

Memorandum
Public Works Department



To: Mayor and City Council

From: Mike Nevarez, Transit Manager, 858-2209
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Through: Don Bessler, Public Works Director, 350-8205

Date: January 8, 2015

Subject: Bus Unification Update

The purpose of this memo is to report the results of the first year of transit service provided by the Regional Public Transportation Authority (RPTA) through a transit service contract with First Transit Inc. In November 2012, the City Council approved the unification of Tempe and RPTA transit service operations. Known as the “Scout Program,” unification is a step toward achieving the City Council’s strategic goal of advancing a truly regional transportation system.

BACKGROUND

In 2011, a project team comprised of 20 RPTA and Tempe staff members evaluated the strengths, weaknesses, risks and risk mitigation strategies, as well as potential cost savings related to this initiative. The project team estimated \$800,000 to \$1,000,000 in potential annual contract cost savings to the region stemming from regional unification. Tempe’s local contract cost savings were estimated in the range of \$400,000 to \$500,000 annually.

In January 2012, the City Council approved the effort to further examine the unification of Tempe and RPTA bus operations. As reported to Council in November 2012, the initiative revealed that benefits could be gained by combining the respective bus operations of Tempe and RPTA. In July 2013, the program was implemented to test the potential to reduce operating costs, improve operational and administrative efficiencies, improve service quality to the public and prevent cuts to productive Tempe bus service by strengthening the fiscal position of Tempe’s transit fund and RPTA’s 20-year Transit Lifecycle Program.

Anticipated financial outcomes of the unification Scout Program are:

- 1) Reduction of transit operating costs;
- 2) Preservation of productive Tempe bus service; and
- 3) Reduction of deficits to the Transit Fund and the regional Transit Lifecycle Program fund.

To determine the financial benefits of unification, the RPTA issued a Request for Proposals (RFP) requesting proposers submit three separate price proposals. Two proposals were to reflect the cost to operate RPTA and Tempe transit services separately from Valley Metro's East Valley Greenfield facility and from Tempe's East Valley Bus Operations and Maintenance facility (EVBOM). A third proposal was to offer a price reflecting a consolidated service operating from both facilities under a single service contract. Firms were directed to provide a proposal that reflected the proposer's price to operate service from both facilities in the most effective and efficient manner possible. This option allowed a proposer to reassign vehicles, staff and routes between the two facilities in the most efficient manner possible in order to provide the most advantageous service cost to the RPTA and Tempe.

Four firms submitted proposals resulting in the award of the contract to First Transit Inc. for unified services operated from the Mesa and Tempe facilities. The award was for an initial three-year period with an option for a seven-year extension. First Transit provided a fixed and firm proposal for the initial period with an optional term. No price increases could be requested during the initial term. The RPTA solicitation included the following language: "Milestone evaluation periods during the contract term will provide opportunities to address potential major marketplace changes that may affect the cost of operations. Prior to February 15th of the milestone years (i.e., 2016 and 2019), the contractor may request additional price increases for (a) performance based criteria (all successive contract periods), (b) capital-related programs, and (c) employee compensation and benefit schedules, to become effective July 1 of those same years." (RPTA RFP 1210018-S)

Below are contract operational efficiencies now in place as part of the Scout Program:

- *More Efficient Utilization of Facilities* – decrease in non-revenue miles due to reassignment of routes between the two operating facilities (non-revenue miles refer to travel when the bus is not actively in service).
- *Streamlined Contractor Management* – reduction in contractor staffing requirements through use of one contract management team to manage the two facilities instead of one for each facility.
- *Economies of Scale* – efficiencies gained in areas of service supervision, parts purchasing and inventory, operator and mechanic training and administrative functions.

In order to evaluate the general performance of transit service provided to Tempe, specific performance criteria and benchmarks were identified to gauge service quality. Table 1 includes the performance criteria to evaluate transit service and to help determine whether the unified approach should continue beyond Year 3 of the Scout Program.

