

# TRANSIT

## INTRODUCTION

The Milwaukee County Transit System (MCTS) provides public transit services to the citizens of Milwaukee County. Those services consist of a fixed route system of traditional buses and a paratransit system of demand responsive van-based services that are available to persons with disabilities who qualify under the Americans with Disabilities Act.

Direct management and operation of the transit system is provided by Milwaukee Transport Services, Inc. (MTS), a private non-profit corporation that contracts with the county and is also considered a “legal instrumentality” of the county. This arrangement has existed since 1975, when the county, at its own discretion, acquired ownership of the transit system from a private operator. MTS administers both the traditional fixed route transit service in Milwaukee County and paratransit services. The system’s equipment and facilities are owned by Milwaukee County, but its approximately 1,100 employees work for MTS and are paid by MTS. MTS employees and retirees are not part of the county’s pension system nor do they receive health care benefits from the county.

MCTS operates under the purview of the county’s Department of Transportation and Public Works (DTPW). The DTPW Director’s Office provides oversight over the MTS contract and prepares and administers federal and state transit grants, while other DTPW personnel assist with the acquisition of capital equipment and design and construction for certain transit capital projects.

In 2007, MCTS provided more than 42 million revenue rides on its fixed route services and more than one million additional rides on its paratransit services. MCTS’ 479 buses operate on 52 routes in Milwaukee County. MCTS also runs the Ozaukee County Express under contract to Ozaukee County.

MCTS’ fixed route service is funded by a combination of four primary revenue sources: federal aids (both formula and earmarked funds), state operating assistance, county property tax levy and revenue collected from riders (also known as “farebox revenue”). MCTS also typically receives smaller amounts of other state and federal funding, such as Congestion and Mitigation Air Quality (CMAQ) grants and other special allocations, and it derives small amounts of revenue from advertising and related activities.

The county’s property tax levy allocation to MCTS consists of both a contribution to the direct cost of running the transit system and a contribution that pays for indirect costs such as depreciation, interest on county-issued debt and county service charges. These indirect costs are not controlled by MCTS and essentially are dictated to the system by the county.

Paratransit services also are funded via a combination of the four primary revenue sources used for the fixed route system, though passenger revenue accounts for a much smaller percentage (approximately 15% as compared with approximately 32% for fixed route). The paratransit

budget, however, contains significant revenue from the State Medicaid program and from the county's Department on Aging and Disabilities Services Division.

The annual county budget combines the fixed route and paratransit budgets into one unified MCTS budget. However, **Tables 27** and **28** break down actual spending for the 2005-08 period and the adopted 2009 budgets for each program on an individual basis.

**Table 27: MCTS Fixed Route Operating Revenue and Expenditures, 2005-2009**

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget
<b>Revenue</b>					
Passenger revenue	\$38,453,154	\$41,038,542	\$42,573,787	\$45,257,369	\$45,579,580
Other transit revenue	\$3,717,475	\$5,761,414	\$3,460,242	\$3,049,540	\$2,970,000
<b>Total operating revenue</b>	<b>\$42,170,629</b>	<b>\$46,799,956</b>	<b>\$46,034,029</b>	<b>\$48,306,908</b>	<b>\$48,549,580</b>
<b>Expenses</b>					
Employee expenses	\$104,758,993	\$107,315,792	\$109,070,643	\$107,175,287	\$113,228,826
Bus repair parts	\$3,214,669	\$2,683,266	\$3,377,221	\$4,058,878	\$3,633,001
Fuel	\$7,103,595	\$8,547,925	\$9,060,440	\$14,535,517	\$14,911,623
Other transit expenses	\$4,239,613	\$5,716,088	\$7,467,343	\$7,377,551	\$7,510,820
<b>Total operating expenses</b>	<b>\$119,316,870</b>	<b>\$124,263,071</b>	<b>\$128,975,647</b>	<b>\$133,147,232</b>	<b>\$139,284,270</b>
<b>Public funding</b>					
Federal (capitalized maint.)	\$17,682,260	\$17,413,955	\$17,750,000	\$18,250,000	\$18,600,000
State operating assistance	\$47,684,220	\$49,763,550	\$50,806,000	\$55,392,000	\$56,253,000
Local (Milw. Co. tax levy)	\$11,139,459	\$9,621,474	\$13,548,287	\$10,281,371	\$15,229,690
Other state and federal	\$640,302	\$664,136	\$837,330	\$916,953	\$652,000
<b>Total public funding</b>	<b>\$77,146,241</b>	<b>\$77,463,115</b>	<b>\$82,941,618</b>	<b>\$84,840,324</b>	<b>\$90,734,690</b>

