

BOARD OF DIRECTORS

AGENDA ITEM 7

DATE

January 27, 2016

SUBJECT

2016 Operating Budget

PURPOSE

Review and approve the proposed 2016 operating budget.

BACKGROUND/ANALYSIS

On October 28, 2015, the Greater Portland Transit District (Metro) Board of Directors approved the Fiscal Year 2016 Preliminary Budget and Formula. In accordance with 30-A-MRS §3516 and 30-A-MRS §3516 (Attachment A), Metro submitted its Fiscal Year 2016 Preliminary Budget and Formula to the three member communities prior to November 1, 2015. All three member communities accepted the proposed budget.

Provided below is a discussion of Metro's 2015 accomplishments, 2016 objectives and a detailed presentation of the 2016 budget. There are no proposed changes to the budget that was presented in October 2015.

2015 TOP ACCOMPLISHMENTS

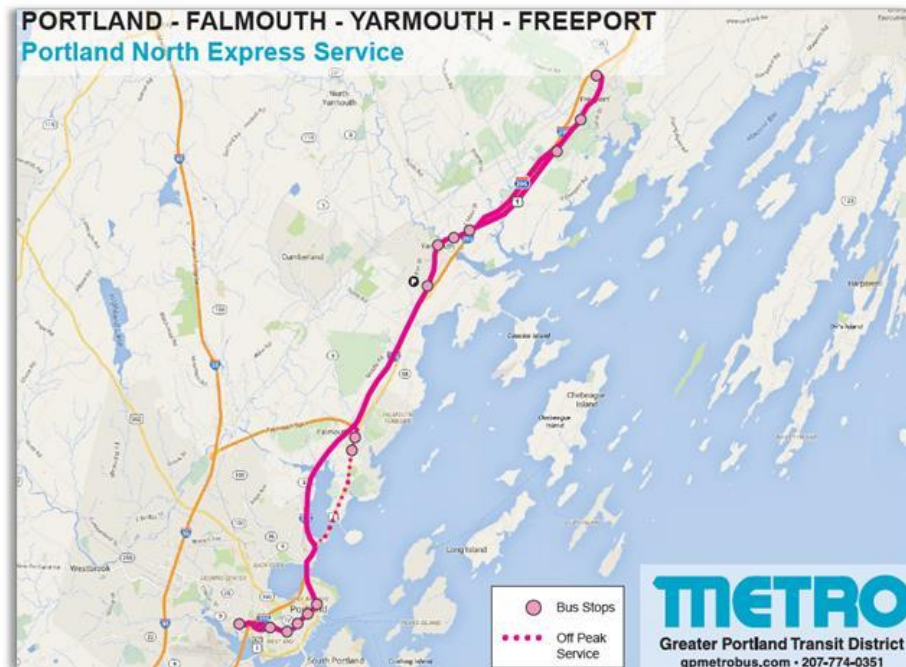
- **Positive Ridership Growth** - 2015 ridership is expected to be 4-6% higher than 2014.
- **Sunday and Holiday Service Improvements** - Implemented expanded Sunday and holiday bus service on ALL ROUTES in Portland, Westbrook and Falmouth beginning in August 2015.
- **New Bus Shelters Coming** - Serving as lead agency, Metro executed a competitive procurement for up to 55 new bus shelters to be installed in the communities of Portland, Westbrook, Falmouth, South Portland, Biddeford and Saco.

The City of City of South Portland, Shuttle-Bus Zoom and Greater Portland Council of Governments are partners on this project.

First delivery of fifteen (15) shelters for Metro's service area is November-December 2015. The second delivery of fourteen (14) shelters is scheduled for June 2016.

