

Metro Revenue Shortfall Update and Discussion of Legislative Approach

Regional Transit Task Force

October 7, 2010

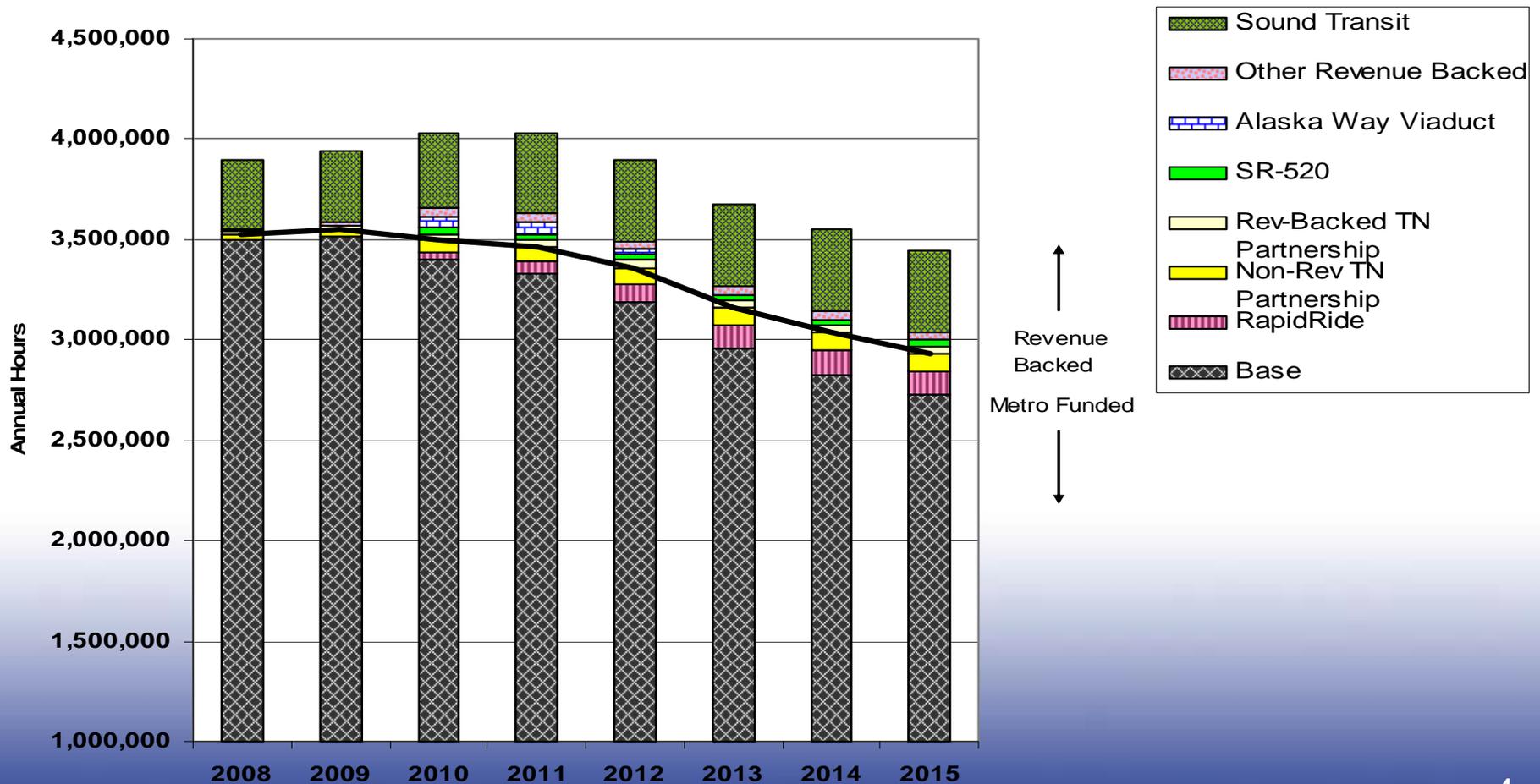
Key Elements of the 2010-2011 Adopted Budget

- 1. Defer bus service expansion:** Suspended remaining Transit Now improvements except Rapid Ride and already-approved partnerships.
- 2. Capital program cuts:** Reprioritized capital program and reduced number of buses purchased
- 3. Non-service related cuts:** reduced supplemental programs and service quality expense by 10%
- 4. New revenue/Property tax swap:** 6.5 cents for transit; 1 cent for 520 Urban Partnership; 5.5 cents for other transit (including new Rapid Ride “F” Line)
- 5. Operating reserves:** temporary reduction for 4 years
- 6. Increase fares:** additional general fare increase in 2011
- 7. Fleet replacement reserves:** \$100 million over four years
- 8. Audit efficiencies:** Assumed 125,000 hours of scheduling efficiencies during the biennium
- 9. Bus service:** 75,000 hours of service reductions during the biennium. Additional cuts required by 2013

