Western Nevada County Public Transportation Governance Study

Final Report

Prepared for the

Nevada County Transportation Commission

Prepared by

TRANSPORTATION
CONSULTANTS, INC.

LSC Transportation Consultants, Inc.

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Chapter 1
Introduction

For many years, public transit and paratransit services in western Nevada County have been provided through a combination of public (County of Nevada) and private non-profit (Gold Country Telecare) organizations. Like in many other rural areas and smaller cities, the reduction in transit funding at the state and local levels has forced the public transit operators in western Nevada County Transit to both cut services while raising fares. Areas that previously were provided with service that had low productivity and ridership have lost service, while the schedule of operations (in particular, Saturday service) has been curtailed. Gold Country Stage now provides fixed route and paratransit service to a core service area only. Both the changing scopes of the transit programs as well as the changing funding environment raise the question as to whether the long-standing institutional arrangements are the best strategy going forward or, alternatively, if there are changes that should be made to enhance the effectiveness of the overall program in light of present conditions.

The objective of this study is to provide the Nevada County Transportation Commission (NCTC) with a detailed evaluation of institutional alternatives for the structure of public transit service in western Nevada County, with the goal of reducing overall costs and improving efficiency. This study also provides a good opportunity for decision makers, transit users and the interested public to gain an understanding of the intricate institutional/legal/financial factors that affect the provision of transit service and the options open to local communities and in particular California.

This document first summarizes existing transit services in Western Nevada County, institutional arrangements, and funding responsibilities. The next section then provides an overview of various alternative forms of governance for transit and paratransit services in western Nevada County. This document also outlines the organizational structure of similar rural transit agencies and compares administrative costs associated with key transit functions between western Nevada County operators and the peer agencies. A variety of privatization alternatives (the practice of contracting with a private company for transit operations) are also reviewed. Finally, an implementation plan is developed for the preferred alternative.

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Chapter 2
Existing Transit Services and Institutional Structure

Public transit services in Western Nevada County consist of a fixed route system, Gold Country Stage, and a demand response service, Gold Country Telecare.

Existing Services

Background

The Nevada County Transit Services Division (TSD) is responsible for the oversight of the two public transit systems operating in Western Nevada County. The TSD operates one of the transit programs and contracts with Gold Country Telecare, Inc. for the other program:

- Gold Country State (GCS), a fixed-route program operated directly by the TSD using County employees.

- Gold Country Telecare, Inc. ("Telecare"), a private nonprofit agency that provides door-to-door demand response services under contract to the TSD.

Gold Country Stage

GCS operates six routes that serve the Nevada City/Grass Valley area, unincorporated Western Nevada County, the SR 20 corridor between Grass Valley and Penn Valley as well as the SR 49 corridor between Nevada City and Auburn, where connections to Placer County Transit, Auburn Transit, Sacramento Light Rail and Amtrak (as schedules allow) are available. The existing routes are shown in Figure 1. Several on-demand stops are available at designated locations outside the fixed route. Service is provided on weekdays from 6:00 AM to 7:00 PM, Monday through Friday.

Gold Country Telecare

Telecare is a nonprofit agency providing a variety of services, including door-to-door demand response service in Western Nevada County under contract with the Nevada County Transit Service Division. Telecare provides demand response paratransit services to ADA eligible passengers who are unable to use the fixed route, fulfilling the requirement under the Americans with Disabilities Act to provide paratransit service complementary to the fixed-route GCS service. Telecare operates paratransit service Monday through Friday from 7:00 AM to 6:00 PM, in an area within three-quarters of a mile from the fixed routes.

Fleet

Nevada County owns a fleet of 18 revenue and non-revenue transit vehicles which are used for both GCS and Telecare operations. These vehicles were purchased with Transportation Development Act (TDA), Federal Transit Administration (FTA), Congestion Mitigation Air Quality Improvement Program (CMAQ) and Proposition 1B funding. Two 30 passenger El Dorado Aerolites are leased to Telecare for paratransit services, while ten 26 passenger El Dorado Aerolites are used for fixed route services. The remaining six vehicles are: three wheelchair accessible vans, two SUVs and one pick-up.

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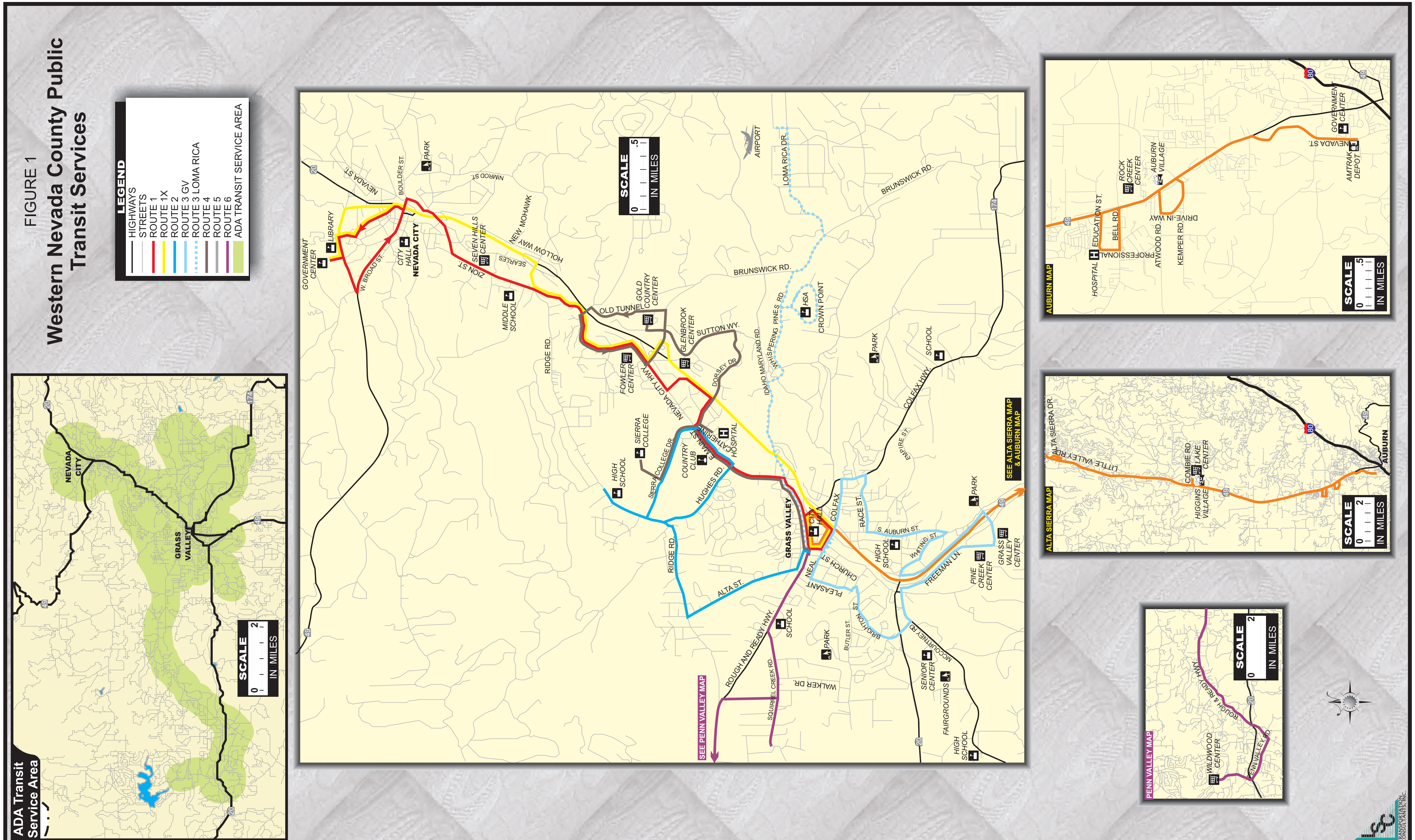
FIGURE 1
Western Nevada County Public Transit Services
LEGEND
HIGHWAYS
STREETS
ROUTE 1
ROUTE 1X
ROUTE 2
ROUTE 3 GV
ROUTE 3 LOMA RICA
ROUTE 4
ROUTE 5
ROUTE 6
ADA TRANSIT SERVICE AREA
ADA Transit Service Area
NEVADA CITY
GRASS VALLEY
SCALE 0 .5 IN MILES
SEE ALTA SIERRA MAP & AUBURN MAP
SEE PENN VALLEY MAP
AUBURN MAP
ALTA SIERRA MAP
PENN VALLEY MAP
AUBURN
GOVERNMENT CENTER
LIBRARY
CITY HALL
SEVEN HILLS CENTER
MIDDLE SCHOOL
GOLD COUNTRY CENTER
GLENBROOK CENTER
FOWLER CENTER
SIERRA COLLEGE
HIGH SCHOOL
COUNTRY CLUB
HOSPITAL
AIRPORT
HSA
CROWN POINT
PINE CREEK CENTER
GRASS VALLEY CENTER
SENIOR CENTER
FAIRGROUNDS
WILDWOOD CENTER
HIGGINS VILLAGE
LAKE CENTER
ROCK CREEK CENTER
AUBURN VILLAGE
AMTRAK DEPOT

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Operating Characteristics

Table 1 presents operating characteristics and performance measures for Gold County Stage and Gold Country Telecare. In FY 2010-11 the fixed routes carried 150,913 one-way passenger-trips and paratransit services carried 37,862 one-way passenger-trips. Vehicle service hours totaled 12,550 for the fixed route and 16,200 for paratransit. This represents nearly a 30 percent reduction in fixed route service hours from the prior fiscal year. With operating costs of $2.3 million and fare revenue of $271,222, the systemwide farebox ratio was 12.1 percent, above the minimum required by the Transportation Development Act.

Productivity (as measured by passenger-trips per vehicle service hour) on Gold Country Stage was calculated at a respectable 12.02 passenger-trips per hour of service. Gold Country Telecare's productivity of 2.34 is also in line with typical values seen in demand response type of service in lower density areas. Combined productivity amounts to 6.57 passenger-trips per vehicle service hour. Operating costs per vehicle service hour are significantly higher for Gold Country Stage ($126.28) than Gold Country Telecare ($45.46). This equates to a combined operating cost per hour of $80.74 for Western Nevada County public transit. Passenger-trips per vehicle service mile are calculated at 0.40.

Table 1: Western Nevada County Public Transit Services Operating Data

FY 2010-11

	Gold Country Stage	Telecare	Systemwide
Operating Data			
One Way Passenger-trips	150,913	37,862	188,775
Vehicle Service Hours (VSH)	12,550	16,200	28,750
Vehicle Service Miles (VSM)	235,801	234,781	470,582
Operating Costs(1)	$1,584,854	$736,429	$2,321,283
Fare Revenue	$193,868	$77,354	$271,222
Performance Indicators			
Passenger-trips per VSH	12.02	2.34	6.57
Operating Cost per VSH	$126.28	$45.46	$80.74
Passenger-trips per VSM	0.64	0.16	0.40
Farebox Ratio	12.23%	10.50%	11.68%

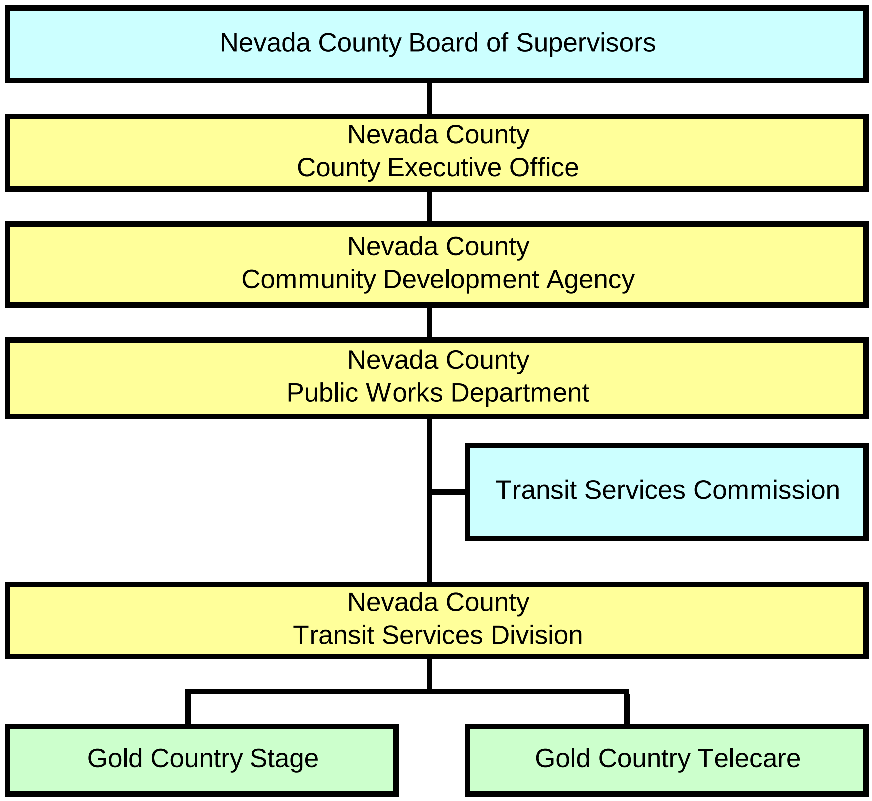
Note 1: Total operating costs.

