Minnesota Regional Transit Board: Records.

REGIONAL TRANSIT BOARD
270 Metro Square Building
St. Paul, Minnesota 55101
612/292-8789

MEETING OF THE REGIONAL TRANSIT BOARD
Monday, December 21, 1987
Metropolitan Council Chambers
4:00 p.m.

AGENDA

1. Call to Order and Roll Call

2. Approval of Agenda

3. Standards, Procedures and Guidelines for Competitive Transit

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4. REPORT OF THE POLICY COMMITTEE — Doris Caranicas, Chair

   A. Federal Grant Recipiency Report

   B. Legislative Program

5. REPORT OF THE ADMINISTRATION AND FINANCE COMMITTEE — Ruth Franklin, Chair

   A. Financial Statements - October 1987

   B. Salary Ranges and Benefits for 1988 (Resolution No. 87-16)

   C. Recommendation for Financial Auditor

   D. Metropolitan Transit Commission Federal Grant Applications (Resolution No. 87-17)

   E. Authorization to Enter Into Contract with MTC for Minnesota Rideshare in 1988

   F. Metro Mobility Administrative Center 1987 Contract Amendment

   G. Metro Mobility Administrative Center 1988 Contract Approval

   H. Extension of Contract for Route 25 Saturday Service

   I. Authorization to Distribute Special Exurban Funds

6. OTHER BUSINESS

   A. Chairman's Report

      1) Providers Advisory Committee

   B. Members' Reports
   C. Advisory Committee Reports
   D. Staff Reports

7. PUBLIC COMMENT

Elliott Perovich
Chairman

alter
Tailor + Auld
Hopkins
Bertrand
Lyons
Sylv Frehrich
Pat Scully

KT
RC
MK
TB
HB
MR
JA
LE

REGIONAL TRANSIT BOARD

ROLL CALL AND ATTENDANCE SHEET

DATE: 12/21/87

BOARD OR COMMITTEE : RTB

MEMBER NAME	PRESENT	Table VOTE	87-16 VOTE	87-17 VOTE	VOTE	VOTE on #3 Gunter
Chairman	✓	no	y	✓		yes
Doris Caranicas	✓	no	y	✓		yes
Ruth Franklin	✓	no	y	✓		yes
Carole Faricy	✓	yes	y	y		no
Alison Fuhr	✓	yes	y	y		no
Rochelle Graves		abst	y	y		no
George Isaacs	✓	yes	y	y		no
Paul Joyce	✓	no	y	y		yes
Edward Kranz	✓	yes.	y	y		no

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REGIONAL TRANSIT BOARD

STANDARDS, PROCEDURES AND GUIDELINES for COMPETITIVE PROCUREMENT of PUBLIC TRANSIT SERVICES

PUBLIC HEARING DRAFT - SEPTEMBER 1987

Regional Transit Board
270 Metro Square Building
St. Paul, Minnesota 55101

(612) 292-8789

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Preface

The information contained in this document is intended to serve as policy direction that is to be followed by the Regional Transit Board and recipients of Regional Transit Board funding when competitively procuring public transit services. This policy will apply to any public transit services competitively awarded or funded through the Regional Transit Board.

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REGIONAL TRANSIT BOARD

STANDARDS, PROCEDURES AND GUIDELINES for COMPETITIVE PROCUREMENT
of
PUBLIC TRANSIT SERVICES

Table of Contents

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CHAPTER I

INTRODUCTION

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A. PURPOSE STATEMENT

The Regional Transit Board (RTB) has initiated a competitive transit demonstration project that will study the feasibility and effectiveness of competitively awarding contracts to provide public transit service in the Twin Cities Metropolitan area. Through this study the RTB expects to determine if competitive transit is a viable alternative for addressing the metropolitan area's unmet transit needs and the fiscal constraints brought on by rising transit operating costs coupled with limited public funding.

An important first step in this demonstration project is to develop standards, procedures and guidelines that will permit the procurement of quality public transit services in a consistent and equitable manner by the RTB or recipients of RTB funding. These standards, procedures and guidelines will serve as RTB policy direction and will be applied when the RTB or recipients of RTB funding competitively procure public transit services.

B. BACKGROUND

Transit agencies across the country have faced increased financial pressures, either as the result of a decrease in ridership or a reduction in public funding, while the cost to operate transit service has increased. In the Twin Cities area, ridership on regular route transit services has declined from 93.3 million passengers in 1980 to an estimated 69.7 million passengers in 1987. During this same period, the cost to provide regular route service has increased from $74.2 million in 1980 to an estimated cost of $97.5 million in 1987.

Funding for public transit services in the metropolitan area comes primarily from four sources: the State general fund, federal grants, passenger fares and property taxes. In 1980, $12.8 million in federal operating assistance was used to finance regular route transit service, while in 1987, the amount of federal funding for operating expenses is expected to be $8.7 million. Funds from the State of Minnesota for public transit in the metropolitan area have declined from $23.1 million in 1980 to $10.8 million in 1987. Even though ridership has declined since 1980, revenues from passenger fares have increased by approximately 14%. This increase in revenues from passenger fares during a period of declining ridership has occurred due to a fare increase that took effect in 1982.

The one source of funding that has significantly increased since 1980 is proceeds from property taxes assessed for transit in the metropolitan area. Proceeds from property taxes levied in the metropolitan area for transit have increased and financed a larger share of regular route operating costs since 1980. In 1980, property tax proceeds for transit were $16.2 million and accounted for approximately 22% of the total operating cost for regular route service. In 1987, property tax proceeds for regular route operating expenses are estimated at $48.5 million and account for approximately 50% of the total operating costs for regular route service.

Over this same period, the metropolitan area has undergone significant growth that has resulted in the development and expansion of new suburban areas. This diffusion of population densities has mixed with an intensification of major employment centers such as Downtown Minneapolis and Saint Paul, the I-494 area and several suburban office parks. The result has been an increase in overall travel, dispersal of destinations and change in trip making patterns.

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During this period, the delivery of public transit service has focused primarily on providing radial oriented, fixed route services to the two downtown areas with relatively minor modifications and improvements. The gap between available public transit services and the metropolitan area's unmet transit needs is well documented in the RTB's recently completed Transit Service Needs Assessment.

Along with the past and present performance of public transit in the metropolitan area, several issues lie ahead for the Regional Transit Board. For example, federal funding, which accounts for approximately 80 percent of all capital funding and approximately 8 percent of all operating funds for the Twin Cities area, is expected to decrease or at best remain fixed at current levels. Nationally, operating assistance has been cut twice since 1981; 10 percent in 1982 and 5 percent in fiscal year 1987. Urban areas with populations over one million people have received the brunt of these cuts. Additionally, federal capital funds have been cut by 20 percent since 1983.

Also on the national level, the Highway/Transit bill that authorizes the current transit programs expires in 1991. It is likely that Congress will begin to look at legislation to reauthorize transit programs as early as 1990. This action could result in significant changes in the federal government's role in funding and administering public transit services. Locally, funding from the State is an ongoing concern since there is no dedicated source of funding for public transit services. Each biennium, public transit services must compete with other interests for funding from the State's General Fund.

Traditionally, the alternatives most commonly used when transit agencies have faced financial pressures are to reduce service levels or to raise fares. Other alternatives are now being considered and one that has generated significant interest and support both locally and nationally, is to introduce the element of competition to public transit. Dozens of cities accross the country have implemented public transit service through a competitive process, while several others have begun to develop a process.

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CHAPTER II

SOLICITATION AND REVIEW OF TRANSIT SERVICE CONTRACTORS

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A. FORMAT

The development of a Request for Proposal (RFP) is an important document that begins the formal process of securing a contract to provide the type, quality, and quantity of service that will best meet the needs of the region within the available funding. A properly drawn RFP will minimize any misunderstandings and delay that could occur before and during the contract period.

It is important to note that there is a distinction to be made between a "bid" process and a "proposal" process. If "bids" are requested, the award is given to the lowest responsible and responsive bidder; i.e, if the bidder can supply what has been requested (responsive); has the financial and technical ability to do so (responsible); and has the lowest bid price--then that bidder must be awarded the contract.

When "proposals" for professional services are requested, the price is not the sole determining factor. Under a proposal process, the contracting agency can base its selection on the proposer's experience and qualifications. These factors should be included when developing the selection criteria used by the RTB or its recipients.

B. GENERAL PROCEDURES FOR REQUEST FOR PROPOSALS

It is important that all prospective contractors understand the proposal procedures so that each has the same opportunity to submit accurate and complete proposals for the service required by the RTB or its recipients.

The RFP process should be administered in a manner that permits each prospective contractor to receive the same information. Elements to be included in the RFP are the following:

- o Announcement of the RFP so that all interested parties are likely to see it. All existing and potential transit service providers should be notified by mail of the RFP. If appropriate, a notice may be published in a major local newspaper and in a trade journal.
- o The date on which the proposals are due and the timetable that will be followed in reviewing and evaluating the proposals.
- o The date the service identified in the request for proposal is to start.
- o Methods of communication permitted during the RFP process including oral and written communications and acceptable areas of discussion.
- o The date of a "pre-bid" conference. The convening of a "pre-bid conference allows prospective contractors to ask questions about the specifications of the RFP and the competitive bidding process. Any changes made as a result of this conference will be reported to all prospective contractors by written, numbered addenda.
- o A standard format for contractors to use that will include budget category details.

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C. BACKGROUND INFORMATION

An important part of any RFP, is a section that includes relevant background information giving prospective contractors a good understanding of the operating characteristics and parameters of the proposed service. The following information should be included in the background section of the RFP:

- If vehicles are to be provided to the successful respondent, the RFP should list all such vehicles noting age, model, special features, mileage, and major repair history. The RFP should specify the responsibility for any major repairs to the vehicles.
- If facilities are to be provided to the successful respondent, the RFP should describe the operating facilities including the total space, parking or storage space, vehicle servicing facilities, vehicle maintenance facilities (number of bays and special equipment), and office space. The location of the facility should also be noted by address on a map.
- A description of the passenger fares that will be required for the proposed service, including any special fare categories for elderly and disabled, students, and children. If passes or tokens are used, the rates charged and paid (if discounts are available) should be listed. Also, a description of any transfer policies should be included.
- Historical ridership data should be summarized on an annual basis noting total passenger boardings by fare category and route, if possible. In addition, expected passenger loads (passengers per vehicle) should be noted.
- A discussion of the service area is also important. This should include the physical size and population of the service area and its projected future growth, if relevant. Information related to employment centers, housing areas, and special attractors such as hospitals, shopping centers, and schools or universities should also be highlighted.

D. REQUESTED SCOPE OF WORK

A second section to include in the RFP should detail the exact services expected from the transit operators so that they can determine vehicle, personnel and administrative requirements necessary to provide the service. Detailed descriptions of each aspect of service should be made explicit so that the contractors can assess their ability to perform the required service. This section should include the following:

- A route map, the days or time periods when service operates, and a list of route characteristics such as service type (e.g., commuter express, circulator, crosstown) and normal operating speeds. A set of timetables and schedules should be included if available. An accurate estimate of the annual scheduled vehicle service hours and miles should also be stated.

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- Specific vehicle requirements for the providers that include the following:
  - safety inspections of vehicles at specified intervals by qualified personnel;
  - a preventive maintenance schedule;
  - vehicle cleaning requirements;
  - equipment features (e.g., wheelchair lift, air conditioning, seat belts, grab rails, two-way radios) that may be required; and
  - adequate standby vehicles and drivers.

- Personnel requirements designed to assure that trained, competent drivers will provide the service, and include the following:
  - driver selection procedures in terms of capabilities, screening, licensing and training requirements;
  - performance review requirements.

- Administrative requirements designed to ensure effective operation of a transit operator and include:
  - performance standards for drivers;
  - the number of qualified personnel employed to manage and supervise the service and to ensure smooth operations of all aspects of the organization;
  - an administrative system in place that allows for secure revenue collection and reporting of ridership and other data required; and
  - a process for identifying and addressing customer issues that includes a mechanism for receiving and handling passenger complaints.

- Facility requirements should include:
  - adequate, secure overnight parking for vehicles;
  - adequate maintenance equipment and facilities for in-house maintenance programs;
  - location of facilities in proximity to the service area; and
  - whether inside storage is required.

- A comprehensive driver's training program that includes the following:
  - defensive driving
  - safety procedures
  - passenger assistance
  - sensitivity training
  - on-the-road practice runs of the routes and schedules

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E. OTHER CONSIDERATIONS

Other factors play an important part in developing successful RFPs. Discussion of some of these factors and the related issues follows:

- Pricing Methods. The cost section of the RFP may call for prices to be quoted on an hourly rate and/or mileage rate basis. Regardless of the pricing method, it is necessary to inform prospective contractors about how the total contract price will be adjusted if the quantity of service purchased is increased or decreased. Within narrow limits; i.e., plus-or-minus 10 percent, changes in the quantity of service purchased can often be accommodated at the unit price submitted in the proposal. Greater changes in the quantity of services, however, may have a greater impact on a contractor's unit costs. Mechanisms must be provided at the outset to accommodate service level changes.

- Payment. Progress payments have been used in contracts for transit services and are typically made monthly. Terms for payment should be clearly explained in the RFP. Lengthy billing recovery cycles are costly since the contractor must finance the operator until payment is made. The cost of financing this "float" will usually be built into the contractor's bid price. Some contractors may offer discounts for early payment of invoices, and this should be treated as a reasonable issue in contract negotiations.

- Administrative and Reporting Requirements. The RFP should state what information is to be reported, when it is due, to whom it is to be reported, and in what format. The expectations of the contractor related to monitoring and supervision of the transit service should be included in the RFP. Also, it should be clearly stated what authority and limitations the contracting agency will have over the contractor and its employees.

- Insurance. Minimum insurance requirements should be clearly described in the RFP. If contractors are permitted to propose a self-insurance program, the conditions for accepting such a proposal should be described.

- Contract Length. The term of the contract, along with any options for extensions, should be clearly described in the RFP.

- Compliance with Applicable Requirements. The contractor may be required to meet certain federal, state and local requirements. The RFP should clearly state any guidelines or requirements to be met.

- Standards, Penalties and Incentives. If it is anticipated that the contract will incorporate performance or financial standards, incentives or penalties related to providing the service, then the RFP should include a description of each and describe how monitoring for compliance will occur.

- Revenues. The RFP should include an estimate of the passenger fares for the service in the RFP, how fares will be recorded, if and when vehicles can be used in charter service and how advertising revenues will be addressed.

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- o Role of Contracting Agency. The involvement of the contracting agency in delivering the service should be clearly described in the RFP.

F. TIMETABLE

Adequate lead time is necessary for both the contractor's response to the RFP and preparation for the commencement of work. Typically, a contractor does not have personnel or vehicles standing idle waiting for a new contract. To submit a thoughtful proposal, a contractor must have sufficient time to review the details of the services requested; to evaluate personnel needs, vehicle requirements and availability; to obtain insurance quotes; and to accurately estimate operating costs.

A contractor should have a total of 30 to 45 days for preparation of the response, and proposals should be due no sooner than 30 days from the date of the pre-bid conference. A contractor should have up to 120 days, depending on the facility and equipment requirements, to commence service, from the date that the contract has been awarded or a binding notification to proceed has been given.

Lead time is also necessary for personnel recruitment, hiring, training, delivery and preparation of the vehicles. If the contractor is required to supply vehicles, the lead time should allow for adequate opportunity to locate the type of vehicles required and to arrange for financing. The successful start of a new service requires that resources be planned, assembled, and scheduled in an orderly manner.

The following is a suggested timetable for competitively contracting for transit services:

Milestone Event:	Number of Weeks to Beginning Date of Service
Announce and Mail RFP	29 Weeks
Pre-Bid Conference	27 Weeks
Deadline for Proposals	22 Weeks
Review and Preliminary Evaluation of Proposals	20 Weeks
Interviews with Providers	19 Weeks
Provider Selected	17 Weeks
Resolution of Any Disputes	9 Weeks
Contract Signed	8 Weeks
Service Begins	0 Weeks

G. BONDING REQUIREMENTS

Bonding is a form of contract security intended to assure the contracting agency that it has the contractor's undivided attention on a specific contract and that there is a source of funds to offset part of the cost if there is any default by the contractor.

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Bonds are a form of contract security that is obtained by pledging company assets to the bonding company, which then issues the bond security to the contracting agency. Usually these assets are irrevocable letters of credit from the contractor's bank or some other form of liquid assets, such as cash. Because bonds may tie up significant levels of a contractor's available credit, this cost is often built back into the bid price so that the contracting agency is, in fact, paying the cost. The higher the amount of the bond, the greater the cost.

It is also important to note that calling a contractor's bond is not necessarily an immediate solution to a default situation. The bond company has certain remedies available to it before resorting to the disbursement of the bond sum and often these remedies may take time. There are two types of bonds that the RTB and its recipients shall utilize and they are discussed below:

- Bid bonds are used to ensure that a respondent who submits a proposal will follow through and enter into a contract if selected to perform the work. Bid bonds typically range from 5 to 20 percent of the amount bid.

  Bid bonds shall be returned to unsuccessful bidders within 15 days after the selection of a contractor. The selected contractor's bid bond will be held as security until a contract has been signed for the work.

- Performance bonds are used to ensure that the contractor will perform the work in accordance with the terms of the contract, or consequently, compensate the contracting agency for damages suffered in the event of the contractor's default. Performance bonds range widely, from five to 100 percent of a contract amount, and will be returned after the successful conclusion of a contract or project.

