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TRANSPORTATION  
COMMISSION

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## Agenda

### Transit Sustainability Project

#### PROJECT STEERING COMMITTEE

February 13, 2012

1:00 p.m. – 4:00 p.m.

Joseph P. Bort MetroCenter  
Auditorium  
101 Eighth Street  
Oakland, California

1. **Introductions**
2. **Financial Performance Draft Final Recommendations**
3. **Service Performance Draft Final Recommendations**
4. **Institutional Analysis Update and Initial Recommendations**
5. **Public Comment/ Information/ Next Meeting**

The next meeting will be a Joint Meeting of the Select Committee and Project Steering Committee on Wednesday, February 22, 2012 at 1:00 p.m.



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*Memorandum*

TO: Transit Sustainability Project Steering Committee

DATE: February 6, 2012

FR: Deputy Executive Director, Policy

RE: February 13<sup>th</sup> Project Steering Committee Meeting

We look forward to seeing you at the Transit Sustainability Project (TSP) Steering Committee meeting on February 13<sup>th</sup>. We'd like to again thank you for your participation on the Committee, and your ongoing commitment to this effort. We have scheduled a February 22<sup>nd</sup> joint meeting of the Committee and the Commission Select Committee on Transit Sustainability. We recognize that not all Steering Committee members are available, but hope that the discussion at your meeting on February 13<sup>th</sup> can be conveyed by those able to attend the Joint meeting.

The agenda for February 13th includes:

- discussion of the draft final recommendations on financial and service performance; and
- discussion of the initial institutional recommendations

We continue to recommend an overall financial goal of a 10% reduction in operating cost per hour. In terms of service performance, we are focusing on an investment and incentive approach. Additionally, we will be requesting input on the initial institutional recommendations.

The February 22<sup>nd</sup> joint meeting of the TSP Select Committee and the Steering Committee will be an opportunity for you to provide input directly to the Commission before recommendations are released in March for public comment. The Commission is scheduled to consider adopting final recommendations on April 25<sup>th</sup>.

The TSP recommendations provide a starting point to achieve a sustainable system. Significant work and collaboration will be necessary to implement the project recommendations and we will likely recommend continuing to engage the Steering Committee, on a less frequent basis, to guide implementation.

We look forward to the discussion on February 13<sup>th</sup>.

Ann Flemer



## Today's Agenda

- 1. Project Update and Schedule**
- 2. Financial Performance Draft Final Recommendations**
- 3. Service Performance Draft Final Recommendations**
- 4. Institutional Analysis – Initial Recommendations**
- 5. Public Comment**



## Project Schedule

**1. February 22, 2012 – Joint Select/Project Steering Committee Meeting to discuss recommendations:**

*Financial Performance*                      *Service Performance*  
*Small Operators*                          *Institutional*  
*Paratransit*

**2. March 2012 – Select Committee releases Draft TSP Recommendations for Public Comment**

**3. April 25, 2012 – Commission adopts TSP recommendations**

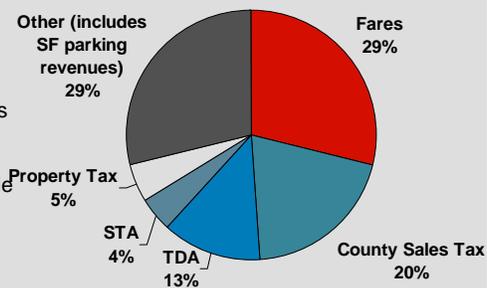
**4. Implement Recommendations (2012 – 2018)**



