

Critical Challenges for Transit

1. Unsustainable cost structure
2. Unpredictable revenues
 - State Transit Assistance uncertain
 - Local sales tax revenues swing wildly
3. Some routes have low productivity
4. Underpriced auto alternative
5. Insufficient transit-supportive land uses



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2. Project Overview



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What is a sustainable transit system?

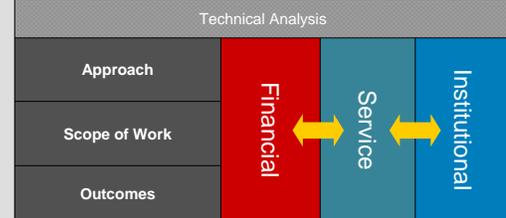
- **Customer:** A system that functions as an accessible, user-friendly and coordinated network for transit riders, regardless of mode, location or jurisdiction.
- **Financial:** A system that can cover its operating and capital costs with a growing share of passenger fare revenues as well as reliable streams of public funding.
- **Environmental:** A system that can attract and accommodate new riders in an era of emission-reduction goals, and is supported through companion land use and pricing policies.



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Project Work Program

Project Goal: to identify the major challenges facing transit, confront them directly, and identify a path toward an efficient, affordable, well-funded transit system that more people will use



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3. Financial: Initial Cost Analysis

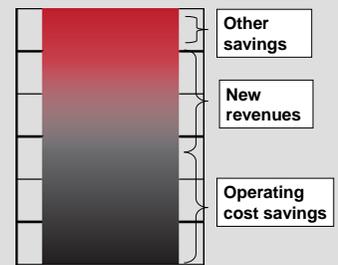


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Financial Analysis

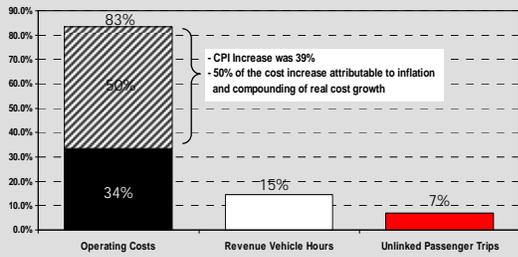
Outcomes

- Clear understanding of cost drivers and recommendation for cost reforms
- Recommended options for stable revenue sources



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Bay Area Large Operators: Percent Change in Cost and Performance Indicators (1997 – 2008)



Source: National Transit Database, "Big 7" only. Excludes ferry, cable car and paratransit.



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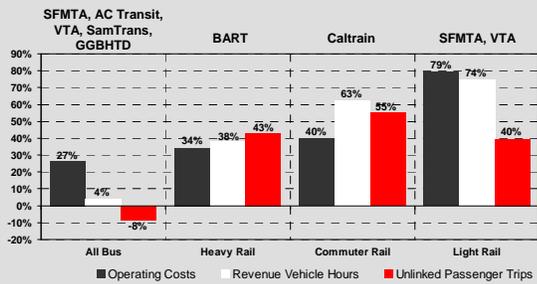
Observations

- Operating costs increased more than inflation
- Service levels increased, but did not keep pace with cost increases
- Ridership grew, but less than growth in service and significantly less than cost increases



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Major Modes: Aggregate Percent Change in Cost & Performance Indicators (1997-2008, adjusted for inflation)

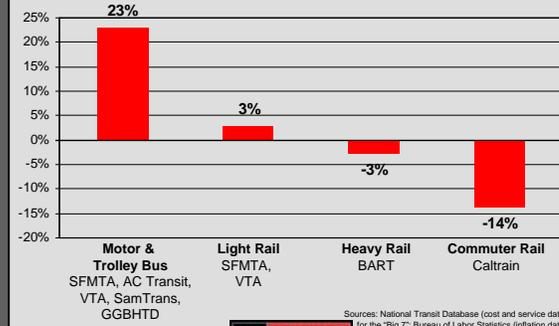


Source: National Transit Database, "Big 7" only. Excludes ferry, cable car and paratransit.



