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TRANSPORTATION  
COMMISSION

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## *Memorandum*

TO: Policy Advisory Council

DATE: March 2, 2011

FR: Carolyn Clevenger

W.I. 1517

RE: Transit Sustainability Project Update

In November of last year, staff presented an overview of the Transit Sustainability Project (TSP). At your March meeting, staff will present the results of the financial analysis completed to date, as well as a general overview of the service analysis that is now underway.

### **Background**

The TSP seeks to establish a framework and implementation plan for a more robust, financially viable transit system that is both cost-effective and customer-focused. The TSP will include a comprehensive, fact-based analysis of the existing system focused on service design and delivery, financial viability, and decision-making structures. The analysis will also acknowledge the role external factors play in the long-term viability of the transit system, such as land use and transportation pricing, which are critically important as the region prepares the Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS). The TSP will conclude with specific recommendations for both reform and new revenues to establish a transit system that is sustainable over the long term.

Staff has presented information about the project to the MTC Policy Advisory Council and its Equity and Access Subcommittee, as well as at public events hosted by organizations including the FOCUS Forum, SPUR, the Silicon Valley Leadership Group, the Bay Area Council, TransForm, Friends of Caltrain, the Oakland Chamber of Commerce, the Alameda County Mobility Management Group, and the Berkeley Transportation Commission. As the technical analysis progresses, a more robust public outreach effort will be initiated and will be coordinated with outreach for the RTP/SCS.

### **Financial Analysis**

The financial analysis includes both cost and revenue components. Work to date focuses primarily on identifying the key drivers of operating costs in the region, recent trends, and strategies to control cost growth. Initial revenue analysis includes an evaluation of recent trends in operating revenues and 10-year operating deficit projections to better understand the order of magnitude of the challenges facing the region going forward. Much more detailed long-term forecasts are currently being developed as part of the RTP/SCS, and the TSP projections will be informed by those projections as they are further developed. Staff is working with the Project Steering Committee to develop financial principles and targets that focus on improving operating efficiency, containing cost growth, and securing more stable operating revenues.

Our goal is to recommend financial principles and targets for the region to pursue as part of the TSP implementation plan. However, the financial analysis is just one component of the overall TSP, and needs to be considered in the context of the overall goal of providing a robust transit system that more people will use for more trips. The analysis to date focuses primarily on the financial challenge of maintaining the existing transit system and levels of service, and as we move forward into the service analysis, we will be looking for ways to strategically improve service throughout the region. Our intent is to revisit the financial analysis in an iterative process as we move through the rest of the project.

### **Service Analysis**

The service analysis is underway, and will be the project focus this spring and summer. *Attachment A* outlines the three areas of work that comprise the service element of the TSP, and the analysis and future outputs associated with each work area. To date the Service Technical Advisory Committee has discussed an overall performance framework, a categorization system for service types in the region, and current agency service policies and standards. Initial service material will be reviewed with the Project Steering Committee starting in March.

### **Next Steps**

The primary focus of the TSP for the next few months will be the service analysis, with initial service findings ready in the summer. In the late spring, the institutional analysis will be initiated. As these two elements of the TSP advance, we will circle back to the initial financial analysis to refine the initial findings, develop overall final recommendations, and define an implementation plan.

We are seeking the Policy Advisory Council's input on 1) the approach to financial principles and targets (slide 20 of the PowerPoint) and 2) the scope of work for the service analysis (*Attachment A*).

# Service Analysis

## System Performance

## Regional

## Subregional COA

### Approach

Applies system-wide  
by type of service

- a) TransBay and Express
- b) BART Feeder bus
- c) ADA-paratransit
- d) Major regional markets scan

- a) Inner East Bay
- b) Peninsula

### Analysis

- a) Evaluate current system performance using standard metrics
- b) Identify service standards by service type

- a) TransBay and Express service plans
- b) BART Feeder evaluation
- c) ADA-paratransit service delivery
- d) Evaluation of transit competitiveness

- a) Planning-level service plans
- b) Identify opportunities for better coordination in multi-operator and multi-modal service areas

### Outcomes

Performance metrics to:

- a) evaluate system over time (SRTP and audit functions)
- b) inform investment decisions and allocation policies (RTP, RM2, R3434)

- a) Strategic plans for TransBay, Express and BART Feeder services
- b) TCI tool to inform investments and transit supportive policy
- c) Proposed ADA-paratransit delivery strategy

- a) Service plans for operators to implement
- b) Strategies to reduce barriers to multi-operator service areas