  There are alternatives to performance bonds that the RTB and its recipients may permit. These can include a cashier's check, rights to withhold an agreed upon percentage of contract payments, and contractual language permitting the contracting agency to seek damages from the contractor in the event of default.

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CHAPTER III

EVALUATION OF PROPOSALS

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A. SELECTION CRITERIA

The process used to rate and select a contractor should be included in the RFP. Criteria that will be used to evaluate the proposals shall be clearly stated and the relative importance of each criterion shall also be stated. Points shall be assigned to areas according to the importance of each category and shall include:

- o experience in providing public transportation services;
- o size or scope of past experience, in relation to that required in the request for proposals;
- o driver training and selection program;
- o management, administrative, financial and technical capabilities;
- o fleet size, vehicle types and maintenance practices;
- o reporting capabilities;
- o compliance with the RFP; and
- o proposed cost of providing the service.

The evaluation process may include the use of an advisory group composed of people who are not associated with any of the bidders to assist with the evaluation of the proposals. The role of the advisory group may include interviews with the top choice(s) and visits to their proposed facility.

As noted earlier, the RTB or its recipients may base its selection on the proposer's experience and qualifications including the company's reputation and past experience as the expected quality of the professional services to be rendered.

B. DISPUTE RESOLUTION

When proposals are solicited, a written dispute resolution process shall be included in the RFP. When an operator is selected under these guidelines, all unsuccessful respondents will be notified, in writing, of the decision. All disputes arising from the RFP process must be heard by the agency that releases the RFP and a written determination rendered by that agency prior to RTB approval of the contract.

The dispute resolution process for hearing and resolving disputes for contracts awarded under these guidelines shall emphasize a quick and comprehensive review as disputes are filed, shall minimize delay and shall discourage frivolous protests.

The burden of proof in filing a protest is on the protester, who must allege facts which, if proven, show that the RTB or its funding recipient has acted in an arbitrary and capricious manner. In addition:

- o Bid disputes arising prior to bid opening (for example, protests of specifications), may only be lodged prior to the bid opening.

- o Protest issues not initially raised with the agency that releases the RFP will not be entertained by the RTB or recipients of RTB funding.

- o Protesters should file a written appeal with the agency that releases the RFP within seven working days of the aggrieved action.

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Timeframes and other suggested procedures are as follows:

- o The protester(s) shall state the exact reasons for the appeal and the remedy requested. If applicable, a copy of the written protest shall be immediately forwarded to the RTB by the funding recipient.
- o A meeting(s) should then be called within five working days from receipt of the protest that will include representatives from the RTB, the protester (and RTB funding recepient if applicable), to discuss the issues related to the protest.
- o A decision on the protest should be reached within seven working days from the date of the initial meeting and at that time, the protester shall be notified of the decision in writing by the agency that released the RFP. (If applicable, the RTB funding recepient shall also notify the RTB in writing).
- o The RTB executive director will review all decisions on protests and if the outcome is not consistent with RTB policies or procedures, will recommend action to the Regional Transit Board within seven working days from the date of the decision.
- o If the protester is not satisfied with the decision of the agency that released the RFP or with the review and action at the RTB, a written appeal may then be made to the Metropolitan Transit Dispute Resolution Board. The written appeal shall be made within seven working days from the date of notification of RTB action.

All communications with the parties involved, including RTB staff or board members concerning a protest, whether in writing or oral, must be made part of a docket, open for public inspection. The agency that releases the RFP shall be responsible for maintaining the docket. The disposition of each bid protest should also become a part of the docket.

C. FULL ALLOCATION OF COST POLICY

In order to promote equal competition among bidders, all direct and indirect costs associated with providing the service shall be included in the prospective contractor's proposed price for the service. Additionally, the cost of any equipment or facilities used in the provision of the service shall also be included and based upon the total cost of the equipment or facilities, regardless of the source of funding used for its acquisition.

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This is consistent with current federal policy. The Urban Mass Transportation Administration (UMTA) published its private enterprise participation policy in the Federal Register (Volume 49, No. 205) dated October 22, 1984, and UMTA guidance for implementation of this policy stipulates that:

> When comparing the service proposals made by public and private entities all the fully allocated costs of public and non-profit agencies should be counted. Subsidies provided to public carriers, including operating subsidies, capital grants, and the use of public facilities should be reflected in the cost comparisons.

This policy was reaffirmed in UMTA Circular C7005.1, that was distributed on December 5, 1986. The circular addressed "Documentation of Private Enterprise Participation Required for Sections 3 and 9 Programs." This circular reiterated the UMTA policy calling for full allocation of costs attributed to the provision of transit service.

This policy has the effect of treating public and non-profit agencies as if they are required to recover the full costs of production, like a private firm. Furthermore, it prohibits operators from submitting a bid price that is lower than the actual cost of providing the service. The principle underlying this policy is that the total costs incurred in delivering a specific service should be attributed to that service.

For example, direct and indirect costs are often used by public agencies to determine the appropriate sharing of fiscal responsibility for deficits. A regional transit authority which receives local subsidies from a central city and several suburban communities often determines the fiscal responsibility of each community on the basis of fully allocating the cost of the service received including (1) the direct cost of service and (2) a portion of the shared (indirect) costs of the management, administration and underlying organizational structure suporting the service received by the communities.

The fully allocated cost policy also will require respondents to include in their bid price the full cost of any publicly funded equipment or facilities associated with providing the service. When publicly funded equipment or facilities are used, the bid price must include a depreciation expense that reflects the full purchase price, age and salvage value of the asset. This depreciation expense shall be based on generally accepted depreciation methods, approved by the RTB, for computing depreciation expense of physical assets.

The full allocation cost policy also accounts for fixed and variable costs that contribute to the delivery of any specific segment of transit service. These are costs that are constant over very large increments of service (fixed) or costs that vary with the level of service provided (variable). A fully allocated cost estimate, therefore, represents a complete accounting of all the labor, capital and material resources used in the delivery of a segment of transit service.

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By contrast, a marginal cost analysis recognizes only the variable costs of any specific segment of service. The marginal cost approach understates the cost of service because it does not account for the fixed costs incurred with providing the service.

The fully allocated costing policy, therefore, requires the identification and estimation of:

- o Fixed costs, which are constant over very large increments of service and, therefore, do not vary with small changes in the level of transit services. Examples of fixed costs include most administrative labor costs, facility-related capital costs, and materials and supplies costs other than those costs incurred directly to support revenue service.

- o Variable costs, which normally vary with the level of transit service provided. Variable costs include driver wages and vehicle fuel costs which vary directly with the level of service.

- o Direct costs of a segment of transit service. These are the costs which can be associated exclusively with the service. For example, at the route level, direct costs generally consist of operator, mechanic and other wages, associated fringe benefits, fuel and lubricants, tires and tubes, and the depreciation costs associated with the vehicles used to operate that service, including spare vehicles.

- o Shared costs of a segment of transit service. These are the costs which cannot be associated exclusively with a specific segment of transit service. The shared costs relevant to an individual route, for example, at a minimum consist of the costs to operate the facility from which the route or vehicle is dispatched. Shared costs must be allocated in a logical manner which reflects the rate at which the cost is incurred to support the specific segment of service.

- o Capital costs of all facilities and equipment, regardless of the source of funding used to acquire the asset.

D. APPLICATION OF THE FULL ALLOCATION OF COST POLICY

The following examples address specific aspects of contract pricing for bidders to follow that will ensure fair cost comparisons and an adequate assessment of long-term versus short-term savings. Most of the information for this section is based on the principles on cost comparisons in competitive bidding adopted by the Competitive Services Board on November 16, 1986 (see Attachment I). Each of these examples is discussed in more detail below.

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1. <u>Government Financial Support</u>

The total cost of delivering the transit service, regardless of source of financial support, should be included as part of the prospective contractors bid price for the service. This permits comparisons to be made that reflect the actual cost to the taxpayer. For example, if vehicles are purchased with 75 percent federal funds, 10 percent state funds, and 15 percent local funds, the full 100 percent cost shall be included in the operator's price to provide the service. All assets used in the delivery of the service, regardless of ownership, shall be included in the proposed price.

2. <u>Contributions from Other Government or Agency Units</u>

Some transit operators may use without charge the services or facilities of a public agency or governmental unit (for example, legal or clerical services, vehicle storage, office space, or parking lots). Because these contributions are actual costs to the taxpayer, they shall be included in a prospective contractor's proposed price for the service.

3. <u>Administrative Costs</u>

The portion of a transit operator's administrative costs that are attributable to the service shall be included in the proposed price (for example, the attributable portion of senior management compensation).

4. <u>Non-attributable Public Sector Costs</u>

Public-sector costs that benefit both public and private operators should not be included in the proposed price if these costs are not attributable to the service. For example, some services provided by the Metropolitan Transit Commission (MTC) may serve both the MTC and other public transit operators. Examples of these regional services could include transit marketing, telephone information services, financial reporting for federal grants, and bus shelter maintenance. Prior to awarding transit service contracts under these guidelines, the RTB will work with the MTC to identify these regional services and their associated costs.

5. <u>Capital Assets</u>

Any physical assets related to the provision of the service, shall be itemized as a depreciation expense and included in the operator's proposed price. This depreciation expense shall reflect the full cost of the physical asset along with a reasonable salvage value and shall be based on generally accepted depreciation methods, approved by the RTB.

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However, if the capital assets (such as vehicles or facilities) will be provided to the successful respondent, those capital costs should not be included in the operator's proposed price for providing the service.

6. Interest

The cost of capital equipment used to provide transit service will often include interest charges. These charges shall be included in the proposed price to reflect the cost of capital. A public agency may have access to lower interest rates than private operators. There will be no adjustment to proposed prices to compensate for differences in interest rates.

7. Donations

Some transit operator's costs are offset by contributions of services or facilities from private organizations or individuals (for example, volunteer drivers for specialized services) and shall not be included in the proposed price.

8. Cost of Contracting

Certain costs will arise to the RTB or recipients of RTB funding when contracting for service. This may include costs such as RFP preparation, labor protection, and contract management. These costs should be considered in both the long-term and short-term analysis of costs.

9. Exemptions and Costs Imposed by Federal or State Requirements

There are certain exemptions and costs that are imposed upon both public and private operators through various state and federal requirements. For example, the Metropolitan Transit Commission (MTC) is required to establish a pension plan for its employees; however, the MTC is exempt from paying any state or federal taxes on items such as vehicle licenses, purchases, fuel, property or corporate income. With a few exceptions, businesses operating for a profit are obligated to pay these types of taxes; however, they also have access to tax credits to offset their obligations. When making cost comparisions between public and private operators, adjustments will not be made for the characteristics that are inherent to the public or private sector.

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CHAPTER IV

TRANSIT SERVICE CONTRACTS

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A. MINIMUM CONTRACT PROVISIONS

The contract that is entered into must be written to prevent misinterpretation of its content, and it must provide for adequate, workable remedies should they become necessary. A sample agreement should be attached to the RFP and reviewed by the RTB recipient's or RTB's legal counsel before public release. (This agreement can be modified to accommodate requirements specific to the selected contractor and any later needs that may be identified.)

Following are criteria for some of the basic elements to include in the contract:

- o clear and accurate identification of the parties;
- o exact and complete statement of the service to be provided including information such as:
  - the level of service, days of operation
  - the routes and schedules to be operated
  - a description of the vehicles to be used for the service
  - vehicle maintenance and servicing standards
  - personnel standards
- o penalties (liquidated damages) for noncompliance;
- o maximum total amount to be paid and the basis upon which payment is to be made;
- o the contract duration or period for completion;
- o insurance and performance bond requirements.

The development of specific contract language should be based upon the RFP developed for the service. Some of these areas are explained in more detail below.

- o Service levels. For effective contract management, the route service levels needs to be clearly stated. This description can include but is not limited to detailed maps of routes, the exact number of vehicle service hours on a given route, the daily schedule, hours of operation operation, and the fare structure with variations in fares. The use of transfers from other routes and passes should also be described in the contract language. Finally, a methodology should be provided to cost out and implement any adjustments in service levels, that may be required during the contract period.
- o Service Criteria. All applicable safety regulations or operating standards should be referenced. Driver qualifications, skills, courtesy and appearance should be delineated. Some examples of these include:
  - Operating ahead or behind schedule.
  - On-time performance.
  - Proper attire for drivers.

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- Vehicle Issues. The contract may also specify vehicle markings, with flexibility for changes or additions. Limitations on vehicle usage on charters or in other services may also be imposed.

- Routine Vehicle Maintenance and Repair. Preventive maintenance intervals and levels of inspections should be specified along with any related state or local regulations. Also, the contract should indicate whether cleaning will be measured on an effort basis (weekly washing) or on a results basis (a specified level of cleanliness). There should also be a requirement to keep maintenance and repair records, detailing the level and timeliness of recordkeeping and the retention and availability of records for inspection. Special records or notification in the event of accident damage or a long-term vehicle outage (perhaps with penalty payments) should also be considered.

  In the event that the contracting agency provides the vehicles for the service, additional measures should be included in the contract. This would include responsibility for supplying parts, specifications regarding the quality of parts to be used in repairs, and compliance with the manufacturer's warranty. It is also important to outline the procedure for monitoring compliance with these contract requirements. At the completion of the contract, the condition of the vehicles should be stipulated, along with remedies to cover the cost of any necessary repairs.

- Supervision and Administrative Roles. Provisions need to be made regarding the extent of service changes the contractor can make without requiring a contract change. The contract should also clearly define the role of the contracting agency and its ability (authority and limitations) to take appropriate actions related to the employees of the contractor. Finally, all contracts should include a requirement to provide regular and specific operating reports, plus other reports as needed.

- Compensation Methods. Submittal of bills, approval methods, timeliness, and method of payment should be specified in the contract. Periodic cost adjustments, escalator clauses, incentives and penalties also may be a part of the agreement and should be clearly described. If the right to take offsets against payments is desired, it should be stipulated, as should the right to withhold payments or partial payments. Some examples of incentives could include:

  - Contractor receiving bonus payment for higher passenger load factors.
  - Contractor receiving monthly bonus depending upon the available percentage of vehicles maintained at a certain high standard; e.g., cleanliness.

  Some examples of penalties could include:

  - Contractor not receiving payment for runs not on schedule.
  - Contractor paying damages for runs extremely off schedule.
  - Contractor not receiving compensation if vehicle has not been serviced within the specified inspection interval.

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If incentives and/or penalties are to be a part of the service, then a process for monitoring compliance should be clearly described in the contract. Finally, the contract should provide a means for adjusting payments based on audits and for handling any disputes that might arise.

o Insurance Requirements. Insurance requirements are designed to protect the contracting agency. Therefore, the contract should specify the type and amount of coverage desired. This means that the contracting agency should consider what risks are to be protected against and what limits of liability are deemed appropriate. The nature of the service that is being bid will be a major factor in determining the minimum insurance requirements.

Following is an explanation of the different types of insurance requirements that may be specified in the contract:

- Automotive liability is perhaps the most important insurance to be considered. It protects against claims for personal injury and property damage arising out of the operation of buses, cars, and trucks. In Minnesota, state law suggests that limits of coverage of $200,000 for a single claim and of $600,000 for multiple claims arising from a single accident are adequate.

  Risk can generally be measured based on the number of passenger miles. In other states and in cities across the country that are contracting for transit services, the minimum coverage for a regular route service is typically $1 million. Medium to large sized contracts require from $5 million to $10 million of coverage, if not more.

- Physical damage insurance protects against damage to property from a variety of causes including fire, theft, flood, hurricane, tornado, collision, and other causes. The coverage can be obtained for the specific risks needed. The amount of insurance will depend on the assessment of the likelihood of a loss occurring.

- General liability insurance protects against claims for personal injury and property damage as a result of the claimant being on or near the property when an accident occurs. The amount of insurance protection needed depends on how accessible the property is and the likelihood of accidents. Some important considerations in determining the premium price are fencing, lighting, facility condition, and special hazards.

- Property insurance includes such coverage as fire, theft, windstorm, flood, hail, and other potential damage to building and contents. The amount of coverage will depend on the value of the facilities and the replacement costs.

- Workers compensation insures against claims for injuries to employees arising from their employment. The state of Minnesota has specific requirements for this kind of insurance.

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- Fidelity bonds insure against theft, fraud, misappropriation, misapplication, carelessness, or other misuse of money, property, or other valuables. The amount of coverage depends on how many employees have access to such property, how much value is accessible at any given time, and security measures in effect.

The contract should indicate whether the contracting agency will procure insurance or if the contractor is required to provide it. The contract should also note whether the contracting agency will pay the insurance premium directly, on a pass-through basis, or as part of the contract price. If the contracting agency does not pay the premium directly, there may be additional costs built into the bid price because of the interest expense to the contractor for paying the premium upfront.

If a contractor proposes a self-insurance program, the contracting agency must require evidence of the contractor's financial capacity to meet the insurance requirements of the contract. In such cases, the self-insurance program must provide the contracting agency, and any others named as an additional insured, at least the same protection from liability and defense of suits as would be afforded by first-dollar insurance.

The RTB (and its recipients) should be named as additional insured and should require periodic certification by the insurer to keep on file verification of all covered vehicles assigned to the contract.

o <u>Length of Contract.</u> The length of the contract should be related to the level of investment in physical assets that contractors are required to make in order to perform the service. In general, the larger the investment, the longer the contract term must be to attract reasonable responses from prospective contractors.

Below is a table which displays suggested contract terms as a function of investment requirements on the part of a contractor.

