Public Transit Service Models

City of Tucson Mayor and Council Study Session

February 9, 2016

Pima Association of Governments

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:

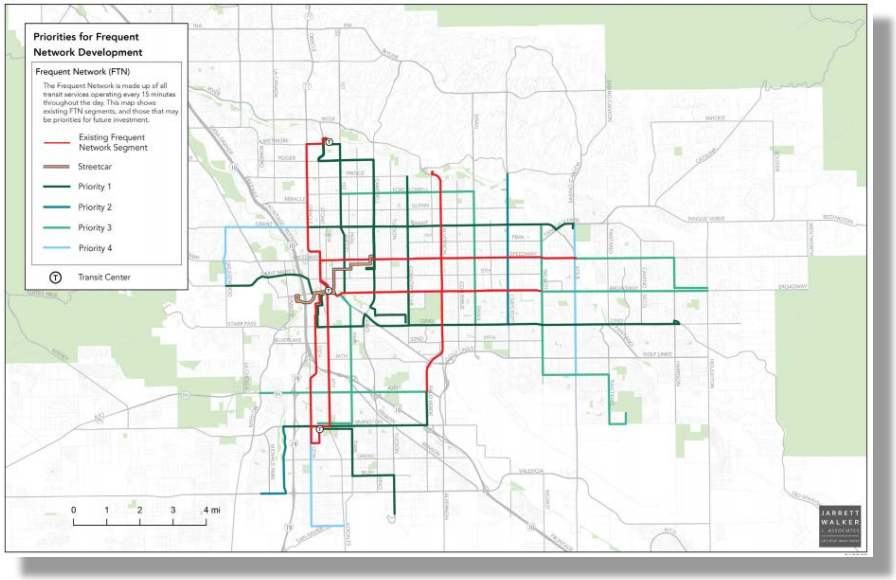
- Increase ridership
- Reduce transit travel times
- Improve transit access to jobs and other destinations

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)

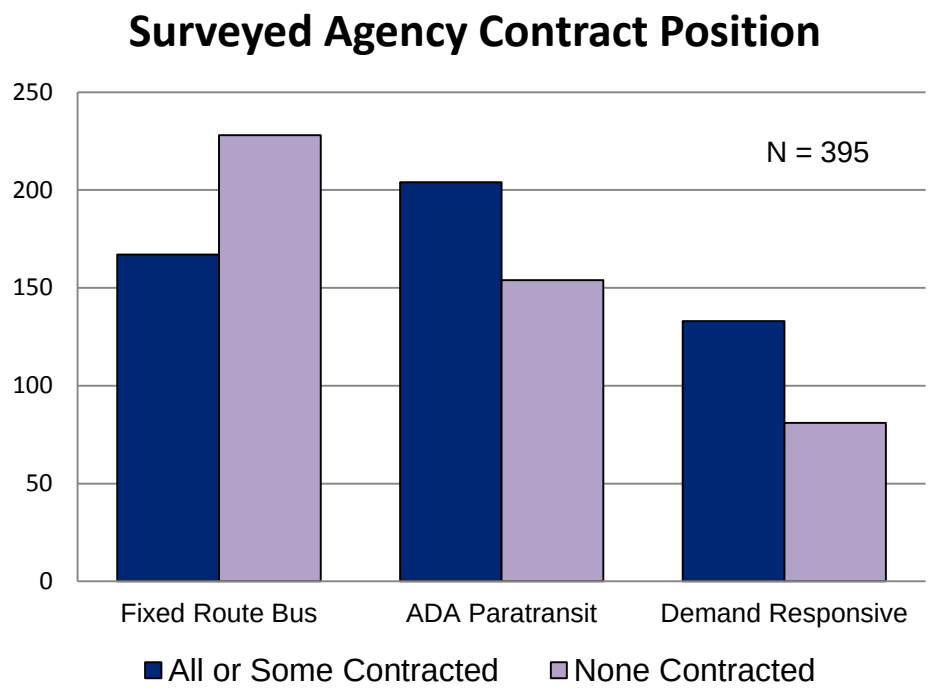
Methods of Providing Transit Services

Contracting for services is prevalent across the industry.

