# Financial Practices and Reporting Review Committee

Committee Meeting
July 15, 2011

# Finance Presentation

Metra Financial Practices &
Reporting Review Committee
July 15, 2011
Presented by Jim Mickus
Budget Director

# Revenue Recovery Ratio

- **Per Illinois state law (RTA Act), the Revenue Recovery Ratio is the ratio between Revenues and Expenses generated in the provision of passenger services**

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# Revenue Recovery Ratio

- **Per Illinois state law (RTA Act), the Revenue Recovery Ratio is the ratio between Revenues and Expenses generated in the provision of passenger services**
- **The Revenue Recovery Ratio for the RTA System is set at 50%**

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# Revenue Recovery Ratio

- **Per Illinois state law (RTA Act), the Revenue Recovery Ratio is the ratio between Revenues and Expenses generated in the provision of passenger services**
- **The Revenue Recovery Ratio for the RTA System is set at 50%**
- **The RTA is responsible for setting the Revenue Recovery Ratios for the Service Boards so that the region attains 50%**

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# Revenue Recovery Ratio

**Revenues are defined as:**

- **The proceeds of all fares and services provided**
- **The state reimbursement for reduced fares**
- **All other operating revenues properly included consistent with Generally Accepted Accounting Principals (GAAP)**

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# Revenue Recovery Ratio

## Expenses are defined as:

- Operating Costs consistent with GAAP, including Administrative expenses
- Operating expenses exclude depreciation, payments with respect to public transportation facilities, costs for passenger security
- Operating expenses also exclude payments of principal and interest on bonds and payments on other financing agreements

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# Revenue Recovery Ratio

## Metra 2011 Budget Calculation: (Dollars in Millions)

| | Add | Subtract | Subtract | Net |
|---|---|---|---|---|
| $297.3 | $9.0 | | | $306.3 |
| $634.2 | | ($36.7) | ($41.0) | $556.5 |
| 46.9% | | | | 55.0% |

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# Revenue Recovery Ratio

## Metra 2011 Budget Calculation:

(Dollars in Millions)

| | Add | Subtract | Subtract | Net |
|---|---|---|---|---|
| | Senior Fare Credit | | | |
| $297.3 | $9.0 | | | $306.3 |
| $634.2 | | ($36.7) | ($41.0) | $556.5 |
| | | Allowable Deductions | RRR Relief | |
| 46.9% | | | | 55.0% |

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# Revenue Recovery Ratio Relief

**The 2008 New Transit Funding Legislation provided the RTA with credits (not cash) to allow the service boards to adjust fares and service levels over time to match their operations to their funding levels:**

| Year | Region Amount | Metra Amount | Fare Equiv |
|---|---|---|---|
| 2008 | $ 200 Million | -0- | |
| 2009 | $ 160 Million | -0- | |
| 2010 | $ 120 Million | -0- | |
| 2011 | $ 80 Million | $ 41 Million | 9.0% |
| 2012 | $ 40 Million | $ 20 Million | 4.5% |
| 2013 | -0- | -0- | |

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# Revenue Recovery Ratio

- **The Metra Revenue Recovery Ratio for 2011 is 55%.**

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# Revenue Recovery Ratio

- **The Metra Revenue Recovery Ratio for 2011 is 55%.**
- **For the first time, even with Revenue Recovery Ratio Relief, the RTA did not achieve a mandated 50% System Revenue Recovery Ratio in the first quarter of 2011.**

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# Revenue Recovery Ratio

- **The Metra Revenue Recovery Ratio for 2011 is 55%.**
- **For the first time, even with Revenue Recovery Ratio Relief, the RTA did not achieve a mandated 50% System Revenue Recovery Ratio in the first quarter of 2011.**
- **The penalties for a Service Board not meeting its Revenue Recovery Ratio target include the RTA holding back sales tax money and the RTA imposing budget amendments on a service board that mandate fare increases or expense reductions to meet targets.**

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# Revenue Recovery Ratio

- State law mandates that the RTA System achieve a Revenue Recovery Ratio of 50%. The RTA sets Revenue Recovery Ratios for each Service Board in the annual budget process.
- The Metra Revenue Recovery Ratio for 2011 is 55%.
- For the first time, even with Revenue Recovery Ratio Relief, the RTA did not achieve a mandated 50% System Revenue Recovery Ratio in the first quarter of 2011.
- The penalties for a Service Board not meeting its Revenue Recovery Ratio target include the RTA holding back sales tax money and the RTA imposing budget amendments on a service board that mandate fare increases or expense reductions to meet targets.
- Metra must adjust its revenues and expenses to meet its Revenue Recovery Ratio target or the RTA will impose the necessary changes on Metra.

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# Metra 2011 Budget and 2012-2013 Plan

- **Due to diminishing Recovery Ratio Relief credits, Metra was required to include provisions for Required Additional Revenue in its financial plans for 2012 and 2013 to maintain the 55% Revenue Recovery Ratio target.**

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# Metra 2011 Budget and 2012-2013 Plan

- **Due to diminishing Recovery Ratio Relief credits, Metra was required to include provisions for Required Additional Revenue in its financial plans for 2012 and 2013 to maintain the 55% Revenue Recovery Ratio target.**

| ($ in millions) | 2011 Budget | 2012 Plan | 2013 Plan |
|---|---|---|---|
| Revenue Recovery Ratio Relief | $ 41.0 | $ 20.0 | $ 0.0 |
| Required Additional Revenue | $ 0.0 | $ 14.5 | $ 31.5 |
| Revenue Recovery Ratio | 55.0% | 55.0% | 55.0% |

