



METROPOLITAN  
TRANSPORTATION  
COMMISSION

**Agenda Item 5**

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*Memorandum*

TO: Policy Advisory Council

DATE: March 7, 2012

FR: Kenneth Folan

W.I. 1517

RE: Transit Sustainability Project Update

At your March meeting, staff will present an update on the Transit Sustainability (TSP) project, including the financial, service and institutional elements of the project. Additionally, staff will provide information requested by the Policy Advisory Council in February. We seek your input to inform the release of draft TSP recommendations in late March and Commission approval in April.

**Draft Final Recommendations**

At the February 22<sup>nd</sup> joint meeting of the MTC Select Committee and the Project Steering Committee (PSC), staff presented the draft final recommendations outlined below.

*Financial Performance*

For largest seven transit operators, staff recommended an overall financial performance goal of a 10% reduction in “real” operating cost per hour. The Select Committee directed staff to work with the PSC to consider more than one performance metric, potentially up to three metrics, to address the breadth of transit performance factors. Staff has analyzed additional performance metrics and will present to you for input.

*Service Performance*

The recommendations for service performance are the same as presented to the Policy Advisory Council in February. Staff is recommending an investment and incentive approach. As part of the OneBayArea Grant program, staff has proposed an initial investment of \$30 million to fund service improvements on major bus and light rail corridors. The incentive approach focuses on attracting more riders to the system and improving service productivity.

*Institutional*

The institutional recommendations seek to strengthen coordination among the operators to better serve transit riders. Specific functional and institutional consolidation concepts are recommended and will be presented on March 14<sup>th</sup> for your review and input.

**Performance Measures and Standards**

At your February meeting, you requested additional information related to recent transit operator financial and performance trends and an overview of the existing transit operator auditing process. The attached presentation summarizes this information.

### **Schedule**

The TSP Project Steering Committee will meet on March 15, followed by a Select Committee March 28<sup>th</sup> release of draft recommendations for public comment of all three elements of the TSP work program: financial, service and institutional. We intend to present final project recommendations for Commission approval in April, prior to Commission action on the preferred Sustainable Community Strategy (SCS) in May.

<b>Milestone</b>	<b>Schedule</b>
Review Draft Recommendations with Project Steering Committee	March 15, 2012
Release Draft Recommendations for Public Comment	March 28, 2012
Final Recommendations to the Select Committee and Full Commission	April 25, 2012