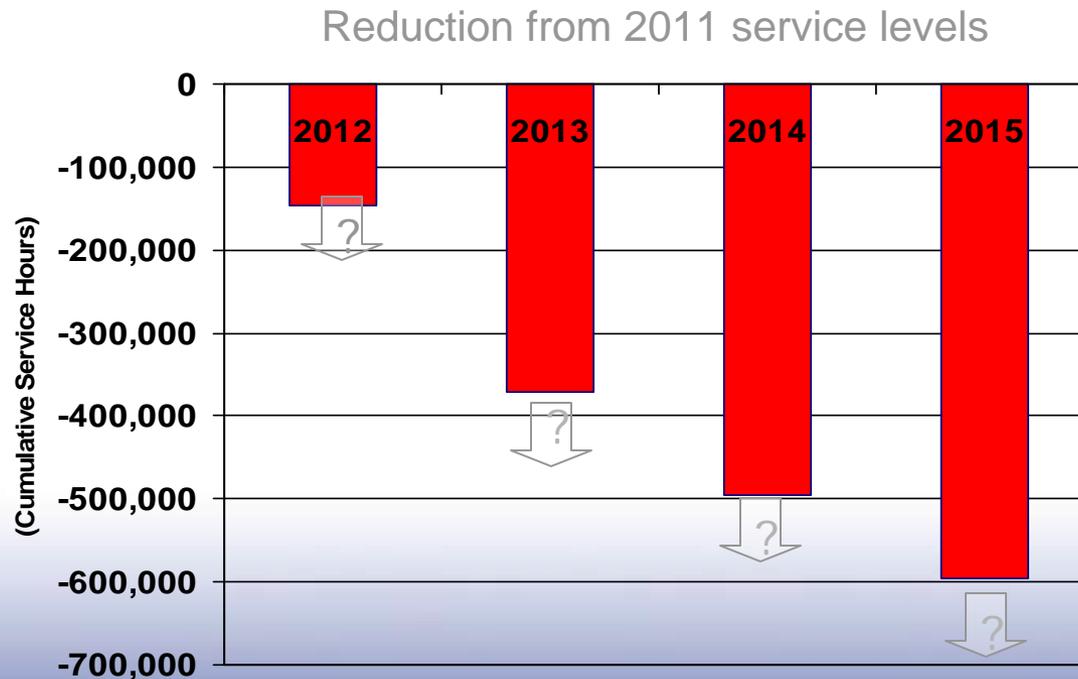
The actions taken in 2010 and 2011 help reduce the out-year problem

- \$30 million in new revenue each year
- \$38 million in reduced costs each year
 - 70 positions eliminated
 - Scheduling efficiencies
 - Service reductions
 - Transit Now deferrals
- In addition, more than \$240 million of one-time actions taken in 2010-2013 allow service reductions to be phased in over time.

