



# 2013 budget ready for your input

The Metra Board has released for public hearings and comment a Preliminary 2013 Program and Budget that includes a “baseline” budget that does not raise fares but also some additional scenarios for raising fares to address our capital needs. While the board has not yet made a



**Alex Clifford**  
Metra CEO

decision about fares, Metra staff believes more funding for capital is desirable and prudent and will recommend a fare increase for

that purpose. The board will make a decision at its Nov. 16 meeting following the public comment process.

The budget document, which is available on our website at [www.metrarail.com](http://www.metrarail.com), contains information about our operating budget as well as our capital budget. The difference is important: the operating budget covers the day-to-day costs of running the railroad and is funded primarily by fares and a regional transportation sales tax. The capital budget covers infrastructure and rolling stock improvements and is funded primarily by federal formula funds, with supplemental federal and state grants and a small component funded by fares that we refer to as our Farebox Capital program.

The baseline \$713 million operating budget covers next year’s operating costs without raising fares, in part by severely

cutting from the Farebox Capital program and by identifying \$6.6 million in operating efficiencies. Finding efficiencies is part of a continuous process to scour our budget to improve business practices. For example, this year we renegotiated our arrangement with the operators of the South Shore Line. We negotiated lower electricity rates and a tax exemption on our electricity purchases. We reduced our claims and legal fees, and reduced our lease fees. We are not proposing to cut service, because you told us clearly last year that service cuts are an undesirable approach. This baseline budget would allow Metra to keep pace with inflation and continue to offer the same level of service.

We also have spelled out a capital program that calls for investing \$146 million on our infrastructure next year. That amount, as we will demonstrate shortly, is woefully inadequate to address our capital needs. Because it is so inadequate, Metra staff is proposing for consideration several scenarios for raising fares or changing fare policies to restore the Farebox Capital program or generate additional dollars for capital investments.

As you may recall, one of the reasons we cited for raising fares last year was our need to stop using funding from our capital budget to cover shortfalls in our operating budget. We also cited the need to stop kicking the can down the road. The prior administration’s practice of doing so resulted in the extraordinary

25 percent average fare increase earlier this year. The board adopted a fare principle that said we should consider regular fare adjustments that ensure a balanced budget, keep pace with inflation and avoid significant, infrequent fare increases. As a result of those actions, our operating budget is in healthier shape this year.

We also need to address our capital needs, which have grown due to the age of our system and years of inadequate capital funding. We estimate that we need about \$7.4 billion over the next decade to maintain our system in a state of good repair, and we expect to receive about \$2.6 billion, leaving a gap of nearly \$5 billion. Because we can’t afford to invest enough on our engines, cars and infrastructure, we have a greater risk of mechanical problems, deteriorated conditions and potentially slower service.

One way to catch up is through our Farebox Capital program. Every year, we set aside some operating funds for capital, usually about \$10 million. However, for budgetary reasons last year we cut that amount to \$5 million. Farebox Capital creates a critical pool of dollars that we can devote to needed capital improvements or use to leverage funding from sources that require us to match their dollars with ours.

The baseline 2013 budget would set aside only a small amount of funding, about \$700,000, to the Farebox Capital program. The additional fare scenarios in the preliminary document give some options for rais-

ing fares to increase that amount. For every 1 percent increase in total farebox revenue collections, we would generate about \$3 million for capital investment.

Here are some possible Metra staff suggestions:

- Change the price of a 10-ride ticket so it costs the same as 10 one-way fares (instead of the current nine). That would generate about \$8.2 million for capital.
- Change the price of a monthly ticket so it equals, for example, 29.5 one-way fares (instead of the current 28.5). That would raise about \$4.6 million.
- Raise all fares by a certain percentage. A 5 percent across-the-board increase would generate about \$14.2 million.
- Raise all fares by a certain amount. A \$0.25 across-the-board increase would generate about \$14.2 million.
- Some combination of all of those scenarios.

While none of the fare scenarios can fully fund our capital needs, or provide the resources to carry out important projects such as Positive Train Control, they are at least a start. And with prospects dim for more state and federal dollars, boosting our Farebox Capital program is about the only immediate means available to create or leverage new capital dollars. Meanwhile, we will continue to work with federal and state elected officials on our capital funding needs.

What could we do with more funding? First, we could invest more to maintain our coaches  
(See Budget on Page 4)

# State of Good Repair: Our Biggest Challenge

## What is the Concern?

A growing need for capital investment and a funding deficit today threatens our future unless we address this problem now.

## Our customers and our communities depend on Metra every day.

- Over 300,000 people depend on Metra every day to get where they need to go. The economy of our entire region depends on our ability to function reliably and safely.
- More people use Metra than use an automobile to get to the Chicago Central Business District, and the highways are already congested.
- Without Metra, an additional 29 lanes of expressway and twelve 10-story parking decks would have to be built.
- Our customers make critical, long-term investments in their careers and their communities based on their ability to get to work and our ability to provide service. Their investment depends on our investment in our future.

