

MILWAUKEE COUNTY OFFICE OF THE COMPTROLLER

Comptroller Liz Sumner

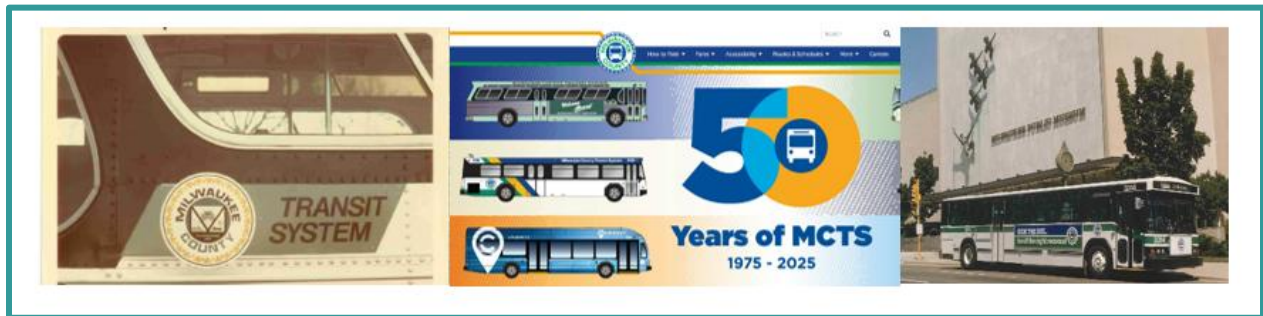


MILWAUKEE COUNTY AUDIT SERVICES DIVISION

Jennifer L. Folliard, Director of Audits
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Milwaukee County Transit System Governance: Opportunities for Enhanced Oversight include Additional Sunlight, Clearly Defined Roles, and Detailed Fiscal Reporting for the Quasi- Governmental Entity

May 2026



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Office of the Comptroller
Audit Services Division

Milwaukee County

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To the Honorable Chairwoman
of the Board of Supervisors
of the County of Milwaukee

May 21, 2026

We have completed an audit: *Milwaukee County Transit System Governance: Opportunities for Enhanced Oversight include Additional Sunlight, Clearly Defined Roles, and Detailed Fiscal Reporting for the Quasi-Governmental Entity.*

The transition from a contract to operating the transit system under a quasi-governmental instrumentality of the County was swift. The bylaws were revised because of the transit model change, but we found that for an entity with public funding in excess of \$150 million, public review of funding, and contracts along with some MTS Board activities was not as robust as would be expected. This is likely due, in part, to having both the MTS Board and the County Board with oversight roles leading to assumptions that the other board has reviewed the item. We believe there are several opportunities for the County to enhance oversight including expansion of MTS Board members, an official determination of how the MTS Board should operate, and specifically defining the roles of the MTS Board versus the County Board.

We have compiled 15 recommendations which we believe will assist the County and MCTS to become more transparent in its operations.

A response from MCDOT and MCTS are also enclosed. We appreciate the cooperation extended by management and staff. Please refer this report to the Committee on Audit.

Jennifer L. Folliard
Director of Audits

JLF/mrp

cc: Liz Sumner, Milwaukee County Comptroller
David Crowley, Milwaukee County Executive
Marcelia Nicholson-Bovell, Chairwoman, Milwaukee County Board of Supervisors
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MCTS provided photo of bus with bike circa 2010.



REPORT HIGHLIGHTS

Why We Did This Audit - In June of 2025, a \$10.9 million deficit for the County's Transit/Paratransit system was announced via a press release surprising many County officials. On June 27, 2025, due to the sudden change in the financial situation, the Milwaukee County Comptroller requested an audit examining the governance and oversight structure.

What We Found - In 2014, the County transitioned its transit system from a contract to a quasi-governmental entity. Milwaukee Transport Services, Inc. (MTS) operates the transit system by doing business as Milwaukee County Transit System (MCTS). The MTS bylaws were updated in 2014 to reflect the new status of MTS.

The updated bylaws added language to attempt to identify oversight delegated to Milwaukee County but the roles of the County Board, the MTS Board, and MCTS are unclear. Chapter 1 of the Ordinances establishes via committees the County Board's authority over fares, routes, budget, and fiscal policy. Guidance on other applicable County ordinances is lacking. The prior contract with MTS included informational items that were not included in the updated bylaws. There are a number of items that currently are not reviewed or approved by the County Board or the MTS Board including labor contracts, the paratransit contract, annual salary increases, and results of federal transit reviews.

While MCTS regularly appears before County Board committees, the MTS Board has met 17 times since 2014 and never met to be briefed on the \$10.9 million projected deficit in 2025. There is no representation from other County financial stakeholders on the MTS Board. Due to the unique funding structure for MCTS, it is difficult to analyze their finances. Funds are split between MCDOT and MCTS with some expenses being paid by the County and remaining expenses by MCTS. The majority of expenditure categories for the 2025 deficit fell outside of items approved by either the MTS or County Board. To fix the deficit in 2025 MCTS asked the County to approve additional federal funds of \$9.1 million.

The makeup of the Directors of the MTS Board is established in its bylaws and is limited to one Director, a County Board Supervisor, outside of MCDOT and MCTS. According to interviews, the Directors of the Board from MCDOT and MCTS meet often, which lessens the need for board meetings, however, that practice might be an unintended violation of the Wisconsin Open Meetings law. The MTS Board does not have a supplemental guide to its bylaws and lacks written guidance on board procedures.

It is unclear if the MTS Board is following Open Meetings Law due in part to contradictory clauses in the bylaws. From 2015 to 2025, eight votes took place by the MTS Board without a meeting. Open Meetings laws have additional requirements for the body to go into closed session. Closed session steps are in State Statutes and County Ordinances.

Milwaukee County has used a web portal to provide access to the County's legislative files, agendas, and actions since 2011. Prior to 2025, the MTS Board did not use the portal to post notices, agendas, packets or minutes from the MTS Board meetings.

What We Recommended

The MTS Board and MCDOT should work with the Office of Corporation Counsel to define what is policy, budget, business affairs, and day-to-day transit operations. Applicable ordinances should be listed, and clarity should be established on when contract approval is needed. (Rec 1,2,3)

MCDOT should develop policies and procedures on presenting either to the County Board or the MTS Board a periodic, detailed financial update, review of any legal issues with a significant fiscal impact, and updates on any audit, review, or investigation. (Rec 4)

The MTS Board should consider modifying the makeup of the MTS Board and seek FTA approval, if necessary. (Rec 5)

The MTS Board should work with the Office of Corporation Counsel to establish written guidance to develop communication procedures that are compliant with Open Meetings Law. (Rec 6)

MCDOT should include additional details in its budget narrative for the Transit/Paratransit system. (Rec 7)

The MTS Board should work to establish Rules of Orders including about public testimony and make necessary changes to bylaws. (Rec 8, 9, 10) Copies of the Rules of Order should be provided to all Board members along with establishing an onboarding plan. (Rec 11)

The MTS Board should obtain a written legal opinion on the apparent conflict found in the bylaws allowing Actions Without a Meeting and the requirement to follow Wisconsin Open meetings law, include in the Rules of Order as needed along with record retention guide. (Rec 12, 13, 14)

MTS should develop and vote to use the County's Legislative Information Center or an alternative source for public notices. (Rec15)





Background

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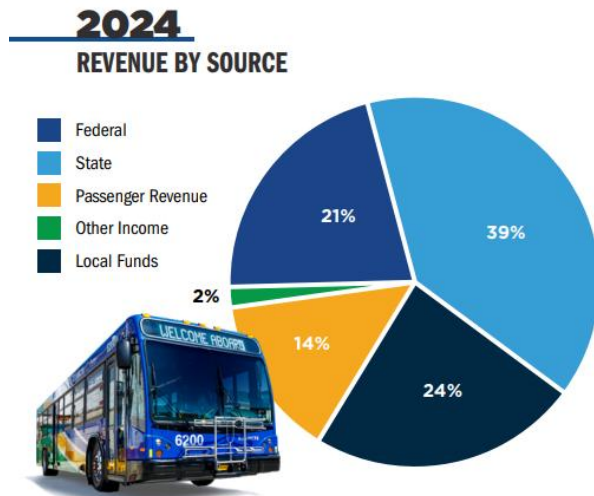
BACKGROUND

The Milwaukee County Transit System's (MCTS) stated mission is to connect the community to jobs, education, and life with essential transit services and that it strives to be the preferred transportation choice through service excellence and innovation.

Based upon the 2024 Annual Report, the most recent available prior to the issuance of this audit report, MCTS provided 25 million rides, using a fleet of 363 buses, operating over 17.4 million bus miles on 46 routes. MCTS contracts with Transdev to provide paratransit service during the same days and hours as the fixed route service. In 2024, MCTS provided 364,360 rides on paratransit. As an authorized recipient of Section 5310 funds, which is the Enhanced Mobility of Seniors and Individuals with Disabilities program, Milwaukee County oversees subrecipients that provide transportation services to seniors and individuals with disabilities.

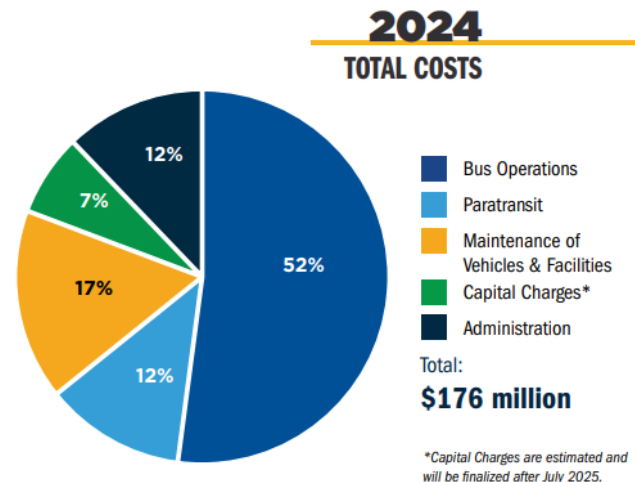
The annual report included information on its revenue by source and the type of expenses that made up the \$176 million in spending as shown in Charts 1 and 2.

Chart 1



Source: MCTS 2024 Annual Report.

Chart 2



MTS Origins and Governance Model

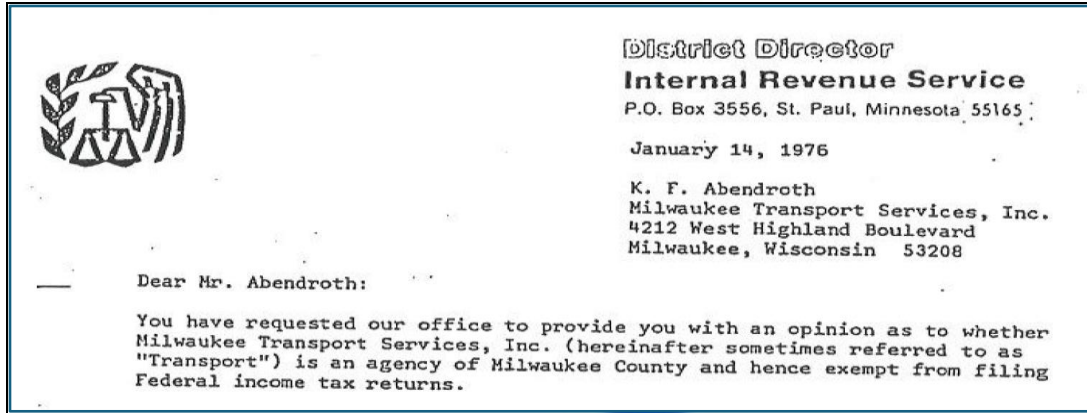
On July 1, 1975, Milwaukee County, by condemnation, took physical possession of the operating property of Milwaukee & Suburban Transport Corporation which owned and operated the urban mass transit system in metropolitan Milwaukee. At that point, the operation of the mass transit system in Milwaukee became a government function. The County contracted with Milwaukee Transport Services, Inc. (MTS) doing business as MCTS to manage bus operations. MTS was organized under Chapter 181 of the Wisconsin statutes known as the Wisconsin Nonstock Corporation Law.

In 1976, the IRS determined that MTS is an instrumentality of the County and that it is exempt from filing Federal income tax returns. The IRS noted that "there is no question



that the transit system was being bankrolled by the County” and will continue to be for the foreseeable future. It also noted that the County shall provide Transport with funds as necessary to make up the difference between its revenues and expenses. This determination is still in place today.

Figure 1 IRS Letter

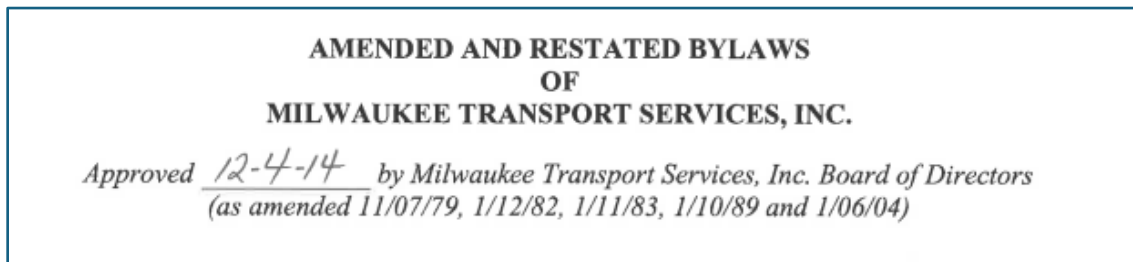


Source: MCTS provided letter.

MTS established Articles of Incorporation and filed them as required under Chapter 181 of the Wisconsin statutes with the State of Wisconsin Department of Financial Institutions. In addition, bylaws were created which have been amended six times since 1975 with the latest amendments occurring in late 2014.

The majority of changes from 1979 to 2004 were to increase the range of the number of Directors and the duties of the Vice President. The Federal Transit Administration (FTA) approved the changes to the bylaws in 2014 when MTS transitioned to a quasi-governmental entity. Figure 2 shows the first page of the bylaws which tracks the amended dates.

Figure 2 MTS Bylaws with Amended Dates*



Source: County Legislative Information Center in File No. 19-307.

*Copies of the 1979 bylaws were not located.



MCTS provided photo of bus in front of the Mitchell Park Domes circa 1970s.

Management of the transit system, including paratransit services, continued under the model formed in 1975 until 2014. The FTA requires that in order to receive federal funding, the County either choose a transit operator through competitive bidding, operate the transit system itself, or on a pass-through basis through a quasi-governmental entity.

In 2013, the County issued a Request for Proposal (RFP) to explore other management options. Due to challenges with the RFP process, no replacement contract was issued. The County extended the contract with MTS until the end of 2014. In February of 2014, the then Comptroller provided an informational report to the County Board from a workgroup formed to identify and report on the advantages and challenges of insourcing versus outsourcing transit management and operations. The report included a comprehensive list of relevant areas for discussion of the two models for the transit system. The report is included in Exhibit 4 and would need to be revisited should there be a discussion in the future on changing the transit model.

By the end of 2014, the County had decided to take steps to transform MTS into a quasi-governmental corporation that is an instrumentality of the County under the Milwaukee County Department of Transportation (MCDOT). Wisconsin Supreme Court case law held that a business entity is a quasi-government corporation if based on the totality of circumstances it resembles a governmental corporation in function, effort or status. The bylaws were amended in December of 2014 and were approved by the FTA which recognized MTS as local government and an element of Milwaukee County. The materials submitted to the FTA allowed the restructuring of MTS from an independent non-profit corporate entity into a quasi-governmental entity and included a legal opinion, dated September 10, 2014, from the law firm of von Briesen & Roper, S.C. that MTS is a quasi-governmental entity under Wisconsin Law based on review of current case law and a Wisconsin Attorney General opinion.

At that time, the Office of Corporation Counsel noted MTS is not subject to Chapter 111 of the Wisconsin statutes which imposes mandatory arbitration of labor disputes. Employees of the quasi-governmental entity would still be eligible for full union and



bargaining rights, under both Federal and State provisions, and would not become County employees.

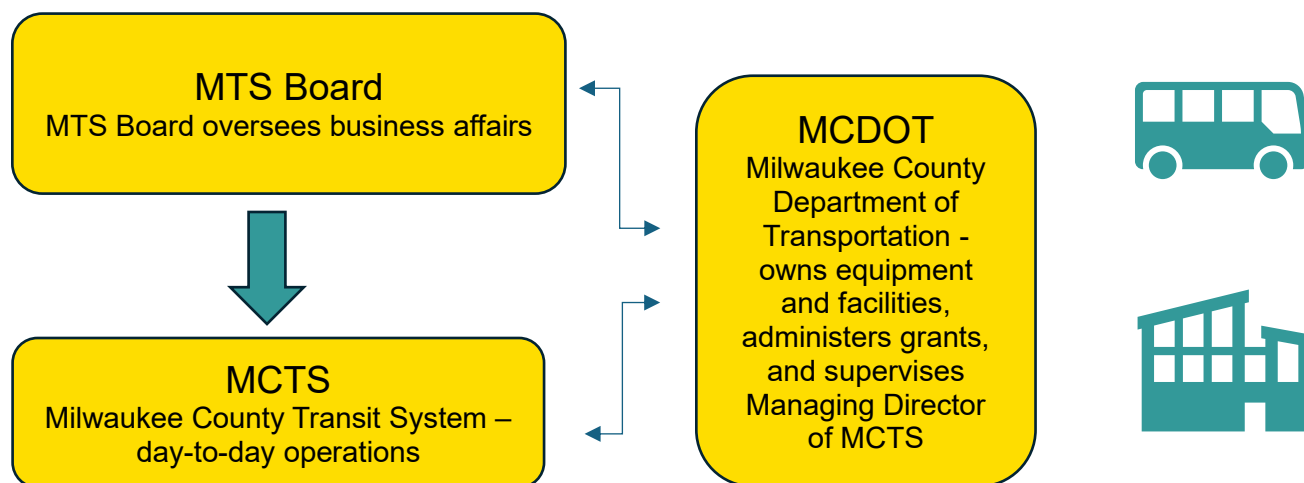
While MTS is not a County department, it has been recognized as an instrumentality of Milwaukee County by the IRS and the FTA. The FTA communicated in 2014 that it considers a quasi-governmental instrumentality of a county to be an element of the local government to which it belongs.

MTS functions as a quasi-governmental entity that manages MCTS's day-to-day transit operations using facilities and equipment owned by Milwaukee County. The Director's Office of MCDOT provides oversight of MCTS, conducts transit related studies, and prepares and administers Federal and State transit grants. MCDOT personnel also facilitate the acquisition of capital equipment and provide capital improvement recommendations for MCTS facilities.

Throughout this report we will use the following acronyms whose roles are shown in Figure 3:

- MCDOT – Milwaukee County Department of Transportation which owns buildings and equipment and administers grants. The MCDOT Director supervises the MCTS Managing Director.
- MTS Board– Milwaukee Transport Services, Inc. which is the transit company that oversees business affairs.
- MCTS – Milwaukee County Transit System which runs the day-to-day operations of the transit system.

Figure 3 The roles of the MTS Board, MCTS, and MCDOT



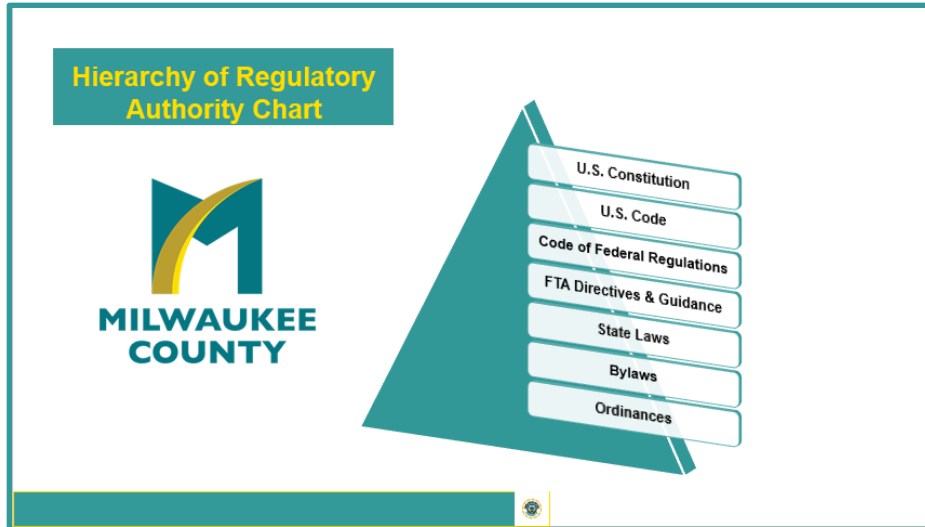
Source: Audit Services Division created figure based upon information from Adopted Operating Budgets.

The MTS Board and MCTS follow a hierarchy of authority beginning at the federal level and ending with its bylaws and County ordinances.

The FTA sets national transit policy and provides funding for local transportation systems along with many required regulations. Chapter 59 of the Wisconsin statutes

states a County Board may delegate responsibility for operation of its transit system to a Board. After State Statutes, County ordinances and the MTS bylaws establish rules for the MTS Board and MCTS to follow. Per the FTA when there is a conflict between the layers of authority, the higher authority is followed. Figure 4 shows the layers of regulatory hierarchy.