SUGGESTED LENGTH OF CONTRACT TERMS

	Minimum Term	Maximum Term
Investment Required by Contractor:		
New heavy duty buses	5 years	7 years
Used heavy duty buses	2 years	5 years
New light buses and vans	3 years	5 years
Used light buses and vans	2 years	5 years

The above contract terms can be shortened if the contracting agency provides the capital assets.

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B. COMPLIANCE WITH APPLICABLE LOCAL, STATE AND FEDERAL REQUIREMENTS

Any service entered into contract under these guidelines must be consistent with any applicable local, state and federal requirements. This shall include, but is not limited to regulations of the Transportation Regulatory Board (TRB), state law regarding MTC impact assessment, federal policies regarding UMTA grant recipients, affirmative action requirements, equal employment opportunity requirements and participation of Disadvantaged or Women Business Enterprises requirements of the RTB.

C. DOCUMENTATION (For Recipients of RTB Funding)

At least three weeks prior to commencing service, recipients of RTB funding shall provide written documentation on the RFP and contractor selection process that includes any evaluation forms used, justification for selecting the preferred contractor, a detailed breakdown of all cost elements, a copy of the proposed contract, verification that proper insurance coverage and a performance bond will be in place prior to service beginning.

D. AWARDING OF THE CONTRACT

For any transit service awarded under these guidelines, the Regional Transit Board shall review and approve the provider and the contract (along with any subcontracts) prior to the provision of service by the provider. The review and approval by the RTB shall be completed within 30 days of receipt of a written notice and the documentation required in (C) above from the agency that released the RFP. Review by the RTB shall include consistency with the RTB's standards, procedures and guidelines for competitively awarding public transit service contracts, compliance with the Metropolitan Council's and RTB's implementation plans and compliance with applicable local, state and federal requirements.

Additional Information for the
Regional Transit Board's Public Hearing
on the Subject of

STANDARDS, PROCEDURES AND GUIDELINES FOR
COMPETITIVELY AWARDING PUBLIC TRANSIT SERVICE CONTRACTS

The following issues were raised by various members of the Regional Transit Board's Competitive Transit Advisory Team during their review of the document. Throughout the discussion of these issues, team members were unable to reach a a consensus. The advisory team requested that the RTB solicit comments during the public hearing on these issues and the general comments that follow.

A. The topic of prevailing wages was discussed at several of the team's meetings. Some members felt that it was important to include a provision in the document that required operators to pay their employees a prevailing wage. It was felt that without such a provision, some providers would win all the service contracts because their drivers would be paid at the minimum wage. Also stressed was the concern that quality service could not be provided for less than the prevailing wage.

   Others expressed the concern that the public may not be best served by establishing a prevailing wage. With more public transit funding going to pay for wages, fewer dollars will be available to expand service and to serve the unmet needs in the metropolitan area. Also stressed was the opinion that providers have to offer a competitive wage in order to attract people to work for them.

B. A second issue that was raised and resulted in mixed opinions was the proposal to require private companies to utilize the full allocation of cost policy when submitting a proposed price for operating the service. Some committee members felt that it would be unfair for a public agency to be required to determine their proposed price for operating service based on the full allocation of cost policy, while private companies did not have the same requirement. It was felt that if this were to be permitted, then public and private agencies would not be competing equally for contracts. It was also argued that marginal costs represent the lowest cost to the taxpayers and cost decisions should be made based on marginal costs.

   Other committee members argued that if a public agency does not follow the full allocation of cost policy to develop their proposed cost for the service, then public funds would be used to subsidize the public agency's proposed price for providing the service. Therefore, the public agency would actually be receiving an additional subsidy over and above the subsidy to operate the service. It was also argued that the fully allocated cost policy spreads the burden across the entire region and does not provide a benefit to any select group at the expense to the region as a whole.

   It was also argued that a private company should be permitted to underwrite their costs for the service with revenues from other activities of their company, when no public funds are involved. When a private company does not include all their costs in the proposed price for the service, the company, and not the public, pays for the difference.

Some committee members also felt that it would be difficult to guarantee that private companies are including all their costs in the price for the service.

General Comments

1. The RTB should work with the Transportation Regulation Board (TRB) to streamline the TRB's process for issuing authority to operate service while under contract to the RTB.

2. The MTC asked for clarification on how reimbursement for fully allocated costs would be made to the MTC. For example, if the MTC includes in their proposed cost for service a depreciation expense for federally funded vehicles, would they actually be reimbursed for this as an expense?

3. The RTB should consider evaluating and monitoring the satisfaction level of people using transit services that will be competitively awarded. It is important that riders have a voice in this process. This information would also help to determine if the change has resulted in an improvement. The information will also be helpful to potential contractors as they will be able to learn from the survey what is important to the people that use the service.

4. Companies that are based out of state may have an unfair advantage, since they may be able to purchase insurance at a lower cost.

5. The RTB needs to develop a process to resolve disputes that are not directly related to the bidding process.

6. The RTB should evaluate the minimum levels of insurance that are required by state law. It was felt by some members that the minimum limits outlined in the law are too low.

REGIONAL TRANSIT BOARD'S COMPETITIVE TRANSIT ADVISORY TEAM
September 1987

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Administrator for Administration
Metropolitan Transit Commission
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Natalio Diaz, Manager
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DARTS
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Southwest Metro
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292-8789

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*Resigned

Attachment I

Competitive Services Board

The Competitive Services Board was established by the Urban Mass Transportation Administration (UMTA), in cooperation with the American Public Transit Association (APTA), as a forum for a broad cross-section of public and private sector interests to consider issues related to the competitive provision of transit services. The Board seeks to develop a thorough understanding of these issues with the objective of reaching a consensus on principles for the guidance of local decisionmakers. For issues on which agreement cannot be reached readily, the Board clarifies and documents the concerns and identifies potential actions to address them.

The Board's membership (listed overleaf) is a diverse group representing a wide variety of interests, including public transit agencies, private operators, state departments of transportation, local governments, regional councils, and rural and specialized transit operators. In addition, the administrator of UMTA, the executive director of APTA, and senior representatives of other national associations serve as ex officio members. They help provide policy direction and are encouraged to attend and participate at all Board meetings.

The Board has been established for a two-year initial period. It is expected to meet at least twice a year, with working groups convening in the interim to consider specific issues in depth. The Board's inaugural meeting was held in Washington in September 1986.

Technical Secretariat: The Urban Institute
2100 M Street, N.W. · Washington, D.C. 20037 · 202-857-8523

Membership

Florence Boone	Regional Transit Authority (Chicago)	312 364-7223
Raleigh D'Adamo	Bi-State Development Agency (St. Louis)	314 982-1588
Byron Fanning	Greyhound Lines	602 248-7346
Michael Grovak	New York City Transit Authority	718 330-4123
John Hartz	Wisconsin Department of Transportation	608 266-0658
David King	North Carolina Department of Transportation	919 733-4713
Ted Knappen	Trailways	202 347-3827
Peter Levi	Mid-America Regional Council (Kansas City)	816 474-4240
John McCarthy	Continental Air Transport	312 454-7800
Tom Niskala	Regional Transit Authority (Corpus Christi)	512 883 2287
Elliott Perovich	Regional Transit Board (Minneapolis-St. Paul)	612 292-8818
Tom Phillips	Hartford Transportation Services	203 722-8464
Mark Pisano	Southern California Assn. of Governments	213 385-1000
Jerry Premo	New Jersey Transit	201 648-7418
Phil Ringo	ATE Management and Service Company	513 381-7424
Roger Snoble	San Diego Transit Corporation	619 238-0100
Gene Stalians	Diversified Paratransit	714 622-1316
Terry Van Der Aa	Vancom, Inc.	312 474-6404
Doug Wentworth	Metropolitan Transit Authority (Houston)	713 739-4625
Linda Wilson	JAUNT (Charlottesville, VA)	804 296-3184

Ex Officio Members

Karen Finkel	National School Transportation Association	703 644-0700
Frank Francois	American Association of State Highway and Transportation Officials	202 624-5810
Jack Gilstrap	American Public Transit Association	202 828-2800
Richard Hartman	National Association of Regional Councils	202 457-0710
Randy Isaacs	Natl. Assn. of Transportation Alternatives	214 414-1949
Al LaGasse	International Taxicab Association	301 946-5700
Ray Mundy	Airport Ground Transportation Association	615 525-1108
David Raphael	Rural America	202 659-2800
Norman Sherlock	American Bus Association	202 293-5890
Wayne Smith	United Bus Owners Association	202 484-5623
Ralph Stanley	Urban Mass Transportation Administration	202 366-4040

Technical Secretariat

Ronald Kirby	The Urban Institute	202 857-8728
William Gellert	The Urban Institute	202 857-8523

THE COMPETITIVE SERVICES BOARD'S PRINCIPLES
ON COST COMPARISONS IN COMPETITIVE BIDDING

NOVEMBER 16, 1986

The current interest in encouraging competition for the provision of public transportation services has raised a number of issues regarding the proper way to compare public and private-sector costs. The Competitive Services Board has developed the principles presented here with the intent of helping state and local decisionmakers resolve these issues. These principles are responses to actual concerns raised by state and local decisionmakers and public and private operators with respect to cost comparisons in competitive bidding. The Board recognizes that cost comparison is an important consideration, but not the sole consideration, in evaluating competitive bids. Other considerations include service quality, service continuity, financial and managerial ability to carry out the contract, and relevant experience in the provision of public transportation services.

In developing these principles, the Competitive Services Board recognized the complexities inherent in balancing the demands of public policy, sound economics and service to the public. The Board also recognized that competition which draws upon the skills and resources of both the public and private sectors is extremely valuable. Accordingly, the Board has developed these principles on cost comparisons as a practical, general guide to help in fostering an even-handed competitive environment for public transportation.

The public agency has a responsibility to minimize public-sector costs and to maximize the amount of service that can be provided. Guided by this objective, the Board has adopted the principle that public/private cost comparisons should employ a fully allocated costing procedure. Fully allocated costs include all direct and shared costs of capital, operations, and administration attributable to the services under consideration for competition. Fully allocated cost comparisons in competitive bidding require that all public-sector costs be shown with an explanation of what is attributable and what is not. Such cost comparisons will provide the information necessary for decisionmakers to assess both the short-run and long-run cost implications of public versus private-sector transit operations. In the evaluation of the bids, however, decisionmakers should take into account the fact that upon contracting out existing service, some or all of the shared public-sector costs attributable to such service may not be eliminated, and therefore may not produce cost savings for the public agency, and the fact that public operators bidding on new services under fully allocated costs may not actually incur some of the costs identified.

The following sections deal with the application of the fully allocated costing principle to specific aspects of public/private cost comparisons.

Government Financial Support

The total cost, regardless of source of financial support, should be used in cost comparisons to reflect actual costs to the taxpayer. For example, if vehicles are purchased with 75 percent federal funds, 10 percent state funds, and 15 percent local funds, the full 100 percent cost should be used in the cost comparison.

Administrative Costs

The portion of a transit agency's administrative costs that are attributable to the service should be included in the cost comparison, including the attributable portion of senior management compensation.

Contributions from Other Government or Agency Units

Some public operators use without charge the services or facilities of other government or agency units (for example, legal or clerical services, or parking lots). Because these contributions are real costs to the taxpayer, they should be included in cost comparisons at their actual cost to the relevant government or agency unit.

Nonattributable Public-Sector Costs

Public-sector costs that benefit both public and private operators should not be included by the public carrier in a fully allocated cost comparison if they are not attributable to the service up for bid. Fundraising, grants management, and financial reporting, among others, generally fall into this category. Other activities, such as marketing and planning, may be partly attributable and partly nonattributable. For example, to the extent that a private operator is responsible under the contract for planning and marketing a proposed service, the public agency's costs of performing the same functions should be included in the cost comparison.

Capital Assets

Public agencies' physical assets should be included in cost comparisons using generally accepted accounting principles for computing appropriate depreciation charges. However, if the public agency provides the capital assets (such as vehicles or facilities) for a private bidder, those capital costs should not be included in the cost comparison.

Costs Imposed by Federal and State Requirements

Public agencies incur some costs as a result of federal and state requirements for grant fund recipients. Some of these costs are not attributable to the service up for bid (such as financial reporting), and should not be included in a fully allocated cost comparison. Other costs, such as handicapped accessibility, will be attributable, and should be included in both public and private-sector costs.

Taxes and Fees

Taxes and fees paid by some operators and not others should be recognized by decisionmakers as revenue to the public sector. To some extent, these revenues may be available for local public transportation purposes, and to that extent should be considered as an offset against the bid costs of those operators that pay them. Ideally, efforts should be made to remove these tax and fee differentials through changes in relevant laws and regulations.

Disclosure of Private-Sector Cost Information

Whether private carriers should be required to disclose the composition of their bids, and if so, to what level of detail, are matters to be decided based on local conditions and preferences. In principle, full disclosure is not necessary for cost-comparison reasons, since the "bottom line" provides sufficient cost information to award a contract.

However, there are other reasons for requiring disclosure. Some limited disclosure is necessary to take advantage of the capital cost of contracting policy, although competitive pressures and UMTA's percentage limits on the capital component of contracts can provide adequate safeguards without requiring detailed information. Disclosure is necessary also when the outcome of the contract competition is legally challenged, and may be preferred in order to ensure fairness in terms of bid preparation costs, reassure the public agency about the validity of the private carrier's cost structure, or guard against "low-balling" (bidding low to win the initial contract, with the intention of recovering losses in subsequent negotiations). Identification of taxes and fees paid by the private operator may also be necessary if they are to be adequately considered in cost comparisons.

On the other hand, strict disclosure requirements may greatly increase paperwork, and may discourage private operators from bidding, especially where the information would be public knowledge under freedom of information laws.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1987—181-783/64614

Attachment 1

REGIONAL TRANSIT BOARD

COMPETITIVE TRANSIT GUIDELINES

PUBLIC HEARING RECORD

REGIONAL TRANSIT BOARD

270 Metro Square Building, St. Paul, Minnesota 55101

Minutes of the
REGIONAL TRANSIT BOARD
Public Hearing

Metropolitan Council Chambers
October 21, 1987

BOARD MEMBERS PRESENT: Elliott Perovich, Chairman; Doris Caranicas; Ruth Franklin; Alison Fuhr; George Isaacs; Rochelle Graves; Paul Joyce and Ed Kranz

MEMBERS ABSENT: Carole Faricy

OTHERS PRESENT: Gregory Andrews, Tom Beaver, Mary Fitzgerald, Judy Hollander, Ed Kouneski, Mark Ryan, Regional Transit Board Staff; Arnie Entzel, Amalgamated Transit Union; Dick Houck; Joel Alter, Legislative Auditor; Tom Todd; Dan Raebel, Greyhound Lines; Steve Dress, St. Paul Trades and Labor

Chairman Perovich called the public hearing to order at 6:00 p.m. and stated that this is a public hearing on setting standards, procedures and guidelines to serve as policy direction for the RTB and recipients of RTB funding when competitively procuring public transit services. The guidelines will apply to any public transit service competitively awarded or funded by the Regional Transit Board.

Action will not be taken on the proposed guidelines until 60 days following the hearing. The record will remain open for 30 days (November 23, 1987). Mark Ryan briefly described the guidelines and the process used to develop them.

The chairman said the normal hearing process would be followed. Those who had called in would be heard first, followed by those who signed up at the door. Members of the audience would then be asked for comment.

Dick Houck, 1133 Roselawn Avenue, St. Paul, representing himself, said he has been interested in the process for private involvement in transit for a long time. He has read the draft and it looks like an in-depth document that took a lot of time and expertise. He said he is sure there will be problems and things not covered, but it is an important first step in involving private suppliers in the area. He is enthusiastic about this first step, commended the board, and hopes it will be passed and bring positive results. He thanked the board for giving their time to this issue.

Arnie Entzel, representing the Amalgamated Transit Union, said he served on the committee that put the draft document together and there was a lot of discussion of what should be included in it. He is sure that after the board has gone through it there will be still be some things that must be included. He commented that in the section on wages there must be a prevailing wage provision to level the playing field. This is not new in contracting out services. The board has received a document from the City of Duluth showing their process of contracting for service that is similar to what the board is considering. The Duluth document states that provisions must be made by bidders to pay the prevailing wage.

Entzel distributed Specifications for Pupil Transportation, Saint Paul Public Schools, Independent School District Number 625, 1987-88 (Exhibit I). The school board's policy is that they will not enter into a contract if the bidder does not pay the prevailing wage and benefits for the area.

Steve Dress, representing St. Paul Trades and Labor, also served on the committee and expressed concern the need to include a prevailing wage provision. He said he would like to reinforce Entzel's statement. Without a prevailing wage section, we would have to strike "competitive" from the title of the document. In the St. Paul private schools, teachers are not even required to be licensed.

The chairman called for further comments from the audience; there was no response.

Kranz pointed out that at some point the board will vote on the document, which may be altered by the board. Perovich said it is a draft document and during the period the record is open the board will consider the comments received. Staff will present to the board any amendments for the Board's action. The board cannot act for 60 days from this date, but there is no deadline for action.

There being no further testimony, the hearing was adjourned at 6:23 p.m.

Respectfully submitted,

Mary Fitzgerald
Secretary

Written Testimony Attached:

* City of Plymouth letter, dated November 18, 1987
* Medicine Lake Lines letter, dated November 23, 1987
* Metropolitan Transit Commission letter, dated November 23, 1987

November 18, 1987

CITY OF PLYMOUTH

Mr. Elliott Perovich, Chair
Regional Transit Board
Suite 270
Metro Square Building
St. Paul, MN 55101

Re: Competitive Bidding Guidelines Public Hearing Comments

Dear Mr. Perovich:

Because I was unable to attend the public hearing in October regarding the proposed competitive bidding guideline, I am submitting my written comments.

