



**Transit Management Options  
for the City of Tucson**

**FINAL REPORT**

*prepared for:*



***City of Tucson Department of Transportation***

*prepared by:*



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**Glossary of Terms**

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# TRANSIT MANAGEMENT OPTIONS FOR THE CITY OF TUCSON

## 1.0 INTRODUCTION

The City of Tucson Mayor and Council requested an investigation of the City's potential options for creating a local non-profit organization to manage its fixed route transit system known as Sun Tran. Currently the City of Tucson owns the capital assets and facilities used by the transit system and contracts with a private, for-profit firm to manage and operate Sun Tran. The private firm provides top management (3 positions) and has set up a non-profit corporation to hire all other needed employees locally. There is some interest on the part of the Mayor and Council in revising the existing management structure when the current contract expires on June 30, 2000.

This report was undertaken through the City of Tucson Department of Transportation as directed by the Mayor and Council. This report begins with a brief discussion of the distinction between ownership and management structures and defines the different types of management structures that have been identified as being used by transit systems in this country. Following this introduction, the second section describes a telephone survey conducted to learn about the management structures of thirteen peer transit systems and reports the results of that survey. The third section outlines requirements of the Federal Transit Administration (FTA) for initiating a management change. The experiences of the two cities surveyed that have contracted with a non-profit organization to manage their transit system are considered in more detail in the fourth section. The final section highlights some conclusions drawn from this research.

### 1.1 Ownership vs. Management: Historical Overview

A clear distinction needs to be made between ownership and management structures. Historically transit was a private endeavor, which was regulated by a public utility or corporation commission, but owned and managed by private, for-profit companies. In the quarter century following World War II, however, 99% of the systems in North America

passed from private ownership to governmental ownership in some form. Today, ownership of almost all urban transit systems rests in the public sector.

While the reasons for this change from private to public ownership were many, they were related. Post-war inflation drove up costs and wages much more quickly than fares could be raised to offset these increases. This led to a vicious cycle in which labor demanded higher wages, the private companies said they could not afford the demands, and labor went out on strike. During the strike, many former transit riders began traveling by automobile, and after the strike was settled they continued using this mode of transportation. Following the strike, the transit companies began to raise fares to cover the increased cost of wages, and simultaneously often to reduce service due to the permanent loss of riders to the automobile. These two actions accelerated further loss of ridership. While the situation might stabilize somewhat for the length of the labor contract, upon expiration of the contract, the cycle would begin anew. Private companies would be brought to the verge of bankruptcy and threaten to leave the citizens without transit service of any kind unless the government assumed ownership or provided the companies subsidies to continue service.

Subsidies were provided in some cases, but eventually the ownership of the majority of transit companies passed to the government. The forms of ownership varied; sometimes ownership was assumed by the major municipality in the region or by the county. In other situations, a transit district or authority was formed to take over ownership of the system. Governmental personnel were suddenly faced with the responsibility of providing a service about which, for the most part, they knew little. In many cases, the simplest and most obvious thing to do was to turn to the failed private operator and ask him to operate the system. This then was the beginning of the management structure in which a private, for-profit firm is contracted by the government to provide the day-to-day, hands-on running of the transit system, including overseeing such activities as hiring employees, buying supplies, and maintaining vehicles and their facilities.

In other cases, the new governmental owner chose a structure in which management was brought 'in house'. Under this structure, supervisory and management level personnel

were hired through the usual governmental employment system. Over time, variations on these two basic management structures for transit systems -- private firm management and in-house management -- were developed. In concluding this introduction, some highlights regarding transit management structures are presented below.

## **1.2 Management Structures**

As suggested in section 1.1 above, regardless of whether a transit system is owned by a municipality, a county, a transit authority, a transit district, or a group of governmental entities under a joint powers agreement, there are two basic choices with regard to management. The first choice is for the governmental owner to manage the system itself, and the second choice is to contract out the management.

If a transit system owner chooses to manage the system itself, the owner must hire management professionals, administrative staff, drivers, and mechanics. These persons then all become employees of the owner, whether it's a municipality, county or transit agency. Such a management structure can be called 'internal management'.

One variation on 'internal management', which was recently implemented in El Paso, Texas, is to retain the bulk of the staff as municipal, county, or transit agency employees, but to hire top management on a contract basis. In the El Paso case, each individual position was recruited and filled separately. Another variation would be to recruit and hire a team. In that case the applicants conceivably could be individuals who came together to apply as a team, or an existing transit management firm could put forward a team to fill the positions.

The second choice the governmental owner of a transit system has is to contract out both the management function and the hiring of employees. This is the approach taken by the City of Tucson since assuming ownership of the local transit system in 1969. Although it is conceivable that individuals could band together to bid on the management contract, the bidders are generally national transit management firms with experience providing similar services in other cities. These contractors are then responsible for providing employees to

run the system. The transit operations staff are no longer employees of the municipal, county, or transit agency that owns the system. Instead, they become employees of the management contractor, or in the case of a national management firm, it may form a subsidiary through which to do business locally.

If a subsidiary is formed, it is usually as a non-profit corporation. Such a non-profit might be thought of as a 'shell' non-profit as contrasted to a 'pure' non-profit. The latter is usually encountered in charitable organizations whose goal is to devote all receipts beyond administrative expenses to the designated charitable cause. No one in the entire organizational structure makes a profit, neither board members nor staff, although staff, which are often volunteers, can be paid. With the 'shell' non-profit, there is a profit within the structure. While the local subsidiary is non-profit, the parent company takes a profit, usually in the form of a management fee.

Structuring management through a 'pure' nonprofit is allowed under FTA regulations as long as the contract bidding is open to for-profit firms on an equal basis. The responsibilities of a 'pure' non-profit company selected to manage a transit system are the same as for a for-profit company, and the staff would all be employees of the company. From an organizational standpoint, the only difference between a non-profit and a for-profit company is that neither the board of directors, nor the staff, nor anybody else associated with the company may receive a profit.

## **2.0 SURVEY METHODOLOGY**

### **2.1 Overview**

A telephone survey was conducted to identify the various structures utilized by thirteen peer cities to manage and operate their public transit systems. These peer transit systems included some surveyed for the Regional Transportation Organization Study (RTO Study) conducted by Parsons Brinckerhoff on behalf of the Pima Association of Governments in January 1998. The process for selecting the other systems is described in the next paragraph. All systems surveyed met at least one of the following criterion:

- Sunbelt, western city.
- Approximately same number of operating buses as Sun Tran (i.e., 200).
- Transit system with 'in-house' management structure.
- Transit system with a private, for-profit management structure.
- Transit system with a non-profit management structure.

The systems chosen in addition to those selected from the RTO Study were identified by a review of Table 1 in the "FTA 1997 National Transit Database." The surveys with representatives of these systems concentrated on confirming the initial transit system data derived from this FTA table; identifying the ownership structure (e.g., county, municipality, transit district, transit authority) and the management structure (e.g., 'in house', private for-profit, or non-profit); and determining whether the coach operators and mechanics are municipal/transit authority employees or management company employees. In those cases in which the management structure was identified as being non-profit, an attempt was made to determine whether the non-profit company is a 'pure' non-profit, i.e., a company in which no one takes a profit, or a 'shell', i.e., an entity in which a profit goes to a parent company.

Following is a list of the 13 peer cities surveyed and the City of Tucson. Table 2.0 allows easy comparison of key characteristics of the transit systems studied.

1. Sun Tran, Tucson, Arizona

2. Phoenix Transit, Phoenix, Arizona
3. Tempe in Motion, Tempe, Arizona
4. Capital Metropolitan Transportation Authority, Austin, Texas
5. Sun Tran of Albuquerque, New Mexico
6. Sun Metro of El Paso, Texas
7. CARTA, Chattanooga, Tennessee
8. Citizens Area Transit, Las Vegas, Nevada
9. Foothill Transit, Northern Los Angeles County, California
10. OMNITRANS, San Bernardino, California
11. Riverside Regional Transit Authority, Riverside, California
12. Sacramento Regional Transit District, Sacramento, California
13. San Diego Transit, San Diego, California
14. Milwaukee County Transit, Milwaukee, Wisconsin

## **2.2 Transit System Summaries**

This section provides summaries of the information gathered through the surveys with each of the selected cities, and the City of Tucson.