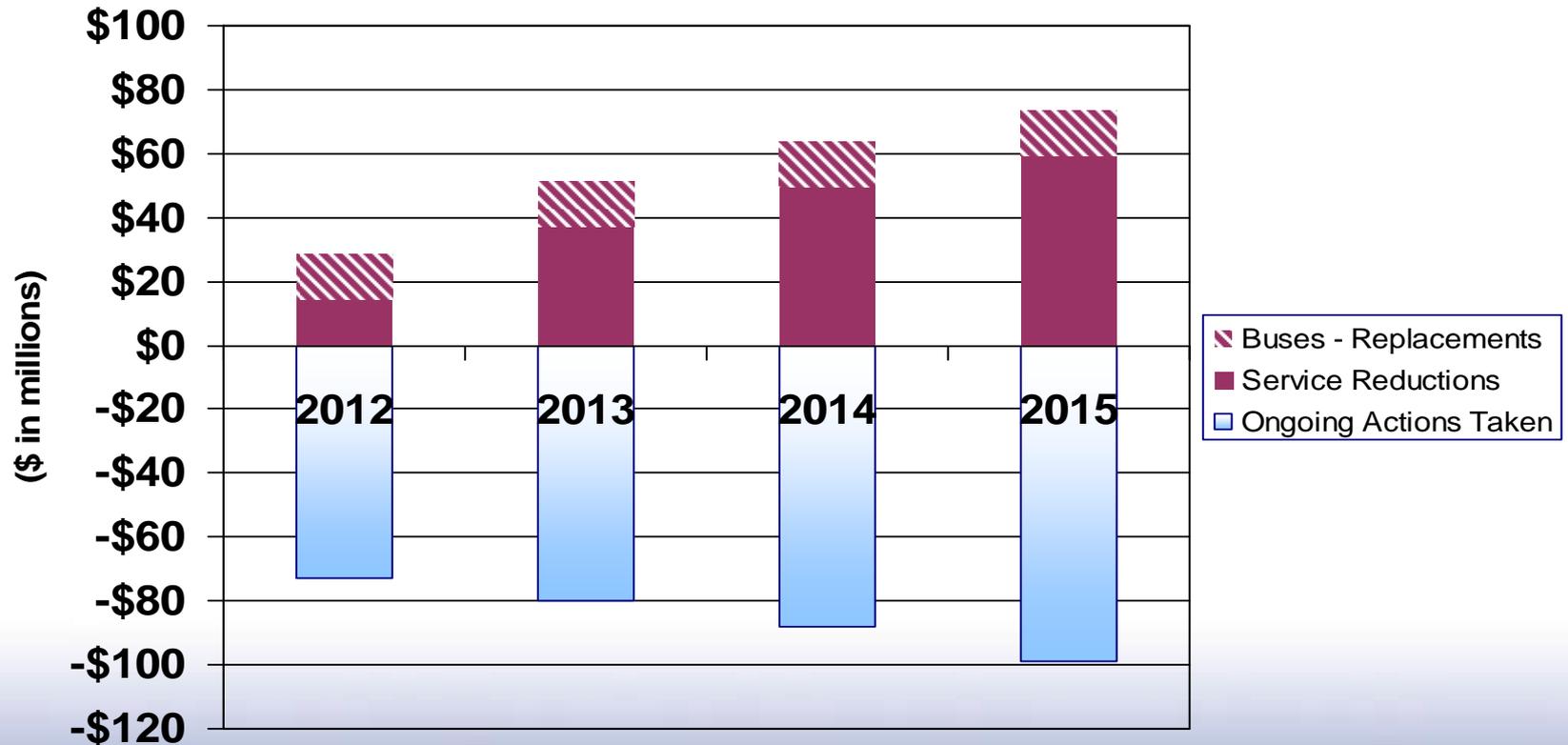
Planned service hours through 2015 include both “Metro funded” and “revenue backed” services



After 2010/2011, Metro's financial plan includes the reduction of 600,000 more hours of bus service by 2015



By 2015, more than \$70 million would be needed annually to retain 2011 service levels



“Buses-replacements” \$130 million lump sum funding is needed to restore fleet replacements to support these service levels. Assuming financing, \$14 million is needed each year.

“Service Reductions” Amount based on fall 2009 sales tax projections. August 2010 projections show additional downward pressure on sales tax receipts that could require further reductions of service.

2011 Legislative Picture

- State Budget Reductions Since April
 - 6.3% Across-the-Board State Agency Cuts in October
 - Potential Additional Reductions in December/January
- Impact of Potential State Initiatives
 - Net Impact of Ballot Measures on State Revenues
 - 2/3 Vote to Raise Taxes a Possibility
- General Fund and Capital Budget Shortfall
 - Revenue Shortfalls Projecting a \$3+ Billion Gap for 2011-13
 - Capital Budget also may be significantly diminished
 - Governor has asked agencies for 10% reduction scenarios
- Reauthorization of Federal Transportation Bill
 - Sources say reauthorization of SAFETY-LU unlikely in 2011

Potential Solutions/Strategies

- Short-term or partial revenue enhancement options
 - ✓ \$20 Vehicle License Fee with sunset provisions
- Long-term revenue enhancement options
 - ✓ Motor Vehicle Excise Tax (MVET)
 - ✓ Roadway pricing with partial transit revenue stream
 - ✓ Added sales taxes
 - ✓ Added property taxes
 - ✓ Other new revenue sources

Recent Legislative History

- \$20 Vehicle License Fee (VLF) for transit agencies
 - Proposed in 2009 as part of Senate Bill 5433
 - Proposed in 2010 as part of House Bill 2855
 - Neither was ultimately successful
 - Had traction with members in the House but Senate members were concerned that transit needed to be part of a forthcoming statewide transportation package instead of receiving an independent solution
- Transportation Partnership & a statewide package
 - Transportation stakeholders are organizing around a proposal for a comprehensive statewide transportation revenue package
 - Objective is to create a multi-modal approach, including transit
 - 2003 and 2005 state funding package projects are nearly complete
 - Timing – gearing up for 2011 or beyond

Considerations and Discussion

- **Metro will need to pursue additional cost efficiencies and cost control measures and continue implementing performance audit findings in any scenario**
- 2040: significant additional investment is necessary to pursue the service growth strategies assumed in Transportation 2040
- Looking at a short-term approach, some service reductions beyond those planned in 2010-11 may be necessary
- Looking at a long-range approach, if new revenue stream is robust and stable, a more reliable growth of transit system may be possible
- **Next Steps on Legislative Options:**
 - Thoughts, Reactions, Recommendations