



2015/2016 KING COUNTY EXECUTIVE PROPOSED BIENNIAL BUDGET

In Brief:

- ◆ Metro plans on reducing service by 11 percent or 400,000 hours, beginning in September 2014 and continuing through March 2016.
- ◆ To sustain service through a recession, the County is sizing and funding a Revenue Stabilization Reserve.
- ◆ Transit is developing innovative alternative service models to more efficiently provide service to riders despite overall reductions.
- ◆ Metro will implement a low income fare to keep public transportation affordable for those who need it most.

Metro Transit, the largest division of the King County Department of Transportation, is responsible for providing public transportation services to the residents of King County. Metro buses delivered 118.6 million passenger trips in 2013—a 2.8 percent increase over 2012 and 80 percent of the total transit boardings in King County. Metro provides other transportation services as well, including vanpools and paratransit services for disabled riders who are unable to use traditional bus service.

DESPITE HIGH DEMAND, SERVICE REDUCTIONS ARE NECESSARY TO BALANCE COSTS TO AVAILABLE RESOURCES

With ridership on the rise, Metro has been striving to preserve service levels and quality despite an ongoing revenue shortfall stemming from the 2008 recession. To sustain service levels, Metro has taken many actions to control costs, increase revenue, and make administration and operations more efficient and productive, including using its Service Guidelines to make extensive revisions to the bus system.

Metro has also sought a sustainable funding structure. In 2013, a broad-based community coalition advocated for new statewide transportation funding, but the 2013 Washington Legislature did not agree on a solution. In April 2014, county voters rejected a ballot measure that would have provided funding to preserve Metro service. Since Metro's funding structure is not generating enough revenue to sustain the current level of service, Metro must reduce service to balance the budget.

As part of the 2015/2016 budget development process, Transit and the King County Executive looked for ways to mitigate the need for service reductions, including identifying efficiencies, reducing the cost growth of central and other support services, and reducing less critical program elements while still maintaining the quality and integrity of the remaining Transit system. Despite these actions, in order to create a sustainable system with current revenue sources, it is estimated that Metro will have to cut up to 400,000 annual hours of bus service, about 11 percent of the current system, between September 2014 and March 2016. The September 2014 service change will make 151,000 hours of reductions, targeting the least productive routes. The February 2015 change will reduce an additional 169,000 hours of service, and is balanced across the region. The final service reduction package of 80,000 hours is currently scheduled to occur in March 2016. There will, however, be a thorough review of the system and financial status in summer of 2015 in order to evaluate whether the final set of reductions can be avoided.

PLANNING FOR A RECESSION

Part of the financial analysis to determine the size of the service reductions that would result in a sustainable system included planning for a future recession through a revenue stabilization reserve. Transit's primary revenue source is sales tax, which is highly volatile and subject to changes in the economy. The county's financial forecasts have not included a recession scenario; despite the fact that a recession is inevitable, it is extremely difficult to predict when or how severe a recession will be. The county's chief economist worked closely with executive and Metro staff to model several recession scenarios and develop a financial policy for sizing a revenue stabilization reserve. The Executive's proposed budget contains a revenue stabilization reserve large enough so that Metro would not need to make service reductions if a moderate recession (similar to the recession in the early 1980's) were to occur after 2018. If a recession were to occur earlier, or were more significant than the moderate scenario, policy makers would need to consider additional service reductions.

METRO IS DEVELOPING ALTERNATIVE APPROACHES TO PRESERVE SERVICES

In response to community concerns regarding the pending service cuts, Transit is in the process of developing a Community Mobility Contract (CMC) program to allow cities to purchase transit service in addition to the service that Transit is able to provide. The CMC cost model assumes that Metro recovers the full cost of providing transit service. As no CMCs have been executed to date, the budget does not include assumptions regarding purchased service levels or revenues. However, if cities/communities enter into CMC over the course of the biennium, the budget will be revised as necessary.

