South Central Pennsylvania Transit

Regionalization Study Report

December 3, 2015

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EXECUTIVE SUMMARY

The 2011 Pennsylvania Governor's Transportation Funding Advisory Commission (Commission) called for the Pennsylvania Department of Transportation (PennDOT) to study the formation of regional transit agencies. In alignment with the Commission's report was a request by the south central Pennsylvania counties to examine the potential benefits of an integrated regional transportation authority providing both fixed route and demand response service. Pennsylvania Act 89 of 2013 (Act 89) further supported the establishment of regionalized transit operations by providing incentives for local municipalities to pursue such regionalizations. These incentives allow municipalities to lower or eliminate local match requirements commensurate with regionalization savings.

An initial high-level regionalization analysis was performed (Phase I study) for the counties of Adams, Berks, Cumberland, Dauphin, Lancaster, Lebanon, Perry and York. Two counties, Berks and Lancaster, removed themselves from the larger regional process as they pursued a bi-county merger of transit services. The remaining counties, along with Franklin County, determined that the initial results of the Phase I study warranted a more detailed analysis that would examine the financial impacts of two regionalization scenarios focusing on management efficiencies and include an analysis of an integrated regional fare structure, a potential technology plan and a potential transition plan.

This document summarizes the results of the Phase II regionalization study. It does not express an opinion on whether or not regionalization should occur. It is solely intended to enable elected officials and other stakeholders to make informed decisions by having them consider the obstacles and the potential benefits of transit regionalization.

SCENARIO #1: SINGLE REGIONAL TRANSIT AUTHORITY

Regionalized transit operations exist across the country and are typically formed when a single provider can serve the region more efficiently and/or more effectively than multiple agencies covering the same area. The single regional authority is the first regionalization scenario that was examined.

Operating cost savings are generated by eliminating duplicative administrative positions and services, reducing overhead costs, using volume purchasing and standardizing vehicle and parts inventory.

Regionalization, in this form, can potentially yield operating improvements by using best-in-class technology across the region, eliminating redundant service and redesigning service to achieve efficiencies. A larger organization also has the opportunity to more easily leverage costs to focus on functions that might be neglected today due to the limited resources and operating scales of smaller agencies.

Passengers can also potentially benefit from a single provider that focuses on regional transportation needs compared to today's fragmented providers that manage and deliver service for their segment of the region in disparate ways. A single entity can provide seamless regional travel with an integrated regional service plan, fare structure, schedules and fare collection system.

A single regional authority would also pose some challenges. One such challenge is alleviating concerns that local customer needs would not be addressed by a regional authority as well as they previously were by the smaller local transit providers. Other challenges include the need for significant technological capital investment, a change in governance from county control to county representation and the need to address how today's varying labor costs and work rules would impact a regional organizational structure and its financial results.

Many of the aforementioned benefits and challenges can respectively be ensured and diminished by the choices made regarding the regional agency's organization, operations and governance structures. There are various ways that a regional authority can be structured. This report presents one possible structure that maximizes the potential benefits and minimizes the potential challenges of regionalization. This structure was constructed with the input of south central transit agency general managers and senior staff. Other viable options exist and ultimately the decisions that determine the actual regionalization structure would directly impact the financial results of regionalization.

The financial impact analysis developed for this and the subsequent scenario focuses on administrative savings and assumes no change to existing service and no change to existing labor agreements. It is likely that service changes would occur with a single regional authority and could further contribute to the financial and operating benefits included in this report.

Only full-time equivalent (FTE) reductions related to administrative positions were considered and only benefit savings for administrative employees were estimated. The estimated labor savings combined with savings in non-labor expenses is projected to reduce annual operating costs by approximately $2.3 million. Exhibit 1 displays the key savings components:

EXHIBIT 1: ANNUAL FINANCIAL IMPACT OF SINGLE REGIONAL TRANSIT AUTHORITY

Operating Line Item	Savings (Costs) in $000
Salaries	$751
Employee Benefits	772
Services	177
Maintenance	114
Fuel	206
Office	272
Casualty and Liability	(90)
Allocated County Costs	62
Total Expense Savings	$2,264
Advertising Revenue Gains	7
Total Revenue and Expense Benefits	$2,271

If this level of savings was achieved, the required local operating match for the new single authority's fixed route service would be eliminated for five years since the expense savings are approximately 90% higher than the value of the combined required matches of the existing agencies. The remaining expense savings could be used to eliminate county contributions for demand response service, improve service, reduce the use of fixed route grants for demand response service and/or delay or reduce future fare increases.

Finally, counties that offer transit service through a county department would be able to eliminate all overhead services provided to their transit department (i.e. payroll, human resources and technology), thereby reducing county costs and/or increasing productivity.

SCENARIO #2: SHARED SERVICES ENTITY

The second regionalization scenario involves the provision of shared services to the region's transit agencies. Previous studies have been conducted that have identified significant potential for the existing agencies to coordinate service throughout the region. Such coordination would have resulted in service improvements to passengers while also yielding benefits to the agencies. Although consensus was apparent amongst the agencies, there has been an ongoing failure to implement the initiatives identified in these studies. Similar initiatives on a much smaller scale have also been identified where an existing agency would provide services (i.e. technology services) to other agencies in the region under a best practice concept. However, these initiatives failed to gain any traction as there was concern that the agency providing the service would place its own interests and priorities ahead of all others in the region.

Given this experience, it is believed that that an existing agency providing services to other agencies is unlikely to succeed. Therefore, this study assumes that the shared services entity would be a newly established organization that would provide, via contract, certain centralized administrative and management services to the six existing client transit agencies.

Regionalization, in this form, can potentially yield operating improvements by using best-in-class technology for many administrative functions and producing more efficient service plans. Compliance, planning, professional management and volume discounting benefits from centralized procurements may also be achieved. Additionally, a shared service entity has the opportunity to provide less costly shared service for functions that might be neglected today due to the limited resources and operating scales of existing transit agencies.

There are, however, issues with a shared services construct, key of which are limited to no financial benefits and high financial risk to participating agencies. There are four primary reasons why a shared services entity would not save operating expenses:

1. There are additional costs associated with the operation of a new shared services entity including costs for executive staff, auditor, legal counsel and office occupancy;
2. Redundant executive and senior management positions at the existing transit agencies are not eliminated since the existing transit agencies continue to exist;
3. There are additional costs to provide staff and contractor services for functions the existing transit agencies are not providing or not fully providing today; and
4. County overhead costs would not be eliminated since the county transit agencies would continue to operate and require the same support for functions such as payroll, auditing, legal and human resources.

Additionally, there is considerable financial risk is under a shared services construct due to the potential for any transit agency to terminate the contractual relationship with the shared services entity, thereby increasing costs for the remaining transit agencies.

As with the single regional authority scenario, this report presents one possible organization, operating and governance structure for the shared services entity. It, too, was constructed with the input of south central transit agency general managers and senior staff. Other viable options exist and ultimately the decisions that determine the actual regionalization structure would directly impact the financial results of regionalization.

As noted earlier, the financial impact analysis focuses on administrative savings and assumes no change to existing service and no change to existing labor agreements. Only full-time equivalent (FTE) reductions related to administrative positions were considered and only benefit savings for administrative employees were estimated. Exhibit 2 shows the annual financial impact of a shared services entity by major expense category. In total, it is estimated that a shared services model will cost the region an additional $830 thousand annually.

EXHIBIT 2: ANNUAL FINANCIAL IMPACT OF SHARED SERVICES ENTITY

Operating Line Item	Savings (Costs) in $000
Salaries	($276)
Employee Benefits	(138)
Services	(180)
Maintenance	114
Fuel	206
Office	(516)
Casualty and Liability	(47)
Allocated County Costs	0
Total Expense Costs	($837)
Advertising Revenue Gains	7
Net Revenue and Expense Costs	($830)

Since there are no projected savings with a shared services entity, there would be no reduction of the required local operating match for fixed route service.

INTRODUCTION

The 2011 Pennsylvania Governor's Transportation Funding Advisory Commission called for the Pennsylvania Department of Transportation (PennDOT) to study the formation of regional transit agencies. In alignment with the Commission's report was a request by the south central Pennsylvania counties to examine the potential benefits of an integrated regional transportation authority providing both fixed route and demand response services.

An initial high-level regionalization analysis was performed (Phase I study) for the counties of Adams, Berks, Cumberland, Dauphin, Lancaster, Lebanon, Perry and York. Two counties, Berks and Lancaster, removed themselves from the larger regional process as they pursued a bi-county merger of transit services. The remaining counties, along with Franklin County, determined that the initial results of the Phase I study warranted a more detailed analysis that would examine the financial impacts of two regionalization scenarios focusing on management efficiencies and include an analysis of an integrated regional fare structure, a potential technology plan and a potential transition plan.

This document contains a description of the approach, findings and results of the Phase II regionalization study. It does not express an opinion on whether or not regionalization should occur. It is solely intended to enable elected officials and other stakeholders to make informed decisions of the potential benefits, challenges and financial impacts of two specific regionalization options.

APPROACH

PennDOT's Bureau of Public Transportation (BPT) engaged the consultant team to study the potential for a transit regionalization in south central Pennsylvania. Specifically, the required tasks of the study were to

1. Review the current transit environment;
2. Prepare profiles of the operating functions of a regional transit organization and develop a potential governance and organizational structure for the regional entity;
3. Explore integrated regional fare structure options;
4. Estimate administrative cost savings and assess other benefits of regionalization; and
5. Draft a high-level implementation plan.

The regionalization study followed a five-step process. The first step focused on interaction with the regional stakeholders, including state and local elected officials, transit board members, transit agency staff and regional planning representatives. Stakeholders agreed on the primary goals they sought from transit regionalization (shown in the box to the right).

Primary Goals of Regionalization

- Affordable budgets for counties
- Cost savings for transit agencies
- Improved service
- Improved access to service
- Seamless travel
- 21st century systems and expertise
- Improved reporting
- Improved land use planning

Working sessions held with transit general managers, transit senior staff and regional planners produced the conceptual regionalization scenarios that would be examined and allowed the transit professionals to provide input regarding the key challenges of regionalization, optimizing operating functions under regionalization and the regionalization organization structures.

The purpose of the second step was to gain an understanding of the existing agencies' organizations, service and operating and financial results. Site visits at each transit agency provided an opportunity to see first-hand the physical environments, business processes and transit operations. Additionally, a review of a variety of data and documents[1] offered insight on organizational structure, service details, contractual relationships and annual statistics. Profiles of each agency's current environment were subsequently developed and included a look at

[1] Fiscal Year 2012-13 was used as the base year for operational, financial and fare data. The exception was the use of Fiscal Year 2013-14 fare data for Cumberland County Transit (CCT) and Lebanon Transit (LT) since both agencies had adjusted fares in mid FY2012-13.

demographic, economic, governance, operating, financial, organizational, management, labor and contractor factors. A summary of this work is provided in the *Current Environment* chapter of this report.

The third step defined the governance, operating and organizational profiles of the two regionalization scenarios. The first scenario was the creation of a single regional transit authority formed by consolidating the six existing transit agencies in the region. The second scenario was the creation of a shared services organization that would provide certain centralized administrative and management services to the six existing transit agencies. These regionalization profiles include descriptions of how the regional entity would be structured and how it would operate. Specifically, the profiles defined the regional organization's legal structure and governance, overall organization structure, transportation delivery functions, fleet, maintenance and overhaul functions, customer service functions, facilities, technology, administrative functions, and labor environment. The profiles for the two scenarios are provided in the two *Regionalization Profile* chapters of this report.

In parallel with the development of the regionalization profiles was the exploration of potential integrated fare structures for the region. Under a consolidated regional transit authority, an integrated fare structure for the region would support two of the primary goals of regionalization – improved customer service and seamless travel. A regional fixed route fare model was developed using pricing and data from the three agencies that provide fixed route services in the region – Capital Area Transit (CAT), County of Lebanon Transit (LT), and Rabbittransit (Adams and York counties). Since all of the agencies participating in the study provide shared ride services, the demand response model incorporated pricing and data from all six agencies. The goals, approach and results of the fare integration models are presented in the *Integrated Fare Structure for a Single Regional Transit Authority* chapter of this report.

The fourth step described the impact of the two regionalization scenarios on transit agency governance, organizational structure and staffing levels and projected the financial impact of such scenarios on administrative expenses and local government funding. This work is described in the *Impact of Regionalization* chapter of this report. The focus of the financial impact analysis was to evaluate the cost reductions related to eliminating overhead redundancies and improving administrative efficiencies. For example, wage and fringe benefit costs for administrative staff and other key operating costs that might be impacted by regionalization, such as professional fees, fuel and office costs, were identified and valued.

The key assumption for both scenarios was that service would not change. Therefore, non-administrative positions and their related costs were not evaluated in this analysis. Administrative positions, which were the focus of this analysis, included non-represented employees and supervisors, secretaries, dispatchers, first level supervisors and building janitorial staff, whether represented by a labor union or not. Other costs related to overhead were also included. Drivers/operators, mechanics and vehicle cleaners do not fall within this classification and therefore were excluded from this study.

Finally, the fifth step focused on the development of an implementation plan for both regionalization scenarios. The key implementation steps, time requirements for implementation and participants in the implementation process are all described in the *High-Level Transition Plans for the Two Regionalization Scenarios* chapter of this report.

The consultant team then presented the results of the analytical work to the stakeholders (regional elected officials, transit board members and senior management, and regional planners). Following the presentation, questions were received from Lebanon Transit's board of directors. Those questions and the responses are shown in the appendix to this report.

Current Environment

Regional Transit Agencies	
CAT	Capital Area Transit in Dauphin & Cumberland counties
CCT	Cumberland County Transportation
FCT	Franklin County Transportation
LT	Lebanon Transit
PCT	Perry County Transportation
RT	rabbittransit in Adams & York counties

The regionalization assessment included the six transit agencies operating in the counties of Adams, Cumberland, Dauphin, Franklin, Lebanon, Perry and York.

The current environment section of the study provides a picture of the individual and combined regional transit agencies as they are structured and operate today. This helps identify the key transition issues that would need to be addressed to regionalize service and provides a baseline for forecasting operational and financial changes.

The current environment work documents demographic and economic data, governance structure, service offerings and operating statistics, organizational structure and staffing, wages and fringe benefits, purchased transportation and other purchased services, functions provided by related parties, fuel consumption and costs and financial data.

Sources for the data shown in the Current Environment exhibits below include the U.S. Census Bureau: State and County Quickfacts, audited financial statements, and responses to data requests and legacy reports submitted by the individual transit agencies.

A review of the current environment data highlights the diversity that exists in the region. There are large and small transit providers; rich and poor communities that they serve; urban, suburban and rural geographies within which they operate; organization structures that include county departments and municipal authorities; fixed route and/or non-fixed route service provided; and non-represented and represented labor.

Demographic and Economic Statistics

Pennsylvania's south central region reflects diverse demographic and economic conditions that impact transit service delivery and needs.

EXHIBIT 3: CURRENT ENVIRONMENT – DEMOGRAPHIC AND ECONOMIC HIGHLIGHTS BY COUNTY

	State	Adams	Cumberland	Dauphin	Franklin	Lebanon	Perry	York
2012 Median Household Income	$52,267	$58,465	$60,883	$54,066	$52,167	$54,259	$56,205	$58,747
2010 Persons per Square Mile	283.9	195.5	431.6	510.1	193.7	369.1	83.4	481.1
2012 Senior Population	16.0%	17.1%	16.3%	14.5%	17.4%	17.6%	14.7%	15.0%
2012 Civilian Veteran Population	9.9%	11.8%	11.4%	10.7%	11.7%	11.1%	12.1%	10.7%
2012 Individuals Below Poverty Line	13.1%	8.5%	8.2%	12.7%	10.3%	10.2%	10.0%	9.6%

Household income is often an indicator of the need for transit service and population density is an indicator of service demand and average trip lengths. Lower median household incomes in Dauphin and Lebanon counties reflect a high-density usage of transit for local fixed route service. Low population density in Perry County reflects higher average trip lengths seen by PCT and helps explain the higher costs for service that result from increased driver hours for demand response service. Such diversity would need to be considered in the service delivery of any regionalized approach to transit services.

Demographic and economic data also provides a look into the changing needs for public transit based on the size of public transit key user groups such as seniors, veterans and individuals living below the poverty line. For example, the percentage of the population that was 65 years of age or older, which primarily impacts both free transit fixed route and demand response service, increased in every south central county between 2010 and 2012. Similarly in 2012, the percentage of the population representing civilian veterans in each of the seven south central counties was greater than the percentage for the Commonwealth as a whole. This is indicative of the region's need for demand response service.

GOVERNANCE AND SERVICE STRUCTURE

As with demographic and economic data, the six transit agencies in the region exhibit a range of organizational and governance structures (see Exhibit 4). There are three types of organization structures and three forms of governing bodies. Half of the agencies are structured as municipal authorities with a board of directors (board) governing each organization. The remaining transit agencies are governed by county commissioners. The number of governing officials ranges from as little as three, in the case of agencies governed by county commissioners, to a high of nine at a pair of the authorities. Factors such as effectiveness and adequate representation are important considerations when structuring a governing body for a regional authority.

Exhibit 4: Current Environment - Governance and Service Structure Highlights

	CAT	CCT	FCT	LT	PCT	RT
Governance						
Legal Structure	Municipal Authority	County Transportation Department	County Human Services Dept.	Municipal Authority	Incorporated Authority[2]	Municipal Authority
Governing Body	Board	County	County	Board	Board & County	Board
# of Governing Members	7	3	3	9	3	9
Members Represent	2 Counties, 1 City	1 County	1 County	1 County	1 County	2 Counties
Service						
Service Type[3]	FR/DR/COM	DR	DR	FR/DR/COM	DR	FR/DR/COM
Trips	2,865,772	138,709	51,033	340,262	33,518	1,747,675
Revenue Vehicle Miles	2,676,042	507,310	373,531	796,523	469,048	2,875,864
Max Daily Vehicles	108	20	21	24	31	94
Avg. Non-Fixed Trip Length	9.9 miles	12 miles	8.7 miles	7.1 miles	23.7 miles	13.0 miles

The agency operating profiles also reflect the demographic and economic variety of the region. Within the south central region, there is urban and rural service; local and commuter bus service and fixed route and demand response service. Of the six transportation providers within the region, one provides urban service, three provide rural community service and two provide both urban and rural service. Three of the agencies provide both fixed route and demand response service and three agencies provide only demand response service.

Current service in the region includes a significant number of inter-county trips, indicating a need for regional planning and coordination. The three agencies offering fixed route service all provide inter-county commuter service and one agency provides inter-state service to Maryland. Additionally, five of the six agencies provide out-of-county service for a portion of their demand response trips.

In determining the organizational structure of a regional authority, the variety and size of today's service types should be considered.

Staffing

Staffing at each south central transit agency is as individual as their governance and operations:

Exhibit 5: Current Environment - Staffing Highlights

	CAT	CCT	FCT	LT	PCT	RT
# Full-Time Equivalent Admin Positions	46.7	8.5	7.0	13.5	6.0	42.5
Purchased Transportation Services	Portion of FR & DR	Portion of DR	Portion of DR	None	Portion of DR	Portion of DR
Labor Representation	ATU	None	None	Teamsters	None	Teamsters in York

[2] A component unit of Perry County

[3] FR = Fixed Route, DR = Demand Response, COM = Commuter

Administrative staff size ranges from six to 47 full-time equivalent positions (FTEs) depending upon the breadth of services offered. Five of the six transit providers purchase transportation delivery services for some portion of their operations. All five outsource some of their demand response service and one also outsources a portion of its fixed route service.

