METROPOLITAN
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COMMISSION

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Agenda

Transit Sustainability Project

PROJECT STEERING COMMITTEE
March 21, 2011
12:30pm-3:30pm
Lunch provided

Preservation Park
1233 Preservation Park Way (Nile Hall)
Oakland, CA 94612

1. **Introductions**

2. **Follow-up Items**

3. **Results of Work Rule and Business Model Analyses**

4. **Refined Financial Framework**

5. **Service Analysis**
   a. Overview of Approach
   b. Evaluation of Existing System

6. **Public Comment/ Information/ Next Meeting**

   The next meeting of the Transit Sustainability Project Steering Committee is tentatively scheduled for May 16, 2011 at 12:30pm. Location to be determined.

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Memorandum

TO: Transit Sustainability Project Steering Committee

DATE: March 14, 2011

FR: Deputy Executive Director, Policy

RE: March 21st Project Steering Committee Meeting

We look forward to seeing you at the Transit Sustainability Project Steering Committee meeting on March 21st. I am forwarding to you a copy of the presentation that will be given at the meeting.

The meeting on the 21st will include:

- the results of the work rules and business model (contracted services) scenario testing discussed at the last meeting;
- a brief recap of the financial framework;
- an overview of the approach and scope for the service analysis; and
- some initial material on the existing transit system service performance.

The presentation includes some very high level estimates of potential operating cost savings that may result from implementing specific changes to work rules, as identified at the last meeting. The changes evaluated typically remove unproductive time or reduce the work time paid at premium rates. To get a more accurate estimate of potential savings, each agency would need to test the scenarios using their scheduling systems. However, for the purposes of the TSP, the high-level estimates are sufficient to inform the draft financial principles and targets discussed in January. We will continue to revisit the draft financial principles and targets periodically as we move through the rest of the project.

The presentation also includes introductory material about the service analysis component of the TSP, which was distributed for your last meeting but not covered at the meeting due to time constraints. The service analysis is underway, informed by input from the Service Technical Advisory Committee, and will be the project focus this Spring and Summer. The presentation outlines the three areas of work (system performance, regional analysis and subregional analysis) that comprise the service element of the TSP, and future outputs associated with each work area. At your meeting on the 21st we will discuss draft service categories meant to define the various types of service in the region, and review a high-level evaluation of current system performance.

Ann Flemer

Ann Flemer

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Transit Sustainability Project

Project Steering Committee
March 21, 2011

TRANSIT SUSTAINABILITY PROJECT

Today's Agenda

1. Introductions
2. Follow-up Items
3. Results of Work Rule and Business Model Analyses
4. Refined Financial Framework
5. Service Analysis
   a. Overview of Approach
   b. Evaluation of Existing System

TRANSIT SUSTAINABILITY PROJECT

Project Steering Committee Update

On January 21st, the PSC provided the following direction:

1. Expressed caution regarding evaluation of work rules, as these are primarily under the purview of collective bargaining
2. Requested comparable pension and benefit data for MTC
3. Mixed response to draft financial principles and targets
   a. General agreement that reform must be considered with any new revenue package proposed
   b. Majority preferred percentage reduction cost targets rather than peer-based evaluation targets
   c. Agreed to return to the principles and targets as the service and institutional analysis progresses

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2. Follow-up Items

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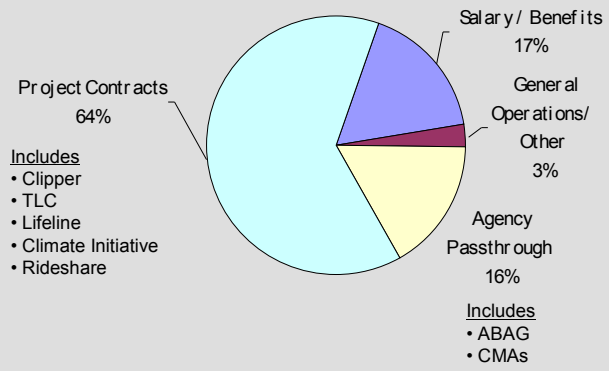
MTC 2010 Operating Budget

