



Public Transit Service Models

City of Tucson Mayor and Council Study Session
February 9, 2016

Long-Range Vision for Transit Services

The 2045 RMAP includes \$4.3 billion in transit expenses over the next 30 years:

- 70 percent of which is for maintaining current level of service

Three primary RMAP transit objectives:

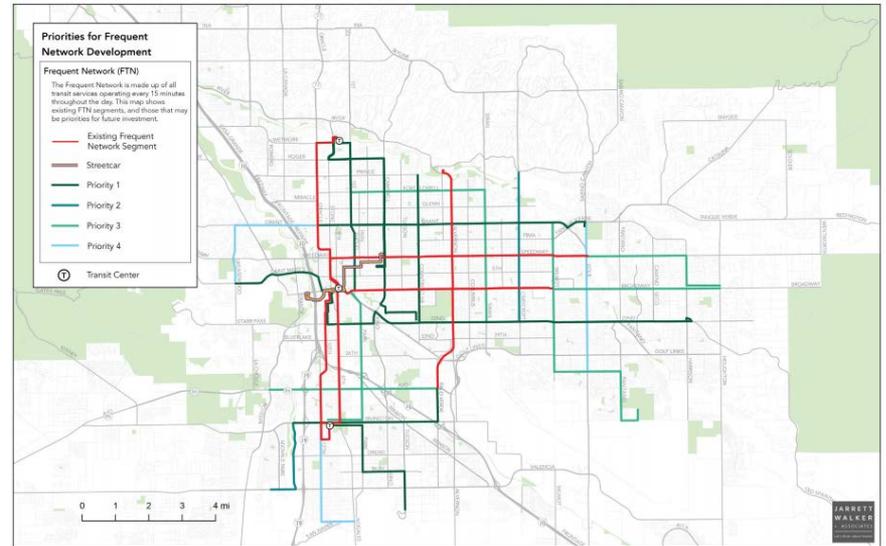
- Increase ridership
- Reduce transit travel times
- Improve transit access to jobs and other destinations

RMAP Transit Improvement Projects:

Based on J. Walker visioning effort

- Frequency improvements
 - Focus on the region's core
- High-capacity transit expansions

** Implementing identified transit improvements in the RMAP will require additional revenue, such as from a dedicated transit fund*



Frequent Transit Network Vision – June 2015

Public Transit Service Providers' 'Responsible Entity'

Municipal Transit Agencies

- Enabled through existing local government powers and funding mechanisms

Regional Transit Authorities

- Created by State Legislature with Special Purpose taxing capability through local initiatives

Joint Powers Authorities

- Created by local arrangements

Joint Powers Authorities

A separate legal entity created by two or more transit providers to effectively coordinate planning, expansion or operation of transit services.

- Voluntary Membership by Agreement
- With Cost Sharing responsibilities
- Flexible Boundaries
- Examples:
 - Charlotte Area MTC (Most current model)
 - San Diego Area MTS (Started out as a JPA)

Methods of Providing Transit Services

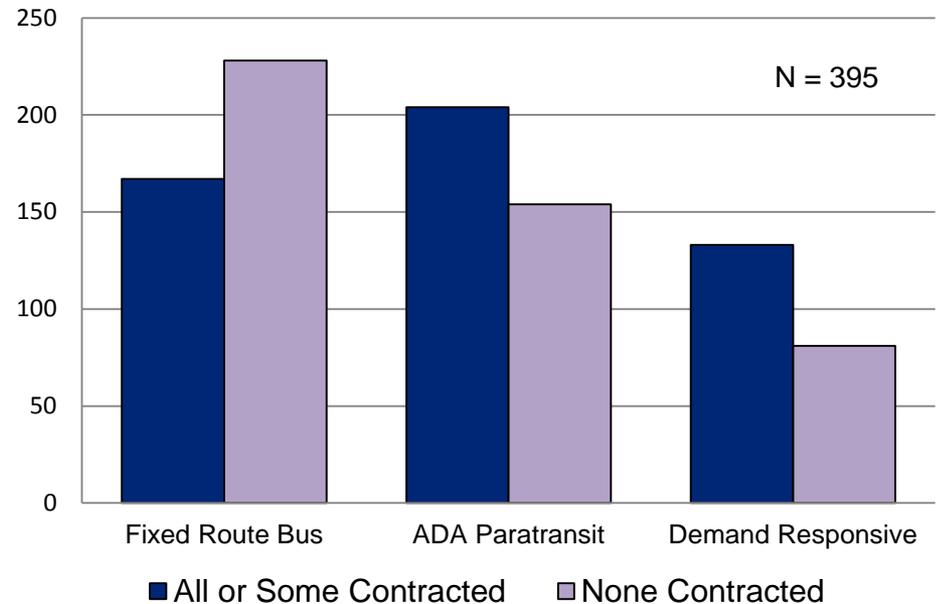
Contracting for services is prevalent across the industry.

