ON THE BI-LEVEL

Metra®

Metra's Monthly Commuter Newsletter October 2014

Metra unveils modernization effort

Plan for new cars, PTC will need fare increases, new funds

For more information about the modernization plan and 2015 budget, please go to www.metrarail.com.

Metra has unveiled a long-term, multibillion dollar modernization plan focused on replacing aging rail cars and locomotives and addressing the ongoing critical need to maintain safe and reliable service for hundreds of thousands of commuters.

Board Chairman Martin Oberman and Metra Executive Director/CEO Don Orseno said the proposed $2.4 billion plan calls for phased-in purchases of new, modern passenger rail cars and locomotives, renewing a fleet where more than 40 percent of the cars date from the Eisenhower administration to the Reagan administration. The plan also would fund critically needed rehabilitation and maintenance for rolling stock and would cover Metra's costs to install the federally mandated Positive Train Control (PTC) on its system.

To help pay for this modernization plan, Metra would issue bonds – which would be the first in its history – or employ similar financing, starting with $100 million in 2015 to be followed by similar amounts in 2017, 2019 and 2022. A portion of the 10.8 percent fare increase in Metra's proposed 2015 operating budget will pay for the first $100 million in financing. (See 2015 budget details on Page 2.)

Metra is taking the unprecedented step of providing riders and the public with a projection of fare increases that will be needed over the next decade both to pay for all the financing and to cover anticipated increased costs of doing business. Those projections could change as new funding becomes available. (See chart below.)

"It makes a powerful statement when our oldest cars date from the Eisenhower administration," Oberman said. "While nobody ever likes fare increases, Metra's fares are significantly lower than our peer railroads in major cities and have not kept pace with inflation. We hope that our current and prospective riders will see this as a common sense investment that will make commuting a more comfortable and enjoyable experience."

Projected 10-Year Fare Increase Plan

Year	Projected increase
2015	10.80%*
2016	5.00%
2017	8.50%*
2018	4.00%
2019	7.75%*
2020	3.00%
2021	3.00%
2022	5.75%*
2023	3.00%
2024	3.00%

** Year of Metra financing*

The modernization plan assumes that current state and federal funding sources will cover about $710 million of the $2.4 billion program over the next 10 years. With Metra financing covering another $400 million, Metra will need an additional $1.3 billion over the next decade. To cover that amount, Metra will aggressively pursue additional federal and state funding, new financing strategies and alternative financing mechanisms.

"We are only asking our customers to pay about 16 percent of the total cost of this program, but that is an important component of our plan," Oberman said. "Metra believes that by taking the lead to fund its capital needs through financing – which will largely be paid by Metra riders – we will convince government leaders to step up to the plate to provide the additional needed funding."

"Safety will always remain our number one priority, but being modern and comfortable is important too – especially if we want to continue attracting riders because they want to use Metra, not just because they have to," Orseno said. "Frankly even with the proposed increases, commuting on Metra remains a much better value for our passengers than paying for car maintenance, gas and parking."

According to the RTA's 2013 Capital Asset Condition Assessment Update Report, Metra needs $9.9 billion over the next decade to achieve and maintain a state of good repair on its system, and it can expect about a fourth of that amount from traditional state and federal sources.

The gap between Metra's needs and its resources forces it to concentrate on its immediate need, and that is replacing its rolling stock. "Replacing rolling stock is the highest priority, due to the age of Metra's fleet and the fact that the condition of our cars and locomotives is so essential to providing high-quality, reliable and comfortable service to our riders," Oberman said.

However, it is important to point out that the modernization plan does not address all of Metra's capital needs. Additional plans will be developed to address other areas, including tracks, structures, signals, facilities, stations and parking.

The average age of Metra's fleet in 2012 was 29.7 years, while the average age of the

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Fare increase included in 2015 budget

Metra has proposed a 2015 budget that calls for an average fare increase of 10.8 percent across all fare types to help fund a modernization plan and pay for other rising costs of doing business. The proposal also will restore the discount on 10-ride tickets, bring back the first-day-of-the-month grace period on monthly tickets and extend the life of one-way tickets.

Metra's proposed 2015 budget includes $749.1 million for operations. The budget plan now will be the subject of a public hearings before the board votes on a final budget on Nov. 14. (Please see attached schedule. Public comments can be sent to *2015budgetcomments@metrarr.com*.)