Table 1: Scout Program Performance Criteria

<i>Scout Program</i> Performance Criteria	Exceptional (A)	Above Benchmark (B)	Meets Benchmark (C)	Below Benchmark (D)	Unacceptable (F)
On-Time Performance (Reliability)	above 94.5+	93.8 - 94.4%	93.0 - 93.7%	92.0 - 92.9%	below 92.1%
Preventable Accidents per 100,000 miles (Safety)	below .50	.51 - .90	.91 - 1.40	1.41 - 1.90	above 1.91
Complaints per 100,000 Boardings (Customer Service/Reliability)	above 25.0	26.00 - 33.90	34.00 -40.90	41.00 -47.90	above 48.00
Mechanical Failures Per 100,000 Miles (Maintenance/Safety)	below 5.9	6.00 - 12.90	13.00 - 18.90	19.00 - 25.90	above 26.00
On-Time Preventive Inspections (Maintenance)	91 - 100%	81 - 90%	80%	79.9 - 70%	below 70%

Source: RPTA

During the first few months of unification, First Transit experienced contractor-transition challenges such as management turn-over, timely maintenance performance and logistical and scheduling difficulties. In August 2013, the Scout Program also suffered a labor stoppage as a result of a strike by members of the Amalgamated Transit Union representing bus operators. The strike resulted in a four-day interruption of transit service primarily in Tempe and the East Valley. Since the strike, First Transit has worked to improve relationships with labor unions. The first year of service also included a major transition of service and fleet from RPTA’s Mesa operations facility to EVBOM. Approximately 80 buses and more than 100 bus operators were transferred from the Mesa facility to the EVBOM facility. This transition was a fundamental change necessary to achieve the efficiencies of unification. The reassignment of buses between the respective operating facilities reduced the total non-revenue vehicle miles by 21 percent (475,000), which was a major premise in the price proposal submitted by First Transit.

During the first year of the Scout Program, Tempe staff worked with RTPA staff to identify and implement efficiency measures that became possible as a result of the unification of transit operations. Tempe staff maintains local control of the local bus system by assuring that transit service operated in Tempe is operated as efficiently as possible under the existing conditions. Tempe staff is also responsible for local planning and scheduling, evaluating service levels, system investment decisions and public relations/marketing.

PERFORMANCE RESULTS

As indicated in Table 1, the operational effectiveness of the Scout Program is evaluated by a series of performance indicators that reflect the ability to maintain the quality and reliability of transit service to which Tempe residents are accustomed. Table 2 displays First Transit’s performance quantitatively for FY 13-14. With an acceptable performance benchmarked at “C.” Table 3 shows a progressive improvement as measured by RPTA. Although the cumulative performance under the unification program is acceptable, progressive results indicate the challenges that were apparent during the transition period.

Table 2: Scout Program Year 1 Performance Results

<i>Tempe Scout Program - Year One (FY13-14) Performance Results</i>		
Contractor Performance Criteria	FY 2014	Scout Program Grade
On-Time Performance	93.1%	Meets Benchmark (C)
Preventable Accidents per 100,000 Miles	0.42	Exceptional (A-)
Complaints per 100,000 Boardings	28.1	Above Benchmark (B)
Mechanical Failures per 100,000 Miles	5.1	Exceptional (A-)
On-Time Preventive Maintenance Inspections	92%	Exceptional (A-)

Source: RPTA

Table 3: Scout Program Year 1 Performance Results by Month

<i>Tempe Scout Program - Year One (FY13-14) Performance Results</i>					
	On-Time Performance	Preventable Accidents per 100,000 miles	Complaints per 100,000 Boardings	Mechanical Failures Per 100,000 Miles	On-Time Preventive Maintenance
	Grade	Grade	Grade	Grade	Grade
July	A	B	D	B	D
Aug.	C	B	D	C	F
Sept.	D	A	B	B	D
Oct.	D	B	A	A	A
Nov.	D	A	A	A	A
Dec.	C	A	A	A	A
Jan.	B	A	A	A	A
Feb.	D	A	A	A	A
Mar.	D	B	A	A	A
Apr.	C	A	B	A	A
May	B	A	B	A	A
June	A	B	C	A	A
Average	C	A-	B	A-	A-

RIDER SATISFACTION SURVEY RESULTS

In September 2014, the City of Tempe commissioned WestGroup Research to complete a telephone survey of Tempe residents in an effort to gain insights into perceptions about public transit among both riders and non-riders. The report analyzed the data collected by the survey and, where appropriate, compared responses of the residents by meaningful demographic variables, as well as to data from previous studies. For the survey, the margin of error for this sample size is approximately ± 5 percent at a 95 percent level of confidence.

