

Chicago Transit Authority

1972
annual
report



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**Chicago Transit Authority
twenty-eighth annual report
for the fiscal year ended December 30, 1972**

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.

*—Deceased—January 17, 1973.

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

THOMAS B. O'CONNOR, General Manager

ten year financial & statistical summary

All figures in millions, except where noted	1972*	1971	1970	1969	1968	1967	1966*	1965	1964	1963
Passenger revenues	\$178.5	\$181.2	\$174.9	\$171.9	\$145.7	\$140.7	\$140.4	\$134.4	\$131.1	\$131.8
Student riding subsidy-State of Illinois	6.1	6.1	6.0	4.6	3.6	3.7	3.6	1.3	—	—
Other revenues	2.5	3.7	3.8	3.4	3.6	3.5	3.4	3.1	3.0	2.2
Total revenue	<u>\$187.1</u>	<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>\$134.1</u>	<u>\$134.0</u>
Total payroll (including employee benefits)	\$180.9	\$161.3	\$147.3	\$132.0	\$117.2	\$109.2	\$102.7	\$ 95.1	\$ 90.8	\$ 88.5
Material and supplies	9.8	9.6	8.7	8.0	7.5	7.6	7.0	6.4	5.6	5.5
Provision for injuries and damages	9.3	9.5	9.2	8.2	5.5	5.9	6.5	7.5	8.6	9.6
Power and fuel	7.6	7.3	6.8	6.4	6.3	6.5	6.6	6.4	6.2	6.6
Other operating and maintenance expenses	8.3	8.5	7.1	6.4	3.9	5.4	5.4	5.0	4.7	5.0
Total operation and maintenance expenses	<u>\$215.9</u>	<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>
Revenue available (deficit) before debt service	\$ (28.8)	\$ (5.2)	\$ 5.6	\$ 18.9	\$ 12.5	\$ 13.3	\$ 19.2	\$ 18.4	\$ 18.2	\$ 18.8
Debt service requirements (revenue bonds)	8.3	8.0	7.9	8.0	8.0	8.1	8.2	8.0	8.1	8.1
Equipment trust certificates	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	2.1	2.4
Revenue available (deficit) before depreciation	<u>\$ (38.8)</u>	<u>\$ (14.9)</u>	<u>\$ (4.0)</u>	<u>\$ 9.2</u>	<u>\$ 2.8</u>	<u>\$ 3.5</u>	<u>\$ 9.3</u>	<u>\$ 8.7</u>	<u>\$ 8.0</u>	<u>\$ 8.3</u>
Grants from City of Chicago and County of Cook for operating losses	\$ 6.0	\$ 3.5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Grant from State of Illinois for debt service	10.0	9.0	—	—	—	—	—	—	—	—
Net revenue available (deficit) before depreciation	<u>\$ (22.8)</u>	<u>\$ (2.4)</u>	<u>\$ (4.0)</u>	<u>\$ 9.2</u>	<u>\$ 2.8</u>	<u>\$ 3.5</u>	<u>\$ 9.3</u>	<u>\$ 8.7</u>	<u>\$ 8.0</u>	<u>\$ 8.3</u>
Depreciation requirement (current period)	\$ 15.0	\$ 15.3	\$ 14.8	\$ 14.4	\$ 12.2	\$ 11.8	\$ 11.8	\$ 11.1	\$ 10.7	\$ 10.7
Balance available (deficiency)	<u>\$ (37.8)</u>	<u>\$ (17.7)</u>	<u>\$ (18.8)</u>	<u>\$ (5.2)</u>	<u>\$ (9.4)</u>	<u>\$ (8.3)</u>	<u>\$ (2.5)</u>	<u>\$ (2.4)</u>	<u>\$ (2.7)</u>	<u>\$ (2.4)</u>
Capital investment—										
Funds provided by CTA	\$ 1.1	\$ 1.3	\$ 3.6	\$ 7.0	\$ 5.9	\$ 7.6	\$ 14.3	\$ 14.1	\$ 22.9	\$ 14.5
Funds provided by federal, city, etc.	29.3	4.7	19.1	48.4	46.4	1.4	—	—	—	—
Total capital investment	<u>\$ 30.4</u>	<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>
Sale of real estate	\$ 1.3	\$ 3.0	\$.1	\$.2	\$ —	\$.8	\$ —	\$.9	\$.2	\$.1
Outstanding revenue bonds-less reserves	\$ 34.8	\$ 41.3	\$ 47.4	\$ 54.3	\$ 60.4	\$ 65.9	\$ 71.1	\$ 76.1	\$ 80.8	\$ 85.2
Outstanding equipment trust certificates-less reserves	6.1	7.5	8.9	10.2	11.5	12.8	14.0	15.2	16.3	11.0
Total bonds and certificates outstanding	<u>\$ 40.9</u>	<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>
Revenue passengers—										
Originating-surface system	277.1	282.6	296.2	317.0	347.0	389.8	405.7	389.1	381.7	381.2
Originating-rapid transit system	100.5	103.5	105.6	103.1	110.8	120.7	117.6	114.8	112.1	111.1
Transfer	228.4	225.0	226.9	231.1	235.1	257.1	261.1	252.1	245.2	247.0
Total	<u>606.0</u>	<u>611.1</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>
Automobile registrations-Cook County	2.2	2.1	2.1	2.0	2.0	1.9	1.8	1.7	1.6	1.6
Revenue vehicle miles—										
Surface system	95.1	95.2	98.3	102.2	103.8	107.1	112.3	111.1	108.6	105.8
Rapid transit system	50.8	51.1	51.5	45.6	44.8	45.3	45.5	44.3	44.1	43.8
Total	<u>145.9</u>	<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>
Active passenger equipment (thousands)—										
Surface buses	2.8	2.9	3.0	3.1	3.2	3.2	3.2	3.1	3.2	3.2
Rapid transit cars	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1
Total	<u>4.0</u>	<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>
Rates of fare at year end (basic adult) (see notes)	45¢	45¢	45¢**	40¢	40¢**	30¢**	25¢	25¢	25¢	25¢
Transfer charge	10¢	10¢	10¢**	5¢	5¢	5¢	5¢	5¢	5¢	5¢
Total incidents which may result in suits or claims (thousands)	13.6	17.2	19.5	22.3	22.7	23.6	22.7	21.5	21.4	22.3
Number of employees, at year end (thousands)	12.6	12.8	12.9	12.5	12.2	12.4	12.2	12.4	12.6	13.0
Bus operators hourly wage rate at year end (including cost-of-living)	\$5.535	\$ 5.27	\$ 4.78	\$ 4.33	\$ 4.00	\$ 3.41	\$ 3.29	\$ 3.18	\$ 3.02	\$ 2.95

*Fiscal years 1966 and 1972 were 53-week years, all others were 52 weeks.

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

operations review

CTA serves the entire City of Chicago, providing transit service to within 3/8 mile of 99% of the city's population. CTA also provides service through 18 suburbs, to or along the border of 14 more suburbs, and within 3/8 mile of an additional four suburbs--a total of 36 suburbs.

At year end the miles of revenue bus routes totaled 1,859 and miles of revenue rapid transit track are 191.60.

The active fleet of revenue equipment at the end of 1972 totaled 3,172 buses and 1,196 rapid transit cars. New equipment acquired during the year included 524 air-conditioned diesel buses. Equipment retired included 255 buses and 86 rapid transit cars.

riding trends

A decrease in riding occurred for the year 1972, affecting originating passengers on both the surface and rapid transit systems. Passengers purchasing transfers on the surface system increased approximately 5,000,000 and decreased approximately 1,000,000 on the rapid transit system. Total revenue passengers including originating and transfer fares are 606,063,487 for 1972 and 611,113,005 for 1971, a decrease of 5,049,518 (8.26%).

Ridership losses were experienced within the two classifications of originating passengers, with the greatest percentage decrease affecting the rapid transit system where passengers are 100,468,879 in 1972 compared to 103,499,016 in 1971, a decrease of 3,030,137 (2.93%). Originating surface system passengers are 277,152,147 in 1972 compared to 282,659,169 in 1971, a decrease of 5,507,022 (1.95%).

