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TRANSPORTATION
COMMISSION

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Memorandum

TO: Select Committee on Transit Sustainability — DATE: April 11, 2012

FR: Deputy Executive Director, Policy — W.I. 1517

RE: Transit Sustainability Project Recommendations

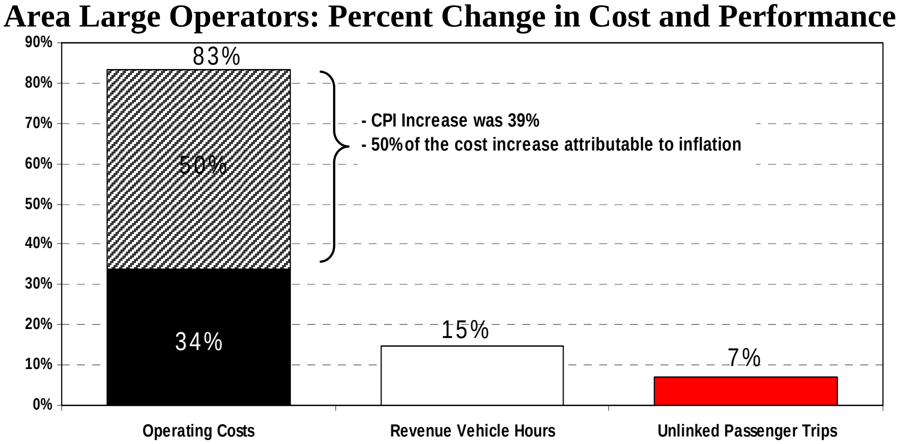
Staff recommends the Select Committee refer Resolution No. 4060 to the Commission for approval of the Transit Sustainability Project (TSP) recommendations, as described in Attachments 1 and 2.

The MTC Policy Advisory Council adopted a motion to support the staff recommendations, noting the importance of developing an appropriate enforcement policy and incentives to grow ridership, and continuing to support Lifeline services.

TSP Background
To help chart a future that provides Bay Area residents with an efficient, convenient and reliable transit system, MTC launched the Transit Sustainability Project in early 2010. The project seeks to analyze the major challenges facing transit and identify a path toward an affordable, efficient and well-funded transit system that more people will use.

Transportation 2035, the most recently adopted Regional Transportation Plan, identified regionwide transit capital and operating budget shortfalls of $17 billion and $8 billion, respectively, over the next twenty-five years. Combined with recent service cuts and funding challenges, these shortfalls suggest a serious structural deficit. To add to the challenge, as illustrated in the chart below, service and passenger trips have not kept pace with increases in operating costs, even after accounting for inflation.

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

To address these challenges, the project focused on three goals:

- **Improve financial condition:** Contain costs and cover a greater percentage of operating and capital costs with a growing share of passenger fare revenues; secure more reliable streams of public funding.
- **Improve service for the customer:** Upgrade the system so that it functions as an accessible, user-friendly and coordinated network for transit riders, regardless of mode, location or jurisdiction.
- **Attract new riders to the system:** Accommodate new riders in an era of emission-reduction goals, and support ridership growth through companion land use and pricing policies.

Project Process

The TSP has been informed by significant consultation with the Project Steering Committee (PSC) and three Technical Advisory Committees (TACs) focused on financial, service and paratransit analyses. The PSC comprises twenty-one members and has met approximately every other month over the course of the project in order to provide executive-level input from the transportation agency, government, labor, business, environmental and equity perspectives. Specific work elements have also been informed by focused technical advisory committees, ad-hoc committees, and focus groups. In addition, staff has presented project updates and recommendations to the MTC Policy Advisory Council, as well as multiple public events and forums sponsored by interested parties.

Technical analysis focused on three key areas: financial, service and institutional. Additionally, due to the unique service delivery model in the Bay Area, paratransit service was analyzed independently. Summaries of the technical analyses are included as an appendix to this memo. Additional technical reports are available at http://www.mtc.ca.gov/planning/tsp/.

Key Findings

The TSP analysis, advisory consultation and outreach resulted in the key financial, service and institutional findings summarized below and detailed in the appendix. It is important to acknowledge the recent positive efforts by transit agencies in the financial and service areas. Some operators have already started to address cost containment in their recent labor agreements. Several transit agencies have initiated or completed comprehensive operational analyses or in the case of SFMTA, the Transit Effectiveness Project. The recommendations below reinforce these initial efforts by transit operators to address the goals of the TSP.

Financial Findings

1. *Operator base wage appears reasonable when compared to national peers and Bay Area wage indices.*
2. *Fringe benefits are a major cost driver in the short and long term, as is true for most all government sectors.*
3. *Changes in work rules and business model provide meaningful opportunities for cost savings.*

4. *Bay Area Paratransit cost structure performs better than national peers but faces increasing cost pressure through future growth in demand.*
5. *Sales tax receipts, the single largest source of non-fare subsidy in the Bay Area, have been flat in real terms over the past decade.*

Service Findings

6. *Improving transit travel times on major corridors will provide significant gains in productivity.*
7. *Integrated land-use/transportation planning will attract new transit riders.*
8. *A consistent fare structure across multiple transit systems can boost transit ridership and improve the customer experience.*

Institutional Findings

9. *Integrated transportation policy decision making, across jurisdictions and across modes (transit, arterial management, parking, etc), can lead to more effective investment and service decisions.*
10. *Bay Area transit administrative costs are higher than national peers, owing in part to the existence of multiple operators serving a metropolitan region of this size.*

Recommendations (Attachments 1 & 2)

Based on the project goals and findings outlined above, staff proposes the following Commission actions to complement recent individual transit agency efforts to control costs, improve service and attract new riders. By establishing performance metrics and targets, investment and incentive programs, and additional focused efforts related to cost, service, and institutional arrangements, the recommendations set a course towards a more sustainable transit system.

1. Establish and Enforce Performance Measures and Targets

At the February 22nd joint meeting of this Committee and the Project Steering Committee (PSC), staff outlined an overall financial performance goal of a 10% reduction in operating cost per hour for the largest seven transit agencies over the next five years. The Committee directed staff to work with the PSC to establish a limited number of indicators that more accurately measures system performance, considering the varying nature of the seven systems. Staff and the PSC recommend adding two new metrics to measure performance – cost per passenger and cost per passenger mile. While there was general agreement on the metrics, there was not consensus on setting a target and linking specific funding to meeting the target.

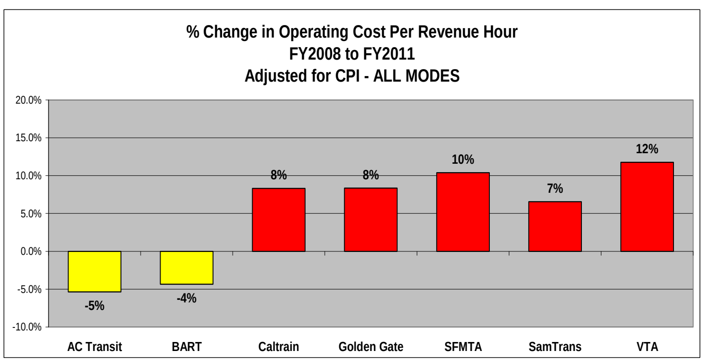
Table 1 on the next page summarizes the revised staff proposal which includes a performance target adjustment from 10% to 5% and an alternate proposal submitted by the General Managers of the largest seven agencies that would use best efforts to keep annual costs at or below the rate of inflation. Staff is proposing that existing and new operating and capital funds could be linked to progress toward meeting the performance target while the General Managers propose that only new funding sources be tied to the success or failure of meeting the target.

