ARC contributed as a combination of employer and employee contributions, this table shows only employer contributions as a percent of ARC.

Source: CTA Actuarial Valuation Report for the year beginning January 1, 2014, p. 25-26.

The graph below illustrates the gap between the ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts shrank from a 24.4 percentage point shortfall in FY2004 to a 14.2 percentage point shortfall in FY2013. The FY2008 infusion of over a billion dollars was a contribution of 192.6% or $959.2 million more than the ARC for that year. To fund the pension plan at a level that would both cover normal cost and amortize the unfunded liability over 30 years, the District would have needed to contribute an additional 14.2% of payroll, or $78.1 million, in FY2013.



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 $528.8 million in proceeds was deposited into the trust. As a result, health care liabilities for the pension fund decreased from $1.8 billion as of January 1, 2007 to $68.8 million as of January 1, 2008.[72] The CTA and the CTA pension fund have no further funding obligations regarding retiree health insurance. The health care trust is administered by the CTA pension fund Executive Director. As of January 1, 2014 the Chicago Transit Authority Retiree Health care Trust reported total present value of projected benefits of $755.4 million and total income and assets of $794.4 million, for a 105.2% coverage ratio.[73]

SHORT-TERM LIABILITIES

The CTA's financial statements are only for business-type activities as it is financed and operated in a manner similar to a private business. There are no governmental activities.[74]

[72] P.A. 95-0708; Retirement Plan for CTA Employees, *Actuarial Valuation as of January 1, 2008*, p. 16.
[73] Chicago Transit Authority Retiree Healthcare Trust, *Actuarial Valuation as of January 1, 2014*, p. 2.
[74] CTA FY2012-FY2013 Financial Statements, Note 2: Summary of Significant Accounting Policies, p. 22

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll, advances 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 Supplementary Information:

- *Accounts Payable*: Monies owed to vendors for goods and services;
- *Accrued Payroll*: 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 and Deposits:* Security deposits on rents and concessions, various grant deposits and other deposits required from vendors that do business with the CTA; and
- *Advance from the RTA:* Funds provided by the RTA for future capital projects.

In FY2013 the CTA reported that total short-term liabilities increased by nearly $30.8 million, or 12.7%, from the previous year. Since FY2009 all short-term liabilities have increased by $63.7 million, or 26.2%. The single largest short-term liability reported in FY2013 was accounts payable and accrued expenses at $168.3 million. This liability rose by 30.2% or $39.1 million, accounting for most of the total five-year increase in short-term liabilities.

CTA Short-Term Liabilities for Business-Type Activities by Category: FY2009-FY2013
(in $ thousands)

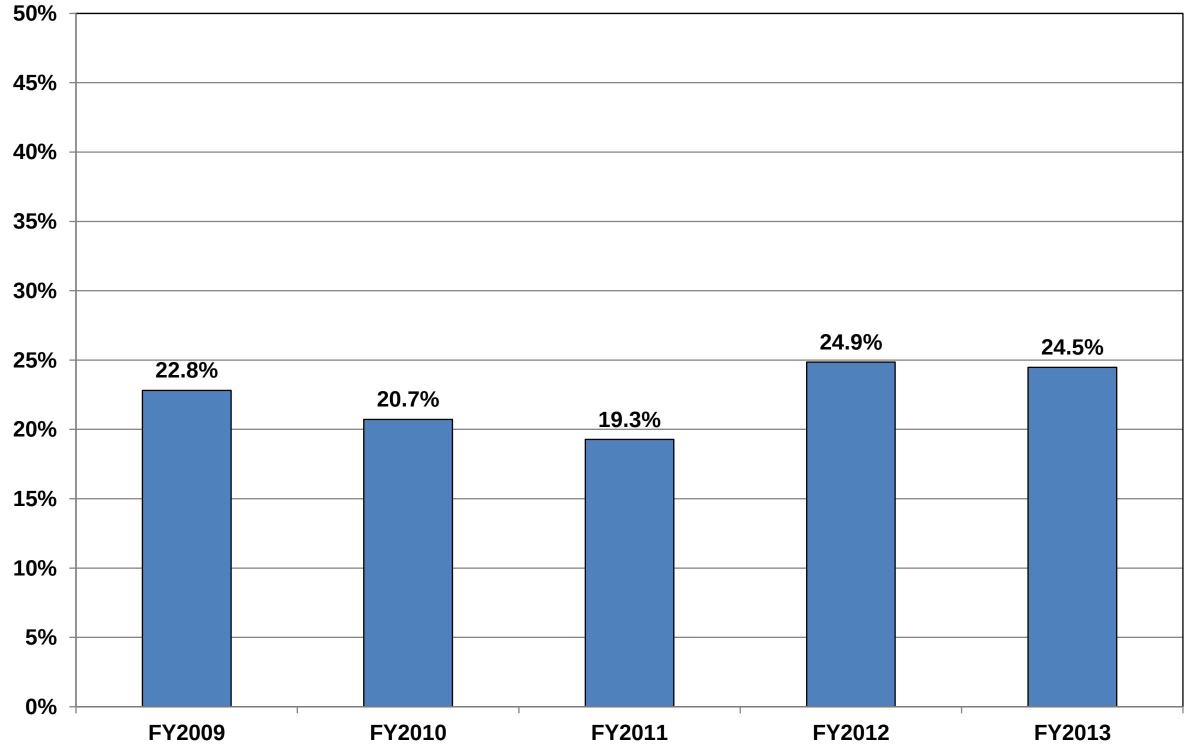
Liability	FY2009	FY2010	FY2011	FY2012	FY2013	Two Year $ Change	Two Year % Change	Five Year $ Change	Five Year % Change
Accounts Payable & Accrued Expenses	$ 129,198	$ 98,463	$ 90,746	$ 144,256	$ 168,274	$ 24,018	18.6%	$ 39,076	30.2%
Accrued Payroll	$ 90,717	$ 101,964	$ 98,489	$ 102,081	$ 107,051	$ 4,970	5.5%	$ 16,334	18.0%
Accrued Interest Payable	$ 13,081	$ 19,460	$ 21,451	$ 21,107	$ 20,370	$ (737)	-5.6%	$ 7,289	55.7%
Advances and Deposits	$ 1,581	$ 9,511	$ 9,392	$ 8,440	$ 10,997	$ 2,557	161.7%	$ 9,416	595.6%
Advances from RTA	$ 8,451	$ -	$ -	$ -	$ -	$ -	---	$ (8,451)	---
Total	**$ 243,028**	**$ 229,398**	**$ 220,078**	**$ 275,884**	**$ 306,692**	**$ 30,808**	**12.7%**	**$ 63,664**	**26.2%**