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Major Modes: Change in Cost Per Vehicle Revenue Hour of Service (1997-2008, adjusted for inflation)



Sources: National Transit Database (cost and service data) for the "Big 7"; Bureau of Labor Statistics (inflation data)



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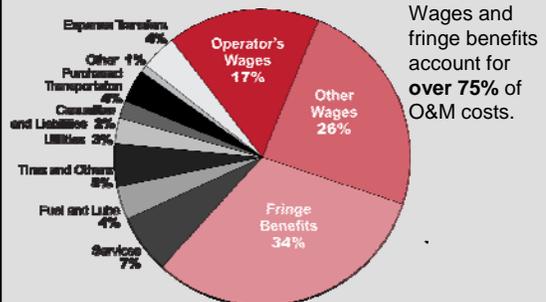
Observations

- Operating costs for all modes increased significantly
 - Significant variation among modes
 - Bus**
 - Service level increases were not commensurate with cost increases
 - Light Rail**
 - Increased service in line with increased costs, but after dot.com bust, ridership growth less than growth in service
 - Commuter & Heavy Rail**
 - Increased operating costs consistent with service and passenger growth
 - Adding more rail service kept rail unit cost growth low by spreading fixed costs across more hours
- Rail's upfront capital costs not included in this analysis, making direct comparisons difficult*



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2008 Operating Costs – "Big 7" Operators Nearly \$2 billion

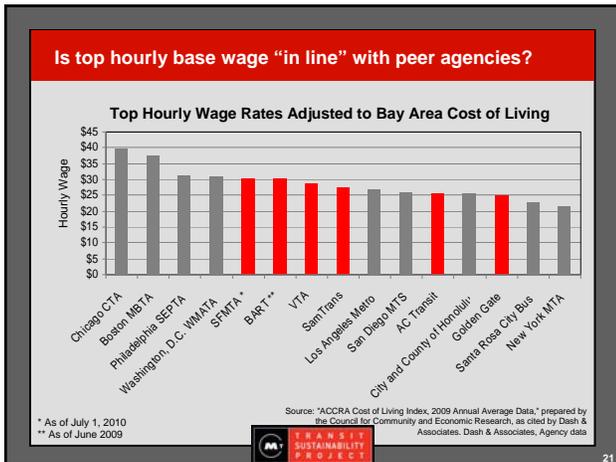
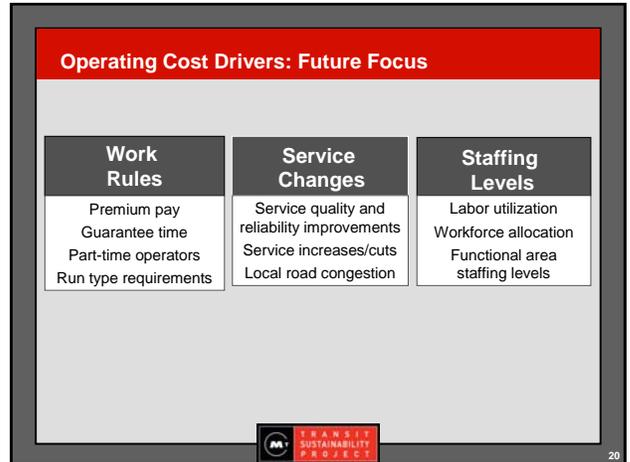


Wages and fringe benefits account for over 75% of O&M costs.

