



**Senate Transportation and Local
Government Joint-Committee**

***Hearing to Review Metra's Proposed
Reduction of Services and Possible Rate Hikes***

July 29, 2011
Presented by Alex Clifford
Executive Director/CEO
Metra

Facts



- We must balance our budget
(*expenses = revenues*)



- We must meet the required Revenue Recovery Ratio (= 55%)



- We are in the preliminary stages of developing the 2012 budget



Why We Face Tough Decisions Today

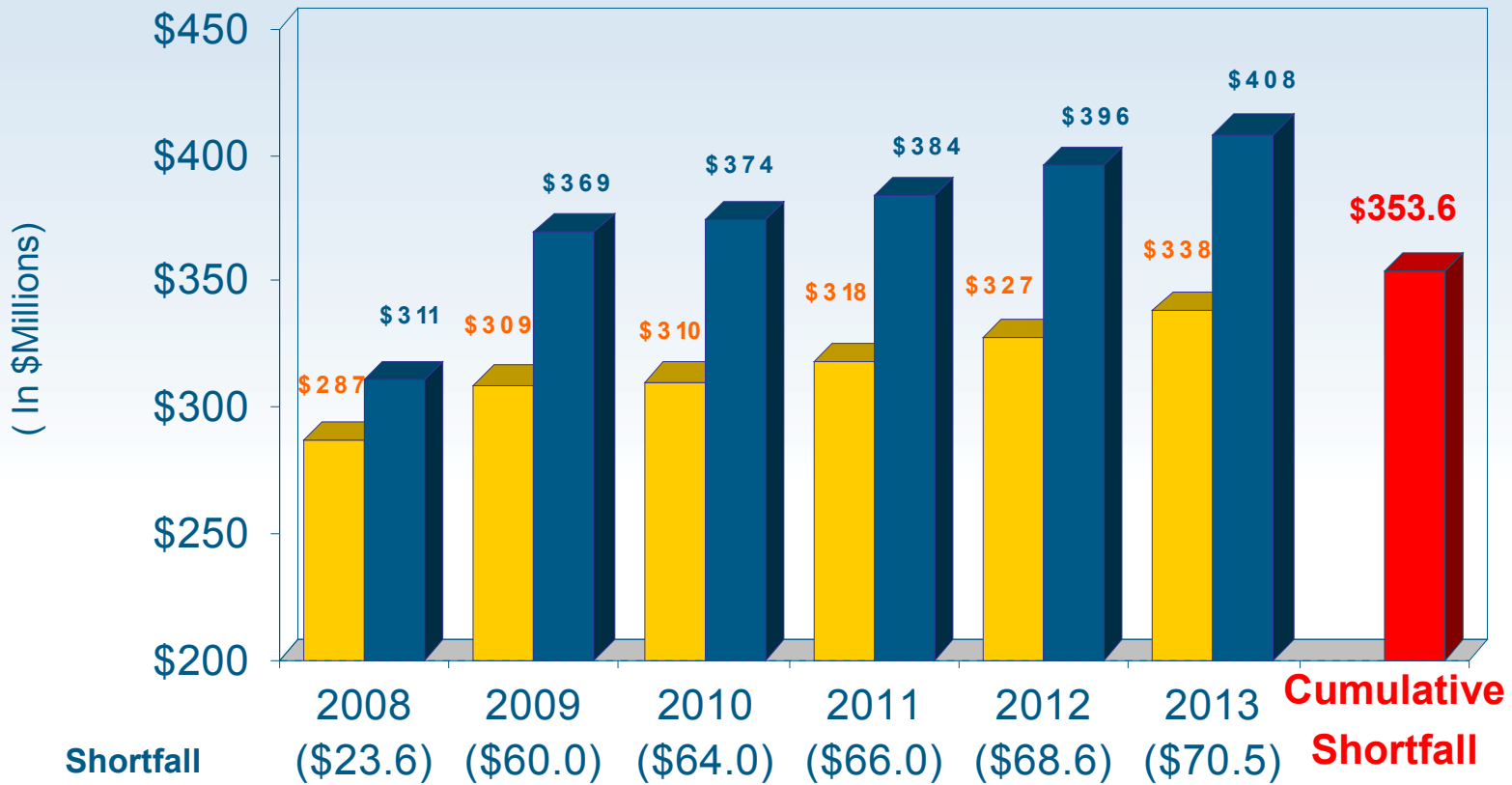


- Continued sales tax shortfalls
- Rising fuel prices
- Loss of Revenue Recovery Ratio relief
- Capital \$ transfer to operating expense
- Lack of regular, modest fare increases to balance the operating budget

