

Commuter Rail Division of The
Regional Transportation Authority
and The Northeast Illinois Regional
Commuter Railroad Corporation
(Public Entities, doing business as Metra)

Financial Statements and Supplementary Information as
of and for the Year Ended December 31, 2019, and
Independent Auditors' Report

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, both doing business as Metra (Metra), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Metra's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of Metra's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metra's internal control over financial reporting and compliance.

Deloitte & Touche LLP

April 30, 2020

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

Management's Discussion and Analysis (Unaudited)

December 31, 2019

Management's Discussion and Analysis

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

Railroad operations performed directly by the NIRCRC as well as the results of operations of PSA (Purchase of Service Agreement – operations contracted to third parties) carriers are collectively known as "Metra." MD&A offers an analysis of Metra's financial position and results of operations during the years ended December 31, 2019 and 2018. Management's discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with Metra's financial statements, which begin on page 17.

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

In certain circumstances, Metra may make reference to certain Non-GAAP measures that from management's perspective are useful measures of performance. The reader is advised to read all information provided in the MD&A in conjunction with Metra's 2019 financial statements and accompanying notes.

Business Profile

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

Metra's operating revenue is largely derived from passenger fares. Smaller amounts of revenue come from advertising, trackage fees, maintenance fees charged to railroads who operate upon Metra's operating tracks and the sale of construction and related services to various entities.

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

Corporate Organization

Metra manages its rail operations as follows. PSA providers (Northern Indiana Commuter Transportation District – NICTD, BNSF Railway and Union Pacific Railroad) run their operations with some guidance from Metra staff. NIRCRC operations are managed directly by Metra personnel.

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

Strategy Overview

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

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

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

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

In 2019, on-time performance averaged 94.6%. Metra's on-time performance in 2019 was adversely affected by significant increases in the number of delays due to signal/switch failures, interference from freight trains, and weather. Metra's overall on-time performance was 94.6% in 2019 and 94.8% in 2018.

During 2019, Metra experienced an increase in fuel prices. Ridership revenue was close to budget projections in 2019 and 2018.

To continue providing quality service, Metra needs to keep its asset base in good repair. Metra continues to seek federal and state funding towards this end. No unusual state or federal grants of any size were received during 2019 and 2018. Metra also continues to seek to provide internal sources of capital funding through raising revenues and controlling costs. Metra has achieved for several years and continues to target at least \$5 million in operating efficiencies every year to further constrain fare increases.

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

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

During 2019, Metra returned several rehabilitated vehicles to service. Thirty-five cars (35 Nippon) and four (4) locomotives were rehabilitated in-house and eleven (11) locomotives by an outside supplier.

During 2018, Metra returned several rehabilitated vehicles to service. Thirty-eight cars (34 Nippon and 4 Budd) and five (5) locomotives were rehabilitated in-house and ten (10) locomotives by an outside supplier.

Metra is renewing its information technology (IT) systems, replacing mainframe systems with a modern enterprise resource planning (ERP) system. Phase one was successfully implemented on January 1, 2016, phase two was successfully completed June 2017, phase three payroll was completed in February 2019 and phase four to replace revenue accounting is scheduled to be completed by June 2020. Efforts will continue until the renewal of Metra's software, hardware, and networks is complete.

Basic Financial Statements

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

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

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

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

Financial Summary

2019 Financial Summary

- *Net position* increased \$83.7 million, or 2.6%, to \$3,244.3 million at December 31, 2019. Net position represents total assets plus deferred outflow of resources minus total liabilities and deferred inflow of resources.
- *Capital assets – net* increased \$82.2 million, or 2.8%, to \$3,032.7 million in 2019 reflecting capital acquisitions less depreciation incurred in 2019.
- *Passenger revenue* decreased \$4.1 million, or 1.1%, to \$365.9 million in 2019.
- *Other operating revenues* decreased by \$1.1 million, or 2.3%, to \$45.9 million in 2019.
- *Nonoperating revenues* increased \$34.8 million, or 5.3%, to \$695.8 million in 2019.
- *Total operating expenses before depreciation* increased \$23.5 million, or 3.0%, to \$802.1 million during 2019.

Financial Analysis

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

2019 vs. 2018 Analysis

Statements of Net Position

Total net position represents the difference between the total assets and deferred outflow of resources, and the total liabilities and deferred inflow of resources. As shown in Table 1a, Metra's total net position at December 31, 2019 increased by \$83.7 million, or 2.6%, from December 31, 2018. Current assets increased by \$39.2 million, or 7.4%, to \$567.3 million. Capital assets increased by \$82.2 million, or 2.8%, to \$3,032.7 million. Current liabilities increased \$51.1 million, or 22.2%, to \$281.6 million. Long-term liabilities increased by \$32.5 million, or 35.1%, to \$125.2 million.

Table 1a
Condensed Statements of Net Position

(Amounts in millions)

Assets	December 31		Change	
	2019	2018	Increase (decrease)	Percent
			Dollars	Percent
Current assets	\$ 567.3	528.1	39.2	7.4%
Long-term investments	24.9	-	24.9	100.0
Capital Assets - net	3,032.7	2,950.5	82.2	2.8
Total assets	<u>\$ 3,624.9</u>	<u>3,478.6</u>	<u>146.3</u>	<u>4.2</u>
Deferred outflows of resources				
Deferred outflows of resources - pension related	\$ 25.8	12.2	13.6	111.5
Deferred outflows of resources - OPEB related	7.0	-	7.0	100.0
Liabilities				
Current liabilities	\$ 281.6	230.5	51.1	22.2
Long-term liabilities	125.2	92.7	32.5	35.1
Total liabilities	<u>406.8</u>	<u>323.2</u>	<u>83.6</u>	<u>25.9</u>
Deferred inflows of resources				
Deferred inflows of resources - pension related	\$ 1.4	4.5	(3.1)	(68.9)
Deferred inflows of resources - OPEB related	5.2	2.5	2.7	108.0
Net Position				
Net investment in capital assets	\$ 3,032.7	2,950.5	82.2	2.8
Unrestricted net assets	211.6	210.1	1.5	0.7
Total net position	<u>3,244.3</u>	<u>3,160.6</u>	<u>83.7</u>	<u>2.6</u>

Key changes include the following:

- *Current assets* increased by \$39.2 million, or 7.4%, to \$567.3 million primarily due to increases in cash, cash equivalents by \$50.2 million, or 105.7%, accounts receivable – grant projects by \$12.9 million, or 18.0%, accounts receivable – other, net by \$7.0 million, or 177.0%, and materials and supplies by \$5.3 million, or 36.1%, which were partially offset by decreases in accounts receivable – RTA financial assistance by \$11.4 million, or 11.3%.
- *Long-term assets and capital assets* increased by \$107.1 million, or 3.6%, to \$3,057.6 million due to increase in capital assets by \$82.2 million, or 2.8%, to 3,032.7 million and long-term investments by 24.9 million, or 100% to \$24.9 million.
- *Current liabilities* increased by \$51.1 million, or 22.2%, to \$281.6 million, primarily due to increases in accounts payable by \$37.7 million, or 24.7%, accrued wages and benefits payable by \$10.0 million, or 21.2%, accrued claims – current by \$1.0 million, or 7.4%, and unearned revenue by \$2.3 million, or 14.2%.
- *Long-term liabilities* increased by \$32.5 million, or 35.1%, to \$125.2 million, primarily due to increases in long-term portion of accrued claims by \$2.5 million, or 5.9%, net pension

liability by \$23.4 million, or 240.9% and provision for post-retiree health benefits by \$6.7 million, or 16.3%.

Statements of Revenues, Expenses, and Changes in Net Position

Change in net position represents the difference between operating loss and financial assistance. As shown in table 2a, Metra's change in net position for years ended December 31, 2019 and 2018 was \$83.9 million and \$43.5 million, a 92.9% increase in change in net position from the year ended December 31, 2018. Total operating revenues decreased by \$5.2 million, or 1.2%, from 2018. Total operating expenses before depreciation increased by \$23.5 million, or 3.0%, from 2018. Total nonoperating revenues increased by \$34.8 million, or 5.3%, from 2018.

