South Central Pennsylvania Public Transportation Regionalization Study

September 21, 2012
Agenda

• Background
• Overall Approach and Purpose
• Analytical Approach
• Current Structure and Operating Profiles
• Key Assumptions for Regionalization Assessment
• Governance and Operating Structure of Regional Authority
• Organizational Structure
• Financial Impacts of Regionalization
• Other Benefits of Regionalization
• Potential Use of Cost Savings
• Next Steps
Background

• Prior studies and joint work efforts were undertaken to better coordinate planning and services

• Pennsylvania Governor’s Transportation Funding Advisory Commission of 2011 called for the Commonwealth to examine the potential for the formation of regional transit agencies

• County requests of PennDOT to examine how transportation costs can be reduced and how customer service can be improved

• Current study commenced in 2012 and includes Adams, Berks, Cumberland, Dauphin, Lancaster, Lebanon, Perry, and York counties
Overall Approach to Study and Purpose

• Focused on developing a financial model that would project the estimated administrative cost savings by regionalizing public transportation in south central Pennsylvania

• Model assumed a single regionalized authority would be established since cost savings would be maximized under this scenario

• Operational analyses were not conducted as part of study

• Analysis stemming from this study is the result of applying governance and organizational assumptions which are not intended as recommendations or “must do” actions
  – Results from the single transit authority model provide a magnitude of savings and a starting point for discussion
  – Variations or changes in the underlying structure and assumptions will result in changes in the amount of savings that can be achieved
Large Regional Transit Authorities Already Exist in PA
South Central Could be the 3rd Large PA Regional Authority
Large Regional Transit Operations Exist Across the Country Including Those in Neighboring States
Work Effort Approach

• Phase I
  – Kickoff meeting in December 2011
  – Conducted site visits at each transit agency in February 2012
  – Operating and financial profiles of existing transportation agencies
  – Governance and operational structure
  – Financial impact of regionalization on admin/management functions

• Phase II
  – Integrated service, fare, facility, and fleet plans
  – Detailed regionalization implementation plan
  – Resulting financial and organizational impacts

• Commencement of Phase II is conditional upon Phase I results
Analytical Approach to Phase I Financial Assessment

- All agencies’ detailed revenue and expense data was analyzed
- Baseline ("do nothing") financial forecasts vs. regional financial forecasts developed through FY2019-20
- Baseline financial forecasts rely upon each individual agency’s historical trends
- Organizational needs of regional authority established from a clean slate rather than adjusting current structure
- Financial impacts focus on eliminating administrative redundancy and establishing new organization structure
- Financial impacts of service, facility, and fare integration are not included in these Phase I results
## Current Combined Operating Profile (FY2010-11)

<table>
<thead>
<tr>
<th>Structure</th>
<th>5 Transit Authorities and 2 County Departments of Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$33.4 Million</td>
</tr>
<tr>
<td>Expenses</td>
<td>$72.4 Million</td>
</tr>
<tr>
<td>Service</td>
<td>Fixed Route and Demand Response</td>
</tr>
<tr>
<td>Ridership</td>
<td>10.7 Million</td>
</tr>
<tr>
<td>Revenue Vehicle Miles</td>
<td>10.6 Million</td>
</tr>
<tr>
<td>Fleet Size</td>
<td>244 Fixed Route Vehicles 506 Demand Response Vehicles</td>
</tr>
<tr>
<td>Administration/Management FTEs</td>
<td>173</td>
</tr>
<tr>
<td>Labor Representation</td>
<td>None-ATU-IAM-Teamsters</td>
</tr>
</tbody>
</table>

Also see individual Operating Profile handouts
Current Operating Subsidies (FY2010-11)

$ In Thousands

- Federal $13,398 (34%)
- State $23,470 (60%)
- Local $2,259 (6%)

In Thousands
Key Assumptions

- Maintain existing service levels
- Reduce administrative costs through efficiencies, attrition, and eliminating duplicate positions
- Use existing assets and minimize new capital investment requirements
- Maintain existing labor contracts
- Two year transition period prior to regionalize operations
- Financial benefits are assumed to accrue immediately in Year 1 of regionalized operations
Steps Toward Regionalized Transit Operations

**Current Operations**
- Financial, service and regional integration challenges

**2-Year Transition**
- Provide dedicated support to transition to new organization

**Regional Operations**
- Reasonable savings from management centralization without service changes
Summary Results of Regionalization