### **1. Sun Tran, Tucson, Arizona**

The City of Tucson owned transit system is known as Sun Tran. The Mayor and Council provide policy direction for the transit system to the city Department of Transportation for implementation. Management is provided under contract with a private, for-profit management firm. From 1978 until June 30, 1999, Ryder/ATE fulfilled this role. The firm provided the three top management positions, and set up a local, non-profit, corporation, Transit Management of Tucson, to hire all other necessary employees. On July 1, 1999, the City of Tucson changed management companies. The contract was re-bid and awarded to Professional Transit Management (PTM). The current one year contract includes an option for two, two-year renewals (total of 5 years) that can be exercised in the future IF THE City so desires. The General Manager, Assistant General Manager, and Maintenance Director are PTM employees. PTM has organized a local, non-

profit corporation with the same name (Professional Transit Management of Tucson) to hire all other employees.

**2. Phoenix Transit System, Phoenix, Arizona**

Six different transit systems currently provide service in the Phoenix metropolitan area. Combined there are 54 local routes and 21 express routes operated on weekdays. The Regional Public Transportation Authority (RPTA), which was created in 1985, serves as the 'umbrella' organization for the Phoenix metropolitan area. Five different cities, Phoenix, Mesa, Tempe, Scottsdale and Glendale, each provide service within its jurisdiction under the RPTA's marketing identity, Valley Metro. In addition, the RPTA itself provides some regional routes. The City of Phoenix owns a 381-bus transit system known as Phoenix Transit System (PTS). The Phoenix City Council determines policy for the PTS system. The City of Phoenix owns the capital assets of the transit system, but operations are privately managed under contract with three private, for-profit companies. The transit management companies -- Laidlaw Transit, ATC Vancom, and Arnett -- operate and maintain the system. Laidlaw Transit leases the maintenance facilities from the City of Phoenix, and is compensated on a per mile basis. The City of Phoenix allows Laidlaw to utilize the buses. ATC Vancom operates with a pass-through contract from the city. Arnett is the administrative management company that negotiates the labor contracts with the unionized coach operators and mechanics.

**3. Tempe in Motion, Tempe, Arizona**

The City of Tempe is also a member of the Phoenix metropolitan area's Regional Public Transit Authority (RPTA). Regional routes operating through or into Tempe are provided by the RPTA, either directly or by contract with the Phoenix Transit System. The City of Tempe's transit system is publicly owned with bus operations and maintenance privately contracted. Some infrastructure is owned by Tempe, and other infrastructure is provided through service contracts. Local service in Tempe is contracted by the city to a private, for-profit management company, Forsythe and Associates, which has 120 employees. The current contract with Forsythe & Associates was awarded through a competitive process in March 1998. The contract expires in 2001. Forsythe & Associates is the second management contractor for Tempe. The first management company was Valley Coach,

which served Tempe from 1994 to 1998. Three City of Tempe employees supervise the contracted services. Tempe currently owns 55 buses, of which 15 are provided to the RPTA for regional routes serving Tempe.

**4. Capital Metropolitan Transportation Authority, Austin, Texas**

Capital Metropolitan Transportation Authority (Capital Metro) was created in 1984. Capital Metro's Board of Directors consists of seven members appointed from among elected officials representing the member municipalities and county. Capital Metro sets fares, tolls, rates, and has limited bonding authority over the 484-bus system. Under Texas state law, Capital Metro cannot negotiate with labor unions. Therefore, Capital Metro established a non-profit 'shell' company called StarTran. Capital Metro provides day-to-day management of the system while StarTran handles the labor negotiations with the unionized coach operators and mechanics and the administration for the 1,100 employees.

**5. Sun Tran of Albuquerque, New Mexico**

The City of Albuquerque operates all transit in the region. Sun Tran of Albuquerque is a division within the city's Department of Transportation. The department director is appointed by the Mayor and Council, and is responsible for implementing policy and managing the 139-bus system and the 460 employees. Labor contract negotiations are administered through the city's employee relations department. The State of New Mexico is a right to work state, and Sun Tran coach operators and mechanics are city employees. Under existing legislation, public employees in New Mexico do not have the right to strike. Drivers and mechanics can participate in collective bargaining under protection of FTA Section 13C. The City of Albuquerque has no plans to outsource management functions in the foreseeable future. A regional transit authority has been explored for the Albuquerque metropolitan area, but currently New Mexico does not have enabling legislation in place for the creation or funding for such an authority.

**6. Sun Metro, El Paso, Texas**

Sun Metro is owned and operated by the City of El Paso. Sun Metro operates under the authority of the Metropolitan Transit Board (MTB). The eight-member MTB determines policy and funding for the system. The MTB is comprised of the Mayor and seven city council members. The city retained two independent contract employees, who are not part

of a transit management firm. These contract positions, Executive Director and Director of Maintenance, were filled through a personnel company using a process open to any applicants. The contract employees were hired on three-year contracts with performance options. They are responsible for implementing the policy of the MTB, and report directly to the board. This management structure was implemented in January 1999 to address poor performance and accountability issues that surfaced when the positions of Executive Director and Director of Maintenance were city held.

**7. CARTA, Chattanooga, Tennessee**

Chattanooga Regional Transportation Authority (CARTA) is the regional transit provider for the Chattanooga area. CARTA is a non-profit public agency subsidized by the City of Chattanooga. CARTA operates with a board of directors. The board is comprised of members appointed from elected officials from the surrounding municipalities and counties. From 1973 until 1998, CARTA contracted with a private, for-profit management company. In December 1998, CARTA brought the Executive Director, Assistant Executive Director, and Director of Planning Functions 'in-house'. The 'in-house' management team administers a system with a 63-bus fleet, 176 employees, and an annual administrative budget of \$1.9 million.

**8. Citizens Area Transit, Las Vegas, Nevada**

Citizens Area Transit (CAT) operates under the authority of the Regional Transportation Commission (RTC) of Clark County, Nevada. The RTC was established 20 years ago, and has a board of director's structure. The eight-member board is comprised of publicly elected representatives from local governments. The RTC determines policy and approves the budget for CAT. The administration of transit operations is contracted through two private, for-profit management companies, ATC Vancom and Ryder/ATE. ATC Vancom is contracted to provide maintenance and operations for the fixed route system. Ryder/ATE is contracted for the management of the paratransit system. ATC Vancom has managed the fixed-route system since transit services were initiated, and Ryder/ATE began managing the paratransit system under the current contract, which began in January 1998. Both companies collectively bargain the labor contracts. Each management contract is for

five years, with no option for renewal. Compensation for each contractor is based on service hours.

**9. Foothill Transit, Northern Los Angeles County, California**

Foothill Transit exists under the Joint Powers Authority (JPA) comprising the 21 municipalities of northern Los Angeles County. Foothill Transit functions as a municipal provider, and receives funding from the Metropolitan Transportation Authority of Los Angeles County. Foothill Transit owns the 219-bus fleet, but contracts all managerial and operational functions with three private, for-profit management companies, Forsythe & Associates, Laidlaw Transit, and Ryder/ATE. Forsythe & Associates administers the managerial functions with 150 employees to coordinate the funding, planning, scheduling, and contract negotiations. Operations are contracted through Laidlaw Transit and Ryder/ATE. Laidlaw Transit, with 250 employees, operates facilities and assets in one-half of the Foothill Transit service area. Ryder/ATE, with 250 employees, operates facilities and assets in the other half of the Foothill Transit service area. Each of these contracted companies has a three-year contract with an option for renewal.

**10. OMNITRANS, San Bernardino, California**

OMNITRANS operates under the Joint Powers Authority (JPA) of the 15 municipalities of San Bernardino County. All administrative and policy matters are determined through the 15 elected municipal and county representatives of the JPA. Planning and funding for the system is managed through the Southern California Association of Governments. OMNITRANS is a non-profit publicly owned and managed system. The contracts with the unionized coach operators and mechanics are collectively bargained. OMNITRANS has determined that maintaining administrative functions 'in-house' has been efficient and cost effective.

**11. Regional Transportation Authority, Riverside, California**

The Regional Transportation Authority (RTA), established in 1973, operates under the authority of the Joint Powers Authority (JPA) of the 14 municipalities of Riverside County. Administration, policy, planning, and funding are overseen by the 14-member board composed of elected officials appointed by the participating municipalities. The RTA is a

public, non-profit agency that owns a 98-bus system with 280 employees. A private, for-profit company managed the system for RTA under contract until 1995. At that time the General Manager and Assistant General Manager administrative functions were brought 'in-house'. Labor contract negotiations are administered through the employee labor relations department of RTA.