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# Metra 2011 Budget and 2012-2013 Plan

- **The Metra system required additional revenues in 2012 and 2013.**

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# Metra 2011 Budget and 2012-2013 Plan

- **The Metra system required additional revenues in 2012 and 2013.**

| | 2011 Budget | 2012 Plan | 2013 Plan |
|---|---|---|---|
| Original Required Additional Revenue | $ 0.0 M | $ 14.5 M | $ 31.5 M |

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# Metra 2011 Budget and 2012-2013 Plan

- **The Metra system required additional revenues in 2012 and 2013.**

| | 2011 Budget | 2012 Plan | 2013 Plan |
|---|---|---|---|
| Original Required Additional Revenue | $ 0.0 M | $ 14.5 M | $ 31.5 M |
| Original Diesel Fuel Expense | $ 58.8 M | $ 58.2 M | $ 59.2 M |
| *Original Diesel Fuel Price per Gallon* | *$ 2.35 /g* | *$ 2.32 /g* | *$ 2.37 /g* |

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# Metra 2011 Budget and 2012-2013 Plan

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| *Original Diesel Fuel Price per Gallon* | *$ 2.35 /g* | *$ 2.32 /g* | *$ 2.37 /g* |
| Current Forecast for Diesel Fuel | $ 77.2 M | $ 72.3 M | $ 79.9 M |
| *Forecast Diesel Fuel Price per Gallon* | *$ 3.07 /g* | *$ 2.88 /g* | *$ 3.18 /g* |

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# Metra 2011 Budget and 2012-2013 Plan

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| *Forecast Diesel Fuel Price per Gallon* | *$ 3.07 /g* | *$ 2.88 /g* | *$ 3.18 /g* |
| Diesel Fuel Expense based on "Barron's" July 2011 | | $ 109.0 M | $ 112.3 M |
| *Diesel Fuel Price per Gallon based on "Barron's" July 2011* | | *$ 4.34 /g* | *$ 4.47 /g* |

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# Metra 2011 Budget and 2012-2013 Plan

- **With higher diesel fuel prices projected for the out years and a conservative increase in base operating expenses, the resulting out year projection would have an increased Metra deficit.**

- **The increased Metra deficit would need to be covered by increases in fares, decreases in service, or a combination of both to meet the required 55.0% revenue recovery ratio.**

- **The increased Metra deficit cannot be covered by funding (Sales Tax or Transfers from Capital) or the 55.0% revenue recovery ratio requirement would not be achieved.**

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# Metra 2011 Budget and 2012-2013 Plan

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**All Revenues**

| ($ in millions) | 2011 Budget | 2012 Plan | 2013 Plan |
|---|---|---|---|
| Revenue Recovery Ratio Requirement | 55.0% | 55.0% | 55.0% |
| Required Additional Revenue | $ 0.0 | $ 27.5 | $ 19.1 |
| Fare Increase Percentage | | 12.0% | 8.2% |
| Required Service Reduction | $ 0.0 | $ 0.0 | $ 0.0 |
| Expense Reduction Percentage | 0 | 0 | 0 |

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# Metra 2011 Budget and 2012-2013 Plan

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- **The increased Metra deficit cannot be covered by funding (Sales Tax or Transfer from Capital) or the 55.0% revenue recovery ratio requirement would not be achieved.**

**All Expenses**

| (in millions) | 2011 Budget | 2012 Plan | 2013 Plan |
|---|---|---|---|
| Revenue Recovery Ratio Requirement | 55.0% | 55.0% | 55.0% |
| Required Additional Revenue | 0 | 0 | 0 |
| Fare Increase Percentage | | | |
| Required Service Reduction | 0 | ($50.2) | ($89.5) |
| Expense Reduction Percentage | 0 | (7.5%) | (12.7%) |

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# Metra Administration Expense

•Total Administration charges are detailed below. The charges include the NIRCRC Administration Cost Centers that support the NIRCRC direct train operations and the Regional Services Cost Centers that support all of the Metra Carriers in the region. Administration charges shown exclude amounts reported as Administration on the Metra purchase of service contract carriers as they are fixed by contract.

| NIRCRC 2011 Budget | Administration | Total Expense | Percent Share |
|---|---|---|---|
| Labor / Fringe Benefits | $ 29.1 | $ 414.3 | 7.0% |
| Material and Other Costs | $ 18.3 | $ 219.9 | 8.3% |
| Total Expense | $ 47.4 | $ 634.2 | 7.5% |

The ratios below show the share of Total Expense reported as Administration for Metra and its peer railroads for 2009. The information comes from the National Transit Database (NTD) and the Metra ratio includes all Administration charges including charges for the purchase of service contract carriers.

| | | | |
|---|---|---|---|
| MBTA | 9.1% | Metra | 13.3% |
| SEPTA | 10.5% | Metro North | 18.2% |
| LIRR | 13.1% | NJ Transit | 19.0% |

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# Metra 2011 Budget and 2012-2013 Plan

- **With higher diesel fuel prices projected for the out years and a conservative increase in base operating expenses, the resulting out year projection would have an increased Metra deficit.**
- **The increased Metra deficit would need to be covered by increases in fares, decreases in service levels, or a combination of both to meet the required 55.0% revenue recovery ratio.**
- **The increased Metra deficit cannot be covered by funding (Sales Tax or Transfer from Capital) or the 55.0% revenue recovery ratio requirement would not be achieved.**

