Commuter Rail Division of The Regional Transportation Authority and The Northeast Illinois Regional Commuter Railroad Corporation

(Public Entities, doing business as Metra)

Financial Statements and Supplementary Information
as of and for the Year Ended December 31, 2020, and
Independent Auditors' Report

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
111 South Wacker Drive
Chicago, IL 60606-4301
USA

Tel:+1 312 486 1000
Fax:+1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (Public entities, doing business as Metra):

Report on the Financial Statements

We have audited the accompanying financial statements of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, both doing business as Metra (Metra), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Metra's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, both doing business as Metra, as of December 31, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability and Related Ratios, Schedule of Pension Contributions, and Schedule of Changes in Metra's Total OPEB Liability and Related Ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Metra's basic financial statements. The Schedule of Revenues and Expenses – Budget to Actual (Budgetary Basis), the Budgetary Basis Schedule of Operations, and Notes to Supplementary Information (collectively "Other Information") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte & Touche LLP

April 30, 2021

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) relates to the financial position and results of operations of the Commuter Rail Division of the RTA (Regional Transportation Authority) and the NIRCRC (Northeast Illinois Regional Commuter Railroad Corporation – a public entity doing business as Metra).

Railroad operations performed directly by the NIRCRC as well as the results of operations of PSA (Purchase of Service Agreement—operations contracted to third parties) carriers are collectively known as "Metra." MD&A offers an analysis of Metra's financial position and results of operations during the years ended December 31, 2020 and 2019. MD&A is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with Metra's 2020 financial statements, which begin on page 17.

Except as otherwise indicated, all financial information herein is in United States dollars and determined in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by Governmental Accounting Standard Board (GASB). Metra's objective is to provide meaningful and relevant information reflecting Metra's financial position and results of operations.

In certain circumstances, Metra may make reference to certain Non-GAAP measures that from management's perspective are useful measures of performance. The reader is advised to read all information provided in the MD&A in conjunction with Metra's 2020 financial statements and accompanying notes.

COVID-19

The World Health Organization ("WHO") declared the outbreak of the Coronavirus Disease 2019 ("COVID-19") a global pandemic on March 11, 2020. In Illinois, Governor Pritzker issued a Stay-at-Home order, effective March 21, 2020. The COVID-19 outbreak and the Stay-at-Home order resulted in a significant decline in ridership and impacted Metra's operations, financial position, and cash flows in 2020.

In response to the adverse conditions from COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2.2 trillion economic stimulus bill, was approved by congress and signed into law by President Trump on March 27, 2020. The Federal Transit Administration (FTA) allocated $25 billion of the CARES Act for funding transit systems nationwide, of which $479.2 million is apportioned to Metra by the Regional Transit Authority (RTA). In fiscal year 2020, Metra requisitioned $177.0 million in CARES Act funding, leaving a remaining balance of $302.2 million for further requisitioning in the subsequent years.

Business Profile

Metra is engaged in the commuter rail business. Metra's hub-and-spoke network of 11 lines comprising approximately 1,200 miles of track spans the six county area of Northeast Illinois and extends slightly into Kenosha County, Wisconsin. Metra's network provides Metra passengers access to and from downtown Chicago. Metra operates out of four major terminals in downtown Chicago.

Metra's operating revenue is largely derived from passenger fares. Smaller amounts of revenue come from advertising, trackage fees, maintenance fees charged to railroads who operate upon Metra's operating tracks and the sale of construction and related services to various entities. Requisitioned CARES Act funding through the FTA in fiscal year 2020 replaced lost fare revenue that was impacted by decreased ridership due to the COVID-19 pandemic, the Stay-at-Home order, and travel restrictions.

Metra supports about half of its operating costs (excluding depreciation) from operating revenue and about half from state/local funding. State/local funding is partly from PTF (Public Transportation Funds) from the State of Illinois General Fund, partly from dedicated sales taxes. PTF and applicable sales tax revenue are remitted by the State of Illinois to the RTA who disburses these funds to itself, Pace (Suburban Bus), CTA (Chicago bus/subway/elevated train), and Metra according to legislated formulas. The RTA has some leeway over how these funds are distributed.

Corporate Organization

Railroad operations performed directly by the NIRCRC are managed directly by Metra personnel. PSA providers (Northern Indiana Commuter Transportation District—NICTD, BNSF Railway and Union Pacific Railroad) run their operations with some guidance from Metra staff.

Metra runs its operations by function. The Mechanical (maintain rolling stock), Transportation (operate rolling stock), and Engineering (maintain track, right of way and structures) functions report to the Deputy Director of Operations, who reports to the CEO. Finance, Legal, and HR report to the CEO. Certain other administrative departments report to the Deputy Director of Administration who reports to the CEO.

Strategy Overview

Metra's focus is on transporting the citizens of Northeast Illinois in a safe, efficient manner. Metra's goal is to be internationally recognized as a premier commuter railroad. Metra's commitment is to create value for the taxpayers of Illinois by delivering operational excellence. Most of Metra's business is done during the rush hour, primarily from people coming from outlying areas to downtown Chicago but also some people traveling from downtown Chicago to outlying areas (the reverse commute).

Metra's corporate goals are generally based on the following: achieving a solid safety record, achieving a solid on-time performance record, maintaining its assets in a state of good repair, and maintaining financial viability and stability.

Metra's business model is anchored on four core principles: providing reliable service, controlling costs, commitment to safety, and developing people.

The basic driver of Metra's business is demand for reliable, efficient, cost-effective commuter transportation. As such, Metra's focus is to provide a high level of service to its riders, operating safely and efficiently, meeting short- and long-term financial commitments.

On-time performance reached 96.5% in 2020, an increase from 94.6% in 2019. This is Metra's highest annual average since 2004. Metra's on-time performance in 2020 was favorably affected by significant decreases in the number of delays due to signal/switch failures, obstruction/debris, and interference from freight trains.

To continue providing quality service, Metra needs to keep its asset base in good repair. Metra continues to seek federal and state funding towards this end. Metra also continues to seek to provide internal sources of capital funding through raising revenues and controlling costs. Metra has achieved for several years and continues to target at least $5 million in operating efficiencies every year to further constrain fare increases.

During 2020, Metra's fuel usage was reduced as service was reduced. However, fuel costs included penalties as the fuel consumption did not reach contracted levels.

Metra's ability to develop good people is a key factor in Metra's success. Metra is focused on recruiting well qualified people and providing for their development so they can enjoy a long career at Metra. Metra works hard to develop its workforce through formal and on-the-job training. Metra provides many of its own skilled trades through apprenticeship programs; many Metra contract people progress through the ranks to junior and senior management positions.

Frequent renewal of equipment is a key to system reliability. Metra has an extensive program in which it rehabilitates cars and locomotives in house; locomotives are also remanufactured by external suppliers. This program continued in 2020 for both rehabilitation and remanufacture of locomotives. Metra presently has in progress two families of cars being rehabilitated in-house, one family of locomotives being rehabilitated in-house and one family of locomotives being remanufactured at an external supplier.

Basic Financial Statements

The *Statement of Net Position* presents current, noncurrent assets, deferred outflow and inflow of resources, and liabilities on a full accrual basis. Assets are recognized when acquired and liabilities are recognized when goods and services are provided to Metra.

The *Statement of Revenue, Expenses, and Changes in Net Position* presents Metra's revenue, expenses, and the net impact these activities had on its fiscal well-being, identified as "Change in net position." The timing of the recognition of revenue and expenses is often different from the related cash transactions, because under the accrual method, revenues are recognized when earned and expenses are recognized when incurred, not when the cash is received or disbursed.

The *Statement of Cash Flows* presents information relating to when cash is received or dispersed for operating activities, noncapital and related financing activities, capital and related financing activities, and investing activities. The net change in cash and cash equivalents provides a view of Metra's ability to meet financial obligations as they mature.

Notes to the financial statements are an integral component of the financial statements because important background information that may not be reflected on the face of the statements is disclosed. Details on Metra's accounting policies, cash holdings, capital assets, and other important areas are found in the notes to the financial statements.

Financial Summary

2020 Financial Summary

- *Net position* increased $105.6 million, or 3.3%, to $3,349.9 million at December 31, 2020. Net position represents total assets plus deferred outflow of resources minus total liabilities and deferred inflow of resources.
- *Capital assets—net* increased $76.7 million, or 2.5%, to $3,109.4 million in 2020 reflecting capital acquisitions less depreciation incurred in 2020.
- *Passenger revenue* decreased $263.5 million, or 72.0%, to $102.4 million in 2020.
- *Other operating revenues* decreased by $4.2 million, or 9.2%, to $41.7 million in 2020.
- *Nonoperating revenues* increased $158.0 million, or 22.7%, to $853.8 million in 2020.
- *Total operating expenses before depreciation* decreased $117.7 million, or 14.7%, to $684.4 million during 2020.

Financial Analysis

Following are condensed comparative financial statements, which highlight key financial data. Certain significant year-to-year variances are discussed following each respective statement.

2020 vs. 2019 Analysis

Statements of Net Position

Total net position represents the difference between total assets and deferred outflow of resources, and total liabilities and deferred inflow of resources. As shown in Table 1a, Metra's total net position at December 31, 2020 increased by $105.6 million, or 3.3%, from December 31, 2019. Current assets increased by $4.2 million, or 0.7%, to $571.5 million. Net capital assets increased by $76.7 million, or 2.5%, to $3,109.4 million. Current liabilities decreased $52.2 million, or 18.5%, to $229.4 million. Long-term liabilities increased by $16.4 million, or 13.1%, to $141.6 million.

Table 1a

Condensed Statements of Net Position

(Amounts in millions)

	December 31		Change Increase (decrease)	
	2020	**2019**	**Dollars**	**Percent**
Assets				
Current assets	$ 571.5	$ 567.3	$ 4.2	0.7 %
Long-term investments	20.0	24.9	(4.9)	(19.7)
Capital Assets—net	3,109.4	3,032.7	76.7	2.5
Total assets	3,700.9	3,624.9	76.0	2.1
Deferred outflows of resources				
Deferred outflows of resources—pension related	$ 21.5	$ 25.8	$ (4.3)	(16.7) %
Deferred outflows of resources—OPEB related	10.8	7.0	3.8	54.3
Liabilities				
Current liabilities	229.4	281.6	(52.2)	(18.5)
Long-term liabilities	141.6	125.2	16.4	13.1
Total liabilities	$ 371.0	$ 406.8	$ (35.8)	(8.8) %
Deferred inflows of resources				
Deferred inflows of resources—pension related	$ 6.0	$ 1.4	$ 4.6	328.6 %
Deferred inflows of resources—OPEB related	6.2	5.2	1.0	19.2
Net Position				
Net investment in capital assets	3,109.4	3,032.7	76.7	2.5
Unrestricted net assets	240.5	211.6	28.9	13.7
Total net position	$ 3,349.9	$ 3,244.3	$ 105.6	3.3 %

Key changes include the following:

- *Current assets* increased by $4.2 million, or 0.7%, to $571.5 million primarily due to increases in short-term investments by $11.1 million, or 4.3%, materials and supplies by $5.8 million, or 28.7%, and prepaid expense by $2.1 million, or 39.6%, and accounts receivable-grant projects by $2.9 million, or 3.4%, which were partially offset by decreases in cash and cash equivalents by $7.3 million, or 7.5%, accounts receivable—RTA financial assistance by $8.5 million, or 9.5%, accounts receivable—other, net by $2.0 million, or 18.2%.

