

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: June 25, 2012

TO: Michael Mayo, Sr., Chairperson, Transportation, Public Works & Transit Committee

FROM: Frank Busalacchi, Director, Department of Transportation

SUBJECT: MCTS Five-Year Financial Sustainability Analysis

POLICY

MCTS periodically provides informational reports to the Committee on transit issues.

BACKGROUND

The 2012 adopted transit budget directs Milwaukee Transport Services, Inc. (MTS) and the Transportation Department to create a five-year transit sustainability plan and report the findings to the Committee on Transportation, Public Works and Transit during the July 2012 committee cycle. The attached report is in response to this directive.

In summary, the report includes four models created to assess how potential changes in funding sources can impact the financial stability of transit operations over a five-year period. We discuss the projected financial health of the transit system if certain events were to occur. The first scenario examines how system preservation without additional state operating aid substantially increases tax levy over the five-year study period. The second, third and fourth scenarios 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 a 29 percent cut in service hours.

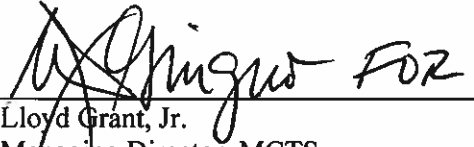
While the report may be viewed largely as a financial modeling exercise, it does provide useful insight into the fact that MCTS is running out of cost cutting options to fill budgetary funding gaps. Consequently, initiatives to improve ridership and generate passenger revenue should be aggressively explored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

RECOMMENDATION

This report is informational only.

Approved by:


Frank Busalacchi
Director, Department of Transportation


Lloyd Grant, Jr.
Managing Director, MCTS

- cc: Chris Abele, Milwaukee County Executive
Marina Dimitrijevic, Chairwoman, County Board of Supervisors
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