North Central Pennsylvania Transit

Regionalization Study Report

June 6, 2016

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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 north central Pennsylvania counties to examine the potential benefits of an integrated regional transportation authority providing both fixed route and demand response services. Pennsylvania Act 89 of 2013 (Act 89) further supported the creation of regionalized transit operations by providing incentives for local municipalities to pursue regionalization. These incentives allow municipalities to lower or eliminate local match requirements commensurate with regionalization savings.

This report summarizes the results of a transit regionalization study involving the transportation departments of Centre, Clinton, Columbia, Lycoming, Montour, Northumberland, Snyder and Union counties and the Lower Anthracite, River Valley and State College transportation systems. The study examines the financial impacts of regionalization, focusing on management efficiencies, and includes an analysis of an integrated regional demand response fare structure, a potential technology plan and a potential transition plan. 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.

REGIONALIZATION BENEFITS AND CHALLENGES

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. 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 can also 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 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 many 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. It was constructed with the input of north 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.

IMPACT OF REGIONALIZED OPERATIONS

The financial impact analysis developed for the single regional authority focuses on administrative savings and assumes no change to existing service. It is possible 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 reduction in FTEs and the related reduction in labor costs are net of new positions that were added to support human resource compliance, safety, road supervision, procurement, service planning and sales/marketing functions. The estimated labor savings combined with savings in non-labor expenses is projected to reduce annual operating costs by approximately $1.1 million. This estimate does not include savings related to service improvements. Exhibit 1 displays the key savings components:

EXHIBIT 1: ANNUAL FINANCIAL IMPACT OF SINGLE REGIONAL TRANSIT AUTHORITY

Operating Line Item	Savings
Salaries	$389,175
Employee Benefits	297,520
Maintenance	45,804
Services	92,717
Fuel	60,184
Office	67,273
Allocated County Costs	109,273
Total Expense Savings	$1,061,946

If this level of savings were achieved, pursuant to Act 89, the required local operating matches for the new single authority's fixed route service would be waived for five years since the expense savings are greater than the required total local match. 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. Additionally, the required 5% annual escalation of the local match requirement would be frozen during the waiver period.

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

INTRODUCTION

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

This document summarizes the results of a transit regionalization study involving the transportation departments of Centre, Clinton, Columbia, Lycoming, Montour, Northumberland, Snyder and Union counties and the Lower Anthracite, River Valley and State College transportation systems. The study examines the financial impacts of regionalization, focusing on management efficiencies, and includes an analysis of an integrated regional demand response fare structure, a potential technology plan and a potential transition plan. 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.

Since the study was conducted, Union, Snyder, Montour and Columbia counties have elected to have rabbittransit become their shared ride provider. In addition, other counties have indicated no interest in moving forward with the consolidation of fixed route services.

APPROACH

On behalf of the north central Pennsylvania counties, PennDOT's Bureau of Public Transportation (BPT) assessed the potential for transit regionalization. The assessment included the following components:

1. Review of the current transit environment;
2. Preparation of profiles of the operating functions of a regional transit organization and development of a potential governance and organizational structure for the regional entity;
3. Exploration of integrated regional fare structure options for demand response service;
4. Estimation of administrative cost savings and assessment of other benefits of regionalization; and
5. Drafting a high-level implementation plan.

The purpose of the first 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 observe the physical environments, business processes and transit operations. Additionally, a review of various data and documents 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 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 second step focused on interaction with the regional stakeholders, including elected officials, transit board members, transit agency staff and regional planning representatives. Typical regionalization goals were discussed with the stakeholders and are shown in the box to the right. Working sessions held with transit general managers and transit senior staff produced the conceptual regionalization scenario 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 structure.

Typical Goals of Regionalization

- Improved service
- Affordable budgets for counties
- Cost savings for transit agencies
- 21st century technology systems
- Improved access to service
- Seamless travel
- Improved reporting
- Increased compliance resources

The third step defined the governance, operating and organizational profiles of the regionalization scenario as expressed by the transit professionals. The scenario envisioned the establishment of a single regional transit authority, formed by consolidating the nine existing transit agencies and their subcontractors in the region. The regionalization profile includes descriptions of how the regional entity would be structured and how it would operate. Specifically, the profile 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 profile for the regionalization scenario is provided in the *Single Regional Authority Profile* chapter of this report.

In parallel with the development of the regionalization profile was the exploration of potential integrated fare structures for the provision of regional demand response service. Under a consolidated regional transit authority, an integrated fare structure would support two of the primary goals of regionalization – improved customer service and seamless travel. A demand response database and financial model were created, incorporating pricing and trip data from all nine agencies. The goals, approach and results of the fare integration model are presented in the *Integrated Demand Response Fare Structure* chapter of this report.

The fourth step described the impact of the regionalization scenario on transit agency governance, organizational structure and staffing levels and projected the financial impact on transit administrative expenses and local government funding. This work is described in the *Impact of Regionalization* chapter of this report. The financial impact analysis evaluated the cost reductions from 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.

For the purpose of this analysis, the study did not assess service changes and the potential for service optimization under a regional authority. Therefore, a key assumption for the regionalization scenario was that service would not change as it was determined that the newly appointed board of directors would have a service assessment performed after the regional authority was created. As a result, non-administrative positions and their related costs were not evaluated in this study. Administrative positions, which were the focus of this analysis, were defined as including (1) non-represented employees and (2) 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. The key implementation steps, time requirements for implementation and participants in the implementation process are all described in the

High-Level Transition Plan for Regionalization chapter of this report.

CURRENT ENVIRONMENT

The regionalization assessment included the nine transit agencies operating in the counties of Centre, Clinton, Columbia, Lycoming, Montour, Northumberland, Snyder and Union. The current environment component 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.

Regional Transit Agencies

CATA	Centre Area Transportation Authority (State College)
CEN	Centre County Transportation
COL	Columbia County Transportation (includes MTR/K-Cab)
LATS	Lower Anthracite Transit System (Mount Carmel)
MON	Montour County Transit
NOR	Northumberland County Transportation
RVT	River Valley Transit (Williamsport)
STEP	Lycoming-Clinton Counties Commission for Community Action
USTA	Union-Snyder Transportation Alliance

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; urban and rural geographies within which they operate; organization structures that include county departments and municipal authorities and fixed route and/or non-fixed route service provided.

DEMOGRAPHIC AND ECONOMIC STATISTICS

Pennsylvania's north central region reflects diverse demographic and economic conditions that impact transit service delivery and needs. 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. As an example, the relatively lower median household income and higher population density in Mt Carmel, State College and Williamsport indicates a need for local fixed route service. In contrast, the more sparsely populated counties with a high percentage of senior and veteran

populations could indicate the need for demand response service. Such diversity would need to be considered in the service delivery of any regionalized approach to transit services.