- *Long-term assets and net capital assets* increased by $71.8 million, or 2.3%, to $3,129.4 million due to increase in net capital assets by $76.7 million, or 2.5%, to $3,109.4 million, which were partially offset by a decrease in long-term investments by $4.9 million, or 19.7% to $20.0 million.

- *Current liabilities* decreased by $52.2 million, or 18.5%, to $229.4 million, primarily due to decreases in accounts payable by $40.9 million, or 21.5%, accrued claims—current by $4.9 million, or 34.5%, and unearned revenue by $8.5 million, or 45.9%, which were partially offset by increases in accrued wages and benefits payable by $2.3 million, or 4.0%.

- *Long-term liabilities* increased by $16.4 million, or 13.1%, to $141.6 million, primarily due to increases in long-term portion of accrued claims by $15.7 million, or 35.6%, accrued post-retiree health benefits by $5.8 million or 12.1%, which were partially offset by a decrease in net pension liability by $5.3 million, or 16.0%.

Statements of Revenues, Expenses, and Changes in Net Position

Change in net position represents the difference between operating loss and financial assistance. As shown in Table 2a, Metra's change in net position for the year ended December 31, 2020 was $105.6 million, a 25.9% increase from the net position of $83.9 million for the year ended December 31, 2019. Total operating revenues decreased by $267.7 million, or 65.0%, from 2019. Total operating expenses before depreciation decreased by $117.7 million, or 14.7%, from 2019. Total nonoperating revenues increased by $158.0 million, or 22.7%, from 2019.

Table 2a

Statements of Revenues, Expenses, and Changes in Net Position

(Amounts in millions)	December 31		Change Increase (decrease)	
	2020	2019	Dollars	Percent
Operating revenue:				
Passenger revenue	$ 102.4	$ 365.9	$ (263.5)	(72.0)%
Other	41.7	45.9	(4.2)	(9.2)
Total operating revenue	144.1	411.8	(267.7)	(65.0)
Operating expenses:				
Transportation	238.6	261.4	(22.8)	(8.7)
Fuel and motive power	44.3	64.5	(20.2)	(31.3)
Engineering	122.1	161.7	(39.6)	(24.5)
Mechanical	167.3	184.8	(17.5)	(9.5)
Administration	66.4	91.4	(25.0)	(27.4)
Claims and insurance	26.5	20.5	6.0	29.3
Downtown stations	19.2	17.8	1.4	7.9
Total operating expenses before depreciation	684.4	802.1	(117.7)	(14.7)
Operating loss before depreciation	(540.3)	(390.3)	150.0	38.4
Depreciation	207.9	221.6	(13.7)	(6.2)
Operating loss	(748.2)	(611.9)	136.3	22.3
Nonoperating revenue:				
Financial assistance	853.8	695.8	158.0	22.7
Total nonoperating revenue	853.8	695.8	158.0	22.7
Change in net position	$ 105.6	$ 83.9	$ 21.7	25.9 %

Total operating revenue decreased by $267.7 million, or 65.0%, from 2019. Principal changes are discussed below:

Passenger revenue decreased $263.5 million or 72.0% in 2020. This decrease was due to a decrease in ridership, mainly attributable to the Stay-at-Home order and travel restrictions for non-essential workers and businesses, authorized by Governor Pritzker to reduce the spread of COVID-19. Below is a table comparing ridership by line for 2020 and 2019:

Table 3a

Passenger Trips By Line

(In thousands of passenger trips)

Rail line	2020*	2019*	Increase (decrease)	Percent
Burlington Northern/Santa Fe	3,660	15,468	(11,808)	(76.3)%
Metra Electric	2,019	7,283	(5,264)	(72.3)
Heritage Corridor	177	734	(557)	(75.9)
Milwaukee–North	1,557	6,549	(4,992)	(76.2)
Milwaukee–West	1,481	5,905	(4,424)	(74.9)
North Central Service	341	1,590	(1,249)	(78.6)
Rock Island	1,953	7,338	(5,385)	(73.4)
SouthWest Service	575	2,357	(1,782)	(75.6)
Union Pacific–North	2,300	8,552	(6,252)	(73.1)
Union Pacific–Northwest	2,602	10,384	(7,782)	(74.9)
Union Pacific–West	1,946	7,883	(5,937)	(75.3)
Total passenger trips	18,611	74,043	(55,432)	(74.9)%

* Includes free senior rides; does not include Northern Indiana Commuter Transportation District (NICTD)

Other operating revenue decreased by $4.2 million, or 9.2%, primarily due to decreases in interest income by $4.7 million, or 57.8%, which were partially offset by increases in miscellaneous income by $1.8 million, or 42.9%.

Nonoperating revenue increased by $158.0 million, or 22.7%, primarily because of new IDOT grants of $8.9 million in 2020, or 100% %, an increase in local grants by $4.4 million, or 98.7%, Federal Transit Administration (FTA) Cares Act operating assistance which began in 2020 by $159.8 million, an increase in federal grants by $8.2 million, or 4.1%, which were partially offset by decreases in RTA sales tax by $9.2 million, or 2.3%.

Total operating expenses before depreciation decreased by $117.7 million, or 14.7%, due to decreases in labor by $17.5 million, or 5.4%, fringes benefits by $15.2 million, or 6.7%, fuel by $18.1 million, or 30.6%, material costs by $10.0 million, or 21.5%, motive power by $2.1 million, or 39.7%, utilities by $5.2 million, or 18.4%, and purchases by $55.7 million, or 59.5%, which were partially offset by increases in claims by $4.3 million, or 26.5%, and insurance by $1.7 million, or 40.1%.

Metra consumed 18.8 million of gallons of diesel fuel with an average price $2.187 per gallon in 2020 vs. 26.5 million of gallons of diesel fuel with an average price $2.24 per gallon in 2019.

Metra consumed 56.7 million KWH of motive power in 2020 at an average price of $0.0574 per KWH vs. 75.7 million KWH of motive power in 2019 at an average price of $0.0697 per KWH.

Capital Assets

Since its creation in 1984, Metra continues its capital program primarily geared toward rebuilding, modernizing, and improving worn assets. The purpose of the capital investment policy is to maintain safe, reliable, and quality services and facilities for its passengers and workers, while improving the efficiency and cost-effectiveness of its operations. Metra has always given a high priority to preservation and modernization of the existing system and in doing so undertakes a multitude of projects to preserve and improve Metra's capital assets. These projects help provide continued on-time and reliable public transportation services in an efficient and cost-effective manner.

As of December 31, 2020 and 2019, Metra had invested approximately $8.3 billion and $8.0 billion, respectively, in capital assets including land, stations, maintenance facilities, rolling stock, track, structures, and signal and communication equipment as well as other support equipment. Net of accumulated depreciation, Metra's net capital assets at December 31, 2020 and 2019 totaled approximately $3,109.4 million and $3,032.7 million, respectively (see Table 4a). This amount represents a net increase (including additions and disposals, net of depreciation) of $76.7 million or 2.5% over the December 31, 2019 balance.

Table 4a

Capital Assets by Funding Source

Current Year to Prior Year Analysis

(Amounts in millions of dollars)

	December 31		Change increase (decrease)	
Funding source	**2020**	**2019**	**Dollars**	**Percent**
Federal Transit Administration	$4,273.0	$4,076.6	$ 196.4	4.8 %
Illinois Department of Transportation	669.6	660.7	8.9	1.3
Regional Transportation Authority	2,273.8	2,225.0	48.8	2.2
Northern Indiana Commuter Transportation District	6.4	6.4	0.0	0.0
Metra	1,086.6	1,058.7	27.9	2.6
Total capital assets	8,309.4	8,027.4	282.0	3.5
Accumulated depreciation	(5,200.0)	(4,994.7)	205.3	4.1
Total capital assets, net	$3,109.4	$3,032.7	$ 76.7	2.5 %

Major capital asset expenses during 2020 and 2019 included the following:

- Metra's Rolling Stock program seeks to ensure that an adequate number of locomotives and commuter railcars are available to meet the current and future service needs of the system. This program includes rehabilitation of, and improvements to, existing vehicles. Metra expended $100.9 million and $99.2 million for 2020 and 2019, respectively, to upgrade and maintain its existing fleet through remanufacturing, rehabilitations, and replacements of major subassemblies. The 2020 expenditure includes purchase of seven (7) Accessible Cab Control Cars and two (2) Locomotive Switches.

- The *Track and Structure* program provides for the continued rehabilitation and upgrading of Metra's commuter railroad rights-of-way. In addition to maintaining operational safety, the rehabilitation of track and structures results in reduced train running times, fewer interruptions in service, greater passenger comfort, and efficient use of plant and equipment. Metra has developed a cyclical program of track rehabilitation, which includes all commuter rail lines within the region. Project priorities are decided based on train volumes, speed restrictions, age and condition of the roadbed, and track speeds essential to maintaining on-time performance. Structure projects serve objectives that are similar to those of the track program. Since 1990, when Metra's comprehensive plan for bridge rehabilitation and replacement began, the structure program has focused on the commuter rail bridges identified as high priorities for action. The Capital Program continued the implementation of these programs in 2020 and 2019 by expending $41 million and $68 million, respectively, in funding for the rehabilitation, replacement, and upgrade of bridges, track, and structures.

- *Signaling, Electrical, and Communications* systems and equipment improvements are designed to maximize commuter operating efficiencies, maintain reliability of rail service, and provide a safe system of dispatching and centrally controlled train movements. Signaling systems and switches control usage of track. Much of this equipment is concentrated at "interlockings," which are control systems where two railroads cross each other or where many trains change tracks. The smooth, dependable operation of these interlockings is critical for maintaining on-time performance. Metra also continues its program to improve communication systems, allowing for the provision of timely information to its passengers. Signaling, electrical, and communications expenditures in 2020 and 2019 were $71.5 million and $62.0 million, respectively. The largest component of the expenditures in this category for 2020 and 2019 has been for Positive Train Control (PTC). PTC is a communication-based train control safety system intended to prevent train collisions. PTC is presently estimated to cost $385.0 million in total. Metra has awarded and obligated $367.0 million of the $385.0 million total as of December 31, 2020.

