



## Pennsylvania Transit Consolidation Report

*Case Studies:*

-  **Lackawanna County**
-  **Luzerne County**

February 29, 2012

# Lackawanna – Luzerne Consolidation Study

## PARTICIPANTS



County of Lackawanna Transit System (COLTS)



Lackawanna County Coordinated Transportation (LCCT)



Hazleton Public Transit (HPT)



Luzerne County Transportation Authority (LCTA)



Luzerne-Wyoming Counties Transportation Department (LWCTD)



Pennsylvania Department of Transportation (PennDOT)



## KEY FINDINGS

Every region and transit agency is unique. Despite those differences, certain principles hold true throughout Pennsylvania.

### Regional consolidation of transit providers...

#### ▶ **Is feasible.**

*Costs and challenges can be identified and addressed.*

#### ▶ **Saves significant money.**

*Overhead is reduced, use of existing assets is maximized, and economies of scale can be improved.*

#### ▶ **Improves financial performance.**

*Cost reductions may be substantial, enabling transit systems to maintain existing services even though government assistance may not keep pace with inflation.*

#### ▶ **Maintains or improves existing service.**

*An integrated regional transit system can facilitate current travel patterns.*

#### ▶ **Need not interfere with employee agreements.**

*Jobs, wages, benefits, and other existing terms can remain in place. Changes, which primarily affect the consolidation of administrative functions, are implemented over time through normal attrition rates.*

#### ▶ **Can be done relatively quickly.**

*Results can typically be achieved within two years.*

#### ▶ **Has a rapid payback period.**

*Transition costs can be recouped within a few years.*

#### ▶ **Maintains local public sector decision-making.**

*System governance is determined locally, and typically integrates missions across agencies and localities.*

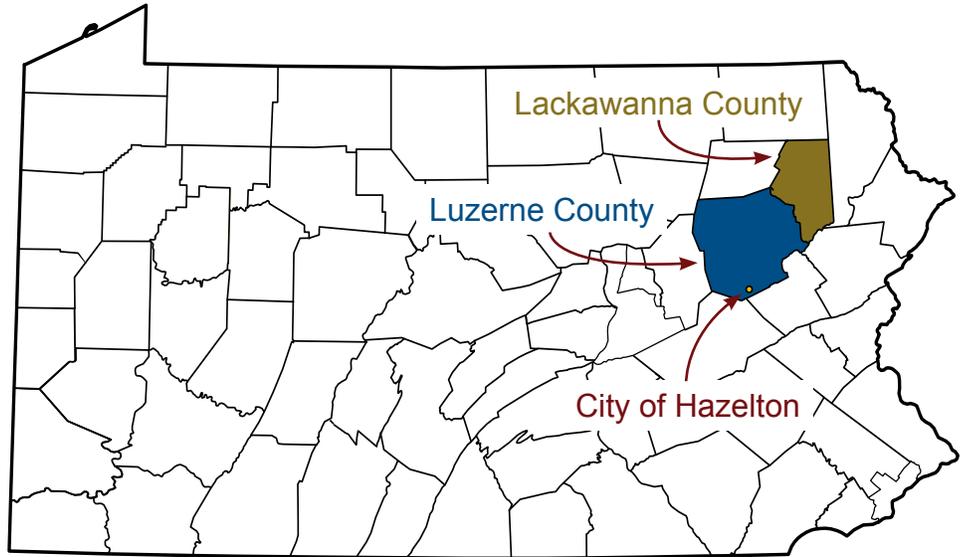


**Introduction**

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**Common Themes**



## Background

In summer 2009, the Pennsylvania Department of Transportation (PennDOT) examined potential benefits of and opportunities for coordination and consolidation among Pennsylvania's Human Service Transportation providers. The goals were to increase service quality, promote efficiency and cost savings, and assure alternative transportation options exist well into the future.

