



Transit Sustainability Project

ABAG Focus Forum
November 4, 2010



TRANSIT
SUSTAINABILITY
PROJECT

Today's Agenda

1. Background
2. Project Overview
3. Financial:
Initial Cost Analysis
4. Project Visioning



1. Background



FEBRUARY 23, 2010

Riders squeezed by transit cuts



JANUARY 17, 2010

Editorial:

Bay Area transit agencies need new strategies to survive

THE BAY AREA'S public transportation agencies, both rail and bus services, are in deep financial trouble as taxpayer subsidies and ridership decline. In an attempt to

is ridership. The reason bus systems are less efficient than cars is a lack of riders during non-commute hours even during commute times on some routes.

CENTRAL AND EAST COUNTY

CONTRA COSTA TIMES

FEBRUARY 24, 2010

Bay Area public transit may take another budget hit

By Denis Cuff
Contra Costa Times columnist

Bay Area public transit agencies have complained bitterly about the state's plan to raise fares and cut service because state law prohibits them from using transit money to address

Now, transit leaders say the state budget bill that cuts state sales tax on gasoline would increase the per-gallon price of gasoline.

Consumers would pay more for gasoline, but transit agencies would have less money.

The bill, which the Legislature passed Monday and sent on to the governor, would give local governments the authority to make up any revenue

San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

FRIDAY, JANUARY 29, 2010

Muni looks at some of deepest service cuts ever

Rachel Gordon, Michael Cabanatuan, Chronicle Staff Writers

San Francisco Muni riders face the prospect of some of the deepest service cuts

San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

JANUARY 14, 2010

Is Bay Area transit failing?

Northern California residents have long considered Los Angeles to be less environmentally-conscious and progressive than our decentralized, bucolic Bay Area. But after two decades of smart investment, LA's transit use has surpassed

THE WALL STREET JOURNAL

JANUARY 2, 2010

Public Transit Passengers Face Rough Ride



FEBRUARY 23, 2010

BART explores more fare hikes, cuts

By Will Reisman
Examiner Staff Writer

SAN FRANCISCO — BART faces a \$14 million shortfall for the upcoming fiscal year and a four-year projected deficit of more than \$60 million, meaning fare and fee increases, service reductions, and employment cuts are again being considered to help balance the budget.

Declining ridership and dwindling sales tax revenue brought on by the recession have been the root causes of BART's fiscal woes, according to the transit agency's preliminary budget projection for the 2010-2011 fiscal year, which begins in July. Ridership has been dropping consistently in the past year and is expected to remain flat until at least 2011. And a drop in sales tax revenue has been so dramatic that the amount of revenue received this fiscal year (\$163 million) was less than that of 2000. The total budget is \$530 million.

up 6 percent in July — while entertaining the idea of raising fees at its parking lots, according to transit agency documents. Service adjustments, employee reductions and labor negotiations also will be in the mix.

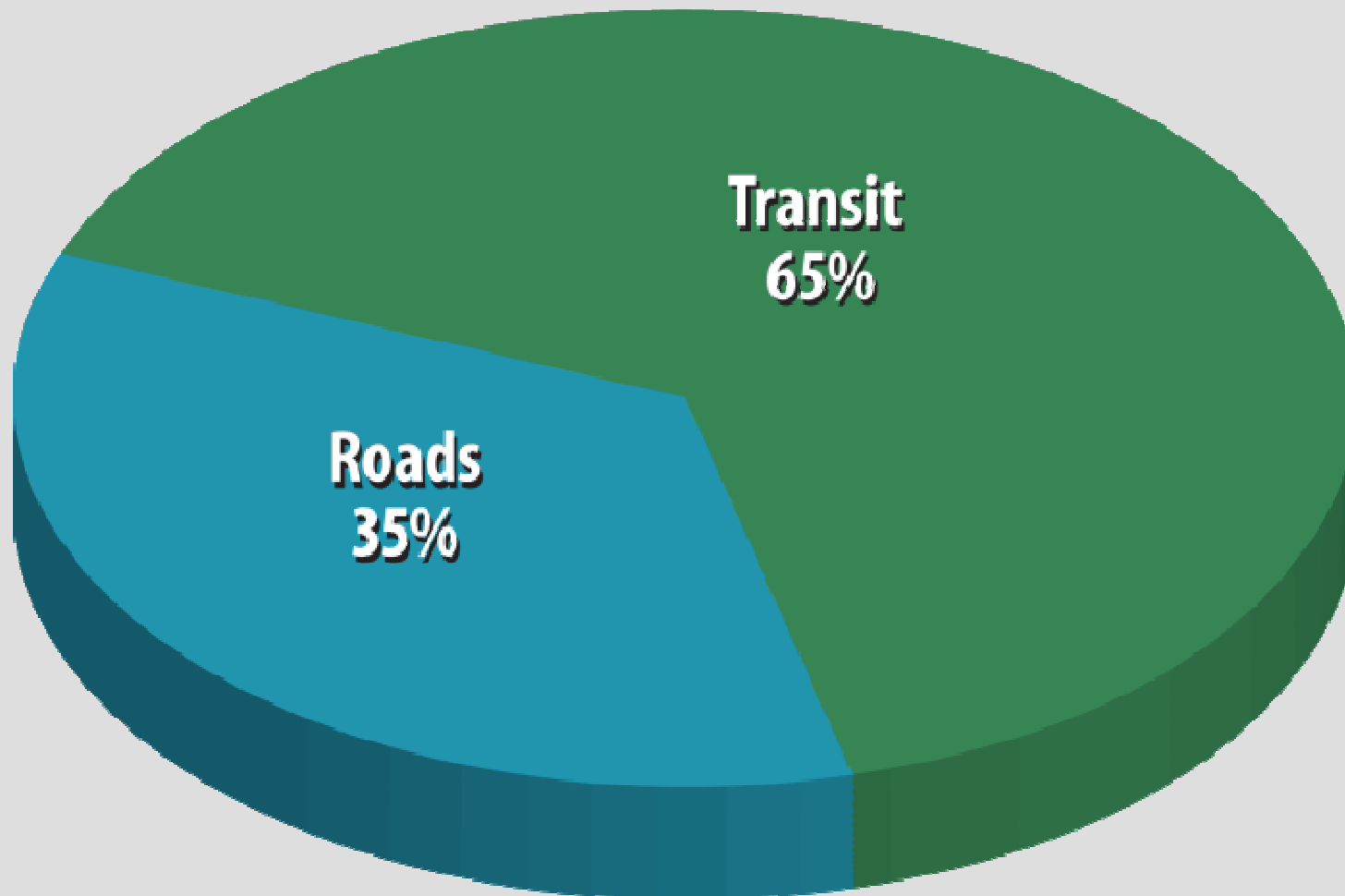
The 6 percent fare increase in July was six months ahead of schedule under BART's formula to raise fares every two years based on inflation. Because of the poor economy, the next scheduled fare increase — in 2012 — will only be 1 percent.

Last month, BART's board of directors approved an amended budget that plugged a \$25.2 million midyear shortfall. The approved measures included using \$19 million in capital money for operating purposes and the elimination of 74 positions, although only seven employees are currently scheduled to be let go.

