



chicago transit authority annual report / 1971



Members of Chicago Transit Board at the close of the 1971 fiscal year: (from left, seated) James R. Quinn, Chairman Michael Cafferty, Donald J. Walsh; (standing) Lawrence G. Sucsy, Ernie Banks, Wallace D. Johnson, Clair M. Roddewig.

Chicago Transit Board

MICHAEL CAFFERTY, Chairman (M)	Term Expires August 31, 1973*
JAMES R. QUINN, Vice Chairman (M)	Term Expires August 31, 1971**
ERNIE BANKS (G)	Term Expires August 31, 1976
WALLACE D. JOHNSON (G)	Term Expires August 31, 1975
CLAIR M. RODDEWIG (M)	Term Expires August 31, 1972
LAWRENCE G. SUCSY (G)	Term Expires August 31, 1977***
DONALD J. WALSH (M)	Term Expires August 31, 1974****

M—Appointed by the Mayor of the City of Chicago.

G—Appointed by the Governor of the State of Illinois.

*—Oath of Office filed May 13, 1971.

**—Continues to serve until a successor has been appointed and has qualified.

***—Oath of Office filed June 16, 1971.

****—Oath of Office filed October 4, 1971.

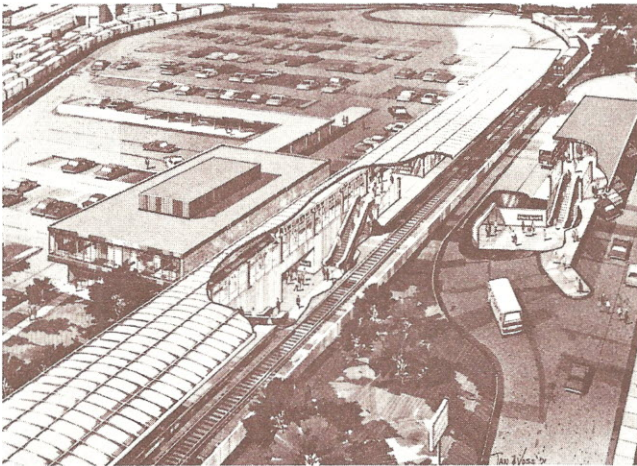
THOMAS B. O'CONNOR, General Manager

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Chicago Transit Authority
twenty-seventh annual report
for the fiscal year ended December 25, 1971

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\$122 million capital improvement program



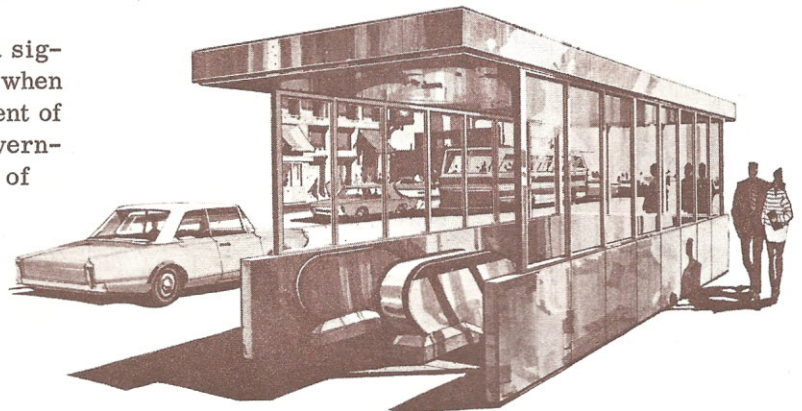
The most extensive transit capital improvement program in Chicago's history--totalling \$122 million--got under way in 1971 with assistance from the U.S. Department of Transportation, the Illinois Department of Transportation and the City of Chicago.

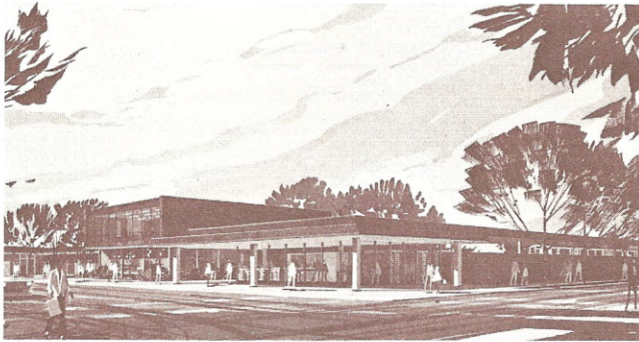
The Chicago Transit Authority was given a significant vote of confidence on December 30 when Secretary John A. Volpe of the U.S. Department of Transportation announced that the federal government would finance two-thirds (\$53 million) of the first \$80 million of the \$122 million two-year program. The Illinois Department of Transportation funded the balance of \$27 million.

In referring to the program, Mayor Daley said: "The renewing, rebuilding, and modernization of CTA's equipment and facilities will benefit all Chicago area residents. Chicago is fortunate in having an established and coordinated mass transit system, and to assure the continued growth of our city and the mobility of our citizens it is essential that we give the system immediate attention to insure its efficiency and safety."

Chairman Cafferty described the program as follows: "Chicago is a vigorous and progressive city and we at CTA plan to keep pace with its needs. Chicago already has one of the finest transportation systems in the country and we intend to make it even better to assure all of our riders the best quality of service possible.

"With the aid of new city, state and federal funds, Chicago Transit Authority is embarking on a system-wide modernization and improvement program unparalleled in the history of transit in Chicago. The \$122 million capital improvement

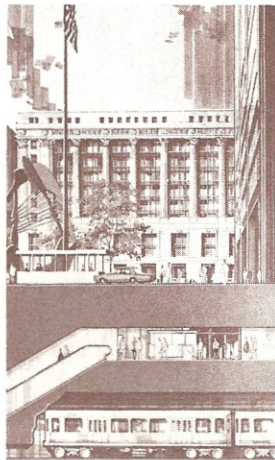




program has been designed to provide benefits for the greatest number of persons with projects having broad distribution throughout the CTA service area. Our program is designed around the conviction that people expect safe, clean, fast and dependable mass transit."

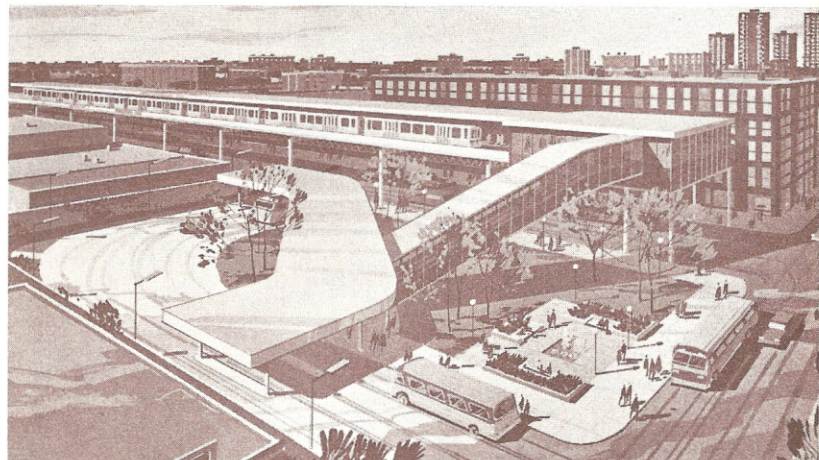
The \$122 million capital improvement program is the first step in a five-year capital needs program which anticipates investing \$277 million in capital renewal and replacement between 1972 and 1976.

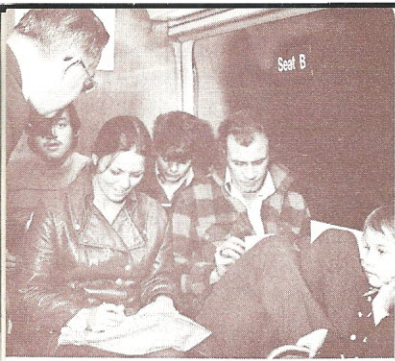
The program is designed to provide improvements in five categories: passenger safety, passenger comfort,



passenger convenience, neighborhood improvements and operation improvements.

Some of the more spectacular projects in the program are: safety signalling for the North-South rapid transit route and the Douglas branch of the West-Northwest rapid transit routes; 1,000 air-conditioned buses with the latest environmental improvements; 100 rapid transit cars; modernization of the Randolph/Washington stations in the State and Dearborn subways to complement the Civic Center; new Congress rapid transit terminal; new Jackson Park rapid transit terminal; new Kimball/Lawrence rapid transit terminal; remodelling of six rapid transit stations, and expansion and modernization of maintenance facilities.





The Suggestion Bus is coming!

請於十一月二日投票
表示對新裝 Bus 之意見

CTA

CERMAK & WENTWORTH

NOV. 2 10:00 AM - 6:00 PM

project suggestion bus



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

DEC 21 1971

Mr. Michael Cafferty, Chairman
Chicago Transit Authority
Merchandise Mart Plaza
P.O. Box 3555
Chicago, Illinois 60654

Dear Mike:

Thank you very much for your letter of December 2 and the accompanying photograph. I was very pleased to hear of the visit of Carlos and his staff to Chicago, and of your reaction to it.

It seems to me that your Suggestion Bus program was a marvelous public relations move which really makes your passengers feel that they are on the "inside". The public's response certainly indicates that people are interested in public transit and will take the time and trouble to comment on your massive improvement plan. What it also shows me is that in Chicago transit does have strong leadership and the wish to get things accomplished. In so many cities things just seem to drift along while transit's ever downhill slide continues unabated.

Sincerely,

Letter from Secretary of Transportation John A. Volpe.

The largest public hearing ever held for a federal funding application was conducted through CTA's Project Suggestion Bus. It was conducted in conjunction with a grant application to the U.S. Department of Transportation to fund a \$122 million two-year capital program, the most ambitious in CTA history.

The project was carried out with two vintage buses, both of which were to be replaced with new buses, which were part of the grant application. The interiors of those buses were totally redesigned but the exteriors were left untouched. In each bus, the first one-third of the interior was

refurbished with new lighting, different color schemes, various wall treatments, and alternative style seating. In effect, it suggested to the public a variety of atmospheres and environments, and comments were invited.

The rear two-thirds of the bus became a virtual gallery of renderings and information pertinent to the \$122 million, two-year capital replacement program. The walls were wood-paneled, there was carpeting throughout, and CTA staff members were present to guide, explain and answer questions.

The buses went to the people, locating at twenty-five busy sites during an ensuing two-week period in November 1971.