**Combination of Revenue / Expense**

| (in millions) | 2011 Budget | 2012 Plan | 2013 Plan |
|---|---|---|---|
| Revenue Recovery Ratio Requirement | 55.0% | 55.0% | 55.0% |
| Required Additional Revenue | 0 | 20.6 | 20.9 |
| Fare Increase Percentage | | 9.0% | 9.0% |
| Required Service Reduction | | (12.7) | (10.6) |
| Expense Reduction Percentage | 0 | (1.9%) | (1.5%) |

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# Service Reduction

Metra Financial Practices &
Reporting Review Committee
July 15, 2011
Presented by George Hardwidge
Deputy Executive Director – Operations

# Service Reduction Options

- The following reductions were reviewed:
  - Eliminate midday and evening service on all lines
  - Eliminate weekend service on all lines
  - Eliminate weekend service added on May 19, 2008 (MD-N & UP-N) and March 21, 2009 (SWS)
  - Eliminate extra service for White Sox and Bears games
  - Eliminate trains which average fewer than 100 passengers
  - Eliminate 1 train crew and set of equipment per line
  - Additional service reduction scenarios

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# Eliminate Midday and Evening Service

- Midday Service (9:16 a.m.-3:29 p.m.)
  - Passengers rely on midday service as a “safety net”
  - Important to keep in mind that riders’ travel patterns would likely be significantly altered, so loss would be even greater

| | |
|---|---|
| $12,000,000 | (annual cost to operate midday service) |
| $29,900,000 | (estimated annual revenue from midday service) |
| **($17,900,000)** | estimated annual savings / (cost) |

- Evening Service (after 6:45 p.m.)
  - Reduces flexibility for passengers who work late
  - Impacts passengers who use Metra for leisure activities in the City
  - Important to keep in mind that riders’ travel patterns would likely be significantly altered, so this loss would be even greater

| | |
|---|---|
| $12,000,000 | (annual cost to operate midday service) |
| $15,200,000 | (estimated annual revenue from midday service) |
| **($3,200,000)** | estimated annual savings / (cost) |

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# Eliminate Weekend Service

- Weekend Service
  - Regular weekend passengers would feel disenfranchised
  - Savings would be minimal
  - Ability to attract new riders through weekend service would be lost

| | |
|---|---|
| $19,349,000 | (annual cost to operate weekend service) |
| $17,710,000 | (estimated annual revenue from weekend service) |
| **$1,639,000** | (annual savings) |

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# Reduce Weekend Service

- Weekend Service Added on May 19, 2008 & March 21, 2009
  - Milwaukee North Line (May 19, 2008)
    - 2 roundtrips on Saturday & 1 roundtrip on Sunday
  - Union Pacific North Line (May 19, 2008)
    - 2 roundtrips on Saturday & 1 roundtrip on Sunday
  - SouthWest Service (March 21, 2009)*
    - Saturday Service (3 inbound trains and 3 outbound trains)

| | Annual Cost | Estimated Annual Revenue Loss | Annual Savings |
|---|---|---|---|
| MDN | $296,000 | $13,000 | $283,000 |
| UPN | $313,000 | $6,000 | $307,000 |
| SWS | $334,000 | $30,000* | $304,000 |
| Total | $943,000 | $49,000 | $894,000 |

*Includes SWS extension to Manhattan from Orland 179th on Weekday Train Nos. 815 & 830

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# Eliminate Extra Service

- White Sox Extra
  - $144,000 (annual cost based on 81-game season)
- Bears Extra
  - $7,000 (annual cost based on a 10-game season)
- Most extra train passengers will be accommodated on regularly scheduled trains

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# Trains Averaging Fewer than 100 Passengers

- Reviewed Trains with Average Passenger Loads under 100
  - Approximately 200 trains
    - Deadhead revenue trains
    - Last train of the day
    - Off-peak service
    - Metra Electric – Blue Island and South Chicago Branch Service

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# Eliminate 1 Train Crew and 1 Set of Equipment Per Line

- **BNSF**

| Train | Departure Time | Riders |
|---|---|---|
| 1274 | 4:08 PM | 84 |
| 1273 | 5:36 PM | 535 |
| 1298 | 10:20 PM | 66 |
| 1299 | 11:40 PM | 115 |

  - Eliminates 1 peak, 1 reverse peak, and 2 evening trains
  - Schedules to be adjusted in order to accommodate passengers
  - Total Annual Cost to Operate = $995,000
  - Estimated Annual Revenue Loss = $88,000

- **Metra Electric**

| Train | Departure Time | Riders |
|---|---|---|
| 758 | 7:47 AM | 356 |
| 604 | 7:31 AM | 220 |
| 503 | 4:54 PM | 151 |
| 739 | 5:40 PM | 320 |

  - Eliminates 4 peak trains
  - Schedules to be adjusted in order to accommodate passengers
  - Total Annual Cost to Operate = $588,000
  - Estimated Annual Revenue Loss = $129,000

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# Eliminate 1 Train Crew and 1 Set of Equipment Per Line

- **Heritage Corridor**
  - No service changes

- **Milwaukee North**

| Train | Departure Time | Riders |
|---|---|---|
| 2122 | 7:16 AM | 565 |
| 2137 | 5:15 PM | 110 |
| 2152 | 6:20 PM | 308 |
| 2151 | 7:35 PM | 260 |

  - Eliminates 2 peak, 1 reverse peak, and 1 evening trains
  - Schedules adjusted in order to accommodate passengers
  - Total Annual Cost to Operate = $622,0000
  - Estimated Annual Revenue Loss = $150,000

- **Milwaukee West**

| Train | Departure Time | Riders |
|---|---|---|
| 2212 | 6:54 AM | 403 |
| 2235 | 5:05 PM | 445 |