Figure 4 Hierarchy of Regulatory Authority



Source: Audit Services Division created figure based on FTA Financial Management Oversight Workshop Slides

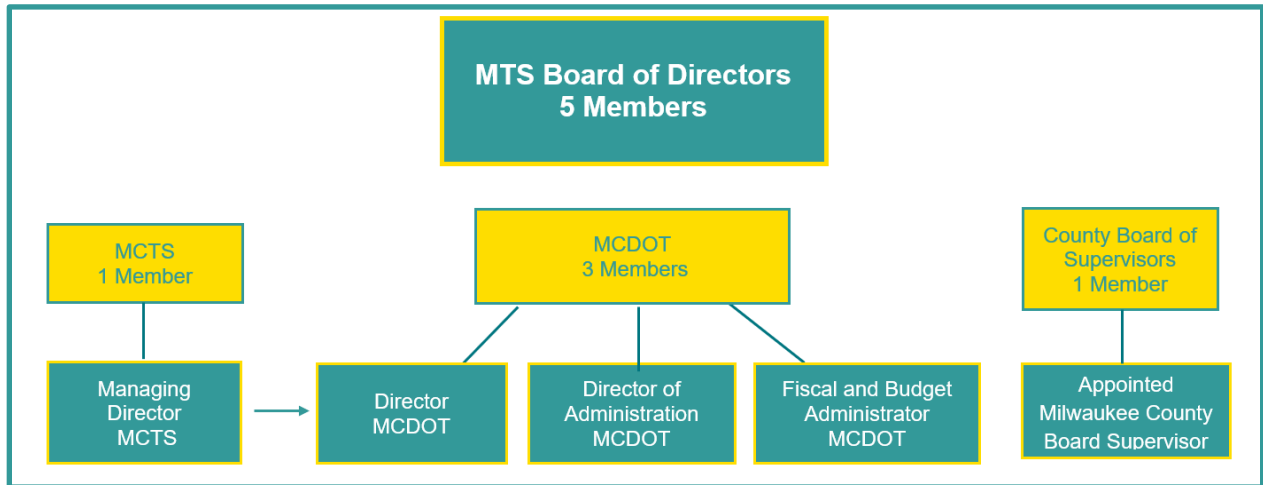


MCTS provided photo of bus in front of Mitchell Park Domes circa 2020s.

Article IV of the 2014 MTS Bylaws states there will be five voting directors of the Corporation. Three directors come from MCDOT and hold their board position as ex officio which means they are on the board as a result of their position in MCDOT. Those positions are the Director of Transportation, the Director of Administration, and the Fiscal and Budget Administrator. One director is the MCTS Managing Director (sometimes listed as the President or CEO) who also serves as a result of their position. Since the Managing Director of MCTS reports to the MCDOT Director, the MTS Board has four members representing MCDOT. The final director is a County Board Supervisor

appointed by the Chair of the County Board. Figure 5 shows the make-up of the MTS Board of Directors.

Figure 5 MTS Board



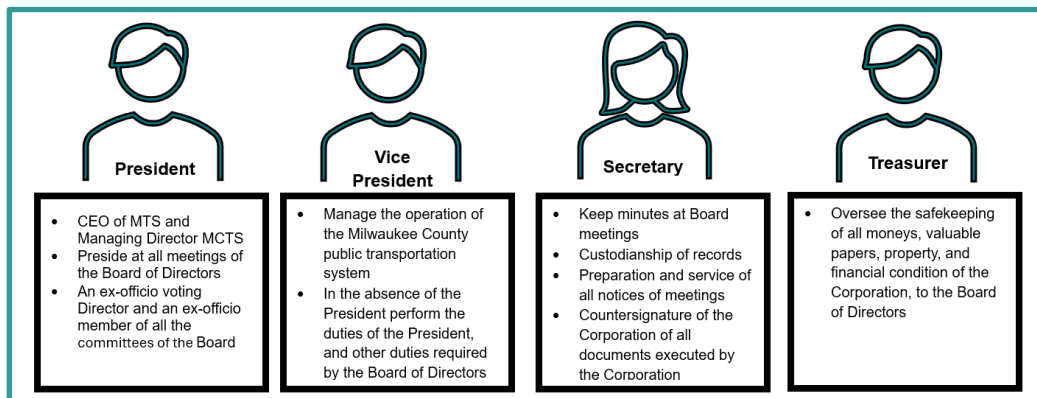
Source: Audit Services Division created figure based on MTS bylaws.

Since 2014, the County changed the official titles of three of the positions noted in the bylaws as board members. The bylaws retain the old titles. The following changes were made by the County:

- MCDOT Director of Administration to MCDOT Deputy Director
- MCDOT Fiscal and Budget Administrator to MCDOT Senior Financial Manager
- MCTS Managing Director or President of the Corporation or MCTS President & CEO

The bylaws include officer positions who, other than the President, do not have to be a member of the Board of Directors and who do not have voting powers. The current bylaws have four officers; prior to 2014 there were seven. The officer positions eliminated in 2014 were an Assistant Secretary, an Assistant Treasurer and a Claims Manager. The officers are elected annually. Figure 6 shows the designated duties included in the bylaws for the four officer positions.

Figure 6 MTS Board Officers



Source: Audit Services Division created figure based on MTS bylaws.

On June 17, 2025, a press release announcing a projected \$10.9 million deficit for MCTS was issued which surprised many County officials who were not informed prior to the issuance of the press release.

We created an outline of major events in 2025 related to the MCTS deficit based on emails from MCDOT staff, interviews, and legislative files which is shown in Figure 7.

Beginning early in 2025, MCTS began receiving bills from its Paratransit provider, Transdev, that were over its budget. The implementation of MCTS's new financial software system began in February. In April, with two months of data from the new system, MCTS projected several areas with budget overages. Corrective actions began at that time targeting the reduction of overtime. Testimony on the issues with paratransit was given to the County Board's Committee on Transportation and Transit.

In May of 2025, MCTS determined it could not mitigate the deficit and emailed MCDOT detailing current issues and potential solutions. Near the end of the month communication was made to the County Executive's Office regarding the potential deficit although the amount of the deficit does not appear to have been disclosed.






In June, MCTS met with MCDOT leadership on the pandemic relief funds that were targeted for MCTS for 2027 and shared that its current projection was a \$10.9 million deficit. On June 16, MCDOT approved the press release regarding the deficit. The press release was issued on June 17. On June 18, at the request of MCDOT, MCTS created a file in the County Legislative Information Center to report the deficit. Testimony regarding the projected deficit was given at the Finance Committee hearing during the Comptroller's financial report.

The Office of the Comptroller compiles a monthly report based upon data from departments which is provided to the Committee on Finance tracking the County's overall fiscal status. This report reported breakeven status for the months of February, March, and April based upon information submitted from MCDOT. The financial report issued on July 15, 2025, also reported breakeven but included a note that pandemic relief funding originally targeted to be used in 2027 was being used to cover the projected deficit in 2025.

Chapter 56.02 of the Milwaukee County Code of Ordinances states each person in charge of any County office, department, or agency shall submit a written report to the County Executive, the Committee on Finance, the Office of the Comptroller, and the Office of Strategy, Budget and Performance within 10 days when there is reason to believe that a net deficit of at least \$100,000 is projected to occur.



Figure 7 Timeline of Major Items for 2025 MCTS Deficit

				
February	March	April	May	June
<ul style="list-style-type: none"> • MCTS received Transdev's January paratransit bill that was over budget and identified performance issues. • MCTS begins onboarding of new financial software system. 	<ul style="list-style-type: none"> • Transdev performance did not improve, and they continued to bill MCTS at levels over budgeted amounts. • MCTS meets regularly with Transdev and engages legal counsel. 	<ul style="list-style-type: none"> • Reviewing two months of data from new financial software system, MCTS identified budget overages. • MCTS initiates actions to reduce overtime. • April 9 MCTS testifies to Transportation & Transit Committee on Transdev productivity. • April 29 – MCTS sends its February 2025 financial report to MCDOT. 	<ul style="list-style-type: none"> • Three months of financial software data showing a trending deficit for 2025. • May 15 - MCTS sends its March 2025 financial report to MCDOT, SEWRPC, and Comptroller staff. • May 22 - MCTS emailed MCDOT detailing current issues including a projected deficit and solutions in 2025 and 2026. • May 28 - County Executive update meeting with MCDOT. Full deficit amount not disclosed per email. County Executive's Office requests a stronger review based on the new deficit data. 	<ul style="list-style-type: none"> • June 2 - MCTS submits its April financial report to MCDOT, SEWRPC, and Comptroller staff. • June 12 - MCTS met with MCDOT leadership on the use of pandemic relief funds and other solutions. • June 13 - MCTS determines projected deficit is \$10.9 million and shares with MCDOT. • June 16 - MCDOT approves press release. • June 17 - Budget deficit press release distributed. • June 18 - Per MCDOT request, MCTS creates a County Legislative Information Center file for the deficit report. • June 18 - MCDOT testifies at Finance Committee meeting. • June 23 - MCTS submits its May financial report to MCDOT, SEWRPC, and Comptroller staff. • June 27 – Comptroller request an Audit of Transit Governance.

Source: Audit Services Division created figure based on emails from MCDOT staff, interviews, and legislative files.



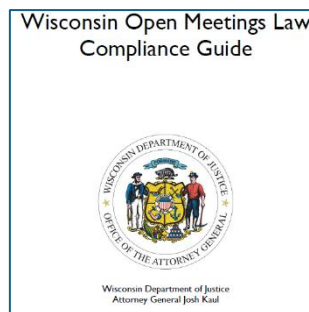
On June 27, 2025, due to the sudden change in the financial situation for MCTS, the Milwaukee County Comptroller requested an analysis of the MCTS financials by her Financial Services staff and an audit examining the governance and oversight structure of MCTS from our office.

Our audit was driven by the lack of timely notification of the fiscal deficit and many of our recommendations strive to reduce the recurrence of a future deficit or other significant event unfolding without public sunlight including analyzing whether controls in place within the government structure were adequate.



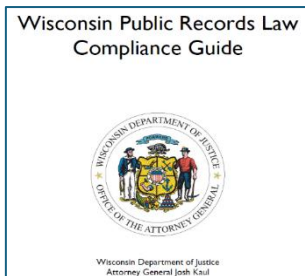
MCTS provided photo of bus circa 1975.

In addition to a review of MTS' bylaws, federal regulations, State Statutes, and County Ordinances throughout this audit report, we relied upon a variety of criteria including the following:

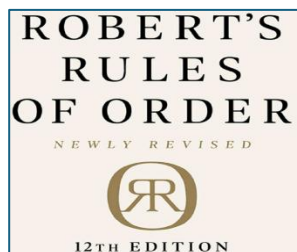


The Wisconsin Office of the Attorney General periodically issues a *Wisconsin Open Meetings Law Compliance Guide*. The guide provides context for governmental bodies on how to ensure compliance with Wisconsin's Open Meetings law. The guide notes that Wisconsin's open government laws promote democracy by ensuring that all state, regional, and local governments conduct their business with transparency. The open meetings law applies to every meeting of a governmental body including quasi-governmental bodies. Quasi-governmental

entities are corporations that significantly resemble a governmental corporation in function, effect or status.



The Wisconsin Office of the Attorney General periodically issues the *Wisconsin Public Records Law Compliance Guide*. The guide establishes which entities are required to follow public records law as well as providing guidance for entities on how to ensure compliance. The guide uses the same factors to determine if public record law applies to a quasi-government entity as the open meetings guide.



Robert's Rules of Order Newly Revised is a guide for parliamentary procedure that is used by many governing bodies in order to have smooth, orderly, and fairly conducted meetings. The book has been maintained since 1876.

Overall Conclusions



MCTS provided photo of bus circa 1975.

When County transit services transitioned from being provided under a contractual relationship to a quasi-governmental instrumentality, the relationship and operations did not change significantly. MCTS was still essentially provided with a lump sum budget and autonomy that is greater than is afforded a typical County department. We believe there are several opportunities for the County to enhance oversight of this quasi-governmental instrumentality with a budget that includes in 2026 over \$150 million in public funding through additional sunlight, more clearly defined roles and responsibilities, and more detailed fiscal reporting.



MCTS provided photo of bus at the Milwaukee Public Market – 2026.



SECTION SUMMARY

While there are bylaws for the MTS Board to follow, the roles of the County Board, the MTS Board, and MCTS are unclear. Guidance on applicable County ordinances is lacking. The timing of the ultimate decision to pivot from a contractor-provided transit service to a quasi-governmental entity may have led to the current lack of clarity.

The updates to the bylaws in 2014 added language to attempt to identify oversight delegated to Milwaukee County. The bylaws were updated after issues occurred with the 2014 RFP to award a contract.

The MTS Board is governed by bylaws, originally adopted in 1975 and last modified in 2014 when MTS was transitioning to a quasi-governmental entity. Several key differences exist between the versions of the bylaws from 2004 and those updated in 2014 to reflect the new model. Major changes include:

- Allowance of actions without meetings with written consent from 2/3 of Directors in office compared to the 2004 requirement of all Directors.
- A significant addition is the requirement to comply with Open Meetings and Open Records both as a standalone item and as a note of the permission to conduct actions without meetings.
- Itemized oversight is delegated to Milwaukee County for select items.
- Five Board of Directors versus the three to four in the 2004 bylaws.
- Decrease in officer positions from seven to four serving a one-year term instead of the prior three-year terms.
- Duties added to Treasurer (rendering of fiscal condition) and Secretary (responsible for Board meeting notices and minutes).

The oversight granted to Milwaukee County within the bylaws as MTS became a quasi-governmental entity rather than a contractor are set forth in Article XI of the bylaws. They are to:

- Operate and maintain, lease to an operator, or contract for a transit system per Chapter 59 of the Wisconsin statutes.
- Exercise powers related to transit matters enumerated in its ordinances.
- Monitor the compliance of MCTS to its budget.
- Review any records of MCTS as needed.

Article XI is below in Figure 8.



Figure 8 Article XI

ARTICLE XI. COUNTY OVERSIGHT

11.01 Oversight.

The Board of Directors hereby delegates to Milwaukee County the following policy oversight power of the Corporation, pursuant to Sections 59.58(3) and 181.0801 of the Wisconsin Statutes:

1. Responsibility to exercise the powers enumerated in Section 59.58(3) of the Wisconsin Statutes.
2. Responsibility to exercise the powers related to transit matters enumerated in the Milwaukee County Code of General Ordinances.
3. Responsibility to monitor the compliance of the Corporation with its budget.
4. Responsibility to review all records the Board of Supervisors of Milwaukee County or the Milwaukee County Executive may deem necessary to assess the Corporation's performance.

Source: MTS bylaws.

Chapter 1 of the Milwaukee County Ordinances establishes powers of County Board Committees including areas specific to the Transit system. The Committee on Transportation and Transit is granted authority over fares and routes while the Committee on Finance oversees financial matters.

Chapter 1 of the Milwaukee County Code of Ordinances establishes the role of the Committee on Transportation and Transit and the Committee on Finance. The Committee on Transportation and Transit's duties related to transit include:

- Departmental policy of areas within the Department of Transportation including the Airport, Transportation Services, Highway, Fleet Management, and County transit/paratransit system.
- All mass transit policy matters pertaining to the establishment of fares and other charges, standard of service, route locations, capital improvements, and service improvements.
- Approves all facility and land leases that are not referred to other standing committees subject to the parameters set in Chapter 59.17 (2)(b) 3 and 59.52(6) of the Wisconsin statutes.
- All transportation matters pertaining to disadvantaged business enterprises.

The Committee on Finance's duties related to transit include:

- County budget matters.
- Issuance of debt.
- Taxation matters.

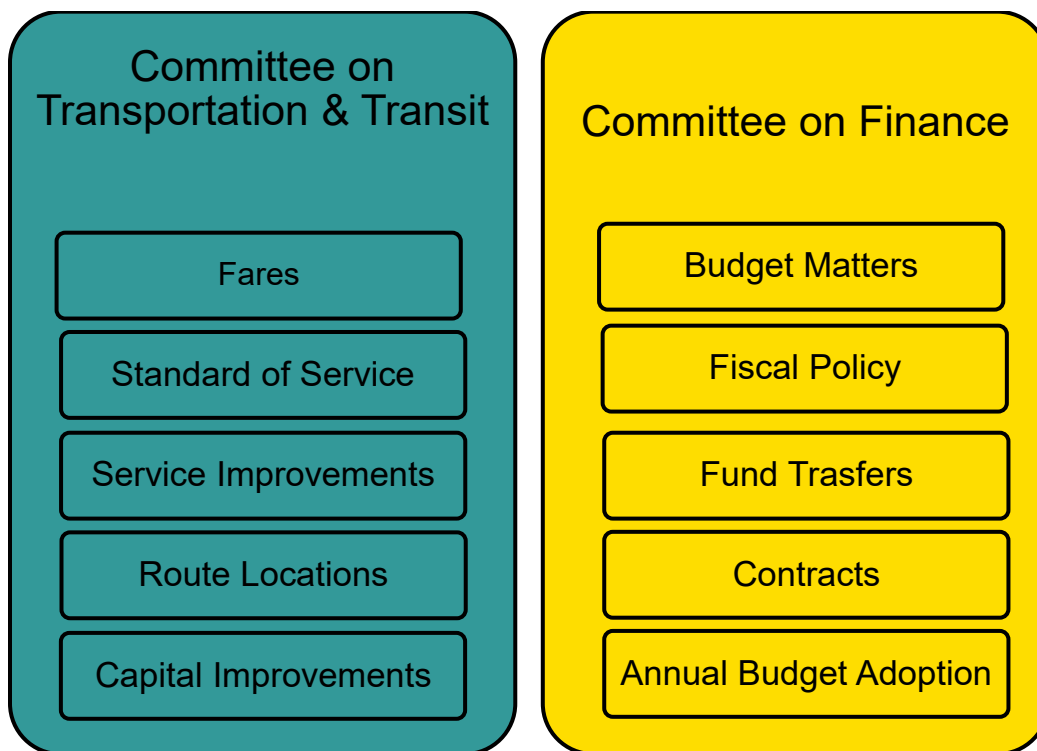


- Policy matters having a fiscal effect outside the current budget.
- Other financial matters of concern to the County.

Chapter 59 of the Wisconsin statutes grants authority to the Finance Committee of the County Board to approve appropriation transfers to move funds or receive additional funds during a fiscal year after the adoption of the annual budget.

Changes to routes are voted on by the County Board after being considered by the Committee on Transportation and Transit for changes without a budgetary impact. Changes with a budgetary impact are considered by the Finance Committee. MCTS cannot modify routes without County Board approval per the ordinances. Figure 9 shows the Committees' responsibilities.

Figure 9 County Board Committee Responsibilities



Source: Audit Services Division created figure based upon Milwaukee County Ordinances.

Other items presented to the County Board include: grant updates, strategic plan reports, Southeastern Wisconsin Regional Planning Commission reports, purchases and capital updates, paratransit program updates, a policy related to transit vehicles for emergency purposes, the Title VI program plan, and Safety Plan, and security updates. Additional staffing items reviewed include Bus Operator Hiring-Retention, Employee Engagement Survey Results, Covid-19 impacts, and Equal Employment Opportunity reports.



MCTS provided photo of buses circa 2020s.

There has been varying legal advice regarding the role of the County Board and policy directions for MCTS since 2014.

In 2014, during County Board deliberations on the change from a contracted entity to a quasi-government entity, the then Corporation Counsel testified that the County Board would gain greater oversight over MCTS under the new Board model.

In 2019, when the County Board wanted to pursue a change in the number of directors of the MTS Board, it approved a resolution “requesting” the MTS Board to amend Article IV of the MTS bylaws to increase the number of directors to six. The MTS Board took the matter up in a meeting in January of 2020 but laid the item over to the call of the chair at a meeting in March of 2020 with no vote being taken on the item so the change was not approved.

Guidance communicated in 2023 via email to County Board members from the prior Corporation Counsel indicated while the County Board provides funding to MCTS, short of withholding all funding, the County Board is unable to direct operations through the budgeting process.

Finally in a memo issued on February 13, 2026, the Office of Corporation Counsel stated that, “Milwaukee County retains oversight with regard to policy and budget issues, while MTS manages business affairs and the MTS President oversees day-to-day transit operations.” In an interview with OCC, they further stated that the County Board holds the “power of the purse” and the power to require reports and public testimony from MCDOT, MTS, and MCTS. The County Board chair also appoints a board member to the MTS Board. The MTS bylaws have expressly given to the County Board the right to exercise authority over MTS and MCTS as defined in our transit ordinances. The County’s authority over the MTS Board is shared between the County Board and the County Executive.

Included as Exhibit 5 is a governance graphic provided by the Office of Corporation Counsel in March of 2026.

There were items included in the prior contract with MTS that were not included in the updated bylaws which has reduced the oversight power of the County.

The County entered into a two-year contract in 2010 with MTS with options to extend until 2014. This was the final contract that was executed. A number of items that were included in the contract required the provision of additional information to the County than what was generally provided during the period of our review. County Board committee chairs have wide latitude to request informational reports relating to the Committee's jurisdiction.

The contract clauses are shown in Figure 10.

Figure 10 MTS Contractual Requirements in Prior Contract



Source: Audit Services Division created based upon prior contract between Milwaukee County and MTS.

There are a number of items that currently are not reviewed or approved by the County Board or the MTS Board.

In addition to items cited in the ordinances to have oversight by the County Board, there are a number of items which are typically brought to the County Board via its committees for review. Since MCTS has a separate board that also provides oversight, not all activity would be at the County Board level. From 2020 to 2025, there were a number of items that currently are not reviewed or approved under either board. It is unclear if these MCTS items which do not currently receive a public review should be reviewed by either the MTS Board or the County Board since MCTS is a quasi-

government entity. According to the MCTS President, these items are delegated to the MCTS President.

Table 1 shows a review of items and which public body held a review, if any, for MCTS items.

