

## BOARD OF DIRECTORS

## AGENDA ITEM 5

### DATE

February 28, 2019

### SUBJECT

2019 Operating Budget

### PURPOSE

Review and approve the final 2019 operating and capital budgets.

### BACKGROUND/ANALYSIS

*Since the preliminary budget was approved in October, Metro staff received effective approvals from all three-member communities for their respective local contributions. The final budget presented in this document contains minor changes related to a reduction in the cost of auto and liability insurance. This reduction achieved nearly all the remaining \$43,000 in budget reduction measures that were left to be generated. There are no changes to the total budgets for expenditures and revenue and no changes to local contributions.*

The current draft of the 2019 operating budget totals \$11,402,767. This budget represents a 13% increase over the 2018 total budget of \$10,102,931. The major reasons for the increase include the annualization of costs related to the Transit West expansion, debt service related to expansion and replacement fleet; programmatic improvements including additional positions and customer amenities; and cost and price increases related to labor, fuel and commodities. Amounts related to these items are provided below.

The body of this memo reports on the proposed 2019 expenditures, anticipated revenues, proposed new cost allocation method for determining local contributions and the proposed 2019-2023 Capital Improvement Program.

**Table 1: Summary of Proposed 2019 Operating Budget**

Budget Category	2018 Budget	2019 Budget	Net Cost/Price Changes			Total Change
			Expansion	Program Imp	Changes	
Personnel	\$ 7,113,952	\$ 7,910,072	\$ 346,590	\$ 66,305	\$ 415,979	\$ 828,874
Non-personnel	\$ 2,131,597	\$ 2,561,053	\$ 156,870	\$ 187,720	\$ 52,111	\$ 396,701
Debt Service	\$ 157,582	\$ 270,642	\$ 31,309	\$ 58,491	\$ 23,260	\$ 113,060
Capital Program	\$ 131,600	\$ 166,000	\$ -	\$ 34,400	\$ -	\$ 34,400
Fund Balance	\$ 45,000	\$ 45,000	\$ -	\$ -	\$ -	\$ -
ADA Paratransit	\$ 523,200	\$ 450,000	\$ -	\$ -	\$ (73,200)	\$ (73,200)
<i>Additional Budget Reduction</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>
<b>Total</b>	<b>\$ 10,102,931</b>	<b>\$ 11,402,767</b>	<b>\$ 534,769</b>	<b>\$ 346,916</b>	<b>\$ 418,150</b>	<b>\$ 1,299,836</b>
			5%	3%	4%	13%

