

MINUTES OF A PUBLIC MEETING OF THE BOARD OF DIRECTORS OF THE COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY

The Board of Directors of the Commuter Rail Division of the Regional Transportation Authority met in a public session for a Meeting of the Board on Friday, September 16, 2011, at 9:00 a.m. in the Metra Board Room at 547 West Jackson Boulevard, Chicago, Illinois, pursuant to notice.

Vice-Chairman Huggins stated that pursuant to the Open Meetings Act, and Metra's By-laws, if one of the Directors is absent for business reasons it is allowed for that Director to participate in the meeting by teleconference. Director Widmer has provided notice that he is unable to physically participate due to his employment. If there is no objection from other members of the Board, he would ask that Director Widmer join the meeting by teleconference. (Although providing notice to participate by teleconference, Mr. Widmer was unable to join the meeting).

The roll was then taken.

ROLL CALL

Present: Larry A. Huggins, Vice-Chairman
Paul C. Darley
Don A. De Graff
James C. LaBelle
Mike W. McCoy
Arlene J. Mulder
Brad S. O'Halloran
Jack Partelow
Willis E. Pennington, Jr.
Jack Schaffer

Absent: William A. Widmer, III

Item 2: Resolution Honoring the South Suburban Major Crimes Task Force, Metra Police Department, Cook County State's Attorney's Office and the Village of Riverdale Police Department

Vice-Chairman Huggins stated that the Board would like to recognize the efforts of the South Suburban Major Crimes Task Force, Metra Police Department, Cook County State's Attorney's Office and the Village of Riverdale Police Department in apprehending the suspects who were believed to be responsible for the death of Metra Police Officer Thomas A. Cook, who was killed while on duty in September of 2006. On behalf of the Metra Board, he would like to thank the respective law enforcement agencies for their collective effort and diligence in bringing closure to this case.

He asked Director Don De Graff to read the resolution into the record of the proceedings.

RESOLUTION NO. MET 11-19

WHEREAS, Metra Police Officer Thomas A. Cook was killed in the line of duty in September of 2006; and

WHEREAS, the South Suburban Major Crimes Task Force became the lead law enforcement agency in the investigation of Officer Cook's death; and

**APPROVED BY THE
METRA BOARD OF DIRECTORS
ON FRIDAY, OCTOBER 14, 2011**

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WHEREAS, the Metra Police Department, Cook County States Attorney's Office and the Village of Riverdale Police Department worked with the South Suburban Major Crimes Task Force members to identify the individuals believed to be responsible for Officer Cook's death; and

WHEREAS, due to the tireless efforts, commitment and skill of the South Suburban Major Crimes Task Force, Metra Police Department, Cook County States Attorney's Office and Village of Riverdale Police Department, two subjects believed to be responsible for Officer Cook's death have been apprehended, with one of the subjects pleading guilty to first degree murder and receiving twenty years in prison, and the second subject awaiting adjudication; and

WHEREAS, the South Suburban Major Crimes Task Force, Metra Police Department, Cook County States Attorney's Office and the Village of Riverdale Police Department are to be recognized and commended for their tenacity and diligence in the investigation that resulted in the apprehension of those believed to be responsible for the death of Officer Cook; and

NOW THEREFORE BE IT RESOLVED, that the Commuter Rail Service Board ("Board") of the Commuter Rail Division ("Metra") on behalf of Metra and its riders commend and gratefully acknowledge the actions and performance of the South Suburban Major Crimes Task Force, Metra Police Department, Cook County States Attorney's Office and the Village of Riverdale Police Department for their collective work in apprehending those believed to be responsible for the death of Metra Police Officer Thomas A. Cook.

BE IT FURTHER RESOLVED, that this resolution be read into the minutes of the Board proceedings and that true copies be tendered to these agencies as an expression of our gratitude and appreciation.

Director De Graff asked Chief Ray Robertson of the East Hazel Crest Police Department, Deputy Chief Phillip Stephens and Lieutenant Daniel Dempsey of the Riverdale Police Department, Cook County Assistant State's Attorneys' Joe Koseman and Michael Golden, and Metra Chief of Police James W. Sanford to come forward, and asked for a round of applause.

Vice-Chairman Huggins requested a motion to approve. Director Mulder moved, and Director Schaffer seconded to approve the resolution. The motion carried with ten ayes.

AYES: Directors' Darley, De Graff, LaBelle, McCoy, Mulder, O'Halloran, Partelow, Pennington, Schaffer, Vice-Chairman Huggins

Item 3: Public Comment

Vice-Chairman Huggins asked if there was anyone signed up for public comment. No public comment was provided.

Item 4: Approval of the Minutes from the August 12, 2011 Board Meeting

Director Mulder moved, and Director O'Halloran seconded the motion to approve the minutes from the August 12, 2011 Board Meeting. The motion carried with ten ayes.

AYES: Directors' Darley, De Graff, LaBelle, McCoy, Mulder, O'Halloran, Partelow, Pennington, Schaffer and Vice-Chairman Huggins

Item 5: Consent Agenda

Procurement

Vice-Chairman Huggins stated that under procurement for the consent agenda is a professional services contract for termination of leasehold agreement. The second is a change order No. 1 to Metra Contract S14033 issued to Dr. George Avery Grimes.

Real Estate

Vice-Chairman Huggins continued that also on the consent agenda are two real estate agreements. The first is the twenty-five year easement between Metra and the Army Corps of Engineers for a parking lot project in Robbins, Illinois. The second is a Lake Forest Intergovernmental Agreement.

He explained that before the Board begins discussions on the items, he would like to request to postpone the contract for Dr. George Avery Grimes until the October Board Meeting. Vice-Chairman asked for a motion to table the contract for Dr. George Avery Grimes. Director LaBelle moved, and Director O'Halloran seconded to table Change Order No. 1, Metra Contract S14033. The motion carried with ten ayes.

AYES: Directors' Darley, De Graff, LaBelle, McCoy, Mulder, O'Halloran, Partelow, Pennington, Schaffer, and Vice-Chairman Huggins

Vice-Chairman requested a motion to approve the consent agenda for procurement and real estate. Director O'Halloran moved to approve the consent agenda, with the exception of change order number one to Metra contract S14033. Director Mulder seconded the motion. Director Schaffer stated that he had a question regarding the Army Corps of Engineers contract. He said that this contract is for twenty-five years, and asked why we did not go for a longer period. John Milano, of Real Estate and Revenue Development, responded that this was the maximum length that the Army Corps of Engineers would give us.

Director LaBelle stated that they have the right in the contract to basically give notice and take it back. He asked if there is any possibility that they would want to take it back. Mr. Milano responded that this is very unlikely, as they have not ever used it. He said that they used it for water retention issue, so this would fit right in, and will be used as part of the parking facility.

Vice-Chairman requested leave for the previous roll call. Leave by the Board was granted. The motion carried with ten ayes.

AYES: Directors Darley, De Graff, LaBelle, McCoy, Mulder, O'Halloran, Partelow, Pennington, Schaffer, and Vice-Chairman Huggins

Item 6: Submission of the Summary of Procurement Report

Vice-Chairman Huggins asked if there were any questions from the Board on the Summary of Procurement Report. Director Schaffer stated that he had sent a couple of questions through to Mr. Clifford. He said that the first couple of ones, there were no dollar amount associated and he wondered why that was. Paul Kisielius responded that A-2, A-3, and A-4 were part of the August consent agenda and had more detail. All three of those were RFP's where the award was based on qualifications as well as cost. He continued that in future this could be added in there, but in the past it was not. Director Schaffer commented that on all three of them, they were all qualified but there was no dollar

amount. He assumes that the winners were all low bid? Mr. Kisielius responded that definitely on the EAP, and the Drug & Alcohol testing contracts, but the third one he is not quite sure. He can get that information, though.

Director Schaffer stated that regarding A-4, Employee Assistance Program, he understands that Metra has its own program. He asked if there was any possibility of tagging in with the State's Employee Assistance Program. Mr. Kisielius responded that he has had some discussion with Ms. Washington about that, and in the future this is something that staff can look at. He said that initially it does not look like it is as extensive as what we have, or required to have, but definitely on the next contract round staff will do more extensive research into it. Director Schaffer said that it might be a cheaper alternative. He pointed out that he used to deal with this program when he ran a State agency, and it is pretty competent.

Director O'Halloran stated that as he understands it, the Board has a subcommittee that is going to be looking into all the procurement issues. He would like to make a suggestion to that committee that in the future, all bids of this nature have the dollar amounts involved in some sort of summary explaining why the staff recommended that firm. He continued that right now the Board is just going off of the staff recommendation. He believes that the Board should receive more background, and he would like to make that suggestion to the subcommittee.

He continued that he did have a specific question with respect to item A-14, which he understands is a blanket purchase over a period of time. He said that what he wanted to find out was on the bid portion of it. He asked what was the criteria for that specific bid portion that then leads into this firm being selected for what is quite a long period of time, and is not to exceed \$6 million. Mr. Kisielius responded that the criteria is the lowest responsible bidder on price, and the price that made that up was the firm's margin costs, which is their administrative costs and profit, their delivery charge and demerits charge. The bid price was covering a three-year period and the reason for this \$6 million was the additional dollars to actually cover the actual fuel cost over the three-year period.

Director O'Halloran stated that his follow-up question is if the fuel cost was the same as our other fuel costs, or is there a markup on there. Mr. Kisielius responded that there are no markups on the fuel. The actual fuel costs for this contract are determined by the OPIS daily average price. He explained that when the truck goes to the terminal to fill up, they will actually get a manifest that indicates the gallons, and then that price will be based off of OPIS that day. They will then have their margin markup applied to that. He said that there is no markup on fuel. Director O'Halloran stated that there is markup on their services, though. Mr. Kisielius responded that this is correct.

Director O'Halloran then asked if Metra does lock-in the fuel price for a period of time, will we be able to take advantage of that in this situation or not. Mr. Kisielius responded that the lock-in for fuel would be strictly for the large bulk deliveries used for the locomotives, not at the remote locations, on an as needed basis that this contract covers. Director O'Halloran stated that he is assuming that these guys go with a big tanker truck to pick up the fuel. That tanker truck goes out to wherever this remote location is, that is sort of an emergency situation, and fuels the locomotive. Is this correct? Mr. Kisielius responded that the tankers go from a 500-gallon truck to up to a 7,000-gallon truck. These trucks go to direct fueling into the locomotives and also into the smaller tanks that Metra has at various locations.

Director O'Halloran said that his next question would be, if they can go to wherever Metra keeps the giant stash of stuff, and get it from us, versus going somewhere else and getting the spot daily price. Mr. Kisielius responded that first of all, it is a different contractor that has the large contract. If we were to lock into a price, they do not have a huge tank farm, because of the shelf life and the cost for the vendor to hold onto the fuel. He said that consequently they would not have access to other contractor's fuel. Director O'Halloran asked if it is possible to look in that direction for the future. Mr. Kisielius responded that they can definitely investigate that and see if it is doable.

Director Schaffer stated that with regards to A-5 in the report; the replacement of the bill verifiers on the Metra ticket vending machines, he thought that those machines were quite new. Mr. Kisielius responded that those respective machines are the old machines that have been around for 30 to 40 years. Director Schaffer stated that on A-13, he noted with interest that there were two bids, and this is for fencing. He said that there is a line and an asterisk that says that Industrial Fence had the previous contract, and their bid was \$59,800. However, the winning bid was \$87,000. He asked if the \$59,000 the cost from the previous year, or was that a bid submitted this year that we did not take. Mr. Kisielius responded that this was their bid from the previous contract. Director Schaffer stated that the price jumped from \$59,000 to \$87,000? Mr. Kisielius responded that it did, and Industrial Fence chose not to bid this time.

Vice-Chairman Huggins remarked that when looking at a lot of these solicitations, he has noticed that with regard to the DBE goals, he is seeing a lot of zero percent. He asked for someone to explain that this. Ms. Thomas, Director of DBE, responded that where you see zero goals, it is not because the DBE department did not look at it to make a determination whether or not a goal should be placed on it. She said that some of these solicitations are unique in their nature, and the availability of DBE firms to participate is very small. She continued that instead of placing a goal on \$100,000 contract, the DBE department reaches out to those firms directly and give them a chance to participate as prime on this bid or RFP. It really depends on what is being purchased. If it is rail specific items a lot of times the DBE is unable to provide that specific product, so instead of putting a goal on there, we opt out. She added that it is not that she has not looked at it, but the determination had been made not to place a goal because of the availability of a DBE firm to participate on the project.

Vice-Chairman Huggins asked for Ms. Thomas to provide the Board a report on those contracts where DBEs are bidding and are unsuccessful, because the Board needs to know where we are coming up with zero percentage. Ms. Thomas responded that she can provide that report, because her department is tracking that.

Item 7: Continued Discussion on the FY2012 Budget

Alex Clifford, CEO stated that over the past several months, Metra's team has struggled with developing the budget, reducing expenses and developing fare scenarios. Today, he would present to the Board a set of recommendations that reflect a highly professional process outcome in which staff has attempted to balance Metra's financial needs against the impacts to our customers. He continued that never in Metra's history have we been faced with a challenge of this magnitude, and on behalf of the Metra team, he wants to assure the Board and loyal customers and stakeholders that we did not take this assignment lightly.

He explained that, as the Board recalls, this journey began back in June. Staff started early with purpose and intent to provide maximum customer and stakeholder input and to allow the Board to receive very detailed presentation and analysis. In June, staff discussed the plan to resolve the current FY11 budget deficit that resulted from high fuel prices. Also discussed was the \$100 million structural deficit, shortfalls in Metra's state of good repair funding, and the problems with the past practices of transferring capital eligible dollars into the operating enterprise funds.

He said that in July the power point got a little bit larger. Staff discussed farebox recovery ratio relief and impacts to Metra's current funding crisis due to the prior administration's lack of planning for the phase out of that relief factor. Staff also talked about fuel cost, administration expenses and staff compared them to peer agency administrative expenses. Also presented, were preliminary service reduction concepts and various agency comparisons, including peer agency recent fare increases.