EXHIBIT 2: CURRENT ENVIRONMENT – DEMOGRAPHIC AND ECONOMIC HIGHLIGHTS

	2012 Median Household Income	2010 Persons per Square Mile	2013 Senior Population	2012 Civilian Veteran Population[1]	2012 Individuals Below Poverty Line
Pennsylvania	$52,267	283.9	16.0%	9.9%	13.1%
Centre	$49,706	138.7	12.3%	7.6%	20.0%
Clinton	$40,682	44.2	17.0%	11.6%	17.0%
Columbia	$44,680	139.3	17.0%	10.0%	15.1%
Lycoming	$44,557	94.5	17.2%	12.0%	14.2%
Montour	$49,845	140.3	19.4%	11.0%	9.9%
Northumberland	$40,963	206.2	19.4%	12.9%	14.0%
Snyder	$47,059	120.8	16.5%	9.0%	11.4%
Union	$46,737	142.2	15.8%	9.3%	12.6%
Mt Carmel	$33,015	8,969.6	N/A	14.8%	17.0%
State College	$24,104	9,224.1	N/A	2.1%	52.0%
Williamsport	$33,147	3,365.1	N/A	9.6%	26.8%

Demographic and economic data also provide a look into the changing needs for public transit based on the size of key public transit user groups such as seniors, veterans and individuals living below the poverty line. For example, the percentage of the population that is 65 years of age or older, which primarily impacts both free transit fixed route and demand response service, is higher in six of the eight north central counties relative to the percentage for Pennsylvania as a whole. Additionally, every county in the region saw growth in its percentage of 65+ individuals from 2010 to 2013, indicating the potential for increasing service demand.

GOVERNANCE AND SERVICE STRUCTURE

As with demographic and economic data, the nine transit agencies in the region exhibit a range of governance and service structures (see Exhibit 3). Four of the nine agencies are county departments (transportation or human services) governed by their respective county commissioners. CATA is a joint authority with a board of directors, USTA is a joinder board with a board of commissioners from two counties, STEP is a private non-profit governed by a board of directors, and RVT and LATS are respectively city and borough transportation departments with a Mayor/Council governance structure. The number of governing officials ranges from as little as three, in the case of agencies governed by county commissioners, to as many as fifteen (15) at

[1] Percentage is relative to the total civilian population

STEP. Factors such as effectiveness and adequate representation are important considerations when structuring the size, appointing bodies and by-laws for a regional authority.

EXHIBIT 3: CURRENT ENVIRONMENT - GOVERNANCE AND SERVICE STRUCTURE HIGHLIGHTS

	CATA	CEN	COL	LATS	MON	NOR[2]	RVT	STEP	USTA
Governance									
Legal Structure	Joint Authority	County Transp. Dept.	County Human Services Dept.	Borough Transp. Dept.	County Transp. Dept.	County Transp. Dept.	City Transp. Dept.	Private Non-Profit	Joinder Board
Governing Body	Board	County Commis.	County Commis.	Mayor/ Council	County Commis.	County Commis.	Mayor/ Council	Board	Board
# of Members	5	3	3	8	3	3	7	15	6
Selection	Appointed by Elected Officials	Elected	Elected	Elected	Elected	Elected	Elected	Appointed	County Commis.
Service									
Service Type[3]	FR/DR	DR	DR	FR	DR	DR	FR	DR	DR
Trips	7,107,393/ 181,682	87,351	56,601	23,055	29,874	N/A	1,357,932	91,327	78,920
Rev Vehicle Miles	1,501,626/ 790,222	437,752	97,000	51,058	117,901	N/A	822,866	539,010	505,441
Max Vehicles	58/49	23	34	3	20	N/A	23	31	23
Avg. DR Trip Length	2.40/29.12	14.80	9.76	1.20	26.81	N/A	4.98	12.90	16.89

The agency operating profiles also reflect the demographic and economic variety of the region. Within the north central region, there is fixed route and demand response service. Of the nine transportation providers within the region, one provides fixed route and demand response service, two provide only fixed route service and six provide only demand response service.

The extent of service is reflected in the number of vehicles operated on a daily basis. For fixed route service, LATS operates three vehicles per day while CATA operates 58 vehicles per day. For demand response service, most of the regional agencies offer 20 to 30 vehicles per day with CATA operating 49 vehicles per day.

Current service in the region includes a number of inter-county trips, indicating a need for regional planning and coordination. Six of the seven agencies providing demand response service offer out-of-county trips for their customers.

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

[2] NOR's service data is not shown as its operating data is consolidated within rabbittransit's total operating data
[3] FR = Fixed Route, DR = Demand Response

STAFFING

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

Exhibit 4: Current Environment - Staffing Highlights

	CATA	CEN	COL	LATS	MON	NOR	RVT	STEP	USTA
# Admin FTEs[4]	32	5	5	1.5	1	4	25	6.6	12.6
Purchased Transportation	ADA & Shared Ride	Out of County MATP	Almost All DR	All FR	No	All DR	ADA	Some DR	MATP Summer Camp
Management	In-House	In-House	In-House	In-House	In-House	Contract	In-House	In-House	In-House
Labor Representation	AFSCME	No	SEIU	No	No	No	ATU	No	No

Administrative staff size across the individual agencies ranges from 1 to 32 full-time equivalent positions (FTEs), with a total administrative staff in the region of 92.7. All but one agency outsources some or all of their service. NOR outsources both the management and the transportation service to another transit agency, rabbittransit.

In addition, three of the transit agencies operate with union employees, with non-management staff at COL represented by the Service Employees International Union (SEIU), non-management staff at CATA represented by the American Federation of State, County and Municipal Employees (AFSCME) and non-management staff at RVT represented by the Amalgamated Transit Union (ATU).

In determining the staffing structure of a regional authority, the current administrative size and outsourced transportation 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. Operating revenue ranged from a low of approximately $12 thousand at LATS to a high of $8.3 million at CATA. Similarly, operating expenses, excluding depreciation, ranged from a low of approximately $0.3 million at LATS to a high of $14.5 million at CATA.

[4] FTE = Full-time equivalent

EXHIBIT 5: CURRENT ENVIRONMENT - FINANCIAL HIGHLIGHTS[5]

	CATA	CEN	COL	LATS	MON	RVT	STEP	USTA
Operating Revenue	$8.3M	$1.7M	$1.0M	$12K	$0.4M	$1.1M	$4.0M	$1.8M
Operating Expenses[6]	$14.5M	$1.7M	$0.9M	$0.3M	$0.4M	$6.7M	$3.9M	$1.9M
Line of Credit	Operating, capital & vehicle totaling $7M	No	No	No	No	Uses City's $3M LOC	$375,000	No
Outstanding Debt	No	No	No	No	Internal loan from County	$3.75M (part of City GO issue)	No	No
Other Long-term Obligations	Tire lease & natural gas purchase agreement	No	No	No	No	Parking Authority & Trade and Transit leases	Office lease	Office lease
Type of Retirement Plan	Defined Contribution 401a Money Purchase & 457 Plans	County Defined Benefit Plan	County Defined Benefit Plan	None	County Defined Benefit Plan	City Defined Benefit Plan	403b Defined Contribution Plan	Simple IRA Defined Contribution Plan
Defined Benefit Plan Unfunded Liability	N/A	$15.2M for all county covered employees	$7.4M for all county covered employees	N/A	$1.6M for all county covered employees	$0.7M for all City covered employees	N/A	N/A

WAGES

Labor[7] is the largest cost component for transit agencies, ranging from 55% to 75% of total expenses for eight of the nine agencies in the north central region. Hourly rates for demand response drivers directly employed by transit agencies (not including drivers employed by subcontractors) range from $9.08 to $13.05. Fixed route drivers at CATA and RVT have hourly wage rates that are hare higher than the region's demand response drivers, as is typical in the industry, and are within 0.6% of one another.