The number of passengers purchasing transfers, entitling them to one or more additional rides over connecting CTA bus or rapid transit routes, is 228,442,910 in 1972 compared to 224,954,820 in 1971, an increase of 3,488,090 (1.50%).

vehicle miles

Combined vehicle miles operated in 1972 totaled 145,930,197, a decrease of 337,474 (0.23%) under 1971. Surface system miles operated were 95,153,625, a decrease of 44,911 (0.05%) under 1971. Rapid transit system car miles were 50,776,572, a decrease of 292,563 (0.57%) under 1971.

On each weekday during 1972 an average of 2,357 buses operated 285,536 miles and an average of 963 rapid transit cars operated approximately 164,639 miles. Average scheduled speed of buses in 1972 was 12.12 mph as compared with 12.05 mph in 1971, while the rapid transit average scheduled speed in 1972 was 24.86 mph as compared to 24.51 mph in 1971.

The slight increase in overall speed of surface operations during the year was due to intensive scheduling of the new diesel buses, CTA's first with V-8 engines, and new midday operation of Archer Express buses via the Stevenson Expy.

public safety

In 1972 CTA operating employees established the safest year in CTA's 25-year history.

The table below compares 1972 public accident experience with that of 1971, CTA's previous safest year, and with 1954, when intensive safety-training activities began.

	1972	1971	1954	1972 Decrease	
				From 1971	From 1954
Traffic accidents	6,314	6,604	16,300	4.39%	61.26%
Passenger accidents	3,210	3,592	9,678	10.63%	66.83%
Total accidents	<u>9,524</u>	<u>10,196</u>	<u>25,978</u>	6.59%	63.34%
Schedule miles on routes (in thousands)	<u>141,348</u>	<u>144,010</u>	<u>164,222</u>	1.85%	13.93%
Frequency rate—Accidents per 100,000 miles—					
Traffic accidents	4.47	4.59	9.93	2.61%	54.98%
Passenger accidents	2.27	2.49	5.89	8.84%	61.46%
Total accidents (rounded)	<u>6.7</u>	<u>7.1</u>	<u>15.8</u>	5.63%	57.59%

financial results

Operating revenues in 1972 decreased \$4,002,-846 (2.1%) under 1971. Increased wages and fringe benefits for the year account for the greater portion of the \$19,612,526 (10.0%) increase in operating expenses.

Operating revenues failed to cover operating expenses by \$28,819,598 for 1972 before applying grants. Also operating revenues, before applying grants, were short \$8,310,267 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 requirement, resulting in a total revenue deficiency of \$52,096,579 for the year 1972 before applying grants.

During 1972 the Authority received \$6,000,000 from the City of Chicago and County of Cook to

apply to operating losses and \$13,924,762 from the State of Illinois, of which \$8,310,267 was applied to meet debt service requirements on revenue bonds and the balance was applied to cover \$1,710,493 debt service requirements on revenue bonds for 1971 which was not provided for in that year. In addition, the grant provided funds for equipment trust certificate debt service requirements and other contractual obligations. These grants, made possible by the enactment of an Emergency Transportation Act and Transportation Bond Act by the Illinois General Assembly, reduced the deficiency in operating expenses to \$22,819,598. This deficiency was met by reducing the Authority's working capital.

Comparative results of operations for fiscal years 1972 and 1971 are shown below:

	1972	1971	Increase (Decrease)
Operating revenue	\$187,083,931	\$191,086,777	\$ (4,002,846)
Operating expenses	<u>215,903,529</u>	<u>196,291,003</u>	<u>19,612,526</u>
Revenue available (deficiency) before grant and debt service	(28,819,598)	(5,204,226)	(23,615,372)
Grant from City of Chicago and County of Cook applied to operating deficiency	<u>6,000,000</u>	<u>3,500,000</u>	<u>2,500,000</u>
Net revenue available (deficiency) before debt service	(22,819,598)	(1,704,226)	(21,115,372)
Debt service requirements	<u>8,310,267</u>	<u>8,011,928</u>	<u>298,339</u>
Deficiency before grant and depreciation	(31,129,865)	(9,716,154)	(21,413,711)
Grant from State of Illinois applied to revenue bond debt service requirements*	<u>8,310,267</u>	<u>6,301,435</u>	<u>2,008,832</u>
Deficiency before depreciation	(22,819,598)	(3,414,719)	(19,404,879)
Depreciation requirement-current period	<u>14,966,714</u>	<u>15,286,942</u>	<u>(320,228)</u>
Net deficiency in revenue	<u>\$ (37,786,312)</u>	<u>\$ (18,701,661)</u>	<u>\$ (19,084,651)</u>

*Total grant received from State of Illinois was \$13,924,762 in 1972 and \$7,000,000 in 1971. Application of this grant is shown as follows:

	Year Ended Dec. 31, 1972	Year Ended Dec. 31, 1971	Two Year Total
Debt service requirements—			
Revenue bonds series of 1947, 1952 and 1953	\$ 8,201,913	\$8,035,196	\$16,237,109
Equipment trust certificates	1,698,025	989,406	2,687,431
Other contractual obligations	<u>1,240,950</u>	<u>759,272</u>	<u>2,000,222</u>
Total	<u>11,140,888</u>	<u>9,783,874</u>	<u>20,924,762</u>
Less—			
Grant received in 1971	—	7,000,000	7,000,000
Grant received in 1972	<u>11,140,888</u>	<u>2,783,874</u>	<u>13,924,762</u>
Total	<u>11,140,888</u>	<u>9,783,874</u>	<u>20,924,762</u>
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE: 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 grants to the Authority for payment of principal and interest on bonds, certificates, equipment trust certificates or other evidence of indebtedness upon receipt of funds equal to 50% of such grant 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 were financed from the proceeds of bonds sold under the Transportation Bond Act.

The decrease in passenger revenues presented below generally reflects the declining riding habits of the general public. The surface system decline was not as great as that for the rapid transit system. Charter service revenues were down primarily due to loss of contracts with the Board of Education because of not having standard school buses and also the shortage of funds by the Chicago Committee on Urban Opportunity for summer trips for low-income family children to places of culture and amusement. Other revenues which include interest earnings from securities decreased primarily as a result of a decline in cash balances available for investment.

The comparison of operating expenses below indicates a 9.99% increase for 1972, attributed to spiraling costs arising in all categories of expense.

Operating labor hours for the fiscal year 1972 totaled 24,231,476 compared to 24,390,849 for 1971, a decrease of 159,373.

An increase of 10.86% in wages and salaries for 1972 resulted from higher hourly wage rates and cost-of-living allowances as provided in the contract negotiated December 1, 1971, with the Amalgamated Transit Union.

In August 1971 the President of the United States announced, as part of a program to hold the line on inflation, a freeze on wages. Any adjustment in wages was to be limited to a base increase of 5.5% and a fringe benefit increase of 0.7%. With the exception of the March 1 cost-of-living change, 1972 cost-of-living increases were deferred. These increases plus a subsequent arbitration award applied retroactively to December 1, 1972,

sources of revenue				Increase (Decrease)	
				Amount	Per Cent
Passenger revenues—		1972	1971		
Originating surface system	\$129,509,408	\$131,286,830	\$(1,777,422)	(1.35)	
Originating rapid transit system . .	48,359,197	49,941,474	(1,582,277)	(3.17)	
Student fare differential - State of Illinois reimbursement	6,155,294	6,148,892	6,402	.01	
	184,023,899	187,377,196	(3,353,297)	(1.79)	
Charter service	589,747	807,678	(217,931)	(26.98)	
	184,613,646	188,184,874	(3,571,228)	(1.89)	
Other revenues—					
Station and car privileges	1,014,722	1,056,775	(42,053)	(3.98)	
Rent of buildings and other property .	441,515	541,091	(99,576)	(18.40)	
Miscellaneous	1,014,048	1,304,037	(289,989)	(22.24)	
	2,470,285	2,901,903	(431,618)	(14.87)	
Total operating revenue	\$187,083,931	\$191,086,777	\$(4,002,846)	(2.09)	

operating expenses				Increase (Decrease)	
				Amount	Per Cent
		1972	1971		
Wages and salaries	\$147,210,858	\$132,794,246	\$14,416,612	10.86	
Pension contributions	19,421,701	16,064,500	3,357,201	20.90	
Federal insurance contributions	6,282,619	5,349,990	932,629	17.43	
Employees' insurance	8,005,749	7,108,691	897,058	12.62	
Total labor costs	180,920,927	161,317,427	19,603,500	12.15	
Electric power purchased	4,544,668	4,269,179	275,489	6.45	
Motor bus fuel consumed	3,091,121	3,048,962	42,159	1.38	
Operating material and supplies	9,755,328	9,619,225	136,103	1.41	
Provision for injuries and damages . .	9,354,197	9,554,339	(200,142)	(2.09)	
Misc. services, supplies, etc.	8,237,288	8,481,871	(244,583)	(2.88)	
Total operating expenses	\$215,903,529	\$196,291,003	\$19,612,526	9.99	