  - Eliminates 2 peak trains
  - Stops added to other trains to accommodate passengers
  - Total Annual Cost to Operate = $328,000
  - Estimated Annual Revenue Loss = $102,000

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# Eliminate 1 Train Crew and 1 Set of Equipment Per Line

- **North Central Service**

| Train | Departure Time | Riders |
|---|---|---|
| 106 | 6:44 AM | 409 |
| 111 | 4:58 PM | 384 |

  - Eliminates 2 peak trains
  - Stops added to other trains to accommodate passengers
  - Total Annual Cost to Operate = $450,000
  - Estimated Annual Revenue Loss = $96,000

- **Rock Island**

| Train | Departure Time | Riders |
|---|---|---|
| 402 | 5:29 AM | 787 |
| 602 | 6:05 AM | 411 |
| 302 | 8:10 AM | 192 |
| 303 | 5:30 PM | 301 |
| 90 min. svc | Midday | N/A |

  - Eliminates 4 peak trains and 4 midday trains
  - Schedules adjusted in order to accommodate passengers
  - Total Annual Cost to Operate = $1,319,448
  - Estimated Annual Revenue Loss = $186,000

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# Eliminate 1 Train Crew and 1 Set of Equipment Per Line

- **SouthWest Service**

| Train | Departure Time | Riders |
|---|---|---|
| 804 | 5:49 AM | 399 |
| 831 | 6:15 PM | 384 |

  - Eliminates 2 peak trains
  - Schedules adjusted in order to accommodate passengers
  - Total Annual Cost to Operate = $284,000
  - Estimated Annual Revenue Loss = $95,000

- **Union Pacific North**

| Train | Departure Time | Riders |
|---|---|---|
| 358 | 7:10 PM | 170 |
| 369 | 11:35 PM | 71 |

  - Eliminates 2 evening trains
  - Total Annual Cost to Operate = $797,000
  - Estimated Annual Revenue Loss = $26,000

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# Eliminate 1 Train Crew and 1 Set of Equipment Per Line

- **Union Pacific Northwest**

| Train | Departure Time | Riders |
|---|---|---|
| 645 | 5:23 PM | 537 |
| 660 | 8:00 PM | 161 |
| 665 | 11:30 PM | 210 |

  - Eliminates 1 peak and 2 evening trains
  - Schedules adjusted in order to accommodate passengers
  - Total Annual Cost to Operate = $895,000
  - Estimated Annual Revenue Loss = $100,000

- **Union Pacific West**

| Train | Departure Time | Riders |
|---|---|---|
| 12 | 5:22 AM | 357 |
| 17 | 6:57 AM | 20 |
| 28 | 7:32 AM | 385 |
| 25 | 8:40 AM | 88 |

  - Eliminates 2 peak and 2 reverse peak trains
  - Schedules adjusted in order to accommodate passengers
  - Total Annual Cost to Operate = $755,000
  - Estimated Annual Revenue Loss = $93,000

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# Revenue Impacts from Service Reduction No. 1

- Potential cuts are designed to minimize customer impact
- Travel time, schedule flexibility, and personal needs are all critical factors in each rider's choice

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# Summary of Service Reduction No. 1

| | |
|---|---|
| BNSF | $996,000 |
| Heritage Corridor | No Service Cuts |
| Metra Electric | $588,000 |
| Milwaukee North | $575,000 |
| Milwaukee West | $305,000 |
| North Central Service | $416,000 |
| Rock Island | $1,319,000 |
| SouthWest Service | $266,000 |
| Union Pacific North | $797,000 |
| Union Pacific Northwest | $895,000 |
| Union Pacific West | $755,000 |
| Mechanical Department Savings (Due to eliminating 1 set of equipment per line) | $1,195,000 |
| Reduce Weekend Service (May 19, 2008 & March 21, 2009) | $943,000 |
| Extra Service (Bears and White Sox) | $151,000 |
| Estimated Total Cost of Service Reduction No. 1 | $9,201,000 |
| Estimated Annual Revenue Loss of Service Reduction No. 1 | ($1,000,000) |
| **Estimated Annual Total Savings of Service Reduction No. 1** | **$8,201,000** |

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# Additional Service Reduction Scenarios

| | ESTIMATED EXPENSE SAVINGS | ESTIMATED REVENUE LOSS | ESTIMATED NET SAVINGS/(LOSS) | ESTIMATED COMBINED SAVINGS/(LOSS) |
|---|---|---|---|---|
| Service Reduction No. 1* | $9,201,000 | $1,000,000 | $8,201,000 | - |
| Service Reduction No. 2** | $6,715,000 | $11,000,000 | ($4,285,000) | $3,916,000 |
| Service Reduction No. 3** | $6,715,000 | $15,000,000 | ($8,285,000) | ($4,369,000) |

*Revenue lost based on ridership accommodated on other trains with a 15% loss of riders from eliminated trains. Estimated savings would not begin immediately but would grow throughout 2012, and full annual savings would not be realized until 2013.

**Ridership would not be accommodated on service due to the level of cuts. Revenue impacts would be more than just impacted trains, but total service impacts.