ADMINISTRATIVE COSTS

Administrative costs for both labor and non-labor positions are the focus of the regionalization analysis. As a percent of total labor costs, administrative labor costs are estimated to range from 13% to 100% for the individual agencies in the region. LATS ratio of 100% is due to the fact that LATS operations are all performed by a private subcontractor. Therefore, all of LATS wages and benefits are associated with LATS administrative employees.

[5] NOR is excluded from this table as its financial results are consolidated with the rest of rabbittransit operations
[6] Excludes depreciation
[7] Includes salaries, wages and employee benefits

EXHIBIT 6: PERCENTAGE OF FY2014-15 LABOR COSTS - ADMINISTRATIVE EMPLOYEES[8]

	CATA	CEN	COL[9]	LATS	MON	RVT	STEP	USTA
Estimated % Administrative Labor Costs	23%	23%	40%	100%	13%	46%	29%	43%

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 benefits to wage ratio for all transportation providers in the region excluding LATS[10] is 43%. A wide range between the high and low values for the individual agencies indicates the potential for cost savings resulting from regionalization.

Typically, the two largest employee benefit costs are for health care coverage and retirement plans. There is some opportunity for savings from health care plan standardization and employee health care contribution standardization. There are, however, more substantial opportunities for savings related to retirement costs.

Four of the transit providers have defined benefit plans. Defined benefit plans (pensions) paid to retirees as a guaranteed annuity payment are more costly as compared to defined confined contribution plans (i.e. 401K or 457 plan). 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 is an alternative that may or may not include an employer matching payment for every dollar that the employee contributes to his/her 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 within the available options provided by the plan. Unlike defined benefit plans, the amount received by the employee during retirement is not guaranteed and is also subject to financial market risk. The

[8] NOR is excluded from this table as its financial results are consolidated with the rest of rabbittransit operations
[9] COL data was not provided. This percentage reflects the value for COL's major contractor K-CAB
[10] LATS is excluded since its submitted benefits data is inaccurate

employee's assets in the plan are portable and can move with the individual when employment is terminated.

Including rabbittransit who serves NOR, four of the nine agencies in the region provide the less costly defined contribution plans with employer contributions ranging from 2% to 8% of wages. Four providers, CEN, COL, MON and RVT, offer a more expensive defined benefit plan, with unfunded liabilities related to all county or city employees covered by such plans ranging from $0.7 million to $15.2 million.

Assets and Liabilities

If a single consolidated regional authority were formed, the existing transit agencies' assets would 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 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 would need to be structured to address outstanding liabilities using the funding streams that would also be transferred to the new organization. Liabilities include items such as payables, debt, deferred revenues, reserves and other post-employment benefits. Therefore, tire, office and parking leases at CATA, RVT, STEP and USTA would need to be transferred to the new regional entity if the assets related to those leases would continue to be used by the new regional entity. The outstanding debt at MON and RVT would need to be paid or a revenue stream would need to be provided to the new regional entity if it was to be responsible for the associated debt service payments. Similar actions would be required for other agency liabilities.

State and Local Subsidies

Some of the north central transit agencies receive operating and/or capital subsidies from the state and/or local municipalities. Exhibit 7 provides a summary of the annual state and local operating subsidies used by the transit providers in FY2014-15:

EXHIBIT 7: STATE AND LOCAL OPERATING SUBSIDIES USED IN FY2014-15

	CATA	CEN	COL[11]	LATS	MON	NOR	RVT	STEP	USTA
State Operating Grants	$2,400,503	$13,543	$0	$267,746	$0	$0	$3,748,792	$50,023	$0
Local Operating Matches and Contributions	574,074	3,900	0	11,052	0	0	318,040	0	0
Total State and Local Operating Subsidies	$2,975,277	$17,443	$0	$278,798	$0	$0	$4,066,832	$50,023	$0

STATE SUBSIDIES

State operating and capital subsidies are provided annually to Pennsylvania transit agencies pursuant to Act 44 of 2007 (Act 44). Special assistance may also be provided at BPT's option. Act 44 enables BPT 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.

LOCAL SUBSIDIES AND RELATED SUPPORT

The municipalities where local fixed route service is provided are required to contribute local matching funds in accordance with state legislation for specific operating and capital funding programs. In FY2014-15, the total local operating match for fixed route service provided by CATA, LATS and RVT was approximately $828 thousand. Additionally, one of the county transportation departments received a small contribution from its county to offset operating losses for demand response service.

While not a direct cash grant, some of the agencies in the region receive services from their county, city or borough, 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:

- Centre County provides administrative and grant management, finance, treasury, payroll, audit, procurement, human resources and compliance, information technology, risk management, legal and building services, with fiscal and technology costs charged to CEN;
- Columbia County provides administrative, grant and contract management, finance, treasury, payroll, audit, procurement, human resources and compliance, information

[11] Represents the subsidies received by MTR/K-Cab, Columbia County's major contractor

technology, risk management, legal and building services to COL with allocated costs charged to COL;

- The Borough of Mt. Carmel provides administrative, grant and contract management, finance, treasury, payroll, audit, procurement, human resources and compliance, information technology, risk management, legal and building services to LATS at no charge;
- Montour County provides administrative and grant management, finance, treasury, payroll, audit, procurement, human resources and compliance, information technology, risk management, legal and building services to MON at no charge; and
- The City of Williamsport provides finance, treasury, payroll, audit, human resources, risk management and legal services to RVT, pays for certain pension, fuel, debt service and other service costs and charges RVT for a portion of these services and costs.

GENERAL BENEFITS AND CHALLENGES OF REGIONALIZATION

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. 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 formation of a single consolidated regional authority:

GENERAL BENEFITS OF A SINGLE CONSOLIDATED AUTHORITY

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

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

1. **Transit Expenditure Savings** are typically generated by eliminating duplicative administrative positions and services, reducing overhead costs, using volume purchasing, standardizing vehicles and inventory, restructuring service delivery (directly operated vs. outsourced transportation service) and redesigning service (routes, stops, connections and timetables). These savings can occur in both operating and capital costs.

2. **Transit Revenue Gains** are usually achieved from the ability to leverage volume advertising and may occur from fare revenue increases due to ridership growth by integrating route and fare structures. Additionally, real estate and facilities that are no longer needed 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 savings achieved from regionalization and consolidation of functions within a single organization.

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, 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 north central region, there is expertise in areas such as vehicle maintenance and customer service. 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 an appropriate level of technology support. 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 vehicle maintenance 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 might otherwise be 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 redundancies for demand response service.

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

11. **Seamless Regional Travel** can be achieved 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 five 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:

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

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.