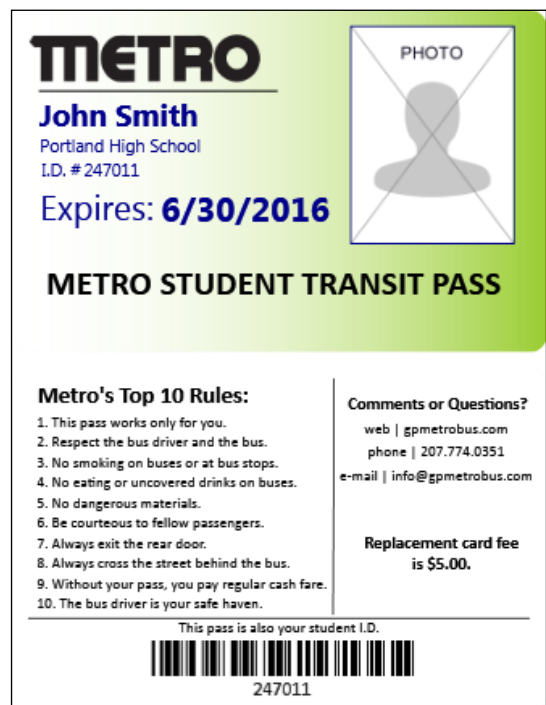


- Planned New Service to Freeport-Yarmouth Achieves Another Milestone** - Metro was awarded federal transit and federal highway funding to implement inter-city/express bus service connecting Freeport, Yarmouth, Falmouth and Portland. Service will start in May 2016.



- Metro and Portland Public Schools Launch High School Student Pass Program** - Metro and the Portland Public Schools District (PPS) successfully launched a student transit pass program for Portland’s public high school students. Beginning September 2, 2015, PPS stopped providing yellow school bus service for high school students and students began using Metro to get to and from school. This program allowed PPS to make modifications to bell times and will create opportunities for cost savings and/or re-allocate resources to other initiatives. For Metro the program will increase annual ridership by 15-20%.

Although this program serves Portland’s high school students, the new revenue coming from the program helps offset the local contributions for Westbrook and Falmouth as well Portland.



- ***Better Customer Service at Metro Pulse*** – In June 2015, a new customer service team was put in place at Metro’s downtown Portland Transit Center (“the Pulse”). These individuals now have customer service and fare media transactions as their sole focus. Up until this point, dispatchers divided their time between managing operations and customer service. In addition, credit and debit cards are now accepted for purchasing transit tickets and passes.
- ***New Metro Route-Schedule Brochure*** – In August 2015, Metro released a new transit brochure that included all Metro’s schedule and route information in a single booklet. Cover artwork was generously provided pro bono by Portland City Councilor David Marshall.
- ***Positive Developments Toward Consolidating Region’s Fixed Route Bus Services*** – A committee convened by the Greater Portland Council of Governments to study consolidation options determined that a full merger, in contrast to more limited options, offered the best outcomes for transit users and should be studied in greater depth.

2016 TOP OBJECTIVES (Pending outcomes of February 2016 Board Retreat)

- Complete installation of 29 new shelters in all three Metro communities: Falmouth, Portland and Westbrook.
- Release “Real-Time Bus Arrival Information” to the public via website, text message and mobile app. This regional project also includes the City of South Portland and Casco Bay Lines with project management support provided the Greater Portland Council of Governments.
- Complete approved facility projects aimed at improving energy efficiency including replacing lighting systems and thirty (30) year old overhead doors.
- In May 2016, launch new inter-city, express bus service to Freeport, Yarmouth and Falmouth and Portland.
- Work with the Greater Portland Council of Governments and regional partners to study and select a consolidation model for the three (3) area fixed route bus operators.
- Completion of a Short Range Transit Plan to guide service improvements and funding initiatives for 2017-2020.
- Roll-out a new marketing campaign in connection with service improvements and the real-time bus technology that invites new transit users.
- Work with regional partners to reach consensus on funding and joint deployment of electronic fare collection which would allow better fare payment options for customers and roll-out of more special programs for universities, schools and major employers.
- Development of a student pass program with USM and a partnership with Portland, Westbrook, Gorham and USM to extend and improve frequency on the Route 4 (Brighton).

- Conduct planning and procurement for a new electronic fare collection system to be deployed in 2017 which will improve fare payment options for customers.
- Planning and procurement for six (6) replacement buses in 2017 as well as execution of a five (5) year contract for replacement buses through 2020.
- Completion and implementation of a new marketing plan.
- Successful completion of a planned Federal Transit Administration Triennial Review.

2016 OPERATING AND CAPITAL BUDGET

The 2016 preliminary operating budget totaling \$7,654,203 reflects a net overall increase of 2.1% compared to the 2015 budget.