I support the competitive bidding guidelines as submitted to the Regional Transit Board for public hearing purposes. In addition to the guidelines, there are a number of policy issues that the Board directed be discussed during the public hearing process. I am most concerned about the policy issue of including prevailing wages in the competitive bidding guidelines.

It has been argued by some that for the MTC to participate in competitive bidding that prevailing wages must be incorporated in the guidelines. For a number of reasons this would be an unwise addition:

1. By definition, competitive bidding means allowing the market to dictate the component prices and therefore, the total proposal based upon each vendor's ability to obtain capital equipment and services. The theory underlying the public proposal process is to assure that the public receives the best service for the best price. To prescribe to vendors the price they have to pay for personnel serves no public purpose and ultimately will result in an increase in cost to the public.

2. It would be analogous to requiring each vendor to buy a specific piece of transit equipment at a prespecified price without allowing them the opportunity to obtain the best price possible for the equipment. One could argue that if prevailing wages are to be mandatory then the requirement should to apply to all individuals involved in the manufacture and assembly of all components of the transit equipment.

3. Some argue that it is socially responsible to pay a prevailing wage. The fact that one employer or another pays more for a position does not necessarily guarantee that the public will receive a better service. In the four years of operation with Plymouth Metrolink, riders again and

again cite Medicine Lake Lines nonprevailing wage drivers as one of their primary reasons for using the system. There is no hard and fast correlation between amount of money paid for personal services and quality of the services rendered.

4. Under state labor law, the MTC has the flexibility to negotiate with the Transit Union to allow the use of temporary nonunion scale drivers. This ability allows the MTC to compete with private companies on the same basis. This action introduces realistic market forces in the establishment of wages for transit drivers.

Thank you for the opportunity to provide input on the competitive bidding guidelines and I sincerely hope that the Regional Transit Board will adopt the guidelines without reference to prevailing wages.

Yours very truly,

Frank Boyles
Assistant City Manager

FB:kec

cc: Mayor & City Council
Tom Beaver, Regional Transit Board
Ruth Franklin, Regional Transit Board

cc GA, JH, EK+MR

MEDICINE LAKE LINES

835 DECATUR AVE. NO., GOLDEN VALLEY, MN 55427 (612) 545-9417

November 23, 1987

Regional Transit Board
270 Metro Square Building
St. Paul, Minnesota 55101

Attention: Elliott Perovich, Chairman
Members of the Regional Transit Board

Elliott
~~Gentlemen~~:

Medicine Lake Lines fully supports the comments submitted by the Minnesota Charter Bus Operators Association (copy enclosed) on the "Standards, Procedures and Guidelines for Competitive Procurement of Public Transit Services". Please enter our statement of support and the statement of the M.C.B.O.A. into the formal record.

Thank you for your consideration.

Sincerely,

MEDICINE LAKE LINES

James A. Johnson

James A. Johnson
V.P. Sales & Marketing

JAJ/dy

Enclosures

M.C.B.O.A.

Minnesota Charter Bus Operators Association

November 23, 1987

Regional Transit Board
270 Metro Square Building
St. Paul, Minnesota 55101

Attention: Mr. Elliott Perovich, Chairman
Members of the Regional Transit Board

Gentlemen:

The Minnesota Charter Bus Operators Association hereby submits its comments for the record on the proposed Regional Transit Board (RTB) "Standards, Procedures and Guidelines for Competitive Procurement of Public Transit Services."

RTB was established to serve the public interest. RTB has previously indicated that "it has a responsibility to minimize the public subsidy for transit and to maximize the amount of service that can be provided" ("A Principle and Guidelines on Cost Comparisons in Competitive Bidding", December 11, 1986). As before, the maximization of public transit service within the amount of public funding available should be the principle concern of RTB in considering the "Standards, Procedures and Guidelines for Competitive Procurement of Public Services".

Our comments relate to two subject areas: Prevailing wage rate requirements and equitable cost comparisons.

> <u>Prevailing Wage Rate Requirements</u>: We strongly urge RTB not to include a prevailing wage requirement in the "Standards, Procedures and Guidelines for Competitive Procurement of Public Transit Services". The concept of a prevailing wage requirement is diametrically opposed to the public interest because it would artificially increase the cost of service, limiting the amount of service available. The people of the Twin Cities should pay no more for a particular level of transit service than is necessary.

> <u>Equitable Cost Comparison</u>: We strongly urge RTB to take effective action to ensure that Metropolitan Transit Commission (MTC) competitive bids fully reflect actual costs. If MTC underbids its true costs, and thereby wins a competitive procurement, then the riders and taxpayers of the Twin Cities lose because MTC must make up its deficit from the balance of its budget.

These issues are discussed in greater detail in the attachment ("Comments of the Minnesota Charter Bus Operators Association on the Regional Transit Board Proposed 'Standards, Procedures and Guidelines for Competitive Procurement of Public Transit Services' ").

There is a need for more transit service in the Twin Cities, not less. The prospects for increased public funding are very limited. RTB can address its legislative and public responsibility to maximize public transit service by rejecting cost-escalating prevailing wage requirements and requiring that public (MTC) costs be fully reflected in competitive procurements.

Sincerely,

MN. CHARTER BUS OPERATORS ASSN.

Darwin Voigt

Darwin Voigt
President

DV/dy

Enclosure

cc: Natcho Diaz, Metropolitan Council
Mark Ryan, Regional Transit Board
Members of M.C.B.O.A.

COMMENTS OF THE

MINNESOTA CHARTER BUS OPERATORS ASSOCIATION

ON THE

REGIONAL TRANSIT BOARD PROPOSED

"STANDARDS, PROCEDURES AND GUIDELINES FOR

COMPETITIVE PROCUREMENT OF PUBLIC TRANSIT SERVICES"

November 23, 1987

I. PREVAILING WAGE CLAUSE

The intent of a prevailing wage clause appears to be to protect the incomes of the employees of the public provider (i.e. the MTC) beyond what may be obtained in a competitive environment. Such a policy, however, is unnecessary, unwise, and potentially wasteful of the limited public funds for transit. It can result in less expanded service, higher taxes or higher fares. All of these are contrary to the public interest in transit and can only result in weakened support for it.

Public Purpose for Public Transit

One of the reasons the Legislature created the RTB was to separate the planning and financing of transit from its operation. This was to better enable the region to see its various transit needs, alternative ways of obtaining and satisfying them, and then enable purchase of the highest levels of quality service with the available funding.

Public transit exists in the Twin Cities to serve the riders and those who benefit from transit riding. They are best served by higher service levels. This means more frequent service that covers a more extensive trip area and more direct, faster service from the beginning to the end of a trip.

Taxpayers, who provide more than three quarters of the capital and operating funds for transit, also have an interest in transit. They are best served by the most efficient use of their tax money.

A prevailing wage clause would limit expansion of transit service. There is a need for increased levels of public transit service in the Twin Cities area. Large portions of suburban areas have very limited service. Increased services are needed to better reach and connect homes to growing suburban employment centers and to provide more direct, faster transit service; therefore, making public transit more competitive with the single occupant automobile.

Service expansion will cost money, which is in scarce supply. If increased service can only be provided by operators who pay prevailing, rather than competitive wages, the amount of service expansion will be reduced by the difference between competitive and prevailing wages.

Adoption of prevailing wage requirements may also result in actual service reductions if public funding is reduced. This reduction in service availability is contrary to the public's interest in transit.

Prevailing wage clauses are seldom found with purchases of public services.
Public agencies including the RTB frequently purchase numerous services. While such contracts stipulate many requirements, the payment of prevailing wages is not one of them. While prevailing wage clauses could be adopted, they are not used in the following purchasing situations.

RTB purchasing:
* Metro Mobility services for the elderly & handicapped.

Cities, counties and the state purchasing:
* Security services
* Food services for employees and clients
* Maintenance/cleaning services for buildings
* Printing services

School districts purchasing:
* School bus services
* Food services for students

Cities purchasing:
* Garbage and refuse service

We are unaware of any of the above having prevailing clauses. The wisest use of public funds for all services requires such contracts reflect the marketplace and payment of competitive wages.

RTB policy role would be jeopardized by a prevailing wage clause.
As a policy organization, the RTB should be concerned with the markets and demand for transit and with the level and quality of service. The specific cost elements such as the cost of vehicles, labor, maintenance and production, should not be the RTB's concern. Its focus should be on the overall impact of a service not the cost of individual components.

The RTB does not now specify the price of fuel, parts, vehicles or supplies for services it purchases. Similarly, the wages of transit employees are not properly matters of concern to the RTB. Obviously, RTB should require compliance with all labor laws and regulations. However, RTB should not assume the role of a wage setter, then having to monitor a contractor's adherence to these set wages. This then would be at the expense of other more directly related issues to the quality of service.

Competitive transit opportunities will be severely limited without competitive wages.
The RTB sought and agreed to a competitive transit demonstration as a way of encouraging many operators to supply a quality service at the lowest possible cost. Introducing competition into delivery of these services holds many possibilities for significant savings that can be used to purchase more service. That appears to be the experience to date with Metro Mobility and with competitive bidding of services elsewhere. Many transit agencies have experienced cost savings of 30% without any reduction in quality of service.

The private bus industry pays competitive wages and has in case after case demonstrated its ability to produce efficient public transit service under contract. It has the best safety record of any surface passenger transportation mode and operates more than double the number of vehicles as the public transit operators. The Twin Cities area deserves the opportunity to see what the private bus industry can do for them.

The addition of a prevailing wage clause would clearly harm the possibilities of determining the value of a competitive bidding program. It does not allow various operators to function in a regulated marketplace, but instead fixes one of the major cost components. At the very least it will discourage some operators from even bidding. This would deprive the RTB of determining the full or actual possible benefits from this service delivery alternative.

MTC transit employees are already fully protected.
A prevailing wage clause would not provide better job or wage protection to existing public transit employees. These employees are already protected to an extent far beyond that of most workers.

Under Section 13 C of the Urban Mass Transportation Act, a driver could be compensated for up to six years after a layoff. Under 13 C protection, no employees can lose their jobs, or even experience a reduction in compensation or employment conditions as a result of competitive bidding.

Existing employees are also protected by Minnesota law. Under the MTC Impact Assessment Provisions the RTB is prohibited from entering into a contract for operating assistance with a non MTC provider unless it "determines that the service to be assisted under the contract will not impose an undue hardship on the ridership or financial condition of the Commission or cause the dismissal of persons that are employed by the Commission". This provision ensures existing employees will have job protection under a competitive bidding program. A prevailing wage clause is not needed.

The issue is service, not wage administration.
There is no evidence that higher-than-competitive wages result in better or safer service. The issue is not how much employees are paid --- the issue is how well service is produced. The RTB can ensure safe and quality service by effective service monitoring, just as other public and private agencies do.

The proposed competitive procurement guidelines as they now exist provide a very adequate protector for the cost differences which a prevailing wage clause attempts to equalize. This protection appears on Pg. 4 A. Par.3 which states:

> "When 'proposals' for professional services are requested, the price is not sole determining factor. Under a proposal process, the contracting agency can base its selection on the proposer's experience and qualifications. These factor should be included when developing the selection criteria used by the RTB or its recipients."

The guidelines recognize the importance of a professional service relationship and within this context, labor rate differentials can be adequately addressed when considered as part of an overall service delivery. There is no need for a separate or prevailing wage consideration.

Attached is an example (from a Waukesha County Wisconsin RFP) which puts different values on criteria which are considered in awarding a contract. This is one such option which addresses differences in competitive proposals including wage considerations.

II. EQUITABLE COST COMPARISON

The purpose of equitable public-private cost comparison is to obtain for the public the greatest amount of service for the least amount of public money (subsidies and fares). If underbidding of costs occur, there are different risks to the public:

> Public costs: Where a public agency (such as MTC) underbids its costs, the public loses because a lower level of transit service results. This can be avoided by requiring that public bids be based upon a fully allocated route costing methodology that truly determines the true attributable costs of the service.

> Private costs: Where a private company underbids its costs there is the possibility that service may be interrupted, or quality service may not be provided. This can be avoided by ensuring that only quality companies are granted competitive contracts, and through effective contract administration.

These situations are described in greater detail below:

Public Costs

The Regional Transit Board (RTB) should require that Metropolitan Transit Commission (MTC) costs bid in competitive procurements represent the true public cost of the routes (based upon a fully allocated costing methodology). This is not only required under Urban Mass Transportation

Administration (UMTA) policies and guidelines, but it is also good public policy. It is the public that loses if MTC bids costs that are below its true cost of operation.

For example, if MTC bids $800,000 for a service that really costs $1,000,000 to produce, there would be a loss of $200,000. MTC would be forced to make up the loss with fares or subsidies from its other services. This would result in a $200,000 loss to the riders and/or taxpayers, because $200,000 of other service that could otherwise have been provided would not be provided.

If MTC underbids its true costs, there is a direct loss to the riders and/or the taxpayers.

To ensure that MTC costs are equitably bid, the following approach is recommended (it is consistent with both UMTA policy and accounting principles).

1. Fully allocate MTC costs by route: Full MTC operating and capital costs should be allocated (divided) between MTC routes, using a route costing system that captures the substantial differences in unit costs.

For example, the majority of MTC operating costs relate to labor (salaries, wages and benefits). The labor costs for individual routes vary widely. On some routes drivers may receive only 1.10 hours of compensation of each service (revenue) hour, while on others, especially peak-only express routes, drivers may be compensated 3 hours for one service hour. This results in a wide range of unit costs among routes.

The total of costs allocated to the routes must equal the total MTC operating and capital expenses.

2. Exclude non-attributable costs: Non-attributable costs are the costs of functions or services that MTC would continue to provide under contract in support of the competitively contracted route. Such ancillary service contracts would be between the contracting agency (RTB or another public agency) and MTC. Using the route costing system referred to above, non-attributable costs for the route being competitively procured should be deducted from the routes fully allocated costs as determined above.

For example, a contracting agency such as RTB might competitively contract a route and coincidentally contract for ancillary services such as telephone information and/or marketing would be non-attributable, and would be deducted from the MTC fully allocated route cost, resulting in the attributable cost for the route.

Attributable costs are the fully allocated costs minus non-attributable costs. Attributable costs would represent the lowest cost that could be bid in a competitive procurement by MTC.

Private Costs

An inexperienced or irresponsible private company might submit a bid that is below its costs. The risk to the public is that either the company will not be able to provide the service, or that the service will be of inferior quality. RTB can avoid these risks to the public by requiring a careful review of proposed qualifications, and by insisting on quality performance through effective contract administration. Public transit service should only be provided by responsible companies. Responsible companies do not consciously submit "low-ball" bids.

1. A responsible company can gain nothing from bidding below its costs. A frequently cited concern is that a company will submit a "low-ball" bid and then seek an increase in contract compensation. "Low-ball" bidding is associated with "cost-plus" contracting. RTB is rightly not considering "cost-plus" contracting. A responsible company will not bid lower than its costs in order to win a contract, because it will gain nothing (it will not make a profit). There is no incentive for "low-ball" bidding for the responsible company:

-A company cannot return to the contracting agency seeking compensation above that permitted under the contract because of the competitive nature. The company is obligated to provide the service for the amount provided by the contract (The company, not the public, loses.).

-A company does not place itself in a preferential position with respect to future competitive procurements by bidding low. The next procurement of the same service will be competitively awarded.

2. There is no public risk. If a responsible company erroneously underbids a particular service and is awarded the service, that company --- and not the public --- loses.

For example, if a private company bids $800,000 to provide a service that really costs it $1,000,000, then the private company loses $200,000. The riders and the taxpayers lose nothing --- in fact, they gain because $200,000 of public money that would otherwise have supported the service can obtain additional public transit service.

Quality service will continue to be provided because the company will want to be favorably considered in future competitive procurements, and because the company's reputation will be harmed (and potential profits on other contracts will be lost) by producing lower quality service.

VII. Evaluation Criteria

The Technical and Price Proposals will be reviewed jointly. Points will be awarded in accordance with the criteria listed below.

Criteria	Maximum Points
a. Completeness of Proposal	5
b. General Experience of Firm in bus operations	5
c. Experience of firm in urban transit operations	10
d. Experience of local manager in urban transit	10
e. Suitability of Vehicle Fleet.	10
f. Ability to properly maintain equipment and vehicles	10
g. Financial Stability	10
h. Cost of Service	40
	100

METROPOLITAN TRANSIT COMMISSION
560-6th Avenue North, Minneapolis, Minnesota 55411-4398 612/349-7400

MEMORANDUM

TO Chairman and Members of the Regional Transit Board

FROM Beverly J Auld
Assistant Chief Administrator for Administration
Metropolitan Transit Commission

DATE November 23, 1987

SUBJECT **Comments on the RTB's Proposed Standards, Procedures and Guidelines for Competitive Procurement of Public Transit Services**

The Metropolitan Transit Commission (MTC) has reviewed the most recent draft of the Regional Transit Board's (RTB) document governing competitive bidding of transit services. The following comments are being submitted by the MTC on the RTB's proposed standards and policies for competitive bidding.

The following points summarize the commission's comments on the draft guidelines for competitive procurement of Public Transit Services.

- Prior to the actual commencement of competitive bidding of transit services, the RTB should adopt a policy statement which clearly specifies which transit services are eligible for competitive bidding and which are not. The policy statement should be consistent with the MTC Impact Assessment provision found in Minnesota Statutes 473.387, Subd. 7, and the transportation policies of the Metropolitan Council.