Sales Tax Shortfall

Metra 85% Sales Tax and New Transit Funding

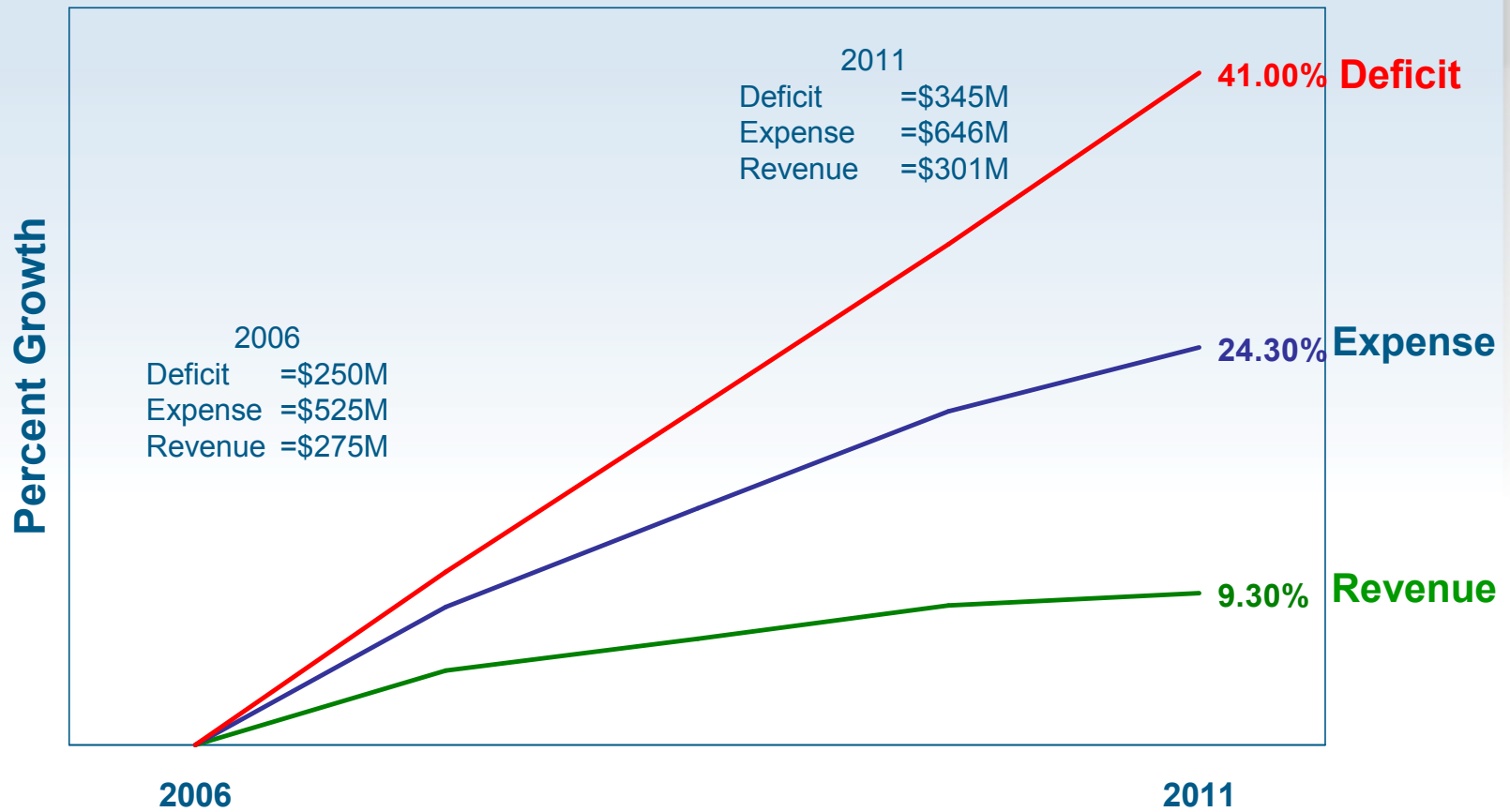
2008 – 2013 Actual/Estimated vs. RTA Projections Made in 2007