Total Operating Budget:
$110 million



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Pension Summary

Agency	Operator Pension	Non-Operator Pension
AC Transit	Age 55/8 years at 2%, 60 at 2.25%, or 65 at 2.5% x average of final 3 years AC Retirement Plan	*Represented Employees:* Age 55/5-8 years; 2.5% x average of final 3 years *Non-Represented Employees:* Age 50/5 years at 2.5% x average of final 3 years AC Retirement Plan
BART	Age 55/5 years; 2.0% x high year CalPERS	Age 55/5 years at 2.0% x high year *Police*: Age 50/5 years at 3.0% x high year CalPERS
Golden Gate	Age 55/15 years or 50/25; 2% x high year GGT Amalgamated Plan	Age 55/5 years; 2.5% x high year CalPERS
Sam-trans	Age 55/5 years; 2.0% x high 3 years CalPERS	Age 55/5 years; 2.0% x high 3 years CalPERS
SFMTA	Age 50/20 years or 60/10 years 1.6% - 2.3%x high year City Retirement System	Age 50/20 years or 60/10 years 1.6% - 2.3%x high year Contribute 7.5% share of salary City Retirement System
VTA*	Age 55/15 years at 2.0% x high 3 years Age 65/10 years at 2.4% x high 3 years VTA Amalgamated Plan	Age 55/5 years; 2.0% x high 3 years CalPERS
MTC	NA	Age 55/5 years; 2.5% x high 3 years Employees contribute 3.553% of salary CalPERS

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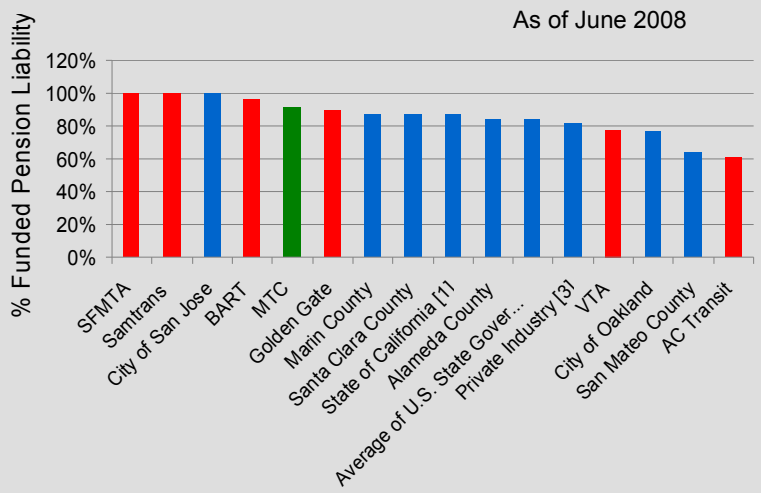
* Applies to all ATU employees, including certain non-operators.

Source: Agency CAFRs and agency review.

Peer Analysis of Funded Pension Liability



Sources: Agency CAFRs
[1, 2] Data as of June 30, 2008, from Pew Center on the States report entitled "Trillion Dollar Gap," dated February 2010.
[3] Based on S&P 500 Indices