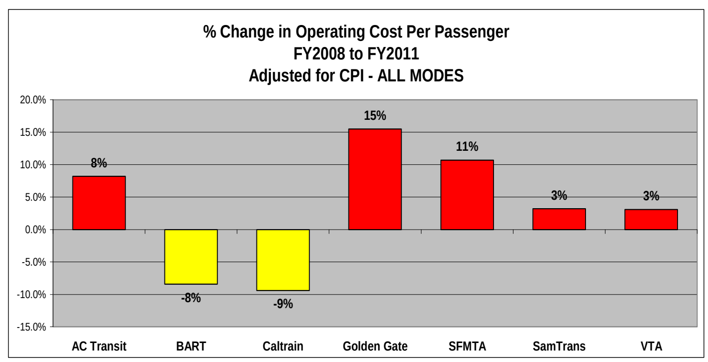
Table 1

Proposal	Performance Measure	Target	Implementation
MTC Staff Proposal	**Cost Per Hour or Cost Per Passenger or Cost Per Passenger Mile**	**5% real reduction in metric over 5 year period and no growth beyond CPI thereafter**	Existing and new operating and capital funds administered by MTC may be linked to progress towards target
Big 7 Transit Agencies Proposal		**Use best efforts to keep annual costs at or below the rate of inflation**	Only new funding sources might be impacted by an agency's success or failure in meeting performance objectives

Performance Target

Based on recent trends, staff recognizes that holding the cost metrics at or below the rate of inflation would be a commendable achievement. However, TSP analyses, including the cost containment findings summarized in the appendix, suggests that a five percent reduction is possible and, if achieved, could lead to more stable or enhanced transit service levels. Charts 1 and 2 below show recent progress made by the largest seven operators towards the cost per hour and cost per passenger targets. As illustrated, three of the seven – AC Transit, BART, and Caltrain – are achieving a 5% reduction on at least one of the proposed performance measures.





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

Cost	↓ -5%	↓ -11%	↑ 4%	↑ 6%	↑ 6%	↓ -7%	↓ -4%
Passengers	↓ -12%	↓ -3%	↑ 15%	↓ -8%	↓ -4%	↓ -10%	↓ -7%

*** Data from TDA submittals; except SamTrans FY 2010-11 (audited actuals), Caltrain from CAFRs and NTD reports**

Implementation and Funding

There has been a spirited dialogue about what funds should be subject to compliance with the performance targets. As noted above, staff recommends that existing and new capital and operating revenues under the Commission's authority be considered as subject to compliance with the performance targets. To put this into context, the Commission allocates approximately $300 million annually in operating funds, or roughly 15% of the Bay Area's transit operating cost. MTC programs a roughly equivalent amount of capital funds to rehabilitation and replacement of assets, and is the primary funding source for this purpose. Staff believes that making progress toward these performance targets is of such regional importance that the Commission should retain the flexibility to consider all funding sources. Linking compliance only to new and growth in existing sources would limit the discussion to new sources that are highly speculative and growth that is unpredictable and subject to economic cycles.

Funding decisions that reflect progress toward performance measures in the future are expected to reflect a measured and deliberative approach to achieve the shared objective of creating a more efficient and sustainable transit system. The Commission's past experience and record of using its authority to condition funds has been measured. With respect to its coordination authority, the Commission has rarely withheld funds. With respect to its record in enforcing RM2 performance measures, the Commission has been willing to redirect funds but only after considering other corrective actions and time extensions to achieve compliance.

2. Transit Performance Initiative

In terms of service performance, staff is recommending an investment and incentive strategy. The title and scope of the Transit Performance Initiative is intended to evoke the Freeway Performance Initiative, which has resulted in major vehicle delay reductions on the region's highways at relatively low cost. The service analysis found that 53% of Bay Area transit trips are on major transit corridors that have an average speed of nine miles per hour, making improvements in speed a goal for financial and service performance.

Investment Strategy

As part of the OneBayArea Grant program, staff has proposed an initial commitment of $30 million to fund service improvements on major bus and light rail corridors. If successful in demonstrating achievement of operational and ridership goals, similar investments would be recommended in the future. In January, the Committee authorized a call for projects for the initial $30 million, focusing on improvements to major corridors in the AC Transit, SFMTA, SamTrans, and Santa Clara VTA service areas. Staff is presenting recommendations to this Committee under agenda item 4.

Incentive Strategy

The incentive strategy is designed to reward operators who achieve ridership increases and productivity improvements over the prior year. By allocating transit funds on the basis of performance, this recommendation aims to encourage *all* of the region's transit operators to continuously improve their service and attract more riders. Staff recommends directing roughly $20 million annually to this program from funds that were previously distributed to operators based on a funding formula. The details on the funding distribution would be brought back to the Commission for subsequent action. Depending on the effectiveness of the initial program in encouraging ridership and productivity gains, the incentive program could expand in the future. Note that the largest seven operators agree with the concept of the incentive program, but recommend, consistent with the performance target discussion above, that only new funding sources be used for the incentives.

Additional performance and investment recommendations, described in Attachment 1, include monitoring of annual ridership levels and a regional customer satisfaction survey. We note that these transit performance and investment strategies are further supported by programs and policies such as the proposed OneBayArea grant program's complete streets requirements and PlanBayArea's focus on intense development near high quality transit.

3. Service, Institutional and Paratransit Recommendations

Attachment 2 outlines the remaining TSP policy recommendations related to: 1) service; 2) institutional; and 3) paratransit strategies. The proposed initiatives are based on best practices at other agencies or represent promising initiatives already underway by some, but not all, of the operators in the region. The implementation of these recommendations will take focus and follow-up actions by MTC and the transit agencies. A summary of the recommendations is included in Attachment 2 and further detailed in Attachment B to Resolution 4060. Staff received comments from Samtrans and The City of Santa Rosa that will be helpful in the implementation of these recommendations.

Additional TSP-related initiatives are under development. In cooperation with staff from AC Transit and BART, staff has developed a framework for addressing service improvements in the Inner East Bay including joint agency planning and coordination for Transbay services, service designs that reinforce spontaneous use in the urban core, and a joint fare product. This information will be presented to the AC Transit and BART boards in the coming months.

Additionally, SamTrans will soon finalize a comprehensive operational analysis that will inform service improvements on the Peninsula. Based on the outcomes of these efforts, staff may propose amendments to Resolution 4060.

Recommendation
Staff recommends the Select Committee refer Resolution No. 4060 to the Commission for approval.

Ann Flemer

Attachment 1
Transit Sustainability Project
Performance and Investment Recommendations
April 11, 2012

<table>
<tr><th>TSP Goal</th><th>Performance Measure/ Program</th><th>Target</th><th>Implementation</th><th>Complementary Programs/ Policy</th></tr>
<tr><td>Improve Financial Condition</td><td>Cost Per Hour
or
Cost Per Passenger
or
Cost Per Passenger Mile</td><td>5% real reduction in metric over 5 year period and no growth beyond CPI thereafter</td><td>FY2013: Agencies develop and boards adopt strategic plan for meeting targets
FY2014 - FY2017: Annual reports to MTC and Board on progress in meeting target
FY2018: Analyze progress in meeting target
FY2019: Existing and new operating and capital funds administered by MTC may be linked to progress towards target</td><td rowspan="3">1) OneBayArea Grant local jurisdiction complete streets requirements

2) PlanBayArea - Intense development near high quality transit

3) Coordination - Big 7 General Managers propose to meet monthly.

4) Supportive pricing - Policies to be adopted as part of PlanBayArea</td></tr>
<tr><td>Improve Service for the Customer</td><td rowspan="2">Transit Performance Initiative: Investment and Incentive Programs
and
Regional Customer Satisfaction Survey</td><td>Continuous Improvement</td><td rowspan="2">INVESTMENT
Initial $30 Million focus on improving speed and reliability on urban trunk routes. If successful, program could be expanded.