Table 2a

Statements of Revenues, Expenses, and Changes in Net Position

(Amounts in millions)

	December 31		Change increase (decrease)	
	2019	2018	Dollars	Percent
Operating revenue:				
Passenger revenue	\$ 365.9	370.0	(4.1)	(1.1)%
Other	45.9	47.0	(1.1)	(2.3)
Total operating revenue	411.8	417.0	(5.2)	(1.2)
Operating expenses:				
Transportation	261.4	248.8	12.6	5.1
Fuel and motive power	64.5	63.0	1.5	2.4
Engineering	161.7	137.6	24.1	17.5
Mechanical	184.8	179.7	5.1	2.8
Administration	91.4	106.1	(14.7)	(13.9)
Claims and insurance	20.5	28.8	(8.3)	(28.8)
Downtown stations	17.8	14.6	3.2	21.9
Total operating expenses before depreciation	802.1	778.6	23.5	3.0
Operating loss before depreciation	(390.3)	(361.6)	28.7	7.9
Depreciation	221.6	255.9	(34.3)	(13.4)
Operating loss	(611.9)	(617.5)	(5.6)	(0.9)
Nonoperating revenue:				
Financial assistance	695.8	661.0	34.8	5.3
Total nonoperating revenue	695.8	661.0	34.8	5.3
Change in net position \$	83.9	43.5	40.4	92.9 %

Total operating revenue decreased by \$5.2 million, or 1.2%, from 2018. Principal changes are discussed below:

Passenger revenue decreased \$4.1 million or 1.1% in 2019. This decrease was due to a decrease in ridership. Below is a table comparing ridership by line for 2019 and 2018:

Table 3a

Passenger Trips By Line

(In thousands of passenger trips)

<u>Rail line</u>	<u>2019*</u>	<u>2018*</u>	<u>Increase (decrease)</u>	<u>Percent</u>
Burlington Northern/Santa Fe	15,468	15,823	(355)	(2.2)%
Metra Electric	7,283	7,716	(433)	(5.6)
Heritage Corridor	734	728	6	0.8
Milwaukee–North	6,549	6,610	(61)	(0.9)
Milwaukee–West	5,905	6,144	(239)	(3.9)
North Central Service	1,590	1,641	(51)	(3.1)
Rock Island	7,338	7,578	(240)	(3.2)
SouthWest Service	2,357	2,421	(64)	(2.6)
Union Pacific–North	8,552	8,690	(138)	(1.6)
Union Pacific–Northwest	10,384	10,598	(214)	(2.0)
Union Pacific–West	7,883	8,139	(256)	(3.1)
Total passenger trips	<u>74,043</u>	<u>76,088</u>	<u>(2,045)</u>	<u>(2.7)%</u>

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

Other operating revenue decreased by \$1.1 million, or 2.3%, primarily due to increases in lease revenue by \$1.6 million, or 36.6%, which were partially offset by decreases in advertising revenue by \$1.0 million, or 21.7%, interest income by \$1.1 million, or 11.5%, and miscellaneous income by \$1.0 million, or 18.5%.

Nonoperating revenue increased by \$34.8, or 5.3%, to \$695.8 million, primarily because of increases in federal grants by \$45.5 million, or 29.4%, and RTA sales tax by \$5.0 million, or 1.2%, local grants by \$1.8 million, or 65.3% which were partially offset by decreases in RTA grants by \$18.1 million, or 18.1%.

Total operating expenses before depreciation increased by \$23.5 million, or 3.0%, due to increases in fuel by \$1.4 million, or 2.4%, to \$59.2 million, motive power by \$0.1 million, or 2.0%, to \$5.3 million, labor by \$18.0 million, or 5.9%, to \$321.7 million, fringes benefits by \$12.5 million, or 5.9%, and purchases by \$33.6 million, or 56.1%, partly offset by decreases in material costs by \$3.9 million, or 7.7%, claims by \$8.0 million, or 32.9%, insurance by \$0.2 million, or 5.5%, and utilities by \$29.8 million, or 51.2%.

Metra consumed 26.5 million of gallons of diesel fuel with an average price \$2.24 per gallon in 2019 vs. 26.8 million of gallons of diesel fuel with an average price \$2.16 per gallon in 2018.

Metra consumed 75.7 million KWH of motive power in 2019 at an average price of \$0.0697 per KWH vs. 77.0 million KWH of motive power in 2018 at an average price of \$0.0672 per KWH.

Capital Assets

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

As of December 31, 2019 and 2018, Metra had invested approximately \$8.0 billion and \$7.7 billion, respectively, in capital assets including land, stations, maintenance facilities, rolling stock, track, structures, and signal and communication equipment as well as other support equipment. Net of accumulated depreciation, Metra's net capital assets at December 31, 2019 and 2018 totaled approximately \$3.033 billion and \$2.951 billion, respectively (see Table 4a). This amount represents a net increase (including additions and disposals, net of depreciation) of \$82.2 million or 2.8% over the December 31, 2018 balance.

Table 4a

Capital Assets by Funding Source
Current Year to Prior Year Analysis
(Amounts in millions of dollars)

Funding source	December 31		Change increase (decrease)	
	2019	2018	Dollars	Percent
Federal Transit Administration	\$ 4,076.6	3,883.7	192.9	5.0 %
Illinois Department of Transportation	660.7	660.8	(0.1)	—
Regional Transportation Authority	2,225.0	2,151.7	73.3	3.4
Northern Indiana Commuter Transportation District	6.4	6.4	—	—
Metra	1,058.7	1,024.8	33.9	3.3
Total capital assets	8,027.4	7,727.4	300.0	3.9
Accumulated depreciation	(4,994.7)	(4,776.9)	217.8	4.6
Total capital assets, net	\$ 3,032.7	2,950.5	82.2	2.8 %

Major capital asset expenses during 2019 and 2018 included the following:

- Metra's Rolling Stock program seeks to ensure that an adequate number of locomotives and commuter railcars are available to meet the current and future service needs of the system. This program includes rehabilitation of, and improvements to, existing vehicles. Metra expended \$99.2 million and \$71.6 million for 2019 and 2018, respectively, to upgrade and maintain its existing fleet through remanufacturing, rehabilitations, and replacement of major subassemblies. The 2019 expenditure includes purchase of nine (9) used F59PH-3 Locomotives.

- The *Track and Structure* program provides for the continued rehabilitation and upgrading of Metra's commuter railroad rights-of-way. In addition to maintaining operational safety, the rehabilitation of track and structures results in reduced train running times, fewer interruptions in service, greater passenger comfort, and efficient use of plant and equipment. Metra has developed a cyclical program of track rehabilitation, which includes all commuter rail lines within the region. Project priorities are decided based on train volumes, speed restrictions, age and condition of the roadbed, and track speeds essential to maintaining on-time performance. Structure projects serve objectives that are similar to those of the track program. Since 1990, when Metra's comprehensive plan for bridge rehabilitation and replacement began, the structure program has focused on the commuter rail bridges identified as high priorities for action. The Capital Program continued the implementation of these programs in 2019 and 2018 by expending \$68 million and \$74.8 million, respectively, in funding for the rehabilitation, replacement, and upgrade of bridges, track, and structures.
- *Signaling, Electrical, and Communications* systems and equipment improvements are designed to maximize commuter operating efficiencies, maintain reliability of rail service, and provide a safe system of dispatching and centrally controlled train movements. Signaling systems and switches control usage of track. Much of this equipment is concentrated at "interlockings," which are control systems where two railroads cross each other or where many trains change tracks. The smooth, dependable operation of these interlockings is critical for maintaining on-time performance. Metra also continues its program to improve communication systems, allowing for the provision of timely information to its customers. Signaling, electrical, and communications expenditures in 2019 and 2018 were \$62.0 million and \$60.6 million, respectively. The largest component of the expenditures in this category for 2018 and 2017 has been for Positive Train Control (PTC). PTC is a communication-based train control safety system intended to prevent train collisions. PTC is presently estimated to cost \$385.0 million in total. Metra has awarded and obligated \$367.0 million of the \$385.0 million total.
- *Support Facilities and Equipment* includes maintenance yards, layover and storage facilities, and support vehicles and equipment that are essential to maintaining reliable and efficient commuter services. Support facilities and equipment expenditures in 2019 and 2018 were \$55.3 million and \$26.0 million, respectively.
- *Commuter Stations* are portals to the Metra system and very often to the communities in which they are located. Stations must be functional and compliant with the Americans with Disabilities Act, as well as inviting to Metra customers. Commuter stations expenditures in 2019 and 2018 were \$12.4 million and \$16.5 million, respectively.
- The *Commuter Parking* program is designed to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Parking improvements are constructed in a manner to ensure conformance with the requirements of the Americans with Disabilities Act. Commuter parking expenditures in 2019 and 2018 were \$1.0 million.

RTA Sales Tax and Public Transportation Funds

RTA Sales Tax and Public Transportation Funds (PTF) have been the primary sources of funding for the RTA and the three Service Boards (Metra, Chicago Transit Authority (CTA) and the Suburban Bus Division (Pace)) for over three decades. The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State

of Illinois, and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, without appropriation, by the State Treasury or on the order of the State Comptroller. During 2016, 2017, 2018, and 2019, the state held back a percentage of sales tax as collection fees. The collection fees are continuing in 2020.