- *Support Facilities and Equipment* includes maintenance yards, layover and storage facilities, and support vehicles and equipment that are essential to maintaining reliable and efficient commuter services. Support facilities and equipment expenditures in 2020 and 2019 were $43.0 million and $55.3 million, respectively.

- *Commuter Stations* are portals to the Metra system and very often to the communities in which they are located. Stations must be functional and compliant with the Americans with Disabilities Act, as well as inviting to Metra passengers. Commuter stations expenditures in 2020 and 2019 were $18.0 million and $12.4 million, respectively.

- The *Commuter Parking* program is designed to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Parking improvements are constructed in a manner to ensure conformance with the requirements of the Americans with Disabilities Act. Commuter parking expenditures in 2020 and 2019 were $0.4 million and $1.0 million respectively.

RTA Sales Tax and Public Transportation Funds

RTA Sales Tax and Public Transportation Funds (PTF) have been the primary sources of funding for the RTA and the three Service Boards (Metra, Chicago Transit Authority (CTA) and the Suburban Bus Division (Pace)) for over three decades. The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois, and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, without appropriation, by the State Treasury or on the order of the State Comptroller. From 2016 to 2020, the state held back a percentage of sales tax as collection fees. The collection fees continued in 2020.

The original RTA sales tax (Sales Tax I) is levied at 1.0% in Cook County and 0.25% in the collar counties of DuPage, Kane, Lake, McHenry, and Will. The RTA distributes 85% of Sales Tax I receipts to the Service Boards according to a statutory formula. The remaining 15% of Sales Tax I is retained by the RTA to fund regional and agency expenses before being allocated at the discretion of the RTA Board. Metra receives 55% of the Service Board statutory share of Sales Tax I collected in Suburban Cook County and 70% of the share collected in the collar counties.

The Public Transportation Fund is State-provided funding initially comprising of a 25% match of Sales Tax I receipts (PTF I). RTA retains 100% of PTF I, and then distributes it as "discretionary" (i.e., not allocated by statute) funding, traditionally 98% to CTA and 2% to Pace. RTA retains 15% of Sales Tax I for its own use. PTF revenues are payable to the RTA upon State appropriation. None of the PTF revenues are actually paid to the RTA until the RTA certifies to the Governor, the State Comptroller, and the Mayor of the City of Chicago that it has adopted a budget and two-year financial plan as called for by the RTA Act.

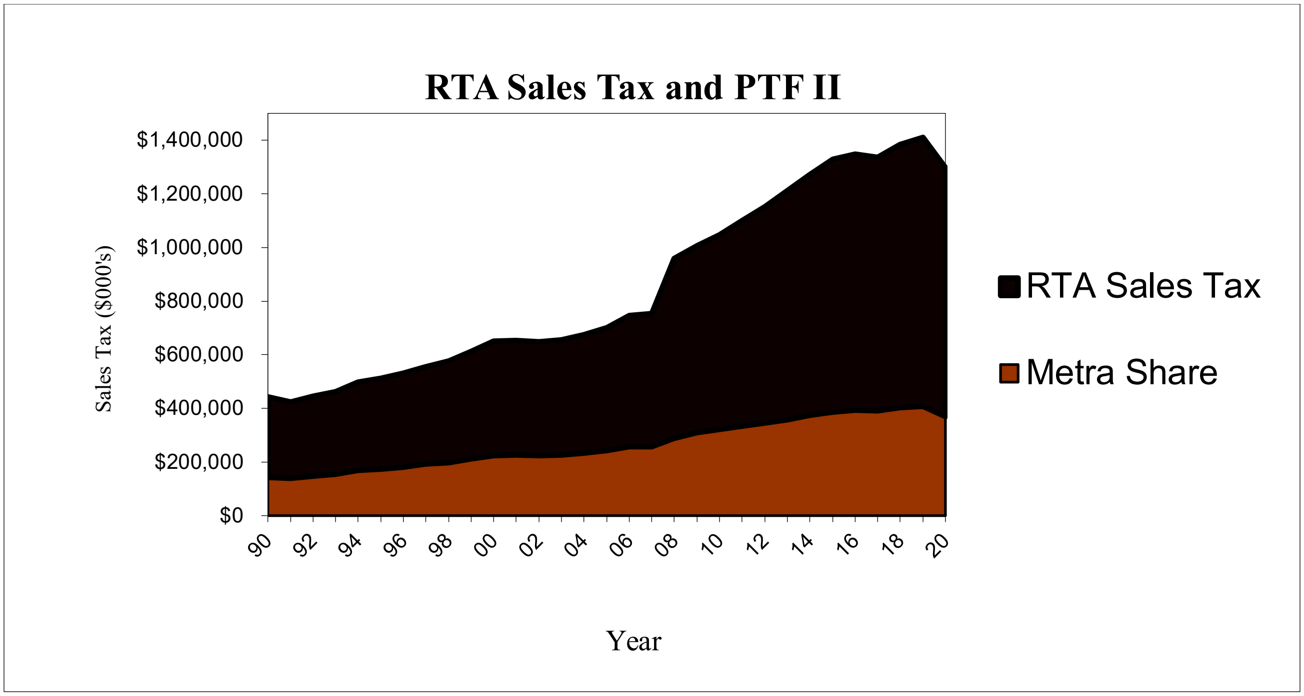
The RTA Act, as amended in 2008, increased the RTA sales tax by an additional 0.25% in all six counties of the RTA region (Sales Tax II), increased the Real Estate Transfer Tax (RETT) in the City of Chicago by 0.3%, and provided additional Public Transportation Funds equal to a 5% match of Sales Tax I receipts and a 30% match of Sales Tax II receipts and RETT receipts (PTF II). By statute, CTA receives all revenue from the RETT increase and 25% PTF match on the RETT. Sales Tax II and remaining PTF II (i.e., 5% match on Sales Tax I, 30% match on Sales Tax II, and 5% match on the RETT) were distributed to the three Service Boards and the RTA in 2020 and 2019 as follows:

- $133.0 million to Pace ADA Paratransit Service
- $23.4 million to Pace Suburban Community Mobility Fund (SCMF)
- $11.7 million to the RTA Innovation, Coordination, and Enhancement (ICE) Fund

After these deductions, all remaining Sales Tax II and PTF II proceeds are distributed as follows: 48% CTA, 39% Metra, and 13% Pace Suburban Service.

The graph below shows the annual Sales Tax I collected in the six-county region since 1990, together with the Sales Tax II and PTF II collected beginning in 2008. Year 2020 Sales Tax I and combined Sales Tax II/PTF II totaled $855.2 million and $441.7 million, respectively. Metra's statutory shares $296.5 million and $101.8 million, respectively, together represent 28.4 % of total RTA Sales Tax and PTF II revenue sources.

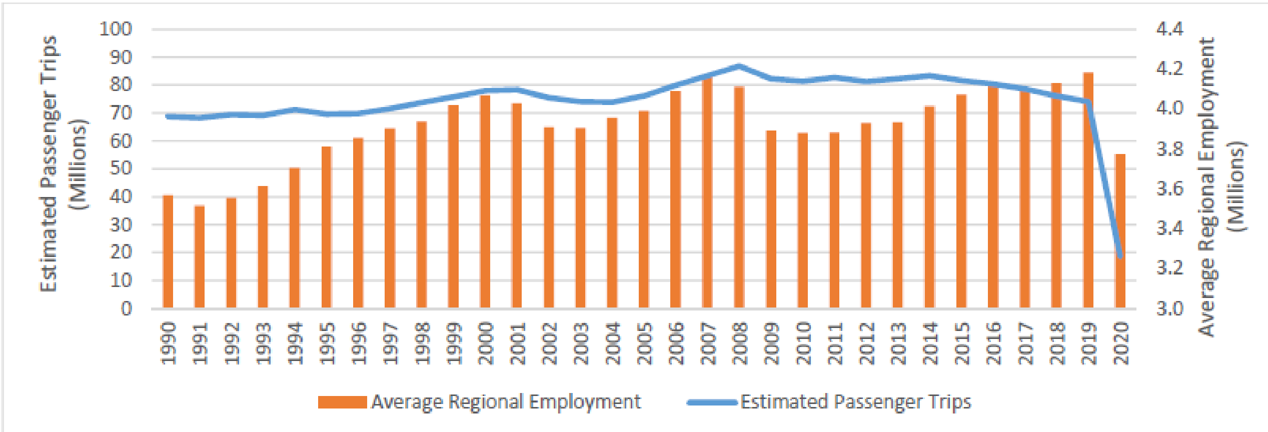
Figure 1: Sales Tax and Metra Statutory Share



Employment

Prior to COVID-19, approximately 90% of passenger trips taken on Metra were for work. The health of the regional economy, especially in terms of employment levels, greatly influences Metra ridership (see Figure 2). Regional employment has generally grown since 1990. The economic downturn following the September 11th attacks in 2001, the 2007 to 2009 economic recession (affecting 2008 through 2010 employment averages), and the COVID-19 pandemic in 2020 are exceptions. Regional employment averaged 3.8 million for the year, an 8.9 percent decrease compared to 2019. In response to COVID-19, beginning in March many employers began allowing employees to work from home.

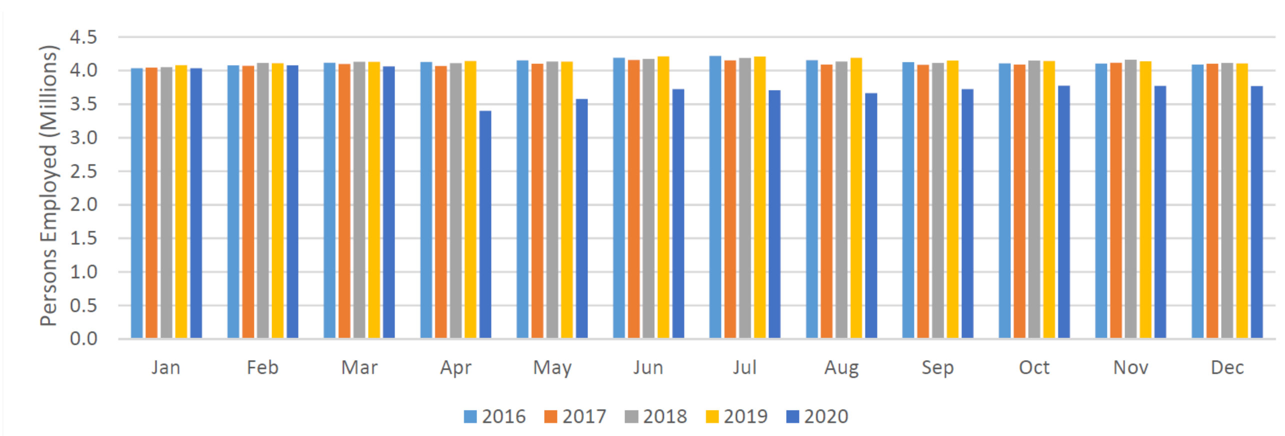
Figure 2: Annual Average Regional Employment



Source: Illinois Department of Economic Security. Includes employees covered under the State's Unemployment Insurance Act. Includes employment figures for Cook, DuPage, Kane, Lake, McHenry, and Will Counties. Government workers are not included in these estimates.