Prior to going out on the streets, it was estimated that 6,000 to 7,000 visitors would make the project a success, but more than 35,000 toured the buses. More than 30,000 took the time to fill out the questionnaires concerning the capital program. They made certain selections, expressed preferences, and commented on how CTA could provide better service to the community.

When Project Suggestion Bus was announced, Chairman Cafferty said: "Project Suggestion Bus borrows from the concept of the company suggestion box but carries the idea one step further. We are asking the people to come to us with their suggestions--and we are going to them. We know of no other transit system that has ventured so far in this participatory direction.

"We are firmly committed to the principle that our riders must have the opportunity to transmit their ideas regarding the decisions that affect

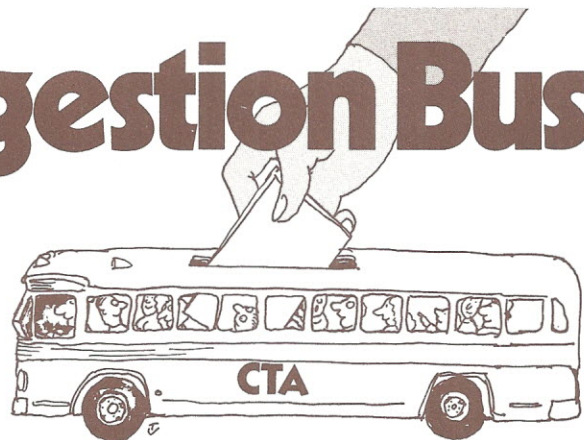
their transit system. CTA has a responsibility to give people an opportunity to make their views known and, as chairman, I welcome their opinions and response. Project Suggestion Bus is an important first step toward that goal."

"Fares from riders support CTA. We want people to know that we recognize this, and we want to make the CTA responsive to the needs of the people who use it," stressed Cafferty.

Project Suggestion Bus appears to be a quantum breakthrough for citizen participation conducted on a truly productive basis.



The Suggestion Bus.



operations review

The second largest public transit system in North America, CTA serves all sections of the City of Chicago and provides service to within 3/8 mile of 99% of the city's population. CTA also serves 34 suburbs.

Miles of revenue bus routes served are 1,855 at the end of 1971, an increase of eight miles over 1,847 revenue miles for 1970. The increase resulted from the inauguration of service on the No. 100 Jeffery Manor Limited route serving the 95/Dan Ryan Transit Center and extensions of service on the No. 21 Cermak route coincident with the reopening of McCormick Place, on the No. 106 103rd-106th route to serve the new Olive-Harvey College campus, and on the No. 50 North Damen route upon completion of rebuilding of the Damen Avenue viaduct between 29th and 33rd Streets.

Miles of revenue rapid transit track have remained at 191.60 since February 1, 1970, when the Kennedy Extension was completed.

At year-end, the active fleet of revenue equipment included 274 trolley buses, 2,629 motor buses, and 1,282 rapid transit cars. No new equipment was acquired during 1971; however, 40 trolley buses, 131 motor buses, and 23 rapid transit cars were retired during the year as a result of decreased requirements for vehicles resulting from a riding loss.

riding trends

A decrease in riding for the year 1971, affecting originating passengers on both the surface and rapid transit systems as well as transfer passengers, can be attributed primarily to a fare in-

A Chairman's Award program designed to honor CTA employees who have excelled in the performance of their duties in serving the public was instituted during 1971 by CTA Chairman Michael Cafferty. Named by Mr. Cafferty as the first recipients of the award were Bus Operators Cleven Wardlow (center) and James McWilliams.



crease effective July 8, 1970, raising both the basic fare and transfer charge by 5 cents each. Total revenue passengers, including originating and transfer fares, are 612,140,752 for 1971 and 628,646,541 for 1970, a decrease of 16,505,789 (2.63%).

Ridership losses within the two classifications of originating passengers, with the greatest decrease affecting surface riding, are as follows: originating surface system passengers are 282,659,169 in 1971 compared to 296,176,300 in 1970, a decrease of 13,517,131 (4.56%). Originating rapid transit system passengers are 103,499,016 in 1971 compared to 105,598,382 in 1970, a decrease of 2,099,366 (1.99%).

The number of passengers purchasing transfers, entitling them to one or more additional rides over connecting CTA bus or rapid transit routes, is 225,982,567 in 1971 compared to 226,871,859 in 1970, a decrease of 889,292 (.39%).

vehicle miles

Combined vehicle miles operated in 1971 totaled 146,267,671, a decrease of 3,535,156 (2.4%) under 1970. Surface system miles operated were 95,198,536, a decrease of 3,115,297 (3.2%) under 1970. This decrease was primarily due to service reductions made as a result of reduced riding volumes. Rapid transit system car miles were 51,069,135, a decrease of 419,859 (0.8%) under 1970.

On each weekday during 1971 an average of 2,423 buses operated 289,719 miles and an average of 963 rapid transit cars operated approximately 163,774 miles.

Average scheduled speed of buses in 1971 was 12.05 mph as compared with 12.06 mph in 1970,

while the rapid transit average scheduled speed in 1971 was 24.51 mph as compared to 24.25 mph in 1970.

The average speed of buses has remained within plus or minus .07 mph of an average of 11.99 mph for the past eight years despite increasing vehicular traffic on arterial streets. The peak speed of 12.06 mph attained in 1970 reflects a decrease of approximately 100 bus trips daily into the congested Loop area resulting from route changes effected upon inauguration of rail rapid transit service on the Kennedy Extension. Implementation of the Exact Fare Plan on buses during the winter of 1969-70 not only eliminated robberies of bus drivers, but also contributed to higher scheduled speed.

The average speed of rapid transit operations has increased continuously in each year since 1968. Marked increases in average speeds over the prior years in 1969 (.76 mph) and 1970 (.53 mph) resulted from the acquisition of 150 high-speed rapid transit cars purchased with combined City of Chicago and federal funds for the Kennedy and Dan Ryan Extensions. The increase in 1971 (.26 mph) resulted from more intensive scheduling of these cars in non-rush hours on the West-Northwest route and complete replacement of all-steel pre-CTA cars serving the Ravenswood route in weekday rush hours.

chicago transit board

On May 13, 1971, Michael Cafferty became a member of the Board following his appointment by the Honorable Richard J. Daley, Mayor of Chicago, which was approved by the Honorable Richard B.

Ogilvie, Governor of Illinois. On May 18, 1971, Mr. Cafferty was unanimously elected chairman of Chicago Transit Board. Mr. Cafferty succeeded George L. DeMent, Chairman of the Board since July 3, 1963, who died on March 13, 1971.

On June 16, 1971, Lawrence G. Sucsy became a member of the Board following his appointment by the Honorable Richard B. Ogilvie, Governor of Illinois, which was approved by the Honorable Richard J. Daley, Mayor of Chicago. Mr. Sucsy succeeded Mrs. Bernice Van der Vries who retired from the Board on July 1, 1971.

On October 7, 1971, Donald J. Walsh became a member of the Board following his appointment by the Honorable Richard J. Daley which was approved by the Honorable Richard B. Ogilvie. Mr. Walsh succeeded William W. McKenna who retired from the Board on November 1, 1971. Mr. McKenna had served on the Board since it was created in 1945.

personnel

Total employees in service at the close of the fiscal year ended December 25, 1971, numbered 12,774, a decrease of 87 from 12,861 in service at December 26, 1970.

During the fiscal year 1971, 454 employees retired on pension and 394 pensioners died. There were 5,248 retired employees on pension at the end of 1971.

The following changes were made in executive and supervisory positions in 1971:

Joseph Bolech was appointed Superintendent of Rapid Transit Shops and Terminals effective

March 14, succeeding H. G. Doering, deceased. Joseph A. Rosendhal was appointed Superintendent of Surface System Shops effective March 14.

Norman N. Graver was appointed Acting Superintendent of Security Operations effective July 1.

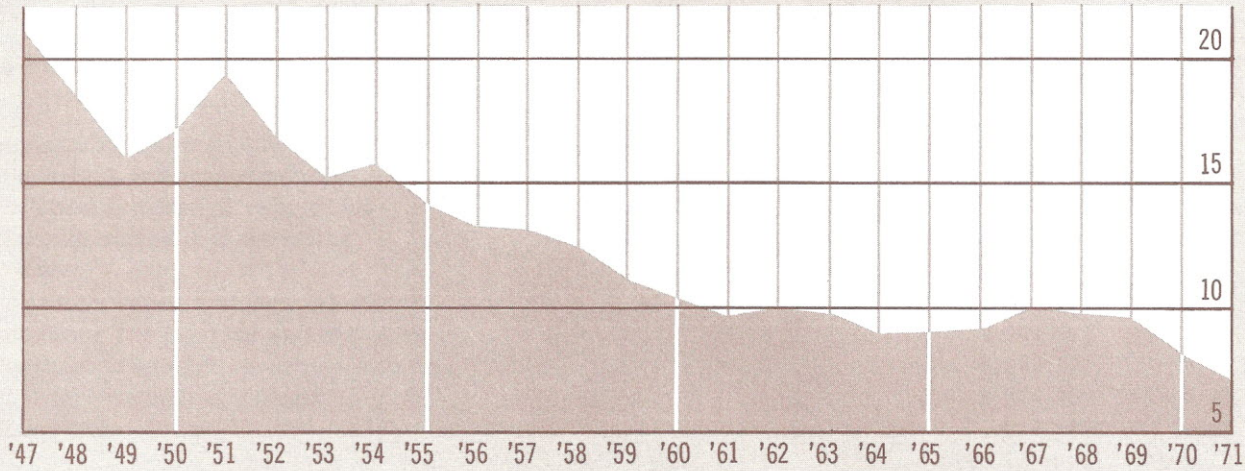
employment

The year 1971 was the first since 1950 during which the Authority maintained a full complement of bus operators. This reversal from the serious bus operator shortage of the past two decades was due primarily to rising unemployment in the Chicago metropolitan area. From an unemployment rate of about 3.0% in mid 1970, the rate began to climb and throughout 1971 ranged from 4.1% to 5.5%. This rate, although high for the Chicago area, was substantially lower than 6.2% nationwide.

Because of widespread unemployment, turnover of bus operators was at the lowest rate in many years. In the early and mid-sixties, the resignation rate averaged about 13.0%. Beginning in 1967 there was a steady decline in the rate and in 1971 it fell to a low 4.6%.