**Table 2: Draft 2019 Line Item Operating Budget**

	2017	2018	2019	2019	2019	
	ACTUAL	ORIG BUD	Request	\$ +/-	% +/-	Note #
<b>Wages &amp; Benefit Expenditures</b>						
<b>Wages</b>						
Regular Wages	\$ 4,010,640	\$ 4,692,117	\$ 5,259,226	\$ 567,109	12.1%	1
Overtime - Operations	271,720	253,880	332,321	78,441	30.9%	2
Overtime - Maintenance	32,263	40,040	42,600	2,560	6.4%	
Overtime - Administration	3,895	5,000	2,900	(2,100)	-42.0%	
<b>Total Wages</b>	<b>4,318,518</b>	<b>4,991,037</b>	<b>5,637,047</b>	<b>646,010</b>	<b>12.9%</b>	
<b>Benefits</b>						
FICA	321,793	368,942	408,974	40,032	10.9%	3
Health Ins	955,278	1,219,774	1,310,041	90,267	7.4%	4
HRA Payments	51,952	70,000	59,668	(10,332)	-14.8%	5
Dental Insurance	47,497	55,839	64,285	8,446	15.1%	6
Disability Insurance	31,758	32,584	48,108	15,524	47.6%	7
Workers Comp	64,550	77,741	81,242	3,501	4.5%	8
Unemployment	10,660	9,000	2,000	(7,000)	-77.8%	9
Pension	228,927	260,985	258,587	(2,398)	-0.9%	10
Uniforms	16,172	20,150	28,820	8,670	43.0%	11
Contract Reimb	9,254	7,900	11,300	3,400	43.0%	12
<b>Total Benefits</b>	<b>1,737,841</b>	<b>2,122,915</b>	<b>2,273,025</b>	<b>150,110</b>	<b>7.1%</b>	
	2017	2018	2019	2019	2019	
	ACTUAL	ORIG BUD	Request	\$ +/-	% +/-	Note #
<b>Non-Personnel Expenditures</b>						
Tuition Reimbursement	1,508	3,000	-	(3,000)	-100.0%	
Wellnes Program	3,279	12,000	6,516	(5,484)	-45.7%	
Legal Fees	32,527	30,000	30,000	-	0.0%	
Audit Fees	21,000	20,000	19,500	(500)	-2.5%	
Arch & Engineering Fees	-	5,000	-	(5,000)	-100.0%	
Temporary Help	88,511	-	26,000	26,000	100.0%	13
Employment Services	8,787	6,538	6,538	-	0.0%	
HRA Fees	5,140	6,600	6,864	264	4.0%	
Technology Services	36,432	45,074	113,698	68,624	152.2%	14
Bank and CC Fees	8,220	7,800	9,840	2,040	26.2%	
Advertising	21,739	40,500	34,550	(5,950)	-14.7%	15
Postage	3,255	3,886	3,536	(350)	-9.0%	
Other Contracted Services	57,444	110,990	106,310	(4,680)	-4.2%	16
Office Machine Maintenance	3,327	3,047	5,090	2,043	67.0%	
Maintenance Services	82,637	139,377	140,677	1,300	0.9%	
Snow Plowing and Removal Svc	7,192	8,000	9,000	1,000	12.5%	
Custodial Services	-	-	20,000	20,000	-100.0%	17
Miscellaneous Services	2,049	2,920	2,420	(500)	-17.1%	
CNG Fuel	202,055	278,000	371,882	93,882	33.8%	18
Diesel Fuel	208,296	259,794	407,338	147,544	56.8%	19
Greases and Fluids	46,974	45,139	59,500	14,361	31.8%	
Tires and Tubes	47,657	41,000	61,000	20,000	48.8%	20
Shop Supplies	22,466	28,000	31,000	3,000	10.7%	
Shelter Supplies	6,335	10,000	10,000	-	0.0%	
Building Supplies	36,722	58,500	53,000	(5,500)	-9.4%	
Supplies Cust Rel & Promo	20,006	19,800	34,850	15,050	76.0%	21
Office Supplies	16,199	18,000	19,331	1,331	7.4%	
Fare Media	10,493	11,150	7,500	(3,650)	-32.7%	
Parts	364,771	301,500	295,764	(5,736)	-1.9%	22
Minor Equipment- Buildings	-	1,000	7,720	6,720	-100.0%	
Heating Fuel	129,121	157,008	163,523	6,515	4.1%	
Electricity	110,129	116,942	131,241	14,299	12.2%	
Water/Sewer/Stormwater	22,161	23,728	27,803	4,075	17.2%	
Phone/Cell/Internet	25,424	47,748	61,988	14,240	29.8%	23
Auto/Liability Insurance	180,832	225,911	228,619	2,708	1.2%	24
Dues and Subscriptions	19,392	22,603	21,978	(625)	-2.8%	
Conferences and Travel	8,382	14,820	19,920	5,100	34.4%	25
Meals and Hosting	7,569	5,832	5,932	100	1.7%	
Liscenses and Permits	386	390	625	235	60.3%	
ADA Paratransit Services	535,646	523,200	450,000	(73,200)	-14.0%	26
Interest Expense	23,417	20,134	62,068	41,934	208.3%	27
Debt Service Principal	122,971	137,448	208,574	71,126	51.7%	28
Contribution to Unrest Balance	45,000	45,000	45,000	-	0.0%	
GF Cap Outlay for Oth Cap Itms	124,600	131,600	166,000	34,400	26.1%	29
<b>Additional Budget Reductions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>	<b>30</b>
<b>Total Non-personnel</b>	<b>2,720,051</b>	<b>2,988,979</b>	<b>3,492,695</b>	<b>503,716</b>	<b>16.9%</b>	
<b>Total Expenditures</b>	<b>\$ 8,776,410</b>	<b>\$ 10,102,931</b>	<b>\$ 11,402,767</b>	<b>\$ 1,299,836</b>	<b>12.9%</b>	