**12. Regional Transportation District, Sacramento, California**

A Regional Transportation District (RTD) was established in 1973 to provide service to the greater Sacramento area. The RTD board, comprised of seven elected officials from member communities and the county, determines all policy, funding, and planning matters. The RTD is a public, non-profit agency that manages both the 285-bus system and the 75-vehicle light rail system with a total of 800 employees. Labor contracts with the unionized coach operators, light rail operators, and mechanics are collectively bargained. When the regional light rail system was being constructed in the mid-1980's, consideration was given to using a private, for-profit management company to manage the system. It was determined, however, that integration of the bus and light rail transit systems could best be done if the light rail management was brought into the RTD.

**13. San Diego Transit Corporation, San Diego, California**

San Diego Transit is a privately managed, non-profit transit system under the authority of the Metropolitan Transportation Development Board (MTDB). San Diego Transit operates as a special district. Originally San Diego Transit was a private, independent transit system, which was established in 1967. In 1985, San Diego Transit was purchased for \$1.00, and became a part of the MTDB. All funding and policy matters are administered through the board of the MTDB, which is appointed from elected officials of the member jurisdictions. San Diego Transit manages the operations of the 245-bus system with 1,100 employees. Additionally, San Diego Transit negotiates the collectively bargained labor contracts of the coach operators and mechanics.

**14. Milwaukee County Transit, Milwaukee, Wisconsin**

Milwaukee County's Department of Public Works owns Milwaukee County Transit. The County Board of Supervisors sets policy and approves the transit budget. The system is

managed by Milwaukee Transport Services, Inc., a non-profit entity that contracts with the County for the management of the 540-bus system, including setting operating standards. The Board of Directors for the non-profit Milwaukee Transport Services, Inc. is comprised of the General Manager, Deputy General Manager, and two other employees of the company. Labor contracts are collectively bargained with separate unions for operators and clerical help. Milwaukee Transport Services (i.e., the General Manager, Deputy General Manager and the Director of Labor Relations) negotiates the union contracts. The contract with Milwaukee Transport Services, which MTP has held since the 1970's, is re-bid every five years. The company has successfully competed against Ryder/ATE and other national management firms. Cost has been a factor in the contract selection process.

### **2.3 Transit System Survey Conclusion**

The 13 peer transit systems examined provide a representative sample of private, for-profit, and public, non-profit management systems. Some of these systems have determined that their current management structure meets their needs satisfactorily. Other transit systems have recently changed their management structure in response to various issues and a desire to be more efficient. The transit systems investigated have different managerial and administrative structures for negotiating labor contracts. All these systems though have one common constraint -- i.e., each must adhere to the FTA requirements regarding any change in management structure. These requirements and their applicability to profit and non-profit management structures are examined in Section 3.0, which follows.

Of the 13 systems surveyed, only two were found to have a non-profit management structure. The advantages/disadvantages of the non-profit management structure used by these two, Capital Metro of Austin, Texas, and Milwaukee County Transit, are evaluated in Section 4.0 of this report.

One system that at first glance appears to be managed by a non-profit corporation is San Diego Transit. However, upon further examination, the management type used at San Diego Transit is really 'in house' management. It is the ownership of the transit agency that is non-profit.

## **3.0 FTA REQUIREMENTS**

### **3.1 Overview**

This section outlines the procedural steps required by the FTA to make a change in the structure used by the City of Tucson to manage its transit system. Information is presented on the experiences of other communities that have made such a change, and the anticipated time frame necessary to meet these Federal requirements is suggested. Since the City of Tucson is the designated grant recipient for FTA funds for the Tucson metropolitan region, any change in management structure must comply with FTA regulations.

### **3.2 FTA Requirements**

The FTA's requirements, which are outlined in the "FTA Fiscal Year 1999 Certifications and Assurances," are to be used in connection with all Federal assistance programs administered by FTA. These certifications and assurances include all annual certifications required by 49 U.S.C. 5307 (d) (1) for FTA's Urbanized Area Formula Program, as well as other certifications and assurances needed for compliance with various other Federal statutes and regulations affecting FTA's assistance programs. All states providing certifications and assurances on behalf of their prospective sub-recipients must provide documentation from those sub-recipients for 15 categories of requirements in order to be approved to receive funding. The 15 categories cover all areas of contractual, legal, and procedural requirements. The complete text is available on the FTA website at the following address: [www.fta.dot.gov/library/legal/fr11698b.htm](http://www.fta.dot.gov/library/legal/fr11698b.htm).

Based on conversations with officials in the FTA Region 9 office in San Francisco, which serves Arizona, it appears that a transit agency can terminate its contract with its for-profit management company. Reasons for termination must be included in the original contractual agreement, and the management company must be compensated for any losses incurred as a result of the termination. If a company's contract has expired or is up

for renewal there is no obligation to continue with that company. A new firm may be selected through the proper competitive bid process.

Changing from a for-profit company to a non-profit management company does not violate the 'no competition' restrictions with the private sector outlined in the FTA code as long as the new contract for management services is bid competitively and according to Federal standards. To receive Federal funding assistance in such a case, a non-profit entity would have to meet the same requirements as the primary transit agency (i.e., the transit agency owner) or a for-profit company.

### **3.3 Specific FTA Regulations**

The specific regulations that apply to the City of Tucson's situation include, Section IB of the "FTA Fiscal Year 1999 Annual List of Certifications and Assurances for Federal Transit Administration Grants and Cooperative Agreements: Procurement Compliance." Specific FTA regulations are detailed in the following section. These specific regulations were obtained from the FTA. More in-depth FTA regulatory guidance is provided in the FTA Circular "Third Party Contracting Requirements." The full text of the circular is available at [www.fta.dot.gov/fta/library/policy/tpcr.html](http://www.fta.dot.gov/fta/library/policy/tpcr.html)

This circular spells out contracting requirements that apply to any contractual agreement, regardless of whether it is for-profit or non-profit. These include meeting all the traditional Federal requirements regarding non-discrimination, ability to perform (including adequate financial resources and experience in the field), a drug-free workplace, prohibition against lobbying, ADA compliance, etc. Additional requirements include:

1. That the contract be put out to competitive bid.
2. That there be no conflict of interest, which means that current employees are prohibited from bidding. (Potential managers must first become employees of the proposing firm, whether for-profit or non-profit, before they can bid on the work).

3. That a sole source contract may be awarded only if the competition has been determined to be inadequate.
4. That performance bonds for the amount of the contract are required to be put up by the subcontractor for contracts exceeding \$100,000. However, if a contract exceeds \$1.0 million, the required bond will be less.
5. That contracts must contain definitions of breach, including 'for cause' and 'for convenience', and the basis for sanctions, penalties, and settlement.
6. That employees are paid in accordance with the Davis-Bacon Act, the Copeland Act, and the Contract Hours and Safety Standards Act regarding labor standards for Federally assisted sub-agreements.
7. Another potential impact that could influence contracting a third party contractor or the COT bringing the coach operators and mechanics in-house is FTA 13C language that allows for collective bargaining in contract negotiations.

## **4.0 NON-PROFIT MANAGEMENT**

### **4.1 Overview**

This section summarizes the viability of pursuing a not for-profit entity to provide management oversight for Sun Tran and the potential advantages and disadvantages to the City of Tucson of such an arrangement.

### **4.2 Advantages/Disadvantages**

The potential benefits for a transit agency of contracting with a non-profit management company include possible savings with the profit margin eliminated. The chief savings would come from the elimination of the management fee paid to a for-profit company. Exactly how much money that might amount to is not easy to determine. It must be realized that it is not the entire amount listed in the matrix in Table 2.0 under the column "Management Budget." That amount typically includes the salaries paid the top management personnel. Generally, the profit may be only 5% to 15% of the management budget. In the case of Sun Tran, the management budget is \$380,000. It was understood that when Ryder/ATE had the contract, its profit was in the neighborhood of 5%, or \$19,000. It is unknown what the amount may be for Professional Transit Management.

A second item to be considered is the relative effect of a profit or non-profit structure on the quality of service provided. This item could be construed as either an advantage or a disadvantage depending on an individual's perspective. On the one side, it could be argued that the profit motive is what provides the incentive for the management company to do a good job, and that without it they will provide less than a 100% effort. On the other side it could be argued with equal force that the desire to provide good transit service to the public is what will cause management to do a good job, that a transit manager who is there just to pick up his or her paycheck is not what is needed. Likely it is the case that either system will work and that success depends on the motivation of the individual managers and the management team as a whole.