**Table 28: MCTS Paratransit Operating Revenue and Expenditures, 2005-2009**

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget
<b>Revenue</b>					
Passenger revenue	\$3,273,428	\$3,343,709	\$3,577,102	\$3,473,581	\$3,637,625
Title XIX	\$1,095,720	\$1,264,753	\$1,344,350	\$1,700,659	\$1,318,000
Miscellaneous revenue	\$31,541	\$58,080	\$915,813	\$2,684,075	\$5,499,500
<b>Total operating revenue</b>	<b>\$4,400,689</b>	<b>\$4,666,541</b>	<b>\$5,837,265</b>	<b>\$7,858,315</b>	<b>\$10,455,125</b>
<b>Operating expenses</b>					
Employee expenses	\$959,105	\$906,636	\$929,831	\$923,957	\$997,371
Purchased transportation expense	\$18,108,949	\$19,078,355	\$20,895,592	\$22,737,919	\$24,063,524
Other paratransit expenses	\$134,128	-\$2,983	\$168,036	\$150,257	\$151,900
<b>Total operating expenses</b>	<b>\$19,202,183</b>	<b>\$19,982,008</b>	<b>\$21,993,459</b>	<b>\$23,812,133</b>	<b>\$25,212,795</b>
<b>Public funding</b>					
Federal (capitalized maintenance)	\$0	\$0	\$1,650,000	\$1,750,000	\$1,850,000
State	\$9,127,561	\$8,184,450	\$8,301,000	\$8,393,000	\$9,047,000
State Section 8521	\$928,789	\$1,265,263	\$1,441,028	\$1,457,868	\$1,494,000
Other federal and state	\$0	\$0	\$0	\$0	\$0
Local (Milwaukee County tax levy)	\$4,745,144	\$5,865,754	\$4,764,166	\$4,352,950	\$2,366,670
<b>Total public funding</b>	<b>\$14,801,494</b>	<b>\$15,315,467</b>	<b>\$16,156,194</b>	<b>\$15,953,818</b>	<b>\$14,757,670</b>

As the Public Policy Forum noted in our May 2008 report on MCTS (*Milwaukee County's Transit Crisis: How Did We Get Here and What Do We Do Now?*), each year there is considerable attention focused on the county's property tax levy contribution to MCTS despite its relatively small percentage of MCTS' revenue budget. That attention stems from the method in which MCTS constructs its annual budget and the role of the county as "backstop." MCTS develops its budget first by estimating operating expenditures for the coming year, followed by its anticipated state operating assistance, federal funding and farebox and other miscellaneous revenue. The difference between estimated expenditures and other forms of revenue is the amount to be funded by county property tax levy.

As explained in the May 2008 report, each year the county's property tax requirement tends to be considerably larger than the previous year's because operating needs grow at a significantly higher rate than anticipated state, federal and farebox revenue. Consequently, county policymakers are faced with the dilemma of allocating additional property tax dollars, cutting service and/or raising fares. In light of their reluctance to take any of those steps, during the past several years, county officials instead have depleted reserves and made increasing use of federal "capitalized maintenance" funds to plug holes in MCTS' operating budget (though moderate fare increases and service cuts also have been a staple of MCTS budgets this decade).

According to the Forum's report (and confirmed by MCTS officials), the depletion of reserves and the imminent need to purchase new buses with federal capital dollars now used for maintenance has created a structural hole in MCTS' budget of about \$20 million annually. According to MCTS officials, filling such a hole with expenditure cuts would require more than a 30% reduction in transit service, which would involve elimination of all freeway flyer service and one in three local bus routes. While this major structural problem has been averted temporarily because of the availability of federal stimulus funds to purchase new buses, it will re-emerge once those funds disappear unless other revenue sources are implemented.

The total budget for MCTS in 2009 was about \$172 million. MCTS' 2009 budgeted property tax levy was \$23 million, ranking it fifth among all county departments (behind the Office of the Sheriff, Behavioral Health Division, Courts and Parks). As noted above, MCTS employees are not county employees, but instead work for MTS. If MCTS was a county department, its approximately 1,200 employees would make it second largest after the Office of the Sheriff.