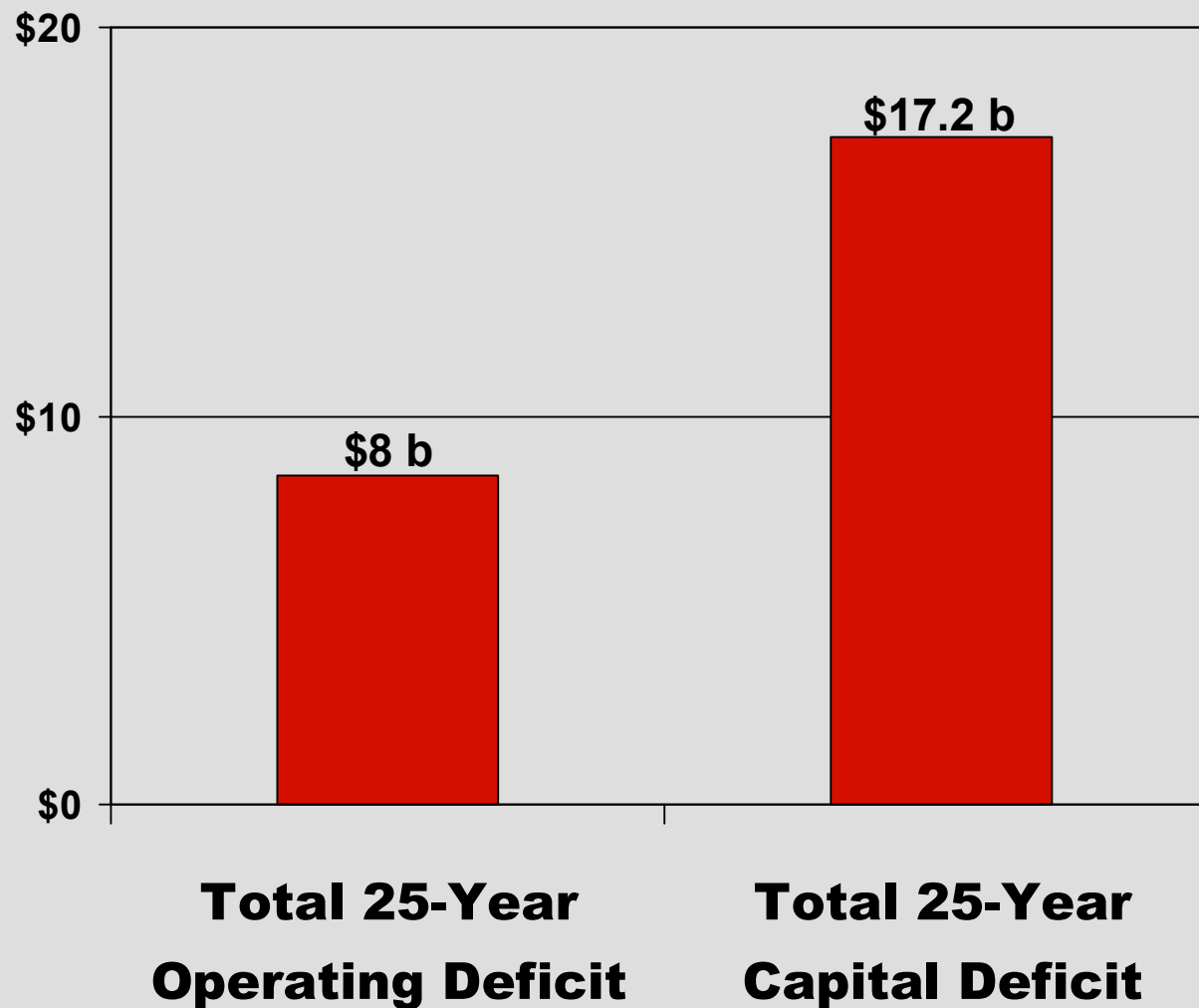
BART has the next several months to come up with

Transportation 2035 Plan

Expenditures by Mode (Total revenues: \$218 Billion)