Operations, maintenance, and administration most commonly contracted.

Reasons for contracting:

- Reduce cost
- Improve efficiency
- Service flexibility

Surveyed Agency Contract Position



Contracting Models



Contractor
Control & Risk

Responsible entity retains control over policy and budget approval only

All Services Contracted

Operations & Maintenance

Management

No Contracted Service

Responsible Entity
Control & Risk



Status of contracting out transit

- 20% of all U.S. transit agencies contract out all or a portion of their services.
- Up from 10% in 1998.
- 75% of the private contracting workforce is unionized.



Questions to Ask When Considering Management Model Options

- What are the financial and operating risk factors of operating public transit?
- Who should own each of these risks? Public entity or Private provider
- How much “skin in the game” do you want your private provider to have?



Questions to Ask When Considering Management Model Options

- How important is public control over policy decisions?
- How important is public control over operating decisions?
- How important is the cost of providing public transit in relation to other priorities?



Why Do Communities Look Towards Private Sector Involvement?

- To preserve employees' union representation rights
- To employ a change agent to create a new or revitalized transit system
- To fill a void in managerial and technical talent within its transit organization
- To reduce operating costs
- To shift operational risk away from government entities



Models to Provide Public Transit

1

Public Only

2

Management

3

Operations &
Maintenance

4

Public-Private
Operating
Partnership

1

Publicly Operated Systems

- 100% public employees manage and operate the service
- Public entity recruits and provides experienced top management team
- Technical support provided through expanded staff or outside consultants
- All financial and operating risks resides with the public entity:
Labor, safety, recruiting, legal, operating liability

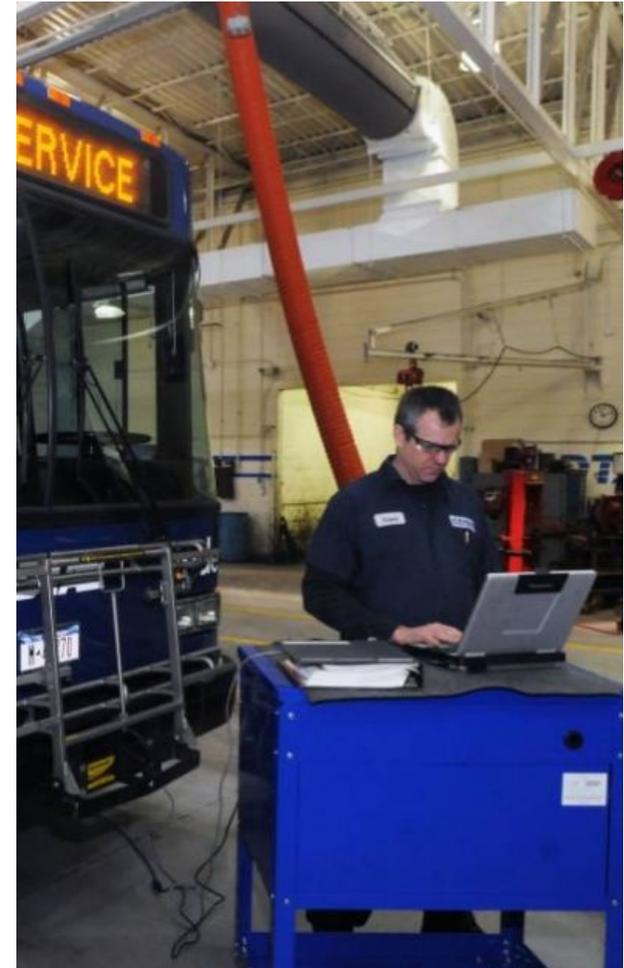




2

Management Contract

- Contractor provides experienced top management team
- Employees part of a sub-corporation to comply with 13c allowing union representation
- Ongoing support from contractor's regional and corporate experts
- Budget and all risks borne by the public entity
- *The most common contracting model*