During the year, 4,457 applicants for full-time permanent jobs were accepted and 1,039 were hired. Of these, 441 were bus operators, the lowest total in the 22 years for which records are available. From a group of 2,143 applicants for temporary employment, 1,098 were hired. Of these, 703 were full-time temporary bus operators hired for the summer months to replace permanent bus operators on vacation. A total of 3,016

traffic and passenger accidents per 100,000 miles operated



employees applied for upgrading and transfer on 286 job vacancy bulletins. In addition, 847 employees applied on 32 announcements of training.

public safety

In 1971 CTA operating employees established the safest year in the Authority's 24-year history. Compared with 1970, the previous safest year, there were 1,822 fewer traffic and passenger accidents, a decrease of 15.2%. The traffic and passenger accident frequency rate of 7.1 accidents per 100,000 miles operated was also the lowest in CTA history, a reduction of 13.4% compared with the 1970 rate of 8.2.

Considering the surface and rapid transit systems separately, each system also set its own safest year in 1971. The surface system had 1,716

fewer traffic and passenger accidents than in 1970, its previous safest year, a 15.0% reduction. The rate, too, was substantially less; 11.6 in 1970 and 10.1 in 1971, a reduction of 13.2%.

The rapid transit system rate of 1.43 was 8.0% lower than its previous lowest rate of 1.55 set in 1969. In numbers of traffic and passenger accidents, there was an increase of 12 accidents compared with 1969. However, exposure to accidents increased in 1971 over 1969; the system operated 4,600,000 more miles and carried substantially more passengers.

The table below compares the 1971 public accident experience with that of 1970, CTA's previous safest year, and with 1954 when intensive safety-training activities began. Included are all accidents no matter how minor, even accidents in which other vehicles strike CTA vehicles.

	1971	1970	1954	1971 Decrease	
				From 1970	From 1954
Traffic accidents	6,604	7,846	16,300	15.83%	59.48%
Passenger accidents	3,592	4,172	9,678	13.90%	62.88%
Total accidents	<u>10,196</u>	<u>12,018</u>	<u>25,978</u>	<u>15.16%</u>	<u>60.75%</u>
Schedule miles on routes (in thousands)	<u>144,010</u>	<u>147,162</u>	<u>164,222</u>	<u>2.14%</u>	<u>12.31%</u>
Frequency rate—Accidents per 100,000 miles—					
Traffic accidents	4.59	5.33	9.93	13.88%	53.78%
Passenger accidents	2.49	2.83	5.89	12.01%	57.72%
Total accidents (rounded)	<u>7.1</u>	<u>8.2</u>	<u>15.8</u>	<u>13.41%</u>	<u>55.06%</u>

financial results

Operating revenues in 1971 increased \$6,309,404 (3.4%) over 1970 due principally to a fare increase effective July 8, 1970, raising the basic fare 5 cents to become 45 cents and the transfer charge from 5 to 10 cents. Increased wages and fringe benefits for the year account for the greater portion of the \$17,166,959 (9.58%) increase in operating expenses.

Operating revenues failed to cover operating expenses by \$5,204,226 for 1971 before applying grants. In addition, operating revenues, before applying grants, were short by \$8,011,928 to make deposits to the debt service funds in order to comply with the requirements of the Trust Agreement securing the Authority's revenue bonds. Revenues also failed to meet the depreciation provision requirements, resulting in a total revenue deficiency of \$28,503,096 for the year 1971 before applying grants.

During 1971 the Authority received \$3,500,000 from the City of Chicago and County of Cook to apply to operating losses and \$7,000,000 from the State of Illinois, of which \$6,301,435 was applied to meet debt service requirements on revenue bonds and balance was applied to equipment trust certificates debt service requirements. These grants and contributions, made possible by the enactment of an Emergency Transportation Act and the Transportation Bond Act by the Illinois General Assembly, reduced the deficiency in operating expenses to \$1,704,226 and after revenue bond debt service requirements to \$3,414,719. These deficiencies were met by reducing the Authority's working capital.

Comparative results of operations for the fiscal years 1971 and 1970 are shown below:

	<u>1971</u>	<u>1970</u>
Operating revenue	\$191,086,777	\$184,777,373
Operating expenses	<u>196,291,003</u>	<u>179,124,043</u>
Revenue available (deficiency) before grant and debt service . .	(5,204,226)	5,653,330
Grant from City of Chicago and County of Cook applied to operating deficiency	<u>3,500,000</u>	<u>—</u>
Net revenue available (deficiency) before debt service	(1,704,226)	5,653,330
Debt service requirements	<u>8,011,928</u>	<u>7,982,996</u>
Deficiency before grant and depreciation	(9,716,154)	(2,329,666)
Grant from State of Illinois applied to revenue bond debt service requirements*	<u>6,301,435</u>	<u>—</u>
Deficiency before depreciation	(3,414,719)	(2,329,666)
Depreciation requirement-current period	<u>15,286,942</u>	<u>14,782,190</u>
Net deficiency in revenue	<u>\$ (18,701,661)</u>	<u>\$ (17,111,856)</u>

*Total grant received from the State of Illinois was \$7,000,000. Balance not shown here was applied to equipment trust certificates debt service requirements.

The increase in passenger revenues presented in the table on Page 12 generally reflects a full year's operating experience following the fare increase in mid-1970. Rapid transit system revenues show a comparatively greater increase which can be attributed to a smaller ridership loss and new riding which continued to be generated by the opening of the Dan Ryan and Kennedy Extensions. Charter service revenues were up due to the reopening of McCormick Place and added school charter business. Other revenues, which include interest earnings from securities, decreased pri-

marily as a result of a decline in cash balances available for investment.

The comparison of operating expenses on Page 12 indicates a 9.58% increase for 1971, attributed to spiraling costs arising in all categories of expense.

Operating labor hours for the fiscal year 1971 totaled 24,390,849 compared to 24,798,182 for 1970, a decrease of 407,333.

An increase of 6.24% in wages and salaries for 1971 resulted from higher hourly wage rates and cost-of-living allowances as provided in the contracts negotiated December 1, 1968, and December

sources of revenue			Increase (Decrease)	
	1971	1970	Amount	Per Cent
Passenger revenues—				
Originating surface system	\$131,286,830	\$127,360,276	\$3,926,554	3.08
Originating rapid transit system . .	49,941,474	47,517,945	2,423,529	5.10
Student riding subsidy - State of Illinois	6,148,892	6,072,790	76,102	1.25
	187,377,196	180,951,011	6,426,185	3.55
Charter service	807,678	692,881	114,797	16.57
	188,184,874	181,643,892	6,540,982	3.60
Other revenues—				
Station and car privileges	1,056,775	1,002,740	54,035	5.39
Rent of buildings and other property .	541,091	543,611	(2,520)	(.46)
Miscellaneous	1,304,037	1,587,130	(283,093)	(17.84)
	2,901,903	3,133,481	(231,578)	(7.39)
Total operating revenue	\$191,086,777	\$184,777,373	\$6,309,404	3.41

operating expenses			Increase	
	1971	1970	Amount	Per Cent
Wages and salaries	\$132,794,246	\$124,992,345	\$ 7,801,901	6.24
Pension contributions	16,064,500	12,926,003	3,138,497	24.28
Federal insurance contributions . . .	5,349,990	4,870,517	479,473	9.84
Employees' insurance	7,108,691	4,485,795	2,622,896	58.47
Total labor costs	161,317,427	147,274,660	14,042,767	9.54
Electric power purchased	4,269,179	3,932,680	336,499	8.56
Motor bus fuel consumed	3,048,962	2,816,491	232,471	8.25
Operating material and supplies . . .	9,619,225	8,712,085	907,140	10.41
Provision for injuries and damages . .	9,554,339	9,238,869	315,470	3.41
Misc. services, supplies, etc.	8,481,871	7,149,259	1,332,612	18.64
Total operating expenses	\$196,291,003	\$179,124,044	\$17,166,959	9.58

1, 1971, with the Amalgamated Transit Union. These changes, applied to the basic bus operators wage rate, are as follows:

	Basic Hourly Rate	Cost-of- Living Allowance	Total
December 26, 1970 . . .	\$4.27	\$0.510	\$4.780
1971 changes—			
Effective March 1 . . .	—	+0.025	0.025
June 1 . . .	+0.08	+0.060	0.140
September 1 . . .	—	+0.025	0.025
December 1 . . .	+0.30	—	0.300
Net change-1971 . . .	<u>0.38</u>	<u>0.110</u>	<u>0.490</u>
December 25, 1971 . . .	<u>\$4.65</u>	<u>\$0.620</u>	<u>\$5.270</u>

Note: C-of-L of \$.62 frozen in contract change effective 12-1-71.

The Authority's pension contribution costs for the year 1971 increased 24.28% as a result of higher employee earnings and 1971 amendments to the plan which provide for increased benefits.

Federal Insurance Contribution Act costs for 1971 also increased due to higher earnings.

The most significant increase occurred in employees' group insurance costs due to additional benefits provided by wage contracts. This amounted to a 58.47% increase over 1970.

Operating materials and supplies costs increased over 1970 as a result of higher material prices.

Provision for injuries and damages was accrued at 5% of gross revenues in 1971.

Average cost per claim settled, excluding expenses, was \$300 in 1971 compared to \$295 in 1970. Suit costs, excluding expenses, averaged \$1,990 in 1971 compared to \$1,589 in 1970. The number of incidents during the year totaled 17,225 compared with 19,525 in 1970.

A comparison of claim and suit settlements and applicable expenses for the years 1971 and 1970 follows:

	1971	1970	Increase (Decrease)
Claim settlements—			
Number	12,014	14,341	(2,327)
Settlement costs	\$2,326,886	\$2,687,352	\$(360,466)
Expenses	<u>1,361,752</u>	<u>1,272,475</u>	<u>89,277</u>
Total cost of claims	<u>\$3,688,638</u>	<u>\$3,959,827</u>	<u>\$(271,189)</u>
Suit settlements—			
Number	2,892	3,088	(196)
Settlement costs	\$4,274,010	\$3,819,517	\$ 454,493
Expenses	<u>1,450,564</u>	<u>1,524,794</u>	<u>(74,230)</u>
Total cost of suits	<u>5,724,574</u>	<u>5,344,311</u>	<u>380,263</u>
Total costs	<u>\$9,413,212</u>	<u>\$9,304,138</u>	<u>\$ 109,074</u>

Debt service requirements were as follows:

	Interest	Principal and Sinking Funds	Total
Revenue bonds	\$2,217,750	\$5,794,178	\$8,011,928
Equipment trust certificates	323,021	1,374,165	1,697,186
Total	<u>\$2,540,771</u>	<u>\$7,168,343</u>	<u>\$9,709,114</u>

Debt Service Requirements on revenue bonds for 1971 increased \$28,932. Deposits to sinking funds increased \$688,978; deposits to series of 1947 Serial Bond Maturity Fund decreased \$483,-871. Interest payments to maturity decreased \$176,175 as a result of the retirement of bonds in 1971.