Two examples of a non-profit management organization contracted with a transit agency were identified through the telephone survey. Each is described in more detail below with an assessment of the advantages/disadvantages that could be determined:

**Example 1: Capital Metro, Austin, Texas**

Capital Metropolitan Transportation Authority (Capital Metro) in Austin, Texas, is managed through a private, non-profit management organization. This organization, StarTran, was established in 1991. StarTran is essentially a 'shell' organization that administers labor contract negotiations with the labor unions representing the coach operators and mechanics.

In 1991, Capital Metro formed StarTran as a legally acceptable means for negotiating with labor unions. Employees of StarTran are former Capital Metro employees. StarTran has its own separate Board of Directors, its own by-laws, banks at a separate bank from Capital Metro, and produces separate financial statements.

Every year the Capital Metro Board of Directors establishes the operating expenses for the year, which are then transferred to StarTran. If there is a surplus at the end of the year, StarTran transfers that exact amount back to Capital Metro. StarTran's contract has no expiration date and was not put out to bid.

Highlights of the StarTran arrangement include:

1. Contract not put out to bid competitively.
2. No contract expiration date.
3. StarTran receives payment for services before the services have actually been performed.

The main motivation for the establishment of a non-profit corporation by Capital Metro was to provide a legally acceptable means of negotiating labor agreements to comply with State of Texas statutes. This action was necessary since Capital Metro personnel are employees of the transportation authority, a governmental agency. The City of Tucson has not directly faced the same problem as Capital Metro since the transit personnel are not

city employees. Sun Tran personnel are employees of a non-profit corporation set up by the contracted management firm. The management firm has the responsibility of negotiating labor contracts, not City of Tucson staff or Mayor and Council. Thus, the City of Tucson could use the non-profit management structure similar to StarTran.

**Example 2: Milwaukee County Transit, Milwaukee, Wisconsin**

Milwaukee Transport Services, Inc. (MTS) is a non-profit corporation that contracts with Milwaukee County to provide transit service. The Board of Directors for the non-profit corporation is comprised of the General Manager, Deputy General Manager, and two other employees of the company. As required by FTA regulations, the contract is bid out every five years. Milwaukee Transport Services has successfully competed against other private national management firms. The lowest administrative and operational cost has been a part of the contract selection process. MTS provides all management services that would be provided by a for-profit management firm, including setting operating standards and negotiating labor contracts.

Summary

The primary motivation for establishing a non-profit transit management organization in Austin and Milwaukee County was to serve as a means of negotiating labor contracts. In fact, the Milwaukee County organization served as the model for Capital Metro in Austin for setting up StarTran. Despite their similarities, the difference between the two organizations is that Milwaukee County uses Milwaukee Transport Services to provide all employees of its transit system (including management employees), while Capital Metro uses StarTran primarily to deal with labor negotiations, keeping the operations employees and most management and supervisory functions in-house.

In Milwaukee and Austin, the non-profit management system seems to work well. These systems have separate negotiating mechanisms in these non-profit management companies that meet the FTA Section 13C regulations. These regulations, as mentioned earlier in this study, require that management of a transit system receiving FTA funding can not directly negotiate labor contracts.

Setting up a non-profit entity, therefore, would appear a viable option that the City of Tucson could consider. Assuming a non-profit management company could be found or formed, it could bid on the management contract the next time the City of Tucson puts it out for competitive bid. If selected, the non-profit entity could continue to hire all the transit employees as Professional Transit Management (PTM) currently does. In that case, Tucson could have an organization almost identical to Milwaukee.

The other option for the City of Tucson to consider would be to bring transit management and all transit employees 'in house'. This could only be done under Arizona state law if the drivers and mechanics forfeit union representation and thus their ability to strike. If the employees desired to continue union representation, the City (or RTA) would have to establish a non-profit corporation or a RTA board for negotiating labor issues. The result, in this case, would be almost identical to Austin.

## **5.0 CONCLUSIONS**

This study researched the management organizations being used for management of public transit systems. A telephone survey was conducted of thirteen transit systems that were similar in size to the City of Tucson's and/or had a management structure that the City would potentially consider. This investigation found that there are four types of organizational structures being used throughout the United States for management of public transit service:

- Public 'in-house'
- Public with contract managers
- Private for-profit
- Private non-profit

Six transit systems provide their management services in-house, e.g., the general manager and employees such as coach operators; mechanics and administrative personnel are employees of the public agency. One system (El Paso) performs the management functions in-house, but two key positions (i.e., General Manager and deputy General Manager) are contract employees (i.e., employees of a personnel firm).

Four transit systems such as OMNITRANS in San Bernardino, and the Riverside RTA, California, these systems have shared policy and funding authority with surrounding municipalities under state legislative Joint Powers Authority (JPA) and/or are members of regional transit authorities (RTA). The system's policies are managed through RTA boards, and supervisory management is "in-house". Labor contracts are negotiated through the labor relations department in each respective transit system. In this arrangement, the labor relations department serves as the intermediary between the labor employees and the RTA management, with no involvement of the system's General Manager. This structure enables these systems to comply with FTA Section 13C requirements. In order for the City of Tucson to structure a system similar to OMNITRANS and Riverside RTA, the Tucson Regional Transit Authority would have to assume the responsibilities for management of the

transit system and labor negotiations. Although the RTA exists in the metropolitan Tucson area, it currently has no source of funding to operate.

Four systems have management structures similar to the City of Tucson's in that the public agency contracts with a for-profit firm to provide the key management positions. Two systems contract with a private, non-profit firm to provide these key management positions. There are two variations of this latter structure. In one transit system (Austin), the management firm (Star Tran) is a non-profit firm and has three key administrators. The coach operators and other staff are employees of a public non-profit firm (Capital Metro). In another transit system (Milwaukee), the coach operators, management and administrative staff are employees of the non-profit entity. The City of Tucson could follow either mechanism.

The City of Tucson could utilize two of the four management structures investigated – i.e., private for-profit or private non-profit – without incurring funding problems from the FTA Section 13C regulations if the procurement process followed the prescribed FTA regulations. The City could bring the management of the SunTran system “in-house”. The three key management positions would then be City employees, with the unionized coach operators and mechanics becoming employees of another agency. In this scenario, a new non-profit or for-profit management organization would need to be established. This organization would negotiate with labor during contract negotiations to comply with current state law, (The currently unionized coach operators and mechanics cannot be City employees because of state law limitations regarding the right to strike.) and FTA Section 13C regulations. Under this proposed organizational structure, the General Manager (who would be a City employee) could be responsible for oversight of the employees of the non-profit negotiating shell organization.

The City can pursue contracting with either a non-profit firm or a for-profit firm to manage its system. Either mechanism would provide equal accountability and control over the system. The decision should be based on:

- Qualifications of key staff (General Manager, Assistant General Manager and Director of Maintenance being proposed)
- Cost (A non-profit firm could potentially provide the key staff at a reduced cost because no profit is charged. This could amount to a savings of 5% to 15% of the management fee).

FTA Section 13C regulations must be followed in terms of re-bidding the management contract no longer than every five years, and remain in compliance with state laws.

The City can also hire individuals for the top transit management positions (making them City employees). The City must investigate whether its pay scale is sufficient to attract top talent to perform this service. The City must also establish a non-profit entity to hire the coach operators, mechanics and administrative personnel. This proposed structure would be similar to that which is currently operational in six of the cities surveyed.

The City of Tucson's current transit system management structure is similar to several transit systems surveyed. As this study has shown, there are numerous advantages and disadvantages to the various transit management structures examined.

k:\11465\TMO Final Report

## **GLOSSARY OF TERMS**

<b>Public</b>	Ownership or management of a transit system by a government agency, most commonly a municipality, county, transit district, or transit authority.
<b>Private</b>	Management of a transit system by a privately owned company, usually organized as a corporation, could be either for-profit or non-profit.
<b>Contract managers</b>	Top management of a transit agency hired on an individual contract basis rather than being direct employees of the transit agency or a transit management firm.
<b>Private for-profit management structure</b>	The means whereby a transit agency contracts out both the management function and the hiring of employees. The transit operations staff are employees of the management contractor, or in the case of a national management firm, it may form a subsidiary through which to do business locally. In most cases that subsidiary is a non-profit corporation (see 'shell' non-profit). The transit management company makes a profit on the service provided, usually taken in the form of a management fee.
<b>Private non-profit management structure</b>	Similar to the private, for-profit management structure except that no profit is taken (see 'pure' non-profit).
<b>'Pure' non-profit.</b>	Usually encountered in charitable organizations whose goal is to devote all receipts beyond administrative expenses to the designated charitable cause. No one in the entire organizational structure makes a profit, neither board members nor staff, although staff, which are often volunteers, can be paid.
<b>'Shell' non-profit,</b>	There is a profit within the management structure. While the local subsidiary is non-profit, the parent company takes a profit, usually in the form of a management fee.