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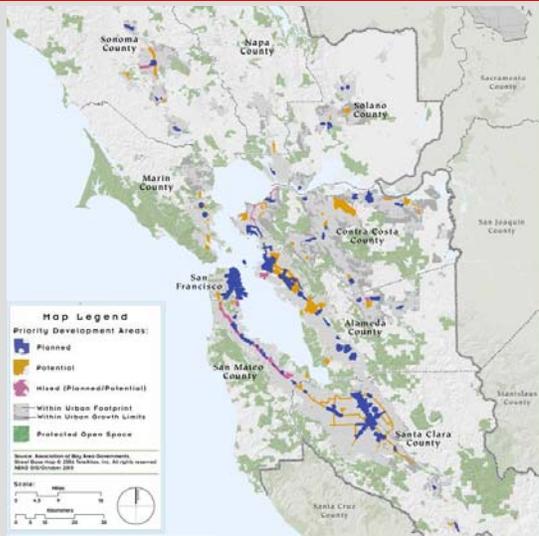
## The Current Transit System

- Comprehensive, multimodal transit network
- Significant public support
  - 500 million annual passengers
  - Average of 1.4 million passengers per weekday
  - 200 million annual revenue vehicle miles; 12 million annual revenue vehicle hours
  - 4,551 total vehicles, 994 miles of track and 54 maintenance facilities
  - Labor Force: 14,059 FTEs
  - Operating funds: \$2.3 billion



## Transit Supports Focused Growth

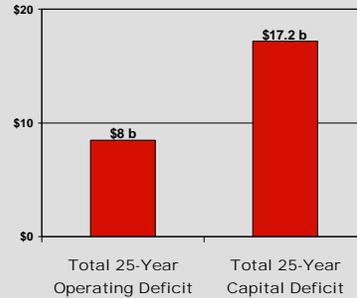
- SCS Forecast Bay Area growth in Priority Development Areas:
  - 70-80% new housing
  - 50-60% new jobs
- More intense development near high quality transit



## Financial: Short and Long Term Problem



### Projected Deficits Transportation 2035



## Strengthening Existing System

- Most operators have begun to address financial and service challenges at the agency level
- Transit Sustainability Project seeks to reinforce these efforts and position the region's transit system for future growth in ridership
- Cost containment reform allows for reinvestment in service and is essential to building public confidence and attracting additional revenue
- A sustainable transit system in the Bay Area depends on reform, reinvestment and new revenue



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## Administrative Cost Analysis



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## Administrative Costs

- As part of the TSP Financial Analysis, MTC presented a baseline administrative cost savings estimate of \$90 million for the Big 7 operators
- Based on input from the PSC, additional analysis was undertaken to reevaluate estimate based on agency data, existing regional transit structure, and various metrics



2. Administrative Cost Analysis

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## Administrative Costs

- National Comparison: Compare Bay Area regional administrative costs to other transit-rich metropolitan regions
- Agency Comparison: Compare Big 7 transit agencies to similar sized agencies
- Local/Peer Comparison: Compare Big 7 Bay Area transit agencies among:
  - Themselves to identify strengths and opportunities for efficiencies
  - Peer agencies to evaluate potential savings in line with regional/national trends



2. Administrative Cost Analysis

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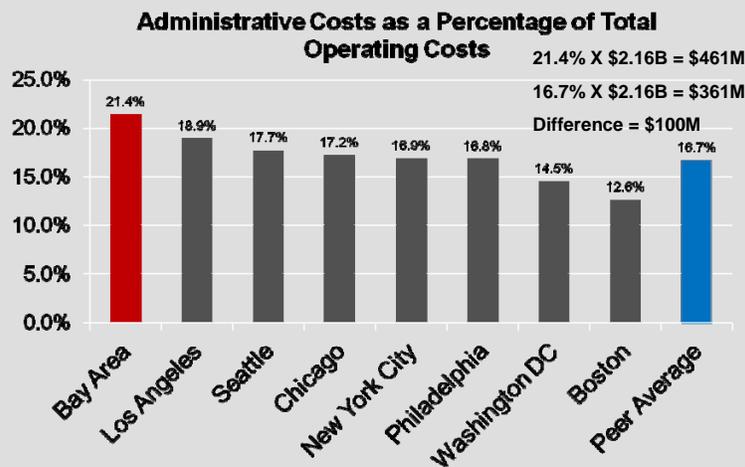
## Regional Analysis: Bay Area Admin Costs #1 per Vehicle Revenue Hour, #2 per Rider