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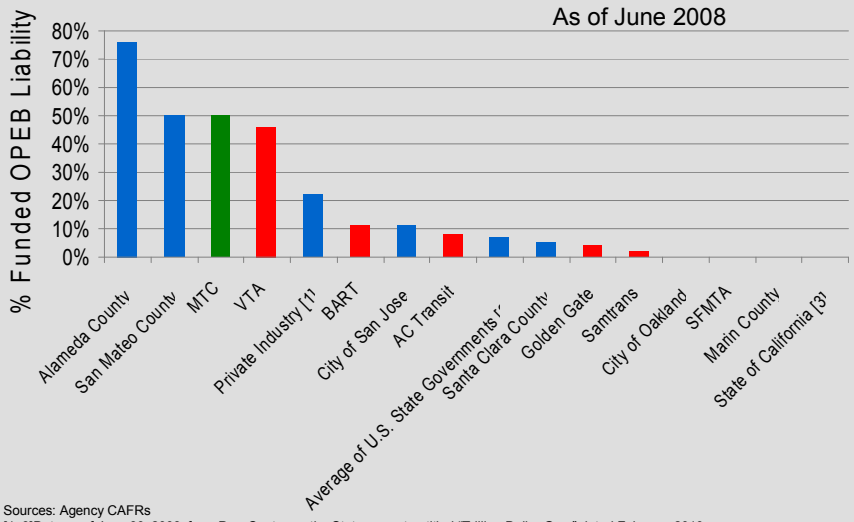
Peer Analysis of Funded OPEB Liability



Sources: Agency CAFRs
[1, 3]Data as of June 30, 2008, from Pew Center on the States report entitled "Trillion Dollar Gap," dated February 2010.
[2] Represents assets put aside on average by states to a[illegible] (non-pension) retiree health care liabilities – Pew Center Report, February 2010, p. 43

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3. Results of Work Rule and Business Model Analysis

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Operator Work Rules Analysis

- Focused on six major Bay Area systems (AC Transit, BART, Golden Gate, SamTrans, SFMTA, and VTA)
- Previous tasks completed:
  - Review vehicle operator and station attendant work rules
  - Conduct interviews with agency staff regarding work rules
  - Identify opportunities for changes based on cost effective practices among this group and other peers
- Cost Savings Estimated
  - Operator Work Rules
  - Business Model (Service Contracting)

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Scenarios Tested

Work Rule Category	Proposed Scenario
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 11th hour • Maximum 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

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Work Rule Scenarios – Assumptions

- Basis of savings calculated:
  - AC Transit savings based on same methodology but also included scheduling software tests
  - BART savings provided by agency and based on a different set of scenarios
  - Other systems based on consultant analysis

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Work Rule Changes – Costing Methodology

- Step 1: Identify impact on operator pay hours for each change
  - Multiply this by direct cost per pay hour
- Step 2: Identify impact in terms of operator staffing
  - Multiply this by the average annual benefit cost per operator
- Step 3: Adjust savings estimates for overlap of changes
  - Some changes remove the same unproductive time
  - Reduces savings by around 25% (from AC Transit analysis)

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Operator Work Rules Estimated Savings

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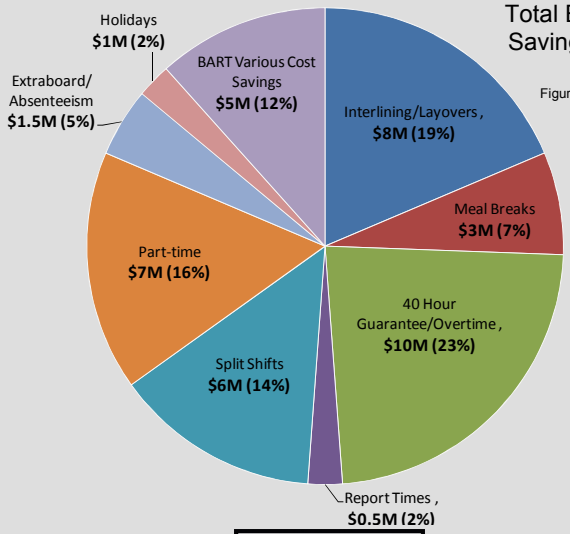
Annual Work Rule Cost Saving Estimates

Total Estimated Annual Savings: $38M – $46M

Figures in chart based on mid-range estimates



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Sources of Potential Savings

- Savings from the scenarios tested were achieved through:
  - Removing or reducing time paid when not working
  - Reducing the work time paid at overtime rates
  - Maintaining current pay rates, benefits (except one holiday), and 40 hour work week for full-time employees
- No reductions in service

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Annual Work Rule Cost Saving Estimates

