

County of Milwaukee
Interoffice Communication

DATE: 5/20/2020
TO: Marcelia Nicholson, Chairwoman, County Board of Supervisors
FROM: Donna Brown-Martin, Director, Department of Transportation
SUBJECT: MCTS 2019 Year in Review, 2020 Budget, and 2021 Budget Issues Report

POLICY

This report is for informational purposes only.

BACKGROUND

Transit's role in Milwaukee is essential. Each year, the Milwaukee County Transit System (MCTS) develops an operating budget and then manages to that budget. Our operation includes providing transit services 365 days out of the year, nearly 24 hours per day, resulting in millions of passenger trips to destinations that include work, school, medical appointments, etc. Our workforce of more than 1,000 employees, 68% of which represent minority populations, take the job of moving this community seriously.

2019 Year-In-Review

MCTS provided nearly 30 million rides in 2019. We operated a fleet of 369 buses on 48 bus routes driven by 750 bus operators for a total of nearly 18 million miles. While mechanics worked three shifts around the clock, bus operators stopped at over 4,800 bus stops in our community, and bus shelters were provided at 750 of these locations. The total 2019 operating budget was \$156.4 million.

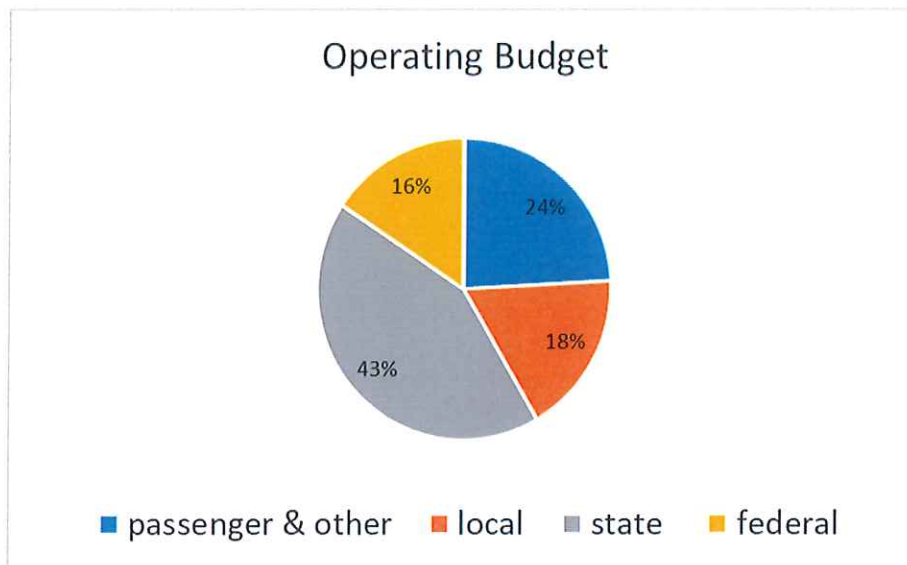
In 2019, MCTS was honored to win an innovation award from the American Public Transportation Association (APTA) for its 'MCTS Excellence' social media campaign. Using onboard surveillance video equipment, MCTS has been telling inspiring stories that highlight employees' acts of kindness, compassion and heroism. MCTS videos regularly go viral and have been seen millions of times around the world thanks to the broad reach of social media, TV, radio, newspapers, etc. MCTS Excellence is reshaping how people see public transportation and our community.

2019 also was a year in which MCTS leaders and staff that participate in hiring, planning and community outreach expanded their worldview as it related to racial equity. In early 2019, Milwaukee County declared racism a public health crisis. By mid-year, MCTS had partnered with the YWCA to bring their unlearning racism course on-site to MCTS. Through the County's Racial Justice training curriculum, MCTS participants gained a more personal understanding of how racial inequity is created and the skills and activities necessary to achieve racial equity in our community.

In 2019, we also continued to focus on two long-term initiatives: Advancing the East-West Bus Rapid Transit (BRT) project and developing a service improvement plan known as MCTS NEXT. Both strategies establish fast-frequent bus services in corridors with strong transit demand. Each project is designed to grow ridership and make public transit more valuable and useable for more people, especially those living and working near high frequency bus routes. MCTS NEXT and the East-West BRT route continue to be priorities for MCTS because they strengthen the entire transit network.

2020 Operating Budget

This year's operating budget is nearly \$160 million. MCTS's biggest funding source is the State of Wisconsin. Transit and paratransit funding under Chapter 85 of Wisconsin Statutes, Section 85.20, 85.205, and 85.21 assists the operating budget greatly, but State funding today continues to be lower than it was in 2010. Operating budget breakdown follows:



Over the years there has been a trend of declining state funding as a percent of total costs. In 2020, Milwaukee County is providing \$5.7 million more than it did just a few years earlier (2016). Despite additional County funding, service changes were necessary in 2020 to balance budgeted expenditures with projected revenues. MCTS always aims to minimize impacts on passengers by seeking administrative and operational changes that lower costs, but as more and more of these saving opportunities are exhausted additional resources will be needed to provide transit services that County residents deserve and demand.

