

**MILWAUKEE COUNTY TRANSIT SYSTEM:
FIVE-YEAR FINANCIAL SUSTAINABILITY ANALYSIS
(2013-2017)**

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MCTS Five-Year Financial Sustainability Analysis (2013-2017)

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EXECUTIVE SUMMARY

Despite the fact there is widespread public agreement that the Milwaukee County Transit System (MCTS) is vital to a vibrant and healthy community and the region, the financial health of the transit system varies from one budget year to the next in large part due to changing funding priorities at the state and federal levels and MCTS' lack of a stable long-term funding source. We created four models to assess how potential changes in funding sources can impact the financial stability of transit operations over a five-year period.

This report discusses the projected financial health of the transit system if certain events were to occur. In Scenario One, we examine how system preservation without additional state operating aid substantially increases tax levy over the five-year study period. Scenarios Two, Three and Four examine the degree to which expenses exceed revenues for the transit system as local tax levy remains constant and state operating aid either remains constant, increases or decreases. Key findings from our analysis include:

- To sustain 2012 service levels without additional state or federal funding, tax levy support increases from \$19 million to \$48 million by 2017.
- Holding tax levy and state operating aid at 2012 levels over the next five years results in significant reductions in service ranging from a 19 percent to 29 percent cut in service hours.

While this report may be viewed largely as a financial modeling exercise, it does provide useful insight into the fact that MCTS is running out of cost cutting options to fill budgetary funding gaps. Consequently, initiatives to improve ridership and generate passenger revenue should be aggressively explored and pursued, particularly to offset sudden and unexpected funding shortfalls caused by shifts in federal or state subsidies for public transportation.

INTRODUCTION

The purpose of this report is to examine the level of funding needed to sustain the transit system over the next five years, if certain events were to occur. While the events illustrated are hypothetical only, they nevertheless provide decision makers with a glimpse of the degree to which change in a critical funding source can negatively impact local property tax levy and service levels.

The Milwaukee County Transit System relies on a combination of federal and state subsidies to fund the cost of operating the transit system. MCTS relies on state funding for about 38 percent of its operating expenses and federal funding for about 16 percent of its operating expenses. Along with passenger fares, MCTS also relies on property tax levy to fund the transit system. Property tax levy comprises about 11 percent of the transit system's operating budget. Change in any of these funding sources can lead to difficult decisions about how to make up or account for the funding needed by the transit system to maintain existing levels of fixed route and demand response services.

This report focuses on four possible funding scenarios and the impact of changes in state funding on existing service levels and local tax levy. Since the State is the largest funding source and has

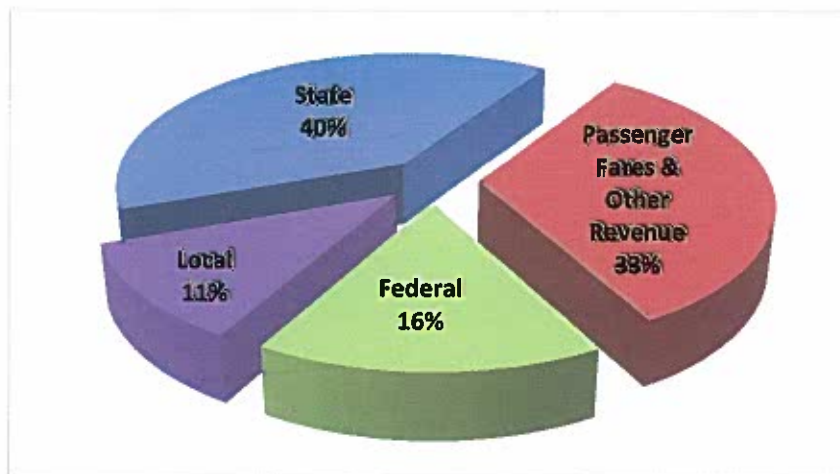
provided the greatest volatility in funding, our models assume reasonable changes in the level of state operating aid. We consider the long term financial outlook if state operating aid remains constant at the 2012 budget level, increases 2 percent annually or decreases 2 percent annually. Emphasis is placed on maintaining property tax levy at the present 2012 level. We also examine the impact on property tax levy to sustain bus hours at the current service level of 1,299,862 hours annually. Major assumptions about other critical funding sources are identified. With the exception of service cuts of the five-year period, no changes are assumed in the other transit policies, such as fare policy.

We begin with an examination of the MCTS operating budget to provide a general basis for discussion where near-term efficiencies might be achieved. We then present our analysis of the financial sustainability of MCTS based on four hypothetical scenarios which we believe are realistic. Our approach is conservative, particularly given uncertainty surrounding reauthorization of a long-term federal surface transportation bill. We conclude with our assessment of past and present opportunities to improve the efficiency of the transit system while placing emphasize on opportunities to increase revenue by increasing ridership through transit oriented development and policy initiatives.

OVERVIEW OF MILWAUKEE COUNTY TRANSIT SYSTEM OPERATING BUDGET

MCTS relies on a combination of four primary revenue sources: Federal formula aid, state operating aid, county property tax levy, farebox revenue (fares collected from passengers) and other revenue (contracted services and advertising revenue). MCTS' success in capturing 33 percent of funding needed to operate the transit system from passenger revenue is a good indicator that ridership plays a significant part in supporting the system. Chart 1 shows the allocation of each funding source in MCTS' 2012 budget on a percentage basis.