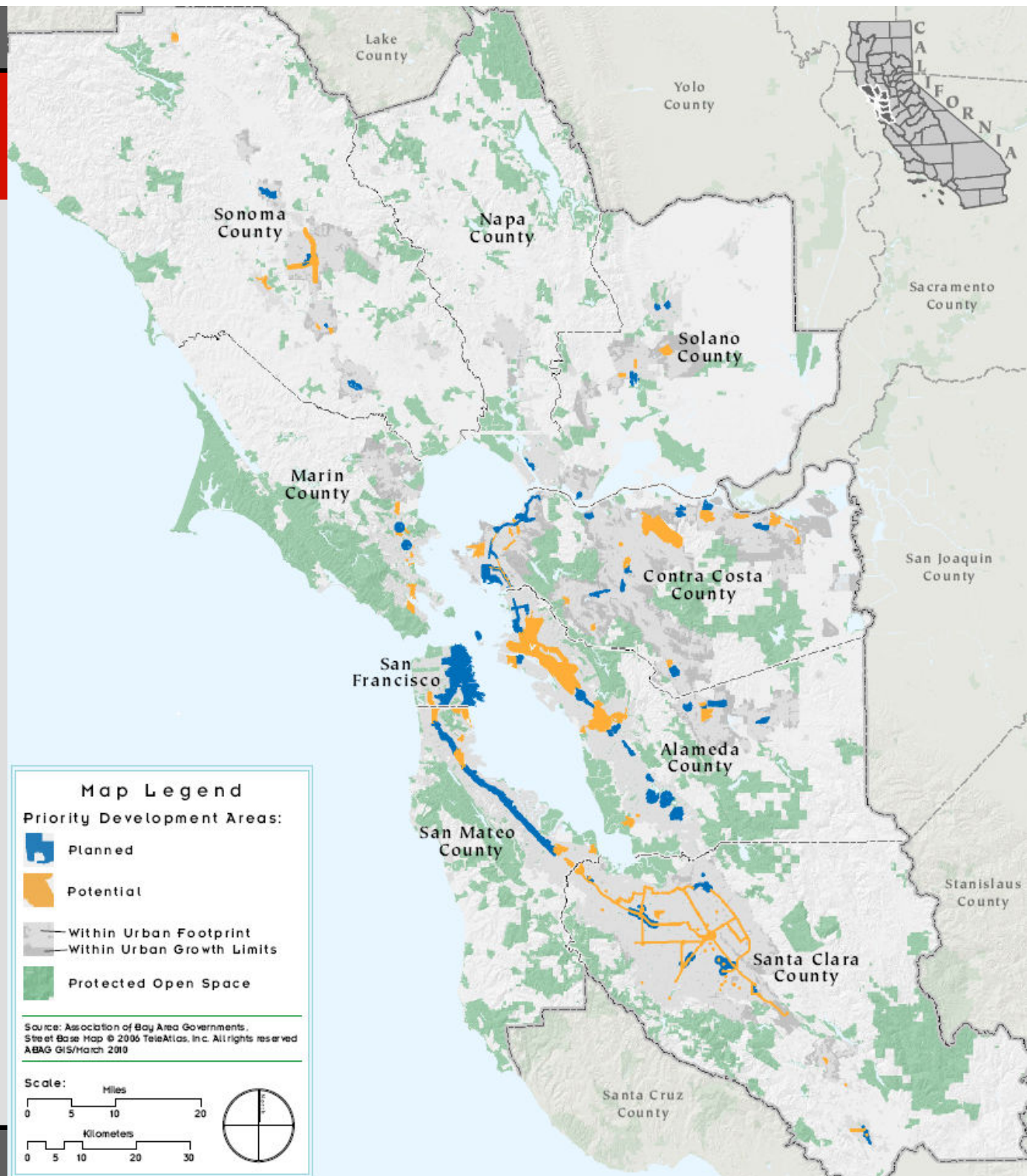
Financial: Short and Long Term Problem



Projected Deficits Transportation 2035

Focused Growth

- Critical to the region's ability to manage growth
- 55% of projected population growth through 2035 can be accommodated in PDA's covering only 3% of the region's land area



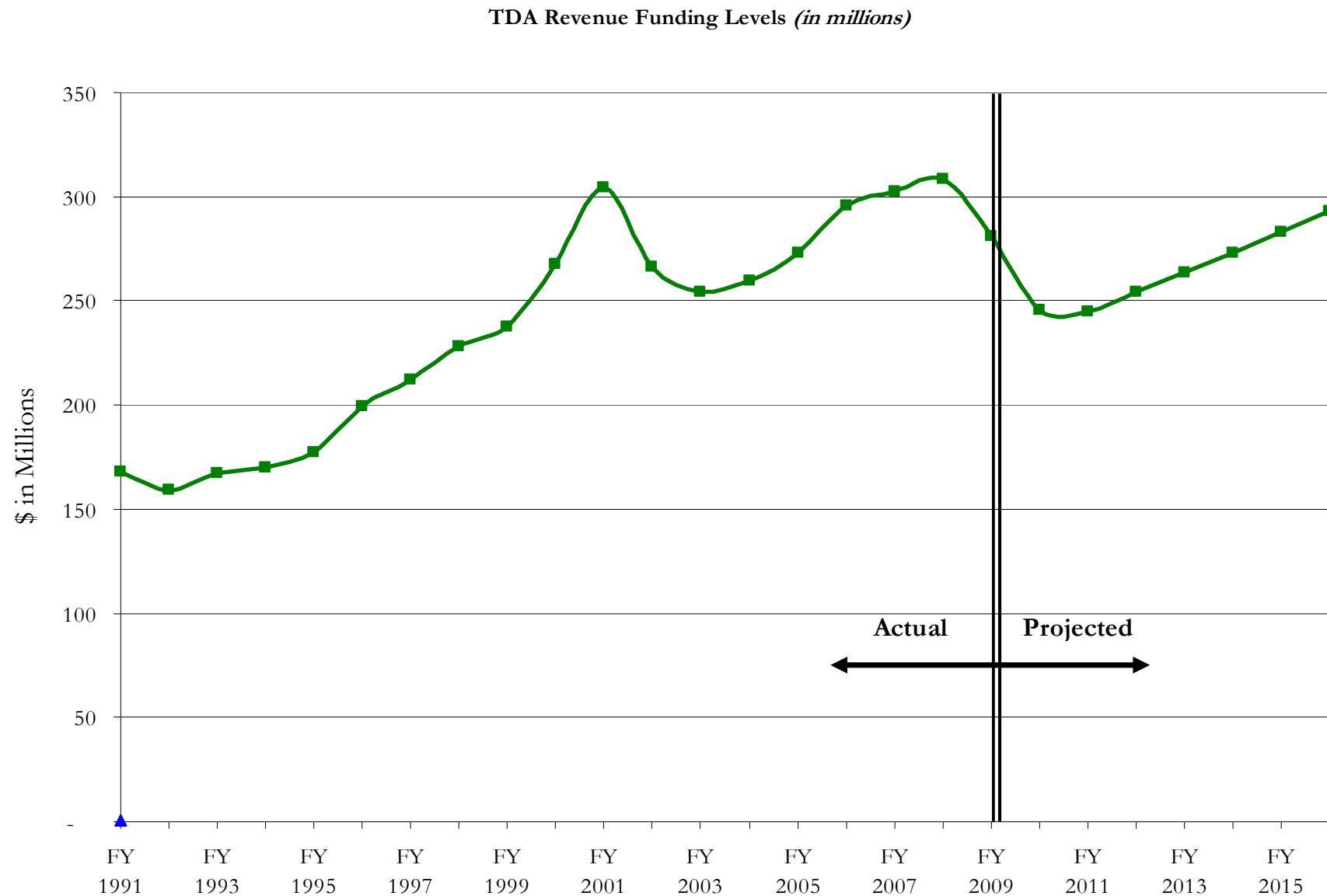
Why now?

1. Severe budget shortfalls in the immediate term.
2. Service cuts are degrading the transit system.
3. Long term viability of the existing system is at risk, let alone the ability of the region to provide service expansion.
4. Need to provide a system that more people will use – customer-focused, not agency-centric.
5. A robust transit system is fundamental to the mode shift needed for the Sustainable Communities Strategy per SB 375.
6. The region has a significant opportunity to alter course as budget situation improves.

Critical Challenges for Transit

1. Unsustainable cost structure
2. Unpredictable revenues
 - State Transit Assistance uncertain
 - Local sales tax revenues swing wildly
3. Some routes have low productivity
4. Underpriced auto alternative
5. Insufficient transit-supportive land uses

