

State of Good Repair

June 2016

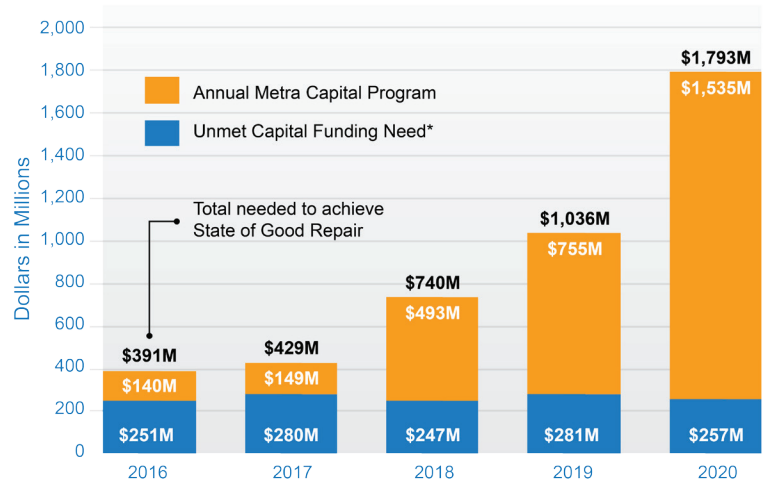
METRA'S BIGGEST CHALLENGE

Safe and reliable rail service depends on perpetual maintenance of capital assets, such as track, signals, rolling stock, communications equipment and buildings. For many years, however, Metra has been falling behind on these investments. A legacy system like Metra's has many aging components approaching or past their useful lives, and the availability of federal, state and local funding for transit capital projects has decreased, resulting in a \$6.1 billion backlog of maintenance, rehabilitation or replacement projects across Metra's system. This unsustainable situation threatens the future viability of the important service Metra provides.

"An asset or system is in a STATE OF GOOD REPAIR when no backlog of capital needs exists – hence all asset lifecycle investment needs (e.g., preventative maintenance and rehabilitation) have been addressed and no capital asset exceeds its useful life."

Source: Federal Transit Administration's Transit Asset Management Practices Report

2015 – 2019 CAPITAL PROGRAM



Source: 2014 RTA Capital Asset Condition Report Assessment Update
 Note: Does not include capital project backlog (\$6.1B in 2014) or State of Illinois bond funding.

A COMPOUNDING PROBLEM

The long-lasting nature of railroad infrastructure creates the false impression that these fixed assets do not wear out, but each year Metra must invest hundreds of millions of dollars to maintain its infrastructure, much of which is never seen by riders.

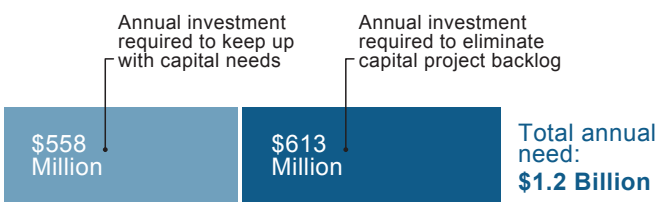
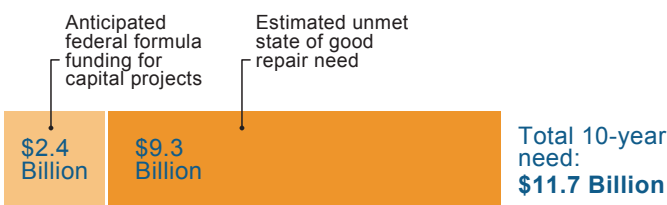
Deferred maintenance is a problem that compounds with each new budget year. This creates a physical asset debt that accumulates over time, degrading on-time performance and escalating operating expenses.

When Metra started in 1984, it inherited disinvested rail lines hobbled by derailments, speed restrictions, mechanical failures and deteriorated stations. The agency has spent billions to renew its assets, as well as introduce new stations and expand service. Now a lack of funding limits the ability to care for critical infrastructure, threatening the value of these investments.

Achieving a state of good repair on Metra's existing system is vital to the region's future mobility, since enhancement and expansion of the commuter rail network – new stops, extensions, and lines – requires a well-functioning core.

Without sufficient capital investment, operating expenses will skyrocket, and service reliability will plummet.

2014 – 2023 STATE OF GOOD REPAIR NEEDS



Source: RTA 2014 Capital Asset Condition Assessment Update

THE CAPITAL MAINTENANCE SPIRAL

IF CAPITAL INVESTMENT IS DEFERRED TOO LONG:

- Components fail to operate reliably
As service suffers, Metra riders seek alternate transportation, and fewer funds are available to sustain the system.
- Operating costs rise
Labor expenses increase as components fail unexpectedly, causing delays. Crews must work longer hours and unscheduled shifts.
- The poor condition of one component accelerates wear and tear on other components
For example, track conditions affect the operation of locomotives and railcars, and vice versa.
- Operating costs escalate, more dollars are diverted from capital needs, and deferral of maintenance continues
The cycle continues to worsen at an increasing rate. Meaningful service enhancements or extensions are impossible.

METRA CAPITAL ASSETS

241	Stations
821	Bridges
488	Route miles
1,155	Track miles
571	Grade crossings
24	Rail yards
146	Locomotives
837	Diesel railcars
186	Electric Highliner railcars*

* When delivery of new cars is complete in 2016 (complete replacement of the EMU fleet is currently underway)

WHAT IS METRA DOING ABOUT THIS?

- In 2011, Metra ended the diversion of capital-eligible formula funds to cover operating expenses.
- Metra has balanced its operating budget by cutting expenses as well as adjusting fares in four of the past five years.
- A comprehensive inventory of the condition of Metra's capital assets is underway, to provide detailed information about the system's needs. The results of the capital asset inventory will assist Metra in prioritizing capital projects.
- Metra is currently developing its first comprehensive strategic plan, which will focus the agency's efforts as it seeks to use scarce capital dollars in the most efficient and effective way.

WHAT ELSE IS NEEDED?

Though agency and regional efforts are important, a larger-scale solution is required, girded by a serious, sustained commitment to adequate funding of public transit.

METRA NEEDS:

- A reliable stream of capital funding from the State of Illinois—though this is dependent on resolution of the state's uncertain financial situation.
- Increased levels of federal formula funding for transit capital expenses. In addition, new dedicated funding sources should be adequate and reliable.
- Access to innovative financing strategies such as public-private partnerships and funding support mechanisms such as value capture. Though they show promise, these techniques alone will not solve the capital funding crisis.