The three transit agencies that are authorities operate with union employees. Drivers and mechanics are represented by the Amalgamated Transit Union (ATU) at CAT and the Teamsters at LT. At RT, drivers, mechanics and customer service representatives in York County are represented by two Teamster locals.

In determining the staffing structure of a regional authority, the current administrative size and purchased transportation usage will influence the potential financial benefits of and the implementation requirements for the regional agency.

FINANCIAL PROFILES

Differences in staff size and service are reflected in a range of financial conditions. Fiscal Year 2012-13 operating revenue ranged from a low of $1.1 million at PCT to a high of $7.3 million at RT. Similarly, operating expenses excluding depreciation ranged from a low of $1.3 million at PCT and FCT to a high of $18.8 million at CAT.

EXHIBIT 6: CURRENT ENVIRONMENT - FINANCIAL HIGHLIGHTS

	CAT	CCT	FCT	LT	PCT	RT
Operating Revenues	$7.1M	$2.0M	$1.2M	$1.4M	$1.1M	$7.2M
Oper. Expenses excluding Depreciation	$18.8M	$2.3M	$1.3M	$3.5M	$1.3M	$16.1M
Employee Benefits to Wages Ratio	66%	35%	31%	66%	43%	50%
Total Assets	$31.5M	Not Provided	$148K	$10.4M	$239K	$31.8M
Line of Credit	Yes	None	None	Yes	None	Yes
Outstanding Debt	None	None	$24K	None	None	None
Long-term Leases	Facility	None	Facility	None	Office Space	Tire, Equip & Communications
Type of Retirement Plan	2 Defined Benefit	Defined Benefit	Defined Benefit	4 Defined Contribution	Defined Benefit	3 Defined Contribution
Defined Benefit Plan Unfunded Liab.	$5.1M (27%); $1.2M (17%)	Countywide $14M (8%)	Countywide Yes	N/A	Countywide $4.1M (18%)	N/A

Wages

Labor[4] is the largest cost component for transit agencies and there is a wide disparity of wage rates and employee benefit packages across the region. CAT's hourly rates are the highest in the region for fixed route drivers and mechanics while CCT's hourly rates are the highest in the region for demand response drivers.

Administrative Costs

Administrative costs are the focus of the regionalization analysis. As a percent of total costs, they range from 27% to 42% for the individual agencies in the region. The lower administrative ratios (27% to 28%) were seen at CAT, CCT, PCT and RT. The higher administrative ratios (40% to 42%) were seen at FCT and LT.

Employee Benefits

Employee benefits include costs such as health care coverage, retirement and life insurance. As with salaries and wages, these costs are a significant percentage of an agency's overall costs and are driven primarily by employee demographics and the type and quality of benefits that the plans provide. The average employee benefit to wage ratio for all transportation providers in the region is 57%, ranging from 31% to 66%. This range indicates the potential for cost savings resulting from regionalization.

Characteristics inherent in the benefit plans that today's transportation providers offer are shown below and illustrate the factors that increase health care and retirement costs:

- Health care coverage for a single employee at one agency does not require an employee contribution and any type of coverage (single, couple, family) for a lower cost health plan at another agency does not require an employee contribution;
- Where employees do contribute to health insurance premiums, annual contributions vary widely and are dependent on agency policy and type of coverage (single, couple, family);
- Annual payments to employees for health plan opt-outs, when available, range from $520 to $1,950; and
- Employer matches for defined contribution plans, when applicable, range from 5% to 7% of wages.

Typically, the two largest employee benefit costs are health care coverage and retirement plans. Defined benefit plans, or pensions paid to retirees in the form of a guaranteed annuity payment,

[4] Includes salaries, wages and employee benefits

represent the more costly retirement plans. Once an employee retires, monthly payments are usually based on the employee's salary and years of service. Since pension payment amounts are guaranteed and all plan assets are subject to financial market risk, many defined benefit plans have unfunded liabilities that require high employer annual payments.

A defined contribution plan (i.e. 401K or 457 plan) is an alternative that may or may not include an annual employer matching payment for every dollar that the employee contributes to his/her retirement plan account. Contrary to a defined benefit plan where it is the employer's responsibility to direct how the plan's assets are invested, the employee has full control of how the assets in his/her account are invested. Unlike defined benefit plans, the amount received by the employee during retirement is not guaranteed and is also subject to financial market risk. This risk can vary greatly depending on the investment options offered by the employer and the employee's investment choices. The employee's assets in the plan are portable and can move with the individual when employment is terminated.

Two of the six agencies (LT and RT) offering retirement plans provide the less costly defined contribution plans. CAT provides two defined benefit plans for its employees and the three county agencies provide county defined benefit plans for their employees. All five defined benefit plans have varying levels of unfunded liability. CCT's, FCT's and PCT's unfunded liabilities relate to liabilities for not only transit employees, but all other county employees as well. CAT's unfunded liabilities are higher totaling $6.3 million.

Assets and Liabilities

If a single consolidated regional authority is formed, the existing transit agencies' assets will need to be transferred or leased to the new regional entity, excluding some county-owned fixed assets. Fixed assets include items such as vehicles, equipment, maintenance facilities, office buildings, terminal facilities, rail infrastructure and land. Non-fixed assets include items such as cash, investments and receivables. Any reserve accounts, including all federal, state and local subsidy balances, transferred to the regional authority could be set aside for use in specific counties and/or for specific purposes.

A funding plan will need to be structured to address outstanding liabilities using the funding streams that will also be transferred to the new organization. Liabilities include items such as payables, debt, deferred revenues, reserves and other post-employment benefits. As of June 30, 2013, there were three agencies with lines of credit; four agencies with long-term leases for tires, equipment, communications tower and/or facilities; one agency with a small outstanding loan and, as previously noted, four agencies with unfunded pension liabilities.

State and Local Subsidies

Each of the south central transit agencies receives an operating and/or capital subsidy from the state and/or local municipalities. Exhibit 7 provides a summary of the state and local operating subsidies used by the transit providers in FY2012-13:

Exhibit 7: State and Local Operating Subsidies Used in FY2012-13

Transit Agency	State Act 44 Operating Grant	Other State Matches & Operating Grants	Total State Operating Subsidies	Local Act 44 Operating Match	Other Local Operating Matches	Local Operating Contribution	Total Local Operating Subsidies
CAT	$6,503,345	$11,456	$6,514,801	$730,105	$758,888	$0	$1,488,993
CCT	0	0	0	0	0	299,025	299,025
FCT	0	0	0	0	0	129,868	129,868
LT	1,020,523	0	1,020,523	83,862	0	0	83,862
PCT	0	0	0	0	0	0	0
RT	4,590,236	0	4,590,236	344,593	0	0	344,593
Total	$12,114,104	$11,456	$12,125,560	$1,158,560	$758,888	$428,893	$2,346,341

State Subsidies

State operating and capital subsidies are provided to Pennsylvania transit agencies pursuant to Act 44 of 2007 (Act 44). Special operating grants may be provided at BPT's option. Operating assistance also includes grants for demonstration projects which are provided for three years. Act 44 also gives BPT the ability to provide capital grants to transit agencies for investments in fixed assets such as vehicles and facilities. Capital funding for vehicles is also available to smaller agencies through the Community Transportation Capital program. Additionally, state bond funds can be provided on a discretionary basis for permitted capital expenditures.

Those agencies that operate both fixed route and demand response service have the ability to use state fixed route operating grants to offset demand response losses. In FY2012-13, this modal subsidization of demand response service occurred in two of the three region's authorities that operate both types of service.

A number of operating and capital funding programs were available prior to the passage of Act 44 including those pursuant to Act 26 of 1991 (Act 26) and Act 3 of 1997 (Act 3). In FY2012-13, the region's transit authorities still had some reserve funds containing dollars received from those older funding sources.

Local Subsidies and Related Support

Each of the state operating and capital programs noted above has distinct local match requirements. The counties and, in some cases, other municipalities where the local service is provided, contributed funds to fulfill the match requirements. Two of the three county transportation departments received direct contributions from their counties to offset operating losses for shared ride service and the third county provided a loan to their transportation department to cover the shared ride operating loss.

While not a direct cash grant, some of the agencies in the region benefit from services provided by their counties, municipalities or related parties, such as payroll, purchasing and legal services. In such cases, the agency either receives the services free of charge or they are charged a direct or allocated cost for the services:

- Cumberland County provides and allocates the costs of county overhead, insurance, legal, buildings, finance, information technology, human resources, treasury, controller and administrative services to CCT;
- Franklin County provides accounting, auditing, grants management, payroll, human resources, legal and information technology services to FCT at no charge and
- Perry County provides finance, treasury, payroll, compliance, procurement, human resources, legal, insurance and information technology services to PCT at no charge. The county does charge PCT for workers compensation costs incurred by the county.

Combined Operating Profile

Exhibit 8 provides the combined operating profile for the six existing agencies for FY 2012-13:

Exhibit 8: Regional Operating Profile

Operating Statistic	FY2012-13 Regional Value
Total Passenger Trips	5.2 Million
Fixed Route Trips	4.5 Million
Demand Response Trips	0.6 Million
Total Vehicles	376
Fixed Route Vehicles	158
Demand Response Vehicles	218
Vehicle Revenue Miles	7.7 Million
Vehicle Revenue Hours	0.5 Million
Operating Expenses Excluding Depreciation	$43.4 Million
Operating Revenue	$20.1 Million
Current Administrative Employee FTEs	125.6

General Benefits and Challenges of Regionalization

Single Consolidated Transit Authority

Regionalized transit organizations exist across the country and are formed when a single provider can serve the region more efficiently than multiple agencies covering the same area. This type of regionalization is the alternative that was studied for the first regionalization scenario – a single consolidated regional operation. In Pennsylvania, the largest urban transit regionalization of this kind is in the southeast where the Southeastern Pennsylvania Transportation Authority (SEPTA) provides service in Bucks, Chester, Delaware, Montgomery and Philadelphia counties. The largest rural regionalization of this kind is in the north where the Area Transportation Authority (ATA) provides service in Cameron, Clarion, Clearfield, Elk, Jefferson, McKean and Potter counties.

Understanding the benefits and challenges of transit regionalization is critical in optimizing a successful regional entity's organization and governance structures. The following benefits and challenges relate to the single consolidated regional authority scenario:

General Benefits of a Single Consolidated Authority

Given the financial pressures faced by counties and other municipalities that are required to provide local funding matches for transit service, a number of other regionalization efforts are underway in Pennsylvania. These efforts are in a variety of stages and include, but are not limited to, those in the northwest and north central regions of the state.

Single Authority Benefits

- Transit Expenditure Savings
- Transit Revenue Gains
- Reduction in Local Match Funding
- Elimination of Transit Related County Costs
- Use of Local Expertise for Regional Benefit
- Use of Best-in-Class Technology
- Use of Broader In-House Resources
- Functions Neglected Today Due to Limited Resources Receive Proper Attention
- Fleet Optimization
- Elimination of Redundant Service
- Seamless Regional Travel
- More Efficient Service Plans
- Positions the Region to Better Package Capital Funding Requests

Regionalization through the use of a single consolidated authority has the potential to provide financial benefits to local municipalities and their transit providers:

1. **Transit Expenditure Savings** are typically generated from the elimination of duplicative administrative positions and services, reduction in overhead costs, use of volume purchasing, standardization of vehicles and inventory, restructuring of service delivery

(directly operated vs. purchased transportation service) and service redesign (routes, stops, connections and timetables). These savings can be seen in both operating and capital costs.

2. **Transit Revenue Gains** are usually seen from the ability to offer volume advertising and may possibly be seen in increases in fare revenue due to ridership growth from route and fare structure integration. Additionally, real estate and facilities that are no longer required by the regionalized entity could possibly be used to generate new operating or capital income streams.

3. **Reductions in Required Local Match Funding** are now possible given the passage of Act 89 that permits municipalities to reduce their operating matching contributions dollar for dollar over a five year period up to the amount of projected savings achieved from regionalization.

4. **Elimination of Transit Related County Costs** for those counties that currently provide services to transit agencies that are county departments. Functions such as payroll, human resources, procurement and maintenance would no longer need to be provided as the new regional organization would assume responsibility for such services. This would enable these counties to reduce their costs and/or improve productivity.

Financial benefits could be used for a number of purposes such as reducing local fixed route match requirements, improving service, establishing demonstration projects, delaying fare increases, offsetting inflationary cost increases, reducing reliance on fixed route grant use for demand response service and/or reducing reliance on county contributions for demand response service.

Operating improvements can also be derived that benefit the region's passengers through the operation of a regional authority with a consistent focus:

5. **Use of Local Expertise for Regional Benefits** is a key advantage of regionalization. In the south central region, there are pockets of expertise in areas such as call center operations and labor relations. In a regionalized organization, management strengths and best operating practices could be broadly and consistently applied in the larger regional organization.

6. **Use of Best-in-Class Technology** across the region would occur as transition plans to develop a single authority would assess the current use of technology at all area providers

and migrate the full region to the best-in-class. For example, the region as a whole would be able to take advantage of software to automate scheduling for driver runs and to automate the scheduling of fleet maintenance to manage preventive maintenance, parts inventory and maintenance productivity. Technology would also make it possible for improved data collection, reporting and analysis of service and performance.

7. **Use of Broader In-House Resources** for functions such as service planning, marketing and training. Rather than relying on third party contractors, a larger regional organization's staff would be available to service the full region.

8. **Functions Neglected Today Due to Limited Resources Receive Proper Attention**. Many small and mid-size transit agencies have insufficient resources to fully or even partially address all of the demands of running service along with the abundant federal compliance requirements in areas such as human resources, procurement, planning and reporting. A larger regional organization provides the ability to properly focus on operational and compliance functions that would be otherwise neglected.

9. **Fleet Optimization** from regionalization occurs by increasing opportunities to right-size service using smaller or larger vehicles where appropriate and, over time, standardizing vehicle types and inventory where possible.

10. **Elimination of Redundant Service** is often a by-product of regionalization. In this particular region, there may be an opportunity to eliminate service redundancies in the major corridors into Harrisburg.

When transit agencies achieve operating improvements, customer service and regional planning often improves as well:

11. **Seamless Regional Travel** with an integrated regional fare structure, integrated schedules, single web-based trip planner and single fare collection system.

12. **More Efficient Service Plans** are the result of transit planning by a single regional organization rather than attempting to coordinate the service plans of six distinct transit providers.

13. **Positions the Region to Better Package Capital Funding Requests** by demonstrating a unified approach to capital investment requirements and priorities to federal and state stakeholders.

General Challenges of a Single Consolidated Authority

Regionalization through a consolidation of agencies into a single transit authority also poses challenges, including the following key items:

1. **Concern that Customer Needs Would Not be Properly Addressed in a Regional Structure** is a concern typically raised when regionalization is being evaluated. However, agencies within the region and across the state have successfully addressed customer service needs during similar organizational changes. Concerns could be addressed by (a) developing organizational and governance structures that focus on customer service and (b) implementing a transition plan that includes steps to minimize the customer service learning curve.

> **Single Authority Challenges**
> - Concern that Customer Needs Would Not be Properly Addressed in a Regional Structure
> - Significant Technology Investment
> - Requirement for Local Decisions and Legislative Changes
> - Governance Change from County Control to County Representation
> - Varying Labor Costs and Work Rules in the Region

2. **Significant Technology Investment** and conversions to single systems and applications would be required to maximize regionalization benefits. To support this investment, PennDOT would fund both the planning efforts necessary to determine the technology needs for regionalization and the actual required capital investment during the transition period. Not all technological investments would be required before regional operations commence, which would lessen the burden on resource and monetary demands in the short period of time during transition.

3. **Requirement for Local Decisions and Legislative Changes** related to organization and governance structures would need to be made by local elected officials. Although there are steps that must be taken to establish the regional authority, they are all achievable provided there is a political will to do so and stakeholders are reasonable in reaching the necessary agreements.

4. **Governance Change from County Control to County Representation** would occur if regionalization via a single authority is implemented. County Commissioners and other elected officials, who today control the governance of their local transit agencies, would relinquish that role and instead would have partial representation on the regional authority's board. These county and city officials would need to weigh the loss of governance control against the financial benefit of seeing a reduction in their required

transit funding obligation and the continuation and potential improvement of service to their constituents.

5. **Varying Labor Costs and Work Rules Within the Single Regional Entity** would need to be maintained in order to achieve the full financial and operating benefits of regionalization. As the *Current Environment* section of this report showed, some of the regional transit agencies operate with unionized employees. Of those unionized employees, some are represented by the ATU and some by the Teamsters. All of the labor agreements differ from one another, with varying wage, benefit and work rule provisions. The key to optimizing regionalization benefits is to develop an organization structure and an accounting structure that permits and accounts for represented and non-represented operations. This approach has been successfully used in Pennsylvania at small and large transit agencies that have consolidated operations with varying labor agreements. One example is RT which manages a mixed operation, a portion of which has union representation and a portion of which has no union representation. RT's multiple labor agreements are based on employee category and geographic areas of operation.

Many of the aforementioned benefits and challenges can respectively be ensured and diminished by the choices made regarding the regional authority's organizational and governance structures. The *Regionalization Profile for a Single Consolidated Authority* chapter of this report provides one potential set of such structures.

TRANSIT SHARED SERVICES ENTITY

The type of regionalization contemplated under the second regionalization scenario has not occurred in Pennsylvania nor, to the consultant team's knowledge, in other states with regard to transit operations. The shared services concept is used in the private sector and is seen, for example, when a corporation establishes a service organization that provides back office (i.e. payroll, payment processing, and data storage) or specialized services for its subsidiaries. There are also examples where a corporate entity itself is established for the purpose of providing similar shared services to other businesses.

The closest concept seen in Pennsylvania for transit operations is the use of one transit agency's management staff to provide consulting or operating oversight for another transit agency in the state. River Valley Transit (RVT) in Williamsport is an example of this type of shared service where certain RVT senior staff members are responsible for the management of the Endless Mountains Transportation Authority.

There are also examples around the country where a regional transportation authority is established to support multiple transit agencies or multi-modal transportation agencies. These regional authorities receive federal and state transportation funding for the region and distribute the funds to multiple operating agencies based on regional priorities and transportation plans crafted by the regional authority. The Metropolitan Council of the Twin Cities in Minnesota is an example of this type of regional transportation authority where regional planning and grant management functions are provided to the two separate transit authorities operating in Minneapolis and St. Paul.

Despite the lack of examples with the shared services scenario envisioned by the south central stakeholders, some general conclusions can be reached with regard to benefits and challenges.

General Benefits of a Shared Services Model

Regionalization through the use of a shared services model has the potential to provide the following benefits to local transit providers:

Shared Services Benefits

- Improvements from Centralized Procurement
- Use of Centralized Expertise for Regional Benefits
- Use of Best-in-Class Technology for Functions Provided by the Shared Services Entity
- Functions Neglected Today Due to Limited Resources Receive Proper Attention
- More Efficient Service Plans

1. **Improvements from Centralized Procurement** with regard to compliance, planning, professional management and volume discounting. This will benefit both operating and capital procurement activities.