# Transit Sustainability Project

Policy Advisory Council  
March 14, 2012

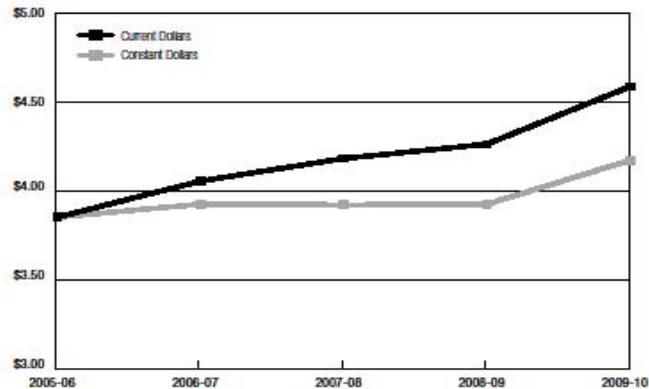


# **Current Performance Measures, Standards and Independent Audit Process**

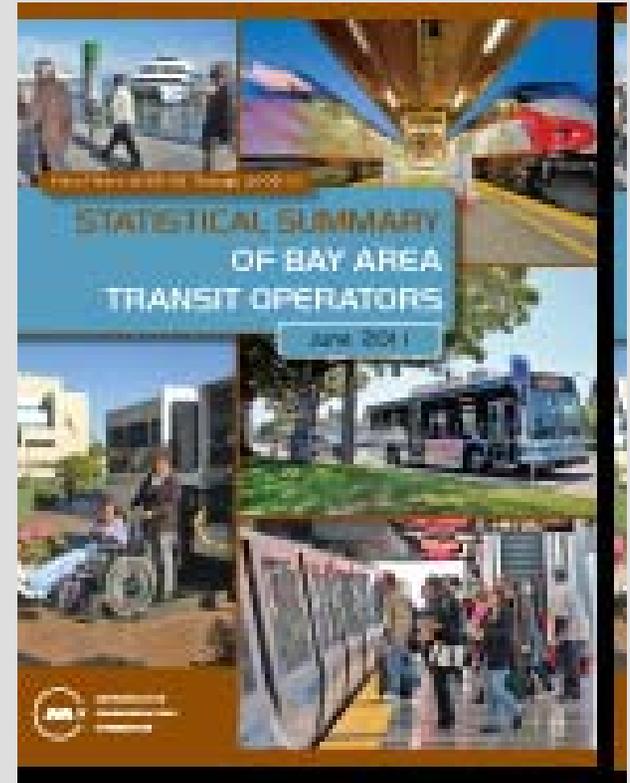
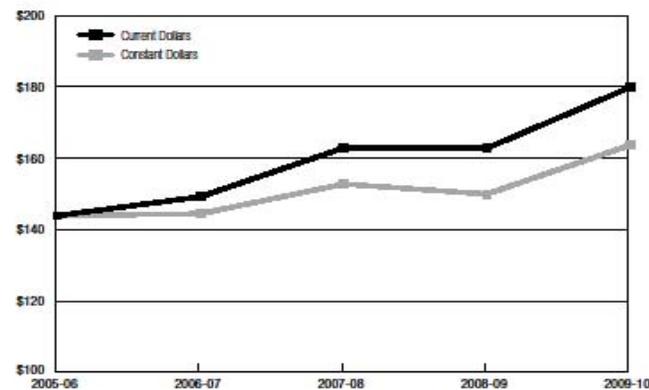
# Statistical Summary of Bay Area Operators

## Bay Area System — Regional Totals

### Cost Effectiveness — Cost/Passenger



### Cost Efficiency — Cost/Revenue Vehicle Hour



Compendium of data prepared annually

# Independent TDA Audits and Regional Measure 2

## Transit Development Act Audits:

- MTC administers triennial performance audits of all the region's transit operators.
- MTC contracts with an independent audit firm to perform audits
- Audits identify productivity improvement recommendations
- TSP recommendations may restructure process to focus on cost efficiency and productivity

## Regional Measure 2 Operating Funds – Annual Performance Review

- Required by statute
- Farebox recovery standards
- Process established for routes not meeting standards

# MTC Triennial Performance Audits

## Audit Approach

### Audit Period

Each operator audited once every three years

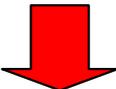
Audit examines previous three fiscal years

### Audit Activities

- Review of data collection, management and reporting methods.
- Five TDA performance indicators (six year trend analysis).
  - operating cost per vehicle service hour
  - passengers per vehicle service hour
  - passengers per vehicle service mile
  - operating cost per passenger
  - vehicle service hours per full-time equivalent employee (FTE)
- Compliance with statutory and regulatory requirements.
- Review of actions taken to implement prior audit recommendations.
- Conclusions, commentary and recommendations.

# Passengers per Vehicle Service Hour Trends

## *Fixed-Route Service*

Agency	Productivity	Ridership	Notes
BART			Service steady but increased usage
AC Transit			Service steady but decreased usage
SFMTA			Service decrease but increased usage
VTA			Service steady but increased usage
Golden Gate			Service levels adjusted to meet demand
SamTrans			Service levels adjusted to meet demand

\* Includes FY2008 through FY2010 audits because of staggered audit period.

# Sample Finding from Recent Cost Per Hour Trends – Last 3 Years

## **BART**

- Labor costs increased on average by less than 1% annually.
- FY2010 casualty/liability costs reflect \$2.2 million increase.
- Other component costs were steady or decreased.
- Includes first year of contract negotiated Fall of 2009; BART indicated that savings could be up to \$100 million over 4 years.

## **AC Transit**

- Labor costs increased on average by 1.8% annually.
- Fringe benefit costs increased by 8.2% per year, reflecting increased pension contributions based on legacy labor agreements.
- Fuel/lubricant and casualty/liability costs decreased 15-20% per year.
- New contracts negotiated in 2011 may produce significant savings; impact may be reflected during the next audit period.

## **CCCTA**

- FY2010 service restructuring reduced service hours by 20% but operating costs by just 10%.
- Labor costs decreased on average by 4% annually.
- Other component costs were steady or decreased, utilities costs increased an average 3.6% per year.

# Summary Trends

## Cost Efficiency

- Larger operators tend to have higher cost per hour than small operators due to different cost pressures (e.g., labor, facilities and fringe benefits).
- Small operators do face similar cost pressures as the larger operators, as indicated in the cost per hour trends.
- Operators have been impacted by factors beyond their daily control (e.g., City-wide labor cost increases and purchased transportation cost increases).
- Given recent labor contract negotiations, may see positive changes in cost efficiency in the next report.

## Service Effectiveness

- From FY2005 to FY2010, annual fixed-route productivity changed by less than two percent for most operators.