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 reducing their required transit funding obligation and continuing and potentially improving 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, wage rates, benefit plans and work rules vary among the transit agencies in the region. The key to optimizing regionalization benefits is to develop an organization and accounting structure that provides transparency for county-by-county operations. This approach has been successfully used in Pennsylvania at small and large transit agencies that have consolidated operations with varying labor environments.

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 next chapter, *Single Regional Authority Profile*, provides one potential set of such structures.

SINGLE REGIONAL AUTHORITY PROFILE

The results of regionalization are dependent upon a number of factors including the regional authority's organization, services, fare structure, operational and financial policies and procedures and customer service program. In order to determine the results of regionalization, there needs to be an understanding of what the Authority will look like and how it will operate.

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 north 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 eight counties and other municipalities in the region would transfer, by resolution, the provision of transit services for their jurisdictions to the new Authority.

The new Authority would reconstitute its board of directors to include representation from each of the eight counties, the Borough of Mt. Carmel, the City of Williamsport and the municipality of State College – an eleven (11) member board. The chairmanship and vice-chairmanship of the board should rotate among the board members on a periodic basis.

Finally, the new board would 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.

Overall Organization Structure

For administrative purposes, the regional authority would have a centralized administrative structure for communications, finance, human resources, legal and technology functions. A centralized senior operations management would oversee staff located at the local operational sites throughout the region.

Equally as important as the organization structure is the accounting and reporting structure which must separately account for each county's operations. This will support the regional authority's ability to initially operate with distinct wage rates in each county. Over time, the Authority would move to a tiered compensation structure for labor, dependent upon the type of service the employee was engaged in – fixed route or demand response. The county based accounting structure would also provide the ability to determine county-by-county financial results to support the accurate calculation of each county's local match obligations for service received in each county.

Transportation Delivery

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 and performed locally. Current outsourced operations in Clinton, Lycoming, Columbia and Northumberland counties would continue unless the regional authority's board determines otherwise and would be managed centrally.

Each of the local operating locations would serve as the daily operations site for fixed route and demand response service. They would be staffed with operations supervisors, dispatchers and/or clerical support staff to manage the daily functions of service provision during standard hours of operation. Central operations management staff would establish a single set of standards and protocols to increase service consistency for the region and new road supervisors would be added for customer service, compliance and driver training purposes.

Opportunities for operational efficiencies exist given today's individual agency approach to service, including trips to and from the Geisinger medical center. Therefore, during the first year of regional operations, the new Authority should formally prepare a demand analysis and then, based on the analytical results, develop a new service plan.

FACILITIES

The regional authority's headquarters site would house senior operations management and administrative staff and continue to house the daily transportation delivery functions for service provided in that county or municipality.

Service delivery, day-to-day maintenance, vehicle storage and customer service activities would take place at each of the local operating sites. Opportunities exist for facility consolidation at the current local sites. For example, MON, COL and NOR local sites could be consolidated, the CATA and CEN sites could be consolidated and the RVT and STEP Williamsport sites could be consolidated.

The facilities located in State College and Williamsport would contain the larger transit delivery operations along with vehicle maintenance operations. As described in the *Fleet, Maintenance and Overhauls* section below, a smaller vehicle maintenance facility could be established at the NOR site to decrease the reliance on contracted vehicle maintenance support.

Leases for existing office and parking spaces would be transferred to the new regional authority, which would also negotiate lease agreements for transit operations located in county-owned space if the Centre County and Columbia County facility consolidations do not occur. The regional authority would pay the actual cost for services, such as utilities and building maintenance, from operating at county-owned facilities.

FLEET, MAINTENANCE AND OVERHAULS

Title for the existing vehicle fleet and equipment would be transferred to the new regional authority. The headquarters location would house senior maintenance management and support services staff including safety and materials management. Senior maintenance management would establish a single set of mechanical protocols that would be used throughout the region.

Vehicle, inventory and fuel procurement would be performed centrally, with tires and other inventory stored at two to three locations in the region (CATA, RVT and NOR) from which deliveries to local sites would occur. A single fuel management software application would be used and, if possible, fuel would be purchased from one vendor to obtain a volume discount. The Authority would purchase inventory, including tires, needed by any maintenance contractors.

A single maintenance management software application would be used to track and schedule all inspections and repairs for the entire region's vehicles. Data would be entered into the

application by staff located at field locations, the storage sites and the central administrative headquarters. Data from this system would be used to manage costs and ensure proper levels of staffing and inventory.

Staff at the local sites would perform light vehicle maintenance. Staff at the State College and Williamsport maintenance facilities would continue to perform heavy maintenance for the vehicles operating within their related county or city. When financially and operationally feasible, the State College maintenance facility could be used to perform heavy maintenance and overhaul services for other portions of the region. Similarly, with an added maintenance position, the NOR site could be used to support the heavy maintenance needs of the five south-eastern counties. To the extent that vehicles cannot be maintained and/or overhauled at the CATA, RVT, or expanded NOR facilities, third party contractors would be used as they are today.

Capital investment in additional vehicles would be helpful for regional operations, including a wrecker/tow truck that could reduce costs and lost time as well as management vehicles for regional mobility. A fleet plan should be prepared in the second year of regionalized operations following the establishment of the new service plan and should incorporate a policy of fleet standardization where possible to reduce costs for inventory and training.

CUSTOMER SERVICE

Demand response reservations would be handled by an integrated but not central structure. Two to three call center locations would be established with support staff at local sites. Operating and eligibility staff would provide support for the reservations function during peak call periods. Reservation services currently provided by contract vendors would be brought in-house. Trips would be scheduled through Ecolane software with local dispatching and service delivery. The integration of the reservations function, the use of a single software package for reservations and the use of an integrated telecommunications system will provide the ability to reduce today's combined number of reservation call takers.

The Authority's eligibility function would be staffed with a centralized MATP program manager and three eligibility/reservations positions located at three regional sites. While there would still be local sites for customers to provide eligibility documentation and receive mobility information, policies, procedures, processing and record keeping would be performed centrally. The eligibility staff would be supported by the Authority's new road supervisors and new sales and business development manager as well as the region's senior centers.

Call specialists and other supporting staff would be initially trained in both fixed route and demand response service for a specific geographical area. 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.

LABOR

No change in labor rates are assumed at the outset of regionalization. However, over time, a single or tiered compensation structure, based on job classifications, would be established across the region and work rules would be standardized.

The regional authority would standardize the benefits provided to all non-represented employees, whether they were formerly employed at an existing transit authority or an existing county department. 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.

Administrative 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. In addition, they would receive their defined contribution plan balance accrued during their years of service with the regional authority.

The unfunded pension liability for current CEN, COL, MON and RVT employees who transfer to the new regional authority would continue to be the financial responsibility of the county or city that currently employs such staff.

Additionally, the existing CATA and RVT labor agreements would be transferred to the new regional authority to cover fixed route operations in the current service areas.

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) and support reservationists/schedulers would be located at the local operating facilities. Rather than rely on internal staff for all administrative functions, it is assumed 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 performed primarily with in-house staff and supplemented with contractors if required.