2. **Use of Centralized Expertise for Regional Benefits** is a key advantage of regionalization. A shared services entity could employ or contract with individuals having expertise in areas such as human resource compliance, labor relations and procurement. This expertise could be broadly and consistently provided to the transit agencies in the region.

3. **Use of Best-in-Class Technology for Functions Provided by the Shared Services Entity** such as demand response reservations, scheduling of driver runs and fleet maintenance to manage preventive maintenance, parts inventory and maintenance productivity. Technology would also make it possible for improved data collection, reporting and performance analysis for the functions provided by the shared services entity.

4. **Functions Neglected Today Due to Limited Resources Receive Proper Attention**. Many small and mid-size transit agencies have insufficient resources to fully or even partially

address all of the demands of running service along with the abundant federal compliance requirements in areas such as human resources, procurement, planning and reporting. A shared services entity could be staffed with the expertise to properly focus on compliance functions that would otherwise be neglected.

5. **More Efficient Service Plans** would be the result of transit planning by a shared services entity rather than attempting to coordinate the service plans of six distinct transit providers.

General Challenges of a Shared Services Model

Regionalization through the use of a shared services model also poses challenges, including the following key items:

1. **Limited to No Financial Benefits** due to a number of factors including the following:

    a. The additional costs associated with the operation of the new shared services organization, such as a board, executive director, finance director, professional services (auditor and legal counsel) and office lease costs;

    b. The ongoing costs for executive and senior management positions at the existing transit agencies since they would continue to exist as they do today;

    c. The additional costs to provide staff and contractor services for functions the existing transit agencies are not providing or not fully providing today and

    d. The ongoing costs for county overhead services that would not be eliminated since the county transit agencies will continue to operate

2. **High Financial Risk for Transit Agency Participants** due to the potential for any transit agency to terminate the contractual relationship with the shared services entity, thereby increasing costs for the remaining transit agencies.

Shared Services Challenges

- Limited to No Financial Benefits
- High Financial Risk for Transit Agency Participants
- Concern that Customer Needs Would Not be Properly Addressed by the Regional Call Center
- Technology Investment
- Limited Benefit for the County Transit Agencies

3. **Concern that Customer Needs Would Not be Properly Addressed by the Regional Call Center** is a common matter raised when any regionalization is being evaluated. This concern may be exacerbated by the organizational structure of a shared services entity because it would be operating independently of the transit agencies in the region.

4. **Technology Investment** in additional systems and applications would be required for the shared services entity (as a seventh site in the region) to provide certain services to the existing transit agencies such as call center and procurement systems. To support this investment, PennDOT would fund both the planning efforts necessary to determine the technology needs and the actual required capital investment during the transition period.

5. **Limited Benefit for the County Transit Agencies** since many of the services that the shared services entity would provide are those already provided by the county governments of which they are a part.

As with the single consolidated authority scenario, the specific impact of the shared services scenario is reviewed in detail in the *Impact of Regionalization* chapter of this report.

Single Regional Authority Profile

There are many ways that a regional authority can be structured. The following regional profile presents one possible structure that maximizes the potential benefits and minimizes the potential challenges of regionalization. It was constructed with the input of south central transit agency general managers and senior staff. The nine components of the regionalization profile that were developed for this purpose are noted in the box to the right.

Regionalization Profile Components

- Legal Structure and Governance
- Overall Organizational Structure
- Transportation Delivery
- Facilities
- Fleet, Maintenance and Overhauls
- Customer Service
- Labor
- Administrative Functions
- Technology

Legal Structure and Governance

The single regional authority would be formed as a municipal authority by expanding the geographic service area of one of the existing transit authorities in the region. The authority would be renamed, indicating its regional purpose, and the seven counties in the region would transfer the provision of transit services for their county to the new authority by resolution. This process has already occurred in the region when RT expanded its transit responsibilities from just serving York County to also serving Adams County.

As with the previous RT experience, the new authority would reconstitute its board to include representation from each of the seven counties and potentially the City of Harrisburg (City). Today, the City appoints two of the seven members of CAT's governing board and provides significant local matching funds (operating and capital) for the transit service received in the city. If the counties in the region, and in particular Dauphin County, expect the City to continue to provide such funding, it would be reasonable for the City to also have some board appointing power. In the alternative, Dauphin County could provide the local matching funds currently contributed by the City which would eliminate the need for City representation on the regional authority board.

The first governing option would have the county commissioners of each county appoint one individual to the regional authority board for a total of seven members. The second governing option would have the county commissioners of each county and the mayor of Harrisburg each appoint one individual to the regional authority board. Since this would result in an even number of board members, a ninth board member could be appointed by PennDOT or by some other regional entity agreed upon by the counties. The board's chairman and vice-chairman should rotate among the counties on a periodic basis.

Finally, the new board will need to draft its by-laws. In addition to the more traditional by-law provisions regarding board structure, duties and voting requirements, the by-laws could incorporate provisions regarding the requirements for changes to the service area of the authority and for changes in the modes of service offered.

This regionalization scenario assumes that RT is chosen as the municipal authority that would be expanded since it has the experience of enlarging its geographic service, reconstituting its board and operating in a mixed labor environment. In addition, it will soon have sufficient space for centralized administrative activities and its management costs are relatively lower than the other transit authorities in the region.

Overall Organization Structure

For administrative purposes, the regional authority would have a centralized administrative structure for communications, finance, human resources, legal and technology functions.

For operating purposes, the regional authority would be divided into three divisions – west, central and east. The west division would cover Franklin, Adams, Perry and Western Cumberland counties; the central division would cover Eastern Cumberland and Dauphin counties and the east division would cover York and Lebanon counties. A centralized senior operations management staff would oversee local operations and be structured in alignment with the divisions and counties.

Equally as important as the organization structure is the accounting and reporting structure which must separately account for division and county operations. This will support the regional authority's ability to operate with distinct labor agreements in different counties as is done today at RT. It also provides the ability to determine county-by-county financial results to support the fair calculation of local match obligations and ensure that each county is providing such matches for service received in that county.

Transportation Delivery

It is assumed that the proposed new facility in York would house the majority of the management and administrative staff including senior operations managers (see further discussion in *Facilities* section below). Transportation delivery functions, such as fixed route service planning and scheduling, would be automated with new software applications and would be performed centrally. Road supervision, dispatching, safety and training would be managed centrally but assigned/performed locally. Demand response service reservations would be taken centrally. Trips would be scheduled through Ecolane software and then distributed to the local operating facilities for local dispatching and service delivery. In addition, all purchased transportation contracts would be managed centrally.

The York facility would also serve as the daily operations location for the fixed route and demand response service currently delivered by RT in York County and would be staffed with dispatchers and clerical support staff. All other existing agency locations would continue to function as local operating sites. The local facilities in Harrisburg and Lebanon would be staffed with dispatchers to supervise the daily functions of both fixed route and demand response service during hours of operation. The remaining locations, which are managed today by county agencies, would continue to serve as the sites for demand response operations through locally assigned dispatchers. In the event that a county is not willing to lease an existing facility to the regional authority, a new site would be secured for demand response operations.

Road supervision and support would be managed centrally with staff assigned to the service divisions based on level of service and demand (e.g., focus on east and central divisions during peak periods).

FACILITIES

There are seven major facilities in the south central region – RT with two and one each at the remaining five agencies. A new facility project is underway at RT to replace their current administrative and operations center located in York. The facility design was at the 80% phase at the time of the site visits.

The single regional authority scenario assumes that the new RT facility would serve as the entity’s main headquarters and would house senior operations management and administrative staff. The new facility would also house RT operations and maintenance functions and will be the primary heavy repair center for the new regional authority.

The facilities at CAT and LT would become local operating centers with appropriate dispatch, maintenance and clerical staff. The new authority would continue to lease the current facilities used by Adams and Perry Counties for demand response service and would negotiate new lease agreements with Cumberland and Franklin Counties to continue occupying those facilities. The regional authority would pay the actual cost of operating the Cumberland and Franklin space for services such as utilities and building maintenance. If either county was not willing to lease the existing space to the regional authority, an alternate local site would be secured.

Fleet, Maintenance and Overhauls

The existing fleet of 146 fixed route and 208 demand response vehicles is in good condition and would be titled to the new regional entity. Vehicle specifications and procurement would be performed centrally.

The proposed new facility in York would house all senior maintenance management staff and support services including safety, fleet maintenance, materials management and facility maintenance. Parts and inventory would be managed centrally and distributed using "drop shipments" to the extent possible to achieve quantity discounts and reduce inventory costs. Inventory tracking would be done through a single software application that allows data entry from the field locations.

The new facility would also house all heavy repair and overhaul equipment and related staff. This work would be performed centrally for the entire fleet. Specialized maintenance work (major paint/body work) would continue to be outsourced on a case-by-case basis depending on cost and capacity. The existing facilities at CAT and LT would be used for staff to perform routine maintenance and inspections. The regional authority would also contract with Cumberland County to perform routine maintenance for some or all of the fleet operating at the Carlisle site. A centrally housed fleet maintenance software application would be used to track and schedule all inspection and repair work. Data from this system would be used to manage costs and ensure proper staffing and materials.

Customer Service

Establishing a consolidated call center is a practical strategy that would be implemented under either a single regional authority or a shared services entity. All of the transit agencies in the region currently have call-taking functions for responding to customer inquiries and for providing trip planning and reserving demand response trips. They each have staff that are dedicated to performing customer service duties on a daily basis and supervisors that oversee department activities. All have work space, equipment, phone technologies and administration that support call-taking tasks. Centralizing call center activities under any scenario presents an opportunity to enhance effectiveness by establishing one dedicated location and reducing staff levels.

Collectively, the region's transportation agencies employ 30.75 call specialists plus supervisors who oversee customer service as part or all of their jobs. Some agencies have to supplement staff with administrative personnel to answer calls during peak activity times while a few others have to assign additional duties to call-takers during cyclical dips in daily call volumes. If consolidation occurs, a reduction in the total number of call specialists is possible based on historical call volumes, near-term volume projections and the use of technology that reduces the average time per call.

Consolidating or sharing call center functions also offers the ability to maximize other organizational efficiencies. Call specialists would be cross-trained in fixed route, demand response and specific local services providing better and more consistent information to customers. Over time, specialists would be able to provide information on fixed routes in any local service area and reserve demand response trips regardless of origin and destination. Bi-lingual call specialists would offer Spanish-speaking translation services for the entire region rather than employing one or several at each transit agency as is the current practice. This plan also reduces the number of supervisors to two, one to cover traditional weekday call center hours and an assistant to cover off-peak and Saturday office hours. These call center hours reflect an increase in service for most of the counties in the region.

In addition to the reservations and scheduling functions being centralized, the management of eligibility for demand response programs would also be centralized. While there would still be local sites for customers to provide eligibility documents and receive mobility information, policies, procedures, processing and record keeping would be performed centrally.

Having one central call center under a single regional authority or shared service entity eliminates the need for six local offices as well as the infrastructure and networks it takes to support them. None of the agencies currently have office space or phone equipment to accommodate the number of call specialists needed for a regional system. The completion of RT's new administrative facility, however, offers the most likely and best option for a consolidated call center under a single regional authority. The new facility is designed to have space and capacity for a more robust customer service department. Additionally, RT is undergoing a technology upgrade to its current phone system that can be transferred to the new location thereby updating the ability to track call data and performance.

Under a single regional authority, the customer sales function would essentially operate status quo, but with minor modifications. Sales centers would remain at Strawberry Square in Harrisburg, the Transfer Center in York and the sales office in Lebanon with staff performing their current duties. However, sales personnel would be cross-trained in fixed route, demand response, trip planning and fare structures in order to provide information on all the region's services. Sales center staff would take customer phone calls that overflow during peak activity times. Sales center personnel would become part of the overall customer service department, combined with their call-taker peers, and report to the customer service supervisor.

Labor

Existing labor agreements at CAT, LT and RT-York would be transferred to the new regional authority, which would be responsible for honoring the contract provisions including, but not limited to, those related to wages, health care and defined benefit retirement plans. The regional authority would subsequently be responsible for negotiating future labor agreements prior to the existing contract termination dates.

The regional authority would standardize the benefits provided to all non-represented employees, whether they came from an existing transit authority or an existing county department or whether they serve in an administrative or operating position. It is assumed that all non-represented employees of the regional authority would participate in a defined contribution retirement plan sponsored by the regional authority and would receive a capped employer match to employee contributions.

Those non-represented individuals who are employed by the regional authority and today are participants in a defined benefit retirement plan would, upon retirement, receive pension payments from their current employer for their years of service through the start of regionalized operations plus their defined contribution plan balance accrued during their years of service with the regional authority.

Administrative Functions

As the *Overall Organization Structure* section noted above, the bulk of the administrative functions would be centralized at the regional authority's headquarters. However, dispatchers, operations management (other than senior management), secretaries, clerks and building janitorial staff would be situated at the local operating facilities. Rather than rely on internal staff for all administrative functions, it is envisioned that all or most of the strategic planning, non-operational training, legal, technology and capital project management work would be performed with contract staff. Compliance functions would be primarily performed with in-house staff and supplemented with contractors.

It is anticipated that regionalization under this scenario would result in significant administrative cost reductions by eliminating redundant positions and standardizing processes such as procurement. Those savings can, in part, be used to invest in positions to satisfy operational, financial and compliance requirements that are not completely fulfilled by the individual transit agencies today. A comparison of the "before and after regionalization" picture of administrative functions is shown in Exhibit 9.

EXHIBIT 9: CURRENT ADMINISTRATIVE FUNCTIONS VS. SINGLE TRANSIT AUTHORITY

Department	Sub-Function	Today	Single Regional Transit Authority
Executive	Organization Management	Yes	Yes
	Board Management	Yes	Yes
	Strategic Planning	Yes	Yes
Communications	Public and Government Affairs	Partial	Yes
	Sales, Marketing and Advertising	Partial	Yes
Finance	Audit	Yes	Yes
	Accounting and Payroll	Yes	Yes
	Cash, Debt and Risk Management	Yes	Yes
	Grant Management	Yes	Yes
	Procurement	Partial	Yes
	Budget and Financial Analysis	Yes	Yes
	Reporting and Compliance	Partial	Yes
Human Resources	Labor Relations	Yes	Yes
	General Human Resources	Partial	Yes
	Non-Operations Training	Partial	Yes
	DBE and EEOC[5]	Yes	Yes
	Other Compliance	Partial	Yes
Legal	Labor Relations	Partial	Yes
	Contracts and Procurement	Partial	Yes
	General Legal	Partial	Yes
Operations	Transportation Delivery Management	Yes	Yes
	Dispatching and Road Supervision	Partial	Yes
	Service and Fare Planning	Yes	Yes
	Safety and Security	Yes	Yes
	Operations Training	Partial	Yes
	Reporting and Compliance	Partial	Yes
Customer Service	Call Center and Ticket Offices	Yes	Yes
	Scheduling	Yes	Yes
	Eligibility	Yes	Yes
	Data Analysis	Partial	Yes
	Community Relations	Yes	Yes
Technology	Strategy, Standards and Risk Assessment	Partial	Yes
	Procurement	Partial	Yes
	Contract Management	Partial	Yes
	IT and Communication Services	Yes	Yes
	Ecolane Support	Partial	Yes
Asset Management	Fleet Management	Yes	Yes
	Facility Management	Yes	Yes
	Materials and Inventory Management	Yes	Yes
	Capital Project Management	Yes	Yes

[5] Disadvantaged Business Enterprise and Equal Employment Opportunity Commission

Technology

A high-level technology plan for a single regional authority was developed based on the regional profile described in this chapter. There are three categories of technology referenced in the technology plan – technology required for day one of regionalized operations; technology required by end of year one of regionalized operations and technology required for local sites.

Technology for Day One

The only technology to be deployed on the first day of regionalized service is that which is necessary for the business to function as a single enterprise. The items shown in the box to the right represent the technologies that are required for day one of operations.

Technology Required for Day One of Regionalized Operations

- Call center
- Voice network
- Data network
- Wide-area network
- Exchange system
- Website
- Financial system
- Ecolane reservations application

All other technologies currently in use at the separate transit agencies, such as fleet maintenance, vehicle cameras and building security systems would remain in use at their local sites until a later date.

Wherever possible, the single regional authority would reuse or upgrade existing equipment and software. Requests for Proposals (RFPs) for technology solutions would require "turn-key" implementations that include project management, design, training and testing services. An overview of the day one technologies follows:

Call Center Technology

The call center is responsible for handling all paratransit scheduling, trip support and other customer queries and is part of the overall voice network and single dialing plan.

It is assumed that the York site would be the primary call center core with failover capability to Lebanon[6]. Call center agents may log in from any location on the network. Existing published local numbers would remain the same and can be dynamically routed to agents in the network. For example, if a caller dials the existing Cumberland County number, the caller would first be sent to a "Cumberland expert" agent regardless of where the agent is located. Critical call center management and mobility features would include:

[6] The Harrisburg site cannot be used since it lies in a flood plain

- Reporting and real-time displays. Call center reports would track performance, identify trends and project staffing needs. Real-time displays of current call center conditions would provide supervisors with immediate data to ensure customer satisfaction.
- Dynamic call routing based on number dialed and calling line ID. The ability to route callers based on the number they dialed and the number from which they call is essential to providing the "local touch" for demand response scheduling and fixed route trip planning. Callers can be routed to the individual most likely to be familiar with their local area.
- Screen pop support. Screen pops are a handshake between the communications system and the scheduling system. The goal is to "read" the caller's calling line ID, match it to a customer record and pop the customer information screen as the agent answers the call. This capability increases call-handling efficiency and provides the agent with immediate customer data.
- Call monitoring and call recording. These features are in use currently and are essential for training and performance management.
- Home/remote log-in for selected users. This feature would allow agents to log-in from remote locations when needed.
- Out-dialing for reminders. Two existing transit agencies rely heavily on this feature to limit "no shows" in the shared ride program. The new call center must provide a call-out feature to send recorded reminders to passengers.
- Interactive Voice Response (IVR) for self-service. IVR systems allow callers to cancel trips and hear information without having to speak to a customer service representative. This functionality would carry into the new system.