**Table 3: Notes on Draft 2019 Line Item Operating Budget**

Note #	Line Item	Explanation
1	Regular Wages	Increase related to annualization of 11 bus operator positions added in 2018 to support the Transit West expansion. Also, 2.5 new positions are proposed in 2019 and include a Fleet Care Worker, an additional Bus Operator and a Technology Manager scheduled to be hired mid-year. Finally, labor costs are increasing due to 2.75% COLA increase based on the Collective Bargaining Agreement (CBA) as well as programmed step increases which are also mandated by the CBA.
2	Overtime Wages	Overtime wages is increasing in the operations category due to higher service levels and numbers of employees. As a percentage of Regular Wages, Overtime Wages is expected to be consistent at about 7-8%. The current year (2018) is seeing very high overtime wages due to health related employee absences and position vacancies. Staff is preparing additional information for the Board on how the overtime budget is developed and optimized.
3	FICA	This increase is driven by wages.
4	Health Insurance	Additional employees as well as Medical insurance costs estimated to increase by 5%. Past increases were 8% in 2018 and 13% in 2017.
5	HRA Payments	Cost is determined in relation to actual history of payments and numbers of employees.
6	Dental Insurance	Dental insurance costs are estimated to increase by 5% along with additional employees.
7	Disability Insurance	This amount is based on on wages (updated 2018 and 2019 wage base).
8	Worker's Compensation	Compared to October budget this item was reduced by \$10,924
9	Unemployment	Increase related to Modification Rate increase and increase in overall wages.
10	Pension	Despite the increase in staff, the retirement program is now voluntary, so the participation rate assumption is slightly lower.
11	Uniforms	An increase in the allowance for uniforms was included as part of the current CBA.
12	Contract Reimb	An increase in the allowance for uniforms was included as part of the current CBA.
13	Temporary Help	This cost is related to sourcing temporary assistance to cover a planned leave in the Finance Dept.
14	Technology Services	Cost increase is related to the software hosting/maintenance fees for the Financial Management System (Finance, Payroll, HR) as well as the annual maintenance fee for the new web site.
15	Advertising	Net reduction related to reduced advertising need in relation to the 2018 expansion year (-\$15,000). There are programmed increases for recruiting (\$5,000) and BREEZ outreach (\$7,500).
16	Other Contracted Services	Net reduction related to removal of one-time expenses (-\$35,000) related to the 2018 Transit West launch. Programmed increases include a Security Program (\$38,000), marketing design and creative services (\$22,000) and design/production of new regional map (\$15,000).
17	Custodial Services	With building/grounds staff taking on additional duties related to bus stop/and shelter maintenance, there is a need to outsource custodial services at the main office and passenger facility at Elm/Congress.
18	CNG Fuel	Cost increae related to expansion service and anticipated higher natural gas pricing.
19	Diesel Fuel	Cost increae related to expansion service and anticipated higher diesel pricing as of September 2019.
20	Tires and Tubes	Cost increase related to fleet expansion from 36 to 44.
21	Supplies Cust Rel & Promo	Increase related to higher quantity needs for transit schedules and informational brochures.
22	Parts	Although fleet size is increasing, new buses incorporated in 2018 and planned to be phased in in 2019 will contain growth in this line item.
23	Phone/Cell/Internet	Added cost related to extending Wi-Fi to entire fleet and annual maintenance fees related to extending the AVL system to additional buses.
24	Auto/Liability Insurance	Compared to October budget this item was reduced by \$28,407.
25	Conferences and Travel	Conferences and training opportunities programmed for all departments.
26	ADA Paratransit Services	Reduction related to new agreement with RTP which reduced rate per boarding.
27	Interest Expense	Short and long term interest increasing due to greater utilization of short-term debt due to cash flow and long-term interest on bonded debt for buses.
28	Debt Service Principal	Increase related to bonded debt to cover local match on 8 expansion buses and 3 replacement buses.
29	Capital Program	Refer to proposed Capital Improvement Program - Attachment A
30	<i>Additional Budget Reductions</i>	<i>This item eliminated with sufficient budget reductions created in actual line items.</i>