# Regional Measure 2 Performance Standards

- Only applies to RM2 routes
- Route by route review instead of systemwide
- 1<sup>st</sup> standard: farebox ratio by mode and type of service
- 2<sup>nd</sup> standard: positive trend in service productivity (passengers/hr.)
- Standards must be achieved by 3<sup>rd</sup> year of service

Farebox Standard

<i>Service Type</i>	Ferry	Rail	Bus
Peak	40%	35%	30%
All Day	30%	25%	20%
Owl	n/a	n/a	10%

# Regional Measure 2 Performance Standards

If Standards not achieved:

- MTC Staff consults with project sponsor
- Operator prepares Corrective Action Plan for Commission approval including deadline to achieve standards
- If standards still not met, legislation allows MTC to reassign funds to another project
- Commission may vote to modify scope or funding, or reassign funding

# Performance Results FY2010-11 Services Past Three-year Ramp Up Period

## All Day Services

Agency	Required Farebox Ratio	08/09 (audited)	09/10 (audited)	10/11 (audited)	Year Required	Service Productivity
AC Transit Route LA	20%	20.7%	23.6%	<b>25.8%</b>	FY2006-07	↑
Golden Gate Transit Routes 40/42	20%	19.1%	18.2%	<b>21.5%</b>	FY2006-07	↑
Vallejo Route 80	20%	41.1%	38.8%	<b>41.0%</b>	FY2006-07	↑
Vallejo Route 85	20%	26.3%	24.0%	<b>26.8%</b>	FY2006-07	↑
WestCAT Route 30Z/JPX	20%	23.3%	19.0%	<b>20.1%</b>	FY2006-07	↔
AC Transit - Route NL/BA	20%	22.2%	29.2%	<b>29.5%</b>	FY2007-08	↑
ECCTA Route 300	20%	18.9%	23.4%	<b>24.2%</b>	FY2007-08	↑
Fairfield And Suisun Transit Route 90	20%	43.3%	45.4%	<b>45.6%</b>	FY2007-08	↑
CCCTA Express Route 980	20%	12.2%	11.8%	<b>13.3%</b>	FY2008-09	↑
AC Transit Route F	20%	(a)	52.8%	<b>48.1%</b>	FY2009-10	↓
Vallejo Route 78	20%	20.3%	22.7%	<b>21.9%</b>	FY2010-11	↑

(a) Not part of program in this year

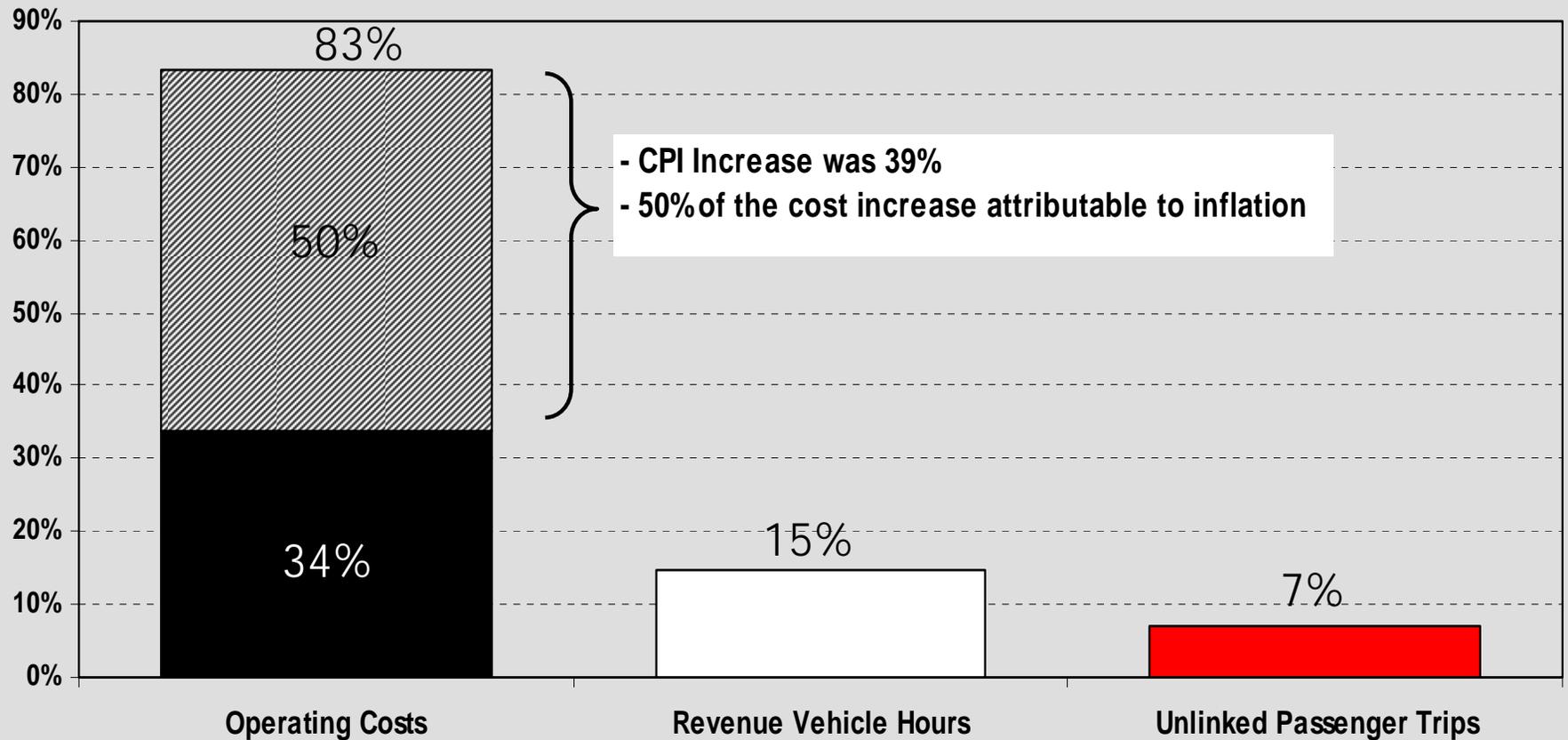
Green	= Likely to meet standard
Yellow	= Reason for concern
Pink	= Unlikely to meet standard