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

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

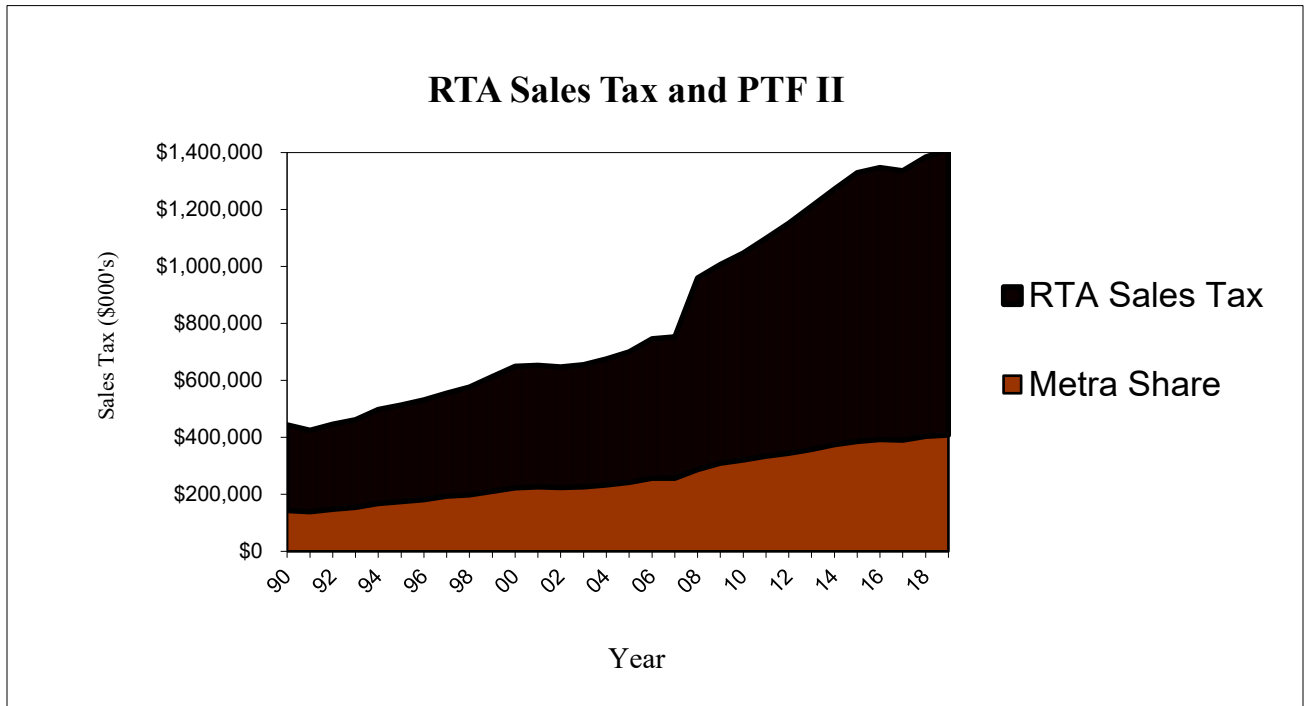
The RTA Act, as amended in 2008, increased the RTA sales tax by an additional 0.25% in all six counties of the RTA region (Sales Tax II), increased the Real Estate Transfer Tax (RETT) in the City of Chicago by 0.3%, and provided additional Public Transportation Funds equal to a 5% match of Sales Tax I receipts and a 30% match of Sales Tax II receipts and RETT receipts (PTF II). By statute, CTA receives all revenue from the RETT increase and 25% PTF match on the RETT. Sales Tax II and remaining PTF II (i.e., 5% match on Sales Tax I, 30% match on Sales Tax II, and 5% match on the RETT) were distributed to the three Service Boards and the RTA in 2019 and 2018 as follows:

- \$164.6 million to Pace ADA Paratransit Service
- \$25.5 million to Pace Suburban Community Mobility Fund (SCMF)
- \$12.8 million to the RTA Innovation, Coordination, and Enhancement (ICE) Fund

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

The graph below shows the annual Sales Tax I collected in the six-county region since 1990, together with the Sales Tax II and PTF II collected beginning in 2008. Year 2019 Sales Tax I and combined Sales Tax II/PTF II totaled \$932.5 million and \$478.1 million, respectively. Metra’s statutory shares \$306.7 million and \$101.5 million, respectively, together represent 28.9 % of total RTA Sales Tax and PTF II revenue sources.

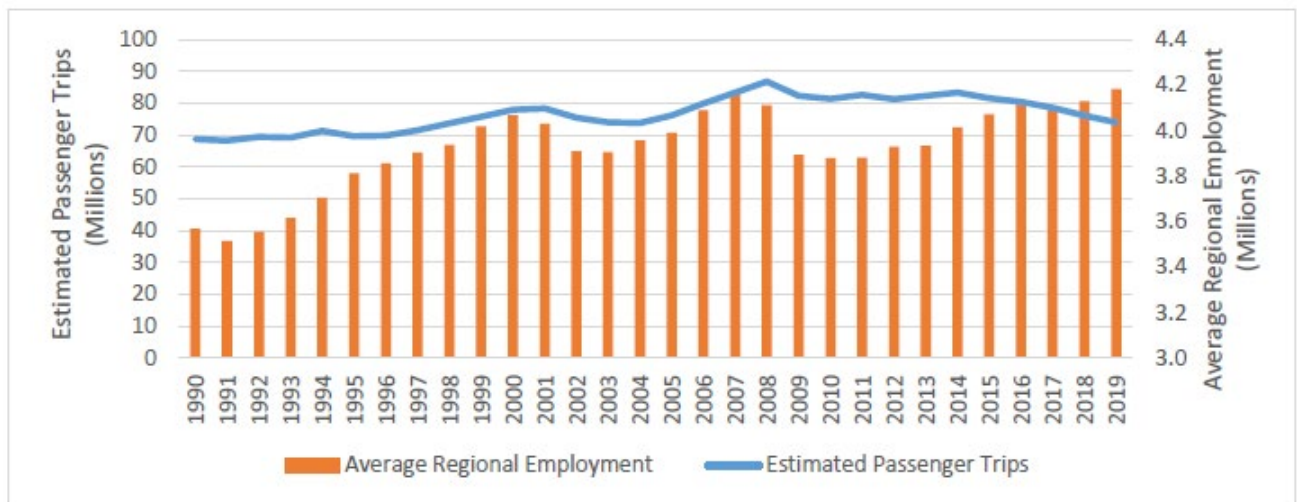
Figure 1: Sales Tax and Metra Statutory Share



Employment

Since approximately 90% of passenger trips taken on Metra are for work, the health of the regional economy, specifically in terms of employment levels, greatly influences Metra ridership (see Figure 2). Regional employment has generally grown since 1990. The economic downturn following the September 11, 2001 attacks and the 2007 to 2009 economic recession (affecting 2008 through 2010 employment averages) are the exceptions. Average regional employment for 2019 was 0.4% higher compared to 2018. Employment slightly exceeded pre-recession levels. In 2019, approximately 4.2 million persons were employed in the Chicago region. This is the highest regional employment in Metra history. The US federal government was partially shut down from December 22, 2018 to January 25, 2019, reducing passenger trips in that time period.

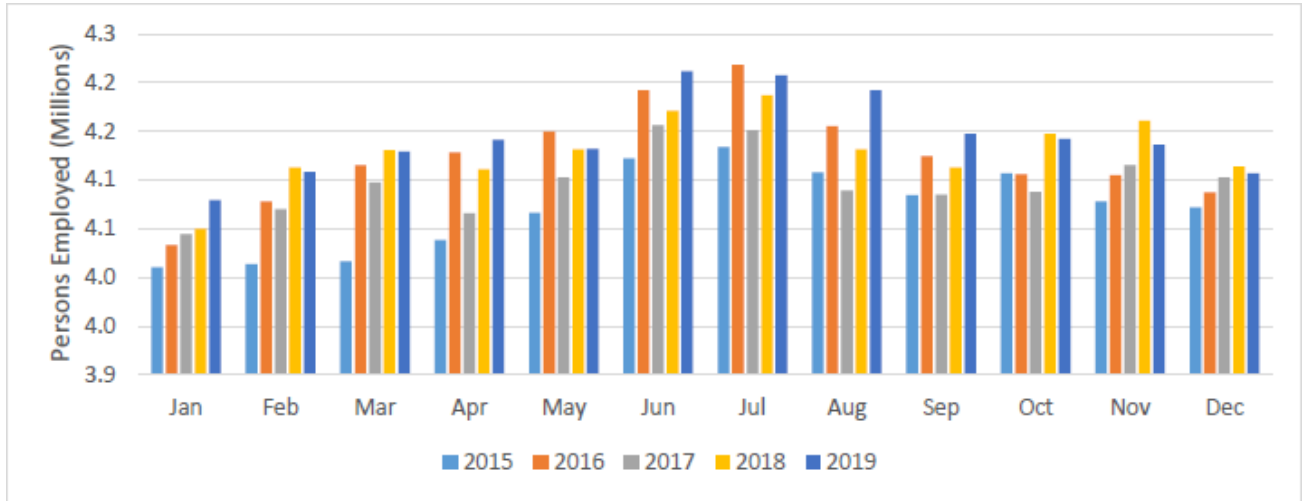
Figure 2: Annual Average Regional Employment



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

Figure 3 shows regional employment by month for 2015 through 2019. In 2019, regional employment grew in 6 of 12 months. Gains in January, April, June, July, August, and September were large enough to offset losses in other months.