INCENTIVE
Direct a portion of the FTA 5307 Flexible Set-aside or other revenue source to operators based on their share of ridership increases and productivity improvement

MONITOR
Regional customer satisfaction survey
Ridership growth</td></tr>
<tr><td>Attract New Riders to the System</td><td>Increase ridership levels at or above the rate of population growth in counties/corridors in which service operates</td></tr>
</table>

J:\COMMITTE\Commission\TSP Select Commission Committee\April 2012\[5b_Attachments 1&2.xls]Attachment 1

Attachment 2
Transit Sustainability Project
Policy Recommendations
April 11, 2012

Policy Recommendations
Service Recommendations
Integrate bus/rail scheduling software to facilitate schedule coordination and customer travel planning. Establish a regional schedule change calendar.
Conduct multi-agency Short Range Transit Plans (SRTPs) at the county or subregion-level to promote interagency service and capital planning.
Support transit agency operations on major corridors by requiring local jurisdictions to consider transit in project development (per OneBayArea grant).
Consider fare policies focused on the customer that improve regional/local connections.
Marin/Sonoma 1. Adopt countywide Short Range Transit Plan in Sonoma County 2. Adopt two-county corridor transit plan integrating SMART train service
Solano 1. Adopt countywide Short Range Transit Plan 2. Complete Soltrans merger 3. Adopt coordinated fare policy 4. Consider expanding Soltrans to include additional member cities
Institutional Recommendations
Complete service consolidations for Soltrans and ferry services (Vallejo, Alameda-Oakland, and Harbor Bay).
Apply lessons learned from existing consolidations to pursue benefits of functional and institutional consolidation among smaller operators, including coordinated service planning and fare policy setting.
Integrate multiple transportation functions (transit operating, planning, sales tax, etc) to make more integrated transportation policy decisions.
Expand regional capital project planning/design to include sharing existing expertise (e.g., BRT) and facilities (e.g., maintenance shops).
Formalize joint procurement of services and equipment through the region's transit capital priorities process.
Paratransit Recommendations
Agency-Specific
Consider Fixed-Route Travel Training and Promotion to Seniors
Consider Charging Premium fares for trips that exceed ADA Requirements
Regional or Sub-area
Consider Enhanced ADA Paratransit Certification Process which may include in-person interviews and evalution of applicant's functional mobility to confirm rider eligibility.
Implement Conditional Eligibility for paratransit users who are able to use fixed-route service for some trips
Create one or more sub-regional Mobility Managers (e.g. CTSA) to better coordinate resources and service to customers
Regional
Improve Fixed-Route Transit to provide features such as low-floor buses, seating designed for older riders, and other improvements that accommodate more trips that are currently taken on paratransit.
Implement Plan Bay Area programs focused on walkable communities, complete streets, and land use planning that improve access and mobility options for ADA eligible transit riders

Date: April 25, 2012
Referred by: TSP Select Committee

ABSTRACT

Resolution No. 4060

This resolution approves the recommendations of the Transit Sustainability Project.

Discussion of the recommendations made under this resolution is contained in the Executive Director Memorandum presented to the Select Committee on Transit Sustainability on April 11, 2012.

Date: April 25, 2012
Referred by: TSP Select Committee

Re: Transit Sustainability Project

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4060

WHEREAS, pursuant to Government Code § 66500 et seq., the Metropolitan Transportation Commission ("MTC") is the regional transportation planning agency for the San Francisco Bay Area; and

WHEREAS, MTC develops a long-range Regional Transportation Plan (RTP), pursuant to Government Code §§ 66513 and 65080; and

WHEREAS, the last major update of the RTP, adopted in April 2009 (Transportation 2035 - MTC Resolution No. 3893), identified twenty-five year transit capital and operating shortfalls of $17 billion and $8 billion, respectively; and

WHEREAS, to address these shortfalls, as well as address immediate transit operators' service reductions and budget shortfalls, to improve transit performance for the customer, and to attract more customers to the transit system, in January 2010, the Commission created the Select Committee on Transit Sustainability to guide the Transit Sustainability Project (TSP); and

WHEREAS, the TSP focused on three project elements: financial, service performance and institutional frameworks; and

WHEREAS, to inform the TSP, a Project Steering Committee was formed, made up of transit agency, government, labor, business, environmental and equity representatives to provide executive-level input into the project; and

WHEREAS, additional input and guidance was received from the MTC Policy Advisory Committee, as well as from multiple public events and forums sponsored by interested parties; now, therefore, be it

RESOLVED, that based on project findings related to the financial and service performance of the Bay Area transit system, MTC approves the performance measures and targets and investment recommendations set forth in Attachment A to this resolution; and, be it further

RESOLVED, that based on project findings related to the financial, service performance, and institutional framework of the Bay Area transit system, MTC approves the policy recommendations set forth in Attachment B to this resolution; and, be it further

RESOLVED, that MTC will conduct periodic reviews of progress toward the performance targets and policy recommendation implementation.

METROPOLITAN TRANSPORTATION COMMISSION

____
Adrienne J. Tissier, Chair

The above resolution was approved by the
Metropolitan Transportation Commission
at a regular meeting of the Commission held
in Oakland, California, on April 25, 2012.

Date: April 25, 2012
Referred by: TSP Select Committee

Attachment A
Resolution No. 4060

Performance and Investment Policies

Performance Measures and Targets
To monitor the performance of the seven largest transit agencies in the Bay Area, the Commission establishes the following TSP performance target, measures, and monitoring process:

Performance Target
5% real reduction in at least one of the following performance measures by FY2016-17 and no growth beyond CPI thereafter. To account for the results of recent cost control strategies at agencies, the baseline year will be set at the highest cost year between FY2007-08 and FY2010-11.

Performance Measures

- Cost Per Service Hour*
- Cost Per Passenger*
- Cost Per Passenger Mile*

**As defined by the Transportation Development Act*

Monitoring Process
In FY2012-13, agencies are to adopt a strategic plan to meet one or more of the targets and submit to MTC.
On an annual basis, starting in FY2013-14, the transit agencies submit performance measure data on all three targets to MTC.
In FY2017-18, MTC will analyze agency progress in meeting target
In FY2018-19, MTC will link existing and new operating and capital funds administered by MTC to progress towards achieving the performance target.

The following agencies, the largest seven transit agencies in the Bay Area, are subject to the performance measures and targets: AC Transit; BART, Caltrain, Golden Gate Transit, SFMTA, SamTrans, and Santa Clara VTA.

Transit Performance Initiative and Customer Satisfaction Survey
The Commission establishes an investment, incentive and monitoring strategy to improve service performance and attract new riders to the region's transit system. The target for each agency is to increase ridership levels at or above the rate of population growth in counties/corridors in which the agency operates service. Agencies are encouraged to utilize the Transit Competitive Index tool, developed for the Bay Area as part of the TSP, to achieve this target.

Investment

As part of the OneBayArea Grant program, the Commission has established an initial commitment of $30 million to fund service improvements on major bus and light rail corridors, focusing on improvements to major corridors in the AC Transit, SFMTA, SamTrans, and Santa Clara VTA service areas. If successful in demonstrating achievement of operational and ridership goals, similar investments would be recommended in the future.

Incentive

The Commission will reward transit agencies that achieve ridership increases and productivity improvements and will allocate transit funds on the basis of performance, thereby encouraging *all* of the region's transit operators to continuously improve their service and attract more riders. Funding sources, amounts and distribution formulas shall be established by the Commission.

Monitor

Maintaining and/or improving customer satisfaction ratings is an important indicator of whether transit is meeting the needs of the traveling public. The Commission will conduct a bi-annual regional customer satisfaction survey to provide a consistent region-wide mechanism to measure customer satisfaction and provide information to build new ridership and improve service. Agencies will be required to coordinate data collection efforts, either through cost sharing, resource sharing, or project management.

Service, Paratransit and Institutional Recommendations

Service

1. **Integrate bus/rail scheduling software to facilitate schedule coordination and customer travel planning. Establish a regional schedule change calendar.**

   The Commission finds that schedule coordination between connecting agencies will increase the attractiveness of public transit but that connecting agencies make schedule changes on different dates and in some cases use incompatible scheduling software systems that make schedule integration difficult. This recommendation would align the schedule change calendar among the region's operators and require all connecting operators to implement a compatible scheduling software system.