It is anticipated that regionalization would result in administrative cost reductions by eliminating redundant positions and standardizing processes such as procurement. The regionalization profile also assumes that nine new positions would be created to encourage ridership growth and satisfy regulatory compliance and business management requirements that are not fully supported by the individual transit agencies today. These positions include a human resources compliance manager, a safety and training manager, two trainers, a procurement manager, two road supervisors, a transportation contract management director, a sales and business development manager and a service planning manager.

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. These components are shown in the box to the right.

Technology Required for Day One of Regionalized Operations

- Voice network
- Data network
- Wide-area network
- Exchange system
- Website
- Finance and HR applications
- Ecolane reservations and scheduling 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 when a standardized replacement would occur.

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:

Voice Network and "Call Center" 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. There would be a consistent four or five-digit numbering plan. In addition to standard telephone features, the following advanced features, supporting the communications system and the reservation/scheduling system, are recommended for the multi-site regional entity:

- Dynamic call routing based on number dialed and calling line ID. The ability to route callers based on the number dialed and the number from which the call originated 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 the 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 essential for training and performance management.
- Out-dialing for reminders. This feature enables the agency to send recorded reminders to passengers to limit "no shows" for demand response service.
- 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.
- Call forwarding to allow office phones to ring to mobile phones. With a mobile staff (executives, road supervisors and others) it is helpful to have office calls forwarded to mobile devices.
- 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 reservationists who need to ask quick questions of supervisors and/or 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 with a one-time upfront investment with 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 retrieve voice and email messages at the same time using their keyboard.

Data Network, Wide Area Network and Exchange Technology

The data network for the regional authority would have its core at the headquarters site with failover capability at a second site. The network would house Microsoft Exchange, financial systems and data storage/backup for the enterprise.

For the voice and data applications to work efficiently and accurately, the 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 network traffic.

Microsoft Exchange, through a single server in the region, would be used for email, calendars and contacts. 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. Information on both a regional and county-by-county basis would be provided.

Financial and Human Resource 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 and mobile applications and interface with the financial and access control systems.

The financial system would include general ledger, billing/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.

The human resources system would provide for management of employee performance, benefits and enrollment, wages and raises, commendations and discipline, training records and succession planning.

Reservations Technology

The state's Ecolane application would be used for reservation and scheduling functions for service throughout the region.

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
- Document Management

Badges/Employee Identification

A single badging system would be used throughout the region. Ongoing 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 achieve volume discounts. 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.

Document Management Technology

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

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

The goal is to become as paperless as possible so that remote users have full access to any documents that they may need.

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

A single regional authority would 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.

Any 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 reservation staff. Similarly, 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 any existing point of sale applications, both of which will be integrated with the financial system. Central administrative staff would design and document the collection, counting and deposit protocols.

PennDOT is currently working on a state-wide procurement for fixed route intelligent transportation systems that would provide a series of supporting applications, such as the ones noted in this section, for local site technology. Once that procurement is completed, it would be available to the new regional authority.

INTEGRATED DEMAND RESPONSE FARE STRUCTURE

Consolidating public transit in north central Pennsylvania offers the potential to design a single integrated fare structure for the region for demand response service. 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 working group sessions were held at the beginning of this regionalization study to gain the input of transit management in the region. One of the working group sessions focused on an integrated regional fare structure for demand response service. 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
- Simplicity
- Ridership Generation
- Compliance

- Uniformity: fares charged should be similar throughout the region;
- Revenue Neutrality: the new fare structure should yield the same revenue after fare integration as the existing transit agencies produce today;
- Regional Integrity: the new fare structure should help to facilitate travel between counties in the service area;
- Equity: the fare charged should correlate to the distance travelled;
- Administrative Ease: fare collection and processing should be performed in an efficient manner;
- Simplicity: the new fare structure should be easily understood by riders;
- Ridership Generation: the new fare structure should increase ridership through the use of fare incentives; and
- Compliance: the new fare structure must conform to state and federal regulations.

DEMAND RESPONSE FARE STRUCTURE

Demand response transit service is currently offered in all eight counties within the region by seven separate transit agencies. In order to best meet the identified fare structure goals, the criteria shown in the box to the right were developed for the integrated demand response fare structure. Transit management agreed that the integrated structure should accommodate a wide range of trip lengths and use simple increments of distance and fares.

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

CURRENT STRUCTURE

As noted in the *Current Environment* chapter, the region is very diverse in demographic characteristics and operational structure. That diversity is reflected in the wide range of service approaches and fare structures employed by the regional providers of demand response service. Some agencies provide their passengers with complete flexibility on where and when trips can be taken. Some agencies are more prescriptive, requiring that trips to certain destinations be taken on specific days and times. These different approaches impact the cost structure of each agency and therefore the fares that are charged.

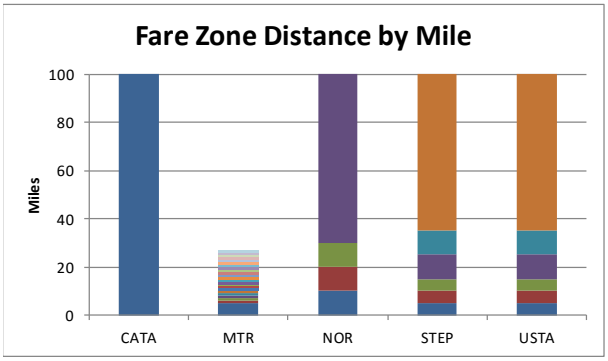
With regard to overall fare structure, four agencies operate with a mileage based fare structure, two agencies operate with a zone based fare structure and one agency operates with a flat rate fare structure. The structures vary widely in the number of zones and the fare that is charged for each zone.

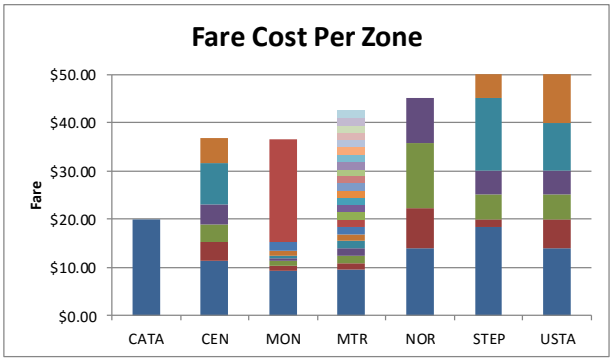
Exhibit 8 illustrates the variety of fare strategies in the region. The first graph displays the number of fare zones within each mileage-based and flat-rate system and the distance covered by each zone. The agencies use anywhere from one to twenty-three (23) zones per fare structure. Since CEN and MON rely on geographic areas rather than mileage to define their zones, their fare structures are excluded from the first graph. Additionally, since almost all trip activity in Columbia County is managed by its major contractor MTR/K-Cab, the exhibit data for COL reflects MTR/K-Cab's fare structure.

The second graph shows the number of zones and the fare for each zone. The difference in fare structures is illustrated by examining the data for CATA, COL and STEP. CATA has one fare of $20 for all trips no matter the length of the trip; COL has twenty-three different mileage zones with

a low and high fare of $9.40 and $42.40 respectively and STEP has six mileage zones with a low and high fare of $18.30 and $50.00 respectively.

