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](chart)

Source: GAO Survey, April 2013

N = 395
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
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
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*
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
- Contractor 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
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.
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

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<thead>
<tr>
<th>Public Risk</th>
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<td>Public Only</td>
<td>Public-Private Operating Partnership</td>
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### Public Only
- **Public Operating Risk**
  - Public policy
  - Public employees
  - Public assets

### Management
- **Public Operating Risk**
  - Public policy
  - Private management
  - Public service delivery

### Operations & Maintenance
- **Shared Operating Risk**
  - Public policy
  - Public management
  - Private service delivery

### Public-Private Operating Partnership
- **Private Operating Risk**
  - Public policy
  - Private management
  - Private service delivery
## Allocation of Responsibility

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Management and Operations Models