2. **Conduct multi-agency Short-Range Transit Plans (SRTPs) at the county or subregion-level to promote interagency service and capital planning.**

   The Commission has historically provided federal planning funds for each transit agency to independently prepare an SRTP of the agency's 10-year operating and capital plan. This recommendation would strengthen the joint planning that has begun in the region and recommend that transit agencies in a county or multi-agency travel corridor collaborate on a 10-year plan. The multi-agency SRTPs should develop capital replacement priorities and schedules, consider connectivity in service planning, establish fare policy consistency, establish common performance measures, and identify opportunities for shared functions. Future funding for SRTPs will take into account coordination opportunities.

3. **Support transit agency operations on major corridors by requiring local jurisdictions to consider transit operating speeds and reliability in projects affecting these corridors.**

   Travel time savings are a key component in building customer satisfaction and attracting new passengers. Under the Commission's proposed OneBayArea Grants program, local jurisdictions are required to adopt a complete streets ordinance to be eligible for regional funding. Complete streets aims to consider all road network users including pedestrians, bicyclists and transit riders. MTC is further proposing to expand the scope of the Freeway Performance Initiative to include investments to improve transit operations on key arterial roadways.

4. Consider fare policies focused on the customer that improve regional/local connections.

Implement the Phase III Clipper requirements to revise existing operations and fare policies to a standardized set of business rules. Continue to work towards a more consistent regional standard for fare discount policies and minimize transfer penalties so that passengers can choose the most optimal route for their transit trip.

5. Recommendations specific to Marin, Sonoma, and Solano Counties

The Commission is committed to achieving more rational service delivery in geographic areas served by multiple transit agencies by supporting the collaboration, coordination and consolidation efforts already underway to bring them to implementation stage.

Sonoma: County-level SRTP work is underway in Sonoma County. MTC will provide funding to the Sonoma County Transportation Authority to collect customer opinion and demographic survey data to better inform service planning throughout the county.

Marin/Sonoma: The commencement of SMART service in Marin and Sonoma counties will alter transit travel patterns. This presents an opportunity to strengthen coordination and service planning among Marin and Sonoma transit providers serving the 101 Corridor and local connections. In coordination with the SRTP process, MTC will work with transit operators and the Marin and Sonoma County CMAs to develop a two-county corridor transit plan for submittal and presentation to the Commission.

Solano: County-level SRTP work is underway in Solano County. MTC will provide funding to the Solano Transportation Authority (STA) to complete the analysis to better inform service planning throughout the county. STA and the Solano transit operators are to use this process to identify service improvements, performance objectives and potential service functional and institutional consolidation opportunities.

Paratransit Cost Containment and Service Strategies

The Commission finds that transit agencies must consider strategies to contain the cost of ADA paratransit service using tools that are available to them individually or collectively. MTC expects individual agencies to consider the following strategies:

1. Fixed Route Travel Training and Promotion to Seniors

Expanding fixed route travel training – through mobility orientation sessions and one-on-one individualized training – would increase mobility for the users and help reduce growth of ADA paratransit demand. Ideally, training and outreach should be conducted before individuals apply for paratransit service or, at a minimum, should be made available during the process of determining eligibility for these services.

2. Premium Charges for Service Beyond ADA Requirements

Where transit agencies provide paratransit service that goes beyond what the ADA requires, they may charge extra for those "premium" services. For example, transit agencies that serve an entire jurisdiction (for example they may serve an entire city or taxing district) can define a "two-tiered" service area, with the first tier being the ADA required service area within ¾ mile of the fixed route service and the second tier extending to the jurisdictional limits. A higher fare can then be charged for trips in that second tier. The transit agency can also adopt differing policies for that premium second tier, such as more limited service hours, denials of service once capacity is reached, and so forth.

3. Enhanced ADA Paratransit Certification Process

A robust certification process that includes in-person interviews as well as evaluations of applicants' functional mobility by trained professionals provides more accurate determinations of applicants' travel skills and may result in more applicants being referred to fixed route service based on their individual abilities. This may result in some reduction in ADA paratransit costs and also result in improving the mobility of riders due to the increased spontaneity afforded by fixed-route transit. Depending on the transit agency, available cost savings range from none to substantial. One centralized regional process is not needed, but many transit agencies can enhance their processes. Some smaller agencies could combine this function for efficiency and to support staff with specialized skills.

4. Implement Conditional Eligibility

Conditional eligibility finds that some applicants can use fixed-route service for at least some of their trips and specifies the particular conditions under which paratransit service is required. While this requires a more sophisticated eligibility certification process of conditional eligibility avoids ADA paratransit costs for those trips that ADA-eligible riders take on fixed-route service. Opportunities exist at several transit operators in combination with an enhanced eligibility process.

5. Creation of sub-regional Mobility Managers (e.g. CTSA) in one or more sub-regional area to better coordinate resources and service customers

National and local coordinated models exist and should be evaluated to deliver high quality and efficient paratransit services across transit agency boundaries and shared costs with social services. Several MTC programs, including Lifeline and New Freedom, have funded mobility management efforts to identify best practices and develop mobility management models for regional replication. The Commission will use the information from these efforts to recommend specific areas and agency leads for implementation of sub-regional mobility managers in the Bay Area.

6. Improve Fixed-Route Transit (per Plan Bay Area)

Continuous improvements to the fixed route system will shift some demand from paratransit to the fixed route system.

7. Walkable Communities, Complete Streets, and Land Use Planning (per Plan Bay Area)

The term “walkable communities” refers to communities that are pedestrian friendly, with sidewalks and pathways connecting residential areas with activity centers. Improving the “walkability” of a community is a more holistic approach to addressing ADA paratransit sustainability than other strategies. Similarly, planning efforts should, to the extent possible, ensure that senior housing and other senior-related facilities are sited in locations that are close to fixed-route services and close-in within the community and proximate to activity centers featuring shopping, medical and other services, as opposed to locations outside the community and isolated from activity centers. The ultimate impact of this recommended strategy is very large, even though this is a long-term strategy in which transit agencies will only play a supportive role. It requires an active role from cities and counties.

An integrated land-use/transportation plan is the primary goal of Plan Bay Area, under development and scheduled for adoption in 2013. In addition, the proposed OneBayArea grant program seeks to reward local jurisdictions for building housing near transit and conditions funding on adherence to complete streets policies.

Institutional

1. Complete service consolidations for Soltrans and ferry services (Vallejo, Alameda-Oakland, and Harbor Bay).

Per the Solano Transit Consolidation Study conducted by the Solano Transportation Authority – the cities of Vallejo and Benicia have formed a joint powers authority (Soltrans) to operate their transit service as a consolidated system. Senate Bill 1093 called for the consolidation of Vallejo, Alameda-Oakland, and Harbor Bay ferry services under WETA. WETA has adopted a transition plan to guide the consolidation of all ferry service, except the Golden Gate ferry services. WETA is currently operating the Alameda-Oakland and Harbor Bay ferry service and set to assume Vallejo service in 2012. Soltrans has completed the initial stages of the consolidation. The Commission will support these agencies and monitor progress during the consolidation process and support Solano County to move forward to consider further consolidations as supported through local planning.

2. Pursue functional and institutional consolidation among smaller operators where supported by local planning and input.

Through the local planning process and, as transit agencies do coordinated planning and fare policy setting, the benefits of functional and institutional consolidation should be further evaluated. Work with Congestion Management Agencies and operators, focusing on Marin/Sonoma and Solano to continue to improve coordination and evaluate the benefits of additional functional and/or institutional consolidation to improve the financial stability and service for the customer. The appropriateness of these efforts and timeline will be established based on local planning and input.