## BUDGET BREAKDOWN

**Table 29** breaks down MCTS' actual expenditures and revenue in 2008. MCTS' budget looks different from most other county departments and divisions when shown in this format because it does not contain personnel costs. Those costs are folded into the "non-personnel expenditures" category, as the personnel in question are non-county personnel and are funded through the county's direct allocation to MCTS. This analysis does show that MCTS spent \$439,000 on central service charges from other county departments and \$3.7 million on debt and depreciation on county-owned assets – expenditures that could be impacted if MCTS was transferred outside of county government.

**Table 29: Breakdown of MCTS 2008 Actual Expenditures and Revenues and Legacy Costs**

Mass Transit	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using 2008 fringe allocation method*	Based on retiree history**
Administrative	\$159,671	\$144,085	\$15,586	\$15,119
Information technology	\$50,029	\$45,146	\$4,883	\$4,737
Legal counsel	\$0	\$0	\$0	\$0
Facility management	\$229,281	\$206,901	\$22,380	\$21,710
Fleet management	\$0	\$0	\$0	\$0
<b>Central charges/overhead</b>	<b>\$438,981</b>	<b>\$396,132</b>	<b>\$42,849</b>	<b>\$41,566</b>
Salary and wages	\$0	\$0	\$0	\$0
Social security	\$0	\$0	\$0	\$0
Employee healthcare	\$0	\$0	\$0	\$0
Employee pension	\$0	\$0	\$0	\$0
Retiree healthcare	\$0	\$0	\$0	\$0
Retiree pension	\$0	\$0	\$0	\$0
OPEB liability (proprietary fund)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Personnel costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Debt service	\$944,382	\$944,382	\$0	\$0
Depreciation	\$2,720,833	\$2,720,833	\$0	\$0
Other expenditures***	\$159,882,214	\$159,882,214	\$0	\$0
<b>Other expenditures</b>	<b>\$163,547,429</b>	<b>\$163,547,429</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL EXPENDITURES</b>	<b>\$163,986,410</b>	<b>\$163,943,561</b>	<b>\$42,849</b>	<b>\$41,566</b>
State revenue	\$67,374,662	\$67,374,662	\$0	\$0
Federal revenue	\$21,110,292	\$21,110,292	\$0	\$0
Transit revenue	\$51,780,490	\$51,780,490	\$0	\$0
Other revenue	\$4,672,974	\$4,672,974	\$0	\$0
<b>TOTAL REVENUES</b>	<b>\$144,938,418</b>	<b>\$144,938,418</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL LEVY</b>	<b>\$19,047,992</b>	<b>\$19,005,143</b>	<b>\$42,849</b>	<b>\$41,566</b>
Unfunded pension liability****	\$0	\$0	\$0	\$0
Outstanding debt and interest	\$24,220,175	\$24,220,175	\$24,220,175	\$24,220,175
<b>TOTAL LONG-TERM DEBT</b>	<b>\$24,220,175</b>	<b>\$24,220,175</b>	<b>\$24,220,175</b>	<b>\$24,220,175</b>

\* In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.

\*\* This method distributes legacy costs according to a department's retiree history.

\*\*\* These figures include the costs of bus drivers, managers, and other staff that are not county employees but that of MTS, Inc.

\*\*\*\* Estimated liability allocated to department is based on the department's retiree history.

The treatment of legacy costs should administration of the transit system be transferred outside of Milwaukee County is not an issue with MCTS from the county's perspective, as legacy liabilities for bus drivers and other transit employees are held by MTS and not the county.<sup>26</sup> The one outstanding liability that would have to be addressed is county-held General Obligation debt on transit buses, equipment and facilities, which totals \$24.2 million.

## **POTENTIAL ALTERNATIVE GOVERNANCE STRUCTURE**

The potential alternative governance structure for mass transit services that has received the most public discussion is creation of a Regional Transit Authority (RTA) to govern transit operations in Milwaukee County and other southeast Wisconsin counties. The section below provides a brief analysis of that option.