Source: GCS and Telecare Monthly Operations Reports, Nevada County Expenditures Report.

Current Institutional Structure

In Western Nevada County, public transit services are operated by a municipality, Nevada County. Although a joint powers agreement was formulated to establish public transit in Western Nevada County, Gold Country Stage is not a joint powers authority or a separate entity from Nevada County. The organizational structure of public transit services is displayed in Figure 2.

Figure 2: Western Nevada County Transit Services Organization Chart



Gold Country Stage is operated by the Nevada County Transit Services Division (TSD) using County employees. Paratransit services are operated by a non-profit contractor organization (Gold Country Telecare) with oversight by the TSD Transit Services Manager. The TSD reports to the Nevada County Public Works Department, which is a sub department of the Nevada County Community Development Agency (CDA), which reports to the County Executive Office. The TSD staff consists of 13 permanent employees: Transit Services Manager, Accounting Technician, eight bus drivers, two lead drivers and one Senior Office Assistant.

All Nevada County staff is governed by the Nevada County Board of Supervisors. The TSD also reports to the Transit Services Commission (TSC), made up of two members of the Board of Supervisors, one Grass Valley representative, one Nevada City representative, two at-large representatives appointed by the County, and one at-large representative appointed jointly by the two cities. Roles and powers of all entities involved in the provision of public transit in Western Nevada County are stipulated in the joint powers agreement.

<u>Joint Powers Agreement</u>

A Joint Powers Agreement (JPA) between Nevada County, the City of Grass Valley, and Nevada City establishes public transportation services in Western Nevada County. This JPA was originally executed in

1976 and last updated on October 28, 2003. The agreement states that each entity will pool TDA and other transit funding for the purpose of providing fixed route and paratransit services to the general public at a reasonable fare and convenient routing and scheduling to Western Nevada County. Under the agreement, each entity applies for TDA funds through the Regional Transportation Planning Agency (RTPA) which is the Nevada County Transportation Commission (NCTC) in an amount needed to fund the operation of transit services within the assigned area.

The agreement designates Nevada County as the operator of public transit services. Nevada County's role and responsibilities include:

- To hire and discharge personnel
- Vehicle operation
- Vehicle maintenance
- Insurance
- Acquire, construct and maintain any other facilities related to the provision of public transit (upon concurrence with TSC)
- Enter into contracts (upon concurrence with TSC)

Per the agreement, two governing boards provide oversight of public transit in Western Nevada County: the Nevada County Board of Supervisors and the TSC. Each board serves a different role. In general, the Board of Supervisors controls the finances and manages the personnel, while the TSC sets operation levels and acts as a policy advisory board. Powers and duties of each board are as follows:

Transit Services Commission

- Set fare levels
- Set service levels for transit and paratransit including route structure and service area
- Monitor public response
- Approve and oversee purchases of additional vehicles
- Oversee transit service operations on a regular basis
- Review and approve the annual budget for transit and paratransit operations prior to adoption which is done by the Board of Supervisors
- Approve applying for grants for usual operation and/or for demonstration or study projects
- Direct staff to perform studies and analysis to evaluate options and alternatives for providing transit and paratransit services on a short term and long term basis and report back to the TSC
- Approve adjustments to transit service in order to serve the public more effectively and efficiently, including contracting with others for a portion or all transit, paratransit and ancillary services

Nevada County Board of Supervisors

- Adopt annual budget for transit and paratransit operations (majority vote required). Any modifications to the budget must first be approved by the TSC. A budget can only be modified with an affirmative 4/5 vote.

In summary, the TSC is responsible for the majority of public transit decisions and is considered a policy board; however the Board of Supervisors has control over the budget and is responsible for the management of contracts. At present, there are no conflicts between the two boards with respect to the management of public transit.

Historically, the organization of public transit services has varied slightly. In the past the NCTC members also served as members of the transit policy board, known as the Operational Policy Committee (OPC).

Later modifications of the joint powers agreement changed the name of the OPC to the Transit Services Commission (TSC) and the make-up of the seven member policy board was modified to change the previous Town of Truckee member seat to an at-large appointment selected jointly by Nevada City and Grass Valley. Although the TSC currently has several members who also serve on the NCTC, organizationally the TSC is now separated from the NCTC.

Transit Revenues in Western Nevada County

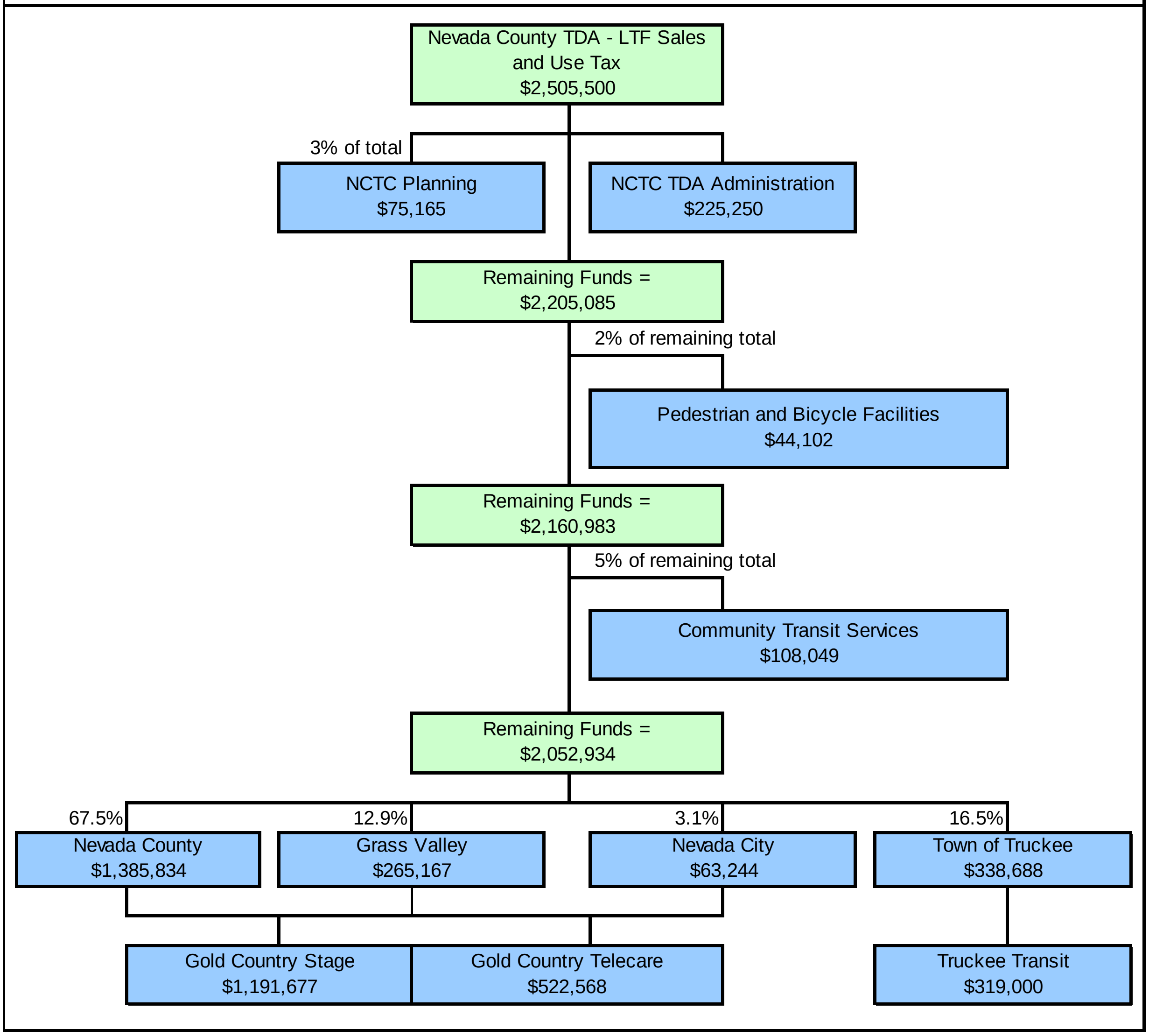
A mainstay of funding for transit programs in California is provided by the Transportation Development Act (TDA) or the Mills-Alquist-Deddeh Act (SB325). This California State law was enacted to improve existing public transportation services and encourage regional transportation coordination. The TDA provides two major sources of funding for public transportation: the Local Transportation Fund (LTF), which began in 1972, and the State Transit Assistance (STA) fund, established in 1980. TDA-LTF funds are allocated to public transit and for other purposes by the region's Regional Transportation Planning Agency (RTPA), in this case the Nevada County Transportation Commission (NCTC).

<u>Local Transportation Fund</u>

The major portion of TDA funds are provided through the LTF. These funds are generated by a one-fourth cent statewide sales tax and returned to the county of origin. Consequently, LTF funds are based on local population and spending. In recent years, declines in local sales activity have contributed in large part to the financial challenges of the transit program. Figure 3 graphically displays the flow of LTF funds in Nevada County for Fiscal Year 2010-11. The LTF may be allocated by the NCTC for the following prioritized purposes:

- Whatever reasonable amount is needed by the NCTC for TDA administration.
- Up to three percent at total LTF revenues may be used by NCTC for transportation planning and programming purposes.
- Two percent of the remaining amount may be provided to the cities of Nevada City, Grass Valley, Town of Truckee, and Nevada County for pedestrian bicycle facilities. Of the pedestrian/bicycle allocation amount, 5 percent may be expended to supplement monies from other sources to fund bicycle safety education programs. RTPAs have discretion over allocation of LTF funds for bicycle and pedestrian purposes. In Nevada County, NCTC has divided these funds equally between the two cities, the Town, and the County.
- Up to 5 percent of remaining funds is available for community transit services for persons who cannot use conventional transit services. NCTC has the authority to allocate these fund to public transportation services, if it is determined that these funds would be better utilized for that purpose.
- The remaining funds must be spent for transit and paratransit purposes, unless NCTC finds that either there are no unmet transit needs, or that unmet needs cannot be reasonably met. The remaining LTF funds are then apportioned by dividing the available revenues among the cities and the county based on each entities proportion of the total population. NCTC staff uses population estimates prepared by the California Department of Finance each May.

Figure 3: FY 2010-11 TDA - LTF Flow Chart



- In counties with a population under 500,000, if there is no reasonable-to-meet unmet transit needs, remaining funds may be allocated to jurisdictions based on population for streets and roads projects. Currently, no LTF funds are allocated for streets and roads purposes in Nevada County.

State Transit Assistance

In addition to LTF funding, the TDA includes a STA funding mechanism which is currently derived from an excise tax on gasoline diesel fuel. Although STA funds have been unreliable in recent years, Western Nevada County transit services received a lump sum payment of $593,424 for FY 2009-10 and FY 2010-11 in STA funds.

As shown in Table 2, LTF funds comprise 50.5 percent of the Fiscal Year 2010-11 budget for fixed route and paratransit services in Western Nevada County. STA funds account for another 23.7 percent in FY 2010-11; however this amount represents the lump sum payment for both FY 2009-10 and FY 2010-11 and STA funds are not included in the FY 2012-13 budget. Federal Transit Administration (FTA) funds are another important funding source for rural public transit services. Roughly 12.6 percent of operating funds come from FTA grants while 55 percent of capital revenue for FY 2010-11 came from FTA grants.