Series of 1947 serial bond maturity retirements of \$2,000,000 were at par. Current year sinking fund retirements of principal, the discount or premium involved, and future interest savings on these retirements are detailed below.

Series	Total Revenue Bonds Retired (Serial Maturities and Sinking Funds)		Sinking Fund Retirements			
	1971	Since Issue	Par Value	Cost	Discount (Premium)	Interest Savings to Maturity
1947	\$2,331,000	\$71,592,000	\$331,000	\$243,968	\$ 87,032	\$ 91,960
1952	75,000	7,220,000	75,000	50,252	24,748	38,522
1953	25,000	2,050,000	25,000	16,502	8,498	12,840
Total	<u>\$2,431,000</u>	<u>\$80,862,000</u>	<u>\$431,000</u>	<u>\$310,722</u>	<u>\$120,278</u>	<u>\$143,322</u>

Net principal savings to date by early retirement of term bonds at discounts amounted to \$3,675,022.

The annual interest reduction on \$431,000 retired in advance of maturity during 1971 amounts to \$16,912.

Provision for depreciation (8% gross revenue) increased \$504,752.

outlook for 1972

financial budget

An operating budget for the year 1972, approved by Chicago Transit Board in December, 1971, indicated that revenues of \$192,243,000 will not be sufficient to meet operating expenses of \$202,578,000. This left a shortage of \$10,335,000 in operating expenses, with no revenues available for debt service requirements of \$8,156,000 and the provision for depreciation (8% of gross revenues) of \$15,379,000, making a total deficiency in revenues of \$33,870,000 for the year 1972.

Labor costs for 1972 were estimated at November 30, 1971, levels with no provisions being made for any increases that may result from negotiations, in progress at the time with all unions representing the employees of the Authority, to replace contracts that expired November 30, 1971.

Passenger revenues were estimated to be \$189,129,000 or \$1,968,000 over 1971. The increase arises primarily from an expected increase in riding of 1.2% on the surface system and of .25% on the rapid transit system, plus student reimbursement not applied to 12 days of school closing in December, 1971, which is included in 1972 revenues. Decreases of \$39,000 in charter revenue and \$510,000 in miscellaneous revenues were anticipated for 1972.

Departmental operations and maintenance expenses were estimated to be \$202,578,000 or \$6,362,000 more than 1971. Labor cost increases account for \$5,285,000 of the above. Material costs were estimated to increase \$219,000 and miscellaneous services to increase \$564,000. Labor costs budgeted were based on wage rates in effect at November 30, 1971.

Subsequent to the adoption of this budget the Federal Pay Board approved negotiated increases amounting to 5.5% of the current wage rates, including fringe benefits. The basic increase for bus operators was 30 cents per hour effective December 1, 1971. This increase has added approximately \$10,000,000 to the budgeted deficit for 1972. As of September 30, 1972, the anticipated increase in riding and passenger revenues has not materialized. Such revenues are now estimated at \$183,000,000 for 1972.

budget for capital projects

As mentioned earlier in this report, the CTA embarked on a major facility renewal program financed by the Federal Government and the State of Illinois.

The budget approved late in 1971 for the first phase is as follows:

49-53 passenger bus (525)	\$22,338,000
Rapid transit cars (100-120)	19,762,000
Equipment renovation and improvements . . .	11,006,000
Rehabilitation/renovation of facilities and right-of-way	11,594,000
Purchase and installation of service, maintenance and support equipment	1,918,000
Grantee staff force work and materials related to items listed above	6,051,000
Contingencies and other	<u>7,031,000</u>
Total	<u>\$79,700,000</u>

To be financed by:

Federal government	\$53,100,000
State of Illinois	<u>26,600,000</u>
Total	<u>\$79,700,000</u>

Contingent upon monies that may become available in the depreciation reserve fund, additional capital outlays for the fiscal year 1972 were estimated to be \$6,570,000. Included in this amount was \$1,279,000 which represented the Authority's share of cost for various capital improvements, with the remaining costs to be financed through the anticipated receipt of additional grants. A majority of the remaining capital budget was committed for other projects urgently needed.

Major capital items budgeted were as follows:

Equipment trust certificate costs	\$1,698,000
Purchase of fare boxes	800,000
Substation conversion	1,205,000
Rapid transit system track and structure . . .	212,000
Surface system buildings and construction . . .	1,758,000
Rapid transit system buildings and construction .	112,000
Surface system electrical construction	81,000
Rapid transit system electrical construction . .	324,000
Purchase of shop tools and equipment	5,000
Purchase of Stores Department equipment	5,000
General and administrative costs capitalized . .	325,000
Purchase and sale of real estate	<u>45,000</u>
Total	<u>\$6,570,000</u>

To be financed by:

Chicago Transit Authority	\$2,388,000
Federal government	852,000
State of Illinois	2,848,000
Commonwealth Edison Co.	<u>482,000</u>
Total	<u>\$6,570,000</u>

financial statements

To Chicago Transit Board of Chicago Transit Authority:

We have examined the balance sheets and statements of long-term debt of CHICAGO TRANSIT AUTHORITY ("Authority") (an Illinois municipal corporation) as of December 25, 1971, and December 26, 1970, the related statements of application of revenue for the fifty-two week periods then ended, and the statements of changes in appropriated net earnings and of funds for the fifty-two week period ended December 25, 1971. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As indicated in the accompanying financial statements and in the notes thereto, the Authority has significant financial problems. The recovery of the cost of its transportation property, materials and supplies and other assets, and therefore its ability to meet its obligations and to comply with the terms of the revenue bond and equipment trust agreements depends upon the adequacy of its revenues, which were not adequate for the fifty-two week periods ended December 25, 1971, and December 26, 1970, nor are they budgeted to be adequate for 1972. In 1971, however, the Authority received grants applied to operating losses and debt service from local and state governments, operates transportation property financed by local, state and Federal grants and is presently applying for additional grants.

Because of the matters referred to in the preceding paragraph, we are unable to express an opinion on the accompanying financial statements taken as a whole. In our opinion, however, the amounts shown in the accompanying balance sheets and statement of funds for cash and U.S. Government securities held in the various funds and accounts, accounts receivable, contributions and grants, accrued interest, the amounts listed under other current liabilities and the amounts shown in the accompanying statements of application of revenue for operating revenue and operating expenses, except for the effect of the matter described in Note 10, are presented fairly in conformity with generally accepted accounting principles and/or as specifically provided in the revenue bond trust agreement consistently applied, except as indicated in Note 11, during the periods.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 31, 1972.

balance sheets *as of December 25, 1971, and December 26, 1970*

assets

	<u>1971</u>	<u>1970</u>
Transportation Property, at cost, excluding \$152,000,000 of property and equipment owned and/or financed by others and operated by the Authority	\$247,713,092	\$251,917,004
Less—Reserve for depreciation	<u>162,442,802</u>	<u>148,782,584</u>
	<u>\$ 85,270,290</u>	<u>\$103,134,420</u>
Special Funds, cash and U.S. Government securities, at cost (see accompanying Statement of Funds):		
Held by revenue bond Trustee—		
Depreciation reserve (Notes 1, 2 and 5)	\$ 679,896	\$ 1,845,869
Transit revenue--grant from State of Illinois for debt service . .	51,362	—
Interest on revenue bonds	1,056,961	1,115,037
Interest on equipment trust certificates	24,286	28,223
Damage reserve (Note 6)	<u>3,346,075</u>	<u>3,204,948</u>
	<u>\$ 5,158,580</u>	<u>\$ 6,194,077</u>
Other Current Assets (Notes 2 and 3):		
Working cash account, cash and U.S. Government securities, at cost .	\$ 9,548,176	\$ 17,864,977
Accounts receivable, less reserve	7,986,212	4,736,600
Materials and supplies, at average cost less reserve	6,625,242	6,299,832
Other	<u>1,024,118</u>	<u>1,147,403</u>
	<u>\$ 25,183,748</u>	<u>\$ 30,048,812</u>
	<u>\$115,612,618</u>	<u>\$139,377,309</u>
liabilities		
Long-Term Debt, including \$8,039,415 debt service requirements due within one year (see accompanying statement) (Notes 3, 4 and 5):		
Revenue bonds, after deducting amounts held by Trustee for payment of principal (Note 2)	\$ 41,274,068	\$ 47,465,226
Equipment trust certificates, after deducting amounts held by Trustee for payment of principal	<u>7,542,500</u>	<u>8,916,665</u>
	<u>\$ 48,816,568</u>	<u>\$ 56,381,891</u>
Long-Term Construction Contracts	\$ —	\$ 841,228
Appropriated Net Earnings (see accompanying statement)	\$ 25,385,640	\$ 47,984,541
Contributions and Grants (Note 3):		
Contributions from City of Chicago and County of Cook applied to operating losses	\$ 3,500,000	\$ —
Grants from State of Illinois applied to debt service requirements of revenue bonds and equipment trust certificates	<u>7,000,000</u>	<u>—</u>
	<u>\$ 10,500,000</u>	<u>\$ —</u>
Accrued Interest On Long-Term Debt, due within one year:		
Revenue bonds	\$ 1,056,961	\$ 1,115,037
Equipment trust certificates	24,286	28,223
	<u>\$ 1,081,247</u>	<u>\$ 1,143,260</u>
Other Current Liabilities:		
Accounts payable	\$ 8,934,627	\$ 8,001,232
Accrued wages and vacation pay (Note 10)	10,063,199	10,731,110
Deferred revenue	—	3,803,096
Unredeemed tokens	<u>1,726,381</u>	<u>1,527,123</u>
	<u>\$ 20,724,207</u>	<u>\$ 24,062,561</u>
Damage Reserve (Note 6)	\$ 9,104,956	\$ 8,963,828
	<u>\$115,612,618</u>	<u>\$139,377,309</u>

statements of application of revenue for the fifty-two week periods ended December 25, 1971,