Region	Number of Agencies	Total Regional Transit Budget	Total Regional Administrative Costs	Regional Vehicle Revenue Hours	Regional Admin. Cost per Vehicle Revenue Hour	Regional Transit Ridership	Regional Admin. Cost per Rider
<b>Bay Area</b>	<b>27</b>	<b>\$2.2 billion</b>	<b>\$461 million</b>	<b>12.1 million</b>	<b>\$ 37.84</b>	<b>484 million</b>	<b>\$ 0.95</b>
New York City	37	\$11.5 billion	\$1,998 million	58.3 million	\$ 34.27	4,077 million	\$ 0.49
Philadelphia	5	\$1.2 billion	\$208 million	7.1 million	\$ 29.14	358 million	\$ 0.58
Seattle	9	\$1.1 billion	\$195 million	6.8 million	\$ 28.93	189 million	\$ 1.03
Los Angeles	20	\$2.2 billion	\$408 million	16.7 million	\$ 24.48	640 million	\$ 0.64
Chicago	15	\$2.1 billion	\$363 million	14.9 million	\$ 24.25	628 million	\$ 0.58
Washington DC	12	\$1.7 billion	\$254 million	11.0 million	\$ 23.18	476 million	\$ 0.53
Boston	7	\$1.2 billion	\$155 million	7.1 million	\$ 21.96	363 million	\$ 0.43
<b>Peer Average</b>	<b>15</b>	<b>\$3.1 billion</b>	<b>\$512 million</b>	<b>17.4 million</b>	<b>\$ 29.39</b>	<b>962 million</b>	<b>\$ 0.53</b>



2. Administrative Cost Analysis

## National Analysis: Bay Area Admin Costs are Higher than Peers



2. Administrative Cost Analysis

## Local Analysis: Percentage of Admin Costs by Category

Cost Category	Total Regional Expenditure	% of Regional Admin. Expenditure	Highest % of Big 7	Lowest % of Big 7
Executive Management	\$13.4 million	3.7%	6.5% AC Transit	0.9% SFMTA
Senior Management	\$14.2 million	4.0%	7.4% BART	1.2% SFMTA
Financial Services	\$49.3 million	13.7%	18.0% BART	6.8% GGBHTD
Procurement/ Purchasing/Contracts/ DBE	\$17.3 million	4.8%	8.9% BART	1.9% SFMTA
Information Technology	\$40.0 million	11.1%	23.3% VTA	5.0% Samtrans
Human Resources/EEO	\$23.2 million	6.5%	10.1% AC Transit	1.1% Caltrain
Marketing	\$14.9 million	4.1%	14.4% VTA	0.1% SFMTA
Safety & Risk Mgmt.	\$42.7 million	11.9%	20.7% SFMTA	1.2% GGBHTD

## Administrative Costs: Reconciling National Peers and Existing Bay Area Structure

- Based on national peer comparisons, for the region's service levels and ridership, administrative costs could be \$90-100 million less.
- Taking into account the Bay Areas' existing institutional structures, the \$90-\$100 million may not be achievable without change to institutional structures.
- Assuming all agencies cut administrative costs per mile/hour of service to the regional average, and that the per agency savings is capped at 20%...**the total annual administrative savings would be reduced to \$45 million**

## Financial Performance

*Goal – Focused effort by transit agencies to contain costs.*



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## Proposed Financial Metric

### Cost-Based

#### Financial

Cost per service hour

Big 7 Operators only

Reduce "real" operating cost by 10% per service hour within 5 years

- Financial targets would be set compared to the highest cost per hour experienced by each agency between 2008 and 2011. Note that 10% would include all savings from labor agreements since 2008.
- 10 percent is an aggressive but meaningful target, necessary to demonstrate to the public that costs are being managed.
- Project Steering Committee input included concerns that target may be unrealistic and may have a negative impact on service quality.