- The RTB should use both the MTC's fully allocated cost attributable to the service being bid and the agency's incremental cost for the service when evaluating bid proposals. In bid situations involving service level changes that will not impact the MTC's fixed cost structure, incremental cost analysis is the preferred technique to estimate the public cost associated with the service change.

Further discussion of the above points follows.

Identification of Services which are Eligible for Competitive Bidding

The RTB's draft "Standards, Procedures and Guidelines for Competitive Procurement of Public Transit Services" does not provide guidance as to when competitive bidding of transit services is appropriate. As a preface to the document, **the board should adopt a policy statement which clearly specifies the types of transit services that are eligible for competitive bidding and which are not.** This policy statement should be consistent with state law and the transportation policies of the Metropolitan Council which are currently being reviewed in draft form by the Council.

Policy 8 of the Metropolitan Council's draft transit policies delineates the appropriate roles of the private and public sectors in the delivery of mass transit services. The policy recognizes the need for maintaining a strong "core" public transit system operated by the MTC and the need for focusing the use of private transit operators in the delivery of high subsidy service, dial-a-ride and subscription services, and new and restructured services. Policy 8 of the Metropolitan Council's draft transit policies is reprinted below.

Policy 8: The public and private sectors are both important suppliers of transit services; whichever can provide the highest quality services at the least cost should be encouraged to do so.

Strategy A: The RTB should focus the public operator's role in transit primarily on maintaining and upgrading existing regular route services in a cost-effective manner.

Strategy B: The RTB should focus the private operator's role in delivery of transit services on new and restructured services, high subsidy regular route services, demand-responsive services, and subscription services for specific entities or organizations.

Strategy C: The RTB should ensure that transit facilities built with public resources should be available for use by both public and private transit operators.

Discussion: Policy 8 emphasizes the importance of both the public operator (the MTC) and the private for profit and non-profit transit operators in provision of all forms of transit. The RTB should ensure maximization of return on the public's investment in transit while preserving the integrity of the core public system, encouraging efficient operation. The RTB should also ensure an adequate private sector participation process is put in place. Strategy 8A recognizes the need for maintaining the MTC's role in provision of existing cost-effective regular routes as the backbone of the transit system. Strategy 8B recognizes that certain existing routes could be more cost-effectively provided by private transit operators, as could new and restructured services, demand-responsive services, and subscription services provided to specific companies and entities. Strategy 8C advocates joint use by all operators, both private and public, of park-and-ride lots, transit hubs, transfer stations, shelters, and passenger waiting areas, as well as bus storage and garage facilities. These facilities should be available to private operators on a fee basis or be incorporated in fully allocated cost bidding procedures.

State law also recognizes the need to maintain a strong "core" public transit system operated by the MTC and limits, to a certain degree, the competitive bidding of existing MTC services. Specifically, Minnesota Statutes, 473.387, Subd. 7, provides that before the RTB can enter into a contract with a private provider, the board must determine that the shift to private service will not impose an undue hardship on the MTC or cause the dismissal of MTC employees. This provision of law is restated below:

> **MTC Impact Assessment.** Prior to entering into a contract for operating assistance with a recipient other than the transit commission the board shall evaluate the effect, if any, of the contract on the ridership, routes, schedules, fares and staffing levels of the existing and proposed service provided by the commission. A copy of the assessment must be provided to the commission. The board may enter into the contract only if it determines that the service to be assisted under the contract will not impose an undue hardship on the ridership or financial condition of the commission, or cause the dismissal of persons that are employed by the commission.

With the enactment of this provision, the Minnesota Legislature clearly intended to preserve the integrity of the existing MTC system. Competitive bidding of existing MTC services by the RTB must be done within the context of this statute.

The MTC recommends that the RTB board establish a clear policy on which types of transit services are eligible for competitive bidding prior to the actual bidding of transit services. By doing so, the RTB will avoid any unnecessary confusion among private providers, the MTC, local elected officials and legislators as to the extent of the board's privatization intentions.

The Use of Incremental Cost in Evaluating MTC Bid Proposals

The RTB's draft standards and procedures on competitive bidding require the use of full cost allocation when making comparisons of MTC costs with the bid proposals of private operators. The MTC agrees that the agency's fully allocated costs that are directly attributable to the service being bid should be disclosed when comparing the bids of the MTC with private sector transit providers. However, the MTC also believes that the agency's incremental cost for providing the service should be considered by the RTB before awarding a contract for transit service.

Incremental cost analysis in evaluating bids is appropriate when proposed changes in MTC service levels will not impact the fixed costs of the agency. Because of the MTC's large structure, there will be bid situations where the agency's fixed costs will not change as the result of incremental changes in service levels. Under such circumstances, the use of full cost allocation will overstate the actual cost of providing the service and place the MTC at a severe competitive disadvantage with the private sector operator who is free to utilize any pricing strategy available to the operator including marginal cost pricing or perhaps even "loss-leader" pricing undertaken as a means to gain entry into the Twin Cities transit market.

The federal level Competitive Services Board, in its November 16, 1986 (see public hearing draft "RTB Standards, Procedures and Guidelines for Competitive Procurement of Public Transit Services" - Attachment I) statement of principles on cost comparisons in competitive bidding, perhaps summed it up best when it outlined the deficiency in relying exclusively on the fully allocated costing procedure:

> **In the evaluation of the bids, however, decision-makers should take into account the fact that upon contracting out existing service, some or all of the shared public-sector costs attributable to such service may not be eliminated, and therefore may not produce the cost savings for the public agency, and the fact that public operators bidding on new services under fully allocated costs may not actually incur some of the costs identified.**

It is important to determine the real cost to the public that is likely to be incurred by the MTC when adding service, or avoided when eliminating service. In most cases involving a transit agency as large as the MTC, fully-allocated costing will overstate cost-savings to the public when existing transit services are eliminated and overstate the cost of adding new services to the existing MTC network. This is due to the fact that the fully allocated costing method requires the inclusion of fixed costs that do not vary with the level of service provided. In large transit systems like the MTC, such costs do not change with respect to the number of hours, miles or vehicles operated. The use of fully allocated costing assumes that all costs vary with a change in the level of service. However, since MTC fixed costs remain relatively unchanged over fairly large changes in service levels, fully allocated costing will overstate the cost of a change in service.

Because of the problems associated with relying solely on fully allocated costing in comparing MTC cost with private operator costs, **the MTC recommends that both the MTC's fully allocated cost attributable to the service and the agency's marginal cost be presented to the RTB for use in the bid evaluation. The MTC believes that incremental costing is the preferred method to use in evaluating changes in service levels that do not impact the agency's fixed cost. Under such circumstances, incremental costing will show the actual or "true" cost to the public.**

MTC's position, stated above, is consistent with UMTA's requirement for use of fully allocated costing in bid evaluations. On November 3rd, Charlotte Adams, with UMTA's Office of Private Sector Initiatives in Washington DC, met with the staffs of the Metropolitan Council, RTB and MTC to clarify this point. She indicated that UMTA requires that the MTC's fully allocated attributable costs be disclosed with the bid proposal. Local decision-makers would be free to award the bid based on non-cost factors and costing options including (but not limited to) fully attributable costs and incremental costs. This is consistent with recent Congressional action in 1985 and 1986 which made it clear that UMTA may not base federal financial assistance on either (1) the content of local decisions regarding choices between public and private providers, or (2) the nature of the local process used in planning or making such decisions. **Furthermore, the enclosed letter from Ms Adams dated November 18, 1987,**

states that, "Other costs, however, such as MTC's marginal costs also can be taken into consideration and be the governing criteria when properly justified." In addition, Brian McCollom, UMTA's consultant on costing methodology, distributed a document at the November 3rd meeting which indicated that incremental costing strategies would be an option under UMTA's privatization policies. This document is shown as Attachment #1.

Finally, the issue of compensation is associated with the issue of the use of incremental and/or attributable fully allocated costs in the evaluation of RFP's. Reimbursement for contract service should be made on the same basis as the evaluation of costs. Specifically, if the MTC is evaluated on costs greater than incremental costs, the MTC should bill and be reimbursed at the higher rate. MTC would reinvest the dollars in service (and equipment) for the provision of public transit.

BJA/GLF:jw

Attachments

REGIONAL TRANSIT BOARD
270 Metro Square Building, Saint Paul, Minnesota 55101
612/292-8789

REPORT OF THE POLICY COMMITTEE

TO: Regional Transit Board

DATE: December 15, 1987

At its December 14, 1987 meeting, the Policy Committee discussed and took action on the following:

FEDERAL GRANT RECIPIENCY REPORT

1. That the Regional Transit Board adopt the Regional Transit Board Report on Federal Grant Recipiency for Transit Operating and Capital Assistance in the Twin Cities Metropolitan Area, dated December 1987, and forward it to the Legislature;

2. That the Regional Transit Board recommend to the Legislature that the Metropolitan Transit Commission (MTC) remain the Metropolitan Area's designated Section 9 grant recipient; and

3. That the Regional Transit Board request the Legislature to clarify MS 473.393, Section 24, to allow the Regional Transit Board to receive some discretionary federal operating or capital assistance.

1988 LEGISLATIVE PROGRAM

That the Regional Transit Board adopt the 1988 Legislative Program as outlined in the December 15, 1987 committee report.

The summary of the recommendations from the Metro Mobility Evaluation Study had been mailed to the board for its information and will be reviewed on January 4.

The next meeting of the committee will be on December 21, 1987.

Doris Caranicas
Chair

DC:mff
PCtoBD
RTBTX1

REGIONAL TRANSIT BOARD
270 Metro Square Building, Saint Paul, Minnesota 55101
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REPORT OF THE ADMINISTRATION AND FINANCE COMMITTEE

TO: Regional Transit Board

DATE: December 8, 1987

At its meeting of December 7, 1987, the committee reviewed and took action on the following business items:

FINANCIAL STATEMENTS - OCTOBER 1987

That the Regional Transit Board receive the revised October 1987 financial statements and direct that they be placed on file.

SALARY RANGES AND BENEFITS FOR 1988, RESOLUTION NO. 87-16

That the Regional Transit Board adopt Resolution No. 87-16 establishing salary ranges and benefits for 1988.

RECOMMENDATION FOR FINANCIAL AUDITOR

That the Regional Transit Board accept the proposal from Deloitte Haskins & Sells and authorize the executive director to enter into a contract for 1987 in an amount not to exceed $12,600. Contract to be renewable for 1988 and 1989 audits.

METROPOLITAN TRANSIT COMMISSION FEDERAL GRANT APPLICATIONS, RESOLUTION NO. 87-17

That the Regional Transit Board adopt Resolution No. 87-17, approving the Metropolitan Transit Commission's applications to the Urban Mass Transportation Administration for funding under the Section 9, Section 9(B) and Federal Aid Urban programs.

AUTHORIZATION TO ENTER INTO CONTRACT WITH MTC FOR MINNESOTA RIDESHARE IN 1988

That the Regional Transit Board authorize the executive director to enter into a contract for calendar year 1988 with the Metropolitan Transit Commission to provide ridesharing services through Minnesota Rideshare in an amount not to exceed $633,512, with the understanding that this funding level is contingent on the results of the rideshare evaluation study.

METRO MOBILITY ADMINISTRATIVE CENTER 1987 CONTRACT AMENDMENT

That the Regional Transit Board amend the existing Metro Mobility Administrative Center contract amount from $572,939 to $592,689 (Contract No. 86-089-128).

METRO MOBILITY ADMINISTRATIVE CENTER 1988 CONTRACT APPROVAL

That the Regional Transit Board authorize the executive director to enter into a contract for calendar year 1988 with the Metropolitan Transit Commission to provide Metro Mobility Administrative Center services in an amount not to exceed $493,555.

EXTENSION OF CONTRACT FOR ROUTE 25 SATURDAY SERVICE

That the Regional Transit Board authorize the executive director to extend the contract with Ryder Student Transportation Services to operate Route 25 Saturday service through April 30, 1988, in an amount not to exceed $4,990.

AUTHORIZATION TO DISTRIBUTE SPECIAL EXURBAN FUNDS

That the Regional Transit Board authorize the executive director to distribute special exurban funds to Human Services, Inc. of Washington County in the amount not to exceed $830 and to the City of Hastings in an amount not to exceed $2,000 for special exurban projects in 1988.

Ruth Franklin
Chair

RF/mff
AFtoBD
RTBTX1

REGIONAL TRANSIT BOARD
270 Metro Square Building, St. Paul, Minnesota 55101

RESOLUTION NO. 87-16

RESOLUTION ESTABLISHING SALARY RANGES AND BENEFITS FOR 1988

WHERAS, the Regional Transit Board (RTB) Personnel Code, Section 4.1 requires that the Board annually review salary ranges and benefits, and;

WHERAS, the Regional Transit Board (RTB) wishes to establish a sound compensation program which will provide the flexibility to attract and retain highly qualified and productive employees;

NOW, THEREFORE, BE IT RESOLVED:

1. That the salary ranges for each job class be adjusted 3.75% effective January 1, 1988.

2. That the life insurance benefit be changed to two (2) times annual salary, up to a maximum of $200,000.

3. That all other benefits remain the same.

Adopted this ______ day of ____________, 1987.

____
Elliott Perovich, Chair

____
Mary Fitzgerald, Secretary

REGIONAL TRANSIT BOARD

Suite 270 Metro Square Building, St. Paul, Minnesota 55101
292-8789

RESOLUTION NO. 87-17

RESOLUTION

RESOLUTION APPROVING THE FILING OF AN APPLICATION BY THE METROPOLITAN TRANSIT COMMISSION WITH THE DEPARTMENT OF TRANSPORTATION, UNITED STATES OF AMERICA, FOR GRANTS UNDER THE URBAN MASS TRANSPORTATION ACT OF 1964, AS AMENDED, AND FEDERAL AID URBAN UNDER TITLE 23 U.S.C.

WHEREAS, the secretary of transportation is authorized to make grants for a mass transportation program of projects; and

WHEREAS, the Metropolitan Transit Commission has prepared and requested approval of an application for operating and capital assistance under Section 9 and Section 9(B) of the Urban Mass Transportation Act of 1964 as amended; and

WHEREAS, the Metropolitan Transit Commission has prepared and requested approval of an application for FAU (Federal Aid Urban) grant under Title 23 U.S.C. (Highway); and

WHEREAS, Minnesota Statutes 473.475, Subdivision 8, requires that the Regional Transit Board approve the application of political subdivisions within the metropolitan area for federal transit assistance; and

WHEREAS, the Regional Transit Board at its regular meeting of December 21, 1987, reviewed the application of the Metropolitan Transit Commission for $23,966,818 of federal transit assistance.

NOW THEREFORE BE IT RESOLVED:

1) THAT the Regional Transit Board approves the application of the Metropolitan Transit Commission, dated October 29, 1987, for $23,966,818 of federal transit assistance.

Adopted this 21st day of December 1987

Elliott Perovich, Chairman

Mary Fitzgerald, Secretary

REGIONAL TRANSIT BOARD
270 Metro Square Building
St. Paul, Minnesota 55101
612/292-8789

1988

LEGISLATIVE

PROGRAM

December 21, 1987

1988 LEGISLATIVE PROGRAM

At its December 14, 1987 meeting, the Policy Committee reviewed the proposed 1988 Legislative Program and approved the following proposals for legislative action:

1) Metro Mobility Funding
2) Light Rail Initiatives
3) Short-term Borrowing Authority
4) Federal Grant Recipiency
5) Support for Other Legislative Actions

1. Metro Mobility Funding

As everyone is aware, funding for the Metro Mobility program is not adequate for the current biennium. With the restructured program, the cost of each trip was reduced by about 22 percent. When this is added to the $1.5 million additional appropriation received this biennium, the program was equipped to handle an increase in ridership of 44 percent over last year. The fact is that ridership has approached 100,000 rides each month and the program was funded at a level that could fund about 65,000 rides each month.

When looking at the proposed expansion to meet the requirements of the 1983 Minnesota Human Rights Act, along with the projected increase in ridership for the rest of the biennium, RTB staff has calculated that we will need a supplemental appropriation request of $7.2 million. These additional dollars would meet the demands for the projected number of trips for the rest of the biennium without placing any quotas on the number of trips to be provided.

A preliminary supplemental apppropriation request has been submitted to the Department of Finance requesting these additional funds (see Attachment A). This was requested by the Department of Finance as they begin looking at the funding picture for the 1988 session.

The RTB will have to determine not only the final dollar amount to request, but will have to make some determinations as to strategies to be adopted as outlined in the September 15, 1987 memo to the Policy Committee (see Attachment B) as a result of the current evaluation of the Metro Mobility program underway.

2. Light Rail Initiatives

The only legislative action on light rail transit (LRT) necessary for the 1988 session is for the total repeal of the Schreiber Amendment (Minnesota Statute 473.398). To eliminate any doubt about the ability of the RTB to be involved with planning decisions and to work with Regional Rail Authorities on other potential transit corridors (Schreiber amendment allows us to proceed with aspects of LRT activities only on "the corridor between the downtowns of Minneapolis and St. Paul"), it would be advisable to have this section of law repealed. The laws governing the RTB make our agency the principal agency responsible for the short- to mid-range planning for transit in the region and responsible for the coordination of transit activities, but repeal of this section of law would eliminate any doubt for the RTB being involved in LRT activities outside the scope defined in the Schreiber language.

The time to proceed for requesting funding dollars and enacting other financial and institutional arrangements at the Legislature would not be until the RTB has completed its LRT work program. We should not be making any additional legislative requests until engineering work has been completed and the RTB has made the decision to proceed or not with LRT in this corridor. This is the way the Legislature understands how we intend to proceed, and if we are going to change this process, we need to inform the Legislature.