### **Discussion**

The concept of an RTA to administer mass transit in southeast Wisconsin has been debated off and on for at least the past two decades. In 1990, the Milwaukee County Board of Supervisors adopted a resolution requesting the Southeastern Wisconsin Regional Planning Commission (SEWRPC) to explore the feasibility of establishing an RTA to administer both transit and other transportation services. According to a SEWRPC memorandum, "the Board's resolution cited, in particular, the difficulty in developing a truly regional mass transit system that would provide effective and efficient area-wide transit service."<sup>27</sup> A similar request was made by the City of Milwaukee's public works director.

SEWRPC conducted the study and found, among other things, that of the nation's 35 largest urban areas, Milwaukee was one of only four with no RTA. Subsequent to the study, the Wisconsin Legislature, as part of the 1991-93 state budget, created a temporary seven-county RTA in Southeast Wisconsin to study the creation of a permanent RTA and to make recommendations regarding how transportation services in the region should be funded.

The temporary RTA issued a report in 1993 that recommended creation of a permanent seven-county RTA with the following characteristics:

- The RTA would collect and distribute revenue for both roads and transit in the region, and potentially administer transit.
- The RTA would be governed by an 11-member board consisting of one representative from each county (Milwaukee, Kenosha, Racine, Waukesha, Ozaukee, Washington, Walworth), three at-large members and the Wisconsin Secretary of Transportation. All members would be appointed by the governor and confirmed by the state senate.

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<sup>26</sup> The exception is the \$42,000 in legacy costs associated with administrative services for transit that are charged to the MCTS budget, which would have to remain with the county or be assumed by another governing body.

<sup>27</sup> SEWRPC, "A Regional Transportation Authority Feasibility Study for Southeast Wisconsin", 1990.

- The RTA would have a \$95 million annual funding target: \$57 million to replace property taxes and \$38 million for new investment. Funding would be generated from a .4% sales tax and five-cent gas tax in the region.

This recommendation was forwarded to each of the seven counties but rejected by county boards in six of the seven. Only the Milwaukee County board supported the recommendation, though its support was based on the condition that the gasoline tax be increased statewide. Consequently, the temporary RTA was disbanded and a permanent RTA was not created.

The RTA concept resurfaced earlier this decade, when proponents of a new commuter rail line to connect Kenosha, Racine and Milwaukee counties suggested creation of an RTA for those three counties. The proposed RTA would administer and pay for both buses and the new rail line, but not local roads. The Wisconsin Legislature supported the concept by creating a temporary three-county RTA as part of the 2005-07 State budget to explore the creation and funding of a permanent three-county RTA and report back to the Legislature by November 2008.

On November 15, 2008, the Southeastern Wisconsin Regional Transit Authority (SEWRTA) issued recommendations to the governor and Legislature. Three months later, in his 2009-11 State budget request, the governor introduced his own proposal, which encompassed many of the RTA recommendations but also contained some unique provisions. Highlights of the governor's proposal included the following:

- Establishment of a permanent RTA, initially assumed to include the counties of Kenosha and Milwaukee and the urbanized area of Racine, provided that the appropriate governing bodies adopt a resolution to join the RTA.
- The RTA would consist of one representative appointed by the mayor and one by the county executive from Milwaukee and Kenosha; one representative from the city of Racine; and two representatives appointed by the governor, at least one of whom would have to be from Milwaukee County.
- Authorization for the new RTA to levy up to a 0.5 percent sales tax as a dedicated source of funding to support transit, commuter rail and other transit projects in the region. The existing authorization for imposition of a vehicle rental fee of up to a \$2 per rental transaction also would be retained.
- The RTA would be required to provide or contract for the provision of transit service within the authority's jurisdictional area. It could acquire an existing local transit system and either run the system itself or contract for its operation, or it could contract with an existing transit operator to run an existing transit system.

The RTA proposal was the subject of fierce debate, and ultimately a modified version emerged as part of the 2009-11 state budget passed by the legislature. However, that version was vetoed by the governor in July 2009. One of the key sticking points is whether the assets of existing transit systems in the region should be transferred to the RTA – thereby establishing it as the transit administrator and/or operator in the region – or whether it should function primarily as the repository of dedicated sales tax revenue that sets broad policy and contracts with existing transit

administrators to run the existing systems. If the legislation moves forward, then how that question is resolved obviously would impact the questions addressed in this report, as under the latter scenario the Milwaukee County Transit System would not be transferred out of Milwaukee County government.