Figure 3 shows regional employment by month for 2016 through 2020. Approximately 4 million people were employed in the Metra region at the start of 2020. Following the first confirmed cases of COVID-19 and the State-At-Home order, restaurants were closed to indoor dining, and other non-essential activities were limited. Regional employment fell 3.4 million in April. Where possible, many downtown employers allowed their employees to work from home, keeping employment from falling further. The adoption of a statewide mask policy at the end of April reduced the number of COVID-19 cases, allowing for businesses to partially reopen in June. As the economy shifted to accommodate new demand from social distancing, employment grew modestly through the end of the year.

Figure 3: Regional Employment by Month



Source: Illinois Department of Economic Security. Includes employees covered under the State's Unemployment Insurance Act. Government workers are not included.

Following the 2007-2009 recession, downtown office unoccupied space lagged economic recovery, and reached a high of 17.3% in Q4 of 2010. As growth of employment downtown increased, downtown unoccupied space decreased to a decade low of 11.2% in 2016. By Q4 of 2019, downtown unoccupied space had once again increased, to 13.9%, the latest quarter unaffected by the COVID-19 pandemic. Following the pandemic, downtown unoccupied office space grew to 15.5% by Q4 of 2020. Suburban unoccupied office space has followed a similar trend since 2008.

Figure 4: Quarterly Percent of Unoccupied Office Space

Source: CB Richard Ellis

Debt Administration

Metra has no long-term or short-term debt. The Regional Transportation Authority Act, as amended by the Illinois legislature in January 2008, authorizes Metra to issue up to $1 billion in bonds for capital projects.

Contacting Metra's Financial Management

This report is designed to provide Metra's passengers, vendors, and the general public with a general overview of Metra's finances and to show Metra's accountability for the money it receives. If you have questions about this report or need additional information, contact the Office of the Controller at 547 W. Jackson, Chicago, IL 60661, or www.metrarail.com.

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020

ASSETS	
CURRENT ASSETS:	
Cash, cash equivalents, and investments:	
Cash and cash equivalents	$ 90,432,238
Short-term investments	269,960,226
Total cash, cash equivalents, and investments	360,392,464
Accounts receivable:	
Grant projects	87,241,353
Financial assistance—RTA	81,385,856
Other—net	9,032,701
Total accounts receivable	177,659,910
Materials and supplies	25,978,772
Prepaid expense	7,432,315
Total current assets	571,463,461
LONG-TERM ASSETS:	
Long-term investments	20,022,900
Capital assets:	
Land	156,127,102
Rolling stock	2,843,611,848
Roadways and passenger stations	4,406,764,485
Support equipment and infrastructure	902,810,350
Less accumulated depreciation	(5,199,922,813)
Total capital assets—net	3,109,390,972
Total long-term assets	3,129,413,872
TOTAL ASSETS	$ 3,700,877,333
DEFERRED OUTFLOW OF RESOURCES	
PENSION RELATED	$ 21,484,962
OPEB RELATED	10,825,015
TOTAL DEFERRED OUTFLOW OF RESOURCES	$ 32,309,977

(Continued)

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020

LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	$ 149,395,925
Accrued wages and benefits payable	59,809,504
Accrued claims—current	9,334,000
Accrued post-retiree health benefits (OPEB)—current	949,338
Unearned revenue	9,951,572
Total current liabilities	229,440,339
LONG-TERM LIABILITIES:	
Accrued claims	59,834,220
Net pension liability	27,849,711
Accrued post-retiree health benefits (OPEB)	53,944,560
Total long-term liabilities	141,628,491
TOTAL LIABILITIES	$ 371,068,830
DEFERRED INFLOW OF RESOURCES	
PENSION RELATED	$ 6,048,467
OPEB RELATED	6,188,645
TOTAL DEFERRED INFLOW OF RESOURCES	$ 12,237,112
NET POSITION:	
Net investment in capital assets	$ 3,109,390,972
Unrestricted net assets	240,490,396
TOTAL NET POSITION	$ 3,349,881,368

See accompanying notes to financial statements. (Concluded)

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

OPERATING REVENUE:	
Passenger revenue	$ 102,350,491
Other	41,679,756
Total operating revenue	144,030,247
OPERATING EXPENSES:	
Transportation	238,598,672
Fuel and motive power	44,262,843
Engineering	122,141,178
Mechanical	167,270,656
Administration	66,441,676
Claims and insurance	26,548,125
Downtown stations	19,130,806
Total operating expenses before depreciation	684,393,956
Depreciation	207,904,939
Total operating expenses	892,298,895
OPERATING LOSS	(748,268,648)
NONOPERATING REVENUE:	
Local	485,568,785
Total nonoperating revenue	485,568,785
CAPITAL CONTRIBUTIONS	368,220,950
CHANGE IN NET POSITION	105,521,087
NET POSITION AT BEGINNING OF YEAR	3,244,360,281
NET POSITION AT END OF YEAR	$3,349,881,368

See accompanying notes to financial statements.

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fares	$ 98,776,919
Cash received from other operating revenue items	38,659,087
Cash paid to and on behalf of employees for services	(506,988,405)
Cash paid for claims	(9,740,438)
Cash paid to contractual service providers and suppliers	(189,254,641)
Net cash used in operating activities	(568,547,478)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from RTA sales tax and other local noncapital assistance	407,611,404
Cash received from noncapital state assistance	19,714,875
Cash received from noncapital federal assistance	160,087,197
Net cash provided by noncapital and related financing activities	587,413,476
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from capital grants	274,932,223
Cash paid to acquire and construct capital assets	(294,966,772)
Net cash used in capital and related financing activities	(20,034,549)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash received from the sale of investment securities	891,464,839
Cash paid for the purchase of investment securities	(897,598,858)
Net cash used in investing activities	(6,134,019)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,302,570)
CASH AND CASH EQUIVALENTS—Beginning of year	97,734,808
CASH AND CASH EQUIVALENTS—End of year	$ 90,432,238

(Continued)

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (748,268,648)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	207,904,939
Impairment loss	362,487
(Increase) decrease in assets and deferred outflows:	
Accounts receivable	1,977,731
Materials and supplies	(5,823,732)
Prepaid expense	(2,159,391)
Deferred outflow of resources	472,225
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	(33,885,741)
Accrued wages and benefits payable	2,297,985
Claims reserves	10,889,103
Net pension liability	(5,236,639)
Accrued post-retiree health benefits (OPEB)	5,837,998
Deferred inflow of resources	5,656,176
Unearned revenue	(8,571,971)
Total adjustments	179,721,170
NET CASH USED IN OPERATING ACTIVITIES	$ (568,547,478)
NONCASH CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets in accounts payable at year-end	$ 36,811,111

See accompanying notes to financial statements. (Concluded)

1. ORGANIZATION

The Commuter Rail Division (CRD) of the Regional Transportation Authority (RTA) and the Northeast Illinois Regional Commuter Railroad Corporation (NIRCRC) were established by the Regional Transportation Authority Act (the RTA Act) to operate commuter rail service in the six-county region of Northeast Illinois. The CRD and NIRCRC are governed by the Commuter Rail Board (CRB) and collectively do business using the trademark name of "Metra." The CRB is responsible for establishing policy for the day-to-day operations, capital investments, finances, fare levels, and service and facilities planning for Metra.

Metra operates and manages the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service, and South West Service commuter lines. Metra also contracts for commuter rail service on other lines through purchase of service agreements executed with the Union Pacific Railroad (UP), BNSF Railway (BNSF), and Northern Indiana Commuter Transportation District (NICTD).

Metra also has trackage rights agreements to NICTD, Amtrak, CSX Corporation, Canadian Pacific Railway, Chicago Rail Link, Union Pacific Railroad, Norfolk Southern Railway, Wisconsin and Southern Railroad, Wisconsin Central Ltd. (Canadian National), and Iowa Interstate Railroad.

The World Health Organization ("WHO") declared the outbreak of the Coronavirus Disease 2019 ("COVID-19") a global pandemic on March 11, 2020. In Illinois, Governor Pritzker issued a Stay-at-Home order, effective March 21, 2020. The COVID-19 outbreak and the Stay-at-Home order resulted in a significant decline in ridership and impacted Metra's operations, financial position, and cash flows in 2020.

In response to the adverse conditions from COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2.2 trillion economic stimulus bill, was approved by congress and signed into law by President Trump on March 27, 2020. The Federal Transit Administration (FTA) allocated $25 billion of the CARES Act for funding transit systems nationwide. The RTA apportioned the CARES Act funding, in 2020, amongst the RTA, CTA, Pace, and Metra. The RTA allocated $479 million of CARES Act funding to Metra. In fiscal year 2020, Metra requisitioned $177.0 million in CARES Act funding, leaving a remaining balance of $302.2 million for further requisitioning in the subsequent years.

The RTA Act provides for funding of public transportation in the six-county region of Northeast Illinois. The RTA Act requires that at least 50% of system wide operating costs, excluding depreciation and certain other items, are financed through passenger fares and other revenues. The RTA serves as the oversight, funding and regional planning agency for the bus and rail services provided by Metra, Chicago Transit Authority (CTA), and the Suburban Bus Division (Pace). The RTA distributes funding for public transportation in the six-county area and establishes funding marks and recovery ratios for each service board on a budgetary basis. In 2020, the RTA apportioned the CARES Act funding amongst the transit agencies and allocated $479.2 million to Metra for requisitioning through the FTA to replace lost public funding and fare revenue. CARES Act funding requisitioned for fare revenue replacement is authorized to be considered operating revenue for use to determine the Farebox Recovery Ratio in order to meet the RTA Act requirements. In 2020, Metra requisitioned $177.0 million of CARES Act funding from the FTA and characterized it as fare revenue replacement.

Reporting Entity—As defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—An Amendment of GASB Statement No. 14*, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- Fiscal dependency on the primary government.

The RTA Board does not control the selection of any members of the Metra Board. Members of the Metra Board cannot serve on the RTA Board. The Metra Board approves the level of service, passenger fares, and operating policies and is accountable for fiscal matters, including ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance, and the preparation of operating budgets. The Metra Board is also responsible for the purchase of services and approval of contracts relating to its operations.

Based on these factors and applying the aforementioned criteria used to determine financial accountability, strictly for technical financial reporting purposes, management does not consider Metra to be a component unit of the RTA.