Source: CTA Audited Financial Statements FY2009-FY2013.

The short-term liabilities to net operating revenues ratio, 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. Increases in this ratio may be a warning sign of a government's future financial difficulties.[75] Between FY2009 and FY2013, short-term liabilities averaged 22.4%, rising from 22.8% in FY2009 to 24.5% in FY2013. The increase between FY2011 to FY2012 from 19.3% to 24.9% was due primarily to a two-year $53.5 million increase in accounts payable and accrued expenses liabilities.

[75] 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), pp. 77 and p. 169.

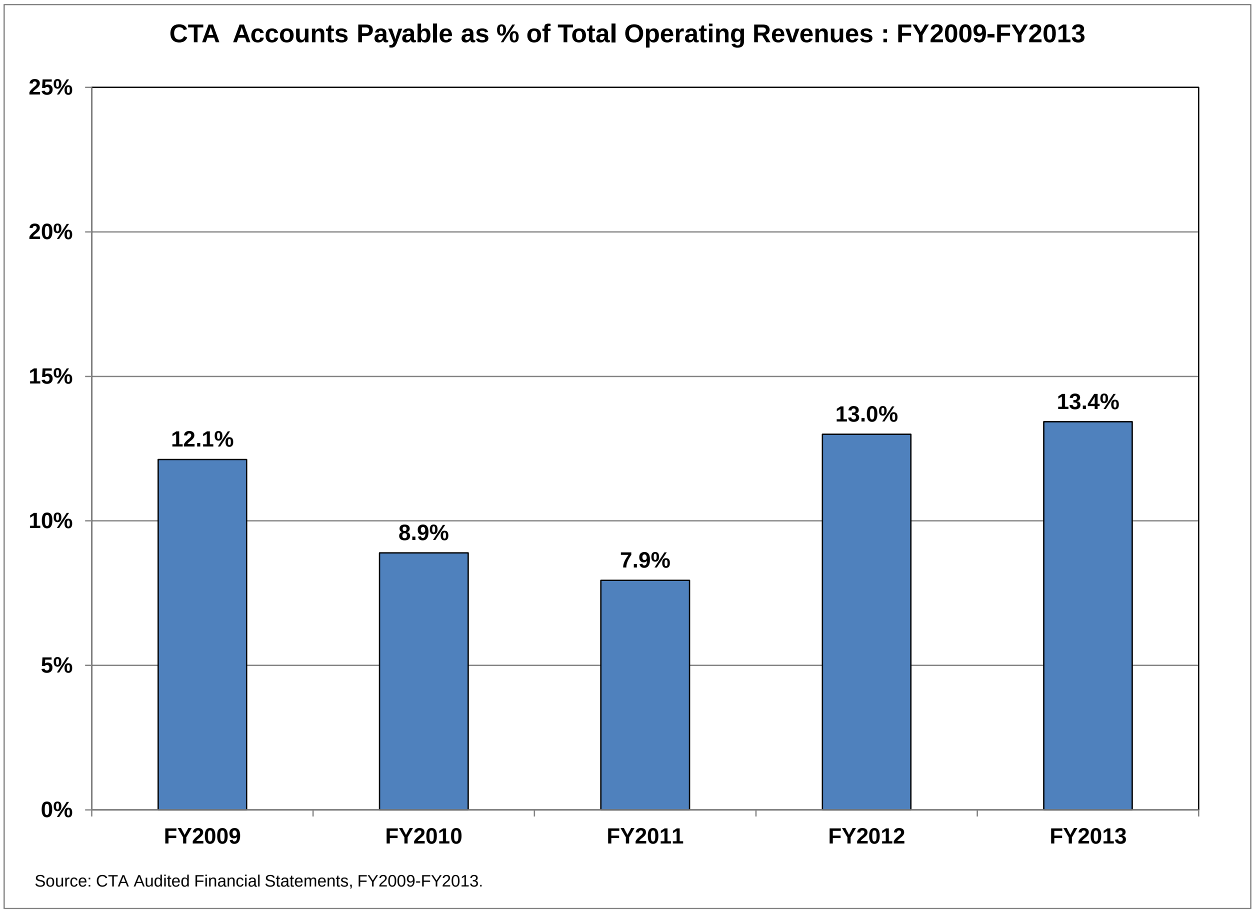
CTA Short -Term Liabilities as % of Total Operating Revenues: FY2009-FY2013



Source: CTA Audited Financial Statements, FY2009-FY2013.

Accounts Payable Ratio

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. The CTA's ratio of accounts payable to operating revenues decreased from 12.1% to 7.9% between FY2009 and FY2011 before rising to 13.4% in FY2013. The accounts payable ratio averaged 11.1% over the five year period reviewed.



Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[76]
In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of a government, including:

- *Cash and cash equivalents*: Assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit. Cash and cash equivalents

[76] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations.* (Upper Saddle River, NJ, 2001), p. 476.

reserved for damage reserve are amounts set aside to fund the annual injury and damage obligations as required by Section 39 of the Metropolitan Transportation Authority Act;[77]

- *Investments*: Any investments that the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: Monetary obligations owed to the government including grants, property taxes and interest on loans;
- *Materials and Supplies*: Materials and supplies are current assets that are stated at the lower of average cost or market value and consist principally of maintenance supplies and repair parts;[78] and
- *Prepaid Expenses*: Asset on a balance sheet arising as a result of an entity making payments for goods and services to be received in the near future, such as for an insurance policy;[79]
- *Derivative Instrument:* Gains in the fair value of hedging derivative instruments for diesel fuel are deferred until the derivative is settled.[80]

The CTA's current ratio was 2.2 in FY2013, the most recent year for which data are available. In the past five years, the Authority's current ratio averaged 2.5, which is above the benchmark of 2.0. From FY2009 to FY2013, the current ratio was relatively stable, falling slightly from 2.3 to 2.2.

CTA Current Ratio for Business-Type Activities: FY2009-FY2013
(in $ thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Current Asset									
Cash and cash equivalents	$ 59,542	$ 111,579	$ 119,467	$ 124,090	$ 95,621	$ (28,469)	-22.9%	$ 36,079	60.6%
Cash and cash equivalents reserved for damage reserve	$ 85,090	$ 102,361	$ 107,920	$ 121,395	$ 114,622	$ (6,773)	-5.6%	$ 29,532	34.7%
Investments	$ 1,007	$ 26,999	$ 3,020	$ 1,000	$ 20	$ (980)	-98.0%	$ (987)	-98.0%
Grants receivable due from the RTA	$ 205,633	$ 196,141	$ 228,966	$ 246,638	$ 276,970	$ 30,332	12.3%	$ 71,337	34.7%
Grants receivable: Capital Projects from federal & state sources	$ 33	$ 39	$ 5,098	$ 33	$ 33	$ -	0.0%	$ -	0.0%
Grants receivable: unbilled work in progress	$ 85,000	$ 63,991	$ 64,107	$ 92,536	$ 88,703	$ (3,833)	-4.1%	$ 3,703	4.4%
Grants receivable: Other	$ 70	$ 1,928	$ 1,131	$ 809	$ 70	$ (739)	-91.3%	$ -	0.0%
Accounts receivable, net	$ 19,443	$ 23,773	$ 26,881	$ 40,772	$ 48,881	$ 8,109	19.9%	$ 29,438	151.4%
Materials and supplies, net	$ 92,805	$ 63,522	$ 58,501	$ 46,056	$ 44,387	$ (1,669)	-3.6%	$ (48,418)	-52.2%
Prepaid expenses and other assets	$ 5,887	$ 5,883	$ 5,502	$ 5,399	$ 7,080	$ 1,681	31.1%	$ 1,193	20.3%
Derivative instrument	$ -	$ 2,158	$ -	$ 172	$ 1,023	$ 851	--	$ 1,023	-
Total Current Assets	**$ 554,510**	**$ 598,374**	**$ 620,593**	**$ 678,900**	**$ 677,410**	**$ (1,490)**	**-0.2%**	**$ 122,900**	**22.2%**
Current Liability									
Accounts Payable & Accrued Expenses	$ 129,198	$ 98,463	$ 90,746	$ 144,256	$ 168,274	$ 24,018	18.6%	$ 39,076	30.2%
Accrued Payroll	$ 90,717	$ 101,964	$ 98,489	$ 102,081	$ 107,051	$ 4,970	5.5%	$ 16,334	18.0%
Accrued Interest Payable	$ 13,081	$ 19,460	$ 21,451	$ 21,107	$ 20,370	$ (737)	-5.6%	$ 7,289	55.7%
Advances and Deposits	$ 1,581	$ 9,511	$ 9,392	$ 8,440	$ 10,997	$ 2,557	161.7%	$ 9,416	595.6%
Advances from RTA	$ 8,451	$ -	$ -	$ -	$ -	$ -	---	$ (8,451)	---
Total Current Liabilities	**$ 243,028**	**$ 229,398**	**$ 220,078**	**$ 275,884**	**$ 306,692**	**$ 30,808**	**11.2%**	**$ 63,664**	**26.2%**
Current Ratio	**2.3**	**2.6**	**2.8**	**2.5**	**2.2**				

Source: CTA Audited Financial Statements, FY2009-FY2013.

LONG-TERM LIABILITIES

This section presents information about long-term liability trends of the CTA. It includes information about all long-term obligations, long-term debt, long-term debt per capita and bond ratings.

[77] CTA FY2012-FY2013 Audited Financial Statements, p. 23.
[78] CTA FY2012-FY2013 Audited Financial Statements, p. 23.
[79] Investopedia.com at http://www.investopedia.com/terms/p/prepaidexpense.asp#ixzz1bEsrAQ9P.
[80] CTA FY2012-FY2013 Audited Financial Statements, p. 65.