and December 26, 1970

	<u>1971</u>	<u>1970</u>
Operating Revenue:		
Passenger transportation	\$188,184,874	\$181,643,892
Other	<u>2,901,903</u>	<u>3,133,481</u>
	<u>\$191,086,777</u>	<u>\$184,777,373</u>
Operating Expenses (Notes 10 and 11):		
Operations and maintenance—		
Scheduled transit operations	\$100,262,685	\$ 93,764,832
Maintenance and servicing	43,121,783	37,877,880
Other	7,073,064	6,837,118
Superintendence and general office	28,144,929	23,838,901
Provision for injuries and damages	9,554,339	9,238,869
Electric power for revenue equipment	4,269,179	3,932,680
Fuel for revenue equipment	3,048,962	2,816,491
Operating rentals	<u>816,062</u>	<u>817,272</u>
	<u>\$196,291,003</u>	<u>\$179,124,043</u>
Revenue Available (Deficiency) before revenue bond debt service requirements	<u>\$ (5,204,226)</u>	<u>\$ 5,653,330</u>
Revenue Bond Debt Service Requirements:		
Interest	\$ 2,217,750	\$ 2,393,925
Serial bond maturity fund	1,510,753	1,994,624
Sinking funds	<u>4,283,425</u>	<u>3,594,447</u>
	<u>\$ 8,011,928</u>	<u>\$ 7,982,996</u>
Deficiency in Revenue before depreciation (Note 1)	<u>\$ (13,216,154)</u>	<u>\$ (2,329,666)</u>
Depreciation Requirement—Current Period (Note 5)	<u>(15,286,942)</u>	<u>(14,782,190)</u>
Deficiency in Revenue before applying contributions and grants (Note 1)	<u>\$ (28,503,096)</u>	<u>\$ (17,111,856)</u>
Contributions and Grants (Note 3):		
Contributions from City of Chicago and County of Cook applied to operating losses	\$ 3,500,000	\$ —
Grant from State of Illinois applied to revenue bond debt service requirement	<u>6,301,435</u>	<u>—</u>
	<u>\$ 9,801,435</u>	<u>\$ —</u>
Deficiency in Revenue after applying contributions and grants (Note 1)	<u>\$ (18,701,661)</u>	<u>\$ (17,111,856)</u>
Transfers From Reserve Funds due to deficiency in revenue available for:		
Operating expenses from operating expense reserve fund	\$ —	\$ (94,755)
Revenue bond debt service requirements from—		
Operating expense reserve fund	—	(128,300)
Depreciation reserve fund	<u>—</u>	<u>(3,044,432)</u>
	<u>\$ —</u>	<u>\$ (3,267,487)</u>
Reduction in Working Capital due to deficiency in revenue available to provide for:		
Operating expenses	(1,704,226)	—
Revenue bond debt service requirements (Note 2)	<u>(1,710,493)</u>	<u>(412,816)</u>
	<u>\$ (3,414,719)</u>	<u>\$ (3,680,303)</u>
Deficiency in Meeting Depreciation Requirement, representing revenue not available for deposit in depreciation reserve fund (Note 5)	<u>(15,286,942)</u>	<u>(13,431,553)</u>
Deficiency in Revenue, as above	<u>\$ (18,701,661)</u>	<u>\$ (17,111,856)</u>

The accompanying notes to financial statements are an integral part of these statements.

statements of long-term debt as of December 25, 1971, and December 26, 1970

	<u>Dec. 25, 1971</u>	<u>Dec. 26, 1970</u>
Revenue Bonds (Notes 2, 4 and 5):		
Series of 1947, 3 ⁵ / ₈ % to 3 ³ / ₄ %, due through 1978	\$33,408,000	\$36,077,000
Series of 1952, 4 ¹ / ₂ %, due 1982	15,780,000	15,944,000
Series of 1953, 4 ¹ / ₂ %, due 1982	<u>4,950,000</u>	<u>5,002,000</u>
	\$54,138,000	\$57,023,000
Less—Funds held by Trustee for payment of principal (see accompanying Statement of Funds)	<u>12,863,932</u>	<u>9,557,774</u>
	<u>\$41,274,068</u>	<u>\$47,465,226</u>
Equipment Trust Certificates (Notes 4 and 5):		
Series 10, 3.20% to 3.25%, due through 1973	\$ 1,125,000	\$ 1,875,000
Series 11, 3.75% to 3.90%, due through 1976	<u>6,535,000</u>	<u>7,155,000</u>
	\$ 7,660,000	\$ 9,030,000
Less—Funds held by Trustee for payment of principal (see accompanying Statement of Funds)	<u>117,500</u>	<u>113,335</u>
	<u>\$ 7,542,500</u>	<u>\$ 8,916,665</u>
	<u>\$48,816,568</u>	<u>\$56,381,891</u>

Debt service requirements for fiscal 1972 for the payment of principal on revenue bonds and equipment trust certificates consist of the following:

	<u>Total</u>	<u>Revenue Bonds</u>	<u>Equipment Trust Certificates</u>
Serial bond maturity	\$1,016,129	\$1,016,129	\$ —
Sinking funds	5,599,953	5,599,953	—
Principal payment funds	<u>1,423,333</u>	<u>—</u>	<u>1,423,333</u>
	<u>\$8,039,415</u>	<u>\$6,616,082</u>	<u>\$1,423,333</u>

The accompanying notes to financial statements are an integral part of these statements.

notes to financial statements

(1) Revenue of each month, after deducting operating expenses, is, in the opinion of the Authority, to be deposited in the following funds, in the order shown, to the extent that moneys are available therefor:

- A. Revenue bond interest funds, serial bond maturity fund, sinking funds and revenue bond reserve funds—deposits equal to debt service requirements as provided in the Revenue Bond Trust Agreement.
- B. Depreciation reserve fund—deposits equal to the monthly depreciation provision and deficiencies in prior years' deposits.
- C. Revenue bond amortization fund—deposits, cumulative within the year, equal to \$300,000 quarterly for the Series of 1947 and 1952 revenue bonds and \$16,714 quarterly for the Series of 1953 revenue bonds.
- D. Operating expense reserve fund—deposit to

be not less than \$900,000 each year, until the balance in the fund is equal to at least \$4,000,000.
E. Municipal compensation fund—deposit to be computed in accordance with the franchise ordinance.

F. Modernization fund—deposits to be equal to the moneys remaining after making required deposits to the above funds.

Revenue bond reserve requirements were met in prior years. Amounts deposited in revenue bond reserve funds can be used only for (a) payment of principal or interest on revenue bonds whenever on any principal or interest payment date there would be insufficient moneys held by the Trustee in applicable principal, interest and other funds, or (b) retirement of remaining bonds outstanding whenever the aggregate amount in the revenue bond reserve fund, revenue bond amortization fund and sinking fund for any series is equal to the amount of applicable series bonds then outstanding.

statement of changes in appropriated net earnings *for the fifty-two week period ended December 25, 1971*

	<u>Total</u>	<u>Amounts Applied for Retirement of Revenue Bonds</u>	<u>Deficiency in Meeting Depreciation Requirement</u>	<u>Other (Net)</u>
Balance, December 26, 1970, as originally reported	\$ 47,984,541	\$87,534,774	\$(31,509,284)	\$ (8,040,949)
Adjustment to reflect cash deposits based on monthly results	—	—	(68,346)	68,346
Balance, December 26, 1970, as adjusted	<u>\$ 47,984,541</u>	<u>\$87,534,774</u>	<u>\$(31,577,630)</u>	<u>\$ (7,972,603)</u>
Deficiency in revenue before applying contributions and grants (per accompanying Statements of Application of Revenue)	\$(28,503,096)	\$ —	\$(15,286,942)	\$(13,216,154)
Retirement of Revenue Bonds:				
Gain on retirement of revenue bonds	257,171	257,171	—	—
Interest earned on investments held for—				
Sinking funds	86,824	86,824	—	—
Revenue bond reserve funds	52,985	52,985	—	—
Current requirements—				
Serial bond maturity fund	1,510,753	1,510,753	—	—
Sinking funds	4,283,425	4,283,425	—	—
Interest earned on investments held for depreciation reserve fund	36,058	—	—	36,058
Interest expense on equipment trust certificates	(323,021)	—	—	(323,021)
Net change	<u>\$(22,598,901)</u>	<u>\$ 6,191,158</u>	<u>\$(15,286,942)</u>	<u>\$(13,503,117)</u>
Balance, December 25, 1971	<u>\$ 25,385,640</u>	<u>\$93,725,932</u>	<u>\$(46,864,572)</u>	<u>\$(21,475,720)</u>

The accompanying notes to financial statements are an integral part of this statement.

(2) As set forth in the Statements of Application of Revenue, deficiencies in revenue available to provide for revenue bond debt service requirements of \$1,710,493 and \$412,816 in the 52-week periods ended December 25, 1971, and December 26, 1970, respectively, after applying grants and transfers from the operating expense reserve fund and the depreciation reserve fund are reflected as reductions of working capital in the accompanying financial statements.

Deposits equal to debt service requirements on revenue bonds are made at the beginning of each month from moneys on deposit in the transit revenue fund before provisions have been made for such month's operating expenses. Under the conditions prevailing during 1971 and 1970, a question of the proper legal interpretation of the Revenue Bond Trust Agreement exists as to whether such deposits for debt service should be made from the transit revenue fund or whether, instead, transfers

should be made from reserve funds to provide for debt service requirements.

(3) In 1971, the Illinois General Assembly enacted the Emergency Public Transportation Assistance Act and the Transportation Bond Act. The Emergency Public Transportation Assistance Act provided for grants of \$19,000,000 to the Authority for payment of principal of and interest on bonds, certificates, equipment trust certificates or other evidences of indebtedness upon receipt by the Authority of funds equal to at least 50% of such grants from the City of Chicago, County of Cook, or any other unit of local government, or combination thereof served by the Authority. The emergency state grants are to be financed from the proceeds of bonds sold under the Transportation Bond Act.

In 1971, the Authority received a \$7,000,000 grant from the State of Illinois which was applied to debt service requirements after receiving from the City of Chicago and County of Cook, \$3,500,000 for op-

statement of funds for the fifty two week period ended December 25, 1971

FUND	Balance Dec. 26, 1970, Before Transfers (Cash and U. S. Government Securities)	COLLECTED		Net Transfers Between Funds Made in 1971	Disbursements
		Revenue and Other Receipts	Interest Income		
Held By Revenue Bond Trustee:					
Transit revenue	\$17,360,087	\$200,871,407	\$ 393,460	\$(213,947,559)	\$ —
Interest funds	1,146,278	—	33,379	2,188,363	(2,275,825)
Serial bond maturity	1,000,000	—	63,854	1,436,146	(2,000,000)
Sinking funds	977,496	—	86,824	4,378,959	(627,829)
Revenue bond reserve funds	7,656,760	—	332,345	(345,305)	—
Depreciation reserve	1,693,821	—	36,058	(1,049,983)	—
Modernization (Note 12)	—	—	—	3,159,162	(3,159,162)
Held By Equipment Trustee:					
For payment of interest	28,223	—	3,959	323,021	(330,917)
For payment of principal	113,335	—	16,919	1,374,165	(1,386,919)
Other:					
Working cash account	1,028,800	—	1,260	201,753,453	(199,275,631)
Contributions and grants	—	10,500,000	—	(8,748,770)	—
Damage reserve	2,725,363	—	113,800	9,478,348	(9,438,957)
Total	\$33,730,163	\$211,371,407	\$1,081,858	\$ —	\$(218,495,240)

erating losses. In 1972, subsequent to the date of the auditors' report, the Authority received the remaining \$12,000,000 grant from the State after receiving \$6,000,000 from the City and County which was applied to operating losses.