A portion of the fare increase will be used to cover debt service on a bond issue of $100 million, which would be the first in Metra history, or similar financing. The financing, combined with additional financing proposed for future years, will be used to help fund a $2.4 billion modernization plan (see Page 1). The rest of the fare increase will be used primarily to cover a growth in expenses, outlined below.

As part of the 2015 budget proposal, Metra would restore a discount on 10-ride tickets that was eliminated in 2013. The 10-ride ticket would now be priced at the cost of nine one-way fares, instead of the current 10 one-way fares. All the changes, including the fare increase, would begin Feb. 1, 2015.

Other proposed fare policy changes include:

• The grace period on monthly tickets would be restored, so that they would be valid on the first business day of the following month until noon.

• One-way tickets would be good for 90 days, instead of the current 14.

• The extra charge for buying a ticket onboard the train would increase to $5 from $3.

• The price of a weekend pass would increase to $8 from $7.

• A general no refund policy will be adopted, but exceptions could be outlined in the future.

Metra expects its expenses to grow by $51.5 million next year. That includes $18.5 million for labor and fringe benefits, $6 million in added expenses due to the age of its equipment, $9.6 million in other expense growth, $8.4 million for the financing proposal and $3 million for the added costs to our operating budget for the federally mandated Positive Train Control system. It also includes a $6 million increase in the amount of farebox revenue that Metra is setting aside for capital needs.

That expense growth will be offset by $18 million in new funding, primarily from the regional transportation sales tax and $6 million from the RTA. The deficit is further reduced by $6.2 million from an accounting change, an increase in non-fare revenue and grants from the RTA. That leaves a $27.3 million deficit to be funded by the fare increase.

The price of full-fare, one-way tickets would increase between 10.8 and 18.2 percent , depending on the zone. Full-fare 10-ride tickets would change from a reduction of 0.3 percent to an increase of 6.4 percent. Full-fare monthly passes would increase between 10.9 percent and 18.6 percent.

For fare tables and more information, please go to *www.metrarail.com*.

Metra 2015 proposed budget public hearing schedule

Wednesday, Nov. 5: 4 p.m. to 7 p.m.

South Suburban Cook County
Homewood Village Hall
Village Board Room
2020 Chestnut Road

Kane County
Kane County Government Center
Building A – 1st Floor Auditorium
719 S. Batavia, Geneva

North Suburban Cook County
Hanover Park Police Department
Community Room
2011 W. Lake Street

Lake County
Mundelein Village Hall
Village Board Room
300 Plaza Circle

Thursday, Nov. 6: 4 p.m. to 7 p.m.

DuPage County
Clarendon Hills Village Hall
Village Board Room
1 N. Prospect Avenue

McHenry County
Woodstock Village Hall
City Council Chambers
121 W. Calhoun St.

Will County
Will County Office Building
County Board room – 2nd Floor
302 N. Chicago St., Joliet

City of Chicago
Metra Board Room
547 W. Jackson Blvd.
Chicago

Cars

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fleets of other large commuter railroads was only 19 years. More than 40 percent of Metra's 837 non-electric passenger cars date from the 1980s or earlier. These assets are not unsafe, but they require sometimes significantly more capital maintenance to avoid degrading service. Metra also has a low ratio of usable spare cars – about 3 percent – and needs to add spares to improve operational flexibility.

The proposed rail car program will purchase 367 new cars, to replace 318 cars with an average age of 43 years and to increase Metra's spare cars by 49, at a total cost of $1.2 billion. The plan calls for 106 new cars to be delivered between 2018 and 2019 and 261 cars to be delivered between 2020 and 2024. This would serve to retire the oldest cars in the fleet and get Metra closer to a 14-year rehabilitation cycle.

Metra also plans to invest $20 million for improvements to its 49th St. facility, where most of its rail car rehabilitation work takes place. That will allow it to boost the number of cars it can work on each year from 40 to 60, allowing it to rehab about 455 cars over the 10-year program. That rehabilitation work will cost about $341 million.

Additionally, 85 locomotives in the fleet will be rebuilt during that same ten-year period, at an estimated cost of $178.5 million. In 2020, it is anticipated that 52 new locomotives would be purchased for delivery from 2020-2024, at an estimated cost of $416 million.

Metra's modernization plan also allocates an additional $275 million to an unfunded federal mandate – PTC, a GPS-based safety technology designed to automatically ensure compliance with speed limits and other operating standards. Combined with $133 million that Metra has already set aside for PTC, the modernization money will help Metra complete the implementation of the system, which is estimated to cost $408 million.