

COUNTY OF MILWAUKEE
Inter-office Communication

DATE: 2/13/2026

TO: Marcelia Nicholson-Bovell, Chairwoman, Milwaukee County Board of Supervisors

FROM: Joe Lamers, Director, Department of Transportation
Steve Fuentes, President & CEO, Milwaukee County Transit System

SUBJECT: From the Director, Department of Transportation, and the President and Chief Executive Officer, Milwaukee County Transit System, providing an informational report regarding the transit funding shortfall.

FILE TYPE: Reference File Report

POLICY

Per Milwaukee County Ordinance 56.02(1) – Budget Deficits and Board Reporting, Each person, including elected officials, in charge of any county office, department, agency, or any nondepartmental account shall submit a written report to the county executive, the committee on finance of the county board, the office of the comptroller and the office of strategy, budget and performance whenever such person has reason to know or believe that a net deficit of at least one hundred thousand dollars (\$100,000.00) or an overtime deficit of at least one million dollars (\$1,000,000.00) will occur or is projected to occur for the division of county government under the supervision of that person.

BACKGROUND

In December 2025, the Milwaukee County Board of Supervisors approved an appropriation transfer which increased federal revenues and expenditures in the 2025 Milwaukee County Transit System (MCTS) budget by \$9.1 million. The \$9.1 million amount was funded from a Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) appropriation, and this amount was needed to cover a projected deficit in MCTS in 2025. After accounting for the transfer, a year-end deficit is no longer anticipated in MCTS. The \$9.1 million shortfall had resulted from:

- \$4.9M over budget in Salaries & Fringe (4% over budget). This includes a higher cost of health care, overtime, spread time, pension, payroll taxes, other benefits, and the ratification of two new collective bargaining agreements in FY 2025
- \$2.6M over budget in charges from TransDev (13% over budget)
- \$1.9M over budget in liability & worker comp (46% over budget)
- \$0.9M lower than budget in revenue (3% under budget)
- \$0.5M over budget in professional services such as legal, IT, janitorial (6% over budget)

- To offset higher costs, MCTS is \$1.7M under budget in several areas, including diesel fuel, facilities parts & supplies, utilities, office supplies, and others

MCTS implemented the following corrective actions in 2025:

- Reduced overtime across the agency except for emergencies
- Continued to work on reducing unplanned Transdev expenditures
- Bus service hours were reduced beginning with the Fall pick
- Negotiated and ratified two collective bargaining agreements with Locals 998 and Local 9 that help manage and predict labor costs
- A temporary suspension of new employee recruitment and filling of vacancies, including replacements for departing employees, was implemented
- Focus on operational efficiency by tracking relevant Key Performance Indicators and monthly budget reviews were performed
- Froze non-essential spending in 2025

Mitigation strategies delivered positive results, as MCTS experienced improvement compared to the previous projection reports.

2025 Depreciation Charge: Between 2022 and 2023, two MCTS buses were involved in accidents that resulted in the vehicles being damaged and ultimately declared a total loss. Both buses were relatively new at 2.5 to 3.5 years, and one of them was an electric bus. The accidents were the result of speeding/reckless driving, and the accidents were not the fault of MCTS operators. The buses were funded with a mix of federal and local funds in the capital budget. Milwaukee County received insurance proceeds for the two totaled buses which will be applied towards future bus purchases. In February of 2026, the Office of the Comptroller completed final accounting and reconciliation of charges pertaining to the two buses. A depreciation charge of \$404,885 will be applied to the MCTS operating budget in 2025, which represents the remaining local share of depreciation costs. Under normal circumstances without the accidents, depreciation would have been paid off over twelve years. Based on accounting rules, the full remaining depreciation must be recorded in 2025, which is the year the vehicles officially lost their value. Because this was an unbudgeted and uncommon expenditure, the Office of the County Executive and the Office of Strategy, Budget and Performance are supporting MCDOT/MCTS in requesting 2025 contingency funds to cover this cost. A separate report and resolution file is being submitted in the March cycle to further address this item and request funds.

Looking ahead in 2026 and beyond:

- Will closely monitor financial statements to ensure we stay on budget and implement corrective action as needed throughout the year
- MCTS rolled several key initiatives in Q1 this year aimed at enhancing safety and security on our buses for our customers and employees, including a pilot program with the Milwaukee County Sheriff's Office (MCSO) where plain-clothes law enforcement are riding our buses on higher crime routes, along with hiring more Public Safety Officers (PSOs) with the specific goal of addressing high fare evasion routes.