*continued*

**TRANSIT MANAGEMENT OPTIONS FOR THE CITY OF TUCSON**

<b>'In-house' management structure</b>	The transit management structure where the transit system owner hires management professionals, administrative staff, drivers, and mechanics. These persons then all become employees of the owner, whether it's a municipality, county or transit agency. Such a management structure can be called 'internal management'.
<b>Internal management</b>	The same as 'in-house' management.
<b>Joint powers agreement</b>	A means under California law for a group of governmental entities (municipalities, counties, special purpose districts or authorities) to band together to provide services. The new entity created has its own board with representation from all the member entities. Funding is often provided by commitments from the member entities, although the JPA may also qualify for its own state or Federal funding.
<b>Transit authority</b>	A governmental entity set up for a special purpose. Usually, specific legislative approval is required for each authority. It will have its own boundaries that may include all or part of municipalities or counties. Usually, its board will be made of representatives of the included jurisdictions.
<b>Transit district</b>	A governmental entity set up for a special purpose within a specific geographic area that may include all or part of municipalities or counties. Enabling legislation is necessary to allow transit districts to be established, but individual districts do not typically require legislative approval. Rather they require establishment by the county Board of Supervisors or a petition signed by 51% of the property owners within the proposed district. Its board will usually be independently selected without regard to specific representation from underlying municipal or county jurisdictions.

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# **APPENDIX**

## **Survey Questionnaires**



## **PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET**

- Transit System** Albuquerque Transit & Parking Dept.
- Telephone Number** (505) 764-6105 Bruce Rizzieri, Systems Div. Mgr.  
(505-764-6123)
- Contact(name & title)** Arthur J. Ortiz, Ass't. Director  
Name of interviewer: Stephen Abernathy

### **Transit System Structure**

#### **Administration/ Management**

**Publicly Owned (Municipal or part of RTA)**

**Publicly Managed (City employees, or RTA)**

#### **Briefly describe administrative structure:**

Not part of RTA

**Privately Managed (Contract)**

#### **Briefly describe contracted administrative structure:**

N/A

**Is the company managing the transit system : (check one)**

**For Profit**\_\_      **Non Profit**\_X      **Name of Company**

**How many employees does your system currently have ?**

460

**Are the drivers and/or mechanics unionized ?**

Yes

No

**Are the union contracts collectively bargained ?**

Yes

No

**Name of Union** UTU for coach operators

American Association of State, County, & Municipal  
Employees

# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** Albuquerque Transit & Parking Dept.

- **Have there been any significant labor/management issues ?**  
City of Albuquerque Employee Relations Dept. handles all labor negotiations.
- **How was the management company contracted and last time bid?**  
N/A
- **What is the length of the contract?**  
N/A
- **How often has your agency changed management companies?**  
N/A
- **What is the compensation structure for the current management company?**  
N/A
- **What is your current budget for management?**  
\$20 million operations
- **What is your current budget for operations personnel?**  
Same as above.
- **What is the current policy board structure ?**  
Dept. Dir appointed by Mayor, council approves budget, input from city gov't.  
determines policy
- **Has your system provided managerial services rather than contracting out?**
- **Other Comments:**

L:\11465\ALBUQUERQUE Transit Telephone Interview



## PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System:** Capital Metropolitan Transportation Authority
- Telephone Number:** (512) 389-7400
- Contact(name & title):** Elaine Timbes, Chief Administrative Officer

Name of interviewer: Julie Eldridge

### Transit System Structure

#### Administration/ Management

- X Publicly Owned (Municipal or part of RTA)
- Publicly Managed (City employees, or RTA)

Briefly describe administrative structure:

CMT owns the capital assets. A shell non-profit management company (Startrans) was created to negotiate with the labor unions pursuant to 13C Regulations requiring that a labor union cannot negotiate with the Transit Agency General manager.

Privately Managed (Contract)

Briefly describe contracted administrative structure:

RTA manages the system on the public side. Startrans has a budget but no contract. Their expenditures are authorized by the Board of Directors.

- Is the company managing the transit system : (check one)

For Profit\_\_ Non Profit X Name of Company: Startrans

- How many employees does your system currently have ? 1,100
- Are the drivers and/or mechanics unionized ?
- X Yes
- No
  
- Are the union contracts collectively bargained ?
- X Yes
- No
- Name of Union

Amalgamated Transit Union Local #1091

PEER TRANSIT SYSTEM TELEPHONE INTERVIEW  
**CONVERSATION LOG SHEET**

Page 2

Transit System:

Capital Metropolitan Transit Authority

Have there been any significant labor/management issues ?

The non-profit side of the agency wanted their own management and their own HR Manager which was not allowed. All policy issues that affect conditions of employment are negotiated according to the National Labor Relations Board guidelines.

How was the management company contracted and last time bid?

There is no contract. Startrans employees were existing CMT employees and they just switched the name on their paychecks. (Shell company only)

What is the length of the contract? Indefinite

How often has your agency changed management companies? Never

What is the compensation structure for the current management company?

Same as Capital Metro employees. About 95 to 100 employees on each side (non-profit shell and CMT)

□ What is your current budget for management? (Startrans)

\$450,000 for maintenance

\$1.4 million for fixed route

\$376,000 for special transit

□ What is your current budget for operations personnel? (CMT)

\$3.2 million maintenance

\$14.2 million fixed route service

\$3.6 million for special transit

□ What is the current policy board structure ?

A 7-member Board of Directors: 5 are elected officials (Mayor, City Council, county Commission) and 2 citizens at large.

Has your system provided managerial services rather than contracting out?

Yes – not contracted out except for University shuttle.

Other Comments

Overall, the non-profit management arrangement has been a good experience for them. Elaine's opinion is that their equipment is taken care of better by in-house management because they can keep a closer eye on things.

Plus, it's not like they hired some outside entity to come in and run the transit agency for non-profit. The people already worked there, they (CMT) own the assets, they have control.

L:\11407\Peer Transit System Telephone Interview



# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System** Chattanooga Transit- CARTA
- Telephone Number** (423) 629-1411
- Contact (name & title)** Reginald Ferguson Director of Transportation Operations.

Name of interviewer: Stephen Abernathy

### Transit System Structure

#### Administration/ Management

- Publicly Owned (Municipal or part of RTA)**
- Publicly Managed (City employees, or RTA)**
- Privately Owned**

#### Briefly describe administrative structure:

CARTA was established in the early 1970's, after the private transit company in the Chattanooga area went bankrupt. The City of Chattanooga subsidizes CARTA, and all of the planning, funding and labor negotiations have administered through the organization. The board of CARTA is composed of elected representatives from the local government.

- Privately Managed**

#### **Briefly describe contracted administrative structure:**

N/A.

- Is the company managing the transit system : (check one)**

**For Profit**\_      **Non Profit**\_X      **Name of Company** *See Above*

- How many employees does your system currently have?**

176

- Are the drivers and/or mechanics unionized?**

Yes

No

- Are the union contracts collectively bargained?**

Yes

No

## PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** Chattanooga Transit-CARTA

□ **Name of Union(s):** Coach Operators and Mechanics; Amalgamated Transit Workers Union (ATU).

□ **Have there been any significant labor/management issues?**  
No. There have not been any issues since CARTA was formed. Management and Labor relations have been stable with no issues.

□ **How was the Management Company contracted and last time bid?**

CARTA had until December 1998 been managed by Ryder ATE. The contract with Ryder ATE was not renewed. The individuals and positions of Executive Director, Assistant Executive Director and Director of Planning were brought "in-house". Prior to December 1998, the contracts had been renewed every 5 years since the 1970's.

□ **What is the length of the contract?**

CARTA has been operating as a publicly managed system since December 1998. But when Ryder ATE managed the system, contracts were for five-year increments.

□ **How often has your agency changed management companies?**

CARTA changed management in December 1998. The reasons were that reports and financing were being prepared for the Ryder ATE management, and paying Ryder ATE management to review these reports and submit them to the board of CARTA and FTA. It was determined that it would be more efficient and economical to bring these services "in-house" and not pay for the services twice.

□ **What is the compensation structure for the current Management Company?**

N/A

□ **What is your current budget for management?**

Current budget for fiscal year 1999 is \$1.9 million.

□ **What is your current budget for operations personnel?**

Current budget for operations which includes maintenance for fiscal year 1999 is

\$ 7.2 million.