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## Cost Containment Strategies - Revised

- Identified strategies to reduce operating costs
- Potential savings in each area vary significantly by agency
- Potential annual regional savings if cost containment strategies applied regionally: **approximately \$190 million or roughly 10% of annual operating costs**

Area	Findings/Strategies Identified	Potential Savings
Fringe Benefits	<ul style="list-style-type: none"> <li>•Findings: Fringe benefits have increased significantly; accounts for 34% of operating costs</li> <li>•Strategies: Two-tiered pension system, employee contributions, cap agency contribution to medical insurance, limit coverage options</li> </ul>	\$65 million
Work Rules and Business Model	<ul style="list-style-type: none"> <li>•Findings: Premium pay data suggests further analysis could produce options for lowering operating costs</li> <li>•Strategies: 40 hour weekly guarantee, minimize unnecessary layovers, some part time drivers, contract a portion of operations</li> </ul>	\$80 million
Administrative Staff Costs (REVISED)	<ul style="list-style-type: none"> <li>•Findings: Bay Area operators dedicate a higher percentage of operating budgets to administrative costs than peers;</li> <li>•Strategies: Reduce percentage of costs going to administration to be in-line with peers</li> </ul>	\$45 million (REVISED)



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## Small Operators Focus on Coordination

### Strategy Areas

- Fare
- Capital & Service Planning
- Customer Service



### Coordination Opportunities

- Uniform eligibility/fares for transfers, discounts
- County-based SRTPs/joint purchase requirements
- Joint call centers/marketing

Possible Coordination Concept	Milestone Timeframe	
	Short-Term (1-2 years)	Medium-Term (3-5 years)
<b>Standard Fare Policy</b>		
A. Joint Fare Structure	X	
B. Clipper Roll-out	X	X
<b>County/Subarea SRTPs</b>	X	
<b>Joint Purchasing</b>	X	X
<b>Joint Call Centers/Marketing</b>		X



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## Service Performance

*Goal – Improve customer experience and attract more passengers.*



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## Transit Performance Initiative

An investment and incentive approach to achieve improved service performance

1. Regional investment in supportive infrastructure to achieve performance improvements in major transit corridors
2. Incentives: Reward agencies that achieve improvements in ridership and service productivity



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## Investment

- Initial Round:

MTC released call for projects for \$30 million pilot program focused on major transit corridors of AC Transit, SFMTA, SamTrans and VTA

- Future Rounds:

If pilot successful, future rounds could include projects with high benefit/cost such as additional major bus and light rail corridors, BART Metro and Caltrain operational improvements



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## Incentive

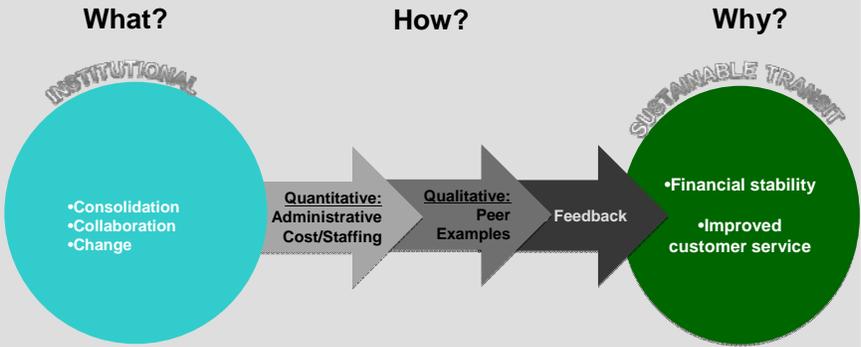
- Financial reward for improved ridership and productivity (all operators)
- Link to existing regional funding sources – propose a portion of FTA 5307 flexible set aside in near-term
- Link to a new funding source (e.g. regional gas tax)
- Formula program that rewards actual growth in annual passengers and productivity improvement as well as total ridership
- Convene the TSP Joint Technical Advisory Committee to develop formula