He continued that in August, staff came back with another power point and a lengthy presentation in which staff focused heavily on the good value that Metra provides its customers, along with continued discussion about service

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reduction options. Also presented was the outcome of the customer survey on fare increases versus service reductions and discussed the fuel challenges, fuel price lock-in, and the federal funding challenges. He said that today we begin to better understand the fare implications of the budget crisis and to focus on another important component, which is fare restructuring. He then asked Ms. Ciavarella to start off the report.

Lynnette Ciavarella, Senior Division Director Capital and Strategic Planning, stated that she would like to give a brief overview of the 2012 capital program, and the 2012 through 2016 capital program. She added that at the next Board meeting, the program would be developed completely, which will then be released for public comment. She said that the top line on the slide shows the federal formula funds that were projected as part of our five year capital program at this time last year. The second line shows what the funds are, based on the RTA marks released on Wednesday. Overall we are looking at about a \$100 million less than what was anticipated last year. The capital funding shortfall will remain an issue for Metra, especially in light of the uncertainty of the advancing federal transportation reauthorization. She pointed out that while funds are projected to have a modest increase of 1.9% per year, at this time staff is uncertain of the actual funding marks that will be received in 2012 and beyond.

She explained that projections on the slide show that there is a potential that these marks could be reduced up to 30% to 36%, depending upon the federal reauthorization. Working from Metra projected capital funding marks of \$136 million federal funds, staff must consider many program challenges. Two such challenges are, the phase funded initiative that eliminates new capital investment. Thus far, staff has identified over \$50 million of phase funded projects. These projects range from rolling stock rehabilitation to bridge renewals and the accounting system upgrades. Federally mandated programs are the second challenge Metra faces and are critical and put added pressure on the overall budget. One such mandate is positive train control. Staff programmed \$100 million in the State bond program for PTC on Metra lines and we are not certain exactly when the State program funds will be available for use. She continued that the placeholder that has been placed in Metra's core capital program for 2012 is \$30 million at this time. Should the State bond funds become available, we would be able to move the PTC money from the core capital program back into the State bond program. Taking these two items into account, this consumed over 60% of Metra's capital. The remaining dollars are approximately \$53 million. This level of investment will obviously compromise Metra further from achieving the state of good repair.

She said that the five-year program shows many financial challenges. Most notably is the 2012 initiative that has already been identified as those which we must push further into investment years. At this time, staff has identified at least \$100 million of projects to be deferred until 2013 and beyond. Projects include \$38 million in car rehab programs, \$18 million in capital investment of bridge rebuilds, \$20 million in signal, electrical and communication projects on all of the rails and systems and \$21 million in yard improvements and upgrades. This repetitive deferral of investment results in a deterioration of both Metra's system and state of good repair. At this time, preventative maintenance or operating assistance is not programmed in the capital program for 2012 or beyond.

Ms. Ciavarella explained that in October of 2010, the Board approved a State bond program that is not consistent with the State of Illinois funding award cycle. To date, Metra has received a funding commitment for the Metra Electric District cars, which is \$585 million of the \$1.1 billion that was allocated, and \$38.2 million for nine station improvements. Again, there is uncertainty with the State of Illinois capital bonds. Going forward in the bond program staff will be presenting the Board a revised bond program next month that will preserve the MED funding and shifts over the projects to meet the RTA marks that were released for the 2012 through 2015 program.

She concluded that given the constraints that Metra is facing, staff has been actively investigating and pursuing alternative funding sources to supplement our capital program. She continued that we have successfully attained \$5 million in 2012 through CMAQ funding through CMAP, which will be used for locomotive repowering replacement, replacement of the main engine drive generators, and an automatic engine start/stop system. These projects will

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receive 80% federal funding and will require a 20% local match. Through the FTA, staff has pursued a TIGGER grant for equipment to attain locomotive energy efficiency on 22 of the passenger locomotives, and staff is evaluating projects right now that would qualify for the FTA's TIGER program. Staff will continue to look for these creative solutions and innovative funding strategies in order to advance our overall capital program.

Jim Mickus, Director of Budget, stated that staff is still preparing a 2012 Metra Operating budget. As part of this process, budget meetings are being held with top Metra staff and Operating and Administration department managers along with their staffs to do a detailed review of the 2012 requests by department on a line-by-line basis. He said that this morning he will update the Board on some of the efficiencies and cost reductions that have come out of these meetings. A few of the items were discussed at the August meeting, and he will provide an update and an estimate of the dollar savings that staff is forecasting to date for the 2012 budget year. He will then introduce some areas of significant budget additions for 2012 that have also come out of the reviews of individual department budgets. He said that he will then finish his discussion of the 2012 budget by providing an estimate of the 2012 budget operating deficit, and a proposed list of how Metra plans to fund the deficit with sales tax and new revenues, and a remaining shortfall that needs to be addressed.

He said that in August he presented several items as cost reductions in the Administration area. The estimated savings in professional service contracts and miscellaneous expenses that roll up to Administration currently total about \$2.3 million. Budget review meetings are continuing with the Administration area, and staff is hoping to have an expanded list to present to the Board in October. He continued that also in August, we presented savings and efficiencies in the Operations areas. A new item is a federal operating grant that will fund Metra's police dog teams for three years beginning in 2012. The operating budget savings come from the current contract to have the Illinois State Police provide the service being cancelled. The covering of this cost under a Security grant will also benefit Metra, as this item will be covered by a new funding source and will not be funded by Metra revenues or sales taxes. The current estimate for the Operations and Administration savings is a total of \$4.4 million, and he will use this figure later in his budget update to show an estimate of the total budget expense increase and how staff is proposing to cover it in 2012.

He continued that the Budget review process to date has not only produced opportunities for savings and efficiencies, there have also been some new budget additions and some of them have been substantial. He stated that he grouped the items together into two categories, operating items and financial review items. The first item, which has been discussed at length, is diesel fuel. The diesel fuel amount totaling \$26.3 million is the addition to budget expense for an average annual diesel fuel price of \$3.40. Staff hopes to lock in a price near this level for either 12 or 18 months as the fuel market dictates. He pointed out that the price has been stubbornly high in recent weeks due to the hurricane and other economic factors and fuel prices have been volatile.

He stated that the next substantial addition concerns an FRA ruling signed in August 2011 that is scheduled to take effect in 2012. The ruling places new limitations on crew scheduling that will impact both NIRCRC and PSA carriers. The estimated impact of the ruling on NIRCRC and PSAs will have to be to hire 38 additional new train and engine crew members. The estimate for the new hires is over \$4.9 million and with an estimated reduction in overtime for current crews the total cost for 2012 is estimated at \$3.7 million. This is a risk item as it may cost more or less once it is implemented. Staff is working with regulators on the details to get it sorted out.

Mr. Mickus said that the next budget addition concerns the Union Pacific pulling freight work out of the main locomotive shop that repairs Union Pacific commuter locomotives. The UP freight operations performed locomotive work on three shifts at the facility and paid the majority of the common costs, such as utilities, shop expenses and other costs. The UP moved this work to other facilities in the Chicago region at the end of January of this year. With the elimination of the freight work at the main facility this will result in the passenger operation having substantially

higher common costs at the shop for 9 months in 2012 and for 12 months in 2013. It is estimated that the additional cost will be \$2.5 million in 2012, and will total almost \$3.0 million in 2013. Metra is currently reviewing its options regarding the UP locomotive facility to deal with this cost going forward however, the impact of this change on the 2012 budget right now is estimated to be \$2.5 million.

He explained that there is a budget addition for snow removal, which arose out of the harsh snow season experienced in the first quarter of 2011. The realization that Metra did not provide adequate budget funds for snow removal activities resulted in there being an additional \$1.5 million provision in the 2012 budget. He stated that the current total of budget additions related to operations is \$34 million. There is a second category of budget additions that are classified as financial review items that directly came out of detailed review of current practices and expense levels.

He stated that the first item in the financial review category is the elimination of the Administration capital grant. He continued that currently there is a capital grant for project management, where Administration staff charge either a percentage of their time or all of their time to cover the capital project work as part of their duties. He explained that the percentages were established years ago during the New Starts project work and had not been updated. This capital grant covered about \$4 million in salary, which will now be covered by the operating budget. Additionally, Metra recorded an additive on the labor at about 100% that was included as capital grant credits in the Other Revenue category. This also totaled about \$4 million and will be eliminated, resulting in the overall \$8 million hit to the operating budget. This general grant will be replaced by capital projects having a budget for administration functions and administration staff will directly charge the projects that have the budgets. As the capital grant additive rates are updated, these future rates will be higher due to these new higher operating expense amounts.

He continued that another ancillary benefit to Metra from this change will be that capital funds that covered this grant will be reprogrammed to cover other needed capital work. The next item in the financial review category is an addition to the claims reserve for existing claims. There will be an actuarial review of open claim files during 2012 and staff is expecting that additional reserves will be required. Staff estimates that \$3 million will be needed in 2012. The final budget review item is the main property and liability insurance program. He explained that due to adverse claims activity in the property and casualty market due to floods, hurricanes, earthquakes, and other instances, staff expects its main policies premiums will go up between 10% and 15%, which will cost an additional \$1.5 million in 2012. The financial review items total \$12.5 million, which brings the 2012 additions for specific items total to \$46.5 million. However, that is not the total increase anticipated for the 2012 budget.

He stated that the growth on all other items in the budget, from scheduled wage increases, increases in benefit costs, materials and other spending is estimated currently at 3.1%, or an additional \$20 million. He explained that this is where he would pull the additional identified budget savings to date, the \$4.4 million identified in Administration and Operations reductions, which lowers the overall growth increase for 2012. The current estimate for total additions to the budget for 2012 is \$62.7 million. While 42% of the growth is related to diesel fuel, there are still substantial growth items that cannot be offset with budget reductions in Administration and Operating areas. Staff will continue to review the 2012 budget and come back in October with additional savings. He pointed out that the need to provide adequate funding for the system in 2012 is critical.

He explained that an estimate of \$399.6 million budget deficit is currently forecasted for 2012. He pointed out that this amount should be slightly different in the October budget presentation; however, the budget of current service, maintenance levels and the new additions to expense should result in a deficit near this estimate. The first new item to fund the deficit is revenue from the elimination of the senior ride free program for the majority of Metra riders. These riders returned to half fare ticket on September 1st, and the staff has estimated that \$7.5 million will be brought

in for 2012. The 2012 sales tax information, the funding marks Metra received on September 15th, provides \$327 million, after the \$10 million Metra local capital funding is taken out.

He continued that the remaining shortfall to cover the estimated 2012 budget deficit is almost \$65 million. This gap between expected revenues and sales taxes and the estimated operating expense demonstrates the need for new revenues. The choices are limited to fare increases and service reductions. He said that the magnitude of an overall fare increase is in the 27% to 30% range, assuming no service reductions and no transfer of capital funds to cover operations. He concluded that staff is reviewing and aggressively questioning departmental budget requests for 2012 to find more cost savings and efficiencies to lower the shortfall for the October budget presentation.

George Hardwidge, Deputy Executive Director of Operations stated that he would give the Board an overview of the three options presented to the Board in August. He said that the first two will again be referred to as Option 1 and Option 1A, and the third option will be no service reductions. To review, service reduction number one consists of eliminating one crew and one set of equipment except for the Heritage Corridor, eliminating certain weekend service, and elimination of the White Sox and Bears extra trains. Service reduction Option 1A consists of eliminating weekend service added on May of 2008 and March 2009, as well as eliminating the SouthWest Service extension on weekday trains 815 and 830.

He continued that service reduction Option 1 creates a gross savings of \$9.2 million, which is offset by approximately \$1 million in lost revenue, for a net savings of about \$8.2 million. Service reduction Option 1A, would realize a gross savings of approximately \$943,000, offset by \$49,000 in lost revenue, for a net savings of approximately \$894,000. He explained that at last month's meeting, staff has recommend service reduction of Option 1A. This option will provide \$900,000 in cost savings, to be realized immediately in the beginning of 2012 through the reduction in training and overtime. He concluded that at the end of the presentation, the Board will be asked for a decision regarding service reductions.

Ms. Ciavarella continued the presentation and stated that last month a multi-departmental team was formed to look at Metra's existing fare structure and overall policies, as well as look at a framework to begin to develop changes to those policies. She said that as the Board has heard from Mr. Mickus, staff has narrowed down the budget assumptions and have determined that we need between a 27 to 30% fare increase. She explained that she will be discussing the existing fare structure that Metra has, provide a list of principles that staff hopes the Board will consider adopting, and finally provide an overview on the recommendations as we continue to refine these structures and policies for next month's presentation.

She explained that Metra's current zone fare structure is set at five-mile zone increments and is based on the rail line distance from each outlying station and respective downtown Chicago terminals. The fare differential for one-way fares between each zone is 50¢, with the exception of zones A to B and B to C. She explained that one-way fares are considered Metra's base fares, on which ten-ride tickets and monthly tickets are calculated. Ten-ride tickets are priced at approximately a 20% discount from the one-way fares, while the monthly tickets are priced at approximately a 40% discount from the one-way fares.

She said that Metra offers free travel for several special groups of riders. Low-income seniors and disabled persons enrolled in the Illinois Circuit Breaker Program and are registered for a RTA issued Circuit Ride free permit, may ride Metra at no charge. She continued that Metra offers two free ride programs for children. Up to 3 children, age six and under, may ride free with a fare paying adult, and under the weekend Family Fare promotion, up to three children, age eleven and under, ride free with a fare paying adult. Police officers and firefighters in uniform may also ride free. Seniors and disabled persons not eligible or enrolled in the Circuit Breaker program may ride Metra at all

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times with a reduced fare ticket, priced at half off the applicable one-way fare. Also, students thru 12th grade, with a valid school ID or letter from the school, are eligible for reduced fare travel on weekdays.

