Metra
ON THE BI-LEVEL
SPECIAL EDITION
Commuter Newsletter, July 2011

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Metra seeks rider input

Many of you no doubt saw the news last week that Metra is facing a budget deficit in 2012 that will require us to make some hard choices about service cuts and/or fare increases. We are trying to be responsible by alerting our riding public about the issues early in the budgeting process so that everyone with a stake can provide input to us.

Alex Clifford
Metra CEO

That's why we are now asking you to go to ***www.metrarail.com*** starting Monday, July 25 and take a survey that will inform us as we put the 2012 budget together in the coming months.

This budget shortfall has been years in the making, and a variety of factors are responsible. The first is that the faltering economy has caused the revenues from the regional transportation sales tax to plummet. That sales tax, collected in the six-county area, is the primary way that the Regional Transportation Authority funds Metra and our sister agencies, CTA and Pace. Those revenues are far below what was expected when the sales tax was last revised in 2008 and they are not expected to recover soon. In fact, the projected cumulative shortfall in sales tax revenues alone is $350 million from 2008 to 2013.

The second factor is the worrisome rise in the cost of diesel fuel. This year, diesel fuel will cost Metra about $18.3 million more than budgeted. We believe we can cover that deficit through $6.2 million in cuts to administrative costs, a slight increase in revenues, the end of the Seniors Ride Free Program and some federal funds we expect to receive that will help defray the costs of the February blizzard. But looking at a worst-case scenario for 2012, we could need another $28 million next year just for diesel.

The third factor is that Metra can no longer continue a couple of strategies that helped us manage the problem until now.

To explain one of those strategies requires some background. Under the provisions of the RTA Act, the RTA system is required to recover 50 percent of its operating expenses through fares and other revenues. This is known as the recovery ratio. While the recovery ratio for the entire RTA system is mandated at 50 percent, the RTA traditionally has set Metra's recovery ratio at 55 percent.

Starting July 25, take a survey about potential fare increases and service cuts at www.metrarail.com

The 2008 revision of the RTA Act included five years of credits (not cash) that were to be allocated by the RTA to the region's transit operators to allow the operators time to adjust their fares and services to match revenues to expenses. These credits are phased out over a five-year period ending at the end of next year. To maintain our 55 percent recovery ratio target next year and in 2013, Metra must provide additional revenues or reduce its expenses.

Another strategy that helped balance our budget and meet our recovery ratio was to transfer money from our capital budget – used to repair, upgrade and replace our aging infrastructure and rolling stock – to fund operations. This practice is not sustainable and must stop; we already have a gap of billions of dollars between what we need to keep our system in a state of good repair and what we have available. Further depleting the capital budget to pay for operations will only make the problem worse and eventually result in impacts on our service and service delays.

That leads us to the 2012 budget process. At the July 15 meeting of the Metra Board of Directors, we presented the board with options to meet our 55 percent recovery ratio by increasing fares with or without service cuts. Over the past four years, we have aggressively cut administrative expenses. For example, we have left positions unfilled, combined jobs, frozen non-contract salaries, curtailed overtime, deferred an apprentice program, increased employee contributions to health care, eliminated company contributions to 401(k) plans and undertaken other measures to control costs.

In the way of service reductions, Metra staff has proposed cutting two to four trains from every line except the Heritage Corridor (which only has six trains a day), reducing weekend service on the Milwaukee North, UP North and SouthWest Service and eliminating extra service for Bears and White Sox games. With proposed service cuts, fare increases could be up to 20 percent depending on other factors such as fuel prices and mandated recovery ratio. Without service cuts, these increases could be as high as 25 percent.

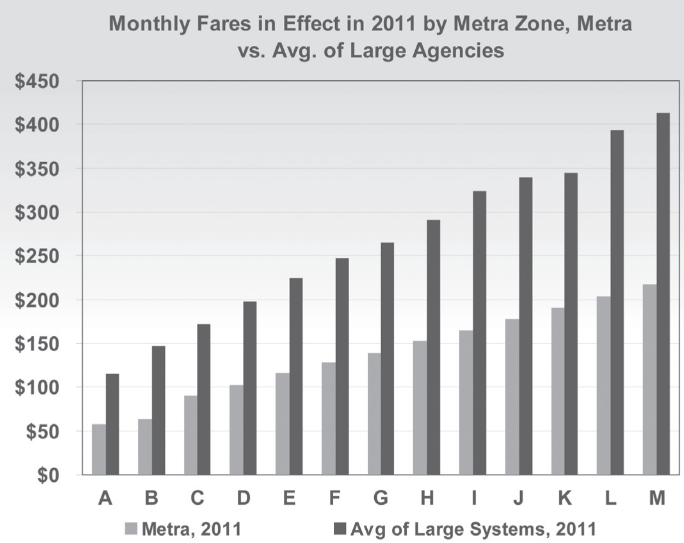
Please understand that we do not make this proposal lightly. Metra has never reduced service and has been far less aggressive than other U.S. commuter railroads in raising fares. Base fares have been increased only seven times in the last 28 years, and the last across-the-board increase was in 2008. We believe that demonstrates Metra's sensitivity to the needs of our riders. As a result, our fares have not kept pace with inflation, and our fares are about half the average fare of our peers. They also remain a good value compared with the costs of driving.

We know our riders will have a lot to say about this issue and we want to hear from you. Please take our survey at our website, ***www.metrarail.com*** to tell us what you think. Our board will be discussing this matter at its next few meetings, starting with its August 12 meeting. Public hearings will be scheduled in the fall after a proposed budget is adopted by the board.

Thank you for your input.

Please see the reverse side for charts that illustrate points made here. For more charts, see the July board presentation at www.metrarail.com

Metra vs. Peer Agency Fares



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

Monthly Costs to Drive vs. Using Metra

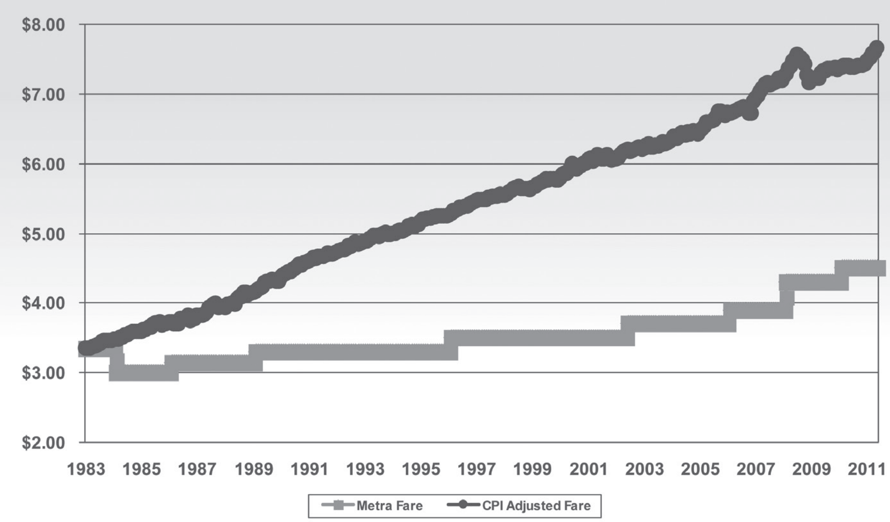
To and From Downtown

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 www.drivelesslivemore.com

Metra Zone E One-Way Fare versus CPI



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