Table 4: Overall Satisfaction with Transit System in Tempe
 (Among those with an opinion, both riders and non-riders who responded)
Question: How satisfied are you with the quality of the transit system in Tempe?

Satisfaction	2014 (n=376)	2012 (n=355)	2010 (n=377)	2008 (n=333)
% Very/Somewhat satisfied	72%	69%	66%	61%
5 – Very satisfied	37%	39%	29%	26%
4	35%	30%	37%	35%
3	17%	21%	22%	27%
2	6%	5%	5%	6%
1 – Very dissatisfied	5%	5%	6%	6%

Bus and Orbit riders were asked to rate their level of satisfaction with twelve different aspects of riding the bus. Riders rated the categories by using four-point nominal scales (“very satisfied,” “somewhat satisfied,” “not very satisfied,” and “not at all satisfied.”) Comfort on the bus and cleanliness on the bus received the highest proportion of “very satisfied” or “somewhat satisfied” ratings (92 percent and 91 percent, respectively). Attributes with the lowest satisfaction levels included bus service during major events (72 percent) and security at bus stops (65 percent). Satisfaction with ease of using the bus declined to 84 percent from 93 percent in 2012, while satisfaction levels for other attributes remained stable.

Table 5: 2014 Satisfaction with Bus Service
(Among bus and Orbit riders)

Question: In general how satisfied are you with...

*Indicates significant difference compared to 2012 at the 95 percent confidence level.

Attribute	2014 (n=109)			% Very/Somewhat satisfied			
	Very/ Somewhat Satisfied	Very Satisfied	Somewhat Satisfied	2012 (n=141)	2010 (n=203)	2008 (n=166)	2006 (n=119)
Comfort on the bus	92%	50%	42%	92%	95%	93%	95%
Cleanliness of the bus	91%	42%	49%	88%	92%	89%	93%
Driver courtesy and professionalism	90%	62%	28%	93%	93%	89%	94%
Cleanliness of bus stops	87%	43%	44%	85%	NA	NA	NA
Reliability/on-time performance of buses	85%	40%	45%	86%	80%	76%	80%
Ease of using the bus	84%*	55%	29%	93%	91%	90%	93%
Hours of operation	81%	41%	40%	84%	NA	NA	NA
Safety on the bus	79%	44%	35%	82%	95%	92%	92%
Route frequency	79%	39%	40%	79%	74%	78%	78%
Amenities of bus stops	76%	32%	44%	72%	NA	NA	NA
Bus service during major events	72%	42%	30%	70%	NA	NA	NA
Security at bus stops	65%	28%	37%	65%	NA	NA	NA

FINANCIAL COMPARISON OF TEMPE ONLY VS. UNIFICATION

To evaluate the financial benefit of the Scout Program, staff compared two cost elements that comprise the gross cost per revenue mile for transit service. The primary cost, which affords the highest opportunity for cost savings, is the contract cost which encompasses all costs to maintain and repair transit vehicles and operate transit service. Secondary costs are the elements of fully allocated overhead expenses. The allocated costs include all agency overhead costs added to the contract prices submitted by a service provider. This analysis compares the cost to Tempe under the current unified operations scenario to the alternative scenario of Tempe operating independently.

Table 6 shows the Tempe Only vs. Unified cost comparison for FY 13-14 through FY 15-16 by mode per mile submitted by First Transit in response to the Scout Program RFP.

Table 6: First Transit Contract Cost Comparison (Cost Per Mile)

Mode	Tempe Only			Unified		
	FY 13-14	FY 14-15	FY 15-16	FY 13-14	FY 14-15	FY 15-16
Local	\$4.89	\$5.12	\$5.27	\$4.73	\$4.82	\$4.99
FLASH	\$4.89	\$5.12	\$5.27	\$4.73	\$4.82	\$4.99
Express	\$5.26	\$5.51	\$5.67	\$4.92	\$4.99	\$5.20
Circulator	\$4.81	\$5.08	\$5.22	\$4.70	\$4.71	\$4.91

Based on revenue miles operated solely in Tempe in FY 13-14 (4,008,401), Table 7 provides the estimated total First Transit contract cost to operate Tempe only service by mode. The contract costs in Table 7 verify that the contractor (First Transit) cost to operate consolidated services is less costly than operating separately (Tempe Only).