3. Short-term Borrowing

Efforts should be made again this year for the RTB to get the authority to do short-term borrowing. In light of the fact that the RTB is the agency responsible for funding transit in the metropolitan area and that we are the agency responsible for the certification and collection of property taxes levied for transit programs (of which short-term notes on their collection would be borrowed against), it would seem logical that we should be the proper agency to handle this. The bonding consultants have also recommended that this be the appropriate arrangement (see Attachment C) and such an arrangement, it is expected, would make the bond houses feel more comfortable.

4. Federal Grant Recipiency

As a result of the 1987 legislative session, the RTB was prohibited from receiving any federal capital or operating assistance for transit. Additionally, the RTB was directed to report to the Legislature by January 1, 1988 on transferring the authority to receive federal funds from the MTC to the RTB. The report prepared by the RTB concluded that the MTC should remain the designated recipient of federal Section 9 funding and that the RTB should be permitted to apply for and receive funding from discretionary federal grant programs.

During the 1988 legislative session, the RTB is recommending that Minnesota Statute 473.393, Section 24 be clarified to allow the RTB to apply for and receive discretionary federal funding that could be used for operating or capital assistance. A copy of the RTB's report to the legislature is included (see Attachment D).

5. Support of Other Legislative Actions

On December 14, 1987, the Policy Committee passed a motion to the Regional Transit Board to support transferring a larger portion of the Motor Vehicle Excise Tax monies for transportation. Currently, both the RTB and the Transportation Regulation Board (TRB) have similar responsibilities related to passenger transportation in the metropolitan area. During the 1988 session, the RTB will support efforts to clarify the roles that both the RTB and TRB have in regulating passenger transportation in the metropolitan area.

Attachments

Attachment A

REGIONAL TRANSIT BOARD
270 Metro Square Building
St. Paul, Minnesota 55101
612/292-8789

October 22, 1987

Nellie Johnson, Acting Commissioner
Minnesota Department of Finance
309 Administration Building
50 Sherburne Avenue
St. Paul, Minnesota 55155

Dear Commissioner Johnson:

One of the transit programs provided by the Regional Transit Board that is funded by legislative appropriation is greatly exceeding its funding level.

Metro Mobility, a specialized door-through-door service for disabled people certified to use the system, has experienced tremendous unexpected growth. The Regional Transit Board reduced the cost of providing each trip by 22 percent when it implemented a new delivery service in October 1986. We requested and received an increased appropriation of $12.5 million for the program for the 1988-1989 biennium. The combination of reduced cost and increased budget made available about 44 percent more rides this biennium for people using Metro Mobility. This funding level would allow approximately 65,000 trips each month. The actual number of trips has rapidly grown to where we are now providing in excess of 90,000 trips each month. We are anticipating a need for a $7.2 million supplemental appropriation during the 1988 legislative session to continue providing the service.

Our staff has researched other possible alternatives to dealing with the problem. Federal rules and the Minnesota Human Rights Act do not allow the Regional Transit Board to place priorities on the types of trips provided to users and require that Metro Mobility be provided in the same geographic area as regular route transit service.

I am requesting the Department of Finance to accept this supplemental appropriation request for the program. This additional funding will allow us to maintain the service through the remainder of the biennium at its current level. We are available to meet with you and your staff on this request at your convenience. I have attached some preliminary assessments on how the additional request has been calculated.

Sincerely,

Elliott Perovich

Elliott Perovich
Chairman

EP/mf
Att.

cc: Lt. Governor Marlene Johnson
Mr. Brian Roherty, Dept. of Finance
Mr. Dale Nelson, Dept. of Finance
Mr. Jim King, Dept. of Finance
Rep. James Rice
Sen. Keith Langseth
Mr. Cal Herbert
Ms. Peggy Ingeson

METRO MOBILITY FINANCIAL SUMMARY 10/22/87

In the current biennium (FY 1987-89), with the increased level of demand experienced since the Metro Mobility program was restructured in October 1986, ridership is projected to exceed 2.5 million trips, requiring $21.2 million of subsidy. Originally, the 1987 Legislature appropriated $12.5 million to fund the entire program. Recently, the Regional Transit Board supplemented the Metro Mobility budget with $1.5 million from its 1986 fund balance. It is necessary to request from the 1988 Legislature a supplemental appropriation of $7.2 million for the Metro Mobility program.

Revised Biennium Subsidy Requirement	$21,246,000
Original Appropriation	- $12,500,000
RTB Fund Balance Supplement	- $1,537,000
Supplemental Appropriation Request	$7,209,000

RIDERSHIP PROJECTIONS AND ASSOCIATED SUBSIDY REQUIREMENTS

	Fiscal Year 1987/88		Fiscal Year 1988/89	
	No. Trips	Subsidy	No. Trips	Subsidy
July	84,800	$654,400	116,400	$973,300
August	82,600	$638,600	115,200	$963,800
September	86,500	$667,100	116,800	$977,100
October	95,700	$734,200	127,000	$1,058,700
November	85,100	$656,800	113,000	$946,200
December	77,500	$601,000	102,800	$865,000
January	100,100	$843,000	132,000	$1,102,400
February	88,600	$751,400	116,800	$981,500
March	92,200	$779,800	121,500	$1,019,000
April	117,900	$985,400	136,000	$1,134,700
May	112,000	$938,600	129,200	$1,080,700
June	104,700	$880,100	120,800	$1,013,200
Total	1,127,700	$9,130,400	1,447,500	$12,115,600

NOTES:

(1) Ridership projections are based on a forecast using time series regression analysis. Seasonal fluctuations have been estimated based on historical patterns.

(2) Subsidy requirement assumes an increase in provider trip rates and no increase in passenger fares or fees.

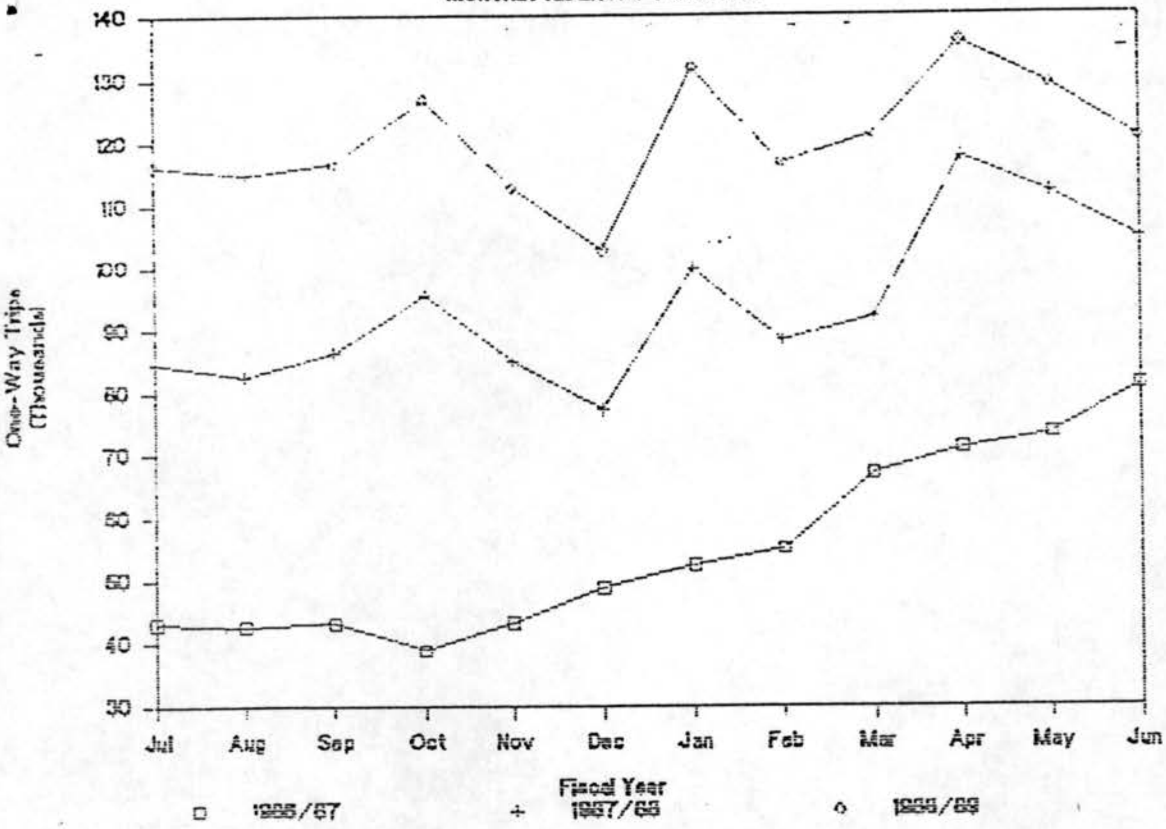
(3) Metro Mobility Administrative Center costs represent less than five percent of the total subsidy requirement.

(4) Service expansion to parts of Carver, Dakota, Scott, and Washington counties is scheduled to start April 1, 1988.

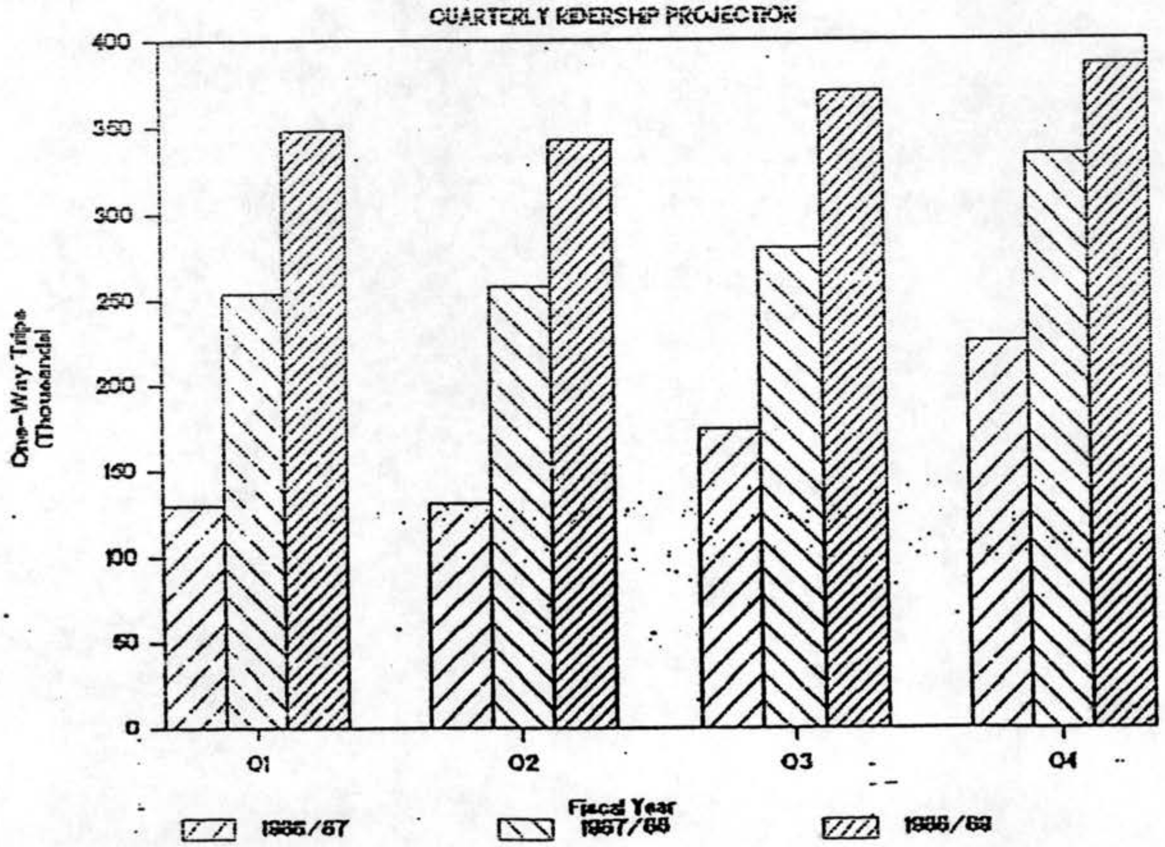
- over -

METRO MOBILITY

MONTHLY RIDERSHIP FORECAST



QUARTERLY RIDERSHIP PROJECTION



Attachment B

REGIONAL TRANSIT BOARD

Suite 270 Metro Square Building, Saint Paul, Minnesota 55101

DATE: September 15, 1987

TO: Policy Committee

FROM: Linda Ehlers, Project Administrator
Edward Kouneski, Programs Manager

SUBJECT: Metro Mobility Ridership Impact Recommendations

SUMMARY

This memorandum summarizes key short term strategies and recommended actions that address the impact of increased ridership demand on the Metro Mobility program for the balance of 1987. The Transportation Handicapped Advisory Committee (THAC) will be reviewing this memorandum at a special meeting on September 21, 1987. THAC comments will be reviewed in the staff presentation to the Policy Committee.

BACKGROUND

On September 8, 1987 the Regional Transit Board approved the Policy Committee recommendation to not impose a cap on Metro Mobility rides until more detailed analysis was completed. Staff agreed to report back to the Policy Committee on September 21, 1987 with recommendations to address the significant increase in demand for Metro Mobility service. The Policy Committee had reviewed a list of potential revenue enhancement and demand limiting strategies presented by staff on August 21, 1987.

DISCUSSION

Metro Mobility ridership has continued to increase, reaching record levels. In July 1987 ridership exceeded 80,000 and in August it is projected to be approximately 90,000. Furthermore, the number of new certifications has continued at a rate two times that of last year. (See the attached tables and graphs that display the ridership and certification growth).

The potential strategies to meet the high demand for Metro Mobility service were outlined in the staff memorandum dated August 4, 1987. These included both short term and long term strategies. From further analysis, staff concludes that in the short term the RTB should focus on two strategies that can immediately affect Metro Mobility budget requirements for 1987:

(1) Establish a budget limit with which to fund trip requests for the remainder of 1987; and

(2) Institute a mechanism to control the practice of human service agencies transferring clients to Metro Mobility service from their own methods of transportation.

Short term strategies to address the high service demand in 1987 that were rejected include:

(1) An immediate fare increase with a subsequent decrease in the public subsidy paid to providers. However, a fare increase that would increase the provider subsidy is being assessed as a long term strategy. Any recommended fare increase would be subject to a public hearing process before implementation.

(2) Setting a limit on the percentage of standing orders allowed in the Metro Mobility system. A thorough analysis of the impact of these standing orders on the system is being undertaken, but no short term recommendation is being made at this time.

(3) Seeking emergency funding from the legislative advisory commission. The Regional Transit Board will fund the increased ridership through use of its 1986 fund balance, rather than seeking outside funding at this point in time.

Setting a Budget Limit for the Remainder of 1987

On September 8, 1987 the Administration and Finance (A&F) Committee recommended for Board approval on September 21, 1987, a revised RTB 1987 budget, which included an increase in the Metro Mobility provider line item from $5,655,000 to $7,192,200. The 1986 fund balance is the source of the additional $1,537,00 in funds. Based on provider payments for trips estimated through July 1987, there will be $3,642,000 available to support rides for the remainder of the year, as summarized in the table below.

Metro Mobility
PROVIDER SUBSIDY FOR TRIPS

Amended RTB budget for calendar year 1987	$ 7,192,200
Payments for trips through July 1987	$ 3,550,200
Remaining balance	$ 3,642,000

Staff concludes that the remaining balance for Metro Mobility provider payments is an appropriate amount to supply rides for the rest of the year, based on current increased ridership projections.

With the amended 1987 budget, it will be necessary to establish the associated daily budget allocation so that available funds will not be exceeded. The amended budget permits an average of $728,400 to be spent on trips in each of the remaining five months of 1987. This translates to approximately 100,000 rides a month, on the average.

With THAC input, staff from the RTB and the Metro Mobility Administrative Center (MMAC) will develop procedures on how to implement the cap, if it becomes necessary to do so, so that both providers and riders have adequate advance notice and understand the reasons for it.

The Metro Mobility program historically has functioned with a budget limit, allocated on a daily basis. When the daily allocation is met, persons who schedule rides on a demand basis are most affected. Persons with standing orders have guaranteed rides because their trips are scheduled before others. This practice serves to ensure that persons who rely on Metro Mobility to get to work, and travel on a regular weekly schedule, are not denied transportation.

An issue raised previously by some members of the disabled community is that a cap on rides imposes undue harship on persons with flexible work schedules who cannot qualify for a standing order because they do not travel at the same times at least three days a week. A method that could be explored to ensure that persons with flexible work schedules are not denied transportation would be to permit an exception to the standing order rule, for any trips that are work related, regardless of the number per week. This strategy should be evaluated further, however, to determine if it is contrary to the provisions of state and federal law that do not permit trip priorities to be established.

Control Human Service Agency Transportation Funding Shift

On August 24, 1987 RTB staff invited approximately 40 human service agencies to a meeting to discuss the potential for sharing the cost of Metro Mobility rides. These agencies were identified as having a significant number of standing orders registered among their clients. The Metro Mobility evaluation consultant, Carter Goble Associates, moderated the meeting and discussed potential federal and state funding sources available to human service agencies for transportation.

Carter Goble Associates will be issuing recommendations on agency cost sharing after examining the feasibility of capturing other funding sources for providing these trips under the Metro Mobility program. In the meantime, however, some agencies, particularly day activity centers, have replaced the transportation services provided to clients through either its own fleet or a contract for service agreement with Metro Mobility services. Such an agency saves on transportation expenditures by registering clients to use Metro Mobility with standing orders. The Metro Mobility implementation plan adopted by the Board clearly indicates that it is not the RTB's intent for Metro Mobility to replace such transportation services.