Before giving effect to grants received in 1972, unaudited results reported for the forty weeks ended September 30, 1972, show that revenue was not sufficient to provide for operating expenses before depreciation by \$21,854,813 and revenue bond debt service requirements of \$6,268,083. Also, at the end of such period, unaudited reports indicate that the Authority's current liabilities exceeded its current assets and, therefore, provisions for operating expenses and debt service requirements are depleting current assets available for operating expenses and other costs incurred in prior periods.

(4) The Chicago Transit Board, in its annual budget, estimated that 1972 revenues will be insufficient to provide for operating expenses by approximately \$10,335,000, principal and interest payments on the revenue bonds by \$8,156,000 and provision for depreciation of \$15,379,000. After adoption of this budget, new wage contracts were negotiated which are estimated to increase the estimated operating deficiency by approximately \$10,000,000 and, as ex-

plained in Note 10, additional provisions for employee benefits will further increase the estimated operating deficiency by approximately \$2,500,000.

(5) The trust agreement securing the revenue bonds requires the Authority to set aside monthly in the depreciation reserve fund an amount not less than 8% of revenue to provide for replacement of the transportation system, principal and interest on equipment trust certificates and, whenever revenues are insufficient, principal and interest on the revenue bonds. As set forth in the accompanying Statements of Application of Revenue, revenue was not sufficient to meet this depreciation requirement by \$15,286,942 in 1971, and \$13,431,553 in 1970.

Although as set forth in the accompanying Statement of Changes in Appropriated Net Earnings the cumulative deficiency in meeting the depreciation requirement amounted to \$46,864,572, the Authority operates as part of its transportation system property financed in whole or in part by local, state and Federal grants, which is not reflected in its accounts, amounting to approximately \$130,000,000. Also as described in Note 9, the Authority has entered into additional capital grant contracts of approximately \$79,700,000.

Under the equipment trust agreement, the Authority

Balance, December 25, 1971, Before Giving Effect to Transfers to be Made Between Funds			Net Transfers Between Funds to be Made After Dec. 25, 1971	Balance, December 25, 1971, After Giving Effect to Transfers to be Made Between Funds		
HELD AS				CLASSIFIED AS		
Cash	U.S. Government Securities	Total		Special Funds	Other Current Assets	Reduction of Long-Term Debt
\$ 4,677,395	\$ —	\$ 4,677,395	\$(4,626,033)	\$ 51,362	\$ —	\$ —
12,227	1,079,968	1,092,195	(35,234)	1,056,961	—	—
5,829	494,171	500,000	(16,129)	—	—	483,871
3,574	4,811,876	4,815,450	(79,189)	—	—	4,736,261
3,543	7,640,257	7,643,800	—	—	—	7,643,800
29,143	650,753	679,896	—	679,896	—	—
—	—	—	—	—	—	—
795	23,491	24,286	—	24,286	—	—
3,002	114,498	117,500	—	—	—	117,500
3,493,657	14,225	3,507,882	6,040,294	—	9,548,176	—
1,751,230	—	1,751,230	(1,751,230)	—	—	—
993,774	1,884,780	2,878,554	467,521	3,346,075	—	—
<u>\$10,974,169</u>	<u>\$16,714,019</u>	<u>\$27,688,188</u>	<u>\$ —</u>	<u>\$5,158,580</u>	<u>\$9,548,176</u>	<u>\$12,981,432</u>

The accompanying notes to financial statements are an integral part of this statement.

covenants that it will maintain a minimum balance (\$2,268,000 at December 25, 1971) in the depreciation reserve fund as long as any certificates remain outstanding. The equipment trust agreement Trustee (subject to certain requirements which pertain to length of time a deficiency exists, proper notice, etc.) may, in the event the Authority fails to comply with the terms and covenants of the agreement, declare the unpaid principal amount of the equipment trust certificates to be due and payable and may repossess all or any part of the 572 motor buses and 493 elevated-subway cars pledged as collateral. At December 25, 1971, the balance of the depreciation reserve fund was \$679,896.

Property costs aggregating \$1,985,364 at December 25, 1971, chargeable in whole or in part to the depreciation reserve fund have not been charged thereto, but have reduced working capital. At December 25, 1971, the remaining balance to be paid from the depreciation reserve fund on the equipment trust certificates was \$7,542,500, and of this amount, \$1,423,333 is due in 1972 as well as interest of \$274,690.

(6) The trust agreement securing the revenue bonds provides that the Authority shall set aside monthly in a damage reserve fund for the defense of

all claims and the payment of all judgments for injuries and damages, such amounts as deemed necessary by the Chicago Transit Board. As of December 25, 1971, it is estimated that approximately 7,800 claims and suits for injuries and damages remain to be settled; the balance in the damage reserve fund is \$3,346,075.

While the cost of settling such claims and suits is at best a difficult estimate, if such an estimate is based on the experience of the previous five years, the estimated cost of future settlements will approximate \$10,100,000. If such an estimate is based upon 1971 costs, the estimated cost of future settlements will approximate \$11,300,000. The funds to pay future settlements in excess of \$3,346,075 will have to be provided from future revenues or other assets, if available.

(7) The Revenue Bond Trust Agreement and the Metropolitan Transit Authority Act provide that the Board shall fix rates and charges for transportation that shall at all times be sufficient in the aggregate to provide for the payment of all operating expenses, debt service requirements and the creation and maintenance of an adequate depreciation reserve fund. If and whenever there shall be a failure on the part of the Authority to observe any covenant

of the revenue bond trust agreement, the Trustee may institute any appropriate legal, equitable or other proceedings for the purpose of specifically enforcing such covenant, provided, however, no such proceedings shall result in a lien or a foreclosure of any physical property of the Authority.

(8) The trust agreement securing the revenue bonds provides that the Authority shall set aside monthly for pensions and retirements such amounts as deemed necessary by the Chicago Transit Board. Under its pension agreement, the Authority has agreed to contribute a fixed percentage of payroll costs to a contributory retirement plan maintained for the benefit of its employees.

The Authority's pension contribution for the 52-week period ended December 25, 1971, of \$16,019,000 was equal to normal cost and interest on and a reduction of unfunded prior-service cost. Such amount reflects increased contributions of \$1,960,000 because of 1971 amendments to the plan which provide for increased benefits. The actuarially computed value of vested benefits of the plan as of January 1, 1971, the date of the last actuarial valuation, exceeded the total of the assets of the plan and accruals for pensions by approximately \$104,000,000.

(9) On February 23, 1972, the Authority entered into a capital grant contract with the Department of Transportation, Urban Mass Transportation Administration (DOT-UMTA). The contract provides for a grant from DOT-UMTA to finance two thirds or approximately \$53,100,000 of the cost of a capital improvement project estimated to aggregate \$79,700,000. In June 1972, the Authority entered into an agreement with the State of Illinois for a capital grant of up to \$26,600,000 under the provisions of the Transportation Bond Act to provide the remaining one third of the estimated project cost required by the contract with DOT-UMTA.

(10) Employee benefits are distributed to functional expense classifications throughout the year at estimated rates. The increased costs of such benefits were not fully provided through the application of such rates in 1971, and therefore, will be provided and distributed to operating expenses in 1972. If such costs had been fully provided in 1971, operating expenses and accrued wages and vacation pay would have been increased approximately \$2,500,000.

(11) In prior years the Authority capitalized replacements of track, electrical equipment, etc., based on "property units" as defined several years ago. Such replacements were charged to the depreciation reserve fund. In 1971, the cost of certain necessary replacements of track and associated equipment approximating \$600,000, which would have been considered "property units" was charged to maintenance expense because of the restriction on funds available in the depreciation reserve fund. In the opinion of management, such emergency replacements were necessary for the proper operation and maintenance of the rapid transit system and, therefore, were operating in nature and properly classified as maintenance expense under the terms of the Revenue Bond Trust Agreement.

(12) During 1971 the Authority sold several parcels of land. In accordance with the Revenue Bond Trust Agreement, the net proceeds of \$3,159,000 were deposited in the Modernization Fund. Consistent with the practice adopted in prior years, no gain was recognized on the sale since the parcels sold are a part of the remaining cost of transportation property acquired from predecessor companies. Such net proceeds were transferred to the working cash account as a reimbursement for property costs, including costs incurred in prior years, which had not been charged to the depreciation reserve or modernization funds.

event subsequent to date of auditors' report

Because of the question of the proper legal interpretation of the Revenue Bond Trust Agreement, which is described in Note 2, the Trustee has stopped purchasing revenue bonds from funds on deposit in the sinking funds. In July 1972 a complaint naming the Authority and Trustee as defendants was filed which requests, among other things, that the Trustee be directed to disburse the funds in the sinking funds in the purchase or redemption of the Authority's revenue bonds.