	1972	1971	Increase (Decrease)
Claim settlements--			
Number	10,021	12,014	(1,993)
Settlement costs	\$1,748,916	\$2,326,886	\$(577,970)
Expenses	<u>1,560,007</u>	<u>1,361,752</u>	<u>198,255</u>
Total cost of claims	<u>\$3,308,923</u>	<u>\$3,688,638</u>	<u>\$(379,715)</u>
Suit settlements--			
Number	2,268	2,892	(624)
Settlement costs	\$4,946,893	\$4,274,010	\$ 672,883
Expenses	<u>1,682,320</u>	<u>1,450,564</u>	<u>231,756</u>
Total cost of suits	<u>6,629,213</u>	<u>5,724,574</u>	<u>904,639</u>
Total costs	<u>\$9,938,136</u>	<u>\$9,413,212</u>	<u>\$ 524,924</u>

paid in 1973, affected the bus operator's wage rate as follows:

	Basic Hourly Rate	Cost-of- Living Allowance	Total
December 25, 1971	\$5.270	\$ —	\$5.270
1972 Changes--			
Effective March 1		0.020	0.020
June 1		0.050	0.050
September 1		0.050	0.050
December 1	<u>0.100</u>	<u>0.045</u>	<u>0.145</u>
	<u>0.100</u>	<u>0.165</u>	<u>0.265</u>
December 30, 1972	<u>\$5.370</u>	<u>\$0.165</u>	<u>\$5.535</u>

The Authority's pension contribution costs for the year 1972 increased 20.90% as a result of higher employee earnings. Federal Insurance Contribution Act costs for the year 1972 increased 17.43% due to a higher taxable base (\$9,000, from \$7,800) and also higher earnings.

Employees' insurance increased 12.62% due to higher premiums paid and increased benefits provided by wage contracts.

Other operating costs increased primarily due to higher prices charged for materials and services.

Provision for injuries and damages decreased 2.09% due to lesser revenues. This was accrued at 5% of gross revenues for 1972.

Average cost per claim settled, excluding expenses, was \$268 in 1972 compared to \$300 in 1971. Suit costs, excluding expenses, averaged

\$2,553 in 1972 compared to \$1,990 in 1971. Suit costs increased primarily because as incidents result in lawsuits, they are counted as one unit although there may be two or more plaintiffs. The number of incidents during the year totaled 13,639 compared to 17,225 for 1971.

A comparison of claim and suit settlements and applicable expenses for the years 1972 and 1971 is presented above.

Debt Service Requirements on revenue bonds for 1972 increased \$298,339. Deposits to sinking funds increased \$1,314,974; deposits to series of 1947 Serial Bond Maturity Fund decreased \$994,624. Interest payments decreased \$22,011 as a result of retirement of bonds in 1972.

Series of 1947 serial bond maturity retirements of \$1,000,000 were at par. A statement of total revenue bonds retired is detailed below:

Series	Total Revenue Bonds Retired (Serial Maturities and Sinking Funds)	
	1972	Since Issue
1947	\$1,000,000	\$72,592,000
1952	—	7,220,000
1953	—	<u>2,050,000</u>
Total	<u>\$1,000,000</u>	<u>\$81,862,000</u>

Provision for depreciation (8% of gross revenue) decreased \$320,228.

Debt service requirements were as follows:			
	Interest	Principal and Sinking Funds	Total
Revenue bonds	\$2,195,739	\$6,114,528	\$ 8,310,267
Equipment trust certificates	274,690	1,423,335	1,698,025
Total	<u>\$2,470,429</u>	<u>\$7,537,863</u>	<u>\$10,008,292</u>

balance sheets as of December 30, 1972, and December 25, 1971
 exhibit I

	<u>1972</u>	<u>1971</u>
TRANSPORTATION PROPERTY, at cost, including property and equipment owned by others and operated by the Authority (Note 4)	\$507,555,771	\$488,122,937
Less—accumulated provision for depreciation (Note 4)	<u>171,676,711</u>	<u>162,442,802</u>
	<u>\$335,879,060</u>	<u>\$325,680,135</u>
assets		
SPECIAL FUNDS (Exhibit IX):		
Held by revenue bond Trustee—		
Transit revenue—grant from the State of Illinois for debt service . . .	\$ 22,198	\$ 51,362
Depreciation reserve (Notes 1 and 2)	327,890	679,896
Interest on revenue bonds	1,068,300	1,056,961
Held by equipment Trustee—		
Interest on equipment trust certificates	20,077	24,286
Damage reserve (Note 1)	2,762,136	3,346,075
Grant from the State of Illinois available for debt service and other contractual obligations (Exhibit VI)	<u>970,397</u>	<u>—</u>
	<u>\$ 5,170,998</u>	<u>\$ 5,158,580</u>
OTHER CURRENT ASSETS:		
Working cash account (Exhibit IX)	\$ 3,477,286	\$ 9,548,176
Accounts receivable, less reserve	3,879,311	7,986,212
Materials and supplies, at average cost, less reserve	7,155,021	6,625,242
Other	<u>956,736</u>	<u>1,024,118</u>
	<u>\$ 15,468,354</u>	<u>\$ 25,183,748</u>
	<u>\$356,518,412</u>	<u>\$356,022,463</u>

LONG-TERM DEBT, including \$7,730,910 debt service requirements due within one year (Exhibit II and Notes 1 and 2):		
Revenue bonds, after deducting amounts held by Trustee for payment of principal	\$ 34,821,049	\$ 41,274,068
Equipment trust certificates, after deducting amounts held by Trustee for payment of principal	<u>6,119,165</u>	<u>7,542,500</u>
	<u>\$ 40,940,214</u>	<u>\$ 48,816,568</u>
CONTRIBUTED CAPITAL for property improvements and principal payments on debt service (Exhibit VII and Notes 3 and 4)	<u>\$281,428,031</u>	<u>\$245,053,017</u>
ACCUMULATED EARNINGS (Deficit) (Exhibit III and Note 3)	<u>\$ (5,775,464)</u>	<u>\$ 31,191,106</u>
GRANTS FROM THE STATE OF ILLINOIS for debt service and other contractual obligations—unapplied	<u>\$ 984,578</u>	<u>\$ 51,362</u>
ACCRUED INTEREST ON LONG-TERM DEBT, due within one year:		
Revenue bonds	\$ 1,068,300	\$ 1,056,961
Equipment trust certificates	20,077	24,286
	<u>\$ 1,088,377</u>	<u>\$ 1,081,247</u>
OTHER CURRENT LIABILITIES:		
Accounts payable	\$ 11,992,399	\$ 7,322,161
Accrued wages and vacation pay (Note 6)	10,784,007	10,063,199
Deferred revenue	598,912	—
Unredeemed tokens	1,950,864	1,726,381
Other contractual obligations—		
Reimbursement of cost of transportation equipment	960,694	771,238
Substation conversion costs	1,004,217	841,228
Capital improvement project deposit liability	<u>2,040,566</u>	<u>—</u>
	<u>\$ 29,331,659</u>	<u>\$ 20,724,207</u>
DAMAGE RESERVE (Note 1)	<u>\$ 8,521,017</u>	<u>\$ 9,104,956</u>
	<u>\$356,518,412</u>	<u>\$356,022,463</u>

statements of long-term debt *as of December 30, 1972, and December 25, 1971*
 exhibit II