■ Actual/Estimated ■ RTA Projections

Growing Operating Deficit

Metra Historical Financial Results – Percent Growth from 2006



Operating & Overhead Cuts

- Management Depletion
 - Inability to retain professionals
 - competitive pay, compression
 - Deferred training
 - Retirements & succession planning
- Deferred systems investment
 - Outdated financial, IT systems
- One-time Operating & Administrative Cuts
 - \$6.2M from 2011 Original Budget
 - Unfilled vacancies (\$1.6M move to notes)
 - Planned management salary & benefit increases (\$1.8M)
 - Fewer double-header locomotives



2012 Budget: Diesel Fuel Price Effects

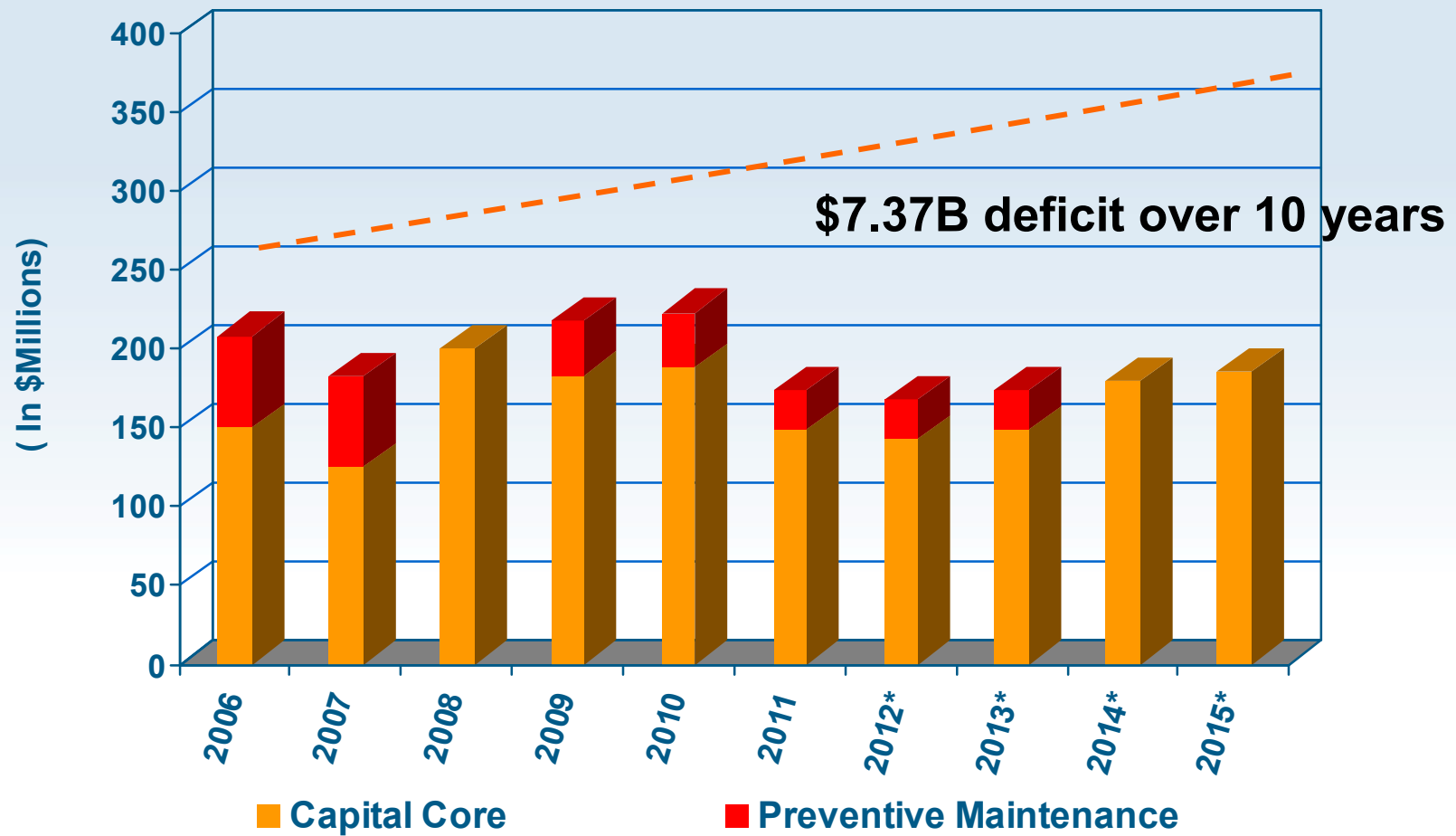
	Total Fuel Cost	Fuel Price
Original Budget	\$ 58.2 M	\$ 2.32/gal
Current Forecast	\$ 72.3 M	\$ 2.88/gal
Barron's July 2011	\$ 109 M	\$ 4.34 /gal

