

July 16, 2019

Mr. Peter Joseph  
Town Manager  
Town of Freeport  
30 Main Street  
Freeport, ME 04032

**RE: Metro Breez Questions**

Dear Peter,

This letter is in response to your May 29, 2019 electronic correspondence in which you raised a series of questions regarding the Metro Breez service as well as costs and issues surrounding joining the Greater Portland Transit District. The questions outlined in your letter are stated below and followed by our responses:

- 1. Our understanding is that the annual assessment for service (currently estimated at approximately \$77,000 per year) would include both (1) the operational costs to run the Breez Line, and (2) the proportional overhead costs of the entire Metro organization, calculated based on Freeport's population relative to the entire Metro membership. Can you please confirm these assumptions?**

The estimated annual assessment for service would include the operational costs to run the Breez Line and the proportional overhead costs of the entire Metro organization calculated based on Freeport's proportional share of REVENUE HOURS, not population. Revenue hours represents the scheduled service that is provided to the public. For example, Metro's total 2019 scheduled revenue hours is 113,969. Total revenue hours operated on the Breez Line is 12,327 (11%). Because the Breez Line is express service, it is reasonable and fair to allocate these revenue hours evenly among the four participating municipalities. Consequently, the share of revenue hours allocated to Freeport is 3,082 or about 2.7%. Therefore, Freeport's percentage share of Metro's overhead costs would be 2.7%.

- 2. Our understanding is that operational costs for the Breez Line are solely borne by the four Breez Line communities. Likewise, the operational costs for all non-Breez Lines will not be assessed to the Breez communities (excepting of course Portland), who also is responsible for their share of non-Breez lines that operate in the City). Can you please confirm these assumptions?**



This is correct with two exceptions. Metro's policy is that member communities cover the operational costs of service provided in their jurisdictions, net of other revenues including grant funds, fare revenue and miscellaneous non-local funding.

However, Metro operates bus service to the Maine Mall area of South Portland even though South Portland is not a member of, and does not contribute funding to Metro. Due to the commercial and economic importance of this area, the Metro Board of Directors has for many years supported the provision of transit access to the Maine Mall. The long-standing cost allocation approach has been to distribute the cost of operating service in South Portland among all Metro's member communities in direct proportion to each community's revenue hours.

Additionally, the town of Gorham is in the first year of a transit service pilot program. The terms of this pilot program are nearly identical to the terms associated with the Breez pilot program. There is a small portion of the cost to operate bus service in Gorham that is not covered by grants, fares and town funding. As with the Breez pilot program, this amount (approximately \$26,000 in 2019) is distributed among the member communities in direct proportion to each community's revenue hours. Were Freeport a member of Metro in 2019, this share would have been \$702.

**3. What items are included in the overhead component of the annual costs to operate the Breez Line?**

Major items included in the overhead component which were previously withheld from the Breez project include: fleet maintenance labor wages and benefits, operations support staff wages and benefits, administration wages and benefits, vehicle and liability insurance, audit and legal costs, technology services, contracted fleet maintenance costs, facility utilities and maintenance, snow removal, local contributions to capital program.

**4. How is the proportional allocation of overhead costs between the various member communities set and assessed? For example, is it by annual vote, Board policy, Board bylaw, statute, or some other mechanism? What is the legal mechanism to amend this distribution?**

In documentation provided to the Town Council in advance of its March 26, 2019 workshop, Metro provided a copy of *Title 30-Municipalities and Counties, Chapter 163: Transportation*. Section 3516 stipulates the general process and requirements Metro is required to follow.