Unpredictable Revenues: Sales Tax



2. Project Overview

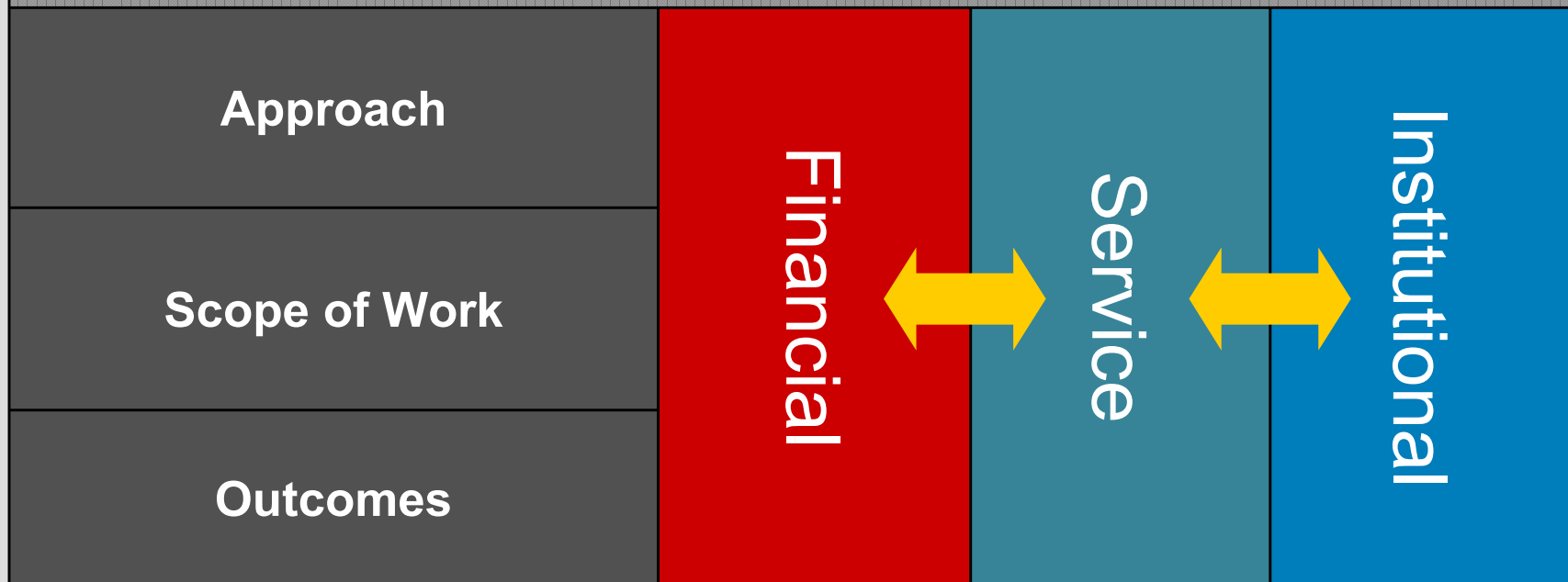
What is a sustainable transit system?

- **Customer:** A system that functions as an accessible, user-friendly and coordinated network for transit riders, regardless of mode, location or jurisdiction.
- **Financial:** A system that can cover its operating and capital costs with a growing share of passenger fare revenues as well as reliable streams of public funding.
- **Environmental:** A system that can attract and accommodate new riders in an era of emission-reduction goals, and is supported through companion land use and pricing policies.

Project Work Program

Project Goal: to identify the major challenges facing transit, confront them directly, and identify a path toward an efficient, affordable, well-funded transit system that more people will use