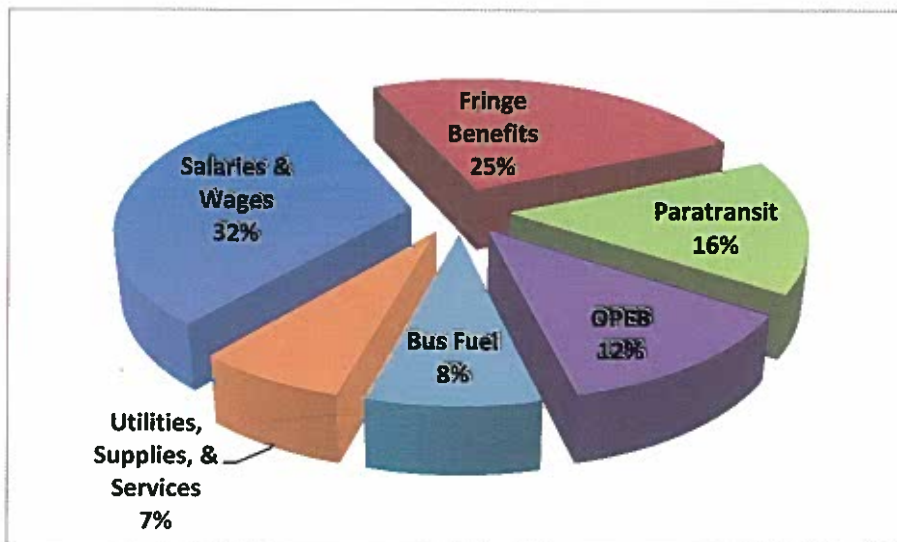
Chart 1
MCTS 2012 Budget Revenue Sources



MCTS' 2012 budget is \$169 million of which \$19.1 million is supported by local tax levy. Funding is used for direct and indirect expenses to operate the transit system. Transit operations are controlled by Milwaukee Transport Services, Inc. (MTS), the management contractor for MCTS. Milwaukee County service charges and depreciation are not controlled by MTS. About 95 cents of every dollar spent is controlled by the management contractor for transit operations.

Chart 2 below shows the various components of transit operating expenses. MCTS is a labor driven organization that produces a service. As such, of the 95 cents spent on transit operating expenses, 69 cents is spent on the cost of labor and fringe benefits.

Chart 2
Detail of Transit Operating Expenses



FUNDING SCENARIOS

SCENARIO ONE FUNDING NEEDS – MAINTAIN 2012 SERVICE LEVEL WITH STATE FUNDING REMAINING CONSTANT

Major Assumptions:

- 2.5% annual inflationary increase in fixed route expenses
- 31% decrease in trips in 2013; 2% annual increase in paratransit trips thereafter
- Passenger fares remain constant
- Federal formula funding remains constant
- State operating assistance remains constant

Table 1
 Operating Expense Projections and Statistics (2013-2017)
 Assuming State Operating Aid and Service Levels are Held Constant at CY 2012 Levels
 (000's omitted)

Expenses	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Transit Operations	\$ 161,226	\$ 157,484	\$ 161,928	\$ 166,210	\$ 170,608	\$ 175,133
Depreciation	1,789	2,785	2,985	3,185	3,385	3,585
Internal Service Charges	2,766	2,917	2,669	2,722	2,777	2,832
Other	<u>1,046</u>	<u>1,559</u>	<u>1,302</u>	<u>1,260</u>	<u>1,234</u>	<u>1,209</u>
Total	\$ 166,827	\$ 164,745	\$ 168,884	\$ 173,377	\$ 178,004	\$ 182,759
Revenue						
State	\$ 64,804	\$ 64,729	\$ 63,280	\$ 63,280	\$ 63,280	\$ 63,280
Federal	27,025	27,276	19,407	18,700	18,700	18,700
Passenger Fares	45,041	45,448	45,501	45,554	45,608	45,664
Other	<u>10,855</u>	<u>6,092</u>	<u>6,110</u>	<u>6,117</u>	<u>6,544</u>	<u>6,866</u>
Total	\$ 147,725	\$ 143,545	\$ 134,298	\$ 133,651	\$ 134,132	\$ 134,510
Local Share	\$ 19,102	¹ \$ 21,200	\$ 34,586	\$ 39,726	\$ 43,872	\$ 48,249
Local Share - Increase over 2012	\$ -	\$ 2,098	\$ 15,484	\$ 20,624	\$ 24,770	\$ 29,147
Statistics						
Bus Hours	1,300	1,300	1,300	1,300	1,300	1,300
Bus Miles	17,239	17,239	17,239	17,239	17,239	17,239
Revenue Passengers	37,217	39,150	39,150	39,150	39,150	39,150
Paratransit Trips	1,005	693	707	721	735	750

Outcomes:

This scenario focuses on system preservation. Service levels in terms of bus hours, bus miles and revenue passengers are assumed to remain constant over the five-year period. No allowance is factored for expected population growth. The scenario highlights the impact of holding state operating assistance constant at CY 2012 levels from CY 2013 through CY 2017. Federal funds from the Congestion Mitigation and Air Quality (CMAQ) program currently being used to support MetroEXpress bus services will be exhausted by February 2014. Available federal funds are therefore expected to decline by \$8 million for the 2014 budget year creating a considerable strain on tax levy in order to preserve the system at 2012 level of bus hours.