**Table 4: Draft 2019 Line Item Revenue Budget**

Revenue Category	2018 Budget	% of Total	2019 Budget	% of Total	# Change	% Change	Note #
Fare Revenue	\$ 2,280,878	22.6%	\$ 2,634,201	23.1%	\$ 353,323	15.5%	1
Miscellaneous Revenue	\$ 361,024	3.6%	\$ 420,000	3.7%	\$ 58,976	16.3%	2
State	\$ 170,426	1.7%	\$ 170,426	1.5%	\$ -	0.0%	3
Federal 5307 (Operations)	\$ 1,822,174	18.0%	\$ 2,013,698	17.7%	\$ 191,524	10.5%	4
Federal 5307 (Prev. Maint.)	\$ 706,801	7.0%	\$ 845,000	7.4%	\$ 138,199	19.6%	5
Federal 5307 (JARC)	\$ -	0.0%	\$ 15,459	0.1%	\$ 15,459	0.0%	6
Federal 5307 (ADA)	\$ 418,560	4.1%	\$ 360,000	3.2%	\$ (58,560)	-14.0%	7
Federal CMAQ (Breez)	\$ 303,464	3.0%	\$ 329,800	2.9%	\$ 26,336	8.7%	8
Federal CMAQ (Transit West)	\$ 296,667	2.9%	\$ 623,822	5.5%	\$ 327,155	110.3%	9
Federal (Alt Fuel Tax Credit)	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	
Municipal (Non-Members)	\$ 148,334	1.5%	\$ 158,200	1.4%	\$ 9,866	6.7%	10
Municipal (Members - ADA)	\$ 104,640	1.0%	\$ 90,000	0.8%	\$ (14,640)	-14.0%	11
Municipal (Members - BUS)	\$ 3,489,964	34.5%	\$ 3,742,162	32.8%	\$ 252,198	7.2%	12
<b>Total</b>	<b>\$ 10,102,931</b>	<b>100%</b>	<b>\$ 11,402,767</b>	<b>100%</b>	<b>\$ 1,299,836</b>	<b>13%</b>	

**Revenues**

1. **Fare Revenue** – Fare revenue is budgeted to total \$2,634,201. The 2018 fare revenue budget is \$2,280,878 while actual fare revenue is expected to total \$2,175,000-\$2,200,000. The increase in 2019 is related to the anticipated ridership increase stemming from the Transit West expansion as well as a fare increase in the second half of the fiscal year. Budgeted Fare Recovery (ratio of fare revenue to operating expenses) is anticipated to be 25% in 2019. Actual fare recovery in 2018 is projected to be 22-23%. Fare recovery in 2020 should exceed 25% given this will be the first full year of the fare increase, but this also depends on 2020 cost factors.
2. **Miscellaneous Revenue** – includes revenue from advertising, lease revenue and fuel/maintenance services provided to other agencies. This revenue is allocated by revenue hour to the LOCAL system only. While under the pilot phase, the BREEZ system does not draw from these revenue sources.
  - a. *Advertising Revenue* – is expected to increase from \$232,300 to \$270,000 due to increasing base advertising sales in 2018 and anticipated revenue from advertising on new bus shelters including on Congress Street in Portland.
  - b. *Lease Revenue* – is expected to increase from \$38,424 to \$40,732 based on lease terms with RTP.
  - c. *Outside Repair/CNG Sales* – is expected to decrease from \$58,000 to \$52,000 based on history.
  - d. *Miscellaneous Income* – is expected to increase from \$32,000 to \$58,100 due to higher interest income, sale of surplus buses and revenue from USM through advertising.
3. **State Funding** – includes annual funding from the state of Maine. This funding source is static at \$170,426 and is not expected to increase for several more years. This revenue is allocated by revenue hour to the LOCAL system only. While under the pilot phase, the BREEZ system does not draw from these revenue sources.