- Estimates are conservative
- Areas of potential savings vary significantly among agencies
- Some agencies have larger potential savings from proposed changes
  - Larger workforce
  - Greater peak-to-base ratio
  - More costly work rule provisions
  - Varied effectiveness of implementing existing work rules
- Potential savings likely to increase when changes tested using scheduling software (based on AC Transit analysis)

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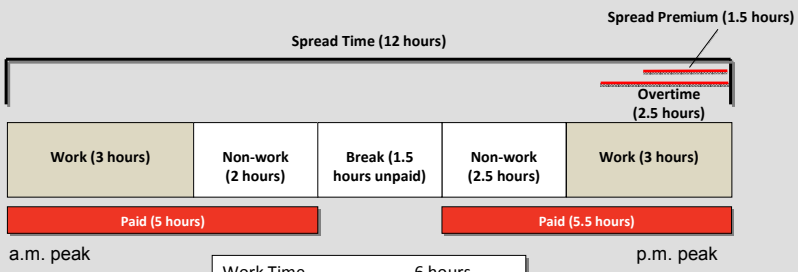
Work Rule Example – Peak Service



Work Time	6 hours
Non-Work Time	4.5 hours
Overtime Premium	1.25 hours
Spread Premium	0.75 hours
Total Paid Time	**12.75 hours**

- *12.75 hours pay for only 6 hours of work*

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Work Rule Conclusions

- Key work rule changes can potentially save significant operating costs by removing unproductive time
  - 40 hour guarantee/overtime threshold
  - Minimize unnecessary layovers (interlining, rescheduling consistent with Wage Order 9)
  - Part time operators (up to 20% of total daily assignments)
  - Split shift provisions (especially longer unpaid break – even beyond that tested)
- Savings from holidays, report times, meal breaks, and Extraboard are also worth pursuing
- Some improvements are possible under existing contracts

These savings all contribute to reduced operating costs

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Business Model Estimated Savings

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Business Model – Contracting

- There are many examples of service contracting throughout California and the nation
  - Some are legacy (e.g. SamTrans)
  - Others are more recent transitions in order to lower overall operating costs
  - Mix of 100% or partial service contracting
- Savings result from both:
  - More efficient work rules and practices
  - Lower hourly rates and benefits

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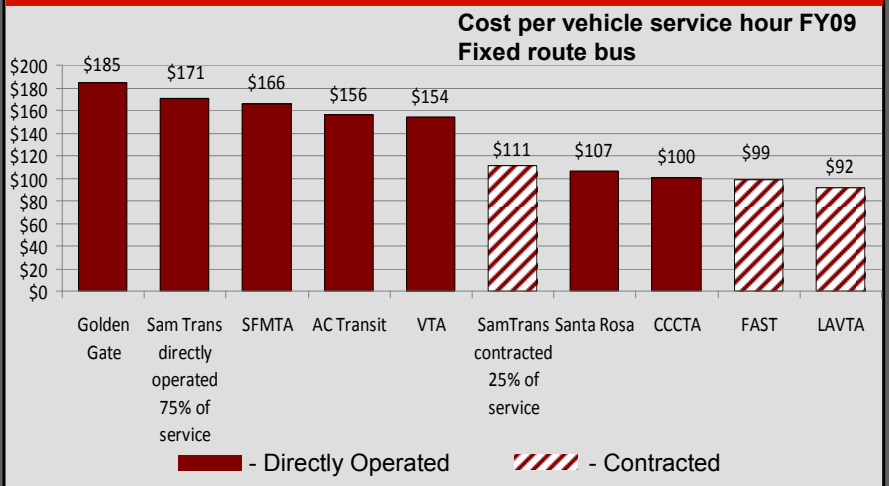
Bay Area Cost and Service Delivery Comparison



All agencies use union drivers.