Having a strong partnership with the State of Wisconsin is imperative to connecting people to jobs and enabling students to continue to access higher learning, both of which are essential to supporting future job growth in our County and region. Move Forward MKE's 1% sales tax initiative sought by Senate and Assembly Bills, if adopted, would provide a pathway for more investment in transit, and property tax relief.

For the past few months MCTS has intensely focused on the challenges presented by COVID-19 and the 'safer at home' order. During the pandemic, the value of transit to our community has never been so evident. As many did their part by staying at home, frontline transit workers were making sure that hospitals, grocery stores and pharmacies continued to function by bringing essential employees to these destinations and others. Federal support for transit in Milwaukee County resulting from the CARES Act will assist us in getting through the immediate challenges of 2020 and may assist us in building the 2021 budget.

2021 Operating Budget

Earlier this year, MCTS worked with Milwaukee County's Director of Performance, Strategy, and Budget (PSB) to identify issues impacting Transit's 2021 budget in comparison to the 2020 budget:

- MCTS is faced with a \$2.4 million reduction in federal Congestion Mitigation Air Quality (CMAQ) funding. CMAQ dollars were granted in 2012 for the purpose of introducing new express bus services. The CMAQ funding allocation expires in 2020 and the County will not have an opportunity for renewal due to federal limits on the number of years that these funds can be used for a new service.

- The 2020 MCTS operating budget included \$2.9 million of limited term 5307 federal grant carryover funding. This was a strategic yet short-term solution for 2020. Utilizing the same amount of funds for the operating budget in 2021 would result in a future gap of \$2.7 million as spending at that rate risks exceeding annual allocations of such federal funds.
- The full value of the State biennial budget increase was reflected in 2020 and there are no additional State funds expected for 2021. Flat funding year-over-year of this revenue source contributes to the budget gap because it fails to support inflationary cost increases.
- MCTS is estimating about \$2 million in additional salary and fringe benefit costs in 2021, based on current contractual agreements and early fringe benefit estimates.
- Even before COVID-19, MCTS was projecting a further decline in passenger revenue for 2021.
- Property tax in the amount of \$12.2 million supports the transit budget in 2020. Annually, the County faces budget gaps of tens of millions of dollars as a result of the variance between tax levy needs compared to funding for County services. In past years, one of the strategies to close the budget gap has been to distribute levy reduction targets to departments in an across-the-board fashion. Any levy target amount would add to Transit's gap for 2021.
- The County's \$30 Vehicle Registration Fee (VRF) provides \$16.1 million of annual funding to the Transit operating budget in 2020, plus \$1.1 million to the Highway Maintenance budget. Under State statutes the County can raise the VRF for transportation related services; however, the County's VRF is already higher than most jurisdictions across the State.

With the above factors combined for 2021, the Transit budget has a projected gap of \$5.0 to \$7.7 million.

Capital Budget Considerations

Buses are expensive and aging facilities require on-going maintenance. With a focus on safety, MCTS is responsible for developing a Transit Asset Management (TAM) Plan. Assets purchased with federal dollars need to be inventoried, including all building components, non-revenue vehicles, specialized maintenance equipment, and buses. The assets then need to be classified as to condition, and commitments made to repair and/or replace them as necessary to keep the facilities and equipment in a state of good repair.

MCTS works with the County's Architecture and Engineering (A&E) division, as well as engages with experts in HVAC, electrical systems, plumbing and the so-called building envelope or structure to determine best practices for preventive maintenance in an effort to balance annual operating costs with costs for removal and replacement of key building components and related capital items.

Budget Process for 2021

Building a balanced budget for 2021 will be a challenge. The estimated \$5 to \$7.7 million budget gap from 2020 to 2021 may increase or decrease. Meanwhile, Milwaukee County has its own fiscal constraints that put pressure on annual budgets.

MCTS will submit its 2021 budget to the Milwaukee County Department of Transportation (MCDOT), who will turn it into the County Executive in mid-year. In autumn, the County Executive will release his budget at which time the County Board will have an opportunity to amend it.

While developing its budget, MCTS will focus not only on the short-term but continue to position transit as a valuable and vital service to our community in the long run while we strive to be the preferred transportation choice through service excellence and innovation.

RECOMMENDATION

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Prepared by:

Daniel A. Boehm, President & Managing Director, MCTS

Approved by:



Donna Brown-Martin
Director, Department of Transportation