- To enhance the safety for our bus operators, MCTS will have a new more enhanced driver safety barrier prototype installed on one of our buses to garner feedback from our partners in ATU Local 998 and our bus operators, to determine if it meets our needs to provide more robust protection while still allowing for safe operation of our buses. If found favorable, we would look for various opportunities to fund implementation of these new barriers on many of our buses currently in our fleet.
- MCTS implemented a new fare collection policy for our bus operators and PSOs which allows our bus operators to professionally and politely engage with the riding public to inform those who do not voluntarily pay their fare upon boarding what the proper fare requirement is. MCTS is asking bus operators to be **fare informers, not fare enforcers** and to always prioritize their safety and the safety of our customers above all else.
- An additional step MCTS is taking as well to address fare evasion to have bus destination signs begin displaying “**Fare Is Required**” along with their designated route and destination. The new sign should begin showing up on buses in Q1 this year
- Will begin preparing our budget for FY 2027 this Spring, as we are currently forecasting a budget deficit of approximately \$17 – 20M next year, based on projected funding levels and current service levels, which would require service reductions upwards of 20 – 24% with no new or increased funding and no further American Rescue Plan Act (ARPA) funding remaining for MCTS.
- MCDOT and MCTS are partnering with the Office of Government Affairs on State and Federal funding efforts.
 - We are monitoring what is happening at the federal level, with our partners at the Wisconsin Public Transportation Association (WIPTA). There had previously been concern about proposals to eliminate guaranteed federal funding for public transit. This would have a \$120 million statewide impact with approximately \$30 million coming from the Milwaukee area. Due to recently passed federal legislation, this is not expected.
 - We are engaging and re-engaging with statewide coalitions on transit funding. For example, WCA just launched their biennial transportation funding campaign, in partnership with the Transportation Development Association. We are working to include transit as part of this campaign, in addition to roads and highway related needs.
 - \$1 million has been secured for MCTS through the FFY26 federal appropriation process for Milwaukee County Transit buses.
 - Data and compelling information is being gathered and will be presented to further build the case for additional investment with strategic partners both in Milwaukee and statewide.
 - Additional reports will be shared with the Milwaukee County Board of Supervisors and the public in the coming months regarding various related topics, including but not limited to: the benefits and economic impacts of transit, detailed transit financing reports, MCTS operations, and ongoing advocacy efforts.

- MCTS will begin engaging with an outside consultant firm, yet to be determined, through a robust and comprehensive Request for Proposal (RFP) process to help with a comprehensive Bus Network Redesign to develop several options of what our fixed bus route system could look like based on expected funding. After a very extensive engagement process over the next 12 – 18 months MCTS would expect a new MCTS Bus System to be ready for full implementation in mid to late 2027
 - The final decision on which bus network we select, and implement will be determined by gathering feedback from key stakeholders including public comments and feedback, with final selection determined collectively by MCTS, MCDOT and the Milwaukee County Board of Supervisors

ALIGNMENT TO STRATEGIC PLAN

2C: Apply a racial equity lens to all decisions.

3A: Invest “upstream” to address root causes of health disparities.

3B: Enhance the County’s fiscal health and sustainability.

3C: Dismantle barriers to diverse and inclusive communities.

VIRTUAL MEETING INVITES

Joseph Lamers, Director, Department of Transportation

John Rodgers, Deputy Director, Department of Transportation

Steve Fuentes, President & CEO, MCTS, sfuentes@mcts.org

Ruben Salas, Vice President & Deputy CEO, MCTS rsalas@mcts.org

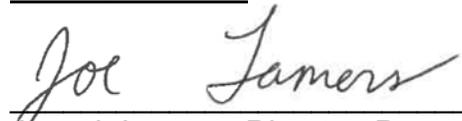
Alexander Corona, Chief Financial Officer, MCTS acorona@mcts.org

PREPARED BY:

Steve Fuentes, President & CEO, MCTS

Alexander Corona, Chief Financial Officer, MCTS

APPROVED BY:



Joseph Lamers, Director, Department of Transportation

ATTACHMENTS:

N/A

cc: Kelly Bablitch, Chief of Staff, County Board of Supervisors
Janelle M. Jensen, Legislative Services Division Manager, Office of the County Clerk