## Our #1 priority is to provide safe, reliable service, now and for years to come.

- We will never sacrifice safety for service. If we can't operate safely, we won't operate. Safety will always be a priority for capital funding.

## Investments in Metra's infrastructure create both public & private sector jobs.

- Every \$1B in public transportation capital investment supports nearly 24,000 jobs.

Source: APTA, "Economic Impact of Public Transportation Investment"

## What is Needed?

**State of Illinois:** A regular and reliable source of funding for capital needs

**Washington, DC:** Metra (and all commuter railroads / public transit agencies) need expanded Federal Formula Capital funding, including reauthorization at current or greater funding levels and a new funding source for State of Good Repair

<b>Metra System:</b>	90,238 Parking Spaces
241 Stations	821 Bridges
(5 downtown / 236 outlying)	572 Grade Crossings
1,155 Miles of Track	24 Coach Yards
487.7 Route Miles	4,480 Employees

*"An asset or system is in a **state of good repair** when no backlog of capital needs exists – hence all asset lifecycle investment needs (e.g., preventative maintenance & rehabilitation) have been addressed and no capital asset exceeds its useful life."*

- Federal Transit Administration's Transit Asset Management Practices Report

Metra must work to achieve a State of Good Repair and create a sustainable capital investment strategy for the future.

The FTA's emphasis on State of Good Repair for transit systems nationwide has necessitated that Metra focus our capital investments on State of Good Repair projects as opposed to expansion.



## What Has Metra Done?

While it is Metra's ultimate goal, it is very difficult to attain and consequently maintain a State of Good Repair. After falling decades behind in capital investment, Metra must move toward more efficient capital planning and programming to restore the system to a State of Good Repair.

- Metra has balanced the operating budget through a painful fare increase and large operating budget cuts
- Board policy to stop diversion of capital eligible formula funds to cover operating costs
- Completed and are now updating our capital asset condition assessment and management system
- Developing a capital decision tool at the regional level to support strategic capital investment

**Without sufficient capital investment, operating expenses will eventually skyrocket, and service reliability will plummet.**



**Capital maintenance involves expensive components that must be replaced as they wear out.**

- Components include: rolling stock, track, structures, signals, electrical, communication, facilities, equipment, stations and parking.
- Key components can only be “repaired” so long until they must be replaced.
- Railroads require more capital spending to maintain than most other major industries.
- Capital maintenance should be a primary concern for our customers and our communities.

**Regular on-going capital maintenance is fundamental to Metra’s ability to provide reliable service and efficient operations.**

- Metra must invest hundreds of millions of dollars each year to maintain our network.
- Our critical assets are long-lasting, but they do wear out and require regular replacement.
- The long-lasting nature of railroad assets gives the image of a fixed investment that doesn’t wear out. This image is fundamentally flawed.

**Our biggest deficit is capital maintenance; Our biggest threat is deferred maintenance.**

- Because of the strong commitment by our Board and our passengers, our operating funding is in far better shape than our capital funding which depends on federal and state sources.
- Our capital maintenance requirements total \$7.37B over the next ten years. Optimistically, if federal and state capital funds remain at current levels, we will still be short over \$5B to maintain the system.
- The uncertainty of federal and State of Illinois capital funding puts Metra’s system at great risk.
- Deferred maintenance is a compounding problem that does not go away with a new budget year. The capital we don’t spend today is not like an operating expense that we forgo and then start over with in the next budget cycle. It is a physical asset debt that accumulates over time.

**2010 – 2019 Capital Funding Needs**

Metra State of Good Repair	\$ 7.37 B
Anticipated Federal Formula Funds (at current funding levels)	\$ 2 + B
<b>Metra’s Outstanding Deficit</b>	<b>\$ 5 + B</b>

Source: RTA 2010 Capital Asset Condition Assessment

**The Capital Maintenance SPIRAL**

**If Capital Maintenance is deferred too long...**

- Service suffers as components fail to operate reliably. For example, if an important interlocker fails, entire portions of the Metra system will not operate.
- Transportation operating expenses increase as trains are delayed and crews must work longer.
- Maintenance operating expenses go up because more maintenance crews and longer on-duty times are required to repair components that are failing at an increasing rate.
- The poor condition of one component accelerates the wear and tear on other components. For example, track conditions affect the conditions of locomotives and cars and vice versa. A railroad is like an automobile engine: when one component is out of condition, other parts wear out at an accelerated rate.
- As operating costs rise, more dollars are diverted from capital needs, capital maintenance is deferred even longer, and **the cycle continues to worsen at an ever steeper rate.**



**We Must Maintain What We Have Before We Can Expand**

- Expansion and growth depend most critically on a well maintained and well functioning core. Future expansion depends first on proper maintenance of the existing system.
- We must focus limited state and federal capital dollars on achieving a good state of repair for now and into the foreseeable future.
- This means that Metra will not likely be able to fund new lines, extensions, or new station stops for some time into the future.

***metrarail.com/strategicplan***

# Metra schedules new round of open houses on strategic plan

Continuing our efforts to develop a new strategic plan, Metra has scheduled a second round of open house meetings throughout the Chicago area to provide an update on the process, give more details and solicit more public input.