Voice Network Technology

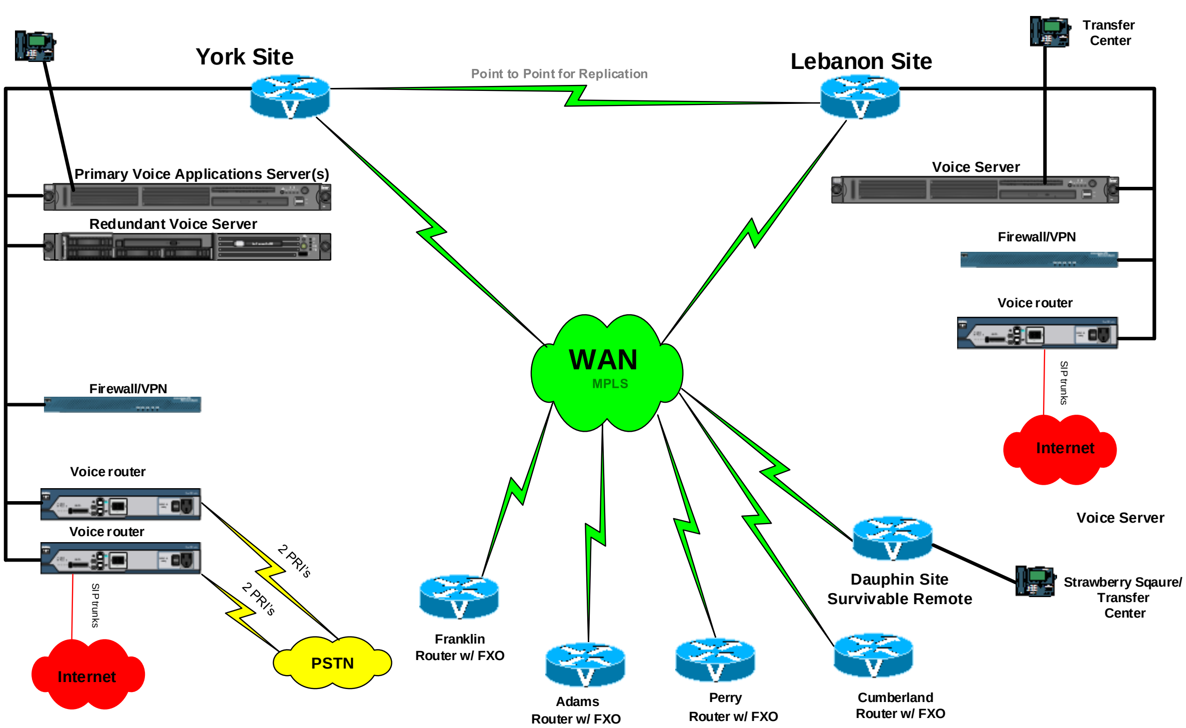
The voice network would allow regional authority staff to call each other, transfer calls, park calls and use other features as though they are all in the same building. A diagram of the voice network is shown in Exhibit 10. There would be a consistent four or five-digit numbering plan. In addition to standard telephone features, the following advanced features are recommended for the multi-site regional entity.

- Presence application to allow office phone to ring to mobile phones. With a mobile staff (executives, road supervisors and others) it is helpful to have office calls extended to mobile devices. The "presence" application allows this functionality.
- Enterprise Instant Messaging and Chat. This feature allows users to instant message and chat with one another in the regional entity. The feature is useful for call center agents

who need to ask quick questions of supervisors and schedulers while they are on the phone with a customer.

- Conference Bridge for audio/web/video conferencing. In a multi-site enterprise, collaborating on projects, management and daily tasks can be a challenge. The conference bridge eases this by facilitating a shared workspace on the network. Instead of traveling to a meeting, staff can use the conference/video bridge. This is a purchased application and there is no ongoing cost as there is with out-of-network conferencing applications such as WebEx™ or GoToMeeting™.
- Unified messaging integration with MS-Exchange. Unified messages present all voice and e-mail messages through a single portal, the Outlook Inbox. Users can check voice and email messages at the same time using their keyboard.

EXHIBIT 10: SINGLE REGIONAL AUTHORITY VOICE NETWORK



Data Network, Wide Area Network and Exchange Technology

The data network for the regional authority would have its core at the York site with failover capability to Lebanon. The network would house Microsoft Exchange, financial systems and storage for the enterprise.

For the call center, voice and data applications to work efficiently and accurately, the single regional entity would need a robust wide area network to handle the traffic. Speed and flexibility will be a key requirement considering the variety (voice, data, and video) and volume of traffic on the network. The regional authority would therefore use a multiprotocol label switching (MPLS) layer 2/3 protocol.

All of the existing sites currently use Microsoft Exchange for email, calendars and contacts. This functionality would be part of the new system. The difference would be a single Exchange server for all of the sites. Email addresses would change to reflect the new entity's name. Old addresses would be configured as "aliases" for a period of time for external users to adapt to the name change.

Website Technology

The regional entity would have its own website and include features such as fixed route trip planning, commendation/complaint processes, demand response information and real time route information. Fixed route transit data would be supplied to the website using applications from Avail Technologies.

Financial Systems Technology

There are two systems that would work together to support the financial functions of the single regional authority – time and attendance software and financial software. The time and attendance system is separate from but essential to payroll and accounting. The time and attendance system must support multiple shifts, complex transit work rules, labor contract provisions and mobile applications and interface with the financial and access control systems.

Each of the three transit authorities currently use the Sage accounting system. It is assumed that the regional authority would also use the same system given the investments already made and the experience of current financial staff using the product. The system would include general ledger, revenue, accounts receivable, accounts payable, fixed assets, procurement, budgeting and payroll modules. It would also provide grants management and cost allocation functionality as well as interfaces for point of sale terminals and time and attendance applications.

Reservations Technology

The current Ecolane paratransit application would be updated to reflect an integrated regional operation and fare structure.

Technology for End of Year One

The technologies to be implemented in the first year of regionalized operations provide increased operational efficiency, increased security and cost reductions. They also support the management needs of a larger organization:

Technology Required for End of Year One
- Badges/Employee Identification
- Fleet Maintenance
- Inventory Management
- Fuel Management
- Human Resources
- Document Management

Badges/Employee Identification

RT currently uses a badging system that would require a minor upgrade for use at the regional authority. Additional costs incurred would only be for the individual badges.

Fleet Maintenance and Inventory Management Technology

A single fleet maintenance and inventory management system would provide the ability to standardize maintenance policies and processes across local sites, improve record keeping and gain volume discounts. Two sites currently use Fleet Maintenance and an upgrade would provide the needed expansion to accommodate all vehicles. The fleet maintenance system would also integrate with an inventory management system. Current inventory management systems would continue to be used locally at the outset of regionalized operations. By the end of the first year of operations, a single inventory management system would be used to manage and record vehicle parts and supplies.

Fuel Management Technology

Sites currently using fuel management systems would continue to use them locally at the outset of regionalized operations. By the end of the first year of operations, a single enterprise fuel management system would be put in place to manage and record fuel consumption and costs by vehicle.

Human Resources Technology

Whether it is an application or module tied to the financial system or a separate system, a Human Resources Information System would be required for an organization of this size. Among other components, the system would provide for management of employee performance, benefits and enrollment, wages and raises, commendations and discipline, training records and succession planning.

Document Management Technology

As the enterprise becomes more geographically distributed, document access and storage can become a challenge. The size of the new authority makes it a candidate for a document management system that would require the following functionality:

- Optical Character Recognition (OCR) to scan current paper documents
- Interface with the financial system
- Complaints/commendations and incident management

The organization's goal is to become as paperless as possible so that remote users have full access to any documents that they may need. Central storage would follow other network guidelines with the core at the York site and failover capability to the Lebanon site.

Technology Remaining at Local Sites

A number of the operations related systems would remain at the local sites including those listed in the box to the right.

Technology Remaining at Local Sites

- Two-way radios
- Automated passenger counters
- Announcement systems
- Automatic vehicle locators
- Vehicle video surveillance
- Building video surveillance
- Fare collection

Transit managers believed that there was no need to integrate two-way radios since the agencies are part of local emergency planning systems. A single regional authority would still need dedicated two-way radios that are integrated with each of the county emergency management systems in order to respond in accordance with emergency plans.

The automated passenger counter and automatic vehicle locator applications would remain at the local sites with data transmitted to the authority's headquarters. Additionally, the vehicle location information would be available on the website and to call center staff. Similarly, the vehicle and building video files would be transferred to and stored on the network at the authority's headquarters.

The fare collection process would remain a local activity as will existing point of sale applications, both of which will be integrated with the financial system. Central administrative staff will design and document the collection, counting and deposit protocols.

Shared Services Entity Profile

There are many ways that a shared service entity can be structured. The following regional profile presents one possible structure. It was constructed with the input of south central transit agency general managers and senior staff. The nine components of the regionalization profile that were developed for this purpose are noted in the box to the right.

Legal Structure and Governance

Previous studies have been conducted that have identified significant potential for the existing agencies to coordinate service throughout the region. Such coordination would have resulted in service improvements to passengers while also yielding benefits to the agencies. Although consensus was apparent amongst the agencies, there has been an ongoing failure to implement the initiatives identified in these studies. Similar initiatives on a much smaller scale have also been identified where an existing agency would provide services (i.e. technology services) to other agencies in the region under a best practice concept. However, these initiatives failed to gain any traction as there was concern that the agency providing the service would put its own interests and priorities ahead of all others in the region.

Given this experience, it is believed that that an existing agency providing services to other agencies is unlikely to succeed. Therefore, this study assumes that the shared services entity would be a newly established organization, formed as a municipal authority or as a non-profit organization. The organization would be expected to be an objective service provider with its clients comprised of the existing agencies. Through contracts with the individual transit agencies in the region, which would continue to exist and operate transit services, it would provide a set of agreed upon services to the existing transit agencies as further described in this chapter. The shared services entity would not be a Federal Transit Administration (FTA) grantee nor a PennDOT grantee. Instead, it would contract with and receive fees from the existing transit agencies for services provided to those agencies.

The shared services entity would be governed by a board of directors. The county commissioners of the three county transit agencies would each have one board appointee; the boards of the three transit authorities would each have one board appointee and PennDOT, or some other regional entity agreed upon by the counties, would have one board appointee. This would bring the total number of board members to seven. An alternative scenario would have the seven sets of county commissioners each appointing one board member. Since the sole purpose of the shared services entity would be to provide services to the existing transit agencies, the general manager of any transit agency could be appointed as a board member. Additionally, the board's chairman and vice-chairman should rotate among the members on a periodic basis.

Overall Organization Structure

The shared services entity would be a small organization led by an executive director and staffed with the direct employees and contractors providing the agreed upon services to the existing transit agencies.

Transportation Delivery

Under the shared services scenario, while all fixed route service delivery remains the same for the existing transit agencies, it is assumed that fixed route service planning and scheduling would be performed centrally by the shared services entity with a new automated system. Operations training would also be centralized and performed by the new shared services entity.

Demand response service reservations would be taken centrally by the shared services organization with trips scheduled using the Ecolane software. Local day-to-day operations would continue to be performed at the existing transit agencies with their own operations managers, dispatchers, road supervisors, drivers and support staff. Purchased transportation contracts, whether for fixed route or demand response service, would continue to be managed by the existing transit agencies.

The existing transit agencies would eliminate all current positions related to fixed route planning and scheduling, operations training, demand response reservations and scheduling and customer service inquiries.

Facilities

Under the shared services scenario, each agency in the region remains an independent entity and therefore would be located at and would operate from their existing facilities. The new shared services entity would require office space at a separate location to house the staff needed to support the shared services.

The facility related services that the shared services entity would provide include security and safety management support services. The existing transit agencies would therefore eliminate current positions performing such management support services. Security guard positions at the existing transit agencies would remain.

Fleet, Maintenance and Overhauls

Similar to the regional authority scenario, the shared services entity would provide centralized vehicle and parts procurement and manage all outsourced maintenance and special service contracts. The shared services entity would acquire appropriate software that would enable maintenance and inventory to be centrally managed while allowing for data entry and reporting at the individual agency level.

Mechanical work and inspections would continue to be performed at CAT, CCT, LT and RT while FCT and PCT will continue to contract for such work. The shared services entity would also provide vehicle safety and training functions for the individual agencies as needed.

The existing transit agencies would therefore eliminate current positions responsible for vehicle and parts procurement, management of outsourced maintenance and special services maintenance and vehicle safety and training.

Customer Service

Establishing a consolidated call center is a practical strategy that would be implemented under either a single regional authority or a shared services entity. As described in the previous chapter, the number of central reservations specialists would be commensurate with historical call volumes; call specialists would be cross-trained in fixed route, demand response and specific local services; bi-lingual call specialists would offer Spanish-speaking translation services for the entire region; the number of supervisors would be reduced and call center hours would be increased for most of the counties in the region. As with the single regional authority, management of the eligibility function would also be centralized.

The consolidated call center would be housed at the shared services entity's office location. New equipment and phone technology would have to be purchased to provide the ability to track call data and performance. In addition, the Ecolane software would need to be configured to store the six transit agencies' fare, route and reservation data.

The sales operations of the three transit agencies with off-site ticket sales would continue to function as they do today. The existing transit agencies would therefore eliminate current positions related to call taking, and demand response eligibility, reservations and scheduling.

Labor

The vast majority of union labor at the existing transit agencies, drivers and mechanics, would not experience any change under the shared services scenario since the existing transit agencies would continue to exist and operate as they do today. They would continue to employ the drivers and mechanics and operate pursuant to existing labor agreements.

It is assumed that the bulk of the shared services employees will be non-represented. However, it is likely that the shared services entity would recruit existing reservationists for the centralized call center, some of whom are currently represented by labor unions. It is anticipated that those employees would be unionized, with labor agreement provisions similar to those at RT. Additionally, it is assumed that all employees would participate in a defined contribution retirement plan sponsored by the shared services entity and would receive a capped employer match to employee contributions.

Those individuals who are employed by the shared services entity and who today are participants in a defined benefit retirement plan would, upon retirement, receive pension payments from their current employer for their years of service through the start of regionalized operations plus their defined contribution plan balance accrued during their years of service with the shared services entity.

Administrative Functions

As noted in the *Legal Structure and Governance* section above, the shared services entity would contract with the existing transit agencies to provide administrative and management services. Some services would be provided to all transit agencies in the region and some would be provided only to the transit authorities in the region. The services that would be provided to all transit agencies include sales, marketing and advertising; grant writing; general human resource advisory and Title VI compliance; training and Ecolane reservations system support.

The services provided to only the transit authorities include procurement, human resources compliance, legal and technology standards, strategy, risk assessment and contract management. These are services already provided by Cumberland, Franklin and Perry counties for their transit departments so it would not make financial sense for those departments to incur more costs charged by the shared services entity for support they are getting for free or for minimal cost. It may also be prudent for liability reasons, for the county transit department to rely only on county legal counsel and human resource management for legal and compliance support.

The existing transit agencies would therefore eliminate current positions related to those services to be provided by the shared services entity as described above.

The shared services entity would use both internal staff and contractors to provide these services. It is assumed that functions such as legal, advertising and non-operations training would be provided through the use of contractors while functions such as procurement, human resources and maintenance management would be provided by the entity's employees. A comparison of administrative functions before and after regionalization is shown in Exhibit 11.

EXHIBIT 11: CURRENT ADMINISTRATIVE FUNCTIONS VS. SHARED SERVICES ENTITY

			Shared Services Scenario	
Department	**Sub-Function**	**Today**	**Shared Services Entity Responsibilities**	**Transit Agencies' Responsibilities**
Executive	Organization Management	Yes	No	Yes
	Board Management	Yes	No	Yes
	Strategic Planning	Yes	No	Yes
Communications	Public and Government Affairs	Partial	No	Yes
	Sales, Marketing and Advertising	Partial	Yes	No
Finance	Audit	Yes	No	Yes
	Accounting and Payroll	Yes	No	Yes
	Cash, Debt and Risk Management	Yes	No	Yes
	Grant Management	Yes	Grant Writing	All Else
	Procurement	Partial	Yes	No
	Budget and Financial Analysis	Yes	No	Yes
	Reporting and Compliance	Partial	Partial	All Else
Human Resources	Labor Relations	Yes	For Authorities	Counties
	General Human Resources	Partial	For Authorities	Counties
	Non-Operations Training	Partial	Yes	No
	DBE and EEOC	Yes	For Authorities	Counties
	Other Compliance	Partial	For Authorities	Counties
Legal	Labor Relations	Partial	For Authorities	Counties
	Contracts and Procurement	Partial	For Authorities	Counties
	General Legal	Partial	For Authorities	Counties
Operations	Transportation Delivery Management	Yes	No	Yes
	Dispatching and Road Supervision	Partial	No	Yes
	Service and Fare Planning	Yes	Yes	No
	Safety and Security	Yes	Support Services	All Else
	Operations Training	Partial	Yes	No
	Reporting and Compliance	Partial	No	Yes
Customer Service	Call Center and Ticket Offices	Yes	Yes	No
	Scheduling	Yes	Fixed Route	Demand Response
	Eligibility	Yes	Yes	No
	Data Analysis	Partial	Yes	No
	Community Relations	Yes	Yes	No
Technology	Strategy, Standards & Risk Assessment	Partial	For Authorities	Counties
	Procurement	Partial	For Authorities	Counties
	Contract Management	Partial	For Authorities	Counties
	IT and Communication Services	Yes	For Authorities	Counties
	Ecolane Support	Partial	Yes	No
Asset Management	Fleet Management	Yes	Procurement, software, reporting, planning, & mngmt of contracts	All Else
	Facility Management	Yes	Safety/Security Support	All Else
	Materials and Inventory Management	Yes	Software, reporting and procurement	All Else
	Capital Project Management	Yes	No	Yes

Technology

A high-level technology plan for a shared services entity was developed based on the shared services profile described in this chapter. There are two categories of technology referenced in the technology plan for the shared services entity – technology required to provide services for the existing transit agencies and technology required for the shared services entity itself to operate.

Technology to Support Existing Transit Agencies

The items shown in the box to the right represent the technologies that are required to support the existing transit agencies. All other technologies currently in use at the existing transit agencies would continue to be managed and used locally.

Technology Required to Support Existing Transit Agencies

- Call center
- Voice network
- Ecolane Reservations
- Fleet maintenance
- Inventory management
- Fuel management

Call Center Technology

The call center is responsible for handling all paratransit scheduling, trip support and other customer queries. The shared services entity's headquarters would include the space necessary to house the call center operations. Failover capability would have to be explored with a third party provider or be installed at one of the existing transit agencies.

Existing published local numbers would remain the same and can be dynamically routed to reservationists and other call takers at the shared services entity. If a caller dials the existing Cumberland County number, the caller would first be sent to a "Cumberland expert" agent. Critical call center management and mobility features would include:

- <u>Reporting and real-time displays</u>. Call center reports would track performance, identify trends and project staffing needs. Real-time displays of current call center conditions would provide supervisors with immediate data to ensure customer satisfaction.
- <u>Dynamic call routing based on number dialed and calling line ID</u>. The ability to route callers based on the number they dialed and the number from which they call is essential to providing the "local touch" for shared ride scheduling and fixed route trip planning. Callers can be routed to the individual most likely to be familiar with their local area.
- <u>Screen pop support</u>. Screen pops are a handshake between the communications system and the scheduling system. The goal is to "read" the calling line ID, match it to a customer record and pop the customer information screen as the agent answers the call. This

capability increases call handling efficiency and provides the agent with immediate customer data.

- Call monitoring and call recording. These features are in use currently and are essential for training and performance management.
- Home/remote log-in for selected users. This feature would allow agents to log-in from remote locations when needed.
- Out-dialing for reminders. Two existing transit agencies rely heavily on this feature to limit "no shows" for the shared ride program. The new call center must provide a call-out feature to send recorded reminders to passengers.
- Interactive Voice Response (IVR) for self-service. IVR systems allow callers to cancel trips and hear information without having to speak to a customer service representative. This functionality would carry into the new system.