# Transit Sustainability Project

Policy Advisory Council  
March 9, 2011



## Today's Agenda

1. Project Overview
2. Financial:  
Initial Cost and Revenue  
Analysis
3. Service Approach
4. Next Steps



## Project Approach

- 18-month project schedule
- Technical Analysis supported by advisory committees
  - Project Steering Committee – transit general managers, labor, advocacy community, business community
  - Staff Technical Advisory Committees –
    - Financial – composed of agency CFOs or equivalent
    - Service – agency service planners
- Public outreach as technical analysis advances

Technical Analysis

Financial



Service



Institutional



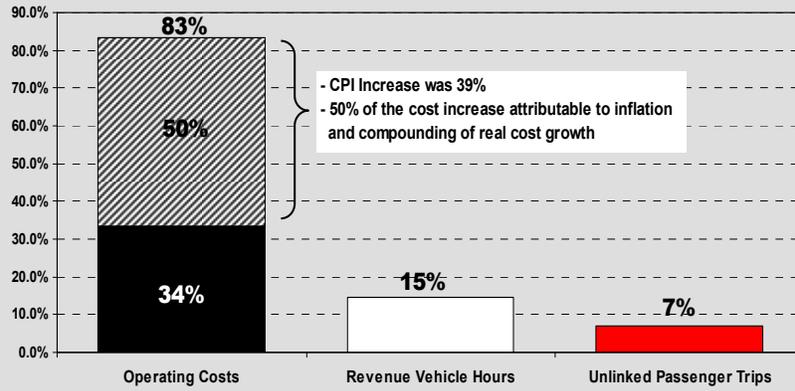
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**Financial:  
Cost Analysis**



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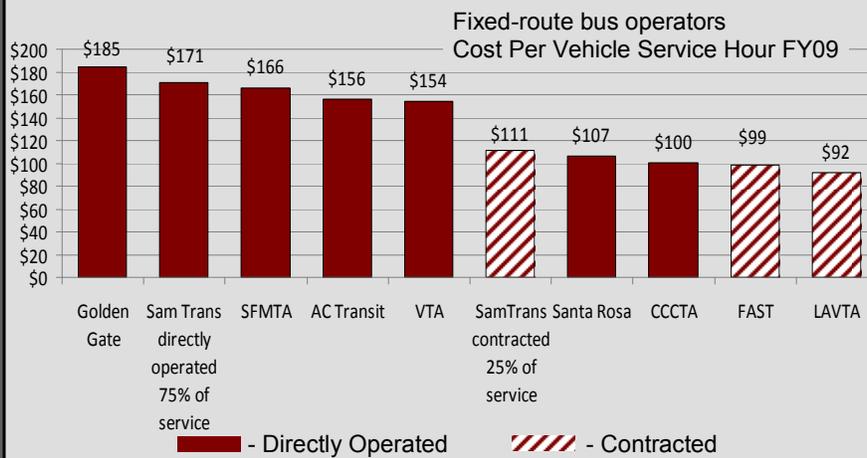
## Bay Area Large Operators: Percent Change in Cost and Performance Indicators (1997 – 2008)



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



## Operating Costs

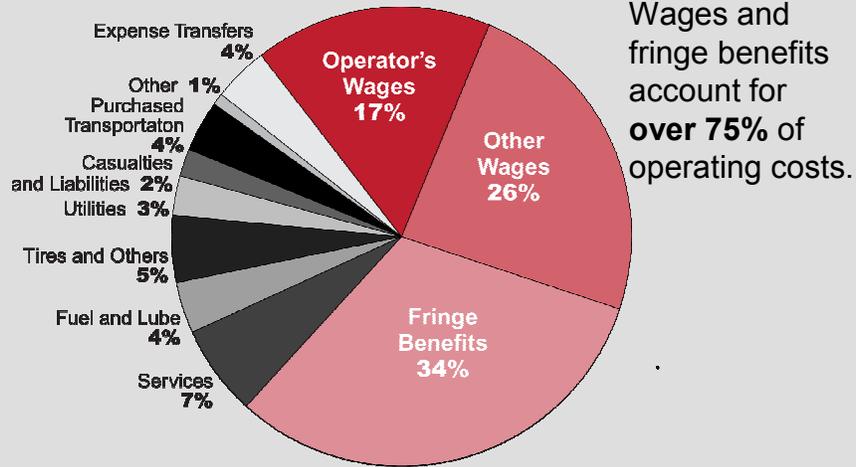


**All agencies use union drivers.**

Contracted portions of Golden Gate, and VTA services not included.  
 Source: National Transit Database