The detailed budget tables below indicate that many line items are reducing as Metro staff continues to work toward developing as efficient an operation as possible. The net overall increase is the result of the following major elements:

- The preliminary budget reflects a 2.8% increase in operating expenditures in the following areas.
 - Cost/price increases in the areas of labor and healthcare.
 - Full year costs related to improvements to bus service on Sundays and minor holidays in all three communities and the Route 9 in Portland.
 - Full year costs related to 2015 programmatic improvements in the areas of marketing, customer service, cash handling and transport, training and planning assistance.
- The local portion of the capital budget is decreasing from \$156,000 to \$106,855 due to modifications, removals and resequencing of several projects.
- The proposed 2016 allocation to fund balance is \$0. However, there will be a \$55,000 addition to the General Fund balance due to a transfer from the Health Reimbursement Arrangement fund balance.
- The net 3.5% increase in the local contribution is due in large measure to the decreases in MaineCare related fare revenue, declines in advertising revenue and the 2.1% increase in total expenditures.

There are differences in how each community is impacted. In 2015, the Metro Board approved a two year phased approach to correct imbalances in how revenue miles and deadhead miles are allocated. 2016 revenue and miles are now allocated based on actuals. Consistent with Board direction in 2015, deadhead miles are now allocated proportionately to each community based on revenue miles. Prior to 2015, a disproportionate share of the

deadhead miles was allocated to Portland. South Portland miles are allocated proportionately between Portland, Westbrook and Falmouth.

- Falmouth – Falmouth’s proportion of revenue miles goes from a 2015 “applied” percentage of 6.20% (actual should have been 6.44%) to an actual percentage of 5.95% in 2016. The net reduction in Falmouth's percentage is the result of a planned route change which will reduce revenue miles by an amount greater than increases related to Sunday and Holiday service improvements and the 2015 correction to how deadhead miles are allocated.
- Portland - Portland's proportion of revenue miles goes from a 2015 “applied” percentage of 80.50% (actual should have been 79.97%) to 80.57% in 2016. The net percentage increase is based on increases in revenue miles related to new Sunday, holiday and Route 9 service, decreases related to the January 2015 changes on Routes 1 and 5, and the 2015 correction to how deadhead miles are allocated.
- Westbrook – Westbrook’s proportion of revenue goes from a 2015 “applied” percentage of 13.30% (actual should have been 13.60%) to 13.48% in 2016. The increase in the Westbrook percentage is based on Sunday and Holiday service improvements, the addition of one (1) full weekday a.m. peak period Route 4 (Brighton) trip, and the 2015 correction to how deadhead miles are allocated.

Budget tables are provided on subsequent pages.

Table 1: Sources of Funds

SOURCES OF FUNDS	2016 Budget	2015 Budget	Variance (%)	BUDGET NOTE #	2014 Actual (Final)	2013 Actual (Final)
Passenger Fare Revenue	\$ 1,806,237	\$ 1,889,473	-4.4%		\$ 1,876,643	\$ 1,804,147
<i>Cash Fares</i>	\$ 790,266	\$ 886,862	-10.9%	1	\$ 823,414	\$ 807,682
<i>Single Ride Tickets</i>	\$ 93,809	\$ 148,001	-36.6%	2	\$ 70,739	\$ 38,695
<i>Day Passes</i>	\$ 2,000	\$ 699	186.1%	3	\$ 1,404	\$ 47,345
<i>Ten Ride Tickets</i>	\$ 340,820	\$ 430,559	-20.8%	4	\$ 302,784	\$ 184,946
<i>Monthly Passes</i>	\$ 385,182	\$ 376,112	2.4%	5	\$ 632,873	\$ 680,552
<i>Portland HS Pass Program</i>	\$ 160,000	\$ -	0.0%	6	\$ -	\$ -
<i>Special Pass Programs</i>	\$ 34,160	\$ 47,240	-27.7%	7	\$ 45,429	\$ 47,211
Miscellaneous Revenue	\$ 403,550	\$ 372,289	8%		\$ 394,294	\$ 426,118
<i>Regional Trans. Program</i>	\$ 8,550	\$ 2,971	188%	8	\$ 8,692	\$ 3,158
<i>Portland School District</i>	\$ 98,000	\$ 98,664	-1%	9	\$ 92,347	\$ 76,383
<i>Advertising</i>	\$ 225,000	\$ 267,000	-16%	10	\$ 190,231	\$ 285,124
<i>Miscellaneous Income</i>	\$ 72,000	\$ 3,654	1870%	11	\$ 103,024	\$ 79,289
Federal Assistance	\$ 2,123,789	\$ 2,019,793	5%		\$ 1,539,000	\$ 1,505,857
<i>Federal Operating Assistance</i>	\$ 1,682,789	\$ 1,649,793	2%	12	\$ 1,379,000	\$ 1,354,294
<i>Preventive Maintenance</i>	\$ 371,000	\$ 300,000	24%	13	\$ 90,000	\$ 90,000
<i>Falmouth Rt. 7 Grant</i>	\$ 70,000	\$ 70,000	0%	14	\$ 70,000	\$ 61,563
State Assistance	\$ 170,426	\$ 170,426	0%	15	\$ 69,553	\$ 86,391
Local Investment	\$ 3,150,201	\$ 3,044,004	3.5%	16	\$ 3,058,623	\$ 2,968,781
<i>Falmouth (5.95%)</i>	\$ 146,937	\$ 148,228	-0.9%		\$ 143,017	\$ 137,627
<i>Portland (80.57%)</i>	\$ 2,572,744	\$ 2,485,050	3.5%		\$ 2,511,910	\$ 2,439,138
<i>Westbrook (13.48%)</i>	\$ 430,519	\$ 410,724	4.8%		\$ 403,696	\$ 392,016
Total Revenue	\$ 7,654,203	\$ 7,495,985	2%		\$ 6,938,113	\$ 6,791,294