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

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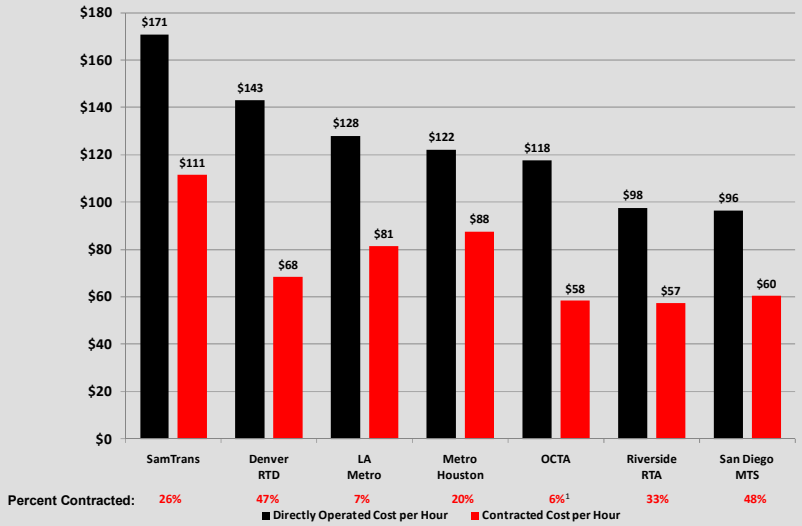
Service Contracting Examples



Source: 2009 NTD

[1]OCTA moving to 30% outsourcing

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Annual Savings from Partial Service Contracting

- **Total Estimated Annual Savings: ~$30M – $40M**

System	Scenario Tested	Percent Contracted
AC Transit	TransBay express and school services	14%
BART	would require complete contracting (all-or-nothing); was excluded from analysis	0%
Golden Gate	two smaller divisions	30%
SamTrans	already contracts 28%; Tested increase of one percent to currently allowed limit	29%
SFMTA	smallest bus division	13%
VTA	smallest bus division	24%
	TOTAL	19%

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Section 13(c) Considerations

- Section 13(c) requirements may impact potential cost savings from contracting out or related actions
- Section 13(c) provides certain protections to transit employees who are affected by federally-funded projects
- A high-level review of 13(c) will be undertaken as part of the TSP to assess the potential impact of Section 13(c) requirements on any proposed recommendations
- A review of each transit agency's Section 13(c) provisions could be undertaken based on the results of the initial analysis and proposed recommendations coming out of the TSP

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Overall Cost Savings Estimates

Change	Range		
	Low	Mid	High
Work Rules (Full Estimate)	$38 million	$42 million	$46 million
Business Model Savings	$32 million	$35 million	$39 million
Adjustment for Overlap	($2.6 million)	($2.9 million)	($3.2 million)
Total	**$67 million**	**$74 million**	**$81 million**

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Potential Next Steps for Discussion

- Agencies and MTC to discuss operating cost targets based on work rule and other changes
- Agencies to conduct more detailed analysis of potential savings (using scheduling software)
  - Estimated savings expected to increase (based on AC Transit experience)
- Agencies and Labor Representatives to consider items identified during labor negotiations

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4. Refined Financial Framework

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Cost Containment Strategies

- Identified agency strategies to reduce operating costs
- Estimated potential annual cost savings if strategies applied regionally

Area	Findings/Strategies Identified	Potential Savings
Fringe Benefits	Findings: Fringe benefits have increased significantly; accounts for 34% of operating costs Strategies: Two-tiered pension system, employee contributions, cap agency contribution to medical insurance, limit coverage options	~$65 million
Work Rules and Business Model	Findings: Premium pay data suggests further analysis could produce options for lowering operating costs Strategies: 40 hour weekly guarantee, minimize unnecessary layovers, some part time drivers, contract a portion of operations	Previous estimate: $100 million Revised estimate: $80 million
Staffing Levels (additional work in Spring/Summer)	Findings: Bay Area operators dedicate a higher percentage of operating budgets to administrative costs than peers; Strategies: Reduce percentage of costs going to administration to be in-line with peers	$90 million

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Cost Containment Strategies – Revised