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# Institutional Analysis

## Institutional Analysis Approach



# Peer Examples



## Institutional Strategies

Institutional Strategies	Definition
Functional consolidation	<ul style="list-style-type: none"><li>• Merging or sharing functions between/among agencies</li></ul>
Institutional consolidation	<ul style="list-style-type: none"><li>• Merging organizations to achieve efficiencies</li></ul>



## Functional Consolidation

### New York MTA – Creation of Business Service Center+

- Consolidated Accounting, Human Resources, Payroll and Procurement services for *NY City Transit, MTA Bus, Long Island Bus, LIRR and Metro-North*
- Savings of \$25 million (or 1-2% of the total admin. budget) annually by 2014 with return on ~\$200 million investment within 5 years; administrative FTEs expected to be reduced by almost 30%
- Additionally, redundant IT functions and media relations offices were merged, and public information phone numbers reduced from 117 to 1 - enabling merger to one virtual customer service call center – for \$15M in recurring savings

### WMATA (Washington, D.C.) - Service Planning

- Regional routes funded through cost-sharing formula based on jurisdiction share of population, RVM, RVH, and boardings; local routes funded locally



3. Peer Examples

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## Functional Consolidation

### ▪ TransLink (Vancouver, B.C.) – Service Planning

- TransLink designs route structure, sets frequencies & service standards
- Operators conduct all crew & vehicle scheduling, negotiate union labor agreements & work rules
- Transit network evolves through iterative process

### ▪ SANDAG – Capital Project Delivery, Service Planning (per 2003 state legislation)

- Merged capital planning and capital program management for two transit operators
- Merged oversight and approval authority over significant changes in service and fare structures
- Coordinate service design between the agencies



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## Functional Consolidation

### **Metrolinx (Toronto) – Joint Procurement**

- Central procurement agency for transit vehicles, equipment, technologies, facilities, and related supplies and services
- Expanded from 6 original participants in 2006 to 21 at end of 2010
- 400+ buses purchased; estimated \$5 million saved

3. Peer Examples



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## Functional Consolidation: Paratransit

### **WMATA -- Paratransit Consolidation**

- Single ADA service management for the region with population of 5 million
  - Tighter eligibility determinations
  - Software provided to dispatchers with route, schedule and fare info
  - Travel training and incentives to encourage use of fixed route when possible
  - Reduced in use of paratransit and limited cost growth

### **Seattle (King County) – Paratransit Consolidation, Collaboration**

- Software used for functional assessments and scheduling
- Growth rate of new applicants stabilized due to standardized process
- Estimated savings of \$1.5 million in trip reductions in first year
- Retired vehicles leased for \$0 to community groups to provide committed number of trips. Cost per trip declined from \$40 for a “conventional” paratransit trip to \$10 for a Community Access trip



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## Institutional Consolidation

### Soltrans

- Merger of Vallejo and Benicia transit resulted in immediate savings of \$1.0 million annually
  - Consolidated 3 formerly separate service contracts
  - Obtained concessions from contractor
  - Consolidated maintenance facilities
  - Reduced administrative staff

### Napa County Transportation and Planning Agency (NCTPA)

- Consolidated former city services over 9 years to 1) improve connectivity and coordination of service, 2) reduce overhead, cost
- Competition for fixed price contract; contractor responsible for service standards, maintenance and insurance, and paratransit
- Contract managed with fewer than 2 FTEs



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## Institutional Consolidation

### Transport for London (TfL)

Three main “directorates”

- London Underground -- operating *the tube* and managing private sector maintenance services
- London Rail – managing contracts for Docklands light rail and London Trams
- Surface Transport -- London Buses (largely contracted to private sector operators), Dial-a-Ride; passenger boats, the Congestion Charge, and taxicabs

### Metrolinx

Merger of regional planning & capital programming authority with regional transportation system

- Manages new, regional transit capital expansion projects
- Implemented PRESTO: new electronic fare card that allows transfers seamlessly across multiple transit operators



3. Peer Examples

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# Initial Bay Area Institutional Recommendations