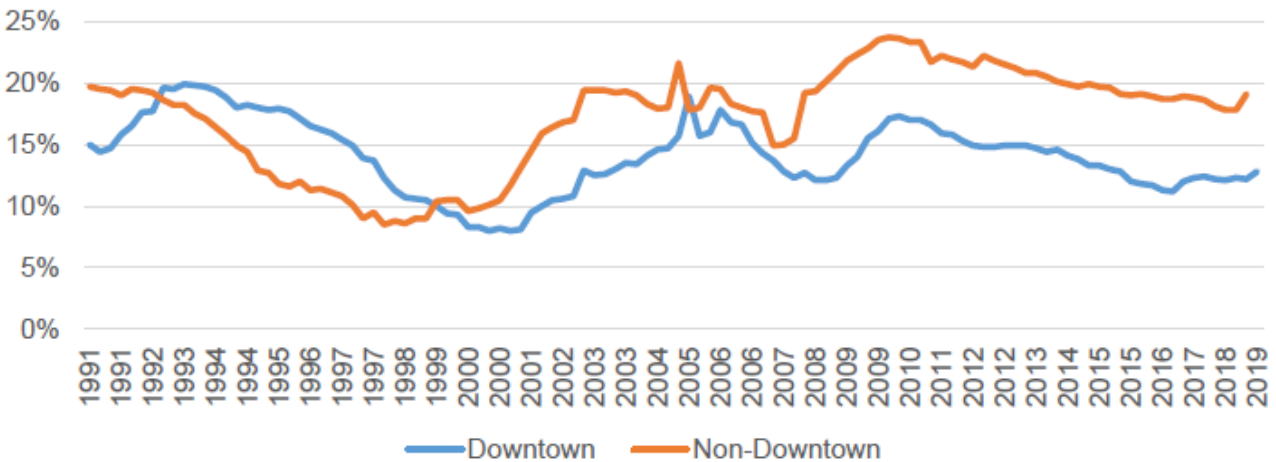
Figure 3: Regional Employment by Month



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

The shift in the share of total employment towards downtown Chicago is evident in office occupancy rates (see Figure 4). Downtown Chicago office occupancy rates remained constant near 85.1% between the First Quarter of 2012 through the first half of 2013. Beginning in the Third Quarter of 2013, the occupancy rate began to climb. By the Fourth Quarter of 2016, the rate had gone up to 89 percent. Occupancy rates dropped slightly to 87.8 percent by the Fourth Quarter of 2017. Office occupancy rates outside of downtown were relatively unchanged in 2017 compared to 2016. The Fourth Quarter of 2016 was 81.3 percent and the Fourth Quarter of 2017 was 81.4 percent. In the Third Quarter of 2018, the downtown office occupancy rate was 87.8%, and the suburban rate was 82.2%. In the Fourth Quarter of 2019, the downtown office occupancy rate was 86.2 percent, and the suburban rate was 80.4 percent. The difference in downtown and outside-of-downtown occupancy has been steady since the Second Quarter of 2008 (see Figure 4).

Figure 4: Quarterly Percent of Unoccupied Office Space



Source: CB Richard Ellis

Debt Administration

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

Recent Developments

The World Health Organization (“WHO”) declared the outbreak of the Coronavirus Disease 2019 (“COVID-19”) a pandemic on March 11, 2020. The COVID-19 outbreak will have a substantial effect on Metra. Actions taken in Illinois since the beginning of March, 2020, to help mitigate the spread of COVID-19 consist of travel restrictions, quarantines, and closures of public places and non-essential businesses. These actions have had and are expected to adversely impact the economy of northeastern Illinois, where Metra operates. The length of these conditions and their financial impact this will have on Metra is presently estimated as: the 2020 shortfall in revenues will be approximately \$330 million, with federal relief from the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act available to Metra amounting to approximately \$480 million. Funds not used to fill any 2020 shortfalls can be carried over to future years. Though these estimates are acknowledged to be highly preliminary, Metra sees no threat to its ability to continue to operate as a going concern in 2020.

Contacting Metra’s Financial Management

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

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

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS:

Cash, cash equivalents, and investments:

Cash and cash equivalents	\$ 97,734,808
Short-term investments	<u>258,904,107</u>
Total cash, cash equivalents, and investments	<u>356,638,915</u>

Accounts receivable:

Grant projects	84,250,173
Financial assistance—RTA	89,941,821
Other—net	<u>11,010,433</u>
Total accounts receivable	<u>185,202,427</u>

Materials and supplies

Prepaid expense	<u>20,155,040</u>
	<u>5,272,924</u>

Total current assets	<u>567,269,306</u>
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LONG-TERM ASSETS:

Long-term investments	24,945,000
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Capital Assets:

Land	154,082,102
Rolling stock	2,744,205,455
Roadways and passenger stations	4,278,769,082
Support equipment and infrastructure	850,358,212
Less accumulated depreciation	<u>(4,994,670,255)</u>

Total capital assets	<u>3,032,744,596</u>
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Total long-term assets	3,057,689,596
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TOTAL ASSETS	<u>\$ 3,624,958,902</u>
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DEFERRED OUTFLOW OF RESOURCES

DEFERRED OUTFLOW OF RESOURCES—Pension related	\$ 25,775,912
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DEFERRED OUTFLOW OF RESOURCES—OPEB related	<u>7,006,290</u>
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TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>\$ 32,782,202</u>
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(Continued)

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

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019**

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 190,343,457
Accrued wages and benefits payable	57,511,519
Accrued claims—current	14,205,700
Accrued post-retiree health benefits (OPEB)—current	988,625
Unearned revenue	<u>18,523,543</u>
Total current liabilities	<u>281,572,844</u>

LONG-TERM LIABILITIES:

Accrued claims	44,073,418
Net pension liability	33,086,350
Accrued post-retiree health benefits (OPEB)	<u>48,067,275</u>
Total long-term liabilities	<u>125,227,043</u>

TOTAL LIABILITIES	<u><u>\$ 406,799,887</u></u>
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DEFERRED INFLOW OF RESOURCES

DEFERRED INFLOW OF RESOURCES—Pension related	\$ 1,384,624
DEFERRED INFLOW OF RESOURCES—OPEB related	<u>5,196,312</u>
TOTAL INFLOW OF RESOURCES	<u><u>\$ 6,580,936</u></u>

NET POSITION

NET POSITION:

Net investment in capital assets	\$3,032,744,596
Unrestricted net assets	<u>211,615,685</u>

TOTAL NET POSITION	<u><u>\$3,244,360,281</u></u>
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See accompanying notes to financial statements.

(Concluded)

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

(Public Entities, doing business as Metra)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

OPERATING REVENUE:	
Passenger revenue	\$ 365,935,097
Other	<u>45,903,536</u>
Total operating revenue	<u>411,838,633</u>
OPERATING EXPENSES:	
Transportation	261,425,788
Fuel and motive power	64,474,958
Engineering	161,722,568
Mechanical	184,822,879
Administration	91,408,373
Claims and insurance	20,532,479
Downtown stations	<u>17,822,724</u>
Total operating expenses before depreciation	802,209,769
Depreciation	<u>221,622,053</u>
Total operating expenses	<u>1,023,831,822</u>
OPERATING LOSS	<u>(611,993,189)</u>
NONOPERATING REVENUE:	
Local	<u>495,528,049</u>
Total nonoperating revenue	<u>495,528,049</u>
Capital contributions	<u>200,229,443</u>
CHANGE IN NET POSITION	83,764,303
NET POSITION AT BEGINNING OF YEAR	<u>3,160,595,978</u>
NET POSITION AT END OF YEAR	<u>\$ 3,244,360,281</u>

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fares	\$ 371,269,657
Cash received from other operating revenue items	35,838,540
Cash paid to and on behalf of employees for services	(529,512,403)
Cash paid for claims	(12,874,943)
Cash paid to contractual service providers and suppliers	<u>(214,452,128)</u>
Net cash used in operating activities	<u>(349,731,277)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from RTA sales tax and other local noncapital assistance	425,948,020
Cash received from noncapital state assistance	590,000
Cash received from noncapital federal assistance	<u>4,019,684</u>
Net cash provided by noncapital and related financing activities	<u>430,557,704</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from capital grants	276,649,490
Cash paid to acquire and construct capital assets	<u>(307,351,657)</u>
Net cash used in capital and related financing activities	<u>(30,702,167)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash received from the sale of investment securities	1,480,193,897
Cash paid for the purchase of investment securities	<u>(1,480,099,557)</u>
Net cash provided by investing activities	<u>94,340</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,218,600
CASH AND CASH EQUIVALENTS—Beginning of year	<u>47,516,208</u>
CASH AND CASH EQUIVALENTS—End of year	<u><u>\$ 97,734,808</u></u>