- Potential annual regional savings if cost containment strategies applied regionally: approximately $235 million
- Represents approximately 10 to 12% of annual operating costs

Cost Category	Potential Regional Savings
Fringe Benefits	$65 million
Work Rules and Business Model	$80 million
Administrative Staff Costs	$90 million
Total	**$235 million**

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Draft Financial Principles

Draft Principles

#1 Improve Operating Efficiency

#2 Control Cost Growth

#3 Stabilize Operating Revenues

Targets

Holding total service constant, reduce cost per hour of service by 10 to 20%

Potential target of ~10% reduction in operating costs appears reasonable

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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 be revisited after service and institutional work to refine principles and targets

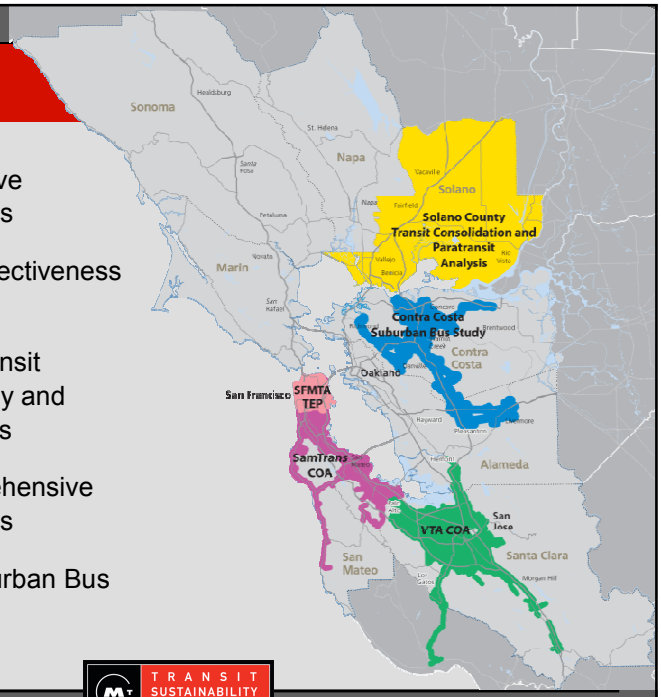
Financial ⟷ **Service** ⟷ **Institutional**

TRANSIT SUSTAINABILITY PROJECT

5. Service Analysis
Overview of Approach

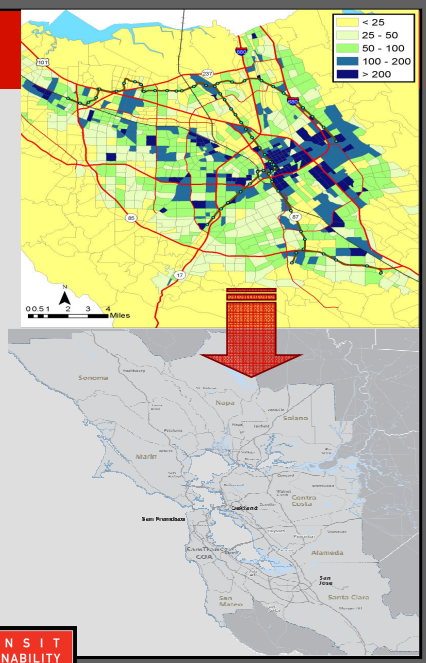
Recent Service Evaluations

- VTA Comprehensive Operations Analysis
- SFMTA Transit Effectiveness Project
- Solano County Transit Consolidation Study and Paratransit Analysis
- SamTrans Comprehensive Operations Analysis
- Contra Costa Suburban Bus Study



Service Analysis

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



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System Performance

Approach

Applies system-wide, differentiated by type of service

Analysis

a) Evaluate current system performance using consistent metrics
b) Identify metrics by service type

Outcomes

Performance metrics to:
a) evaluate system performance over time
b) inform investment decisions and allocation policies (RTP/SCS, RM2, R3434)

