

# TRANSIT DIVISION PUBLIC TRANSPORTATION FUND CAPITAL IMPROVEMENT PROGRAM

## Introduction to Program, Goals and Highlights

Transit is in the second year of the biennial budget pilot. A mid-biennial review that focuses on changes to the key assumptions that guided the adopted 2008/2009 budget has been completed. A mid-biennial supplemental budget is being submitted reflecting the requested changes to the adopted biennial budget.

During the mid-biennial review, significant changes were identified in several of the key assumptions supporting the public transportation fund budget and financial plan. Details of the mid-biennial review are included in a supplemental request and submitted concurrent with the 2009 Executive Proposed Budget. Highlights of the review include:

- **Reduced sales tax:** Regional economic conditions are resulting in a reduction in the amount of sales tax expected to be received by Metro Transit in the 2008/2009 biennium as well as future years. Sales tax is the largest single revenue source for the public transportation program accounting for more than 60 percent of annual revenue. During the biennium, sales tax receipts are expected to be \$67 million lower than previously projected. This reduction impacts both the operating and capital programs.
- **Fuel prices:** Transit uses more than 10 million gallons of diesel fuel annually. Fuel prices have been very volatile over the past several months, hitting a high of \$4.27 per gallon in mid-July, 2008. The 2008/2009 adopted budget assumed fuel rates of \$2.60 and \$2.70 per gallon for 2008 and 2009, respectively. In the mid-biennial review, per gallon fuel prices have been increased resulting in \$27.6 million in additional costs for the period.
- **Inflation/Cost of Living:** Compared to the adopted 2008/2009 budget, the cost of living salary expense has increased significantly. This has resulted in approximately an additional \$15 million of expenditure for the biennium. In addition, costs for items such as bus parts are increasing as prices increase faster than the 2.8 percent included in the adopted budget.
- **Ridership:** Bus ridership is currently at all-time highs resulting in increased fare revenue as well as pressure to meet anticipated service expansion as outlined in the Transit Now proposal.

As the mid-biennial review is completed, Transit is faced with a problem of responding to increased customer demands for service as revenues are declining and costs are increasing. The Executive is submitting a short-term proposal based on the following goals:

- Preserve existing service levels through 2010;
- Maintain the Transit Now implementation schedule through 2010;
- Balance the needs of business and retail customers against the revenue generated by the proposed fare increases; and
- Position the program to explore new revenue sources to address the ongoing financial situation.

To meet these goals the following actions are being proposed in the 2008/2009 mid-biennial supplemental budget:

- Increase fares by 50 cents in 2009;
- Continue to implement planned service improvements;
- Reduce the Transit operating budget by \$2 million with no impact to services provided;
- Increase advertising revenue by \$1 million;
- Cancel or reduce planned capital projects for total savings of at least \$65 million;
- Review options for the sale of property not needed for Transit Operations;
- Use current reserves to cover the shortfall through 2010; and
- By 2011, identify new revenue sources to sustain operating levels or reduce service levels totaling at least \$60 million per year.