Total Long-Term Liabilities

Long-term liabilities are the obligations owed by a government over time. Increases in long-term liabilities over time may be a sign of fiscal stress. The CTA's long-term liabilities include:

- *Self Insurance Claims:* The CTA is self-insured against future liabilities arising from personnel, property and casualty claims. The annual CAFR reports amounts needed to finance these future liabilities;
- *Bonds Payable, Capital Lease Obligations and Certificates of Participation:* These are amounts reported for different types of tax supported long-term debt, including general obligation debt, lease obligations and certificates of participation;
- *Net pension obligations (NPO):* The cumulative difference (as of the effective date of GASB Statement 27) between the annual pension cost and the employer's contributions to the plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt;
- *Net OPEB Obligation:* The cumulative difference (as of the effective date of GASB Statement 45) between the annual Other Post Employment Benefits (i.e., employee health insurance) cost and the employer's contributions to its OPEB Plan; and
- *Other Long-Term Liabilities*: These are primarily working cash borrowings.

Between FY2009 and FY2013 total CTA long-term liabilities increased by 17.5%, or nearly $873.2 million, rising from $5.0 billion to $5.9 billion. In the two-year period between FY2012 and FY2013 they decreased by 3.1%, or $190 million.

Most long-term liabilities are bonds payable and capital lease obligations. In FY2013 these two categories combined accounted for 91.8% or $5.4 billion of all long-term liabilities. During the five years reviewed, these categories averaged 92.9% of all long-term obligations.

In 2008 the CTA issued $1.9 billion in pension obligation and retiree health care revenue bonds to increase funding in the CTA's pension fund and create a retiree health trust.[81] Since January 1, 2009 all retiree benefits are now paid from the Retiree Health care Trust established by Public Act 95-708, not the CTA.[82] The liabilities shown below for the net OPEB obligation represent debt service on the retiree health care bonds.

CTA Long-Term Liabilities by Category: FY2009-FY2013 (in $ thousands)

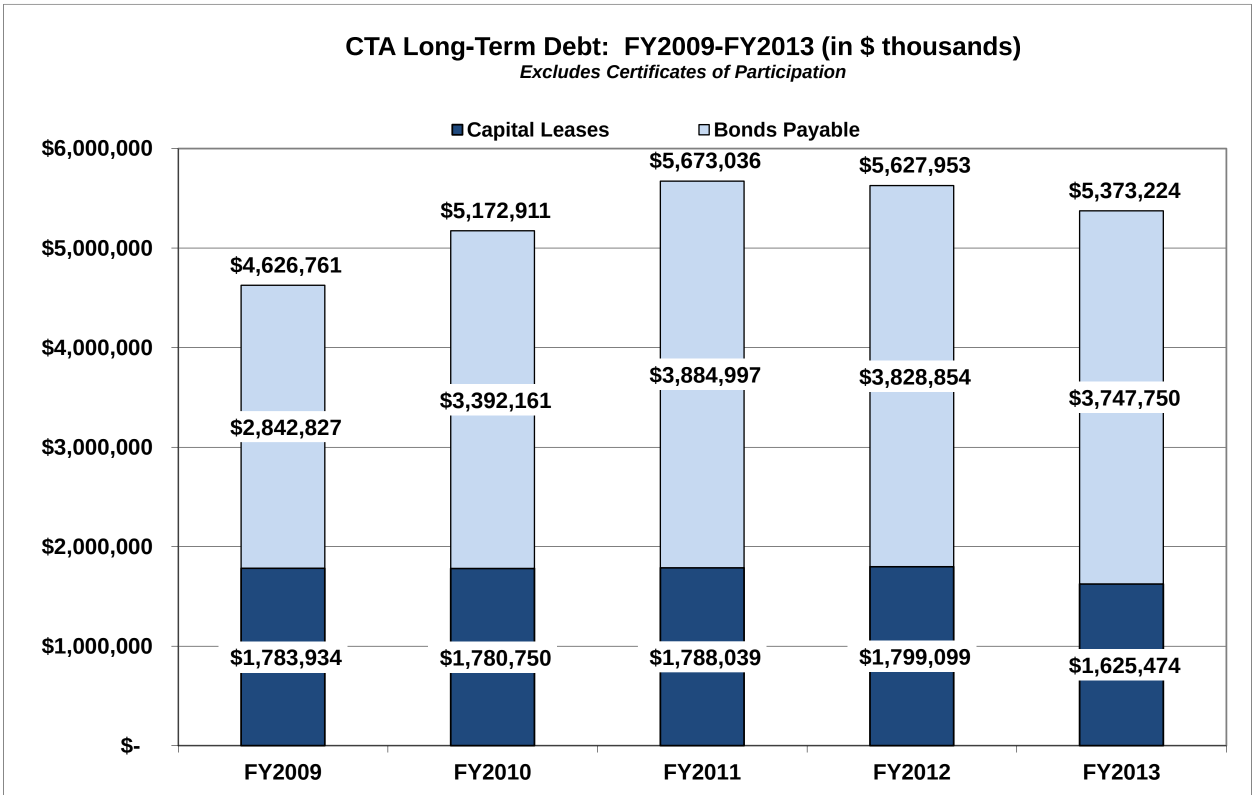
	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Self insurance claims	$ 203,444	$ 222,227	$ 253,001	$ 257,071	$ 262,138	$ 5,067	2.0%	$ 58,694	28.9%
Capital lease obligations	$ 1,783,934	$ 1,780,750	$ 1,788,039	$ 1,799,099	$ 1,625,474	$ (173,625)	-9.7%	$ (158,460)	-8.9%
Bonds payable	$ 2,842,827	$ 3,392,161	$ 3,884,997	$ 3,828,854	$ 3,747,750	$ (81,104)	-2.1%	$ 904,923	31.8%
Certificates of Participation	$ 72,014	$ 66,887	$ 61,514	$ 55,886	$ 49,907	$ (5,979)	-10.7%	$ (22,107)	-
Net Pension Obligation	$ 16,707	$ 16,269	$ 15,757	$ 38,277	$ 59,455	$ 21,178	55.3%	$ 42,748	255.9%
Net OPEB Obligation	$ 1,666	$ 2,874	$ 3,687	$ 3,934	$ 4,120	$ 186	4.7%	$ 2,454	147.3%
Other Long-term liabilities	$ 60,591	$ 68,859	$ 65,180	$ 61,210	$ 105,495	$ 44,285	72.3%	$ 44,904	74.1%
Total	**$ 4,981,183**	**$ 5,550,027**	**$ 6,072,175**	**$ 6,044,331**	**$ 5,854,339**	**$ (189,992)**	**-3.1%**	**$ 873,156**	**17.5%**

Source: CTA Audited Financial Statements, FY2009-FY2013 Note 7: Long-Term Obligations.