3. Integrate multiple transportation functions (transit operating, planning, sales tax, etc).

The importance of other transportation decisions, such as roadway projects and pricing, in the success and performance of the public transit system was highlighted throughout the TSP. Therefore, opportunities to better integrate these decision-making authorities should be explored. Currently, the Santa Clara Valley Transportation Authority is the one example of an agency in the region that serves as the sales tax authority, transit agency, and congestion management agency. Work with transit operators and Congestion Management Agencies to identify potential vertical integration opportunities and local support for such integration.

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

Several transit agencies and congestion management agencies in the region have developed robust expertise in capital project development and delivery. As new projects or systems are developed, expertise should be shared across transit agencies to optimize resources. Using Plan Bay Area project listings, MTC will identify specific upcoming projects that may benefit from a sharing of resources and convene a joint discussion of county CMAs and transit agencies to identify specific projects and terms for sharing resources.

5. Formalize joint procurement of services and equipment.

Transit agencies currently have an informal process to monitor each other’s bus purchases, allowing agencies to “piggy-back” on another Bay Area or national procurement. This reduces administrative costs of duplicative procurement processes and lowers the unit cost of the purchase because of the higher volume order. The TSP recommends that these joint procurements be strengthened and formalized.

The Commission will identify typical annual procurements (scope and cost) in addition to those included in the Regional Transit Capital Inventory (major capital replacements), convene transit agencies to identify strong candidate services and equipment for joint procurement, and work with transit operators to evaluate and implement joint procurement models.

Appendix

Transit Sustainability Project

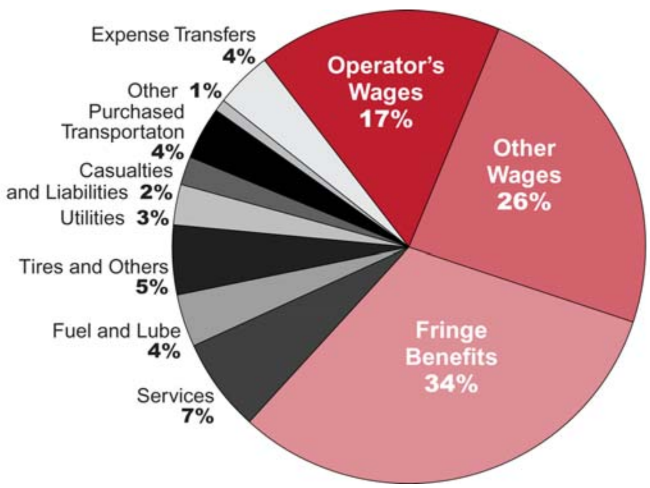
Background and Findings

Financial
Background and Findings

Background:
The Transportation 2035 Plan's cost and revenue projections demonstrate that the Bay Area's transit system simply is not sustainable. Focusing on the seven largest transit agencies, which account for roughly 93 percent of the region's transit operating costs, the TSP financial analysis shows that the real operating costs (independent of inflation) of the "Big 7" increased significantly faster from 1997 through 2008 than did service levels or ridership. Even adjusted for inflation, the disparity remains, and is especially pronounced for bus and light rail operators, with relatively better trends for heavy rail and commuter rail operations. The transit agencies have since identified and implemented strategies that begin to address financial sustainability.

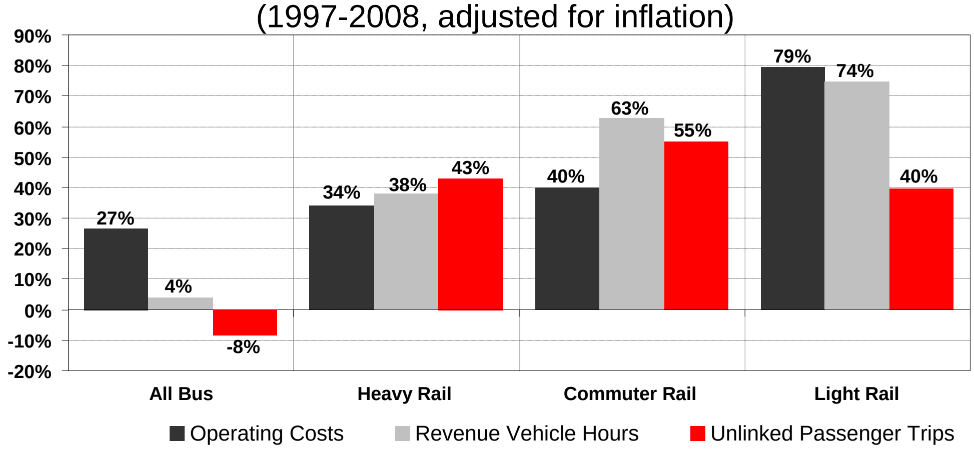
The TSP financial analysis aimed to clearly identify the transit agencies' specific cost drivers — both internal and external — and to understand the relative impact of cost reforms. By far the biggest cost drivers are wages and benefits, which together account for 77 percent of the $2.1 billion (2008 dollars) in annual operating costs for the region's transit system. Cost distribution and changes in cost and performance indicators for the Big 7 operators are shown below.

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



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

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



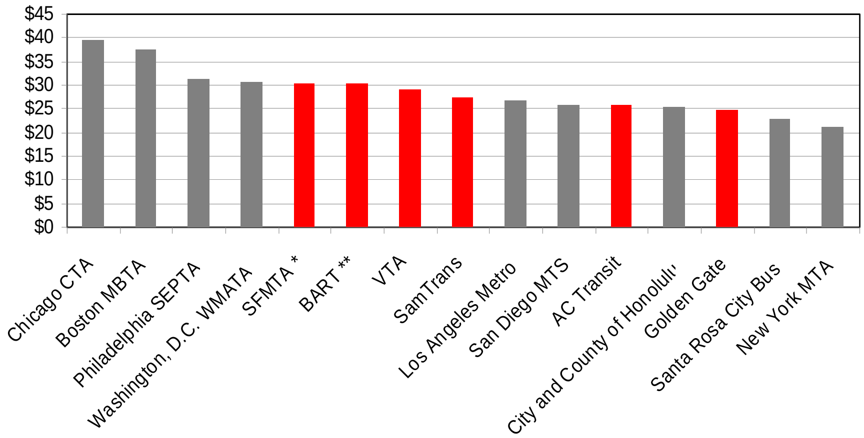
Source: National Transit Database, "Big 7" only. Includes ferry, cable car and paratransit.

Findings:

1. Base wages appear reasonable when compared to national peers and Bay Area wage indices.

Bay Area transit operators' base wage rates are higher than many peers, but actually prove comparable when adjusted for the cost of living in various regions. And while increases in the Bay Area operators' base wage rates were higher than inflation, they were lower than the overall regional wage index. Beyond the base wage, however, Bay Area transit agencies may be advised to focus cost containment efforts on other wage costs — such as overtime and premium pay.

Hourly Wage Rates Adjusted to Bay Area Cost of Living



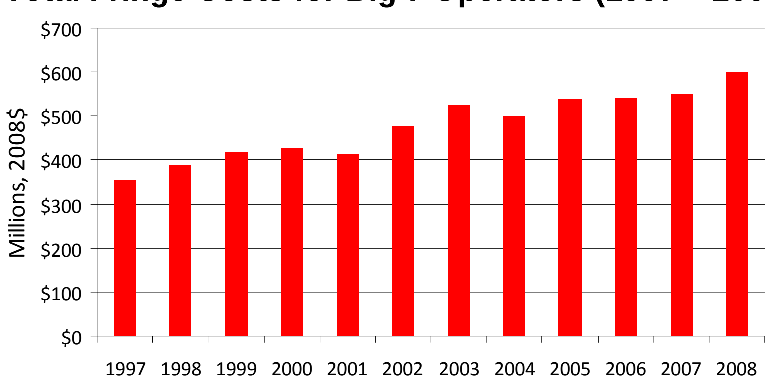
Source: "ACCRA Cost of Living Index, 2009 Annual Average Data," prepared by the Council for Community and Economic Research, as cited by Dash & Associates. Dash & Associates, Agency data

2. Fringe benefits are a major cost driver in both the short and long term.

Fringe benefits are a significant issue for the region's agencies — both in the short- and long-term — and represent major cost drivers. TSP recommends that Bay Area transit agencies consider healthcare and pension reforms among other cost containment strategies.

