METRA'S $2.4 BILLION MODERNIZATION PLAN

For the first time in the agency's history, last year Metra unveiled a $2.4 billion plan to modernize its rail fleet and pay for the federally mandated Positive Train Control (PTC) safety system. It is the first long-range rolling stock plan in Metra history. Also for the first time, Metra released a projection which contained good-faith estimates of fare increases for the next 10 years to cover financing and projected expense growth.

Progress Update

- By the end of the year, we expect to have rehabilitated 30 railcars at our 49th Street Shop and the rehabilitation of 41 Budd cars is now underway at our Kensington Yard, another Metra facility on the south side along the Metra Electric Line.
- We have also started upgrading 27 locomotives at our 47th Street Diesel Shop along the Rock Island Line and, in February, the Board approved a $91.1 million contract with Progress Rail to rehabilitate 41 locomotives.
- The 2016 budget includes funding to start purchasing supplies for the renovation of two more groups of railcars – the first 30 of 302 Nippon Sharyo cars built in the 2000s, and 26 Metra Electric Highliners, also built in the 2000s.
- The 2016 budget also includes funding to start the process of purchasing new railcars. Under the plan, new cars were not expected until 2018 and new locomotives were not expected until 2020.
- In 2016, we expect to begin design work to upgrade the 49th Street Shop so we can increase the number of cars that can be renovated there annually.

The Plan

- Purchase new passenger railcars and locomotives.
- Fund a critically needed rehabilitation and maintenance program for railcars and locomotives, as well as $20 million in improvements to Metra's 49th Street Shop, where most of its railcar rehabilitation work takes place.
- Cover Metra's costs to install PTC.

Why Modernization Plan is Needed

- Metra has the oldest fleet compared to its peer railroads, and some of its cars date from the Eisenhower administration.
- Metra needs $11.7 billion over the next decade to achieve and maintain a state of good repair on its system.
- Fifty percent of Metra's assets are estimated to be in marginal or worn condition.
- Replacing railcars and locomotives enables Metra to provide high-quality, reliable and comfortable service to customers.

Benefits

- Funds from the modernization plan will purchase 367 new cars, to replace 318 cars with an average age of 43 years and increase Metra's spare cars by 49, at a total cost of $1.2 billion.
- 106 new cars will be delivered between 2018 and 2019 and 261 cars will be delivered between 2020 and 2024.
- Retire the oldest cars in the fleet and get closer to a 14-year rehabilitation cycle.
- Reduce the fleet's average age from 29.7 years in 2012 to 16.8 years in 2024 (including new Highliner cars).
- Upgrading the 49th Street Shop will allow us to boost the number of cars Metra can work on each year from 40 to 60, allowing it to rehab about 455 cars over the 10-year program at a cost of about $341 million.
- Eighty-five locomotives in the fleet will be rebuilt during that same 10-year period, extending the life of this equipment by an estimated 25 years, at an estimated cost of $178.5 million.
- In 2020, it is anticipated that 52 new locomotives would be purchased for delivery from 2020-2024, at an estimated cost of $416 million.
- Allocate an additional $275 million to PTC.

Maintenance History of Railcars

- Metra has 147 locomotives and 845 passenger cars, and it will have 186 Highliner cars for the Metra Electric Line when delivery of new cars finishes in the coming months.
- Metra's railcar fleet is the oldest among its peer railroads.
- Average age of its fleet in 2012 was 29.7 years, while the average age of the fleets of other large commuter railroads was only 19 years.
- More than 40 percent of Metra's 845 diesel line passenger cars date from the 1980s or earlier.
- Metra has a low ratio of usable spare cars – about 3.5 percent – and needs to add more spares to improve operational flexibility.
- Due to funding shortfalls, until recently Metra has been able to rehabilitate only 23 to 27 cars per year, instead of the needed 60 cars, resulting in an 18- to 19-year rehabilitation cycle, instead of the recommended 14-year cycle.

How to Pay for Modernization Plan

- Plan anticipates that current state and federal funding sources will cover about $710 million of the $2.4 billion program over the next 10 years: $224.9 million from the state bond program (see explanation below), $30 million in RTA bonds and $457 million in federal formula funding.
- An additional $400 million for the plan will come from Metra financing (see explanation below) for a total of $1.1 billion in financing, and state and federal funding sources.
- Financing costs will come from fare increases and cover about 16 percent of the $2.4 billion total cost of this plan.
- With those funding sources identified, Metra will still need an additional $1.3 billion over the next decade.
- To cover that $1.3 billion, Metra will pursue additional state and federal funding, new financing strategies and alternative financing mechanisms.

Metra Financing and Debt Service

- Metra intends to employ $400 million in financing to help fund the modernization program and projected that it would finance approximately $100 million in 2015, 2017, 2019 and 2022 through new bonds, loans or other innovative financing strategies.
- Due to uncertain market conditions and undefined funding sources, Metra made the responsible decision not to pursue its first financing in 2015. The fare revenue set aside for the debt service over the course of last year remains in place to be spent on financing costs in future years or Board-approved capital projects related to the advancement of PTC and the modernization program.

Uncertainty About the State Bond Program

- When the modernization plan was developed, Metra assumed it had $224.9 million in state funding to help pay for the program – $122.9 million for cars and locomotives and $102 million for PTC.
- Our agency is still counting on receiving those funds in the foreseeable future.
- But, we want to be clear – without a state bond program in 2016 and due to the budget stalemate in Springfield, approximately $400 million of Metra's capital projects are currently on hold, including improvements to 16 Metra train stations, two rail yards, a major bridge replacement program on the Union Pacific North Line and the completion of a third track on the Union Pacific West Line.
- Further, if the state's bond program proceeds do not materialize in 2016, we may need an even larger-than-expected increase in fare revenue in 2017, which was projected in November 2014 to be 8.5 percent.

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