Table 1
2020 to 2025 List of Major MCTS Items and Which Public Body Reviewed

County Board Item	MTS Board Item	No Public Body Review
Item	Public Review Body	
Fares		County Board Action Item
Routes		County Board Action Item
Grants		County Board Action Item
Safety & Security Policies		County Board Action Item
Budget Adoption and Revisions		County Board Action Item
Capital Improvement Requests		County Board Action Item
Grant Updates		County Board Info Item
Strategic Plan Reports		County Board Info Item
SEWRPC Reports		County Board Info Item
Project Studies		County Board Info Item
Taskforce Updates		County Board Info Item
Employee Engagement Study		County Board Info Item
EEO Reports		County Board Info Item
Bus Operator Retention – 2021		County Board Info Item
Self-Insurance		MTS Board Action Item
Appointment of MTS Board Officers		MTS Board Action Item
Appointments of members to retirement related boards		MTS Board Action Item
Signature authority for checks & contracts		MTS Board Action Item
Procurement including RFPs		No Public Body Review
Human Resources		No Public Body Review
Specific Contract Approvals		No Public Body Review
Employee Benefits		No Public Body Review
Labor Contracts Approval		No Public Body Review
Compensation and Merit Increases for Non-Reps		No Public Body Review
Paratransit Contract Approval		No Public Body Review
FTA audits and Triennial Reviews		No Public Body Review
State of Wisconsin Reviews		No Public Body Review

Source: Audit Services Division created table based on ordinances, MTS board files and Milwaukee County Legislative Information Center.



The review of salaries at MCTS has varied over the years. The prior contract had a provision for an annual update of salaries from MTS to the County along with the County Board approving the Managing Director’s salary. Annual salary increases for MTS employees not covered by bargaining units were not identified in the County’s Adopted Budget.

Under the prior contract, the County Board approved the salary of the Managing Director, which last occurred in 2014. In addition, MTS was to provide the salary ranges of its staff to the County. In 2019, the MTS Board and the County Board were presented with a compensation review of MCTS staff salaries from an outside consultant. In 2020, the MTS Board held a discussion on the compensation study and approved the salary of the Managing Director. The MTS Board also approved the salary of the Managing Director hired in July of 2025.

MCTS does have internal policies for compensation and merit increases for non-representatives since represented employees are covered by their bargaining units. These policies have not been approved by the MTS Board or the County Board. In 2026, non-represented employees of MCTS were given a 2.75% increase with the intention to return to merit increases in 2027. According to MCTS, the 2026 Adopted Budget for MCTS included funding for a projected 3% increase although this information is not included in the County’s Adopted Budget narrative. According to MCTS, the estimated cost of the raise in 2026 will be \$339,342.

While the MTS bylaws state oversight is delegated to Milwaukee County via its power related to transit matters enumerated in its ordinances, MCTS did not have a list of ordinances they follow. A review of the ordinances found only 15 ordinances with the word “transit” providing little guidance to MCTS.

Under the authority from Chapter 66 of the Wisconsin statutes, Milwaukee County created a code of general ordinances. The MTS bylaws give oversight power to the County for items enumerated in the ordinances for Transit. We requested a listing of specific Milwaukee County ordinances that MCTS follows but were told that MCTS follows “applicable” ordinances. Our interviews found contrasting views of who was responsible for determining which ordinances to follow and to ensure that MCTS is in compliance with the applicable ordinances. Some believed that it was MCTS’s responsibility to follow the right ordinances while others we interviewed stated that it was MCDOT’s responsibility since they were more familiar with the County Ordinances.

We searched the ordinances to see when the word “transit” was included and found that there are 15 ordinances where the word “transit” appears and of those six refer to the Committee on Transit and Transportation. Many ordinances refer to County departments in general or are meant to apply to all County entities. Some deal strictly with County employees, which would not be applicable. These factors do not provide much guidance to MCTS on which ordinances they should be following.



At its annual MTS Board meeting, the Directors vote on who at MCTS has the authority to sign contracts and checks. Approval of specific contracts, including significant multi-year agreements, are not done by the MTS Board or the County Board.

Based upon the annual action at the MTS Board meeting, MTS can enter into contracts including labor agreements without any board approval. MTS and MCTS are required to follow federal regulations when using federal funds. The language included in the bylaws for contracts states that, “The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances.”



The County’s contracting process is detailed in the County’s Administrative Manual of Operating Procedures section 15.01 and further explained in an Office of Corporation Counsel (OCC) memo dated March 3, 2017, to the County Board. The memo states that, “the executive may contract for procurement goods unilaterally, *unless* the contract is multi-year (to be determined by the OCC and Comptroller).” It continues to state that the contract guidance table will be modified to note that a contract involving non-park County personal property, building, facilities or real estate is not subject to County Board review only if it uses funds from adopted fiscal years. MTS has entered into multi-year contracts that commit the County Board to future funding without approval from the MTS Board or the County Board.

MTS entered into a contract with Transdev (formerly First Transit) for the provision of paratransit services on December 14, 2022. MTS did not request approval from either the MTS Board nor a County Board Committee to enter into the multi-year contract. The paratransit contract is a seven-year contract with actual costs of \$22.4 million in 2025. The contract is a firm fixed price contract with allowable CPI increases starting year 4. Prices are firm for the first 3 years with pricing for years 4-7 to be determined with the CPI as a ceiling or cap. Based on 2025 costs, the projected seven-year cost of that contract is over \$156 million without including escalators.

There are currently two active labor agreements that MTS has entered into. One with Amalgamated Transit Union for the years 2025 to 2028 and one with Office and Professional Employees International for the years 2025 to 2028. MTS did not request approval from either the MTS Board nor a County Board Committee to enter into the multi-year contracts. The costs of the two three-year labor agreements are difficult to project since MCTS does not calculate a full fiscal impact until its annual budget preparation. The latest contract includes a 4.0% increase for Operators with an additional Cost of Living Increase linked to the Consumer Price Index and capped at 2.5% annually. Reviewing a line-item year end fiscal report from 2025 shows annual actual costs for Operators of \$55.7 million for salaries and paid absences only. Fringe benefits are not shown by Operators versus other employees.



**Figure 11 Multi-Year Contracts at MTS Not Approved By
The MTS or County Board**

Type	Cost Estimate	Duration	Total Active
 Transdev (Paratransit)	\$22.4 million actual in 2025	2023-2030	1
 Union (Labor)	2025 Actual Operator Salary and Paid Absences Only – \$55.7 million	2025-2028	2

Source: Audit Services Created table based on information provided by MCTS.

Authority to enter into a contract may be granted by listing the vendor, the contract description, and the annual not-to-exceed amount within the County’s Adopted Budget narrative as shown below. The Adopted Budget for the Transit/Paratransit system has not included a table requesting contract approval in its narrative. Figure 12 shows an example from the 2026 Adopted Budget for the Office of Emergency Management where a department receives contract authority within the Adopted Budget.

**Figure 12 2026 Office of Emergency Management Contract Approval Table from
Adopted Budget**

Office of Emergency Management (480)		Agency No. 480
The following contracts are included in the 2026 Budget in lieu of separate review and approval from the County Board during the fiscal year:		
Vendor	Contract Description	Contract Amount
Zoll Medical - Case Review	Case Review	\$49,316
Zoll Medical - Rescue Net Live	Rescue Net Live	\$50,000
Medical College of Wisconsin	Medical Direction	\$394,654.80
Imagetrend	EMS System electronic patient care reporting software	\$43,4451.44
Ninth Brain	Learning Management System	\$64,125

Source: 2026 Adopted Budget



MCTS provided photo of bus circa 2020s.

Conclusion and Recommendations

In 2014, due to challenges to the most recent RFP process that resulted in no replacement contract being issued, there was a relatively rapid shift from a contractor model to a quasi-governmental model for the transit system. Having two separate boards providing oversight can result in a presumption that the “other” board is handling items when in actuality neither board is. Operating under a contract created periodic review points for the County when the contract was up for extension or rebidding. The last contract was for a four-year period. The quasi-governmental entity does not receive periodic reviews to assess how well the model is working.

There has been some varying guidance from the Office of Corporation Counsel on the role of the County Board since 2014.

One of the oversight functions that was added to the MTS bylaws in 2014 was the adherence to powers related to transit enumerated in the County ordinances but there are only 15 ordinances that include the word “transit” which has led to uncertainty of which ordinances apply to MCTS.

The bylaws state that the MTS Board may authorize individuals to enter into contracts but also states such authority may be general or confined to specific instances. Practice has been for MCTS to enter into major contracts, such as multi-year labor agreements and contracts for the provision of paratransit services, without seeking MTS or County Board approval.

We believe there are a number of areas where clarification would be beneficial. While clarification is pending, it should be noted that in the interim, the County Board has broad authority to request written updates to be presented at its Committees from MCDOT and MCTS, therefore we recommend:

1. MCDOT should work with the Office of Corporation Counsel to expand and clarify what falls into each of the following categories:
 - policy and budget issues under the County Board’s purview.
 - business affairs under the MTS Board’s purview.
 - day-to-day transit operations under the MCTS President’s purview.
2. MCDOT should work with the MTS Board and Office of Corporation Counsel to develop a list of which ordinances are applicable to MCTS and present the list to both the MTS Board and the County Board.
3. MCDOT should establish clarity on contract approvals including if County Board approval is required for any multi-year contracts entered into by MCTS that create future appropriation obligations for the County.



SECTION TWO: MTS Board Meetings

SECTION SUMMARY

Since 2014, the MTS Board has met 17 times with a typical agenda listing of five to six items. The last meeting with a duration of over 20 minutes was in 2020. There are items such as federal reviews and investigations that are not presented at either the MTS Board or the County Board. The MTS Board never met to be briefed on the \$10.9 million projected deficit in 2025.

There are minimal instructions contained within the MTS bylaws regarding how it should hold its meetings.

Per the MTS bylaws and to abide with Chapter 181 of the Wisconsin statutes for nonstock corporations, the Board of Directors holds an annual meeting at 9:30 a.m. on the second Tuesday in January. The bylaws contain guidance on the Board holding Regular meetings as fixed by the Board and special meetings called by the President or any two Directors. For special meetings, only the noticed item may be discussed.

The MTS Board has held an annual meeting each year (except for 2018) to process administrative items including:



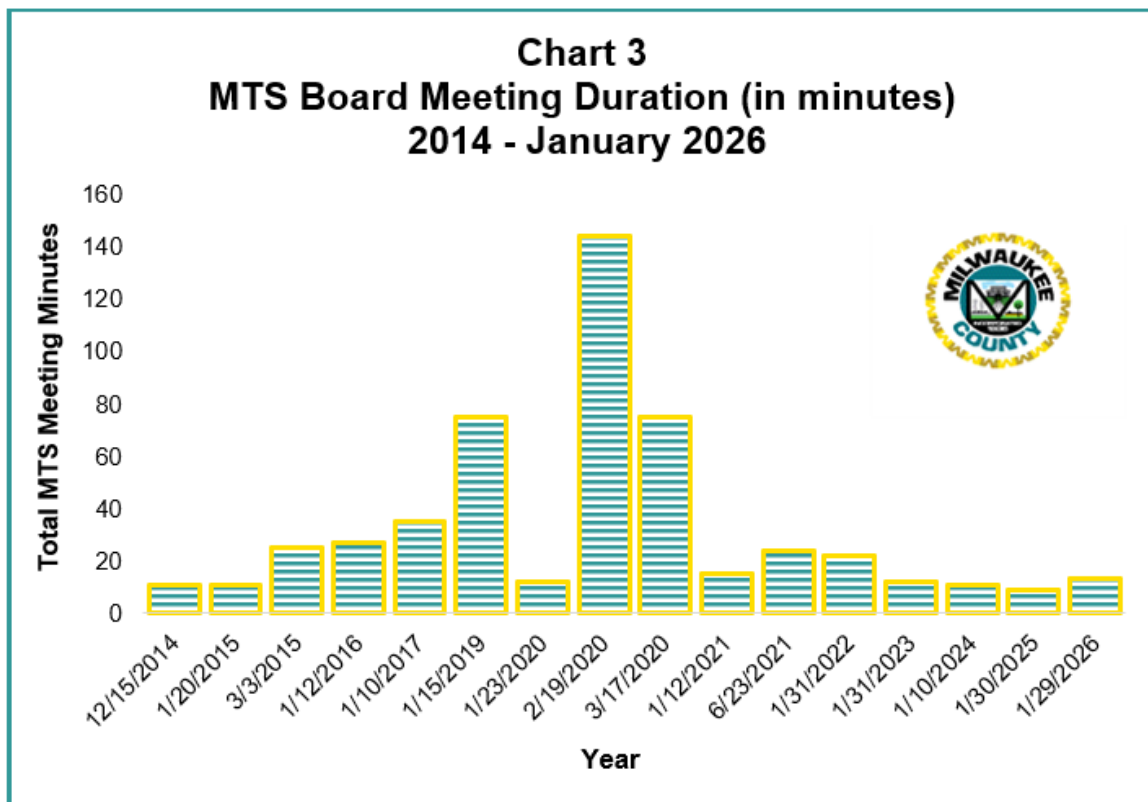
- Appointment of Officers
- Approval of Self-Insurance
- Approval of standard business matters
- Approval of MCTS Management representatives on the MCTS Pension Board and 457 Plan Board
- Acknowledgement of MTS officers, managers, and agents to sign orders for the payment of money and contracts
- Distribution of MTS Ethics and Conflict of Interest Policy
- Approval of prior meetings minutes – typically one year after the meeting occurred

MCTS provided photo of bus in front of Marcus Center circa 2020s.

In the 13 years since it transitioned to a quasi-governmental instrumentality of Milwaukee County, the MTS Board has met 17 times. Some items are reviewed by the County Board and its committees.

From 2014 to January 2026, the MTS Board held 17 meetings, excluding actions taken without meetings (discussed in Section Four), according to records provided from MCDOT. Thirteen of the 17 meetings lasted less than 30 minutes with the shortest meeting lasting nine minutes in 2025. The meeting in February 2020, which was the longest, lasted 144 minutes due to the consideration of a resolution approved by the County Board requesting changes to the make-up of the MTS Board and the review of a compensation study. Some items are reviewed by the County Board and its committees.

Chart 3 shows the dates and duration of the MTS Board meetings from 2014 to January of 2026.



Source: Audit Services Division created chart based on data provided by MCDOT.
 *There was an additional meeting held on December 4, 2014. Records provided to Audit Services Division were from the files of a retired employee which did not include minutes from December 4, 2014, so we were unable to calculate the duration.

While not an exact comparison, other entities in Milwaukee County that have a Board of Directors and receive County funding meet more frequently than the MTS Board as do boards for other transit systems.

The MTS Board which oversees a quasi-governmental instrumentality is a unique entity at Milwaukee County. We reviewed other organizations that operate in conjunction with Milwaukee County but are not a department of Milwaukee County and we compared their board activity to that of the MTS Board. We found that while the MTS Board held one meeting in 2025, the Mental Health Board met 10 times, the Milwaukee Public Museum Board and the Marcus Center Board met four times.

Similar to the lack of a direct County comparison, we did not find a transit system with the same management model as MCTS. We reviewed the following transit systems to see their 2025 board meeting activity: Indianapolis, Green Bay, Minnesota Valley, Cleveland, Chicago, Waukesha and Madison. Waukesha County met seven times. Madison Metro had the highest number of meetings at 21. The remaining five boards met between 10 and 15 times.



As noted in Section One, many items for MCTS are presented to the County Board Committees on Transportation and Transit and Finance.



MCTS provided photo of bus circa 1970s.

The MTS Board did not receive recurring fiscal reports unlike other transit systems we reviewed. The MTS Board never met to be briefed on the \$10.9 million projected deficit in 2025 although County Board committees were briefed multiple times.

Five of the seven transit agencies we reviewed have recurring financial reports presented to their respective policy bodies on a regular basis. The Milwaukee County Mental Health Board has an agenda item listed as a report from the Mental Health Board Finance Committee.

From 2014 to 2026, the MTS Treasurer did not present on the fiscal condition of the Corporation to the Board of Directors at its meetings. There was no MTS Board meeting held during 2025 after the disclosure of the \$10.9 million projected deficit, and it was not discussed at the annual meeting in 2026.

Both the Federal and State governments perform periodic reviews of MCTS but neither the County Board nor the MTS Board are briefed on the results. Ongoing investigations and corrective action plans under review are also not presented to either board.

Federal and State reviews and investigations have not been presented to the MTS Board nor the County Board. The last triennial review conducted by the FTA that was brought to the County Board was in 2015. Reviews were conducted in 2018, 2022, and 2025. A status report on the findings noted in the 2025 report has also not been presented.

The 2025 FTA Triennial review issued on December 2, 2025, identified deficiencies in four areas:

- Financial Management and Capacity
- Satisfactory Continuing Control
- Procurement
- Charter Bus



The deficiency found under Financial Management and Capacity was that MCTS lacks financial capacity to carry out its program. A recipient is deficient if it reports financial deficits that impact the ability to maintain and operate existing systems. MCTS reported a significant fiscal year 2025 budget deficit. MCTS submitted a corrective plan to the FTA that is currently under review and the deficiency remained open when we issued this audit report.

We found evidence that the transit systems for Green Bay, Madison and Waukesha provided updates to their boards regarding their triennial reviews.

On January 27, 2026, notification was received from the FTA, that the FTA intends to conduct a Financial Management Oversight review of MCTS beginning in April of 2026 which is anticipated to take up to 12 to 18 months to be completed. The FTA was on-site at MCTS in mid-April 2026 with a planned return in June of 2026.

In 2025, MCTS received notice of a Department of Justice paratransit investigation.

The last review conducted by the State was in 2016 and was not presented to either the County Board or the MTS Board.

We found confusion and varying opinions about the role of both the MTS Board and the County Board when interviewing MCDOT and MCTS staff.

According to interviews with MCTS and MCDOT leadership, the role of the MTS Board may be viewed as duplicative because of the oversight provided by the Milwaukee County Board. In 2019, the Managing Director stated to the Committee on Transportation and Transit that since 1975 the Board has traditionally only met annually and the changes made in 2014 had little effect on the day-to-day operation of MCTS from past practice. According to interviews with MCTS and MCDOT management, it was stated that the County Board was viewed as a Board of Directors with board-level decisions being made and that due to the frequency of meetings between MCDOT and MCTS there was not a need for additional board meetings. Four of the five MTS Directors, three who are also employees of MCDOT and one of MCTS, discuss MCTS matters on a daily, weekly or bi-weekly basis according to interviews. There was also an emphasis on not creating duplication for staff with having to present items to multiple boards.

The Milwaukee Public Museum encountered financial issues in 2012 which resulted in a standing financial update to the Committee on Finance which is still ongoing.

After having financial difficulties in 2004 and 2005, a financial recovery plan was created for the Milwaukee Public Museum which also had additional financial issues in 2012. According to the records in the County Legislative Information Center, the Museum has been providing an update on its financial status to the Committee on Finance as a stand-alone item since at least 2011.





MCTS provided photo of bus in front of Milwaukee Intermodal Station circa 2020s.

Conclusion and Recommendation

Since its conversion to a quasi-governmental entity in 2014, the MTS Board has typically met only once per year and for a limited amount of time in part because some items do receive review via the County Board, however, there are major policy and items with a fiscal impact that currently are not approved or reported on at either the MTS Board or the County Board.

There is no standing agenda item for the MTS Board on its financial state, nor did the MTS Board meet on the projected \$10.9 million deficit once it was disclosed in the summer of 2025. The County Board was not informed of the deficit prior to a press release. The Milwaukee Public Museum, which has had financial issues in the past, has an on-going standalone report to the County Board Committee on Finance on their fiscal status.

Federal reviews and investigations are not discussed by either the MTS Board or the County Board. We noted there is confusion, contradictory views, and a desire to avoid duplication related to what responsibilities the MTS Board has when we interviewed staff at both MCTS and MCDOT, therefore we recommend:

4. MCDOT should develop policies and procedures on presenting either to the County Board or to the MTS Board the following items:
 - A periodic detailed financial update on revenues, grants, and expenditures.
 - A review of any legal issues anticipated to have a significant fiscal impact.
 - Notifications, reports, and status updates on any audits, reviews, or investigations.

SECTION THREE: Fiscal Oversight and Representation on the MTS Board of Directors

SECTION SUMMARY

Due to the unique funding structure for MCTS, it is difficult to analyze their finances, and the majority of drivers for the 2025 deficit fall outside of items approved by either the MTS or County Board. There is no representation from other County financial stakeholders on the Board of Directors.

The largest expenditure categories for the deficit in 2025 were within salaries, fringe benefits, workers compensation, and the paratransit contract.

On June 17, 2025, MCTS issued a press release alerting the public to a projected \$10.9 million deficit for fiscal year 2025. On June 18, 2025, MCTS submitted a deficit report to the County Board. MCTS provided a year-end statement for 2025 that included both Actual and Budget amounts by line item. In Table 2, we show the major categories causing the deficit as of December 31, 2025. The full listing by detailed account is included in Exhibit 6.