Table 2: Western Nevada County Public Transit Services Revenue
Fiscal Year 2010-11

Funding Source	$	%
Operating Revenues		
Transportation Development Act (TDA) - Local Transportation Fund (LTF)	$1,265,469	50.5%
Transportation Development Act (TDA) - State Transit Assistance (STA)(1)	$593,424	23.7%
Federal Transit Assistance (FTA) Section 5311	$317,000	12.6%
Fixed Route Fare Revenues	$180,000	7.2%
Paratransit Fare Revenues	$72,220	2.9%
Placer County Contract Revenue for Route 5	$48,000	1.9%
Misc. Charges and Fees/Cash Overage	$2,700	0.1%
Transfers In to Risk Management Fund	$27,500	1.1%
Subtotal Operating	*$2,506,313*	*100.0%*
Capital Revenues		
ARRA St Pass Thru - Transit Center	$255,000	23.5%
Proposition 1B - Transit Center	$232,400	21.4%
Federal Transit Assistance (FTA) Section 5309	$597,600	55.1%
Subtotal Capital	*$1,085,000*	*100.0%*
Total	**$3,591,313**	

Note 1: Lump sum payment for FY 2009-10 and 2010-11

Source: Nevada County Revenue Status Report FY 2010-11 Budget.

Gold Country Telecare Revenue

In addition to operating paratransit services in Western Nevada County, Gold Country Telecare provides other services for seniors and disabled residents. These services are funded through a variety of sources including Area 4 Agency on Aging, United Way, Alta California Regional Center, and Telecare fundraising efforts. In Fiscal Year 2010-11, Gold Country Telecare received $707,616 from Nevada County through its contract for paratransit services operation.

Gold Country Stage Expenses

The total operating expenses in Fiscal Year 2010-11 for Gold Country Stage are divided in to two categories: Operating (Table 3) and Administrative (Table 4). The combined operating and administrative costs for Gold Country Stage (not including depreciation or capital expenses) was $2,321,283. As the objective of this study is to review alternative forms of management for transit services in Western Nevada County, the following discussion focuses on costs associated with services provided to TSD by other organizations.

Table 3: Western Nevada County Transit Operating Expenses
FY 2010-11 Actual Expenses

Line Item Expenditures	Provided by: Transit Services Division	County	3rd Party Contractor	Total
Salaries and Benefits[1]	$754,932			$754,932
Uniform Expenses	$1,694			$1,694
Telephone Service	$2,143			$2,143
Custodial Services (general liability insurance)		$2,700		$2,700
Household Expenses (waste management, cleaning supplies for buses and office)	$2,934			$2,934
Insurance (CalTIP premium)[2]	$26,000			$26,000
Vehicle Maintenance and Fuel		$255,641		$255,641
Maintenance Buildings and Improvements (shelters, utility shed)		$2,401		$2,401
Memberships (CalACT)	$375			$375
Office Expenses (including computers)	$9,127			$9,127
County Central Services (Postage/Printing/Copiers)		$7,328		$7,328
Telecare Operating Contract			$707,616	$707,616
Other Professional Services (Telecare fuel adjustment, engineering for transit center, commercial drivers licenses)			$27,530	$27,530
County Services Personnel - Drug testing		$957		$957
County Telephone System		$38		$38
County Facilities and Maintenance - Installing signs and lighting		$790		$790
Publications and Legal	$533			$533
Rents & Leases - Equipment (Radios)			$4,128	$4,128
Rent & Leases - Building (Rent for bus storage)		$14,327		$14,327
Small Tools and Instruments		$245		$245
Special Department Expense (Printing riders guides, newspaper ads)	$2,623			$2,623
Travel - Training (CalTIP, CalACT)	$1,256			$1,256
Utilities	$4,991			$4,991
Total Operating Costs	**$806,607**	**$284,426**	**$739,274**	**$1,830,307**
% of Total	**44%**	**16%**	**40%**	

Note 1: Drivers only.
Note 2: Estimated cost of annual CalTIP premium in FY 2011-12. Actual charge in FY 2010-11 was $288.
Source: Nevada County Expenditure Status Report FY 10-11, TSD, Nevada County.

Operating Costs

As shown in Table 3 operating costs for Gold Country Stage were $1,830,307. Of these costs, roughly 16 percent or $284,426 included services for which the TSD relies on other Nevada County departments to either provide the service or for the use of equipment. The expenses incurred by non-TSD elements of the County are:

- Custodial Services - including share of the County's general liability insurance
- Vehicle maintenance and fuel
- Maintenance Buildings and Improvements - bus shelter utility shed maintenance
- Central Services - Use of the County's mail room and charge for county-owned copiers. Paper is also purchased in bulk through the County
- Services Personnel – Random drug testing for all transit employees
- Charge for the use of the County telephone system
- Facilities and Maintenance – Installation of bus stop signs and lighting at the bus storage area
- Rents and Leases – Buildings – Rent for bus storage facility (cage)
- Small Tools and Instruments – Example: Use of a drill for quick signage repair

Table 4: Gold Country Stage Administrative Expenses
FY 2010-11 Actual Expenditures

	Provided By: TSD	Provided By: Other County Department	Total
Key Administrative Functions			
Payroll	$9,238	$10,800	$20,038
Fringe Benefit Administration	--	$13,709	$13,709
Legal Services	--	$4,646	$4,646
Human Resources/ Recruitment	--	$20,563	$20,563
Training (not including new hires)	$9,917	--	$9,917
Accounting	$59,826	$53,777	$113,603
Purchasing	$8,342	$1,528	$9,870
Audits	$3,306	$10,957	$14,263
Risk Management/ Claims	--	$1,273	$1,273
Information Technology/Computer Support	--	$19,283	$19,283
Grants Administration	$7,448	--	$7,448
Subtotal	*$98,076*	*$136,536*	*$234,612*
Other Administrative Overhead Costs			
Transit Services Department	$175,180	--	$175,180
Community Development Administration	--	$2,664	$2,664
Public Works Administration	--	$19,957	$19,957
Other A-87 Charges	--	$60,353	$60,353
Interagency Reimbursement	-$1,791	--	-$1,791
Total Administrative Costs	**$271,466**	**$219,510**	**$490,976**

Source: Nevada County Expenditure Status Report FY 10-11, TSD, Nevada County.

TSD also relies on other third party contractors for operation of paratransit services (including paratransit fuel costs), engineering services for the new transit center and two-way radio services. This equates to $739,274 or 40 percent of operating costs. The remaining expenses are either provided by TSD staff or represent direct line items in the TSD budget ($806,607 in total).

Administrative Costs

Certain administrative functions are provided by non-TSD Nevada County staff. At the end of each fiscal year the County Auditor/Controller creates a report which shows charges to TSD for the services provided by other Nevada County departments. These administrative charges are accounted for in several different line item expenses:

- Interfund charges are costs associated with the Community Development Agency (CDA)
- Interagency costs are associated with Public Works administration
- Administrative costs associated with other County departments are bundled together as one line item and referred to as the “A-87 Cost Plan” charges. These charges are calculated in the following manner. First, estimations of current year TSD expenses for each County department involved are made based on the actual expenses for the period two years ago. How the actual expenses are calculated varies on the department charging the expense and can be based on the number of Full-Time Employee Equivalents (FTEs) or the proportion of TSD’s budget as compared to the total

countywide budget. Then, the total actual expenses from the prior year are subtracted from the total of current year estimated expenses. This produces the “roll forward” which is then added to the total current year estimated expenses to come up with total proposed costs for the current year.

In an effort to better understand administrative overhead costs for TSD as they pertain to the operation of a transit system, the A-87 charges and other administrative charges are separated into key transit administrative functions, as presented in Table 4.

- **Payroll -** The payroll process begins with the TSD Accounting Technician who inputs employee timesheets into the County system after approval from a Lead Driver and Transit Services Manager. The Accounting Technician spends approximately 2 – 3 hours every pay period on payroll, while the Lead Driver spends roughly 15 hours each month. The remainder of payroll costs is associated with the Auditor–Controller Department through the A-87 charges. The Auditor-Controller charges each department $300 per FTE per year for payroll services.

- **Fringe Benefit Administration** – The management of health care and other benefit plans are conducted by the County Human Resources (HR) Department and reflected in the A-87 Cost Plan. HR charges to TSD are based on the number of FTEs in the TSD. As HR costs do not differentiate between fringe benefit administration and other HR functions, it was assumed for this study that 40 percent of the HR A-87 charges can be attributed to fringe benefit administration.

- **Legal Services** – Legal services for TSD are performed by the County Counsel and reflected in the A-87 charges. Costs are based on the actual hours worked.

- **Human Resources/Recruitment** – This function is also the responsibility of the County’s Human Resources (HR) department. It was assumed that the remaining 60 percent of the HR A-87 charge could be attributed to this function.

- **Accounting** – The large majority of the TSD Accounting Technician’s time is spent on this function. Therefore, 90 percent of the Accounting Technicians wages and benefits are allocated to this category. Roughly 75 percent of CDA administrative expense is allocated to accounting and other fiscal TSD duties. The remainder of the Auditor Controller A-87 charge is included in this category. TSD is charged by both the Auditor Controller’s Office and the Treasurer’s Office for deposits. The A-87 charge from the Treasurer is based on the number of deposits.

- **Purchasing –** Large purchase orders are processed primarily though the County Purchasing Department and reflected in A-87 charges based on the number of purchase order transactions. Smaller purchase orders are often processed by the Accounting Technician and Transit Manager, though the County Purchasing Department may still be involved to ensure compliance with County purchasing policies. Large purchase orders are primarily processed by the Purchasing Department with assistance from TSD staff. Total TSD staff time for purchasing was estimated at 16 hours per month.

- **Audits** – The CDA allocation includes a $300 annual charge for the countywide internal audit. External audits such as the TDA fiscal and performance audits are paid for by NCTC. Roughly 20 percent of the CDA charge is included in this category and represents preparation for external audits. Roughly five percent of the Accounting Technician’s time is allocated to this function.

- **Risk Management/Claims –** This function is provided through the County Risk Management Department and reflected in the A-87 charges. This charge is separate from CalTIP insurance premiums, that appear as a line-item expenditure in the TSD budget. The A-87 charge is based on TSD's budget size. It should also be noted that TSD maintains a $75,000 balance with the County Treasurer as a self-insurance fund for small claims. The Treasurer charges a small fee ($19 per year) for this service.

- **Information Technology/Computer Support** – Expenses for this function show up in the A-87 Information Systems (IS) charge and are based on the number of login IDs and hours worked by the IS Department. The County Information Services Department applies a second charge in the amount of $10,911 in FY 2010-11 for computer maintenance and network access. This charge is based on the number of computers in the division and appears as a line-item expenditure in the TSD budget.

- **Grants Administration** – This function is the duty of the Transit Services Manager with assistance from the Accounting Technician and Lead Drivers. An average of 12 hours or more per month is spent applying for and managing the various transit related grants.

The remainder of Gold Country Stage administrative overhead costs is displayed in the lower section of Table 4 as follows:

- Other TSD administrative costs reflect the remainder of administrative staff salaries and benefits which were not accounted for in the key administrative functions section.

- The remainder of the CDA allocation is included in this section. CDA staff tracks their time to each department for which it provides services and direct charges actual costs to each department. Costs associated with paid leave for CDA staff are also spread to the various departments based on the proportion of time the staffer spent with each department during another week in the pay period. The CDA Director's time is spread between the budgets of all departments under his control based on the proportion of each department's budget to the total CDA budget.

- Overhead costs associated with the Public Works Department are allocated and charged in the same manner as CDA.

- The A-87 Cost Plan includes other charges not reflected in the key administrative costs section:

  - Building Use ($3,651) – This is a charge for the use of a County building and is calculated based on the square footage occupied by TSD. The TSD office is currently located at the airport. The Nevada County Airport recently purchased the building from the County; therefore, TSD pays rent directly to the Airport.

  - County Executive Office ($33,402) – The CEO's time is spread between the various departments based on budget size.

  - Facilities Management ($599) – General maintenance of the building is reflected in this cost and based on square footage. Discretionary spending, such as repair of a drinking fountain or moving furniture shows up as a line item in TSD's budget.

  - Roll Forward ($20,691) – This charge reflects the adjustment between budgeted A-87 charges and actual expenses of the prior year.

  - Pentamation Charge ($2,010) – This is an adjustment charge shared by all County departments for the use and maintenance of the County General Ledger system. This charge does not occur annually.

- Finally, any worked performed by TSD employees for other County departments show as a credit under Interagency Reimbursement in the TSD budget. This occurred in FY 2010-11 but is an anomaly.

As shown at the bottom of Table 4, administrative expenses incurred directly within the TSD totaled $271,466, while expenses incurred by other elements of Nevada County totaled $219,510.

Recent Trends in Administrative Inter-Department Costs

Table 5 presents the progression of overhead charges to the TSD from other Nevada County departments from Fiscal Year 2007-08 through FY 2012-13 (preliminary budget):

- In FY 2007-08 administrative charges totaled $135,953. Budgeted FY 2012-13 overhead charges are 8.46 percent higher than FY 2007-08.