(Continued)

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN	
OPERATING ACTIVITIES:	
Operating loss	<u>\$(611,993,189)</u>
Adjustments to reconcile operating loss to net cash used in	
operating activities:	
Depreciation	221,622,053
(Increase) decrease in assets and deferred outflows:	
Accounts receivable	(7,036,088)
Materials and supplies	(5,346,707)
Prepaid expense	(212,238)
Deferred outflow of resources	(20,530,961)
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	28,320,363
Accrued wages and benefits payable	10,040,525
Claims reserves	3,434,317
Net pension liability	23,380,286
Accrued post-retiree health benefits (OPEB)	6,721,331
Deferred inflow of resources	(436,621)
Unearned revenue	<u>2,305,652</u>
Total adjustments	<u>262,261,912</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$(349,731,277)</u></u>
See accompanying notes to financial statements.	(Concluded)

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

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

1. ORGANIZATION

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

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

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

The RTA Act provides for funding of public transportation in the six-county region of Northeast Illinois. The RTA Act requires that at least 50% of system wide operating costs, excluding depreciation and certain other items, are financed through passenger fares and other revenues. The RTA serves as the oversight, funding and regional planning agency for the bus and rail services provided by Metra, Chicago Transit Authority (CTA), and the Suburban Bus Division (Pace). The RTA distributes funding for public transportation in the six-county area and establishes funding marks and recovery ratios for each service board on a budgetary basis.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

	Years
Rolling stock, roadways, and structures	10–35
Furniture, fixtures, and office equipment	2–10

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

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

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

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

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

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

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

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

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

Metra’s nonoperating revenue includes federal, state, and local grant reimbursements, sales tax revenue, and other operating assistance distributed through appropriations from the RTA. Metra’s statutory share of RTA sales tax proceeds was approximately \$408.3 million during the year ended December 31, 2019. RTA capital funding was \$76.0 million during the year ended December 31, 2019. The federal share of capital funding was \$200.2 million and the local share was \$4.5 million during the year ended December 31, 2019. In 2019, Metra received an advance of \$3.1 million in innovation, coordination, and enhancement (ICE) funding from RTA. Metra received \$6.2 million of operating assistance in 2019 from RTA.

New accounting pronouncements—In fiscal year 2019, Metra adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 addresses the accounting and financial reporting for certain retirement obligations. The adoption of GASB 83 had no material impact on the financial statements of Metra.

In fiscal year 2019, Metra adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria to identify fiduciary activities of all state and local governments for accounting and financial reporting purposes and how these activities should be reported. The adoption of GASB 84 had no material impact on the financial statements of Metra.

Metra will adopt and implement GASB Statement No. 87, *Leases* (GASB 87) beginning January 1, 2021. GASB 87 enhances comparability of financial statements among governments by requiring lessees and lessors to report certain leases under a single model where leases will be recognized as assets and liabilities with associated deferred inflows and outflows of resources on the financial statements. Metra is assessing the impact of the adoption of this GASB and its effect on the financial statements.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents, and Investments—Cash, cash equivalents, and investments are reported in the statement of net position as of December 31, 2019 as follows:

Bank deposits, working cash, certificates of deposit, and cash equivalents	\$ 97,734,808
Investments, including board-designated funds	<u>283,849,107</u>
Total	<u>\$ 381,583,915</u>

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

Custodial Credit Risk—Deposits—Custodial credit risk, as it relates to deposits, is the risk that in the event of a financial institution failure, Metra’s deposits may not be returned. Metra’s investment policy requires deposits in excess of FDIC coverage be collateralized with securities or financial instruments permitted by the Public Funds Investment Act with maturities not exceeding five years. Metra’s bank balances were \$5,981,662 at December 31, 2019 and \$8,360,257 were covered by FDIC insurance or by collateral held by third party at December 31, 2019.

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

Interest Rate Risk—Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. Metra’s investment policy seeks to ascertain safety of principal and to attain a market average or better rate of return, taking into account risk, constraints, cash flow, and legal restrictions on investments. Metra’s policy is to routinely monitor the contents of the portfolio, the

available markets, and the relative values of competing instruments to assess the effectiveness of the portfolio in meeting the safety, liquidity, rate of return, diversification, and general performance objectives, and to adjust the portfolio accordingly. The following schedule reports the fair values and maturities (using the segmented time distribution method) for Metra's investments as of December 31, 2019:

Investment Type	Investment Maturities (In Years)		
	Less Than 1	1-5	Total
U.S. Treasury securities	\$ 99,658,700	\$ 9,947,850	\$109,606,550
U.S. agencies	39,809,600	14,997,150	54,806,750
Commercial paper	<u>119,435,807</u>	<u> </u>	<u>119,435,807</u>
Total	<u>\$258,904,107</u>	<u>\$24,945,000</u>	<u>\$283,849,107</u>

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

Credit ratings for Metra's investments as described by Standard & Poor's at December 31, 2019 are as follows:

Credit Ratings of Investments Held as of December 31, 2019 (S&P)			
(As a Percentage of Total Fair Value for Investment Securities)			
Investment Type	Fair Value	Percent	S&P
U.S. Treasury securities	\$109,606,550	38.60 %	AA+
U.S. agencies	54,806,750	19.30	AA+
Commercial paper	<u>119,435,807</u>	<u>42.10</u>	A1A2A3P2
Total investments at fair value	<u>\$283,849,107</u>	<u>100.0 %</u>	

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

Following are the investments by issuer that exceeded 5% or more of the total investments, and the percent of the fair value to total investments, as of December 31, 2019:

Issuer	Fair Value	Percent
U.S. Treasury Bill	\$14,911,050	5.3 %
U.S. Treasury Bill	14,933,550	5.3
U.S. Agencies—Federal Home Loan Bank	24,860,800	8.8
Commercial paper—Boeing Company	19,935,435	7.0
Commercial paper—Mountcliff	14,909,458	5.3
Commercial paper—Walgreens Boots	19,896,613	7.0

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

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

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

These inputs include:

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

Investments by Fair Value Level	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Assets (Level 3)
Commercial paper	\$119,435,807	\$ -	\$119,435,807	\$ -
U.S. agencies	54,806,750		54,806,750	
U.S. Treasury Securities	<u>109,606,550</u>	<u>109,606,550</u>		
Investments measured by fair value level	<u>\$283,849,107</u>	<u>\$109,606,550</u>	<u>\$174,242,557</u>	<u>\$ -</u>

4. CAPITAL ASSETS

In 2019, Metra executed a contract with Progress Rail Locomotives, Inc. to purchase Tier III remanufactured locomotives. The contract consists of a Base Order of 15 Tier III remanufactured locomotives and three options to purchase an additional 27 Tier III remanufactured locomotives; for a total of 42 Tier III remanufacture locomotives. Purchase of these locomotives will enhance Metra’s ability to meet or exceed its on time performance targets and reduce the amount of service disruptions due to mechanical failure. In 2019, Metra continued its in-house Rail Car Rehabilitation program. Metra completed rehabilitation on 17 Budd Coaches and 24 Nippon Sharyo Coaches.

In 2019, Metra continued a bridge replacement project on the Milwaukee District West Line over the Fox River in Elgin. The old bridge was a single track bridge that caused a bottleneck at this location. The new bridge will be two separate spans which will improve commuter and freight rail operation in the area. This project is expected to be fully completed in Q4 of 2020.

In 2019, Metra continued a multi-year project to renovate and expand Metra's Rock Island 47th Street Yard. Renovations include: (1) expansion of the 49th Street Mechanical Coach Shop Facility; (2) reconfiguration of the loading dock area adjacent to the existing 47th Street Diesel Shop adding an enclosed crane; (3) upgrading the 49th Street Coach Shop capital storage, loading dock, and truck rebuild areas; (4) reconstruction of the existing 47th Street Capital Project Material Storage Building; and (5) various overall yard layout improvements (parking, drainage, utility work, etc.). Expansion of these facilities will allow the Mechanical Department to increase its output of overhauled locomotives and passenger rail cars thereby achieving and maintaining a state of good repair.

In 2019, Metra began work on replacing its GPS and automated communicated system. The new system will enable Metra to track its trains via GPS and communicate train arrival, departure and delay information to Metra riders. The information will be relayed to the riders on their phones, station platforms and on board Metra's trains. This project is expected to be completed at the end of 2023.

In 2019, Metra continued the multi-year effort to install Positive Train Control (PTC). Highlights from 2019 include beginning Revenue Service Demonstration (RSD) on the SouthWest Service and Metra Electric District mainlines; continued RSD on the Metra-owned Rock Island District; continued PTC operations on the BNSF Chicago to Aurora and Union Pacific-North, Union Pacific-Northwest, Union Pacific-West lines; and initiating PTC operations on the Heritage Corridor with the Canadian National Railroad (CN). Work during 2020 will include testing on all other lines followed by full interoperable operations on all lines by the end of 2020.