	1972	1971
REVENUE BONDS (Note 1):		
Series of 1947, 3¾%, due 1978	\$ 32,408,000	\$ 33,408,000
Series of 1952, 4½%, due 1982	15,780,000	15,780,000
Series of 1953, 4½%, due through 1976	<u>4,950,000</u>	<u>4,950,000</u>
	\$ 53,138,000	\$ 54,138,000
Less—Funds held by Trustee for payment of principal (Exhibit IX)	<u>18,316,951</u>	<u>12,863,932</u>
	<u>\$ 34,821,049</u>	<u>\$ 41,274,068</u>
EQUIPMENT TRUST CERTIFICATES (Note 2):		
Series 10, 3.25%, due 1973	\$ 375,000	\$ 1,125,000
Series 11, 3.90%, due 1976	<u>5,865,000</u>	<u>6,535,000</u>
	\$ 6,240,000	\$ 7,660,000
Less—Funds held by Trustee for payment of principal (Exhibit IX)	<u>120,835</u>	<u>117,500</u>
	<u>\$ 6,119,165</u>	<u>\$ 7,542,500</u>
	<u>\$ 40,940,214</u>	<u>\$ 48,816,568</u>

The fiscal 1973 requirements for payment of principal on revenue bonds and equipment trust certificates are \$6,255,077 and \$1,475,833, respectively.

statements of accumulated earnings (deficit) *for the fifty-three week period ended December 30, 1972,*
 exhibit III *and the fifty-two week period ended December 25, 1971*

ACCUMULATED EARNINGS--beginning of period	\$ 31,191,106	\$ 47,984,541
NET LOSS FOR THE PERIOD before application of contributions and grants (Exhibit IV)	(45,906,090)	(22,598,901)
CONTRIBUTIONS AND GRANTS (Note 3)—		
Applied to 1971—		
Net loss from operations	—	3,500,000
Interest charges	—	2,305,466
Applied in the accompanying statement of income and expense to 1971—		
Net loss from operations	211,139	—
Interest charges	63,387	—
Applied to 1972—		
Net loss from operations	6,000,000	—
Interest charges	2,470,429	—
Applied to 1970 reimbursement of cost of transportation equipment	194,565	—
ACCUMULATED EARNINGS (DEFICIT)--end of period	<u>\$ (5,775,464)</u>	<u>\$ 31,191,106</u>

notes to financial statements

(1) TRUST AGREEMENT SECURING REVENUE BONDS:
 To finance the acquisition of predecessor companies and for extending or improving the transportation system, the Chicago Transit Authority ("Authority") issued revenue bonds which were secured by a Trust Agreement with The First National Bank of Chicago, as Trustee. In this Trust Agreement the Authority covenants that, among other things, it will operate and modernize the transportation system and 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.
 On January 26, 1973, the Chicago Transit Board directed the Revenue Bond Trustee to transfer to the working cash account all deposits made to the transit revenue fund, immediately upon receipt, in order to be able to pay currently, and make reasonable provision for, the cost and expenses of operation and maintenance of the transportation system. The Circuit Court of Cook County on February 6, 1973, held that the Chicago Transit Board has the authority to cause transfers for these purposes to be made. Under this procedure, transit revenue funds will not be available to pay revenue bond debt service costs and any other Trust Agreement requirements subsequent thereto in priority.
 If and whenever there shall be a failure on the part of the Au-

thority to observe any covenant of the 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 lieu or a foreclosure of any physical property of the Authority. The Trust Agreement also prescribes the order of precedence which shall be followed in allocating the revenue of the Authority.

(A) Application of Revenue—
 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:

1. 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 Trust Agreement.
2. Depreciation reserve fund--deposits equal to the monthly depreciation provision and deficiencies in prior years' deposits.
3. 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.
4. Operating expense reserve fund--deposit to be not less

statements of income and expense for the fifty-three week period ended December 30, 1972, and the fifty-two week period ended December 25, 1971
 exhibit IV

	1972	1971 (Note 5)
OPERATING REVENUE:		
Passenger transportation	\$184,613,646	\$188,184,874
Other	<u>2,470,285</u>	<u>2,901,903</u>
	<u>\$187,083,931</u>	<u>\$191,086,777</u>
OPERATING EXPENSE:		
Operations and maintenance (Notes 6 and 7)—		
Scheduled transit operations	\$113,601,754	\$100,262,685
Maintenance and servicing	45,383,988	43,121,783
Other	<u>7,973,078</u>	<u>7,073,064</u>
Superintendence and general office—		
Scheduled transit operations	9,968,019	8,588,083
Maintenance and servicing	10,775,886	8,404,448
General and administrative	<u>10,381,942</u>	<u>11,152,398</u>
Electric power for revenue equipment	4,544,668	4,269,179
Fuel for revenue equipment	3,091,121	3,048,962
Operating rentals	828,876	816,062
Provision for injuries and damages	9,354,197	9,554,339
Provision for depreciation (Note 1)	<u>14,966,714</u>	<u>15,286,942</u>
	<u>\$230,870,243</u>	<u>\$211,577,945</u>
Net loss from operations	<u>\$ (43,786,312)</u>	<u>\$ (20,491,168)</u>
OTHER INCOME:		
Gain on retirement of revenue bonds	\$ —	\$.257,171
Interest earned on investments held for—		
Sinking funds	279,247	86,824
Revenue bond reserve funds	59,244	52,985
Depreciation reserve fund	<u>12,160</u>	<u>36,058</u>
	<u>\$ 350,651</u>	<u>\$ 433,038</u>
INTEREST CHARGES:		
Revenue bonds	\$ 2,195,739	\$ 2,217,750
Equipment trust certificates	<u>274,690</u>	<u>323,021</u>
	<u>\$ 2,470,429</u>	<u>\$ 2,540,771</u>
Net loss for the period before application of contributions and grants	<u>\$ (45,906,090)</u>	<u>\$ (22,598,901)</u>
CONTRIBUTIONS AND GRANTS:		
Applied to reduce net loss from operations	\$ 6,000,000	\$ 3,711,139
Applied to meet interest charges	<u>2,470,429</u>	<u>2,368,853</u>
	<u>\$ 8,470,429</u>	<u>\$ 6,079,992</u>
Net loss for the period	<u>\$ (37,435,661)</u>	<u>\$ (16,518,909)</u>

than \$900,000 each year, until the balance in the fund is equal to at least \$4,000,000.

5. Municipal compensation fund--deposit to be computed in accordance with the franchise ordinance.

6. 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.

(B) Operation of the Sinking Funds—

Deposits equal to debt service requirements on revenue bonds were made in 1972 and 1971 at the beginning of each month from moneys on deposit in the transit revenue fund before provisions were made for such month's operating expenses. Under conditions that have prevailed during the past few years, when operating expenses exceeded revenues, a question of the proper

legal interpretation of the Trust Agreement existed 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. In 1971, the Revenue Bond Trustee stopped purchasing bonds from funds on deposit in the sinking funds. In July 1972, a complaint naming the Authority and the Revenue Bond Trustee as defendants was filed, which requested, 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 requested that no funds received by the Authority from the State of Illinois under the Emergency Public Transportation Assistance Act be paid into the Authority's working cash account by virtue of any interest or principal payment made by the Authority to the Revenue Bond Trustee.