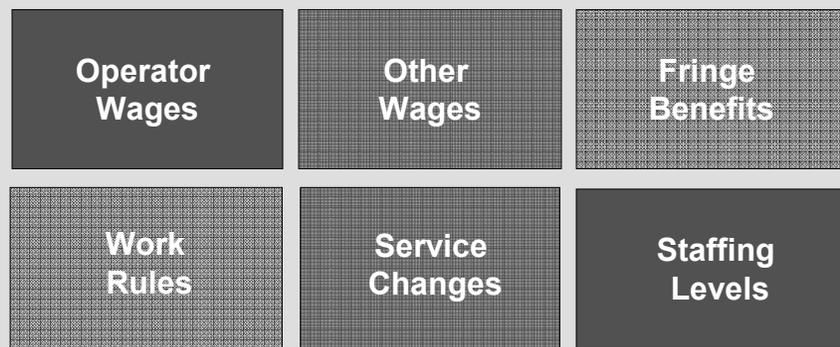
## 2008 Operating Costs – “Big 7” Operators Nearly \$2 billion



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

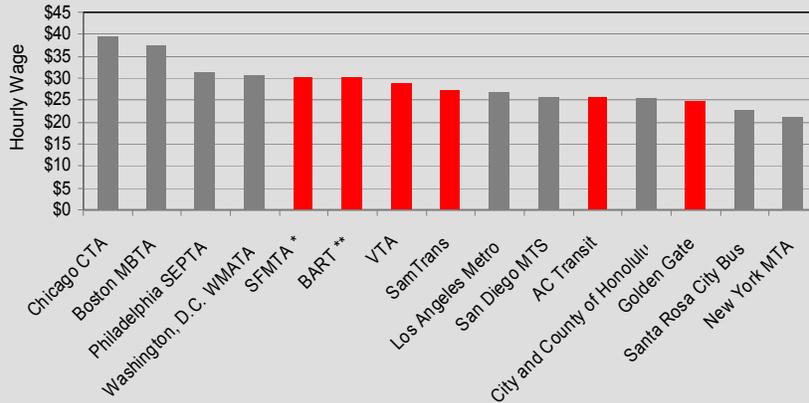


## Operating Cost Drivers



## Top hourly base wage is “in line” with peer agencies.

Top Hourly Wage Rates Adjusted to Bay Area Cost of Living



\* As of July 1, 2010  
\*\* As of June 2009

Source: "ACCRA Cost of Living Index, 2009 Annual Average Data," prepared by the Council for Community and Economic Research, as cited by Dash & Associates. Dash & Associates, Agency data



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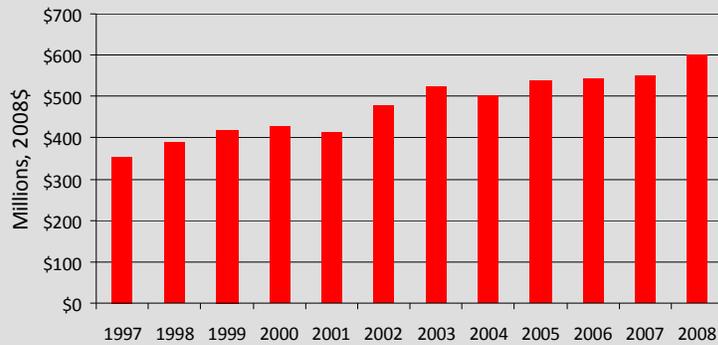
## Operator Wages – Initial Assessment

- 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:
  - Also affected by work rules, which are distinct from base wage rate
  - 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



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## Review of Fringe Benefit Cost Trends (includes medical benefits, pensions, workers' comp, etc.)



- The "Big 7's" total fringe costs have increased from \$355 million in 1997 to \$601 million from 1997 to 2008.
- Increase of 69% after adjusting for inflation.

