



Explaining our fare proposal

By now most of you have heard about our need to raise fares next year. Although the details are still being worked out, we have proposed to increase overall revenue from fares by 27.9 percent. How that translates into increases for one-way tickets, 10-ride tickets, monthly passes and other fares is still under discussion, but some of these

fares will rise more than the average while others will rise less.

We know this is jolting; it's jolting to us, too. But while we can



Alex Clifford
Metra CEO

do little to temper the impact such a large increase will have on our riders, we would like to give you a detailed accounting of how we came up with our proposal, in the hope that you will at least understand the situation we are in.

First, we'd like to lay out the principles that we think should guide our policies on fare structure, now and in the future:

- We want to maintain a fair pricing structure for all of our customers,
- We want to equalize fare differentials by zone to simplify the overall fare structure,
- We want to improve and simplify fare collection activities, and minimize our on-train transactions and overall transaction costs,
- We want to acknowledge the total cost and total value of pro-

viding service to our customers,

- And we want to consider regular fare adjustments that ensure a balanced budget, keep pace with inflation and avoid significant, infrequent fare increases.

We'll start with the basics. Metra is required to pay at least 55 percent of its operating budget through system-generated revenues, primarily fares. The remaining 45 percent is paid by the residents of the six-county area through a regional sales tax for transportation that also benefits the RTA, CTA and Pace.

We find ourselves with a difficult operating deficit this year due to several trends. Proceeds from the regional transportation sales tax are far below what was projected when the sales tax was last revised in 2008. Meanwhile, our costs keep going up. The largest single factor is the rising cost of diesel fuel, but we also have new federal regulations, higher insurance premiums, and other rising cost factors to consider.

We have been working with each and every department on a line-by-line basis, looking for ways that we can reduce our costs and yet provide the reliable and valuable service that our customers expect from us. To date, this detailed budgeting process has yielded \$4.4 million in a variety of cuts and savings in administrative and operating costs. Those include cutting consulting contracts, reducing printing costs, changing the way signal

crews are deployed, introducing a new warranty tracking system and covering our police dog team expenses with a federal grant. While we will continue to aggressively hunt for further cuts and examine every line item, we believe that we will need \$64.7 million in additional revenues from fares to balance our budget.

In prior years, Metra plugged similar holes by taking money from its capital budget and using it to fund operations. In 2011, in fact, we are transferring about \$60 million from capital funds to cover operating expenses. That helped put off fare increases or service cuts, but it added to an existing and critical shortfall in needed capital investment. That's simply not sustainable. We believe our customers want us to provide reliable service not just for today, but for the years to come.

We heard from our customers in a recent survey that the service we provide is a great value, both in terms of time and money. Accordingly, we have decided we will not cut our service.

That leaves fares. No one wants higher fares. But part of the reason we are in such a fix is that the prior Metra administration did not adequately prepare for this day and kicked the problem down the road. Instead of what could and should have been a series of smaller, more modest fare increases to address the issue, we are forced to propose this major, distasteful one. That said, we do not expect to see a

fare increase of this magnitude again given our new fare policy principles and sound financial practices.

We could, of course, ask Springfield to increase the regional transportation sales tax. But the millions of people who pay sales tax in the six-county region are already helping to fund Metra and its sister agencies, whether they are among our riders or not. We believe the non-riding taxpayers are contributing enough, and that we must solve this crisis without further help from them.