EXHIBIT 8: FARE ZONE DISTANCES AND FARE PER ZONE





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 estimated the change in revenue resulting from the unified fare being applied at each agency. The model assumed no charge for escorts with all fares solely dependent upon the trip distance.

One of the major challenges in developing the model was the fact that the individual agencies did not have the specific distance traveled for each passenger trip. Instead, those agencies that used a zone based structure could only provide the number of trips taken within broad geographical areas; and those agencies that used a mileage based structure only provided the number of trips taken within a range of miles (example: 500 trips taken between 5 and 15 miles in length). Without precise mileage data for each passenger trip, the demand response fare model estimated the mileage for passenger trips through extrapolation[12]. The output from this approach is therefore not as accurate as using actual passenger trip mileage data.

Since revenue neutrality was a primary criterion, several different fare variations were tested until one was found to be as revenue neutral as reasonably possible. Revenue neutrality was defined as achieving the same amount of fare revenue collected in the test year, FY2014-15, of $7.9 million.

[12] Extrapolation is the process of estimating the value of a variable on the basis of its relationship with another variable

Two separate models were developed. The first incorporated four mileage-based zones and the second was structured around six mileage-based zones. Multiple zone pricing options were tested for both alternatives. The tests examined two factors – revenue and variability outcomes. A set of pricing options within a particular model was considered strong if the total estimated revenue came close to the $7.9 million of revenue currently collected and if there was a minimal variance in fares from existing transit agency practices. Striving to achieve these results would protect the regional authority's revenue level and protect the region's passengers against dramatically increasing fares.

Given the data that was provided for the analysis, the "best" results for an integrated fare structure in the north central region was generated by the six zone fare model. These results are presented in Exhibit 9 with the associated trip and revenue results shown in Exhibit 10:

EXHIBIT 9: INTEGRATED DEMAND RESPONSE FARE STRUCTURE WITH SIX ZONES

Zone	Mileage From	Mileage To	Fare
1	0.00	4.99	$12.00
2	5.00	9.99	$14.00
3	10.00	14.99	$20.00
4	15.00	19.99	$26.00
5	20.00	24.99	$31.00
6	25.00	+	$36.00

EXHIBIT 10: RIDERSHIP AND REVENUE - INTEGRATED DEMAND RESPONSE FARE STRUCTURE - SIX ZONES

Agency	Base Year Trips	Base Year Revenues	Regional Revenues	Revenue Difference	Percent Difference	Base Year Avg. Fare	Regional Avg. Fare
CATA	17,391	$345,921	$313,038	-$32,883	-10%	$19.89	$18.00
CEN	81,620	1,327,131	1,657,100	329,969	25%	$16.26	$20.30
COL	47,797	850,030	846,779	-3,251	0%	$17.78	$17.72
MON	22,049	225,232	297,339	72,107	32%	$10.22	$13.49
NOR	100,828	1,937,494	1,866,755	-70,739	-4%	$19.22	$18.51
STEP	**95,229**	**2,032,535**	**1,579,766**	**-452,769**	**-22%**	**$21.34**	**$16.59**
USTA	63,503	1,196,550	1,348,612	152,062	13%	$18.84	$21.24
Total	**428,417**	**$7,914,893**	**$7,909,389**	**--$5,504**	**0%**	**$18.47**	**$18.46**

As can be seen in the table above, the overall results are revenue neutral as revenues decrease by only $5,504. In the individual counties, however, the results are mixed, dramatic and sometimes negative. Some service areas, such as those where CATA, NOR and STEP operate, experience reductions in revenue and average fares. In other service areas, such as CEN, MON and USTA, revenues and average fares increase significantly, by as high as 32% in Montour County.

CONCLUSION

The integrated fare structures that were examined resulted in unacceptable levels of fare increases for CEN, MON and USTA riders. Today's multiple service approaches and cost structures across the region negatively influence the ability to build an equitably integrated fare structure. Additionally, the lack of specific distances per trip prevented the ability to provide accurate revenue estimates. For these reasons, it is recommended that if regionalization occurs, fare integration for demand response service should be re-evaluated after the first year of regionalized operations. Three changes will have been made by that time that should provide more accurate revenue results and a more equitable change in fares. One year after regionalized operations, there will be a single approach to service, a single cost structure and one year of accurate mileage data for passenger trips from using the Ecolane reservations and scheduling software. In the interim period of first year regionalized operations, the new regional entity should attempt to standardize the county AAA funding programs.

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 structure out of numerous possible options was modeled based on the regionalization profile that was developed as well as the benefits and challenges that have already been mentioned. Ultimately the decisions regarding the final structure of the single authority's organization and its board would be determined during a planning and transition period prior to the start of regionalized operations.

The financial impact analysis focuses on administrative savings and maximizes the use of existing assets to minimize new capital investment requirements. Although this study did not address the financial impact of services changes, the single regional authority would certainly develop and implement a regionalized service plan which could further contribute to the financial and operational benefits estimated in this chapter. Any 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 previously defined regionalization scenario.

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, fuel & fuel taxes, 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 four primary functional areas, each reporting to a General Manager or a Chief Executive Officer – Operations, Finance, Human Resources and Customer Service. Each of these areas is populated with positions responsible for the following functions:

- Operations – Fixed Route and Demand Response Transportation Delivery; Dispatching and Road Supervision; Asset Management (Fleet, Facilities, Security, Materials and Inventory) and Service Planning and Scheduling
- Finance – Accounting; Payroll; Financial Planning and Budgets; Grants Management; Financial Analysis; Cash and Debt Management; Procurement and Information Technology
- Human Resources – General Human Services; Labor Relations; DBE and EEOC; Safety and Compliance and Training
- Customer Service – Reservations and Scheduling; Communications; Marketing and Sales and Government and Public Affairs.

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

Today, there are 98.9 combined administrative full-time equivalent (FTE) positions across the existing agencies. A single regional authority achieves efficiencies by reducing this administrative headcount to 85 FTEs through a centralized management team. Exhibit 11 shows the projected change in administrative headcount by major functional area net of the new positions that were added and identified in the *Single Regional Authority Profile* chapter:

EXHIBIT 11: PROJECTED CHANGE IN ADMINISTRATIVE FTES NET OF ADDED POSITIONS

Function	Combined Agencies Today	Single Regional Authority	Change
Executive and Executive Assistance	11.5	3.0	-8.5
Communications	3.5	3.0	-0.5
Customer Service	23.2	20.0	-3.2
Finance, Procurement and Technology	18.1	13.0	-5.1
Human Resources, Safety and Training	2.9	7.0	+4.1
Operations	39.7	39.0	-0.7
Total	98.9	85.0	-13.9
% Change	--	--	-14.1%

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 human resources compliance, safety, training, procurement, road supervision, operations contract management, service planning and business development.

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[13].

The net reduction in the number of administrative positions due to regionalization with a single regional authority would yield approximately $389 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.