To preserve and maintain the 2012 level of bus service hours with no change in state operating aid over the five-year period, the analysis shows that local tax levy increases from \$19,102,000 in 2012 to \$48,249,000 by 2017, a 153 percent increase. As such, local tax levy required to support the transit system gradually increases \$29 million over the five-year period largely due to the annual inflation in fixed route and paratransit expenses, depreciation expense and the loss of federal CMAQ funds.

¹ Estimated for the purpose of this report only; not part of 2013 requested budget.

SCENARIO TWO FUNDING NEEDS – MAINTAIN 2012 LOCAL TAX LEVY WITH STATE FUNDING REMAINING CONSTANT

Major Assumptions:

- 2.5% annual inflationary increase in fixed route expenses
- 31% decrease in trips in 2013; 2% annual increase in paratransit trips thereafter
- Farebox revenue reduced due to cuts in hours of bus service
- Federal formula funding remains constant
- State operating assistance remains constant

Table 2
Operating Expense Projections and Statistics (2013-2017)
Assuming State Operating Aid and Tax Levy are Held Constant at CY 2012 Levels
(000's omitted)

Expenses	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Transit Operations	\$ 161,226	\$ 154,904	\$ 142,227	\$ 139,731	\$ 139,107	\$ 138,121
Depreciation	1,789	2,785	2,985	3,185	3,385	3,585
Internal Service Charges	2,766	2,917	2,669	2,722	2,777	2,832
Other	<u>1,046</u>	<u>1,550</u>	<u>1,233</u>	<u>1,168</u>	<u>1,124</u>	<u>1,080</u>
Total	\$ 166,827	\$ 162,156	\$ 149,114	\$ 146,806	\$ 146,393	\$ 145,618
Revenue						
State	\$ 64,804	\$ 64,729	\$ 63,280	\$ 63,280	\$ 63,280	\$ 63,280
Federal	27,025	27,276	18,781	17,552	17,429	17,091
Passenger Fares	45,041	44,957	41,841	40,755	40,038	39,279
Other	<u>10,855</u>	<u>6,092</u>	<u>6,110</u>	<u>6,117</u>	<u>6,544</u>	<u>6,866</u>
Total	\$ 147,725	\$ 143,054	\$ 130,012	\$ 127,704	\$ 127,291	\$ 126,516
Local Share	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102
Statistics						
Bus Hours	1,300	1,260	1,119	10,627	1,025	984
% Decrease from 2012	-	1.9%	13.9%	18.2%	21.2%	24.3%
Revenue Passengers	37,217	38,143	35,289	34,262	33,568	32,834
Paratransit Trips	1,005	693	707	721	735	750

Outcomes:

Scenario Two analyzes the impact of holding tax levy and state operating aid constant through year 2017. The end result is a significant cut in bus service over the five-year period. Hours of bus service decrease from 1,300,000 hours in 2012 to 984,000 hours in 2017. This represents a 24.3% reduction in service hours compared to the 2012 adopted budget. Service changes such as reduced frequency of service, limited night and weekend service and elimination of bus routes would need to be considered each budget year as bus hours of service are gradually reduced over the five-year period.

SCENARIO THREE FUNDING NEEDS – MAINTAIN 2012 LOCAL TAX LEVY WITH STATE FUNDING INCREASING 2 PERCENT ANNUALLY

Major Assumptions:

- 2.5% annual inflationary increase in fixed route expenses
- 31% decrease in trips in 2013; 2% annual increase in paratransit trips thereafter
- Farebox revenue reduced due to cuts in hours of bus service
- Federal formula funding remains constant
- 2% annual increase in state operating assistance

Table 3
Operating Expense Projections and Statistics (2013-2017)
Assuming 2% Annual Increase in State Operating Aid
and Tax Levy is Held Constant from FY 2012 Levels
(000's omitted)

Expenses	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Transit Operations	\$ 161,226	\$ 154,904	\$ 144,071	\$ 143,427	\$ 144,673	\$ 145,572
Depreciation	1,789	2,785	2,985	3,185	3,385	3,585
Internal Service Charges	2,766	2,917	2,669	2,722	2,777	2,832
Other	<u>1,046</u>	<u>1,550</u>	<u>1,239</u>	<u>1,181</u>	<u>1,143</u>	<u>1,105</u>
Total	\$ 166,827	\$ 162,156	\$ 150,964	\$ 150,515	\$ 151,978	\$ 153,094
Revenue						
State	\$ 64,804	\$ 64,729	\$ 64,546	\$ 65,837	\$ 67,153	\$ 68,496
Federal	27,025	27,276	19,023	18,034	18,157	18,066
Passenger Fares	45,041	44,957	42,183	41,425	41,022	40,564
Other	<u>10,855</u>	<u>6,092</u>	<u>6,110</u>	<u>6,117</u>	<u>6,544</u>	<u>6,866</u>
Total	\$ 147,725	\$ 143,054	\$ 131,862	\$ 131,413	\$ 132,876	\$ 133,992
Local Share	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102
Statistics						
Bus Hours	1,300	1,276	1,136	1,096	1,073	1,048
% Decrease from 2012	-	1.9%	12.6%	15.7%	17.4%	19.4%
Revenue Passengers	37,217	38,143	35,597	34,866	34,454	33,992
Paratransit Trips	1,005	693	707	721	735	750

Outcomes:

Scenario Three also represents a structural funding imbalance between expense and revenues, but to a lesser degree than Scenario Two above. Freezing tax levy and receiving a 2% annual increase in state operating aid results in bus hours of service decreasing from almost 1,300,000 bus hours in the 2012 adopted budget to 1,048,000 hours of bus service in 2017. This represents a 19.4% reduction in service hours compared to the 2012 adopted budget, therefore, the 2% annual increase in state operating aid is not great enough to offset the inflationary increases in transit's annual expenses.