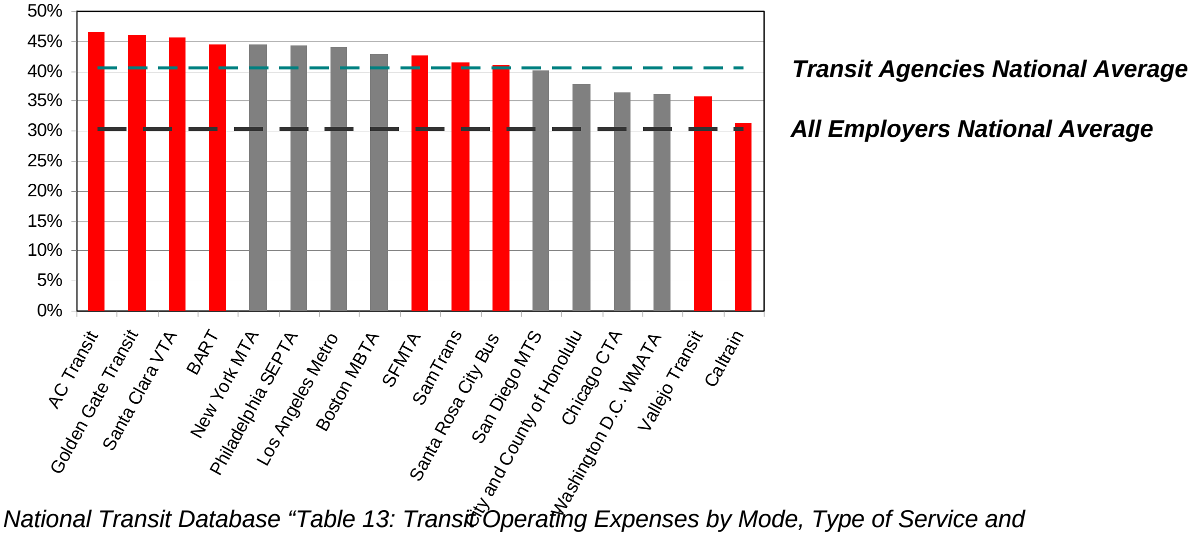
This issue is hardly unique to transit or even to the Bay Area. The growth in healthcare costs is a major cost driver across all employment sectors nationwide, and pension reform is a major issue throughout the public sector. But the growth in the cost of transit agencies' health and pension benefits is unsustainable, and already has created substantial unfunded liabilities. The charts below and on the next page illustrate an inflation-adjusted 69 percent increase in total fringe benefit costs for the Big 7 operators from 1997 to 2008. Though this rate of increase is consistent with national peers, it is higher than other economic sectors.

Total Fringe Costs for Big 7 Operators (1997 – 2008)



Source: National Transit Database - "Big 7" operators

2008 Employee Benefits Costs as Pecent of Total Compensation



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)

Finally, the chart below includes sample strategies implemented or considered by Bay Area agencies to control fringe benefit costs.

Sample Fringe Benefits Cost Control Strategies

Cost Control Strategy	Order of Magnitude Agency Annual Cost Savings
Health Insurance	
Medical insurance cap (BART labor agreement)	▪ Lowered retiree medical liability from $434m to $362m. ▪ Estimated on-going savings of $8m annually (as of 2013)
"Medical Coverage Opt-Out" initiative (BART labor agreement)	▪ $7m in savings over 4 years ($1.75m per year). ▪ Costing assumes another 244 employees/retirees opt out of medical coverage. Savings begin 1/1/2010.
Agency pays a capped % of health insurance costs for active employees (VTA proposal)	▪ Every 5% of costs shifted to employees yields $1.2m in savings
Insurance premium contribution cap for both active employees and retirees (SamTrans agreement)	▪ Reduced the District's overall exposure to OPEB liabilities by $6.5 million on an annual basis.
Agency limits its share of premium costs to Employee + 1 Dependent for active employees (VTA proposal)	▪ $6m in savings per year
Pension	
Create new pension tier for new hires (AC Transit proposal)	▪ $7m (only produces significant savings after 30-years)

Source: TSP Financial Task Summary Report: http://www.mtc.ca.gov/planning/tsp/Financial_Task_Summary_Report.pdf

3. Changes in work rules and business models provide opportunities for cost savings.

Work rules — determined by a history of Collective Bargaining Agreements and agency practices — govern the roles and responsibilities of transit management and employees. These rules have significant implications for how transit service is provided and for the cost to provide the service. Work rules are agency-specific, and many transit agencies have conducted assessments of potential savings that could result from specific changes.

TSP's analysis, which included testing certain changes to work rules and business model strategies (shown in the table below), shows that changes to work rules can yield major impacts on the cost of delivering service. Data on work rules regarding premium pay suggest further analysis could produce options for significantly lowering operating costs. A business model that relies more on part-time operators, reduction of absenteeism and the size of the extra-board, and consideration of more outsourcing of certain services also may yield significant savings.

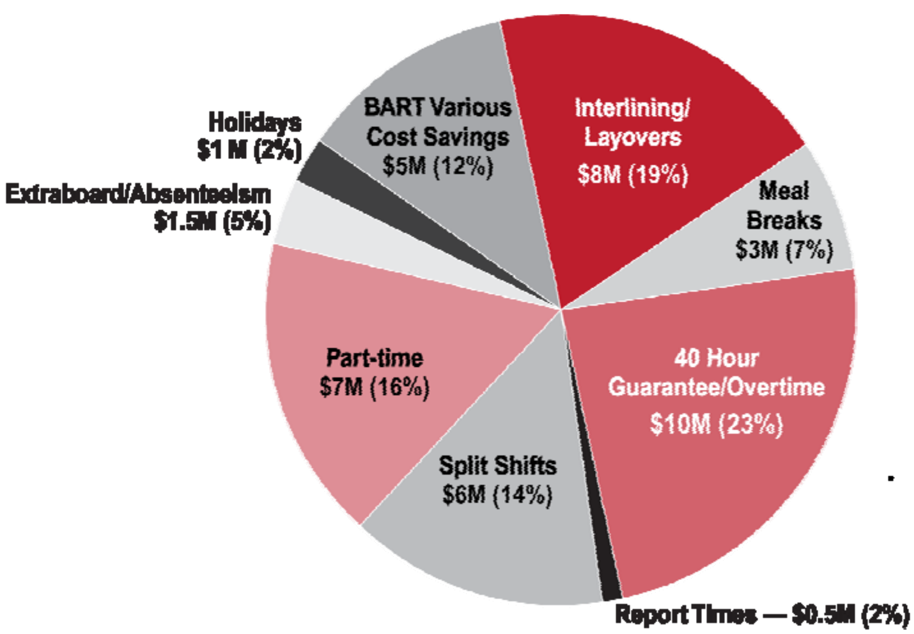
Sample Work Rule and Business Model Strategies

Work Rule Category	Sample Changes to Work Rules
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; 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

Source: Transportation Management and Design, Inc

As illustrated in the chart below, the TSP financial analysis' test of work rule and business model changes resulted in annual savings of some $42 million, or about 2 percent of the total annual Bay Area transit operating budget.