As described above, Metra has contracts with certain rail carriers. With the exception of deficit funding and "in-kind assistance" specifically defined in these agreements, Metra is not financially accountable for these carriers, and they are not considered to be a part of the Metra financial reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The accompanying financial statements of Metra are maintained in accordance with U.S. generally accepted accounting principles (U.S. GAAP) applicable to governmental entities. The accounts of Metra are organized as an enterprise fund type and are used to account for Metra's activities similar to a private business enterprise on the accrual basis of accounting. Therefore, revenue is recognized when earned, and expenses are recorded at the time liabilities are incurred.

Nonexchange transactions, in which Metra receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is first permitted, and expense requirements, in which the resources are provided to Metra on a reimbursement basis.

Use of Estimates—The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful life of capital assets, allowances for doubtful accounts, reserves for employee-benefit obligations, and other contingencies.

Cash and Cash Equivalents—For purposes of the statement of cash flows, Metra considers all highly liquid investments with a maturity at the time of purchase of three months or less to be cash equivalents.

Investments—Metra categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on valuation inputs used to measure the fair value asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The investments that Metra may purchase are limited by the State of Illinois Public Investments Act, 30 ILCS 235, to the following: (1) securities that are fully guaranteed by the U.S. government as to principal and interest; (2) certain U.S. government agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations, which are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois Funds; and (8) money market mutual funds and certain other instruments.

The Illinois Funds is an external investment pool administered by the State Treasurer. The fair value of Metra's share in the fund is the same as the value in the pool shares. Although not subject to direct oversight, the Illinois Funds is administered in accordance with the provisions of the Illinois Public Investment Act, 30 ILCS 235.

Accounts Receivable—Accounts Receivable include reimbursement due from grant projects, financial assistance from RTA, and other receivables. Grant projects reimbursements represent capital project receipts not yet collected for both completed and in progress projects from the FTA, RTA, IDOT and other government agencies. Financial assistance from RTA represents sales tax and public transportation funds due Metra. Other receivables are recorded on an accrual method when the amounts are due to Metra, such as advertising and trackage fees.

Materials and Supplies—Materials and supplies are recorded at average cost.

Capital Assets—Capital assets are recorded at cost, less accumulated depreciation. The cost of maintenance and repairs is charged to operations as incurred. Metra capitalizes assets, which have a useful life of more than one year, a unit or group cost of more than $5,000, and are purchased with grant funding or are not intentionally acquired for resale. Depreciation is calculated by class of assets using the straight-line method over the estimated useful lives of the respective assets, as follows:

	Years
Rolling stock, roadways, infrastructures, and passenger stations	10–35
Support equipment (including furniture, fixtures, and office equipment)	2–10

Accrued Wages and Benefits Payable—Accrued wages and benefits payable include accruals for payroll, salary related employer obligations, and liabilities for compensated absences. All employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave that has been earned but not paid has been accrued in the accompanying financial statements. Similarly, sick leave is accrued as the benefits are earned, but only to the extent it is probable that Metra will compensate the employee through cash payments conditioned on the employee's termination or retirement. Compensation for holidays and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts do not accumulate.

Metra accounts for compensated absences under GASB Statement No. 16, *Accounting for Compensated Absences*, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability. The amount is recorded as a portion of accrued wages and benefits payable on the statement of net position.

Claims Liabilities—Metra provides for retained risk programs for public liability, property damage, and Federal Employers Liability Act (FELA) claims. In 1993, the RTA, as authorized under the Joint Self-Insurance Fund, obtained liability insurance as part of the retained risk programs currently maintained by Metra. Claims are recorded in the year of occurrence (see Note 6). Metra directly administers the public liability, property damage, and FELA programs.

Pensions—Metra is a participant in the RTA Pension Plan (RTAPP), a cost-sharing multiple employer defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the RTAPP and additions to/deductions from RTAPP's fiduciary net position have been determined on the same basis as they are reported by RTAPP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-Employment Benefits other Than Pensions (OPEB)–Metra maintains a Retiree Healthcare Program, a single employer defined benefit OPEB plan that provides healthcare benefits to eligible retired non-contract employees, executive and senior management employees, board members, and contract police officers. The OPEB plan is administered by Metra. Metra records OPEB liability for the retiree health plan in accordance with GASB 75. An actuarial valuation is done annually and the OPEB liability is adjusted at year end to reflect the liability reported in the valuation.

Net Position—Net position is displayed in two components, as follows:

Net Investment in Capital Assets—This consists of all federal, state, and local grant funded capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted—This consists of the remaining components of net position that do not meet the definition of "net investment in capital assets."

Classification of Revenue—Metra has classified its revenue as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions, including passenger revenue and other nonpassenger operating revenue. Nonpassenger operating revenue includes joint facility revenue, interest income, lease and rental income, advertising income, and other miscellaneous nonfare generated income. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as federal, state, and local grants and contracts.

Passenger Revenues—Metra sells full and reduced fare, one-way, 10-ride, monthly, weekend, and special event tickets. Metra tickets are sold through various distribution channels, including train stations, on-train personnel, Ventra mobile application, vending machines and group sales. Passenger revenues are recognized in the following manner. Passenger revenues for one-way tickets are recorded when the tickets are sold. Passenger revenues for tickets sold by on-train personnel are recorded when the tickets are sold. Passenger revenues for monthly tickets are recorded in the month for the ticket is valid. When monthly tickets are sold prior to the month of validity, proceeds are recorded as unearned revenues and then recorded as passenger revenue in the month the ticket is valid. Passenger revenues for weekend tickets are recorded in the month the tickets are sold. Passenger revenues for tickets sold through Ventra mobile application are recognized when activated by passengers. 10-ride tickets sold through the Ventra mobile application are monitored for sold to use status; this methodology is applied to record unearned revenue for 10-ride tickets sold through other channels.

Nonoperating Revenue—Metra's nonoperating revenue includes federal, state, and local grant reimbursements, sales tax revenue, and other operating assistance distributed through appropriations from the RTA. Metra's statutory share of RTA sales tax proceeds was approximately $399.1 million for the year ended December 31, 2020. RTA capital funding was $49.0 million for the year ended December 31, 2020. The federal share of capital funding was $208.4 million, the Illinois Department of Transportation (IDOT) share was $8.8 million, and the local share was $4.5 million for the year ended December 31, 2020. In 2020, Metra received an advance of $4.7 million in innovation, coordination, and enhancement (ICE) funding from RTA. During 2020, Metra received $159.8 million of CARES Act operating assistance from the FTA.

New Accounting Pronouncements—In fiscal year 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). The objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, or later. Due to the adoption of GASB 95, Statement No. 87, *Leases*, the implementation date for GASB 87 will be delayed to 2022.

GASB has issued the following pronouncements that may affect the future financial position, results of operations, cash flows, or financial presentation of Metra upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Metra Required Year of Adoption
87	*Leases*	2022
91	*Conduit Debt Obligations 2021*	2022
92	*Omnibus 2020*	2022
93	*Replacement of Interbank Offered Rates*	2022
94	*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*	2023
96	*Subscription-based Information Technology Arrangements*	2023
97	*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*	2022

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents, and Investments—Cash, cash equivalents, and investments are reported in the statement of net position as of December 31, 2020 as follows:

	2020
Bank deposits, working cash, certificates of deposit, and cash equivalents	$ 90,432,238
Short-term Investments, including board-designated funds	269,960,226
Total cash, cash equivalents, and investments	$ 360,392,464
Long-term investments	$ 20,022,900

Metra initially deposits cash in accounts maintained in Federal Deposit Insurance Corporation (FDIC) insured banks located in Illinois and earns interest as provided under Federal Reserve Bank regulations. Funds may be invested in registered time deposits and other interest-bearing accounts in FDIC-insured institutions. Funds can also be invested in U.S. government obligations, commercial paper, collateralized repurchase agreements arranged through various banks and brokerage firms, and other investments as permitted by Metra's investment policy.

Custodial Credit Risk—Deposits—Custodial credit risk, as it relates to deposits, is the risk that in the event of a financial institution failure, Metra's deposits may not be returned. Metra's investment policy requires deposits in excess of FDIC coverage be collateralized with securities or financial instruments permitted by the Public Funds Investment Act with maturities not exceeding five years. Metra's bank balances were $4,391,020 at December 31, 2020, and $5,345,905 were covered by FDIC insurance or by collateral held by third party at December 31, 2020.

Custodial Credit Risk—Investments—Custodial credit risk, as it relates to investments, is the risk that, in the event of the failure of the counterparty, Metra will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. Metra's investment policy requires that safekeeping and collateralization is in compliance with the requirements of the Public Funds Investment Act.

Interest Rate Risk—Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Metra's investment policy seeks to ascertain safety of principal and to attain a market average or better rate of return, taking into account risk, constraints, cash flow, and legal restrictions on investments. Metra's policy is to routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments to assess the effectiveness of the portfolio in meeting the safety, liquidity, rate of return, diversification, and general performance objectives, and to adjust the portfolio accordingly. The following schedule reports the fair values and maturities (using the segmented time distribution method) for Metra's investments as of December 31, 2020:

2020	Investment Maturities (in Years)		
Investment Type	**Less than 1**	**1–5**	**Total**
U.S. Treasury securities	$ 90,008,450	$ -	$ 90,008,450
U.S. agencies	30,021,200	20,022,900	50,044,100
Commercial paper	149,930,576		149,930,576
Total	$ 269,960,226	$ 20,022,900	$ 289,983,126

Credit Risk—Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. Metra's investment policy is to apply the prudent-person rule, which states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the capital as well as the probable income to be derived. Metra's investment policy limits investments in short-term obligations of corporations organized in the United States with assets exceeding $500 million if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase; (ii) such purchases do not exceed 10% of the corporation's outstanding obligations; and (iii) no more than one-third of Metra's funds may be invested in short-term obligations of corporations.

Credit ratings for Metra's investments as described by Standard & Poor's at December 31, 2020, are as follows:

Credit Ratings of Investments Held as of December 31, 2020 (S&P)
(as a Percentage of Total Fair Value for Investment Securities)

Investment Type	Fair Value	Percent	S&P
U.S. Treasury securities	$ 90,008,450	31.02 %	AA+
U.S. agencies	50,044,100	17.26	AAA, AA+
Commercial paper	149,930,576	51.72	A1A2P1P2F1
Total investments at fair value	$ 289,983,126	100.00 %	

Concentration of Credit Risk—Concentration of credit risk occurs when investments in one issuer exceed 5% of the investment portfolio (lack of diversification). Metra's investment policy is in accordance with the Illinois Public Funds Investment Act and states that commercial paper purchases should not exceed 10% of the issuing corporation's outstanding obligations.

