

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : May 12, 2016

TO : Chris Abele, County Executive
Theodore Lipscomb, Sr., Chair, County Board of Supervisors
Supervisor Peggy West, Chair, Finance, Personnel and Audit Committee
Scott Manske, CPA, Comptroller
Tieg Whaley-Smith, Director, Department of Administrative Services

FROM : Brian Dranzik, Director, Department of Transportation

SUBJECT : Revenue Deficit in excess of \$75,000 – MCDOT – Transit Division

Policy Issue:

County Ordinance 56.02 requires each person in charge of any County office, department agency, or any non-departmental account to:

" ... submit a written report to the County Executive, the committee on Finance and Audit of the County Board and the Department of Administration whenever such person has reason to know or believe that a deficit of seventy-five thousand dollars (\$75,000.00) or more in any revenue account will occur for the division of county government under the supervision of that person."

Revenue Shortfall: \$7.1 Million

Item	Short Description	Budget Amount	Actual To Date	Projected Amount	Variance: Budget to Projected
0083-560-8202	Passenger Abatement	\$ 37,600,000	\$ 7,361,207	\$30,500,000	(\$7,100,000)

Revenue Account Deficit Cause

1.	GO Pass	\$3,000,000
2.	General Ridership Decline	\$3,100,000
3.	Milwaukee Public Schools (MPS) related changes	\$1,000,000
		\$7,100,000

\$1,100,000 was budgeted for GO Pass in 2016¹. Preliminary estimates of 2016 GO Pass ridership total 7 million at a lost opportunity for collecting over \$4 million in fares, resulting in a projected GO Pass related deficit of **\$3 million** for 2016.

Through 1st quarter 2016, MCTS is experiencing an 11% decline in ridership year-to-date in comparison to 2015. The decline is consistent with low gasoline prices 'at the pump' and an improving economy. Passenger revenue reductions associated with declining ridership are estimated at **\$3.1 million** for 2016.

¹ The 2016 budget included \$1,100,000 for GO Pass and a commitment to analyze the program after its first full year of implementation to better understand the revenue trends and impacts. The 2016 budget for GO Pass was based on an annualization of the \$820,000 in County tax levy that was included in the adopted 2015 transit budget because there wasn't enough actual experience with GO Pass at the time of developing the 2016 budget to support a change in how to budget for the program.

Milwaukee Public Schools (MPS) have continued to shift students away from MCTS services to the alternative of yellow school buses further reducing revenues by an estimated **\$1 million** in 2016.

Net Deficit: Over 70% of the revenue shortfall will be offset by other cost savings.

Passenger Revenue Shortfall of \$7,100,000	(\$7,100,000)
Fringe Benefit and Healthcare Savings	\$2,686,000
Fuel Expense Savings	\$2,354,000
	(\$2,060,000)

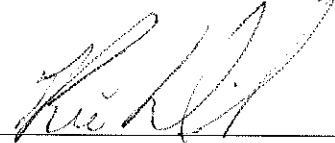
Net Deficit: \$2,060,000

MCTS continues to aggressively review expenses for cost containment in order to minimize the impact of the projected revenue shortfall. Fringe benefit cost savings, including healthcare, and fuel expense savings offset much of the revenue shortfall.

Will this be an issue beyond the current year?

GO Pass will continue to have a significant impact on MCTS's ability to collect passenger fares. Ridership in general will also likely continue to be impacted by fuel prices, and other changes in the health of the economy. Furthermore, Milwaukee Public Schools (MPS) may continue to shift students away from public transportation to yellow school buses. There is a strong potential for ridership variability and passenger revenue declines to continue beyond the current year.

Prepared by: Dan Boehm, Manager Director, Milwaukee County Transit
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Brian Dranzik, Director
Department of Transportation

cc:

Michael Mayo, Sr., Chairman, Transportation, Public Works & Transit Committee
Raisa Koltun, Chief of Staff, County Executive's Office
Steven Kreklow, Budget Director, Department of Administrative Services
Stephen Cady, Research & Policy Director, Office of the Comptroller
Jerome Heer, Director of Audits
Molly Pahl, Analyst, Comptroller's Office