Ms. Ciavarella continued that Metra also offers a \$7 Weekend Pass, which offers unlimited travel on all day Saturday and Sunday throughout the system. Children ages 7 to 11 may travel at all times with a reduced fare ticket, and young adults, ages 12 to 17 may travel on weekends and holiday with a reduced fare ticket. Active duty military personnel with an ID are also eligible for reduced fare travel at all times. Metra also offers special fare programs, including a special \$7 round-trip ticket for Ravinia concerts, and special fare for pre-arranged groups of 25 or more during off-peak or weekend travel. Additionally, under the Regional Fare Program, all Metra tickets are valid on all Metra rail lines. She stated that Metra monthly ticket holders are also able to purchase Link-Up and PlusBus tickets. The \$39 Link-Up ticket allows unlimited travel on connecting peak-period CTA services and Pace bus services. Metra provides a subsidy of \$6 per Link-Up ticket. The \$30 PlusBus ticket allows unlimited use on Pace routes and Metra subsidizes this at a rate of \$8.54 per ticket. Also, as the Board knows, Metra currently charges an onboard penalty of \$3.00 for ticket purchased onboard the train, where a station agent or ticket vending machine is available. In 2010, Metra raised this penalty from \$2.00 to \$3.00.

She stated that in order to guide any fare restructuring efforts, staff developed a list of principles that would be used to direct the overall discussion. The Board is being asked to consider these principles. She explained that proposed changes to Metra's fare structure should incorporate the following guiding principles: Maintaining a fair pricing structure that maximizes revenues, review fare media to improve fare collection and simplify overall collection activities and reconciliation, minimize on-train transactions and overall transaction costs, recognize that convenience has a value, equalize fare differentials by zone, evaluate fare policies or sister agencies and peers, acknowledge the total cost and total value of providing services, and consider regular fare adjustments that ensure a balanced budget, keep pace with inflation and avoid significant, infrequent fare increases.

She said that in addition to those overarching principles, it is important to understand the proportion of ticket sales and rides taken and the revenue collected related to each of those. Metra sells over 13.7 million tickets annually. Although, 69% of all tickets sold are on-ways, this ticket accounts for 12% of trips taken and 18% of Metra's revenues. However, looking at sales of the monthly tickets, only 8% of all tickets sold are monthly tickets, but they account for 61% of all trips taken by Metra riders, and 52% of all ticket revenue.

Ms. Ciavarella stated that she will now discuss a series of recommendations for each ticket type, that are based on balancing the needs of the Metra customers, the budget deficit, and adhering to the principles she just spoke about. One-way tickets are valid for use or refund for one year from the date of purchase, and may be exchanged for a new ticket prior to expiration. When compared to Metra's peer agencies, with the exception of New Jersey transit, Metra provides a longer valid period for one-way tickets than any of the peers. With the exception of New Jersey Transit again, Metra and its peers offer a full refund on one-way tickets. However, Long Island Railroad and Metro North charge a \$10.00 processing fee for all refunded transactions. She said that what staff is proposing to change is the valid period for the one-way ticket from one year to fourteen days from the date of purchase, and eliminate all refunds on a one-way ticket.

She continued that Metra's current base fare is \$2.21, while the average peer agency base fare is \$4.74. Staff is proposing to raise the base fare by \$1.00 to \$3.25 and add 50¢ for each additional 5-mile fare zone increment, which is consistent with the majority of the current zone pricing. When weighted by one-way ticket sales for all fare zone combinations, this fare proposal represents an average increase of 17.3%, with some fare zone combinations receiving a larger increase while others a smaller increase. Staff is proposing a smaller increase on the one-way ticket holders, as they were subject to the 2010 fare adjustment, while the ten-ride and monthly ticket holders were not.

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She explained that similar to the one-way tickets, ten-ride tickets are valid for use and refund up to one year from the date of purchase. Unused ten-ride tickets may be refunded at the full price of purchase, and partially used ten-ride tickets may be refunded, but are subject to forfeit of a discount for any rides that are used. The cost of the one-way fare is deducted for each ride taken. After the eighth ride has been used, the ticket is no longer eligible for a refund. With regard to Metra's peer agencies, again with exception of New Jersey Transit, Metra provides a longer valid period for ten-ride tickets. For four of the five peer agencies, ten-ride tickets are valid for use and refund for a 180 days or approximately six months from the date of purchase.

She stated that while there is some variation on the refund period, Metra and its peers offer a full refund of unused ten-ride or twelve-ride tickets, which is the case of MBTA. Long Island and Metro North again charge a \$10.00 processing fee on all refund transactions, and all systems accept partially used ten-ride tickets for a refund, but deduct one-way fares for each use. Staff is proposing a change in the valid period of the ten-ride ticket from one year to six months from the date of purchase and scaling back the refund period from one year to 30 days. The practice of offering a full refund of unused ten-ride tickets and acceptance of a partially used ten-ride ticket for refund, deducting a full one-way fare for each ride used would continue. However, a small \$5.00 processing fee on these transactions is being proposed.

Ms. Ciavarella continued that Metra's current ten-ride discount is not in line with those of our peers. All of the peer agencies, with the exception of SEPTA, do not offer discounts on the ten-ride ticket. SEPTA offers a 9% discount, which is approximately nine rides for the price of the ten-ride ticket. Metra's current ten-ride discount is nearly 20%, or eight rides for the ten-ride ticket. Staff is proposing to change the discounted rate in 2012 and 2013. In 2012 the discount rate would change to 9 one-way trips and in 2013 the discount would be eliminated and the ten-ride ticket would be sold as a convenience option. What is being proposed is a base ten-ride fare of \$29.25, and \$4.50 would be added for each additional 5 mile fare zone increment. Weighted by ten-ride ticket sales for all fare zone combinations, this fare proposal represents an average fare increase of 32.2%. Again, some zones would have a higher increase, and other zones a smaller increase.

She explained that except for New Jersey Transit, Metra provides a longer valid period for monthly tickets than our peers. Metra's monthly tickets are valid through noon of the first business day after the valid month. The Long Island Railroad, Metro North Railroad and SEPTA monthly ticket are valid through 10:00 a.m. of the first business day of the valid month, and MBTA monthly tickets are valid only for the respective month. This practice was offered as a convenience to our customers, as there were few sales channels available for ticket purchasing. Today, monthly tickets can be purchased through the mail, the Internet, at the downtown terminals and outlying stations, and many people are now getting their tickets through a transit benefit provider as well.

She said that for example, September 30th falls on a Friday. The monthly ticket however would be valid for travel on Saturday, October 1st, Sunday, October 2nd, and up to noon on Monday, October 3rd, under the current practice. Staff is proposing to change the valid period of the monthly ticket to the valid month only and no longer allowing this grace period. Metra and its peers also offer a full refund through day one of the valid month, an 85% refund can be issued on day 2, and the refund is reduced by 5% per day during days 3 through 18, and 0% refund after day 18. Also, Metra currently does not impose a processing fee on the monthly ticket refunds. However, peer research indicates that three or four peer agencies are processing a fee ranging from \$1.00 to \$10.00. Staff is proposing to add a \$10.00 processing fee for all refunds on monthly tickets.

Ms. Ciavarella stated that Metra's current monthly trip factor is 25.5 and the monthly discount rate is 40%. It is higher than the peer agencies. In fact, New Jersey Transit, SEPTA, and MBTA have a smaller discount on their monthly tickets compared to Metra, ranging from 20% to 40%. Staff is recommending changing the discount on the monthly tickets to equal 28.25 one-way trips and a monthly discount rate of 34.3%. She pointed out that to further illustrate

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this discount, a passenger traveling from fare zone E under the estimated fare proposal would pay \$5.25 one-way. If that person were to make 43 trips per month, about 22 weekdays, the cost would be \$225.75 compared to the estimated monthly pass cost of \$148.25. On the monthly ticket, a base monthly fare of \$91.00 would be instituted and \$14.00 would be added for each additional 5-mile fare zone increment. Weighted by monthly ticket sales for all fare zone combinations, this fare proposal represents an average fare increase of 29.8%.

She said that in addition to the changes in fare structure and ticketing policies, staff also would like to make proposed recommendations to other fare media. This includes, proposing to replace the \$7.00 Weekend Pass with a Weekend Day Pass, valid for a single day only, and not for the entire weekend. Staff is also proposing the elimination of Metra's subsidy for the Link-Up and PlusBus passes. As explained earlier, Metra currently subsidizes each Link-Up and PlusBus pass at \$6.00 and \$8.52 respectively. These passes provide Metra riders with the convenience of not needing to purchase and carry a separate CTA or Pace fare card for connecting travel to or from Metra service. Staff recommends that Metra discontinue subsidizing these passes and offer them only as a convenient pass. This would require the cost to be borne by the customers and as a result, the current Link-Up pass would increase from \$39.00 to \$41.00, and the PlusBus pass would increase from \$30.00 to \$39.00. It is also recommended that Metra discontinue the reduced price weekend and holiday young fare adult. These riders could take advantage of the weekend pass. Finally, to simplify transactions, it is recommended that every attempt should be made to round all proposed fare media to the nearest quarter.

She explained that when you take a closer look at the current value of the Metra fares, it will show that our fares have not kept pace with inflation. Fare zone pair A-E accounts for 20% of Metra's ridership. In 1983 the price of a one-way ticket was \$3.35. Today the cost is \$4.50, an increase of \$1.15 in a 28 year period. In contrast, the average cost of gasoline in 1983 was \$1.24 and by 2010 the average cost for a gallon of gas was well over \$3.00. She said that if the fare zone pair AE were adjusted to match the rate of inflation, that ticket type would be over \$7.60, and as proposed earlier, the estimated zone E one-way fare would be \$5.25, which is still under the rate of inflation.

She concluded that it is well known that commuter rail fares are much lower compared to the cost of driving downtown every day. In previous meetings, staff has used a Drive Less/Live More calculator. Staff has modified this calculation to be much more conservative. The drive cost now is calculated at traveling 22 days per month, averaging 25 mpg, at \$3.95 per gallon, and an average cost of parking downtown at \$18.00. The Metra fares no longer include a parking component, so under this approach, a Metra customer living 20-25 miles from downtown under the estimated proposed fare scenario could potential save over \$5,000 per year.

Mr. Clifford stated that staff would like the Board to look at the fare principles presented today to see if they represent the Board's interest, and provide guidance to staff on this. Also, he would ask the Board today if they would provide some guidance on service options. He asked the Board if they would like staff to bring back service reduction Option 1, Option 1A or no service reductions. He continued that on the policy side, he would ask the Board to provide some guidance on whether or not the Board thinks that those are acceptable guidance principles when developing a fare policy. Also, staff presented some recommendations relative to valid period and refund periods, percentage of refunds, along with the weekend day pass ticket, elimination of the subsidy for the Link-Up and PlusBus tickets, and young adult fares. Lastly, staff will bring back to the Board in October a fine tuned number, as he continues over the course of the next month to meet department by department, going through line by line of those departmental budgets looking for other administration and operational efficiencies and reductions that can be made. Also in October, it will be important for staff to be able to provide the Board as much of a finished product as they can based on the guidance that is provided today.

He concluded that to be clear, it is important to note that the Board is not being asked today to make a decision on a fare increase or a budget, for that matter, because staff is still fine-tuning this and plan to bring those

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recommendations back to the Board in October. In October the Board will only be acting on what it is that they will be communicating to the public for public comment. Final action will not be taken by the Board until November.

Vice-Chairman Huggins stated that as a Board, they have a responsibility to discuss three options; service reduction Option 1, Option 1A or no service reduction. He said that in order to give staff some clarity on which direction they should take, he would asked the Board members to provide their comments.

Director Pennington stated that he has gone on record to state that he is not in favor of any type of service reductions. However, it is imperative that we find alternate measures to answer the budgetary problems without cutting reductions. He continued he is a practical person, too, and given what has been presented today, he would state that he could support service reduction Option 1A.

Director De Graff stated that his feelings on service reductions is similar to Director Pennington, with the exception of the fact that in light of the breadth and scope of the budget that is being looked at, and in light of the potential fare increases and what he thinks will be a fair policy for our fare policies, he believes that we should not provide any service reductions. He said that Option 1A is tempting, but it is only about \$900,000 out of a budget that is significantly larger, and he thinks that the Board should be able to accomplish what we need to by dealing with these fare polices and in dealing with the potential and necessary fare adjustments potentially over a period of a few years. However, again, at this point he would not be in favor of any service reductions.

Director Darley said that he would echo Director De Graff's comments, particularly in light of the fact that they are very targeted, considering the aggressive response that Metra has received from constituents in those areas, that the service cuts would have a very detrimental effect on their access to downtown for jobs, and other things. He would have to support no service reductions.

Director Schaffer commented that Option 1A dos seem rational, although it probably seems more rational to someone who does not represent that part of the world. The overall response that he has received in his area, is that they do not want service reductions, and that they are more inclined to a fare increase. He continued that having said that, though, he does think that we do have an obligation to look at trains and if the train is underperforming and not covering their costs over a long period of time, we would either have to find a way to get them to cover those costs, or eliminate those trains. He said that he could probably support Option1A, but if we can avoid it, he would certainly like to. He would also like to thank everyone for giving us the opportunity to re-meet all of the mayors and legislators on this subject, none of whom suggested any alternative other than don't cut service.

Director Partelow commented that all along he has said that he is not for any service reductions. He believes that we ought to maintain the routes that we have now, and thinks that there will be a greater fall off in the ridership if there were reductions in service. He supports no service reductions.

Director McCoy stated that he does not think that there should be any service cuts at this time. He continued that the Board saw some larger service reduction that actually saved significant money, but Option 1A to him is not worth the savings to even consider it.

Director O'Halloran said that since he represents the area affected, he has heard from quite a few folks with respect to this. He certainly believes that service reduction Option 1A is somewhat selective and only affecting certain areas, including his own area. He continued that as he has stated before, that less than \$900,000 in savings is not really achieving all that much, and we really need to achieve that on the fare side. He stated that he would certainly be against any service reductions whatsoever.