Specifically, *Sub-section 2. Determination of Municipal Contributions*, states as follows:

*Each year, before submitting the estimates required by subsection 1 to the municipal officers, the board of directors of the district, by a 2/3 vote of its entire membership, shall establish a formula for contributions to be made by each municipality in order to defray any projected deficit. This formula and estimated amount of the contribution required from each municipality shall be shown in the estimates filed with the municipal officers of each municipality.*

- A. The formula shall be based upon such items as route mileage, profit or loss resulting from the service to the municipality, population and any other factors that the board of directors considers relevant.*
- B. If the board of directors is unable to establish the formula by a 2/3 vote of its entire membership, it shall, by November 1st:*

*(1) Petition the Public Utilities Commission; and*

*(2) Include with its submission of the estimates to the municipal officers of each municipality a statement that a formula has not been established but that a petition has been made to the Public Utilities Commission for findings and a decision with respect to a formula.*

- C. If a municipality refuses to accept a formula established by the board of directors and submitted to it by November 1st, the municipal officers of the municipality shall, within 30 days after the submission, notify the board of directors of their refusal. The board of directors shall then, by December 15th, petition the Public Utilities Commission as provided in paragraph B. Upon the filing of the district's petition, the Public Utilities Commission, after notice to all the municipalities comprising the district and a hearing, shall consider the formula and make its findings and decision with respect to the formula within 60 days from the filing of the district's petition. The findings and decision of the Public Utilities Commission are binding upon the district and the municipalities. The district or any municipality may appeal from the findings and decision of the Public Utilities Commission in accordance with Title 35-A, section 1320.*

In practice and in compliance with M.R.S. Title 30, Chapter 163, Sec. 3516, sub-section 2A highlighted above, Metro allocates annual costs and revenues in the following manner:



- a) Develop the scope and level of service for the following year and determine REVENUE HOURS by route and community.
- b) Develop the cost to operate the planned scope and level of service.
- c) Estimate anticipated ridership and associated fare revenue for each bus route in the system and allocate this anticipated fare revenue based on the REVENUE HOURS operated in each community the route serves. For example, if Metro anticipates \$100,000 of fare revenue on the Route 4 and 60% of the revenue hours is in Portland and 40% is in Westbrook, then the anticipated fare revenue would be shared likewise between the communities. This means \$60,000 would be credited to Portland and \$40,000 to Westbrook. In the future and with the introduction of new fare collection technology, Metro will consider allocating fare revenue by ridership in each community.
- d) Allocate federal, state and miscellaneous funding for general operations across all routes and communities based on REVENUE HOURS.
- e) Allocate any dedicated grants (e.g., pilot period start-up grants) to specific routes/communities such as the Breez or Husky Line.
- f) Allocate any local payments from non-member communities (e.g., Brunswick, Freeport, Yarmouth and Gorham) to the appropriate route and community.
- g) After these various sources of revenue are allocated, the remaining cost of OPERATIONS is allocated to the member communities based on the proportional share of REVENUE HOURS by route and community.
- h) Allocation of local match on the approved CAPITAL program is also based on the proportional share of REVENUE HOURS by route and community.

The Board can amend the cost allocation policy at its discretion.

5. **Our understanding is that future long-term debt resulting from capital costs would be assessed based on Freeport's proportional share of the population relative to the entire Metro membership, and that these costs would be in addition to the regular annual operating costs. Can you confirm these assumptions?**

The local cost of capital improvements with clear regional benefits is allocated to member communities based on REVENUE HOURS. Freeport's share of future long-term debt resulting from capital costs would be assessed based on the town's proportional share of REVENUE HOURS. For example, were Metro to approve future debt leading to annual debt service payments of \$100,000, then Freeport's share of that obligation would be \$2,704. This hypothetical calculation is based on Metro's total 2019 scheduled revenue hours of 113,969



and Breez Line revenue hours of 12,327. Freeport's share of Breez Line revenue hours is 3,082 or about 2.7%. An alternative methodology would be used if a capital project provided significantly more benefits to one community over another.

**6. What items qualify as capital/long-term debt expenses.**

The major portion of Metro's current debt relates to the acquisition of new and replacement buses. Generally, Metro receives federal funding to cover 80-85% of the cost of buses and issues bonds to cover the local share. The last non-bus project to utilize bond funding involved the replacement of heavy-duty vehicle lifts in 2013. Metro's 2019-2023 Capital Improvement Program (CIP) is attached to this letter for information on the agency's current capital program. Metro's current (2019) annual payment for debt service (principal and interest) is \$270,642 (updated from CIP). This represents 2% of the agency's total operating budget.