In spring 2010, PennDOT solicited proposals for pilot programs for Human Service Transportation coordination and consolidation. PennDOT received numerous proposals, among them a proposal from the City of Hazleton, Luzerne County, and Lackawanna County that, in addition to Human Service Transportation, requested a study of coordination or consolidation of fixed-route services. PennDOT selected and funded the proposal.

In summer 2011, following the analysis of a five-agency consolidation, the Lackawanna and Luzerne County Commissioners requested the examination of consolidation within each county. The project concluded in late 2011. Although full consolidation would maximize financial benefits, individual county consolidation would reduce costs while maintaining service at or above current levels, making public transit sustainable in the region. Detailed study results, recommendations, and implementation plans are provided in the project's technical memorandums.

This document summarizes the individual county consolidation study and presents a broad overview of the benefits and challenges of transit system consolidation, as well as highlights of potential consolidation in Lackawanna and Luzerne counties. It is intended for use within and beyond the study region, as transit providers statewide face many common challenges related to increasing costs and sustainability.



**The July 2009 Human Service Transportation Study indicated opportunities for improved efficiency, coordination, cost control, and customer service that are also relevant for fixed-route transit.**

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## Why Consider Consolidation?

Pennsylvania public transportation systems provide more than 430 million trips per year.

**Fixed-route transit** provides affordable mobility and access for individuals who cannot drive or choose not to drive. Effective public transportation reduces roadway congestion and related fuel consumption and emissions.

**Human Service Transportation (HST)** provides affordable access to medical care, jobs, and important social services to people with limited mobility options.

**All modes of public transportation are fundamental to quality of life in Pennsylvania, but transit systems statewide are in trouble.**

- Costs are increasing faster than revenues.
- There is significant redundancy in management and administration of public transportation service.
- Rider fares cannot cover rising or total costs.
- Fare increases and additional subsidies, alone or in combination, will not solve the problem.
- Substantial local subsidy increases are unlikely.
- The rate of cost growth must be controlled.

**“While ridership has increased with the rise in gas prices, inflation of capital and operating costs, years of budget deficits, and heavy dependence on uncertain state funding have left our transit systems in a state of disrepair, forced to cut essential services to meet budget requirements. As cost inflation exceeds funding growth, transit providers are less able to meet the transportation needs of customers and potential riders.”**

**Pennsylvania Transportation Funding  
Advisory Commission Report  
August 2011**

**The Governor's Transportation Funding Advisory Commission estimates the current transit funding shortfall at \$484 million.**

**By 2030 the shortfall is projected to be more than \$3 billion.**

Act 44 of 2007 was passed to address some of these needs. Under Act 44, transit operating assistance was expected to increase by 2.5 percent to 3 percent annually. However, instead of an increase, state support to public transit experienced a decrease of 3.7 percent in FY 2008-9 and again in 2009-10, in part due to overall economic conditions.

In addition, federal funding increases have been minimal.

All these factors emphasize the need for cost reductions, such as administrative efficiencies, to enable local transit agencies to maintain and improve services.

There is no one magic solution, but consolidating transit providers—by county or across regions or otherwise—has the potential to **reduce overhead and redundancies**. This is a realistic way to maintain or improve service while reducing costs.

Not exploring consolidation leaves Pennsylvania's transit providers on a path of continued service cuts, deterioration, unsustainable financial conditions, and impending crisis.

Cooperating regionally to reshape the approach to providing transit requires commitment and investment. However, the consequences of failed fixed-route and human service transportation are far more costly.

**Consolidation offers the region the opportunity for a sustainable, integrated public and human service transportation network serving both local and regional needs.**

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## Methodology

Effective consolidation decisions are voluntary and based on careful study of the region and its transit needs, assets, and providers.

Following the promising results of the 2009 state-level study of human service transportation consolidation, PennDOT in 2010 solicited proposals for pilot programs. PennDOT selected and funded the proposal from the City of Hazleton, Luzerne County, and Lackawanna County that requested a study of coordination or consolidation of both human service transportation and fixed-route services.

