

MESSAGE FROM OUR BOARD CHAIRMAN AND EXECUTIVE DIRECTOR/CEO

One and a half years have passed since Metra emerged with a new leadership team in place committed to putting our agency's past behind us and ensuring that we are ready to provide commuter rail service that meets the needs of customers today and for generations to come.

In 2014 and 2015, our agency set out to change the way we do business, restore the public's trust and continue to operate a commuter rail system that delivers customers to their destinations safely and efficiently.

Those familiar with how government agencies operate understand that change does not come easily to them. It takes hard work, innovation and an uncompromising commitment to make things happen.

Finding Our Path Forward

Flash forward one and a half years and you will find that Metra is a different agency than it was before – with a host of new challenges and opportunities and a new set of goals and aspirations. With this renewed spirit comes a list of accomplishments we are proud to have achieved in such a brief amount of time.

First and foremost, we have worked to adopt a more customer-focused approach to everything we do, including making investments that help our customers access the technology they want and need. This year, we will unveil the Ventra App in partnership with the CTA and Pace, which will allow our customers to buy and display mobile tickets on their smartphones. We will complete installation of charging stations at all five downtown stations, and we continue to install outlets on our train cars. We will install free Wi-Fi in the waiting areas of our downtown stations, and we will be installing free Wi-Fi on 11 railcars as part of a new test. We have adjusted our website to allow customers to buy tickets with more than one form of payment, which is an important upgrade for the many riders who use pre-tax transit benefit programs. We also upgraded the schedule finder tool and train tracker on our website – and more improvements are coming. We upgraded our email alerts to make them more useful.

With our customers top of mind, we also developed a new winter plan for the agency to ensure that that we were as prepared as possible for the bite of cold and snow; implemented the first Confidential Close Call Reporting System in the nation to proactively address safety issues and create a more positive safety culture; and initiated a successful pilot program to offer weekend express service on the Rock Island Line.

To restore the public's trust in the agency, Metra looked inward and committed itself to establishing a culture of integrity and ethics in our workplaces. We have a new Ethics Manual available to all Metra employees. We now have a training program in place to provide guidance to employees on issues such as conflicts of interest and the Freedom of Information Act and are proactively promoting the role of the state's Office of the Inspector General to our employees and the public.

We also posted a variety of new information on the agency's website to enhance transparency and accountability. New information includes Metra employee compensation information, a summary of awarded contracts, a listing of the agency's monthly expenditures, Freedom of Information Act requests, contract bid tabulations and our annual procurement plan, as well as live streaming of Board meetings and an archive of meeting videos.

Last year, the Metra Board enacted sunshine measures focusing on patronage hiring requests and imposed penalties upon employees who are complicit in them. The Board also made the decision to stop retaining outside Board counsel and transition legal work back to in-house counsel to build institutional knowledge and reduce legal expenses.

Metra also took on the challenge of restructuring its police department in 2014 and hired a new Chief of Police who has worked to decrease overtime pay costs while maintaining safe operations systemwide. In 2015, the agency hired a new Chief External Affairs Officer to reorganize its communications and

government relations departments and work to evolve Metra's brand to ensure that the agency is able to attract the next generation of commuter rail customers. Also in 2015, Metra hired a new Chief Human Resources Officer to enhance this critical agency function.

Other structural reforms implemented recently include passing an ordinance to create a new Chief Audit Officer position who reports directly to the Executive Director and the Metra Board. Today, the agency is working to develop a robust and independent audit department to improve internal processes and implement new controls aimed at making sure that Metra is operating as efficiently and effectively as possible.

In addition, Metra is currently undertaking a major initiative to replace its aging mainframe systems with an Enterprise Resource Planning (ERP) system. The new ERP, scheduled for completion by the end of 2017, will enable much-needed integration across various business functions currently supported by disparate systems, improving integration across the agency's various departments and back-office business functions, including accounting, inventory, procurement and grant management.

And, perhaps most notably, Metra has committed itself to being a responsible steward of public funds and finding ways to continue to invest in our railroad infrastructure with increasingly limited financial resources.

Today, despite operating with the oldest fleet and on the most complex commuter rail system in North America, Metra provides the most reliable on-time service at the lowest cost of any other railroad in the nation.

Making Smart Investments in Our Future

Last year, for the first time in the agency's history, Metra unveiled a \$2.4 billion plan to modernize its rail fleet, the first long-range rolling stock plan in Metra history. To do that, Metra increased fares to address current and future operations, equipment and other critical infrastructure needs like the federally mandated Positive Train Control system rather than respond in a fiscally irresponsible manner by kicking the proverbial budget can down the road.

Also for the first time, Metra released a projection for fare increases for the next 10 years to cover further financing and projected expense growth. While this action may not have been popular, we believe it demonstrates the transformation of Metra, its employees and its Board.

Over the past few months, as we looked ahead and began planning for 2016, several important themes have guided our efforts. First, we must continue to invest in infrastructure to meet our growing list of unmet capital needs – now totaling more than \$11.7 billion over the next decade to achieve and maintain a state of good repair. Second, we must make good on the promise we made to our customers to focus our resources on new railcars, locomotives and continuing our work to install PTC. Third, if we can find ways to avoid higher fares, we will do it.

We also promised our customers that we would continue to review our budget to find ways to cut costs. As we began our work on the 2016 budget, our goal was to comb through our spending plans to identify additional efficiencies and to look for ways to do more with less. In September, we were pleased to announce savings and efficiencies totaling \$5.7 million. These cuts are in addition to the \$7.8 million in reductions achieved as part of last year's budget process and nearly \$6 million of recurring budget savings found in the years prior to 2015.

The 2016 Budget we are proposing today continues to make smart investments in our agency's future and includes \$759.8 million for operations and \$185.7 million for capital improvements.

Last year, Metra projected that it would likely need a 5 percent increase in fare revenue in 2016, including 3 percent to cover expected inflationary costs. By finding budget efficiencies, making management improvements and being responsible with our finances in 2015, we are now proposing a 2 percent net increase in fare revenue – \$6.5 million – to pay for the new PTC operating costs and to help fund a bare-

bones capital budget. Even with this proposed increase, Metra's one-way and monthly fares remain the lowest of any of its peer railroads in the nation.

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.

We hope our customers are on board with the plans we have to invest in Metra's future in 2016. Without them, our agency would fall even further behind – and that's not a risk we are willing to take. As we've said, it takes hard work, innovation and an uncompromising commitment to make things happen. We assure our customers that we are up to the challenge.

Martin J. Oberman
Board Chairman

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Executive Director/CEO