As investment in the transit system decreases by way of service reductions, ridership decreases because service becomes less convenient, wait times for customers increase and some areas are no longer serviced by public transit. Ridership is projected to decrease nearly 9 percent or 3.2 million rides by 2017.

SCENARIO FOUR FUNDING NEEDS – MAINTAIN 2012 LOCAL TAX LEVY WITH STATE FUNDING DECREASING 2 PERCENT ANNUALLY

Major Assumptions:

- 2.5% annual inflationary increase in fixed route expenses
- 31% decrease in trips in 2013; 2% annual increase in paratransit trips thereafter
- Farebox revenue reduced due to cuts in hours of bus service
- Federal formula funding remains constant
- 2% annual decrease in state operating assistance

Table 4
Operating Expense Projections and Statistics (2013-2017)
Assuming 2% Annual Decrease in State Operating Aid
and Tax Levy is Held Constant from FY 2012 Levels

Expenses	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Transit Operations	\$ 161,226	\$ 154,904	\$ 140,385	\$ 136,107	\$ 133,759	\$ 131,105
Depreciation	1,789	2,785	2,985	3,185	3,385	3,585
Internal Service Charges	2,766	2,917	2,669	2,722	2,777	2,832
Other	<u>1,046</u>	<u>1,550</u>	<u>1,227</u>	<u>1,155</u>	<u>1,105</u>	<u>1,056</u>
Total	\$ 166,827	\$ 162,156	\$ 147,266	\$ 143,169	\$ 141,026	\$ 138,578
Revenue						
State	\$ 64,804	\$ 64,729	\$ 62,015	\$ 60,775	\$ 59,559	\$ 58,368
Federal	27,025	27,276	18,540	17,077	16,729	16,173
Passenger Fares	45,041	44,957	41,499	40,098	39,092	38,069
Other	<u>10,855</u>	<u>6,092</u>	<u>6,110</u>	<u>6,117</u>	<u>6,544</u>	<u>6,866</u>
Total	\$ 147,725	\$ 143,054	\$ 128,164	\$ 124,067	\$ 121,924	\$ 119,476
Local Share	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102	\$ 19,102
Statistics						
Bus Hours	1,300	1,276	1,102	1,030	978	925
% Decrease from 2012	-	1.9%	15.2%	20.7%	24.8%	28.9%
Revenue Passengers	37,217	38,143	34,980	33,671	32,716	31,743
Paratransit Trips	1,005	693	707	721	735	750

Outcomes:

Compared to the previous three scenarios, this scenario represents a worst case structural funding imbalance for the transit system. Freezing tax levy and facing a 2% annual decrease in state operating aid results in the greatest reduction in bus hours of service, decreasing from the nearly 1,300,000 bus hours in the 2012 adopted budget to 925,000 hours of bus service in 2017. This represents a 28.9% reduction in hours of bus service compared to the 2012 adopted budget. Passenger fares collected at the farebox decrease from \$45 million to \$38 million by 2017 as revenue passengers (passenger boardings) decline steadily over the five-year period.

INDUSTRY APPROACH TO TRANSIT SUSTAINABILITY

Transit agencies across the nation have been struggling with stagnant or declining budgets and escalating costs over the last several years. The industry's trade organization, the American Public Transportation Association (APTA), conducted a survey of transit agencies across the country. The following excerpt is from the August 2011 survey:

“Many transit agencies saw decreases in state and local funding in the past year. In order to survive, agencies have been forced to cut service, raise fares, lay off employees, and implement hiring freezes, among other actions. The actions come even as agencies are expected to serve an increased number of riders.”

117 participants in the survey were asked about actions taken since January of 2010 and actions that agencies anticipate taking in the near future. Results of the survey found that:

- 71 percent of agencies saw flat or decreased local funding and 83 percent saw flat or decreased state funding.
- 51 percent of agencies have already cut service or raised fares.
- Of larger agencies, 71 percent cut service and 50 percent raised fares. This compares to 41 percent of small and mid-size agencies that cut service.
- 75 percent of large agencies reduced the number of positions and 46 percent are laying off employees.

In another survey done in October 2011 by Metro Magazine, two out of three respondents reported that their transit system was facing a budget shortfall. The survey also asked respondents how they have dealt with budget shortfalls. Two-thirds (66 percent) reported that they raised fares. Cuts in service (60 percent), elimination of job positions (51 percent), delayed projects (47 percent), delayed vehicle purchases (33 percent), layoffs (25 percent), wage cuts (12 percent) and wage and hiring freezes, fuel hedging and tapping reserve funds (39 percent) were the methods cited for dealing with funding deficiencies. In addition, more than three-quarters (77 percent) cited advertising as the top choice for generating more revenue. As described in the next section of this report, MCTS has applied all of these approaches with the exception of layoffs that have been largely avoided by attrition as a result of retirements.