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Director LaBelle stated that service reductions and fare increases were discussed to some extent at the Citizens Advisory Board meeting he attended a couple of weeks back. Although they did not make any specific recommendations, because they are going to have another meeting after this meeting, they did agree with the majority of the folks that have spoken here today that we should not reduce service, and that service reduction Option 1A was more symbolic than real. The CAB Board also commented that the Metra Board needs to keep our eyes open and continue to provide service, and if possible meet the demands of increasing service rather than cut. He said that on a personal note, two of the routes that are proposed in service reduction Option 1A are in his end of the region with the Milwaukee North and UP North, and the ridership on those lines is pretty good. He pointed out that there are about 5,000 rides on those trains, which is not insignificant. He said that we should recognize the fact that this is not a ridership issue, it was more of an overtime issue. Director LaBelle continued that he thinks that it should also be recognized that in terms of Metra's farebox recovery, and in the tradeoff between fares and expenses, we basically get half of the benefit of reducing service in our budget because we end up having to cover half of the budget with fares. He thinks that we would get more bang for the buck thinking on the revenue side than on the service reduction side, and should just do everything that we can to increase service.

Director Mulder stated that she has given this considerable thought and obviously has talked to a lot of people about this. It has come to her attention from talking with some people that the trains being proposed to cut, could have an impact on how those people would get to their employment. She realizes that it is harder to find those additional funds, but many people certainly can choose to drive, although there are some who cannot. She said that she would support no service reductions, and continue to look for other ways to reduce costs. She thinks that staff has done a tremendous job of trying to find funding at both the state and federal levels, and look for other economies, but we cannot take away trains from the people who really rely on them.

Vice-Chairman Huggins stated that he too supports no service reductions, and believes that he has basically said this from the beginning. He continued that he thought that this was not a wise thing to do and agrees with Director Mulder's comments that the people who are impacted the most are the ones that can least afford a car, and depend on Metra to make sure that they can get to their jobs. He was really enlightened to receive the letter from Congressman Lipinski, and the mayors and aldermen who have basically stated that they, too, did not support service reductions. What he liked most about the letter was that the Congressman implied that he would be willing to seek federal funds to help Metra if the service reductions were not imposed. So this simply becomes good business to make sure that all our lines are running and to continue to give our customers good service. He said that the Board is in concurrence regarding service reductions. The Board has agreed that there will be no service reductions.

Vice-Chairman Huggins continued that as the Board has heard, staff also presented a list of fare principles that they intend to use as a guide when developing the overall fare structure changes and proposed fare increases. Again, the Board needs to provide staff direction regarding establishing the fare structure, and again went around the Board for comments.

Director Schaffer stated that he had a few questions first, and he would like to thank Mr. Grimes and staff who came out, and had to endure speaking to him a lot longer than they probably wanted, but there were some things that came up during the meeting. His one question though, is when cutting the weekend pass to one day, how many dollars would that generate. Mr. Clifford responded that he does not have that information right now, but could bring it back to the Board next month. Director Schaffer said that staff was not able to answer that question yesterday either. Mr. Bonistalli responded that when they look at the numbers from the survey, about 32 to 34% of people are using the weekend pass on both Saturday and Sunday. Director Schaffer pointed out that by eliminating the Bears train, this only saved \$7 million. He believes that the weekend pass is a great thing, and he thinks that it gets people on our trains that then think that it is a pretty good service and then perhaps ride more often. He has a real concern, and he does understand that we are going to have a fare increase, but the Tollway is going up, parking downtown is

extremely high, and we are cutting Chicago off from the suburbs, but that a weekend pass gets people into the city and promotes Metra. He continued that unless staff can come back and say that this is going to bring in a million and a half dollars, he does not know why we would even want to do that to ourselves.

Director Schaffer said that the second thing that struck him going through the little things was that we seemed to have a fixation on eliminating peoples ability to have a ten-ride ticket in their wallet for more than three months. He would like to know how much that saves, because he does not understand why we are worried about it and he frankly does not care what Metra's peer agencies are doing. There are a lot of people that put a ten-ride in their wallet or purse, and forget about it, and they dig it out and hop on the train and the conductor is going to say that they are two days late. He does not want to see that happen, and unless staff can again convince him that there is a lot of money involved, which he sincerely doubts, he expects that there are more people like him that lose the ticket after six months than use the ticket. He thinks that we are actually making money on it. Again, he does not know why we would want to do that, because it seems like piling it on to him, but show him some number and he would re-look at it.

Vice-Chairman Huggins asked that Board for their thoughts on the fare principles. Director Pennington remarked that he can support the principles of the fare policy. Director De Graff stated that he believes that the principles are fair for the fare policy. Director Darley agreed to the principles of the fare policy, and added that he thinks it would be important that they be somewhat hierarchical, so as we are trying to make in our decision making process, if there are some that conflict, just to make sure they are in order of our importance. Director Schaffer stated that he thinks in general he supports them. He does have a concern that, once again, the outer areas are going to see a much larger cash increase, and the argument is that they are getting a longer ride. He is not sure that we can defend that from a cost point of view, which would be of interest to him, but he would also point out that the outer regions pay a boat load of sales tax, and very few people really ride the trains or buses. This does bother him, but in general he can support the principles.

Director Partelow stated that he agrees with Director Schaffer on the weekend issue, and on the ten-ride he thinks that we ought to stretch it out a little bit further than it is right now. As far as the principles, he generally agrees with them. Director McCoy stated that he agrees with the principles, and thinks that the Board should adopt them as policy of the Board. He does agree with Director Darley that there should be hierarchy, because he thinks some are more important than others. Director O'Halloran agreed to the principles, and certainly with the prioritizing. Director LaBelle said that he would also agree with them, but he might suggest adding that the Board wants to balance the budget. He thinks that somewhere in the principles, that should be a principle. He thinks that we should make sure that it needs to be integrated, as we are, into how we are thinking each year about the budget, so he would put something in there about that. Director Darley stated that he thinks that to the last point on the fare principles should actually be first on the list. Director Mulder said that she concurs with her colleagues, and can support the principles. She thinks that they are well thought out and show a real picture of the challenges that Metra is facing. Vice-Chairman Huggins commented that he supports the principles as well. He asked Mr. Clifford if this discussion has provided sufficient direction for him and his staff. Mr. Clifford responded that it has.

Vice-Chairman Huggins stated that Metra staff has presented a list of proposed changes to the fare policies and other recommendations, which they are examining for consideration for the proposed Program and Budget next month. Metra staff has requested direction on this issue from the Board. Some of the members of the Board asked for clarification on what they are giving direction on. Mr. Clifford responded that page 41 captures the Board guidance, which staff is looking for direction on. He said that the Board could take bullet by bullet and comment on the valid period, refund period and percentage for one-way, ten-ride and monthly tickets, Weekend "day pass" ticket, subsidy for Link-Up and PlusBus and lastly elimination of the young adult fare.

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Director Partelow stated that for the one-way ticket, he would agree with the policy that the ticket would expire 14 days from the purchase date. However, he could not agree with the six-month expiration date for the ten-ride tickets. He believes that it should be a little bit longer. He does agree with the policy on the monthly ticket to be valid for the month only.

Director McCoy said that he is okay with all four recommendations, except that he would have to agree with Director Partelow and Director Schaffer on the ten-ride ticket expiration. He thinks that the ticket should be valid for one year, with a refund period of six-months. Otherwise he is okay with the other recommendations.

Director O'Halloran agreed with Director McCoy on all his points.

Director LaBelle said that he agrees with what is proposed for the one-way ticket. On the ten-ride, he would agree with the other members of the Board. He thinks that the ten-ride ticket should be valid for one-year. He said that he could go with a three-month refund, but feels strongly about the one-year expiration. He asked Mr. Clifford to explain the ten-ride ticket discounts and what is being proposed. Mr. Clifford responded that what Metra is proposing is the ten-ride would be priced at nine rides in 2012, and phase two in 2013 the ten-ride would go to a full ten trips for ten fares. Director LaBelle stated that he would agree with that. He continued that with regards to monthly tickets, he has been on the train with monthly ticket riders who will typically wait until later in the day to buy their pass because the lines are too long. He understands the weekend issue, but he thinks that this is a case where you should think about rewarding those regular monthly ticket holders. He said that he does not think that this affects the direction of the budget at this point, and he thinks that we should look at being a little bit more relaxed on that morning after. Otherwise he is okay with the rest.

Director McCoy added that with regards to the ten-ride ticket, he would agree with the ten-ride being priced at nine rides for 2012, but he is not 100% sold on ten for ten in 2013. He thinks that the Board should decide that in the 2013 budget. Director LaBelle said that he agrees with Director McCoy's point. The Board will be reviewing this all again next year, so he thinks that any discussion on the ten for ten on ten-ride tickets should wait until 2013.

Director Mulder said that she agrees with all the comments made. She does not want to be redundant, but she would have to support the one-year expiration date on the ten-ride tickets. The ten-ride ticket is used by the occasional rider and since the penalty was raised for buying a ticket on the train, she thinks for those who do not ride as often the ten-ride ticket is worthwhile. Again, she would agree with the other directors on the other issues.

Director Pennington stated that he would concur with the other directors, especially the comment made by Director McCoy with respect to the ten-ride ticket for 2013. He thinks that the Board can view that in 2013 for that specific purpose. He, however, does agree with the comments that have been made by the other directors today.

Director De Graff commented that he thinks that these are reasonable adjustments. He thinks that they are consistent with both sound judgment and the ability to prepare budgets and prepare analysis. He would also concur with the valid period for the ten-ride ticket. He believes that there may be some substance to increasing that to nine months or a year. He does not think that the refund period needs to be any longer than three months, and does think that the nine for ten is a good and necessary move. He personally thinks that within a year or two we need to go to ten for ten, because there is a lot of value for what the riders are getting. He continued that the day for the free ride, he thinks, with the exception for those who can least afford it, is over and that there is an incentive to be able to utilize economies of scale when it comes to the ten-ride and monthly tickets. He believes that we need to make sure we establish our policies clearer in advance of this, and that these analyses that have been done by staff are done with very sound judgment.

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Director Darley said that he agrees with Director McCoy's comments, that for 2012 the ten-ride ticket would be priced for nine rides and extending the valid period to one-year.

Director Schaffer stated that he thinks that there is a whole world of people out there that carry ten-ride tickets around in their wallets or purse for a long period of time. Nobody has told him that this is going to save us any money or make any money for us. This is the same thing with the elimination of the two-day weekend pass. He thinks that there will have to be a fare increase, but he did note with interest that what is being proposed either on a ten-ride or monthly ticket a Zone C ticket, which is close to the city, is going to cost about \$30.00, and out in the boonies it will be way over \$40.00. He understands the arguments for it, but it is going to make traveling into the city much less attractive and people are going to start thinking about whether or not they really want to go into the city, or want to work in the city. This will all filter in. He continued that some of these small things that do not seem to generate any money, he thinks, come under the category of unnecessary roughness and he does not see any reason why we would want to go there.

Director Mulder said that she neglected to make a statement regarding the weekend pass. She believes that the pass should be good for both days, particularly because it is used by families who may plan their activities for Saturday, but then something happens, and they have to go on Sunday this option has been taken away.

Vice-Chairman Huggins also agrees with the recommendations made by staff. He continued that the Board still needs to decide on the subsidies, the weekend ticket and young adult fares. He asked Director Partelow to comment.

Director Partelow commented that he would like to see no changes to the weekend ticket. He does, however, agree with the elimination of the subsidies for the Link-Up ticket and PlusBus, and the Young Adult fare, as we are trying to balance the budget.

Director McCoy agreed with Director Partelow's recommendations. He said that he would recommend keeping the weekend pass, although he knows the reasons for wanting to change that. He still thinks that it is a good value for the Metra rider. He also stated that the elimination of the subsidy for Link-Up and PlusBus and the young adult fare is reasonable.

Director O'Halloran also agreed to the recommendations. However, he too would like to see the weekend ticket stay the same. The elimination of the subsidies for the Link-Up and PlusBus and young adult fares he agrees with. Ticket rounding he agrees with.

Director LaBelle stated that on the weekend ticket, he thinks that eventually we are going to need to change. He said that a lot of the weekend trains are full, sometimes over full, and he is sure on the NorthWest line it happens quite often because there aren't as many cars. So there is a service issue, and if we have a cheap fare and a lot of people use it, and we want them to use it, then we need to make sure that the trains are there to actually carry them. He thinks that it is fine to keep the weekend ticket as it is right now, but he would be open to looking at that next year. He continued that on the elimination of the subsidies for the Link-Up ticket, he believes that this makes financial sense. However, he wants to also say that we do not want to make it harder for them to transfer from Metra to the CTA or Pace bus. He explained that we need to accompany this with help for people to find their way, and this isn't just our issue. It is us and the CTA and Pace working together to make sure that people can get around. He pointed out that this is not intended to make it harder for people to get around it just means that you need to pay the fare. He said that on the elimination for the young adult fares, they will be able to get the weekend pass, which is a good deal, so he is okay on that. Ticket rounding he agrees with.

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Director Mulder commented that she has already expressed her opinion on the weekend tickets. As far as the subsidy, she does not know what that equates to as far as savings, but in these times she is certainly okay with that. The elimination of the young adult fares she is okay with that, and ticket rounding she agrees with.

Director Pennington said that he supports keeping the weekend ticket as it is currently, and also supports the elimination of the subsidies to the Link-Up and PlusBus, as well as young adult fares. He added that he supports the rounding up of the ticket price by 25¢.

Director De Graff concurred with Director Pennington's remarks. He believes that the weekend pass should stay the same, and agrees with the elimination of the subsidies for the Link-Up, PlusBus and young adult fare. Also, he supports the rounding up of the ticket price by 25¢.

Director Darley stated that he supports all the recommendations, and to leave the weekend pass as it is.

Director Schaffer stated that he is not going to comment on things that he has already. He believes that eliminating the subsidy makes sense, and he notes that Metra was the only one subsidizing. The other players weren't and he is not sure how that came to pass. He agrees with the elimination of the young adult fare. He said that one thing that he did notice was that there was talk a year or so ago that we were going to save \$30 million by eliminating the seniors. He has noticed in the budget that it is now \$7.5 million, which by the way, he thinks is very realistic. He would however, like to see the backup paperwork on who ever thought that it was \$30 million. He believes that this number came from another operation down the road. He thinks that staff is presenting a pretty reasonable proposal, and definitely agrees with rounding up the price by 25¢.