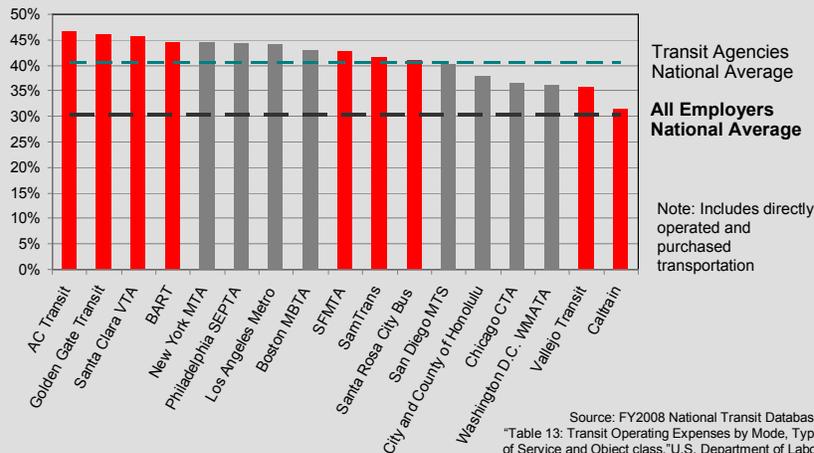


\*Big 7\* operators;  
Source: National Transit Database

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## 2008 Employee Benefits Costs as % of Total Compensation

Bay Area consistent with national peers but transit high compared to all sectors



Source: FY2008 National Transit Database  
\*Table 13: Transit Operating Expenses by Mode, Type of Service and Object class." U.S. Department of Labor (Employers' National Average)



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## Fringe Benefits – Summary Findings

- Fringe benefits are a major cost driver both over the short and long term
- Both health care costs and pension obligations are areas of concern, requiring increasing percentages of agencies' operating budgets over time
- Pension funding appears to be in relatively good shape; however, some unfunded liability remains
- Lower projected returns would increase unfunded pension liability
- Issue is not unique to transit agencies



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## Staffing Levels: Administrative Cost Relative to Peers

Administrative Cost Comparison (\$ adjusted to SF-Oakland 2008 CPI)

Operator	Admin Cost (\$ in thousands)	RVH (in thousands)	Unlinked Passenger Trips (in thousands)	Admin Cost per RVH	Admin Cost per Trip	Admin Cost as a % of Total Operating Cost
<b>Bay Area Large Operators</b>	<b>\$326,676</b>	<b>9,322</b>	<b>459,510</b>	<b>\$35.0</b>	<b>0.71</b>	<b>19.9%</b>
CTA, Chicago	\$117,676	7,730	526,336	\$15.2	0.22	9.4%
LACMTA, Los Angeles	\$185,442	7,823	474,228	\$23.7	0.39	16.0%
King County, Seattle	\$78,529	3,096	118,692	\$25.4	0.66	16.5%
MBTA, Boston	\$90,118	3,171	368,954	\$28.4	0.24	9.7%
MTA, New York	\$614,524	15,362	3,330,949	\$40.0	0.18	11.7%
SEPTA, Philadelphia	\$138,843	4,652	339,168	\$29.8	0.41	15.1%
WMATA, DC	\$321,539	4,134	423,524	\$77.8	0.76	15.8%
MARTA, Atlanta	\$76,686	2,356	150,503	\$32.5	0.51	19.9%
Group Avg				<b>\$34.1</b>	<b>0.42</b>	<b>14.3%</b>

Note: Data includes all modes except Vanpools, Paratransit, SFMTA Cable Car, and Ferry.  
Bay Area Large Operators: BART, SFMTA, SCVTA, GGBHTD, AC Transit, and SamTrans

Source: National Transit Database 2008



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## Staffing Levels Summary

- Findings
  - Bay Area operators dedicate a higher percentage of operating budgets to administrative costs than peers
  - Bay Area administrative cost per service unit is mixed compared to peers
    - Similar relative to hours of service (service efficiency)
    - Worse relative to passengers carried (service effectiveness)
- Recommended next steps for staffing levels analysis
  - Analyze further as part of institutional analysis



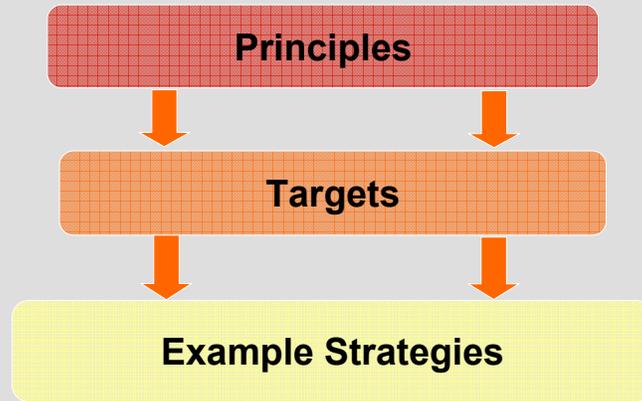
## Work Rules

- Work rules govern the roles and responsibilities of management and employees
- Determined by a long history of Collective Bargaining Agreements and agency practices
- Impacts how transit service is delivered and the cost of delivering service
- Work rules are agency specific, but generally fall into similar categories