Voice Network Technology

The voice system at the shared services entity would control both the call center and the other phones needed for shared services operations. In addition to standard telephone features, the following advanced features are recommended:

- Enterprise Instant Messaging and Chat. This feature allows users to instant message and chat with one another. The feature is useful for call center agents who need to ask quick questions of supervisors and schedulers while they are on the phone with a customer.
- Conference Bridge for audio/web/video conferencing. The conference bridge facilitates a shared workspace on the network. Instead of traveling to a meeting, staff can use the conference/WebEx™ bridge. This is a purchased feature and there is no ongoing cost as there is with out-of-network conferencing.
- Unified messaging integration with MS-Exchange. Unified messages present all voice and e-mail messages through a single portal, the Outlook Inbox. Users can check voice and email messages at the same time using their keyboard.

Reservations Technology

The Ecolane paratransit application would be comprised of six different fare databases, reflecting fare, route, passenger and funding data for the six separate transit agencies. Reservations would be taken at the call center located at the shared services entity's facility.

Fleet Maintenance and Inventory Management Technology

A single fleet maintenance and inventory management system would provide the ability to standardize maintenance policies and processes across the individual transit agencies, improve record keeping and gain volume discounts. The fleet maintenance system would also integrate with an inventory management system.

Fuel Management Technology

A single fuel management system would be put in place to manage and record fuel consumption and costs by agency and vehicle.

Technology for the Shared Services Entity

The technologies required for the shared services entity to operate are few and basic. They would all need to be implemented at the time of organization inception and include the systems listed in the box to the right. The required phone system would be incorporated in the voice network technology of the call center.

Technology for the Shared Services Entity

- Data Network
- Exchange System
- Website
- Financial System

Data Network and Exchange Technology

The data network for the shared services entity would support applications at the single site and house Microsoft Exchange (e-mail, calendars and contacts), financial systems and storage for the enterprise.

Website Technology

The shared services entity would have its own website providing information for the general public and a separate portal for material directed at the transit agencies the organization serves. Currently, real-time fixed route service data is supplied to each transit authority's website using applications from Avail Technologies. This practice would continue.

Financial Systems Technology

The shared services organization would require an accounting system that would allow the recording of activity related to its own operations and the services it provides to its customers. The system would include, but not be limited to, general ledger, revenue, accounts receivable, accounts payable, procurement and payroll modules and would provide cost allocation functionality. The organization would determine if fixed asset and budgeting modules were also required.

Integrated Fare Structure for a Single Regional Transit Authority

The consolidation of six transit agencies into one regional authority offers the potential to design a single integrated fare structure for the region for both fixed route and demand response services. It is recognized that changes to fares with a single authority could be implemented all at once at the start of regionalized operations or in an incremental fashion to satisfy both technical and policy considerations.

Fare Structure Goals

As described earlier in this report, a series of stakeholder working groups was assembled at the beginning of this regionalization study to gain the input of transit management and transportation planning agencies in the region. One of those working groups focused on an integrated regional fare structure. Participants were asked to provide input on policies and goals for the fare structure, the use of technology in fare collection and their opinion of the ideal fare structure and method of payments to be used by the regional agency. From these discussions, eight key goals for the regional integrated fare structure were developed:

Integrated Fare Structure Goals

- Uniformity
- Revenue Neutrality
- Regional Integrity
- Equity
- Administrative Ease
- Comprehension
- Ridership Generation
- Compliance

- Uniformity: fares charged should be similar throughout the region;
- Revenue Neutrality: yield the same revenue after fare integration as the six transit agencies do today;
- Regional Integrity: facilitate travel between counties in the service area;
- Equity: correlate the fare charged to the distance travelled;
- Administrative Ease: efficient fare collection and processing;
- Comprehension: easily understood by riders;
- Ridership Generation: increase ridership through fare incentives; and
- Compliance: conforms to state and federal regulations.

Fixed Route Fare Structure

Fixed route transit service is currently offered by CAT, LT and RT. CAT serves Dauphin and Cumberland Counties with local and express fixed route service. In addition, a shuttle service operates between downtown Harrisburg and City Island. Commuter express service is offered from Shippensburg, Carlisle, and Dillsburg in Cumberland County and from Elizabethville, Millersburg, and Halifax in northern Dauphin County. CAT also operates Raider Regional Transit in Shippensburg.

LT's fixed route service is provided in Lebanon County. The system includes local service within Lebanon County along with express commuter service offered between Lebanon and Harrisburg.

RT's fixed route service primarily serves York County, with some service reaching into eastern Adams County. In addition, RT operates the fixed route shuttle service in the Gettysburg area operating under the name Freedom Transit (FT). RT also operates commuter services from York to Harrisburg, from Gettysburg to Harrisburg, and from York to Towson, MD.

In order to best meet the goals determined by the stakeholders, the following criteria were crafted for the integrated fixed route fare structure:

Fixed Route Fare Structure Criteria

- Maintain and standardize primary fare categories
- Accommodate all existing types of route service
- Standardize fare zone boundaries across the region
- Standardize and reduce the number and type of fare media
- Encourage use of multi-ride fare media
- Create a consistent brand for express commuter service by separating and standardizing fares
- Comply with Title VI

1. **Maintain and standardize the primary fare categories** including those for users (adult and student) and types (single ride cash and multiple-ride passes).

2. **Accommodate all existing types of route service** including shuttle, conventional local bus and express commuter services.

3. **Standardize fare zone boundaries across the region**
    a. Zone 1: under 15 miles from central division
    b. Zone 2: 15 to 25 miles from central division
    c. Zone 3: over 25 miles from central division
    d. Commuter Zone 1: under 30 miles from origin to destination
    e. Commuter Zone 2: over 30 miles from origin to destination

4. **Standardize and reduce the number and type of fare media** to include a Day Pass, 10-Ride Pass and 31-Ride Pass.

5. **Encourage use of multi-ride fare media** by offering a significant discount for a multi-ride ticket along with rider convenience.

6. **Create a consistent brand for express commuter service by separating and standardizing fares**. Express commuter service is typically marketed and provided as a "premium" service providing fast and direct service on a comfortable bus with various amenities. It is then priced using a fare that is different from conventional local service to reflect the higher-level service. RT and LT are currently following this model for their commuter service. Adopting a standard express commuter vehicle and fare region-wide is necessary to differentiate this service.

7. **Comply with Title VI**. Title VI requirements against discrimination must be followed by transit agencies as recipients of federal funding. The potential fare structures provided below should not be discriminatory or contrary to Title VI requirements.

Current Structure

The three fixed route transit providers have significant differences in their fare structures based on their distinct service offerings. Each agency offers at least one commuter route providing express service between two principal points with limited or no stops in between. In addition, both CAT and RT offer shuttle routes that have a limited and specific coverage with a short route length.

One of the most important distinctions between the fixed route offerings is the use of zones. Zones provide some measure of equity by charging more for a longer trip. Longer trips naturally require greater resources, and, therefore, should cost the rider more. The use of zones, however, comes at a cost. It creates an additional administrative burden on the agency by increasing the different types of tickets it must sell. It creates a burden on the rider who must figure out the trip's cost and then purchase the correct fare ticket or have the correct cash fare.

CAT makes use of three zones, with a zone charge of $0.60. The fare for zones 2 and 3 is each $0.60 more expensive than the prior zone. LT operates with a two-zone system. The first zone is everything within the City of Lebanon. The second zone encompasses the rest of Lebanon County. This system is somewhat simpler than CAT's, but still creates an additional burden on the agency and its riders. RT's services in both York and Adams Counties operate without zones. All trips, regardless of distance, are one flat fare.

In addition to zone charges, the fixed route operators also have fares that include multiple-ride media (e.g., tickets and passes) and special fares for specific rider groups (e.g., seniors, disabled, children and students). Exhibit 12 summarizes the fare structures and prices for local fixed route and express commuter services for the three providers in the region.

EXHIBIT 12: FY2012-13 FIXED ROUTE FARES

Fare Type	Zone	CAT	LT	RT Adams	RT York
Local Bus					
Shuttle	N/A	$0.75 / $1.25	--	$1.00	--
Cash	Zone 1	$1.75	$1.50	--	$1.50***
	Zone 2	$2.35	$2.00	--	--
	Zone 3	$2.95	--	--	--
Zone Charge	N/A	$0.60	$0.50	--	--
Transfer	N/A	$0.25	$0.25	Free	Free
Day Pass	Shuttle	--	--	$3.00	--
	Zone 1	—	$6.00	--	$4.50
	Zone 2	--	$6.00	--	--
	Zone 3	--	--	--	--
10-Ride Pass	Shuttle	--	--	$9.00	--
	Zone 1	$16.50*	$15.00	--	$15.00
	Zone 2	$22.00*	$20.00	--	--
	Zone 3	$28.00*	--	--	--
31-Day Pass	Shuttle	--	--	$27.00**	--
	Zone 1	$49.00**	$57.00	--	$42.00
	Zone 2	$70.00**	$76.00	--	--
	Zone 3	$87.00**	--	--	--
Express Commuter					
Single Ride	Zone 2	$2.35	--	--	--
	Zone 3	$2.95	--	--	--
	Lebanon-Harrisburg	--	$2.00	--	--
	Gettysburg-Harrisburg	--	--	$3.50	--
	York-Towson	--	--	--	$5.00
	York-Harrisburg	--	--	--	$3.50
10-Ride Pass	Zone 2	$22.00*	--	--	--
	Zone 3	$28.00*	--	--	--
	Lebanon-Harrisburg	--	$20.00	--	--
	Gettysburg-Harrisburg	--	--	$31.00	--
	York-Towson	--	--	--	$50.00
	York-Harrisburg	--	--	--	$31.00
31-Day Pass	Zone 2	$70.00**	--	--	--
	Zone 3	$87.00**	--	--	--
	Lebanon-Harrisburg	--	$76.00	--	--
	Gettysburg-Harrisburg	--	--	$95.00	--
	York-Towson	--	--	--	$136.00
	York-Harrisburg	--	--	--	$95.00

* Currently an 11-ride pass **Currently a monthly pass ***Currently $1.60

POTENTIAL INTEGRATED STRUCTURE

Using the goals and criteria discussed above, two options for a single regional-fare structure were created. Using many of the existing fares as a starting point, a fare model was constructed that calculated the change in revenue and ridership that would result from a unified fare. The model applied an elasticity value of -0.3 to changes in fares so that a higher fare would result in lower ridership, while a lower fare would increase ridership. The -0.3 value is widely recognized as appropriate for fixed route public transportation and yields a 3% increase (decrease) in ridership for each 10% decrease (increase) in fare.

Since revenue neutrality on a regional basis is one of the primary criteria, several different fare structures were tested until one was found that was as revenue neutral as possible within the bounds of typical transit fare schemes. Fares are generally priced in increments that make paying by cash while boarding the bus relatively easy – typically 10 cent or 25 cent increments. The resulting fare structure is presented in Exhibit 13 under "Revenue Neutral Proposal."

After reviewing the results of the revenue neutral consolidated fare structure, there was concern about the loss of riders in two of the three fixed route service areas. An alternate fare structure was explored that could minimize this ridership loss. This alternate fare structure, termed the "Ridership Neutral Proposal," is also presented in Exhibit 13.

Exhibit 13: Two Potential Integrated Fare Structures

Fare Type	Zone	Fares for Revenue Neutral Proposal	Fares for Ridership Neutral Proposal
Local Bus			
Shuttle	N/A	$1.00	$1.00
Cash	Zone 1	$1.60	$1.50
	Zone 2	$2.20	$2.10
	Zone 3	$2.80	$2.70
Zone Charge	N/A	$0.60	$0.60
Transfer	N/A	Free	Free
Day Pass	Shuttle	$3.00	$3.00
	Zone 1	$5.00	$4.70
	Zone 2	$6.50	$6.20
	Zone 3	$8.50	$8.20
10-Ride Pass	Shuttle	$9.00	$9.00
	Zone 1	$15.00	$14.00
	Zone 2	$20.00	$19.00
	Zone 3	$25.00	$24.00
31-Day Pass	Shuttle	$29.00	$29.00
	Zone 1	$48.00	$44.00
	Zone 2	$65.00	$62.00
	Zone 3	$83.00	$80.00
Express Commuter			
Single Ride	Zone 2: CAT Express; York-Harrisburg; Lebanon-Harrisburg	$3.50	$3.50
	Zone 3: CAT Express; York-Towson; Gettysburg-Harrisburg	$5.00	$5.00
10-Day Pass	Zone 2: CAT Express; York-Harrisburg; Lebanon-Harrisburg	$32.00	$32.00
	Zone 3: CAT Express; York-Towson; Gettysburg-Harrisburg	$45.00	$45.00
31-Day Pass	Zone 2: CAT Express; York-Harrisburg; Lebanon-Harrisburg	$100.00	$100.00
	Zone 3: CAT Express; York-Towson; Gettysburg-Harrisburg	$145.00	$145.00

Impacts of Integrated Fare Structure

The results of the Revenue Neutral and Ridership Neutral fare structures are presented in Exhibit 14 below. An important note related to the results is that RT's local fare was $1.50 during FY2012-13, the data-year used in this analysis. In 2014, RT raised this rate to $1.60, the rate that is assumed for the Revenue Neutral fare structure. The impact table in Exhibit 14 therefore adjusts the results for this fare structure to reflect the fact that this increase is already in place.

EXHIBIT 14: RESULTS OF TWO POTENTIAL FIXED ROUTE INTEGRATED FARE STRUCTURES

	Revenue Neutral Proposal				Ridership Neutral Proposal			
	CAT	LT	RT	Total	CAT	LT	RT	Total
Base Year Trips	2,674,400	291,100	1,568,500	**4,534,000**	2,674,400	291,100	1,568,500	**4,534,000**
Proposal Trips	2,707,200	286,300	1,540,600	**4,534,100**	2,759,600	290,200	1,563,700	**4,613,500**
Trip Difference	32,800	(4,800)	(27,900)	**100**	85,200	(900)	(4,800)	**79,500**
Base Year Revenue	$3,103,800	$348,100	$1,738,000	**$5,189,900**	$3,103,800	$348,100	$1,738,000	**$5,189,900**
Proposal Revenue	$3,045,300	$353,900	$1,856,500	**$5,255,700**	$2,880,900	$341,400	$1,789,000	**$5,011,300**
Revenue Difference	($58,500)	$5,800	$118,500	**$65,800**	($222,900)	($6,700)	$51,000	**($178,600)**
Fares Already Implemented	$0	$0	($30,500)	**($30,500)**	$0	$0	$0	**$0**
Net Revenue Difference	($58,500)	$5,800	$88,000	**$35,300**	($222,900)	($6,700)	$51,000	**($178,600)**
% Revenue Change	-1.9%	1.7%	5.1%	**0.7%**	-7.2%	-1.9%	2.9%	**-3.4%**

The results of the Revenue Neutral Proposal show that while revenue and ridership remain fairly stable on a region-wide basis, impacts at the county level vary widely. CAT's fares decrease with the implementation of a regional fare, therefore inducing an increase in ridership of more than 32,000. The decreased fares, however, reduce revenue by $58,500. This regional fare structure has the opposite effect at LT and RT. Both agencies lose riders as a result of a fare increase relative to existing fares, but generate additional revenue.

The Ridership Neutral scenario is able to minimize ridership losses at both LT and RT while also increasing ridership at CAT even more than in the Revenue Neutral Scenario. However, as a result of lowering the fares to keep ridership intact, a small revenue loss of approximately $179,000 region-wide is forecast.

These two options demonstrate two potential fare structures, both of which could be reasonable for use in the region. The choice between the two approaches will have to be made on a determination of whether maintaining the existing level of ridership or revenue is most important.

These fare structures can also be evaluated with respect to the stakeholder's goals as shown in Exhibit 15 below:

Exhibit 15: Comparison of Two Fare Structures to Stakeholder Goals

Goal	Definition	Revenue Neutral Proposal	Ridership Neutral Proposal
Uniformity	Fares charged should be similar throughout the region	Meets goal	Meets goal
Revenue Neutrality	New structure should yield the same revenue as the six operations do today	Meets goal	Regional revenue loss of $179K (3.4%)
Regional Integrity	Facilitate travel between counties in the region	Meets goal	Meets goal
Equity	Correlate the fare charged to the distance travelled	Meets goal; trips greater than 25 miles in Lebanon and York see the highest fare increases	Meets goal; trips greater than 25 miles in Lebanon and York see the highest fare increases
Administrative Ease	Efficient fare collection and processing	Meets goal	Meets goal
Comprehension	Easily understood by the riders	Meets goal	Meets goal
Ridership Generation	Increase ridership through fare incentives	Loss of 27,900 riders in York (1.8%); Neutral impact regionally	Meets goal
Compliance	Conforms to state and federal regulation	Meets goal	Meets goal

Demand Response Fare Structure

Demand response transit service is currently offered in all seven counties within the study region. In order to best meet the goals mapped out with the stakeholders, the following criteria were crafted for the integrated demand response fare structure:

Demand Response Fare Structure Criteria

- Create uniform, distance-based fares
- Standardize the fare zone boundaries across the region
- Incorporate simple increments of fare
- Charge more for longer trips but have fares rise at a decreasing rate for increasing distances

1. **Create uniform, distance-based fares.** The integrated structure should accommodate a wide range of trip lengths and use simple increments of distance.

2. **Standardize the fare zone boundaries across the region**:
    a. Option 1: single fare structure with eight zones
    b. Option 2: dual fare structure based on urban (CAT, LT and RT) vs. rural (CCT, FCT and PCT) service
    c. Option 3: dual fare structure based on compact (CAT and LT) vs. distributed (CCT, FCT, PCT and RT) trip patterns

3. **Incorporate simple increments of fares.**

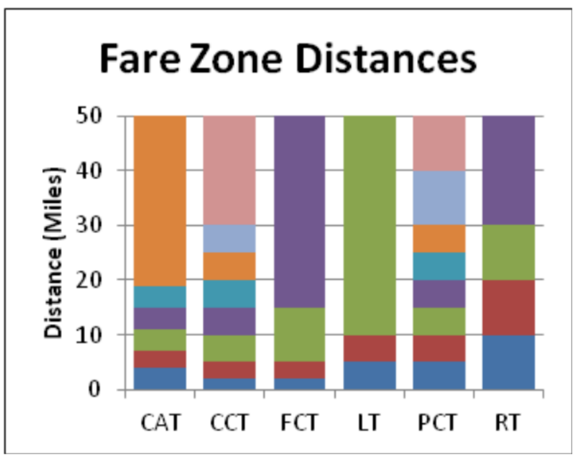
4. **Charge more for longer trips, but have fares rise at a decreasing rate for increasing distances.**

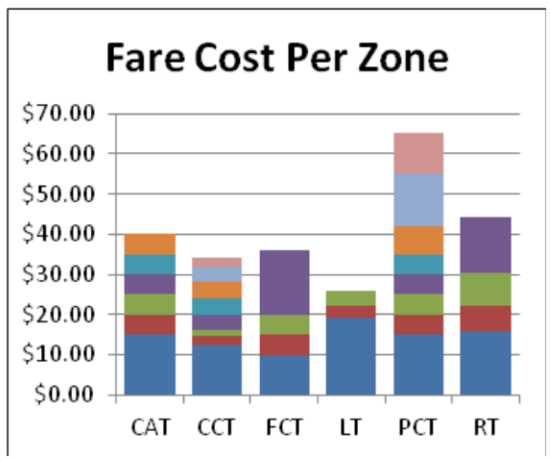
Current Structure

As noted in the *Current Environment* chapter, the seven-county region is very diverse in demographic characteristics and development patterns. That diversity is reflected in the wide range of fare structures employed by the six providers in the region for demand response service. Each agency operates with a mileage based zone structure. The structures, however, vary widely in the number of zones they employ and the fare charge associated with each zone.