Director Partelow pointed out that the reason he was for the elimination of the subsidy for the Link-Up and PlusBus was because the numbers seem to be quite high to him. He may be okay if the subsidy was smaller. Mr. Clifford responded that to correct the record, the subsidy is monthly, not daily.

Director LaBelle added that when he was talking about the budget and the principles, one of the things that he knows that the entire Board has talked about is eliminating the use of capital dollars to support operations. He is not sure where this issue will end up this year, but he thinks that we should express that as a general budgetary principle, that this is our goal to not use capital money to support operations.

Director Partelow stated that he believes that last month he communicated to staff that we do need to get away from the transferring of capital into operations. Mr. Clifford responded that staff felt that they were hearing strong direction from the Board to go ahead and stop that transfer now. No more prolonging of it. He said that everything that the Board has seen today assumes no transfer of capital. Director LaBelle said that we should make this a principle. Mr. Clifford agreed.

Vice-Chairman Huggins stated that when he looks at these fares the only issue that he has, and there have been discussions with the Board on this, is that some of the weekend riders will buy a ticket and they will transfer their ticket to other individuals. He thinks that looking at the weekend ticket, it should be done on a day-to-day basis. If you buy the ticket for Saturday, it can only be used on Saturday and so on. He believes that this is the only issue that needs to be considered when it comes to weekend fares.

Director Mulder stated that having never used one of those tickets, wouldn't those tickets get punched? Mr. Hardwidge responded that this is part of staff's quandary with the weekend ticket, because it is good for the entire weekend. A passenger could pick it back up and possibly hand that ticket off to somebody else to use for the next day. He continued that in principle the weekend ticket was to be used for those riders who come down on both days.

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However, we just don't really know how many of those tickets get handed off and are reused by a different person. This is why staff decided to bring it to the Board for consideration. Mr. Clifford pointed out that the suggestion itself actually came from the conductors.

Director Mulder asked if the tickets could have Saturday and Sunday on it, and the conductor would punch the day used. Mr. Clifford responded that this would not stop the handoff of the ticket. Mr. Hardwidge added that this was also staff's concern regarding monthly tickets. If someone does not buy a monthly ticket for the month, a monthly ticket user could conceivably allow someone else to use their ticket for their first ride in of that month. This is more of a staff recommendation, and was not the desire to make it less convenient for someone. Director Mulder stated that what she is hearing is that some of the riders are very clever. Mr. Hardwidge agreed. She continued that with the changes, she thinks that it is going to be very important that we publicize the changes so that people do not get caught. Specifically the monthly ticket riders. They will get on the train and realize that they have until noon to buy the monthly ticket, but instead are being asked to buy a ticket on the train and pay a surcharge. Mr. Clifford agreed with her, and said that once the policies are approved, he plans on having a whole campaign to make sure that we educate the customers so that they do not misunderstand the changes that are taking place.

Director Schaffer commented that last month he asked Mr. Clifford if he could contact Metra's lobbyists to see if they had any reason to think there was additional money coming from either the state or federal government. He said that he would hate to be going through this whole scenario and then discover that suddenly, Metra is getting \$60 million from somewhere that we had not counted on. He asked Mr. Clifford if we had any reason to believe that we would receive any additional money from the state or federal government. Mr. Clifford responded that he did have a meeting since then with all of Metra's state and federal lobbyists, to discuss what next year looks like. Nobody brought to the table any hope for additional cash. He explained that the direction given was to try to protect what we have. What this means on the state level, we need to do everything we can do to try to get the state to fund the bonds, the \$100 billion worth of bonds they committed to for five-years. He said that we need to make sure that we get 2011 and 2012 allotments. He continued that on the federal level, earmarks are the thing of the past. Who knows, if ever, they will come back. Discretionary money is getting thinner, and may not be available, and the federal 5307/09 money, which is used for Metra's capital program is something that we are trying to guard very carefully, and no longer transfer those dollars to the operating enterprise fund. Those dollars are at risk to the tune of potentially 36% under one of the proposals on the table today. He continued that all he can say is that there is not a lot of hope for new money, and we need to try to protect what we have today.

Director Schaffer asked if the current jobs bill is in the mix, and if there is transit money in there. Mr. Clifford responded that this is the Obama proposed initiatives, which may provide some hope. He is not prepared to speak on that though. He did say that one thing reassuring about it was that it did spend some quality text on state of good repair, and how our systems are falling apart. This gives us some hope that maybe they will try to figure out a way to send us some money. Ms. Ciavarella added that there were not any real specific in that Jobs Now Program. However, the Community Affairs and Legislative staff, along with folks in her department will be watching this. Also, as she mentioned earlier, she has a couple of staff people culling through anything and everything in terms of grants programs. We are going to try and find them, and find what is in our capital program that we have ready to go or that meets the qualifications and try and move them forward.

Mr. Clifford stated that we will go after every TIGER and TIGGER, and discretionary type of program that they put out there as aggressively as possible. He pointed out that right now one of the highest focuses for us is to get the State to at least fund PTC, in addition to the Highliner car allotment.

Director McCoy remarked that he believes that we need to start looking at being a self-reliant agency. We cannot be looking at other governmental agencies to provide us money for this, or money for that. Everyone has their

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problems, and he thinks that we have to look at grants and federal grants, transportation bills and jobs bills off our top priority list. He continued that we have got to start developing a budget and a fare structure where we know that the revenue is certain and that we can manage and be stable over the years. This is one of the things that he likes about one of those last points on that fare structure. He thinks that we all know that we are headed towards a major fare increase, but down the road, he thinks that we have to have an incremental increase, based on cost of living adjustment or something, and eliminate drastic fare increases. He thinks that the main thing, and this is really his theory of government in general, is to look at our own certain revenue sources and not start building a future on hoping for money from something else. He concluded that Metra needs to be self-reliant, and he believes that this is important, and that this is kind of how we got to where we are.

Vice-Chairman Huggins stated that if he is hearing Director McCoy right, he thinks that we need to run this organization like it is a business, like a private sector business. Director McCoy replied that this is correct. He continued that we cannot keep hoping for funds to fall from the sky to help us. We have got to have our own sustainable self-reliant funding sources to run this place and keep it healthy and make it work.

Director LaBelle agreed with the principle that Director McCoy just raised. He said that the factor that he thinks the Director understands, as we all do, is that we do rely on a subsidy from the state for operations every year. He continued that 25% of the sales tax in the region comes from the State, and this is called the Public Transportation Fund, which is something that we need. However, we also get the rest of the sales tax that is collected in the region and it gets divided up. He said that without that, we would need to operate like a business. Director McCoy commented that he is not talking about that. Director LaBelle responded that he knows that, but he just wants to make sure that it is understood. Other than that, he totally agrees with the point Director McCoy made that one of the goals in this budget is that we do not go back to the state every year or more to say we need more money to operate. He continued that we need capital money from the state, and the federal government, and we need to figure out how to raise capital for transit within this region, which is something we don't do at all, and is where we really need to work. He stated that on the operating side, he thinks the goal of this discussion and this budget is to make sure that we are operating on a stable basis, that we have revenues to support those operations and don't have to go to others for help.

Mr. Clifford said to clarify the Board's discussion, on the one-way ticket recommendations, he did not note any changes to what is being proposed. Regarding the ten-ride ticket, the changes to this would be go ahead and leave the ten-ride expiration date at its current level, and that after three-months no refund for the ticket. With regards to the nine for nine, ten for ten multiyear proposal, the guidance that he heard was that the ten trips for the price of nine in 2012 is acceptable. However, the Board would like to not make a decision about 2013 proposal for ten for ten. He pointed out that this is good guidance, and that we will want to have a detailed discussion about why that is so important to our FY2013 budget and how not going there has a dramatic impact, and will want to bring this back separately for next year. On the monthly pass, he did not note any changes to the recommendations. However, there were some spilt decisions about whether or not we should continue to allow the monthly pass to be used through noon on the first day of the month. He will go back and talk to staff about this. Lastly, there was discussion about adding the principle to reinforce that we should no longer transfer capital dollars to the operating enterprise fund. He said that if he happens to receive any further guidance on anything that he may have missed, or anything where we sort of sensed differencing of opinion, he will go back and rehash it with staff, and will certainly be prepared to bring back some answers to some of the questions raised.

Vice-Chairman requested that staff look into the weekend pass. Mr. Clifford responded that he neglected to cover that item. He said that he did hear a number of the Director's speak in favor of keeping the weekend ticket the way it is, so he intends to bring back some more information about why staff recommends that it be a day pass instead of a weekend pass. Mr. Clifford pointed out that with the exception of the weekend ticket, the other recommendations

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regarding the Link-Up and the PlusBus, and the elimination of the young adult fares and ticket rounding, he believes that he received clear guidance on those items.

Director Darley pointed out that if the ten-ride ticket issue becomes critical, perhaps look at a six-day, six ride pass, and maybe that would help balance things out.

Director LaBelle commented that we saw the percentages on the various ticket types. He asked what this all adds up to overall in terms of percentage increase and expected ticket revenue next year compared to this. Mr. Clifford asked Mr. Mickus to respond to that question. Mr. Mickus responded that the overall increase he believes was just under 30%. He believes that on the one-way tickets, it would be 17%, 29% on the monthly tickets, and 32% on the ten-ride tickets. He said that this should bring in about \$65 million based on current ticket sales and the current spread of tickets types for 2010. Director LaBelle asked that isn't this like 28%? Mr. Mickus responded that it is 27.9%.

Director McCoy said that he would like to say one more thing about the weekend pass. He said that he believes that Director Schaffer said this earlier, but one thing he likes about it is that it is a good public relations tool, and an economic development tool. He thinks that it gets people thinking about spending the weekend in Chicago and helps the economic development and economic health of the region. This is one thing that he likes about the weekend pass.

Mr. Mickus pointed out that one thing that he did put in under the \$65 million, was the \$2 million from having a one-day pass for Saturday and one for Sunday. This was an additional \$2 million. He said that to keep with the same overall dollars brought in under the fare scenario, if we keep this as a two day pass, then he does believe that there is going to be a certain amount of money that will have to be brought in through the remaining three ticket types.

Director Schaffer asked how he came up with that \$2 million. Mr. Mickus responded that right now for 2010, the weekend ticket brought in \$9 million, and what he did was to look at the estimated ridership split between the Saturday ridership and Sunday ridership and the amount of trains that are offered on Saturday versus Sunday. As the Board is aware Sunday has much more limited schedule. He continued that he valued the \$9 million at 75% of those tickets being purchase on Saturday and could be used both days, because ridership is much less for Sunday, and it could be just Sunday people only riding on a weekend ticket. He said that he valued the additional money from just a Sunday purchase of 25% of the money brought in with the combined Saturday/Sunday tickets. Director Schaffer responded that did we factor into it the fact that a lot of people may just decide not to come downtown anymore, and perhaps go to Galena or to a movie in town. Mr. Mickus replied that one of the main attractions was to be able to use it for both days. However, he believes that what staff noticed was that the majority of people were only using it on the one day and now that the festivals in the summer for downtown Chicago have diminished, this was the reason to use it for both days.

Director Schaffer stated that to him it sounds like a senior citizen estimate, like \$30 million versus \$7 million. He continued that to be honest, he really does not think that it is a good thing and he really does question the \$2 million. He pointed out that we don't object if somebody takes a ten-ride ticket and gives it to their friend to use. He explained that what he is trying to say is who cares if their son goes to a rock concert on Saturday, and grandma goes down to the aquarium on Sunday, and he believes that again, this falls under unnecessary roughness.

Director McCoy stated that he need to add one more thing to that, and he is going to agree with Director Schaffer, that the two-day weekend pass is a tourism tool, and tourism gets people to spend money that they are not normally spending, and Metra gets a portion of the sales tax. He added that maybe staff should do a counter calculation to see how much the estimate from tourism from a two-day pass, and how much that gains us in the sales tax revenue.

Director Schaffer pointed out that the Board may have been dancing around some of the little things. However, the Board is very much aware of the fare, which is the major fare increase. He said that sometimes we spend our time worrying about these little things, but the big things also have to be thoroughly thought out too.

Director O'Halloran stated that the majority of Metra's revenues are coming from the monthly tickets, even though it is the least amount of tickets sold. He continued that one of the things that he certainly thinks that should be highlighted is that there has not been an increase on a monthly ticket since 2008. Also, he thinks that we should certainly throw out a number as to what the diesel price was in 2008 versus today, because in a lot of ways this is what is driving this huge increase, and the fact that Metra has not kept up with the CPI, or even our peer agencies. He thinks that we certainly need to do that, and everyone knows that we are going to have to take some bitter pills, but it is the "why" that we want to absolutely highlight.

Item 8: Report on the State of Metra Operations

George Hardwidge, Deputy Executive Director of Operations stated that he would give a brief update of revenue collection. Staff is working diligently to enhance the coordination and tracking of customer complaints to ensure proper follow-up. He explained that we have been expanding the number of trained observers that we are putting out on trains to monitor fare collection. Staff is working with labor to explore further efficiencies in revenue collection, as well as reviewing manpower needs on crowded trains. Metra is taking this issue very seriously and are pursuing it with all available resources.

He continued that the overall on-time performance for the month of August was 92.7%. The August 2011 weekday peak on-time performance improved, versus last August and the five-year average. The weekday off-peak and weekend on-time performance declined. This is due in part to the removal of the construction schedules. He said that breaking down the delays by duration we met our goal of having at least 50% of reported delays less than eleven minutes.

