

Thank you Chairman Brown, members of the board.

I've now been at the CTA for just over four months. In such short time, regrettably, the RTA has required we amend our budget twice, due to reductions in public funding. Based on our funding marks, the CTA was due to receive \$723 million dollars in subsidies this year, and we developed our budget based on that anticipated revenue. With today's action, the public funding in the CTA's budget has been reduced by a total of 25% -- to \$541 million dollars.

The loss of 25% of our public funding has left the CTA with a razor thin margin with which to operate for the remainder of the year. Fortunately, the CTA initiated budgeting efficiencies and cost control steps early in the year that will help us manage the most recent cuts. We have also benefited from strong performance in both ridership and revenue in the first half of the year. But we're beginning to see the impact of the weak economy on our ridership, so we cannot continue to expect it to perform better than budgeted. We will continue to

aggressively manage our budget targets, for both costs and revenues, to get through the remainder of the year.

In spite of operating budget challenges, there is some positive news. On Monday I was honored to join Mayor Daley and Governor Quinn for the signing of legislation authorizing a state capital program.

The bill will provide the CTA with \$900 million dollars over the next five years. Coupled with the \$496 million dollar mini-capital program announced earlier this year, the \$900 million will provide a good start toward addressing our unfunded capital need, which, as everyone knows is nearly \$7 billion dollars.

It couldn't come at a better time. The right capital investments decrease operating costs, increase reliability and improve overall service quality. They also free up operating dollars for new and innovative programs. At a time when our operating budget is being battered, we're very appreciative of capital funding that enables us to continue investing in our system.

And as we prepare for the reauthorization of the federal transportation bill, it's vital to have state capital funds available to leverage federal dollars.

I'd like to report that our stimulus projects continue to go well. Last week we put into service the first of 58 hybrid, articulated buses that were purchased with stimulus funds. We're scheduled to have all 58 on the road by September of this year.

As with our finances, there is some mixed news to report on ridership.

Let me start with the July 3 and 4th holiday. It's traditionally extremely busy for the CTA and this year was no different. For both July 3rd and July 4th, ridership was higher than any prior year except last year.

Despite the crowds, service ran well. We instituted some new measures to help move people quickly. They included new staging areas for buses, new signs to better direct people, mobile fare collection strategies and plenty of information specialists to help assist customers.

I, as well as my entire management team, was in attendance throughout the weekend to personally experience what our customers experienced, and to gather ideas on how we improve our logistical performance next year.

I also have the ridership report for June.

Although ridership year to date is still higher than for the first six months of 2008, it was down for the month of June.

Last month, 43.6 million rides were provided. That is a decrease of 3.5% compared to 2008.

Ridership on the bus system was 26.3 million rides, which is down 6.1 % compared to last year. The biggest losses have been in the corridor along the Northwest side with routes that feed the Blue Line. We have experienced past ridership dips related to construction so we expect to see improvement in that corridor once slow zone work wraps up.

Ridership on the rail system continued to be strong and was at 17.3 million, which was an increase of 0.8 %

compared to June 2008. We have experienced a 7% loss on the Blue Line, attributed at least in part to the construction work underway. Our strong performers have been the Brown Line and the north branch of the Red Line, which are up 10% and 3% respectively.

Rush hour is down on both bus and rail, which is an indication of recession-related job losses. But we are seeing strong growth on the rail system on weekends so our overall weekend ridership is up.

Year-to-date, ridership remains ahead of last year by just under 1.0% (0.9%)

We are continuing to monitor ridership closely and will keep looking for opportunities where we can fine tune our service to attract more riders.

As always, we remain committed to providing our customers service that is on time, clean, safe, and friendly.

Thank you. This concludes my report.