Table 7: Tempe Only vs. Unified Cost Comparison

Mode	Tempe Only			Unified		
	FY 13-14	FY 14-15	FY 15-16	FY 13-14	FY 14-15	FY 15-16
Local	\$12,411,143	\$12,994,898	\$13,375,608	\$12,005,052	\$12,233,478	\$12,664,949
FLASH	\$627,328	\$656,835	\$676,078	\$606,802	\$618,348	\$640,157
Express	\$247,920	\$259,703	\$267,244	\$231,894	\$235,194	\$245,092
Circulator	\$6,228,536	\$6,578,163	\$6,759,451	\$6,086,096	\$6,099,045	\$6,358,028
Total	\$19,514,927	\$20,489,598	\$21,078,381	\$18,929,845	\$19,186,065	\$19,908,226

Table 8: Contract Cost Savings – Tempe Only vs. Unified Cost Comparison Difference

FY 13-14	FY 14-15	FY 15-16
\$585,082	\$1,303,533	\$1,170,155

When adding the respective fully allocated overhead costs to the First Transit contract prices, the unified cost, including RPTA’s slightly higher overhead costs, continues to provide a lower overall cost to Tempe. Table 9 shows the actual fully allocated cost per revenue mile comparison for FY13-14 and the projected comparisons for FY14-15 and FY15-16.

Table 9: Fully Allocated Unit Cost Comparison (Cost per Mile)

Mode	Tempe Only			Unified		
	FY 13-14	FY 14-15	FY 15-16	FY 13-14	FY 14-15	FY 15-16
Local	\$5.75	\$6.11	\$6.32	\$5.61	\$6.04	\$6.25
FLASH	\$5.75	\$6.11	\$6.32	\$5.61	\$6.04	\$6.25
Express	\$6.12	\$6.50	\$6.72	\$5.80	\$6.21	\$6.46
Circulator	\$5.67	\$6.07	\$6.27	\$5.59	\$5.93	\$6.17

Table 10: Tempe Only vs. Unified Fully Allocated Unit Cost

	Tempe Only			Unified		
	FY 13-14	FY 14-15	FY 15/-16	FY 13-14 (Actual)	FY 14-15	FY 15-16
Total	\$22,952,912	\$24,442,381	\$25,271,888	\$22,447,999	\$24,074,966	\$24,943,749

Table 11: Fully Allocated Cost Savings Tempe only vs. Unified Cost Comparison Difference

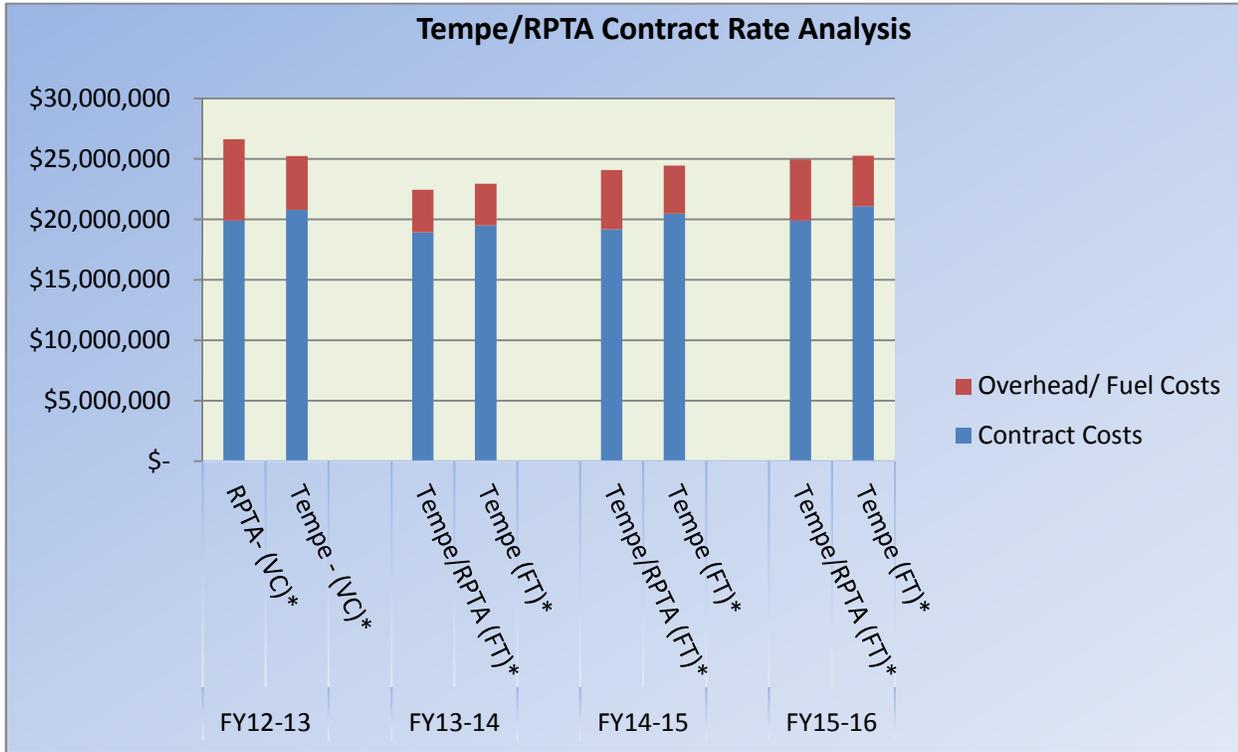
FY 13/14	FY 14/15	FY 15/16
\$504,913	\$367,415	\$328,139