He explained that with regards to major delays in August, there were 14 delays due to right-of-way accidents, 54 delays because of the Ravinia Park Concerts, 188 delays due to freight traffic, 212 delays because of track construction, and 65 delays due to mechanical reasons. To better manage these delays, staff is meeting daily, and having weekly calls with the freight railroads to discuss freight related delays. Also, staff has initiated a look at Chicago protocols with all the freight command centers, and also met both with the UP and the BNSF, Metra's major partners, regarding freight delays. On the Mechanical side, Marty Ryan has increased quality control inspections with the outside vendors, as well as quality control in-house. He said that they have redistributed the mechanical engineering staff to assist field staff with mechanical issues and troubleshooting. Going further, staff is analyzing all train schedules to identify trains that require schedule adjustments.

Mr. Hardwidge said that Metra is in the process of proposed schedule change on the Milwaukee North, Milwaukee West, SouthWest Service, and Heritage Corridor line to make sure those schedules more accurately reflect the operating realities that are faced today. Notable changes will be on the Milwaukee District North line train number 2121, which is proposed to depart Union Station ten minutes earlier. This is critical to keeping the flow of the trains on time. Also, Milwaukee North line train number 2156 departing Fox Lake will leave ten minutes earlier so that trains can single track better, and the SouthWest train number 808 will depart Orland Park ten minutes earlier. He continued that we have gone out for public comment on the changes, which began on September 6th and will go through September 23rd. Comments are accepted through the Metra website, on the Bi-Level and through Passenger Services department. Passengers were notified via email, Twitter alerts, press release, on board announcements and printed schedules. He concluded that we have received significant feedback and before we bring back the final schedule, staff will work through that feedback.

Item 9: Report on Metra's Ridership and On-Time Performance for July 2011

Vice-Chairman Huggins stated that because of the full agenda and time constraints, the report would be accepted as written. He asked if any member of the Board had any questions for Ms. Ciavarella. The Board asked no questions.

Item 10: Report on the Corporate Website Activity for August 2011

Vice-Chairman Huggins stated that again because of the full agenda and time constraints, the report would be accepted as written. He asked if any member of the Board had any questions for Ms. Pardounet. The Board asked no questions.

Item 11: Monthly Management Personnel Report

Vice-Chairman Huggins stated that once again because of the full agenda and time constraints, the report will be accepted as written. He asked if any member of the Board had any questions for Ms. Washington. The Board asked no questions.

Item 12: Monthly Financial Report

Tom Less, Acting Chief Financial Officer reported that he will be presenting the July and July 2011 year-to-date financial results, along with a brief update on diesel fuel. He stated that in summary, Metra was favorable at the deficit level by \$568,000 or 2.1%. Total revenues were unfavorable to budget by \$512,000 or 1.9%, total expenses were favorable to budget by \$1.1 million or 2%, and the July revenue recovery ratio was 57.9%, which was favorable to the budgeted ratio of 55% by 2.9%.

He continued that passenger revenue was unfavorable to budget by \$412,000 or 2%. Slightly unfavorable variances were reported on most lines. Other revenue was unfavorable to budget by \$100,000 primarily due to slightly lower than anticipated capital credit revenue because of Metra's reduced capital program. He said that combined operations expense was favorable to budget by \$976,000 or 2.5%, primarily due to lower than anticipated wage, fringe benefit and security costs related to the City of Chicago's reduced 4th of July programs.

He stated that administration and regional services were \$488,000 or 4.1% favorable to budget primarily due to vacancies and reduced other costs. Claims, insurance and risk management was favorable to budget by \$686,000 due to favorable claims and insurance premium expense. Claims expense can be very volatile and is difficult to budget on a monthly basis. This favorable variance may offset future months unfavorable variances. Diesel fuel was unfavorable to budget by \$1 million or 19.8%. Diesel fuel averaged \$3.15 per gallon versus the budgeted price of \$2.35 and is at our forecasted target of \$3.15. There were no significant variances in the remaining categories.

He explained that the July 2011 year-to-date results show that Metra is unfavorable at the deficit level by \$5.2 million or 2.1%. Total revenues are unfavorable to budget by \$1.3 million or 0.8%, and total expenses are unfavorable to budget by \$3.8 million or 1%. Net of diesel fuel, expenses were favorable to budget by 5.3 million or 1.6%. Metra's revenue recovery ratio is 54.2%, which is unfavorable to the budgeted ratio of 55% by 0.8%, but is consistent with our forecast.

Mr. Less continued that passenger revenue is \$191,000 or 0.1% favorable to budget and \$548,000 lower than comparable 2010 results. There were no significant variances on any one line. Other revenue is \$1.5 million or 4.5% to budget, primarily due to the unfavorable variance in Grant Project Credits that occurred in June. Combined

operations expense is favorable to budget by \$2 million or 0.7%. All areas are slightly favorable to budget primarily due to lower than anticipated wage and material expenses.

He said that combined administration and regional services expense was favorable to budget by \$2.2 million or 5.5% on a budget base of \$34.6 million. Labor and employee fringe benefits were favorable due to vacancies and other one time cost reductions implemented in 2011 in response to Metra's diesel fuel crisis. Other costs were favorable to budget due to lower than anticipated credit card, IT and marketing expenses. Diesel fuel is \$43.7 million unfavorable to budget by \$9.2 million or 26.5%. Diesel fuel averaged \$3.01 per gallon versus the budgeted price of \$2.35. Motive power is \$4.6 million and favorable to budget by \$325,000 or 6.6% primarily due to lower than anticipated kilowatt-hour usage. Again, there were no significant variances in the remaining categories.

He explained that regarding diesel fuel, the August average price of \$3.03 was 12¢ per gallon lower than July's average price of \$3.15 and was lower than Metra's forecasted target of \$3.15. He pointed out that the slide he is showing demonstrates the volatility of the price of fuel as it relates to 12 and 18 month lock in pricing and the daily spot market prices that staff currently uses. The price for fuel so far in September has been trending down since September 8th. The price on September 1st was \$3.18 and on September 15th the price was \$3.00. Today's price, however, was \$3.08. He concluded that staff continues to closely monitor the lock in prices for opportunities to stabilize the cost of this volatile and significant cost for 2012 and 2013.

Item 13: Quarterly Update on Positive Train Control

Joe Lorenzini, Chief Engineering Officer, explained that he would provide a brief history of Positive Train Control, or PTC for the new Board members. He stated that in 2008, Congress passed a law mandating that all train lines carrying passengers or hazardous material be equipped with PTC by the end of 2015. This law was enacted shortly after the Los Angeles Metrolink commuter train accident, in which 25 people were killed. The PTC law is an unfunded mandate. He continued that PTC is an overlay to the existing signal system. It does not replace the signals or the train engineer. If the engineer does not obey the signals or other speed restrictions, the PTC system will stop the train safely.

He stated that before the train starts its trip, all of the relevant data will be downloaded from the office system located at Metra's Consolidated Control Facility, also known as the CCF Center, into the locomotive's computer. This information is transmitted over the communications system to the train's location. The same holds true for any train coming onto Metra's tracks, such as an Amtrak or a freight train. He continued that as the train is moving down the track the locomotive's computers track the train's locomotive by using GPS satellites and calculates its position with respect to the upcoming signals or other significant points in the Metra data base. If the train is going too fast, the engineer will get a warning as calculated by the yellow curve on the slide, and if the train is not slowed down by the engineer, the PTC system will initiate braking as calculated by the red braking curve on the slide.

He continued that when a train engineer starts his trip, he or she, must not only know the speed of the line, but also any permanent speed restrictions, and any temporary speed restriction for that day. In addition, the engineer must remember all of the station stops and be on the look out for any other unsafe situations that may occur as he, or she, is operating the train. The PTC system automatically builds much of this information into the system to help operate the train. He said that although PTC is a major safety system, it will not prevent all accidents. For instance, PTC would not have prevented a truck from running into a train such as the accident on the UP NorthWest Line, but PTC would have prevented the two accidents that Metra had on the Rock Island line, one in 2003 and the other in 2005.

He explained that the communications segment will provide a reliable conduit of PTC information between the locomotive and all the wayside devices in the CCF Center. It will utilize a 220-megahertz data radio network. The

existing communication infrastructure will be used as much as possible. He said that Metra will work with other railroads to provide a shared asset infrastructure. A network will be based on the interoperability transport protocol. He pointed out that the real challenge in developing the system is the communications and the interoperability transport protocol. The major Class One railroads such as the Union Pacific, Burlington Northern/Santa Fe, Norfolk Southern, and CSX are jointly developing a system that will be used by all railroads across the United States. As mentioned, the system is using a 220-megahertz radio band. The Class One railroads have already purchased spectrum in this band. Once the system is developed studies will be done to figure out how much of the radio band is needed in the Chicago region, and then we can decide how much Metra needs to purchase. Metrolink in Los Angeles spent about \$7 million just for the spectrum they needed to run their system. He said that the plan is to have all the tenant railroads that are running on Metra's tracks be equipped with the PTC system. The Metra trains that run on the host railroads will also be protected with the PTC, since the host railroads will be compatible with the Metra system. He continued that this is where the interoperability comes in. The PTC system being developed would work on any of the other railroad lines by using the same frequency band, radios, and computer operating system.

He stated that with regards to rolling stock, Metra has 155 locomotives, 187 cab cars, and 26 EMUs that will need to be equipped with PTC. There are 145 EMUs that will be retired soon, so those units will not be equipped with PTC. However, the new 160 EMUs being built right now will come equipped with positive train control. Metra's Mechanical Department forces will do all of the installation of PTC.

He said that there are a number of signal locations that will have to be equipped. On the Metra lines alone, there are 683 locations, and over a thousand signals that will need to be equipped. He said that the Engineering department has recently started a signal training school for new signalmen. The school will be used to train existing and new employees on the installation of PTC. Due to this work, and upcoming retirements, Metra will need more qualified signalmen and Mechanical Department forces to install the system.

Mr. Lorenzini described a chart on how they plan to manage the PTC program. Metra employees will lead the project, perform QA/QC oversight and install the signal and mechanical equipment. He explained that with the 2012 program, the \$30 million that Mr. Clifford talked about, we will start to fund the program manager, signal design engineer, and there will be an overall consultant managing the project for us. We will also have a data mapping engineer who will put together all the relevant geometric data for the tracks and signals, a communication design engineer that designs the communication system, and a mechanical design engineering firm to support any of the work that Metra Mechanical forces need, if it's needed at all. He said that this is what the 2012 money will be used for, and we will also be able to start buying some material for the forces to put in. In 2013, Metra will need to hire an installation contractor, or integrator. This is the person who will put the whole thing together and make it work. He continued that realistically it is the communications portion of it that is difficult, as everyone needs to talk to each other properly. Underneath that person we will have the communications of the back office. This is the system at the CCF Center, and then the communication for all the field installations. He pointed out that by taking this approach we will not have to staff up and then lay off a bunch of people once the project is completed.

He explained that with the current funding, they have started some of the design and will order material to start installation. This year staff will also develop the contracts to hire the specialist firms needed to design the system and following that with hiring the material supply installation specialist. As mandated by Congress, this has to be completed by 2015. He stated that the estimated cost to install the system just on the Metra owned lines are over a \$100 million. Currently, Metra has \$2.8 million that will get the project started, but are depending heavily on the \$100 million from the State bond program in order to stay on track. He said that the Metrolink system, which operates similar to the Metra system but is slightly smaller, has a higher cost estimate. Metrolink's \$201 million budget is fully funded at this time.

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He stated that some of the risks include on time funding. Much of the technology to make the system interoperable with the other railroads is still under development. All of the railroads in the country will be buying the same type of material and currently there is only one supplier for certain components of this system. There are only a few integrators that staff knows of who can put the whole system together. Their function is mainly to get the communication portion of the project to work. He pointed out that a study of the Chicago area spectrum needs is currently going on. This will tell us how much spectrum we need to buy, assuming there is enough spectrum available. All plans and testing must be approved by the FRA. Currently, the FRA only has a few people in the Chicago area capable of doing this. They are very understaffed.

He concluded that again, we only have \$2.8 million dollars. However, the FY11 program, which was just approved, has another \$2 million, so we are actually up to \$4.8 million. With the current funding, two signal design contracts have been awarded and material will be ordered. He introduced Mr. Bill Kaminski, who is the Director of Signal Engineering, and added that he is probably one of the best signal engineers in the Chicago area, and is the one who is going really make this project go.

Director Partelow stated that this was a good presentation. He understands that Congress has mandated this by 2015, but it seems that a lot of the steps along the way are questionable at this point, not fully developed, and then the money is not there. He asked Mr. Lorenzini what the reasonable expectation is, and can we actually do this by 2015. Mr. Lorenzini responded that, if the funding comes, we fully expect to make the 2015 date. The project is in the capital program. However, if we do not get the State funding for whatever reason, we do have it covered in the capital program although this would short change a lot of the other projects that we could be doing.

Director McCoy stated that he has one question, and he does not need the answer right away, but we talk a lot about our sister agencies and he would like to know where they are on the timeline compared to us. Mr. Lorenzini responded that Metrolink in Los Angeles is committed to finish this by 2012. Also the Burlington Northern/Santa Fe and Union Pacific who run out there, and are similar to Metra, are also committed to making the 2012 date. But unless the technologies, software, protocols, etc., are fully developed soon they are going to be cutting it close. He said that the Burlington Northern/Santa Fe has committed to having it on their lines in Chicago by the end of 2013. With some of the first funding we receive, Marty Ryan, Metra's Chief Mechanical Officer's department is going to be installing PTC on our locomotives and cab cars that use the Burlington Northern line. He added that we fully expect to make that date.

Director LaBelle asked if the \$100 million in the State program was earmarked in the State capital program for PTC, or did we take \$100 million in the State capital program and say we want to spend it on PTC. Ms. Ciavarella responded that the slate of projects that were proposed for the State bond program has been in the budget documents. She said that if you look at the 2011 approved budget document, you will see the list of projects related to the State bond program. PTC is one of those projects that were called out in there, along with renewing bridges. There are some stations improvements, the Metra Electric cars, and one other project that is in the approved budget. She stated that next month, staff will be bringing back the revised State bond program to the Board based on the marks that Metra received from the RTA and the flow of the funding. However, the projects themselves are remaining in the budget as they have been approved by the Board.