In effort to focus on the long-term financial sustainability of the transit system, MCTS conducted research in attempt to ascertain best practices and approaches being used by other transit systems to help insulate their agencies from unexpected funding changes in federal or state subsidies for public transportation. We learned that sustainable transit is defined in different ways by different agencies depending on agency priorities and constraints, and that a wide range of sustainability activities are taking place at different transit agencies. Sustainable transit is most commonly described in the context of a system that (1) affordable, operates efficiently and supports a vibrant economy; and (2) minimizes the use of land and reduces the impact of transit on the environment by more efficient use of energy. The dimensions of a sustainable transit system include a system that is sustainable for the customer, environment and financially viable. While we found an abundance of information on the subject of sustainability strategies such as parking management, improved bus service, and land use management; however, very little information was available on specific outcomes or the results of these strategies.

Our research revealed that financial sustainability is currently described largely in the context of possible policy guidelines for developing and operating a financially sustainable transit system. These include:

- Operate service when and where there is sufficient mass of demand to meet ridership and revenue expectations.
- Design services that maximize customer benefits and increase ridership within existing resources.
- Introduce new services only if fiscally viable.
- Balance service productivity and service coverage.
- Establish performance goals and standards for productivity and effectiveness, and evaluate and adjust service and standards regularly for optimum effectiveness.
- Consider measures to better integrate fares and schedules.

In addition, the American Public Transportation Association has created a Transit Sustainability Guidelines Working Group which developed a broad framework for approaching sustainability practices in the transit industry. Practices identified included (1) integrating transit design and land-use planning; (2) leveraging alignment and route planning to minimize the overall energy consumption of the transit system; (3) controlling emissions and pollution generated by the transit system; and (4) making efficient use of natural resources to provide a healthy environment for working, learning and living.

MITIGATION OF IMPACT ON SERVICE CUTS & LOST RIDERSHIP

Like other transit systems across the nation, MCTS has made a number of operational changes in the recent past to reduce costs so that service cuts and the resulting negative impact on ridership could be avoided. As stated earlier, passenger revenues play a significant part in supporting transit in Milwaukee County. Passenger revenue accounts for one-third of all revenues for the system and is the second largest funding component after State operating aid. Milwaukee County, which includes the 19 municipalities that MCTS serves, should consider what can be done to develop policies that improves public transit's competitiveness with the automobile to attract more riders and increase cost efficiency. As public use of transit increases per capita, operating efficiency improves as operating expenses are covered by a greater share of passenger fares. Therefore, growth in ridership and passenger revenue can play a key role in the long-term financial sustainability of the transit system. However, promoting and attracting sustained growth in ridership may require investment in a comprehensive analysis of the transit system to understand the existing and potential markets for transit services that will help increase ridership, fare recovery and market share, and chart a targeted course of action to move the system toward the goal of financial sustainability.

MCTS has seen many accomplishments over the past decade in streamlining operating costs and we remain vigilant in our efforts to keep moving the transit system along the path of financial sustainability. We recognize that cuts in service such as reductions in the span of hours of services, reductions in weekend service, or service restructuring should be a last resort when possible because mobility is vital to the community. However, efficiency can be achieved by eliminating or restructuring underperforming (low cost recovery) bus routes.

Going forward, other internal actions that could favorably affect future operating expenses and revenues include: consolidate operating stations; enhance bus stops with user-friendly bus arrival and location tools; add digital advertising on buses; increase the paratransit trip subsidy rate; assess switching from diesel fuel to the less expensive compressed natural gas (CNG) that is abundant in domestic supply; conduct an energy audit for replacement of aging lighting fixtures and improving cost efficiency; and perform printing services for Milwaukee County. In addition, external actions that can move MCTS in the direction of a more sustainable transit system include: reach out to the Congress appointed conferee for Wisconsin to pass a surface transportation bill that supports public transportation and a long-term stable funding source; work with the City of Milwaukee to improve bus service by designating street space for priority use by buses; pursue state legislative action to restore the 10 percent cut in transit operating assistance; maximize federal grant opportunities for operating and capital funding; apply for federal Congestion Mitigation and Air Quality (CMAQ) operating funds to support the third year of MetroExpress service; and pursue state legislative action to secure a long-term dedicated funding source for the transit system.

CONCLUSION

The financial models in this report are intended to illustrate the magnitude of difficulties that can confront decision makers by changes in critical funding sources that are often times unpredictable. While the scenarios in this report are hypothetical, they illustrate the delicate balance between local tax levy, and state and federal funding necessary to operate and maintain the Milwaukee County Transit System. This report should not be construed as a comprehensive analysis. Instead, it is a starting point for discussion and planning for future transit services that are sustainable both operationally and fiscally.

We conclude that the transit system is operating at a high level of cost efficiency, particularly given the trimming that has been made in the system over more than a decade of cost cutting, cost sharing and downsizing. According to independent past performance audits, MCTS as a system performs above its peers in both productivity and efficiency. However, we recognize that fiscal sustainability requires continual improvement in all operational areas including on-time performance, customer service, system reliability, system productivity (passengers per hour and per mile), system efficiency (cost per passenger) fare policy, service frequency, and transportation policy. We also recognize and acknowledge ongoing efforts by Milwaukee County to secure long-term dedicated funding for the transit system. This report reveals that continuation of these efforts is particularly important given that any change in MCTS' current funding sources can lead to difficult decisions about how to make up or account for the funding needed by the transit system to maintain existing levels of fixed route and demand response services. With that said, we have also considered the question of what else can be done to improve the financial health of the transit system.