Exhibit 16 illustrates the variety of fare strategies employed in the region. The first graph displays the number of fare zones used by each system and the distance covered by each zone. Perry and Cumberland Counties have the most zones with eight while Lebanon has only three. The second graph shows the number of zones and the fare for each zone. The difference in fares charged is illustrated by PCT's fare which tops out at $65.00 while LT's highest fare is just $26.00. PCT's higher fare is a function of its average trip length of 23.7 miles which is more than three times the average trip length of LT at 7.1 miles.

Exhibit 16: Fare Zone Distances and Fare per Zone - Demand Response Service





Potential Integrated Structure

Using the goals and criteria discussed above, a single, regional-fare structure was developed for demand response service. A demand response fare model was constructed that calculated the change in revenue resulting from the unified fare being applied at each agency. Unlike the fixed route calculations, the demand response model did not apply elasticity to ridership. Many demand response trips are not discretionary and riders pay only a small portion of the fare. Accordingly, changes in the fare have little effect on ridership. Since revenue neutrality was a primary criterion, several different fares were tested until one was found to be as revenue neutral as reasonably possible. The optimum fares for a single integrated fare structure is presented in Exhibit 17 with the associated trip and revenue results shown in Exhibit 18.

EXHIBIT 17: SINGLE INTEGRATED DEMAND RESPONSE FARE STRUCTURE

Zone	Mileage From	Mileage To	Fare
1	0	1.99	$11.75
2	2.00	4.99	$14.50
3	5.00	9.99	$19.50
4	10.00	14.99	$24.50
5	15.00	19.99	$29.50
6	20.00	29.99	$34.50
7	30.00	39.99	$39.50
8	40.00	More	$44.50

EXHIBIT 18: RIDERSHIP AND REVENUE RESULTS OF SINGLE INTEGRATED DEMAND RESPONSE FARE STRUCTURE

County	Base Year Trips	Base Year Revenues	Proposed Revenues	Revenue Difference	Percent Difference	Base Year Avg. Fare	Proposed Avg. Fare
Authorities							
Dauphin (CAT)	191,300	$4,035,400	$3,467,600	($567,800)	-14.07%	$21.09	$18.13
Lebanon (LT)	46,400	$965,800	$788,100	($177,700)	-18.40%	$20.81	$16.98
York/Adams(RT)	174,600	$2,944,300	$3,566,900	$622,600	21.15%	$16.86	$20.43
Counties							
Cumberland(CCT)	127,400	$2,169,200	$2,436,300	$267,100	12.31%	$17.03	$19.12
Franklin (FCT)	51,000	$927,800	$941,700	$13,900	1.50%	$18.19	$18.46
Perry (PCT)	36,100	$1,157,400	$1,009,200	($148,200)	-12.80%	$32.06	$27.96
Total	**626,800**	**$12,199,900**	**$12,209,800**	**$9,900**	**0.08%**	**$19.46**	**$19.48**

Note: Base year data reflect FY2012-13 results except for Cumberland and Lebanon which had subsequent fare changes, so their data reflect FY2013-14 results.

As can be seen in the table above, the overall results are revenue neutral. Revenue increases by less than 0.10%. In individual counties, however, the results are very mixed. Some areas, such as Lebanon County, experience significant reduction in revenue due to a much lower average fare. In other areas, such as York and Adams Counties, revenue and average fare increased dramatically, by over 21%.

Because of these dramatic disparities and especially out of concern for the riders and sponsoring agencies of the CCT and RT systems who would see significant increases in fares, an alternative structure was examined – a dual regional fare structure.

First, a dual fare structure was examined that created one fare structure for the systems with a more urbanized population (RT, CAT, and LT) and another fare structure for the more rural portions of the seven-county region (CCT, FCT, and PCT). Each of the fare structures was set to be revenue neutral for the area to which it applied. This dual fare scheme, however, produced even less desirable results for RT with revenues and average fare rising by over 22%.

A second dual fare structure was therefore developed that divided the providers into two groups based on their trip patterns. Two agencies, CAT and LT, had trip patterns that were compact where trips were mostly shorter distances. The other four agencies had more dispersed trip patterns. As it turned out, this dual structure was also geographically divided. CAT and LT were in the eastern portion of the study area while the others were in the west. Exhibit 19 and Exhibit 20 respectively show the dual fare schedule and the ridership and revenue results for this West/East division.

Exhibit 19: West/East Dual Fare Structure for Demand Response Service

West Zone	West Mileage From	West Mileage To	West Fare	East Zone	East Mileage From	East Mileage To	East Fare
1	0	1.99	$12.25	1	0	1.99	$14.50
2	2.00	4.99	$14.00	2	2.00	4.99	$17.00
3	5.00	9.99	$18.00	3	5.00	9.99	$23.00
4	10.00	14.99	$20.00	4	10.00	14.99	$28.00
5	15.00	19.99	$25.00	5	15.00	19.99	$34.00
6	20.00	29.99	$30.00	6	20.00	20.00+	$40.00
7	30.00	39.99	$35.00				
8	40.00	More	$40.00				

Exhibit 20: Ridership and Revenue Results for the West/East Dual Fare Structure

Agency	Base Year Trips	Base Year Revenue	Proposed Revenue	Revenue Difference	Percent Difference	Base Year Avg. Fare	Proposed Avg. Fare
West							
CCT	127,400	$2,169,200	$2,225,700	$56,500	2.60%	$17.03	$17.47
FCT	51,000	$927,800	$863,200	($64,600)	(6.96%)	$18.19	$16.93
PCT	36,100	$1,157,400	$884,900	($272,500)	(23.54%)	$32.06	$24.51
RT	174,600	$2,944,300	$3,227,700	$283,400	9.63%	$16.86	$18.49
Subtotal	389,100	7,198,700	7,201,500	$2,800	0.04%	$18.50	$18.51
East							
CAT	191,300	$4,035,400	$4,073,400	$38,000	0.94%	$21.09	$21.29
LT	46,400	$965,800	$929,600	($36,200)	(3.75%)	$20.81	$20.03
Subtotal	237,700	$5,001,200	$5,003,000	$1,800	0.04%	$21.04	$21.05
Total	**626,800**	**$12,199,900**	**$12,204,500**	**$4,600**	**0.04%**	**$19.46**	**$19.47**

Note: Base year data reflect FY2012-13 results except for Cumberland and Lebanon which had subsequent fare changes, so their data reflect FY2013-14 results.

The results of this dual fare structure produce much less volatile increases and decreases throughout the region, with one exception. At PCT, average fare decreases by over 23%. This decrease will have a very positive impact on riders in Perry County. In this option, average fare at RT is minimized compared to the other options, but still increases by almost 10%. Should this structure be adopted, a gradual change for the riders in the West could be implemented over a multi-year period. The fare structure for the East could be implemented immediately.

Impacts of Integrated Fare Structure

Exhibit 21 below provides a comparison of the single fare structure and the West/East dual fare structure.

Exhibit 21: Single Fare Structure vs. West/East Dual Fare Structure

	Single Structure			West/East Dual Structure		
Agency	**Percent Change**	**Base Year Avg. Fare**	**Proposed Avg. Fare**	**Percent Change**	**Base Year Avg. Fare**	**Proposed Avg. Fare**
West						
CCT	12.31%	$17.03	$19.12	2.60%	$17.03	$17.47
FCT	1.50%	$18.19	$18.46	-6.96%	$18.19	$16.93
PCT	-12.80%	$32.06	$27.96	-23.54%	$32.06	$24.51
RT	21.15%	$16.86	$20.43	9.63%	$16.86	$18.49
East						
CAT	-14.07%	$21.09	$18.13	0.94%	$21.09	$21.29
LT	-18.40%	$20.81	$16.98	-3.75%	$20.81	$20.03
Total	**0.08%**	**$19.46**	**$19.48**	**0.04%**	**$19.46**	**$19.47**

The dual demand response fare structure can also be evaluated with respect to the stakeholder's goals as shown in Exhibit 22 below:

Exhibit 22: Comparison of Dual West/East Fare Structure to Stakeholder Goals

Goal	Definition	Dual West/East Proposal
Uniformity	Fares charged should be similar throughout the region	Dual, rather than single, fare structure results in the least volatility and lowest increase in fares
Revenue Neutrality	New structure should yield the same revenue as the six operations do today	Meets the goal
Regional Integrity	Facilitate travel between counties in the region	Within each of the two fare structures, regional travel is facilitated. For regional programs, such as Lottery and MATP, costs will change similarly to overall change in regional revenue
Equity	Correlate the fare charged to the distance travelled	Meets the goal
Administrative Ease	Efficient fare collection and processing	Two fare structures are easier to administer than the current seven
Comprehension	Easily understood by the riders	Remaining obstacle is variety of local funding structures for similar programs across the region. Common funding practices, particularly those related to Area Agency on Aging funding, will be important for creating the most uniform and easily understood payment structure
Ridership Generation	Increase ridership through fare incentives	Overall ridership impacts likely minimal. Three counties see fare reductions which may increase ridership. Increase in York fares should result in no ridership change if they are gradually implemented
Compliance	Conforms to state & federal regulation	Meets goal

Impact of Regionalization

Estimating the financial impact of a single regional transit authority requires an understanding of how the authority will be structured from an organizational and governance perspective. One potential scenario out of numerous available options was modeled for each of the two regionalization scenarios based on the regionalization profiles developed as well as the previously identified benefits and challenges. Other viable options exist and ultimately the decisions regarding what the south central regionalization would look like would be determined during a planning and transition period prior to the start of regionalized operations.

The financial impact analysis contained in this report focuses on administrative savings and assumes no change to existing service and maximizing the use of existing assets to minimize new capital investment requirements. However, service changes would certainly occur with a single regional authority and would further contribute to the financial and operational benefits estimated in this chapter. Each service change would require a comprehensive analysis to optimize such benefits.

The subsequent text in this chapter describes the approach, assumptions, and resulting financial impact of the two examined regionalization scenarios.

Estimated Financial Impact of a Single Regional Authority

The estimated financial impact of regionalization was developed by examining eight key areas of operating expenses – salaries, employee benefits, services, maintenance, fuel, office, casualty and liability and allocated county costs.

Staffing Plan

In order to estimate salary and employee benefit changes, a staffing plan for a single regional authority was developed. The regionalization profile for the single regional authority was used as the basis for developing the staffing requirements.

It is assumed that the single regional authority's organization is divided into five primary functional areas, each reporting to the Chief Executive Officer (CEO) – Operations, Finance, Technology, Human Resources and Communications. Each of these areas is populated with positions responsible for the following functions:

- Operations – Transportation Delivery; Dispatching and Road Supervision; Asset Management (Fleet, Facilities, Materials and Inventory); Safety and Security; Service Planning and Scheduling; and Operations Training
- Finance – Accounting; Payroll; Financial Planning and Budgets; Grants Management and Financial Analysis; Cash and Debt Management; and Procurement
- Technology – Technology Standards, Policy and Planning; Technology Contract Management
- Human Resources – General Human Services; Labor Relations; and DBE and EEOC
- Communications – Communications; Public Relations and Government Affairs; Customer Services; and Marketing & Advertising.

Additionally, it is assumed that some functions, such as legal, non-operations training and advertising, would be provided in whole or in part through third party contracts rather than the authority's employees.

Today, there are 125.6 combined administrative full-time equivalent (FTE) positions in the region. A single regional authority achieves efficiencies by reducing this administrative headcount to 96 FTEs through a centralized management team. Exhibit 23 shows the projected change in administrative headcount by major functional area:

EXHIBIT 23: PROJECTED CHANGE IN ADMINISTRATIVE FTES WITH A SINGLE REGIONAL AUTHORITY

Function	Combined Agencies Today	Single Regional Authority	Change
Executive and Executive Assistance	11.0	2.0	(9.0)
Communications, Marketing and Advertising	5.0	4.0	(1.0)
Finance and Procurement	16.0	14.0	(2.0)
Human Resources	3.3	4.0	0.7
Information Technology	1.0	1.0	0.0
Office Management and Support	14.2	5.0	(9.2)
Operations and Customer Service	75.1	66.0	(9.1)
Total	125.6	96.0	(29.6)
% Change	--	--	(24%)

Position reductions stem primarily from eliminating redundant positions and are *net* of adding new positions to support operations across the entire region. The new positions include those for training, safety, procurement and human resources.

This analysis assumes a staffing plan representing one hypothetical scenario on how the consolidated agency could be staffed. It is understood that different viewpoints may exist with regard to the number and level of positions and the related salaries incorporated in this organizational structure. If any of those alternative viewpoints were incorporated into the regional model, it would result in an increase or decrease to the salary and employee benefit savings reflected in the analysis.

Salary Expenses

A complete inventory of all existing administrative positions, as defined in this study, and their salaries were obtained from each transit provider. Using the staffing plan that was developed and discussed above, each position on an organization chart was assigned a title that was best aligned with the responsibilities of the position. For the vast majority of these jobs, position titles and their salaries remained as they are today since the responsibilities remained the same in the new regional authority. Salaries were adjusted for existing positions where there was a significant increase in responsibility between current operations and operating as a single regional authority. Newly created positions were identified that did not exist today and were priced at a salary that was commensurate with the responsibility[7].

The net reduction in the number of administrative positions due to regionalization with a single regional authority would yield $751 thousand in reduced salary costs.

Employee Benefit Expenses

There are two components of savings related to employee benefit expenses. The first is savings attributed to eliminated positions and the second is savings attributed to standardizing employee benefits plans for the single authority's administrative employees.

The single regional authority staffing plan resulted in a reduction of 29.6 FTEs and an associated salary reduction of $751 thousand. The average employee benefit to salary ratio of 57% found at the existing transit agencies was applied to these salary reductions to obtain the estimate of employee benefit savings related to position reductions.

The remaining 96 individuals in administrative positions at the single regional authority would receive a standardized benefit package. The *Current Environment* chapter indicated that a variety of health care plans and retirement plans were in use among the region's transit providers. One way to reduce average health plan costs is to take advantage of less expensive insurance coverage by spreading the risk to an expanded insured employee pool. And, one way to reduce average retirement plan costs is to offer a defined contribution plan rather than a defined benefit plan.

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[7] Salary data was obtained from APTA's Public Transportation Management Compensation Report

The regionalization model does not assume a luxury employee benefit plan nor does it assume the lowest cost employee benefit plan. Instead, the model assumes an overall employee benefit to salary ratio of 50%, the ratio currently seen at RT. The RT ratio was chosen since it fell in the middle of the range of existing transit agency ratios[8], it is the recommended agency from which the new regional authority would be formed and it offers a defined contribution plan with an employer match. The difference between the current average employee benefit to salary ratio of 57% and the 50% assumption in the regionalization model yields the savings estimate due to regionalization with a single authority.

The reduction in the number of administrative employees and the standardization of health care and retirement benefits for administrative employees resulting from regionalization with a single authority would yield $772 thousand in savings.

SERVICES

Next to labor related savings, professional services are typically one of the larger remaining cost areas susceptible to reductions due to regionalization. The key components of professional services are audit, payroll, legal, technology and planning services. As an example, a single regional authority would require only one annual independent financial audit, while today one for each of the six agencies is required. Estimated professional services savings as a result of regionalization with a single authority is $177 thousand.

MAINTENANCE

Since mechanic positions (labor) will not be impacted by regionalization, the potential for savings is focused on contracted maintenance services and the purchase of maintenance related materials and supplies. A wide range of costs per vehicle for these services and products are seen today among the existing transit agencies, ranging from $2,382 per vehicle to $7,437 per vehicle. The savings analysis assumes that only the highest costs in this range will be reduced and the lower costs per vehicle seen at the county-based agencies for contract services will be preserved. Volume purchasing should contribute to cost reductions for materials and supplies. Therefore, maintenance savings as a result of regionalization with a single authority is estimated to be approximately $114 thousand or 6% of the combined regional spending today.

FUEL

The existing transit agencies purchase both gasoline and diesel for their vehicles and equipment. Gasoline is purchased by all six existing agencies and diesel is purchased by the three authorities.

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[8] Employee benefits to salary ratios at the existing transit agencies in the region range from 33% to 66%

For gasoline, there is a 60 cent spread in the average cost per gallon between the highest and lowest agency cost; and for diesel, there is a 50 cent spread between the highest and lowest agency cost. The use of standard fuel management software combined with a single purchaser for the region's fuel needs provides the potential for cost savings of approximately $206 thousand. These savings do not incorporate the impact of increases and decreases in prices due to economic or global fuel industry factors.

Office

Office related costs include expenses related to office materials and supplies, marketing and advertising, dues and subscriptions, forms and postage, telephone, and travel and meetings. Many of these items will see a proportional decrease in costs related to the reduction in administrative staff and others will see a more limited reduction due to volume purchasing or other factors. Office related savings overall are estimated to be reduced by approximately $272 thousand as a result of regionalization with a single regional authority.

Casualty and Liability

It was assumed that general liability coverage and costs for claims under regionalization with a single authority will remain relatively close to current spending levels. However, there may be a risk for higher insurance costs for vehicle coverage. Therefore, it is estimated that casualty and liability expenses would increase in this scenario by approximately $90 thousand.

Allocated County Costs

Today, CCT pays allocated costs to Cumberland County for county expenses such as those related to commissioners, treasurer, controller, finance, administration and human resources activities. Regionalization with a single regional authority would eliminate the need for this payment since the services currently provided by the county would be provided by the central administrative staff of the regional authority. The savings related to allocated county costs, not already accounted for in other expense categories, is approximately $62 thousand.

Operating Revenue

Transit consolidations tend not to produce incremental revenue except for advertising revenue due to volume purchasing. It is also possible for fare revenue to increase either as a result of a decision to generate more revenue from a newly integrated fare structure or as a result of ridership growth due to the draw of a seamless regional transportation system and/or the adjustment of service provision. Since this study does not include the development of an optimal service network, the regional model only assumes a benefit of $7 thousand in increased advertising revenue.

Summary Financial Impact

Exhibit 24 provides a summary of the estimated financial impact of a south central transit regionalization with a single regional authority – $2.271 million of cost reductions and revenue increases. This estimate is considered to be conservative as it does not include any savings or incremental revenue related to an integrated service plan.

Exhibit 24: Estimated Financial Impact of Regionalization with a Single Regional Authority

Operating Line Item	Savings (Costs) in $000
Salaries	$751
Employee Benefits	772
Services	177
Maintenance	114
Fuel	206
Office	272
Casualty and Liability	(90)
Allocated County Costs	62
Total Expense Savings	$2,264
Advertising Revenue Gains	7
Total Revenue and Expense Benefits	$2,271

Estimated Financial Impact of a Shared Services Entity

The estimate of the financial impact of regionalization for the shared services entity was developed by examining the same eight key areas of operating expenses as that of the single authority scenario – salaries, employee benefits, services, maintenance, fuel, office, casualty and liability and allocated county costs.

Staffing Plan

In order to estimate salary and employee benefit changes, a staffing plan was required to be developed. The regionalization profile for the shared services entity was used as the basis for developing the staffing requirements.