4. **Federal Funding (Operations)** – set at **\$2,013,698** this includes FTA Section 5307 funding for Operations activities. This revenue is allocated by revenue hour to the LOCAL system only. While under the pilot phase, the BREEZ system does not draw from this funding source.
  - a. Based on current PACTS programming, Metro is scheduled to receive **\$1,958,990** in federal funding to support operations. This is an increase of \$135,388 (7.4%).
    - i. Of this amount, \$98,916 reflects the first year of permanent federal operating support for the Metro BREEZ. As the start-up CMAQ funding draws down, this amount will assist with the transition of the BREEZ from its pilot phase to permanence.
    - ii. The remaining \$36,472 reflects the annual 2% increase programmed in the PACTS' Six Year Operating and Capital Program (SYCOP) to support cost increases of ongoing operations.
  - b. Metro staff will be submitting a request to PACTS to increase the inflation factor to 5-7% in 2019. At 5%, this would add an additional **\$54,708**. The annual escalation rate programmed in the is 2%. From 2016-2019, the cost of labor and external price increases has averaged 3.8% annually. In addition, Metro will request that the SYCOP assume 3% annual increases prospectively to adequately cover the price increases related to labor costs, health insurance and fuel.
5. **Federal Funding (Preventive Maintenance)** – includes Federal Transit Administration (FTA) Section 5307 funding for Preventive Maintenance activities. This revenue is allocated by revenue hour to the LOCAL system only. While under the pilot phase, the BREEZ system does not draw from this funding source. Based on current PACTS programming, Metro is scheduled to receive \$720,937 in federal funding to support Preventive Maintenance activities. This funding can cover the cost of fleet and facilities maintenance including labor, parts and external repair contracted services. This is an increase of \$14,136 (2.0%).
  - a. Metro staff will be submitting a request to PACTS to increase this to at least 5% in 2019 to correct under-funding the previous three years. The annual escalation rate programmed in the PACTS Six Year Operating and Capital Program (SYCOP) is 2%. From 2016-2019, the cost of labor and external price increases has averaged 3.8% annually. In addition, Metro will request that the SYCOP assume 3% annual increases prospectively.
  - b. Metro is proposing to utilize \$100,000 from a Preventive Maintenance reserve grant in 2019 as a bridge to offset the impact of a half-year fare increase in 2019. The other half of the fare increase will be realized in 2020 and ensure this use of one-time funding is backed by a recurring funding solution.
6. **Federal Funding (JARC)** – Since the mid-2000s through 2017, Metro allocated a \$40,500 credit to Falmouth with corresponding proportional debits to Portland and Westbrook. In 2018, the Board approved a reduction to \$30,917 as part of a 3-year phase out of the program. Based on Finance Committee direction on August 6, 2018, the amount is reduced by 50% to \$15,917. Along with this change, staff recommend an additional change:

- a. Secure an additional \$15,917 in FTA Section 5307 funding for 2019 only and allocate to Falmouth's portion of the Route 7 as a direct source of funding rather than a credit which impacts Portland and Westbrook. This tactic is subject to PACTS approval in early 2019. *Using supplemental funding and this approach, Portland and Westbrook are no longer subsidizing Falmouth's portion of the Route 7.*
7. **Federal Funding (ADA)** – includes FTA Section 5307 funding that supports the required ADA Complementary Paratransit services for Metro's bus service area. The amount of federal funding is expected to decrease from \$418,560 in 2018 to \$360,000 in 2019 due to a new agreement with Metro's service provider, RTP. In the new agreement, the cost per trip was reduced. However, Metro's 2019 funding programmed at PACTS is only \$272,000. Metro staff will be requesting an increase through the regular PACTS process in early 2019.
8. **Federal Funding (CMAQ BREEZ)** – includes Federal Highway Administration (FHWA) Congestion Mitigation and Air Quality (CMAQ) funding to support 3 years of operations activities for the BREEZ. This revenue is allocated by revenue hour to the BREEZ Route only, but evenly split among the communities served. Revenue hours are evenly split because this is limited stop, express bus service with significant segments operated on highway.
  - a. Budgeted Funding - 2019 funding is budgeted to be \$329,800 up slightly from 328,821 in 2018. This final allocation of the CMAQ start-up grant will fund the BREEZ through the end of the pilot period in 2019.
9. **Federal Funding (CMAQ Transit West)** – includes Federal Highway Administration (FHWA) Congestion Mitigation and Air Quality (CMAQ) funding to support 3 years of operations activities for the Transit West Routes. This revenue is allocated by revenue hour to the Transit West Routes only (Husky Line and Route 3).
  - a. Budgeted Funding - 2019 funding is budgeted to be \$623,822 up from 296,667 in 2018. This is the first year of full funding and second year overall.
10. **Municipal (Non-Members)** – the budgeted amount of \$158,200 represents that anticipated local funding from the towns of Brunswick, Freeport and Yarmouth (each at \$41,067) for the continuation of service through December 31, 2019 and a transition to bearing the appropriate share of maintenance and overhead costs. This amount also includes the town of Gorham's \$35,000 contribution to the Husky Line.
11. **Municipal (Members-ADA)** – the budgeted amount of \$90,000 represents that anticipated local funding needed to support ADA Complementary Paratransit services for Metro's bus service area. The amount of funding is expected to decrease from \$104,640 in 2018 to \$90,000 in 2019 due to a new agreement with Metro's service provider, RTP. In the new agreement, the cost per trip was reduced. Please note that a portion of Gorham's contribution to the Husky Line includes a small dollar amount for any ADA paratransit trips in Gorham.
12. **MUNICIPAL (Members-BUS)** – Historically, Metro has allocated the net cost of service to municipalities based on Revenue Miles. For a small transit system with uniform service levels and characteristics, this was a simple and generally equitable method.