Data on Metro Mobility standing orders shows that a significant number of trips are oriented to agencies, and thus greatly affect the subsidy available for demand trips. Records from July show that 20 agencies, with a total of 900 standing orders, accounted for 40 percent of the program expenditures.

In order to prevent an agency from shifting the cost of transporting its clients to Metro Mobility, staff recommends a policy that restricts providers from establishing standing orders with agencies without prior administrative approval from the RTB. This would enable staff to evaluate whether an agency has transportation funds that could be directed to the Metro Mobility program through a cost sharing arrangement. Since many of the agency oriented standing order trips are also group loads, it may be possible to negotiate an hourly rate based on the cost of delivering the service.

With the adoption of this policy, staff will require providers to file a report to the RTB by November 1, 1987 on all existing agency oriented trips being delivered. The subject agencies will be contacted to present documentation of previous contract service agreements, if any, and available funding sources. This information will be used to assess the amount of cost shifting that has already occurred and its fiscal impact on the public subsidy available to fund rides. Based on these two pieces of information, staff will recommend if it is feasible to establish cost sharing arrangements with these agencies.

Extend Existing Contracts with Providers

The review of agency trip data may lead to recommendations for contract changes including, for example, group trip rates. In addition, contract changes may be recommended based on the comments received in the public hearings scheduled in late October, the recommendations of the Metro Mobility evaluation consultant that become approved by the Board, and the changes in the state operating standards for special transportation services that are expected to be completed in December 1987. For these reasons, staff recommends that the existing provider contracts, which expire on December 31, 1987, be extended for three months, to incorporate all necessary changes that will become effective in the new contract period.

Delay Phase II Service Expansion

Until the extent of agency financial participation can be determined and the consultant recommendations on other aspects of the Metro Mobility program are known, it may also be appropriate to delay the expansion of Metro Mobility to the Phase II communities. The consultant is currently developing demand projections for the Phase II expansion area that will be useful to assess Metro Mobility budget requirements for calendar year 1988 and for the remainder of the biennium. The feasibility of capturing other funding sources for the Metro Mobility program, will have a bearing on the amount of additional state funds needed to meet the demand for Metro Mobility service throughout the biennium.

Analyze Long Term Strategies

Staff will continue to analyze long term strategies, which in addition to establishing cost sharing arrangements with agencies or their funding sources, include increasing the fare to finance an increased rate for providers, increasing the annual registration fee and/or standing order fees, and revising the Metro Mobility rider eligibility guidelines. The direction on these strategies will be established more clearly following review of the interim report from the consultant, with preliminary recommendations.

FINDINGS AND CONCLUSIONS

- o The revised RTB 1987 budget includes an increase in the Metro Mobility provider line item from $5,655,000 to $7,192,200.

- o Based on provider payments for trips estimated through July 1987, there is $3,642,000 available for the remainder of the year.

- o The available budget permits an average of $728,400 to be spent on trips in each of the remaining five months of 1987. This translates to approximately 100,000 rides a month, on the average.

- o Staff concludes that the amended budget represents an appropriate amount to supply rides for the remainder of the year, based on current increased ridership projections.

- o The MMAC should allocate this available budget across the remainder of year, with the understanding that a cap on rides may be imposed should the daily allocation be reached. With THAC input, procedures to minimize any adverse impact from a potential cap should be developed.

- o At the same time, a mechanism needs to be instituted to control the practice of human service agencies transferring clients to Metro Mobility service from their own methods of transportation. To achieve this, staff is recommending that the Board adopt a policy requiring Metro Mobility providers to obtain prior administrative approval from the RTB before establishing standing orders, or any regularly scheduled trips that are agency oriented.

- o Furthermore, renewal of the contracts with Metro Mobility providers and expansion of service to the Phase II communities should be delayed for up to three months, to allow for the review and approval of recommendations from the evaluation consultant. The consultant is currently analyzing ridership demand in the expansion area, exploring the feasibility of agency financial participation, and determining the need for provider contract changes, among other tasks.

RECOMMENDATIONS

Staff requests the Policy Committee to recommend that the Regional Transit Board act, as follows, to:

(1) Direct the MMAC to budget $3,642,000 for trips during the period from August through December 1987.

(2) Adopt a policy requiring Metro Mobility providers to obtain RTB administrative approval prior to serving standing orders that are agency oriented.

(3) Extend the Metro Mobility provider contracts for three months beyond the current termination date of December 31, 1987.

(4) Delay the Phase II expansion of Metro Mobility service until April 1, 1988.

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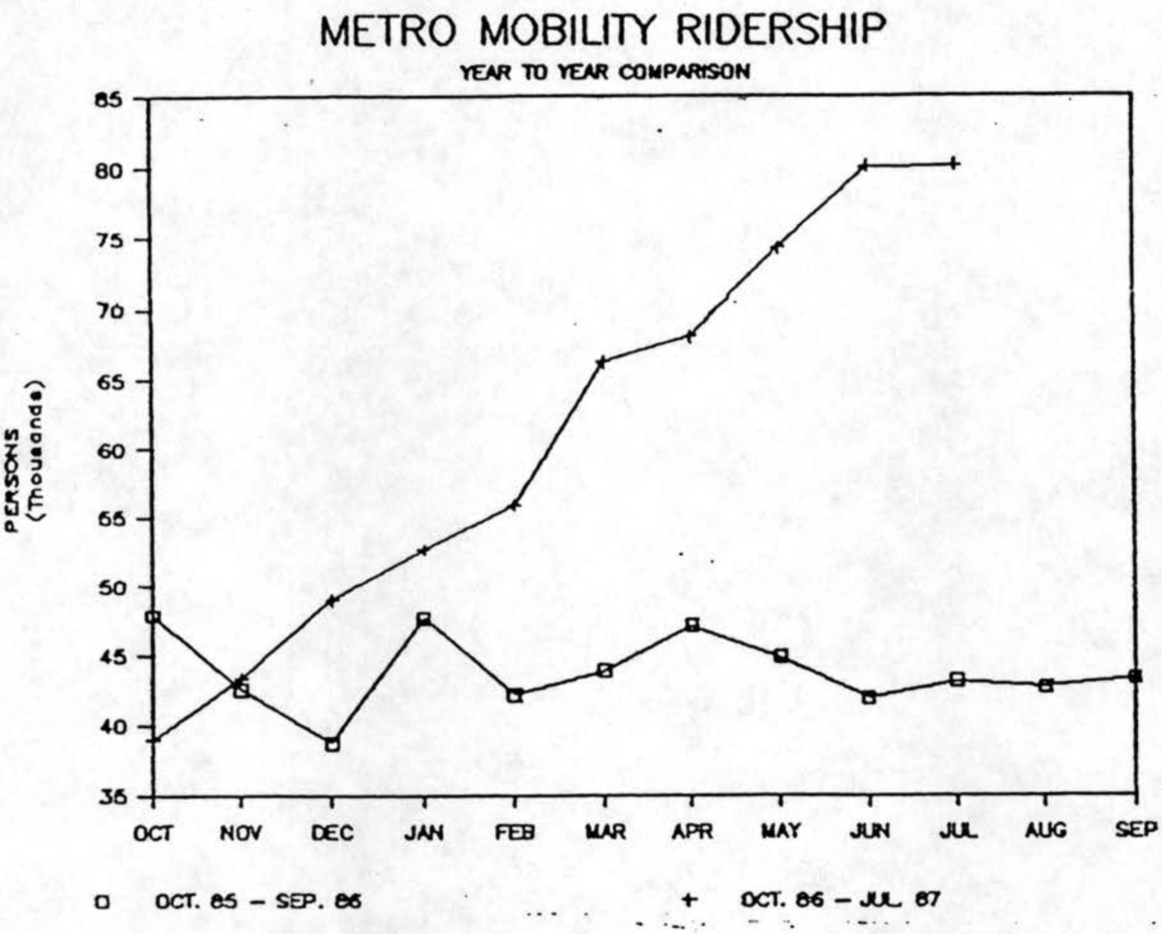


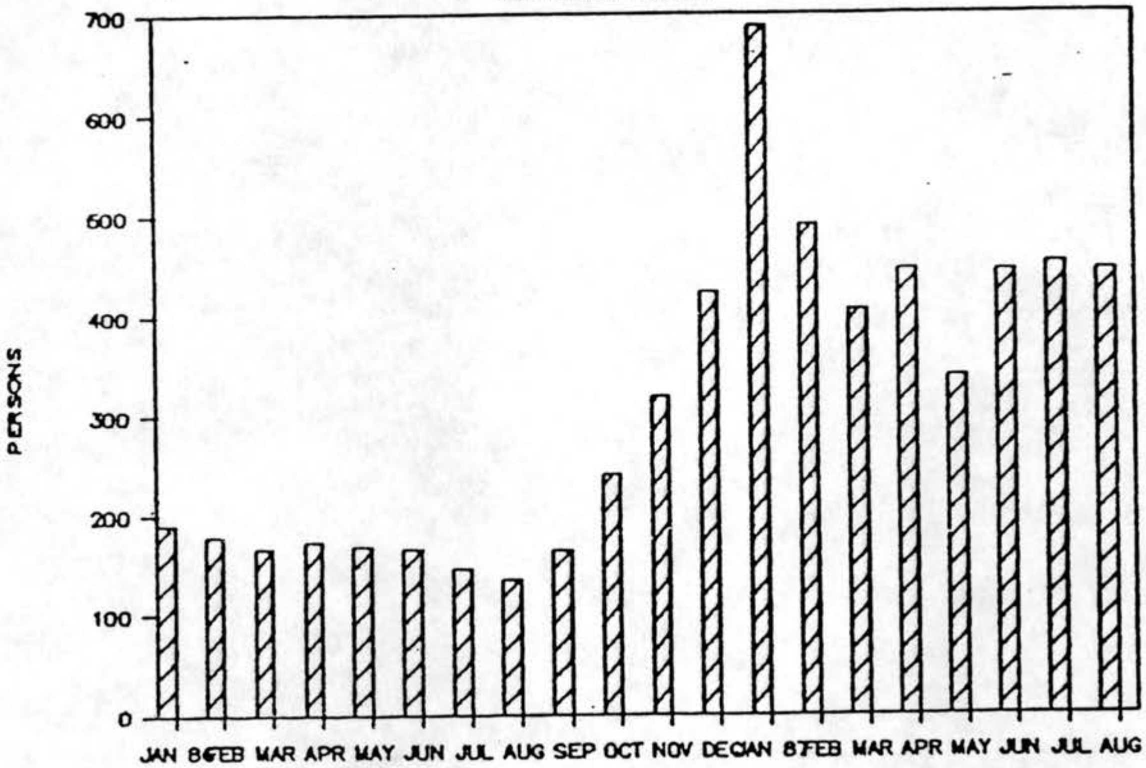
RIDERSHIP COMPARISONS

	1985	1986	Percent Difference
October	*47,863	38,932	-18.6%
November	42,563	43,347	+ 1.8%
December	38,739	48,997	+26.5%
	1986	1987	
January	47,650	52,750	+10.7%
February	42,195	55,924	+33.0%
March	43,887	67,598	+54.0%
April	47,143	72,080	+52.9%
May	44,804	74,548	+66.4%
June	41,881	80,008	+91.0%
July	43,083	80,071	+85.9%
TOTAL	439,808	614,255	

* Record Monthly Ridership Under Old System

METRO MOBILITY

NEW CERTIFICATIONS



NEW CERTIFICATIONS
JAN. 86 - AUG. 87

JAN 86	191
FEB	178
MAR	166
APR	174
MAY	169
JUN	166
JUL	146
AUG	136
SEP	165
OCT	241
NOV	318
DEC	423
JAN 87	688
FEB	490
MAR	405
APR	445
MAY	338
JUN	444
JUL	453
AUG	445

SPRINGSTED INCORPORATED

Public Finance Advisors
85 East Seventh Place, Suite 100
Saint Paul, Minnesota 55101-2143

612-223-3000

Attachment C

April 3, 1987

Mr. Greg Andrews, Executive Director
Regional Transit Board
276 Metro Square Building
Saint Paul, MN 55101

Dear Mr. Andrews:

I have reviewed the proposed admendment to Section 473.39, which would add Subdivision 1B to permit the use of temporary borrowing by the Board.

We believe this is an appropriate extension of the Board's borrowing authority, since it effectively transfers from the Commission to the Board the ability to do tax anticipation or revenue anticipation financing. Since the Board is in effect charged with the responsibility for levying the taxes which support the Commission's borrowing for these purposes, it makes sense to us that the obligations should be a direct obligation of the Board, and commensurate authority should be provided for assuming that obligation.

This change may tend to reduce the confusion which the rating agencies and investment bankers currently have with anticipation borrowing by the Commission, when the Board's taxing authority is pledged to the payment of those obligations.

If you have any questions concerning this matter, please feel free to contact me.

Very sincerely yours,

Robert Pulscher

Robert D. Pulscher

/dah

cc: Mr. Jon Elam, Metropolitan Council
Mr. Jay Heffren, Metropolitan Council

Attachment D

DRAFT

REGIONAL TRANSIT BOARD REPORT

on

FEDERAL GRANT RECIPIENCY FOR
TRANSIT OPERATING AND CAPITAL ASSISTANCE
IN THE TWIN CITIES METROPOLITAN AREA

December, 1987

Regional Transit Board
270 Metro Square Building
Saint Paul, Minnesota

DRAFT

INTRODUCTION

In the metropolitan area, federal funding plays a major role in financing vehicles and facilities for regular route transit. Federal funding is also used to pay a portion of the operating costs for regular route service plus a small amount is used for other transit services. When the Regional Transit Board (RTB) was formed in 1984, it was expected that the RTB would eventually assume the responsibilities of receiving and distributing federal operating and capital assistance for transit in the metropolitan area. The legislation that created the RTB addressed federal grant recipiency through MS 473.375, subdivision 8 that states in part:

> When the (RTB) has adopted an approved implementation plan and has certified to the governor that it is ready to receive federal funds, the governor shall take whatever steps are necessary to designate the (RTB) as a recipient of federal transit assistance for the metropolitan area.

Additionally, no political subdivision in the metropolitan area may apply for federal transit assistance unless its application has been submitted and approved by the RTB.

Federal grants can fund between 50 percent and 95 percent of a transit project and are available through two agencies of the Department of Transportation. The first is the Federal Highway Administration (FHWA) which administers several grants that can be used to fund transit projects. In the past, funding through the FHWA has been used to purchase buses for the MTC, to develop park and ride lots and for the Minnesota Rideshare program. All FHWA funds are administered through the Minnesota Department of Transportation (Mn/DOT), with funding decisions made through the metropolitan planning process.

The second and principal federal agency under which transit funding is available, is the Urban Mass Transportation Administration (UMTA). In the past, UMTA grants have been used to fund MTC garage facilities, MTC buses, Minnesota Rideshare, MTC operating costs, several demonstration projects, operating expenses for transit services in rural areas and for non-profit agencies to purchase vehicles. Currently, funding through UMTA finances approximately 80% of the cost of all vehicles and facilities used to provide regular route service plus approximately 8 percent of all regular route operating costs in the metropolitan area. A summary of anticipated UMTA funding for 1987 in the metropolitan area is presented in Attachment 1.

Most federal grants can be awarded to any public body; however the most significant federal grant program in the metropolitan area, (UMTA section 9 funding), requires the governor, publicly owned operators (the MTC) and other responsible local offícals to jointly designate a recipient to apply for, receive and dispense federal funds. Currently, the MTC is the designated recipient for UMTA section 9 funding awarded for the metropolitan area. Recipients of other federal transit funding in the metropolitan area include Mn/DOT, the Metropolitan Council and the RTB.

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As a result of the 1987 legislative session, MS 473.393, section 24 was enacted that directed the RTB to report to the legislature by January 1, 1988, on:

> ... the effects, advantages, and disadvantages of transferring the authority to receive (federal) funds from the (MTC) to the (RTB) and on how and for what purpose the (RTB) would use the funds differently than the (MTC) could use the funds.

The 1987 legislation also includes a provision that the RTB may not be a recipient of federal capital or operating assistance for transit. This report has been written in response to the 1987 legislative directive and addresses two separate issues:

1. Transferring the designation of UMTA section 9 grant recipiency from the MTC to the RTB.

2. Whether the RTB should be the recipient of discretionary federal capital or operating grants for transit.

DISCUSSION

This report by the RTB on the receipt of federal grants addresses the relationship between federal grant recipiency and the statutory responsibilities of the RTB, the capabilities of the RTB to assume the administrative requirements for federal grants, the advantages and disadvantages of becoming the designated UMTA section 9 grant recipient and how and for what purpose the RTB would use federal funds differently than the MTC could use the funds. The report concludes with recommendations on whether the RTB should be the designated recipient for UMTA section 9 funding and whether the RTB should receive discretionary federal capital or operating grants.

RTB Responsibilities and Federal Grant Recipiency

The RTB was created to plan, finance and coordinate the delivery of transit services in the metropolitan area. The goals established for the RTB by MS 473.371 subdivision 2 are as follows:

(a) to provide, to the greatest feasible extent, a basic level of mobility for all people in the metropolitan area;

(b) to arrange to the greatest feasible extent for the provision of a comprehensive set of transit and paratransit services to meet the needs of all people in the metropolitan area;

(c) to cooperate with private and public transit providers to assure the most efficient and coordinated use of existing and planned transit resources; and

(d) to maintain public mobility in the event of emergencies or energy shortages.