[81] CTA FY2010 Audited Financial Statements, p. 50.
[82] CTA FY2010 Audited Financial Statements, p. 60.

Long-Term Debt

Increases over time in a government's long-term tax-supported debt bear watching as a potential sign of rising financial risk. The exhibit that follows shows long-term debt trends for capital leases and bonds payable between FY2009 and FY2013. It excludes the relatively small amount spent on certificates of participation. The CTA's long-term debt increased by 16.1% or $746.5 million between FY2009 and FY2013. This is an increase from $4.6 billion to $5.4 billion. In the two-year period between FY2012 and FY2013, long-term debt fell by $254.7 million or 4.5%.



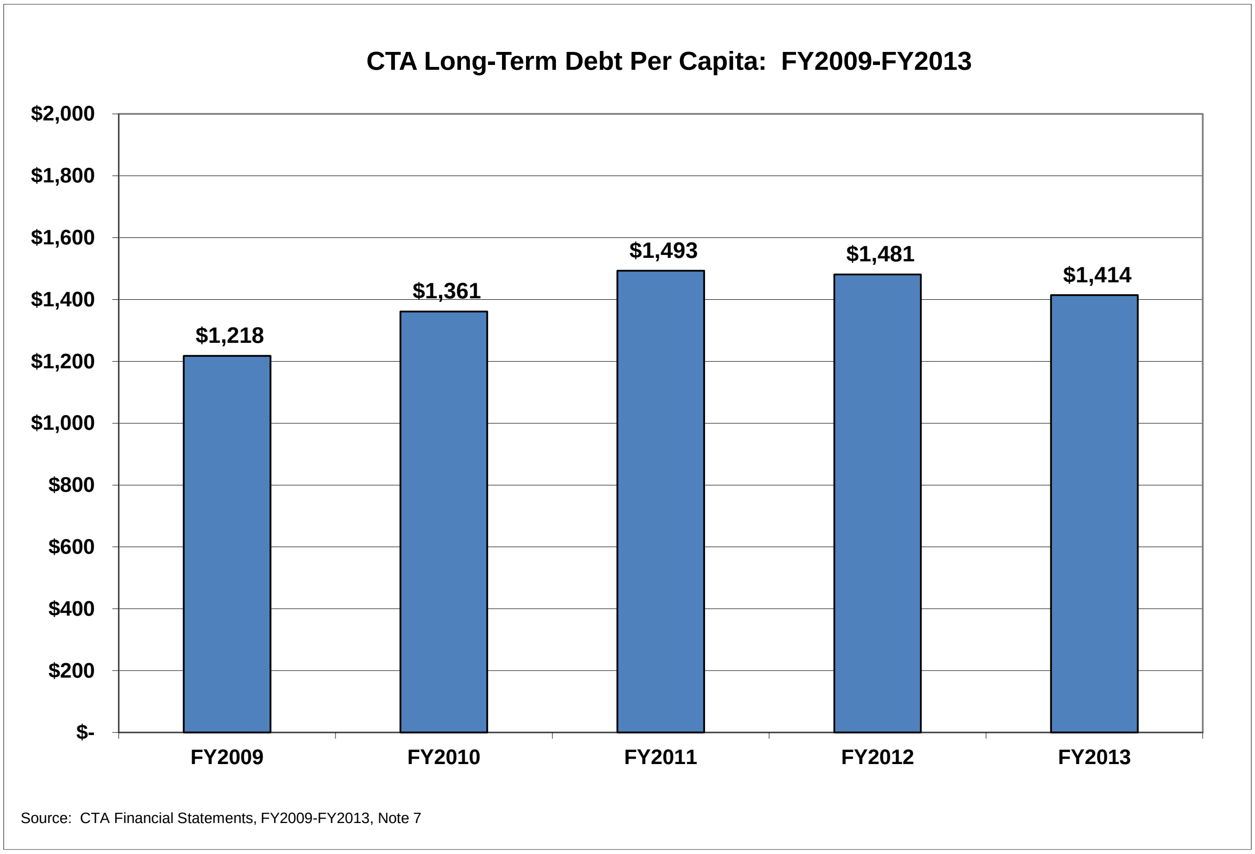
Source: CTA Financial Statements, FY2009-FY2013, Note 7

Long-Term Debt Per Capita

A common ratio used by ratings agencies and other public finance analysts to evaluate long-term debt trends is debt per capita. This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. The following analysis takes the amount of Chicago Transit Authority total long-term debt per year[83] and divides it by the population served by the CTA. At the 2000 census, this population was 3.7 million. In succeeding years, the service population increased slightly to 3.8 million. In FY2009 long-term debt per capita was

[83] This excludes certificates of participation, as noted previously.

$1,218. By FY2013, long-term debt per capita had increased to $1,414, a 16.1% increase. Long-term debt per capita fell by 4.5% between FY2012 and FY2013.