When comparing the cost benefits between operating Tempe Only service under the above scenario, the unified Scout Program yields a projected fully allocated cost savings for the City of Tempe under the unified scenario.

**Table 12: Tempe/RPTA Fully Allocated Contract Rate Analysis
Cost per Revenue Mile**

Contract Service	FY12-13	FY13-14	FY14-15	FY15-16
Tempe Fixed Route	\$ 5.24	\$ 4.89	\$ 5.12	\$ 5.27
Tempe - Circulator	\$ 5.11	\$ 4.81	\$ 5.08	\$ 5.22
Tempe - Express	\$ 5.41	\$ 5.26	\$ 5.51	\$ 5.67
Tempe - Overhead/Fuel	\$ 1.03	\$ 0.86	\$ 0.99	\$ 1.05
Tempe/RPTA Fixed Route	\$ 4.94	\$ 4.73	\$ 4.82	\$ 4.99
Tempe/RPTA Circulator	n/a	\$ 4.71	\$ 4.71	\$ 4.91
Tempe/RPTA Express	\$ 4.67	\$ 4.92	\$ 4.99	\$ 5.20
Tempe/RPTA - Overhead/Fuel	\$ 1.67	\$ 0.88	\$ 1.22	\$ 1.26

Table 13: Tempe/RPTA Fully Allocated Contract Rate Analysis
(Source Data – Table 12)



(VC) - Veolia Contract*

(FT) - First Transit Contract*

CONCLUSIONS

From a regional and Tempe perspective, the unification of Tempe and RPTA transit operations yields financial and operational benefits to all affected jurisdictions. Transit service contract costs have been reduced, which effectively helps control the growth of service costs, improving the effectiveness and efficiency of operating transit service in the East Valley.

However, to more thoroughly substantiate the Scout Program savings, Tempe and RPTA staff will continue to fully examine accounting practices and policies to maximize Tempe’s savings and take full advantage of Tempe’s capital investments that now serve a greater portion of the East Valley.

In April 2015, staff will present an update to City Council with additional transit service performance data and a comprehensive financial report that clearly describes the financial outcome of the Scout Program and a recommendation on the future of the unification project. The Council will be asked in May 2015 to provide direction regarding the future of unification.

Notes:

1. Mileage assumes total bus service operated in Tempe's jurisdiction – FY13-14 (4,008,401 miles - actual)
2. FY12-13 Tempe cost based on actual rates and mileage (Baseline Costs)
3. FY12-13 RPTA costs assumes costs at RPTA actual rates and Tempe Mileage
4. FY13-14 thru FY15-16 (Tempe-FT)* - Rates assumes contract rates proposed by First Transit, Tempe Only
5. FY13-14 (Tempe/RPTA-FT)* - Costs based on actuals
6. FY14-15 (Tempe/RPTA-FT)* - Contract rates based on revised RPTA-IGA schedules and First Transit contract rates

Attachment: PowerPoint