There are two components to the shared services staffing plan – the organization for the new shared services entity itself and the revised organization for the six existing transit agencies. The organization for the shared services entity is comprised of executive, financial and specialist staff where the type and level of specialist positions are determined by the set of services provided to the existing transit agencies. For this regional model, those services are defined in the *Regionalization Profile* chapter of this report. The organization that provides those services would include specialist staff in the areas of procurement, training, human resource compliance, technology, service planning and customer service. The shared services entity will also provide some services, such as legal services, to the existing transit agencies with the use of third party contractors instead of in-house staff.

Since there is no centralization of executive, operational and financial management in the shared services scenario, the only way to see administrative staff reductions is to eliminate positions in the existing transit agencies for functions the shared service entity will be providing. These reductions, however, are more than offset by the creation of new positions at the shared services entity.

It is important to recognize that many of the functions provided by the shared services entity are critical functions that are not currently performed or performed on a limited basis by the existing transit agencies. Therefore, these additional positions created at the shared services entity are not being offset by reductions at the existing transit agencies since there are no positions to cut. The alternative of a single regional authority offers the opportunity to provide such new services for the region at the same time as reducing executive, operational and financial management because there is no longer a need for multiple positions in a single organization.

Today, there are 125.6 combined administrative full-time equivalent (FTE) positions in the region. The staffing for a shared services regionalization scenario would be the result of combining the staff for the new shared services entity with the reduced administrative staff for the existing transit agencies. Exhibit 25 shows the projected change in administrative headcount by major functional area:

EXHIBIT 25: PROJECTED CHANGE IN ADMINISTRATIVE FTES - SHARED SERVICES ENTITY

Function	Combined Agencies Today	Shared Services Scenario	Change from Today (E=D-A)
Executive and Executive Assistance	11.0	13.0	2.0
Communications, Marketing & Advertising	5.0	3.0	(2.0)
Finance and Procurement	16.0	16.0	0.0
Human Resources	3.3	5.3	2.0
Information Technology	1.0	1.0	0.0
Office Management and Support	14.2	14.2	0.0
Operations and Customer Service	75.1	75.9	0.8
Total	125.6	128.4	2.8
% Change	--	--	2%

Due to the need to add jobs for the new shared services entity and the limited opportunities to reduce jobs at the existing transit agencies, the shared services scenario results in an ***addition*** of 2.8 FTEs.

This analysis assumes a staffing plan representing one hypothetical scenario on how the shared services entity could be staffed. It is understood that different viewpoints may exist with regard to the number and level of positions and the related salaries incorporated in this organizational structure. If any of those alternative viewpoints were incorporated into the regional model, it would result in an increase or decrease to the salary and employee benefit savings reflected in this chapter.

Salary Expenses

As with the single regional authority scenario, an inventory of existing administrative positions and related salaries was gathered and compared to the positions and related salaries of the shared services scenario described above. The net increase in the number of administrative positions due to regionalization with a shared services entity results in $276 thousand of increased salary costs.

Employee Benefit Expenses

Since there is an increase in positions and an increase in the average salary of administrative positions under the shared services scenario, employee benefit costs will increase[9].

The shared services entity staffing plan resulted in an increase of 2.8 FTEs and an associated salary increase of $276 thousand. The average employee benefits to salary ratio of 57% found at the existing transit agencies was applied to the salaries of administrative staff at the existing agencies and a 50% ratio was applied to the salaries of administrative staff at the shared services entity. The result was an increase in employee benefit costs of $138 thousand. There is no standardization of benefits in this scenario since the existing transit agencies continue to use their existing benefit packages.

Services

The shared services entity will have its own needs for contracted legal, auditing, technology and other services. It will also use contract agreements to provide some services to the existing transit agencies, such as for legal expertise and training provision. Service costs at the existing agencies are not expected to change under the shared services scenario. Therefore, it is estimated that there will be additional costs of $180 thousand annually for services at the shared services entity.

[9] The average salary grows in this scenario since there is an increase in the number of higher paid executive positions

Maintenance

Since the shared services entity would be managing maintenance procurement and contract maintenance services, it is assumed that the same level of savings as forecast for the single regional authority could be achieved with the shared services scenario – $114 thousand.

Fuel

Since the shared services entity would be using a single fuel management software package and managing the purchase of fuel for each of the existing transit agencies it is assumed that the same level of savings as forecast for the single regional authority could be achieved with the shared services scenario – $206 thousand.

Office

The shared services entity will have its own office related costs as described in the single authority office cost section which has been sized proportionately based on the number of administrative staff in its organization as compared to administrative staff in the existing transit agencies. These are expenses not incurred today. The largest office related expense item would be the incremental cost for leased office space to hold the entity's administrative and call center staff. It is estimated that the combined costs would be approximately $516 thousand. Since the existing transit agencies would continue to operate as they do today, there would be no change to their annual costs.

Casualty and Liability

The new shared services entity will require insurance related to its operations which is estimated to cost approximately $47 thousand annually. Since the existing transit agencies will continue to operate as they do today, there would be no change to their annual costs.

Allocated County Costs

Under a shared services structure, the existing transit agencies continue to operate as they do today. The county based agencies would continue to receive county provided services for some of their administrative functions and CCT, in particular, would continue to pay for allocated county costs. Therefore, there would be no savings related to allocated county costs.

Operating Revenue

Transit consolidations tend not to produce incremental revenue except for advertising revenue due to volume purchasing. Since the shared services entity will be providing advertising services for the full region, the regionalization model assumes a benefit of $7 thousand in increased advertising revenue.

Summary Financial Impact

Exhibit 26 provides a summary of the estimated financial impact of a south central transit regionalization with a shared services entity – $837 thousand of incremental costs, partially offset by $7 thousand of additional revenue:

Exhibit 26: Estimated Financial Impact of Regionalization - Shared Services Entity

Operating Line Item	Savings (Costs) in $000
Salaries	($276)
Employee Benefits	(138)
Services	(180)
Maintenance	114
Fuel	206
Office	(516)
Casualty and Liability	(47)
Allocated County Costs	0
Total Expense Costs	($837)
Advertising Revenue Gains	7
Net Revenue and Expense Costs	($830)

Additional Local Government Impacts from Regionalization

Today, Cumberland, Dauphin, Lebanon and York counties along with the City of Harrisburg provide local match funding for fixed route service. In Fiscal Year 2013-14 the total combined local match payments for these municipalities was approximately $1.2 million.

The passage of Pennsylvania Act 89 permits PennDOT to reduce the fixed route local match requirements for municipalities that implement regional consolidations or cooperation agreements up to a maximum value equal to the amount of savings generated by such consolidation or cooperation agreement.

Local Government Impacts of a Single Regional Authority

- Elimination of fixed route local operating matches for five years
- Elimination of local contributions, reduction or elimination of use of fixed route grants, and/or delay in fare increases for demand response services
- Cumberland, Franklin and Perry counties no longer provide administrative and overhead services for transit programs
- Cumberland County no longer receives payment for allocated overhead costs
- Regional authority pays actual costs for office and vehicle storage space to Cumberland and Franklin counties
- Regional authority pays actual costs for vehicle maintenance to Cumberland County

Based on the amount of savings estimated to be generated by a single regional authority, the pursuit of this regionalization scenario in the south central region would result in an elimination of the fixed route operating local match requirements for a five year period. Since there are no savings in the shared services scenario, no reduction in the local match requirements would be seen if the region pursued this regionalization scenario.

All or a portion of the remaining savings from a single regional authority could be used in support of demand response services in the region. Potential uses of such savings include, but are not limited to, the elimination of any permanent or temporary county contributions made for demand response activities[10], the reduction or elimination of the use of fixed route grants for demand response service and/or postponement of demand response fare increases. As an example, the board of the single regional authority could decide to use a portion of the regionalization savings to support the demand response fare integration and immediately implement the full dual fare structure noted earlier in this report rather than implement it over a multi-year period.

As noted earlier in this report, the three county-based transit agencies receive administrative and overhead services from their counties. If a single regional authority is formed for transit services, the counties will no longer need to provide the administration, grant management, finance, human resources, legal, technology, procurement, risk management and maintenance services for their transportation departments. The three counties could reduce their overhead costs or at least improve productivity. Cumberland County would no longer receive payment for allocated overhead costs charged to its transit program.

Additionally, the regional authority would pay actual operating costs, such as utilities and maintenance, for the office and vehicle storage space it would lease from Franklin and Cumberland counties. Additionally, it would pay Cumberland County for vehicle maintenance services for vehicles operating out of the Carlisle location.

Under a shared services scenario, there would be virtually no change in the county services provided for their transit programs, nor would there be any payments made to the counties for leased space.

[10] In recent years, Cumberland and Franklin counties have provided contributions for demand response service and Perry County has provided cash flow loans for its transit program.

Summary Financial Impact of Two Regionalization Scenarios

Exhibit 27 provides a summary comparison of the financial impact on the transit providers of the two regionalization scenarios:

Exhibit 27: Estimated Financial Impact of Single Regional Authority vs. Shared Services Entity

Operating Line Item	Single Regional Authority Savings (Costs) in $000	Shared Services Entity Savings (Costs) in $000
Salaries	$751	($276)
Employee Benefits	772	(138)
Services	177	(180)
Maintenance	114	114
Fuel	206	206
Office	272	(516)
Casualty and Liability	(90)	(47)
Allocated County Costs	62	0
Total Expense Savings (Costs)	$2,264	($837)
Advertising Revenue Gains	7	7
Net Revenue and Expense Benefits	$2,271	($830)

The results of the regionalization analysis show that there are significant savings that can be achieved with a single regional authority structure. In contrast, a shared services structure will cost the participants more than is currently being spent as a new organization needs to be funded, additional services need to be funded and relatively few positions would be eliminated at the existing transit agencies.

Exhibit 28 provides a summary comparison of the overall impact on the transit providers and the local governments that support them:

Exhibit 28: Overall Impact of Regionalization Scenarios on Transit and Local Governments

	Single Regional Authority	Shared Services Entity
Total Administrative FTEs	• 96.0 FTEs	• 128.4 FTEs
Financial Impact on Transit Providers	• Cost savings of $2.3 million	• Increased costs of $837 thousand
Local Match Requirements for Fixed Route Operations	• Elimination of local match	• No change in local match
Demand Response Service Benefits	• Ability to eliminate county contributions, reduce use of fixed route grants and/or delay fare increases • Dual regional fare structure reduces average fares in Franklin, Lebanon and Perry counties	• No benefits
County Provided Services	• County administrative and overhead services for transit no longer required	• No elimination of county services
Other County Impacts	• Cumberland and Franklin counties receive payment for actual costs for leased office and vehicle storage space • Cumberland County no longer receives payment for allocated overhead costs • Cumberland County receives payment for maintenance of vehicles	• None

HIGH-LEVEL TRANSITION PLANS FOR THE TWO REGIONALIZATION SCENARIOS

The successful regionalization of transit services in south central Pennsylvania will be a complex task requiring significant planning and transition efforts.

The transition efforts for either regionalization scenario will require a combination of consultant and in-house staff support. In-house staff involved in the transition would include members of senior management staff at the existing transit agencies as well as senior management staff at the new regional organizations who are hired prior to full regional operations. At the start of the transition, more support would be provided by a consultant team and as the start of regional operations approached, more support would be provided by in-house staff at the new regional organization. Transition costs, which would be borne by PennDOT, would include capital and operating costs for technology, equipment, vehicles and office space required for regional operations and for consultant fees and senior management salaries and benefits incurred during the transition period.

Transition would occur over three phases – Resolutions and Approvals, Organization Start-up, and Functional Transition.

The first phase, Resolutions and Approvals, involves local elected officials determining if and how regionalization is to occur and when legislative steps occur to facilitate it. Exhibit 29 provides a summary of the key steps that would occur in Phase I for both regionalization scenarios:

EXHIBIT 29: PHASE I TRANSITION STEPS FOR EITHER SINGLE REGIONAL AUTHORITY OR SHARED SERVICES ENTITY

Key Phase I Transition Steps
Local Elected Officials
• Agree on regionalization scenario
• Agree on governance structure
• Approve by resolution, establishment of new regional entity (single authority or shared services entity)
• Approve by resolution, the transfer of transit responsibilities to the single regional authority if this scenario is chosen
• Appoint Board members in accordance with governance structure agreement
Transit Agencies (County Departments and Transit Authorities)
• Appoint Board members if required by governance structure agreement
• Appoint transition point person from each agency

Once Phase I is completed, stakeholders should expect Phase II and Phase III combined to take 11 to 13 months to complete depending upon which regionalization scenario is pursued. The longer timeframe of 13 months would be necessary for the single regional authority since there are more information systems that need to be installed and functioning at the start of regional operations.

Phase II, Organization Start-Up, revolves around the legal and financial requirements of forming a new entity and legal and management issues related to governance. Exhibit 30 shows the key steps that would occur during Phase II for either a single regional authority or a shared services entity:

EXHIBIT 30: PHASE II TRANSITION STEPS FOR EITHER SINGLE REGIONAL AUTHORITY OR SHARED SERVICES ENTITY

Key Phase II Transition Steps
Regional Entity Formation
• Legally establish new entity and draft articles of incorporation
• Name entity reflecting its regional purpose
• Register name and develop logo
• Obtain federal, state and local corporate identification numbers
• File appropriate tax entity registrations
Regional Entity Governance
• Appointed Board members convene and create corporate bylaws
• Board forms transition team with PennDOT support (Transition team reports to Board until GM is hired)
• Transition team prepares transition plan, budget and calendar
• Transition team provides monthly status reports to regional Board, PennDOT, counties and transit agencies
• Board hires authority General Manager or shared services entity Executive Director

Other than the hiring of the general manager/executive director, Phase II should take no more than two months to complete.

Phase III, which is the heart of the transition, can begin any time after the transition team is formed, and the regional entity board has created its corporate bylaws. Phase III, Functional Transition, involves the legal, financial, operational, technological, human resource and communications activities required to start regionalized operations. For example, the existing agencies' fixed assets would need to be transferred to a regional authority, a single accounting system would need to be selected and structured to support the single authority's needs, health care and retirement plans would need to be in place by the start of regionalized operations and service contracts between the shared services entity (if created) and the existing transit agencies would need to be executed. Other changes, such as the installation of upgraded fare collection devices and the use of consistent vehicle livery could be accomplished subsequent to the start of regionalized operations.

Exhibit 31-Exhibit 37 compare key activities of Phase III by functional area – Executive and Legal, Finance, Human Resources, Communications, Customer Service, Technology and Operations – for the single regional authority and shared services scenarios.

Exhibit 31: Phase III Executive and Legal Transition Steps

Key Executive and Legal Transition Steps	
Single Regional Authority	**Shared Services Entity**
• GM develops and Board approves organizational and operational structures	• Executive Director develops and Board approves organizational structure, employee pay scale and benefit program parameters
• GM hires executive staff with Board approval	• Executive Director hires executive staff with Board approval
• Evaluate existing and potential claims, environmental exposures, and regulation non-compliance for existing transit agencies and determine party responsible for settlement	• Evaluate existing and potential claims and regulation non-compliance for transferred functions and determine party responsible for settlement
• Create new agreements and/or establish novation agreements for existing arrangements needed on a go forward basis for ○ Commercial contracts, leases and purchase orders ○ Union agreements ○ Software license agreements ○ Business and other commercial licenses ○ Utility transfers and modifications	• Create new agreements and/or establish novation agreements for existing arrangements needed on a go forward basis for ○ Commercial contracts, leases and purchase orders ○ Union agreements ○ Software license agreements ○ Business and other commercial licenses
• Reconfigure office space to hold regional authority administrative and call center staff	• Obtain new administrative office space to hold shared services administrative and call center staff and install security system
• Move files, equipment and furniture as required	• Purchase new and move existing files, equipment and furniture as required
	• Draft and execute operating service agreements between the existing transit agencies and the shared services entity including provisions for scope of services and funding requirements

Exhibit 32: Phase III Finance Transition Steps

Key Finance Transition Steps	
Single Regional Authority	**Shared Services Entity**
• Secure insurance coverage for transition period and first year of operations	• Secure insurance coverage for transition period and first year of operations
• Set-up bank accounts, issue Board authorization resolution and execute signature cards	• Set-up bank accounts, issue Board authorization resolution and execute signature cards
• Prepare operating and capital budget for transition and first year of operations	• Prepare operating and capital budget for transition and first year of operations
• Develop cash flow forecast for transition and first year of operations	• Develop cash flow forecast for transition and first year of operations
• Establish a line of credit	• Establish a line of credit
• Secure fed, state and local operating and capital grants ○ Secure transportation grantee designation status for the region ○ Prepare and submit compliant operating and capital grant applications ○ Set-up grant transfer agreements in case of mid-year start-up of regional operations	• N/A
• Develop finance and procurement policies and procedures	• Develop finance and procurement policies and procedures
• Determine which finance and procurement contracts from existing transit agencies should be transferred and determine need for new contracts	• Determine which procurement contracts from existing transit agencies should be transferred and determine need for new finance and procurement contracts
• Interview, select and train finance & procurement staff	• Interview, select and train finance & procurement staff
• Select financial system and integrate appropriate data from existing platforms including inventory, payroll, human resources and procurement	• Select accounting system including inventory, payroll, human resources and procurement
• Set-up chart of accounts and financial reporting consolidation process	• Set-up chart of accounts and financial reporting process
• Work with CFOs at current transit agencies to ○ Perform a physical fixed asset and parts inventory at current transit agencies ○ Prepare list and transfer title of capital assets and inventory, and record assets in financial system ○ Establish value of receivables, payables and restricted cash, and develop inter-agency fund transfer agreements ○ Pursue refunds of unused services/goods from existing agency prepayments not expected to be utilized on a go forward basis ○ Determine costs related to accumulated sick leave and vacation and recommend plan to pay such costs or transfer obligation to regional authority ○ Carryover vendor accounts as appropriate ○ Settle/transfer existing long-term obligations including CAT unfunded pension liability	• Work with CFOs at current transit agencies to ○ Develop asset transfer list, conduct inventory, transfer asset titles, and record assets in financial system for call center assets ○ Transfer limited vendor accounts as required
• Work with county AAAs to standardize demand response funding parameters	• N/A
• Determine if money handling functions will be outsourced and if so, select contractor	• Determine if money handling functions will be outsourced and if so, select contractor
• Calibrate fareboxes to accommodate all fare media and categories planned to be used if an integrated fare structure is implemented at start of regional operations	• N/A