**Current Operations**
- 173 Admin/Management FTEs
- $18.6M Combined Administrative Expenses

**2-Year Transition**
- 3 Person Transition Team
- $1.1M One-Time Cost Investment

**Regional Operations**
- 122 Admin/Management FTEs
- $14.0M of Administrative Expenses
- 24.5% Savings

$4.6 million in recurring annual administrative cost savings which could be used towards additional service and/or other local benefits
Regional Structure: Approach to Legal Entity

- Expand the geographic service area of an existing transit authority to serve the eight county region and rename it as the South Central Regional Transportation Authority.
- Counties transfer responsibility for all transit service from existing transit agencies and departments to the new regional authority.
- Counties are obligated to provide local match funding based on type, cost, and level of service provided to each county.
- Counties and existing transit agencies transfer all assets, with the exception of the Cumberland maintenance facility and administrative office, to the new regional authority.
Regional Structure: Approach to Governance

- Board would be comprised of representation from Adams, Berks, Cumberland, Dauphin, Lancaster, Lebanon, Perry, and York counties
- Board representation would be based on the level of service provided within and the financial contribution made by each municipality
- PennDOT would appoint one Board member to serve in a non-voting capacity for the first two years of regionalized operations
Regional Structure: Approach to Organization

• Centralized management and administration

• Operations and maintenance are divided into two districts
  – Western District: Adams, Cumberland, Dauphin, Perry, and York counties
  – Eastern District: Berks, Lancaster, and Lebanon counties

• Existing field operating bases throughout the region will be used for service, maintenance, overhaul, and fleet storage functions
  – Cumberland and Perry locations would be combined

• Operating divisions separately account for county activity and maintain existing labor agreements similar to York and SEPTA operations
Regional Structure: Approach to Organization
Regional Structure: Approach to Overall Organization
Regional Structure: Approach to Operations Organization Part I

- Operations
  - Fixed Route Operations
    - Operations Management - Fixed Route Western District
      - Operations Supervision
       - Dispatching
       - Road Supervision
    - Operations Management - Fixed Route Eastern District
      - Operations Supervision
       - Dispatching
       - Road Supervision
  - Demand Response Operations
    - Operations Management – Demand Response Western District
      - Operations Supervision
       - Dispatching
    - Operations Management – Demand Response Eastern District
      - Operations Supervision
       - Dispatching
  - Service Planning
    - Demand Response Customer Service
      - Scheduling
      - Reservations
      - Data Analysis
      - Eligibility
      - Community Relations

Operations Management – Demand Response Western District
Operations Management – Demand Response Eastern District
Operations Supervision
Dispatching
Road Supervision

Scheduling
Reservations
Data Analysis
Eligibility
Community Relations
Regional Structure: Approach to Operations Organization Part II

Operations

- Safety and Security
  - Safety & Security – Western District
  - Safety & Security – Eastern District
- Training
- Asset Maintenance
  - Fleet Maintenance Management - Western District
  - Fleet Maintenance Management - Eastern District
  - Fleet Maintenance Supervision
  - Fleet Maintenance Supervision
- Purchasing
- Capital Project Management
- Facility Maintenance
Regional Structure: Approach to Non-Operations Organization

- **Finance**
  - Accounting and Payroll
  - Treasury and Risk Management
  - Grant Management and Procurement
  - Budgeting and Strategic Planning
  - Financial Reporting

- **Communications**
  - Public & Government Affairs
  - Customer Service
  - Marketing and Advertising

- **Human Resources**
  - Labor Relations
  - Human Resources
  - DBE and EEOC

- **Information Technology**
  - Communications Technology
  - IT Infrastructure and Software
## Current Structure vs. Regional Structure

### Current Structure FTEs
- 8 Executive
- 20 Finance
- 2 Information Technology
- 7 Human Resources
- 4 Communications/Marketing
- 2 Procurement
- 114 Operations
- 16 Administration Support
- 173 Total Administration/Management

### Regional Authority FTEs
- 1 Executive
- 11 Finance
- 3 Information Technology
- 4 Human Resources
- 3 Communications/Marketing
- 2 Procurement
- 96 Operations
- 2 Administration Support
- 122 Total Administration/Management

Assumes no changes in service, fleet size and non-management FTEs
Estimate Transition Costs for Regionalization