Table 2 2025 Year-End Line-Item Report for MCTS by Expenditure and Revenue Groupings (in millions)*			
Category	Actual	Budget	Variance
Expenditures			
Operator Wages	\$49.8	\$47.1	(\$2.8)
Other Salaries & Wages	\$24.9	\$23.5	(\$1.4)
Paid Absences Operators and Other	\$10.3	\$11.7	\$1.3
Fringe Benefits (Medical Expenses \$2.0 deficit)	\$33.0	\$30.9	(\$2.1)
Expenses (Services, Materials & Supplies, Utilities, etc.)	\$28.3	\$29.6	\$1.2
Purchased Transportation Expenses (Paratransit)	\$22.4	\$19.8	(\$2.6)
Causality & Liability Costs (Workers Compensation)	\$6.0	\$4.0	(\$1.9)
TOTAL EXPENDITURES	\$174.8	\$166.6	(\$8.2)
Revenues			
Passenger Fares (Fixed Route and Paratransit)	\$22.8	\$26.9	(\$4.1)
Auxiliary Transportation Funds	\$3.5	\$1.3	\$2.3
Other Agency Revenues	\$1.0	\$0.1	\$0.9
Revenue from Purchased Transportation (Paratransit)	\$1.4	\$1.3	\$0.1
Recoveries	\$0.3	\$0.4	(\$0.1)
Public Funding – Federal, State and County Funds	\$145.7	\$136.6	\$9.1
TOTAL REVENUES	\$174.7	\$166.6	\$8.2

Source: Audit Services Division created table based on information provided by MCTS.
*Numbers are rounded.



Historically, the funding structure for MCTS has been split with some expenses paid by the County and the remaining costs managed by MCTS.

The transit/paratransit system is funded with Milwaukee County tax levy, vehicle registration fees, a variety of grants, passenger revenues, and other miscellaneous revenues. As an instrumentality of the County, the funding for MCTS is split between the County’s financial system and that of MCTS. In 2014, the Comptroller explained that all expenses for Transit Operations with the exception of some charges are essentially consolidated into a single expenditure account on the County books. Charges that remain on the County side are debt and depreciation, capital outlay, and crosscharges from other County departments for provision of services. MCDOT manages all the state and federal grants received for transit. Most of the grants received are formula grants, however there are some discretionary and competitive grants as well.

Figure 13 shows the 2026 Adopted Budget narrative from Milwaukee County’s publication for the transit/paratransit system.

Figure 13 2026 Transit/Paratransit Budget Narrative

Transit/Paratransit System (560)		Agency No. 560			
BUDGET SUMMARY					
Category	2023 Actual	2024 Actual	2025 Budget	2026 Adopted Budget	2025/2026 Variance
Expenditures					
Personnel Costs	0	0	0	0	0
Operations Costs	132,560,814	140,948,899	140,686,559	147,609,067	6,922,508
Debt & Depreciation	18,032,635	18,099,283	5,730,225	6,631,098	900,873
Capital Outlay	1,231,036	1,625,991	625,000	900,000	275,000
Interdepartmental Charges	2,977,372	3,003,232	4,538,198	5,907,689	1,369,491
Total Expenditures	\$154,801,857	\$163,677,405	\$151,579,982	\$161,047,854	\$9,467,872
Revenues					
Other Direct Revenue	18,880,325	20,826,538	19,733,618	21,242,510	1,508,892
State & Federal Revenue	109,662,822	87,043,468	106,410,400	110,876,553	4,466,153
Total Revenues	\$128,543,147	\$107,870,005	\$126,144,018	\$132,119,063	\$5,975,045
Tax Levy	\$26,258,710	\$55,807,400	\$25,435,964	\$28,928,791	\$3,492,827

Source: 2026 Adopted Budget.

In the Adopted Budget for 2025, there were total expenditures of \$151.6 million budgeted. Table 3 shows the breakdown for the expenditures into MCDOT and MCTS costs. Of the \$151.6 million, \$11.5 million are costs that remain at MCDOT for items such as Debt and Depreciation, Capital Outlay, Interdepartmental Charges, and Operations costs of \$571,217. The remaining expenditures of \$140.1 million in Operations Costs are at MCTS.



Table 3 Breakdown of 2025 Adopted Budget Expenses for Transit Between MCDOT and MCTS			
Expenditure Category	MCDOT	MCTS	Combined
Personnel Costs	\$0	\$0	\$0
Operations Costs	\$571,217	\$140,115,342	\$140,686,559
Debt and Depreciation	\$5,730,225	\$0	\$5,730,225
Capital Outlay	\$625,000	\$0	\$625,000
Interdepartmental Charges	\$4,538,198	\$0	\$4,538,198
Total Expenditures	\$11,464,640	\$140,115,342	\$151,579,982

Source: Audit Services Division table created based on information from the Adopted Budget narrative and Sherpa the County's budget software system.

In the Adopted Budget for 2025, there was \$25.4 million in property tax levy and \$16.2 million in Vehicle Registration fees budgeted. These revenues are also split between MCDOT and MCTS. Table 4 shows that MCDOT retained \$8.6 million in property tax levy and \$2.8 million in Vehicle Registration fees to offset the \$11.4 million in expenditures. The remainder of the property tax levy and vehicle registration fee revenue is at MCTS.

Table 4 Breakdown of 2025 Adopted County Revenues for Transit Between MCDOT and MCTS			
Revenue Category	MCDOT	MCTS	Combined
Property Tax levy	\$8,626,245	\$16,809,719	\$25,435,964
Vehicle Registration Fees	\$2,838,395	\$13,361,605	\$16,200,000
Total County Based Revenue	\$11,464,640	\$30,171,324	\$41,635,964

Source: Audit Services Division table created based on information from the Adopted Budget narrative and Sherpa the County's budget software system.

Since passenger revenue is collected by MCTS, the County's total expenditures for MCTS are reduced equal to the amount of anticipated fixed route revenue. This structure does not lend itself to easy monitoring of MCTS fiscal areas.

A complicating factor in the budget presentation is that fixed route operations revenues are reflected in the County's adopted budget as an expenditure abatement since the revenue is collected directly by MCTS. This results in total expenditures being reduced equal to the amount of anticipated fixed route operations revenue. Fixed route operations revenue in 2025 was \$26.5 million based on MCTS's report. The contribution to MCTS for its operations costs from the County is less due to the fixed route operations revenues. MCTS records for revenues include fixed route operations revenues which means the revenue amounts will not match the County's revenue amounts.

The 2025 Adopted Budget's narrative does not include the amount for all of the items included in the fixed route operations revenue abatement. It includes fixed route passenger revenue of \$24.6 million but there are additional operation revenues included in the overall expenditure abatement to bring the total abatement to \$26.5 million.



Therefore, the amount of total expenditures for MCTS in its year-end report is \$26.5 million higher than the total expenditures shown in the County Adopted Budget for total expenditures. This is shown in Table 5.

Table 5 Total Expenditures in the County's Adopted Budget vs MCTS's Report	
Total MCTS Expenditures from County Adopted Budget	\$140,115,342
Total MCTS Expenditures from MCTS Year-End Report	\$166,605,766
Variance between Expenditures in MCTS Year-End Report vs County Adopted Budget	\$26,490,424
Total Operations Budgeted Revenues in Expenditure Abatement	
Fixed Route Passenger Paid Fares	\$17,334,862
Fixed Route Organization Paid Fares - UPass, School Pass, Etc.	\$7,277,913
Aux funds, Other Agency, Recoveries*	\$1,877,650
Fixed Route Operations Revenue collected and recorded by MCTS (which is an expenditure offset in the County's Adopted Budget)	\$26,490,425

Source: Audit Services Division table created based on information from the Adopted Budget and MCTS.

*Includes a \$420,000 Accounting Change for Recoveries in the MCTS Year End Budget.

Numbers are rounded.

In order to calculate the actual total budgeted expenditures for the Transit/Paratransit system an additional calculation must be made due to the understating of expenditures in the Adopted Budget as a result of the expenditure abatement.

In order to calculate the total budgeted expenditures for the Transit/Paratransit system, a calculation must be done to add the total expenditures listed in the Adopted Budget narrative to the expenditure abatement costs to determine the grand total for expenditures. For 2025, total expenditures in the County's Adopted Budget are \$151.6 million. For 2026, total expenditures are \$161.0 million. However, those numbers do not include the costs that are in the operating revenue expenditure abatement. After that adjustment, total expenditures for 2025 are \$178.1 million and \$192.4 million for 2026. Table 6 shows this calculation. This calculation relies upon data found within the County's Budget Software in addition to the Adopted Budget narrative.

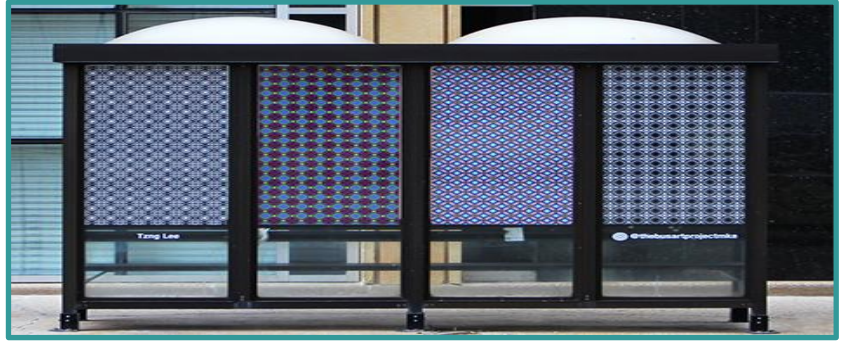
Table 6 Total Expenditures for Transit		
Category	2025 Budget	2026 Budget
Total Expenditures from Adopted Budget Narrative	\$151,579,982	\$161,047,854
Total Operating Revenue in Expenditure Abatement	\$26,490,425*	\$31,394,744
Grand Total Expenditures	\$178,070,407	\$192,442,596

Source: Audit Services Division table created based on information from the Adopted Budget, Sherpa, and MCTS.

*Includes a \$420,000 Accounting Change for Recoveries in the MCTS Year End Budget.



MCTS provided us with a year-end fiscal report for 2025 that included its budget categories. Table 7 shows the breakdown of the operations costs funding of \$140.1 million plus the passenger revenues of \$26.5 million for total budgeted expenditures of \$166.6 million for 2025 for MCTS. It also shows the corresponding breakdown of the revenue budgeted including the County tax levy contribution. This is additional detail than what was provided in the 2025 Adopted Budget for Milwaukee County.



MCTS provided photo of bus station circa 2020s.

Table 7 Breakdown of Expenses and Revenues in MCTS System for the 2025 Budget (excludes MCDOT)			
Expenditure Category	Fixed Route	Paratransit	Total MCTS
Operator Wages	\$47,067,118	\$0	\$47,067,118
Other Salaries & Wages	\$23,080,640	\$447,728	\$23,528,368
Paid Absences	\$11,573,200	\$91,702	\$11,664,902
Fringe Benefits	\$30,645,594	\$213,199	\$30,858,793
Casualty & Liability including Worker's Compensation	\$4,079,467	\$0	\$4,079,467
Miscellaneous Expenses (Services, Materials & Supplies, Utilities, etc.)	\$29,379,081	\$207,310	\$29,586,391
Purchased Transportation Expenses (including Paratransit)	\$1,033,176	\$18,787,552	\$19,820,728
Total Expenditures	\$146,858,276	\$19,747,491	\$166,605,767
Revenue Category	Fixed Route	Paratransit	Total MCTS
Passenger Fares	\$24,688,175*	\$2,200,000	\$26,888,175
Auxiliary Transportation Funds	\$1,252,000*	\$0	\$1,252,000
Other Agency Revenue	\$130,250*	\$500	\$130,750
Purchased Transportation & Other	\$0	\$1,333,118	\$1,333,618
Total Recoveries	\$420,000*	\$0	\$420,000
Local Funding – County Property Tax and Vehicle Registration Fee	\$29,147,251	\$1,024,073	\$30,171,324
State Funding	\$60,877,600	\$9,089,800	\$69,967,400
Federal Funding	\$30,343,000	\$6,100,000	\$36,443,000
Total Revenue	\$146,858,276	\$19,747,491	\$166,605,767

Source: Audit Services Division table created based on information from the Adopted Budget and MCTS.

*Items with asterisk are fixed route revenues that are included in the expenditure abatement calculation.

The Adopted Budget does not provide cost estimates by routes but often amendments to restore services do.

The Adopted Budget for Transit/Paratransit does not include cost estimates by route. As a part of the budget process, if a Supervisor wishes to restore a cut to service the cost impact of that restoration is included in the amendment to the Recommended Budget. For example, during the 2026 budget process, the following two items were proposed for restoration in the amendment process:

- Provide \$1,264,080 to Agency 560 - DOT - Transit/Paratransit System to restore Route 28 transit service.
- Provide \$149,400 to Agency 560 – DOT – Transit/Paratransit System to partially restore Route 55.

MCTS does not provide details on its staffing in its Adopted Budget narrative.

Unlike other areas of the County, MCTS does not include any staffing information in its budget narrative. Employees of MCTS are not County employees but the annual operations cost provided by the County is used to pay for salary and employee fringe benefit costs at MCTS. The County Board is not informed of any annual salary increases for MCTS's non-represented staff. Prior to 2014, under the old contract MCTS was required to provide salary ranges of their employees to the County.

For other County areas, in addition to providing personnel costs, the Adopted Budget includes full time equivalents, overtime costs and seasonal, hourly, and pool hours.

MCTS does not have reserve funds to defray its deficits. The County is obligated to fulfill any year end deficit for MCTS. In 2025, to fix the projected deficit, MCTS and MCDOT requested the County Board approve the use of \$9.1 million in funds that had been anticipated for the 2027 budget. This action has had a subsequent impact to the 2027 budget request for MCTS.

As was noted by the IRS in 1976, the County is to provide MCTS with funds as necessary to make up the difference between its revenues and expenses. In December of 2025, the Office of Strategy, Budget and Performance submitted to the County Board a fund transfer from MCDOT and MCTS to the County Board. The fund transfer stated that the 2025 Adopted Budget for the Transit/Paratransit System has a current projected shortfall of \$9.1 million due to cost increases in multiple areas. MCDOT has \$10.0 million of Coronavirus Response and Relief Supplemental Appropriations Act funds available. While it was hoped to have these funds available for 2027, the projected shortfall necessitated that these funds be utilized in 2025.

In our interview with the FTA, it was discussed that due to Federal grants being multi-years in nature, MCDOT has the ability to allocate the funds over multiple County fiscal years. In the past, draw down of federal funds was deferred due to a projected surplus at MCTS. Funds may also be drawn down to offset deficits as well.

On March 4, 2026, at the Committee on Transportation and Transit, the MCTS Chief Administrative Officer informed the committee that MCTS is working on the request for the 2027 budget and is currently forecasting a gap of approximately \$17 million to \$20



million based on the known funding levels that will be available to MCTS in 2027. This increase is higher by \$9.1 million due to the use of Covid funds to offset the deficit in 2025.

Monitoring compliance of MCTS to its budget is listed in the bylaws as a County oversight power but historically minimal information was provided.

Since 2012 with the creation of the elected County Comptroller, the Comptroller has provided fiscal status reports at least quarterly to the County Board in compliance with Ordinance 56.02 and Chapter 59.255 of the Wisconsin statutes. The fiscal numbers from MCDOT's transit/paratransit system reported to the Office of the Comptroller presented a break-even fiscal status from 2022 to July of 2025 other than one report of a \$44,000 variance. The responsibility of accurate numbers for the Office of the Comptroller's fiscal reports rests with each specific department. According to interviews with MCDOT and MCTS, there is uncertainty on how the previous MCDOT Senior Financial Manager pulled together the monthly reports for each section of MCDOT and that the previous MCDOT Senior Financial Manager had often entered breakeven fiscal status to the Comptroller's Office because there was COVID money to cover the projected deficit.

During 2025, the County did not have direct access to MCTS's financial, payroll and human resources system. The County began a capital project to upgrade its Financial, Human Resources and Payroll system in 2015 with MCTS at times noted for inclusion but ultimately it was not included.

In 2015, the Adopted Capital Budget included the Enterprise Platform Modernization project which was created to address the County's technical debt and inefficiencies in the current business operations. The projected \$20 million project was to implement software to replace financial, human resources and payroll systems by the end of 2020. From 2017 to 2020, MCTS was included as a user in the Capital Budget narratives.

In 2020, the then Comptroller testified before the Finance Committee that after discussions with both MCTS, MCDOT, and Ceridian, the County's Human Resources System, it was the best direction for the County to not include MCTS in its Ceridian system.

During 2025, the County did not have direct access to MCTS's financial, payroll and human resources system. However, MCTS did provide monthly fiscal reports to MCDOT, SEWRPC and the Comptroller. In the fall of 2025, the topic was revisited when the 2026 Adopted Budget requested reports back from the Office of the Comptroller and key stakeholders on the ability to integrate MCTS's payroll and business functions into the County's systems. At the time the issuance of this audit report, the reports had not yet been issued on this topic. The MCDOT Senior Financial Manager was granted access to MCTS's financial system in February of 2026.

The makeup of the Directors of the MTS Board is established in its bylaws and is limited to one Director, a County Board Supervisor, outside of MCDOT and MCTS.

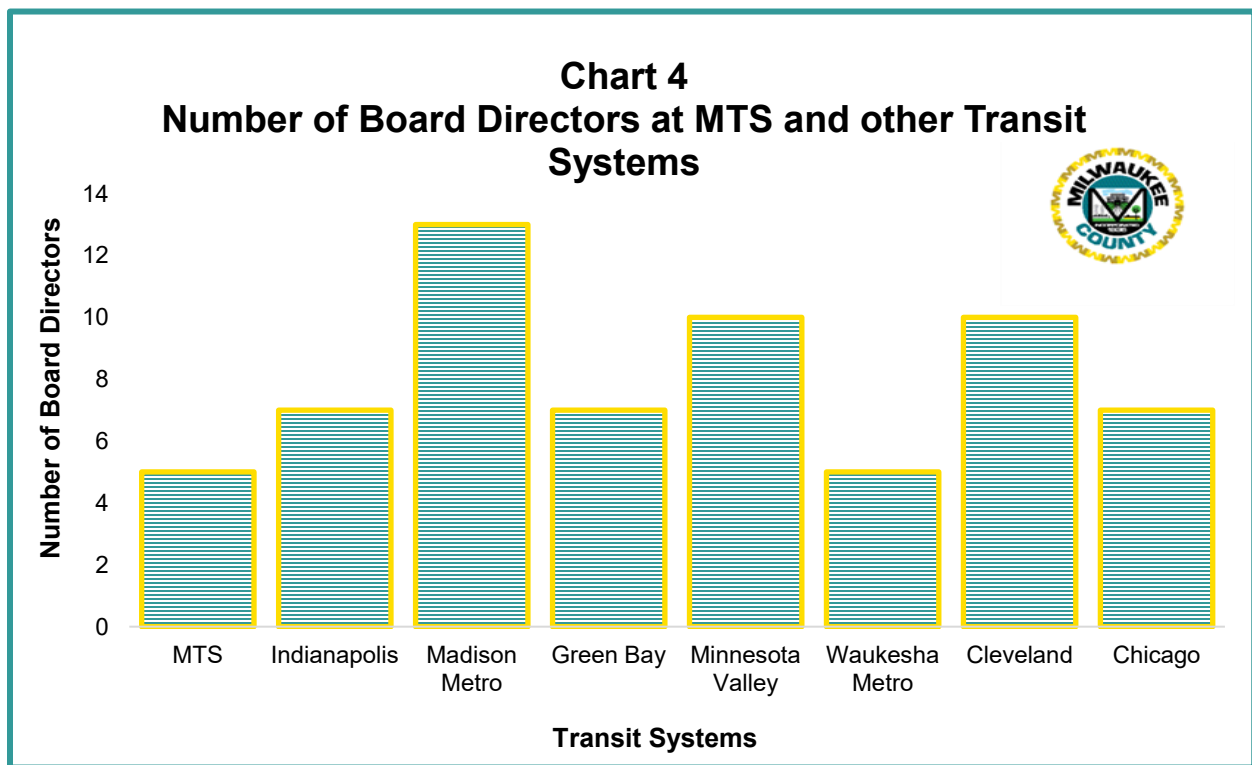


Article IV of the 2014 MTS Bylaws states there will be five voting Directors. One Director is a County Board Supervisor appointed by the Chair of the County Board. The remaining four Directors hold their position due to the job they hold at Milwaukee County or MCTS.

The MTS bylaws state that the Board of Directors may, by vote of a majority of its voting directors, adopt, amend or repeal any and all of the bylaws. According to an interview with representatives from the FTA, if the FTA has previously approved an entity's bylaws, any change to the bylaws must be submitted to the FTA for reapproval. The FTA also requires an explanation as to the reason for the change to receive approval. The FTA indicated that a high concern is if the changes to the bylaws would result in reduced oversight.

It is not uncommon for governance bodies to have more than five members. Other transit systems and other County entities with boards have more board members than the MTS Board.

The MTS Board is a unique setup but we reviewed the boards of seven transit systems to compare the number of board directors and their make-up with the MTS Board. Waukesha Metro has a similar sized board with five directors. Members on the other boards includes elected officials, citizens, and at times subject area licensed professionals. As shown in Chart 4, three systems had seven directors and the remaining three had more than seven.



Source: Audit Services Division created chart based on internet research of websites.



MCTS provided photo of bus in front of the Milwaukee County Courthouse circa 1980s.

We also reviewed other entities with governing boards such as the Milwaukee Public Museum, the Marcus Center, and the Milwaukee County Mental Health Board. The Milwaukee County Mental Health Board, which is most similar in its relationship to the County compared to the MTS Board, has 12 board directors.

The County Board adopted a resolution in 2019 to request the MTS Board to make changes including expanding the number of board directors. The County Executive at that time returned the file unsigned with a message stating he believed the current structure provided adequate oversight.

A resolution was passed by the County Board in July of 2019 that called for the restructuring of MTS by amending MTS bylaw Article IV. The proposed restructuring included:

- removing the fiscal and budget administrator
- designating the president of MTS as a non-voting director
- adding the chair of the Committee on Transportation, Public Works and Transit as an ex officio director
- increasing the number of positions appointed by the County Board Chair to two

This change would have increased the voting directors to six from the current five. The County Executive at the time returned the file unsigned with a message stating he believed the current structure of governance, including the current board representation, provided adequate accountability and that the County Board continues to have oversight and policy authority over MTS. The MTS Board considered this item at a meeting in early 2020 and then laid it over to the call of the chair with no further action taken.