Depleting Capital to Fund Operations

Actual and Planned Transfers from Capital to Operating



State of Good Repair – Capital Budget



--- Funding needed to achieve a State of Good Repair

* 2012 – 2015 amounts are projected estimates

† Not inclusive of State of Illinois Bond funding



Operating/Capital Downward Spiral



- Reduced On-Time Reliability
 - Rising Delays
 - Slow orders
 - Locomotive failures
- Inferior Customer Environment
 - Heating & Air Conditioning
 - Station environment
 - Over-crowding, shorter trains
 - Service cuts, less frequent service
- Rising Maintenance Costs
- Failure to Meet Recovery Ratio
- Shrinking instead of Growing
 - Lost New Starts opportunities

Meeting the Revenue Recovery Ratio

- **Metra Revenue Recovery Ratio is set at 55%**
 - If Metra does not make 55% RTA will act: hold back sales tax funds and/or impose fare increases/service cut
- **To maintain 55% Revenue Recovery Ratio, we must:**
 - increase in fares,
 - decrease in service
 - or a combination of both
- **Cannot be covered by sales tax funding or transfers from capital**

Revenue Recovery Ratio Relief

2008 New Transit Funding Legislation provided RTA with credits (not cash) to allow the service boards to adjust fares and/or service levels

<u>Year</u>	<u>Region Amount</u>	<u>Metra Amount</u>	<u>Fare Equiv</u>
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-	

Service Reduction Options Considered

- 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

Service Reduction Options Considered

- **Limited Options**

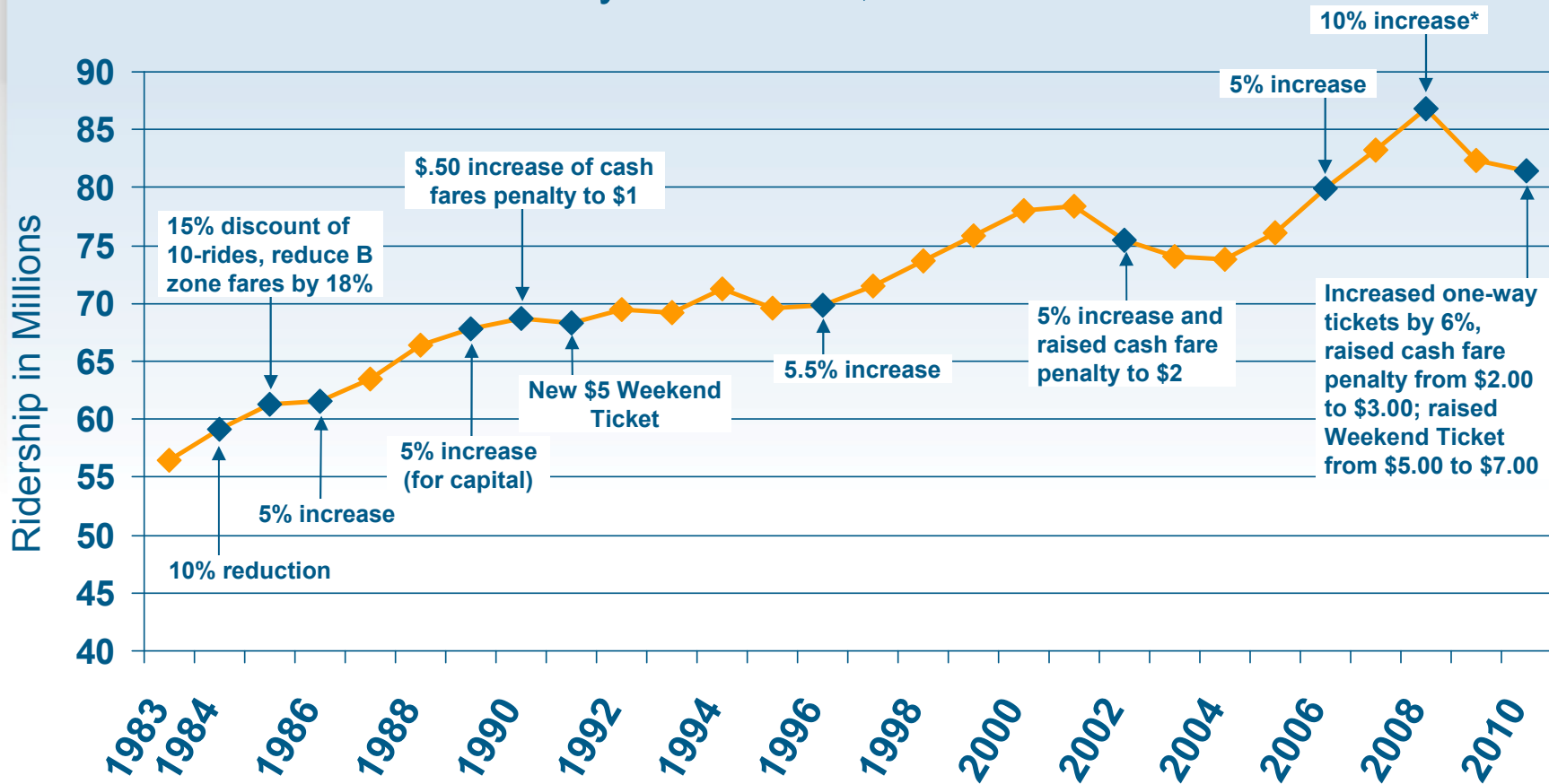
- Many service cuts do not result in operating savings because of crew assignment and equipment cycle structure
- Revenue losses (*in many options*) more than offset potential expense reductions