Technical Analysis

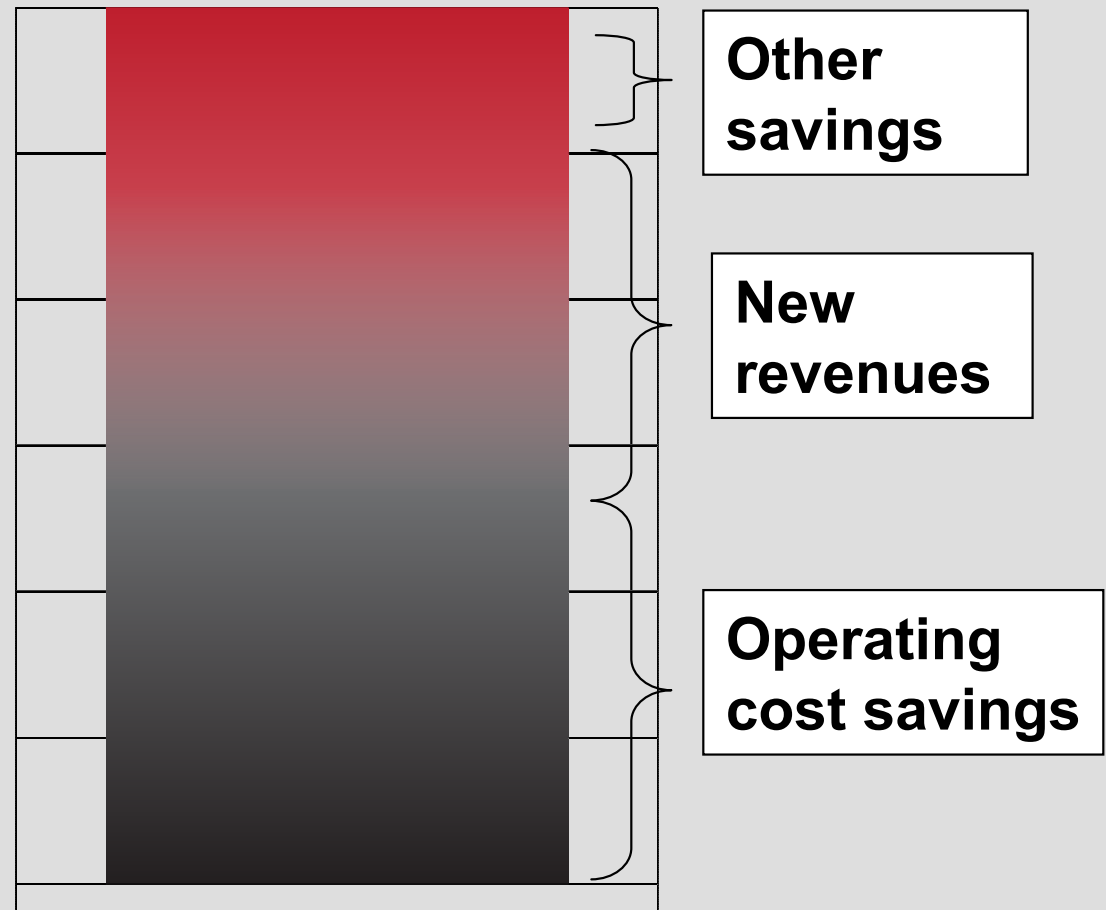


3. Financial: Initial Cost Analysis

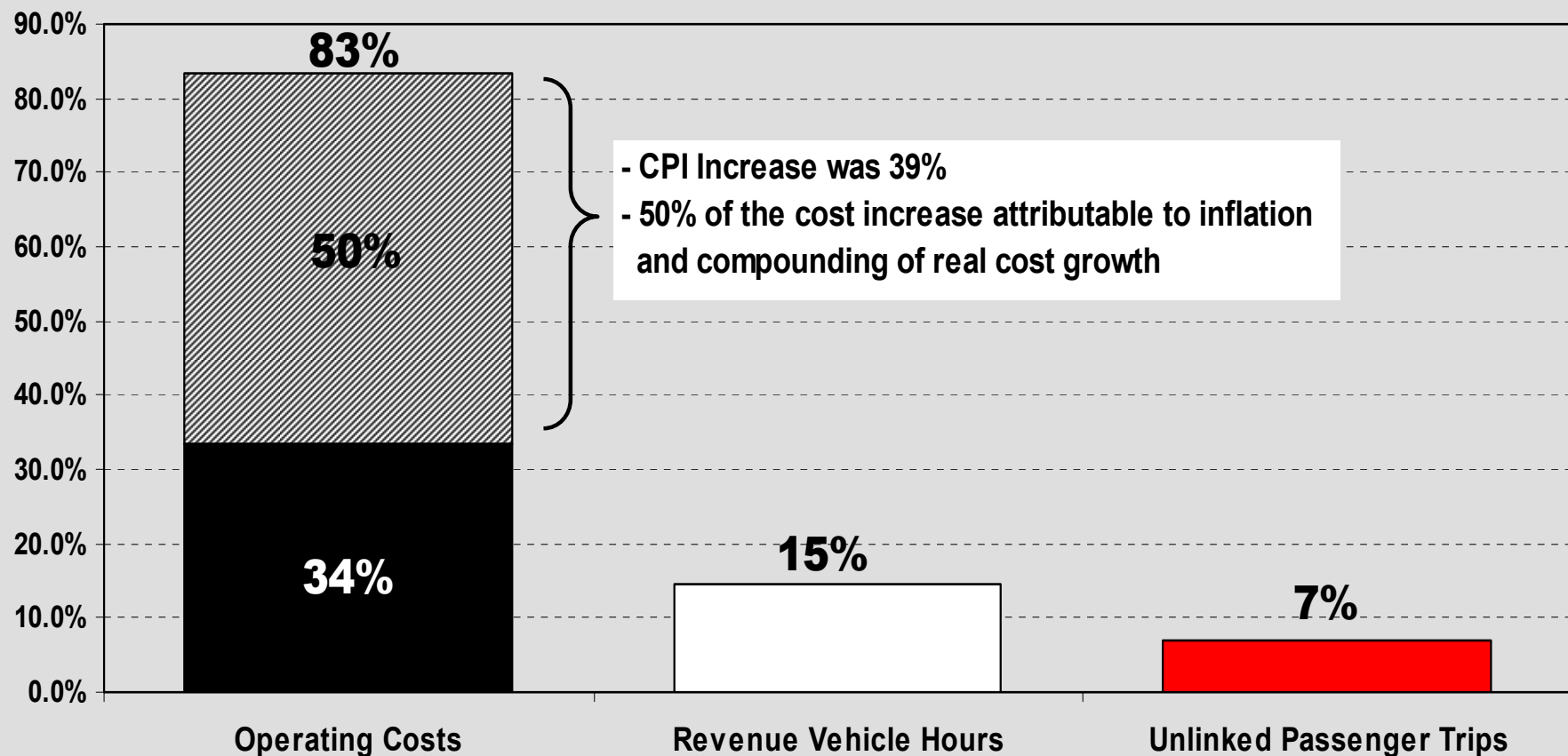
Financial Analysis

Outcomes

- Clear understanding of cost drivers and recommendation for cost reforms
- Recommended options for stable revenue sources



Bay Area Large Operators: Percent Change in Cost and Performance Indicators (1997 – 2008)



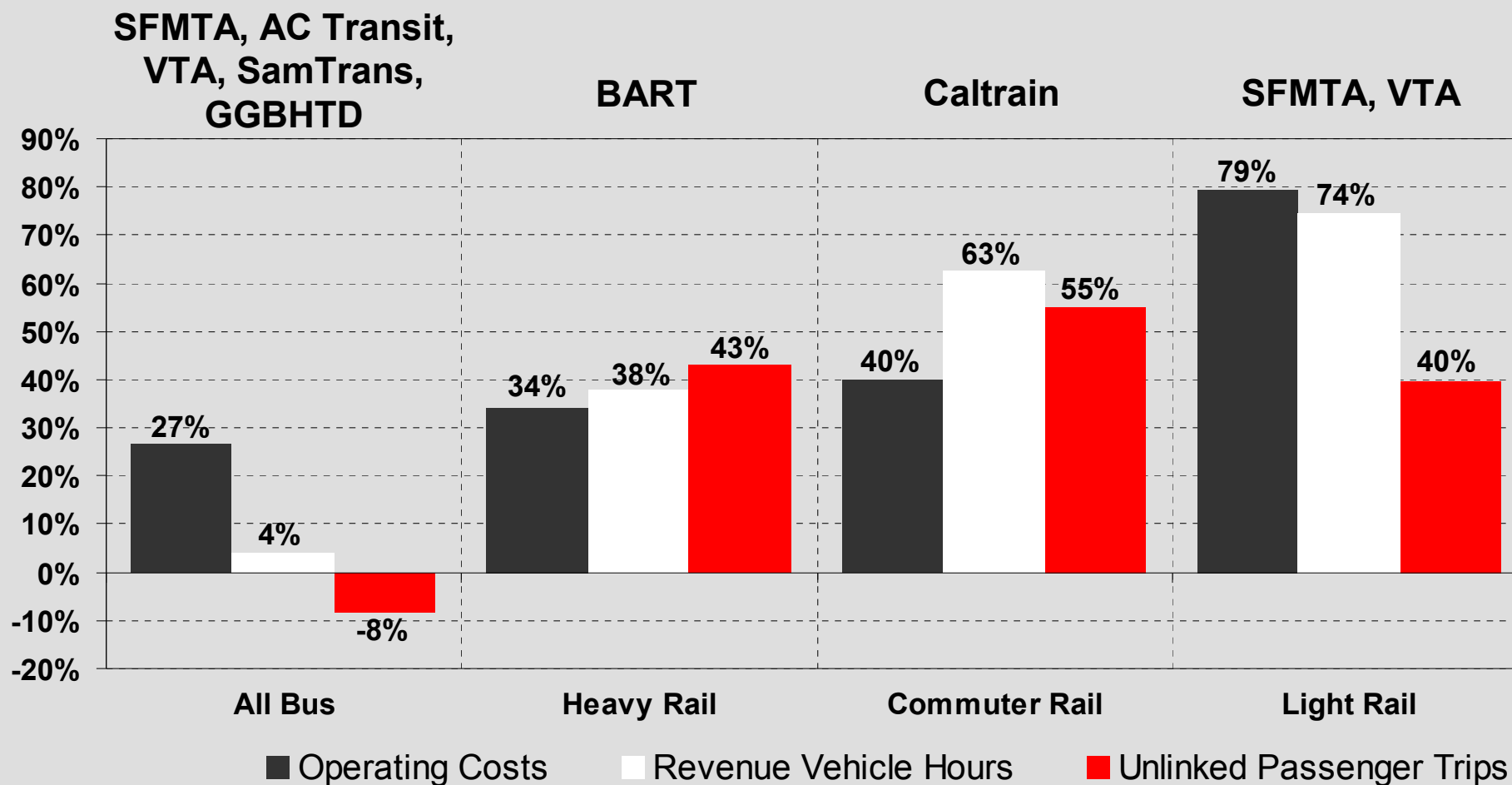
Source: National Transit Database, "Big 7" only.
Excludes ferry, cable car and paratransit.