Transit riders seek mobility that is reliable (service when I need it), accessible (service where I need it), convenient (good use of my time) and low cost (affordable). These goals are entwined in broader transportation policies such as land use planning, urban design strategies and transportation planning. Transportation policies such as signal preemption and dedicated transit lanes therefore play a key role in the public's use of the transit system, growth in ridership and passenger revenue, and the long-term financial sustainability of the transit system. Therefore, in addition to optimizing system efficiency, maximum use of transit service made available to the public through high ridership and farebox recovery must also be considered to enhance the financial sustainability of transit service and reduce the system's susceptibility to unpredictable changes in state and federal funding.

APPENDICES

Scenario One Revenue & Expense Detail – Maintain 2012 Service Level with State Funding Remaining Constant

Scenario Two Revenue & Expense Detail – Maintain 2012 Local Tax Levy with State Funding Remaining Constant

Scenario Three Revenue & Expense Detail – Maintain 2012 Local Tax Levy with State Funding Increasing 2 Percent Annually

Scenario Four Revenue & Expense Detail – Maintain 2012 Local Tax Levy with State Funding Decreasing 2 Percent Annually

Milwaukee County Transit System
Scenario One Revenue & Expense Detail
Maintain 2012 Service Level with State Funding Remaining Constant

<u>Expenses</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contract services	\$ 348,000	\$ 356,000	\$ 364,000	\$ 372,000	\$ 380,000	\$ 388,000
Internal service charges	2,766,000	2,917,000	2,669,000	2,722,000	2,777,000	2,832,000
Tires	420,000	490,000	500,000	510,000	520,000	530,000
Depreciation	1,789,000	2,785,000	2,985,000	3,185,000	3,385,000	3,585,000
Transit operations						
Fixed Route	134,791,000	138,161,000	141,615,000	145,155,000	148,784,000	152,504,000
Paratransit						
PT - Service	21,525,000	15,435,000	16,340,000	16,996,000	17,678,000	18,393,000
PT - Fares	3,671,000	2,618,000	2,671,000	2,724,000	2,778,000	2,834,000
Other	1,239,000	1,270,000	1,302,000	1,335,000	1,368,000	1,402,000
SEWRPC	188,000	188,000	188,000	188,000	188,000	188,000
Major maintenance	90,000	525,000	250,000	190,000	146,000	103,000
New and repl equipment	1,091,000	910,000	398,000	182,000	313,000	238,000
Capital outlay contra	<u>(1,091,000)</u>	<u>(910,000)</u>	<u>(398,000)</u>	<u>(182,000)</u>	<u>(313,000)</u>	<u>(238,000)</u>
Total Expenses	<u>\$ 166,827,000</u>	<u>\$ 164,745,000</u>	<u>\$ 168,884,000</u>	<u>\$ 173,377,000</u>	<u>\$ 178,004,000</u>	<u>\$ 182,759,000</u>
<u>Revenue</u>						
State						
Operating assistance	64,729,000	64,729,000	63,280,000	63,280,000	63,280,000	63,280,000
Other	75,000	-	-	-	-	-
Federal						
5307 funds	19,309,000	18,700,000	18,700,000	18,700,000	18,700,000	18,700,000
Other	7,716,000	8,576,000	707,000	-	-	-
Passenger fares						
Fixed Route	41,370,000	42,830,000	42,830,000	42,830,000	42,830,000	42,830,000
Paratransit	3,671,000	2,618,000	2,671,000	2,724,000	2,778,000	2,834,000
Other						
Fixed Route	3,577,000	3,647,000	3,617,000	3,689,000	3,762,000	3,836,000
Paratransit	<u>7,278,000</u>	<u>2,445,000</u>	<u>2,493,000</u>	<u>2,428,000</u>	<u>2,782,000</u>	<u>3,030,000</u>
	<u>\$ 147,725,000</u>	<u>\$ 143,545,000</u>	<u>\$ 134,298,000</u>	<u>\$ 133,651,000</u>	<u>\$ 134,132,000</u>	<u>\$ 134,510,000</u>
Local share (net tax levy)	<u>\$ 19,102,000</u>	<u>\$ 21,200,000</u>	<u>\$ 34,586,000</u>	<u>\$ 39,726,000</u>	<u>\$ 43,872,000</u>	<u>\$ 48,249,000</u>
Local Share - Incr over 2012	<u>\$ -</u>	<u>\$ 2,098,000</u>	<u>\$ 15,484,000</u>	<u>\$ 20,624,000</u>	<u>\$ 24,770,000</u>	<u>\$ 29,147,000</u>
Statistics						
Bus hours	1,299,862	1,299,862	1,299,862	1,299,862	1,299,862	1,299,862
Bus miles	17,239,145	17,239,145	17,239,145	17,239,145	17,239,145	17,239,145
Revenue passengers	37,216,700	38,586,000	38,586,000	38,586,000	38,586,000	38,586,000
Paratransit trips	1,004,814	692,834	706,690	720,823	735,239	749,944

Milwaukee County Transit System
Scenario Two - Revenue & Expense Detail
Maintain 2012 Local Tax Levy with State Funding Remaining Constant

