



Winston-Salem

Budget and Performance
Management Department

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TO: W. Patrick Pate, City Manager
FROM: Scott Tesh, Budget and Performance Management Director
DATE: 5/1/2024
SUBJECT: Transit Services Contract Costs
CC: Aaron King, Assistant City Manager
Jeff Fansler, Transportation Director

The purpose of this memo is to detail the anticipated cost increases and funding levels required for transit services under the recommended new transit service provider (RATP Dev USA) in City Council agenda item #24-0159.

The item to be approved by City Council would install a new transit services provider under a comprehensive “turn-key” contract structure. Based on the contract costs provided in the financial summary section of the item, staff has estimated the annualized cost difference between the current structure/service provider and the new structure/service provider to be approximately \$6.9 million. The new service provider has submitted as part of their offer to fully return night and weekend services during the first year of the contract. The \$6.9 million dollar difference annually assumes these services being provided as requested by the Winston-Salem Department of Transportation and outlined in the request for proposals. The cost increase of \$6.9 million dollars is roughly equal to an increase in the property tax rate of 2.5 cents, as the transit operation is a property tax-supported fund.

The \$6.9 million dollar estimated annual increase in operations noted above does not include funding to stabilize the transit fund long-term. As presented in the FY 2023-24 budget workshops, the transit fund has a structural funding deficit, which will also need to be addressed, no later than FY 2025-26. Updated financial projections show the transit fund will continue to have a structural deficit in excess of \$5.0 million annually. A combination of increased revenues and/or expenditure reductions will be required beginning in FY 2025-26 to balance the fund. The transit fund has most recently been supported by short-term federal funding (e.g., American Rescue Plan Act), and will draw down on available fund balance in FY 2024-25 without additional revenue enhancements. Discussions regarding this topic will take place as part of the FY 2024-25 budget workshops in May and June of this year.

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