Observations

- Operating costs increased more than inflation
- Service levels increased, but did not keep pace with cost increases
- Ridership grew, but less than growth in service and significantly less than cost increases

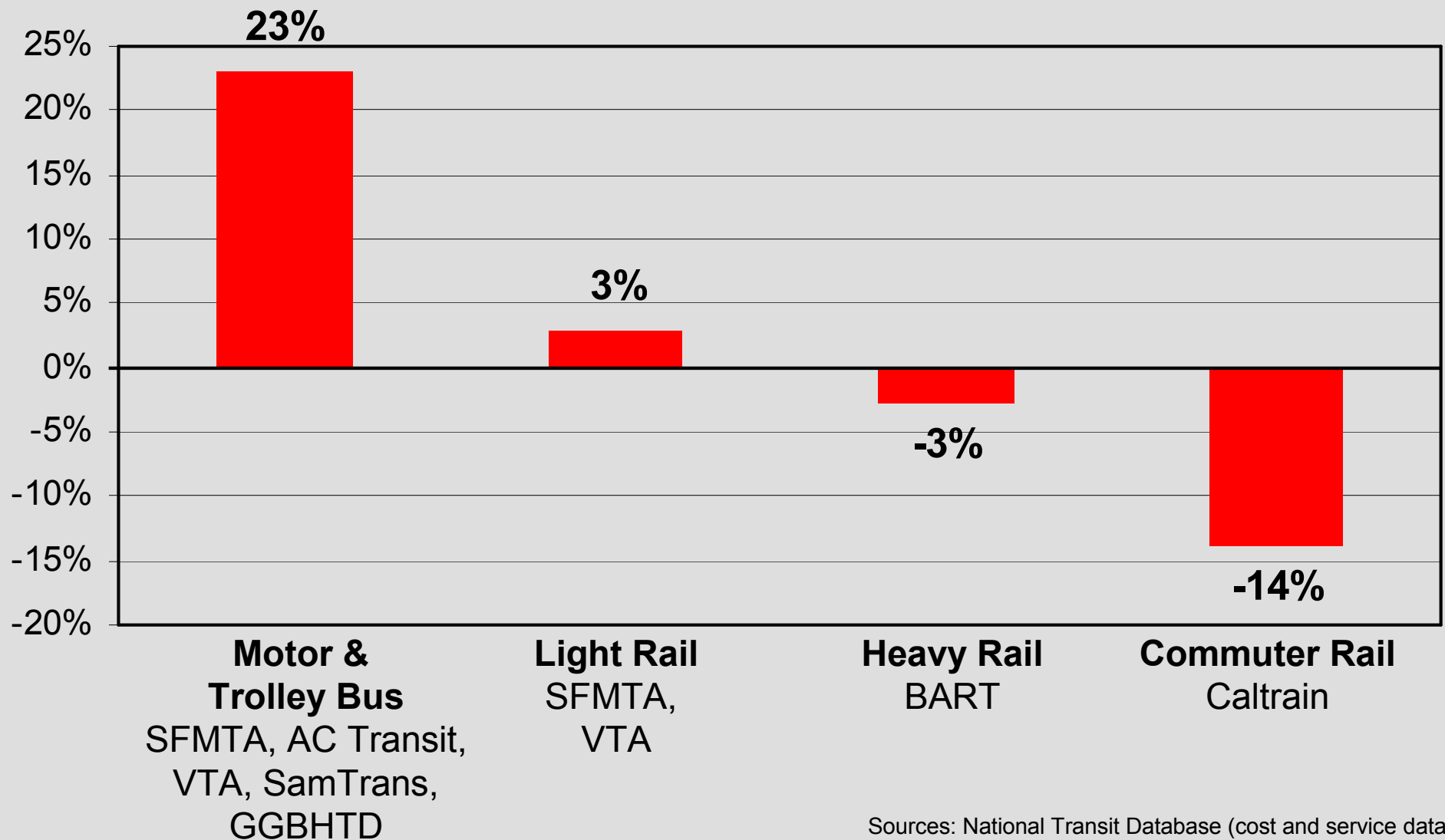


Major Modes: Aggregate Percent Change in Cost & Performance Indicators (1997-2008, adjusted for inflation)



Source: National Transit Database, "Big 7" only.
Excludes ferry, cable car and paratransit.

Major Modes: Change in Cost Per Vehicle Revenue Hour of Service (1997-2008, adjusted for inflation)

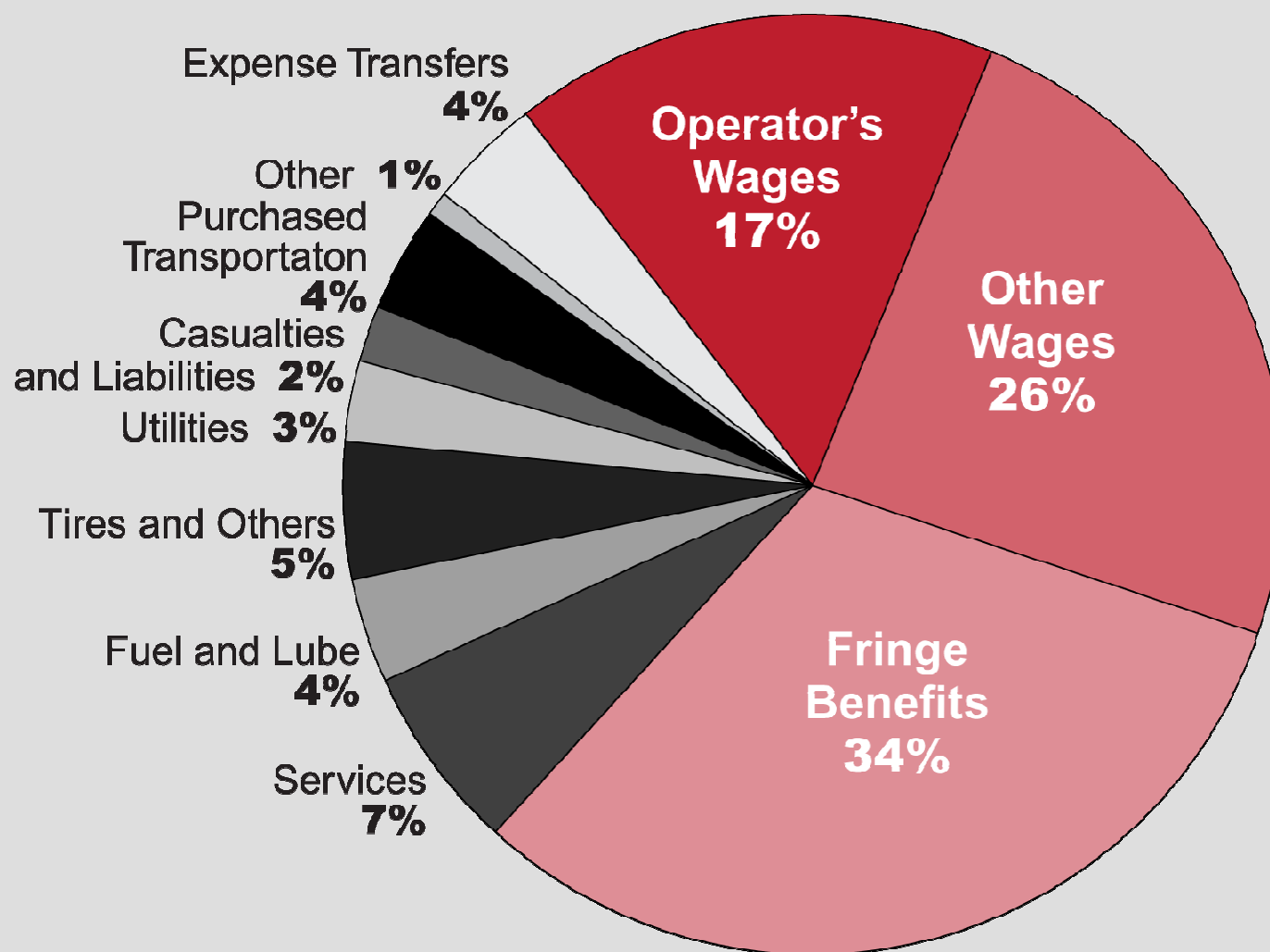


Sources: National Transit Database (cost and service data) for the "Big 7"; Bureau of Labor Statistics (inflation data)