According to interviews, the Directors of the Board from MCDOT and MCTS meet often, which lessens the need for board meetings, however, that practice might be in violation of the Wisconsin Open Meetings law.

The Wisconsin Attorney General publishes a guide to assist in compliance with Open Meetings law, and it warns against “walking quorums” which have been found to violate Open Meetings law. A walking quorum is defined as a series of gatherings among separate groups of members of a governmental body, each less than quorum size, who agree, tacitly or explicitly, to act uniformly in sufficient number to reach a quorum. The guide deems that this practice makes the official meeting a “mere formality.” The MCDOT Director, Deputy Director and the President of MTS meet frequently, as would be expected, to discuss MCTS matters. Due to the size of the MTS Board, a meeting between the MCDOT Director, the MCDOT Deputy Director and the President of MTS is a quorum of the MTS Board with the potential for “walking quorums” as well when discussion of MCTS’s items occur.



MCTS provided photo of Hispanic Heritage bus circa 2020s.

Conclusion and Recommendations

Since MCTS does not have any taxing authority, MCTS has relied on the County to fund any deficits that remain at year end. MCTS does not operate in isolation in regard to its finances but the primary expenditure drivers for the projected deficit in 2025 of \$10.9 million were items that are not itemized within the published Adopted Budget for MCTS. This makes it difficult for people external to MCTS to monitor or conduct analysis of their budget. Deficits for wages, fringe benefits and the paratransit contract were \$8.9 million at year end for 2025.

The MTS Board did not meet after the disclosure of the deficit occurred in 2025. MCTS utilized remaining Covid funding to end fiscal year 2025 without a deficit with the adoption of a fund transfer by the County Board. This action had a cascading effect on 2027 when the \$9.1 million had originally been projected to be used. MCTS has reported a funding gap for its 2027 requested budget of \$17 to \$20 million. There was a lack of financial oversight and review of finances by the MTS Board.

The County Board annually adopts the budget for the Transit/Paratransit system which is funded in part with County tax levy. Detailed budget information is not provided to the County Board, which limits their ability to make financial determinations such as choosing between the restoration of routes eliminated or modified in the budget process and a salary increase for non-represented employees.

As a part of our audit, we assessed internal controls relevant to the audit objectives including the review of policies, procedures, and practices associated with the governance of MCTS related to its finances. The lack of details in the presentation of the Transit/Paratransit narrative in the Adopted Budget and the inability to easily analyze MCTS's finances due to the unique funding structure and different financial systems results in an internal control deficiency because it hinders the County's ability to understand its funding of the system. While detailed reports are provided by MCTS, as discussed earlier calculations must be made to align to the County's systems and create the full financial results for the Transit/Paratransit system made up of both MCTS and MCDOT.

The 2014 bylaws changes resulted in a MTS Board set up with a design flaw that results in unintended and unnoticed open meetings and walking quorums that appear to be in violation of the Wisconsin Open Meetings law. With four out of five Directors, who serve on the board due to their appointment to their position at MCDOT and MCTS, being under the MCDOT umbrella this exposes the MTS Board to violating the State's Open Meetings law regarding quorums or "walking quorums." Adding additional members to the MTS Board could alleviate some of these issues, therefore, we recommend:

5. The MTS Board should consider modifying the makeup of the MTS Board and seek FTA approval if necessary.
6. In the interim, the MCDOT should work with the Office of Corporation Counsel to establish written guidance to develop communication procedures that are compliant with Open Meetings law to avoid unintentional quorums.
7. MCDOT should include additional details in its budget narrative for Transit/Paratransit including a crosswalk between the County's adopted budget and MCTS's system. Personnel data should also be included such as full-time equivalents, overtime budgets, salary increases and other items to align with information provided by other entities receiving County funding.



MCTS provided photo of bus in front of Mitchell Park Domes circa 1980s.

SECTION FOUR: MTS Board Rules of Order, Open Meetings, and Public Notice

SECTION SUMMARY

Unlike most organizations, the MTS Board does not have a supplemental guide to its bylaws and does not identify its parliamentary process. Establishing Rules of Order would provide clarity on proper board procedures and increase compliance with Open Meetings and Public Records law including required notices for meetings. It is unclear if the MTS Board is following Open Meetings law due in part to contradictory clauses in the bylaws.

The MTS Board does not have a supplemental guide to its bylaws and does not identify its parliamentary process within its bylaws.

The MTS bylaws cover:

- Members
- Officers
- Meetings
- How to Amend the Bylaws

When requested, we were not provided with MTS Board policies and procedures by either MCDOT or MCTS leadership. Some staff members new to leadership and MTS Board of Director roles expressed confusion as to what their role and duties as MTS Board of Directors due to a lack of being provided any policies or procedures. Some were also aware of being in an officer position for the MTS Board but unaware of what that actually entailed.

A clause was added to the bylaws in 2014 that the MTS Board must comply with the State of Wisconsin Open Meetings and the Public Records Law.

The MTS bylaws require that the MTS Board comply with the Wisconsin Open Meetings and Open Records law found in Chapter 19 of the Wisconsin statutes. The Attorney General refers to open records as public records in its published guide. The bylaws grant an exception to the public records law when records should be held to protect the privacy of donors to the Corporation. According to MCTS management, MCTS does not have any record of private donors.

Robert's Rules of Order identify best practices for bylaws which include the identification of which parliamentary procedures the organization will follow.

According to Robert's Rules of Order, many public and semipublic bodies are governed by sunshine laws and their meetings must be open to the public. It states that it is a good policy for every new member to be given a copy of the bylaws, the corporate charter, and any special rules of order or standing rules that the organization may have adopted. The bylaws should cover:

- Members
- Officers
- Meetings

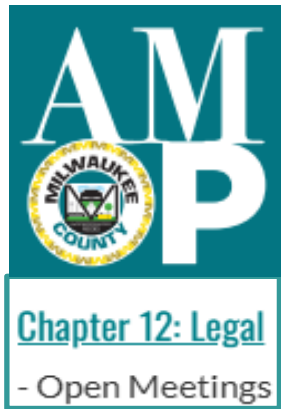


- Executive Board (if needed)
- Committees
- The name of the parliamentary procedures the organization follows
- How to amend the bylaws

Robert’s Rules recommends that an entity have rules of order which are written rules that lay out the orderly transaction of business in meetings and the duties of officers in the organization. The rules should be formally adopted by the organization.

Chapter 1 of the Milwaukee County Code of Ordinances establishes the County Board proceedings. The County also has an Administrative Manual of Operating Procedures that further details compliance with open meetings.






Chapter 1 of the County ordinances is titled *Rules of the County Board of Supervisors* and contains instructions on how to conduct the business of the County Board. The chapter identifies Robert’s Rules of Order as the parliamentary process that holds if the rules did not address a question. Topics in the chapter include how to run meetings, how to vote at meetings, role of committees, publication of proceedings, budget process, referrals of files, and decorum of Supervisors in committee meetings. Chapter 12 of the County’s Administrative Manual of Operating Procedures (AMOP) contains guidance on how to remain in compliance with Open Meetings Law. The policy was created to ensure that all meetings of Milwaukee County governmental bodies comply with Wisconsin’s Open Meetings Law. Its definition of governmental bodies notes the County Board as well as any other board created by statute, ordinance, resolution, rules, or order.



The Wisconsin Attorney General issues a guide for compliance with Open Meetings law and Public Records law that includes guidance on which entities must comply. Governments including quasi-governmental entities must have proper recording of motions and roll call votes but are not required to allow public testimony.

The Attorney General’s guides for open meetings and public records based on Chapter 19 of the Wisconsin statutes include guidance on which entities must follow open meetings law. While the term quasi-governmental is not defined in the statutes, there is a Wisconsin Supreme Court decision which held that a quasi-governmental corporation is a corporation that significantly resembles a government in function, effect or status and is detailed in the Attorney General’s Guide. The Supreme Court decision in *State v. Beaver Dam Area Development Corp.* included the following list of factors to determine a corporation’s status. The factors and MCTS’ status are listed in Table 8.

Table 8

Factors to determine if a Corporation is Quasi-Government	
Factor	MCTS Status
 <p>The extent to which the private corporation is supported by public funds.</p>	Government funding for MCTS in 2025 was \$145.7 million out of total funds of \$174.7 million or 84% of all funding.
 <p>Whether the private corporation serves a public function and if so, whether it also has other private functions.</p>	MCTS provides both fixed route and paratransit services for Milwaukee County. MCTS has no other private functions.
 <p>Whether the private corporation appears in its public presentations to be a governmental entity.</p>	MCTS is an instrumentality of Milwaukee County.
 <p>The extent to which the private corporation is subject to governmental control.</p>	Milwaukee County, along with State and Federal grants, provide for the funding and authority to operate a public transit system in Milwaukee County for MCTS.
 <p>The degree of access that government bodies have to the private corporation's records.</p>	Per the MTS bylaws, Milwaukee County has a responsibility to review all records necessary to assess the Corporation's performance.

Source: Audit Services Division created table based on the Attorney General's *Guide to Open Meetings Law*.

According to the guide, the Open Meetings law applies to every meeting of a governmental body. The Open Meetings law grants citizens the right to attend and observe open session meetings of governmental bodies. The Supreme Court has held that a meeting can be defined whenever the following two requirements are met: there is a purpose to engage in governmental business, and the number of members present is sufficient to determine the governmental body's court of action. Regarding electronic records, the same principles apply as to what constitutes a record, as the substance, not form, is the determinant of what makes a record. The meetings should record motions and roll call votes of meetings at the time of the meeting or as soon as thereafter practicable. This applies to both open and closed sessions. Written records or electronic methods such as a tape recording suffice. These records must be open to public inspection per the state's Public Records law. The Open Meetings law grants citizens the right to attend and observe open session meetings of governmental bodies but does not require a governmental body to allow members of the public to speak or actively participate in the body's meeting.

According to an interview in fall of 2025 with the Amalgamated Transit Union, there is no relationship with the MTS Board, and they have been told in the past that they cannot make any comments while attending the MTS Board annual meeting. At the 2026 MTS Board meeting, ATU was in attendance and the MTS Board offered an opportunity for the audience to speak.



MCTS provided photo of bus on Wisconsin Avenue with Art Museum in background circa 2020s.

Conclusions and Recommendations

The MTS Bylaws do not identify which parliamentary procedure the Board should be following nor are there any Rules of Order to guide Directors on how to conduct their meetings in compliance with both the bylaws and the required adherence to the Wisconsin Open Meetings and Public Records laws.

As a best practice, Robert's Rules call for Rules of Order to be established. The County Board follows this with its Chapter 1 Ordinance along with an additional AMOP to provide guidance to relevant County entities in complying with Open Meetings law when conducting its business.

Rules of Order are also often used to establish if the public meeting will allow for public testimony, therefore, we recommend:

8. The MTS Board should work with outside legal counsel to develop rules of order and other directions that align with the provisions of the Bylaws and that provide guidance to MTS Board Directors on how to provide oversight, govern, and monitor the day-to-day operations of MCTS and remain in compliance with bylaws.
9. The MTS Board should determine if the bylaws need revisions to include a reference to the rules of order and a selection of a parliamentary procedure to follow.
10. The MTS Board should determine, vote, and publish their rules regarding the allowance for public testimony at their meetings.
11. The MTS Board should provide copies of the rules of order to all current Board Directors and establish a written onboarding plan when new directors join the MTS Board.

From 2015 to 2025, we found evidence that eight votes took place by the MTS Board without a meeting. The bylaws appear to have conflicting rules regarding whether this type of action is allowed.

Between June of 2015 and July of 2025, eight Actions Without a Meeting/Consent Actions took place where MTS Board Directors voted on MTS Board matters without meeting. Six of the eight votes were over email. The actions included personnel actions, consideration of bidding for service for Waukesha County, and establishing signatory authority due to retirement. Of the eight actions, four were items noted as a closed session because they related to a personnel action.

The emails soliciting the votes were sent by MCTS's outside legal counsel. The emails request the return of a signed copy of the resolution or an email confirming the Directors' vote. They are considered a written ballot. There were two votes where not all Directors received the email requesting their vote. They both dealt with personnel actions. MCTS's outside legal counsel informed a Director, who did not receive notification of the vote, that an Action Without a Meeting was a consent action and not a meeting, thus notification of the action was not necessary.

The emails also contain a notice regarding closed session. Per Chapter 19 of the Wisconsin statutes, if a closed session is being used for dismissal, demotion, licensing or discipline of any public employee or person licensed by a board or commission the governmental body must give the public employee or licensee actual notice of that closed hearing and the final action. Where actual notice is required, the notice must state that the person has a right to request any hearing and/or final action conducted in open session. The County's AMOP on Open Meetings has a notation that closed session may be used for considering dismissal, demotion, licensing, discipline of a public employee or person licensed by the government body unless the subject of the meeting requests an open meeting.

The following items were not publicly available: notices, agendas, minutes, or a record of the results of the voting for any of the votes taken as an Action Without a Meeting.

At the July 9, 2025, meeting of the Transportation and Transit Committee, a question was asked if the MTS Board had met the day prior. The response was that they would need to check if they did. According to documentation, an Action Without a Meeting/Consent Action was taken by the MTS Board of Directors via email on July 8, 2025.

Chapter 181 of the Wisconsin statutes for nonstock corporations allow for actions without meetings as does the MTS bylaws but the MTS bylaws include a seemingly contradictory requirement in the clause to abide by Open Meetings law.

MTS bylaws establish that for actions without a meeting the MTS Board will follow:

- Wisconsin Nonstock Corporation Law
- Wisconsin Open Meetings Law
- Wisconsin Public Records Law



Article 4.09 of the bylaws, shown in Figure 14, states that actions permitted at a meeting of the Board of Directors may be taken without a meeting as provided in Chapter 181 of the Wisconsin statutes for nonstock corporations, if one or more written consents are signed by at least 2/3 of the directors. Actions must follow Wisconsin Open meetings and records law. The prior version of the bylaws from 2004 did not include a requirement to abide by Open Meetings law.

Figure 14 MTS Bylaws Section 4.09

4.09 Action Without a Meeting.

As provided in Section 181.0821 of the Wisconsin Statutes, any actions required or permitted by the Articles of Incorporation, these Bylaws or any provisions of Chapter 181 of the Wisconsin Statutes to be taken at a meeting of the Board of Directors may be taken without a meeting if one or more written consents, setting forth the action so taken, shall be signed by at least two-thirds of the Directors then in office. Actions taken by written consent must be taken in compliance with the Wisconsin Open Meetings Law and the Wisconsin Open Records Law.

Source: County Legislative Information Center in File No. 19-307.

The nonstock statutory language allows for votes without meetings but appears to require a written ballot delivered to every director entitled to vote.

Chapter 181 of the Wisconsin statutes for nonstock corporations notes that it also applies to communications and signatures that are electronic. A consent under this section has the same force and effect as a vote of the board of directors taken at a meeting. If written action is permitted to be taken by less than all directors, all directors must be notified immediately of the text of the written consent and of its effective date and time. It also states that any board action to remove a director is not valid unless each director is given at least seven days' written notice that the matter will be voted on or unless notice is waived.

Per the Attorney General's guide on Open Meetings law found in Chapter 19 of the Wisconsin statutes, there is a presumption that meetings of governmental bodies must be held in open session. Although there are exemptions allowing closed session, they are to be invoked sparingly. It also states that members of a governmental body may not decide matters by email voting. The guide includes a notation that a governmental body almost certainly violates the Open Meetings law if it takes binding collective action by aggregating the email votes of its members in using a method that allows no opportunity for public observation of the process. Finally, it also states that no duly elected or appointed member of a governmental body may be excluded from a meeting of such body.

In terms of receiving public records requests for closed session records, the resolution and result of the vote must be made public unless there is a specific reason showing that the public interest would be adversely affected according to Chapter 19 of the Wisconsin statutes.



When an entity is required to follow Open Meetings, there are additional requirements for the body to go into closed session. Closed session is discussed in Chapter 19 of the Wisconsin statutes and County Ordinance.

The Attorney General's Guide on Open Meetings based upon Chapter 19 of the Wisconsin statutes advises that a governmental body vote in open session, unless the vote is clearly an integral part of deliberations authorized to be conducted in closed session. The Attorney General's Guide on Open Meetings provides details on how to hold a meeting in closed session in compliance with the Statutes. Ultimately, it states a governmental body should vote in open session, unless doing so would compromise the need for the closed session.

Since 1976, the Milwaukee County Code of Ordinances has included a chapter on Antisecrecy Policy which says that the public is entitled to the fullest and most complete information regarding the affairs of county government as is compatible with the conduct of county governmental affairs and of the transaction of governmental business. It is ordered that all boards, commissions and department heads do all things reasonably possible to take appropriate steps to comply not only with the technical terms of the state Open Meeting and Public Record laws but do everything reasonably possible to comply with the spirit of such laws.



MCTS provided photo of bus circa 2020s.

Conclusion and Recommendations

The County has had a long history of complying with sunshine laws including following Wisconsin Open Meetings law, the Antisecrecy ordinance created in 1976, and detailed guidance in Chapter 1 of its ordinances. For the MTS Board, there appears to be conflicting information within the bylaws for MTS which both allow for actions without meetings under the State Statute for Nonstock Corporations but also require following Open Meetings Law which do not allow for voting by email. The MTS Board has voted without meeting eight times since 2015. When there is a conflict the higher standard should be followed per the FTA.

Of the actions without meetings, four of the actions were related to personnel matters and included language regarding closed session. Not all Directors were allowed to vote on the items which seem to contradict non-stock corporation statutes, the Open Meetings statutes and the County's policy on Open Meetings which specifically says you may not vote in closed session if the employee requests an open meeting.

We found no public record of notices, agendas, minutes, or a record of the results of the voting for any of the votes taken as an action without a meeting.

Confusion over what is legally allowed exists, but while the actions taken by the MTS Board could be determined to be legal, they do appear to be in contradiction of the spirit of the State of Wisconsin Open Meetings law and the County's Ordinances, therefore, we recommend:

12. The MTS Board should obtain a written outside legal opinion on the apparent conflict found in the bylaws allowing Actions Without a Meeting and the requirement to follow Wisconsin Open Meetings law.
13. If it is determined that actions without meetings are allowable, the MTS Board should consult necessary parties to include within the Rules of Order which votes are allowed and the processes to hold the vote in accordance with state statutes.
14. If actions without meetings are allowed the MTS Board should include in the Rules of Order a detailed guide on proper record retention by the MTS Board and MCTS.



MCTS provided photo of bus in front of Milwaukee County Courthouse circa 1980s.



Milwaukee County has used the web portal County Legislative Information Center to provide access to the County’s legislative files, agendas, and actions since 2011. Prior to 2025, the MTS Board did not use this or another electronic means to post notices, agendas, packets or minutes from their meetings.

The County Ordinances establish that the County’s policy is to give public notice of the time, place, and subject matter or agenda of all meetings of any agency, committee, council or board of County government. This notice should be given twenty-four hours prior to the commencement of a meeting. All notices and agendas must be posted at the County Courthouse. For its legislative calendar, Milwaukee County uses its County Legislative Information Center. Agendas, files, minutes, videos, audio recordings, and activity are retained in the system for all County Board standing committees.

Other transit systems we reviewed had agendas, notices, and minutes posted on their websites. All but two have archived video access to their meetings as shown in Table 9. From 2011-2024, the MTS Board does not have a single entry in the County’s Legislative Information Center. In 2025, the MTS Board posted the notice for its annual meeting. In 2026, the MTS Board posted the notice, agenda, and minutes for its annual meeting. Neither meeting contained archived video or audio. Our staff attended the 2026 annual meeting in person but there were three room changes that occurred from the posting of the meeting to its occurrence.

Table 9 Website Availability of Notices, Agendas, Minutes, and Archived Video				
Transit System	Notices?	Agendas?	Minutes?	Archived Video?
MTS 2014-2024	No	No	No	No
MTS 2025	Yes	Yes	No	No
MTS 2026	Yes	Yes	Yes	No
Indianapolis	Yes	Yes	Yes	Yes
Madison Metro	Yes	Yes	Yes	Yes
Green Bay	Yes	Yes	Yes	No
Minnesota Valley	Yes	Yes	Yes	No
Waukesha Metro	Yes	Yes	Yes	Yes
Cleveland	Yes	Yes	Yes	Yes
Chicago	Yes	Yes	Yes	Yes

Source: Audit Services Division created table based on internet research and information from the County’s Legislative Information Center.

In the County's Legislative Information Center system, the Milwaukee County Mental Health Board posts its agendas, notices, meeting packets, minutes, and archived audio recordings along with a link for the public to call in to join live meetings. The MTS Board did not include a link in the County's Legislative information Center to listen to the meeting in either 2025 or 2026.

According to an interview in the fall of 2025 with the Amalgamated Transit Union, they are unaware of when MTS board meetings are occurring.



MCTS provided photo of bus in front of Gesu Church circa 2020s.

Conclusion and Recommendation

Both the State Statutes under the Open Meetings Law and County Ordinances require meetings of governmental bodies to be publicly noticed. We found that other transit systems have notices, agendas, minutes, and archived video available for their meetings. The MTS Board did not use the County's Legislative Information Center until 2025. The MTS Board did not include minutes or archived video or audio in its 2026 meeting entry, therefore, we recommend,

15. The MTS Board should develop and vote to use the County's Legislative Information Center or an alternative source to enable the public to access meeting notices, agendas, minutes and provide an opportunity to attend both in person and remotely. The ability to allow access to archived video or audio should also be explored.