- CCCTA Route 980 funding ended in FY2009-10
- WestCAT Route 30Z/JPX working on a plan to increase ridership
- AC Transit Route F saw a decrease in passengers per hour and did not meet the productivity standard based on the three year average

# Financial Performance

*Goal* – Strengthen the system so that it can cover its operating and capital costs with a growing share of passenger fare revenues as well as reliable streams of public funding.

# 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.

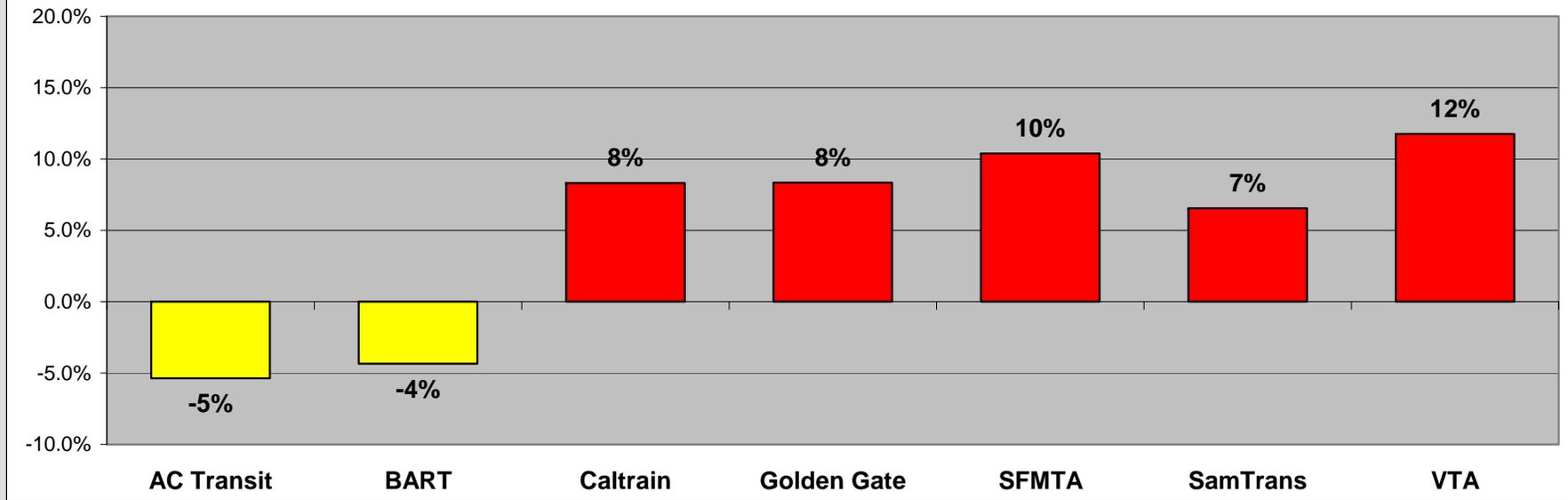
## REVISED Proposed Financial Metric – Big 7 Operators