### Goals:

- Eliminate redundant services and administrative costs, and reduce overall costs.
- Identify improved and lower-cost operations, maintenance, and administrative practices.
- Maintain and improve existing services.

### Approach:

- PennDOT-sponsored study with team of management, financial, operations, and facilities experts.
- Extensive work with local agency managers.
- Identified opportunities and constraints.

### Key Assumptions:

- Maintain existing service levels.
- Reduce overhead costs through efficiencies and attrition/absorption.
- Use existing assets/minimize capital investments.
- Maintain existing contracts and labor agreements.





### ***A Shift in Focus***

Although full regional consolidation of the area's five transit agencies (across two counties and three cities) would produce the greatest benefits, local elected officials felt the time was not right for consolidation at that scale. Instead, in summer 2011 they requested a re-examination of opportunities that could be realized by consolidating on a county basis.

Analysis shows that county-based transit consolidation is still worth pursuing. It is better for Lackawanna and Luzerne counties to proceed with this first smaller step forward than to allow the consolidation process to stall indefinitely.

The Consolidation Feasibility Study is advisory only. It provides key financial and non-financial information to decision makers regarding potential avenues and impacts of consolidation relative to the current structure.

**It is better for Lackawanna and Luzerne counties to proceed with this first smaller step forward than to allow the consolidation process to stall indefinitely.**

#### **Fall 2010**

Conduct feasibility study of consolidating transportation services

#### **Winter 2010/ Spring 2011**

Submit initial draft feasibility report for consideration

#### **Fall 2011**

Local review of county-based study results and final report

#### **2012**

Implementation process

#### **January 1, 2013**

Each county commences fully consolidated operations

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### ▶ Lackawanna County

#### Current Structure and Characteristics

- County encompasses 459 square miles.
- County of Lackawanna Transit System (COLTS) – public fixed-route transit.
- Lackawanna County Coordinated Transportation (LCCT) – human service/demand-response transportation.
- Operate 66 vehicles and directly employ 112 personnel on a \$10.5 million budget (2010).
- In 2010 the services operated over 1.45 million revenue miles and served 1.8 million passenger trips.
- Additional personnel in Lackawanna County are employed by vendors and contractors.

#### Proposed Consolidation

- Merge LCCT and COLTS into a revised COLTS Regional Transportation Authority.
- Transfer all existing assets to “new” COLTS.
- Merge maintenance functions of the two agencies.
- Upgrade demand-response scheduling systems and aggressively utilize to increase efficiency.
- Consolidate call intake and public information systems.
- Merge management and administrative functions of the two agencies.
- County continues to qualify riders for certain human service transportation clients.
- Revise Transportation Authority charter to reflect new mission statement and board numbers and composition.

## ► Lackawanna County

### Consolidation Benefits

- Reduced administrative and management costs.
- Operational efficiencies in providing demand-response services.
- Improved efficiency in vehicle maintenance and repair.
- Conversion of a portion of demand-response trips to fixed-route service.
- Full utilization of modern demand-response scheduling technology.
- Increased ridership due to improved service quality, vehicle appearance, reliability, and public information.
- Reduced county subsidies for human service/demand-response services.
- All employees offered comparable positions in the new transit authority.
- Existing facilities and other capital assets used.