The following schedule summarizes the capital asset activity of Metra for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 154,145,918	\$ (15,000)	\$ (48,816)	\$ 154,082,102
Capital projects in progress				
Total capital assets, not being depreciated	<u>154,145,918</u>	<u>(15,000)</u>	<u>(48,816)</u>	<u>154,082,102</u>
Capital assets being depreciated:				
Rolling stock	2,649,689,455	99,160,778	(4,644,778)	2,744,205,455
Roadways and passenger stations	4,137,958,820	140,810,262		4,278,769,082
Support equipment and infrastructure	<u>785,626,137</u>	<u>66,162,658</u>	<u>(1,430,583)</u>	<u>850,358,212</u>
Total capital assets being depreciated	<u>7,573,274,412</u>	<u>306,133,698</u>	<u>(6,075,361)</u>	<u>7,873,332,749</u>
Less accumulated depreciation:				
Rolling stock	(1,418,229,312)	(87,802,551)	2,478,855	(1,503,553,008)
Roadways and passenger stations	(2,735,594,373)	(106,533,531)		(2,842,127,904)
Support equipment and infrastructure	<u>(623,133,954)</u>	<u>(27,285,972)</u>	<u>1,430,583</u>	<u>(648,989,343)</u>
Total accumulated depreciation	<u>(4,776,957,639)</u>	<u>(221,622,054)</u>	<u>3,909,438</u>	<u>(4,994,670,255)</u>
Total capital assets being depreciated—net	<u>2,796,316,773</u>	<u>84,511,644</u>	<u>(2,165,923)</u>	<u>2,878,662,494</u>
Total capital assets—net	<u>\$ 2,950,462,691</u>	<u>\$ 84,496,644</u>	<u>\$(2,214,739)</u>	<u>\$ 3,032,744,596</u>

5. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Accrued claims	\$ 54,844,801	\$ 16,309,260	\$ (12,874,943)	\$ 58,279,118	\$ 14,205,700
Net pension liability	9,706,064	30,264,065	(6,883,779)	33,086,350	
Accrued post-retiree health benefits	<u>42,334,569</u>	<u>10,951,309</u>	<u>(4,229,978)</u>	<u>49,055,900</u>	<u>988,625</u>
Total	<u>\$106,885,434</u>	<u>\$57,524,634</u>	<u>\$(23,988,700)</u>	<u>\$140,421,368</u>	<u>\$15,194,325</u>

6. RETAINED RISK PROGRAMS

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

Balance, December 31, 2018	\$ 54,844,801
2019 provision	16,301,727
2019 payments	<u>(12,867,410)</u>
Balance, December 31, 2019	<u>\$ 58,279,118</u>

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

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

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

Employees Covered by Benefit Terms—At December 31, 2019, the following employees were covered by the benefit terms:

Active non-contract employees	598
Active senior executive employees	8
Active board members	14
Non-contract retirees with METRA sponsored insurance	161
Non-contract retirees receiving a subsidy	162
Contract police retirees	13
Senior executive retirees	<u>19</u>
Total	<u><u>975</u></u>

Total OPEB Liability—Metra's total OPEB liability of \$49,055,900 was measured as of December 31, 2019, and was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	December 31, 2018
Measurement date	December 31, 2019
Discount rate	2.75% at December 31, 2019
Actuarial cost method	Entry age normal
Contribution policy	Benefits are financed on a pay-as-you basis
Inflation rate	2.75%
Wage inflation	3.25%
Salary increases	Based on the January 1, 2019, actuarial valuation of the RTA Pension Plan. Salary increases depend on age and decreases ratably from 8.75% at age 20, to 5.50% at age 30, to 4.25% at age 40, to 3.75% at age 50, and to 3.25% at age 65. Salary increase includes a 3.75% wage inflation assumption.
Retirement age	Based on the January 1, 2019, actuarial valuation of the RTA Pension Plan. Separate retirement rates are developed for members who are eligible for unreduced or reduced pension plan benefits which depend on age and service at retirement.
Healthcare cost trends rates	For plan years after 2019, trend starts at 8.00% and 9.50% for non-Medicare cost and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%.
Mortality	Pre-retirement: RP2014 Employee Mortality Table Post-retirement: RP 2014 Healthy Annuitant Mortality Table.
Aging factors	Based on the 2013 SOA Study "Health Care Costs—From Birth to Death".
Expenses	Health administrative expenses are included in the premium rates and development of the per capita claims costs.

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

Changes in the Total OPEB Liability—

	Total OPEB Liability
Balance at December 31, 2018	<u>\$42,334,569</u>
Changes for the year:	
Service cost	1,677,711
Interest on total OPEB liability	1,608,799
Differences between expected and actual experience	(3,680,128)
Changes in assumptions	8,204,016
Benefit payments	<u>(1,089,067)</u>
Net changes	<u>6,721,331</u>
Balance at December 31, 2019	<u>\$49,055,900</u>

Changes in assumptions reflect a change in the discount rate from 3.71% to 2.75%.

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

Sensitivity of Total OPEB Liability to Changes in the Discount Rate—The following table presents the total OPEB liability of Metra, as well as what Metra’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

1% Decrease 1.75%	Current Single Discount Rate Assumption 2.75%	1% Increase 3.75%
<u>\$ 59,958,827</u>	<u>\$ 49,055,900</u>	<u>\$ 40,929,427</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates—The following presents the total OPEB liability of Metra, as well as what Metra’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates. The key trend rates are 8.00% in 2020 decreasing to an ultimate trend rate of 4.50% in 2027, for non-Medicare coverage, and 9.00% in 2020 decreasing to an ultimate trend rate of 4.50% in 2030 for Medicare coverage:

1% Decrease ^(a)	Current Healthcare Cost Trend Rates Assumption	1% Increase ^(b)
<u>\$40,039,129</u>	<u>\$49,055,900</u>	<u>\$61,076,917</u>

- a) One percentage point decrease in healthcare trend rates is 7.00% in 2020 decreasing to an ultimate trend rate of 3.50% in 2027, for non-Medicare coverage, and 8.50% in 2020 decreasing to an ultimate trend rate of 3.50% in 2030 for Medicare coverage.

- b) One percentage point increase in healthcare trend rates is 9.00% in 2020 decreasing to an ultimate trend rate of 5.50% in 2027, for non-Medicare coverage, and 10.50% in 2020 decreasing to an ultimate trend rate of 5.50% in 2030 for Medicare coverage.

OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB—For the year ended December 31, 2019, Metra recognized OPEB expense of \$3,533,844. At December 31, 2019, Metra reported deferred outflow of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflow of resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 7,949	\$(3,139,291)
Changes in assumptions	<u>6,998,341</u>	<u>(2,057,021)</u>
Total	<u>\$7,006,290</u>	<u>\$(5,196,312)</u>

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

Year Ended December 31	
2020	\$ 247,334
2021	247,334
2022	247,334
2023	247,334
2024	285,782
2025	<u>534,860</u>
	<u>\$ 1,809,978</u>

8. DEFERRED COMPENSATION PLANS

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

All assets of the deferred compensation plan are held in a separate trust in accordance with Section 1448 of the Small Business Jobs Protection Act of 1996. As a result, such amounts are not subject to the claims of Metra's general creditors, and deferred compensation plan assets are not presented on Metra's statement of net position as of December 31, 2019. Employee contributions were \$2,072,236 for the year ended December 31, 2019.

Metra also offers its employees a defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan, available to all qualified full-time Metra employees, permits the income tax deferral of a portion of compensation until future years. The amount deferred is generally not available to employees, other than through participant loans, until termination, retirement, or death. A third-party trustee forwards the participants' contributions to the investment companies selected by the individual participant. Employee contributions were \$8,337,779 for the year ended December 31, 2019.

Metra is required to contribute to various defined contribution plans in accordance with union agreements. Employer contributions to 401(k) plans were \$2,586,192 for the year ended December 31, 2019. These defined contribution plans and assets are administered and controlled directly by the unions and Metra does not have any financial or administrative involvement.