The complaint also requests that no funds received by the Authority under the Emergency Public Transportation Assistance Act enacted by the Illinois General Assembly in 1971 be paid into the Authority's Working Cash Account. No injunction has been issued. The Authority has used the funds received under the Emergency Public Transportation Assistance Act to the extent required, as reimbursements to the transit revenue fund and the depreciation reserve fund for debt service requirements to the extent that the monthly deposits made by the Trustee exceeded revenues available for such requirements.

statement of transportation property and organization expense

showing balance at December 26, 1970, plus additions and less retirements during 1971 and balance at December 25, 1971

	Balance Dec. 26, 1970	Gross Additions	Retirements	Balance Dec. 25, 1971
Land	\$ 14,460,879	\$ 10,615	\$ —	\$ 14,471,494
Track and Paving	14,041,614	(221,602)	96,908	13,723,104
Machinery and Tools	6,329,452	817,140	51,822	7,094,770
Electric Line Equipment	9,195,645	(33,076)	460,953	8,701,616
Buildings	37,619,115	(414,756)	406,034	36,798,325
Cars	62,859,541	3,606	141,826	62,721,321
Buses, Fare Boxes, etc.	71,252,010	(67,942)	2,956,166	68,227,902
Work Cars, Autos and Service Equipment	2,453,604	67,787	35,961	2,485,430
Furniture	1,783,489	47,852	666	1,830,675
Signals and Interlocking	3,159,669	31,371	371,276	2,819,764
Crossings, Fences and Signs	1,430,924	—	283	1,430,641
Elevated Structures	9,787,476	96,074	63,023	9,820,527
Substation Equipment	6,863,069	606,597	194,763	7,274,903
Substation Under Long Term Construction				
Contracts	1,600,000	—	758,772	841,228
Telephone and Communications	1,031,518	49,468	18,423	1,062,563
Engineering	46,623	—	—	46,623
General and Miscellaneous	7,917,060	428,436	68,606	8,276,890
Total Transportation Property	<u>\$251,831,688</u>	<u>\$1,421,570</u>	<u>\$5,625,482</u>	<u>\$247,627,776</u>
Organization Expense	85,316	—	—	85,316
Totals	<u>\$251,917,004</u>	<u>\$1,421,570</u>	<u>\$5,625,482</u>	<u>\$247,713,092</u>

(Denotes red figures)

revenue equipment

	On Hand Dec. 26, 1970	Dec. 26, 1970, to Dec. 25, 1971		On Hand Dec. 25, 1971
		Acquired	Retired	
Buses:				
Propane (1950-59)	1,293	—	106	1,187
Diesel (1950-60)	92	—	25	67
Trolley (1951-52)	314	—	40	274
Diesel (1961-69)	1,215	—	—	1,215
Propane (1963)	150	—	—	150
Diesel—Air-Conditioned (1965)	10	—	—	10
Total Buses	<u>3,074</u>	<u>—</u>	<u>171</u>	<u>2,903</u>
Rapid Transit Cars:				
Steel—Conventional Type (1922-25)	203	—	23	180
Metal—Articulated P.C.C. (1947-48)	4	—	—	4
Metal—P.C.C. (1950-60)	768	—	—	768
Metal—Air-Conditioned (1964)	180	—	—	180
Metal—Air-Conditioned (1969-70) (1)	150	—	—	150
Total Rapid Transit Cars	<u>1,305</u>	<u>—</u>	<u>23</u>	<u>1,282</u>
Total Passenger Equipment	<u>4,379</u>	<u>—</u>	<u>194</u>	<u>4,185</u>

(1) Purchased by joint City of Chicago-U.S. Department of Transportation funds for operation on the Dan Ryan and Kennedy Extensions.

mileage owned, leased, and operated *as of December 25, 1971*

	<u>Surface System</u>	<u>Rapid Transit System</u>	<u>Combined</u>
Track:			
Owned	1.86	169.60	171.46
Leased—			
State Street Subway	—	9.50	
Dearborn Street Subway	—	8.80	
Eisenhower Expressway (Halsted to Laramie)	—	12.83	
Lake Route (Laramie to Harlem)	—	7.15	
	<u>—</u>	<u>38.28</u>	38.28
Contributed (City and Federal)—			
Englewood Route (Loomis to Ashland)	—	1.33	
Dan Ryan Expressway (17th to 95th)	—	21.76	
Kennedy Expressway (Gale to Cornelia) and Kimball-Milwaukee Subway	—	11.33	
	<u>—</u>	<u>34.42</u>	34.42
Total	<u>1.86</u>	<u>242.30</u>	<u>244.16</u>
Revenue:			
Track	—	191.60	191.60
Trolley Bus Routes	149.00	—	149.00
Motor Bus Routes	1,706.00	—	1,706.00
	<u>1,855.00</u>	<u>191.60</u>	<u>2,046.60</u>
Non-Revenue:			
Track	(1)1.86	(2)50.70	52.56
Trolley Bus Wire	20.41	—	20.41
	<u>22.27</u>	<u>50.70</u>	<u>72.97</u>
Total	<u>1,877.27</u>	<u>242.30</u>	<u>2,119.57</u>

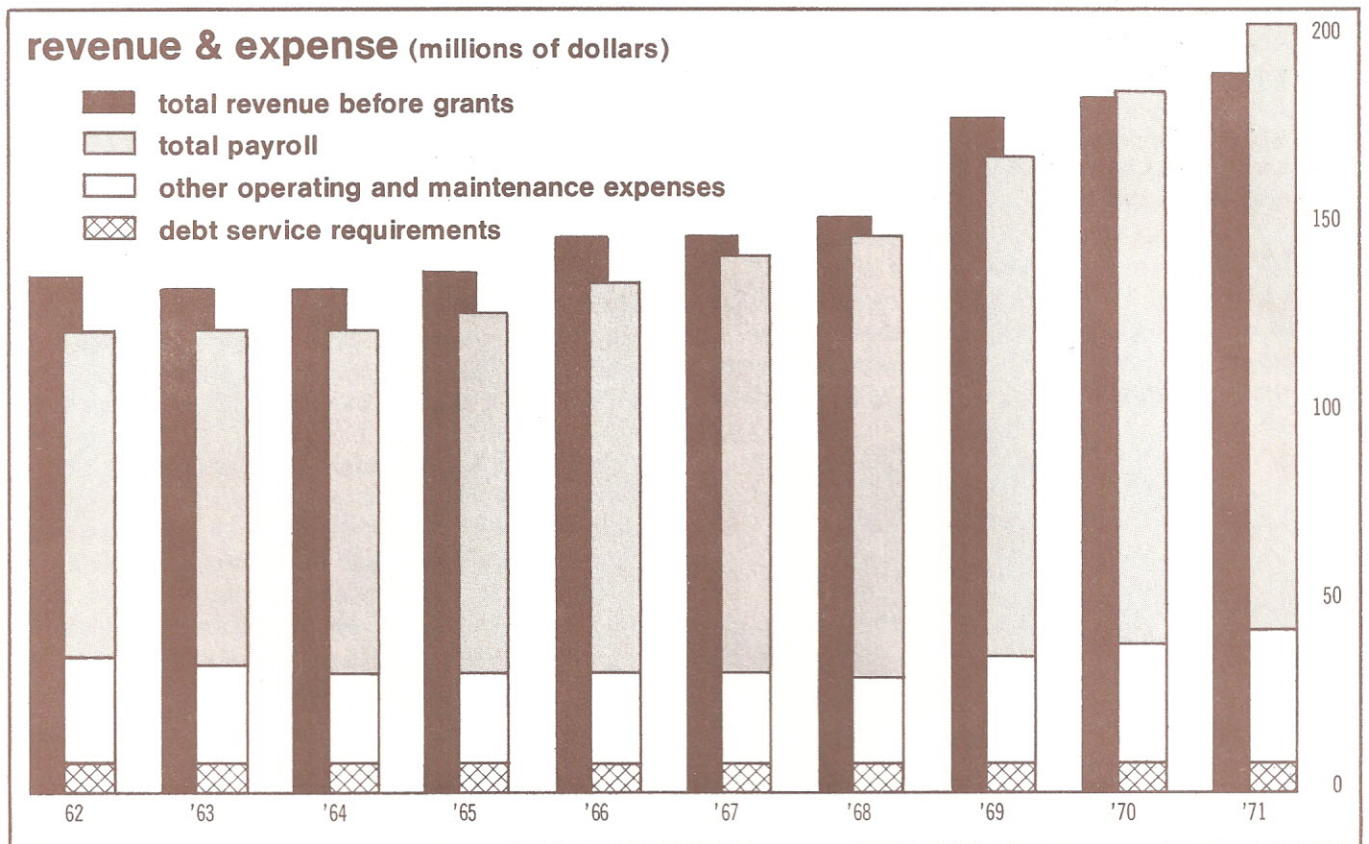
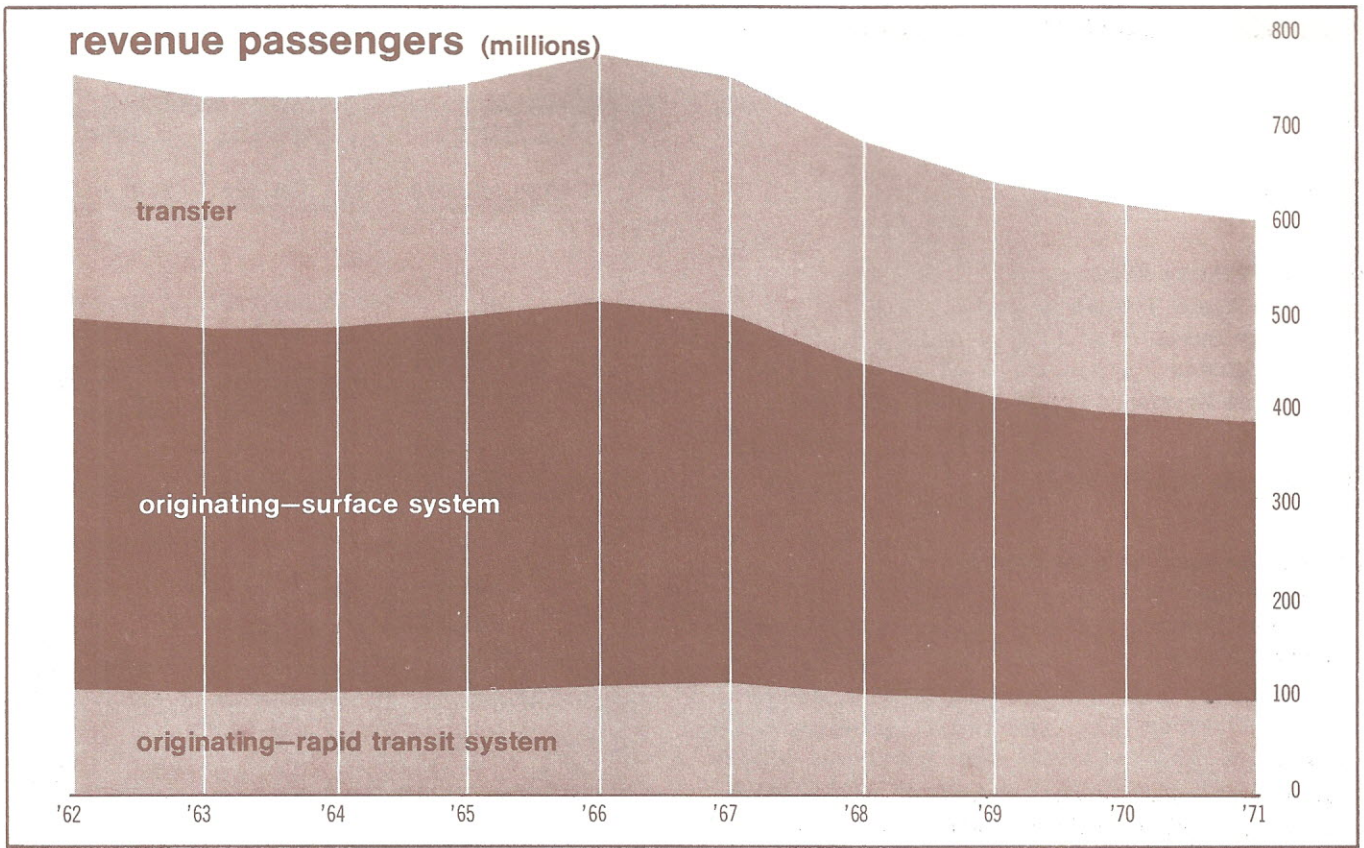
(1) Freight track at South Shops plant and railroad connection to 84th and Wentworth.