EXHIBIT ONE – SCOPE AND METHODOLOGY

The objectives of this audit were to assess the effectiveness of the current MCTS governance and oversight and to identify any deficiencies with their internal control environment that may impact oversight of the Transit system. We reviewed documents relating to the MTS Board to ascertain oversight and policy responsibilities.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review to areas specified in this Scope and Methodology Section. During the course of our audit we:

- Obtained and reviewed historical documentation regarding the MTS Board’s structure from 1975-2026, including bylaws. MTS Board of Directors meeting materials from 2014-2026 were also reviewed. Attended the 2026 annual MTS Board meeting in person.
- Reviewed the Wisconsin Department of Justice Compliance Guides for Wisconsin Open Meeting and Public Record laws for statute guidance and tests of quasi-governmental entity determination. Reviewed state statutes WI Open Meeting Law Wis. Stat. § 19.81-19.98 and WI Public Records Law Wis. Stat. § 19.31-19.39. Reviewed *State v. Beaver Dam Area Development Corp.* regarding quasi-governmental entities.
- Reviewed relevant state laws regarding structure of nonstock corporations and the functions therein, found in Wis. Stat. § 181.0201-.0202 and Wis. Stat. § 181.0821(2), (3)
- Reviewed County Ordinances and Administrative Manuals of Operating Procedure (AMOPs) relating to posting of meeting notices, testimony at meetings, and compliance with Open Meetings and contracting.
- Reviewed relevant state laws governing the operation of transit governance models in the State of Wisconsin, including WI §59.58(3)(g)3.
- Reviewed County Board ordinances, proceedings, resolutions, and budgets, for the governance structure of MTS Inc., and relationship to Milwaukee County for the years of 2011-2026 and the power of committees over MTS/MCTS. Reviewed Wis. Stat. § 59.60(8), (9), which grants authority to the Finance Committee of Milwaukee County to approve appropriation transfers.
- Interviewed management of MCDOT and MCTS to understand the role of the MTS Board of Directors in relation to the Milwaukee County Board of Supervisors, the daily operation of MCTS, and the applicability of County ordinances.
- Reviewed Wis. Stat. § 66.0103, which empowered Milwaukee County to create a code of ordinances.



- Obtained and reviewed the final contract between MTS and Milwaukee County to determine governance structure changes.
- Reviewed Roberts Rules of Order Newly Revised 12th Edition for guidance on parliamentary procedure.
- Interviewed both internal and external counsel on legal issues.
- Obtained and reviewed emails from MCDOT, MCTS, and MCTS outside legal counsel relating to operation, meetings, and responsibilities of the MTS Board of Directors.
- Obtained and reviewed MTS contracts related to legal services, labor agreements and paratransit for clauses relating to contract cost and length of term.
- Obtained and reviewed policies and procedures internal to MCTS.
- As a part of our audit, we assessed internal controls relevant to the audit objectives including the review of policies, procedures, and practices associated with the governance of MCTS related to its finances. The lack of details in the presentation of the Transit/Paratransit narrative in the Adopted Budget and the inability to easily analyze MCTS's finances due to the unique funding structure and different financial systems results in an internal control deficiency because it hinders the County's ability to understand its funding of the system.
- Assessed whether the audit had aspects of diversity, equity, inclusion and accessibility throughout the planning and fieldwork.
- Interviewed and corresponded with the Office of the Comptroller regarding financial reporting and ordinances and state statutes, including Wis. Stat. § 59.255(2)(f).
- Interviewed representatives from the Federal Transit Administration (FTA) regarding matters related to the operation and governance of MTS Inc., including recent findings and Financial Management Oversight by the FTA.
- Reviewed relevant County Board proceedings of Enterprise Resource Systems.
- Reviewed the County Legislative Information Center (CLIC) for MTS Board items.
- Using a judgment sample, researched, compiled, and reviewed information about nearby midwestern transit agencies for comparability, including meeting minutes, agendas, availability of past meetings, governance Board makeups, meeting frequency, and meeting lengths, to compare to the MTS Board of Directors. Results cannot be applied universally due to the judgment sample.
- Using a judgment sample, reviewed the meeting schedule, agendas, and meeting minutes of the Milwaukee County Mental Health Board, Marcus Center, and Milwaukee Public Museum for comparability to determine the operations and makeup of their governance Boards along with County Board proceedings and budgets. Results cannot be applied universally due to the judgment sample.
- Interviewed Amalgamated Transit Union (ATU) Local 998 leadership regarding their relationship with the MTS Board.
- Obtained and reviewed State of Wisconsin audits and FTA Triennial Reviews, and the 2024 MCTS Annual Report



- Reviewed prior Milwaukee County audit reports to determine if issues related to the audit objectives are discussed and evaluated any follow ups on recommendations Conducted a review to see if other jurisdictions have conducted similar audits to determine if their audit plans could be useful to this audit. Conducted internet research to identify studies and audits for useful background information.



MCTS provided photo of bus in front of County Stadium



**MILWAUKEE COUNTY DEPARTMENT OF
TRANSPORTATION**

10320 W. Watertown Plank Road
Wauwatosa, WI 53226



MILWAUKEE COUNTY TRANSIT SYSTEM

1942 N. 17th Street
Milwaukee, WI 53205

Date: May 19, 2026

To: Jennifer Folliard, Director of Audits

From: Joe Lamers, Executive Director, Milwaukee County Department of Transportation (MCDOT);
Steve Fuentes, President & CEO, Milwaukee County Transit System (MCTS)

Subject: “Milwaukee County Transit System Governance: Opportunities for Enhanced Oversight include Additional Sunlight, Clearly Defined Roles, and Detailed Fiscal Reporting for the Quasi-Governmental Entity”

This letter is in response to the audit conducted of the Milwaukee County Transit System’s (MCTS) governance as a result of the system’s 2025 budget shortfall.

The Milwaukee County Department of Transportation (MCDOT) and MCTS recognize that the unexpected announcement of the budget shortfall in 2025 created a breach of trust with the County administration, the Milwaukee County Board of Supervisors, and the public.

Together, we took immediate, significant steps to address root causes of communication failures, to modernize and streamline reporting systems and structures, and to work toward a culture of continuous improvement. We feel confident that this work has already resulted in visible changes to both organizations, and that we will continue to build upon this success through multiple initiatives already underway.

Today, a new leadership team is guiding MCTS, with a new President & CEO, Vice President/Deputy CEO, Chief Operations Officer and Chief Financial Officer. MCDOT is also under new leadership, with Joe Lamers recently appointed as Executive Director. This team has been working closely with pertinent County departments including the Office of the Comptroller, Office of Strategy, Budget and Performance and MCDOT to identify system priorities, challenges, and opportunities while developing new processes that support the long-term sustainability of the system.



MCTS has taken several major steps toward modernizing its systems to support better data-driven decision-making in areas such as finances, disruption management, on-time performance, and safety. The agency has replaced multiple manually reported financial databases with a single automated Enterprise Resource Planning (ERP) system, allowing staff to generate reports more quickly and conduct deeper analysis across the organization. At the same time, MCTS has introduced Key Performance Indicators (KPIs) to measure progress and strengthen accountability and shared goals. Through these and other changes in internal financial management processes and budgeting, as well as improved communications with the county, MCTS does not anticipate any funding shortfalls for 2026.

MCTS is also actively planning for the future, having engaged a nationally recognized consultant to lead a bus network redesign that will balance current resources, while planning for potential future funding.

Throughout all these changes, MCTS and MCDOT believe transparency and collaboration are key to maintaining the trust of the community as we work to improve the system and find a sustainable source of funding. That's why we have worked proactively throughout this year to provide frequent, timely updates to the Board and other stakeholders on the ongoing progress.

Below are responses to the Audit Services Division's recommendations for enhanced oversight, additional sunlight, clearly defined roles, and detailed fiscal reporting for MCTS;

Recommendation 1

MCDOT should work with the Office of Corporation Counsel to expand and clarify what falls into each of the following categories:

- *policy and budget issues under the County Board's purview*
- *business affairs under the MTS Board's purview*
- *day-to-day transit operations under the MCTS President's purview.*

Response: MCDOT, in coordination with OCC, MTS counsel, and MCTS leadership, will review this recommendation to clarify the division of responsibilities among County Board policy and budget authority, MTS Board business-affairs oversight, and the MCTS President's day-to-day operational role. Feedback will be incorporated to ensure a clear and consistently applied governance structure.

Recommendation 2

MCDOT should work with the MTS Board and Office of Corporation Counsel to develop a list of which ordinances are applicable to MCTS and present the list to both the MTS Board and the County Board.



Response: MCDOT will work with OCC, MTS counsel, and MCTS leadership to compile a comprehensive list of County ordinances applicable to MCTS.

Recommendation 3

MCDOT should establish clarity on contract approvals including if County Board approval is required for any multi-year contracts entered into by MCTS that create future appropriation obligations for the County.

Response: MCDOT, with input from OCC, MTS counsel, and MCTS leadership, will review contract-approval requirements to clarify when County Board approval is required for multi-year contracts that create future appropriation obligations. This work is underway to ensure compliance with statutory and fiscal oversight expectations.

Recommendation 4

MCDOT should develop policies and procedures on presenting either to the County Board or the MTS Board the following items:

- *A periodic detailed financial update on revenues, grants, and expenditures.*
- *A review of any legal issues anticipated to have a significant fiscal impact.*
- *Notifications, reports, and status updates on any audits, reviews, or investigations.*

Response: MCDOT will develop policies and procedures—supported by OCC, MTS counsel, and MCTS leadership—to ensure consistent presentation of detailed financial updates, legal issues with fiscal implications, and audit-related notifications by MCTS to both the County Board and the MTS Board. These procedures are being designed to strengthen transparency and oversight.

Recommendation 5

The MTS Board should consider modifying the makeup of the MTS Board and seek FTA approval if necessary.

Response: The MTS Board will evaluate potential modifications to its composition with coordinated input from OCC, MTS counsel, MCDOT, and MCTS. If changes require Federal Transit Administration approval, the Board will seek it as part of the review process.

Recommendation 6

In the interim, the MCDOT should work with the Office of Corporation Counsel to establish written guidance to develop communication procedures that are compliant with Open Meetings Law to avoid unintentional quorums.



Response: MCDOT will work with OCC, MTS counsel, and MCTS leadership to develop written guidance establishing communication procedures that comply with Wisconsin Open Meetings Law and prevent unintentional quorums. This work will ensure transparency and compliance.

Recommendation 7

MCDOT should include additional details in its budget narrative for Transit/Paratransit including a crosswalk between the County's adopted budget and MCTS's system. Personnel data should also be included such as full-time equivalents, overtime budgets, salary increases and other items to align with information provided by other entities receiving County funding.

Response: Beginning with the 2027 Requested Budget, MCDOT, in collaboration with MCTS leadership, will enhance the Transit/Paratransit budget narrative along with expanded personnel data such as FTE counts, overtime budgets, and salary adjustments.

Additionally, MCDOT and MCTS are collaborating with the Comptroller's Office on a project which will result in increased transparency of MCTS finances within the county's financial system. Through this process, more detailed MCTS line-item expenditure and revenue details will be visible to county fiscal staff.

Recommendation 8

The MTS Board should work with outside legal counsel to develop rules of order and other directions that align with the provisions of the Bylaws and that provide guidance to MTS Board Directors on how to provide oversight, govern, and monitor the day-to-day operations of MCTS and remain in compliance with bylaws.

Response: The MTS Board will work with MTS counsel to develop formal rules of order and governance guidance aligned with the bylaws.

Recommendation 9

The MTS Board should determine if the bylaws need revisions to include a reference to the rules of order and a selection of a parliamentary procedure to follow.

Response: The MTS Board will work with MTS counsel to evaluate whether bylaw revisions are needed to reference the rules of order and adopt a parliamentary procedure.

Recommendation 10

The MTS Board should determine, vote, and publish their rules regarding the allowance for public testimony at their meetings.



Response: With directions from MTS counsel, the MTS Board will determine and formalize its policies regarding public testimony at meetings. Finalized rules will be voted on and published.

Recommendation 11

The MTS Board should provide copies of the rules of order to all current Board Directors and establish a written onboarding plan when new directors join the MTS Board.

Response: With directions from MTS counsel, MTS Board will develop a plan to distribute finalized rules of order to all current Directors and to establish a written onboarding process for new Directors.

Recommendation 12

The MTS Board should obtain a written outside legal opinion on the apparent conflict found in the bylaws allowing Actions Without a Meeting and the requirement to follow Wisconsin Open Meetings law.

Response: MTS Board will obtain MTS counsel’s legal opinion to resolve the apparent conflict between the bylaws’ allowance for Actions Without a Meeting and Wisconsin Open Meetings Law.

Recommendation 13

If it is determined that actions without meetings are allowable, the MTS Board should consult necessary parties to include within the Rules of Order which votes are allowed and the processes to hold the vote in accordance with state statutes.

Response: The MTS Board will review with MTS counsel. Procedures will be incorporated into the Rules of Order to ensure statutory compliance.

Recommendation 14

If actions without meetings are allowed the MTS Board should include in the Rules of Order a detailed guide on proper record retention by the MTS Board and MCTS.

Response: If Actions Without a Meeting are deemed permissible, the MTS Board will include detailed record retention guidance in its Rules of Order.

Recommendation 15

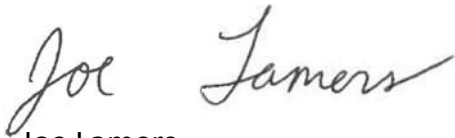
The MTS Board should develop and vote to use the County’s Legislative Information Center or an alternative source to enable the public to access meeting notices, agendas, minutes and provide



an opportunity to attend both in person and remotely. The ability to allow access to archived video or audio should also be explored.

Response: The MTS Board currently posts meetings with agendas in the County’s Legislative Information Center (CLIC). With directions from MTS counsel, the MTS Board will review options to expand upon the use of CLIC to provide minutes and opportunities for in person and remote attendance.

Thank you for your recommendations.



Joe Lamers
Director, Department of Transportation



Steve Fuentes
President & CEO, MCTS

**AMENDED AND RESTATED BYLAWS
OF
MILWAUKEE TRANSPORT SERVICES, INC.**

*Approved 12-4-14 by Milwaukee Transport Services, Inc. Board of Directors
(as amended 11/07/79, 1/12/82, 1/11/83, 1/10/89 and 1/06/04)*

ARTICLE I.

OFFICES

The principal office of the Corporation in the State of Wisconsin shall be located at 1942 North 17th Street in the City of Milwaukee, County of Milwaukee, State of Wisconsin. The Corporation may have such other offices, either within or outside the State of Wisconsin, as the Board of Directors may designate from time to time.

ARTICLE II.

OPERATIONS OF THE CORPORATION

The operations of the corporation shall be carried on within the State of Wisconsin by application of corporate funds within the purposes for which the corporation was organized as set forth in the Articles of Incorporation of the Corporation. The Corporation is an instrumentality of Milwaukee County, performing the County's public and governmental function of managing and operating a public transportation system.

ARTICLE III.

MEMBERS

The Corporation shall have no members and shall be managed by its Board of Directors as set forth in Article IV of these Bylaws with oversight and supervision by Milwaukee County as set forth in Article XI of these Bylaws.

ARTICLE IV.

BOARD OF DIRECTORS

4.01 General Powers.

Subject to the limitations of the Articles of Incorporation, these Bylaws and the laws of the State of Wisconsin, the business and affairs of the Corporation shall be managed by its Board of Directors with policy oversight by Milwaukee County pursuant to Article XI of these Bylaws.

4.02 Number, Term; Selection.

The number of Directors of the Corporation shall be five, including Ex-Officio Members (as defined below). Each of the five members shall be a voting member.

(a) **Ex-Officio.** The following four individuals shall serve ex-officio as the Directors of the Corporation: the Milwaukee County Director of Transportation; the Director of Administration of the Milwaukee County Department of Transportation; the Fiscal and Budget Administrator of the Milwaukee County Department of Transportation; and the President of the Corporation. If there is a vacancy in one of the underlying ex-officio positions due to resignation, termination or otherwise, the interim appointee filling the position shall serve as Director. If there is no interim appointee, the remaining Directors shall appoint an interim Director to serve until the position is filled or until an interim appointee is appointed. The term of an individual ex-officio Director ends at the time the individual no longer holds the underlying position.

(b) **Appointed.** The fifth Director of the Corporation shall be a member of the Milwaukee County Board of Supervisors and shall be appointed as a Director of the Corporation by the Chair of the Board of Supervisors. The Chair of the Board of Supervisors may appoint himself or herself. The appointment shall be for a term of two years beginning on May 1 of each even-numbered year (that is, following the biennial election of supervisors in April of even-numbered years). The position will become vacant at the expiration of the term, pending a new appointment. An incumbent may be reappointed. Should the incumbent Director cease to be a member of the Board of Supervisors during his or her term, or otherwise become unable to serve, that individual's appointment as a Director shall cease and the Chair of the Board of Supervisors shall appoint a member of the Board of Supervisors (which could be the Chair) as Director to fill the remainder of an unfilled term. If these Bylaws are amended to take effect at some point other than May 1 of an even-numbered year, the Chair of the Board of Supervisors shall make an initial appointment to fill the term that expires the next May 1 of an even-numbered year.

(c) **Conflict of Interest.** Each year the President shall distribute to each Board member and all senior staff of the Corporation the Conflict of Interest Policy of the Corporation.

(d) **Ethics Policy.** All members of the Board of Directors shall comply with the applicable Corporation Ethics Policy and Section 181.0831 of the Wisconsin Statutes, or any similar successor provision thereto.

(e) **Qualifications.** All members of the Board of Directors, voting and non-voting, shall be residents of the State of Wisconsin at all times during their terms of office.

4.03 Annual Meeting.

The Annual Meeting of the Board of Directors shall be held at 9:30 a.m. on the second Tuesday in January of each year at the Corporation's principal offices, or such other time and place fixed by the Board of Directors.

4.04 Regular Meetings.

Regular Meetings of the Board of Directors shall be held at such times and places fixed by the Board of Directors, pursuant to prior notice or by resolution adopted at a prior meeting of the Board of Directors in accordance with the provisions of Section 4.06 of this Article IV. The Board of Directors may consider and act upon any business of the Board of Directors which may come before the meeting.

4.05 Special Meetings.

Special Meetings of the Board of Directors may be called by or at the request of the President or any two Directors. The person or persons authorized to call Special Meetings of the Board of Directors may fix the time and place, within the County of Milwaukee, Wisconsin, as the time and place for holding any Special Meeting of the Board of Directors called by them. No business except that specified in the notice of the meeting shall be transacted at any special meeting, except on waiver of all of the Directors in writing.

4.06 Notice.

All notices of meetings shall be given in compliance with the Wisconsin Open Meetings Law (Sections 19.81 to 19.98 of the Wisconsin Statutes). Notice to Directors shall be given three days prior to each meeting, either personally or by written notice delivered personally or mailed to each Director at his or her business address or by e-mail to the address on file with the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by e-mail, such notice shall be deemed to be delivered when the e-mail is delivered. Whenever any notice is required to be given to any Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of any law, a waiver thereof in writing, signed at any time, whether before or after the time of the meeting, by the Director entitled to such notice, shall be deemed equivalent to the giving of such notice. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting and objects thereto to the transaction of any business because the meeting has not been lawfully called or convened.

4.07 Quorum.

A majority of the number of voting members of the Board of Directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. Although less than a quorum is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

4.08 Telephonic Participation in Meetings.

Unless the President shall stipulate otherwise, and provided compliance with the Wisconsin Open Meetings Law can be achieved, Directors and committee members may participate in any regular or special meeting of the Board and in any meeting of a committee of the Board by any means of communications by which either (1) all participating Directors may simultaneously hear each other during the meeting or (2) all communications during the meeting are immediately transmitted to each participant and each participant is able to immediately send

messages to all other participants. If a meeting is conducted by one of the foregoing means, all participants must be informed that a meeting is taking place at which official business may be transacted and each participant in such a meeting shall be deemed present in person at such meeting.

4.09 Action Without a Meeting.

As provided in Section 181.0821 of the Wisconsin Statutes, any actions required or permitted by the Articles of Incorporation, these Bylaws or any provisions of Chapter 181 of the Wisconsin Statutes to be taken at a meeting of the Board of Directors may be taken without a meeting if one or more written consents, setting forth the action so taken, shall be signed by at least two-thirds of the Directors then in office. Actions taken by written consent must be taken in compliance with the Wisconsin Open Meetings Law and the Wisconsin Open Records Law.

4.10 Vacancies.

Any vacancy in the Board of Directors shall be filled in accordance with Section 4.02 of these Bylaws.

4.11 Committees.

The Board of Directors may, by resolution adopted by a majority of the Board of Directors, designate one or more Committees of the Board as permitted by Section 181.0825 of the Wisconsin Statutes.

(a) **Committee Procedures.** Each Committee shall establish its own rules as to quorum and other procedures; provided that no committee may take any action constituting the exercise of a delegated power of the Board.

4.12 Open Meetings and Open Records.

The Corporation shall comply with the provisions of the Wisconsin Open Records Law (Sections 19.31 to 19.39 of the Wisconsin Statutes) and the Wisconsin Open Meetings Law (Sections 19.81 to 19.98 of the Wisconsin Statutes), except to the extent appropriate to protect the privacy of donors to the Corporation. Notwithstanding the foregoing, the County Executive and the Board of Supervisors of Milwaukee County shall have a right to access any records of the Corporation upon reasonable notice to the Corporation.

4.13 Compensation.

Directors shall receive no salaries for their services but, by resolution of the Board, may receive an amount sufficient to defray expenses incurred in performance of such services as may be required of them by the Board.