- **How Options Developed**

- Lowest impact to our riders
- Estimated net savings
- One train set & crew per line (except Heritage)

Metra System Ridership and Fare Changes

Reported & Free Trips
January-December, 1983-2010



*Note: The fare increase effective February 2008 did not impact ridership. Ridership gains were realized until the 4th quarter of 2008 when the economic recession began.



Recent Peer Agency Fare & Tax Increases and Service Reductions

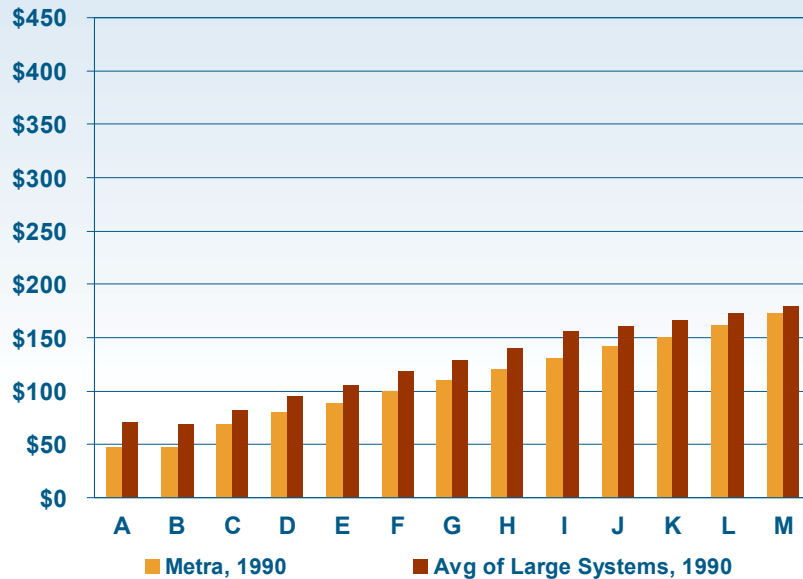
LIRR Long Island Rail Road New York, NY	2008 - 4% fare increase 2009 - 7% fare increase 2011 - 9% monthly pass & 32% one-way peak increase 2010 - Reduced service on 3 lines 2014 - Next possible fare increase
MBTA Massachusetts Bay Transp. Auth. Boston, MA	2004 - 25% fare increase 2007 - 20% fare increase 2009 - 25% sales tax increase to postpone fare increase
Metro-North Metro-North Railroad New York, NY	2008 - 4% fare increase 2009 - 10% fare increase 2010 - Cut weekday service on 2 lines 2011 - 7.5% fare increase, so far
NJT New Jersey Transit New York, NY/Philadelphia, PA	2007 - 10% fare increase 2010 - 29% fare increase, removed some discounts & trains
SEPTA Southeastern Pennsylvania Transportation Authority Philadelphia, PA	2007 - 11-12% fare increase 2010 - 6.5% fare increase, simplified fare structure, eliminated some discounts Fare increases scheduled every 3 years