9. PURCHASE OF SERVICE CARRIERS' EXPENSES

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

	Union Pacific	BNSF	Total
Operating revenues:			
Passenger revenue	\$ 135,456,493	\$ 77,369,219	\$ 212,825,712
Other revenue	<u>1,057,997</u>	<u>519,750</u>	<u>1,577,747</u>
Total operating revenues	<u>136,514,490</u>	<u>77,888,969</u>	<u>214,403,459</u>
Operating expenses:			
Carrier-level expenses paid by carrier:			
Transportation	82,380,430	34,405,361	116,785,791
Engineering	55,331,362	7,211,247	62,542,609
Mechanical	60,674,262	30,705,033	91,379,295
Administration	<u>7,165,345</u>	<u>2,769,826</u>	<u>9,935,171</u>
Total carrier-level expenses	<u>205,551,399</u>	<u>75,091,467</u>	<u>280,642,866</u>
Deficit (excess) funding	<u>(69,036,909)</u>	<u>2,797,502</u>	<u>(66,239,407)</u>
Centralized expenses paid by Metra:			
Diesel fuel	25,040,796	10,587,540	35,628,336
Claims and insurance	4,015,276	2,903,499	6,918,775
Downtown stations	<u>1,771,070</u>	<u>6,813,321</u>	<u>8,584,391</u>
Total in-kind expenses	<u>30,827,142</u>	<u>20,304,360</u>	<u>51,131,502</u>
Total operating expenses	<u>236,378,541</u>	<u>95,395,827</u>	<u>331,774,368</u>
Purchase of service carriers' operating loss	<u>\$(99,864,051)</u>	<u>\$(17,506,858)</u>	<u>\$(117,370,909)</u>

10. COMMITMENTS

Leases—Metra has entered into several noncancelable operating leases, primarily for the use of passenger terminals, which expire on various dates through 2045. Future minimum rental payments under all noncancelable operating leases having initial or remaining terms in excess of one year as of December 31, 2019, were as follows:

2020	\$	13,127,717
2021		13,147,236
2022		13,167,235
2023		13,187,503
2024		13,208,255
2025–2029		55,071,844
2030–2034		51,656,730
2035–2039		51,656,730
Thereafter		<u>61,988,076</u>
Total	\$	<u>\$ 286,211,326</u>

Total rent expense was \$15,892,318 for the year ended December 31, 2019.

Grants—At December 31, 2019, Metra had \$213,308,305 million in obligations related to federal, state, and local capital grant contracts that are in progress.

11. THE REGIONAL TRANSPORTATION AUTHORITY PENSION PLAN

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

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

Pension Benefits—The Plan provides that, upon retirement, benefits will be reduced by a defined percentage for participants who received credit for prior service with an eligible employer. The Plan permits early retirement with reduced benefits at age 55 after completing 10 years of credited service. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age at retirement and credited years of service equals eighty-five or higher (known as Rule of Eighty Five Early Retirement). The Plan provides for benefit payments to beneficiaries subject to the election of the participant. In addition, the lump sum payment form is no longer an optional form of payment for participants that have not

earned credited service prior to January 1, 2011. This change did not affect the valuation results. An employee is eligible for a disability pension if he or she becomes disabled after the completion of 10 years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

Contributions—The Plan is funded solely by employer contributions, which are actuarially determined under the entry age normal method. The pension plan document defines the employers’ funding policy as contributions at least equal to an amount determined advisable by the Plan’s actuary to maintain the Plan on a sound actuarial basis. For the purpose of determining contributions, the Plan uses an asset smoothing method which smooths asset gains and losses over a five-year period. The minimum contribution is the sum of the normal cost and the 30-year amortization of the unfunded liability. If participants terminate continuous service before rendering five years (10 years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer. Metra’s pension contribution for 2019 was \$6,883,779.

Net Pension Liability—For Metra’s fiscal year ended December 31, 2019, measurements as of the reporting date are based on fair value of assets as of December 31, 2018, and the total pension liability is based on an actuarial valuation performed as of January 1, 2018, with liabilities rolled forward to the measurement date of December 31, 2018. Metra’s proportionate share of net pension liability was \$33,086,350 as of December 31, 2019.

Metra’s proportion of the collective net pension liability is consistent with the manner in which contributions to the pension plan were determined. Shown below presents the actual fiscal year contributions made by Metra and used within the proportionate share calculation and the respective proportionate allocation percentage. For Metra’s fiscal year ended December 31, 2019, for purposes of allocating the beginning net pension liability for 2019, the Plan utilized contributions reported during fiscal year 2018. (As a December 31, 2018 actuarial valuation is used (and then rolled forward), it is proper to show 2018 and 2017 below.)

	2018 Actuarially Determined Contribution	2018 Metra Proportionate Share	2017 Actuarially Determined Contribution	2017 Metra Proportionate Share
Metra	<u>\$6,352,468</u>	<u>54.80 %</u>	<u>\$5,745,866</u>	<u>54.30 %</u>

Pension Expense—The annual pension expense recognized represents the changes in net pension liability, deferred outflow and deferred inflow plus the employer contributions. Metra’s total pension expense for 2019 was \$13,573,037.

Deferred Outflow and Inflow—In 2019, deferred outflow and inflow of resources can arise from differences between expected and actual experiences, changes in assumptions, differences between projected and actual earnings, changes in the employer’s proportion and the difference between the employer’s contributions and the employer’s proportionate share of contributions as well as contributions made subsequent to the measurement date. The difference between projected and actual earnings on investments is recognized over a period of five years. The net effect of changes in assumptions and the change in the employer proportionate share of contributions are amortized over the average of the expected remaining service lives of all employees. For 2018, this average is 5.0933 years. Contributions made during fiscal year 2019, subsequent to the measurement date of December 31, 2018, totaled \$6,883,779. The table below summarizes Metra’s proportionate share of the deferred outflow and deferred inflow of resources that are to be recognized in future pension expense as of December 31, 2019.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Contributions made subsequent to measurement date	\$ 6,883,779	\$ -
Changes in assumption	1,199,385	107,332
Net difference between projected and actual earnings on pension plan investments	12,626,106	
Difference between expected and actual economic experience	4,210,148	
Change in employer proportionate share	<u>856,494</u>	<u>1,277,293</u>
Total	<u>\$25,775,912</u>	<u>\$1,384,625</u>

The \$6,883,779 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Year Ended December 31	
2019	\$ 6,567,387
2020	3,215,532
2021	2,815,222
2022	4,852,207
2023	57,162
Thereafter	<u>-</u>
	<u>\$17,507,510</u>

Assumptions—The total pension liability for the measurement date of December 31, 2018 was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	January 1, 2018
Actuarial cost method	Entry age normal
Asset valuation method	Five-year smoothed market
Amortization method	Level dollar closed
Remaining Amortization Period	27
Life expectancy assumed	RP2014 Combined Mortality Table
Rate of return	7.50%
Salary increases	3.25% to 8.75% including inflation
Inflation	2.75%
Retirement age	Age based table of rates that are specific to the type of eligibility condition.

The actual assumptions used in the January 1, 2018 valuation were based on the results on the actuarial experience study for the period January 1, 2008 to January 1, 2013.

Discount Rate—A single discount rate of 7.50% was used to measure the total pension liability for both 2017 and 2018 measurement dates. This single discount rate was based on the future expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined contribution rates. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	2019 1% Decrease 0.065	2019 Current Discount Rate 0.075	1% Increase 0.085
Metra’s proportionate share of net pension liability	<u>\$51,848,632</u>	<u>\$33,086,353</u>	<u>\$16,979,432</u>

Long-Term Expected Rate of Return—The assumed rate of investment return was adopted by the Plan’s trustees after considering input from the Plan’s investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of January 1, 2018 and experience study for the period January 1, 2011 through January 1, 2016. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan’s target asset allocation as of January 1, 2018, these best estimates are summarized in the following table:

Asset Type and Class	Target asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	28.0 %	6.67 %
Developed Foreign Equity	16.0	7.41
Emerging Markets Equity	16.0	10.30
Private Equity	4.0	10.48
Investment Grade Bonus	11.0	1.25
Long-Term Government Bonds	3.0	1.67
TIPS	3.0	1.11
High-Yielded Bonds	3.0	4.29
Emerging Market Bonds (local)	2.0	3.49
Emerging Market Bonds (major)	2.0	3.02
Real Estate	8.0	5.30
Real Assets	5.0	4.65

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

12. CONTINGENCIES

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

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

Changes of Benefit Terms—No changes were made in 2019 for accrual of benefits under the RTA Pension Plan.

Changes of Assumptions—The amounts reported in 2019 are based on the expectation of retired life mortality RP-2014 Mortality Tables.