However, because Fixed and Variable costs are not separated, the principal weakness of the method is that mileage changes in one municipality can have large impacts on costs in other municipalities. Additionally, as Metro grows and has introduced higher speed/limited stop services, the Revenue Miles metric is less accurate at equitably representing the service supplied to a community and by extension the costs to provide it. Finally, while Revenue Miles is a fair measure of service supply, the metric is detached from any productive incentives at the municipal level to take steps toward improving the conditions in which transit operates.

Accordingly, staff recommends allocating costs based on the following methods:

1. **Revenue Hours** – In order to standardize the cost to operate service across routes with varying speeds and because personnel expense is Metro’s largest cost category, staff recommend using Revenue Hours as the primary cost allocation factor. Revenue Hours levels the playing field as it relates to allocating costs across routes. In general, using Revenue Hours as the primary cost allocation method will mean that faster routes have lower costs and slower routes have higher costs.

Importantly, this method creates a productive incentive for municipalities to work with Metro on strategies to shorten running times (e.g., transit signal priority systems, intersection treatments that allow buses to leap-frog long traffic cues, in-line stops and dedicated lanes or lane segments).

2. **Costs per Hour** – use separate costs per hour (CPH) for the LOCAL system and the BREEZ system. This is related to the structural differences in the cost to operate the BREEZ including lower fleet maintenance, insurance and fuel costs; segmented local funding for capital projects; and the BREEZ’s status as a pilot project which temporarily exempts it from Metro’s overhead costs. The CPH for both the LOCAL and BREEZ systems are generated by dividing the total cost to operate each system by each system’s revenue hours.
3. **Fare Revenue** – allocate fare revenue by route and jurisdiction based on ridership and average fare. This is a standard method for allocating fare revenue in multi-jurisdictional transit agencies. The benefits of this method are that communities delivering higher ridership receive the appropriate fare revenue. Moreover, the method avoids questions over whether and to what extent higher ridership communities are subsidizing lower ridership communities.

Similar to Revenue Miles, allocating fare revenue to municipalities according to ridership creates a productive incentive to build ridership as well as critically examine and take corrective action on under-performing routes.

4. **Non-Member Communities** – continue the practice of allocating the cost of service in a non-member community’s jurisdiction based on the member communities’ allocation percentages. This practice is undertaken when Metro determines that the value of providing service in a non-member community’s jurisdiction outweighs the absence of local funding coming from that community. The main example and precedent for this policy is Metro’s operation of the Route 5 to the Maine Mall. In 2019, this policy extends to the Route 3 segment in South Portland and the Husky Line segment in Gorham less the amount contributed by Gorham under the pilot program.

Based on the anticipated expenditures and revenue and proposed improvements in cost/revenue allocation, Table 5 presents the anticipated assessments for 2019.

**Table 4: Member Community Assessments**

<i>Member Communities</i>	<i>2018 Allocations</i>	<i>Rev. Member Allocations</i>	<i>\$ Change</i>	<i>% Change</i>	<i>Service Increase %</i>
Falmouth	\$ 163,873	\$ 179,941	\$ 16,068	8.9%	0%
Portland	\$ 2,709,916	\$ 2,787,772	\$ 77,856	2.8%	10%
Westbrook	\$ 616,175	\$ 774,449	\$ 158,274	20.4%	64%
Total	\$ 3,489,964	\$ 3,742,162	\$ 252,198	6.7%	22%

Notes on major factors impacting each community:

Falmouth

- The major contributing factors to Falmouth’s anticipated assessment are the overall program and cost increases, planned fare increase, and the planned reduction of the JARC grant program.
- The proposed change to cost allocation generally favors Falmouth due to the faster speeds of routes in the town. The proposed change to fare revenue allocation negatively impacts Falmouth due to its current lower relative ridership. However, Metro and the town of Falmouth can work together to positively impact this.