Director LaBelle asked if the Board proposed using the money this way, or did the State tell us to spend it that way. Ms. Ciavarella responded that her understanding is that project was proposed for the State bond program, and the Board approved the budget. Director LaBelle stated that Mr. Lorenzini said that the funding is now at \$4.8 million. He asked whose money is that. Mr. Lorenzini responded that it came from Metra's normal capital program. Director LaBelle said that when Mr. Lorenzini says funding, that is Metra's funding? Mr. Lorenzini responded that this is correct. Director LaBelle asked where Metrolink got their money. Mr. Clifford responded that they cobbled that

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together through a variety of state and federal programs. They also got some money from the high speed rail State bond that passed in the State of California. He said that they have been real aggressive in going after their money, as Metra staff has been as well.

Director LaBelle commented that Metrolink received federal money into the deal? Mr. Clifford responded that they did get some federal, as well as state. Director LaBelle asked what the potential is to receive federal money. He asked if this is considered a capital or an operating item. Mr. Clifford responded that it is all capital. Director LaBelle stated that we have a little more a shot with capital money, but he asked if there is any idea of what the disposition is in Washington on PTC and providing anything to fund this mandate. Mr. Clifford responded that when he was in Washington a few months back, this was one of the highest priority topics. Certainly legislators on both sides of the aisle understand PTC and want to see it happen. He said that the question is if they can come up with the money, and one thing they reminded us of is not to hold out hope for that to happen. As we know, they are struggling through their own budgetary problems in Washington. He continued that there is some discussion afoot in Washington about potentially extending the deadline for PTC out to 2018 or 2020. However, he has not endorsed this. He thinks that we need to stay on track for 2015. This is a safety measure that needs to be done across the nation, including on this railroad, especially in this highly congested environment that Metra operates on.

Mr. Clifford continued that what makes matters worse on the funding side is that to the extent the federal government put out any money for PTC, they had put out \$50 million nationwide, this is nothing compared to the infrastructure costs nationwide. So they are, in affect, pulling that money back due to the budget crisis. He explained that this is something that we are going to have to go at it alone, and he thinks that it was fortuitous what the State did, and this agency did. in getting the bond measure to have at least a \$100 million. This will help greatly, if we can get it funded. He said to that end we met with the Governor's staff twice in the last couple of weeks to talk about how we can try to move that \$30 million forward to the bonds that we would expect them to float in September or October. His sense is that they are supportive of that. It really becomes more of a capacity issue. However, again, we need to first and foremost preserve the money for the highliner cars because we have to make progress on those new cars.

Director LaBelle stated that he had one more question regarding the money. He said that Metra's estimated cost is \$100 million plus. Will the BNSF, UP and the other railroads be investing too, or do we end up paying a portion of what their cost is since we run trains on their tracks. Mr. Clifford responded that some of this has to be worked out yet. With regards to the locomotives, they do belong to Metra, so whether it is the UP or the BNSF, we have to put the equipment on the locomotives. However, when you get to the wayside systems the BNSF is doing the signal work and he believes fiber work. Metra is paying \$3 million of that through our shared facility agreement. Discussions will need to be had with the UP about what will happen on that line.

Director LaBelle stated that with regards to the physical improvements that are being done to the system related to this project, he noticed the interlockers and such. He asked if there will be any ancillary benefits to the system that will result from the improvements we make for PTC, or are these things that we would have done anyway. Mr. Lorenzini responded that if the signals are relatively new, last twenty years or so, we can just add it on to the signals system. But if they are really old and they cannot accept this PTC overlay, then the cost on those lines will be greater. He explained that the benefit would be to force us to upgrade some signals that maybe we would not do for another five years or so. Director LaBelle asked if there were any switches or such. Mr. Lorenzini responded that there are not.

Item 14: Ordinance Approving an Amendment to a Fixed Facility Agreement between Metra and the Burlington Northern/Santa Fe Railroad

Jack Bauer stated that this ordinance and the next ordinance will authorize the Executive Director to sign amendments to the BNSF and Union Pacific facility agreements. He explained that fixed facility agreements, or FFAs, are typically entered into between Metra and another railroad. Metra currently has agreements with the UP, BNSF, NICTD and CN. This allows Metra to reimburse these railroads for capital work performed on their property. This capital work is necessary for commuter rail service.

He continued that funding for FFA capital projects is already included in the capital program and budget, which is annually approved by the Board. The capital work is often financed by State and federal funding sources. These amendments formally obligate funding from the funding source to the project and will allow Metra to pay for the improvements installed on the railroads property. He said that the amendments are also used to de-obligate excess funding from capital projects, so that funding can then be used for other capital projects.

He explained that the agreements can also be used to shift funding from one line item to another to accommodate specific project requirements, for example, between material purchases and construction labor. He said than an example of this would be estimating \$50,000 for a signal bridge and the actual cost being \$40,000. That \$10,000 is de-obligated from material purchases and used elsewhere in the project. All FFA projects have been approved by Metra's Engineering department. Where applicable, these project costs are also shared with the owning railroads based on fare benefits. Costs are typically allocated based on either gross ton miles for track work or train counts for signal work.

Mr. Bauer stated that FFAs protect Metra's investment in any capital projects installed on another railroad's property because Metra owns its share of the improvement it pays for. He concluded that the ordinances presented authorize the Executive Director to sign specific FFA amendments presented to the Board, as well as, any future UP and BNSF amendments to the FFA's referenced, as long as they were included in Metra's approved capital program.

Director LaBelle asked that with regards to owning the improvement, how does this work. He commented that do we know what share of the total line we own, and what that means if they wanted to sell it or something. Mr. Bauer responded that we would continue to own any particular improvement that we pay for. If it is a partial payment, we would own part of that improvement for as long as the useful life is determined for that particular improvement. Director LaBelle said that Metra then does not own the property, just the improvement. Mr. Bauer responded that we would just own the improvement.

Director De Graff moved, and Director Pennington seconded the motion to approve the ordinance. Vice-Chairman Huggins requested leave for the previous roll call. The Board granted leave for the previous roll call. The motion carried with ten ayes.

AYES: Directors' Darley, De Graff, LaBelle, McCoy, Mulder, O'Halloran, Partelow, Pennington, Schaffer, Vice-Chairman Huggins

**ORDINANCE NO. MET 11-20
BURLINGTON NORTHERN FIXED FACILITY AGREEMENTS**

RECITALS:

- A. In 1984, following the reorganization of the Regional Transportation Authority ("RTA") and the creation of service boards, the RTA adopted Ordinance 84-152 to transfer certain real and personal property assets to the Commuter Rail Division and the Suburban Bus Division to take immediate possession and control of those assets.

- B. The Commuter Rail Board of the Commuter Rail Division of the Regional Transportation Authority ("Board") adopted Metra Ordinance 84-52 to accept from the RTA the transfer of assets used in commuter rail services.
- C. Metra Ordinance 84-52 included five Fixed Facility Agreements between the RTA and the Burlington Northern Railroad (now known as the BNSF) dated between 1978 and 1982 (hereinafter "FFA") for the sharing of ownership and installation costs for improvements associated with commuter rail service.
- D. From time-to-time the FFAs have been amended to address additional capital improvement needs for commuter rail service.
- E. Metra Ordinance 84-52 authorizes the Executive Director/CEO's to take such action as he deems necessary and appropriate to implement, administer, and enforce said assignment and all other documentation necessary to effect or evidence the transfer.
- F. The Board desires to clarify the Executive Director's authority to amend the FFAs from time-to-time and to approve Amendment no. 73.
- G. Capital Improvements referenced in Amendment No. 73 have been included in Metra's approved capital program and are necessary and appropriate for the implementation of commuter service.

BE IT ORDAINED THAT:

- 1. The Recitals are hereby incorporated herein.
- 2. The Amendment in a form substantially similar to the attached copy is hereby approved. The Executive Director/CEO is hereby authorized and directed on behalf of the Board to execute and deliver the amendment and all subsequent amendments of the above referenced Fixed Facility Agreements, and the Assistant Secretary, if required, is hereby authorized and directed on behalf of the Board to attest such amendments thereto.
- 3. The Executive Director/CEO of the Division, is hereby authorized and directed to take such action as he deems necessary or appropriate to implement, administer, and enforce the Fixed Facility Agreements and all subsequent amendments, provided that such amendments are consistent with the Board's approved capital budget or any funding agreement paying for such improvements.

Item 15: Ordinance Approving an Amendment to a Fixed Facility Agreement between Metra and the Union Pacific

Jack Bauer stated that this ordinance is the same as the ordinance he just presented. It is a Fixed Facility Agreement between Metra and the Union Pacific.

Director Schaffer moved, and Director Mulder seconded the motion to approve the ordinance. Vice-Chairman Huggins requested leave for the previous roll call. The Board granted leave for the previous roll call. The motion carried with ten ayes.

AYES: Directors' Darley, De Graff, LaBelle, McCoy, Mulder, O'Halloran, Partelow, Pennington, Schaffer, Vice-Chairman Huggins

ORDINANCE NO. MET 11- 21
UNION PACIFIC FIXED FACILITY AGREEMENTS

RECITALS:

- A. In 1984, following the reorganization of the Regional Transportation Authority ("RTA") and the creation of service boards, the RTA adopted Ordinance 84-152 to transfer certain real and personal property assets to the Commuter Rail Division and the Suburban Bus Division to take immediate possession and control of those assets.

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- B. The Commuter Rail Board of the Commuter Rail Division of the Regional Transportation Authority ("Board") adopted Metra Ordinance 84-52 to accept from the RTA the transfer of assets used in rail commuter services.
- C. Metra Ordinance 84-52 included eight Fixed Facility Agreements between the RTA and the Chicago & North Western Railroad (now known as the Union Pacific Railroad) dated between January 13, 1978 and June 14, 1983 (hereinafter "FFA") for the allocation of installation costs and ownership for improvements associated with commuter rail service.
- D. From time-to-time the FFAs have been amended to address additional capital improvement needs for commuter rail service.
- E. Metra Ordinance 84-52 authorizes the Executive Director to take such action as he deems necessary and appropriate to implement, administer, and enforce said assignment and all other documentation necessary to effect or evidence the transfer.
- F. The Board desires to clarify the Executive Director/CEO's authority to amend the FFAs from time-to-time and to approve Amendment Numbers 99 and 100 to Fixed Facility III (Track).
- G. Capital Improvements referenced in Amendment Numbers 99 and 100 have been included in Metra's approved capital program and are necessary and appropriate for the implementation of commuter service.

BE IT ORDAINED THAT:

- 1. The Recitals are hereby incorporated herein.
- 2. The Amendments, in forms substantially similar to the attached copies, are hereby approved. The Executive Director is hereby authorized and directed on behalf of the Board to execute and deliver the amendments and all subsequent amendments of the above referenced Fixed Facility Agreements, and the Assistant Secretary, if required, is hereby authorized and directed on behalf of the Board to attest such amendments thereto.
- 3. The Executive Director/CEO of the Division is hereby authorized and directed to take such action as he deems necessary or appropriate to implement, administer, and enforce the Fixed Facility Agreements and all subsequent amendments, provided that such amendments are consistent with the Board's approved capital budget or any funding agreement paying for such improvements.

Item 16: Ordinance Amending Ordinance No. MET 11-16 with Respect to the 2011 Capital Program and 2011-2015 Capital Program

Lynnette Ciavarella, Senior Division Director of Strategic Capital Planning/Grants Development stated that A2 Interlocker improvements project for \$1.5 million is being added to the 2011 capital project. She explained that this project has become a critical project for 2011 capital program, and will provide funding to rehabilitate portions of the signal equipment and track at this very significant interlocking point on the Metra system. The proposed scope needs to be addressed this year prior to future funding that may become available in future years.

She continued that to accommodate this project, reductions have been made to two projects. First, the jointly funded Belmont Road grade separation projects is nearly complete and has required less funds than had originally be programmed. Staff is proposing to reduce the funding to this project by \$1 million. Secondly, the proposed \$500,000 reduction to bi-directional signal projects is tied to a reduction in the scope of the work that would be accomplished during this particular program year and is based on a funded initiative whereby future funds will be programmed to continue this necessary work.

She explained that Metra did receive a \$6.1 million Homeland Security Initiative under the Transit Security Grant program. This was previously estimated at \$5 million, and we wish to accurately portray this as our actual program amount of \$6.1 million. Also, an additional \$1.1 million is seen in the proposed capital program. The above proposal

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results in a fiscally constrained revision to the federally funded core capital projects. She concluded that the ordinance package received includes all the changes that occurred since the Metra Board adopted Ordinance MET 11-16 in July 2011. All program components remain at previously adopted levels.

Director Mulder moved, and Director O'Halloran seconded the motion to approve the ordinance. Vice-Chairman Huggins requested leave by the Board for the previous roll call. The Board granted leave, and the motion carried by ten ayes.

AYES: Directors' Darley, De Graff, LaBelle, McCoy, Mulder, O'Halloran, Partelow, Pennington, Schaffer, Vice-Chairman Huggins

Ordinance No. MET 11-22

(Please See Attachment No. 1)

Item 17: Chief Executive Officer's Report

Alex Clifford, CEO, stated that he would like to introduce Mr. Samuel Smith, who has joined Metra on Tuesday, this past week, as Metra's new Legislative Affairs Officer. He said that Mr. Smith brings to Metra more than fourteen years of progressively responsible experience in governmental and public affairs. He is a graduate of the University of Missouri, Columbia, and DePaul University's College of Law. His career in government began as a Public Affairs Consultant with the Haymarket Group, from which he progressed to Senior Policy Analyst for the City of Chicago to Manager of Government Affairs for the RTA. Mr. Clifford continued that at the RTA, Mr. Smith was responsible for Legislative Oversight of federal, municipal and State mass transit issues. He performed advocacy of the agency's interests before the Illinois Congressional delegation, Illinois General Assembly and Chicago City Council, provided strategic advice on issues relating to the agency's legislative agenda and he developed and implemented strategies and policies to promote transit in the region.