Following are the investments by issuer that exceeded 5% or more of the total investments, and the percent of the fair value to total investments, as of December 31, 2020:

2020 Issuer	Fair Value	Percent
U.S. agencies—Federal Home Loan Bank	$ 14,997,550	5.2 %
U.S. agencies—Freddie Mac	15,015,450	5.2
Commercial paper—Hannover Funding Co LLC	14,991,675	5.2
Commercial paper—Lexington Parker Capital Co LLC	14,995,937	5.2
Commercial paper—Walgreens Boots	14,988,220	5.2

Fair Value Measurement of Investments—Fair value is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e. the exit price). Fair value measurements are determined within a framework that utilizes a three-tier hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1—Unadjusted quoted prices in active markets for identical assets.

Level 2—Inputs other than quoted prices that are observable for the asset, either directly or indirectly.

These inputs include:

(a) quoted prices for similar assets in active markets

(b) quoted prices for identical or similar assets in markets that are not active

Investments by Fair Value Level	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Assets (Level 3)
Commercial paper	$ 149,930,576	$ -	$ 149,930,576	$ -
U.S. agencies	50,044,100		50,044,100	
U.S. Treasury securities	90,008,450	90,008,450		
Investments measured by fair value level	$ 289,983,126	$ 90,008,450	$ 199,974,676	$ -

4. CAPITAL ASSETS

In 2020, Metra continued its in-house Rail Car Rehabilitation program. Metra completed rehabilitation on 34 additional Nippon Sharyo rail cars in 2020.

In 2020, Metra also continued its Locomotive Rehabilitation program. Metra completed rehabilitation on 20 additional Locomotives in 2020.

In 2020, Metra completed a bridge replacement project on the Milwaukee District West Line over the Fox River in Elgin. The old bridge was a single track bridge that caused a bottleneck at this location. The new bridge is two separate spans which have improved commuter and freight rail operations in the area.

In 2020 Metra accepted 2 trailer type Gallery type rail cars in lieu of monetary payment for liquidated damages owed to Metra under contract K03995 with Sumitomo Corporation of Americas (SCOA). Also, in 2020 Metra accepted 5 Gallery type rail cars in exchange for Metra relinquishing its rights to exercise an option to purchase rail cars from SCOA under agreement between Metra and Virginia Railway Express Commuter service (VRE).

In 2020, Metra continued a multi-year project to renovate and expand Metra's Rock Island 47th Street Yard. Renovations included: (1) expansion of the 49th Street Mechanical Coach Shop Facility; (2) reconfiguration of the loading dock area adjacent to the existing 47th Street Diesel Shop adding an enclosed crane; (3) upgrade of the 49th Street Coach Shop capital storage, loading dock, and truck rebuild areas; (4) reconstruction of the existing 47th Street Capital Project Material Storage Building; and (5) various overall yard layout improvements (parking, drainage, utility work, etc.). Expansion of these facilities will allow the Mechanical Department to increase its output of overhauled locomotives and passenger rail cars thereby achieving and maintaining a higher state of good repair throughout the Rolling Stock fleet.

In 2020, Metra continued the multi-year effort to install Positive Train Control (PTC). Highlights from 2020 include beginning PTC Revenue Service on all of Metra's lines at a high success rate. Some major enhancements such as Fiber for RID and SWS line and upgrades at Rondout Interlocker are progressing, but all other major activities are at or near the close out stage. Metra will continue to invest in the maintenance, replacement and enhancement of PTC related assets, similar to any other sub-class of assets.

In 2020, Metra continued a multi-year project to rehabilitate 11 bridges and the Ravenswood station on Metra's UP north line. Bridge and Track construction was nearing completion at the end of 2020. The Bridge and Track construction is expected to be completed in 2021. The station portion of the project is expected to be completed in 2022.

The following schedule summarizes the capital asset activity of Metra for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 154,082,102	$ 2,045,000	$ -	$ 156,127,102
Capital projects in progress				-
Total capital assets, not being depreciated	154,082,102	2,045,000	-	156,127,102
Capital assets being depreciated:				
Rolling stock	2,744,205,455	100,852,603	(1,446,210)	2,843,611,848
Roadways and passenger stations	4,278,769,082	127,995,404		4,406,764,486
Support equipment and infrastructure	850,358,212	54,020,795	(1,568,658)	902,810,349
Total capital assets being depreciated	7,873,332,749	282,868,802	(3,014,868)	8,153,186,683
Less accumulated depreciation:				
Rolling stock	(1,503,553,007)	(66,723,398)	1,083,723	(1,569,192,682)
Roadways and passenger stations	(2,842,127,905)	(109,512,194)		(2,951,640,099)
Support equipment and infrastructure	(648,989,343)	(31,669,347)	1,568,658	(679,090,032)
Total accumulated depreciation	(4,994,670,255)	(207,904,939)	2,652,381	(5,199,922,813)
Total capital assets being depreciated—net	2,878,662,494	74,963,863	(362,487)	2,953,263,870
Total capital assets—net	$ 3,032,744,596	$ 77,008,863	$ (362,487)	$ 3,109,390,972

5. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended December 31, 2020, was as follows:

2020	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Accrued claims	$ 58,279,118	$ 20,629,540	$ (9,740,438)	$ 69,168,220	$ 9,334,000
Net pension liability	33,086,350	13,254,480	(18,491,119)	27,849,711	
Accrued post-retiree health benefits	49,055,900	6,787,336	(949,338)	54,893,898 -	949,338
Total	$ 140,421,368	$ 40,671,356	$ (29,180,895)	$ 151,911,829	$ 10,283,338

6. RETAINED RISK PROGRAMS

A liability for each retained risk is provided based upon the estimated ultimate cost of settling claims using a case-by-case review and historical perspective. Changes in the retained risk portion of injury and damage, and Federal Employers Liability Act (FELA) accounts were as follows:

Balance—December 31, 2019	$ 58,279,118
2020 provision	20,629,540
2020 payments	(9,740,438)
Balance—December 31, 2020	$ 69,168,220

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description—The Metra Retiree Healthcare Program, a single employer defined benefit OPEB plan, provides healthcare benefits to retired non-contract employees, executive and senior management employees, board members, and contract police officers eligible for the Healthcare Reimbursement Program. The OPEB plan is administered by Metra. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided—Metra provides the premium for Supplemental Medical Coverage for the lifetime of the retired participant. Alternatively, the participant may elect Metra pay an amount not exceeding the premium otherwise payable toward the purchase of alternative coverage selected by the participant.

Employees Covered by Benefit Terms—At December 31, 2020, the following employees were covered by the benefit terms:

Active non-contract employees	614
Active senior executive employees	7
Active board members	10
Non-contract retirees with METRA sponsored insurance	165
Non-contract retirees receiving a subsidy	179
Contract police retirees	7
Senior executive retirees	16
Total	998

Total OPEB Liability—Metra's total OPEB liability of $54,893,898 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	December 31, 2019
Measurement date	December 31, 2020
Discount rate	2.00% at December 31, 2020
Actuarial cost method	Entry age normal
Contribution policy	Benefits are financed on a pay-as-you go basis
Inflation rate	2.50%
Wage inflation	2.85%
Salary increases	Based on the January 1, 2020, actuarial valuation of the RTA Pension Plan. Salary increases depend on age and decreases ratably from 8.60% at age 20, to 6.10% at age 30, to 4.85% at age 40, to 4.35% at age 50, and to 3.60% at age 65. Salary increase includes a 2.85% wage inflation assumption.
Retirement age	Based on the January 1, 2020, actuarial valuation of the RTA Pension Plan. Separate retirement rates are developed for members who are eligible for unreduced or reduced pension plan benefits which depend on age and service at retirement.
Healthcare cost trends rates	For plan year 2021 trend rate is 0.00% for Medicare costs and 3.36% for non-Medicare cost. For plan years after 2021, trend starts at 6.50% and 7.50% for non-Medicare cost and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.25%.
Mortality	Pre-retirement: Pub-2010 (General Employees) Employee Mortality Table. Post-retirement: Pub-2010 (General Employees) Healthy Retiree Mortality Table. Both pre-retirement and post-retirement use mortality improvement projected from 2010 using projection scale MP-2018.
Aging factors	Based on the 2013 SOA Study "Health Care Costs—From Birth to Death".
Expenses	Health administrative expenses are included in the premium rates and development of the per capita claims costs.

Because OPEB plan benefits are financed on a pay-as-you-go basis, the discount rate was based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date.

Changes in the Total OPEB Liability—

	Total OPEB Liability
Balance at December 31, 2019	$ 49,055,900
Changes for the year:	
Service cost	1,939,546
Interest on total OPEB liability	1,385,959
Differences between expected and actual experience	(2,284,769)
Changes in assumptions	5,881,950
Benefit payments	(1,084,688)
Net changes	5,837,998
Balance at December 31, 2020	$ 54,893,898

Changes in assumptions reflect a change in the discount rate from 2.75% to 2.00%.

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate—The following table presents the total OPEB liability of Metra, using the current single discount rate of 2.00%, and sensitivity discount rates that are either one percentage point higher or lower:

1% Decrease 1.00%	Current Single Discount Rate Assumption 2.00%	1% Increase 3.00%
$ 67,887,213	$ 54,893,898	$ 45,351,410

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates—The following presents the total OPEB liability of Metra, as well as what Metra's total OPEB liability would be if it were calculated using healthcare cost trend rates that are either one percentage point higher or lower. The key trend rates for non-Medicare coverage are 0.00% in 2021, and 6.50% in 2022, decreasing to an ultimate trend rate of 4.25% in 2031. The key current trend rates for Medicare coverage are 3.36% in 2021, and 7.50% in 2022 decreasing to an ultimate trend rate of 4.25% in 2035 for Medicare coverage:

1% Decrease [a]	Current Healthcare Cost Trend Rate Assumption	1% Increase [b]
$ 44,121,910	$ 54,893,898	$ 69,776,108

[a] One percentage point decrease in healthcare trend rates for non-Medicare coverage are -1.00% in 2021, and 5.50% in 2022, decreasing to an ultimate trend rate of 3.25% in 2031. One percentage point decrease in healthcare trend rates for Medicare coverage are 2.36% in 2021, and 6.50% in 2022, decreasing to an ultimate trend rate of 3.25% in 2035.

[b] One percentage point increase in healthcare trend rates for non-Medicare coverage are 1.00% in 2021, and 7.50% in 2022, decreasing to an ultimate trend rate of 5.25% in 2031. One percentage point decrease in healthcare rates for Medicare coverage are 4.36% in 2021, and 8.50% in 2022, decreasing to an ultimate trend rate of 5.25% in 2035.

OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB—For the year ended December 31, 2020, Metra recognized OPEB expense of $4,096,294. At December 31, 2020, Metra reported deferred outflow of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflow of resources	**Deferred Inflow of Resources**
Difference between expected and actual experience	$ 6,329	$(4,550,748)
Changes in assumptions	10,818,686	(1,637,897)
Total	$ 10,825,015	$(6,188,645)

Amounts reported as deferred outflow of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2021	$ 770,789
2022	770,789
2023	770,789
2024	809,237
2025	1,058,315
Thereafter	456,451
	$ 4,636,370

8. DEFERRED COMPENSATION PLANS

Metra offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan, available to all qualified full-time Metra employees, permits deferral of a portion of compensation until future years. The deferred amount is not available to employees, other than participant loans, until termination, retirement, death, or unforeseeable emergency.

All assets of the deferred compensation plan are held in a separate trust in accordance with Section 1448 of the Small Business Jobs Protection Act of 1996. As a result, such amounts are not subject to the claims of Metra’s general creditors, and deferred compensation plan assets are not presented on Metra’s statement of net position as of December 31, 2020. Employee contributions were $2,416,970 for the year ended December 31, 2020.

Metra also offers its employees a defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan, available to all qualified full-time Metra employees, permits the income tax deferral of a portion of compensation until future years. The amount deferred is generally not available to employees, other than through participant loans, until termination, retirement, or death. A third-party trustee forwards the participants' contributions to the investment companies selected by the individual participant. Employee contributions were $8,209,781 for the year ended December 31, 2020.

Metra is required to contribute to various defined contribution plans in accordance with union agreements. Employer contributions to the 401(k) plan were $2,422,684 for the year ended December 31, 2020. These defined contribution plans and assets are administered and controlled directly by the unions and Metra does not have any financial or administrative involvement.

9. PURCHASE OF SERVICE CARRIERS' EXPENSES

The following details the revenue and expense activity of Metra's Purchase of Service Carriers (PSA) carriers, which are included in the financial statements of Metra. The in-kind expenses include expenses Metra has paid on behalf of the participating commuter rail carriers for assistance, such as fuel and insurance coverage.

	Year Ended December 31, 2020		
	Union Pacific	**BNSF**	**Total**
Operating revenues:			
Passenger revenue	$ 33,631,706	$ 22,594,246	$ 56,225,952
Other revenue	1,300,822	492,985	1,793,807
Total operating revenues	34,932,528	23,087,231	58,019,759
Operating expenses:			
Carrier-level expenses paid by carrier:			
Transportation	72,449,866	31,472,684	103,922,550
Engineering	55,067,006	6,439,821	61,506,827
Mechanical	56,417,270	30,421,241	86,838,511
Administration	7,019,366	5,482	7,024,848
Total carrier-level expenses	190,953,508	68,339,228	259,292,736
Excess (deficit) funding	(156,020,980)	(45,251,997)	(201,272,977)
Centralized expenses paid by Metra:			
Diesel fuel	18,025,760	7,334,066	25,359,826
Claims and insurance	8,752,617	3,096,874	11,849,491
Downtown stations	1,594,397	7,558,238	9,152,635
Total in-kind expenses	28,372,774	17,989,178	46,361,952
Total operating expenses	219,326,282	86,328,406	305,654,688
Purchase of service carriers' operating loss	$(184,393,754)	$(63,241,175)	$(247,634,929)

10. COMMITMENTS

Leases—Metra has entered into several noncancelable operating leases, primarily for the use of passenger terminals, which expire on various dates through 2045. Future minimum rental payments under all noncancelable operating leases having initial or remaining terms in excess of one year as of December 31, 2020, were as follows:

2021	$ 13,503,969
2022	13,515,565
2023	13,527,330
2024	13,539,350
2025	12,035,678
Thereafter	211,712,323
Total	$ 277,834,215

Total rent expense was $17,528,846 for the year ended December 31, 2020.

Grants—At December 31, 2020, Metra had $260,323,752 in obligations related to federal, state, and local capital grant contracts that are in progress.

Chicago Region Environmental and Transportation Efficiency Program (CREATE)—The CREATE program is a public-private partnership between the rail industry and all levels of government to increase and improve efficiency, capacity, and safety within Chicago's railroad network. In 2019, Metra has partnered with U.S. Department of Transportation, the State of Illinois, City of Chicago, Amtrak, and national freight railroads through CREATE and committed $17 million.

Chicago Union Station (CUS)—Metra has entered into a project with Amtrak in 2019 to address the capacity limitations at CUS during peak travel times. In a memorandum of understanding, Metra has committed to contribute $3.0 million in capital contributions, $10.0 million for station and rail infrastructure operations, and $0.55 million in liability risk fee.

11. THE REGIONAL TRANSPORTATION AUTHORITY PENSION PLAN

The Regional Transportation Authority Pension Plan (the Plan) is a multiple-employer cost-sharing, defined benefit pension plan. The Plan covers substantially all salaried employees of the RTA and its Commuter Rail and Suburban Bus Divisions (Metra and Pace, respectively), who are not otherwise covered by a union pension plan. The responsibilities for administering the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors (RTA Board). The Plan issues a separate financial report that includes financial statements and required supplementary information. More information regarding the elements of the Plan's basic financial statements can be obtained by writing to Metra, Office of the Controller, 547 West Jackson Blvd, Chicago, IL 60661 or by calling (312) 322-6346 to request a copy of the financial report.

Employees are eligible for participation on the first day of the month that coincides with or follows their date of employment. Participants are entitled to annual pension benefits upon normal retirement at age 65, generally a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service.

Pension Benefits—The Plan provides that, upon retirement, benefits will be reduced by a defined percentage for participants who received credit for prior service with an eligible employer. The Plan permits early retirement with reduced benefits at age 55 after completing 10 years of credited service. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age at retirement and credited years of service equals eighty-five or higher (known as Rule of Eighty Five Early Retirement). The Plan provides for benefit payments to beneficiaries subject to the election of the participant. In addition, the lump sum payment form is no longer an optional form of payment for participants that have not earned credited service prior to January 1, 2011. This change did not affect the valuation results. An employee is eligible for a disability pension if he or she becomes disabled after the completion of 10 years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

Contributions—The Plan is funded solely by employer contributions, which are actuarially determined under the entry age normal method. The pension plan document defines the employers' funding policy as contributions at least equal to an amount determined advisable by the Plan's actuary to maintain the Plan on a sound actuarial basis. For the purpose of determining contributions, the Plan uses an asset smoothing method which smooths asset gains and losses over a five-year period. The minimum contribution is the sum of the normal cost and the 30-year amortization of the unfunded liability. If participants terminate continuous service before rendering five years (10 years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer. Metra's pension contribution for 2020 was $9,536,326.

Net Pension Liability—For Metra's fiscal year ended December 31, 2020, measurements as of the reporting date are based on fair value of assets as of December 31, 2019, and the total pension liability is based on an actuarial valuation performed as of January 1, 2019, with liabilities rolled forward to the measurement date of December 31, 2019. Metra's proportionate share of net pension liability was $27,849,711 as of December 31, 2020.

Metra's proportion of the collective net pension liability is consistent with the manner in which contributions to the pension plan were determined. Shown below presents the actual fiscal year contributions made by Metra and used within the proportionate share calculation and the respective proportionate allocation percentage. For Metra's fiscal year ended December 31, 2020, for purposes of allocating the beginning net pension liability for 2020, the Plan utilized contributions reported during fiscal year 2019.

	2019		2018	
	Actuarially Determined Contribution	**Metra Proportionate Share**	**Actuarially Determined Contribution**	**Metra Proportionate Share**
Metra	$ 6,883,779	54.70 %	$ 6,352,468	54.80 %

Pension Expense—The annual pension expense recognized represents the changes in net pension liability, deferred outflow and deferred inflow plus the employer contributions. Metra's total pension expense for 2020 was $13,254,480.

Deferred Outflow and Inflow—In 2020, deferred outflow and inflow of resources can arise from differences between expected and actual experiences, changes in assumptions, differences between projected and actual earnings, changes in the employer's proportion and the difference between the employer's contributions and the employer's proportionate share of contributions as well as contributions made subsequent to the measurement date. The difference between projected and actual earnings on investments is recognized over a period of five years. The net effect of changes in assumptions and the change in the employer proportionate share of contributions are amortized over the average of the expected remaining service lives of all employees. For 2019, this average is 4.9825 years. Contributions made during fiscal year 2020, subsequent to the measurement date of December 31, 2019, totaled $9,536,326. The table below summarizes Metra's proportionate share of the deferred outflow and deferred inflow of resources that are to be recognized in future pension expense as of December 31, 2020.

	Deferred Outflow of Resources	**Deferred Inflow of Resources**
Contributions made subsequent to measurement date	$ 9,536,326	$ -
Changes in assumption	8,545,938	43,538
Net difference between expected and actual economic experience	3,223,050	
Differences between projected and actual investment earnings		4,554,120
Change in employer proportionate share	179,648	1,450,809
Total	$ 21,484,962	$ 6,048,467

The $9,536,326 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

Other amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year Ended December 31	
2021	$ 1,886,866
2022	1,550,213
2023	3,263,280
2024	(800,189)
2025	
After	
	$ 5,900,169

Assumptions—The total pension liability for the measurement date of December 31, 2019, was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Asset valuation method	Five-year smoothed market
Amortization method	Level dollar closed
Remaining amortization period	26
Life expectancy assumed	RP2014 Combined Mortality Table
Rate of return	7.50%
Salary increases	2.85% to 8.60% including inflation
Inflation	2.50%
Retirement age	Age based table of rates that are specific to the type of eligibility condition.

The actual assumptions used in the January 1, 2019 valuation were based on the results on the actuarial experience study for the period January 1, 2008 to January 1, 2013.

Discount Rate—A single discount rate of 7.50% was used to measure the total pension liability for both 2018 and 2019 measurement dates. This single discount rate was based on the future expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents Metra's proportionate share of the Plan's collective net pension liability, calculated using a single discount rate of 7.50%, as well as what the proportionate share would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1% Decrease 6.50%	**Current Discount Rate 7.50%**	**1% Increase 8.50%**
Metra's proportionate share of net pension liability	$49,425,915	$27,849,711	$9,479,635

Long-Term Expected Rate of Return—The assumed rate of investment return was adopted by the Plan's trustees after considering input from the Plan's investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of January 1, 2019 and experience study for the period January 1, 2013 through January 1, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of January 1, 2019, these best estimates are summarized in the following table:

Asset Type and Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	28.0 %	6.7 %
Developed foreign equity	16.0	7.4
Emerging markets equity	15.0	10.3
Private equity	4.0	10.5
Investment grade bonus	11.0	1.3
Long-term government bonds	3.0	1.7
Tips	3.0	1.1
High-yield bonds	3.0	4.3
Emerging market bonds (local)	2.0	3.5
Emerging market bonds (major)	2.0	3.0
Real estate	8.0	5.3
Real assets	5.0	4.7

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan's financial report.