Reduce “real” operating cost per service hour or cost per passenger by 5% within 5 years and no growth beyond CPI thereafter

- Financial targets would be set compared to the highest cost per hour experienced by each agency between 2008 and 2011. Note that 5% would include savings from labor agreements since 2008.
- Based on evaluation and possible savings in areas including:
  - Fringe Benefits
  - Work Rules and Business Model
  - Administrative Costs

# Updated Some Operators are on Track

**% Change in Operating Cost Per Revenue Hour  
FY2008 to FY2011  
Adjusted for CPI - ALL MODES**



Cost	↓ -5%	↓ -11%	↑ 4%	↑ 6%	↑ 6%	↓ -7%	↓ -4%
Hours	↑ 1%	↓ -7%	↓ -4%	↓ -2%	↓ -4%	↓ -13%	↓ -14%

- 1) Data from TDA submittals; except SamTrans FY 2010-11 (audited actuals), Caltrain from CAFRs and NTD reports
- 2) FY2011-12 data will be revised to reflect audited final numbers

# Financial Performance Metrics Monitoring

- Existing and new operating and capital funds administered by MTC may be linked to progress towards target

FY 2013	Year 1	<ul style="list-style-type: none"> <li>Agencies develop strategic plan for meeting targets</li> <li>Boards adopt strategic plans and submit to MTC</li> </ul>
FY 2014	Year 2	<ul style="list-style-type: none"> <li>Report progress to Boards and MTC</li> </ul>
FY 2015	Year 3	<ul style="list-style-type: none"> <li>Report progress to Boards and MTC</li> </ul>
FY 2016	Year 4	<ul style="list-style-type: none"> <li>Report progress to Boards and MTC</li> </ul>
FY 2017	Year 5	<ul style="list-style-type: none"> <li>Report progress to Boards and MTC</li> </ul>
FY 2018	Analyze data	<ul style="list-style-type: none"> <li>Report to MTC for next year's allocations</li> </ul>
FY 2019	1 <sup>st</sup> year of Compliance and after	<ul style="list-style-type: none"> <li>Funds may be allocated or withheld based on progress towards target</li> </ul>

# Potential New Revenues

- Regional Gas Tax
  - Subject to 2/3 voter approval, MTC may impose a gas tax not to exceed 10 cents per gallon (10 cent gas tax = ~\$250 million/year)
  - Regional Gas Tax Poll underway - results available in March
- Support Local Measures that are consistent with TSP goals and objectives (e.g. Alameda County Reauthorization – proposed \$3.7 billion for transit)

# Service Performance

*Goal* – Strengthen the system so that it functions as an accessible, user-friendly and coordinated network for transit riders, regardless of mode, location or jurisdiction.

# Transit Performance Initiative

**Propose an investment and incentive approach to achieve improved service performance**

## ***Investment***

1. Regional investment in supportive infrastructure to achieve performance improvements in major transit corridors - \$30 million pilot program of projects scheduled for approval with April TSP adoption

## ***Incentive***

2. Reward agencies that achieve improvements in ridership and service productivity



# **Institutional: Collaboration and Coordination**

## Functional Consolidation: Capital Planning and Resource Sharing

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

*Examples: SANDAG, Toronto, Metrolinx*

- **Formalize 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**

# Functional Consolidation: Service Planning

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

# Functional Consolidation: Paratransit

- **Consolidated ADA service delivery 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 for a portion of the trips**
- **Promote streamlined contracting/delivery approach for paratransit services by consolidating functions and contracts**

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

# Strengthen Coordination Among Small Operators

## 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

# 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.**
- **Consider integration of multiple transportation functions such as transit operating, planning and sales tax authority when appropriate (e.g. VTA, ACTC)**

# Policy Advisory Council

## Position on Recommendations

- 1. Financial** – Reduce “real” operating cost per service hour or cost per passenger by 5% within 5 years and no growth beyond CPI thereafter
- 2. Service – Transit Performance Initiative**
  - 1. Investment**
  - 2. Incentive**
- 3. Institutional**
  - 1. Functional Consolidation**
  - 2. Strengthen coordination among small operators**
  - 3. Institutional Consolidation - complete work in progress and apply lessons learned to future decision making**

## Next Steps

- 1. March 2012 – Select Committee releases Draft TSP Recommendations for Public Comment**
- 2. April 25, 2012 – Commission adopts TSP recommendations**