

County of Milwaukee
Interoffice Communication

DATE: October 2, 2020

TO: Supervisor Marcelia Nicholson, Chair, Milwaukee County Board of Supervisors

FROM: Donna Brown-Martin, Director, Department of Transportation

SUBJECT: MCTS Fiscal State and Funding Outlook

BACKGROUND

The Milwaukee County Transit System (MCTS) brings value to our County and the State. When the COVID-19 viral pandemic hit our nation this spring, transit was quickly considered critical transportation infrastructure by Federal, State, and local governments. On days when many people were 'teleworking' or sheltering at home MCTS was transporting healthcare workers to the front lines of treatment. Transit also moves many who work in service industries, such as grocery store stockers and clerks who help us all to maintain food security.

COVID-19 and CARES Act

In recognition of the importance of transit, the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 was passed to provide \$25 billion for transit nationally. Federal CARES Act funds for Milwaukee County in the amount of \$54.9 million were set aside by an FTA allocation formula. The CARES Act funds will help MCTS to prevent, prepare for, and respond to COVID-19.

While we are disinfecting buses daily, and taking other steps recommended by the CDC to protect both employees and passengers, ridership is admittedly at record low levels, settling in at about 50% of normal. Lower ridership would typically be met with a reduction in service levels, but the availability of federal funding changes this normal course. In addition, reducing services would have the effect of loading more people into each bus, raising productivity but also jeopardizing space for social distancing. Instead we have been adding buses to a few routes to keep up with demand and provide ample room for passengers.

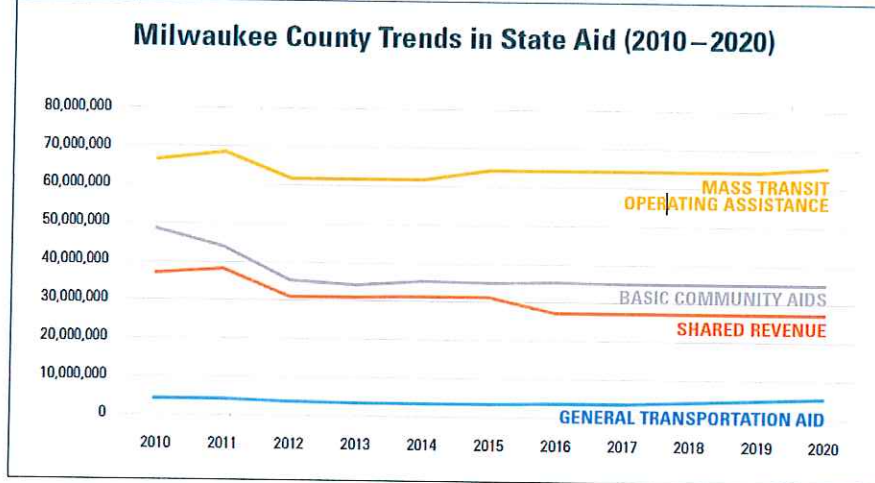
It is unclear when ridership (and passenger revenues) will return to normal. We started the year with a slight increase in riders, but the pandemic ended that trend. Current ridership estimates point towards, \$20 million to \$25 million in CARES Act funds being drawn down to balance the 2020 budget. In addition, at least \$10 million in CARES Act funds have already been committed for 2021, but there is a risk that tens of millions more in MCTS issued CARES Act funds would be exhausted in 2021 to balance next year's budget.

Meanwhile, transit will continue to be important for our community during the pandemic and as a prerequisite for businesses to reopen. Transit will be even more important as we seek businesses to relocate to or expand in Wisconsin. For example, the new Amazon MKE2 location in Oak Creek contacted us multiple times to request that MCTS provide transit service right to their front door when they open this fall.

Funding Trends

The largest funding source for MCTS is state funding, but that level of support has been largely stagnant for the past decade. Chart 1 below shows transit funding along-side several other lines of State Aid, which remain lower than they were in 2011, meanwhile much of the State budget has grown with inflation.

Chart 1



MCTS would not exist without funding from Federal, State, and local sources but a lack of consistent and expected annual increases to match the reality of cost inflation remains problematic. By example, nominal inflation of 2% on a budget of \$160 million is a \$3.2 million cost increase annually. Federal, state, and local funding increases that fail to meet inflation often results in service reductions and lost ridership, as shown in the charts below.

Chart 2

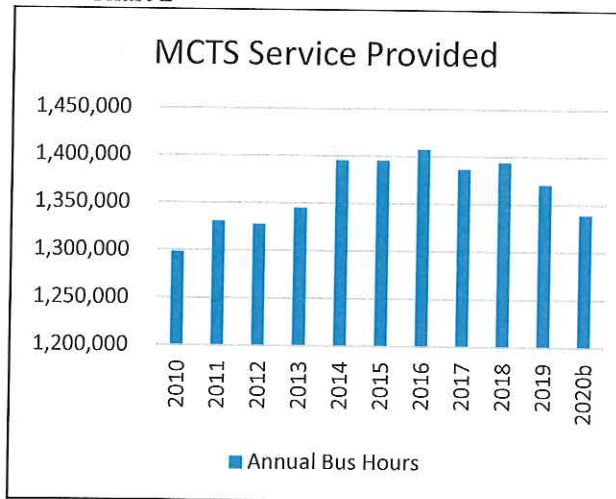
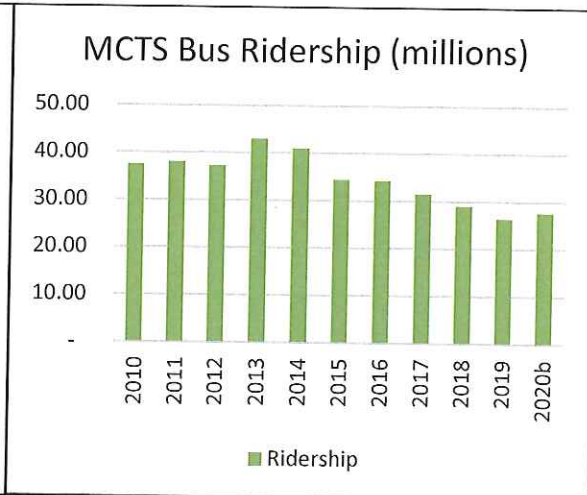