Table 2: Budget Analysis Notes – Sources of Funds

NOTE	CATEGORY	LINE-ITEM	BUDGET ANALYSIS
1	Fare Revenue	Cash Fares	Cash passenger fare revenue is estimated based on the 2015 experience with no growth assumption. The 11% decline in cash passenger revenue (only 4% compared to 2014 actuals) is principally the result of indirect pressure on MaineCare riders and the fall in gas prices. The reduction in MaineCare pass and ticket purchases means transit dependent riders have less in their personal budgets to use for more discretionary transit trips. Staff expect new bus shelters and the introduction of "real-time" bus arrival information will have a positive impact on ridership.
2	Fare Revenue	Single Ride Tickets	The long-term increase from 2013 to present is related to increases in MaineCare purchases of single ride tickets which corresponds to the major decrease in monthly passes. However, the 2015 budget estimate was too aggressive being based on the first few months of Logisticares purchasing patterns. The 2016 estimate reflects 18 months of history with logisticares.
3	Fare Revenue	Day Pass Sales	The long-term drop in day pass sales is related to elimination of the seasonal 8A bus route which had been put into service on days when cruise ships were in port. However, day pass sales were better than budgeted in 2015 and are estimated to hold steady in 2016.
4	Fare Revenue	10 Ride Tickets	The long-term increase from 2013 to present is related to increases in MaineCare purchases of 10 Ride ride tickets which corresponds to the major decrease in monthly passes. However, the 2015 budget estimate was too aggressive being based on the first few months of Logisticares purchasing patterns. The 2016 estimate reflects 18 months of history with logisticares.
5	Fare Revenue	Monthly Passes	The long-term decrease from 2013 to present is related to decreases in MaineCare purchases of monthly passes. The estimated 2016 increase is based on 2015 purchases and ridership patterns. Staff expect new bus shelters and the introduction of the AVL system to have a positive impact on non-MaineCare monthly pass purchases, although no revenue increase is assumed at this time.
6	Fare Revenue	Portland HS Pass Program	The estimated revenue of \$160,000 is the maximum that can be achieved in the 2015-16 academic year. With ridership exceeding estimates, it is likely that the ridership cap will be raised by 10-15% for the 2016-17 academic year. This will allow for slightly higher revenue for the months of September-December 2016. However, this potential is not reflected in the budgeted revenue estimate.
7	Fare Revenue	Special Pass Programs	The estimated decrease are related to 1) declines in purchases of Metro's Summer Youth Pass which were the result of allowing Portland High School students to use their new passes during the summer of 2015 and 2) declines in chargeable boardings - and increases in transfers - related to the Southern Maine Community College pass program.
8	Miscellaneous	RTP Revenue	This is a new line item that reports on all revenue related to RTP. The current estimate reflects RTP's annual \$2,750 lease payment, bus wash charges and RTP's share of Portland Storm Water Management Fee.
9	Miscellaneous	Portland School District	This is a new line item that reports on all operational revenue related to the Portland School District. The current estimate reflects PSD's anticipated maintenance needs and CNG fuel. Metro staff is revising the method by which PSD is charged for maintenance services. The current method charges \$75/hour for labor which is far below market rate while marking up parts by 50%. The revised method will charge \$100/hr for labor and mark-up parts by 10%.
10	Miscellaneous	Advertising	Baseline advertising revenue is expected to be similar to 2014-15. However, the introduction of 30 bus shelters between 2015-17 is expected to contribute to increases in bus shelter advertising revenue. In addition, staff will be working more closely with ATA to identify untapped advertising sources.
11	Miscellaneous	Misc. Income	Miscellaneous income includes interest expense and revenue associated with lost Portland High School Student Passes. Staff is also anticipating Congressional approval of the 2016 IRS Natural Gas Tax Credit. Concrete information on this revenue source will be available before final budget approval in January 2016. Metro staff is pursuing alternative sources of revenue to replace the \$70,000 gap if this revenue source is not approved.