On February 6, 1973, the Circuit Court of Cook County upheld the transfers that had been made from transit revenue for debt service on the revenue bonds. The Court also directed the Revenue Bond Trustee to use the moneys accumulated in the sinking funds for the purchase and cancellation of bonds at the lowest prices reasonably obtainable. The Court further held that the Authority had properly expended the moneys received from

statement of changes in financial position for the fifty-three week period ended December 30, 1972

exhibit V

RESULTS OF OPERATIONS:

Net loss for the period before application of contributions and grants (Exhibit IV)	\$(45,906,090)
Contributions and grants applied to reduce net loss from operations and to meet interest charges	<u>8,470,429</u>
Net loss for the period	\$(37,435,661)
Add back—provision for depreciation which did not require the current outlay of funds (Note 1)	<u>14,966,714</u>
Funds used by operations	<u>\$(22,468,947)</u>

FUNDS PROVIDED FROM SOURCES OTHER THAN OPERATIONS:

Funds provided—

Grants from the State of Illinois—	
For payment of principal on debt and substation conversion costs	\$10,052,026
For payment of debt service and other contractual obligations	933,216
Grants and contributions from the Federal government and State of Illinois for capital improvement projects	26,322,988
Net proceeds from the sale of property	<u>1,293,945</u>
	<u>\$38,602,175</u>

Funds applied—

Principal payments—	
Revenue bonds	\$ 6,114,528
Equipment trust certificates	1,423,335
Additions to transportation property—	
Capital improvement projects	26,322,988
Other	<u>331,753</u>
	<u>\$34,192,604</u>

Net funds provided from sources other than operations	<u>4,409,571</u>
Net funds applied	<u>\$(18,059,376)</u>

NET FUNDS APPLIED consist of the following changes in balance sheet accounts:

Decrease in working cash	\$ 6,070,890
Decrease in accounts receivable	4,106,901
Increase in accounts payable	4,670,238
Increase in capital improvement project deposit liability	2,040,566
Net increase in other assets	(279,658)
Net increase in other liabilities	<u>1,450,439</u>
	<u>\$ 18,059,376</u>

the State of Illinois as partial reimbursement of deposits to the sinking funds, in the payment of operating expenses.

(C) Rates and Charges for Transportation—

As mentioned above, the Authority covenants that it shall fix adequate rates and charges for transportation. This requirement for adequate rates is also called for by the Metropolitan Transit Authority Act and the Equipment Trust Agreement.

In October 1972, the Chicago Transit Board authorized Senior Citizens to use the services of the Chicago Transit Authority during all operating hours upon payment of the Senior Citizen rate of fare (which is a reduced rate of fare).

(D) Depreciation—

The Trust Agreement 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, under certain circumstances, principal and interest on the revenue bonds. As set forth in the accompanying Statement of Funds, no amounts were deposited in the depreciation reserve fund from revenues in 1972 or 1971. Charges made against the fund have reduced the balance in the fund as of December 30, 1972, to \$327,890.

(E) Sale of Property—

The Authority has consistently followed the practice of not recognizing any gain on the sale of property if the property being

sold was part of the transportation property acquired from predecessor companies. The Authority initially deposits all proceeds from the sale of property to the transit revenue fund. After accumulating the expenses related to the particular sale, the Authority transfers the net proceeds to the modernization fund. During 1972 and 1971, the modernization fund reimbursed the working cash account for property costs, including costs incurred in prior years, which had not previously been charged to the depreciation reserve or modernization funds.

(F) Pension Plan—

The Authority has agreed to contribute a fixed percentage of payroll costs to a contributory retirement plan maintained for the benefit of all its employees. The Authority's pension contributions for the fifty-three week period ended December 30, 1972, and the fifty-two week period ended December 25, 1971, of \$19,346,000 and \$16,019,000, respectively, were equal to normal cost plus interest on, and a reduction of, unfunded prior-service liability. The actuarially computed value of vested benefits of the plan as of January 1, 1972, the date of the last actuarial valuation, exceeded the total of the assets of the plan and accruals for pensions by approximately \$112,000,000.

(G) Damage Reserve—

The Trust Agreement 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 dam-

statements of application of contributions and grants for operating losses and debt service

exhibit VI

for the fifty-three week period ended December 30, 1972, and the fifty-two week period ended December 25, 1971

	1972	1971
CONTRIBUTIONS RECEIVED to meet operating losses:		
City of Chicago	\$ 3,000,000	\$ 2,000,000
County of Cook	3,000,000	1,500,000
GRANTS RECEIVED from the State of Illinois to meet debt service requirements on revenue bonds, equipment trust certificates and other contractual obligations		
	<u>13,924,762</u>	<u>7,000,000</u>
Total contributions and grants received	\$19,924,762	\$10,500,000
GRANTS RECEIVED IN PRIOR PERIOD for debt service which were unapplied in that period		
	<u>51,362</u>	—
	\$19,976,124	\$10,500,000
APPLIED TO MEET:		
Operating losses	\$ 6,000,000	\$ 3,500,000
Debt service requirements for 1971 (Note 3)—		
Revenue bond principal payments	1,570,008	4,147,688
Revenue bond interest payments	33,201	2,153,747
Equipment trust certificates principal payments	312,017	495,484
Equipment trust certificates interest payments	30,186	151,719
Debt service requirements for 1972—		
Revenue bond principal payments	6,114,528	—
Revenue bond interest payments	2,195,739	—
Equipment trust certificates principal payments	1,423,335	—
Equipment trust certificates interest payments	274,690	—
Other contractual obligations—		
1970 transportation equipment costs	194,565	—
1971 transportation equipment costs	211,139	—
1971 substation conversion costs	<u>632,138</u>	—
Total amount of contributions and grants applied	<u>\$18,991,546</u>	<u>\$10,448,638</u>
GRANTS UNAPPLIED at the end of the period	\$ 984,578	\$ 51,362
UNAPPLIED GRANTS TRANSFERRED to the transit revenue fund at the end of the period in order to pay debt service requirements in the subsequent period		
	<u>22,198</u>	<u>51,362</u>
UNAPPLIED GRANT, available to meet other contractual obligations, remaining in the contributions and grants fund at the end of the period		
	\$ 962,380	\$ —
INTEREST INCOME ON UNEXPENDED GRANT for other contractual obligations, to be used for payment of debt service		
	<u>8,017</u>	—
BALANCE IN CONTRIBUTIONS AND GRANTS FUND at the end of period available for debt service and other contractual obligations		
	<u>\$ 970,397</u>	<u>\$ —</u>

statement of contributed capital for the fifty-three week period ended December 30, 1972

exhibit VII

	Balance Beginning of Period (Notes 3 and 4)	Additions During the Period	Balance End of Period
CONTRIBUTIONS FOR PROPERTY IMPROVEMENTS:			
Federal	\$107,228,692	\$17,601,685	\$124,830,377
City of Chicago	116,153,048	—	116,153,048
State of Illinois	7,538,805	8,721,303	16,260,108
County of Cook	2,548,335	—	2,548,335
Other	<u>6,940,965</u>	—	<u>6,940,965</u>
Total contributions for property improvements	<u>\$240,409,845</u>	<u>\$26,322,988</u>	<u>\$266,732,833</u>
GRANTS FROM STATE OF ILLINOIS:			
For payment of principal on revenue bonds and equipment trust certificates	\$ 4,643,172	\$ 9,419,888	\$ 14,063,060
For payment of substation conversion costs	—	632,138	632,138
Total grants from State of Illinois for principal payments and conversion costs	<u>\$ 4,643,172</u>	<u>\$10,052,026</u>	<u>\$ 14,695,198</u>
Total contributed capital	<u>\$245,053,017</u>	<u>\$36,375,014</u>	<u>\$281,428,031</u>

statements of application of revenue (in accordance with the Revenue Bond Trust Agreement)

exhibit VIII

for the fifty-three week period ended December 30, 1972, and the fifty-two week period ended December 25, 1971

	1972 (Note 1)	1971 (Note 1)
OPERATING REVENUE	\$187,083,931	\$191,086,777
OPERATING EXPENSE, exclusive of the provision for depreciation (Exhibit IV)	<u>215,903,529</u>	<u>196,291,003</u>
Net loss from operations, exclusive of provision for depreciation	<u>\$ (28,819,598)</u>	<u>\$ (5,204,226)</u>
REVENUE BOND DEBT SERVICE REQUIREMENTS:		
Interest	\$ (2,195,739)	\$ (2,217,750)
Serial bond maturity fund	(516,129)	(1,510,753)
Sinking funds	<u>(5,598,399)</u>	<u>(4,283,425)</u>
	<u>\$ (8,310,267)</u>	<u>\$ (8,011,928)</u>
DEFICIENCY IN OPERATING REVENUE before depreciation	\$ (37,129,865)	\$ (13,216,154)
DEPRECIATION REQUIREMENT--current period	<u>(14,966,714)</u>	<u>(15,286,942)</u>
DEFICIENCY IN OPERATING REVENUE before application of contributions and grants	<u>\$ (52,096,579)</u>	<u>\$ (28,503,096)</u>
CONTRIBUTIONS AND GRANTS (Exhibit VI):		
Applied to reduce operating losses	\$ 6,000,000	\$ 3,711,139
Applied to revenue bond debt service requirements	<u>8,310,267</u>	<u>7,904,644</u>
	<u>\$ 14,310,267</u>	<u>\$ 11,615,783</u>
DEFICIENCY IN REVENUE after application of contributions and grants	<u>\$ (37,786,312)</u>	<u>\$ (16,887,313)</u>

ages, such amounts as deemed sufficient by the Chicago Transit Board. As of December 30, 1972, it is estimated that approximately 4,700 claims and suits for injuries and damages remain to be settled. The balance in the damage reserve fund is \$2,762,136.