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# Additional Service Reduction Scenarios

| | No. of Daily Revenue Trains Operated | | |
|---|---|---|---|
| | Weekday | Saturday | Sunday |
| Base (Current) | 703 | 296 | 163 |
| Service Reduction No. 1 | 668 | 282 | 159 |
| Service Reduction No. 2 | 619 | 282 | 159 |
| Service Reduction No. 3 | 570 | 282 | 159 |

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# 10 Year Comparison

| | 2001 | 2011 | Service Reduction No. 1 |
|---|---|---|---|
| Weekday Revenue Trains | 664 | 703 | 668 |
| Saturday Revenue Trains | 287 | 296 | 282 |
| Sunday Revenue Trains | 155 | 163 | 159 |

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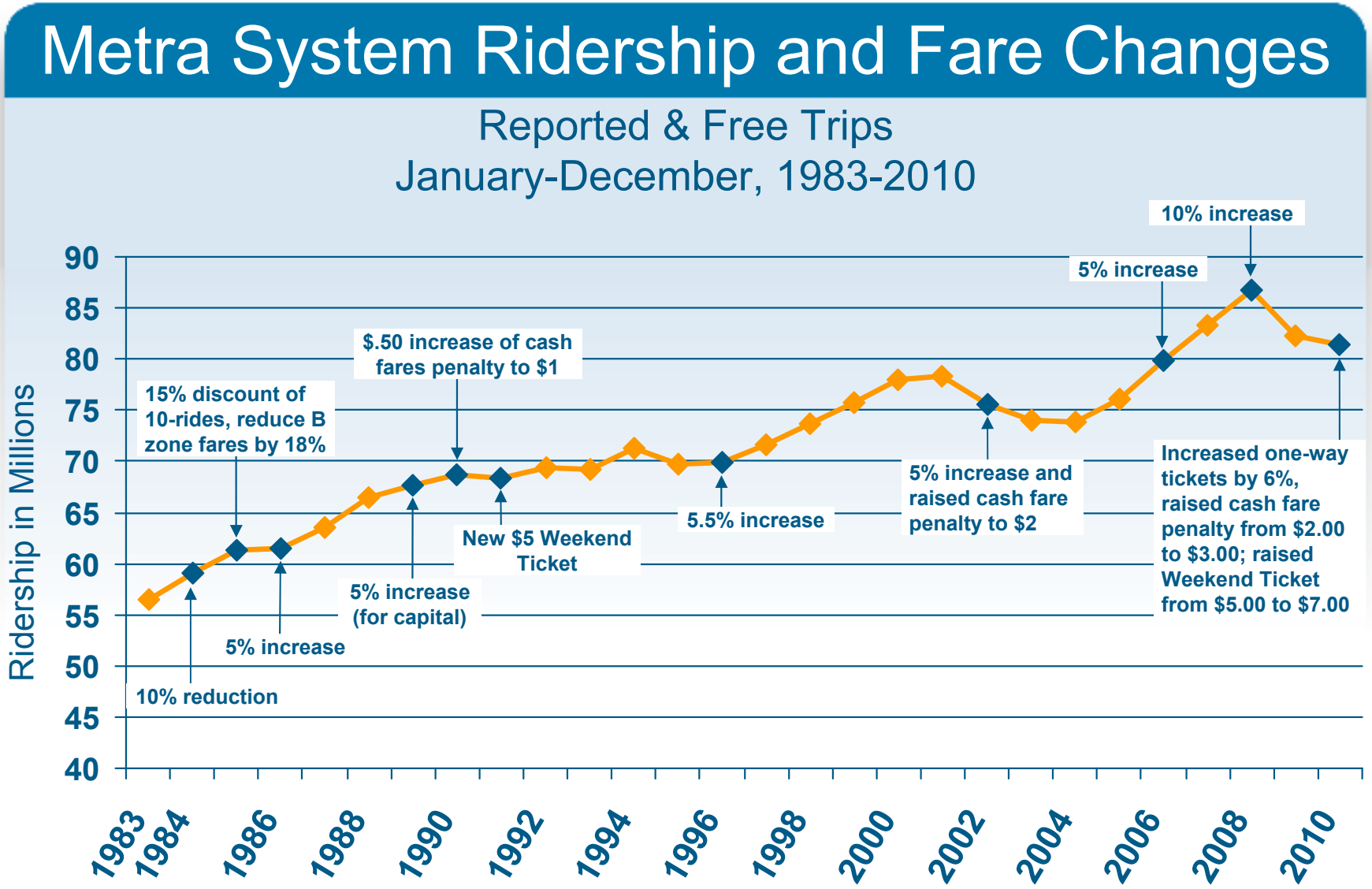
# Fare Increases & Ridership Impacts

Metra Financial Practices &
Reporting Review Committee
July 15, 2011

Presented by Lynnette Ciavarella
Senior Division Director, Strategic Capital Planning/
Grants Development

# Metra System Ridership and Fare Changes

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# Ridership Impacted by Many Factors

External factors cannot be isolated:

- –Economy
- –Corporate relocations
- –Downtown parking prices
- –Gas prices
- –City of Chicago's special events
- –Weather
- –Others

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# Ridership Impacts from Fare Increases

Groups less sensitive to fare changes

- –Work travelers
- –Higher income
- –Riders without access to a vehicle
- –Riders who cannot drive

Groups more sensitive to fare changes

- –Discretionary travelers

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# Recent Peer Agency Fare & Tax Increases and Service Reductions

| Agency | Changes |
|---|---|
| LIRR | 2008 - 4% fare increase<br>2009 - 7% fare increase<br>2011 - 9% monthly pass & 32% one-way peak increase<br>2010 - Reduced service on 3 lines<br>2014 - next possible fare increase |
| MBTA | 2004 - 25% fare increase<br>2007 - 20% fare increase<br>2009 - 25% sales tax increase to postpone fare increase |
| Metro-North | 2008 - 4% fare increase<br>2009 - 10% fare increase<br>2010 - Cut weekday service on 2 lines<br>2011 - 7.5% fare increase, so far |
| NJT | 2007 - 10% fare increase<br>2010 - 29% fare increase, removed some discounts & trains |
| SEPTA | 2007 - 11-12% fare increase<br>2010 - 6.5% fare increase, simplified fare structure, eliminated some discounts<br>Fare increases scheduled every 3 years |