Debt Service Ratio

Pension obligation debt service, retiree health care funding and lease payments on Public Building Commission debt are the only debt service paid out of the CTA's operating budget. The source of debt service funding for other CTA bonds is federal capital grants.[84] Between FY2011 and FY2015, pension obligation bond debt service as a percentage of operating appropriations is expected to average 10.5%, which is below the range of 15% to 20% considered high by the ratings agencies.[85]

CTA Debt Service as a Percentage of Appropriations: FY2011-FY2015

	Debt Service	Total Appropriation	Ratio
FY2011	$ 103,336,000	$ 1,306,451,000	7.9%
FY2012	$ 141,386,832	$ 1,262,905,000	11.2%
FY2013	$ 156,574,008	$ 1,358,831,000	11.5%
FY2014	$ 156,577,659	$ 1,401,247,000	11.2%
FY2015	$ 156,574,139	$ 1,443,703,000	10.8%

Source: CTA President's FY2015 Budget Recommendations, p. 123.

[84] Information provided by CTA Budget Office November 4, 2011.
[85] Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's Investors Services, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.

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 (PBC Debt)	Capital Grant Receipts revenue Bonds
Moody's	A1	A1	A2	A3
S&P	AA	AA	A+	A
Kroll	AA	AA	Not rated	Not rated
Fitch	Not rated	Not rated	Not rated	BBB

Sources: CTA President's FY2015 Budget Recommendations, p. 114 and Moody's Investor's Services, "Moody's downgrades Chicago Transit Authority (IL) sales tax revenue bonds to A1; outlook revised to negative," October 25, 2013.

On October 25, 2013, Moody's Investors Service downgraded outstanding CTA sales tax revenue bonds to A1 from Aa3 and changed the outlook to negative from stable. The action also affected $77 million in capital lease bonds issued by then Chicago Building Commission which were downgraded to A2. Moody's provided several reasons for the downgrade:[86]

1. In light of growing credit pressures on other governments such as the State of Illinois, Cook County and the City of Chicago, the political will to increase CTA revenues has declined.
2. The CTA faces an enormous problem with deferred maintenance and capital needs which will require funding from additional bond issues and other sources at a time when state and federal support is likely to continue declining.
3. State of Illinois funding for the CTA is not stable because of the State's large backlog of matching payments. This situation may be exacerbated by the impending rollback of the State's recent income tax increase and its massive pension deficits.
4. The CTA's increasing pension funding challenges may increase fiscal strain on its operating budget.

CTA Capital Plan FY2015-FY2019

The CTA estimates that it needs approximately $950 million annually to keep its capital stock in a state of good repair. However, the five-year capital program for FY2015 to FY2019 proposed by the CTA President only provides for an average of $490 million in funding annually, which is a substantial funding gap.[87]

The following chart shows the CTA's proposed capital spending for FY2015-FY2019 by the source of funding. Federal funds will account for 81.3% of all funding and state subsidies will account for 9.0%. The remaining 9.7% of all capital funding, or just over $221.8 million, will be funded from the CTA bond program, CTA operating funds, RTA bond funds, the Innovation, Coordination, and Enhancement (ICE) Fund of the RTA and TIF distribution.

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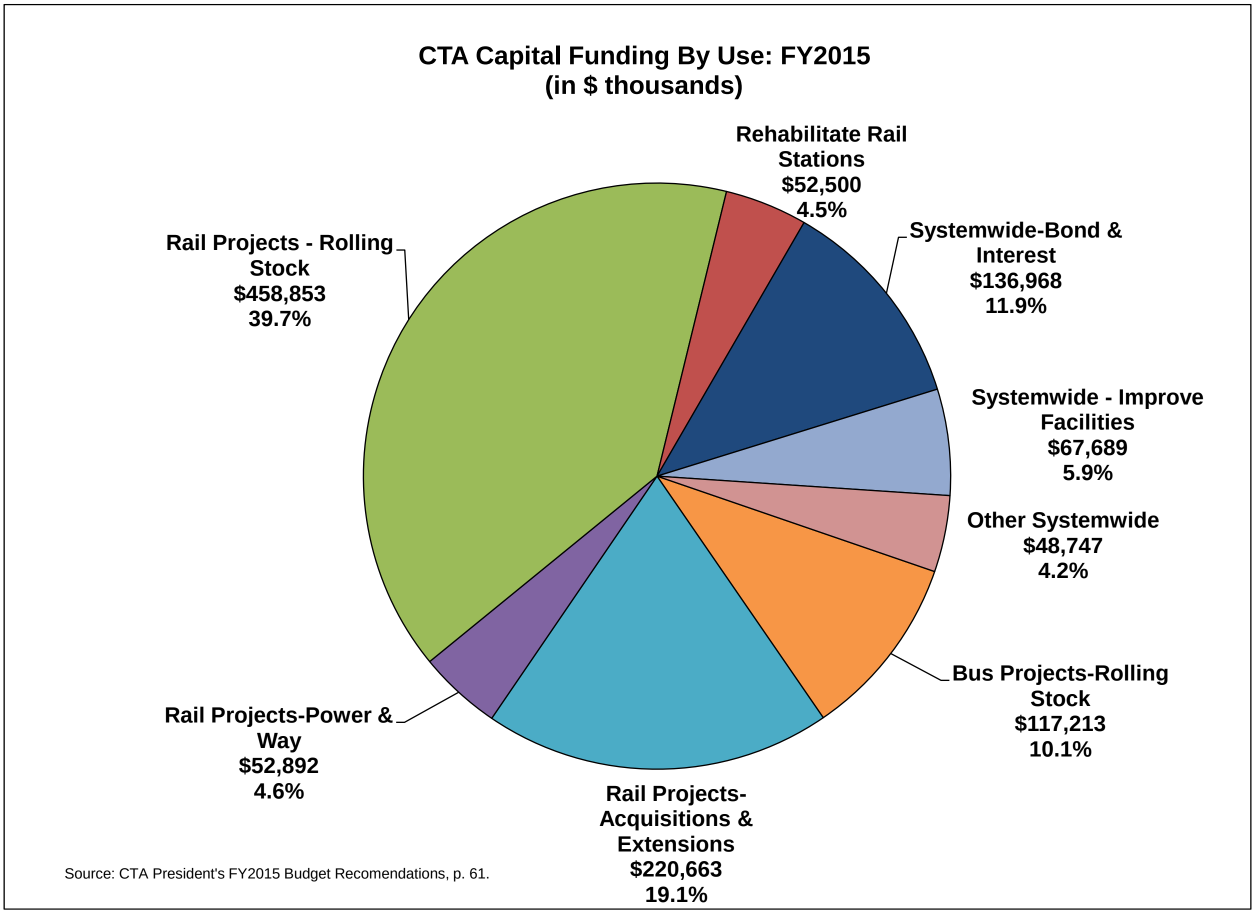
[86] Moody's Investors Service, "Moody's downgrades Chicago Transit Authority (IL) sales tax revenue bonds to A1; outlook revised to negative," October 25, 2013.
[87] CTA President's FY2015 Budget Recommendations, p. 92.