While determining the cost of unsettled claims and suits as of December 30, 1972, 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 \$9,000,000. If such an estimate is based upon 1972 experience, the estimated cost of future settlements will approximate \$11,200,000. The amounts to pay future settlements in excess of the balance in the fund would have to be provided from future revenue or other sources.

(2) EQUIPMENT TRUST AGREEMENT:

In May 1973, the Authority paid the rental payments which were then due with a portion of the grants received in 1973 from the state and local governments (see Note 3). Subsequently, the Equipment Trustee, Harris Trust and Savings Bank, notified the Authority that the rental payments due March 1, 1973, as well as the rental payments due April 1, 1973, and May 1, 1973, were received and, therefore, the conditions of default created by the nonpayment of rent for March, April and May 1973 no longer exist.

By virtue of these rental payments, there is now on deposit with the Equipment Trustee the required amount needed to pay principal and interest due June 1, 1973, which means that the Series 10 Trust Certificates should be completely retired on that date.

Under the Equipment Trust Agreement, the Authority covenants that it will maintain a minimum balance (\$2,268,000 at December 30, 1972) in the depreciation reserve fund as long as any equipment trust certificates remain outstanding. At December 30, 1972, the balance of the depreciation reserve fund was \$327,890.

In the event the Authority fails to comply with the terms and covenants of the Equipment Trust Agreement, the Equipment Trustee (subject to certain requirements which pertain to length of time a deficiency exists, proper notice, etc.) may de-

clare the unpaid principal amount of the equipment trust certificates to be due and payable and may repossess all or part of the 573 motor buses and 493 elevated-subway cars pledged as collateral.

At December 30, 1972, the remaining principal amount to be paid from the depreciation reserve fund on the equipment trust certificates was \$6,119,165 and, of this amount, \$1,475,833, together with interest of \$223,429, is due in 1973. In addition, property costs aggregating \$195,878 at December 30, 1972, chargeable in whole or in part to the depreciation reserve fund have not been charged thereto but have reduced working capital.

The Equipment Trustee has been retaining the interest earned on funds left on deposit with the Trustee as additional security for the equipment trust certificates. The Authority has recorded the interest earned as income and as a receivable from the Trustee.

(3) CONTRIBUTIONS AND GRANTS FOR OPERATING LOSSES AND DEBT SERVICE:

During 1971 and 1972, the Authority received grants from the State of Illinois under the Emergency Public Transportation Assistance Act. The grants were provided for the payment of principal of, and interest on, bonds, certificates, equipment trust certificates or other evidence of indebtedness. As indicated in the accompanying statements, the Authority applied a portion of the grants received in 1972 as reimbursement for payments made in 1971 for debt service requirements and other contractual obligations. The Authority also received, in 1971 and 1972, contributions from the City of Chicago and County of Cook for operating losses.

That portion of the grants received from the State of Illinois applied to meet principal payments on the revenue bonds and equipment trust certificates and substation conversion costs is included as part of contributed capital in the accompanying balance sheets. The remaining portion of the grants from the State of Illinois applied to meet interest payments on revenue bonds and equipment trust certificates and payments of the City of Chicago for reimbursement of cost of transportation equipment and the local contributions to meet operating losses is in-

statement of funds for the fifty-three week period ended December 30, 1972
 exhibit IX

	Funds Held by Revenue			
	Transit Revenue	Interest Funds	Serial Bond Maturity	Sinking Funds (Note 1)
BALANCE OF CASH AND U.S. GOVERNMENT SECURITIES, at cost, at beginning of period	\$ 4,677,395	\$ 1,092,195	\$ 500,000	\$ 4,815,450
ADD—receipts:				
Fare box receipts	\$ 158,990,705	\$ —	\$ —	\$ —
Sale of tokens	19,019,105	—	—	—
State reimbursement for student fare reductions	9,100,000	—	—	—
Federal, state and other capital improvement project grants	28,845,877	—	—	—
Contributions and grants for debt service and operating losses	—	—	—	—
Sale of property (Note 1)	1,296,470	—	—	—
Income on investments	—	38,930	25,952	279,247
Other receipts	7,760,157	—	—	—
Total receipts	\$ 225,012,314	\$ 38,930	\$ 25,952	\$ 279,247
ADD (Deduct)—interfund transfers:				
Related to debt service requirements—				
From state grants	\$ 10,753,291	\$ —	\$ —	\$ —
From transit revenue	(8,201,913)	2,166,280	500,000	5,535,633
From depreciation reserve	—	—	—	—
From working cash	—	—	—	—
For injuries and damages	—	—	—	—
Held by equipment Trustee for additional security	—	—	—	—
For operating losses	7,751,230	—	—	—
Transfer of income on investments	576,599	(38,930)	(25,952)	59,244
For reimbursement of current expenditures	(238,096,658)	—	—	—
Net transfers	\$ (227,217,451)	\$ 2,127,350	\$ 474,048	\$ 5,594,877
Total available before disbursements	\$ 2,472,258	\$ 3,258,475	\$ 1,000,000	\$10,689,574
DEDUCT—disbursements:				
For debt service on revenue bonds	\$ —	\$ (2,184,400)	\$ (1,000,000)	\$ —
For debt service on equipment trust certificates	—	—	—	—
For current expenditures	—	—	—	—
Total disbursements	\$ —	\$ (2,184,400)	\$ (1,000,000)	\$ —
BALANCE OF CASH AND U.S. GOVERNMENT SECURITIES, at cost, at end of period	\$ 2,472,258	\$ 1,074,075	\$ —	\$10,689,574
ADD (Deduct)—adjustment of interfund transfers, from transit revenue related to debt service requirements, to reflect that portion of state grants for debt service which was not needed to meet debt service requirements for the period	\$ 22,198	\$ (5,775)	\$ —	\$ (16,423)
ADD (Deduct)—interfund transfers to be made after end of period:				
Net proceeds from the sale of property to working cash account	\$ (1,293,945)	\$ —	\$ —	\$ —
Net proceeds from the sale of property to modernization fund (Note 1)	—	—	—	—
Reimbursement for capital expenditures made from working cash account (Note 1)	—	—	—	—
For injuries and damages	—	—	—	—
From equipment trust accounts representing income on investments	—	—	—	—
Equivalent to payments made from depreciation reserve fund for equipment trust debt service and transit revenue for other debt obligations	1,162,544	—	—	—
Reimbursement for expenditures	(2,340,857)	—	—	—
Net transfers to be made	\$ (2,472,258)	\$ —	\$ —	\$ —
BALANCE AT END OF PERIOD, after adjustment and transfers	\$ 22,198	\$ 1,068,300	\$ —	\$10,673,151
CLASSIFIED IN THE ACCOMPANYING BALANCE SHEET AS:				
Special funds	\$ 22,198	\$ 1,068,300	\$ —	\$ —
Other current assets	—	—	—	—
Reduction of long-term debt	—	—	—	10,673,151
	\$ 22,198	\$ 1,068,300	\$ —	\$10,673,151