Annual Work Rule Cost Saving Estimates



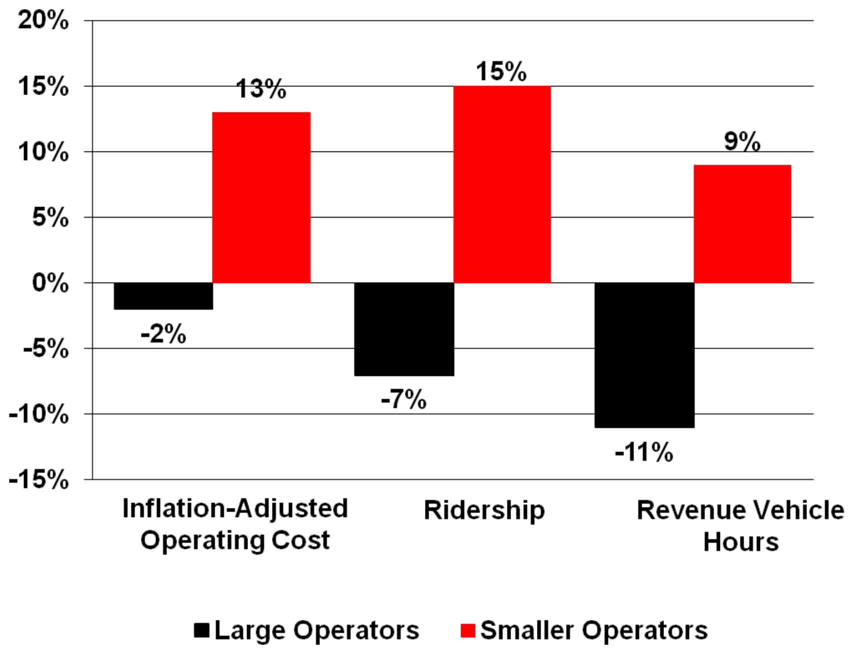
Source: Transportation Management and Design, Inc

4. Paratransit cost structure performs better than national peers but faces increased cost pressure through future growth in demand

Compared to national peers, the Bay Area's costs for paratransit largely have been controlled. Yet opportunities remain for improving service, and for holding costs at or below inflation. As illustrated in the chart below, large operators' paratransit costs — as well as paratransit ridership and revenue vehicle hours — declined from 2005 to 2010 while costs, ridership and revenue vehicle hours for the region's small operators increased during this period, due in part to changing demographics and the smaller operators' less frequent fixed-route service.

Paratransit currently accounts for about 5 percent of the annual transit operating budget in the Bay Area. Demographic data reviewed as part of the TSP service analysis, however, suggests the cost of paratransit — especially services required by the Americans with Disabilities Act (ADA) — could skyrocket in coming years because of the expected aging of the population and other factors. Projections from the Association of Bay Area Governments indicate the number of Bay Area residents age 65 and older will grow by 75 percent by 2030. This compares to an overall population increase of just 19 percent.

Bay Area Operators:
Percent Change in Paratransit Cost and Performance Indicators (2005 – 2010)



Source: Compiled by Nelson Nygaard Consulting from National Transit Database

TSP Paratransit Evaluation Process

To assess the sustainability of maintaining a quality ADA paratransit delivery system in the Bay Area, MTC evaluated paratransit as part of the TSP Service Analysis. The evaluation and recommendations were informed with technical expertise and rider input from:

1. Paratransit Technical Advisory Committee: comprised of transit agency staff
2. Paratransit Ad-Hoc Advisory Committee: comprised of staff from contractors that deliver or broker paratransit services in the Bay Area
3. Paratransit User Focus Group: roughly 30 paratransit riders from around the region

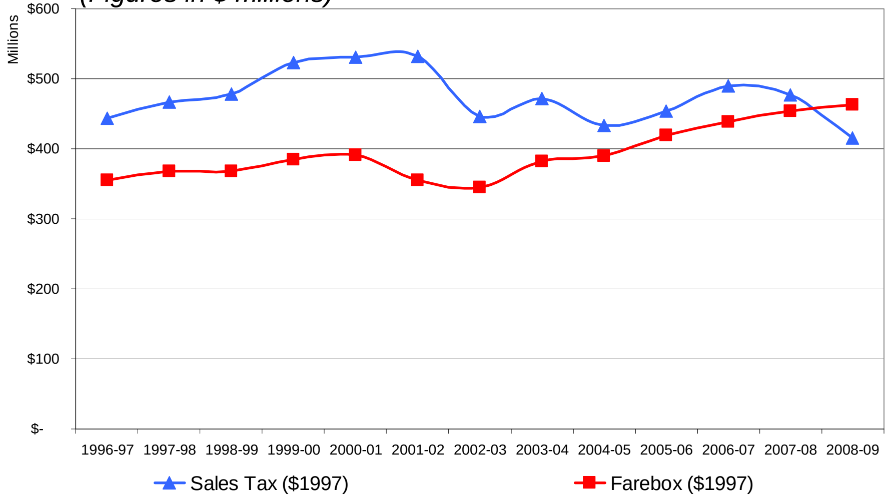
To address the TSP goals of improving financial conditions and service for the customers, 29 strategies were evaluated for this project that fall generally under the heading of demand management, productivity improvement, cost containment, restructuring service, and alternatives to ADA paratransit. These measures have the potential to manage the cost of ADA paratransit service while maintaining mobility for riders. Many operators have implemented at least some of these strategies, but there is still opportunity for more operators to implement many of the strategies.

5. Sales tax receipts, the biggest source of non-fare subsidy, have been flat over the past decade.

Local sales tax revenue represents about 20 percent of the annual transit operating budget for all Bay Area operators. This revenue has been highly unpredictable and actually is lower in real terms than it was in 1997, a trend that is forecast to continue for the foreseeable future. As shown in the chart below, farebox revenue is higher in real terms and subject to greater agency control.

Bay Area "Big 7": Farebox and Sales Tax Revenues

(Figures in $ millions)



Source: MTC Statistical Summaries

Summary

Several of the Bay Area's large transit operators, in recent labor contract agreements and budgeting, have identified and implemented cost control measures that result in both immediate annual savings and longer term improved financial sustainability. The TSP's financial findings suggest significant operating savings can be achieved each year by building off of these efforts. The financial findings — with potential annual regionwide savings levels — are summarized below.

Summary of Cost Containment Strategies Identified in TSP
Potential Savings of Roughly 10% of Annual Operating Budget

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	$80 million
Administrative Staff Costs (REVISED)	•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	*$45 million (REVISED)*

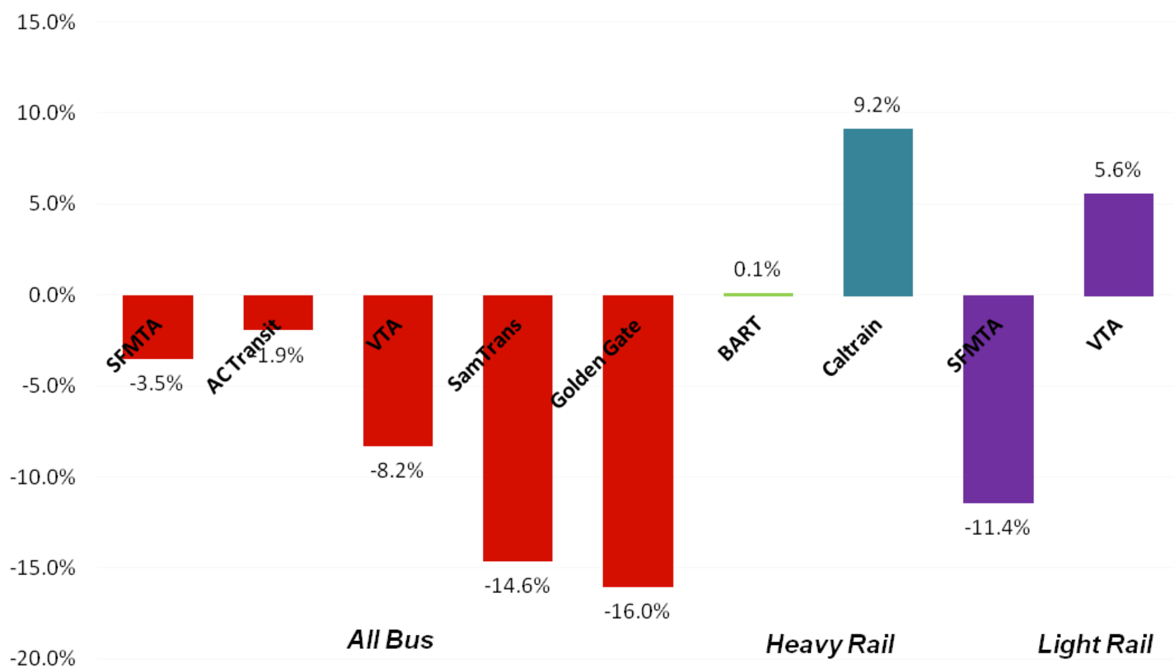
Source: TSP Financial Task Summary Report: http://www.mtc.ca.gov/planning/tsp/Financial_Task_Summary_Report.pdf and TSP PSC meeting materials: http://apps.mtc.ca.gov/meeting_packet_documents/agenda_1821/_02-13-2012_PSC_Full_Packet.pdf