The pension plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Metra, Office of the Controller at 547 W. Jackson Blvd, Chicago IL 60661, or www.rtachicago.org.

12. CONTINGENCIES

Litigation—Metra is a defendant in a number of legal actions. These actions have been considered in estimating and funding Metra's retained risk liability program. The total of amounts claimed under these legal actions, including potential settlements, could exceed the amount of the accrued claims. In the opinion of Metra's management, the retained risk funding and Metra's limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

Grants—Metra receives moneys from federal, state, and local government agencies under various grants. The costs, both direct and indirect, charged to these grants are subject to audits and disallowance by the granting agency. It is the opinion of management of Metra that any disallowances or adjustments would not have a material adverse effect on the financial position of Metra.

Changes of Benefit Terms—No changes were made in 2020 for accrual of benefits under the RTA Pension Plan.

Changes of Assumptions—The amounts reported in 2020 are based on the expectation of retired life mortality RP-2014 Mortality Tables.

13. SUBSEQUENT EVENT

Metra has evaluated subsequent events through April 30, 2021, the date the financial statements are available for issuance. From January 1, 2021 through the date of this report, Metra received an additional $47.4 million in CARES Act funding through the FTA.

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND RELATED RATIOS—(UNAUDITED)
AS OF DECEMBER 31

	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	54.70 %	54.80 %	54.30 %	53.10 %	49.90 %	47.25 %
Proportionate share of net pension liability	$ 27,849,711	$ 33,086,350	$ 9,706,064	$ 20,073,805	$ 17,255,480	$ 33,062,726
Covered-employee payroll	$ 55,909,768	$ 56,612,351	$ 56,653,562	$ 54,032,766	$ 49,388,696	$ 43,086,132
Proportionate share of net pension liability as a percentage of its covered-employee payroll	49.81 %	58.44 %	17.13 %	37.15 %	34.94 %	76.74 %
Plan fiduciary net position as a percentage of the total pension liability	94.66%	81.73%	94.32%	67.38%	87.70%	73.28%

* This schedule is intended to show 10 years of information. Since 2014 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

See accompanying independent auditors’ report.

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION
(Public Entities, doing business as Metra)

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF PENSION CONTRIBUTIONS—(UNAUDITED)
AS OF DECEMBER 31

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a% of Covered Payroll
2020	$9,536,326	$ 9,536,326	$ -	$55,909,768	17.06 %
2019	6,883,779	6,883,779		56,612,351	12.16
2018	6,352,468	6,352,468		56,653,562	11.21
2017	5,745,866	5,745,866		54,032,766	10.63
2016	5,062,642	5,062,642		49,388,696	10.25
2015	6,785,849	39,848,577	(33,062,728)	43,086,132	92.49
2014	6,466,096	13,357,146	(6,891,050)	40,833,326	32.71
2013	6,615,046	10,060,571	(3,445,525)	35,170,174	28.61
2012	6,462,000	9,767,882	(3,305,882)	30,970,263	31.54
2011	5,802,000	5,802,000		29,227,299	19.85

See accompanying independent auditors' report.

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CHANGES IN METRA'S TOTAL OPEB LIABILITY AND RELATED RATIOS—(UNAUDITED) AS OF DECEMBER 31

	2020	2019	2018
TOTAL OPEB LIABILITY:			
Service cost	$ 1,939,546	$ 1,677,711	$ 1,700,908
Interest	1,385,959	1,608,799	1,467,760
Changes of benefits terms			
Difference between expected and actual experience	(2,284,769)	(3,680,128)	11,189
Changes of assumptions	5,881,950	8,204,016	(2,895,269)
Benefit payments	(1,084,688)	(1,089,067)	(1,164,025)
Net change in total OPEB liability	5,837,998	6,721,331	(879,437)
TOTAL OPEB LIABILITY—Beginning	49,055,900	42,334,569	43,214,006
TOTAL OPEB LIABILITY—Ending	$54,893,898	$49,055,900	$42,334,569
COVERED-EMPLOYEE PAYROLL	$55,909,768	$56,612,351	$56,653,562
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	98.18 %	86.65 %	74.73 %

* This schedule is intended to show 10 years of information. Since 2018 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

See accompanying independent auditors' report.

OTHER INFORMATION

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION
(Public Entities, doing business as Metra)

OTHER INFORMATION—SCHEDULE OF REVENUES AND EXPENSES—BUDGET TO ACTUAL (BUDGETARY BASIS)—(UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2020

	Final Budget	Actual	Favorable (Unfavorable)
REVENUE:			
Passenger revenue—			
Passenger revenue	$ 363,000,000	$ 102,350,491	$(260,649,509)
Reduced fare reimbursement	1,616,000	1,618,197	2,197
Total operating passenger revenue	364,616,000	103,968,688	(260,647,312)
Other revenue	42,500,000	40,061,559	(2,438,441)
Total revenue	407,116,000	144,030,247	(263,085,753)
OPERATING EXPENSES:			
Transportation	269,267,767	238,598,672	30,669,095
Fuel and motive power	60,077,558	44,262,843	15,814,715
Engineering	160,935,452	122,141,178	38,794,274
Mechanical	196,602,282	167,270,656	29,331,626
Administration	104,417,001	66,441,676	37,975,325
Total administration and regional services	791,300,060	638,715,025	152,585,035
Claims and insurance	16,196,823	26,548,125	(10,351,302)
Downtown stations	19,943,117	19,130,806	812,311
Total operating expenses	827,440,000	684,393,956	143,046,044
LOSS BEFORE DEPRECIATION, FINANCIAL ASSISTANCE, AND LEASEHOLD-RELATED INTEREST INCOME AND EXPENSE	$(420,324,000)	$(540,363,709)	$(120,039,709)
NOTE—			
Amounts excluded from the operating budget-basis expenses for recovery ratio calculations:			
Security expense	$ 23,404,528	$ 33,074,067	$ (9,669,539)
Funded depreciation included in operating expenses	3,829,966	3,665,441	164,525
Lease of transportation facilities	25,014,662	24,110,554	904,108
Bond service and fees			
TOTAL DEDUCTIONS	$ 52,249,156	$ 60,850,062	$ (8,600,906)

See accompanying independent auditors' report and notes to supplementary information.

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION

(Public Entities, doing business as Metra)

OTHER INFORMATION— BUDGETARY BASIS SCHEDULE OF OPERATIONS—(UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2020

	NIRCRC	Union Pacific	BNSF	Total
OPERATING REVENUE:				
Passenger revenue	$ 46,124,538	$ 33,631,706	$ 22,594,246	$ 102,350,490
Other revenue	39,102,375	843,950	115,234	40,061,559
Reduced fare reimbursement	783,575	456,872	377,751	1,618,198
Total operating revenue	86,010,488	34,932,528	23,087,231	144,030,247
OPERATING EXPENSES:				
Carrier-level expenses paid by carrier:				
Transportation	134,676,123	72,449,866	31,472,684	238,598,673
Engineering	60,634,350	55,067,006	6,439,821	122,141,177
Mechanical	80,432,145	56,417,270	30,421,241	167,270,656
Administration	59,416,828	7,019,366	5,482	66,441,676
Total carrier-level expenses	335,159,446	190,953,508	68,339,228	594,452,182
Centralized expenses paid by Metra:				
Diesel fuel	15,720,715	18,025,760	7,334,065	41,080,540
Motive electricity	3,182,303			3,182,303
Claims and insurance	14,698,634	8,752,617	3,096,874	26,548,125
Downtown stations	9,978,171	1,594,397	7,558,238	19,130,806
Total centralized expenses	43,579,823	28,372,774	17,989,177	89,941,774
Total operating expenses	378,739,269	219,326,282	86,328,405	684,393,956
OPERATING LOSS	$(292,728,781)	$(184,393,755)	$(63,241,174)	$(540,363,709)
CALCULATION OF REVENUE RECOVERY RATIO (UNAUDITED):				
Amounts excluded from the operating budget-basis expenses:				
Security expense				$ 33,074,067
Funded depreciation included in expenses				3,665,441
Lease of transportation facilities				24,110,554
Total exclusions				$ 60,850,062
Amounts added to the operating budget-basis revenues				
CARES Act funding—fare revenue replacement				$ 176,984,354
Senior free ride allowance				700,000
Total additions				$ 177,684,354
REVENUE RECOVERY RATIO ($144,030,247+ $700,000+176,984,354)/($684,393,956–$60,850,062)				51.6 %

See accompanying independent auditors’ report and notes to supplementary information.

1. BUDGET AND BUDGETARY BASIS OF ACCOUNTING

Metra is required under Section 3B.10 of the Regional Transportation Authority (RTA) Act to submit for RTA review and approval of a comprehensive annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on an accrual basis of accounting consistent with U.S. generally accepted accounting principles.

The RTA allocates funding based on the budgets of the service boards rather than actual operating deficits. All annual operating appropriations lapse at fiscal year-end. Favorable variances from budget remain available to Metra and can be used for capital projects with RTA approval. There is an unfavorable budget variance of $120.0 million to Metra for the year ended December 31, 2020. The RTA monitors Metra's actual financial performance against the budget on a quarterly basis.

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)—On May 21, 2020, the RTA's Board of Directors approved Ordinance 2020-20 to amend the 2020 operating funding amounts. This amendment apportioned CARES Act funding among the transit agencies, of which Metra was allotted $479.2 million. The CARES Act funding is intended to reimburse transit-related costs that are not funded by fare revenues and public funding. CARES Act funding requisitioned for fare revenue replacement is authorized to be considered operating revenue for use to determine the Farebox Recovery Ratio. In 2020, Metra requisitioned $177.0 million of CARES Act funding from the FTA and characterized it as fare revenue replacement.

2. FAREBOX RECOVERY RATIO

Operating Budget-Basis Farebox Recovery Ratio—The operating budget-basis farebox recovery ratio represents the ratio of total operating revenue to total operating expenses before depreciation. As allowed under the RTA Act, funded depreciation for both direct operations and commuter rail carriers participating through purchase of service agreements, security expenses, the proceeds and related interest income and expense from the lease transactions, and certain payments with respect to transportation facilities are excluded from the calculation. In order to meet its statutory requirement of a system-wide farebox recovery ratio of at least 50% or more, the RTA establishes farebox recovery ratios for each of the Service Boards and the CTA. Metra's budgeted farebox recovery ratio was 52.5% in 2020. Metra's actual farebox recovery ratio on an operating budget-basis was 51.6% in 2020.

3. PURCHASE SERVICE CARRIER AGREEMENTS

Metra has agreements with participating commuter rail carriers to assist in providing service to Metra's passengers. The budgetary basis schedule of operations includes expenses, such as fuel and insurance coverage that Metra has paid on behalf of the participating commuter rail carriers for such assistance.