Bond Trustee			Funds Held by Equipment Trustee			Other Funds		
Revenue Bond Reserve Funds	Depreciation Reserve	Modernization (Note 1)	For Payment of Interest	For Payment of Principal	Additional Security Account (Note 2)	State and Local Contributions and Grants (Exhibit VI)	Damage Reserve	Working Cash Account
\$7,643,800	\$ 679,896	\$ —	\$ 24,286	\$ 117,500	\$ 53,568	\$ 1,751,230	\$ 2,878,554	\$ 3,507,882
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	19,924,762	—	—
—	—	—	—	—	—	—	—	—
416,190	12,160	—	3,115	16,114	—	77,457	89,139	775
—	—	—	—	—	—	—	—	—
<u>\$ 416,190</u>	<u>\$ 12,160</u>	<u>\$ —</u>	<u>\$ 3,115</u>	<u>\$ 16,114</u>	<u>\$ —</u>	<u>\$ 20,002,219</u>	<u>\$ 89,139</u>	<u>\$ 775</u>
\$ —	\$ 886,816	\$ —	\$ —	\$ —	\$ —	\$(11,804,421)	\$ —	\$ 164,314
—	—	—	—	—	—	—	—	—
—	(1,698,025)	—	274,690	1,423,335	—	—	—	—
—	447,043	—	—	—	—	—	—	(447,043)
—	—	—	—	—	—	—	8,504,763	(8,504,763)
—	—	—	(3,115)	(16,114)	19,229	—	—	—
—	—	—	—	—	—	(7,751,230)	—	—
(416,190)	—	—	—	—	—	(64,857)	(89,139)	(775)
—	—	—	—	—	—	—	(3,067,120)	241,163,778
<u>\$ (416,190)</u>	<u>\$ (364,166)</u>	<u>\$ —</u>	<u>\$ 271,575</u>	<u>\$ 1,407,221</u>	<u>\$ (19,229)</u>	<u>\$ 19,620,508</u>	<u>\$ 5,348,504</u>	<u>\$ 232,375,511</u>
<u>\$7,643,800</u>	<u>\$ 327,890</u>	<u>\$ —</u>	<u>\$ 298,976</u>	<u>\$ 1,540,835</u>	<u>\$ 72,797</u>	<u>\$ 2,132,941</u>	<u>\$ 8,316,197</u>	<u>\$ 235,884,168</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	(278,899)	(1,420,000)	—	—	—	—
—	—	—	—	—	—	—	(6,841,044)	(234,754,701)
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (278,899)</u>	<u>\$ (1,420,000)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (6,841,044)</u>	<u>\$ (234,754,701)</u>
\$7,643,800	\$ 327,890	\$ —	\$ 20,077	\$ 120,835	\$ 72,797	\$ 2,132,941	\$ 1,475,153	\$ 1,129,467
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,293,945
—	—	1,293,945	—	—	—	—	—	(1,293,945)
—	—	(1,293,945)	—	—	—	—	—	1,293,945
—	—	—	—	—	—	—	1,520,121	(1,520,121)
—	—	—	—	—	(72,797)	—	—	—
—	—	—	—	—	—	(1,162,544)	—	—
—	—	—	—	—	—	—	(233,138)	2,573,995
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (72,797)</u>	<u>\$ (1,162,544)</u>	<u>\$ 1,286,983</u>	<u>\$ 2,347,819</u>
<u>\$7,643,800</u>	<u>\$ 327,890</u>	<u>\$ —</u>	<u>\$ 20,077</u>	<u>\$ 120,835</u>	<u>\$ —</u>	<u>\$ 970,397</u>	<u>\$ 2,762,136</u>	<u>\$ 3,477,286</u>
\$ —	\$ 327,890	\$ —	\$ 20,077	\$ —	\$ —	\$ 970,397	\$ 2,762,136	\$ —
—	—	—	—	—	—	—	—	3,477,286
<u>7,643,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>120,835</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$7,643,800</u>	<u>\$ 327,890</u>	<u>\$ —</u>	<u>\$ 20,077</u>	<u>\$ 120,835</u>	<u>\$ —</u>	<u>\$ 970,397</u>	<u>\$ 2,762,136</u>	<u>\$ 3,477,286</u>

cluded as a reduction of the accumulated deficit. In 1971, contributions and grants received for operating losses and debt service interest requirements (\$5,805,466 at December 25, 1971) were classified separately on the balance sheet. Accumulated earnings for the period ended December 25, 1971, have been restated to include such contributions and grants.

In May 1973, the Authority received an Emergency Transportation Operation Grant in the amount of \$12,600,000 from the State of Illinois. In April 1973, the City of Chicago and County of Cook had contributed matching grants, required by the legislation providing for the state grant, totaling \$6,300,000.

The state and local grants are to be used for operating expenses, including principal and interest payments applicable to equipment trust certificates, but shall not be used for debt service on revenue bonds. Also, such grants shall not be subject to the terms of the Chicago Transit Authority Revenue Bond Trust Agreement dated July 1, 1947, as amended.

Under the terms of the legislation providing for the state grant, the operating expenses must be approved by the Secretary of Transportation. If the Authority does not have an operating deficit, as determined by the Secretary of Transportation for the period January 1, 1973, through June 30, 1973, including as revenue its grants from the state and from units of local government, the Authority shall repay to the state and to the granting local government units, in the same proportion as the grants provided, the amount by which it does not have an operating deficit.

(4) CONTRIBUTED PROPERTY:

The Authority has been granted by the City Council of the City of Chicago the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago. Included in the transportation system operated by the Authority are certain facilities owned by others. The Authority has the exclusive right to operate these facilities under the terms of the authorizing legislation and various long-term lease and other agreements.

In 1972, the Authority changed its accounting policies to reflect in its accounts, as contributed property, facilities which it has the exclusive right to operate. Accordingly, the financial statements as of December 25, 1971, have been restated to reflect such property, amounting to approximately \$240,400,000, which includes approximately \$229,000,000 of facilities owned by others.

The additional property recorded is stated at original cost. No provision has been made to reflect the effect, if any, of depreciation which might have occurred since the property was initially placed in service. The original cost reflected in the accounts of the Authority has been obtained from various sources, including reports of the City of Chicago, project status reports prepared by various agencies, contracts, bills of sale and in other instances from original invoices. This documentation is not complete; consequently, in 1973, the Authority plans to initiate a program to obtain the necessary documentary support for the original cost of such property.

The provision for depreciation as reflected in the accompanying financial statements is equal to 8% of revenues. As pointed out in Note 1, 8% of revenues is the minimum provision required by the Trust Agreement. No consideration has been given to the possible effect that depreciating the contributed property would have on the accumulated provision for depreciation. The Authority is presently studying the various methods which might be adopted regarding depreciating all of the property operated by the Authority.

As indicated in the accompanying Statement of Contributed Capital (Exhibit VII), a substantial portion of the property previously not recorded was financed by the City of Chicago. The Chi-

cago Transit Authority Ordinance provides that no disbursements, with certain exceptions, made by the City from the City Traction Fund or from the City Transit Fund shall be included in the property account of the Authority. In the opinion of management, recording of this property is desirable to reflect the scope of the Authority's operations and by specifically designating the accounts in which this property is recorded as being contributed property operated but not owned by the Authority that they have complied with the Chicago Transit Authority Ordinance.

The property recorded includes the State Street and Dearborn Street subways, Congress, Dan Ryan and Kennedy Expressway Rapid Transit facilities and other property including the amounts expended under the present Federally and state funded capital improvement projects.

The Authority has entered into a capital grant contract with the Department of Transportation, Urban Mass Transportation Administration (DOT-UMTA) and with the State of Illinois under the Transportation Bond Act. DOT-UMTA will finance two thirds or approximately \$93,580,000 with the State of Illinois financing one third or approximately \$46,790,000. Substantial commitments have been entered into by the Authority in connection with this grant.

Certain provisions of the agreements giving the Authority the right to use or operate these facilities provide that proceeds from the sale of the financed property must be returned to the grantors. However, in certain instances, the sale proceeds can be used to replace the property sold.

