



**A message from Metro Transit
General Manager Kevin Desmond**



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What our recent budget review found

The recession has battered the budgets of transit agencies across the nation. How is Metro's holding up? We just completed a mid-point review of our two-year (2010-2011) budget to answer that question.

Metro has received far less operating revenue from sales tax, our major funding source, than we would in a healthy economy. To address this shortfall, we have been implementing a nine-point plan approved last fall by the King County Council. Our goal has been to preserve as much service as possible in 2010-11 by reducing operating costs, generating some new revenue, and using cash from our reserves.

This effort has paid off. Our review found that we are on track with our financial plan. Although we are reducing bus service hours in 2010-2011 through scheduling efficiencies and minor service reductions, we will avoid major service cuts that would have severe impacts on the county's transit users. And while we were forced to suspend most of our plans to expand service, we are continuing our work to start six RapidRide lines, thanks in part to critical federal grant funding. RapidRide is the premier component of the Transit Now program approved by voters in 2006.

But looking ahead, Metro's financial situation beginning in 2012 is precarious. We expect that we will have to make substantial service reductions as our annual budget deficit continues to grow. Our financial plan assumes that we will have to cut up to 600,000 hours of existing service between 2012 and 2015 while continuing to suspend most of the remaining Transit Now program.

We will intensify our efforts to control costs and work more efficiently, and will cut service only as a last resort, as we have in the past (see box below). However, the magnitude of the projected shortfall could make major service reductions inevitable unless additional funding becomes available.

I will keep you informed as we plan our 2012-2013 budget next year.

Sincerely,

Kevin Desmond, General Manager
King County Metro Transit

Metro's service delivery has outperformed sales tax receipts

Metro's heavy reliance on the volatile sales tax has made financial planning difficult over the past decade. But when revenues have fallen short of expectations, Metro has kept service its top priority, delivering more service per dollar of sales tax revenue than planned.

Between 2001 and 2006, a period that began with the dot-com bust, actual sales tax revenues were 90 percent of expected levels. Metro was still able to deliver 93.8 percent of planned service and completed the park-and-ride lots, new bus purchases, and other capital investments promised in the 2000 initiative that raised the sales tax for transit.

Between 2007 and 2009, sales tax revenue was 94.3 percent of the forecasted level—\$76 million less than expected. Metro maintained bus service at 99.9 percent of projected levels, delivering nearly all the planned Transit Now service hours through 2009. In fact, by the end of 2011 we will have implemented 220,000 hours of Transit Now service, or 37 percent of the planned program.

It is also notable that despite two recessions in 10 years that undermined our ability to make all planned service improvements, Metro experienced rapid ridership growth from 2006-2008, making us one of the fastest growing large bus-transit agencies in the nation.