As previously mentioned, the single regional authority staffing plan resulted in a reduction of 13.9 FTEs and an associated salary reduction of approximately $389 thousand. The average employee benefits to salary ratio 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 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. With the regional authority standardizing health care coverage, it can slightly reduce premiums with a mid-priced employee health care plan by taking advantage of its larger employee pool. Retirement plan costs are reduced by offering to administrative employees a defined contribution plan with an employer match rather than a defined benefit plan. Savings from the

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

reduced number of combined employees and the standardization of benefits are estimated to total approximately $298 thousand.

Services

Professional services is typically another expense category where there are duplicative costs across multiple agencies and can be reduced due to regionalization. As an example, a single regional authority would require only one annual independent financial audit, while today one for each of the nine agencies is required. Over 70% of the professional fee savings are projected to come from the reduction of accounting and auditing services. Along with small savings estimated for other service contracts, the total projected savings is approximately $93 thousand.

Maintenance

In examining the potential maintenance related savings that could be generated by regionalization, only contracted maintenance service and maintenance material & supply costs were considered. Of this pool of expenses, it was assumed that a small percentage improvement would be seen as the result of volume purchasing, regional standardization of maintenance practices, the use of a single fleet maintenance and single inventory management application and the in-house purchase of all tires and materials used by contract vendors. In total, savings in this category are estimated to be approximately $46 thousand as a result of regionalization.

Fuel

The existing transit agencies purchase gasoline, diesel and compressed natural gas (CNG) for their vehicles and equipment. Gasoline is purchased by all nine existing agencies, diesel is purchased by three agencies and CNG is purchased by two agencies. For gasoline, there is a 55 cent spread in the average cost per gallon between the highest and lowest agency cost. For diesel, there is a 25 cent spread between the highest and lowest agency cost. CNG costs were not analyzed as one agency was in start-up mode at the time of the analysis. The use of standard fuel management software combined with a single purchaser for the region's gasoline and diesel provides the potential for cost savings of approximately $60 thousand. These savings do not include the impact of price fluctuations due to economic or global fuel industry factors.

Office

These 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 costs will decrease proportionally in relation to the reduction in administrative staff and others will be reduced due to volume purchasing or other factors. Overall savings in this category are estimated to be approximately $67 thousand as a result of regionalization.

Allocated Municipal Costs

Excluding rent payments, RVT, CEN and COL are currently charged for a portion of allocated costs for service provided by their city or county in support of transit operations. A new regional authority would perform these services on its own, thereby eliminating the payment to the municipalities. The organizational change results in savings of approximately $109 thousand.

Summary Financial Impact

Exhibit 12 provides a summary of the estimated financial impact of a north central transit regionalization. This $1.1 million cost savings estimate is considered to be conservative as it does not include any savings related to an integrated service plan which is assumed to be developed and implemented by the regional authority.

Exhibit 12: Estimated Financial Impact of Regionalization

Operating Line Item	Savings in $000
Salaries	$389
Employee Benefits	298
Maintenance	46
Services	93
Fuel	60
Office	67
Allocated Municipal Costs	109
Total Expense Savings	$1,062

ADDITIONAL LOCAL GOVERNMENT IMPACTS FROM REGIONALIZATION

Today, the City of Williamsport and the municipalities supporting LATS and CATA provide local match funding for fixed route service. In Fiscal Year 2014-15 the total combined local match payments for these municipalities was approximately $828 thousand.

Local Government Impacts of a Single Regional Authority

- Waiver of fixed route local operating matches for five years
- Potential reduction or elimination of local contributions for demand response service
- Potential delay in fare increases for demand response services
- Centre, Columbia and Montour counties, the Borough of Mt. Carmel and the City of Williamsport no longer provide administrative services for transit programs
- Regional authority pays actual costs for any office and parking space leased from municipalities

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.

Based on the amount of savings estimated to be generated by a single regional authority, regionalization would result in a waiver of the fixed route operating local match requirements for a five-year period. Additionally, the required 5% annual escalation of the local match requirement would be frozen during the waiver period.

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 the savings include, but are not limited to, the reduction or elimination of any county contributions made for demand response activities and/or postponement of demand response fare increases. The new regional authority's board of directors would be responsible for making these policy decisions.

CEN, COL, LATS, MON and RVT currently receive administrative services from their respective county, borough and city. If a single regional transit authority is formed, these municipalities will no longer need to provide the administration, grant management, finance, human resources, legal, technology, procurement, risk management and building services for their transportation departments. Therefore, the municipalities could reduce their overhead costs or at least improve employee productivity and there would be no need for any cost allocations charged to the single authority.

Finally, the regional authority would pay actual operating costs such as utilities and maintenance for any office and parking space it might lease from the regional municipalities. All other existing leases would be transferred to the new regional authority.

SUMMARY FINANCIAL IMPACT OF REGIONALIZATION

The results of the regionalization analysis show that significant benefits can be achieved due to regionalization. Exhibit 13 provides a summary of the overall impact on the transit providers and the local governments that support them:

EXHIBIT 13: OVERALL IMPACT OF REGIONALIZATION ON TRANSIT AND LOCAL GOVERNMENTS

	Single Regional Authority
Percentage Administrative FTE Reductions	• 14.1%
Financial Impact on Transit Providers	• Cost savings of $1,062,000
Local Match Requirements for Fixed Route Operations	• Elimination of local match and freeze on annual escalation of local match for five years
Local Contributions for Demand Response Service	• Potential reduction or elimination of county contributions for demand response service
Demand Response Service Benefits	• Ability to delay demand response fare increases
Municipality Provided Services	• Municipal administrative services for transit no longer required • Payments to municipalities for allocated costs no longer required
Other Municipal Impacts	• Municipalities receive payment for actual costs for any leased space

HIGH-LEVEL TRANSITION PLAN FOR REGIONALIZATION

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

The transition efforts will require in-house staff support and potentially outsourced 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 organization who are hired prior to full regional operations. At the start of the transition, support would likely be provided by outsourced specialists and as the start of regional operations approaches, most support would be provided by in-house staff at the new regional organization. Transition costs, which would be borne by PennDOT, could include capital costs for technology, equipment and vehicles required for regional operations and operating expenses which are directly related to consolidation and not covered by existing subsidies.

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

The first phase, Resolutions and Appointments, involves local elected officials determining if regionalization is to occur and implementing the legislative steps to facilitate it. Exhibit 14 provides a summary of the key steps that would occur in Phase I:

EXHIBIT 14: PHASE I KEY TRANSITION STEPS - RESOLUTIONS AND APPOINTMENTS

Phase I Key Transition Steps
Local Elected Officials
• Agree to pursue regionalization
• Agree on governance structure
• Approve by resolution, establishment of new regional entity
• Approve by resolution, the transfer of transit responsibilities to the single regional authority
• Appoint Board members in accordance with governance structure agreement
Current Transit Agencies
• Appoint transition point person from each agency
• Select transition lead for the region
Transition Team
• Develop detailed transition plan and budget
• Identify technical assistance required of PennDOT

Once Phase I is completed, stakeholders should expect Phase II and Phase III combined to take approximately 12 months to complete. The time of transition completion is primarily influenced by how long it takes to implement the required technology changes.

