



Madison Metro Transit System

Catherine Debo, Transit General Manager

1101 East Washington Avenue
Madison, WI 53703

Administrative Office: 608 266 4904

Customer Information: 608 266 4466

TDD/Device for Deaf: 608 267 1143

www.mymetrobus.com

MEMO

TO: Dan Bohrod

FROM: Catherine Debo

RE: Metro Transit Budget Highlights and Supplemental Budget Request

DATE: 8/10/05

METRO TRANSIT BUDGET HIGHLIGHTS AND SUPPLEMENTAL BUDGET REQUEST

I. Expenses:

- Fuel cost growth has taken the Metro budget well beyond previous predictions for 2006. This budget for 2006 is lean and leaves exposure to the vagaries of further fuel cost increases which may exceed projections by \$500,000 or more during the year. In such event, Metro will need to cut services and lay-off personnel to compensate for the increases. This budget submittal incorporates **\$690,581** in additional fuel costs - a 44.5% increase over 2005. The cost of ultra-low sulfur fuel is built into that line item. Originally projected, per quote by BP (the only supplier), at 18¢ over the cost of #2 diesel, the current price is 27.5¢ over the cost of #2 diesel. While we anticipate some reduction in that amount when federal regulations require use of that fuel in late June 2006, we also anticipate that the average cost of diesel fuel will be higher next year than this, reflecting a continued strong growth trend. Fortunately, MG&E has given Metro permission to carry over a remaining portion of the MG&E grant we received this year to compensate for the increased cost of ultra low sulfur diesel through June. That carry-over revenue is included in the budget.
- Metro's wages are projected at a 2% increase, reflecting a precedent-setting labor agreement where wage increases are reduced by 1/10% for each percent increase in health insurance beyond 4%. Should health insurance costs increase beyond the city-predicted 9%, the actual wage increase will be reduced – offsetting that further increase.
- Notable cost increases beyond the norm, in addition to fuel, include health insurance (9%), electricity (21%), liability insurance (13.4%), purchased service (paratransit) contracts (5.4%), and the local share to purchase eight replacement paratransit vehicles (**\$128,000**) – for which general obligation borrowing is not eligible due to the shorter lifetime of the vehicles.

II. Revenues:

On the revenue side, significant revenue increases (in round numbers) over 2005 come from a variety of sources:

- **\$52,700** more from previously negotiated Unlimited Ride Pass Agreements;
- **\$361,500** in passenger revenue from passes, tickets, and cash fares from recent fare structure changes;
- **\$357,800** in increased revenue anticipated from County MA Waiver and other funding for paratransit service;
- **\$303,300** more in State subsidy related to the 2% authorized by the State Budget;
- **\$468,200** more in Federal subsidy reflecting the maximum billable amount given funding limitations;
- **\$54,900** in special Reverse Commute Grant and City of Verona funding related to implementation of commuter service to Verona;

(continued on page 2)

III. Notable elements not included in the budget:

- A. The only reduction in local subsidy this budget anticipates is from the City of Madison. In order to maintain service levels, the City of Madison subsidy would have to be increased by **\$705,878** to cover the cost of providing that service. That normal increase is not included in the budget pursuant to the Mayor's budget instructions. Instead this amount is submitted as a Supplemental Budget Request #2. Supplemental Budget Request #1 would restore a 3% reduction (**\$248,806**) in City subsidy to bring the subsidy up to 2005 levels. These reductions in subsidy translate into reductions in service within the City of Madison— see details in the Supplemental Budget Requests #1 and #2. Public hearings will be held in October to implement service cuts for the December driver “pick” in the event the full subsidy is not included in the Executive Budget.
- B. The cost of maintaining service to Rhythm and Booms is not included in the Budget. Last year, Metro requested and received funding from the City's Rooms and Meals tax (a transfer to the General Fund and then to Metro for this purpose) for this very expensive service. The “all hands on deck” requirements of the service lead to tremendous payouts in overtime that are not covered by the city's subsidy for regular services. See our related supplementary budget discussion to continue a transfer to Metro from the Visitors (Rooms and Meals) tax for shuttle service for this event.
- C. No provision is made in the budget for Clean Air Action Days. A separate provision needs to be made for free-fare bus service on Clean Air Action Days, by means of increased funding in the Metro subsidy line item or by some other written component in the city's general budget.
- D. Metro's seriously depleted Contingent Reserve is not being used, as it has been in the past, for any purchase of Fixed Assets in the 2006 budget. Fuel overruns in 2005 are projected to reduce the Contingent Reserve to about \$300,000 - \$400,000 dollars by the end of 2005.