Table 2: Budget Analysis Notes – Sources of Funds, continued

NOTE	CATEGORY	LINE-ITEM	BUDGET ANALYSIS
12	Federal Assistance	Federal Operating Assistance	The line item for Federal Operating Assistance is increased by 2% per PACTS Transit Committee practice. Operating assistance is limited to 75% of a grant recipient's total annual allocation of 5307 and must be no higher than 50% of net service cost. These limitations mean that Metro is about at the maximum of the amount of federal 5307 funding that can be used for regular operating assistance.
13	Federal Assistance	Preventive Maintenance	The Federal Transit Administration defines preventive maintenance as all maintenance and allows for related activities to be funded at 80% in contrast to direct operating assistance which can be funded at no more than 50%. Metro's maintenance activities cost approximately \$1.3 million with 80% (\$1.0 million) that can be potentially funded with federal 5307 funds. The 2015 increase in PM funding was intended to take advantage of these provisions. Like operating assistance the 2016 amount is increased by 2%. Metro staff have applied an additional \$65,000 based on reductions and modifications made to the CIP and, by extension, PACTS 6 year Capital Program. The reduction in projects allows for the annual increase in PM funding. Metro staff are still pursuing increases in PM funding through the PACTS process.
14	Federal Assistance	Falmouth Rt. 7 Grant	With MAP-21, the Job Access and Reverse Commute Program was subsumed under the broader 5307 Federal Formula Funding Program. The activities funded by JARC remain allowable under the 5307 program. As part of this funding, there has been a long-standing practice of allocating a credit to Falmouth of \$40,500 to support the JARC related trips occurring on the Route 7. This credit is offset by added payments from Portland and Westbrook in the amounts of \$34,627 and \$5,827 respectively.
15	State Assistance	State Assistance	No changes in State Funding compared to 2015.
16	Local Contributions	Local Contributions	The net 3.5% increase in the local contribution is due in large measure to the decreases in MaineCare related fare revenue, declines in advertising revenue and the 2% increase in total expenditures. There are differences in how each community is impacted based on individual service level or revenue mileage changes. Consistent with Board direction in 2015, revenue miles are being allocated based on updated actuals for 2016. Deadhead miles are allocated proportionately to each community based on revenue miles. South Portland miles are allocated proportionately to Portland, Westbrook and Falmouth.