<table>
<thead>
<tr>
<th>In Thousands</th>
<th>Transition Costs</th>
<th>Year 1</th>
<th>Year 2</th>
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</thead>
<tbody>
<tr>
<td>Transition Team Salaries</td>
<td>($230)</td>
<td>($238)</td>
<td></td>
</tr>
<tr>
<td>Transition Team Benefits</td>
<td>(66)</td>
<td>(71)</td>
<td></td>
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<tr>
<td>Transition Team Travel and Meetings</td>
<td>(5)</td>
<td>(6)</td>
<td></td>
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<tr>
<td>Legal</td>
<td>(135)</td>
<td>(140)</td>
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<tr>
<td>Accounting System Consolidation</td>
<td>0</td>
<td>(56)</td>
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<tr>
<td>Office Relocation</td>
<td>0</td>
<td>(28)</td>
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</tr>
<tr>
<td>Website &amp; Marketing</td>
<td>0</td>
<td>(146)</td>
<td></td>
</tr>
<tr>
<td>Total Costs</td>
<td>($436)</td>
<td>($685)</td>
<td></td>
</tr>
</tbody>
</table>
## Financial Improvements Due to Regionalization

<table>
<thead>
<tr>
<th>In Thousands</th>
<th>Regionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Savings</strong></td>
<td>Year 3</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>$1,667</td>
</tr>
<tr>
<td>Employee Benefits: Standardization</td>
<td>951</td>
</tr>
<tr>
<td>Employee Benefits: Position Reductions</td>
<td>461</td>
</tr>
<tr>
<td>Professional Services</td>
<td>379</td>
</tr>
<tr>
<td>Fuel</td>
<td>296</td>
</tr>
<tr>
<td>Casualty &amp; Liability</td>
<td>267</td>
</tr>
<tr>
<td>Marketing &amp; Advertising</td>
<td>221</td>
</tr>
<tr>
<td>Dues &amp; Subscriptions</td>
<td>122</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>72</td>
</tr>
<tr>
<td>Travel &amp; Meetings</td>
<td>42</td>
</tr>
<tr>
<td><strong>Total Management Savings</strong></td>
<td><strong>$4,478</strong></td>
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</table>
# Net Financial Savings Resulting from Regionalization

<table>
<thead>
<tr>
<th>$ In Thousands</th>
<th>Transition</th>
<th>Regionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings (Costs)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Management Savings</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Transition Costs</td>
<td>(436)</td>
<td>(685)</td>
</tr>
<tr>
<td>Net Savings (Costs)</td>
<td>($436)</td>
<td>($685)</td>
</tr>
</tbody>
</table>
Financial Impact to Direct County Expenditures

• Cumberland and Perry counties currently incur direct and overhead expenses on behalf of transit including accounting, payroll, treasury, risk management, human resources, etc.

• Neither county currently charges their transportation department for these services

• The counties would not incur these costs on behalf of transit as a result of regionalization
Other Benefits from Regionalization

• Riders benefit from a multi-county agency that can deliver service more efficiently across county lines
• More effective regional transit and land use planning
• Integrated fare system
• Coordination improvements with multiple human service agencies
• A larger organization allows people to fully perform functions that today receive no or partial attention due to limited resources
  – Safety and security, training, dispatching, road supervision, procurement, marketing, and human resources
Local Funding in FY2010-11

- Adams $103
- Berks $398
- Cumberland $137
- Cumberland - CAT $283
- Dauphin $391
- Harrisburg $282
- Lancaster $245
- Lebanon $76
- York $398

$ In Thousands

Notes:
* Cumberland County contribution represents local funding for county’s demand response service.
** Perry County does not provide any local funding.
Supporting Local Governments Involved in Transit Regionalization Efforts

- PennDOT’s Bureau of Public Transportation is exploring policies and programs to reward local governments involved in transportation regionalization projects
- Potential Use of Cost Savings
  - Regional service improvements/additions
  - Delay in regional fare increases
  - Regional staffing transition program
  - Regional capital investments
Next Steps

- Q&A session at this meeting
- Presentation to transit agencies’ Boards
- Prepare and distribute detailed draft report to all stakeholders
- Incorporate changes to draft report and issue final report
- Determine if Phase II should proceed
- If Phase II proceeds, draft work plan for phase II analysis and planning
  - Integrated service, fare, facility, and fleet plans
  - Detailed regionalization implementation plan
  - Resulting financial and organizational impacts