ARTICLE V.

OFFICERS

5.01 Number.

The principal elective Officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer. Such other Officers and assistant Officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary or the offices of President and Vice-President.

5.02 Election and Term of Office.

The Corporation's elective officers shall be elected by the Board of Directors at the annual meeting of the Directors. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be held. Each Officer shall hold office for a term of one year, commencing on the day of his or her election, or until his or her successor shall have been duly elected and shall have qualified, or until his or her death, resignation or removal from office in the manner hereinafter provided.

5.03 Resignation.

An Officer may resign at any time by giving written notice to the Secretary of the Corporation, who shall advise the Board of Directors of such resignation. Such resignation shall take effect at the time specified therein, or, if no time is specified, then upon receipt of the resignation by the Secretary of the Corporation. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

5.04 Removal.

Any Officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby.

5.05 Vacancies.

A vacancy in any principal elective office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term.

5.06 President.

The principal duties of the President of the Corporation shall be to act as chief executive officer of the Corporation and Managing Director of the Milwaukee County public transportation system. The President shall also, when present, preside at all meetings of the Board of Directors and shall be an ex-officio voting Director and an ex-officio member of all the committees of the Board, when choosing to attend a committee meeting

5.07 Vice President.

The principal duties of the Vice President shall be to manage the operation of the Milwaukee County public transportation system. In case of the absence or disability of the President, the Vice President, in the order of their priority if more than one, shall perform the duties of the President, and shall also perform such other duties as may be required by the Board of Directors.

5.08 Treasurer.

The Treasurer shall have general responsibility for overseeing the safekeeping of all moneys, valuable papers and property of the Corporation, accounting for all moneys, credits and property of the Corporation, rendering accounts, reports and statements of the receipts and disbursements, assets and financial condition of the Corporation to the Board of Directors and shall perform such duties as usually devolve upon such office. In general, the Treasurer shall perform such duties by supervising with the President of the Corporation.

5.09 Secretary.

The Secretary shall oversee: (a) the keeping of minutes of the meetings of the Board of Directors in one or more books provided for that purpose; (b) custodianship of the Corporation records; (c) preparation and service of all notices of meetings required to be served under these Bylaws; (d) the countersignature on behalf of the Corporation of all documents executed by the Corporation that require the same, and where appropriate to affix the seal of the Corporation; and shall in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the President or by the Board of Directors.

5.10 Compensation.

Elected officers may receive fair market value compensation to be fixed from time to time by or under the authority of the Board of Directors, or a duly authorized committee thereof, and approved by Milwaukee County. No elected officer shall be prevented from receiving such fair market value compensation by reason of the fact that he or she is also a Director of the Corporation.

ARTICLE VI.

CONTRACTS, LOANS, CHECKS AND DEPOSITS

6.01 Contracts.

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances.

6.02 Loans.

No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances. The Corporation shall provide Milwaukee County with written notice of any such loans within seven days of the authorization by the Board of Directors.

6.03 Checks, Drafts, etc.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents, of the Corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

6.04 Deposits.

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as may be selected by or under the authority of the Board of Directors.

ARTICLE VII.

INDEMNIFICATION

7.01 Mandatory Indemnification.

The Corporation shall, to the fullest extent permitted or required by the Statute, indemnify each Director and officer against any and all liabilities, and advance any and all reasonable expenses as incurred by a Director or officer, arising out of or in connection with any proceeding to which such Director or officer is a party because he or she is a Director or officer of the Corporation. The rights to indemnification granted hereunder shall not be deemed exclusive of any other rights to indemnification against liabilities or the advancement of expenses to which such person may be entitled under any written agreement, Board resolution, vote of members, the Statute or otherwise. The Corporation may, but shall not be required to, supplement the right to indemnification against liability and advancement of expenses under this Section 7.01 by the purchase of insurance on behalf of any one or more of such persons, whether or not the Corporation would be obligated to indemnify such person under this Section 7.01. The term "Statute," as used in this Article, shall mean Sections 181.0871 to 181.0889 of the Wisconsin Nonstock Corporation Law and all amendments thereto which permit or require the Corporation to provide broader indemnification rights than prior to the amendment. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Sections 181.044 to 181.0871 of the Wisconsin Statutes. The right of identification shall be determined exclusively under Section 181.0873(1) or (2) of the Wisconsin Statutes.

7.02 Indemnification Limitations.

Notwithstanding the foregoing, no indemnification will be permitted to the extent such indemnification would constitute an act of “self-dealing” or is otherwise subject to excise taxes under Chapter 42 of the United States Internal Revenue Code of 1986, as amended, or is prohibited under Section 181.0831 of the Wisconsin Statutes or any similar successor provision thereto.

ARTICLE VIII.

AMENDMENTS

The Board of Directors may from time to time, by vote of a majority of its voting members, adopt, amend or repeal any and all of the Bylaws of this Corporation.

ARTICLE IX.

CORPORATE SEAL

The Corporation shall have a seal which shall have engraved thereon the words:

“MILWAUKEE TRANSPORT SERVICES, INC.”

ARTICLE X.

FISCAL YEAR

The fiscal year of the Corporation shall end on such date as shall be established by the Board of Directors.

ARTICLE XI.

COUNTY OVERSIGHT

11.01 Oversight.

The Board of Directors hereby delegates to Milwaukee County the following policy oversight power of the Corporation, pursuant to Sections 59.58(3) and 181.0801 of the Wisconsin Statutes:

1. Responsibility to exercise the powers enumerated in Section 59.58(3) of the Wisconsin Statutes.
2. Responsibility to exercise the powers related to transit matters enumerated in the Milwaukee County Code of General Ordinances.
3. Responsibility to monitor the compliance of the Corporation with its budget.

4. Responsibility to review all records the Board of Supervisors of Milwaukee County or the Milwaukee County Executive may deem necessary to assess the Corporation's performance.

11.02 Annual Report to Milwaukee County.

The Corporation shall issue to Milwaukee County an annual report outlining the operations of the Corporation in the preceding fiscal year.

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COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Office of the Comptroller

DATE: February 25, 2014

TO: Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors
Supervisor Michael Mayo, Sr., Chairman, Transportation, Public Works & Transit Committee
Supervisor Willie Johnson, Jr., Co-Chairman, Finance, Audit & Personnel Committee
Supervisor David Cullen, Co-Chairman, Finance, Audit & Personnel Committee

FROM: Scott B. Manske, Comptroller on behalf of the Transit Workgroup

SUBJECT: Milwaukee County Transit System Outsource versus In-Source Report(for Information only)

REPORT OVERVIEW

The 2014 Adopted Budget for Milwaukee County included language directing the County Comptroller to form a Workgroup to identify and report on the advantages and challenges of in-sourcing versus outsourcing transit management and operations. The report of the Workgroup was to be submitted for review during the March 2014 committee cycle.

The Comptroller convened the group in early 2014 with the following groups represented:

1. County Comptroller
2. MCDOT
3. DAS-Office for Persons with Disabilities
4. Transit Services Advisory Committee
5. County Board designee
6. Corporation Counsel
7. SEWRPC

The Workgroup held multiple sessions and created a comprehensive list of relevant areas for inclusion in a discussion of the various models for operating the transit system in Milwaukee County. Substantial discussion occurred regarding blended models of in-sourcing and outsourcing although the report deals mainly with the current out-source model and full in-source model. Attached to this report is that document for your review. The document attempts to identify areas of analysis needed in addition to a discussion of impacts that switching models would have upon the operation of the system. The

document is an attempt to provide a starting point for the transition to in-house operations if that is the decision of the policymakers at a future date.

The Workgroup did not provide an endorsement of either model. It should be noted that there is limited experience available in other transit jurisdictions of a transition from an out-sourced system to an in-house system.

RECOMMENDATION

This is an informational report only. This report should be referred to and reviewed by the Transportation, Public Works and Transit Committee and the Finance, Personnel and Audit Committee.

Attachments:

Comparative Chart of current out-source model and insource areas of issues and discussion



Scott B. Manske
Milwaukee County Comptroller

cc: Supervisor Theo Lipscomb
Brian Dranzik, MCDOT Director
Steve Nigh, MCDOT
Bill Sell, Transportation Services Advisory Committee
Jeramey Jannene, Transportation Services Advisory Committee
Paul Bargren, Corporation Counsel
Lee Jones, Corporation Counsel
Kevin Muhs, SEWRPC

Category	Outsourced	In-Sourced
A. Personnel		
Salary Related	<ol style="list-style-type: none"> 1. All employees are employed by MTS. 2. Salaries ranges submitted annually to MC from MTS. 	<ol style="list-style-type: none"> 1. All employees would have to be evaluated and re-hired when employed by MC. A transition of this size and scope may require additional staffing to handle all aspects of re-hiring. <ul style="list-style-type: none"> ❖ Corporation Counsel and Human Resources would have to give opinion on job classification, salary range and civil service classification. 2. Will require ordinance changes to Chapter 17 on personnel regarding benefits not addressed in the Union contract. 3. All salary ranges determined by union agreement or by DHR with some approvals required by the County Board.
Unions	<ol style="list-style-type: none"> 1. The two (2) unions under MTS have existing contracts that were negotiated and are administered by MTS. Under this scenario, MTS submits ratified contracts as an informational report to the County Board. There are approximately 900 members of the ATU – drivers and mechanics and 30 members of office union. 2. There are approximately 70 non-represented FTEs. 3. Act 10 does not apply to the transit employee contracts per FTA rules, and since MTS is a private company. <ul style="list-style-type: none"> ❖ If vendor for County contract for transportation services moves away from MTS, concern is union may not agree to transfer 	<ol style="list-style-type: none"> 1. Existing labor contracts would be transferred to Milwaukee County if the unions agreed to the transfer. If not, the contracts would have to be renegotiated. As with Salaried personnel, a transition of this size and scope may require additional HR staffing to handle all aspects of re-hiring or transfers. 2. Contracts expire March 31, 2015 for both unions which is 3 months after projected transfer date of January 1, 2015 if it were to occur. Until new contracts are approved, status quo of current contracts prevails. 3. All future labor contracts negotiated by county administration and approved by County Board. 4. Act 10 does not apply to the transit employee contracts per FTA rules. <ul style="list-style-type: none"> ❖ If move away from current contract, concern is union may not agree to transfer. ❖ Issue of seniority would need to be resolved if employees are hired by the County with new start dates. ❖ FTA law requires under 13(c) that you must honor current negotiated contract or suffer penalty. Penalty is payment of wages for a period of six years.

Category	Outsourced	In-Sourced
Benefits	<ol style="list-style-type: none"> 1. MTS has a separate pension system that vested employees are members of. 2. As of 1/1/13 MTS pension 83.40% funded and is current on its actuarial obligations. 	<ol style="list-style-type: none"> 1. An analysis would need to be conducted to ensure that if the employees became MC employees that the pension could remain separate and if unable to remain separate, ensure that enhanced benefits or added pressure on the plan do not result from becoming MC employees. 2. As of 1/1/13 MC ERS 87.32% funded and is current on its actuarial obligations. 3. FTA law requires under 13(c) that you must honor current negotiated contract or suffer penalty. Penalty is payment of wages for a period of six years. 4. County would be required to run two benefit systems for pension. Additional County pension staff may be required. 5. For health benefits, both entities have United Health Care, however, the County must honor contract with union for 3 months assuming 1/1/15 in source date and 3/31/15 end of existing contracts.
Grievances	<ol style="list-style-type: none"> 1. Currently handled by MTS with existing staff resources and outside legal counsel. 	<ol style="list-style-type: none"> 1. Would become a responsibility of Labor Relations. <p>❖ Increased work load would most likely require additional staff resources including for Corporation Counsel.</p>
Work rules	<ol style="list-style-type: none"> 1. Existing work rules are covered under union agreement. 	<ol style="list-style-type: none"> 1. If covered by contract, must be followed by County.
B. Financials		
Federal Funding	<ol style="list-style-type: none"> 1. County is the contracting agency for all State and Federal funds. 2. Section 5307 funding of \$18.0 million annually for mainly capital investments 3. Section 5339 funds of \$2.0 million annually for bus and bus facilities. 	<ol style="list-style-type: none"> 1. No change since County is the contracting agency for all State and Federal funds.

Category	Outsourced	In-Sourced
State Funding	<ol style="list-style-type: none"> 1. No change since the County is the contracting agency for all State and Federal funds. 2. Section 85.20 Urban Mass Transit Operating Assistance Program with annual operating assistance of \$62.0 million for day-to-day operations. 3. Section 85.21 Specialized Transportation Assistance Program funding of \$2.0 million for specialized operating services with some caveats. 	<ol style="list-style-type: none"> 1. No change since the County is the contracting agency for all State and Federal funds.
Fare box Revenue	<ol style="list-style-type: none"> 1. Revenue estimated at \$42.0 million annually is collected by the MTS and deposited and used as cash flow in operations. 	<ol style="list-style-type: none"> 1. No changes would occur in internal process used by MTS to deposit fare box revenue. Banking contract may change for where funds are deposited. 2. Would have to transfer to Treasurer cash sweeping functions so they become part of total County cash system.
Tax Levy	<ol style="list-style-type: none"> 1. Annual Tax levy of \$18.5 million is provided by Milwaukee County. 	<ol style="list-style-type: none"> 1. Tax Levy need would continue under insourcing. 2. May require additional tax levy for administrative overhead from MC DOT. 3. Possibly require transition costs for a two year period to migrate the following functions: payroll, treasurer, procurement, HR, Risk, Legal services and IT.
Oversight	<ol style="list-style-type: none"> 1. Contract Administration is provided by the Milwaukee County Department of Transportation under the policy authority established by the County Board and County Executive. Annual operating and capital budgets established the monetary threshold to provide service. 2. MTS provides direct day-to-day oversight of the system. 	<ol style="list-style-type: none"> 1. Milwaukee County Department of Transportation – Director’s Office would likely oversee this as division within the department with greater involvement in the direct day-to-day operation of the system. This would not change policy or budgetary authority currently in place. 2. Direct oversight would result in greater time commitment for DOT, policy personnel may be needed for developing resolution and ordinances. 3. County Board and County Executive would take a greater role in the approval of policy for MCTS.

Category	Outsourced	In-Sourced
Procurement	<ol style="list-style-type: none"> 1. By contract, MTS performs all procurement activities necessary to operate transit services. 2. MTS is not required to come back to the County Board for approval of contracts once the funding is established through the annual budget process. 3. MTS must conform to FTA circular 4220.1F, MCO Chapters 32, 44, 56 in order to maintain federal funding. 4. MTS employs six (6) FTE to handle purchasing in addition to eight (8) FTE in the Stores. In addition, MTS utilizes outside legal counsel. 5. MC Procurement currently issues purchase orders for major FTA-funded capital equipment (e.g. buses, fare boxes) following MTS recommendation. 	<ol style="list-style-type: none"> 1. Will require an exemption to current Procurement policies to ensure expedient purchasing and/or compliance with FTA regulations. 2. Federal transit purchases have a distinct and significant regulation that must be followed. 3. An analysis would need to be performed to determine if the purchasing function could be merged with the existing procurement division or if maintaining a separate purchasing department for transit makes more sense. 4. This may require changes in ordinances to make certain transit operations are maintained and uninterrupted. 5. County must conform to FTA circular 4220.1F, MCO Chapters 32, 44, 56 in order to maintain federal funding. 6. MC Procurement currently issues purchase orders for major FTA-funded capital equipment (e.g. buses, fare boxes) following MTS recommendation.
Budget	<ol style="list-style-type: none"> 1. Annually submit an operating budget conforming overall to the County's adopted budget structure. 2. All expenses for transit operations (with the exception of county charges) are essentially consolidated into a single object of expenditure. 3. One (1) FTE of Budget Manager at MTS. 	<ol style="list-style-type: none"> 1. Full immersion in the County Budgeting process with line items included in the County's system. 2. The County must follow budget rules under State Statute 59.60. <ul style="list-style-type: none"> ❖ Decisions would need to be made regarding the ability to reallocate money without board approval when appropriate. For other Departments, reallocation of money is performed via fund transfers approved by the Board. ❖ State Statute requires fund transfers for all transfers between major budget groups.
Policy	<ol style="list-style-type: none"> 1. Policy (such as fares and routes) established by the County Board. 2. Intergovernmental and regional initiatives (if any) per County Board and administration. 	<ol style="list-style-type: none"> 1. No Change.

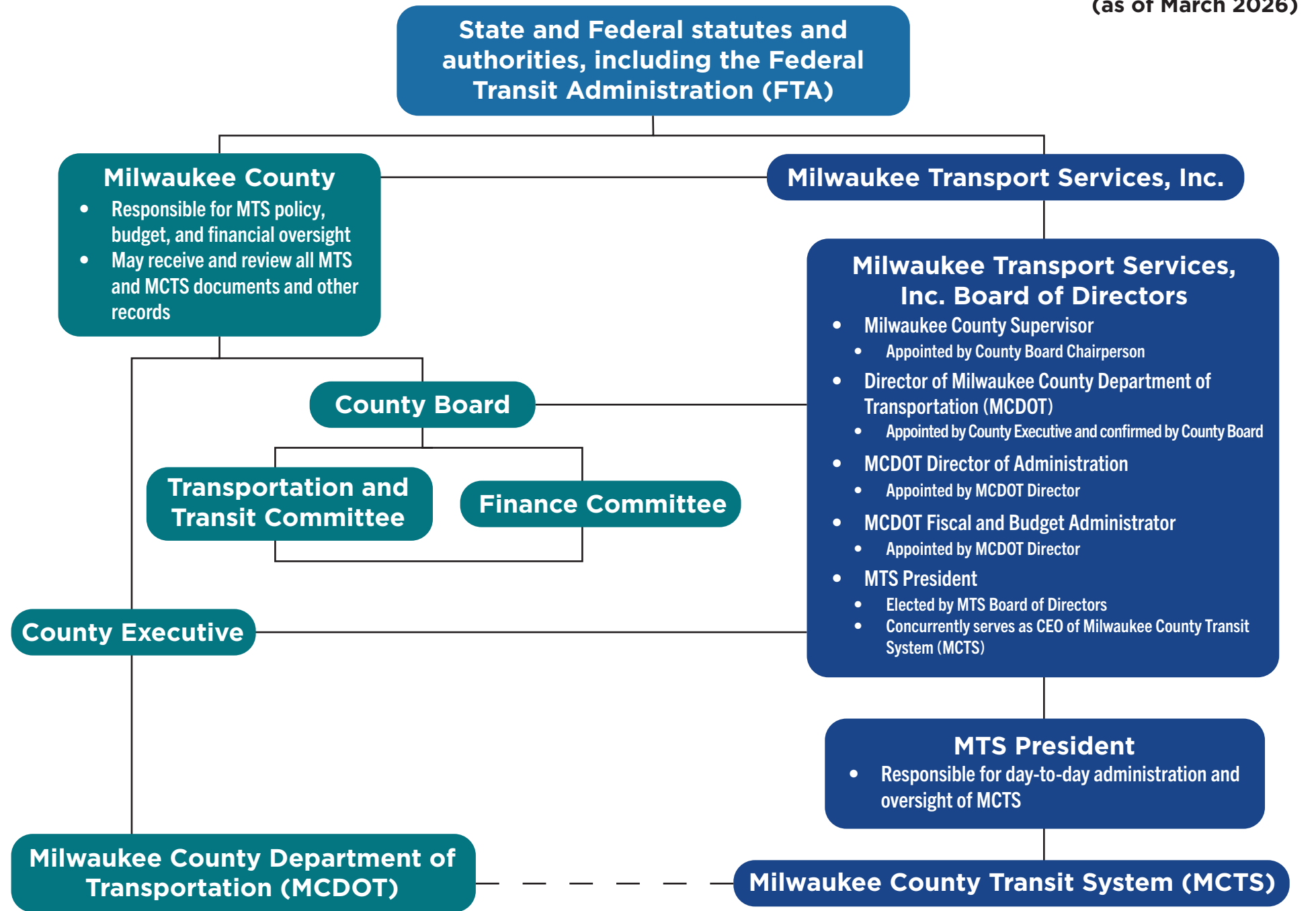
Category	Outsourced	In-Sourced
Systems	1. All systems are separate and independent from Milwaukee County.	1. MTS has a number of its own systems from IT to purchasing to payroll that are completely separate from and not linked to Milwaukee County systems. An inventory and analysis of these systems would need to be conducted to determine which could be absorbed by MC's systems and which would need to remain stand alone at Transit. 2. In a transition, Milwaukee County would have to pay the costs of operating systems for identical functions until transition is complete.
C. Administration		
Payroll	1. Four (4) FTE provide payroll services. The frequency of certain payroll functions is determined through collective bargaining. For example, certain employees are paid weekly while others are paid bi-weekly per union contracts.	1. County currently pays employees bi-weekly but payroll software has the ability to pay weekly if required. A staffing analysis would need to be conducted to determine number of payroll staff needed to transfer payroll to MC.
Human Resources	1. Eight (8) FTE provide Human Resource and Benefit services.	1. HR functions (inclusive of Labor Relations, Benefits, staffing and employee management) would need to be added to existing Milwaukee County HR functions.
Legal Services	1. Contracted out with two (2) different law firms	1. Handled by Corp Counsel? Add staff? Maintain contract?
Accounting	1. Eleven (11) FTE provide accounting and budget services. In addition, there are eight (8) FTE providing cashiering functions and five (5) FTE providing printing functions.	1. A staffing analysis would need to be conducted to determine number of staff needed to transfer accounting and budget functions to MC.
Information Technology	1. Eleven (11) FTE provide information technology services at MTS.	1. A staffing analysis would need to be conducted to determine number of IT staff needed to transfer IT functions to MC.
Risk Management/ Insurance Services	1. Six (6) FTE provide risk management services including worker's compensation services for MTS.	1. A staffing analysis would need to be conducted to determine number of risk staff needed to transfer payroll and risk functions to MC.
Contracts	1. Contracts are signed and executed by MTS.	1. All contracts would require review to determine assignability or to determine if they are in conflict with other contracts the county may have. 2. Due diligence review of all existing contracts required to determine whether contracts would be assignable to county (penalty?), terminated (penalty?) or renegotiated.
Government Relations	1. Conforms to Federal Public Law 101-121, Section 319 of FY 1190 Department of Interior Act.	2. Would have access to county lobbyists.