Operations, maintenance, and administration most commonly contracted.

Reasons for contracting:

- Reduce cost
- Improve efficiency
- Service flexibility



Source: GAO Survey, April 2013

Contracting Models

Contractor
Control & Risk
Responsible entity retains control over policy and budget approval only

All Services Contracted

Operations & Maintenance

Management

No Contracted Service

Responsible Entity
Control & Risk

Status of contracting out transit

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

Questions to Ask When Considering Management Model Options

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

Questions to Ask When Considering Management Model Options

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

Why Do Communities Look Towards Private Sector Involvement?

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

Models to Provide Public Transit

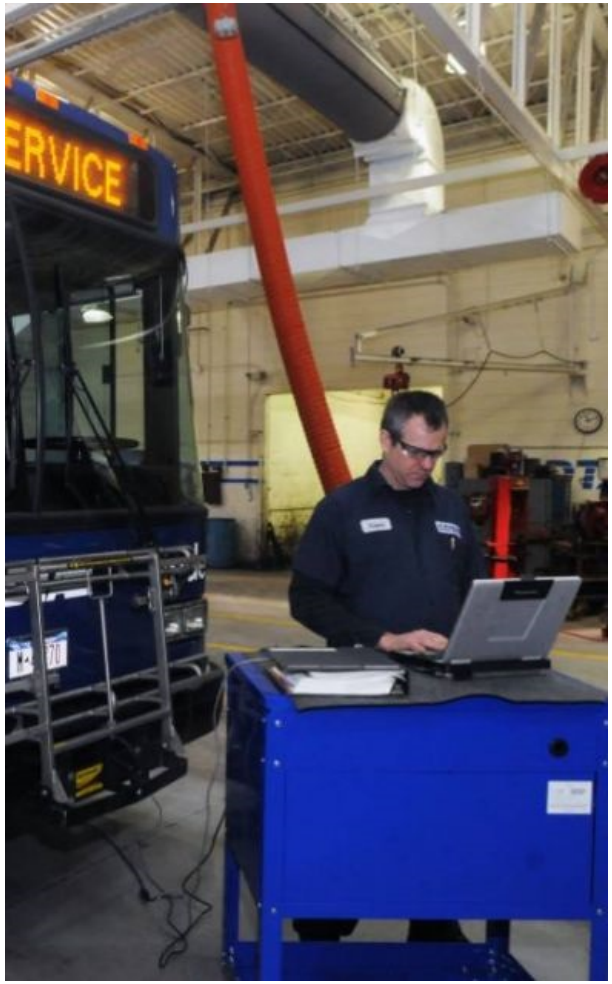
1. Public Only
2. Management
3. Operations & Maintenance
4. Public-Private Operating Partnership

1 Publicly Operated Systems

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

2 Management Contract

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



3 Operations and Maintenance (O&M)

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

4 Public-Private Operating Partnerships (PPOP)

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

4 Public-Private Operating Partnerships (PPOP)

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

Range of Approaches to Private Sector Involvement

Public Risk — **Private Risk**

1

Public Only

Public Operating Risk

- Public policy
- Public employees
- Public assets

2

Management

Public Operating Risk

- Public policy
- Private management
- Public service delivery

3

Operations & Maintenance

Shared Operating Risk

- Public policy
- Public management
- Private service delivery

4

Public-Private Operating Partnership

Private Operating Risk

- Public policy
- Private management
- Private service delivery

Allocation of Responsibility

Functional Responsibility	1 Public		2 Management		3 Contracting		4 PPOP	
	City	Contractor	City	Contractor	City	Contractor	City	Contractor
Budgetary Policy								
Service Policy								
Fare Policy								
Capital Plan								
General Management								
Technical Advisor								
Finance								
Grants								
Marketing								
Planning								
Scheduling								
Purchasing								
Fare Collection								
Risk Management								
Operations								
Maintenance								
Training								
Safety								

Allocation of Risk

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

February 2016

Public Transit Service

Management and Operations Models