While CMC costs and revenues will not be included in the budget, the budget will include \$6 million in funding to implement a new 'toolbox' of alternative services in 2015. The items in this toolbox build on Metro's history of providing new and innovative ways to attract individuals to mobility options other than driving alone. The program elements are intended to provide services that can better meet market needs in areas not well suited to fixed route transit service. Specifically, the program will involve consideration of the following elements:

- Community Shuttle services involve smaller buses that run on a designated route serving a flexible service area provided through a community partnership. Shuttle vehicles would be provided by Metro along with funds to pay a driver. Community partners could contribute resources and marketing/promotion. Shuttles would be open to the general population, operate during pre-determined hours and focus on common destinations helping riders with all-day travel needs.
- Community Hub services include creation of multi-modal transportation hubs where individuals can access services such as community shuttles/vans and bicycles as well as information on transportation options. Community van services, which can provide both regularly scheduled trips as well as one-time trips as necessary, and bike sharing services create a strong centralized focal point within a community and rely on strong community partners to be successful.
- Flexible Rideshare services build on the success of Uber and Lyft; this program provides the opportunity for individuals to participate in variable ridesharing as an alternative to the current vanpool program. Individuals can use their own or a Metro-provided vehicle and use a web-based or mobile application to find rides, designate specific pick-up points and connect to other services such as fixed route bus to complete their commute.

The budget funding level will be sufficient to meet the needs of several, but not all, areas that might otherwise be losing fixed route bus services as part of the service reductions or where the fixed route bus services are replaced or supplemented to address unmet travel needs. This alternative services funding, coupled with the new CMC program and the Transit Now Service Partnership program, provide opportunities for local jurisdictions to enhance the transit service in their communities.

IMPLEMENTING A LOW INCOME FARE TO PROVIDE AFFORDABLE SERVICE TO THOSE WHO NEED IT MOST

In February 2014, the King County Council approved fare increases and created a low-income fare that will take effect March 1, 2015. Including the 2015 increase, Metro's fares will have gone up five times beginning in 2008, and the low-income fare will help mitigate the impact of the fare increases on people who depend on Metro buses as their primary source of transportation. The Council also established a task force to review and evaluate Metro's plan to implement the new low-income fare. The task force completed its work in summer 2014, offering comments on plans to promote awareness of the low-income fare program to stakeholder communities and the process for establishing eligibility to participate in the program.

Throughout fall 2014, Metro will be working with agency partners on plans to conduct outreach and verify eligibility of program applicants. Metro will also be testing key functions and processes of the low-income fare program. The low-income fare will be available only with an ORCA card, and successful implementation of the program will be essential for achieving Metro's objectives for increasing use of ORCA cards and reducing fare payment with cash.

REDUCING COSTS AND ELIMINATING LOWER PRIORITY SERVICES

More than 75 percent of Metro's costs are associated with the direct provision of transit service, with the remainder for non-direct and support functions. During this biennium, Metro will make some reductions in non-direct and support functions, but such reductions are limited in the biennium as support staff is needed to implement the service reductions and respond to a changing environment. Metro will also be reducing some lower-priority activities and positions in order to free up resources to address new needs. These reductions include the following:

- **Streamline Organization:** The budget will eliminate management positions in several areas of the organization to streamline operations. In addition, several positions that have been held vacant were reduced in the 2015/2016 budget because they were determined to be less important than new needs.
- **Vehicle Maintenance Efficiencies:** In Vehicle Maintenance, Metro Transit has been working to improve parts inventory with the goal of reducing spending and days of supply on hand, with excess parts being returned, auctioned, or sold to other transit agencies. Metro Transit has also achieved cost savings through the implementation of base automation, which is bringing technology to the maintenance floor. This technology gives mechanics and other staff the ability to record information directly online, reducing the number of staff needed for data input.
- **Additional Operational Efficiencies:** Metro is implementing a number of operational efficiencies including finding utility savings through investing in technologies that save energy at facilities and reduce fuel usage in vehicles.

INVESTING IN THE FUTURE TO SUSTAIN HIGH QUALITY SERVICE

The Transit budget includes proposals to fund new critical needs of the organization while offsetting the increases by reducing resources assigned to lower priority efforts. There are a number of changes being proposed, including:

- **Long Range Plan:** Metro will begin development of a long range plan that will include a Transit Access Study as well as long term integration with Sound Transit services and addressing the transportation needs of the region.
- **Regional Access to Downtown Seattle:** The budget includes funds for Metro to participate in the 5-agency group that is addressing issues such as regional access to downtown Seattle. Funds are also included in the capital program to complete RapidRide facilities and to establish bus pathways as this work is completed.
- **Investments in Employees:** Metro is investing in workforce development efforts, increasing the frequency of operations training, and adding resources for Transit's Labor Relations group in order to respond to increased grievances.

Additional detail about all of these proposals can be found in the Transit section of the 2015/2016 Proposed Budget.