<u>Expenses</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contract services	\$ 348,000	\$ 356,000	\$ 364,000	\$ 372,000	\$ 380,000	\$ 388,000
Internal service charges	2,766,000	2,917,000	2,669,000	2,722,000	2,777,000	2,832,000
Tires	420,000	481,000	431,000	418,000	410,000	401,000
Depreciation	1,789,000	2,785,000	2,985,000	3,185,000	3,385,000	3,585,000
Transit operations						
Fixed Route	134,791,000	135,581,000	121,914,000	118,676,000	117,283,000	115,492,000
Paratransit						
PT - Service	21,525,000	15,435,000	16,340,000	16,996,000	17,678,000	18,393,000
PT - Fares	3,671,000	2,618,000	2,671,000	2,724,000	2,778,000	2,834,000
Other	1,239,000	1,270,000	1,302,000	1,335,000	1,368,000	1,402,000
SEWRPC	188,000	188,000	188,000	188,000	188,000	188,000
Major maintenance	90,000	525,000	250,000	190,000	146,000	103,000
New and repl equipment	1,091,000	910,000	398,000	182,000	313,000	238,000
Capital outlay contra	<u>(1,091,000)</u>	<u>(910,000)</u>	<u>(398,000)</u>	<u>(182,000)</u>	<u>(313,000)</u>	<u>(238,000)</u>
Total Expenses	<u>166,827,000</u>	<u>162,156,000</u>	<u>149,114,000</u>	<u>146,806,000</u>	<u>146,393,000</u>	<u>145,618,000</u>
Revenue						
State						
Operating assistance	64,729,000	64,729,000	63,280,000	63,280,000	63,280,000	63,280,000
Other	75,000	-	-	-	-	-
Federal						
5307 funds	19,309,000	18,700,000	18,074,000	17,552,000	17,429,000	17,091,000
Other	7,716,000	8,576,000	707,000	-	-	-
Passenger fares						
Fixed Route	41,370,000	42,339,000	39,170,000	38,031,000	37,260,000	36,445,000
Paratransit	3,671,000	2,618,000	2,671,000	2,724,000	2,778,000	2,834,000
Other						
Fixed Route	3,577,000	3,647,000	3,617,000	3,689,000	3,762,000	3,836,000
Paratransit	<u>7,278,000</u>	<u>2,445,000</u>	<u>2,493,000</u>	<u>2,428,000</u>	<u>2,782,000</u>	<u>3,030,000</u>
	<u>147,725,000</u>	<u>143,054,000</u>	<u>130,012,000</u>	<u>127,704,000</u>	<u>127,291,000</u>	<u>126,516,000</u>
Local share (net tax levy)	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>
Statistics						
Bus hours	1,299,862	1,275,588	1,119,026	1,062,745	1,024,649	984,394
Annual Service Reduction in Bus Hours		(24,274)	(156,562)	(56,281)	(38,095)	(40,255)
Annual Service Reduction in Dollars		(2,098,000)	(14,012,000)	(5,662,000)	(4,269,000)	(4,715,000)
Reduction in Bus Hours from 2012		(24,274)	(180,836)	(237,117)	(275,213)	(315,468)
% decrease from 2012		1.9%	13.9%	18.2%	21.2%	24.3%
Service Reduction from 2012 (in dollars)		\$ (2,098,000)	\$ (16,110,000)	\$ (21,772,000)	\$ (26,041,000)	\$ (30,756,000)
Revenue passengers	37,216,700	38,143,377	35,288,556	34,262,301	33,567,654	32,833,619
Paratransit trips	1,004,814	692,834	706,690	720,823	735,239	749,944

Milwaukee County Transit System
Scenario Three Revenue & Expense Detail
 Maintain 2012 Local Tax Levy with State Funding Increasing 2 Percent Annually

<u>Expenses</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contract services	\$ 348,000	\$ 356,000	\$ 364,000	\$ 372,000	\$ 380,000	\$ 388,000
Internal service charges	2,766,000	2,917,000	2,669,000	2,722,000	2,777,000	2,832,000
Tires	420,000	481,000	438,000	430,000	429,000	427,000
Depreciation	1,789,000	2,785,000	2,985,000	3,185,000	3,385,000	3,585,000
Transit operations						
Fixed Route	134,791,000	135,581,000	123,758,000	122,372,000	122,849,000	122,943,000
Paratransit						
PT - Service	21,525,000	15,435,000	16,340,000	16,996,000	17,678,000	18,393,000
PT - Fares	3,671,000	2,618,000	2,671,000	2,724,000	2,778,000	2,834,000
Other	1,239,000	1,270,000	1,302,000	1,335,000	1,368,000	1,402,000
SEWRPC	188,000	188,000	188,000	188,000	188,000	188,000
Major maintenance	90,000	525,000	250,000	190,000	146,000	103,000
New and repl equipment	1,091,000	910,000	398,000	182,000	313,000	238,000
Capital outlay contra	<u>(1,091,000)</u>	<u>(910,000)</u>	<u>(398,000)</u>	<u>(182,000)</u>	<u>(313,000)</u>	<u>(238,000)</u>
Total Expenses	<u>166,827,000</u>	<u>162,156,000</u>	<u>150,965,000</u>	<u>150,514,000</u>	<u>151,978,000</u>	<u>153,095,000</u>
Revenue						
State						
Operating assistance	64,729,000	64,729,000	64,546,000	65,837,000	67,153,000	68,496,000
Other	75,000	-	-	-	-	-
Federal						
5307 funds	19,309,000	18,700,000	18,316,000	18,034,000	18,157,000	18,066,000
Other	7,716,000	8,576,000	707,000	-	-	-
Passenger fares						
Fixed Route	41,370,000	42,339,000	39,512,000	38,701,000	38,244,000	37,730,000
Paratransit	3,671,000	2,618,000	2,671,000	2,724,000	2,778,000	2,834,000
Other						
Fixed Route	3,577,000	3,647,000	3,617,000	3,689,000	3,762,000	3,836,000
Paratransit	<u>7,278,000</u>	<u>2,445,000</u>	<u>2,493,000</u>	<u>2,428,000</u>	<u>2,782,000</u>	<u>3,030,000</u>
	<u>147,725,000</u>	<u>143,054,000</u>	<u>131,862,000</u>	<u>131,413,000</u>	<u>132,876,000</u>	<u>133,992,000</u>
Local share (net tax levy)	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>
Statistics						
Bus hours	1,299,862	1,275,588	1,135,953	1,095,842	1,073,275	1,047,896
Annual Service Reduction in Bus Hours		(24,274)	(139,634)	(40,111)	(22,568)	(25,379)
Annual Service Reduction in Dollars		(2,098,000)	(12,504,000)	(4,131,000)	(2,707,000)	(3,125,000)
Reduction in Bus Hours from 2012		(24,274)	(163,909)	(204,020)	(226,587)	(251,966)
% decrease from 2012 Budget		1.9%	12.6%	15.7%	17.4%	19.4%
Service Reduction from 2012 (in dollars)		\$ (2,098,000)	\$ (14,602,000)	\$ (18,733,000)	\$ (21,440,000)	\$ (24,565,000)
Revenue passengers	37,216,700	38,143,377	35,597,218	34,865,816	34,454,311	33,991,540
Paratransit trips	1,004,814	692,834	706,690	720,823	735,239	749,944