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Regional Analysis

Approach

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

Analysis

a) TransBay and Express service plans
b) Evaluate rail feeder services
c) ADA-paratransit service delivery
d) Evaluation of transit competitiveness

Outcomes

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

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Subregional Analysis

Approach

a) Inner East Bay
b) Peninsula

Analysis

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

Outcomes

a) Service plans
b) Strategies to improve service delivery and increase rider convenience of multi-operator services

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5. Service Analysis
Evaluation of Existing System

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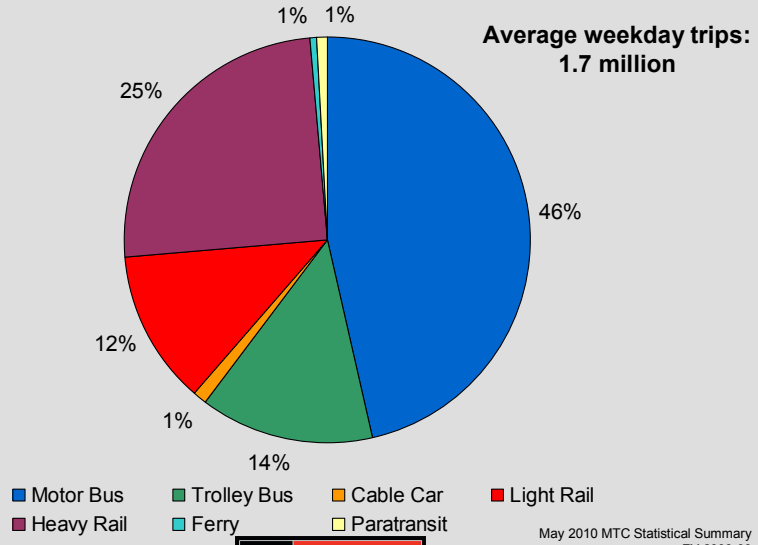
Existing Transit System – Average Weekday Ridership FY 08/09

