Milwaukee County Transit System

A System at the Crossroads
May 2010

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Managing Director
MCTS Operating Budget
Revenue Sources

- Passenger Fares and Other Revenues: 35.6%
- State: 40.1%
- Federal: 13.3%
- Milwaukee County: 11.0%

Total: 100%
MCTS Capital Projects
Revenue Sources

Federal
80%

Milwaukee County
20%
2010 Operating Budget

$ Revenue Sources

- Federal: $23.0 million
- State: $69.5 million
- Passenger Fares and Other Revenue: $61.6 million
- Milwaukee County: $19.1 million

Total: $173.2 million

Annual Capital Requirements - $16-20 million

- Federal: $16 million
- Local: $4 million
# Federal Transit Operating and Capital Assistance

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Formula Funds</td>
<td>$17.4 million</td>
<td>$17.9 million</td>
</tr>
<tr>
<td>Earmarks</td>
<td>$11.0 million</td>
<td>$1.9 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$28.4 million</strong></td>
<td><strong>$19.8 million</strong></td>
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</table>
Federal Capital Reserve

- January 2001 $43.7 million
- January 2005 $21.1 million
- January 2010 $1.2 million
Meeting Past Budget Challenges

• Healthcare and Pension

• Eliminated retiree healthcare for all employees hired after 4/1/07.

• Initiated employee premium contributions for healthcare coverage.

• Required that even previously retired individuals must contribute to healthcare costs. *Retirees can pay as much as $695 per month for out of area coverage.*

• Instituted a smaller network HMO plan with significant deductibles. *Saves several thousand dollars per year per participant.*

• Pension: No drop back provisions. Plan is near fully funded. *Have maintained pension benefits within resources of the fund to pay for those benefits.*

• Employees contribute 15% of the actuarially determined costs of the pension plan.
Meeting Past Budget Challenges

• Other Actions

• Use fuel futures to stabilize fuel costs to within budget
• Non-operating staff reductions
• Wage freezes
• Furlough time off
• Outsourcing vs. internal work
• Competitive bidding
• New approaches
• Overall cost control
State Audit Conclusions

- Lowest cost per passenger
- Lowest percent of administrative cost
- Highest ridership per capita
2011 Budget Gap

2010 Costs
+ Increase in Costs Related to Existing Employees and Retirees
+ Increase in Costs for Utilities, Fuel, etc.
+ Estimated Reductions in Federal and State Aids, and Other Revenues

= 2011 Budget Gap
2011 Budget Gap

- Assumes no reduction in current service levels
- Assumes no change in staff
- Assumes no Furlough Days in 2011
- Assumes no new services
2011 Budget

• The Good News…… ARRA

Transit Capital
Low cost financing
for local government

Through the combination of ARRA funds and Milwaukee County Investment, 125 new buses, new fareboxes, a bus stop annunciator system, new roof on the Administration building and new HVAC systems for several MCTS facilities will be purchased in 2010/2011. Local bonding for these projects was done in 2010.

• Total Investment: $58.4 million
• Federal (including ARRA funds) $41.2 million
• Milwaukee County $17.2 million

*No other major capital investments are needed for 2011

*Therefore - lack of Federal capital dollars is not an issue for 2011
## 2011 Budget Gap

### The Challenges:

<table>
<thead>
<tr>
<th>Adjustment (in millions)</th>
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<tbody>
<tr>
<td>Preliminary Estimates</td>
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<tr>
<td>• 2010 Revenue projected to be significantly below budget</td>
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<tr>
<td>• One time adjustment in Medicare Part D revenue in 2010</td>
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<tr>
<td>• Reduction in JARC funding</td>
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<tr>
<td>• Employee/Retiree medical expense</td>
</tr>
<tr>
<td>• Fuel</td>
</tr>
<tr>
<td>• Expense of Transit Plus ridership increases</td>
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<tr>
<td>• Potential loss of Title XIX funding for Paratransit rides</td>
</tr>
<tr>
<td>• Increase in bond interest</td>
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</tbody>
</table>

**Total Increase / Cost to continue** $16.3
# 2011 Budget Gap

## Known Off-Sets

<table>
<thead>
<tr>
<th>Description</th>
<th>Adjustment (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restored Milwaukee County Investment</td>
<td>$2.1</td>
</tr>
<tr>
<td>Increase in State Revenue</td>
<td>$1.7</td>
</tr>
<tr>
<td>Non-Operator Employee Reductions made by MCTS</td>
<td>$1.0</td>
</tr>
<tr>
<td>Pension Contribution Reduction</td>
<td>$.6</td>
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<tr>
<td>Increase in employee/Retiree healthcare Contributions; healthcare plan modifications</td>
<td>$.7</td>
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**Total Known Off-Sets** $6.1

## Budget Gap

- **Budget Gap**: $10.2
Possible Resolutions

- Additional internal savings
- Additional county investment
- Changes in Paratransit funding
- Changes in Paratransit service area
- Service cuts
- Fare increases
- Other
Budget Process has just begun.

- May or may not be able to meet 2011 challenges without impacting service.

- $10.2 million equals a 14% service cut or 188,000 hours of service per year.

- For 2012, will have similar challenges and will need to purchase additional buses. 30-40 buses with no reserve of Federal dollars – Approximately $14 million.

Whether the crisis occurs in 2011 or beyond.

A long term funding solution is required to maintain transit services in Milwaukee.