CTA Capital Funding by Source: FY2015-FY2019 (in $ millions)							
Source	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**$ Total**	**% of Total**
New Funding Available							
Federal Funding	$ 862,057	$ 274,113	$ 278,069	$ 286,321	$ 291,821	$ 1,992,381	81.3%
State Funding	$ 220,900	$ -	$ -	$ -	$ -	$ 220,900	9.0%
RTA Bond	$ 50,000	$ -	$ -	$ -	$ -	$ 50,000	2.0%
RTA ICE	$ 16,406	$ -	$ -	$ -	$ -		0.0%
Service Board (TIF Chicago)	$ 1,875	$ 1,875	$ 1,875	$ 1,875	$ 15,000.00	$ 22,500	0.9%
CTA Bond Program	$ -	$ 145,000	$ -	$ -	$ -	$ 145,000	5.9%
CTA Operating Funds	$ 4,288	$ -	$ -	$ -	$ -	$ 4,288	0.2%
Total	**$ 1,155,526**	**$ 420,988**	**$ 279,944**	**$ 288,196**	**$ 306,821**	**$ 2,451,475**	**100.0%**

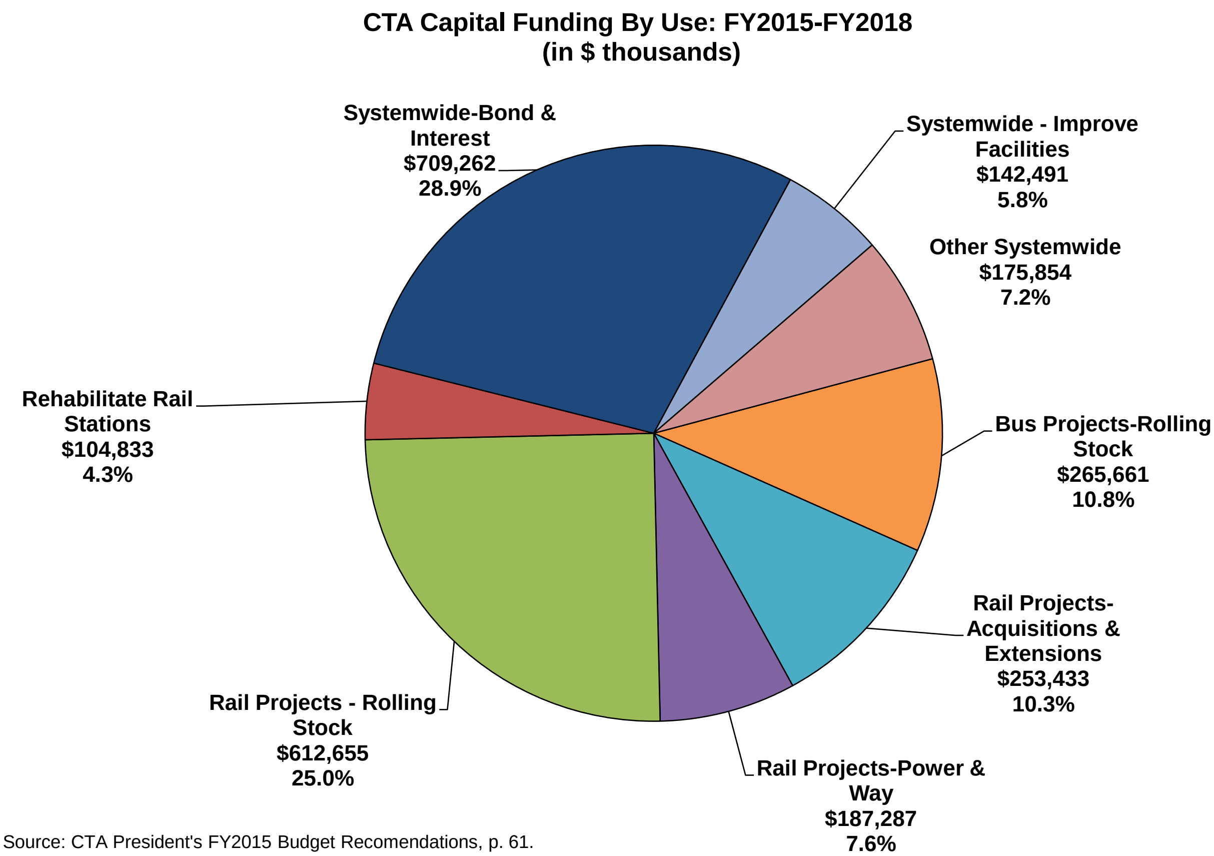
Source: CTA President's FY2015 Budget Recommendations p. 85.