Service
Background and Findings

Background:
Bay Area transit agencies in recent months have identified and implemented strategies to improve service for their riders. These efforts have focused on travel time savings, customer amenities, and improved connectivity. TSP service recommendations attempt to build on these improvements and to focus on connectivity between systems.

Findings:
6. Improving travel times on major corridors will provide significant gains in productivity.
Transit ridership and customer satisfaction will increase with reductions in transit travel times. Focusing travel-time reduction investments on high-ridership corridors will yield the highest returns in new riders and travel time savings. Currently, 53 percent of the Bay Area's transit ridership is on corridors with an average speed of just nine miles per hour. As shown in the chart below, average speeds on most Bay Area transit systems decreased from 1997 to 2008. The only exceptions are BART, Caltrain and VTA light rail, all of which experienced modest gains.

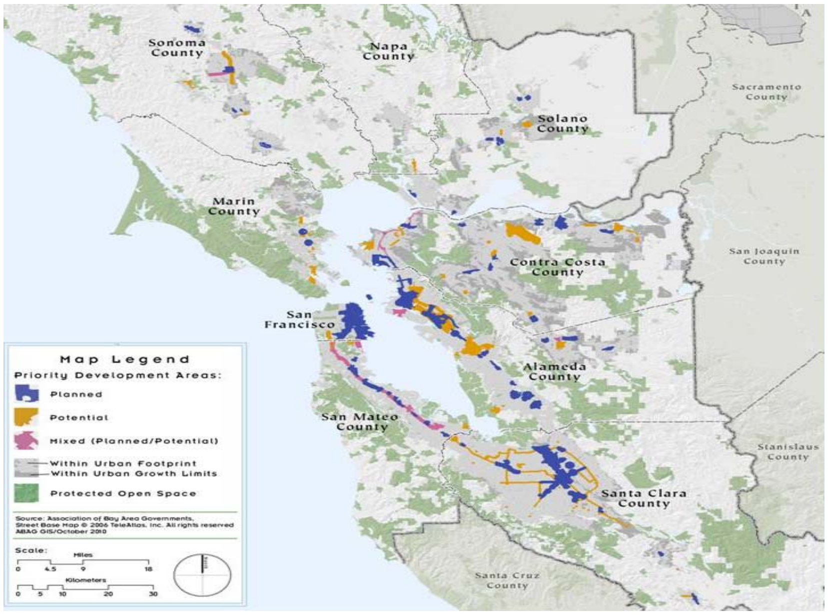
Change in Average Speed (1997-2008)



Source: Compiled by Transportation Management and Design, Inc from transit operator data

7. Integrated land-use/transportation planning will attract new transit riders.
Transit ridership is highest in cities and on corridors with a mix of housing, jobs and services. Reinvestment in existing high-ridership transit corridors, complemented with focused housing and job growth in these corridors, will attract new riders to the system. Plan BayArea seeks to focus growth around existing high-frequency transit, as illustrated in the map below. Approximately 70 percent of the region's projected housing and employment growth from 2015 to 2040 will be located in Priority Development Areas.

Priority Development Areas



Source: ABAG

8. A consistent fare structure can boost transit ridership and improve the customer experience.

Fare policy reform offers opportunity to increase overall ridership and improve existing customer experience. As illustrated in the charts below, riders transferring between systems account for about 10 percent of the region's roughly 1.5 million daily transit trips. Additionally, transfer policies and fares are neither consistent nor user-friendly and could be revised to better serve this significant transfer market.

Inter-Operator Transfers and Transfer Rates, Average Weekday

	Total Transfers To/From	Total Ridership	Transfer Rate
AC Transit	12,717	190,647	6.7%
BART	77,837	338,842	23.0%
Caltrain	12,765	36,695	34.8%
Golden Gate Ferry	468	6,618	7.1%
Golden Gate Transit	878	20,531	4.3%
SamTrans	3,100	45,909	6.8%
San Francisco Muni	73,821	706,208	10.5%
Santa Clara VTA	2,254	130,670	1.7%
Total	**183,840**	**1,476,121**	**12.5%**

Source: May 2011 Clipper inter-operator travel Matrix; CH2M Hill estimates

Fare Policies and Penalties for Transferring Riders

Operator Pair	Monthly Transfers	Single Trip Transfer Agreement	Pass Transfer Agreement
BART / SFMTA	1,556,200	$0.25 discount on SFMTA, each way	"A" Fast Pass ($10 more/month to ride BART within SF; and BART Plus (savings ~$6-$10/month)
AC Transit / BART	269,300	$0.25 discount on AC Transit, each way	None
Caltrain/ SFMTA	218,500	None	$5 discount on SFMTA pass
BART / Caltrain	72,300	None	None
AC Transit / SFMTA	40,900	None	None
BART / SamTrans	30,100	None	BART Plus (savings ~$8-$12/month)
SamTrans / VTA	27,900	Free transfer on 2nd leg, each way	Monthly pass reciprocity

Source: Information compiled from transit operators

Institutional
Background and Findings

Background:
The Bay Area transit network is characterized by multiple layers of decision-making and service delivery — 28 separate transit agencies, each with its own board, staff and operating team. This institutional structure can complicate efforts to deliver a regional system that passengers can understand and effectively navigate, as well as one that can keep pace with changes in demand.

That said, the objective of the TSP was not to evaluate wholesale changes to the structure of the Bay Area transit system. The project focused instead on specific financial and customer challenges — such as resource allocations, joint planning and project development, and fare and customer service policies — that may result from the current institutional structure, and identified other models (from around the nation or internationally) that could address these challenges.

Among the findings is that the Bay Area pays higher administrative costs (per transit rider or per hour of transit service) than its peers. Based on this finding, the TSP looked to models nationally to identify functional areas that may be appropriate for consolidation or enhanced coordination to better optimize resources and reduce costs.

Findings:
9. Integrated transportation policy decision-making — both geographic and modal — can lead to more effective investment and service decisions.
Several Bay Area counties have consolidated transportation policy decision making into one board or authority, allowing for multimodal policy planning and project delivery.

10. Bay Area transit administrative costs are higher than national peers, owing in part to the existence of multiple operators serving the region.
Analysis of administrative costs and number of administrative employees against various cost and service metrics shows Bay Area operators dedicate a higher percentage of their operating budgets to administrative costs than do their peers. The Bay Area's average $37.84 per hour administrative cost is 30 percent higher than the $29.39 per hour average for the peer group. Similarly, Bay Area administrative costs average $0.95 per rider compared to $0.53 for peers.

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
Bay Area	**27**	**$2.2 billion**	**$461 million**	**12.1 million**	**$ 37.84**	**484 million**	**$ 0.95**
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
Peer Average	**15**	**$3.1 billion**	**$512 million**	**17.4 million**	**$ 29.39**	**962 million**	**$ 0.53**

Source: Compiled by PB Americas from NTD and operator data