He continued that, secondly, the members of the Board have some blue folders in front of them. As the Board is aware, staff is continuing our ongoing effort to ensure that fares are collected properly. He explained that we have increased the number of trained observers on board the trains following last month's Board meeting. He said that he has also written a letter to all employees and a separate letter to all the crews reminding everyone of the importance of adhering to revenue collection policy. Today for the Board's review is Metra's "Be fair, pay the fare" campaign. Through this campaign, Metra riders are being asked to keep tickets visible throughout their ride and alert their conductor if they reach their destination before the fare has been collected. Riders are asked to report to the crew any fare that has not been collected and they are being directed to Metra's website to report any kind of specifics that they would like to pass on to us. Additionally they may report an instance of riders who travel beyond their ticketed fare zone.

He said that on the left side of the packet, there is a copy of an image that will be used on a poster, and a conductor pin. Later in the campaign, the slide that says "thank you" on it will be used. After we feel that we have accomplished our goal of encouraging our riders to properly display their fare and place that into the clip, we will come back with the "thank you" campaign. On the Metra website, a similar image will feature a link to the automated customer revenue report. These reports will be reviewed through the corporate website, or received through the corporate website and then transmitted to Metra's Transportation staff for their review. A sample revenue collection report is also included in this packet.

He concluded that on the right side of the packet there is the press release announcing the roll out of this campaign. He hopes that the Board will see that we are consistent with our words and that we intend to get to the bottom of this issue as it relates to potential non-fare collection and that this is just another step in those continuing efforts.

Director De Graff stated that he believes that the "be fair, pay the fare" is an outstanding way to visibly demonstrate what we are giving lip service to, and he thinks the idea of a clip identifying this is great. He would like to commend the administrative team and whoever put this idea together. Mr. Clifford responded that he would like to credit Ms. Pardonnet and her team for putting this together. He added that no dollars were used whatsoever in doing this. This was all done in house.

Vice-Chairman Huggins pointed out that at the last Board meeting, the Board mentioned the importance of making sure that all of these dollars are collected because at the end of the day we are looking at a serious rate increase that we want to try to keep to a minimum. So, as much as we can collect, the better off Metra will be.

Director O'Halloran added that he, too, thinks that this is a great idea because any type of fare fraud whatsoever is costing everybody. He certainly thinks a campaign of this nature to highlight it, get everyone's eyes on the same thing is in everyone's best interest.

Item 18: Ordinance Amending By-Laws for the Timing to Select Metra Chairman

Iain Johnston, Counsel to the Board explained that for the Board's consideration is an ordinance extending the time to select a Chairman for Metra. As the Board recalls, on April 30th, 2011, Chairman Doris resigned. Her term as chair extended to June 30th, 2012. The by-laws provided for ninety days to select a Chairman. At the July 17th Board meeting, the time was extended an additional sixty days. The sixty-day time period runs out on September 30th. This proposed ordinance provides for an additional ninety days taking this to December 30th, 2011 for the Board to select a chair of Metra.

Director Schaffer stated that he knows that he certainly does not want to extend it that far. He continued that this is a decision that should have been made two months ago. He explained that the Board very much respects the opinions and counsel of our appointing authorities, but these are times when Metra needs a permanent Chairman. He is very thankful for Vice-Chairman Huggins, who is doing an outstanding job, but this is something that we need behind us, and we need to sit down and do it. He knows that the eleven members of this Board could resolve this in a week or two. However, we need whatever guidance the appointing authorities wish to give to us, and we need to get it and elect a new Chairman. He would like to cut this down to thirty days.

Director McCoy said that he is going to vote no on this ordinance. He continued that he does not even know where this ordinance came from, or how the agenda is even put together. Maybe it came from the legal staff. However, he is going to vote no and, in particular, it says in the ordinance several new directors. He sees new directors mentioned a couple of times in the whereas, and he believes that he is the newest director. However, he does not want anyone waiting on him. Maybe it is the other new directors that want to wait, but he does not want anyone to wait on him, and he had nothing to do with that.

Director LaBelle stated that Director Schaffer alluded to it. The practical fact is that we are waiting for those who appoint us to come to some consensus on how the leadership should be, and Director Schaffer is completely right. He said that the Board knows that we could do this, but we are waiting on those who appoint us to work out a regional consensus. He does not know that we can have confidence that this will happen in the next thirty days, and asked if we have any reason to be confident of that.

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Vice-Chairman Huggins responded that he does not. However at some point the decision has to be made. He really concurs with what Director Schaffer said that hopefully by next month a Chairman can be appointed. He pointed out that we cannot keep coming back to the Board for extensions, so this is why it is being extended to the end of the year. He continued that he thinks that as Board Members we have a responsibility to get with our appointing authority to see if they can give us the green light to make a decision. He said that at some point as Board members, we have the responsibility to sit down with our appointing authorities and get some direction. Short of doing that, it won't happen.

Director Schaffer stated that the thing that bothers him is that all the appointing authorities have very responsible jobs with a lot of problems, and Metra does not seem to be a very high priority in terms of getting guidance. He thinks that if we keep extending it, the appointing authorities may think that they can put this on the bottom of the pile. It is important to get them to do their thing and, quite frankly, read the By-Laws. The Board makes the decision. He said that we are interested in their opinions and thoughts, but ultimately the Board makes the decision.

Vice-Chairman Huggins agreed, but the only thing that he would request is to get through this budget process. Once we get through the budget process, the next item on the agenda should be to expeditiously make sure that the Board selects the next Chairman.

Director De Graff stated that he is in favor of extending the time as stated in the ordinance. However, he does think that to the degree that Director Schaffer and others have spoken we need to make sure that knowing the fact that we can pick a Chairman amongst ourselves, this should be the last extension. He thinks that this is a fact that we should make that known and that we do welcome the advice and consent of those who are the appointing authorities, but we cannot continue to act in this manner, continue to extend it, because ultimately it is a job for the members of the Board to pick the chairman. He said that he will give his consent to this, but would also say that this was the last extension. Otherwise we are going to pick a chair.

Vice-Chairman Huggins agreed with Director De Graff, because this was his comment about four months ago. He thought that the Board should have come back to the June meeting and picked a Chairman, but that has not happened. So he totally agrees that between now and December, we as a Board, should make that decision.

Director LaBelle motioned to approve the ordinance, and in doing that, he would like to say what he thinks all the members of the Board feel, that Vice-Chairman Huggins is doing a very commendable job in handling this unexpected and unwanted task. He would like to thank Vice-Chairman Huggins very much for what he is doing. Vice-Chairman Huggins replied that it is unexpected, and is unwanted. Director Schaffer pointed out that the other thing that the Board should probably get on the record is that there really isn't anybody chomping at the bit for the job.

Director LaBelle moved, and Director De Graff seconded the motion to approve the ordinance. The motion carried with nine ayes.

AYES: Directors' Darley, De Graff, LaBelle, Mulder, O'Halloran, Partelow, Pennington, Schaffer, Vice-Chairman Huggins

NAYS: Director McCoy

ORDINANCE NO. MET 11-23

WHEREAS, former Chairman Carole Doris resigned as of April 30, 2011;

WHEREAS, pursuant to the Amended and Restated By-Laws of the Commuter Rail Division of the Regional Transportation Authority (the "By-Laws"), ordinarily when there is a vacancy in the office of the Chairman, the remaining members of the Board elect one of their number to serve for the balance of the Chairman's unexpired term within 90 days of such vacancy;

WHEREAS, several new directors have only recently been appointed to the Board;

WHEREAS, the Board wishes to complete an orderly, informed transition to a new Chairman and believes that an additional 60 days is necessary to allow full consideration of this issue by all directors, including the directors who have recently joined the Board;

WHEREAS, on July 15, 2011, the Board passed Ordinance No. MET 11-17, suspending the time for the election of the new Chairman until September 30, 2011; and

WHEREAS, the Board has since been engaged in numerous critical matters relating to the operation of Metra;

WHEREAS, the By-Laws allow for the suspension of their application by vote of the Board;

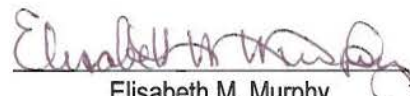
NOW, THEREFORE, BE IT ORDAINED BY THE BOARD AS FOLLOWS:

1. The 90 day timeframe for electing a new Chairman, found in Article III, Section 4.C of the By-Laws, is hereby suspended for an additional 90 days from September 30, 2011 pursuant to Article VII, Section 4, of the By-Laws, thus extending the time to elect a new Chairman to 240 days from former Chairman Doris's resignation.

Item 19: Adjourn to Executive Session for Matters Relating to Executive Session Minutes (Section 2 (c) (21)), and Collective Negotiating Matters, (Section 2 (c) (2))

Director Darley moved, and Director O'Halloran seconded the motion to adjourn to Executive Session. The motion carried with ten ayes.

AYES: Directors' Darley, De Graff, LaBelle, McCoy, Mulder, O'Halloran, Partelow, Pennington, Schaffer, Vice-Chairman Huggins


Elisabeth M. Murphy
Assistant Secretary to the Board

I, Arlene J. Mulder, in my capacity as Board Secretary of the Commuter Rail Board of the Regional Transportation Authority do hereby attest that the following minutes are a true and accurate reflection of the Board's meeting on the date so stated. In compliance with the Illinois Open Meetings Act, I do hereby authorize their release and publication.



Arlene J. Mulder, Secretary to the Metra Board of Directors

Commuter Rail Board
Ordinance No. MET 11-22

An Ordinance amending Ordinance MET-11-16 with respect to the 2011 Capital Program, and 2011-2015 Capital Program.

WHEREAS, the Transportation Security Grant Program has been awarded to the Commuter Rail Division in actual 2011 funding allocations for an amount greater than estimated and subsequently programmed; and

WHEREAS, the Commuter Rail Division has revised capital project funding priorities within the 2011 capital program,

NOW, THEREFORE, BE IT ORDAINED THAT:

1. The Board of Directors of the Commuter Rail Division of the Regional Transportation Authority ("Commuter Rail Division") hereby amends the 2011 Capital Program and Budget, and the 2011-2015 Capital Program, copies of which are attached hereto and made a part hereof, and further authorizes their transmittal to the Board of Directors of the Regional Transportation Authority ("Authority") in full compliance with Section 4.11 of the RTA Act.

2. The Chairman of the Commuter Rail Division and, at the Chairman's designation, the Executive Director of the Commuter Rail Division are hereby authorized and directed to take such action as they deem necessary or appropriate to implement, administer, and enforce this Ordinance.

3. This Section shall constitute the annual program of the Commuter Rail Division for services to be provided, operations to be continued or begun, and capital projects to be continued or begun during the fiscal year beginning January 1, 2011 and ending December 31, 2011. Authorization is hereby given that the programs and projects herein named may be implemented, or actions toward their implementation taken, during said fiscal year.

4. Sections 5 through 7 of this Ordinance shall constitute the Budget for operations of the services ("Operations") provided by the Commuter Rail Division other than for technical studies and capital projects as provided in Sections 8 through 10 of this Ordinance for the fiscal year beginning January 1, 2011 and ending December 31, 2011. Sections 8 through 10 of this Ordinance shall constitute the capital budget for project expenditures incurred during the fiscal year beginning January 1, 2011 and ending December 31, 2011.

5. The estimated Commuter Rail Division Operating Funds expected to be available from all sources during 2011 are (in 000's):

Total Operating Revenues (excluding Capital Farebox Revenues)	\$287,300
Metra 2011 Sales Tax	198,050
Metra 2011 Sales Tax & PTF (New Transit Funding)	88,852
FTA Section 5307 Funds (Preventive Maintenance)	<u>60,000</u>
Total Sources of Operating Funds	<u>\$634,202</u>

6. The following named sums, or so much as may be necessary, are hereby appropriated for the specified use (in 000's):

Operating Commuter Rail Services and Support	<u>\$634,202</u>
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7. The following are estimates of the revenues and expenses for the Commuter Railroads (in 000's):

Operating Revenues	\$287,300
Operating Expenses	<u>634,202</u>
Total Funded Deficit	<u>\$346,902</u>

8. The following named sum, or so much thereof as may be necessary, respectively, for technical studies and capital projects which remain unexpended as of December 31, 2010, is hereby reappropriated to meet all obligations of the Commuter Rail Division incurred during the fiscal year beginning January 1, 2011 and ending December 31, 2011 (in 000's):

Total	<u>\$897,860</u>
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9. The estimated Commuter Rail Division Capital Funds expected to be available from all sources to finance the 2011 Capital Program are (in 000's):

Federal Transit Administration	\$136,304	\$136,304
Federal Congestion Mitigation and Air Quality (CMAQ)	2,640	2,640
Federal Department of Homeland Security	5,000	6,100
State of Illinois Bond Funds	235,925	235,925
State of Illinois Department of Commerce and Economic Opportunity	10,000	10,000
State of Illinois Department of Transportation	0	1,200
RTA Innovation Coordination and Enhancement (ICE)	1,104	1,104
Metra 2011 Capital Farebox Revenues	11,302	11,302
Municipal and Other	<u>685</u>	<u>685</u>
 Total Sources of 2011 Capital Funds	 <u>\$404,160</u>	 <u>\$405,260</u>

Note: State of Illinois-State Bond funds line item includes \$171.9 million in previously appropriated funds for Metra Electric District Highliner cars.

10. The following named sum, or so much thereof as may be necessary, respectively, for technical studies and capital projects, are hereby appropriated to meet all obligations of the Commuter Rail Division incurred during the fiscal year beginning January 1, 2011 and ending December 31, 2011 (in 000's):

Rolling Stock	\$203,900	\$203,900
Track & Structure	55,430	54,430
Signal, Electrical & Communications	37,054	38,054
Support Facilities & Equipment	19,704	19,704
Stations & Parking	41,302	41,302
Support Activities	21,770	22,870
Preventive Maintenance	<u>25,000</u>	<u>25,000</u>
 Total Uses of 2011 Capital Funds	 <u>\$404,160</u>	 <u>\$405,260</u>