Observations

1. Operating costs for all modes increased significantly
2. Significant variation among modes
 - ***Bus***
 - Service level increases were not commensurate with cost increases
 - ***Light Rail***
 - Increased service in line with increased costs, but after dot.com bust, ridership growth less than growth in service
 - ***Commuter & Heavy Rail***
 - Increased operating costs consistent with service and passenger growth
 - Adding more rail service kept rail unit cost growth low by spreading fixed costs across more hours
 - ***Rail's upfront capital costs not included in this analysis, making direct comparisons difficult***

2008 Operating Costs – “Big 7” Operators Nearly \$2 billion



Wages and fringe benefits account for **over 75%** of O&M costs.

Source: National Transit Database, “Big 7” only.
Includes ferry, cable car and paratransit.

Operating Cost Drivers: Focus to Date

**Operator
Wages**

**Other
Wages**

**Fringe
Benefits**

Operating Cost Drivers: Future Focus

Work Rules

Premium pay
Guarantee time
Part-time operators
Run type requirements

Service Changes

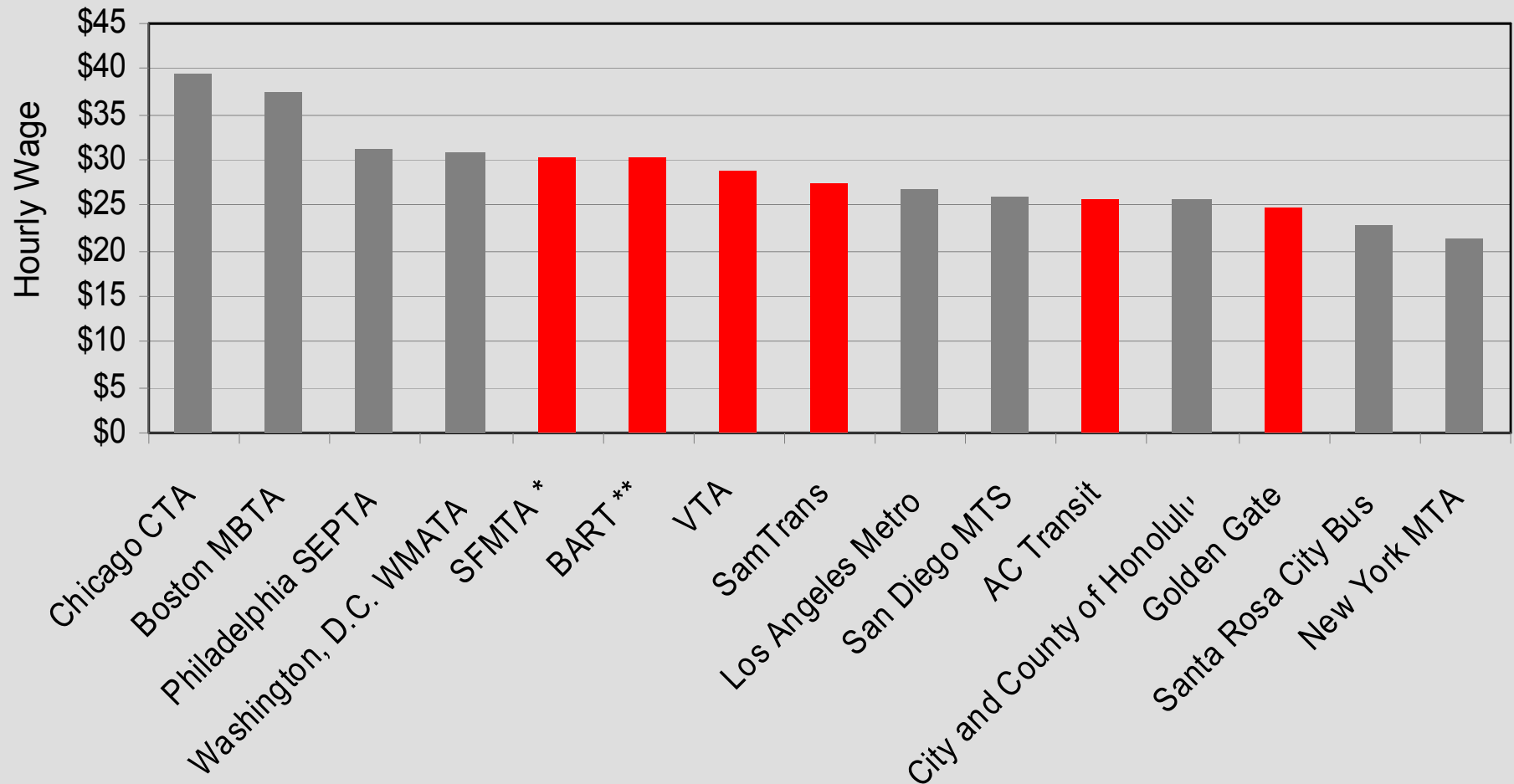
Service quality and reliability improvements
Service increases/cuts
Local road congestion

Staffing Levels

Labor utilization
Workforce allocation
Functional area staffing levels

Is top hourly base wage “in line” with peer agencies?

Top Hourly Wage Rates Adjusted to Bay Area Cost of Living



* As of July 1, 2010

** As of June 2009

Source: "ACCRA Cost of Living Index, 2009 Annual Average Data," prepared by the Council for Community and Economic Research, as cited by Dash & Associates. Dash & Associates, Agency data