DRAFT

In order to meet these goals, the RTB was assigned many responsiblities that were once held by the MTC. These responsibilities included certification of the property tax levy for transit, development of the transit element for the federally required Transportation Improvement Program (TIP), administration of a program to provide transit for persons seeking employment, administration of the exurban program, transit planning for the metropolitan area, review and approval of the MTC's annual operating and capital budgets, implementation of a metropolitan area transit information program and administration of the rideshare program.

The RTB also was assigned certain responsibilities that were once held by Mn/DOT in the metropolitan area. These included administration of the Metro Mobility program, administration of contracts with several non-MTC providers, administration of the replacement service program (opt-out) and receipt and distribution of state funding for transit in the metropolitan area. Additionally, the RTB is required by state law to develop and implement the implementation and financial plan for the delivery and financing of transit services and related capital facilities in the metropolitan area.

Since the RTB has statutory responsibility for planning, financing and administering transit services in the metropolitan area, the RTB has been recognized by the MTC, the Metropolitan Council and UMTA as the appropriate agency to implement certain UMTA requirements. Specific examples include the UMTA requirement that federal grant recipients shall develop and implement a plan for providing service to people that are unable to use regular route services, the requirement that a process be established that permits private operators to have early involvement in the transit planning process and the requirement that a local dispute resolution process be established. It is expected that in the future there may be additional UMTA requirements that are more appropriately fulfilled by the RTB in its role as the metropolitan area's planning, financial and administrative agency for transit.

<u>Future of Federal Funding</u>

As noted earlier, funding from UMTA accounts for approximately 80% of the cost of all vehicles and facilities used to provide regular route service and approximately 8 percent of all regular route operating costs in the metropolitan area. Future levels of funding from UMTA are expected to decrease or at best remain fixed at current levels. Nationally, operating assistance has been cut twice since 1981; 10 percent in 1982 and 5 percent in fiscal year 1987. Urban areas with populations over one million peopole have received the brunt of these cuts. Funding for capital projects has also been cut by 20 percent since 1983. Additional cuts of up to 8 percent may also occur in the near future due to the impact of Gramm-Rudman legislation.

DRAFT

RTB Administrative Capabilities

There are certain requirements that must be fulfilled by the recipients of UMTA funding. As noted above, some requirements require the recipient to establish certain programs and procedures for using federal funds. Other significant requirements include adherence to strict reporting and accounting procedures, public hearings on how federal funds will be used, a triennial review by UMTA, intergovernmental review, an environmental protection statement and civil rights assurances.

One other significant requirement, limited to capital and operating funding only, is the need to receive certification by the United States Department of Labor that the federal funds will not have an adverse effect on the collective bargaining rights of transit workers, result in a loss of jobs or that transit workers would be otherwise adversely affected. To meet this requirement, the RTB would need to enter into an agreement (13c) with the Amalgamated Transit Union (ATU), the labor union that represents MTC drivers, mechanics, supervisory and clerical staff. The complete language on this section of the UMTA Act is included as Attachment II.

Through the administration of all non-federal transit funds, establishment of financial and reporting procedures for providers under contract to the RTB and implementation of UMTA requirements, the RTB has demonstrated that it has the capabilities to fulfill the obligations of becoming the federal grant recipient. If the RTB were to become the federal grant recipient, it is anticipated that the RTB would need to add the equivalent of one full-time staff person. Specifically, added responsibilities would be placed on the RTB's accounting staff, planning staff and grants coordinator. Negotiating the 13(c) agreement with ATU would also require the RTB to dedicate additional staff time and RTB legal counsel to developing the agreement.

Advantages and Disadvantages of Becoming the UMTA Section 9 Recipient

An important advantage of the RTB becoming designated as the section 9 recipient is that the RTB would be better able to evaluate and implement opportunities made available to UMTA grantees that may lead to greater use of federal funds in the metropolitan area. For example, UMTA has recently permitted section 9 capital funds to be used for leasing arrangements that may be more cost-effective than acquisition or construction. Additionally, UMTA section 9 capital funds can now be used to fund capital components of transit services obtained through competitive procurement. UMTA will also fund up to 95 percent of the net project cost for capital improvements to projects dedicated exclusively to services for the elderly and disabled if the project exceeds the minimum federal standards for service (which Metro Mobility does). However, as noted above, the future of federal funding is not promising. Therefore, it is not known if these types of opportunities could become a reality given the current financial needs of the MTC.

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Another major advantage of the RTB becoming the designated recipient for UMTA section 9 funding is that the agency that has been established to plan, finance and coordinate transit services for the metropolitan area would have direct responsibility for receiving and dispensing UMTA section 9 funds for the metropolitan area.

In actual practice, the MTC assesses its own financial needs and develops a section 9 application for capital and operating funds. The MTC is then required to submit the application to the RTB for review and approval based upon consistency with the RTB's Implementation and Financial Plan and the region's Transportation Improvement Program. As the major operator of transit services in the metroplitan area, the MTC should not necessarily be expected to apply for, receive and dispense UMTA section 9 funds for the metropolitan area. It may be more appropriate for the RTB, through its planning and coordination responsibilities for the metropolitan area, to assess the financial needs of all providers and services and then determine the appropriate mix of local and federal funding for transit in the metropolitan area.

There are two disadvantages that also need to be considered. The first is the demands on RTB staff that would lead to the addition of the equivalent of one full-time person to administer the section 9 federal grant. This need could be minimized if the RTB were to manage the grants by requiring the operators that eventually receive federal funds to fulfill the reporting requirements. Under this arrangement, the RTB would coordinate reports from each of the operators and then develop a metropolitan-wide report for UMTA. Additionally, this approach would permit the RTB to take advantage of the existing local network for UMTA reporting.

A second disadvantage is that the RTB would need to become more directly involved with ATU through the negotiation of a 13(c) agreement. This agreement between the RTB and ATU would describe the terms and conditions under which federal operating and capital funds could be used in the metropolitan area. Furthermore, each time an application is submitted by the RTB for federal operating or capital assistance, the application would be reviewed by the ATU for consistency with the terms and conditions of the 13(c) agreement. ATU would then report its findings to the United States Department of Labor and based on the ATU report, the Department of Labor would determine if the RTB's application is in compliance with the 13(c) provision of the UMTA Act. This activity is perhaps more appropriately undertaken between the operator of service (the MTC) and its union.

An additional concern is the possiblity that once the RTB receives section 9 funding, then all funding received by the RTB would be regulated by the 13(c) agreement since local and federal funds would be combined. In discussions with UMTA's regional legal counsel, it was clarified that 13(c) compliance is evaluated based on how federal funding will be used in the specific project for which a grant is awarded. Therefore, if the RTB received federal funding on a project-by-project basis through discretionary grants, then the possibility of 13(c) limitations on use of local funding could be eliminated. A summary of the advantages and disadvantages is included as Attachment III.

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Possible RTB Use of Federal Funding

Currently, the MTC receives all UMTA section 9 funding that is available to the metropolitan area and uses the funding exclusively for MTC regular route service. With the RTB as the designated recipient, there would be more flexibility with how UMTA section 9 funding could be dispensed in the metropolitan area. While there may be more flexibility with the RTB as the designated recipient, transfering the authority to the RTB may not be critical unless section 9 funds would be used differently than they are today.

If the RTB were to become the recipient of federal funds, future applications for federal funding would be submitted based on a thorough analysis of the needs of all providers and for all types of services. The RTB would assess all the financial requirements to provide transit service in the metropolitan area and would then determine the most efficient and appropriate mix of state, property tax and federal funding.

With the RTB as the designated recipient, it is anticipated that section 9 funds for operating expenses would continue to be forwarded to the MTC. This approach would be the most appropriate for the metropolitan area since UMTA funding accounts for such a small percentage (8%) of all MTC funding sources and since the MTC already has an UMTA reporting and accounting format in place. Additionally, if UMTA operating funds went to other operators, than it is expected that local funds would be needed to replace the UMTA operating dollars lost by the MTC.

Section 9 funds for capital projects would also continue to be used to fund the capital needs of the MTC, however the RTB may also consider using federal funding for non-MTC capital projects. Specific examples could include funding capital costs for the Metro Mobility program, LRT capital and operating costs, funding for vehicles and facilities of paratransit in rural areas, and for capital projects of non-MTC regular route services.

Discretionary federal grants could be used by the RTB to fund new services. For example, UMTA recently announced a new $5 million grant program designed to encourage entrepreneurs to develop transportation services tailored to specific consumer needs, particularly in the suburbs and inner-city communities. While funding from this federal program could help finance some of the unmet transit needs that have been identified in the metropolitan area, the present law would prohibit the RTB from receiving funding from this federal program.

Grant Recipiency From an MTC Perspective

In developing this report, conversations have been held with the MTC to discuss their perspective on transferring the authority for receiving section 9 funding from the MTC to the RTB. While the MTC agreed that this responsibility was consistent with the role and responsibilities of the RTB, they were opposed to the RTB becoming the designated federal grant recipient for section 9 funding.

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The MTC's main concern is that their anticipated fleet replacement and other needs will far exceed the amount of federal funding available to the metropolitan area through the section 9 program. Since the RTB would continue to fund the MTC with section 9 funding, then it would not be necessary to change the federal grant recipient. There was also a concern expressed that if the RTB were the designated recipient, the possiblity exists that, in the future, the RTB may choose not to pass on an adequate level of federal funding to the MTC.

During our meeting, the MTC also indicated that they would support the RTB being permitted to receive other federal operating and capital grants, if it is clear that the MTC would also be permitted to apply for such grants.

FINDINGS AND CONCLUSIONS

- o When the Regional Transit Board (RTB) was formed in 1984, it was expected that that the RTB would eventually assume the responsibilities of receiving and distributing federal operating and capital assistance for transit in the metropolitan area.
- o As a result of the 1987 legislative session, the RTB was directed to report to the legislature by January 1, 1988, on the topic of transferring the authority to receive federal funds from the MTC to the RTB. The 1987 legislation also includes a provision that the RTB may not be a recipient of federal capital or operating assistance for transit.
- o Future levels of funding from UMTA are likely to decrease or, at best, remain fixed.
- o In order to meet its legislative goals, the RTB has been assigned many responsiblities that were once held by the MTC and Mn/DOT.
- o The RTB has been recognized by the MTC, the Metropolitan Council and UMTA as the appropriate agency to implement certain federal requirements and as a result has assumed some responsibilities of the UMTA section 9 grant recipient.
- o Through the administration of all non-federal transit funds, establishment of financial and reporting procedures for providers under contract to the RTB and implementation of certain UMTA requirements, the RTB has demonstrated that it has the capabilities to fulfill the obligations of becoming the federal grant recipient.
- o The disadvantages associated with the RTB being designated as the UMTA section 9 grant recipient outweighs the advantages.
- o The MTC agrees that the responsibilities of the designated federal grant recipient are consistent with the role and responsibilities of the RTB; however, the MTC is opposed to the RTB becoming the designated federal grant recipient for UMTA section 9 funding.

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- o The MTC has indicated that their anticipated fleet replacement and other needs will exceed the amount of federal funding available to the metropolitan area through UMTA's section 9 program.

RECOMMENDATION

Transferring the Designation of UMTA Section 9 Grant Recipiency to the RTB

It is recommended that the MTC continue to be the UMTA section 9 designated grant recipient for the metropolitan area. While transferring this responsibility to the RTB may be consistent with other responsibilities assigned to the RTB, there would be no appreciable benefit to the metropolitan area. The need to add the equivalent of one full-time staff person and the possiblity of limiting RTB funding options as a result of a 13(c) agreement with ATU outweighs the advantages of assigning this activity to the RTB.

Additionally, the RTB will continue to maintain control over all section 9 grant applications through its legislatively mandated review and approval of all federal grant applications for transit.

Whether the RTB Should be the Recipient of Discretionary Federal Capital or Operating Grants

Currently, MS 473.393, section 24 prohibits the RTB from receiving any federal operating or capital assistance. It is recommended that this legislation be clarified to allow the RTB to apply for federal funding that could be used for some discretionary operating or capital assistance.

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ATTACHMENT I

SUMMARY OF

URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA) FUNDING
IN THE TWIN CITIES METROPOLITAN AREA

GRANT TITLE	TYPE OF GRANT	ESTIMATED 1987 AMOUNT	RECIPIENT	DISTRIBUTION OF GRANT
Section 3	Discretionary Capital Projects	$ 8.4 million	MTC	MTC Nicollet Garage
		$ 3.3 million	MTC	MTC Layover Facility
Section 4(i)	Innovative Techniques	$ 50,000	MTC	Minnesota Rideshare
Section 6	Demonstration Projects	$209,000	RTB	Competitive Transit Study
Section 8	Transportation Planning	$120,000	Mn/DOT	Mn/DOT Planning
		$308,000	Met Council	RTB Planning
		$ 32,000	Met Council	MTC Planning
		$ 60,000	Met Council	Met Council Planning
Section 9	Operating Assistance	$ 8.2 million	MTC**	MTC Regular Route Service
	Routine Capital Projects	$11.9 million	MTC**	MTC Buses
Section 10	Management Training	$ 10,000	MTC	MTC Regular Route Service
Section 16(b)(2)	Vehicles for Non-Profits	$357,500*	Mn/DOT**	14 Non-Profit Agencies
Section 18	Operating Funds for Areas Under 50,000 People	$ 1.7 million	Mn/DOT**	37 Transit Systems

* Allocation to Metro Area
** Designated Grant Recipient

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Attachment II

UMTA requirement related to labor protection:

It shall be a condition of any assistance under section 3 of this Act that fair and equitable arrangements are made, as determined by the Secretary of Labor, to protect the interests of employees affected by such assistance. Such protective arrangements shall include, without being limited to, such provisions as may be necessary for (1) the preservation of rights, privileges, and benefits (including continuation of pension rights and benefits) under existing collective bargaining agreements or otherwise; (2) the continuation of collective bargaining rights; (3) the protection of individual employees against a worsening of their positions with respect to their employment; (4) assurances of employment to employees of acquired mass transportation systems and priority of reemployment of employees terminated or laid off; and (5) paid training or retraining programs. Such arrangements shall include provisions protecting individual employees against a worsening of their positions with respect to their employment which shall in no event provide benefits less than those established pursuant to section 5(2)(f) of the Act of February 4, 1887 (24 Stat. 379), as amended. The contract for the granting of any such assistance shall specify the terms and conditions of the protective arrangements.

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ATTACHMENT III

SUMMARY OF ADVANTAGES AND DISADVANTAGES OF
TRANSFERRING THE AUTHORITY TO RECEIVE UMTA SECTION 9 FUNDS
FROM THE METROPOLITAN TRANSIT COMMISSION TO THE REGIONAL TRANSIT BOARD

Advantages

1. Responsibility for applying for, receiving and dispensing UMTA Section 9 funds would be carried out by the agency charged with planning, financing and administering transit services for the metropolitan area.

2. The RTB could evaluate and implement opportunities made available to UMTA grantees that may lead to greater use of federal funds in the metropolitan area.

3. There would be greater flexibility on how Section 9 funding is used in the metropolitan area.

Disadvantages

1. The demands of federal grant recipiency may lead to the addition of the equivalent of one full-time person at the RTB.

2. The RTB would become more directly involved with the MTC's labor union through the negotiation of a 13(c) agreement.

3. The future of federal funding is not promising, and the financial needs of the MTC will exceed the amount of federal funding available to the metropolitan area through UMTA's section 9 program.

4. It is possible that all funding received by the RTB could be regulated by a 13(c) agreement if federal funding is not separated on a project-by-project basis.

SELECTION PROCESS

The RTB solicited applications for the Providers Advisory Committee following the established process for Advisory Committees. Over 300 applications were distributed to all providers, newspapers, community organizations and minority and special interest groups in the Metropolitan Area.

A total of 23 applications were received. These applications were reviewed by the Board based on the following criteria:

- Meets the requirements for one of the nine positions on the Providers Advisory Committee.

- Demonstrated interest and knowledge of transit and transportation issues.

- Expressed a willingness to serve on the Provider's Advisory Committee and provide the necessary time and commitment.

- Not currently serving on an RTB Advisory Committee.

RESULTS

Based on the above mentioned criteria, the following individuals were selected to serve a 2 year term on the RTB Providers Advisory Committee.

Committee Chair - Juanita Collins, past RTB member, ~~legislative staff assistant~~, appointed by the Chairman of the Regional Transit Board.

Private-For-Profit Transit Provider Representatives

1. Jim Johnson, Vice President - Medicine Lake Lines Bus Company

2. Bill Dolan, Market Manager - Minneapolis and Suburban Airport Limousine Service

Private-Non-Profit Transit Provider Representative

1. Carolyn Hawkins, Transportation Coordinator - West Metro Coordinated Transportation

Taxicab Representative

1. Nathan Shaw, Vice President - Airport and Airline Taxicab Corp.

Metropolitan Transit Commission Representative

1. Bev Auld, Assistant Chief Administrator for Administration

Community Representatives

1. Central City
   Dorothea Burns, Assistant Director - Hallie Q. Brown Center

2. Suburban (having a community-based transit system)
   Beverly Miller, Administrator - Southwest Metro Suburban

3. Suburban
   Carolyn Rodriguez, (past) State Representative - Resident City of Apple Valley

It is anticipated that the Providers Advisory Committee will meet once a month on a regular basis, starting in January 1988.

All transit providers currently under contract with the RTB will receive meeting agendas of the Providers Advisory Committee. If you are not currently under contract with the RTB and wish to be placed on the Providers Advisory Committee mailing list, please contact me at 292-8789 or write to:

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Regional Transit Board
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