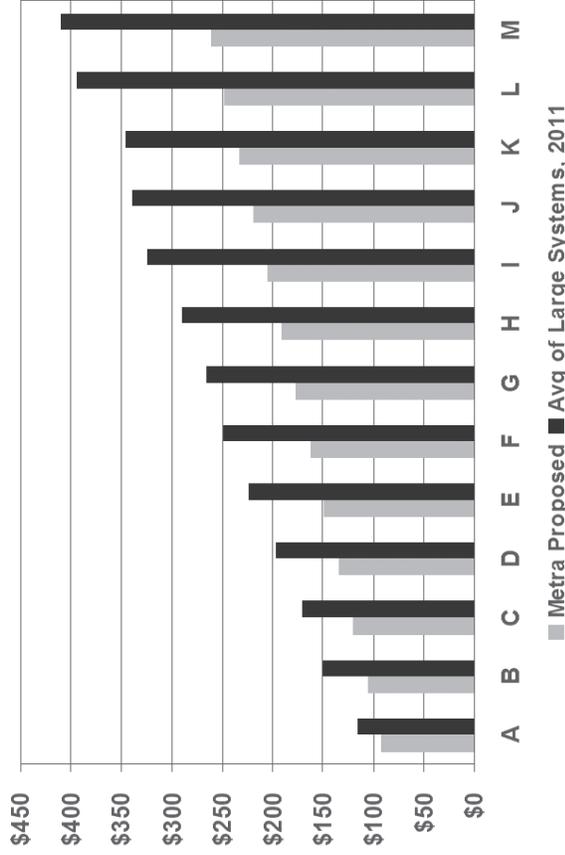
The fact is, Metra fares have not kept pace with inflation. If they had, a Zone E one-way fare that cost \$3.35 in 1983 would now cost \$7.65, instead of \$4.50. They also have not kept pace with other large commuter railroads in the United States, which we refer to as our peer agencies. Our monthly fares in 1990 were slightly below the average of our peers. By 2011, our monthly fares were roughly half of the average of our peers. Even if we end up raising our monthly fares by about 30 percent next year, we'd be well below our peers.

We know these facts do not make a fare increase any more palatable. But they do help show how difficult the problem is, and how there are no easy answers to solve it.

Thank you for your patience and understanding, and thanks for riding Metra.

Alex Clifford
Metra CEO

Est. Proposed Monthly Fares by Metra Zone, Metra vs. Avg. of Large Agencies



Monthly Costs to Drive vs. Using Metra

To and From Downtown

Origin Station	Origin Zone	Current Metra Fare*	Est. Proposed Metra Fare**	Driving Costs***
Edgebrook	C	\$90.45	\$120.00	\$476.45
Tinley Park	E	\$116.10	\$148.25	\$593.29
Naperville	F	\$128.25	\$162.25	\$607.98
North Chicago	G	\$139.05	\$176.50	\$660.45
Laraway Rd.	H	\$152.55	\$190.50	\$698.23
Elburn	I	\$164.70	\$204.75	\$726.21
Woodstock	K	\$190.35	\$233.00	\$824.16

* Assumes regular monthly fare

**Based on weighted fare increase of 29.8%

***Based on 22 w eekdays, 25 mpg @ \$3.95/gallon, and \$18/day parking

Example: Annual savings for Zone E ticket would be \$5,300, Zone K \$7,100, compared to the cost of driving,

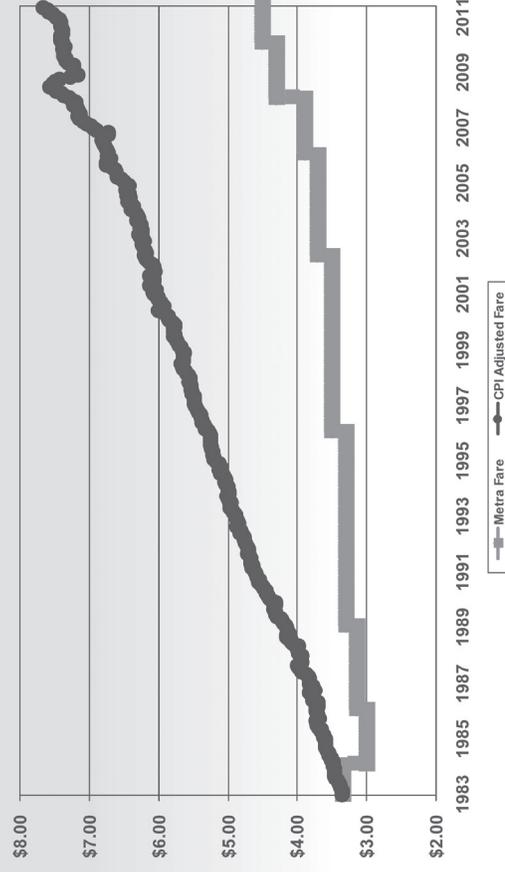
Recent Peer Agency Fare & Tax Increases and Service Reductions

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

Fare increases scheduled every 3 years



Metra Zone E One-Way Fare versus CPI



For more charts explaining Metra's budget situation and our fare proposal, please see the September Board Meeting Presentation on the homepage or in the Newsroom at www.metrarail.com.