13. SUBSEQUENT EVENT

COVID-19 was detected in Wuhan, China and first reported to the WHO on December 31, 2019. On January 30, 2020, WHO declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and subsequently declared it a pandemic on March 11, 2020. As a result, actions to help mitigate the spread of COVID-19 consists of travel restrictions, quarantines, closures of public places and non-essential businesses. The actions taken to mitigate the spread of COVID-19 have had and are expected to adversely impact the economy of northeastern Illinois, where Metra operates. The length of these conditions and the financial impact this will have on Metra is unknown; to date, Metra is experiencing a decrease in revenue due to reductions in ridership and sales tax revenue. President Donald Trump signed a federal coronavirus relief bill into law on March 27, 2020 for \$2.2 trillion, the CARES Act. The amount available to Metra from the CARES Act is approximately \$480 million. Restrictions on uses of these funds are still being determined but these funds will assist towards offsetting the reduction in revenue and increase in costs. Additionally, funds not used to fill any 2020 shortfalls can be carried over to future years. Consequently, the net effect related to the financial impact and duration cannot be reasonably estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

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

(Public Entities, doing business as Metra)

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

	2019	2018	2017	2016	2015
Proportion of net pension liability	54.80 %	54.30 %	53.10 %	49.90 %	47.24 %
Proportionate share of net pension liability	\$ 33,086,350	\$ 9,706,064	\$ 20,073,805	\$ 17,255,480	\$ 33,062,726
Covered-employee payroll	56,612,351	56,653,562	54,032,766	49,388,696	43,086,132
Proportionate share of net pension liability as a percentage of its covered-employee payroll	58.44 %	17.13 %	37.15 %	34.94 %	76.74 %
Plan fiduciary net position as a percentage of the total pension liability	81.73	94.32	67.38	87.70	73.28

* This schedule is intended to show 10 years of information. Since 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
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**REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF
PENSION CONTRIBUTIONS—(UNAUDITED)
AS OF DECEMBER 31**

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a% of Covered Payroll
2019	\$6,883,779	\$ 6,883,779	\$	\$56,612,351	12.16 %
2018	6,352,468	6,352,468		56,653,562	11.21
2017	5,745,866	5,745,866		54,032,766	10.63
2016	5,062,642	5,062,642		49,388,696	10.25
2015	6,785,849	39,848,577	(33,062,728)	43,086,132	92.49
2014	6,466,096	13,357,146	(6,891,050)	40,833,326	32.71
2013	6,615,046	10,060,571	(3,445,525)	35,170,174	28.61
2012	6,462,000	9,767,882	(3,305,882)	30,970,263	31.54
2011	5,802,000	5,802,000		29,227,299	19.85
2010	5,652,000	5,652,000		31,227,197	18.10

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

	2019	2018
Total OPEB liability:		
Service cost	\$ 1,677,711	\$ 1,700,908
Interest	1,608,799	1,467,760
Changes of benefits terms		
Difference between expected and actual experience	(3,680,128)	11,189
Changes of assumptions	8,204,016	(2,895,269)
Benefit payments	<u>(1,089,067)</u>	<u>(1,164,025)</u>
Net change in total OPEB liability	6,721,331	(879,437)
TOTAL OPEB LIABILITY—Beginning	<u>42,334,569</u>	<u>43,214,006</u>
TOTAL OPEB LIABILITY—Ending	<u>\$ 49,055,900</u>	<u>\$ 42,334,569</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 56,612,351</u>	<u>\$ 56,653,562</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	86.65 %	74.73 %

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

OTHER INFORMATION

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
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**OTHER INFORMATION—SCHEDULE OF
REVENUES AND EXPENSES—BUDGET TO ACTUAL (BUDGETARY BASIS)—(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Final Budget	Actual	Favorable (Unfavorable)
REVENUE:			
Passenger revenue—			
Passenger revenue	\$ 371,000,000	\$ 365,935,097	\$ (5,064,903)
Reduced fare reimbursement	<u>3,138,000</u>	<u>1,618,197</u>	<u>(1,519,803)</u>
Total operating passenger revenue	374,138,000	367,553,294	(6,584,706)
Other revenue	<u>37,550,000</u>	<u>44,285,339</u>	<u>6,735,339</u>
Total revenue	<u>411,688,000</u>	<u>411,838,633</u>	<u>150,633</u>
OPERATING EXPENSES:			
Transportation	267,966,200	261,425,788	(6,540,412)
Fuel and motive power	68,028,990	64,474,958	(3,554,032)
Engineering	157,325,478	161,722,568	4,397,090
Mechanical	190,356,289	184,822,879	(5,533,410)
Administration	<u>107,079,547</u>	<u>91,408,373</u>	<u>(15,671,174)</u>
Total administration and regional services	790,756,504	763,854,566	(26,901,938)
Claims and insurance	15,606,360	20,532,479	4,926,119
Downtown stations	<u>15,867,136</u>	<u>17,822,724</u>	<u>1,955,588</u>
Total operating expenses	<u>822,230,000</u>	<u>802,209,769</u>	<u>(20,020,231)</u>
LOSS BEFORE DEPRECIATION, FINANCIAL ASSISTANCE, AND LEASEHOLD-RELATED INTEREST INCOME AND EXPENSE	<u>\$(410,542,000)</u>	<u>\$(390,371,136)</u>	<u>\$ 20,170,864</u>
NOTE—			
Amounts excluded from the operating budget-basis expenses for recovery ratio calculations:			
Security expense	\$ 22,020,123	\$ 20,791,794	\$ 1,228,329
Funded depreciation included in operating expenses	3,982,675	4,143,667	\$ (160,992)
Lease of transportation facilities	17,046,181	22,642,829	\$ (5,596,648)
Bond service and fees	<u> </u>	<u>38,706</u>	<u>\$ (38,706)</u>
TOTAL DEDUCTIONS	<u>\$ 43,048,979</u>	<u>\$ 47,616,996</u>	<u>\$ (4,568,017)</u>

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

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
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**OTHER INFORMATION—
BUDGETARY BASIS SCHEDULE OF OPERATIONS—(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	NIRCRC	Union Pacific	BNSF	Total
Operating revenue:				
Passenger revenue*	\$ 153,109,385	\$ 135,456,493	\$ 77,369,219	\$ 365,935,097
Other revenue	43,636,313	469,792	179,220	44,285,325
Reduced fare reimbursement	<u>689,462</u>	<u>588,205</u>	<u>340,530</u>	<u>1,618,197</u>
Total operating revenue	<u>197,435,160</u>	<u>136,514,490</u>	<u>77,888,969</u>	<u>411,838,619</u>
Operating expenses:				
Carrier-level expenses paid by carrier:				
Transportation	144,639,997	82,380,430	34,405,361	261,425,788
Engineering	99,179,960	55,331,362	7,211,247	161,722,569
Mechanical	93,443,585	60,674,262	30,705,033	184,822,880
Administration	<u>81,473,202</u>	<u>7,165,345</u>	<u>2,769,826</u>	<u>91,408,373</u>
Total carrier-level expenses	<u>418,736,744</u>	<u>205,551,399</u>	<u>75,091,467</u>	<u>699,379,610</u>
Centralized expenses paid by Metra:				
Diesel fuel	23,572,526	25,040,796	10,587,540	59,200,862
Motive electricity	5,274,096			5,274,096
Claims and insurance	13,613,704	4,015,276	2,903,499	20,532,479
Downtown stations	<u>9,238,332</u>	<u>1,771,070</u>	<u>6,813,321</u>	<u>17,822,723</u>
Total centralized expenses	<u>51,698,658</u>	<u>30,827,142</u>	<u>20,304,360</u>	<u>102,830,160</u>
Total operating expenses	<u>470,435,402</u>	<u>236,378,541</u>	<u>95,395,827</u>	<u>802,209,770</u>
OPERATING LOSS	<u>\$(273,000,242)</u>	<u>\$(99,864,051)</u>	<u>\$(17,506,858)</u>	<u>\$(390,371,151)</u>
CALCULATION OF REVENUE RECOVERY RATIO (UNAUDITED):				
Amounts excluded from the operating budget-basis expenses:				
Security expense				\$ 20,791,794
Funded depreciation included in expenses				4,143,667
Lease of transportation facilities				22,642,829
Bond service and fees				<u>38,706</u>
Total exclusions				<u>\$ 47,616,996</u>
Amounts added to the operating budget-basis revenues—				
Senior free ride allowance				<u>\$ 2,100,000</u>
Revenue Recovery Ratio (\$411,838,619+ \$2,100,000)/ (\$802,209,770-\$47,616,996)				<u>54.9 %</u>

*Includes \$7,000,000 farebox revenue dedicated to capital

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**NOTES TO SUPPLEMENTARY INFORMATION—(UNAUDITED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

1. BUDGET AND BUDGETARY BASIS OF ACCOUNTING

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

The RTA allocates funding based on the budgets of the service boards rather than actual operating deficits. All annual operating appropriations lapse at fiscal year-end. Favorable variances from budget remain available to Metra and can be used for capital projects with RTA approval. There is favorable budget variance of \$20.2 million available to Metra for the year ended December 31, 2019. The RTA monitors Metra's actual financial performance against the budget on a quarterly basis.

2. FAREBOX RECOVERY RATIO

Operating Budget-Basis Farebox Recovery Ratio — The operating budget-basis farebox recovery ratio represents the ratio of total operating revenue to total operating expenses before depreciation. As allowed under the RTA Act, funded depreciation for both direct operations and commuter rail carriers participating through purchase of service agreements, security expenses, the proceeds and related interest income and expense from the lease transactions, and certain payments with respect to transportation facilities are excluded from the calculation. In order to meet its statutory requirement of a system-wide farebox recovery ratio of at least 50% or more, the RTA establishes farebox recovery ratios for each of the Service Boards and the CTA. Metra's budgeted farebox recovery ratio at 53.1% in 2019. Metra's actual farebox recovery ratio on an operating budget-basis was 54.9% in 2019.

3. PURCHASE SERVICE CARRIER AGREEMENTS

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