- Nevada County departments were reorganized at the end of FY 2007-08, at which point TSD fell under the management of CDA. Administrative costs associated with CDA are anticipated to increase by 31.07 percent over a five year period (excluding FY 2007-08).

- Public Works administrative charges decreased by 75.13 percent over the six-year period reviewed in Table 5.

- A-87 charges increased over this six year period to a high of $135,685 in FY 2009-10 and are anticipated to decrease to $46,145 in FY 2012-13 with an overall net decrease of 44.08 percent. The significant reduction in Gold Country Stage service levels in 2008 and 20009 also had the negative impact of increasing charges associated with County Counsel and Human Resources.

Table 5: Nevada County Transit Services Department Administrative Inter-Department Charges
FY 2007-08 to FY 2012-13

Expense Category	FY 07-08 Actual	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Budget	FY 12-13 Budget	Total Change: Total Change(1)	Total Change: Annual Average
Community Development Agency Administration	$586	$67,263	$75,662	$53,585	$56,868	$88,160	31.07%	7.00%
Public Works Administration	$52,845	$55,542	$21,131	$19,957	$19,595	$13,144	-75.13%	-24.29%
A-87 Cost Allocation Plan	$82,522	$102,794	$135,685	$135,058	$86,797	$46,145	-44.08%	-10.98%
Total	**$135,953**	**$225,599**	**$232,478**	**$208,601**	**$163,260**	**$147,449**	**8.46%**	**1.64%**
Gold Country Stage VSH	**29,097**	**25,632**	**17,672**	**12,550**	**12,955**	**12,955**	**-55.48%**	**-14.94%**

Note 1: Change for CDA does not include FY 07-08.
Source: Nevada County Expenditure Status Reports, TSD.

During the same time period, Gold County Stage service levels or annual vehicle service hours (VSH) range from 29,097 in FY 2007-08 to an estimated 12,955 in FY 2012-13. This represents a 55.48 percent decrease compared to an 8.46 percent increase in total county overhead charges. A-87 charges and overhead charges from PW generally reflect trends in Gold Country Stage Service levels. CDA overhead charges are expected to increase significantly in FY 2012-13. It should be noted that the FY 2012-13 budget is preliminary and will likely change before adoption.

In recent years, TSD has been working with other Nevada County departments to streamline overhead charges. With the exception of the CDA charge in FY 2012-13, this review of recent administrative costs shows a positive trend in reducing these costs.

Gold Country Telecare Expenses

In addition to paratransit service for Nevada County, Gold Country Telecare provides other transportation services for seniors and disabled residents. Administrative costs are therefore shared between all services. Paratransit services for Nevada County account for the majority of the Gold Country Telecare budget.

2005 Western Nevada County Transit/Paratransit Governance Study

In 2005, Nelson Nygaard performed a similar analysis of governance alternatives for public transportation in Western Nevada County. The report recommended establishing a Joint Powers Authority for one primary reason: to create a more streamlined governance structure. It was determined that the Joint Powers Authority governance model would not result in significant cost savings.

The 2005 study also reviewed the issue of contracting with a private transportation company for the operation and management of public transit in Western Nevada County. It was determined that hiring a private contractor would increase administrative flexibility and efficiency but would not produce short-term operating costs savings.

Chapter 3
Transit Governance Model Overview

This chapter first presents an overview of potential governance alternatives. Throughout California, transit agencies operate under various forms of governance or institutional structure. There are three basic organizational models for the management of public transit:

- Municipal Agency (directly operated by a town, city, or county)
- Joint Powers Authority
- Special District

The following section reviews variations of the three organizational models as governance options for transit and paratransit services in Western Nevada County.

Municipal Agency – Status Quo

Under the municipal agency governance model, transit operations are managed by a department in one of the municipalities within the transit service area. Elected county or city officials make final decisions regarding the transit system and changes to the organizational structure. Depending on the needs of the transit system, the transit department or agency can depend on its governing city or county for all or part of administrative functions.

Advantages

- Municipal agency structure works particularly well for transit operations which encompass only one city or county, as opposed to most rural transit service areas where multiple jurisdictions are served.
- The primary advantage of this model is that an existing governmental entity is placed in charge of the transit system, so the time and cost of establishing and operating a separate entity are avoided.

Disadvantages

- One disadvantage is the institutional and management problems that arise when services are provided outside of the jurisdiction. Administrative issues tend to multiply when funding arrangements need to be constantly updated or modified for services outside of the municipal boundaries.
- Another disadvantage of the municipal agency governance structure is the potential for multiple layers of overhead. As demonstrated in the prior chapter, Western Nevada County administrative expenses include overhead charges from multiple Nevada County departments and these charges may not always reflect the exact cost incurred by the department.

Examples of existing municipal agencies include:

- Union City Transit provides services within Union City and connections to regional transit in the greater Bay Area. The Transit Director reports directly to the City Council.

- San Francisco Municipal Railway is a department of the City and County of San Francisco. Policy decisions are made by the County Board of Supervisors.

- Roseville Transit is operated by the Public Works Department of the City of Roseville. While there is a Transit Advisory board, policy decisions is the responsibility of the City Council.

- Folsom Transit is similarly an element of the Public Works Department of the City of Folsom.

- Placer County Transit services, stretching from Colfax to Sacramento and Lincoln, are operated by the Placer County Department of Public Works.

As described in Chapter 2, Western Nevada County public transit is currently provided as a municipal agency under Nevada County as stipulated in a joint powers agreement between Nevada County, Nevada City, and Grass Valley. The existing organizational structure for public transit in Western Nevada County functions with little to no conflict between all parties involved. Non-TSD County departments provide valuable services to the transit program. Although not all overhead charges directly correlate to transit service levels (Table 5), these charges appear to be calculated in a reasonable manner as possible. The status quo is still a viable alternative form of governance for Western Nevada County.

Joint Powers Authority

Joint Powers Authorities (JPA) is formed when two or more public agencies (city, county, etc.) enter into a joint powers agreement for the purpose of establishing a legally separate entity to oversee and provide a specific service (waste management, water quality improvement, regional transit services, etc.). It should be noted that not all joint powers agreements create joint powers authorities. Typically a joint powers agreement defines the authority, stipulates its powers, establishes a governing body, and states procedures for admission of new members and withdrawal of current members. A joint powers agreement does not create new powers, but rather creates the joint powers authority for the cooperative use of existing governmental powers. JPAs are government agencies and are therefore subject to the same government laws pertaining to public noticing and availability of information (Browns Act and Public Records Act). Regulations associated with JPAs are listed in Sections 6500 – 6536 of the California Government Code.

Transit authority powers may include the following:

- Make and enter into contracts
- Employ agents and employees
- Sue and be sued
- Incur debts, obligations, and liabilities, including the issuance of bonds
- Own or lease equipment or buildings
- Acquire property
- Apply for grants from public agencies and administer funds

The governing board usually consists of one or more representatives from each party involved in the joint powers agreement. Population, LTF expenditures on transit, or transit ridership can be used to determine the number of representatives that each party will have on the governing board. Elected officials can sit on the governing board, although it is not a requirement for members to be elected officials. In general, new policies must be approved by a majority vote. In addition to a “one member one vote” policy, the number of votes per governing board member can be weighted by population or the amount of funding contributed.

Several advantages exist for the joint powers authority model:

- A transit authority is an independent decision-making body focused on the service(s) it provides. This gives a transit system greater control over transit issues.
- A joint powers agreement specifies a required level of participation from each party involved therefore, each party would have a higher degree of commitment to the transit system.
- Another advantage is that JPAs are easy to establish. No special legislation is required and broad guidelines are established in the California Code giving the authority a great deal of flexibility. The only requirements are that two copies of a notice of agreement must be filed with the Secretary of State within 30 days of being signed by all parties.
- Another important advantage is that the participating public agencies are released of liability from actions made exclusively by the authority. It should be noted that if the agreement does not specifically create a separate entity then the participating parties remain responsible for debts, liabilities and obligations.
- There is the potential to streamline administrative overhead costs as the JPA will be performing or contracting for all key transit administrative functions.

Disadvantages

- Unlike special districts, joint powers authorities do not possess the legal ability to levy taxes or pass ordinances. This can be seen as a disadvantage if a transit system needs additional revenue sources; however, creating an organization with taxing authority could be politically unfavorable, thereby discouraging potential members from joining.
- Other disadvantages include the costs and time involved in setting up a new layer of government.

Creating a transit authority through a joint powers agreement is common among rural transit systems in California. Two examples are:

- El Dorado Transit Authority (EDCTA) - Organized through an agreement between El Dorado County and the City of Placerville, EDCTA's governing board consists of three county supervisors and two members appointed by the city council. EDCTA performs all administrative and operational functions for the transit system.
- Yuba/Sutter Transit Authority (YSTA) - YSTA was formed through an agreement between Yuba and Sutter Counties, and the Cities of Yuba City and Marysville. The governing board consists of two elected representatives appointed by each of the four parties. All transit operations are performed by a service contractor. Annual TDA funding provided by each participating jurisdiction is based upon a formula reflecting the service area population, fixed route service miles, and demand response boardings by jurisdiction.

Other JPA transit services in California include Merced County Transit, Monterey-Salinas Transit, the Mendocino Transit Authority, the Livermore/Amador Valley Transit Authority, the Redding Area Bus Authority, Humboldt Transit Authority and the Amador Regional Transit System. As evidenced by this list, a JPA is a common institutional form for California transit programs.

The joint powers agreement in western Nevada County that forms the TSC provides some of the benefits of a JPA model. Specifically, it provides a separate forum for transit decisionmaking that increases the attention played to transit issues. It also provides the two cities with a greater degree of participation in transit matters than would be available if all transit decisionmaking was simply the responsibility of the County Board of Supervisors.

Special District

A transit district has more power than a joint powers authority, but it is substantially more complicated to form. According to the California Government Code, a special district is "*any agency of the State for the local performance of governmental or proprietary functions within limited boundaries*." A transit district is a form of special district and can be formed by submitting a petition or resolution to the county's Local Agency Formation Commission (LAFCO) or through the legislative actions of a State Senator or Assembly Representative. Because the formation of a special district requires State Legislature approval, the process is much lengthier. The district's enabling legislation designates the territory, internal organization, labor provisions, retirement system, powers and functions, annexation, exclusion, and dissolution of the district.

Two primary differences exist between a transit district and a joint powers authority. First, transit district policymakers must be directly elected and therefore can be considered to be more accountable to the voters. Governing board members can be elected solely for the transit district or may concurrently serve on the board of another governmental agency. Secondly, transit districts have similar powers to local governments, including the ability to levy new taxes with a two-thirds majority vote and charge fees and assessments for the services they provide, so long as those paying the fees are directly benefited by the services. Similar to a joint powers authority, transit districts can issue bonds to pay for service expansion or other capital improvements.

Most existing transit districts in California are located in large urban areas with extensive commuter services. Examples include the Alameda Contra Costa Transit District, the Sacramento Rapid Transit District, and the Southern California Rapid Transit District. Other transit districts encompass smaller areas such as the Yolo County Transit District and the Golden Empire Transit District (City of Bakersfield and Kern County). However, Yolo County has not yet taken advantage of the districts taxing authority (and therefore essentially functions as a JPA).

Summary

The same administrative efficiencies and autonomy can be achieved through a JPA as a transit district. Given the status of the California economy, it is unlikely that Western Nevada County would be able to take advantage of the taxing authority benefit of a transit district. Overall, the JPA governance model has the greatest advantages for Western Nevada County including a high potential to reduce administrative costs. A detailed financial analysis of start up and operating costs of a JPA in western Nevada County is presented in Chapter 5 to determine the cost-effectiveness of a JPA versus the status quo.

Chapter 4
Peer Review of Similar Transit Programs

As a basis by which to evaluate the governance alternatives for Western Nevada County public transit services, a peer review was conducted. This evaluation focuses on costs associated with key transit administrative functions, particularly those which vary depending on the governance structure. Several peer transit agencies in Northern California which operate under either the municipal agency or JPA governance models were reviewed. In addition to administrative costs, other data such as operating characteristics, population density and the amount of TDA-LTF sales tax available to each agency was obtained to allow a more accurate comparison between the transit agencies. The peer agencies contacted as part of this review were also asked to provide input about their chosen governance model and the pros and cons of contracting with a private transportation company for transit service.

