


TO: Board of Directors**DATE:** April 13, 2011**FROM:** Rick Ramacier 
General Manager**SUBJECT:** Metropolitan Transportation
Commission (MTC) Transit
Sustainability Project (TSP)
Update**Background**

In 2010, MTC launched its work on the TSP. This project is ostensibly about finding ways to make public transit financially sustainable in the Bay Area over the next many years. MTC financial projections over the next 25 years show that the region will have a combined \$26 billion dollar transit capital and operating shortfall. Also, MTC staff has presented data that suggest that increases in the unit costs of providing transit in the region have far outpaced any growth in service supplied or in growth in transit usage. Finally, MTC staff note that most of the Bay Area transit systems have made great cuts in service recently and have lost ridership. In short, MTC finds that transit in the Bay Area is not financially sustainable, and is in danger of imploding.

The TSP has been sorted into three areas of study: financial, service delivery, and institutional. Each of the three areas is connected to a technical advisory committee (TAC). Each TAC is made up of select operator staff. These TACS are to advise MTC staff, MTC consultants, and the TSP Project Steering Committee (PSC). The PSC meets to review all work before it is sent to the MTC Commission. The three TACS are reviewing and commenting on the work being done within their respective areas of study.

A bevy of consultants have been placed on retainer by MTC staff to conduct the work of the TSP. These consultants are made up from many of the better known transportation consulting groups. They are directed by MTC staff.

The work of the financial consultants is in the late stages, the service delivery work is now in full swing, and the institutional work will get underway very soon. MTC staff expects to take the entire TSP to a greater public review later this summer. It is the intent of MTC staff to bring a final TSP to the Commission around the fall 2011 timeframe.

The work of the TSP is expected to play greatly into the next Regional Transportation Plan (RTP) and have a significant impact of how the region funds, plans and organizes transit. Thus, the work of the TSP will be greatly important to County Connection and the people we serve.

TSP Financial Work

The financial analysis is close to being finished. This work greatly focused on how transit operators could or should cut operating costs. A decision was quickly reached to focus on the seven so-called large operators (BART, MUNI, AC Transit, VTA, SamTrans, Golden Gate Transit, and the CalTrain). A lot of work has been generated suggesting that these seven agencies have costs per hour of service significantly greater than other large transit agencies located elsewhere in the country. It has been suggested that these agencies need to lower their hourly operating costs by at least 10% which would save the region as much \$235 million dollars annually according to the MTC consultants.

The consultants arrive at \$235 million in savings by making the following assumptions:

- A savings of about \$65 million from pension reform. The consultants suggest this would come from agencies moving to a two tiered system. They do not provide any meaningful data to back this up.
- A savings of about \$80 million from bus operator work rule reform. The consultants do provide some examples of how this can be achieved through things like reducing layover time (time the driver is paid but not driving a bus), increasing part time work, and by greatly increasing contracting out. Some general managers and some labor leaders have been suggested that some of this work is significantly unrealistic or operationally not possible for reasons not understood or considered by the consultants.
- A savings of about \$90 million by reducing the percentage of operating costs associated with administrative functions. The consultants maintain that the average transit system has about 15% of its operating costs tied to administrative functions. The consultants have calculated that the seven largest Bay Area systems have an average administrative cost percentage of 19.6%. The consultants maintain that if the seven largest Bay Area systems were to reduce their administrative function costs down to 15% of their operating costs that the region would save about \$90 million annually. The consultants have not presented any work on how this reduction could occur. This last piece has received a fair amount of media play recently.

Thus far, the financial work has not looked at the costs associated with maintenance, procurement, or other things not associated with bus operator labor, administrative costs, or pensions and health care.

The TSP has found that the largest seven operators make up about 93% of the region's total annual transit operating costs. Very little work has been done with the 19 smaller transit systems. It is interesting to note that County Connection has been held up as the model of cost control for the seven large agencies. We are the 8th biggest system in the Bay Area as a comparison.

Service Delivery Work

This work is focused on developing a series of performance measures and standards that transit systems and services would be expected to meet. Work has been done at the individual route

level to apply a number of different measures to see how well these routes do against a standard for each measure. There is also a separate paratransit set of work looking at the costs and the provision of paratransit service.

The consultants are working to create a set of service definitions (urban trunk, express, local network, etc.), each with its own set of performance measures and standards. Nothing specific has been proposed yet. But, it will be very soon. Some of the concepts thrown out by the consultants so far would likely pose significant challenges for County Connection in terms of meeting standards.

It would appear from the work done thus far, and by comments made by MTC staff or the consultants, that the hope of this work will be to serve as an impetus for more “rational” service decisions that lead to greater service productively and that will lead to greater support from local jurisdictions in making land use decisions and other decisions that serve to increase transit usage.

Specific service definitions, and specific performance measures and standards are due out in draft proposal form very soon. At that time, we will share that with you those items.

Institutional Work

This work has yet to begin, or yet to be shared with anyone beyond the consultants or MTC staff. It is due to begin this spring. This work is going to look at how savings or improvements might be made by functional and/or institutional consolidations.

Analysis and Meaning

While the financial work is aimed mainly at the seven large agencies, that work could be applied to County Connection as well. While we enjoy significant lower hourly operational costs than the larger agencies, we could be subject to new cost control requirements that MTC may try to impose on transit operators as a result of the TSP.

However, in the area of service performance measures and standards, County Connection could be greatly impacted. It is possible that the measures and standards will be set such that some of our routes may not make the standards. It is reasonable to think that we would be expected to do something with those services that did not meet regionally imposed standards. This could include not using “regional” funds to support service that does not meet the regional standards. This holds true for most of the smaller and suburban bus agencies.

To that end, the staffs at the smaller and suburban bus agencies are working together to proactively engage MTC staff on these issues in an effort to steer this to a point that we can live with. That will be an ongoing process.

Finally, if the institutional work brings forward recommendations on consolidating functions and/or agencies, the impact to County Connection could be profound. It is hard to tell if this would be viewed positively or negatively. The devil is certainly in the details on this one.

The TSP and what is a Regional Fund Source?

MTC has suggested the TSP will be used to make future decisions on how to allocate regional transit funds. Thus, it logically follows that conditions could be placed on transit systems that receive regional funds relative to the adopted recommendations of the TSP. This raises the following points:

- Will MTC impose a set of requirements that operators meet cost control targets, service standards, or institutional savings in order to receive regional funding?
- What will MTC do with regional funding it denies an operator that fails to comply with TSP adopted recommendations?
- What is a regional fund? MTC staff has suggested regional funds include all non-earmarked federal funds, State Transit Assistance (STA) population based funds, and TDA funds. Tying the distribution of TDA funds to the TSP work is profound and significant in its own right.

In very short sum, the TSP is moving in a direction that could place the great bulk of our funding in the regional mix subject to meeting certain cost control requirements, to meeting performance measures and standards applied to the route level, and meeting certain requirements to merge functions and/or agencies.

None of this will be known until later this year when the TSP is presented to MTC along with associated recommendations.

Next Steps

County Connection staff will continue to work with the staffs of the other small and suburban operators to proactively influence the how the service performance measures and standards are developed. We are working to keep our respective MTC Commissioners apprised as to our concerns and ideas.

As MTC proceeds with this work throughout the spring and summer, we will keep you appropriately informed as to the progress and any results.

Action Requested

The MP & L Committee and staff would like to briefly review this with you at your meeting on Thursday, April 21, 2011.