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Table 3: Uses of Funds

USES OF FUNDS	2016 Budget	2015 Budget	Variance (%)	BUDGET NOTE #	2014 Actual (Final)	2013 Actual (Final)
Administration	\$ 1,119,296	\$ 1,088,198	3%		\$ 914,579	\$ 854,097
Personnel (Wages-Salaries)	\$ 441,255	\$ 470,318	-6%	1	\$ 396,005	\$ 321,090
Personnel (Benefits)	\$ 275,961	\$ 263,200	5%	2	\$ 200,455	\$ 172,348
Marketing	\$ 65,000	\$ 48,000	35%	3	\$ 18,572	\$ 22,999
Legal Fees	\$ 28,000	\$ 28,000	0%		\$ 43,030	\$ 33,400
Audit Fees	\$ 12,000	\$ 12,000	0%		\$ 11,625	\$ 11,375
GPCOG Services	\$ 15,000	\$ 10,000	50%	4	\$ 21,352	\$ 23,701
Travel-Meetings	\$ 4,500	\$ 4,500	0%		\$ 1,980	\$ 2,854
Dues-Subscriptions	\$ 21,900	\$ 4,500	387%	5	\$ 3,474	\$ 5,026
Training	\$ 9,500	\$ 9,500	0%		\$ 3,483	\$ 196
Contracts-Consultants	\$ 15,000	\$ 11,500	30%	6	\$ 916	\$ 65,852
IT-Security	\$ 20,000	\$ 24,000	-17%	7	\$ 24,656	\$ 26,815
Armored Car Service	\$ 2,080	\$ 2,080	0%		\$ -	\$ -
Employee Recognition	\$ 2,500	\$ 2,000	25%	8	\$ 4,186	\$ 2,920
Commodities	\$ 51,600	\$ 51,600	0%	9	\$ 58,449	\$ 56,393
Agency Insurance	\$ 155,000	\$ 147,000	5%	10	\$ 126,396	\$ 109,128
Debt Service	\$ 112,000	\$ 114,510	-2%		\$ 80,214	\$ 68,690
Principal Repayment (Main Fleet)	\$ 86,800	\$ 83,945	3%	11	\$ 61,885	\$ 40,523
Interest (Short-term debt)	\$ 8,000	\$ 11,000	-27%	12	\$ 6,124	\$ 17,361
Interest (Long-term debt)	\$ 17,200	\$ 19,565	-12%	13	\$ 12,205	\$ 10,806
Transit Service	\$ 4,626,975	\$ 4,357,155	6%		\$ 4,064,947	\$ 4,170,226
Personnel (Base Salaries)	\$ 2,244,400	\$ 2,077,851	8%	14	\$ 1,989,743	\$ 2,008,557
Personnel (Overtime)	\$ 283,617	\$ 167,602	69%	15	\$ 251,243	\$ 201,351
Personnel (Benefits)	\$ 1,616,958	\$ 1,513,292	7%	16	\$ 1,231,664	\$ 1,318,954
Fuel (Fleet-Diesel)	\$ 215,000	\$ 180,000	19%	17	\$ 250,591	\$ 387,400
Fuel (Fleet - CNG)	\$ 245,000	\$ 396,410	-38%	18	\$ 322,711	\$ 230,200
Commodities	\$ 10,500	\$ 10,500	0%		\$ 9,943	\$ 10,685
Pulse Operating Costs	\$ 11,500	\$ 11,500	0%		\$ 9,052	\$ 13,079

Table 3: Uses of Funds, Continued

USES OF FUNDS	2016 Budget	2015 Budget	Variance (%)	BUDGET NOTES	2014 Actual (Final)	2013 Actual (Final)
Asset Maintenance	\$ 1,689,077	\$ 1,690,122	0%		\$ 1,572,318	\$ 1,545,066
Personnel (Base Salaries)	\$ 541,242	\$ 530,800	2%	19	\$ 520,600	\$ 516,945
Personnel (Overtime)	\$ 20,663	\$ 19,001	9%	20	\$ 17,266	\$ 17,139
Personnel (Benefits)	\$ 372,529	\$ 391,605	-5%	21	\$ 315,149	\$ 330,583
Parts (Equipment)	\$ 14,000	\$ 15,000	-7%		\$ 10,960	\$ 13,804
Parts (Fleet)	\$ 156,442	\$ 144,000	9%	22	\$ 149,639	\$ 149,309
Parts (Facilities)	\$ 74,500	\$ 70,000	6%	23	\$ 76,582	\$ 83,881
Other Materials-Supplies	\$ 42,000	\$ 37,249	13%	24	\$ 30,648	\$ 36,660
Tires (Fleet)	\$ 31,984	\$ 30,667	4%		\$ 34,135	\$ 34,074
Supplies (Fleet)	\$ 41,718	\$ 36,800	13%	25	\$ 37,451	\$ 50,358
Electricity	\$ 122,000	\$ 145,000	-16%	26	\$ 113,577	\$ 90,892
Radio Maintenance	\$ -	\$ -	0%		\$ 12,266	\$ 4,000
Water-Sewer	\$ 17,000	\$ 9,000	89%	27	\$ 8,855	\$ 6,574
Gas Heat (Facilities)	\$ 200,000	\$ 210,000	-5%	28	\$ 230,681	\$ 200,948
CNG Fuel Station Maint.	\$ 25,000	\$ 23,000	9%	29	\$ 14,509	\$ 9,899
Bus Stop Maintenance	\$ 30,000	\$ 28,000	7%	30	\$ -	\$ -
Transfer to Capital Program	\$ 106,855	\$ 156,000	-32%	31	\$ 38,300	\$ 138,387
Falmouth Share	\$ 6,358	\$ 9,672	-34%		\$ 2,298	\$ 8,303
Portland Share	\$ 86,093	\$ 125,580	-31%		\$ 31,023	\$ 112,094
Westbrook Share	\$ 14,404	\$ 20,748	-31%		\$ 4,979	\$ 17,990
Transfer to Fund Balance	\$ -	\$ 90,000	-100%	32	\$ -	\$ -
Total Expenditures	\$ 7,654,203	\$ 7,495,985	2%		\$ 6,670,358	\$ 6,776,466