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 15 shows the key steps that would occur during Phase II:

EXHIBIT 15: PHASE II KEY TRANSITION STEPS - ORGANIZATION START-UP

Phase II Key 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
• Transition team reports to Board until General Manager is hired
• Transition team provides monthly status reports to regional Board, PennDOT, counties and transit agencies
• Board hires authority General Manager

Other than the hiring of the general manager, 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 and health care and retirement plans would need to be in place by the start of regionalized operations. 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 16 through

Exhibit 22 display key activities of Phase III by functional area – Executive and Legal, Finance, Human Resources, Communications/Marketing, Customer Service, Technology and Operations:

EXHIBIT 16: PHASE III KEY EXECUTIVE AND LEGAL TRANSITION STEPS

Executive and Legal
• GM develops and Board approves organizational and operational structures
• GM 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
• Create new agreements and/or establish novation agreements for existing arrangements needed on a go forward basis for o Purchased transportation services o Commercial contracts, leases and purchase orders o Software license agreements o Business and other commercial licenses o Utility transfers and modifications
• Obtain or reconfigure office space for regional authority administrative staff
• Move files, equipment and furniture as required

EXHIBIT 17: PHASE III KEY FINANCE TRANSITION STEPS

Finance
• Secure insurance coverage for transition period and first year of operations
• Set-up bank accounts, issue Board authorization resolution and execute signature cards
• Prepare operating and capital budgets for transition and first year of operations
• Develop cash flow forecast for transition and first year of operations
• Establish a line of credit
• Secure federal, state and local operating and capital grants o Secure transportation grantee designation status for the region o Prepare and submit compliant operating and capital grant applications o Set-up grant transfer agreements in case of mid-year start-up of regional operations
• 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
• Interview, select and train finance & procurement staff
• Select financial system and integrate appropriate data from existing platforms including inventory, payroll, human resources and procurement
• Set-up chart of accounts and financial reporting consolidation process
• Work with existing transit agency finance departments to o Perform a physical fixed asset and parts inventory at current transit agencies o Consolidate list and transfer title of capital assets and inventory, and record assets in financial system o Establish value of receivables, payables and restricted cash and reserves, 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 leases

- Work with county AAAs to standardize demand response funding parameters
- Determine if money handling functions will be outsourced and if so, select contractor

EXHIBIT 18: PHASE III KEY HUMAN RESOURCES TRANSITION STEPS

Human Resources
• Recommend pay scale and benefit package
• Develop Human Resources policies and procedures including those related to compliance, safety and training
• Determine which Human Resources contracts from existing transit agencies should be transferred and determine need for new contracts
• Transfer union agreements from existing transit agencies
• Health, Other Benefit and Retirement Plans o Transfer union health and retirement plans as required by providers o Set-up health and other benefit programs with appropriate enrollment protocols o Establish defined contribution plan o Work with Finance to determine value and establish funding mechanism for existing union retirement plan liabilities
• Develop personnel handbook
• Establish code of ethics
• Draft personnel position descriptions
• Identify employees at existing transit agencies who are interested in pursuing employment with the regional authority
• Support executive staff in recruitment, interview and hiring of administrative personnel
• Transfer existing non-administrative personnel to regional authority
• Move Human Resources and other administrative files to regional authority offices
• Support executive staff in training all staff

EXHIBIT 19: PHASE III KEY COMMUNICATIONS/MARKETING TRANSITION STEPS

Communications/Marketing
• Develop ongoing public outreach plan o Purpose and benefits of regionalization o Transition phases and timeline o Operational/service impacts o Changes in protocols for all constituents o Transition progress
• Develop employee communication plan for current agencies
• Work with Information Technology to establish regional authority website
• Develop Communications and Marketing policies and procedures
• Determine which Communications and Marketing contracts from existing transit agencies should be transferred and determine need for new contracts
• Obtain new stationary and communication print materials with new letterhead and logo

- Work with Information Technology consultant to establish new phone numbers, call forwarding from existing numbers at current agencies and new domain/e-mail addresses

EXHIBIT 20: PHASE III KEY CUSTOMER SERVICE TRANSITION STEPS

Customer Service
• Work with information technology consultant and existing agencies to implement and test Ecolane
• Develop customer service policies and procedures
• Determine which customer service contracts from existing transit agencies should be transferred and determine need for new contracts

• Develop training program and materials
  ○ Establish route and fare training program including testing and performance standards
  ○ Compile and organize materials
  ○ Develop training schedule

• Staff customer service function
  ○ Develop job descriptions and criteria
  ○ Advertise open positions and interview candidates
  ○ Select staff
  ○ Develop strategy for excess personnel requirements and call rerouting

• Conduct staff training including staff route reviews and testing
• Prepare customer information material and advertise any new information including reprogramming and printing of new fare media

EXHIBIT 21: PHASE III KEY TECHNOLOGY TRANSITION STEPS

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

EXHIBIT 22: PHASE III KEY OPERATIONS TRANSITION STEPS

Operations
• Develop Operations policies and procedures
• Determine which Operations contracts from existing transit agencies should be transferred and determine need for new contracts
• Interview, select and train administrative staff
• 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 fare boxes and in vehicles as appropriate

• Upgrade and equip road supervisor vehicles
  ○ Assess fleet for appropriate vehicles
  ○ Upgrade, retrofit and equip as needed to function as medium duty road service vehicles and to enable interchangeability within new regional service area

• Affix new logo decals to vehicles

• Develop procedures and forms for
  ○ Data collection in preparation for centralized fleet maintenance software implementation
  ○ Centralized procurement, including specialized maintenance service contracting
  ○ Inventory warehouse management

• Manage signage development and installation
• Implement security system additions for any facility space not currently secured
• Train non-administrative staff including drivers and mechanics

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 two years following the start of regional operations. Key among them is the implementation of cost savings and efficiency generating actions in operations and maintenance and the implementation of fare integration. Exhibit 23 summarizes these steps:

EXHIBIT 23: KEY TRANSITION ACTIVITIES FOR FIRST TWO YEARS OF REGIONAL OPERATIONS

First Two Years of Regional Operations

• Operations
  ○ Schedule, manage and track all vehicle maintenance and life cycle data in one application
  ○ Centralize parts procurement and consolidate parts inventory
  ○ Centralize fuel management
  ○ Determine split of in-house vs. outsourced maintenance work
  ○ Centralize vehicle procurement
  ○ Evaluate radio coverage/range and compatibility; upgrade or replace as needed to cover expanded service area
  ○ Develop service plan for both fixed route and demand response services
  ○ Develop fleet investment plan

• Implement demand response fare integration
  ○ Work with Finance and county AAAs to standardize funding parameters in parallel with service plan
  ○ Use new service plan and Ecolane data to re-analyze integrated fare structure options
  ○ Finalize new fare structure and determine timeframe for integration
  ○ Prepare and implement communication plan
  ○ Reprogram Ecolane and train staff
  ○ Restructure phone system and staff overflow protocols if required

• Determine if fixed route fare structure should be standardized across the region and if so, prepare analysis to determine revenue neutral and ridership neutral options