**7. How is the proportional allocation of capital costs/long-term debt between the various member communities set and/or assessed? For example, is it by annual vote, Board policy, Board bylaw, statute, or some other mechanism? What is the legal mechanism to amend this distribution?**

The local match requirements associated with the CIP is identified during the annual budget process. Once the local match and estimated debt service amounts are identified, these figures are entered as line items in the operating budget. The costs are then apportioned according to the steps outlined under question 4 above. The Board can amend the cost allocation policy at its discretion.

We hope these discussions lead to Freeport joining the agency and look forward to a long and productive partnership that improves mobility, eases the household cost of housing + transportation, helps our climate and enhances our residents' quality of life.

Please let me know if we can provide any additional information to aid in the town's consideration of joining Metro.

Sincerely,



Greg Jordan  
General Manager



C: Belinda Ray, Board President  
Paul Bradbury, Board Treasurer  
Ellen Sanborn, Director of Finance

Attachment: Greater Portland Transit District 2019-2023 CIP



## Greater Portland Transit District: 2019-2023 Capital Improvement Program (CIP)

#	PROJECT NAME-DESCRIPTION	FUNDING SOURCES	2018	2019	2020	2021	2022	2023	5-Five Year Program
	Sum of CIP Local Share + Annual Debt Service on Fleet Purchases		282,682	406,882	532,834	478,372	445,898	339,432	2,203,418
	Debt Service (principal + interest) - includes Breez buses		151,082	240,882	298,609	338,372	305,898	299,432	1,483,193
		Local Share (Metro)	131,600	166,000	234,225	140,000	140,000	40,000	720,225
		Local Share (Other)	9,000	9,000	-	-	-	-	9,000
		Federal Grant (5307)	5,393,961	3,561,688	3,943,871	560,000	560,000	160,000	8,785,559
		Federal Grant (5339)	-	1,145,000	-	-	-	-	1,145,000
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	1,500,000	-	-	-	1,500,000
		Locally Issued Bond	860,111	468,105	693,958	-	-	-	1,162,063
		<b>TOTAL INVESTMENT</b>	6,394,672	5,349,793	6,372,054	700,000	700,000	200,000	13,321,847
1	<b><u>Metro Facility</u></b> <i>This category previously supported repairs of facility major components and systems. Following the completion of minor facility renovations (2017) and overhead door replacements (2018), there are no anticipated major facility improvements. This category is now contemplates moving toward an expanded or new Metro facility following appropriate study. The proposed 2019 project is a planning project to conduct a feasibility study for either an expanded or new facility.</i>	Local Share	-	15,000	-	-	-	-	15,000
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	-	60,000	-	-	-	-	60,000
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	-	75,000	-	-	-	-	75,000
2	<b><u>Fleet Major Components</u></b> <i>This category previously supported purchases and/or repairs of Metro's bus fleet. Programmed Federal funding for 2018-2022 proposed to be re-allocated to "Preventive Maintenance" which allows Metro to more easily access funding and helps reduce local contributions more directly. The project noted for 2018 represents the estimated funding need to complete a repaint of the five (5) 2014 buses following development of a new paint scheme.</i>	Local Share	8,000	-	-	-	-	-	-
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	32,000	-	-	-	-	-	-
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	40,000	-	-	-	-	-	-
3	<b><u>Internal ITS</u></b> <i>The 2017 project was used to procure and will install an updated financial and human resources management software system. The proposed 2018 funding is to implement inventory managemet and payroll timekeeping modules. Pending Board approval of this project, Metro staff must seek and win the federal portion through the PACTS process.</i>	Local Share	-	-	-	-	-	-	-
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	-	-	-	-	-	-	-
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	-	-	-	-	-	-	-