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# Peer Agencies' Ridership Impacts of Fare Increases

- The peers have not seen significant or discernable impacts from fare increases
- Any slight decreases were recovered within a short timeframe
- Recent decreases are mostly attributed to economic downturn and weather

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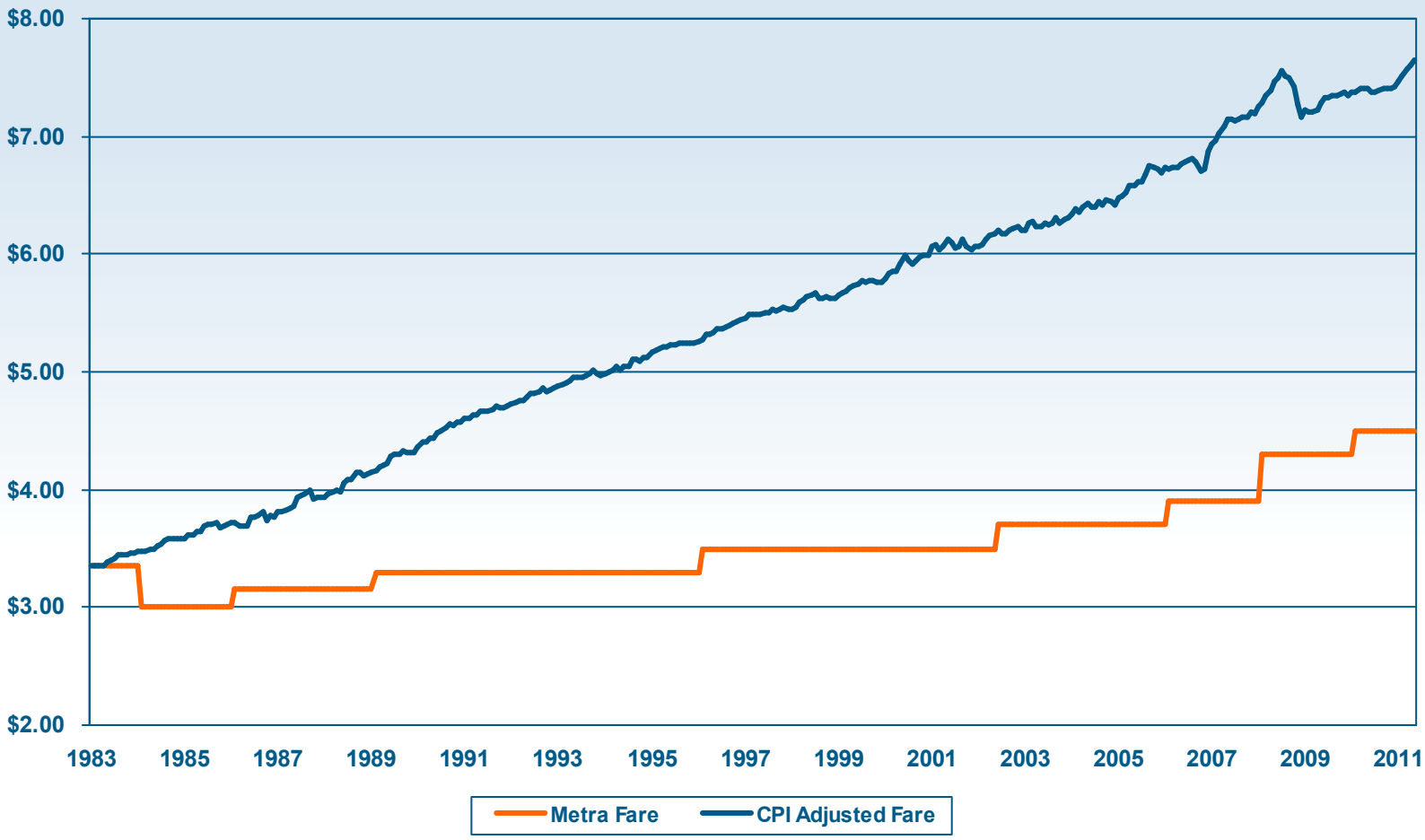
# Metra Zone E One-Way Fare versus CPI

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# Monthly Costs to Drive vs. Using Metra

## To and From Downtown

| Origin Station | Origin Zone | Metra Fare* | Driving Costs** |
|---|---|---|---|
| Edgebrook | C | $123.45 | $663.55 |
| Tinley Park | E | $149.10 | $1,179.87 |
| Naperville | F | $172.25 | $1,244.80 |
| North Chicago | G | $183.05 | $1,476.68 |
| Laraway Rd. | H | $174.55 | $1,643.63 |
| Elburn | I | $197.70 | $1,767.30 |
| Woodstock | K | $190.35 | $2,200.14 |