Chart 3



Increases in bus hours shown in Chart 2 were often the result of limited term grant monies. Whether funding from the congestion mitigation and air quality improvement (CMAQ) program, or dollars available from the Zoo Interchange Litigation settlement, the idea of paying for transit with grants that make funds available for 2, 3 or 4 years, is flawed. Eventually, these routes or others are eliminated as the short-term funding is exhausted. Chart 3 shows riders initially responding to increases in service supply, but eventually ridership declined due to service reductions. And in recent years, ridership has

been negatively impacted by external forces too, such as low-cost car loans and growth of transportation network companies (e.g. Uber & Lyft).

MCTS needs a means of expanding service to provide opportunities for non-drivers to access jobs currently outside of the MCTS service area without the on-going expectation that service should be reduced in long-served neighborhoods to be able to afford such expansion. One of the virtues of transit should be that it is predictable from year to year and not just reliable from day to day. Stagnant funding not only falls short of addressing normal inflation, it continues to put those in support of service expansion in opposition to those that desire service consistency. The lack of State authorized local revenue options exacerbates these conflicts.

Cost Savings & Partnerships

In the face of these many challenges, MCTS continuously strives to put as much 'rubber on the road' in the form of service as possible. We do our part by:

- Reducing costs when able.
- Using preventive maintenance to cost-effectively maximize useful life of vehicles and equipment.
- Following principles of good project management to complete small and large projects on-time and within budget.
- Focusing on initiatives that will improve transit, increase ridership, and contribute to higher passenger revenue, such as the bus rapid transit and the MCTS NEXT route redesign project.
- Collaboratively managing administrative departments with operations personnel to improve outcomes, and employee morale while achieving effective cost controls.

No matter how well MCTS is operated, it is unrealistic to expect that we cut costs rather than service every year. When cost cutting efforts are fruitful, or a new limited term grant can be obtained, there will be stability in service from one budget year to the next, but when grants are unavailable and inflation beats our best efforts, there is inevitably a decline in service.

Some will argue that MCTS need only partner with others to obtain efficiencies. We know that partnerships are necessary for transit to succeed in advancing efforts to improve quality of life, and economic prosperity in our region, which is why we work with others to amplify our reach and impact:

- We partner with Ozaukee County on bus services into and out of Downtown Milwaukee, as well as created targeted connections between MCTS and Ozaukee County's shared ride taxi program.
- We partner with Waukesha County on bus services into and out of Downtown Milwaukee, as well as created a transit connection between UW-Milwaukee, Downtown Milwaukee, the Milwaukee Regional Medical Center and Brookfield Square.
- We also collaborate with Bublr bikes to cross-promote the benefits of non-driver transportation.

In conclusion, MCTS is committed to strengthening our partnerships locally but we cannot ignore the fact that to stabilize and expand transit in Milwaukee County and Southeastern Wisconsin we need help from the State of Wisconsin. The Milwaukee County Department of Transportation is working with Milwaukee County's Director of Government Affairs to request the following from the State:

- 5% annual increase in State Urban Mass Transit Operating Assistance, Tier A1 program, Wis. Stat. § 85.20
- Increases to the statewide Paratransit Aids Program, Wis. Stats. § 85.205
- Increases to the statewide County Elderly and Disabled Transportation Assistance program, Wis. Stats. § 85.21
- A local option for raising revenue for transportation – be it transit, roads or bridge repair – to enable local control over local priorities that meets local needs.

- A \$10 million annual Capital grant program for Tier A1 transit systems to enable replacement of equipment and facilities when prudent preventive maintenance has extended assets to end-of-life.

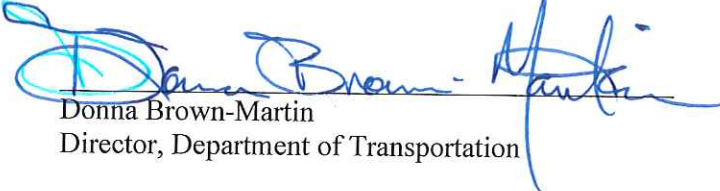
The Milwaukee area is the economic engine of the State, and there is nothing else quite like it in Wisconsin. Of all the lessons taught by the pandemic, the one that may be of most importance is that 'we are stronger together.' MCTS is ready and willing to do its part to help the County, region and State not just recover from the economic downturn caused by the pandemic but grow to its fullest potential, and with the State's help we will succeed in this endeavor.

RECOMMENDATION

This report is for informational purposes unless otherwise directed.

Prepared by: Dan Boehm, President & Managing Director, MCTS

Approved by:


Donna Brown-Martin
Director, Department of Transportation