**Money can be saved without cutting service or jobs.**





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## Potential Financial Improvements Due to Consolidation

Increases in Revenue	FY 2017
Passenger revenue from ridership growth	\$41,000
Decreases in Costs	
Reduce management and administrative staff (without layoffs)	\$263,000
New demand-response reservation and scheduling system	\$63,000
Shift some demand-response trips to fixed-route	\$21,000
Improve demand-response operating efficiencies	\$134,000
Outsource engine/transmission overhauls	\$59,000
Other cost reductions	\$200,000
<b>Net Reduction in Operating Costs</b>	<b>\$740,000</b>

## Consolidation Delivers Substantial Savings

LCCT Plus COLTS	Current Structure in FY 2016-17	Consolidated Structure in FY 2016-17	Change
Operating Cost (total) in millions	\$14.1	\$13.4	(\$0.7)
Operating Surplus/(Deficit) in millions Before 7/1/11 Fare Increase	(\$9.5)	(\$9.0)	(\$0.5)
Operating Surplus/(Deficit) in millions After 7/1/11 Fare Increase	(\$8.9)	(\$8.4)	(\$0.5)
Ridership	1,812,697	1,830,824	18,127
Fleet Size	66	66	0
Management and Administration Full-Time Equivalent Positions (FTEs)	22	19	(3)
Other FTEs	90	90	0
Total FTEs	112	109	(3)

## ► Lackawanna County

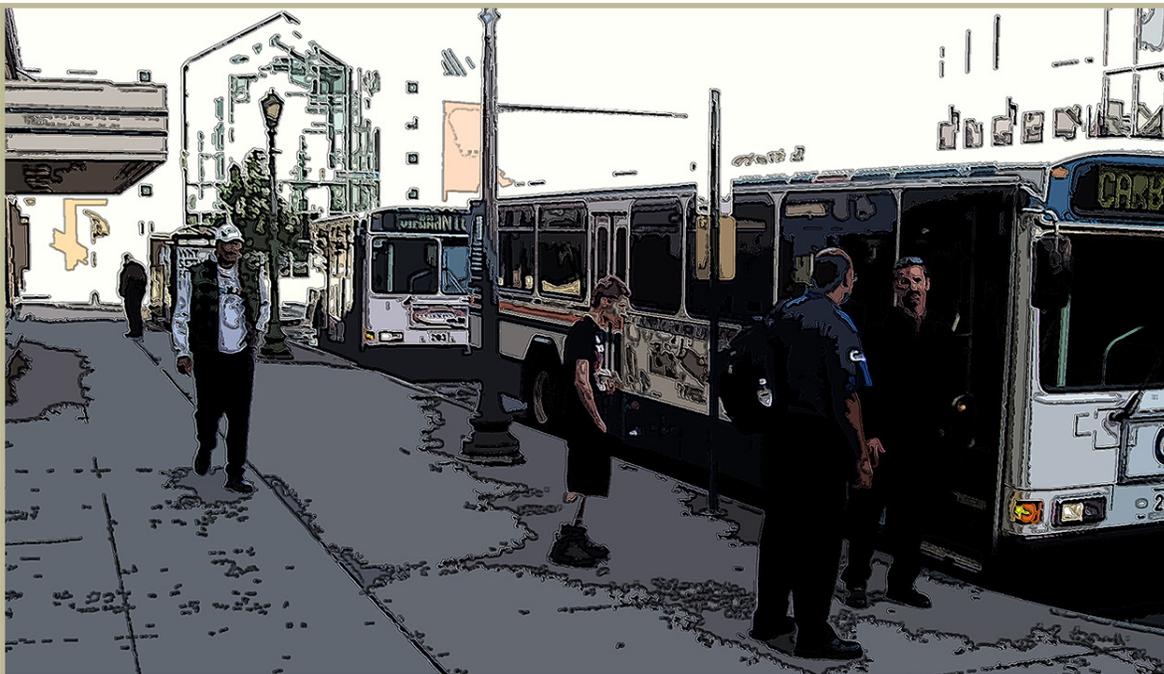
### Consolidation Progress as of January 2012

#### *Completed*

- ✓ Accept consolidation recommendation.