To provide additional context, we explored transit authorities in other parts of the country, which have become increasingly popular since the 1970s. Particularly in urban or larger suburban areas, special districts have been allowed to own and operate bus and rail services in place of either general purpose governments or private for-profit companies.

Several transit authorities were examined to shed light on their structure, level of service provision and financing strategies. These include the Massachusetts Bay Transportation Authority, the Alamance County (NC) Transportation Authority, the Orange County (CA) Transportation Authority, and the Mason County (WA) Transportation Authority. The following provides brief individual case studies for the Capital Metro Transportation Authority, the Central Ohio Transit Authority, the Chicago Transit Authority, and the Nashville Metropolitan Transit Authority.

**Table 30: A Profile of the Capital Metro Transportation Authority Metropolitan Austin, Texas**

<b>Establishment</b>	Capital Metro was created on January 19, 1985 by a referendum of metropolitan Austin voters. Voters in the 1985 election also approved a service plan that expanded the existing Austin city bus service and called for the development of a light rail transportation system to serve the area (this was not completed until 2008). Operations began on July 1, 1985.
<b>Property</b>	The Authority provides bus and high-speed rail service in and around metropolitan Austin. It owns and operates six operations facilities, 401 buses, 65 paratransit vans, 53 paratransit sedans, nine rail stations, and ten transit centers. The authority also provides 16 park-and-ride facilities around the greater Austin area. Day-to-day services are provided by a contracted organization.
<b>Population served</b>	The municipalities of Austin, San Leanna, Leander, Lago Vista, Anderson Mill, Jonestown, Manor, Volente and Point Venture. Population: 680,887 (approx.)
<b>Governance</b>	Capital Metro is governed by an eight-member board of directors which has governance responsibilities over all activities related to Capital Metro. The Board consists of eight members, three of whom are appointed by the Capital Area Metropolitan Planning Organization, two by the City of Austin mayor, one by Travis County, one by Williamson County, and one by the small city members.
<b>Budget process</b>	State legislation mandates that Capital Metro’s board adopt an annual operating budget. This budget is prepared by the Capital Metro President/CEO. The budget must be adopted before the beginning of each fiscal year on October 1st. The board also holds a public hearing on the proposed operating budget and makes the proposed budget available to the public.
<b>Financial planning</b>	In preparing the budget, Capital Metro utilizes a 25 year strategic vision and plan— <i>All Systems Go!</i> — that was adopted in 2004. The plan established a set of capital priorities and financing strategies.
<b>Revenue</b>	The Authority obtains revenue from a 1% sales and use tax, passenger fees, freight fees and contract fees. Approximately 70% of the Authority’s revenue is obtained from the sales and use tax.

**Table 31: A Profile of the Central Ohio Transit Authority  
Metropolitan Columbus, Ohio**

<b>Establishment</b>	In 1971, when 11 municipalities and one county in metropolitan Columbus area were threatened by the loss of bus service from the privately owned Columbus Transit Company (CTC), the governments came together to form the Central Ohio Transit Authority (COTA). COTA began providing service in Franklin County on January 1, 1974.
<b>Property</b>	The Authority owns and operates all services and fixed capital related to bus transit within its 556 square mile boundaries. The Authority utilizes 234 buses to serve 55 bus routes and provides 4,216 bus stops, 387 passenger shelters and 26 park-and-ride facilities.
<b>Population served</b>	Municipalities of Bexley, Columbus, Gahanna, Grandview Heights, Grove City, Hilliard, Reynoldsburg, Upper Arlington, Westerville, Whitehall, Worthington and Franklin County Population: 949,708 (approx.)
<b>Governance</b>	A 13-member board of trustees oversees the transit system and appoints a president/CEO to manage the day-to-day operations of the authority. Trustees represent 11 municipalities and Franklin County. The City of Columbus has seven trustees that are appointed by the mayor. The 10 other member municipalities are divided into four groups with each group appointing representatives to the board on an alternating basis (also mayoral appointments). Finally, the Franklin County Commissioners appoint two trustees to the board.
<b>Budget process</b>	The president/CEO works with staff members to create a yearly budget. These budgets, including any fare increases, are then examined and approved by the board prior to their implementation.
<b>Financial planning</b>	In 2006 the Authority created and passed a Long-Range Transit Plan that analyzed, predicted and provided preliminary budget allocations through 2030.
<b>Revenue</b>	Franklin County voters approved a 0.25 percent permanent sales tax for COTA in November 1999, and another 0.25 sales and use tax in 2006. This has allowed the Authority to supplement its user fees with revenue from the 0.5 percent total sales and use tax.