#	PROJECT NAME-DESCRIPTION	FUNDING SOURCES	2018	2019	2020	2021	2022	2023	5-Five Year Program
4	<b><u>Safety-Security</u></b> <i>The proposed 2018 project utilizes previously awarded federal funding for facility and bus system security.Metro plans to hire third party support to complete required security plans develop recommendations for high priority facility improvements. Funding proposed in 2020-2021 would complete facility security improvements.</i>	Local Share	10,600	-	10,000	-	-	-	10,000
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	-	-	40,000	-	-	-	40,000
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	10,600	-	50,000	-	-	-	50,000
5	<b><u>Bus Purchases (Replacement)</u></b> <i>Purchase new buses to replace existing buses that have exceeded their useful life.This project includes the replacement of the thirteen (13) 35 foot 2005 Gillig CNG buses over the course of 2019-2020 with. Six (6) buses will be replaced in 2019 and seven (7) will be replaced in 2020. All replacement buses will be 40' diesel New Flyers using Metro's existing contract with New Flyer. Two (2) of the four (4) 2004 Gillig Diesel buses will be replaced in 2020 with with New Flyers.</i>	Local Share	-	-	-	-	-	-	-
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	4,873,961	2,851,688	3,343,871	-	-	-	6,195,559
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	860,111	468,105	693,958	-	-	-	1,162,063
		<b>Project Total</b>	5,734,072	3,319,793	4,037,829	-	-	-	7,357,622
6	<b><u>Battery Electric Buses Project</u></b> <i>Metro secured \$1,145,000 from FTA's Low-No Emmission Grant Program to purchase two (2) electric buses with supporting charging infrastructure. These two (2) buses will replace two (2) of the four (4) 2004 Gillig Diesel buses in 2020. The state of Maine has committed up to \$1.5 million to support Metro's share of this mult-agency project.</i>	Local Share	-	-	84,225	-	-	-	84,225
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	-	-	-	-	-	-	-
		Federal Grant (5339)	-	1,145,000	-	-	-	-	1,145,000
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	1,500,000	-	-	-	1,500,000
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	-	1,145,000	1,584,225	-	-	-	2,729,225
7	<b><u>Bus Purchases (Expansion)</u></b> <i>Purchase expansion buses necessary to provide expanded service.</i>	Local Share	-	-	-	-	-	-	-
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	-	-	-	-	-	-	-
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	-	-	-	-	-	-	-
8	<b><u>Regional Sign-Shelter Project</u></b> <i>This is the Regional Sign and Shelter Project that is provided funding for procurement and installation of 29 bus shelters and various bus stop improvements. An additional \$108k in federal funding was acquired in 2016-17 which requires \$27k in local match. In 2017, South Portland pulled out of the project freeing up \$191,200 in federal funding. Subject to a PACTS allocation process, Metro proposes to utilize this funding to support system-wide bus stop improvements including in support of the Transit West project.</i>	Local Share	32,000	-	-	-	-	-	-
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	128,000	-	-	-	-	-	-
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	160,000	-	-	-	-	-	-



#	PROJECT NAME-DESCRIPTION	FUNDING SOURCES							5-Five Year Program
			2018	2019	2020	2021	2022	2023	
9	<b><u>Bus Stop Improvement Project</u></b> <i>Proposed 2019-2022 funding advances a new project focused on improving overall conditions at bus stops system wide. This includes develop a comprehensive set of standards governing bus stop facilities, equipment and amenities at all Metro's 500-600 bus stops. Funding proposed in 2019 would be used to complete a study and develop standards and approaches. Subsequent funding would move into design-engineering and installations.</i>	Local Share (Metro)	32,000	10,000	40,000	40,000	40,000	40,000	170,000
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	128,000	50,000	160,000	160,000	160,000	160,000	690,000
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	160,000	60,000	200,000	200,000	200,000	200,000	860,000
10	<b><u>Transit Stop Access Project</u></b> <i>This is a regional project that will make targeted ADA, pedestrian and bicycle improvements at/near Metro's bus stops and potentially build 1-3 min-hubs. The project will be coordinated with applicable cities/towns as necessary.</i>	Local Share (Metro)	21,000	21,000	100,000	100,000	100,000	-	321,000
		Local Share (Other)	9,000	9,000	-	-	-	-	9,000
		Federal Grant (5307)	120,000	120,000	400,000	400,000	400,000	-	1,320,000
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	150,000	150,000	500,000	500,000	500,000	-	1,650,000
11	<b><u>Electronic Messaging Signs</u></b> <i>Following the deployment of the AVL system, this project will install electronic messaging signs that provide real-time bus arrival information at high volume transit centers/bus shelters. This is a regional project with Metro as lead agency.</i>	Local Share	-	-	-	-	-	-	-
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	-	-	-	-	-	-	-
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	-	-	-	-	-	-	-
12	<b><u>Electronic Fare Collection System</u></b> <i>This project will replace Metro's aging fare collection system with an electronic fare collection system. The new system will support payments using smart cards and mobile apps while maintaining options for paying cash. The anticipated strategy involves layering smart fare payment system onto traditional cash based fareboxes.</i>	Local Share	-	120,000	-	-	-	-	120,000
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	-	480,000	-	-	-	-	480,000
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	-	600,000	-	-	-	-	600,000
13	<b><u>Support Fleet</u></b> <i>This project will purchase one (1) replacement service truck at an estimated cost of \$80,000 as well as two (2) support cars (\$60,000) to be used for bus operator transport between Metro HQ and driver shift change points and administrative use.</i>	Local Share	28,000	-	-	-	-	-	-
		Local Share (Other)	-	-	-	-	-	-	-
		Federal Grant (5307)	112,000	-	-	-	-	-	-
		Federal Grant (5339)	-	-	-	-	-	-	-
		Federal Grant (STP)	-	-	-	-	-	-	-
		State	-	-	-	-	-	-	-
		Locally Issued Bond	-	-	-	-	-	-	-
		<b>Project Total</b>	140,000	-	-	-	-	-	-