Results of the peer review are presented in Table 6 and 7 and discussed below. Table 6 presents background data for each transit agency while Table 7 compares the costs of the key transit administrative functions with that of Western Nevada County public transit services. As it is difficult to quantify some of the administrative functions, the data in Table 7 represent general ballpark estimates. Figures presented in Table 6 also do not represent all administrative costs for each transit agency.

Mendocino Transit Authority

The Mendocino Transit Authority (MTA) began operating public transit services in April 1976. The MTA was established under a Joint Powers Agency (JPA) agreement between the four incorporated cities of Fort Bragg, Point Arena, Willits, Ukiah, and the County of Mendocino. The JPA was last updated in July 1993. The agreement provides MTA with the authority to enter into contracts, incur debts, apply for TDA funds, establish fares, set routes and schedules, purchase vehicles and equipment and conduct all other duties related to the provision of public transit in Mendocino County. Per the agreement, the County Treasurer is designated as the depository for MTA and has custody of all MTA funds. MTA pays Mendocino County roughly $46,000 per year for this service.

The MTA General Manager reports to the seven-member MTA Board of Directors comprised of three appointees from the Board of Supervisors and one each from the four cities. The MTA Board of Directors meets approximately ten times annually to review issues and consider service goals, objectives, standards and policies, new service or service reductions, contract services or service agreements, appointments and staffing levels, annual capital and operating budgets, and planning documents. Although the Mendocino Council of Governments (MCOG) includes representatives from the same entities, the MTA and MCOG boards share only one member.

Mendocino County encompasses slightly over 3,500 square miles, although MTA’s service area encompasses about 2,800 square miles. According to the US Census Bureau 2010, Mendocino County has a population density of 25.1 persons per square mile, which is substantially lower than Western Nevada County’s population density of 85.1 persons per square mile.

Table 6: Peer Comparison
FY 2010-11 Background Data

	WNC	Joint Powers Authority: EDCTA	ESTA	Mendocino	Modoc	YSTA[2]	*Average*	Municipal Operation: Placer	Lassen[3]	Truckee	Calaveras	*Average*	Total Peer Average	*Contracted Services Average*	*Non-Contracted Services Average*
Types of Services Provided							--					--	--	--	--
Fixed Route	☑	☑	☑	☑	☑	☑		☑	☑	☑	☐				
Deviated Fixed Route	☐	☑	☐	☐	☐	☐		☐	☐	☐	☑				
Dial-A-Ride	☑	☑	☑	☑	☑	☑		☑	☑	☑	☐				
Commuter	☐	☑	☐	☐	☐	☑		☑	☐	☐	☐				
Intercity	☐	☐	☑	☐	☑	☐		☐	☐	☐	☐				
Private Contractor	N	N	N	N	Y[1]	Y	--	N	Y	Y	Y	--		*Y*	*N*
Total Population	77,868	141,687	32,748	87,828	9,605	167,125	*86,143*	332,726	34,895	16,180	45,885	101,511	**94,655**	*54,738*	*134,571*
Population Density (Persons per Sq. Mi.)	85.1	91.35	3.25	25.1	2.5	135.5	*57.1*	247.6	7.7	500.6	44.7	177.14	**114.3**	*138.1998865*	*90.48039759*
LTF Allocation for Public Transit Services	$1,265,469	$2,869,941	$1,178,844	$1,980,000	$123,380	$2,196,234	*$1,602,311*	$2,110,000	$1,419,124	$338,688	$333,143	$1,093,285	**$1,381,482**	*$882,114*	*$1,880,851*
Operating Costs	$2,321,283	$5,073,278	$2,945,553	$3,454,188	$314,869	$5,326,033	*$3,239,201*	$5,114,903	$812,928	$722,301	$836,377	$1,961,558	**$2,692,171**	*$1,602,502*	*$3,781,841*
Vehicle Service Hours (VSH)	28,750	44,440	44,150	42,288	3,959	86,758	*41,724*	49,538	11,370	6,819	8,730	21,041	**32,680**	*23,527*	*41,833*
Vehicle Service Miles (VSM)	470,582	1,023,239	819,400	687,076	11,205	NA	*602,300*	1,028,160	219,944	85,028	260,743	412,891	**511,709**	*144,230*	*805,691*
One-way Passenger Trips	188,775	412,381	467,230	380,273	9,216	1,060,864	*419,790*	445,125	81,869	22,703	60,100	159,714	**312,854**	*246,950*	*378,757*
Operating Costs Per VSH	$80.74	$114.16	$66.72	$81.68	$79.53	$61.39	*$80.70*	$103.25	$71.50	$105.93	$95.81	$91.44	**$86.07**	*$82.83*	*$89.31*
Passenger-Trips per VSH	6.57	9.28	10.58	8.99	2.33	12.23	*8.33*	8.99	7.20	3.33	6.88	6.59	**7.64**	*6.39*	*8.88*
Farebox Ratio	11.7%	28.4%	12.9%	16.1%	19.0%	22.9%	*18.5%*	14.9%	23.0%	NA	7.2%	14.2%	**17.3%**	*18.0%*	*16.8%*
Ridership per Capita	2.4	2.9	14.3	4.3	1.0	6.3	*5.2*	1.3	2.3	1.4	1.3	1.8	**3.8**	*2.5*	*5.1*

Note 1: Modoc only contracts for drivers, insurance and technical expertise.
Note 2: FY 2009-10.
Note 3: FY 2008-09.

Table 7: Peer Comparison

FY 2010-11 Key Transit Administrative Functions

		Joint Powers Authority				Municipal Operation				Total Peer
	WNC	EDCTA	ESTA	Mendocino	*Average*	Placer	Truckee	Calaveras	*Average*	**Average**
Payroll	$ 20,000	$ 37,190	$ 38,750	$ 14,450	*$ 30,100*	$ 38,100	NA	NA	*$ 38,100*	**$ 32,123**
Total Human Resources	$ 34,300	*$ 30,020*	*$ 57,850*	*$ 6,900*	*$ 39,400*	*$ 164,600*	NA	NA	*$ 164,600*	**$ 64,843**
Fringe Benefit Administration	*$ 13,700*	*$ 16,690*	*$ 24,350*	*$ 6,900*	*$ 16,000*	*$ 136,700*	NA	NA	*$ 136,700*	**$ 46,160**
Other Human Resources/Recruitment	*$ 20,600*	*$ 13,330*	*$ 33,500*	*NA*	*$ 23,400*	$ 27,900	NA	NA	*$ 27,900*	**$ 24,910**
Legal Services	$ 4,600	$ 16,740	$ 18,750	$ 1,500	*$ 12,300*	$ 300	NA	NA	*$ 300*	**$ 9,323**
Training	$ 9,900	$ 14,801	$ 21,300	$ 18,880	*$ 18,300*	$ 17,900	NA	NA	*$ 17,900*	**$ 18,220**
Accounting	$ 113,600	$ 43,410	$ 55,400	$ 80,500	*$ 59,800*	$ 88,400	NA	NA	*$ 88,400*	**$ 66,928**
Purchasing	$ 9,900	$ 19,130	$ 51,900	NA	*$ 35,500*	$ 38,100	NA	$ 4,000	*$ 21,050*	**$ 28,283**
Audits	$ 14,300	$ 11,220	$ 22,150	MCOG	*$ 16,700*	$ 74,700	$ 800	NA	*$ 37,750*	**$ 27,218**
Risk Management/Claims	$ 1,300	$ 21,840	$ 6,750	$ 3,100	*$ 10,600*	$ 24,400	NA	NA	*$ 24,400*	**$ 14,023**
Information Technology/Computer Support	$ 19,300	$ 30,000	$ 23,250	$ 7,350	*$ 20,200*	$ 61,700	NA	NA	*$ 61,700*	**$ 30,575**
Grants Administration	$ 7,400	$ 16,220	$ 67,300	$ 9,700	*$ 31,100*	$ 142,900	$10,000	$ 22,000	*$ 58,300*	**$ 44,687**
Total Key Transit Administrative Functions(1)	**$ 234,600**	**$ 240,571**	**$ 363,400**	**NA**	***$ 301,986***	**$ 651,100**	**NA**	**NA**	***$ 651,100***	**$ 372,418**
Total Cost Key Functions per VSH	**$8.16**	**$5.41**	**$8.23**	**--**	***$6.82***	**$13.14**	**--**	**--**	***$13.14***	**$8.74**
Operating Contract Management	--	--	--	--		$ 70,700	$ 5,000	$ 46,300	--	$ 40,667

Note 1: Agencies with limited data not included in total.

Source: Peer transit agencies.

The MTA provides local fixed-route, DAR, and flex route services, as well as long distance and commute oriented programs. MTA operates several different fixed-routes connecting the Mendocino coast, as well as inland valleys, towns, and communities to Ukiah (the Mendocino County seat). A feature of the MTA service plan includes connections between most Mendocino County population centers with the City of Santa Rosa in Sonoma County. That permits passengers to transfer to other services reaching further south into the San Francisco Bay Area and beyond. The MTA also contracts with six senior centers in the county to provide transportation services focused on the unique travel needs of area senior citizens. Those services are not included in the peer evaluation. All MTA services are operated in-house.

Background Data

Just under $2 million in TDA-LTF funds is available annually for MTA services. An additional $367,000 in LTF funds are used to finance the senior services (not included in Table 6). Operating costs of MTA fixed route and DAR services is roughly $3.45 million, greater than the cost of Western Nevada County services. Service levels are also higher at 42,288 VSH and 687,076 vehicle service miles (VSM). MTA ridership is double that of Western Nevada County at 380,273.

MTA systemwide total operating costs per VSH are slightly higher than WNC at $81.68 as is productivity (8.9 passenger-trips per hour) and farebox ratio (16.1 percent). MTA's higher ridership is likely positively affected by the commuter type services offered to larger urban areas. In Fiscal Year 2010-11, MTA ridership per capita was 4.3 passenger-trips per person.

Key Administrative Functions

As MTA operates as a separate entity, the majority of administrative functions are performed by MTA staff. Cost estimates are generally based on the amount of time spent on each function by a MTA staff member.

- Payroll ($14,450) – This function is primarily performed by the MTA Finance Personnel Manager and her assistants who spend roughly three days every other week on payroll. MTA contracts with Paychex for the actual processing of payroll at a cost of $9,140 per year.

- Fringe Benefit Administration ($6,900) – Assuming no change in health care or other benefit plans for MTA, the Finance Personnel Manager spends roughly 1 day every other week on this function.

- Legal Services ($1,500) – MTA contracts with the Mendocino County Counsel for most legal services. The contract rate is $115 per hour and MTA sets aside roughly $1,500 per year in the budget for this function. Occasionally, MTA will contract with a separate lawyer who may have specific experience with labor laws or other related issues.

- Human Resources/Recruitment (NA) – MTA staff was unable to quantify this function as the amount of time spent on HR related duties varies significantly from year to year. As no new employees were hired in FY 2010-11, HR costs were below average for this year.

- Training ($18,880) – The Road Supervisor spends roughly one-third of his time training the drivers.

- Accounting ($80,500) – The Finance Personnel Manager spends roughly half of her time on this function. Additionally the $46,000 charge from the county for acting as a depository is included in this category.

- Purchasing (NA) – This administrative function is not centralized within MTA. The General Manager is in charge of purchasing new vehicles, the Maintenance Manager is in charge of purchasing maintenance related equipment and all staff is responsible for purchasing necessary office supplies as there is no longer an administrative secretary.

- Audits (NA) – Fiscal and performance audits are conducted and funded by the RTPA, MCOG.

- Risk Management/Claims ($4,000) – MTA is one of the founding members of the CalTIP insurance pool. The General Manager currently spends roughly six days per year at CalTIP meetings and one day per month on insurance related duties.

- Information Technology/Computer Support ($7,350) – The Transportation Manager takes care of minor technical issues and an outside contractor is brought in for larger problems. MTA replaces their computers roughly every four years.

- Grant Administration ($9,710) – Grant Administration is performed by the General Manager, Finance Personnel Manager and the Transportation Manager.

Public transportation has been provided in Mendocino County by a JPA for over 30 years. The MTA General Manager feels that this form of governance works very well for public transit operations as all government entities involved have representation in how the system is run.

El Dorado County Transit Authority

Modern public transit services have been provided in Western El Dorado County since the late 1970s. Service was limited to the elderly and disabled residents of greater Placerville until 1980, when it was opened to the general public. In recent years, a well-established public transit system has developed, serving both the Placerville area and regionally. The creation of the El Dorado County Transit Authority (EDCTA) in 1993 has proven to be an important milestone in the provision of an effective and well-accepted public transit system.

