

Years of financial reforms enable Metro to scale back service cuts by 150,000 hours in proposed 2015-2016 budget

As a result of Metro's years of work to cut costs and increase revenue, as well as projected lower costs for fuel and other key items, Metro will be able to balance its budget in the 2015-2016 biennium with fewer service reductions than proposed earlier.

Metro is now proposing to cut a total of 400,000 hours of service, or about 11 percent of the current system, instead of the 550,000 hours or 16 percent originally proposed. Instead of four rounds of reductions, there will be three:

- September 2014 – approved
- February 2015 – recommended; under consideration by County Council. (This round will be postponed until June 2015 if Seattle voters approved the transit initiative in November, to provide time for Seattle and other jurisdictions to enter into contracts for service.)
- March 2016 – recommended in 2015-2016 budget

Some of the service still slated to be cut could be preserved if the City of Seattle or other parties enter into service contracts with Metro under the Community Mobility Contracts program.

What does this mean for Metro customers?

The service cuts, planned using service guidelines adopted in 2011, will result in a smaller but more productive and sustainable bus system. Metro has used the service guidelines to cut the least productive service first and to redesign service to give transit customers as many travel options as possible.



However, the planned cuts are substantial and will have an impact on riders. The first round of reductions will delete 28 routes and revise or reduce 13; the proposed second round would delete 16 routes and revise or reduce 32. Specific March 2016 changes will be announced next year. Riders are likely to see more crowded buses and may lose service, have to walk farther to catch a bus, or have less-frequent service.

Meanwhile, Metro's ridership continues to grow, and may reach a record level this year. Metro's annual analysis of its transit system found that **bus service should increase by 15 percent to fill unmet current needs.** Metro will not be able to expand service to meet all current and future demand without new funding tools.

Actions Metro took to cut costs, save service

Metro has worked tirelessly to stretch every transit dollar and preserve as much service as possible. Actions Metro and King County took to reduce spending in both the capital and operating budgets for 2015-2016 are detailed below. Lower projected costs for diesel fuel and other items are also contributing to the sustainable new budget.

- **Reducing the number of buses purchased** – By achieving scheduling efficiencies recommended in the 2009 performance audit, Metro is able to purchase 40 fewer buses without impacting service over the next biennium. **Estimated one-time savings: \$40 million**
- **Favorable bus pricing** – Metro negotiated bus and trolley purchase prices that are lower than earlier projections. **Estimated one-time savings: \$50 million**

Earlier financial reforms yield ongoing savings, gains

Metro weathered a financial crisis for the past six years by cutting costs, increasing fares and taking other actions to generate nearly \$800 million for bus service. Many of these reforms will bring ongoing savings or revenue gains of close to \$150 million annually.

- **Claims and workers' comp costs** – Through improved risk management, safety training for bus drivers, and more effective efforts to get injured employees back to work, Metro is cutting liability claims and workers' compensation costs. **Estimated two-year one-time savings: \$8 million; estimated two-year ongoing savings: \$5 million**
- **Access service** – Access ridership growth has leveled off as Metro has created opportunities for people with disabilities to use lower-cost alternatives—regular bus service, dial-a-ride transit, and Metro-supported community shuttles—and raised the Access fare. Lower fuel costs will also reduce Access costs. **Estimated two-year savings \$7 million**
- **Trimming the workforce with service reductions** – Consistent with earlier projections, the budget eliminates positions that indirectly support service. **Estimated two-year savings: \$3 million**
- **Health care benefits** – The County has worked with its employees and unions to reduce growth in health care costs. The County contribution to health care is capped at a 4 percent annual increase through 2016—significantly lower than in previous years. **Estimated two-year savings: \$3 million**
- **Bus base automation** – This project, launched in 2013 and completed one year ahead of schedule, is realizing benefits by eliminating redundant data entry. **Estimated two-year savings: \$1 million**
- **Lean** – Metro's Vehicle Maintenance group used Lean techniques to improve vehicle repair and parts inventory management practices. **Estimated two-year savings: \$1 million**
- **General countywide efficiencies** – In recent months, Metro and other County agencies have worked together to control service costs, resulting in significant savings in financial accounting, facilities and central services. **Estimated two-year savings: \$5 million**
- **Other measures** – The proposed budget funds high-priority new functions by reducing positions and functions that had lower priority.
- **Retirement contributions** – offsetting some of the good news is an increase in costs associated with the funding level of the state retirement funds. **Estimated two-year cost: \$6 million**

Fuel cost and sales tax revenue

- **Revised diesel fuel forecast** – The latest price forecast for diesel fuel—a substantial part of Metro's operating costs—shows an average 25-cent-per-gallon drop over the next biennium compared to earlier forecasts. Even greater savings are anticipated in future years. There is always a risk that fuel prices will change, however. **Estimated two-year savings: \$5 million**
- **Sales tax collections** – Sales taxes are the largest source of funding for Metro operations. Sales tax forecasts improved after the 2013-2014 budget was adopted. By March 2014, these higher forecasts allowed the Executive to reduce the proposed service cut from the planned 600,000 annual hours to 550,000 annual hours. It also allowed the Executive to propose that Metro begin building up the Revenue Stabilization Reserve that is called for in the County Council's financial policies. The goal is to build up an adequate reserve to preserve service through a moderate recession by the end of 2018.

The sales tax forecast has not materially changed since March. The proposal to cut service by only 400,000 hours annually is possible because of efficiencies and cost savings achieved by Metro, efficiencies generated by other County agencies that support Metro, and lower projected fuel prices. The change in proposed service hour-reductions is not due to sales tax projections.

King County Metro Transit
King Street Center, KSC-TR-0415
201 S Jackson St
Seattle, WA 98104

www.kingcounty.gov/metro