#### *In Progress*

- Review existing charters and bylaws for potential revisions.
- Develop transition plan and form team.
- Update management and administrative organization plan.
- Update financial plan; merge financial systems and banking.
- Integrate payroll systems.
- Consolidate insurances and assets to COLTS.
- Develop transition plan for employees, implement training.
- Examine maintenance needs of consolidated fleet.
- Consolidate tools, parts, and equipment inventories.
- Novate (revise or replace) service, provider, and other contracts.
- Update demand-response scheduling.
- Develop marketing and public awareness plan.



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### ▶ Luzerne County

#### Current Structure and Characteristics

- County encompasses 890 square miles.
- Hazleton Public Transit (HPT) – public fixed-route transit.
- Luzerne County Transportation Authority (LCTA) – Wilkes-Barre public fixed-route transit.
- Luzerne-Wyoming Counties Transportation Department (LWCTD) – human service/demand-response transportation.
- Operate 115 vehicles and directly employ 152 personnel on a \$12.6 million budget (2010).
- In 2010 the services operated over 2.8 million revenue miles and served 2 million passenger trips.
- Additional personnel in Luzerne County are employed by vendors and contractors.

#### Proposed Consolidation

- Merge HPT and LWCTD into a revised LCTA Regional Transportation Authority.
- Transfer all existing assets to “new” LCTA.
- Transfer centers remain City of Hazleton and City of Wilkes-Barre assets.
- Merge maintenance functions of two of the agencies.
- Upgrade demand-response scheduling systems and aggressively utilize to increase efficiency.
- Consolidate call intake and public information systems.
- Merge management and administrative functions of the three agencies.
- County continues to qualify riders for certain human service transportation clients.
- Revise Transportation Authority charter, bylaws, or board numbers or composition to reflect new LCTA missions.
- Configure operating bases and maintenance services to meet needs across large geographic area and widely separated cities.

## ► Luzerne County

### Consolidation Benefits

- Reduced administrative and management costs.
- Operational efficiencies in providing demand-response services.
- Conversion of a portion of demand-response trips to fixed-route service.
- Full utilization of modern demand-response scheduling technology.
- Direct county savings in audit activities and support of shared-ride staff and services.
- Increased ridership due to improved service, vehicle appearance, reliability, and public information.
- All employees offered comparable positions in the new transit authority.
- Existing facilities and other capital assets used.



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**Luzerne County**
**Potential Financial Improvements Due to Consolidation**

Increases in Revenue	FY 2017
Passenger revenue from ridership growth	\$70,000
Decreases in Costs	
Reduce management and administrative staff (without layoffs)	\$577,000
New demand-response reservation and scheduling system	\$307,000
Shift some demand-response trips to fixed-route	\$102,000
Reduction in annual audit fees	\$12,000
Other cost increases due to consolidation	(\$27,000)
<b>Net Reduction in Operating Costs</b>	<b>\$971,000</b>

**Consolidation Delivers Substantial Savings**

LCTA Plus LWCTD Plus HPT	Current Structure in FY 2016-17	Consolidated Structure in FY 2016-17	Change
Operating Cost (total) in millions	\$16.8	\$15.8	(\$1.0)
Operating Surplus/ (Deficit) in millions	(\$9.5)	(\$8.4)	(\$1.1)
Ridership	2,075,867	2,096,626	20,759
Fleet Size	115	115	0
Management and Administration Full-Time Equivalent Positions (FTEs)	26.5	21	(5.5)
Other FTEs	125	125	0
Total FTEs	151.5	146	(5.5)

## ► Luzerne County

### Consolidation Progress as of January 2012

#### *Completed*

- ✓ Accept consolidation recommendation.

#### *In Progress*

- Review existing charters and bylaws for potential revisions.
- Develop transition plan and form team.
- Update management and administrative organization plan.
- Update financial plan; merge financial systems and banking.
- Integrate payroll systems.
- Consolidate insurances and assets to LCTA.
- Develop transition plan for employees; implement training.
- Examine maintenance needs of consolidated fleet.
- Consolidate tools, parts, and equipment inventories.
- Novate (revise or replace) service, provider, and other contracts.
- Update demand-response scheduling.
- Develop marketing and public awareness plan.