Western El Dorado County transit services are provided through a joint powers agreement between the County of El Dorado and the City of Placerville. The EDCTA is governed by a five-member board of directors, with three members appointed by the County Board of Supervisors and two members appointed by the Placerville City Council. Additionally, a Transit Advisory Committee (TAC), made up of ten members representing transit disadvantaged groups, human service providers, and non-profit organizations, is responsible for reviewing the operation of the transit system, monitoring levels of service based on budgets, and providing advice to the Executive Director. Funds for El Dorado Transit are allocated by the El Dorado County Transportation Commission (EDCTC), which consists of voting members from El Dorado County and the City of Placerville, and advisory members from Caltrans and the City of South Lake Tahoe.

EDCTA operates a wide range of services including local deviated fixed-routes, demand response, intercity commuter service to downtown Sacramento, and contracted social service transportation.

<u>Background Data</u>

The population of Western El Dorado County (excluding the Lake Tahoe Basin) is 141,687. At 91 persons per square mile, population density is very similar to that of Western Nevada County. LTF funds available for transit totaled over $2.8 million in FY 2010-11. The cost of operating 44,440 VSH and 819,400 VSM of service in FY 2010-11 was $5,073,278. Ridership was 412,381 one-way passenger-trips.

El Dorado Transit's operating cost per hour ($114.16) is higher than the other peers; however farebox ratio is also quite high at 28.4 percent. Systemwide productivity is close to the peer average at 9.28 passengers per hour. Ridership per capita is slightly greater than Western Nevada County at 2.9 trips per person.

Key Administrative Functions

With the exception of legal services, information technology and audits, EDCTA staff perform most key administrative functions. All cost estimates presented below represent EDCTA staff time unless otherwise noted. In addition to these costs, EDCTA contracts with transit planning consultants and HR consultants for various services.

- Payroll ($37,190)
- Fringe Benefit Administration ($16,690)
- Legal Services ($16,740) - Contract
- Human Resources/Recruitment ($13,330)
- Training ($14,800)
- Accounting ($43,410) – In addition to EDCTA staff time, a CPA firm is contracted for $15,000 annually to complete bank account reconciliations and prepare financial statements.
- Purchasing ($19,130)
- Audits ($11,220) – RTPA funds fiscal and performance audits for an approximate cost of $25,000.
- Risk Management/Claims ($21,840) – This figure accounts for staff time only not annual insurance premiums.
- Information Technology/Computer Support ($30,000) - Contract
- Grants Administration ($16,220)

The EDCTA Executive Director and El Dorado County legal counsel provided input on the benefits of operating public transit as a joint powers authority. Under the JPA governance model, there are only two levels of authority. Therefore it is much easier to make timely adjustments in transit service in response to sudden changes in revenues/expenses or potential ridership demand. The fewer layers of approval also make it easier for a JPA to change vendors. EDCTA has a good relationship with several private non-profit social service agencies in the area and provides transportation for many of their clients. The fact that EDCTA is not a county department is viewed positively by the non-profit agencies. There is not the perception that the public transit system is competing with non-profits for the transportation of social service clients.

Eastern Sierra Transit Authority

The Eastern Sierra Transit Authority (ESTA) was established in November of 2006 as a JPA between the Counties of Inyo and Mono, the City of Bishop, and the Town of Mammoth Lakes. ESTA is a new public transit agency created to meet the growing need for public transportation in and for the four member jurisdictions and throughout the entire Eastern Sierra region. The ESTA Board of Directors is made up of eight members, two from each of the member jurisdictions, appointed from their respective governing bodies. The Inyo County Auditor-Controller is designated as the Treasurer and Auditor Controller of ESTA. The ESTA Executive Director is responsible for arranging other administrative functions such as legal services, general services, office space, parking, utilities, communications, clerk of the board, payroll, and other support services. ESTA has the authority to perform all duties necessary to operate public transit, including incurring debt, legal functions, contracting and employing personnel. Each participating jurisdiction designates ESTA to be its nonexclusive agent for the purpose of applying for and receiving TDA funds for public transit. TDA funds have not been used streets and roads purposes for the last eight years.

ESTA began operating transit services on July 1 of 2007, assuming control of all the services, staff and capital formerly known as Inyo Mono Transit (a division of Inyo County government). ESTA operates a variety of public transit services in Inyo and Mono Counties including deviated fixed routes, local in-town dial-a-ride services, and multiple town-to-town services. ESTA also operates two intercity routes along US 395. The northbound CREST service travels from Lone Pine to the Reno-Tahoe International Airport, Reno Greyhound Station, and Reno Amtrak Station. The southbound CREST service travels from Mammoth Lakes to the MetroLink and Greyhound stations in Lancaster. Similar to Sage Stage (discussed below), ESTA travels long distances with low frequency in an effort to connect residents to commercial, intercity and medical services in urban areas.

According to ESTA staff, the governing board composition works well for the transit system. To date there has been no conflicts between the four represented entities and all members support the public transit system in the region. Powers of the JPA and roles and responsibilities of the Executive Director are clearly outlined in the joint powers agreement. ESTA staff indicated that having the foresight to address potential issues with the formation of a JPA early on in the process was important to the success of the JPA. It was also important to have a champion during the formation process to keep the project moving forward. ESTA became operational roughly one and half years after the JPA process commenced.

<u>Background Data</u>

Inyo and Mono counties are very rural. The combined population of the two counties is less than half of that of western Nevada County, and population density of the region is only 3.5 persons per square mile. Of the peer agencies reviewed, only Modoc County is more sparsely populated. Operating costs and LTF funds available to transit are similar to amounts available in Western Nevada County ($2.9 million and $1.8 million respectively). VSH (44,150) and VSM (819,400) are 50 to 70 percent greater than western Nevada County due to the long distances traveled by the CREST routes. Ridership is also over double that of Gold Country Stage and Gold Country Telecare.

ESTA has a relatively low operating cost per hour ($66.72) as compared to the peers. Productivity is 10.58 one-way passenger trips per hour and farebox ratio is 12.9 percent. Ridership per capita is 14.3 trips per person. The CREST route ridership is augmented by visitors skiing, hiking and traveling through Yosemite and the Eastern Sierras.

Administrative Functions

The majority of administrative functions are performed by ESTA staff with a few services contracted out. Cost estimates are generally based on the amount of time spent on each function by a staff member.

- Payroll ($38,750) – ESTA hires ADP at a cost of $9,000 per year for payroll services. Additionally, the Executive Director, Administrative Assistant and Operations Supervisor spend time on this function for a total of roughly 0.35 Full Time Equivalent (FTE) employee hours.

- Fringe Benefit Administration ($24,350) – This function falls under the realm of the Executive Director, Transit Analyst and Administrative Assistant for a total of 0.25 FTE.

- Legal Services ($18,750) – ESTA contracts with Mono County Legal Council for legal services at a rate of $12,000 per year (retainer). The Executive Director spends a small amount of time (0.05 FTE) on this function.

- Training ($21,300) – Training is conducted by the Executive Director and Operations Supervisor (0.20 FTE).

- Cost Accounting ($55,400) – ESTA contracts with Inyo County for accounting, purchasing and audit services at a cost of $33,000 per year for all three functions. Additionally, the Executive Director and Administrative Assistant perform accounting duties (total 0.40 FTE).

- Purchasing ($51,900) – In addition to Inyo County time, the Transit Analyst, Administrative Assistant and Executive Director spend time on this function (0.40 FTE).

- Audits ($38,150) – A portion of this cost stems from the Inyo County auditor. Another $16,000 accounts for the cost of outside fiscal auditors and 0.15 FTE of Executive Director, Transit Analyst, and Administrative Assistant time was allocated to audit preparation.

- Risk Management/Claims ($6,750) – This function is under the job description of the Executive Director (0.05 FTE).

- Information Technology/Computer Support ($23,250) – This function is performed internally by all administrative staff for a total of 0.25 FTE.

- Grants Administration ($67,300) – This is primarily the duty of the Transit Analyst with assistance from the Executive Director and Administrative Assistant for a total of 0.65 FTE.

- Other – Board Support ($21,100) – The Executive Director and Administrative Assistance spend a total of 0.20 FTE assisting the governing board with administrative functions.

Modoc Transportation Agency

The Modoc Transportation Agency (MTA) was established through a Joint Powers agreement between the County of Modoc, and the City of Alturas in 1997. MTA operates the sole public transit service in the region, named the Sage Stage. Sage Stage is operated through a contract with MV Transportation, Inc. (MVT) whereby MVT employs the drivers and provides insurance and technical expertise. MTA staff is composed of the Executive Director, Systems Manager, Transit Manager, and Mobility Specialist. MTA staff members are considered contract employees through the County of Modoc.

Background Data

Sage Stage operates three intercity deviated fixed-routes which provide a vital link to medical services, commercial services, and other regional transportation providers for Modoc County residents. The intercity routes travel long distances from Alturas as far as Reno Nevada, Klamath Falls Oregon and Redding California. A DAR service is also available in and around Alturas five days a week.

As shown in Table 6, Sage Stage operating cost per VSH is similar to WNC at $79.53. Farebox ratio is high at 19.0 percent, due to a relatively high fare for the intercity routes. Passengers per VSH (2.33) is low in comparison to other agencies as a result of the long-distances traveled on the inter-city routes. Reflecting that Modoc County is a very sparsely populated county, ridership per capita is 1.0.

Administrative Functions

The majority of the key administrative functions are performed internally. In addition to the MTA duties, MTA staff performs duties for the Modoc County Transportation Commission (MCTC), the RTPA for the region. As costs associated with legal services, accounting, purchasing, audits, risk management, information technology, grants administration and contract management are split between MTA and MCTC, they are difficult to quantify. Staff estimates that total time spent by all staff members on all administrative functions is split between roughly 67 percent for MCTC and 33 percent MTA. This partnership is essential to maintain both agencies and limit expenses in a very rural county. Human resources and training fall under the responsibilities of the operations contract.

Private Contractor

MTA has developed a unique method of contracting out for transit service. The transit contractor is responsible for labor, insurance and technical expertise of the Sage Stage transit system while MTA retains control of everyday service decisions and general management. This system of contracting for service works well for Sage Stage and staff finds that having the option to ask transit experts for advice beneficial. MTA does not feel that contracting for service has decreased customer service. The current operating contract does not include fuel or vehicle maintenance.

Yuba Sutter Transit Authority

Transit service and institutional structure in Yuba and Sutter Counties has evolved since its beginning in the 1970's. Although the original JPA was formed in 1975 by the counties of Yuba and Sutter and the cities of Marysville and Yuba City, the current Yuba Sutter Transit Authority (YSTA) was not established until 1993. In the meantime, Yuba City withdrew and then rejoined the JPA. Over the years, transit services have been shaped by lawsuits and have varied from simple demand response service to fixed route to commuter service. From the start, YSTA operations were contracted to a private transportation provider.

YSTA's service area is more urban than Western Nevada County and as such service levels are much higher with roughly 87,000 VSH and 1.06 million one-way passenger trips. The bulk of YSTA's high farebox ratio of 24 percent is due to the Sacramento commuter routes from Marysville and Yuba City. In addition to local fixed route and DAR service in the Yuba City/Marysville area, YSTA offers limited route deviation to the cities of Wheatland and Live Oaks. As these cities are not part of the JPA, they are charged for the actual cost of transit service, on a per vehicle-hour basis.

YSTA is governed by a board of directors composed of two elected representatives from each of the four member entities. Each entity has two votes on the board and therefore an affirmative vote of five members is required. In other words, three jurisdictions must agree. Annual TDA funding provided by each participating jurisdiction is based upon a formula reflecting the service area population, fixed route service miles, demand response boardings by jurisdiction and amount of LTF available. The funding formula has not been an issue for YSTA in recent years. Of the four member agencies, only the smallest entity, Marysville, does not allocate a portion of TDA funds towards streets and roads purposes.

Since January 1994, YSTA has operated with a three person staff consisting of a transit manager, administrative analyst, and administrative assistant. Since March 1988, YSTA staff has also served as administrative staff for the Regional Waste Management Authority. Approximately three-quarters of the available staff time are budgeted for transit responsibilities. This shared staffing relationship allows for reduced administrative costs for both agencies and was initially started when transit and waste management budget levels were much lower. As the three administrative staff for the two agencies are long-term employees, the arrangement still works well. When staff retires, it may be necessary to split the two agencies.