□ **What is the current policy board structure?**

CARTA administrates all policy, planning, funding and managerial functions for the system. If specific projects or issues arise such as route restructuring, task forces are established from representatives from the board.

□ **Has your system provided managerial services rather than contracting out?**

Yes, CARTA provides all of the managerial services. CARTA has no plans for the foreseeable future to contract out for managerial services.

□ **Other Comments:**

So far, internalizing management functions has proven to be more efficient, and economical. Previous to the internalization, several steps in the reporting and administrative functions were duplicated. Now, the process is more streamlined.

L:\11465\Chattanooga Transit-CARTA Telephone Interview



# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System** El Paso Mass Transit Department (Sun Metro)
- Telephone Number** (915) 533-1220 fax: (915-534-5816)
- Contact(name & title)** Terry Lee Scott, Acting Director 915-534-5870  
(Lisa Wolf, Secretary) Raul Perez, Maintenance Mgr.

Name of interviewer: Stephen Abernathy

## Transit System Structure

### Administration/ Management

**Publicly Owned (Municipal or part of RTA)**

**Publicly Managed (City employees, or RTA)**

### Briefly describe administrative structure:

Implement policies from Mayor & Council, council members form the MTB - mass transit board - eight members. Determines funding, policy of FTA funding

**Privately Managed (Contract)**

### Briefly describe contracted administrative structure:

Shell organization. Exec. Dir. and director of operations

Independent contractors in these positions

Budget maintenance. Operation

Admin budget through Exec Dir.

**Is the company managing the transit system : (check one)**

<input checked="" type="checkbox"/> <b>For Profit</b>	<input type="checkbox"/> <b>Non Profit</b>	<b>Name of Company</b>	Goodman Corporation
			Independent Contractor

**How many employees does your system currently have ?**

**Are the drivers and/or mechanics unionized ?**

Yes

No

**Are the union contracts collectively bargained ?**

Yes

No

Name of Union

# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** El Paso Mass Transit Department (Sun Metro)

- **Have there been any significant labor/management issues ?**  
Texas right to work laws, straight civil service wage rate.
- **How was the management company contracted and last time bid?**  
Placed through interview process Jan 1999 by consultant team.
- **What is the length of the contract?**  
3-year contracts
- **How often has your agency changed management companies?**  
Numerous times - every 3 years new individuals in these positions.  
Performance is used as indicator.
- **What is the compensation structure for the current management company?**  
\$89,000 - director  
\$52,000 - maintenance manager
- **What is your current budget for management?**  
\$23-\$28 million total
- **What is your current budget for operations personnel?**
- **What is the current policy board structure ?**  
MTB determines policy
- **Has your system provided managerial services rather than contracting out?**  
Just began contracting out due to poor performance and accountability issues with management.
- **Other Comments:**

L:\11465\EL PASO Transit Telephone Interview



# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System** LA Foothill Transit Department
- Telephone Number** (626) 967-2274 fax: (626) 915-1143
- Contact(name & title)** June Austin, Ex. Dir.; Brian Marchetti. Planning and Scheduling

Name of interviewer: Stephen Abernathy

## Transit System Structure

### Administration/ Management

- Publicly Owned (Municipal or part of RTA)**
- Publicly Managed (City employees, or RTA)**

### Briefly describe administrative structure:

Privately owned Forsythe & Assoc. manages operations  
Municipal operator within LA under joint powers authority. 21 cities within LA County.

### **X Privately Managed (Contract)**

### **Briefly describe contracted administrative structure:**

Funding comes from MTA, and can receive direct FTA funds. Foothill has no employees, contract out with Forsythe planning, scheduling, and umbrella Laidlaw Transit operates one service area, Ryder ATE operates the other. Buses owned by Foothill Transit, Laidlaw & Ryder operate and maintain

- Is the company managing the transit system : (check one)**

**For Profit**       **Non Profit**       **Name of Company**      Laidlaw & Forsythe, Ryder ATE

- How many employees does your system currently have ?**  
Laidlaw 250 Ryder ATE 250

- Are the drivers and/or mechanics unionized ?**

- Yes (ATE)
- No (Laidlaw)

- Are the union contracts collectively bargained ?**

- Yes
- No
- Name of Union      Teamsters (coach operators and mechanics)

# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** LA Foothill Transit Department

- **Have there been any significant labor/management issues ?**  
Yes. Salaries, benefits, contract negotiations.
- **How was the management company contracted and last time bid?**  
Laidlaw 1999  
ATE 1996 contains performance indicators
- **What is the length of the contract?**  
3-year contracts with options for renewal
- **How often has your agency changed management companies?**  
Open bid process. Previous - Mayflower, 1995.
- **What is the compensation structure for the current management company?**  
\$32 million operations contract paid per route mile, with commuter, local, and shuttle services
- **What is your current budget for management?**
- **What is your current budget for operations personnel?**
- **What is the current policy board structure ?**  
Forsythe & Assoc. 5 member board with appointed representatives from cities.  
4 clusters for cities, 1 for LA County.
- **Has your system provided managerial services rather than contracting out?**  
School bus, management services, special events, and coach inspections
- **Other Comments:**

L:\11465\LA FOOTHILL Transit Telephone Interview



## PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System: Regional Transportation Commission of Clark County (Las Vegas, Nevada)**
- Telephone: (702) 455-4853 or (702) 676-1500 starting Monday**
- Contact(name & title): Terry Cordell, Physical and Administrative Services Manager**
- Name of interviewer: Julie Eldridge

### Transit System Structure

#### Administration/ Management

- X Publicly Owned (Municipal or part of RTA)
- Publicly Managed (City employees, or RTA)

Briefly describe administrative structure:

RTC owns the capital assets of the system.

Privately Managed (Contract)

Briefly describe contracted administrative structure:

ATC Vancom is contracted to provide maintenance and operations for fixed route and paratransit services. Ryder is contracted for paratransit management.

- Is the company managing the transit system : (check one)

For Profit X Non Profit\_\_\_\_ Name of Company: ATC Vancom or Ryder

- How many employees does your system currently have ?

RTC has about 80 on transit side.

ATC Vancom has 1500.

- Are the drivers and/or mechanics unionized ?

X Yes

- No

- Are the union contracts collectively bargained ?

X Yes

- No

□ Name of Union: ATU

## **PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET**

Page 2

Transit System: **Citizens Area Transit "CAT"**

□ Have there been any significant labor/management issues ?

No strikes – typical "chest beating" at contract time.

How was the management company contracted and last time bid?

Out to bid in '96 – started in Jan. '97 for fixed route service. Paratransit went out one year later.

What is the length of the contract?

5 years, no renewal options.

How often has your agency changed management companies?

No changes – ATC from day one.

What is the compensation structure for the current management company ?

Pay based on service hours.

□ What is your current budget for management?

Contract management budget is \$45.7 million for fixed route

\$11.2 million for paratransit

RTC operating budget is about \$70 million includes payments to ATC Vancom.

The balance (\$13.1 million) is RTC's cost to manage, plus fuel.

□ What is your current budget for operations personnel?

ATC Vancom does their own budget. Ryder cost is \$187,000 this FY.

What is the current policy board structure ?

8 members by State Statute: 2 County Commissioners, 2 City Council from Las Vegas, 4 City Council from incorporated cities.

□ Has your system provided managerial services rather than contracting out?

Yes – RTC provides management oversight, route planning, etc.

□ Other Comments

Had never heard of a non-profit agency trying to run such a big operation. There are huge up-front costs incurred by the operator to enter the market: labor, management, equipment, etc.

Typically, for-profit management companies have high driver turn-over rates due to low salaries (and profit motive). Elimination of a profit motive makes one wonder why anyone would put up with the daily hassles of the business, or to trim costs and run a lean operation. Public accountability might be a big concern as well.

L:\11407\Peer Transit System Telephone Interview



# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System** Milwaukee County Transit
  - Telephone Number** (414) 937-3291
  - Contact(name & title)** Anita Gulotta-Connolly
- Name of interviewer: Priscilla Cornelio

## Transit System Structure

### Administration/ Management

- Publicly Owned (Municipal or part of RTA)**
- Publicly Managed (City employees, or RTA)**

### Briefly describe administrative structure:

Milwaukee County owns vehicles. The transit system operations appear as a line item in the County's Department of Public Works budget. The Board of Supervisors set and approve the budget.

### **Privately Managed (Contract)**

#### **Briefly describe contracted administrative structure:**

Milwaukee Transport Services, Inc. is a non-profit entity that contracts with the County for the management of the bus system.