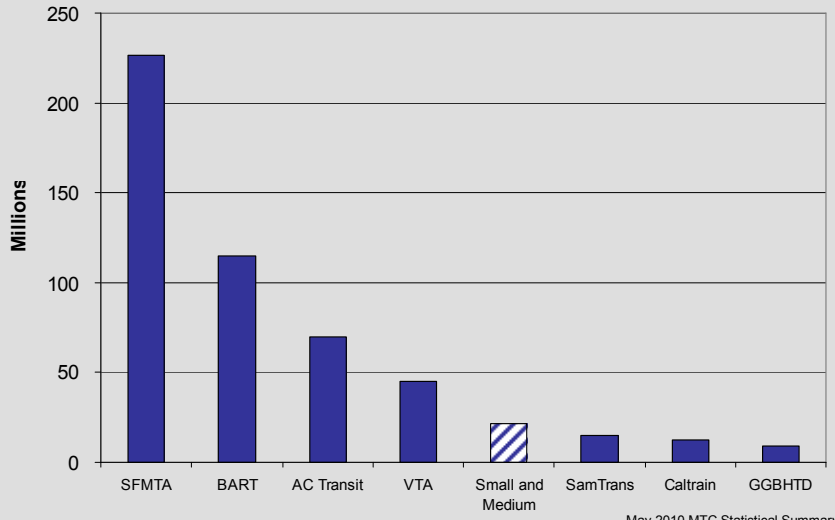


Average weekday trips: 1.7 million

May 2010 MTC Statistical Summary
FY 2008-09

TRANSIT SUSTAINABILITY PROJECT

Total Annual Passengers by Operator FY 08/09
Big 7



May 2010 MTC Statistical Summary
FY 2008-09

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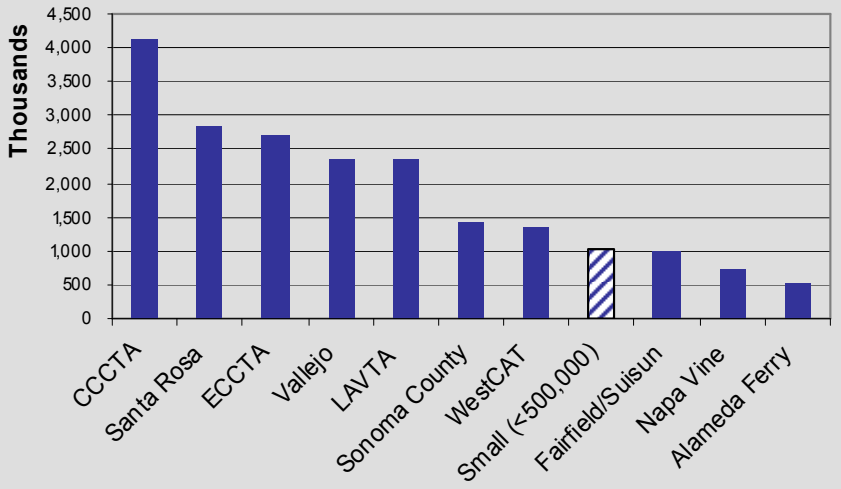
Total Annual Passengers by Operator FY 08/09
Medium and Small Operators



May 2010 MTC Statistical Summary
FY 2008-09

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Service Categories

- Goal: to have a unified and consistent definition of transit service categories to support:
  - A more transparent evaluation of system performance over time
  - More informed investment decisions
- Reviewed existing agency service definitions both in the region and nationally
- Considered international efforts to assess service delivery against common metrics
- Discussed draft service categories with Service TAC in January and March; continuing to revise and refine based on feedback

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Service Categories – Regional

- Regional Services are generally defined as trips that are:
  - longer than 20 miles and cross a county line; or
  - cross the San Francisco Bay.
- Working with agency staff to identify routes that do not meet definition but are considered regional services

Category	Primary Role	Mode	Examples
All Day, High Capacity	Regional all-day backbone service	▪ Metro/Heavy Rail	▪ BART ▪ Caltrain
All Day	All day regional gaps not filled by high capacity service	▪ Commuter rail ▪ Express bus ▪ Ferry	▪ Transbay Bus ▪ Ferries ▪VTA 180/181
Regional Commute	Targets commute market from home to work with peak period, peak direction service	▪ Express bus ▪ Commuter rail	▪ Transbay Bus ▪ VTA 120, 130 ▪ ACE

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Service Categories – Subregional

- Subregional Services are generally defined as fixed-route service within one county or routes shorter than 20 miles

Category	Primary Role	Mode	Examples
Urban Trunk	Backbone service within county on major arterials and higher-density corridors	▪ BRT, LRT, Limited stop ▪ Bus	▪ Muni LRT, 38 ▪ AC 72 ▪ VTA LRT, 522, 22
Subregional Commute	High speed and frequency service between residential and employment areas, targeting commuters	▪ BRT	▪ VTA Express Bus Routes ▪ CCCTA Bishop Ranch
Local Network	Links moderate-density residential areas; fills gaps left uncovered by UT service within urban area	▪ Bus	▪ Muni 48 ▪ VTA Local 55
First/last mile connectors	Targeted, peak-only service between transit hubs and major destinations	▪ Shuttle	▪ BART feeder bus ▪ SamTrans Oyster Point Shuttle
Community Bus	All day service within localized area; circulators	▪ Shuttle ▪ Bus	▪ VTA Dash ▪ CCCTA Walnut Creek Shuttle

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Next Steps

- Service Analysis – future items
  - Service analysis using the Transit Competitiveness Index tool (May PSC meeting)
  - Draft RTP/SCS Vision Scenario(s) focused on transit (May PSC meeting)
  - Regional corridor service concepts (May and July meeting)
  - Draft performance standards (July PSC meeting)
- ADA-paratransit (May or July PSC meeting)
  - Initial review of existing system underway focused on policies and service delivery
  - Identifying best practices and innovative service delivery

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Next Meeting:
May 16, 2011
12:30-3:30pm

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