**Table 32: A Profile of the Chicago Transit Authority  
Metropolitan Chicago, Illinois**

<b>Establishment</b>	The Chicago Transit Authority (CTA) began operating in 1947 after it acquired the properties of the Chicago Rapid Transit Company and the Chicago Surface Lines. In 1952, CTA became the primary operator of Chicago transit when it purchased the Chicago Motor Coach system.
<b>Property</b>	The Authority has 1,971 buses that operate more than 150 routes and 2,517 route miles. Additionally, the Authority operates a rapid transit system which includes 1,190 rail cars that operate over eight routes and 224.1 miles of track. The rapid transit system also serves both Chicago area airports- O'Hare International Airport and Midway Airport.
<b>Population served</b>	The City of Chicago and 40 suburban municipalities in the metropolitan area. Population: 3,900,000 (approx.)
<b>Governance</b>	The CTA is governed by the Chicago Transit Board. The board consists of seven members: four appointed by the Mayor of Chicago and three by the Governor of Illinois. The Mayor's appointees are subject to the approval of the Governor and the Chicago City Council; the Governor's appointees are subject to the approval of the Mayor and the Illinois State Senate. CTA's day-to-day operations are directed by a president.
<b>Budget process</b>	The president works with staff members to create annual budget recommendation reports. These budget recommendations, including any fare increases, are then examined and approved by the board.
<b>Financial planning</b>	In addition to an annual budget, the president and CTA staff also develop annual capital budgets. These capital budgets are informed by several long-term planning and expansion plans for various segments of the Authority's operations (e.g. rails lines, bus routes, facilities).
<b>Revenue</b>	The Authority obtains revenue from both user fees and supplemental funding for operating expenses from the Regional Transportation Authority (RTA). The supplemental funding amounted to nearly 50 percent of total revenues in 2007.

**Table 33: A Profile of the Nashville Metropolitan Transit Authority  
Metropolitan Nashville, Tennessee**

<b>Establishment</b>	In early 1973, the Metropolitan Government of Nashville and Davidson County applied for a federal grant for the purchase of the privately owned Nashville Transit Company. By September of 1973, the transfer from private to public ownership was completed and the Metropolitan Transit Authority (MTA) was officially chartered.
<b>Property</b>	The Nashville MTA provides bus-related services to the greater Nashville-Davidson County metropolitan area. The Authority currently has 137 fixed route buses, 63 AccessRide buses, several primary terminals and 475 employees. The Authority also provides 17 park-and-ride lots located throughout the Nashville-Davidson County metropolitan area. Day-to-day services are provided by a contracted nonprofit firm.
<b>Population served</b>	Nashville/Davidson County Population: 569,891
<b>Governance</b>	A five-member board of directors, appointed by the Mayor and approved by the City Council, governs the Nashville MTA. A management team, headed by a Chief Executive Officer (CEO), oversees the day-to day operations.
<b>Budget process</b>	The CEO, with the assistance of financial staff and an executive finance committee, prepares an annual budget. The budget, once presented to the board, must then be passed by a majority vote. An annual capital budget is also prepared by the CEO and passed by the board.
<b>Financial planning</b>	In 2009, the Nashville MTA adopted a strategic master plan. The plan outlined priorities for short (2009-2015), mid (2015-2025) and long (2025-2035) term. The plan outlined specific capital and organizational priorities as well as corresponding financing strategies.
<b>Revenue</b>	The Authority generates revenue by utilizing state and federal government grants, financial assistance from the Metropolitan Government of Nashville and Davidson County, and self-generated income. The self-generated income comes from fares, advertising revenue, and revenues from contracts and special events.

These four districts and others analyzed share several structural similarities. First, the services provided by each district are limited to transit, i.e. bus, rail, and shuttle systems as opposed to roads or airports. Second, similar to other special districts, each authority is governed by an executive board. The board members generally are appointed by elected officials from the municipalities within the districts. Third, all of the above districts operate on a regional scale. Whether primarily on a county-wide basis (e.g. Orange, Alamance, and Mason Counties) or a much larger metropolitan scale (e.g. Chicago, Massachusetts, or central Ohio), the services provided by the districts are not confined to a single municipality. Thus, the existence of a transportation district appears to also require a certain degree of regional cooperation.