#### **Is the company managing the transit system: (check one)**

<b>For Profit</b>	<b>Non Profit</b>	<input checked="" type="checkbox"/>	<b>Name of Company</b>	Milwaukee
			Transport Services, Inc.	

- How many employees does your system currently have?**  
540 buses

#### **Are the drivers and/or mechanics unionized ?**

- Yes
- No

#### **Are the union contracts collectively bargained ?**

- Yes
- No

- Name of Union** Two separate unions - one for operators and another for clerical. Milwaukee Transport Services (the Gen. Mgr. and Deputy) and Dir. of Labor Relations negotiate contracts. The County sets overall policy within budget guidelines.

# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** Milwaukee County Transit

- ❑ **Have there been any significant labor/management issues ?**  
1978 strike over wages. Not since - no labor issues.
- ❑ **How was the management company contracted and last time bid?**  
3 years ago.
- ❑ **What is the length of the contract?**  
3 years with 2 one-year extensions
- ❑ **How often has your agency changed management companies?**  
Never changed from Milwaukee Transport, Inc. although ATE and other firms have bid for the job.
- ❑ **What is the compensation structure for the current management company?**  
Milwaukee Transport, Inc. provides 2 people (Gen. Mgr. and Dep. Gen. Mgr.) for management. The agency also has all the operators, staff, mechanics.
- ❑ **What is your current budget for management?**  
No estimate but just the salary and fringe of two people.
- ❑ **What is your current budget for operations personnel?** N/A
- ❑ **What is the current policy board structure ?**  
Milwaukee County sets policies for the system, Milwaukee Transport, Inc. sets operating standards. Board of agency is Gen. Mgr., Dep. Mgr., and two other employees of Milwaukee Transport, Inc.
- ❑ **Has your system provided managerial services rather than contracting out?** No
- ❑ **Other Comments:** They have competed for management of service every five years and have to address their philosophy for the system, management team, and other issues. They competed against ATE and other firms and have won. Low bid is also part of the evaluation.



## **PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET**

- Transit System** OMNITRANS- San Bernardino
  - Telephone Number** (909) 889-0811 fax (909) 889-5779
  - Contact(name & title)** Rohan Kuruppu, Director of Planning (909)379-7251
- Name of interviewer: Stephen Abernathy

### **Transit System Structure**

#### **Administration/ Management**

**Publicly Owned (Municipal or part of RTA)**

**Publicly Managed (City employees, or RTA)**

#### **Briefly describe administrative structure:**

Management of OMNITRANS is under a Joint Powers Authority composed of representatives from 15 municipalities in the San Bernardino Valley. Planning and funding for the system is managed through the Southern California Association of Governments. (SCAG)

**Privately Managed (Contract)**

#### **Briefly describe contracted administrative structure:**

N/A

**Is the company managing the transit system : (check one)**

**For Profit**\_\_      **Non Profit**\_X      **Name of Company** N/A

**How many employees does your system currently have ?**

350

**Are the drivers and/or mechanics unionized ?**

Yes

No

**Are the union contracts collectively bargained ?**

Yes

No

# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** OMNITRANS- San Bernardino

- **Name of Union(s) :** Coach operators belong to Amalgamated Transportation Union; Administrative and Mechanics belong to San Bernardino County Public Employees Associated (SBCPE) SBCPE operates and functions as a "union", and negotiates contracts for the members. Contracts are negotiated every three years. Current contract with ATU was 6/98; SBCPE 7/97
  
- **Have there been any significant labor/management issues ?**  
No. OMNITRANS has not had a strike, and management/labor relations are stable.
  
- **How was the management company contracted and last time bid?**  
N/A
  
- **What is the length of the contract?**  
N/A
  
- **How often has your agency changed management companies?**  
N/A
  
- **What is the compensation structure for the current management company?**  
N/A
  
- **What is your current budget for management?**  
Current operating budget is allocated at \$32 million. Budget is shared with operations, and levels are determined based on employment levels, administrative factors etc. Current capital budget is \$30 million.
  
- **What is your current budget for operations personnel?**  
Same as above.
  
- **What is the current policy board structure ?**  
Under the Joint Powers Authority, (JPA) 15 elected municipal and county representatives in the San Bernardino Valley constitute the policy board. All administrative and policy matters are determined through the JPA.

□ **Has your system provided managerial services rather than contracting out?**

No, OMNITRANS has not considered this. Currently, the system is more efficient being operated by a public agency.

□ **Other Comments:**

Part of the reason OMNITRANS is able to be as efficient is due to the lower operational costs in San Bernardino. For example, the MTA (Los Angeles) costs would be \$100, OMNITRANS operates at \$56. This is due to the reduced labor costs, ample labor pool, and ability of OMNITRANS to pay lower wages.

L:\11465\OMNITRANS Transit Telephone Interview



## PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System: City of Phoenix**
- Telephone Number: (602) 262-7242**
- Contact(name & title): Neil Manske, Interim Public Transit Director, City of Phoenix**

Name of interviewer: Julie Eldridge

### Transit System Structure

#### Administration/ Management

- X Publicly Owned (Municipal or part of RTA)
- Publicly Managed (City employees, or RTA)

Briefly describe administrative structure:

The City of Phoenix owns the assets. Operations are privately managed under contract.

- X Privately Managed (Contract)

Briefly describe contracted administrative structure:

Management services contract with Laidlaw Transit (who leases the facility from the City). They are paid on a per mile basis but the City gives them the buses. A pass-through contract with ATC Vancom.

- Is the company managing the transit system : (check one)

For Profit: X Non Profit\_\_\_

Name of Company: Laidlaw, ATC Vancom, Arnett

- How many employees does your system currently have ? 1,000 + City employees + Contract employees
- Are the drivers and/or mechanics unionized ?  
X Yes \* Most of operators are. Nobody with Arnett is.
- No
- Are the union contracts collectively bargained ?  
X Yes
- No

□ Name of Unions: ATU, Teamsters, Operating Engineers

## **PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET**

Page 2

Transit System: **Phoenix Transit System (part of Valley Metro)**

□ Have there been any significant labor/management issues ?  
Wages & working conditions – standard stuff.

How was the management company contracted and last time bid?

RFP – short list – oral interviews

What is the length of the contract?

5 years: expires June 30, 2001

How often has your agency changed management companies?

ATC Vancom there since early 70's. 3 different companies now.

What is the compensation structure for the current management company?

A sum based on performance indicators including cost per mile, riders per mile, safety, accident rate, etc.

□ What is your current budget for management? Laidlaw is turnkey operation with a \$250,000 budget (varies with performance indicators) which is cheap, based on years of relationship.

□ What is your current budget for operations personnel? About \$50 million.

What is the current policy board structure ?

Phoenix City Council.

□ Has your system provided managerial services rather than contracting out?

15 City employees serve as contract service managers.

□ Other Comments

For more information on exact contract amounts and budgets contact Al Dellaverde in contract Administration at (602) 261-8897.

L:\11407\Peer Transit System Telephone Interview



## PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System** Riverside RTA
- Telephone Number** (909) 684-0850 ext. 31
- Contact(name & title)** Mary Samson, Dir. Human Resources; Steve Oller, Dep. Gen. Mgr., Operations.

Name of interviewer: Stephen Abernathy

### **Transit System Structure**

#### **Administration/ Management**

- Publicly Owned (Municipal or part of RTA)**
- Publicly Managed (City employees, or RTA)**

#### **Briefly describe administrative structure:**

Public Agency, 1977; 14 cities within Riverside County

#### **Privately Managed (Contract)**

#### **Briefly describe contracted administrative structure:**

Ryder ATE managed system until 1995. Gen Mgr., Ass't. Gen. Mgr. were retained by RTA, under joint power of authority

- Is the company managing the transit system : (check one)**

**For Profit Non Profit X Name of Company**

- How many employees does your system currently have ?**  
280

- Are the drivers and/or mechanics unionized ?**

Yes

No

- Are the union contracts collectively bargained ?**

Yes

No

Name of Union ATU both

- Have there been any significant labor/management issues ?**

5-year agreement

# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** Riverside RTA

- **How was the management company contracted and last time bid?**  
1995 Ryder ATE
- **What is the length of the contract?**  
3 and 5-year contracts with Ryder
- **How often has your agency changed management companies?**  
Contracts were just renewed
- **What is the compensation structure for the current management company?**  
N/A
- **What is your current budget for management?**
- **What is your current budget for operations personnel?**
- **What is the current policy board structure ?**
- **Has your system provided managerial services rather than contracting out?**
- **Other Comments:**

L:\11465\Riverside RTA Transit Telephone Interview



## **PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET**

- Transit System** Sacramento Regional Transit District
  - Telephone Number** (916) 321-2800 fax (916) 444-2156
  - Contact(name & title)** Bill Draper, Public Information Officer
- Name of interviewer: Stephen Abernathy

### **Transit System Structure**

#### **Administration/ Management**

**Publicly Owned (Municipal or part of RTA)**

**Publicly Managed (City employees, or RTA)**

#### **Briefly describe administrative structure:**

RTD was created in 1973 through legislation. RTD includes all of Sacramento County, a portion of Yolo County and all of the municipalities within the RTD. However, the transit systems of Yolo and Roseville operate separately, and are not part of the RTD planning, or funding mechanism.