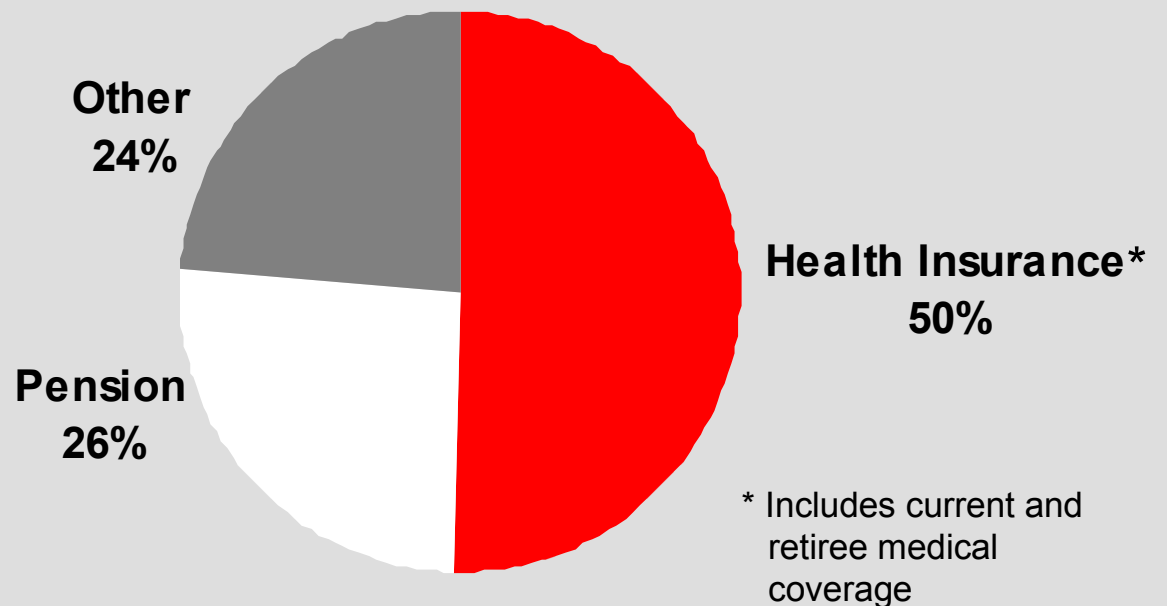
Operator Wages – Initial Assessment

- Region's base operator wage rates are higher than many peers, but when adjusted for the cost of living, appear reasonable
- Increases in the base wage rates were higher than inflation, but lower than the overall regional wage index
- Total wage costs grew faster than inflation:
 - Work rules, which are distinct from base wage rate, still require analysis
 - Staffing levels, which affect total wage costs
- **Recommendation:** no further analysis of operator base wage rate, and more analysis of work rules and staffing levels

Fringe Benefits: Health Insurance and Pensions

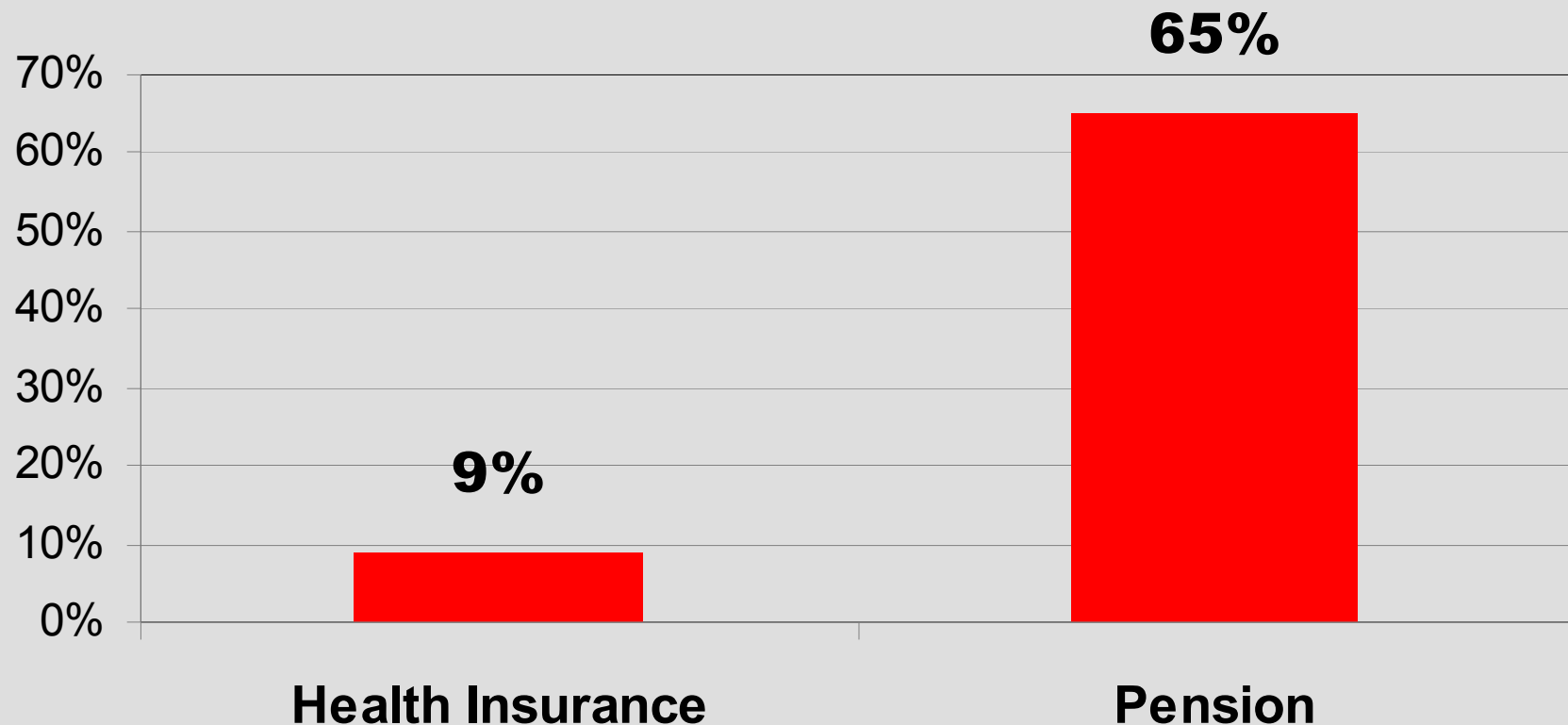
Of fringe, health insurance and pension costs are about 76% — with \$301 million for health insurance and \$157 million for pension

2008 Fringe Costs



Health Insurance and Pension Growth

% Growth Between 2002 - 2007
(adjusted for inflation)



Fringe Benefits – Observations

- Agencies experiencing large increases and fluctuations in health care and pension costs
- Issue impacting all public sector and future uncertain
- Options for cost containment are limited and being considered by many agencies:
 - Increase employee contributions
 - Restructure benefit program
 - Two-tiered pension system
- **Recommendation:**
 - Identify potential savings if cost containment strategies adopted for fringe benefits
 - Forecast cost savings under various scenarios
 - Support work at the agency level on fringe benefits reform

4. Project Visioning

What are the current challenges for the project?

- Lots of opinions and assumptions;
- Little comprehensive analysis.

Overcoming Challenges – Survey Feedback

- **Of challenges for transit today, the top 5 responses from the Project Steering Committee included (in priority order):**
 1. Unpredictable revenues result in unstable service and fares
 2. Multiple operators results in a fractured decision-making process and works against a cohesive regional transit network
 3. Land uses and other external factors confound transit's effectiveness
 4. Inefficient work rules inflate cost of delivering service
 5. Transit service is not price or time competitive with the auto alternative

Next Steps

- **Financial:**

- Identify cost containment strategies and quantify potential savings
- Begin revenue and pricing analysis

- **Service:**

- Regional – regional evaluation and development of system objectives and performance metrics
- Subregional – more detailed analysis in the Inner East Bay and Peninsula
- ADA paratransit – assessment of policies and service delivery throughout the region
- Work rules – analysis of efficiency of labor utilization as related to service delivery and cost effectiveness

- **Outreach and public participation**

- Targeted stakeholder participation in the Spring
- General public outreach as recommendations are developed in the Summer and Fall