YSTA staff is an advocate of contracting for public transit. The contractor operates out of the same facility as YSTA staff which provides the Transit Manager with good oversight of the contractor. YSTA staff feels that customer service has not been negatively affected. The fact that the YSTA website displays the Transit Manager's contact information for questions likely plays a role in maintaining good customer service. Although there have been issues along the way, YSTA staff feel that contracting is beneficial to the region and provides the most cost effective way to provide public transit. YSTA stressed the importance of basing the decision to hire a particular contractor on more than the lowest bid. YSTA staff also feels it is important to include vehicle maintenance in the contract, if the alternative is to contract with a municipality for maintenance. This ensures that transit vehicle maintenance is top priority, and avoids conflicts between the operator and the maintenance staffs.

As for administrative functions, YSTA currently contracts with an information technology firm on an on-call basis and with an accounting firm to double check bookkeeping on a quarterly basis. In the past, YSTA contracted with the City of Marysville for financial services but found this to be more expensive. The Transit Manager is considering contracting for grants management duties in the future.

Calaveras Transit

The Calaveras County Association of Governments (CCOG), doing business as Calaveras Transit, began operating public transit services in October 1999, with services provided by contract with Laidlaw Transit Services. Previously, limited transit was provided by the Human Resources Council doing business as Calaveras Stagecoach. However, effective August 30, 2004, the County of Calaveras assumed oversight, monitoring, and management of the Calaveras Transit program. Currently, Calaveras Transit is operated under the County Public Works Department through a contract with Paratransit Services, Inc.

The County's Transit Manager had primary oversight of grants management duties, service planning, and public information, while day-to-day operations and maintenance management is provided by the contractor's local manager. The County Board of Supervisors must approve substantial changes in the budget and/or spending, while the CCOG, as the RTPA, must approve revenue allocations.

As with other rural transit agencies, Calaveras Transit is faced with the issue of how to serve a geographically dispersed population with a limited amount of TDA funds. Calaveras Transit has also undergone significant service reductions in recent years. Currently, Calaveras Transit operates four deviated fixed routes serving the major Calaveras County communities as well as two inter-county connections to transit services in Tuolumne County and Amador County.

Background Data

Compared to Western Nevada County, Calaveras County is less densely populated at just fewer than 45 persons per square mile. Calaveras County has significantly less LTF available for transit services ($333,143). In FY 2010-11, Calaveras Transit applied FTA 5311 American Reinvestment Recovery Act (ARRA) funds toward the preventative maintenance portion of the operating contract, resulting in a lower LTF claim. Calaveras Transit service levels are significantly lower than Gold Country Stage and Gold Country Telecare, with 8,730 VSH and 260,743 VSM per year. Calaveras Transit carried 60,100 one-way passenger trips in FY 2010-11 at an annual operating cost of $836,377. Operating costs per VSH are 18 percent higher than Western Nevada County transit services ($95.81). In FY 2010-11 Calaveras Transit did not make the TDA mandated 7.2 percent farebox ratio. Calaveras Transit ridership per capita was 1.3 trips per person.

Administrative Functions

Calaveras Transit administrative functions are provided by a mixture of the transit contractor, the County Transit Manager, and other elements of the County structure. Cost estimates are available for functions primarily provided by the County Transit Manager.

- Purchasing ($4,000)

- Grants Administration ($22,000)

- Other – Calaveras Transit staff noted that $2,251 in County A-87 cost is charged for county services such as County Auditor and Technology Services. Another $24,000 in costs can be attributed to administrative charges from the County Public Works Department. As a point of comparison, administrative charges from the Nevada County CDA and Public Works Department total $72,000.

Private Contractor

Calaveras Transit recently entered into a new contract with Paratransit Services, Inc. after the expiration of the contract with MV Transportation. While vehicle maintenance is included in the contract, fuel costs are not. Total operating contract cost per VSH for FY 2010-11 is $67.85.

Placer County Transit

Placer County Transit (PCT) services initially began in 1974 and currently is operated by Placer County Department of Public Works (DPW). Placer County DPW also operates the Tahoe Area Regional Transit program around the Tahoe Basin. PCT operates fixed routes serving the communities of Auburn, Lincoln, Colfax and Rocklin as well as inter-regional destinations. The Placer Commuter Express carries Placer County residents to work in downtown Sacramento. PCT also operates demand response transit service that is available to the general public and persons with disabilities. Service is provided in Loomis, Rocklin, Granite Bay and within three-quarters of a mile from the Highway 49 corridor, which includes the Penryn and Newcastle areas. Finally, a portion of LTF funds are used to fund a vanpool program.

Placer County DPW contracts with PRIDE Industries to operate the DAR services and Taylor Road Shuttle and with Amador Stage lines to operate all but one of the daily Placer Commuter Express bus runs to Sacramento. Placer County also contracts with VPSI for vanpool services. The Transit Public Works Manager is responsible for transit program oversight and reports directly to the Public Works Director. Other transit related staff includes the Senior Transportation System Supervisor and the Staff Service Analyst. Drivers and dispatch staff are under the direction of the Senior Transportation System Supervisor. The Placer County Board of Supervisors acts as the governing board for PCT, while funds for PCT are allocated by Placer County Transportation Planning Agency (PCTPA) as the designated RTPA for Placer County (excluding the Tahoe Basin).

Background Data

The data in Table 6 represents all public transit services operated by the County of Placer Public Works Department. Separate services operated by the City of Auburn, City of Lincoln and the City of Roseville are not included. The population of Western Placer County (excluding the Tahoe Basin) is the greatest of these reviewed as part of the peer analysis, with 332,726 persons. Over $2.1 million in LTF funds is available for PCT programs annually, while the total cost of operating PCT services is over $5.1 million per year. Service levels for PCT are at least 70 percent greater than those of Western Nevada County services at 49,583 VSH and 1,028,160 VSM. PCT reported 445,125 one-way passenger trips in FY 2010-11.

Administrative Functions

PCT administrative costs include time associated with transit administrative staff, DPW staff, A-87 charges and other county department staff. PCT transit administrative staff time is split between PCT and TART operations. Figures below represent the estimated time spent on PCT functions.

- Payroll ($38,100) – A-87 payroll charges stem from the CEO, Auditor-Controller and Treasurer. One and a half percent of PCT administrative salary and benefit costs were allocated to this function while 11 percent of the DPW admin charge can be attributed to the processing of payroll.

- Fringe Benefit Administration ($136,700) – A-87 charges and 6 percent of the DPW overhead are included in this function.

- Other Human Resources/Recruitment ($27,900) – Part of this function is the A-87 Personnel Department charges, DPW (6 percent of total charge) and transit administrative staff (1.5 percent of total wages and benefits).

- Legal Services ($300) – In comparison to other peer agencies, the Placer County Counsel A-87 charge is quite low. The legal services charge is a three year rolling charge based on estimates from previous year costs. It is possible that the transit program was overcharged for legal services in prior years and the charge FY 2010-11 reflects an adjustment.

- Cost Accounting ($88,400) – Similar to TSD, costs for this function include half of the A-87 charge from the Auditor office, DPW (17 percent of total charge), and transit administrative staff (10 percent of total wage and benefit costs).

- Purchasing ($38,100) – Included in this category is half of the A-87 Administrative Services charge, 11 percent of total DPW charge and 5 percent of transit administrative staff costs.

- Audits ($74,700) – This cost category consists of an estimated 20 percent of the A-87 Auditor charge, 22 percent of total DPW costs, and 10 percent of transit administrative staff charges.

- Risk Management/Claims ($24,400) – This represents an administrative charge from the County Insurance Department for costs associated with general liability insurance (such as attendance at CalTIP meetings), but does not include premiums for transit vehicles.

- Information Technology/Computer Support ($61,700) – Half of the A-87 Administrative Services charge is accounted for in this category along with 11 percent of total DPW charges. The County also charges $18,800 as a data access charge for use and support of the County network. This figure also includes an administrative charge from the county Communications – Radio department for support of telephone and radio services. This does not include the telephone bill.

- Grants Administration ($142,900) – Only DPW (16 percent of total cost) and transit administrative staff time (35 percent of total wage and benefit costs) are allocated to this function.

- Operating Contract Management ($70,700) – Transit administrative staff time of 20 percent is allocated to the management of the contracts with Amador, Pride, and VPSI for their services.

- Other transit fixed costs, administration and coordination with other jurisdictions ($98,400) – This section includes the remainder of A-87 charges including building and facility charges and CEO office allocation as well as the remaining 15 percent of transit administrative wage and benefit costs.

As a municipal operator who does not contract for the bulk of public transit services, PCT overhead allocation process is the most similar to that of TSD. Comparing administrative costs between the two agencies shown in Table 8 indicates the following:

- PCT operates 72 percent more VSH than Western Nevada County

- Total administrative and overhead costs are 67 percent greater than Western Nevada County transit services

- A-87 charges represent 20.5 percent of total PCT administrative costs. This is similar to Western Nevada County where 27.5 percent of total administrative costs are A-87 charges. Specifically, the A-87 charge for the CEO office in Placer County was $31,150, which is very comparable to the A-87 charge in Nevada County ($33,402).

- Total administrative costs per VSH are greater for Western Nevada County ($17.07) than PCT ($16.56). This can be partially attributed to Nevada County's higher transit administrative salary and benefit costs per VSH. In comparison, PCT benefits from cost sharing of transit administrative staff with TART services.

Truckee Transit

Public transit service has been provided in Truckee since December 1991 with Truckee serving as the hub of transportation service. Initially, public transit service was provided to ski areas on the SR 89 corridor between Truckee and Tahoe City on a limited schedule. Prior to 1993, High Sierra Senior Services in conjunction with Tahoe Forest Hospital operated a deviated fixed-route service for seniors and disabled residents. The Town of Truckee began operating transit services after its incorporation in March 1993, at which time it began contraction with a private firm for transit management, supervision, and operations.

Table 8: Comparison of Placer County Transit and Western Nevada County Transit Administrative Charges

FY 2010-11

	Placer County Transit			Western Nevada County		
		Annual #	**% of Total**		**Annual #**	**% of Total**
Vehicle Service Hours		49,538	--		28,750	--
A-87 Cost Allocation Plan	$	167,978	20.5%	$	135,057	27.5%
Other County Department Charges	$	298,576	36.4%	$	82,363	16.8%
Transit Administrative Staff Wages and Benefits	$	353,720	43.1%	$	273,256	55.7%
Total	**$**	**820,274**		**$**	**490,676**	
A-87 Costs per VSH	$	3.39	--	$	4.70	--
Other County Dept Costs per VSH	$	6.03	--	$	2.86	--
Transit Administrative Staff Costs Staff per VSH	$	7.14	--	$	9.50	--
Total Administrative Costs per VSH	**$**	**16.56**	**--**	**$**	**17.07**	--

Source: Nevada County, Placer County.

Today, a variety of services are operated in the Town of Truckee. Through a contractor (El Camino Trailways), the Town of Truckee provides DAR and fixed-route services on a year-round basis within the town, and fixed-route service on a seasonal basis to Donner Summit to the west.

Transit contract management and other transit related duties are performed by the Assistant Town Manager and Administrative Secretary. Roughly 0.5 FTE is spent on transit and 0.3 FTE is spent on managing the contract. Truckee Transit's current operating contract with El Camino Trailways is $42.08 per VSH (not including vehicle maintenance or the winter shuttle to Donner Summit). The recently-renewed contract is for a three year contract period, with two one-year optional extensions. Per the contract, service cost is adjusted each year to reflect inflation. Contracting works well for the Town of Truckee, particularly as there is not sufficient staff available to operate transit in-house. Truckee staff indicated that the existing contractor provided a very competitive bid in times of budget shortfalls.

While vehicle maintenance was performed by the contractor in the past, this function was recently switched to the preferred arrangement of the Town of Truckee performing vehicle maintenance. Truckee Transit has not experienced a delay in maintenance as part of this arrangement.

Lassen Transit Service Agency

The Lassen Transit Service Agency is the institutional organization for providing public transportation services in Lassen County. Until 2001, Lassen County was the operator of the public transportation system known as the Lassen Rural Bus (LRB), governed by the Lassen County Board of Supervisors. On July 12, 2001, a Joint Powers Agreement was signed between the County of Lassen and the City of Susanville creating the Lassen Transit Service Agency (LTSA). LTSA is governed by a six member board, consisting of three representatives from the Susanville City Council and three representatives from the Lassen County Board of Supervisors. The LTSA is charged with the administration and operation of the LRB public transportation services within Lassen County under the jurisdiction of the Lassen County Transportation Commission (LCTC).