(5) RESTATEMENT OF THE NET LOSS FOR 1971:

As explained in Note 3, during 1972 the Authority received grants from the State of Illinois to meet debt service requirements and other contractual obligations. A portion (\$274,526) of the grant received in 1972 was applied by the Authority as reimbursement for interest payments made in 1971 on revenue bonds and equipment trust certificates and for payments to the City of Chicago for reimbursement of cost of transportation equipment. The net loss for the fifty-two week period ended December 25, 1971, as shown in the accompanying financial statements has been restated to reflect that portion of the 1972 grant applied to reduce the 1971 loss.

(6) EMPLOYEE BENEFITS DISTRIBUTION:

Employee benefits are distributed to functional expense classifications throughout the period at estimated rates. The increased costs of such benefits were not fully provided through the application of such rates in 1971 and, therefore, the 1972 rates were increased to distribute that portion not previously provided for to operating expenses in 1972. If such costs had been fully provided for when incurred, operating expenses for 1971 would have been increased approximately \$2,500,000 and, correspondingly, operating expenses for 1972 would have been reduced by the same amount.

(7) EXPENSING OF PROPERTY REPLACEMENTS:

The Authority follows the practice of capitalizing replacements of track, electrical equipment, etc., based on "property units" as defined several years ago. Such replacements are to be charged to the depreciation reserve fund. During 1971, however, the cost of certain necessary replacements of track and associated equipment approximating \$600,000, which would have normally 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 Trust Agreement.

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 30, 1972, and December 25, 1971, and the related statements of accumulated earnings (deficit), income and expense, application of contributions and grants for operating losses and debt service and application of revenue for the fifty-three week and fifty-two week periods, respectively, then ended. We have also examined the statements of changes in financial position, contributed capital and funds for the fifty-three week period ended December 30, 1972. 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, except as explained in a following paragraph regarding property and equipment owned by others.

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 depend upon adequate revenues or funds from other sources. Revenues were not adequate for the fifty-three week period ended December 30, 1972, and the fifty-two week period ended December 25, 1971; however, the Authority did receive contributions and grants for operating losses and debt service from local and state governments. As explained in Note 3 to the financial statements, grants for operating expenses for the period January 1, 1973, through June 30, 1973, have been received from local and state governments.

As explained in Note 4 to the financial statements, the Authority, in 1972, changed its accounting policies to reflect in its accounts approximately \$229,000,000 of property and equipment, owned by others, which it has the exclusive right to operate. The documentation utilized to determine the original cost of this property as reflected in the accounts is not complete and management has informed us that it plans to initiate a program to obtain the necessary support for the original cost of such property and has requested that we not examine these accounts until such study is completed. No provision has been made for depreciation, if any, which may have occurred since such property was placed in service, and, as noted, there is a question as to whether the Authority can include certain property financed by the City of Chicago in the property account of the Authority.

Because of the significance of the matters referred to in the preceding paragraphs, we are unable to express an opinion on the accompanying financial statements taken as a whole. In our opinion, however, the balances of cash and U.S. Government securities, as of December 30, 1972, and December 25, 1971, reflected in the statement of funds represent the amounts of cash and U.S. Government securities held in the various funds. Also, in our opinion, the amounts shown in the accompanying balance sheets for accounts receivable, grant from the State of Illinois for other contractual obligations--unapplied, accrued interest on long-term debt, the amounts listed under other current liabilities and the amounts shown in the accompanying statements of income and expense for operating revenue, operating expense (except for the provision for depreciation and the matter described in Note 6), other income, interest charges and contributions and grants, and the statements of application of contributions and grants for operating losses and debt service 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 7, during the periods.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
May 24, 1973.

revenue equipment

	On Hand Dec. 25, 1971	Dec. 25, 1971, to Dec. 30, 1972		On Hand Dec. 30, 1972
		Acquired	Retired	
BUSES:				
Propane (1950-59)	1,187	—	180	1,007
Diesel (1950-60)	67	—	49	18
Trolley (1951-52)	274	—	26	248
Diesel (1961-69)	1,215	—	—	1,215
Propane (1963)	150	—	—	150
Diesel—Air—Conditioned (1965)	10	—	—	10
Diesel—Air—Conditioned (1972)	—	524	—	524
Total Buses	<u>2,903</u>	<u>524</u>	<u>255</u>	<u>3,172</u>
RAPID TRANSIT CARS:				
Steel—Conventional Type (1922-25)	180	—	86	94
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>1,282</u>	<u>—</u>	<u>86</u>	<u>1,196</u>
Total Passenger Equipment	<u>4,185</u>	<u>524</u>	<u>341</u>	<u>4,368</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 30, 1972

	Surface System	Rapid Transit System	Combined
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	<u>—</u>	<u>11.33</u>	
	<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	1,710.00	—	1,710.00
	<u>1,859.00</u>	<u>191.60</u>	<u>2,050.60</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>1,881.27</u>	<u>242.30</u>	<u>2,123.37</u>
NUMBER OF RAPID TRANSIT STATIONS			149

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.

statement of transportation property and organization expense

showing balance at December 25, 1971, plus additions and less retirements during 1972 and balance at December 30, 1972

	Balance Dec. 25, 1971	Gross Additions	Retirements	Balance Dec. 30, 1972
Land	\$ 14,471,494	\$ 14,832	\$ 301,045	\$ 14,185,281
Track and Paving	13,723,104	(70,035)	3,624	13,649,445
Machinery and Tools	7,094,770	75,150	25,265	7,144,655
Electric Line Equipment	8,701,616	98,830	378,923	8,421,523
Buildings	36,798,325	199,731	349,802	36,648,254
Cars	62,721,321	4,620	527,926	62,198,015
Buses, Fare Boxes, etc.	68,223,902	173,922	5,065,540	63,336,284
Work Cars, Autos and Service Equipment	2,485,430	11,497	117,396	2,379,531
Furniture	1,830,675	56,963	1,450	1,886,188
Signals and Interlocking	2,819,764	4,153	—	2,823,917
Crossings, Fences and Signs	1,430,641	—	—	1,430,641
Elevated Structures	9,820,527	(77,137)	134,258	9,609,132
Substation Equipment	7,274,903	636,514	207,710	7,703,707
Substation Under Long Term Construction				
Contracts	841,228	—	841,228	—
Telephones and Communications	1,062,563	(12,140)	325	1,050,098
Engineering	46,623	—	—	46,623
General and Miscellaneous	8,276,890	—	120,879	8,156,011
Total Transportation Property	\$247,627,776	\$ 1,116,900	\$8,075,371	\$240,669,305
Organization Expense	85,316	—	—	85,316
	\$247,713,092	\$ 1,116,900	\$8,075,371	\$240,754,621
Donated Transportation Property	—	266,801,150	—	266,801,150
Totals	\$247,713,092	\$267,918,050	\$8,075,371	\$507,555,771

() Denotes Red Figures

operating statistics for fiscal year ended December 30, 1972

	Surface System	Rapid Transit System	Combined
REVENUES	\$137,265,775	\$49,818,156	\$187,083,931
REVENUE VEHICLE MILES—			
Cars—Rapid Transit	—	50,776,572	50,776,572
Trolley Buses	8,587,777	—	8,587,777
Motor Buses	86,565,848	—	86,565,848
Total Revenue Vehicle Miles	95,153,625	50,776,572	145,930,197
REVENUE PER VEHICLE MILE	\$1.44	\$.98	\$1.28
EARNING REVENUE VEHICLE HOURS—			
Cars—Rapid Transit	—	1	—
Trolley Buses	877,486	—	877,486
Motor Buses	8,241,417	—	8,241,417
Total Earning Revenue Vehicle Hours	9,118,903	—	9,118,903
POWER STATISTICS:			
Direct Current Kilowatt Hours	34,037,067	240,409,743	274,446,810
Average Cost Per Kilowatt Hour	—	—	2.0877¢
MOTOR BUS FUEL STATISTICS:			
Diesel Fuel—Gallons	14,284,000		
Average Miles Per Gallon	3.77		
Average Cost Per Mile	3.1¢		
Propane Fuel—Gallons	17,777,000		
Average Miles Per Gallon	1.84		
Average Cost Per Mile	4.3¢		

¹ Not Available



Chicago Transit Authority
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