

Mayor Soglin,

I'd like to summarize some of the highlights behind the numbers that we are submitting for Metro's 2012 budget request. I'd like to focus on a) general highlights, b) details on how we're meeting the 5% target you gave all city departments, and c) a brief description of alternatives that could be considered if necessary.

### **General Overview**

First, I'd like to acknowledge that by putting the state transit aid cut (\$1.8 million) and fuel price increase (\$1.3 million) as part of the overall city budget challenge, we have a more manageable goal to reach than if these impacts were placed entirely on Metro's levy reduction goal. More specifically, our tax levy goal of \$10.5 million compares to our 2011 approved budgeted tax levy of \$8.3 million.

Second, to reach the 5% target, we are proposing a mix of service cuts and fare changes. In the coming 6 weeks, we can change that mix to a different one to fit your vision of what will serve the community best in these trying economic times. On the farebox side of the proposal we are submitting to you for 2012, we propose a reduction in the discounts offered to the bus cash fare. Our bus cash fare will remain \$2, and there will be no increases to our youth cash and senior cash fares. We project our bus ridership will remain basically flat, whereas in 2011 so far our ridership is up 7.4%.

On the service side we are proposing to cut Route 10 which connects the Isthmus with campus, bypassing the Square, and we are proposing to not operate service on six holidays. Our guideline for service cuts as part of the 5% cut was to look for areas where a) passengers would have an alternative if we cut a specific route, and b) cuts in services where ridership would be minimally impacted.

### **Details of Meeting the 5%**

Attached is a summary of our proposed reductions in fare discounts, which shows no changes to the adult basic cash fare, the youth cash fare, the senior cash fare, or the one-day pass fare. All other discounts would increase between 5 and 30%, with the lowest being the paratransit fare which currently has a \$3 off-peak and \$4 peak fare. The proposed new fare will be \$3.50 for all times vs. the current weighted average of \$3.33. Our sense is that paratransit users are more vulnerable to fare changes, so the fact that the overall increase is only 5% and is still \$0.50 below the existing peak fare seems appropriate.

The commute card we decided to increase by a higher rate in an attempt to provide equity with unlimited ride pass users. The calculation for the unlimited ride pass includes an assumption about the rate passengers transfer from one bus to another, and swipe their card a second time. In these cases, the unlimited ride card providers are charged twice, not just once, for that trip. The commute card is used by smaller organizations who for the most part also purchase monthly passes for those employees who regularly transfer, thereby keeping their overall costs to a minimum. So the proposed higher rate for the commute card is an effort to provide equity with the larger unlimited ride pass providers like MATC, whose rates will go up, but by a smaller amount

Looking next at the proposed service cuts, Route 10 connects the Isthmus to Campus, bypassing the Square and providing a quick campus trip for East Isthmus neighborhoods. Routes 2, 3, 4, 5, and 6 also cover these areas quite well. The Route 10 was eliminated in 2006, and then re-instituted in August of 2009 based on complaints about the significantly increased travel time from the East Isthmus to the UW campus. During the time route 10 was eliminated, we made a number of changes to other routes to compensate for its loss. Most importantly, the scheduled

times at the East Transfer Point were offset by 15 minutes to provide a more even flow of buses through the Jenifer Street and Johnson/Gorham corridors (*for instance, route 3 consistently operates about 15 minutes before and after route 4 on Jenifer Street*). Also, routes 1 and 19 were changed to operate on Henry, Broom and Bassett Streets, to provide direct service between the neighborhoods along West Washington Ave and the UW Campus. Additionally, route 9 provides "fill in" service between the Johnson/Gorham Street corridor and the campus during the middle of the day. These changes did not appease neighborhood residents, and restored service on Rt 10 three years later. We anticipate this to be an unpopular choice this time around also.

Also, we are proposing to eliminate service on 6 holidays, New Years, Memorial Day, July 4<sup>th</sup>, Labor Day, Thanksgiving, and Christmas. These holidays average 5,700 rides per day, vs. 10,700 for a typical Sunday and 16,200 for a typical Saturday. So the impact on our ridership will be minimized, which was one of our goals in the 5% cut. Also, there is a higher savings per hour in not running holiday service because our collective bargaining agreement results in double time compensation in addition to holiday pay for those working holidays, so while we will still pay the holiday pay, we will not pay the double time compensation.

In total, the fare discount changes would yield an estimated \$425,000, and the service cuts would reduce expenses by \$353,000 to help meet our 5% goal.

### **Alternatives to Consider**

We looked at several service cut and fare increase scenarios that we could develop further if necessary. On the fares, we considered an across-the-board fare increase from \$2 to \$2.25, with proportionate increases in other fare categories. This could bring in an additional \$1.1 million in revenue rather than \$425,000. We decided not to recommend this because we just went through an across-the-board fare increase in 2009 which was very controversial, and there is a sense that the more vulnerable members of our community may disproportionately use cash to pay their fares.

For services, we considered cutting back Sunday service to end earlier in the evenings as our holiday service does currently, and we considered adjustments to certain routes. For example, the Route 19 from the Square through the near West side and Nakoma to Allied Drive could become a commuter route with peak hour service only, with an added bus from Allied to the West Transfer Point to service those that are more likely to be transit dependent. This could save close to \$100,000 annually, and there might be other routes that we could make similar adjustments to. We chose not to recommend this because of the deeper impact projected on ridership, and because some areas would essentially be unserved during portions of the day.

I also considered staffing furloughs or cuts for non-represented staff and chose not to recommend that. A 2009 state performance audit showed that Metro's general and administrative costs at 25 percent lower than our peers, and the consultant noted that this is not necessarily all good news. The performance audit recommended a staff analysis that was proposed in the 2010 budget, which didn't get funded. It is my sense that Metro is understaffed in certain supervisory and administrative areas given our desire to be a top-rated transit system using the latest technologies for passenger information and convenience.

I look forward to reviewing our budget with you in more detail.

Chuck Kamp