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## Benefits of Consolidation

Transit consolidation saves money primarily by **reducing administrative and management costs** through the elimination of duplicative functions in the new combined transit authority. These functions may include management, accounting and finance, human resources, call intake and scheduling, transit/travel information, grant activities, and dispatch. The amount saved varies depending on the number of entities being consolidated and their management and other characteristics. Other typical benefits of consolidation are:

**Reducing overall operating cost:** Overall operating costs of the consolidated entity are less than the sum of operating costs for the current individual agencies.

**Fulfilling current unmet needs:** Consolidation generates savings to meet current and future needs with in-house personnel or other resources. These include the functions of transportation planning, information technology, procurement, safety and loss prevention, road supervision, contractor oversight, human resources, marketing, and fleet maintenance.

**Improving fleet maintenance:** Consolidating maintenance management systems, parts inventories, and certain maintenance activities can save money and improve the quality of vehicle maintenance.

**Improving technology:** Consolidation can offer an opportunity to implement integrated, updated systems and technology such as demand-response scheduling software. This improves communications, performance, and may reduce operating costs.

**The savings from consolidation and the steps involved depend upon the number of transit agencies being consolidated and their management and other characteristics.**



**Enabling operational efficiencies:** Streamlining demand-response operations and adjusting the service levels to demand on an ongoing basis enhances efficiency.

**Increasing ridership and revenue:** A consolidated, regional transit system is more convenient and understandable to riders and conducive to more effective public information efforts. In addition, improvements in quality of services may be realized. These may include fleet reliability and appearance, improved demand-response scheduling, public information systems, and integration of independent services and modes.

**Streamlining and integrating management functions:** Consolidation can create management functions that are more responsive to transit and shared-ride needs from a community perspective and result in an overall higher level of professional management.

## Consolidation Process

The steps to implement the consolidation of one or more transit agencies depends upon the needs, size, complexity, and nature of the agencies being consolidated. A typical consolidation would include activities conducted over the course of 12 to 15 months.

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## Acknowledging Challenges



### *Resistance to Change*

Initial concerns and resistance to change are natural. Many people have a stake in the outcome, from drivers to administrators to passengers to taxpayers, and they may be skeptical of consolidation.

**Addressing this challenge:** The consolidation process must be transparent, voluntary, well-managed, and clearly communicated to minimize misperceptions. The facts are good news: jobs and bus service will be preserved.



### *Complexity*

Consolidation is a multi-faceted, multi-entity, multi-year endeavor.

**Addressing this challenge:** Implementation requires commitment by all parties and a clear road map of action items with timelines and clear responsibilities. It is a process of incremental progress focused toward a shared vision.

**While concerns are understandable, conditions are far more likely to worsen under ‘business as usual’ than if consolidation is pursued systematically.**



### **Transition Needs**

Capital costs associated with consolidation include facilities reconfiguration and communications systems. Non-capital costs include an integrated communications study (dispatch and demand-response scheduling); maintenance study; temporary personnel to assist in the legal, financial, contractual, and practical aspects of consolidation; accounting and legal services related to contract negotiations; and marketing the new transit authorities.

**Addressing these needs:** PennDOT will provide priority consideration for funding assistance. Financial analysis indicates the payback period for non-capital costs is less than two years, and the payback for all operating and capital investment requirements would be 28 months. This level of financial performance, along with the other benefits, is a strong validation of consolidation.





*for more information:*



Bureau of Public Transportation  
Ms. LaVerne Collins, Director  
717-787-1214  
lcollins@pa.gov

► **Lackawanna County**

Mr. Robert Fiume, Executive Director  
570-346-1259  
fumer@lackawannacounty.org

► **Luzerne County**

Mr. Stanley Strelish, Executive Director  
570-288-9356  
sstrelish@epix.net