* Assumes regular monthly fare plus average parking fee at station

**Based on *Drive Less, Live More* calculator - $14 parking cost and assumes depreciation of vehicle

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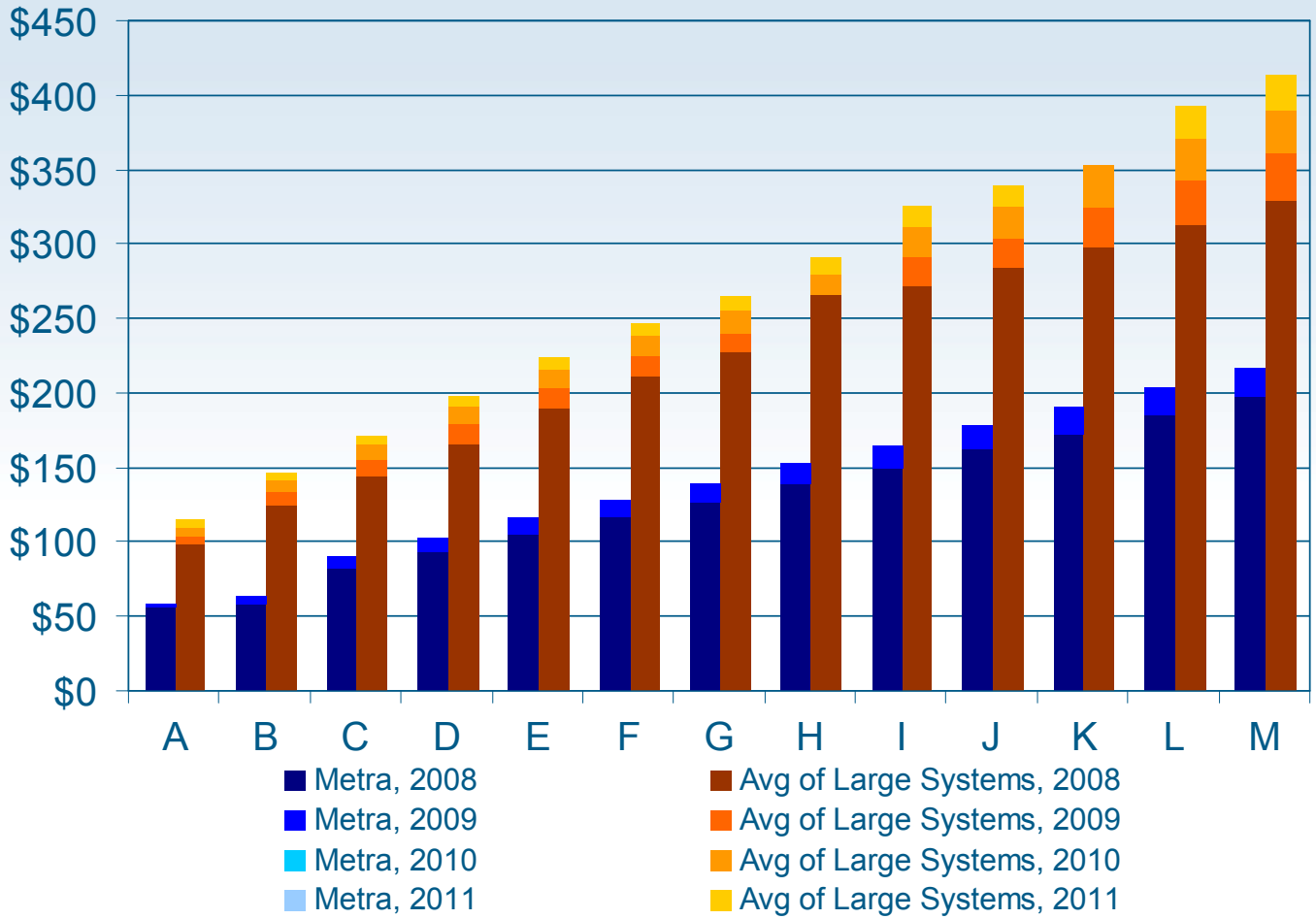
# Metra vs. Peer Agency Fares

**Monthly Fares in Effect in 2008, 2009, 2010, & 2011 by Metra Zone, Metra vs. Avg. of Large Agencies**

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# NTD Reported Farebox Recovery Ratio

- NJT 49.6%
- LIRR 46.1%
- MNRR 58.5%
- MBTA 49.6%
- SEPTA 56.1%
- Metra 43.0%

- Source: 2009 NTD

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# State of Good Repair

- Achieved when the infrastructure components are replaced on a schedule consistent with their life expectancy
- Essential if public transportation systems are to provide safe and reliable service to millions of daily riders
- Includes sharing ideas on recapitalization and maintenance issues, asset management practices, and innovative financing strategies
- Includes issues related to measuring the condition of transit capital assets, prioritizing local transit re-investment decisions and preventive maintenance practices

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# RTA Capital Asset Condition Assessment

- 18-month effort to identify and characterize the condition of all existing RTA, CTA, Metra, & Pace capital assets
- RTA Region needs $24.6B in Capital Investment over the next 10 years. Metra needs 30% of this.

| Metra 10-year Capital Needs | Amount |
|---|---|
| Backlog | $3.70 B |
| Normal Replacement | $1.70 B |
| Capital Maintenance | $1.97 B |
| Total | $7.37 B |