Portland

- The major contributing factors to Portland’s anticipated assessment are the Transit West improvements, program/cost increases, planned fare increase and Westbrook’s proportional service increase which means Portland’s relative share of fixed and overhead costs reduces.
- The proposed changes to cost and revenue allocation generally offset each other in 2019 but set the stage for relatively stronger cost containment in the future than would be possible under the status quo.
  - First, Portland has the highest relative ridership performance and the greatest potential for future ridership development. All things being equal, activities that help create ridership in Portland will mean Portland receives 100% of the associated fares compared to only about 70% under the existing method.
  - Second, although route speeds in Portland are currently slower than average, Metro and Portland can and should work together to improve route speeds through efforts to prioritize and further streamline transit.
- The proposal to fund the final year of the Falmouth JARC program with new funding means Portland will no longer bear any share of maintaining this program.

Westbrook

- The major contributing factors to Westbrook’s anticipated assessment are the Transit West improvements, program/cost increases, planned fare increase and Westbrook’s proportional service increase which means it absorbs more of Metro’s fixed and overhead costs. The \$774k assessment amount is within expectations previously provided to Westbrook City Administration and City Council in 2017.

- The proposed changes to cost and revenue allocation generally offset each other in 2019 but set the stage for relatively stronger cost containment in the future than would be possible under the status quo. Especially due to the Husky Line and Route 3, route speeds are generally faster whereas ridership and fare revenue are below the system average. However, ridership and revenue are expected to increase as the new routes mature. The addition of a stop at the Rock Row development is expected to increase ridership on the Husky Line in Westbrook.
- Looking ahead, Metro and Westbrook should continue to work together to improve route speeds through efforts to prioritize and further streamline transit.
- The proposal to fund the final year of the Falmouth JARC program with new funding means Westbrook will no longer bear any share of maintaining this program.

### Service Levels

The table below outlines service levels in terms of revenue miles. Revenue miles are utilized here to provide continuity and comparability to how service levels were communicated in 2017 and 2018. Going forward, Revenue Hours will be used to communicate service levels.

**Table 5: Service Levels in Revenue Miles**

Bus Route	Portland	Westbrook	Falmouth	S. Portland	Gorham	Breez	Total
Route 1	95,554						95,554
Route 2	111,768	18,506					130,274
Route 3	10,456	106,097		43,006			159,559
Route 4	87,849	79,700					167,549
Route 5	106,731			37,731			144,462
Route 7	25,948		44,049				69,997
Route 8	50,786						50,786
Route 9A	105,310						105,310
Route 9B	104,631		8,029				112,661
Husky Line						255,534	255,534
Breez	93,672	62,775			74,702		231,149
<b>Total</b>	<b>792,704</b>	<b>267,078</b>	<b>52,079</b>	<b>80,737</b>	<b>74,702</b>	<b>255,534</b>	<b>1,522,834</b>
<i>Mileage Percentages</i>	<i>52%</i>	<i>18%</i>	<i>3%</i>	<i>5%</i>	<i>5%</i>	<i>17%</i>	<i>100%</i>
2018 Revenue Miles	717,783	163,208	52,079	35,623	25,067	254,977	1,248,737
<i>2019 Absolute Change</i>	<i>74,921</i>	<i>103,870</i>	<i>-</i>	<i>45,114</i>	<i>49,635</i>	<i>557</i>	<i>274,098</i>
<i>2019 % Change</i>	<i>10%</i>	<i>64%</i>	<i>0%</i>	<i>127%</i>	<i>198%</i>	<i>0%</i>	<i>22%</i>
2017 Revenue Miles	691,065	111,964	52,306	34,249	-	120,670	1,010,254
<i>2019 Absolute Change</i>	<i>101,639</i>	<i>155,114</i>	<i>(227)</i>	<i>46,488</i>	<i>74,702</i>	<i>134,864</i>	<i>512,580</i>
<i>2019 % Change</i>	<i>15%</i>	<i>139%</i>	<i>0%</i>	<i>136%</i>	<i>n/a</i>	<i>112%</i>	<i>51%</i>

### FISCAL IMPACT

Included as part of base memo.

### RECOMMENDATION

Recommend to the Board approval of the final 2019 operating budget and capital budgets.

**CONTACT**

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**ATTACHMENTS**

Attachment A – 2019-2023 Capital Improvement Program