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Table 4: Budget Analysis Notes – **Uses of Funds**

NOTE	CATEGORY	LINE-ITEM	BUDGET ANALYSIS
1	Admin.	Personnel (Wages-Salaries)	The net 6% decrease is related to one administrative employee's voluntary reduction in hours long with movement of another employee to the Transit Services section. This employee moved from an administrative role to a customer service role at the Pulse. All administrative employees are budgeted to receive a 2% cost of living raise in 2016.
2	Admin.	Personnel (Benefits)	The net 5% increase reflects the personnel changes noted above as well as an increase in retirement contributions from 4.5% to 5% and an 8% increase in the cost of medical insurance coverage. Decreasing costs in this line item includes the removal of the annual allocation to the Health Reimbursement Arrangement (HRA) in accordance with an updated HRA funding strategy.
3	Admin.	Marketing	The increase reflects a recognition that Metro in general, and real-time bus arrival information in particular, needs to be effectively marketed.
4	Admin.	GPCOG Services	Increase reflects Metro's anticipated cooperation with GPCOG and PACTS program of projects as well as Metro's individual needs for as needed planning and project management support.
5	Admin.	Dues-Subscriptions	The increase reflects membership in the American Public Transportation Association beginning in January 2016. The annual cost is \$11,600 due at the beginning of APTA's fiscal year in July. The programmed amount represents a partial year membership (Jan-Jun 2016) and subsequent full year membership (Jul-Jun 2016-17). The benefits of APTA membership include discounted national conference/training fees; professional development opportunities for staff; professional peer review services in the areas of maintenance, finance and safety; access to APTA data, analytics and reports; and greater national and political exposure for Metro.
6	Admin.	Contracts-Consultants	The increase is in order to allow Metro outside consultant assistance for the development of its short-range transit plan as well as unexpected needs.
7	Admin.	IT-Security	The proposed budget is in order to allow Metro to complete a rebid of IT support services and complete an ITS strategic plan.
8	Admin.	Employee Recognition	This modest increase is to provide for an improved employee recognition program.
9	Admin.	Commodities	This item includes production of schedules, tickets-transfers and office supplies.
10	Admin.	Agency Insurance	This item includes vehicle insurance, general liability and specific liability coverages. A 5% increase is assumed at this stage. Final numbers will be available in December 2015.