Growing Fare Gap

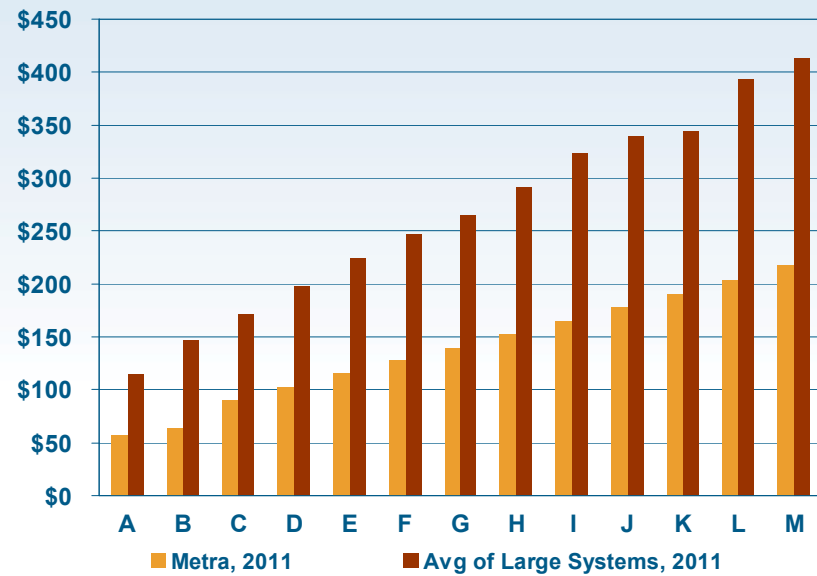
Metra vs. Peer Agency Fares

Monthly Fares, 1990 and 2011

Monthly Fares in Effect in 1990 by Metra Zone, Metra vs. Avg. of Large Agencies

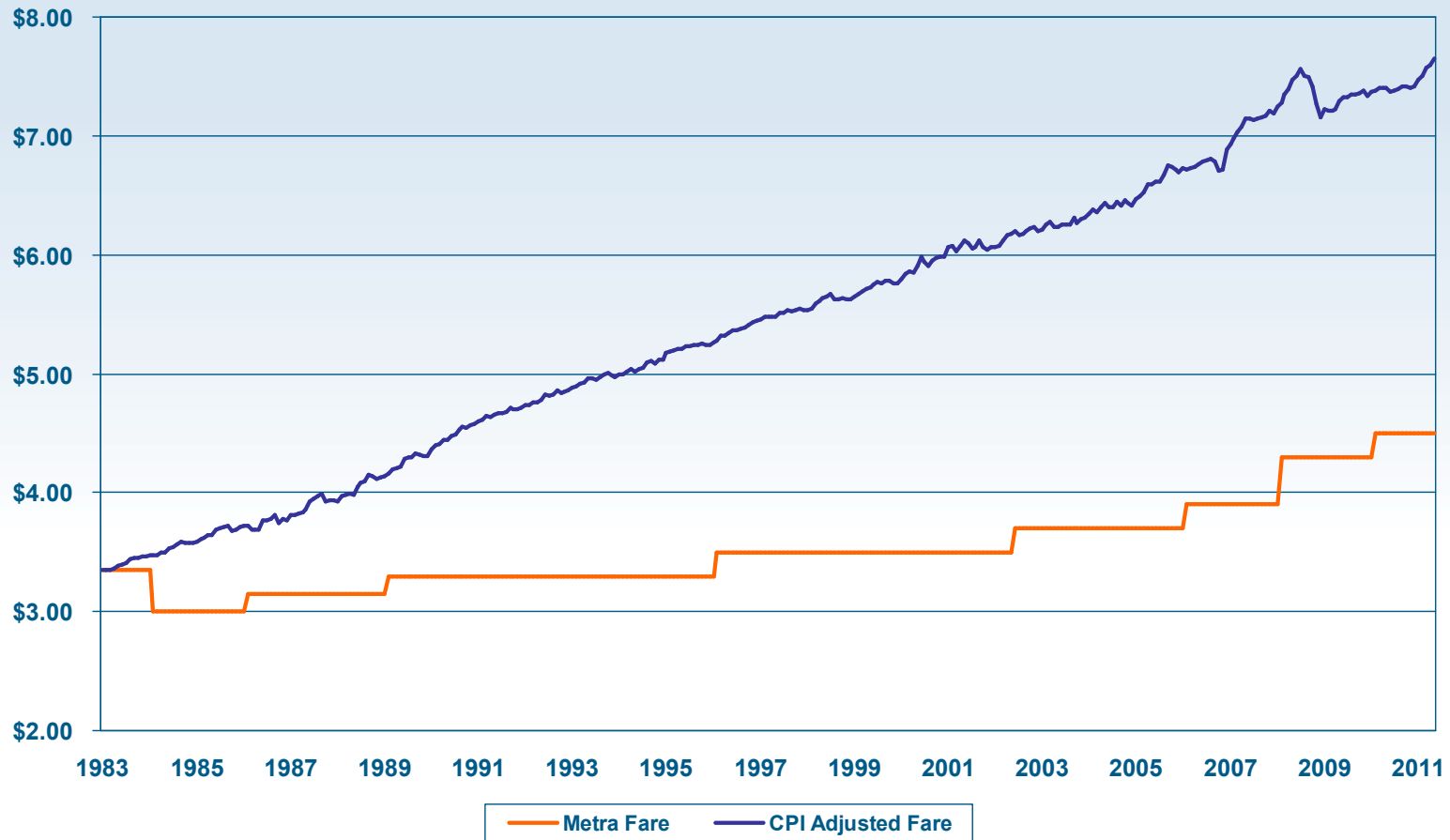


Monthly Fares in Effect in 2011 by Metra Zone, Metra vs. Avg. of Large Agencies



“Avg. of Large Agencies” includes:
 Zones A-H = LIRR, MNRR, NJT, MBTA, SEPTA
 Zones I-K = LIRR, MNRR, NJT, MBTA
 Zones L-M = LIRR, MNRR, NJT

Metra Zone E One-Way Fare versus CPI



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/day parking,
\$4.25/gallon of gas, 22 weekdays, 30mpg, 0.561 depreciation rate

Efforts to Increase Ridership

Customer Experience

- Opened 35th St/“Lou” Jones Station
- Quiet Car Program
- On-line “Contact Us” option for customer complaints/comments

Customer Convenience

- Credit/debit card acceptance; Ticket-by-Internet, Ticket Vending Machines, & Stations
- Collaborate efforts with Pace & CTA to provide connecting services
- Support “seamless transportation” by subsidizing Link-Up & PlusBus tickets

Customer Outreach

- Provide information/support to relocating companies
- Target market, one-to-one campaigns reaching HR Managers, Apartment Leasing Agents, Commercial Property Managers, Hotel Concierges, etc.

Customer Information

- Desktop/mobile websites & Google transit directions
- Email/Twitter/Website real-time service advisories
- Implementing real-time travel information at Metra stations
- Opt-in promotional email blasts (30,000+ subscribers)

Metra's Role in Reducing Highway Congestion

- **Nearly half of all commuter trips from the suburbs to downtown Chicago are made on Metra**
- **Without Metra, 29 lanes of expressway would need to be built**
- **Twelve 10-story parking decks would need to be built downtown**



Process for Determining Revenue Needs

Determine which
service cuts are
acceptable

Fuel price forecast

Revenue/fare increase required

Other Risk – State PTF Funding Gap

Metra Board Timeline



July 15, 2011

- Guidance on service options
- Guidance on fuel price risk

August 12, 2011

- Direction on service options
- Direction on fuel price assumption risk

September 16, 2011

- Final marks received
- Refined budget scenario
- Fare increase defined

October 14, 2011

- Preliminary approval 2012 Budget
- Release for public comment

November 2011

- Public Comment Hearings
- Final approval: 2012 Budget by Metra Board

February 2012

- Implement fare & service changes