The meetings will be held in early November, in tandem with public hearings on Metra's 2013 budget (*see schedule below*).

During Metra's first round of public outreach in July, we received a significant amount of input from key stakeholders – the Metra board, Metra employees, riders and the public. More than 200 people attended open house meetings and more than 3,300 people submitted feedback online. Input came from people across the Chicago metropolitan area, some of whom ride Metra every weekday and some of whom ride Metra only occasionally.

Some of that feedback already has been incorporated into our strategic plan, a critically

important document that will guide Metra for years to come. For instance, Metra's draft mission statement was revised based on comments we received.

The revision is: *As part of a regional transportation network, Metra provides safe, reliable, efficient commuter rail service that enhances the economic and environmental health of North-east Illinois.*

Metra also used stakeholder feedback to develop its goals and objectives and start to determine capital funding priorities. The next steps will be to refine strategic goals and to develop performance measures and financial plans.

The second round of public open house meetings in November will be held in coordination with Metra's annual budget hearings to provide "one-stop shopping" for the public to give us their thoughts on near-term budget plans and longer-term agency strategic direction.

All of the information regard-

ing these upcoming public open house meetings and the opportunities for public feedback can be found at [www.metrarail.com/strategicplan](http://www.metrarail.com/strategicplan).

The materials for the open houses, including a link to give feedback, will be posted on that webpage by Oct. 29, and input will be accepted online through Nov. 12.

Metra invites and welcomes all input and participation in this process. In this time of limited transportation funding, it is especially important that our plans accurately consider the projects and direction desired by the public and key stakeholders in order to make the most effective use of those scarce funding resources.

Your thoughtful contribution, and your assistance in getting the word out, is an important part of our strategic plan process. Metra thanks you in advance for your contribution.

Our goal is to complete our strategic plan by the end of 2012.

## Budget

(Continued from Page 1)

and locomotives, not to mention our stations, platforms, tracks, ties, crossings, bridges and other infrastructure. We could help ensure that we continue to deliver high-quality and on-time service. Regular investment in our system actually lowers our operational maintenance costs in the long run. We could also offer more enhancements – like some of the things we introduced or are introducing this year, such as our train tracker, ticket vending machines, electrical outlets on our cars, AEDs and new Highliner cars.

The Metra system is huge in territory and inventory and it is hugely expensive to maintain. We think it is important to continue to invest in our system so that it can continue to serve the six-county region's residents for many years into the future, and we hope you agree.

We look forward to hearing your voice in this discussion.

A list of the dates, times and locations of the budget hearings is at left. Copies of the preliminary budget are available for review at [www.metrarail.com](http://www.metrarail.com) and have been distributed to municipalities across the region. In tandem with the budget hearings, Metra will host a second round of open houses on its strategic plan (*see story on left*).

Anyone may present views on the proposed budget at the public hearings or by submitting written material at any time, but not later than 24 hours after the conclusion of the hearings on Nov. 8. Written comments may be mailed to the attention of the Assistant Secretary to the Metra Board of Directors, 547 W. Jackson, Chicago, IL 60661 or via e-mail at [2013budgetcomments@metrarr.com](mailto:2013budgetcomments@metrarr.com).

Following the public comment period, the Metra Board will vote on a final budget at its Nov. 16 meeting.

### Schedule for budget hearings and strategic plan open houses

**Thursday, Nov. 1, 2012**  
4 p.m. – 7 p.m.

#### Kane County

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

#### McHenry County

City of Crystal Lake City Hall  
City Council Chambers &  
Executive Conference Room  
100 W. Woodstock St.  
Crystal Lake

#### South Suburban Cook County

Flossmoor Village Hall  
Village Board Room and lobby  
2800 Flossmoor Rd.  
Flossmoor

**Wednesday, Nov. 7, 2012**  
4 p.m. – 7 p.m.

#### City of Chicago

Budget Hearing  
Metra  
547 W. Jackson Blvd.  
13th Floor Board Room  
Chicago

*Strategic Plan Open House*  
Chicago Union Station Great Hall  
210 S. Canal St.  
Chicago

#### DuPage County

Wheaton City Hall  
City Council Chambers &  
Gamon Room, 2nd Floor  
303 W. Wesley St.  
Wheaton

#### North Suburban Cook County

Arlington Heights Village Hall  
Board Room and Community Room  
33 S. Arlington Heights Rd.  
Arlington Heights

**Thursday, Nov. 8, 2012**  
4 p.m. – 7 p.m.

#### Lake County

Grayslake Village Hall  
Village Board Room  
and Community Room  
10 S. Seymour Ave.  
Grayslake

#### Will County

New Lenox Village Hall  
Council Chambers and lobby  
1 Veterans Pkwy.  
New Lenox

**Monday, Nov. 12, 2012**  
4 p.m. – 7 p.m.

#### City of Chicago

*Strategic Plan Open House only*  
Chicago State University  
Library Auditorium  
9501 S. King Dr.  
Chicago