Category	Outsourced	In-Sourced
Marketing/Outreach	<ol style="list-style-type: none"> Handled in-house with five (5) FTE and through advertising agency. Volunteer riders groups provide assistance. County Board appointed: Transportation Services Advisory Committee (TSAC) and Citizens' Initiative: Milwaukee Transit Riders Union (MTRU) are the two main entities. Volunteer efforts could be continued and expanded. 	<ol style="list-style-type: none"> Marketing function needed, whether in-house or through agency. Volunteer efforts could be continued and expanded.
Paratransit	<ol style="list-style-type: none"> Handled in-house with twelve (12) FTE and two (2) outside contracts with providers for vans and one (1) for taxis. 	<ol style="list-style-type: none"> Maintain existing staff and evaluate the status of contracts.
Maintenance	Approximately 170 FTE providing both building and vehicle maintenance.	<ol style="list-style-type: none"> Majority of staff would remain. An examination of any potential efficiency with Fleet and Facilities Maintenance departments would be warranted.
Scheduling/Planning	Ten (10) FTE provide this function.	<ol style="list-style-type: none"> Maintain existing staff. Planning could be on a longer term basis vs. the duration of a contract under the out-source model.
D. Outstanding/Open Questions		
Legal Issues		<ol style="list-style-type: none"> Status of Paratransit contracts? Could contracts be assigned? Would new contracts be needed? Would there be penalties?
Insurance	<p>MTS is self-insured and maintains some insurances, indemnity and bonding coverage. County pays for cost.</p> <p>UIC, WC, FMLA handled by MTS.</p>	<ol style="list-style-type: none"> MC would need to examine what changes would be needed to current insurance to include transit coverage. May affect premiums. Employees probably would become part of county's risk pools (effect?); administration needs would increase.
Employees		<ol style="list-style-type: none"> If all employees become MC employees can current MC employees apply for jobs with transit? If 2 pension systems are maintained, how will the lateral transfer of vested employees from one system to the other be handled?
Union		<ol style="list-style-type: none"> What is the impact of Act 10 v. federal collective bargaining rights? Are there any areas that are not subject to collective bargaining similar to the public safety unions?
Other options		<p>Option one - Move only top two management positions in-house. Assume ownership of MTS but employees do not become MC employees.</p> <p>Option two - Contract out for top two management positions and all remaining employees become MC employees.</p>

Category	Outsourced	In-Sourced
Regional Transit Authority		1. Consideration should be given to which structure would be easiest to transition to a RTA should one be created in future years.

Milwaukee County Transit System (MCTS) Governance Structure

(as of March 2026)



	MILWAUKEE TRANSPORT SERVICES, INC.									
	YTD Statement of Net Activities									
	December 2025									
	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)
Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Variance
Agency-Wide	Agency-Wide	Agency-Wide	Fixed Route	Fixed Route	Fixed Route	Paratransit	Paratransit	Paratransit	Paratransit	Paratransit
Revenues										
Passenger Fares	22,776,611	26,888,175	4,111,564	20,184,651	24,688,175	4,503,524	2,591,959	2,200,000	(391,959)	
41002 - Cash Fares	3,186,387	2,400,001	786,386	3,186,387	2,400,001	(786,386)				
41003 - Full Adult fares - Mcard										
41004 - Reduced Child Fares - Mcard										
41005 - Senior Citizen Fares - Mcard										
41006 - Lites - Mcard										
41007 - Full Adult Fares - UMO	5,332,312	7,104,652	(1,772,341)	5,332,312	7,104,652	1,772,341				
41008 - Reduced Child Fared - UMO	866	183	683	866	183	(683)				
41009 - Senior Citizen Fares - UMO	39,808	28,000	11,808	39,808	28,000	(11,808)				
41010 - Lites - UMO	638,336	654,000	(15,664)	638,336	654,000	15,664				
41011 - Paratransit - UMO	27,323	1,038	26,285	27,323	1,038	(26,285)				
41012 - Single Use Codes - UMO	4,680		4,680	4,680		(4,680)				
41013 - Misc Fare Adjustments	(3,587)		(3,587)	(3,587)		3,587				
41014 - Full Adult Fares - WISGO	3,630,270	5,826,591	(2,196,321)	3,630,270	5,826,591	2,196,321				
41015 - Reduced Child Fares - WISGO	1,165	5,400	(4,235)	1,165	5,400	4,235				
41016 - Senior Citizen Fares - WISGO	797,902	1,039,235	(241,334)	797,902	1,039,235	241,334				
41017 - Paratransit - WISGO	42,395	50,000	(7,605)	42,395	50,000	7,605				
41018 - Full Adult Fares - TVM BRT	73,205	225,762	(152,557)	73,205	225,762	152,557				
41121 - Commuter Value Pass	1,191,250	1,412,913	(221,663)	1,191,250	1,412,913	221,663				
41122 - Upass - MCW										
41123 - Upass - UWM	1,925,617	1,982,500	(56,883)	1,925,617	1,982,500	56,883				
41124 - Upass - Marquette	792,825	747,500	45,325	792,825	747,500	(45,325)				
41125 - Upass - Alverno										
41126 - Upass - MIAD	84,569	92,500	(7,931)	84,569	92,500	7,931				
41127 - Upass - Mt Mary										
41128 - Upass - Stratton										
41129 - Upass - MATC	1,093,075	1,187,500	(94,425)	1,093,075	1,187,500	94,425				
41130 - Upass - MCC										
41140 - School Pass - MPS	1,044,138	1,650,000	(605,863)	1,044,138	1,650,000	605,863				
41145 - Other Passes - MTM	151,794	155,000	(3,206)	151,794	155,000	3,206				
41150 - Sponsored Promotional Fares	160,244	50,000	110,244	69,692	50,000	(19,692)	90,552		(90,552)	
41151 - Temporary Special Service Fares										
41152 - Contract - Waukesha	60,632	75,400	(14,768)	60,632	75,400	14,768				
41153 - Contract - Waukesha Paratransit										
41154 - Contract - Ozaukee										
41198 - Paratransit Subsidy - Funded Fares	172,639	100,000	72,639				172,639	100,000	(72,639)	
41199 - Paratransit Subsidy - Tickets	2,328,768	2,100,000	228,768				2,328,768	2,100,000	(228,768)	
Auxiliary Transportation Funds	3,521,710	1,252,000	(2,269,710)	3,521,710	1,252,000	(2,269,710)				

	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)	(YTD)
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
	Agency-Wide	Agency-Wide	Agency-Wide	Fixed Route	Fixed Route	Fixed Route	Paratransit	Paratransit	Paratransit
41411 - Advertising - Buses	922,917	900,000	22,917	922,917	900,000	(22,917)			
41412 - Advertising - Shelters	301,810	300,000	1,810	301,810	300,000	(1,810)			
41413 - Advertising - Other Revenue									
41431 - Direct Grantee Grants & Contracts	358,529		358,529	358,529		(358,529)			
41491 - Misc Auxiliary Transportation Revenues	1,845,347		1,845,347	1,845,347		(1,845,347)			
41492 - Shared Service - UMO Waukesha	26,353	52,000	(25,647)	26,353	52,000	25,647			
41493 - Shared Service - UMO Oshkosh	20,440		20,440	20,440		(20,440)			
41494 - Shared Service - UMO Racine	31,855		31,855	31,855		(31,855)			
41495 - Shared Service - UMO Appleton	11,343		11,343	11,343		(11,343)			
41496 - Shared Service - UMO Beloit	3,116		3,116	3,116		(3,116)			
Other Agency Revenues	1,049,630	130,750	(918,880)	229,959	130,250	(99,709)	819,671	500	(819,171)
41502 - Fare Card Replacement Fee	54,177	62,000	(7,823)	54,177	62,000	7,823			
41503 - Investment Income		4,250	(4,250)		4,250	4,250			
41504 - Fixed Asset Sales	29,056	20,000	9,056	29,056	20,000	(9,056)			
41505 - Misc Paratransit Revenue	819,671	500	819,171				819,671	500	(819,171)
41506 - Lost & Found Cash									
41507 - Merchandise Sales	16,867		16,867	16,867		(16,867)			
41599 - Other Non-Transportation Revenue	129,859	44,000	85,859	129,859	44,000	(85,859)			
Revenue from Purchased Transportation Revenues	1,443,328	1,333,118	(110,210)				1,443,328	1,333,118	(110,210)
41602 - Purchased Transportation - TransDev	1,443,328	1,333,118	110,210				1,443,328	1,333,118	(110,210)
Total Recoveries	345,931	420,000	74,069	345,931	420,000	74,069			
41902 - Recovery of Damages to Vehicles & Buildings	316,786	320,000	(3,214)	316,786	320,000	3,214			
41903 - Warranties & Other Credits	29,145	100,000	(70,855)	29,145	100,000	70,855			
Government Public Funding	145,663,383	136,581,724	(9,081,659)	128,272,900	120,367,851	(7,905,049)	17,390,483	16,213,873	(1,176,610)
Public Funding - Local	39,252,983	30,171,324	(9,081,659)	37,052,300	29,147,251	(7,905,049)	2,200,683	1,024,073	(1,176,610)
43102 - FR - Tax Levy	23,690,695	15,785,646	7,905,049	23,690,695	15,785,646	(7,905,049)			
43103 -FR - VRF	13,361,605	13,361,605		13,361,605	13,361,605				
43104 -PT - Tax Levy	2,200,683	1,024,073	1,176,610				2,200,683	1,024,073	(1,176,610)
Public Funding - State	69,967,400	69,967,400		60,877,600	60,877,600		9,089,800	9,089,800	
44102 - FR - Operating Assistance - State 85.20	60,877,600	60,877,600		60,877,600	60,877,600				
44103 - PT - Operating Assistance - State 85.20	5,909,800	5,909,800					5,909,800	5,909,800	
44104 - PT - Operating Assistance - State 85.205	1,630,000	1,630,000					1,630,000	1,630,000	
44105 - PT - Operating Assistance - State 85.21	1,550,000	1,550,000					1,550,000	1,550,000	
Public Funding - Federal	36,443,000	36,443,000		30,343,000	30,343,000		6,100,000	6,100,000	
45102 - FR - Maintenance Assistance - Federal 5307	16,000,000	16,000,000		16,000,000	16,000,000				
45103 - FR - CMAQ	2,343,000	2,343,000		2,343,000	2,343,000				
45104 - FR - Operating Assistance - Federal CARES	10,500,000	10,500,000		10,500,000	10,500,000				
45107 - FR - ARPA Federal									
45109 - FR - Mobility Management - Federal 5310									
45110 - FR - Operating Assistance - Federal BRT	1,500,000	1,500,000		1,500,000	1,500,000				
45105 - PT - Operating Assistance - Federal CARES									
45106 - PT - Maintenance Assistance - Federal 5307	6,100,000	6,100,000					6,100,000	6,100,000	

	(YTD) Actual	(YTD) Budget	(YTD) Variance	(YTD) Actual	(YTD) Budget	(YTD) Variance	(YTD) Actual	(YTD) Budget	(YTD) Variance
	Agency-Wide	Agency-Wide	Agency-Wide	Fixed Route	Fixed Route	Fixed Route	Paratransit	Paratransit	Paratransit
45108 - PT - ARPA Federal 5310									
Expenses									
Wages	85,070,545	82,260,388	(2,810,157)	84,469,203	81,720,958	(2,748,245)	601,341	539,430	(61,911)
50111 - Operator Wages	49,819,418	47,067,118	(2,752,300)	49,819,418	47,067,118	(2,752,300)			
50121 - Other Salaries & Wages	24,927,131	23,528,368	(1,398,763)	24,418,315	23,080,640	(1,337,675)	508,816	447,728	(61,088)
50131 - Paid Absences - Operators	5,928,371	6,365,760	437,389	5,928,371	6,365,760	437,389			
50141 - Paid Absences - Others	4,395,624	5,299,142	903,518	4,303,099	5,207,440	904,341	92,526	91,702	(824)
Fringe Benefits	32,968,378	30,858,793	(2,109,585)	32,720,547	30,645,594	(2,074,953)	247,832	213,199	(34,633)
50151 - Fringe Benefit Allocation	32,968,378	30,858,793	(2,109,585)	32,720,547	30,645,594	(2,074,953)	247,832	213,199	(34,633)
50198 - Fringe Benefit Contra	(32,968,378)	(30,858,790)	2,109,588	(32,968,378)	(30,858,790)	2,109,588			
50152 - FICA	6,229,101	5,726,747	(502,354)	6,229,101	5,726,747	(502,354)			
50153 - Unemployment Insurance	150,819	144,144	(6,675)	150,819	144,144	(6,675)			
50155 - Pension	1,234,997	1,160,283	(74,714)	1,234,997	1,160,283	(74,714)			
50156 - OPEB	5,221,880	6,096,729	874,849	5,221,880	6,096,729	874,849			
50157 - Medical	18,329,872	16,313,931	(2,015,941)	18,329,872	16,313,931	(2,015,941)			
50158 - Dental	816,119	700,000	(116,119)	816,119	700,000	(116,119)			
50159 - Life	40,870	37,800	(3,070)	40,870	37,800	(3,070)			
50160 - Vision	40,171	49,020	8,849	40,171	49,020	8,849			
50161 - Long Term Disability	62,733	72,444	9,711	62,733	72,444	9,711			
50162 - Wellness	60,089	32,000	(28,089)	60,089	32,000	(28,089)			
50163 - Employee Benefit TPA Services	152,689	58,692	(93,997)	152,689	58,692	(93,997)			
50164 - Tuition & Professional Development	12,085	10,000	(2,085)	12,085	10,000	(2,085)			
50165 - Employee Appreciation	8,828		(8,828)	8,828		(8,828)			
50166 - Uniform & Tool	455,530	407,000	(48,530)	455,530	407,000	(48,530)			
50167 - Vacation & Sick Y/E Adjustment	152,595	50,000	(102,595)	152,595	50,000	(102,595)			
50199 - Other Fringe Benefits									
Services	9,063,844	8,706,323	(357,521)	8,975,079	8,514,513	(460,566)	88,766	191,810	103,044
50202 - Advertising Consultant Services	124,335	254,500	130,165	124,335	254,500	130,165			
50204 - Legal Services	294,421	310,000	15,579	294,421	310,000	15,579			
50205 - Outsourced Medical Services	187,827	199,500	11,673	187,827	199,500	11,673			
50206 - Security Services	1,109,512	961,318	(148,194)	1,109,512	961,318	(148,194)			
50207 - Janitorial & Lawn Services	366,329	250,534	(115,795)	366,329	250,534	(115,795)			
50208 - Temporary Help Services	261,060	226,200	(34,860)	261,060	226,200	(34,860)			
50209 - IT Maintenance Services	1,127,638	850,199	(277,439)	1,127,638	850,199	(277,439)			
50299 - Other Professional Services	4,784,468	4,911,470	127,002	4,695,702	4,719,660	23,958	88,766	191,810	103,044
50210 - Vehicle Maintenance Services	312,057	337,802	25,745	312,057	337,802	25,745			
50211 - Facility Maintenance Services	496,198	404,800	(91,398)	496,198	404,800	(91,398)			
Materials & Supplies	17,007,465	18,398,305	1,390,840	16,993,089	18,385,505	1,392,416	14,376	12,800	(1,576)
50311 - Diesel Fuel	8,033,514	8,149,965	116,451	8,033,514	8,149,965	116,451			
50312 - Gasoline	113,059	97,000	(16,059)	113,059	97,000	(16,059)			
50313 - Lubricants	273,061	299,073	26,012	273,061	299,073	26,012			

	(YTD) Actual	(YTD) Budget	(YTD) Variance	(YTD) Actual	(YTD) Budget	(YTD) Variance	(YTD) Actual	(YTD) Budget	(YTD) Variance
	Agency-Wide	Agency-Wide	Agency-Wide	Fixed Route	Fixed Route	Fixed Route	Paratransit	Paratransit	Paratransit
50321 - Tires & Tubes (Non-Revenue Vehicles)	13,426	5,000	(8,426)	13,426	5,000	(8,426)			
50331 - Bus Batteries	87,907	180,000	92,093	87,907	180,000	92,093			
50332 - Vehicle Parts & Supplies	7,434,020	7,428,000	(6,020)	7,434,020	7,428,000	(6,020)			
50333 - Facility Parts & Supplies	(187,473)	749,000	936,473	(187,473)	749,000	936,473			
50334 - Hardware, Software, & Data Storage	563,539	552,000	(11,539)	563,539	552,000	(11,539)			
50335 - Postage	28,946	26,800	(2,146)	19,203	19,000	(203)	9,743	7,800	(1,943)
50336 - Outsourced Printing	115,992	138,000	22,008	115,992	138,000	22,008			
50337 - Merch Store COGS	14,257		(14,257)	14,257		(14,257)			
50399 - Office & Other Misc Supplies	517,218	773,467	256,249	512,585	768,467	255,882	4,632	5,000	368
Utilities	2,237,308	2,188,121	(49,187)	2,237,308	2,188,121	(49,187)			
50402 - Electricity	921,184	950,000	28,816	921,184	950,000	28,816			
50403 - Natural Gas	312,558	351,595	39,037	312,558	351,595	39,037			
50404 - Water & Sewer	162,391	168,626	6,235	162,391	168,626	6,235			
50405 - Telephone	230,563	150,000	(80,563)	230,563	150,000	(80,563)			
50406 - Trash Collection	88,271	92,900	4,629	88,271	92,900	4,629			
50407 - Internet	522,342	475,000	(47,342)	522,342	475,000	(47,342)			
Casualty & Liability Costs	5,967,339	4,079,467	(1,887,872)	5,967,339	4,079,467	(1,887,872)			
50502 - Corporate Insurance Premium	356,696	417,866	61,170	356,696	417,866	61,170			
50503 - Property & Personal Liability	2,861,330	2,000,000	(861,330)	2,861,330	2,000,000	(861,330)			
50504 - Workers Compensation	2,749,314	1,661,601	(1,087,713)	2,749,314	1,661,601	(1,087,713)			
Taxes	9,181	5,000	(4,181)	9,181	5,000	(4,181)			
50602 - Taxes & Vehicle Registration	9,181	5,000	(4,181)	9,181	5,000	(4,181)			
Miscellaneous Expenses	28,794	288,642	259,848	186,448	285,942	99,494	(157,654)	2,700	160,354
50902 - Corporate & Association Dues	117,670	124,000	6,330	117,670	124,000	6,330			
50903 - Professional Dues	2,710	6,777	4,067	2,710	6,777	4,067			
50904 - Subscriptions	7,406	11,650	4,244	7,406	11,650	4,244			
50905 - Occupational License Fees	5,612	9,770	4,158	5,612	9,770	4,158			
50906 - Conference & Related Travel	78,800	84,850	6,050	78,800	84,850	6,050			
50907 - Career Job Postings	36,226	38,000	1,774	36,226	38,000	1,774			
50908 - Procurement Postings	767	700	(67)	767	700	(67)			
50909 - Marketing & Promotion Media	114,067	82,000	(32,067)	114,067	82,000	(32,067)			
50911 - Retail Commission	52,629	100,000	47,371	52,629	100,000	47,371			
50912 - Bad Debt Expense									
50998 - Expense Reclassifications	(423,316)	(226,716)	196,600	(264,488)	(226,716)	37,772	(158,828)		158,828
50999 - Other Misc & Local Travel	36,223	57,611	21,389	35,049	54,911	19,862	1,174	2,700	1,526
Purchased Transportation Expenses	22,447,738	19,820,728	(2,627,010)	996,957	1,033,176	36,219	21,450,781	18,787,552	(2,663,229)
51011 - Purchased Transportation Services - Fixed Route	996,957	1,033,176	36,219	996,957	1,033,176	36,219			
51011 - Purchased Transportation Services - Paratransit	20,007,453	17,474,434	(2,533,019)				20,007,453	17,474,434	(2,533,019)
51011 - Purchased Transportation Fares - Paratransit	1,443,328	1,313,118	(130,210)				1,443,328	1,313,118	(130,210)
Total Revenue from Operations	29,137,210	30,024,043	886,833	24,282,252	26,490,425	2,208,173	4,854,958	3,533,618	(1,321,340)
Total Public Funding	145,663,383	136,581,724	(9,081,659)	128,272,900	120,367,851	(7,905,049)	17,390,483	16,213,873	(1,176,610)

	(YTD)	(YTD)	(YTD)		(YTD)	(YTD)	(YTD)		(YTD)	(YTD)	(YTD)
	Actual	Budget	Variance		Actual	Budget	Variance		Actual	Budget	Variance
	Agency-Wide	Agency-Wide	Agency-Wide		Fixed Route	Fixed Route	Fixed Route		Paratransit	Paratransit	Paratransit
Total Expenses	174,800,593	166,605,767	(8,194,826)		152,555,152	146,858,276	(5,696,876)		22,245,441	19,747,491	(2,497,950)
Net Zero											

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OFFICE OF THE COMPTROLLER – AUDIT SERVICES DIVISION**

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