In terms of structural differences, the scope of each district varies extensively. As one would assume, the total amount of services provided by the Massachusetts Bay Transportation Authority of metropolitan Boston is much larger than the total amount provided by the more rural Mason County Transportation Authority. The size of the served communities guarantees that service levels vary across each district. Also, the types of transit services vary. In particular, rail service is provided by some authorities, while bus systems are the sole concentration of others. Additionally, some districts (e.g. Mason County Transportation Authority) tend to have a greater focus on shuttle or van services for the elderly and disabled.

The financial strategies and revenue streams of the examined districts are relatively similar. Each authority is required to develop operations and capital budgets on an annual basis. Additionally, the majority of the districts currently utilize some type of long-range comprehensive plan to structure future service and financial priorities. Revenue sources also are similar across the authorities. With the exception of the Nashville Metropolitan Transit Authority, each district relies on a sales and use tax to fund general operations and small capital

projects. These transit-specific sales taxes range from .25% to 1%. Additional revenues are obtained from passenger fees, freight fees, rents, and various types of state and federal grants.

### Key pros

- Creation of a regional transit authority or district in southeast Wisconsin – particularly one with its own dedicated funding source – would remove transit services from competition with other county functions for fiscal and other resources, and would eliminate prioritization of mandated county functions over transit. It also would provide greater certainty about funding, which is essential for long-term planning.
- If the special transit district was created as a multi-county regional transit authority, it would be able to coordinate services across county boundaries and potentially reduce duplication of administrative and overhead functions.
- Metro Milwaukee not only is one of the only major metropolitan areas in the country that does not administer mass transit services with a regional transit authority, but it also is one of the only metro areas that utilizes the property tax as its sole source of local funding. Implementing a dedicated non-property tax revenue source is considered by many to be critical to the survival of MCTS, and it could be argued that it makes the most sense to do so on a regional basis in order to avoid “tax island” impacts on Milwaukee County and in order to fund streamlined, regional service with such a revenue source.
- Unlike the county board, a transit authority board would be more likely to focus on enhancing transit operations and not as heavily influenced by the parochial concerns of individual elected officials regarding transit routes.

### Key cons

- Federal audits repeatedly have shown MCTS to be one of the most cost effective and efficient transit systems in the country. It has been argued that changing the governance structure makes little sense in light of that success.
- Some might argue that direct oversight of Milwaukee County’s transit system by elected officials leads to greater accountability to taxpayers and the general public than would occur under an appointed board.
- Most transit authorities are almost entirely dependent upon sales and use taxes, which have declined precipitously during the economic downturn. Nearly every district we examined was engaging in some type of service or personnel cuts to compensate for the revenue shortfalls. Thus, creation of an RTA that would be funded by a regional sales tax may not provide the type of fiscal stability envisioned.
- Housing transit in a separate district could lead to a significant increase in taxing and spending on transit services because of lack of competition with other locally funded services, which forces policymakers to prioritize among a wide variety of programs and

services and make difficult spending choices. Also, less competition for funding could produce less incentive for transit officials to identify and implement administrative and operational efficiencies and generate revenue from outside funding sources.

- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental agencies, and creation of a new transit authority simply would create another layer of unneeded government bureaucracy.

### **Key logistical questions/obstacles**

- As noted above, perhaps the key logistical question would be whether a new transit authority would receive the assets and/or liabilities of MCTS and essentially take over both ownership and operation of the transit system, or simply contract with the county to continue its ownership and governance role.
- Depending on the answer to the above question, authorizing legislation may need to determine whether a new authority would assume responsibility for the outstanding General Obligation debt on county buses, equipment and facilities, or leave that debt with the county. In addition, it would need to determine whether the county would receive any compensation from the new authority for transit system assets.
- There is a legal question as to whether the pension and retiree health care liabilities held by MTS would fall to Milwaukee County if MTS ceased to exist. That question would need to be answered in the context of deciding whether the new transit authority would be a direct provider of transit services, directly contract with MTS, or simply contract with the county to maintain the existing arrangement.
- There also is a legal question regarding collective bargaining agreements in place for MTS employees and whether those would necessarily transfer to the new authority, as well as the MTS employees themselves.