CTA capital funding by use in FY2015 is shown in the next exhibit. Rail rolling stock[88] projects will spend $458.9 million, or 39.7%, of FY2015 funding while bus rolling stock projects will use $117.2 million, or 10.1%. Rail acquisition and extension projects will use $220.7 million, or 19.1% of all spending. Bond financing costs will total $137.0 million, or 11.9% of the total. Approximately $52.5 million will be spent rehabilitating rail stations. Other funding uses include $67.7 million for systemwide facilities improvements, $52.9 million for rail power and way projects and $48.7 million for a wide variety of other projects.



[88] Rolling stock refers to equipment used for transportation, including buses and trains.

A five-year breakdown of CTA capital funding is shown next. System-wide bond financing costs will be the biggest use of funds, at $709.3 million or 28.9% of the total. This will be followed by rolling stock for rail projects at $612.7 million. Bus rolling stock projects will use $265.7 million, or 10.8%.



Source: CTA President's FY2015 Budget Recomendations, p. 61.

CTA Capital Improvement Plan

According to best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:[89]

- A comprehensive inventory of all government-owned assets, with description of useful life and current condition;
- A narrative description of the CIP process including how criteria for projects were determined and whether materials and meetings were made available to the public;
- A five-year summary list of all projects and expenditures by project that includes funding sources for each project;

[89] National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

- Criteria for projects to earn funding in the capital budget including a description of an objective and needs-based prioritization process;
- Publicly available list of project rankings based on the criteria and prioritization process;
- Information about the impact of capital spending on the annual operating budget for each project;
- Annual updates on actual costs and changes in scope as projects progress;
- Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project; and
- An expected timeframe for completing each project and a plan for fulfilling overall capital priorities.

Once the CIP process is completed, the plan should be formally adopted by the governing body and integrated into its long-term financial plan. There should be opportunities for public input into the process. A well-organized and annually updated CIP helps ensure efficient and predictable execution of capital projects and helps efficiently allocate scarce resources. It is important that a capital budget prioritize and fund the most critical infrastructure needs before funding new facilities or initiatives.

The checklist that follows assesses how well the CTA's CIP conforms to best practice guidelines. It is important to note that the CTA develops its CIP in accordance with guidelines established by the Regional Transportation Authority (RTA). The annual RTA budget includes five-year capital program information for CTA, Metra and Pace, the three service boards it oversees. The information RTA provides includes:

- Five-year summaries of capital program expense by category for the CTA, Metra and Pace;
- A discussion of capital impact on operations;
- A discussion of the amount of capital funds available for the RTA's ten-year plan; and
- A discussion of capital impact on maintenance operations.

The CTA CIP, as published in its annual budget conforms to most best practice guidelines. However it does not provide a description of the CIP process, whether stakeholder input is included in CIP development and/or if there is a formal CIP public hearing prior to adoption.

Chicago Transit Authority Capital Improvement Program Checklist	
Does the government prepare a formal capital improvement plan?	Yes
How often is the CIP updated?	Annually
Does the capital improvement plan include:	
• *A narrative description of the CIP process?*	No
• *A five-year summary list of projects and expenditures by project that includes funding sources for each project?*	Yes
• *Information about the impact and amount of capital spending on the annual operating budget for each project?*	Yes
• *Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project?*	Yes
• *The time frame for fulfilling capital projects?*	Information provided for 5-year periods
Are projects ranked and/or selected according to a formal prioritization or needs assessment process?	Not in the CIP
Is the capital improvement plan made publicly available for review by elected officials and citizens?	
• *Is the CIP published in the budget or a separate document?*	It is published in the budget document
• *Is the CIP available on the Web?*	Yes, in the budget document
Are there opportunities for stakeholders to provide input into the CIP?	
• *Is there stakeholder participation on a CIP advisory or priority setting committee?*	No information in CIP
• *Does the governing body hold a formal public hearing at which stakeholders may testify?*	No information in CIP
• *Is the public permitted at least ten working days to review the CIP prior to a public hearing?*	No information in CIP
Is the CIP formally approved by the governing body of the government?	It is approved with the budget
Is the CIP integrated into a long term financial plan?	Unclear

APPENDIX A

CTA Operating Budget Revenue: FY2014 & FY2015 (in $ millions)				
Source	**FY2014 Forecast**	**FY2015 Proposed**	**$ Change**	**% Change**
System-Generated Revenue				
Fares and Passes	$ 585.1	$ 589.2	$ 4.1	0.7%
Reduced Fare Reimbursement	$ 28.3	$ 28.3	$ 0.0	0.0%
Advertising, Charter & Concessions	$ 27.4	$ 30.0	$ 2.6	9.4%
Investment Income	$ 0.5	$ 0.7	$ 0.2	36.7%
Required Contributions from Cook County & Chicago	$ 5.0	$ 5.0	$ -	0.0%
Other Revenue	$ 37.2	$ 34.3	$ (2.9)	-7.7%
Total System-Generated Revenue	**$ 683.5**	**$ 687.5**	**$ 4.0**	**0.6%**
Public Funding through RTA	**$ 718.2**	**$ 756.2**	**$ 38.0**	**5.3%**
Total	**$ 1,401.7**	**$ 1,443.7**	**$ 42.0**	**3.0%**

Source: CTA President's FY2015 Budget Recommendations, p. 48.