**Privately Managed (Contract)**

#### **Briefly describe contracted administrative structure:**

RTD is not privately managed.

**Is the company managing the transit system : (check one)**

**For Profit**\_\_      **Non Profit**\_X      **Name of Company** N/A

**How many employees does your system currently have ?**

800

**Are the drivers and/or mechanics unionized ?**

Yes

No

**Are the union contracts collectively bargained ?**

Yes

No

# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** Sacramento RTD

- **Name of Union(s) :** Coach operators and clerical workers belong to Amalgamated Transportation Union (ATU) number 256; Coach and LRV Mechanics belong to International Brotherhood of Electrical Workers (IBEW).
- **Have there been any significant labor/management issues ?**  
Although management/labor relations usually are amicable, contract negotiations did go to arbitration 1  $\frac{1}{2}$  years ago. In the 26 years of RTD there has never been a strike. Public employees do have the right to strike.
- **How was the management company contracted and last time bid?**  
N/A
- **What is the length of the contract?**  
N/A
- **How often has your agency changed management companies?**  
N/A
- **What is the compensation structure for the current management company?**  
N/A
- **What is your current budget for management?**
- **What is your current budget for operations personnel?**
- **What is the current policy board structure ?**  
The RTD structure is similar to a standard board of directors. The board is comprised of 7 elected representatives. The current board has 4 city council members, and 3 county commissioners. The board can have as many as 11 members. The chair is on an annual rotation. One year a city representative can serve as chair, then rotates to a county representative. Currently held by a city representative. Each member can serve a maximum of two consecutive terms, or 8 years. RTD board determines policy, and contract issues.

□ **Has your system provided managerial services rather than contracting out?**

No, Sacramento RTD has not considered this. However in the mid 1980's when the light rail system was being installed, RTD examined the possibilities of private management for the LR system. But public opinion at the time was in favor of RTD administering and incorporating the LR system into RTD.

□ **Other Comments:**

L:\11465\Sacramento Telephone Interview



## PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System** San Diego Transit Corporation
- Telephone Number** (619) 238-0100 ext.410
- Contact(name & title)** Frank Shipman, Vice President Labor Relations & Human Resources

Name of interviewer: Stephen Abernathy

### **Transit System Structure**

#### **Administration/ Management**

- Publicly Owned (Municipal or part of RTA)**
- Publicly Managed (City employees, or RTA)**

**X Privately Owned**

#### **Briefly describe administrative structure:**

San Diego Transit (SDT) is a private transportation organization. The management of SDT oversees the administrative and operational aspects of the transit organization. All labor relations and contract negotiations are handled by SDT.

**X Privately Managed (No Contract)**

#### **Briefly describe contracted administrative structure:**

San Diego Transit has been operating the system since 1967. In 1985, SDT was sold for \$1.00 to the San Diego Metropolitan Transportation Development Board (MTDB). SDT reports to MTDB.

- Is the company managing the transit system : (check one)**

**For Profit\_**      **Non Profit\_X**      **Name of Company** *See Above*

- How many employees does your system currently have?**

1,100

- Are the drivers and/or mechanics unionized?**

**X** Yes

No

- Are the union contracts collectively bargained?**

**X** Yes

No

# PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

Page 2

**Transit System:** San Diego Transit

- **Name of Union(s):** Coach Operators Amalgamated Transit Workers Union (ATU); Mechanics International Brotherhood of Electrical Workers (IBEW).

- **Have there been any significant labor/management issues?**  
Yes. There have been numerous issues since 1973. In 1990, SDT and the ATU went into Interest Arbitration over contract. Arbitration ended in Federal Court, with the ATU losing contract interest and guaranteed 8-hour workdays.

- **How was the Management Company contracted and last time bid?**

SDT was sold to the MTDB in 1985. Since then, operations of the system have been managed by SDT.

- **What is the length of the contract?**

SDT has been operating since 1967, but under the funding and planning authority of the MTDB since 1985.

- **How often has your agency changed management companies?**

SDT has not changed management since 1985.

- **What is the compensation structure for the current Management Company?**

N/A

- **What is your current budget for management?**

Presently, SDT has 110 management employees. Current budget figures are not available, but present general budget is \$67 million.

- **What is your current budget for operations personnel?**

Current budget for operations was not available, however operations and capital budget needs come from the general budget of \$67 million.

- **What is the current policy board structure?**

SDT is under the MTDB. The MTDB is an umbrella organization for all of the transit agencies in the Metro San Diego area. MTDB is the funding and planning mechanism for SDT and the other Metro San Diego Transit services.

□ **Other Comments:**

Private transportation providers have managed to survive due in part to the economic reality that they can generally bid low on contracts, and ultimately remain profitable because they generally reduce the level of services provided to the public.

As a preemptive measure to privatization, SDT created Community Based Drivers (CBDs) in the late 1970's. The CBDs were usually hired at \$5.50 /hour which at the time was much less than what coach operators made. The reason for this was to preserve routes that could have been eliminated in the privatization process.

Until 1998, state transportation funding has been virtually non-existent. Because of the 1992-1997 economic recession in California, state funding either was drastically reduced, or stopped altogether. During this period of time, SDT adjusted schedules and personnel so that lay-offs could be avoided. Most transit agencies, including SDT had difficulty surviving.

L:\11465\San Diego Transit Telephone Interview



## PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET

- Transit System:** **Tempe in Motion (Tempe, Arizona)**
- Telephone Number:** **(480) 350-8527**
- Contact(name & title:** **Carlos DeLeon, Manager of Transit Services, the City of Tempe**
- Name of interviewer: Julie Eldridge

### Transit System Structure

#### Administration/ Management

- Publicly Owned (Municipal or part of RTA)
- Publicly Managed (City employees, or RTA)
- Some of both.

Briefly describe administrative structure:

Some capital and infrastructure is owned by the City, others are through service contracts 3 ways:

- 1- Sub-contracted routes with the City of Phoenix to their management company (PTS)
- 2- Service Contract agreements by route with the RPTA (Jim Dickey). Some buses are owned by the RPTA, some owned by the City, some by the City of Phoenix.
- 3- Service on local routes provided by Forsythe & Associates but the City owns the buses.

- Privately Managed (Contract)
- Briefly describe contracted administrative structure:

(See above) 3 City employees supervise the contracted services: one regional, one local and one admin person.

Is the company managing the transit system : (check one)

For Profit  Non Profit  Name of Company \_\_\_\_\_

- How many employees does your system currently have ? 120 with Forsythe & Associates

Are the drivers and/or mechanics unionized ?

Yes

X      No

Are the union contracts collectively bargained ? N/A

Yes

No

Name of Union \_\_\_\_\_

## **PEER TRANSIT SYSTEM TELEPHONE INTERVIEW CONVERSATION LOG SHEET**

Page 2

Transit System: **Tempe in Motion**

Have there been any significant labor/management issues ? No.

How was the management company contracted and last time bid?

Service contract went out to bid last February 1998 awarded March '98.

What is the length of the contract? 3 years + two 1-year extensions.

How often has your agency changed management companies?

Second service company now. First was one route in 1994 by Valley Coach.

What is the compensation structure for the current management company?

Service company compensated per service mile.

What is your current budget for management?

3 City employees cost about \$200,000/yr. including benefits.

What is your current budget for operations personnel?

Service contract is \$4.0 million for operations (Flash and Bolt services) to Forsythe.

What is the current policy board structure ?

3 layers of Boards to account to and get approval from:

1- PRTA Board (mayors)

2- Citizens Advisory Commission (Mayoral Appointments)

3- City Council

Has your system provided managerial services rather than contracting out?  
Yes.

Other Comments  
(none)\_\_\_\_\_

\_\_\_\_\_

L:\11407\Peer Transit System Telephone Interview