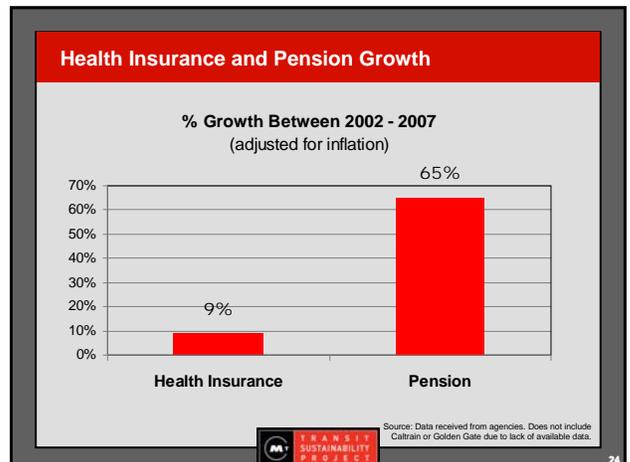
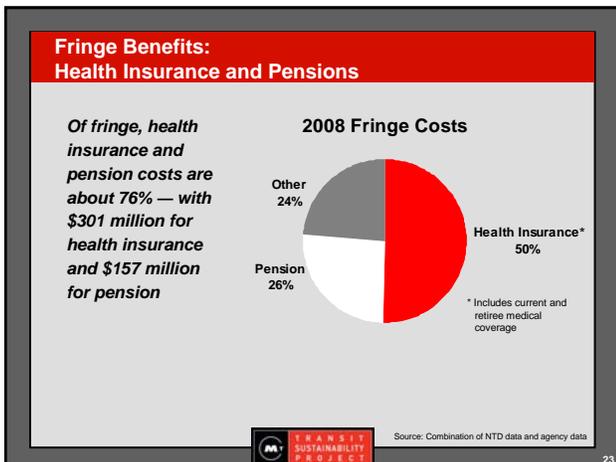
Source: National Transit Database, "Big 7" only. Includes ferry, cable car and paratransit.



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- ### Operator Wages – Initial Assessment
- Region's base operator wage rates are higher than many peers, but when adjusted for the cost of living, appear reasonable
 - Increases in the base wage rates were higher than inflation, but lower than the overall regional wage index
 - Total wage costs grew faster than inflation:
 - Work rules, which are distinct from base wage rate, still require analysis
 - Staffing levels, which affect total wage costs
 - Recommendation:** no further analysis of operator base wage rate, and more analysis of work rules and staffing levels



Fringe Benefits – Observations

- Agencies experiencing large increases and fluctuations in health care and pension costs
- Issue impacting all public sector and future uncertain
- Options for cost containment are limited and being considered by many agencies:
 - Increase employee contributions
 - Restructure benefit program
 - Two-tiered pension system
- Recommendation:
 - Identify potential savings if cost containment strategies adopted for fringe benefits
 - Forecast cost savings under various scenarios
 - Support work at the agency level on fringe benefits reform

4. Project Visioning

What are the current challenges for the project?

- Lots of opinions and assumptions;
- Little comprehensive analysis.

Overcoming Challenges – Survey Feedback

- Of challenges for transit today, the top 5 responses from the Project Steering Committee included (in priority order):
 1. Unpredictable revenues result in unstable service and fares
 2. Multiple operators results in a fractured decision-making process and works against a cohesive regional transit network
 3. Land uses and other external factors confound transit's effectiveness
 4. Inefficient work rules inflate cost of delivering service
 5. Transit service is not price or time competitive with the auto alternative

Next Steps

- **Financial:**
 - Identify cost containment strategies and quantify potential savings
 - Begin revenue and pricing analysis
- **Service:**
 - Regional – regional evaluation and development of system objectives and performance metrics
 - Subregional – more detailed analysis in the Inner East Bay and Peninsula
 - ADA paratransit – assessment of policies and service delivery throughout the region
 - Work rules – analysis of efficiency of labor utilization as related to service delivery and cost effectiveness
- **Outreach and public participation**
 - Targeted stakeholder participation in the Spring
 - General public outreach as recommendations are developed in the Summer and Fall

Paratransit – Questions for Discussion

Approach

- Our focus will be on transit agency delivery of ADA-paratransit but will factor in the "mobility manager" concept of the Coordinated Public Transit/Human Services Transportation Plan
- Utilize the significant amount of information in the Coordinated Plan including its strategies and recommendations as starting point
- Focus on identifying an implementation plan

Discussion

- What are the critical elements of ADA paratransit service the project should focus on as related to the financial sustainability of the transit system?
- How can paratransit be more fully integrated into the analysis of the fixed route system?