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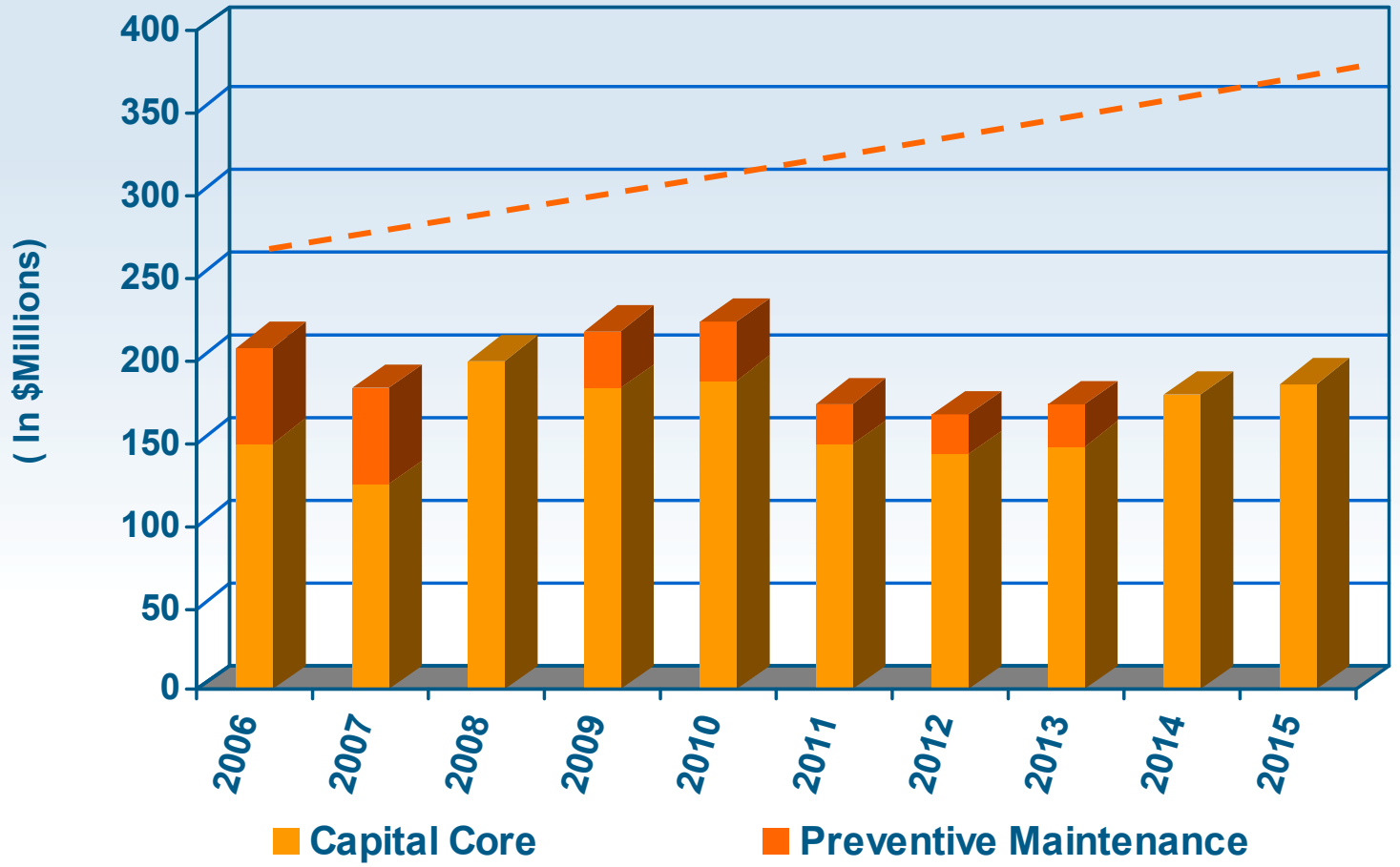
# State of Good Repair – Capital Budget*




** 2012 – 2015 amounts are projected estimates*

*† Not inclusive of State of Illinois Bond funding*

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# Summary

Metra Financial Practices &
Reporting Review Committee
July 15, 2011
Presented by Alex Clifford
Executive Director/CEO

# Mandated Recovery Ratio 55%

**$0.55** in **revenue**

is roughly equivalent to

**$1** in **operating expense cuts**

The only remedies to maintain this ratio are:

- **Revenue Increases**, and/or
- **Operating Cuts**

If Metra does not act, RTA has power to act by STATUTE.

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# Process of Determining Revenue Increases

Determine which service cuts are acceptable

Fuel price forecast

Revenue/fare increase required

Other Risk – State PTF Funding Gap

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# Service Reduction Options

- **Limited Options**
  - Many service cuts do not result in operating savings because of crew assignment and equipment cycle structure
  - Revenue losses *(in many options)* more than offset potential expense reductions

## Recommended Options

A. No service changes

B. Service Reduction Option #1

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# Service Reduction Options

## Service Reduction Option #1

–Eliminate 1 train crew and 1 set of equipment per line

- BNSF – 4 trains
- Metra Electric – 4 trains
- Milwaukee North – 4 trains
- Milwaukee South – 2 trains
- North Central – 2 trains
- Rock Island – 4 trains
- Southwest Service – 2 trains
- Union Pacific North – 2 trains
- Union Pacific North – 3 trains
- Union Pacific West – 4 trains

Reduce weekend service

- Milwaukee North – 6 weekend trains
- Union Pacific North – 6 weekend trains
- SouthWest Service – 6 weekend trains

Eliminate Extra Service

- White Sox Extra
- Bears Extra

**Combined Net Savings = $8.2M**

*(including estimated revenue losses)*

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# Fare Considerations

- **Comparative Analysis**
  - Peer agencies consistently increased revenues with no significant impact on ridership
  - Peer agency fares substantially higher than Metra's
  - Peer agency farebox recovery ratio substantially higher than Metra's
  - Metra fare increases are significantly less than the rise in CPI (since 1983)
  - Automobile commuting costs are 5 to 12 times higher than current Metra fares
- **Regular revenue increases in the future needed to lessen impact in any one year**
- **We must stop depleting capital to fund operations**

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# Timeline

## Today

- Guidance on service options
- Guidance on fuel price risk (conservative v. aggressive)

## August 12, 2011

- Decision on service options
- Decision fuel price range

## September 16, 2011

- Final marks received
- Refined budgets scenario
- Fare increase defined
- Preliminary budget to RTA September 30

## October 14, 2011

- Final approval of the 2012 Budget

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