(2) Includes main line storage track, crossovers, track in yards and shops, and 2.70 miles of freight gauntlet and yard track on North-South and Evanston routes.

operating statistics for fiscal year ended December 25, 1971

	<u>Surface System</u>	<u>Rapid Transit System</u>	<u>Combined</u>
Revenues	<u>\$139,652,079</u>	<u>\$51,434,698</u>	<u>\$191,086,777</u>
Revenue Vehicle Miles—			
Cars—Rapid Transit	—	51,069,135	51,069,135
Trolley Buses	8,767,722	—	8,767,722
Motor Buses	<u>86,430,814</u>	—	<u>86,430,814</u>
Total Revenue Vehicle Miles	<u>95,198,536</u>	<u>51,069,135</u>	<u>146,267,671</u>
Revenue per Vehicle Mile	<u>\$1.47</u>	<u>\$1.07</u>	<u>\$1.31</u>
Earning Revenue Vehicle Hours—			
Cars—Rapid Transit	—	(1)	—
Trolley Buses	884,765	—	884,765
Motor Buses	<u>8,233,231</u>	—	<u>8,233,231</u>
	<u>9,117,996</u>	—	<u>9,117,996</u>
Power Statistics:			
Direct Current Kilowatt Hours	34,713,094	235,382,408	270,095,502
Average Cost per Kilowatt Hour	—	—	1.9730¢
Motor Bus Fuel Statistics:			
Diesel Fuel—Gallons	12,585,000		
Average Miles Per Gallon	3.88		
Average Cost per Mile	3.0¢		
Propane Fuel—Gallons	19,799,000		
Average Miles per Gallon	1.90		
Average Cost per Mile	4.2¢		

(1) Not available



ten year financial & statistical summary

Dollars, passengers and miles in millions, except where noted	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Passenger revenues	\$181.2	\$174.9	\$171.9	\$145.7	\$140.7	\$140.4	\$134.4	\$131.1	\$131.8	\$135.6
Student riding subsidy-State of Illinois . .	6.1	6.0	4.6	3.6	3.7	3.6	1.3	—	—	—
Other revenues	3.7	3.8	3.4	3.6	3.5	3.4	3.1	3.0	2.2	2.2
Total revenue	<u>\$191.0</u>	<u>\$184.7</u>	<u>\$179.9</u>	<u>\$152.9</u>	<u>\$147.9</u>	<u>\$147.4</u>	<u>\$138.8</u>	<u>\$134.0</u>	<u>\$134.6</u>	<u>\$137.8</u>
Total payroll (including employee ben- efits)	\$161.3	\$147.3	\$132.0	\$117.2	\$109.2	\$102.7	\$ 95.1	\$ 90.8	\$ 88.5	\$ 86.5
Material and supplies	9.6	8.7	8.0	7.5	7.6	7.0	6.4	5.6	5.5	5.9
Provision for injuries and damages . . .	9.5	9.2	8.2	5.5	5.9	6.5	7.5	8.6	9.6	10.2
Power and fuel	7.3	6.8	6.4	6.3	6.5	6.6	6.4	6.2	6.6	6.8
Other operating and maintenance ex- penses	8.5	7.1	6.4	3.9	5.4	5.4	5.0	4.7	5.0	5.8
Total operation and maintenance ex- penses	<u>\$196.2</u>	<u>\$179.1</u>	<u>\$161.0</u>	<u>\$140.4</u>	<u>\$134.6</u>	<u>\$128.2</u>	<u>\$120.4</u>	<u>\$115.9</u>	<u>\$115.2</u>	<u>\$115.2</u>
Revenue available (deficit) before debt service	\$ (5.2)	\$ 5.6	\$ 18.9	\$ 12.5	\$ 13.3	\$ 19.2	\$ 18.4	\$ 18.2	\$ 18.8	\$ 22.6
Debt service requirements (revenue bonds)	8.0	7.9	8.0	8.0	8.1	8.2	8.0	8.1	8.1	8.2
Revenue available (deficit) before depre- ciation	<u>\$ (13.2)</u>	<u>\$ (2.3)</u>	<u>\$ 10.9</u>	<u>\$ 4.5</u>	<u>\$ 5.2</u>	<u>\$ 11.0</u>	<u>\$ 10.4</u>	<u>\$ 10.1</u>	<u>\$ 10.7</u>	<u>\$ 14.4</u>
Grants from City of Chicago and County of Cook for operating losses	\$ 3.5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Grant from State of Illinois for debt ser- vice	6.3	—	—	—	—	—	—	—	—	—
Net revenue available (deficit) before de- preciation	<u>\$ (3.4)</u>	<u>\$ (2.3)</u>	<u>\$ 10.9</u>	<u>\$ 4.5</u>	<u>\$ 5.2</u>	<u>\$ 11.0</u>	<u>\$ 10.4</u>	<u>\$ 10.1</u>	<u>\$ 10.7</u>	<u>\$ 14.4</u>
Depreciation requirement (current peri- od)	\$ 15.3	\$ 14.8	\$ 14.4	\$ 12.2	\$ 11.8	\$ 11.8	\$ 11.1	\$ 10.7	\$ 10.7	\$ 11.0
Balance available (deficiency)	<u>\$ (18.7)</u>	<u>\$ (17.1)</u>	<u>\$ (3.5)</u>	<u>\$ (7.7)</u>	<u>\$ (6.6)</u>	<u>\$ (8)</u>	<u>\$ (7)</u>	<u>\$ (6)</u>	<u>\$ —</u>	<u>\$ 3.4</u>
Capital investment—										
Funds provided by CTA	\$ 1.3	\$ 3.6	\$ 7.0	\$ 5.9	\$ 7.6	\$ 14.3	\$ 14.1	\$ 22.9	\$ 14.5	\$ 6.6
Funds provided by federal, city, etc. .	4.7	19.1	48.4	46.4	1.4	—	—	—	—	—
Total capital investment	<u>\$ 6.0</u>	<u>\$ 22.7</u>	<u>\$ 55.4</u>	<u>\$ 52.3</u>	<u>\$ 9.0</u>	<u>\$ 14.3</u>	<u>\$ 14.1</u>	<u>\$ 22.9</u>	<u>\$ 14.5</u>	<u>\$ 6.6</u>
Sale of real estate	\$ (3.0)	\$ (.1)	\$ (.2)	\$ —	\$ (.8)	\$ —	\$ (.9)	\$ (.2)	\$ (.1)	\$ (.3)
Outstanding revenue bonds-less re- serves	\$ 41.3	\$ 47.4	\$ 54.3	\$ 60.4	\$ 65.9	\$ 71.1	\$ 76.1	\$ 80.8	\$ 85.2	\$ 89.6
Outstanding equipment trust certificates- less reserves	7.5	8.9	10.2	11.5	12.8	14.0	15.2	16.3	11.0	5.6
Total bonds and certificates out- standing	<u>\$ 48.8</u>	<u>\$ 56.3</u>	<u>\$ 64.5</u>	<u>\$ 71.9</u>	<u>\$ 78.7</u>	<u>\$ 85.1</u>	<u>\$ 91.3</u>	<u>\$ 97.1</u>	<u>\$ 96.2</u>	<u>\$ 95.2</u>
Revenue passengers—										
Originating-surface system	282.6	296.2	317.0	347.0	389.8	405.7	389.1	381.7	381.2	390.9
Originating-rapid transit system . . .	103.5	105.6	103.1	110.8	120.7	117.6	114.8	112.1	111.1	114.0
Transfer	226.0	226.9	231.1	235.1	257.1	261.1	252.1	245.2	247.0	256.5
Total	<u>612.1</u>	<u>628.7</u>	<u>651.2</u>	<u>692.9</u>	<u>767.6</u>	<u>784.4</u>	<u>756.0</u>	<u>739.0</u>	<u>739.3</u>	<u>761.4</u>
Automobile registrations-Cook County . .	2.1	2.1	2.0	2.0	1.9	1.8	1.7	1.6	1.6	1.6
Revenue vehicle miles—										
Surface system	95.2	98.3	102.2	103.8	107.1	112.3	111.1	108.6	105.8	106.2
Rapid transit system	51.1	51.5	45.6	44.8	45.3	45.5	44.3	44.1	43.8	43.9
Total	<u>146.3</u>	<u>149.8</u>	<u>147.8</u>	<u>148.6</u>	<u>152.4</u>	<u>157.8</u>	<u>155.4</u>	<u>152.7</u>	<u>149.6</u>	<u>150.1</u>
Active passenger equipment (thousands)—										
Surface buses	2.9	3.0	3.1	3.2	3.2	3.2	3.1	3.2	3.2	3.2
Rapid transit cars	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1
Total	<u>4.1</u>	<u>4.2</u>	<u>4.3</u>	<u>4.4</u>	<u>4.4</u>	<u>4.4</u>	<u>4.3</u>	<u>4.4</u>	<u>4.3</u>	<u>4.3</u>
Rates of fare at year end (basic adult) (see notes)	45¢	45¢*	40¢	40¢*	30¢*	25¢	25¢	25¢	25¢	25¢
Transfer charge	10¢	10¢*	5¢	5¢	5¢	5¢	5¢	5¢	5¢	5¢
Total incidents which may result in suits or claims (thousands)	17.2	19.5	22.3	22.7	23.6	22.7	21.5	21.4	22.3	23.1
Number of employees, at year end (thousands)	12.8	12.9	12.5	12.2	12.4	12.2	12.4	12.6	13.0	13.0
Bus operators hourly wage rate at year end (including cost-of-living)	\$ 5.27	\$ 4.78	\$ 4.33	\$ 4.00	\$ 3.41	\$ 3.29	\$ 3.18	\$ 3.02	\$ 2.95	\$ 2.86

*Fare changes effective July 8, 1970; December 19, 1968; November 5, 1967.



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