4. Proposed Institutional Recommendations

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## Functional Consolidation: Capital Planning and Resource Sharing

- **Expand regional capital project planning/design to include sharing existing expertise (e.g., BRT) and to eliminate potential duplication of facilities (e.g., maintenance shops)**

*Examples: SANDAG, Toronto, Metrolinx*

- **Joint procurement of services and equipment through regional resource centers**
  - **Reduce number of contracts**
  - **Achieve economies of scale**

*Examples: Metrolinx*

### Bay Area Transit System:

3,200 Buses

1,200 Rail Cars

1,200 miles of rail



4. Proposed Institutional Recommendations

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## Functional Consolidation: Service Planning

- **Use county or subregion-level SRTPs to promote interagency strategic planning**
  - Include sustainability performance metrics/targets
  - Include institutional elements and timeline
- **Integrate bus/rail scheduling software to facilitate schedule coordination and customer travel planning**
  - Develop regional capability to standardize schedule changes for service planning and to automatically update transit operators' information and traveling public's access to most recent information



4. Proposed Institutional Recommendations

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## Functional Consolidation: Paratransit

- **Single ADA managers for sub-regions or counties**
  - **Use common standards and processes for eligibility determination**
  - Develop standards, process for initial eligibility screening
  - Create resource centers for 3<sup>rd</sup> party review and screening
  - Provide dispatchers with software showing route, schedule and fare information for all operators
- **Institute regional program of travel training for people who are eligible for paratransit but potentially capable of using fixed route systems**
- **Promote streamlined contracting/delivery approach for paratransit services by consolidating functions and contracts**

*Examples: WMATA, Seattle (King County), LA*



4. Proposed Institutional Recommendations

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## Functional Collaboration/Consolidation: North Bay

- Support Solano County model to take systematic actions -- coordinated fares, ADA eligibility, capital plan and county-wide service plan -- toward additional institutional consolidation
- Expand model to Marin/Sonoma



4. Proposed Institutional Recommendations

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## Institutional Consolidation

- Complete existing consolidations:
  - SolTrans
  - Ferries (Vallejo, Alameda-Oakland, and Harbor Bay)
- Apply lessons learned from consolidation of transit services in Solano and Napa in considering benefits of institutional consolidation among smaller operators elsewhere.
  - Provide funding incentives and technical assistance to encourage institutional consolidation where financial and service benefits are demonstrated

*Example: Solano County*

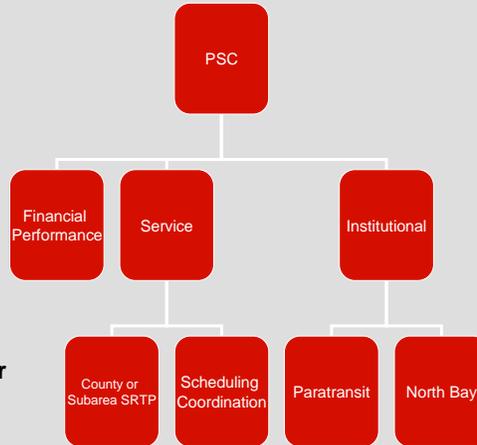


4. Proposed Institutional Recommendations

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## Continuing Institutional Process: Ongoing Catalyst for Change

- Establish an ongoing structure (Project Steering Committee with TACs) that meets periodically to assist agencies in developing their plans
- Monitor progress and report ongoing results to the Commission, the transit operators and the public
- Convene smaller working groups to focus on specific areas (e.g., Marin/Sonoma) or topics



4. Proposed Institutional Recommendations

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## Next Steps

1. February 22, 2012 – Joint Select/Project Steering Committee Meeting to discuss recommendations:
 

<i>Financial Performance</i>	<i>Service Performance</i>
<i>Small Operators</i>	<i>Institutional</i>
<i>Paratransit</i>	
2. March 2012 – Select Committee releases Draft TSP Recommendations for Public Comment
3. April 25, 2012 – Commission adopts TSP recommendations



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