Table 4: Budget Analysis Notes – Uses of Funds, Continued

NOTE	CATEGORY	LINE-ITEM	BUDGET ANALYSIS
11	Debt Service	Debt Service	This item reflects principle debt service payments Metro expects to make based on bonding for the local match on fleet purchases in 2011 and 2014.
12	Debt Service	Interest (Short-term debt)	Short-term interest is expected to decrease as Metro works to advance annual payments from the municipalities and accelerate the federal funding process to reduce the need to access credit.
13	Debt Service	Interest (Long-term debt)	This item reflects interest costs related to debt service payments Metro expects to make based on bonding for the local match on fleet purchases in 2011 and 2014.
14	Transit Operations	Personnel (Base Salaries)	The net 8% increase reflects several items: required 2% wage increases related to terms of the Collective Bargaining Agreement; full year costs of the increase in Sunday and minor holiday service levels; service improvement on the Route 9 related to the Portland High School Student Pass Program. Staff is working toward a 51 bus operator work force. This is the figure that staff estimates balances base labor costs, overtime costs, costs and impacts of scheduled and non-scheduled employee absences, and employee morale and productivity.
15	Transit Operations	Personnel (Overtime)	Overtime has been more carefully analyzed and calibrated for 2016 and works to account for scheduled and un-scheduled employee absences, overtime built into scheduled runs, overtime required by the Collective Bargaining Agreement, overtime related to new service on minor holidays and the natural increase related to wage increases.
16	Transit Operations	Personnel (Benefits)	The net 7% increase reflects the personnel changes noted under Administration as well as an increase in retirement contributions from 4.5% to 5% and an 8% increase in the cost of medical insurance coverage. Decreasing costs in this line item includes the removal of the annual allocation to the Health Reimbursement Arrangement (HRA) in accordance with an updated HRA funding strategy.
17	Transit Operations	Fuel (Fleet-Diesel)	More diesel fuel will be used in 2016 as Metro operates more of the diesel buses due to the Portland High School Student Pass program. However, staff has executed a contract for a 2 year supply of diesel fuel at \$2.02 per gallon. This is down from the prior 1 year contract at \$2.64 per gallon.
18	Transit Operations	Fuel (Fleet - CNG)	CNG use was over-budgeted in 2015. 2016 utilization is calibrated to planned revenue miles, the proportion of CNG to total fleet, anticipated CNG pricing which reflects the removal of a Unitel "re-entry" fee and anticipated fuel efficiency.
19	Asset Maintenance	Personnel (Base Salaries)	The net 2% increase reflects the required 2% wage increase related to terms negotiated in the Collective Bargaining Agreement.
20	Asset Maintenance	Personnel (Overtime)	Overtime cost is budgeted in anticipation of another worse than average winter and the use of Metro's older fleet.
21	Asset Maintenance	Personnel (Benefits)	The net 5% decrease reflects an increase in retirement contributions from 4.5% to 5% and an 8% increase in the cost of medical insurance coverage. Decreasing costs in this line item includes the removal of the annual allocation to the Health Reimbursement Arrangement (HRA) in accordance with an updated HRA funding strategy as well as changes in employee coverage selections.

Table 4: Budget Analysis Notes – Uses of Funds, Continued

NOTE	CATEGORY	LINE-ITEM	BUDGET ANALYSIS
22	Asset Maintenance	Parts (Fleet)	The increase is related to the increase in service as well as several buses coming out of warranty.
23	Asset Maintenance	Parts (Facilities)	The increase is based on recent history on parts needs related to the facility and improvements stemming from facility projects that have completed or will complete in 2016.
24	Asset Maintenance	Other Materials-Supplies	The increase is related to the increase in service as well as several buses coming out of warranty.
25	Asset Maintenance	Supplies (Fleet)	The increase is related to the increase in service as well as several buses coming out of warranty.
26	Asset Maintenance	Electricity	The price of electricity has declined.
27	Asset Maintenance	Water-Sewer	Increase is related to the City of Portland's Storm Water Management Fee.
28	Asset Maintenance	Gas Heat (Facilities)	Although forecasts suggest a milder 2015-16 winter than 2014-15, Metro is anticipating a similar winter to that of 2015 for budget purposes. Natural gas price will be lower due to the removal of Unitel's "re-entry" fee.
29	Asset Maintenance	CNG Fuel Station Maintenance	Metro is planning to issue an RFP for preventive and corrective maintenance inspections. The current contract requires a greater scope. Through this process, Metro will also be pricing the option to have back-up CNG fuel supply provided in the event of a fuel disruption.
30	Asset Maintenance	Bus Stop Maintenance	This is a programmatic increase related to Metro's planned effort to conduct snow removal at the system's top bus stops in addition to current bus shelter locations.
31	Transfer to Capital Program	Transfer to Capital Program	Please refer to the proposed 2016-2020 Capital Improvement Program.
32	Transfer to Fund Balance	Transfer to Fund Balance	The proposed allocation to the Metro's fund balance is removed for the 2016 budget year. The planned modification to the HRA funding strategy will allow for a \$55,000 transfer from the HRA account to the General Fund Balance. Metro's estimated 2015 year end General Fund balance is \$690,000 and the 2016 year end estimate is \$745,000 which is approximately 9.8% of operating costs. Metro's minimum General Fund balance target is 8.33% of operating expenditures.