3

Operations and Maintenance (O&M)

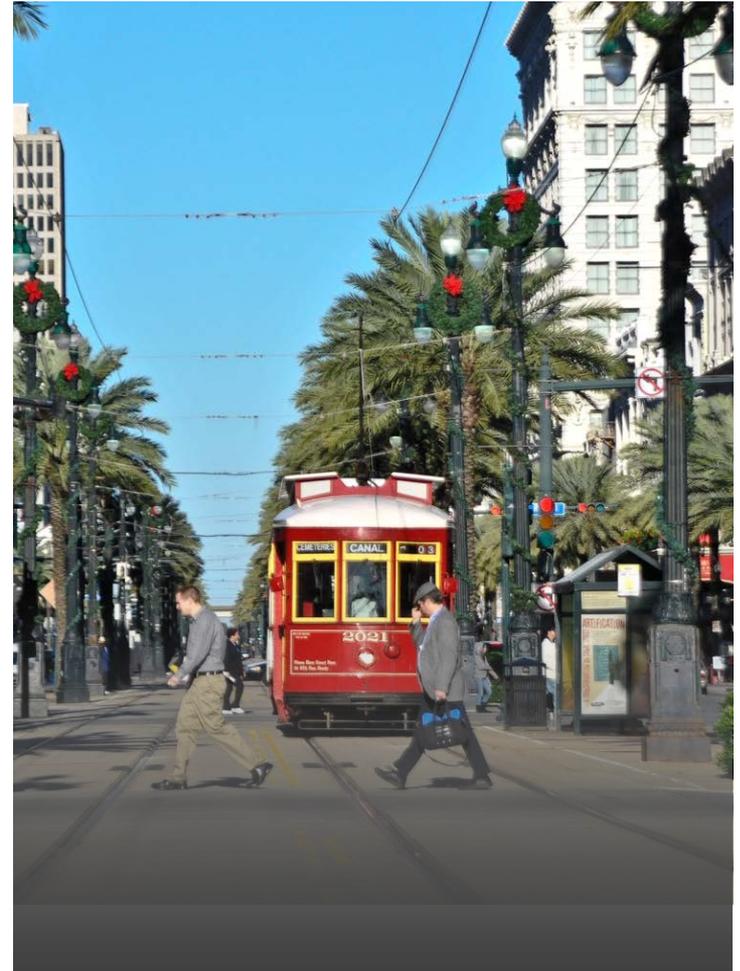
- Contractor responsible for all aspects of daily service operations, fleet and facility maintenance at fixed cost
- Can be entire system or specific division or operating base
- Contactor bears insurance, labor and most legal risks
- Public entity manages all other aspects, including capital expenditures, service design (routes and schedules), fares, marketing, grants
- Potential to take advantage of economies of scale from contractor



4

Public-Private Operating Partnerships (PPOP)