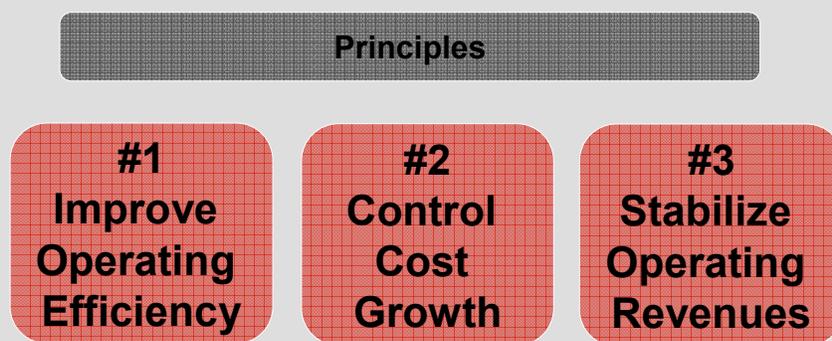
Work Rule Category	Proposed Test
Interlining/Layovers	Target 15% layovers
Guarantee/Overtime	Weekly guarantee/overtime (40 hours)
Report Times	10 minute sign on and 5 minute sign off
Meal Times	30 min. unpaid meal breaks as allowed in Wage Order 9
Split Shifts	Spread premium from 11 <sup>th</sup> hour; Max 2 hour split break; No pyramiding
Part Time	Maximum 7.5 hours per day and up to 20% of full time roster assignments
Extraboard/Absenteeism	1-5% reduction in Extraboard staff
Holidays	One less holiday on full service day
Service Contracting	Contract operation of one division or service group



## Financial Principles and Targets Framework

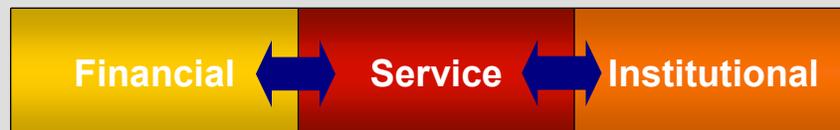


## Financial Principles



## Financial Summary

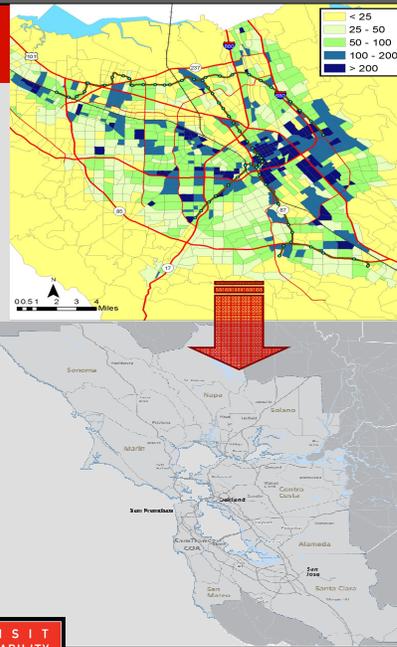
- Financial analysis is one element of the TSP
- Needs to be put in context of need for a robust transit system supported by land use and pricing policies
- Will also look at best practices for service delivery
- Work is iterative and will return after service and institutional work to refine principles and targets



## Service Analysis

## Service Analysis

- **System-wide:**
  - Establish performance metrics
- **Regional Services:**
  - Assessment of transit competitiveness
  - TransBay, Express, and BART Feeder Services
  - Analysis of ADA-paratransit
- **Sub-regional Service Analysis:**
  - East Bay and Peninsula



## Next Steps

- Focus on Service Analysis through the spring and summer
  - Paratransit update for the Equity and Access Subcommittee in June
- Start institutional analysis in the summer
- Revisit the financial principles and targets as service analysis progresses
- Ongoing coordination to inform Sustainable Communities Strategy scenarios

January 2011

September 2011

January 2012

**Regional & Subregional Service Analysis**

**Institutional Analysis**

**Revenue & Pricing Analysis**

\*Initial Cost Analysis Findings

\*Initial Service Findings

\*Draft Recommendations to the Commission

## Questions for Discussion

- Financial:
  - Are financial principles and targets an effective approach to financial reform?
  - Do you agree with the initial principles under consideration?
- Service:
  - Is the approach to the service analysis reasonable?