



President's Board Report

September 15, 2010

Good morning Chairman Peterson and members of the Board.

Two weeks ago, Chairman Peterson and I joined Mayor Daley and Department of Transportation Commissioner Ware to announce the start of construction for a new CTA station at Morgan and Lake Streets. Construction is being funded by the City.

This new station – the first brand new station in more than 10 years - will serve Pink and Green Line riders and will provide more convenient service for a growing area of the city.

When the project is completed, CTA customers will have a station equipped with elevators, Braille signs, tactile edging and a wheelchair turnstile that will make it accessible to riders with disabilities.

The CTA's partnership with the City and CDOT has been beneficial to the agency and in turn, those that ride CTA. In the more than 20 years that Mayor Daley has been in office, the City has invested over \$1 billion dollars in CTA projects. They've helped transform many stations into gateways that welcome visitors and residents to the city and we are excited to again work together on this project.

Through this collaborative effort, the City is enabling the CTA to use its capital funds to improve other areas in need of renovation.

The CTA strives to provide the highest quality service possible to customers and in order to do that we must have an infrastructure that is maintained in a continued state of good repair. We also must be able to modernize and expand to meet the growing demand for public transit.

The challenges of an aging system are not exclusive to the CTA. A 2010 report by the Federal Transit Administration determined that the transit agencies across the nation need more than \$77 billion dollars just to bring the agencies' infrastructures to a state of good repair.

Nationwide more than 40 percent of all transit assets are in poor or marginal condition according to FTA. What that means is that there are a lot of transit systems competing for a limited amount of federal funding so it is important that the CTA be aggressive about pursuing every opportunity.

We are very fortunate to have the support of Mayor Daley and other elected officials who understand the importance of a reliable public transportation system.

We appreciate the City's long-time investment in the CTA. We are also counting on the state to come through with its funding commitment so that we will have a solid capital investment program for the coming year.

There is no shortage of projects CTA wants to bring to fruition; however, it all comes down to our ability to secure funding.

I look forward to continuing to work with the Mayor and Chairman Peterson to make certain that Springfield and Washington remain aware of the capital funding we need in order to provide the quality of service that this city and its residents deserve.

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We are currently working to finalize the proposed budget for 2011 and will have a full report for you next month. This month I would like to give you a preview of some of the internal cost cutting measures I will be recommending.

As we all know, the economy remains sluggish and isn't rebounding as quickly or robustly as had been predicted. Effective and disciplined management will be as essential in 2011 as it was in 2010.

However, we are committed to providing the best possible service for our customers and are looking at the best ways to do that within the constraints of our budget.

This year, we have identified \$53.6 million dollars in management efficiencies that will help us weather the continued economic challenges without adversely impacting the current level and quality of service provided to customers.

Approximately \$36 million of cost savings will be a result of personnel efficiencies.

CTA will save approximately \$7.2 million in salaries and benefits by eliminating more than 70 positions—including more than a dozen at manager level.

A savings of \$13.7 million in salaries and benefits will be achieved by delaying hiring for open positions that are deemed necessary, but are not safety related or directly impact service.

And we will save another \$15.2 million by tightly managing overtime costs and again foregoing wage increases and requiring unpaid days of non-union employees,

In addition, CTA will save approximately \$17.5 million as departments continue to aggressively streamline operations and reduce expenditures such as materials, power, contracts and overtime in 2011.

The financial challenges we're experiencing are not exclusive to the CTA. Just like other businesses around the nation, we continue to strive for ways to be fiscally responsible and maintain operations until the economy recovers.

In these tough economic times, access to affordable public transportation is even more important and at CTA we will do everything we can to ensure the buses and trains continue to operate for those who depend on them.

Last month I traveled to Bombardier's manufacturing facility in New York and was provided a tour of the area where the new 5,000 series rail cars will be assembled. It was an opportunity to get a first-hand look at how the cars are manufactured. I also took the opportunity to learn about how they manage inventory and supply chain.

Testing of the prototype rail cars continues to move forward. The cars are now operating on the Blue Line.

The rail cars must successfully complete testing on all eight rail lines. Our engineers and rail operations staff are thoroughly testing these cars to ensure that once we receive the newly assembled trains, that all of the systems and features meet our standards.

That concludes my report for September, thank you.