## TOWN OF FREEPORT, MAINE

Town Manager's Office  
30 Main Street  
Freeport, ME 04032

Phone: 207-865-4743 x.118  
Email: [pjoseph@freeportmaine.com](mailto:pjoseph@freeportmaine.com)

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May 29, 2019

Greg Jordan, General Manager  
Greater Portland Transit District  
*Delivered electronically*

Dear Greg,

Thank you for taking the time recently to meet with the Town Council in order to discuss the potential continuation of METRO's Breez service in Freeport, as well as METRO's proposal for the Breez communities (Freeport, Yarmouth, and Brunswick) to formally join METRO as member communities. While reviewing the proposal that you provided to us, it became clear that the Town Council requires some additional information in order to better understand the financial implications of formally joining the Greater Portland Transit District. This additional information, requested below, would greatly assist the Town Council as it deliberates on the question of joining METRO as a member community. Could you please review the following questions and assumptions and provide answers and/or confirm our assumptions where appropriate:

1. Our understanding is that the annual assessment for service (currently estimated at approximately \$77,000 per year) would include both (1) the operational costs to run the Breez line, and (2) the proportional "overhead" costs of the entire METRO organization, calculated based on Freeport's proportional share of population relative to the entire METRO membership. Can you please confirm these assumptions?
2. Our understanding is that operational costs for the Breez line are solely borne by the four Breez line communities. Likewise, the operational costs for all non-Breez lines will not be assessed to the Breez communities (excepting of course Portland, who also is responsible for their share of non-Breez lines that operate in the City). Can you please confirm these assumptions?
3. What items are included in the overhead component of the annual costs to operate the Breez line?
4. How is the proportional allocation of overhead costs between the various member communities set and assessed? For example, is it by annual vote, Board policy, Board bylaw, statute, or some other mechanism? What is the legal mechanism to amend this distribution?
5. Our understanding is that future long term debt resulting from capital costs would be assessed based on Freeport's proportional share of population relative to the entire METRO membership, and that these costs would be in addition to the regular annual operating costs. Can you confirm these assumptions?
6. What items qualify as capital/long term debt expenses?
7. How is the proportional allocation of capital costs/long term debt between the various member communities set and/or assessed? For example, is it by annual vote, Board policy, Board bylaw, statute, or some other mechanism? What is the legal mechanism to amend this distribution?

After the Town Council has had the opportunity to review and discuss the responses to the questions above, it may be helpful to schedule a meeting between METRO and the Town Council to discuss any further questions Councilors may have about the possibility of Freeport joining METRO as a member community.

Thank you for your continued assistance as we review this matter,

A handwritten signature in blue ink, appearing to read "Peter E. Joseph", with a stylized, flowing script.

Peter E. Joseph  
Town Manager  
Town of Freeport