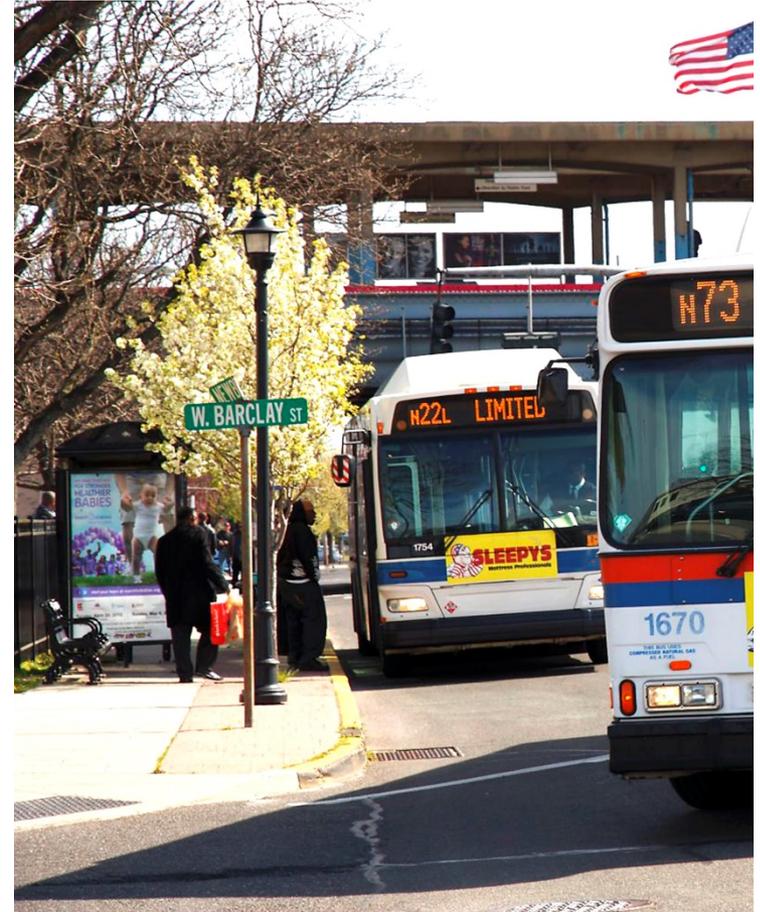
- Also called Delegated Management Model
- Contractor both manages and operates all aspects of transit agency performance:
Including operations, service design, planning and scheduling, safety, passenger information, finance, grants, IT, HR
- Public sector board maintains policy control:
Short- and long-range service objectives, service models, fares, service levels, major service design changes, annual operating budget
- *Well-established model in Europe, growing in the U.S.*



4

Public-Private Operating Partnerships (PPOP)

- Contractor has latitude to apply innovative experiences
- Contractor assumes majority of risk
- Risk and reward model- agreed upon service metrics:
*Incentives when goals are met/surpassed,
penalties when goals are not achieved*



Range of Approaches to Private Sector Involvement

Public Risk

Private Risk

1

Public Only

Public Operating Risk

- Public policy
- Public employees
- Public assets

2

Management

Public Operating Risk

- Public policy
- Private management
- Public service delivery

3

Operations & Maintenance

Shared Operating Risk

- Public policy
- Public management
- Private service delivery

4

Public-Private Operating Partnership

Private Operating Risk

- Public policy
- Private management
- Private service delivery

Allocation of Responsibility

1

2

3

4

Functional Responsibility	Public		Management		Contracting		PPOP	
	City	Contractor	City	Contractor	City	Contractor	City	Contractor
Budgetary Policy	Yellow		Yellow		Yellow		Yellow	
Service Policy	Yellow		Yellow		Yellow		Yellow	
Fare Policy	Yellow		Yellow		Yellow		Yellow	
Capital Plan	Yellow		Yellow		Yellow		Yellow	
General Management	Yellow			Blue	Yellow			Blue
Technical Advisor	Yellow			Blue	Yellow			Blue
Finance	Yellow		Yellow		Yellow			Blue
Grants	Yellow		Yellow		Yellow			Blue
Marketing	Yellow		Yellow		Yellow			Blue
Planning	Yellow		Yellow		Yellow			Blue
Scheduling	Yellow		Yellow		Yellow			Blue
Purchasing	Yellow		Yellow		Yellow			Blue
Fare Collection	Yellow		Yellow			Blue		Blue
Risk Management	Yellow		Yellow			Blue		Blue
Operations	Yellow		Yellow			Blue		Blue
Maintenance	Yellow		Yellow			Blue		Blue
Training	Yellow		Yellow			Blue		Blue
Safety	Yellow		Yellow			Blue		Blue

Allocation of Risk

Allocation of Financial Risk	1		2		3		4	
	Public		Management		Contracting		PPOP	
	City	Contractor	City	Contractor	City	Contractor	City	Contractor
Management Costs	Yellow			Blue	Yellow			Blue
Administrative Costs	Yellow		Yellow		Yellow			Blue
Operating Costs	Yellow		Yellow			Blue		Blue
Safety Liability	Yellow		Yellow			Blue		Blue
Vehicle Maintenance	Yellow		Yellow			Blue		Blue
Labor Costs	Yellow		Yellow			Blue		Blue
Inflationary Risk	Yellow		Yellow			Blue		Blue
Environmental	Yellow		Yellow			Blue		Blue
Revenue Risk	Yellow		Yellow		Yellow			Blue
Program Resources	Yellow		Yellow		Yellow			Blue

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Management and Operations Models