Exhibit 33: Phase III Humans Resources Transition Steps

Key Human Resources Transition Steps Single Regional Authority	Key Human Resources Transition Steps Shared Services Entity
• Recommend pay scale and benefit package	• Recommend pay scale and benefit package
• Develop Human Resources policies and procedures	• Develop Human Resources policies and procedures
• Determine which Human Resources contracts from existing transit agencies should be transferred and determine need for new contracts	• Determine need for new Human Resources contracts
• Transfer union agreements from existing transit authorities	• Transfer union agreements from existing transit authorities for reservationists
• Health, Other Benefit and Retirement Plans ○ Set-up health and other benefit programs with appropriate enrollment protocols ○ Establish defined contribution plan for administrative and non-represented non-administrative staff ○ Transfer authority union health and retirement plans in accordance with provider requirements ○ Work with Finance to determine value and establish funding mechanism for existing authority pension plan liabilities	• Health, Other Benefit and Retirement Plans ○ Set-up health and other benefit programs with appropriate enrollment protocols ○ Establish defined contribution plan for administrative staff ○ Transfer authority union health and retirement plans in accordance with provider requirements for represented reservationists
• Develop personnel handbook	• Develop personnel handbook
• Establish code of ethics	• Establish code of ethics
• Draft personnel position descriptions	• Draft personnel position descriptions
• Identify employees at existing transit agencies who are interested in pursuing employment with the regional authority	• Identify employees at existing transit agencies who are interested in pursuing employment with the shared services entity
• Support executive staff in recruitment, interview and hiring of administrative personnel	• Support Executive Director in recruitment, interview and hiring of administrative personnel
• Interview, select and train human resource staff	• Interview, select and train human resource staff
• Transfer existing non-administrative personnel to regional authority	• N/A
• Move Human Resources and operational files to regional authority offices	• N/A
• Support executive staff in training all staff	• N/A

Exhibit 34: Phase III Communications Transition Steps

Key Communications Transition Steps	
Single Regional Authority	**Shared Services Entity**
• Develop ongoing public outreach plan ○ Purpose and benefits of regionalization ○ Transition phases and timeline ○ Operational/service impacts ○ Changes in protocols for all constituents ○ Transition progress	• N/A
• Develop employee communication plan for current agencies	• Develop employee communication plan for current agency employees impacted by transfer of functions
• Assist in preparing progress presentations for Board, PennDOT, counties and transit agencies	• Determine and prepare constituent communication plan for transition progress reports
• Work with Information Technology to establish regional authority website	• Work with Information Technology to establish shared services entity website
• Develop Communications policies and procedures	• Develop Communications policies and procedures
• Determine which Communications contracts from existing transit agencies should be transferred and determine need for new contracts	• Determine need for Communications contracts
• Obtain new stationary and communication print materials with new letterhead and logo	• Obtain new stationary and communication print materials with new letterhead and logo
• Establish new phone numbers and call forwarding from existing numbers at current agencies	• Establish new phone numbers
• Establish new domain/e-mail addresses	• Establish new domain/e-mail addresses

Exhibit 35: Phase III Customer Service Call Center Transition Steps

Key Customer Service Call Center Transition Steps	
Single Regional Authority	**Shared Services Entity**
• Prepare office/work space ○ Layout program work space ○ Install additional work stations, phones and computers ○ Re-program phone system	• Prepare office/work space ○ Lease and build out workspace ○ Install workstations and computers ○ Acquire and install phone system ○ Establish operating hours
• Develop training program and materials ○ Establish route and fare training program including testing and performance standards ○ Compile and organize materials ○ Develop training schedule	• Develop training program and materials ○ Establish route and fare training program including testing and performance standards ○ Compile and organize materials ○ Develop training schedule
• Reprogram Ecolane if all or a portion of integrated fares are implemented for start of regional operations	• Reprogram Ecolane to provide call center with access to six agencies' applications
• Select/Hire supervisors and call specialists ○ Develop job descriptions and criteria ○ Advertise open positions and interview candidates ○ Select supervisors and staff ○ Develop strategy for excess personnel	• Select/Hire supervisors and call specialists ○ Develop job descriptions and criteria ○ Advertise open positions and interview candidates ○ Select supervisors and staff ○ Develop strategy for excess personnel
• Conduct Training ○ Learn agencies' routes, services and fares ○ Conduct route reviews ○ Implement testing	• Conduct Training ○ Learn agencies' routes, services and fares ○ Conduct route reviews ○ Implement testing
• Prepare customer information material and advertise any new information including reprogramming and printing of new fare media	• Prepare customer information material and advertise any new information

EXHIBIT 36: PHASE III TECHNOLOGY TRANSITION STEPS

Key Technology Transition Steps	
Single Regional Authority	**Shared Services Entity**
• Conduct site visits and gather information/data for all systems to be implemented	• Conduct site visits and gather information/data for all systems to be implemented
• Develop final technology (IT) plan	• Develop final technology (IT) plan
• Identify IT transition team and select internal project managers for each functional area	• Identify IT transition team and select internal project managers for technology at the new site
• Write request-for-proposals (RFPs) for all IT procurement needs and issue RFPs	• Write request-for-proposals (RFPs) for all IT procurement needs and issue RFPs
• Review and analyze RFP responses	• Review and analyze RFP responses
• Select IT applications and implementation vendors for each functional area	• Select IT applications and implementation vendors for each functional area
• Develop and approve project plans for each IT functional area	• Develop and approve project plans for each IT functional area
• Finalize network design	• Finalize network design
• Finalize ERP configuration	• N/A
• Design, develop and implement new website	• Design, develop and implement new website
• Order equipment, devices and software	• Order equipment, devices and software
• Accept final design for all systems	• Accept final design for all systems
• Develop acceptance testing checklist	• Develop acceptance testing checklist
• Stage and configure hardware/software	• Stage and configure hardware/software
• Deliver network, voice, contact center and pilot website	• Deliver network, voice, contact center and pilot website
• Connect and test as many components as possible running parallel to existing systems	• Connect and test as many components as possible running parallel to existing systems
• Conduct live system training demonstrations	• Conduct live system training demonstrations
• Upgrade network backbone and test wide area network	• N/A
• Perform initial acceptance testing of all systems	• Perform initial acceptance testing of all systems
• Address issues arising from initial acceptance testing	• Address issues arising from initial acceptance testing
• Perform final acceptance run through	• Perform final acceptance run through
• Conduct "day one" trouble shooting	• Conduct "day one" trouble shooting
• Develop IT policies and procedures	• Develop IT policies and procedures
• Determine which IT contracts from existing transit agencies should be transferred and determine need for new contracts	• Determine which IT contracts from existing transit agencies should be transferred and determine need for new contracts

Exhibit 37: Phase III Operations Transition Steps

Key Operations Transition Steps	
Single Regional Authority	**Shared Services Entity**
• Develop Operations policies and procedures	• Develop Operations policies and procedures
• Determine which Operations contracts from existing transit agencies should be transferred and determine need for new contracts	• Determine which Operations contracts from existing transit agencies should be transferred and determine need for new contracts
• Interview, select and train administrative positions in Operations including management, dispatchers and road supervisors	• Interview, select and train Operations staff
• Obtain route, employee and other data from existing transit agencies to set-up centralized service planning, computerized scheduling and run cutting functions	• Obtain route, employee and other data from existing transit agencies to set-up centralized service planning, computerized scheduling and run cutting functions
• Affix fare structure/pricing information to fareboxes and in vehicles as appropriate	• N/A
• Upgrade and equip road supervisor vehicles o Assess fleet for appropriate vehicles o Upgrade, retrofit and equip as needed to function as medium duty road service vehicles and to enable interchangeability within new regional service area	• N/A
• Evaluate radio coverage and compatibility o Assess capacity of current radios o Upgrade or replace as needed to cover expanded service area	• N/A
• Affix new logo decals to vehicles	• N/A
• Develop procedures and forms for o Data collection in preparation for centralized fleet maintenance software implementation o Centralized procurement, including specialized maintenance service contracting o Inventory warehouse management	• Develop procedures and forms for o Data collection in preparation for centralized fleet maintenance software implementation o Centralized procurement, including specialized maintenance service contracting o Inventory warehouse management
• Signage development and installation	• N/A
• Security system additions for any new facility space not currently secured	• Implement new security system for central office
• Train non-administrative staff including drivers and mechanics	• N/A

The transition steps for the functions specified above are related to activities that need to occur prior to the start of regional operations. There are additional transition steps that should occur in the first year following the start of regional operations. Key among them is the implementation of (1) cost savings and efficiency generating actions in operations and maintenance and (2) the completion of the demand response fare integration if it is not fully implemented prior to the start of regionalized operations. Exhibit 38 presents a summary of these steps:

EXHIBIT 38: KEY TRANSITION ACTIVITIES FOR THE FIRST YEAR OF REGIONALIZED OPERATIONS

<table>
<tr><th colspan="2">Key Transition Steps for Year One</th></tr>
<tr><th>Single Regional Authority</th><th>Shared Services Entity</th></tr>
<tr><td>• Operations
o Schedule, manage and track all vehicle maintenance and life cycle data in one application
o Centralize parts procurement and consolidate inventory management system and underlying warehousing
o Centralize fuel management
o Reassign some or all heavy repair/overhaul work to New York facility when completed
o Outsource specialize services
o Centralize vehicle procurement</td><td>• Operations
o Schedule, manage and track all vehicle maintenance and life cycle data in one application
o Provide capital procurement including vehicles, related inventory and services
o Provide overhaul planning and contract management services
o Provide contract management services for outsourced specialized maintenance work</td></tr>
<tr><td>• Implement all or remaining demand response fare integration
o Finalize new fare structure
o Determine timeframe for integration
o Prepare and implement communication plan
o Reprogram Ecolane
o Train reservationists</td><td>• N/A</td></tr>
</table>

Appendix: Stakeholder Questions and Answers

Following the presentation of study results to the regional stakeholders, PennDOT received a series of questions from the Lebanon Transit Board of Directors. The questions and the answers provided to LT are shown below:

1. *[Does the study include] any measure of service levels or complaints?*

   See the summary comparison of current service levels at the end of this Q&A section. The study did not examine complaints other than to understand if a particular software package was used to manage complaints (also shown at the end of this Q&A section).

2. *[Does the study include] any measure of equipment cleanliness, reliability, etc.?*

   The study does not analyze operational issues since the focus is on administrative cost savings from regionalization.

3. *[Explain the] 1,600 calls per day? Are they all customer service related calls?*

   The 1,600 calls per day are the calls received by all of the combined transit agencies in the region. The number includes informational calls about fixed route and demand response service as well as reservations/scheduling calls for individual demand response trips.

4. *[Does the study include] pension costs?*

   See the summary comparison of wages and benefits, including pension costs, at the end of this Q&A section.

5. *[Does the study] measure ridership as percent of population or income?*

   Ridership, population and income by county were examined (see the county comparisons at the end of this Q&A section).

6. *LT's wages appear on the low side, but benefits are on the high side. Unions like to use this info to ratchet up both via comparisons. Is there an agency to agency comparison of the combined values of wages and benefits? Also, any info regarding employee contributions?*

   See the summary comparison of wages and benefits, including employee contributions, at the end of this Q&A section.

7. *Is it a study of the merits of regionalization or a study to support that conclusion?*

   The study was performed by independent consultants and incorporates a discussion on both the potential benefits and challenges of regionalization. The analysis was not prepared in order to support a particular conclusion. In fact, two different conclusions were reached for the two regionalization scenarios that were analyzed.

8. *If Lebanon County Commissioners feel compelled to join the "Single Regional Authority" I would hope that they clearly and fully understand the financial and service impact upon Lebanon County. To me, it seems that when you absorb the operational costs of CAT (3rd highest in the state, I believe) with LT (one of the lowest in the state), the regional cost average goes up for LT and down for CAT. And, although I could be proven wrong, that would happen even with the savings projected from a regional entity. As a result, what is the **local** funding impact on Lebanon County? Does Lebanon County's required funding allocation go up and by how much?*

   In accordance with Act 89, the local operating match requirement for each county would be eliminated for the first five years of regional operations given the magnitude of the estimated savings from regionalization. Additionally, the 5% annual escalation in the local match requirement would be frozen during the five year period resulting in a lower required match in the subsequent year.

   Beginning in the sixth year of regional operations, the Authority Board would need to construct a formula to distribute the local match requirement among the counties with fixed route operations. In the alternative, this formula could be established prior to regional operations if the counties decided to do so.

   The study report notes that a fair calculation of local funding shares, beginning in year six, would require the regional authority to establish a chart of accounts that records county-by-county financial activity. This practice is in place at some Pennsylvania multi-county transit agencies, including rabbittransit in this region. Therefore, local funding levels would be based on (1) the actual costs to operate in Lebanon County with the LT labor agreements and not the CAT labor agreements and (2) the allocated costs of the regional authority's administrative function. Since administrative costs are anticipated to be reduced under a single regional authority, Lebanon County's total local funding costs should be reduced as well. This assumes no change in the type and amount of service provided within Lebanon County.

9. *And what happens to service in Lebanon County? And how are the County Commissioners prepared to handle the complaints that could emerge as a result of service cuts? Note in the report that LT's proposed trips go down (both in the "ridership neutrality" and in the "revenue neutrality" scenarios.*

   Any change in service under a regional transit authority would be determined by the board of the authority whose members would be appointed by the region's county commissioners.

   As part of the regionalization study, an analysis of an integrated regional fare structure was performed. The 1.6% LT ridership reduction under the Revenue Neutral fare structure and the 0.3% LT ridership reduction under the Ridership Neutral fare structure are solely the result of projected fare increases in the future. They are not the result of service changes of any kind.

10. *How do you handle the multiple union issues with wages and benefits and work rules? I didn't find that addressed! It is critical for the Commissioners to clearly and fully understand those issues!*

    The study report does discuss this issue as follows – Since it is assumed that the existing labor agreements from three of the transit providers in the region would be transferred to the regional authority, two steps must be taken in tandem to minimize the issues related to multiple wage rates, benefit packages and work rules. First, the organization needs to be structured so that local operations continue on a county-by-county basis, allowing the labor provisions for activity in Dauphin, Lebanon and York counties to continue to function in the service areas where they currently exist. This organizational structure will support varying work rule provisions.

    Second, as noted in the response to question #8 above, the regional authority's accounting system must be structured to record financial activity by county. This will facilitate the management of varying wage and benefit constructs. There are examples of Pennsylvania transit agencies that are operating with multiple labor agreements by mode and/or by geographic area. One of which operates in the south central region – rabbittransit. They do so with both an organizational structure and a financial management system that supports this diversity.

    It will be the regional authority's responsibility and challenge to negotiate with the two unions (Teamsters in Lebanon and York; ATU in Dauphin) over time as existing labor agreements terminate.

11. *While not addressed in the report, what has been the experience of Reading and Lancaster in their regionalization attempts? Has it or is it working? Why did they "jump the gun" and not wait for the results of the PennDot study which might have come to different conclusions with their inclusions in the report? In other words, why were Reading and Lancaster even allowed starting their own region? Shouldn't they both be an integral part of a truly "Southcentral Pennsylvania Transit Regionalization" attempt??*

    Lancaster and Berks counties have had a positive experience in their consolidation. Although they participated in the first south central consolidation study, the unexpected death of the executive director in Berks led to a temporary joint management agreement between Red Rose and BARTA. The counties then decided they wanted to merge into one system and began the process to create the South Central Transportation Authority. They have achieved savings exceeding the local match in both Berks and Lancaster counties and have qualified for the waiver of local match in the first year. In addition to the local match waiver, they have been able to add some limited service in the region. The decision to consolidate was a local decision. PennDOT supports systems that want to consolidate and can achieve efficiencies/savings through consolidation. Since the consolidation, both Berks and Lancaster counties have agreed to participate in discussions with the region as they explore next steps for consolidation.

Summary Tables

Operating Profile: Complaint Software						
	CAT	**CCT**	**FCT**	**LT**	**PCT**	**RT**
Software Used	Manual	N/A	Ecolane	Excel	N/A	Abledocs

Operating Profile: Service Offered						
	CAT	**CCT**	**FCT**	**LT**	**PCT**	**RT**
Fixed Route						
Ridership	2,674,422	N/A	N/A	291,070	N/A	1,568,482
Routes	29	N/A	N/A	10	N/A	26
Vehicles (VOM)	64	N/A	N/A	12	N/A	37
Max Service Hrs	M-F 21 hrs Sa 16 hrs	N/A	N/A	M-F 17 hrs Sa 9 hrs	N/A	M-F 18.5 hrs Sa 16 hrs Su 9.5 hrs
Commuter	6 routes	N/A	N/A	2 routes	N/A	3 routes
Demand Response						
Programs	AAA, LOTT, MATP, MH/IDD, PWD	AAA, LOTT, MATP, MH/IDD, PWD	AAA, LOTT, MATP, MH/IDD, PWD	AAA, LOTT, MATP, MH/IDD, PWD	AAA, LOTT, MATP, MH/IDD, PWD	AAA, LOTT, MATP, MH/IDD, PWD
Ridership	191,350	138,709	51,033	49,192	33,518	179,193
Vehicles (VOM)	44	20	21	12	31	57
Max Service Hrs	M-F 13 hrs Sa 12 hrs	M-F 13 hrs	M-F 6 hrs	M-F 9.5 hrs Sa 8 hrs	M-F 13 hrs	M-F 19.5 hrs Sa 19 hrs Su 10 hrs
Out-of-County	Other than ADA, virtually nothing	Coordinate w/Perry & Dauphin	Only medical assistance	Yes	M,W,F to 4 counties	3.6% of total trips

Financial Profile: Wages and Benefits						
	CAT	**CCT**	**FCT**	**LT**	**PCT**	**RT**
Wages	$7,942,731	$1,133,925	$520,496	$1,467,276	$544424	$6,687,739
Benefits	5,242,773	398,330	158,830	973,974	233,742	3,357,811
Labor Costs	$13,185,504	$1,532,255	$679,326	$2,441,250	$778,166	$10,045,550
Health Plan						
Employee Contribution	Employee 0% Family 15% Other 10%	$0 for low priced plan; Avg 9% for high priced plan	9%	Admin: $650 Fixed Route & Mechanic: $2,795 Demand Response: $2,275	$481	Ranges from $268 to $2,633 depending on type of coverage
Opt Out Payment	50% of employee only costs	$1,300	$520	$1,200	None	Adams: $1,950 York: $0
Retirement Plan						
Plan Type	Admin & Labor Defined Benefit Plans	County Defined Benefit	County Defined Benefit	Admin & Labor Defined Contribution (DC) Plans plus 457 Savings Plans	County Defined Benefit	Admin: Defined Contribution (DC) plus 457 Savings Labor: SEP plus 457 Savings
Employee Contribution	Admin: 4.523% wages Labor: $0	5% wages	9% wages	DC: $0 457: as employee chooses	5-15% wages	DC: $0 SEP: $0 457: as employee chooses
Employer Contribution	Actuarially defined	Actuarially defined	Actuarially defined	Admin DC: 7% wages Admin 457: $0 Labor DC: 5% wages Labor 457: up to 2% match	Actuarially defined	DC: Board determines annually SEP: 6% wages 457: $0

Population and Income							
	Dauphin	**Cumberland**	**Franklin**	**Lebanon**	**Perry**	**Adams**	**York**
Population	270,937	241,212	152,085	135,486	45,562	101,546	438,965
Median Household Income	$54,066	$60,883	$52,167	$54,259	$56,205	$58,465	$58,747
Per Capita Income	$28,799	$31,350	$25,398	$26,598	$25,340	$26,986	$27,996

Trips as a Percent of Population						
	CAT	**CCT**	**FCT**	**LT**	**PCT**	**RT**
Fixed Route Trips	2,674,422	N/A	N/A	291,070	N/A	1,568,482
Demand Response Trips	191,350	138,709	51,033	49,192	33,518	179,193
Fixed Route Trips/Population	522%	N/A	N/A	215%	N/A	290%
Demand Response Trips/Pop.	71%	58%	34%	36%	74%	33%