Milwaukee County Transit System
Scenario Four Revenue & Expense Detail
 Maintain 2012 Local Tax Levy with State Funding Decreasing 2 Percent Annually

<u>Expenses</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contract services	\$ 348,000	\$ 356,000	\$ 364,000	\$ 372,000	\$ 380,000	\$ 388,000
Internal service charges	2,766,000	2,917,000	2,669,000	2,722,000	2,777,000	2,832,000
Tires	420,000	481,000	425,000	405,000	391,000	376,000
Depreciation	1,789,000	2,785,000	2,985,000	3,185,000	3,385,000	3,585,000
Transit operations						
Fixed Route	134,791,000	135,581,000	120,072,000	115,052,000	111,935,000	108,476,000
Paratransit						
PT - Service	21,525,000	15,435,000	16,340,000	16,996,000	17,678,000	18,393,000
PT - Fares	3,671,000	2,618,000	2,671,000	2,724,000	2,778,000	2,834,000
Other	1,239,000	1,270,000	1,302,000	1,335,000	1,368,000	1,402,000
SEWRPC	188,000	188,000	188,000	188,000	188,000	188,000
Major maintenance	90,000	525,000	250,000	190,000	146,000	103,000
New and repl equipment	1,091,000	910,000	398,000	182,000	313,000	238,000
Capital outlay contra	<u>(1,091,000)</u>	<u>(910,000)</u>	<u>(398,000)</u>	<u>(182,000)</u>	<u>(313,000)</u>	<u>(238,000)</u>
Total Expenses	<u>166,827,000</u>	<u>162,156,000</u>	<u>147,266,000</u>	<u>143,169,000</u>	<u>141,026,000</u>	<u>138,577,000</u>
Revenue						
State						
Operating assistance	64,729,000	64,729,000	62,015,000	60,775,000	59,559,000	58,368,000
Other	75,000	-	-	-	-	-
Federal						
5307 funds	19,309,000	18,700,000	17,833,000	17,077,000	16,729,000	16,173,000
Other	7,716,000	8,576,000	707,000	-	-	-
Passenger fares						
Fixed Route	41,370,000	42,339,000	38,828,000	37,374,000	36,314,000	35,235,000
Paratransit	3,671,000	2,618,000	2,671,000	2,724,000	2,778,000	2,834,000
Other						
Fixed Route	3,577,000	3,647,000	3,617,000	3,689,000	3,762,000	3,836,000
Paratransit	<u>7,278,000</u>	<u>2,445,000</u>	<u>2,493,000</u>	<u>2,428,000</u>	<u>2,782,000</u>	<u>3,030,000</u>
	<u>147,725,000</u>	<u>143,054,000</u>	<u>128,164,000</u>	<u>124,067,000</u>	<u>121,924,000</u>	<u>119,476,000</u>
Local share (net tax levy)	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>	<u>\$ 19,102,000</u>
Statistics						
Bus hours	1,299,862	1,275,588	1,102,121	1,030,290	977,926	924,595
Annual Service Reduction in Bus Hours		(24,274)	(173,467)	(71,831)	(52,363)	(53,331)
Annual Service Reduction in Dollars		\$ (2,098,000)	\$ (15,518,000)	\$ (7,136,000)	\$ (5,710,000)	\$ (6,124,000)
Reduction in Bus Hours from 2012		(24,274)	(197,741)	(269,572)	(321,936)	(375,267)
% decrease from 2012		1.9%	15.2%	20.7%	24.8%	28.9%
Service reduction from 2012 in Dollars		\$ (2,098,000)	\$ (17,616,000)	\$ (24,752,000)	\$ (30,462,000)	\$ (36,586,000)
Revenue passengers	37,216,700	38,143,377	34,980,304	33,670,504	32,715,687	31,743,218
Paratransit trips	1,004,814	692,834	706,690	720,823	735,239	749,944