METRO TRANSIT: SUPPLEMENTAL BUDGET REQUEST

IV. Elements A – C are referenced in the Budget Highlights to which this is attached.

- A. Regarding the cost of maintaining transit service levels within the City of Madison in FY06:

Metro requests an additional **\$954,684** to the City's local subsidy contribution to maintain current transit service levels in the City of Madison. At the request of the Mayor's office, this figure is broken down as follows:

- 1. **\$248,806** – the amount to restore the same level of funding as provided in 2005 to Metro. This translates into **4,309** hours of service in the City.
- 2. **\$705,878** - the normal increase in city subsidy necessary to maintain service levels in 2006. This translates into **12,225** hours of service in the City.

The combined hours of service reduction shown in A (1) and (2) above is **16,534** hours. Transit and related paratransit service would need to be reduced to meet budget limitations. To put the service reduction in

perspective, this would equate to an 81% reduction in Sunday service (although of course not all reductions would be focused on Sunday service). This reduction is about twice the amount in recent years and it is a loss which will certainly be felt. As to what specific services are likely to be reduced, we would focus on the least productive services we have including weekend service, some weekday route services that do meet standard productivity measures which fall below standard productivity of the system, late evening hours, and very early morning hours.

- B. Regarding the cost of providing Rhythm & BOOMs special event shuttle service between MATC and Warner Park:

Metro requests a transfer of up to \$28,000 from the Visitor's (Rooms and Meals) tax to the General Fund, and thence to Metro provide this shuttle service in FY06 on the same net cost of service approach as in 2005. This is a service which makes important contributions to traffic mitigation on the North Side of Madison during this Special Event. Metro requests annual reimbursement of the net cost of this service through the Visitor/Room tax which the City already provides to other city divisions/departments who incur extraordinary expenses associated with the event. Net cost would be based on the following formula: Gross cost less farebox receipts for the event. This event cost Metro approximately \$28,000 in FY04 when the event was cancelled due to inclement weather and Metro was stuck with the labor costs guaranteed under its labor agreement. In the FY05 budget, the City agreed to transfer up to \$28,000 from the Visitors (Rooms and Meals) tax to Metro for this purpose.

- C. Revenue reimbursement to Metro for replacement of fares on Clean Air Action Days. Provision needs to be made in the City's general budget for reimbursement to Metro of \$3,900 per day up to 5 days for Clean Air Action Days (assuming 5 is the cap of the number of free-fare days offered). If five days were the cap set on the number of such free-fare days, the cost would be **\$19,500**.
- E. Staffing: While Metro's Five-Year Staffing plan calls for the addition of one part-time bus cleaner and one full-time Planner 1 position for 2006, we are deferring that request until 2007, in view of Metro's budget difficulties and the overall City budget predicament.
- F. **Request from Transit and Parking Commission of Mayor:** The Transit and Parking Commission asked that the Mayor include in his executive budget (highlights for Metro) - direction to TPC concerning whether it should consider fare increases, service cuts, auxiliary revenue sources or a combination of the three in its 2007 budget plans. If fare increases should be pursued by TPC, the TPC requests the Mayor quantify the total amount (or value) of the fare revenue increase. Alder Golden indicated that this should then become a topic of discussion in Common Council budget deliberations. TPC has found itself in the difficult situation of having to make decisions in this regard as Metro prepares its budget in the summer of the year – before the Executive and CC budget's are completed. They saw this as a means of getting general direction from the Mayor and CC in advance.