The LTSA is currently party to six transit operating agreements, as follows:

- The Lassen Rural Bus Agreement
- Maintenance Agreement with Lassen Senior Services and MV Transportation
- Subsidized Vehicle for Hire Program
- Lassen Senior Services for Senior Transportation Services
- Alturas to Susanville Service Agreement with Modoc County
- The Lassen College Agreement

This peer review focuses on LRB. LRB operates two commuter routes and two deviated fixed routes throughout Lassen County as well as a fixed route within the City of Susanville. Dial-A-Ride service is available to seniors and disabled within the Susanville city limits. Twice a month demand response service to Eagle Lake is available seasonally.

Private Contractor

The operation of service is currently contracted to a private transit provider (Paratransit Services). While day-to-day management is undertaken by the contractor, administrative responsibilities for LRB currently lie with the LTSA Transportation Planner. All maintenance of LRB vehicles is performed at the LRB facility.

LTSA has traditionally contracted for transit operations. Although contracting with a private entity works well for LRB, LTSA staff does not feel that privatization is the only option for public transit services in Lassen County. Staff indicated that it is important for transit service contracts include language to allow flexibility of transit operations (such as plus or minus five percent in maximum VSH) in the contract and to research the company's operating history before entering into an agreement. LTSA includes a public outreach requirement in their operating contract as a method of ensuring that the contractor remains in touch with the community and provides good customer service for the passengers. LTSA's current contractor also assists with grant writing for some senior services. The Transportation Planner has received few complaints with respect to the transit contractor; however, marketing materials list contact information for the contractor staff.

As part of the most recent bid process, LTSA developed an alternative management Request for Proposals (RFP) for an operations contract similar to the Modoc Transportation Agency (discussed above) whereby the contractor provides only insurance, training, labor and technical expertise. No bids were received. LTSA's contract with Paratransit services is a turnkey operation and costs are increased by roughly 2.8 percent annually for the three year period. Total operating contract cost per vehicle service hour in FY 2011-12 was $52.69.

Administrative Functions

Although LTSA is the public transit operator, the agency is staffed by Lassen County employees and subject to A-87 overhead charges from the county. In general the transit contractor is responsible for: payroll, fringe benefit administration, human resources, training and information technology/computer support. Lassen County departments charge LTSA for the following services: legal services, accounting, purchasing, audits, and risk management. LTSA staff assists with purchasing and perform grant administration and contract management. Cost estimates for key administrative functions are unavailable at this time.

Summary

A review of Tables 6 and 7 indicates that the following general comparisons can be made between the peer transit agencies and western Nevada County. It is important to note that the figures in Tables 7 represent estimates based on rough allocations by individual staffers (as detailed records are not kept in many cases) and each transit agency may have categorized key transit administrative functions differently.

- The population density of Western Nevada County (85.1) is below the peer average of 114 persons per square mile.

- LTF funds available in Western Nevada County ($1,265,464) are close to the peer average of $1,274,933. The peer average is brought down significantly by the low level of LTF available in Modoc County ($123,380) and Calaveras County ($333,143).

- Operating costs per VSH in Western Nevada County ($80.74) are lower than the peer average of $86.07. The peer transit agency with the highest operating costs per VSH is EDCTA ($114.16). The peer transit agency with the lowest operating costs per VSH is YSTA ($61.39).

- The average operating cost per VSH for those programs with contracted operations ($82.83) is 7 percent lower than the average figure for those programs that do not contract ($89.31). Of the five peer contracted services, two operate as a JPA while of the four non-contracted peer services, three operate as a JPA. This indicates potential for cost savings under the privatization alternative.

- In Western Nevada County, ridership per capita (2.4) is below the peer average of 3.8 one-way passenger-trips per person. ESTA has a very high ridership per capita of 14.3 passenger-trips per person, likely due to a high percentage of visitors on the CREST routes. The population figure in Table 6 for ESTA represents only the population of Inyo and Mono counties. YSTA, PCT and EDCTA also benefit from high ridership on commuter routes.

- Accounting is the only key transit function where Western Nevada County costs ($113,600) are greater than the total peer average of $66,928.

- Western Nevada County costs for Risk Management/Insurance ($1,300) and Grant Administration ($7,400) are quite low compared to the total peer averages ($14,023 and $44,687, respectively).

- The total cost of all key transit administrative functions in Western Nevada County divided by VSH ($8.16) is below the total peer average of $8.74 (not including the peers with limited data). The peer average for the JPAs was lower at $6.82. This indicates that there is limited potential to streamline the administrative costs for public transit services in Western Nevada County as a JPA.

Chapter 5
Governance Alternatives Analysis

The primary objective of this study is to determine if there are ways to streamline efficiency or improve cost effectiveness of public transit services in Western Nevada County through a change in the institutional structure. This section of the study reviews the pros and cons different governance alternatives for public transit in Western Nevada County. Particular attention is paid to the potential cost impacts of the various governance alternatives.

Municipal Operation

Several different options to potentially improve administrative cost efficiency within the existing governance model were reviewed.

Existing Structure

To recap the existing structure, TSD is a division of Public Works (PW) which is a department of Community Development Agency (CDA). This layered institutional structure results in administrative overhead charges from CDA, PW as well as the County Executive Office (CEO). The inter-agency charge from CDA in FY 2010-11 was $53,585 and the inter-department charge from PW was $19,957. Both PW and CDA staff provide valuable services to the transit program. CDA staff performs many of the accounting duties for TSD and charge TSD for their services based on actual time spent on transit related functions. PW staff has been valuable in the development of capital projects such as the new transit center, routine transit capital projects such as bus stop sign replacement as well as overall expertise in the field of public works. PW staff also charge TSD based on actual time spent on transit related projects. As indicated above in the administrative cost section, paid leave costs associated with interagency charges is allocated to each sub department based on the number of hours spent the prior week. The CDA and PW Director's time is allocated to each sub department based on proportion of total budget. Only one percent of the PW Director's time is allocated to TSD. Allocating administrative charges based on actual time is a reasonable method of allocating overhead charges. In addition, both PW and CDA staff are a potential resource to assist in transit functions if there are particular needs. The availability of other senior County staff has proven beneficial in the past to deal with issues such as senior transit staff transitions.

<u>Advantages</u>

- The primary advantage of maintaining the municipal agency form of governance is that no set up costs are involved.
- CDA and PW staff share administrative duties and provide expertise to public transit. CDA and PW staff also provides stability in times of senior transit staff turnover.
- Overhead cost allocation method for CDA and PW staff time appears reasonable.

<u>Disadvantages</u>

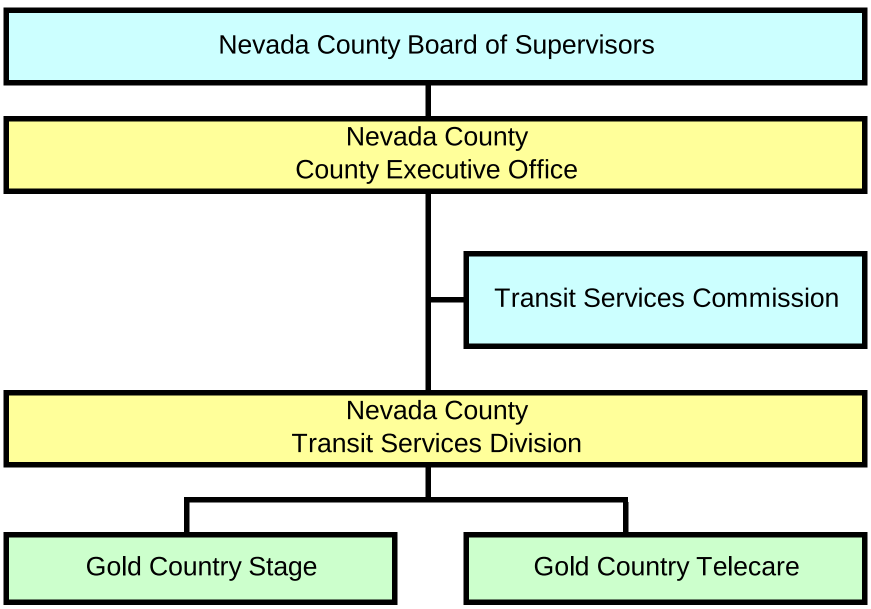
- While the transit program and institutional structure at present appears to be running relatively smoothly, this may not always be the case in the future.

- There are multiple layers of overhead and costs associated with this structure. Although CDA provides valuable services, the CDA overhead charges for accounting are high in comparison to peer transit agencies.

Option 1: TSD Reports Directly to CEO Office

If TSD were a separate agency reporting directly to the CEO office (Figure 4), the $73,500 in overhead costs could be eliminated. However, this option would incur other expenses. Becoming a separate agency could require hiring one FTE to fill the accounting and administrative duties of the CDA Department, incurring a cost on the order of $67,500 per year (the average annual wage and benefit cost for TSD administrative staff). Additionally, if TSD were a separate department, the Transit Services Manager's position would become that of a department director with a potential corresponding pay scale increase. This option would increase the overall costs of the transit program. Additionally, Nevada County recently restructured departments so as to streamline the number of department directors reporting to the CEO. This alternative would reverse these efforts, adding responsibilities to the CEO position.

Figure 4: Municipal Operator Alternative Option 1 Organization Chart



Advantages

- Eliminate a portion of overhead charge from CDA and PW department.

Disadvantages

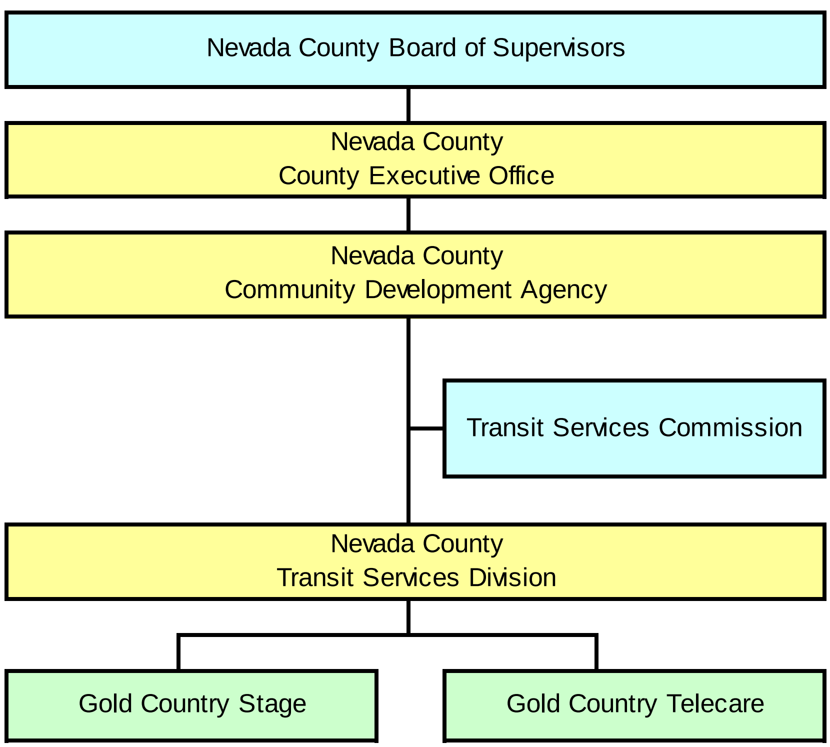
- Cost of hiring additional TSD staff and increased Transit Services Manager's salary would likely outweigh reduction in overhead charges.

- This alternative would reverse recent efforts to streamline the number of departments reporting to the CEO.

Option 2: TSD Reports Directly to CDA

Another option is to make TSD a direct department of CDA (Figure 5) and thereby eliminate nearly $20,000 in overhead charges from PW. Both PW and TSD staff have indicated that PW provides value to the Western Nevada County public transit program. PW staff is an important part of the engineering and development of the new transit center. The Transit Services Manager and PW Director confer on many transit issues. As the fleet division is also part of PW, transit vehicle maintenance issues are minimal. The fact that TSD is a part of PW also enhances the ability of PW staff to efficiently address improvements to bus stops. These services would still be available if TSD reported directly to CDA and would be charged to TSD as an interagency charge. This charge could amount to more than the current PW overhead charge. Maintaining TSD as a division of PW not only provides a more relaxed and flexible atmosphere to exchange information and obtain assistance but also allows for a more cost effective use of resources. CDA, PW and TSD staff has worked closely in recent years to refine the overhead allocation process and to create a budget process which is representative of actual expenditures. All departments and divisions also appear to have an amiable and productive relationship.

Figure 5: Municipal Operator Alternative Option 2 Organizational Chart



Advantages

- Reduce administrative layers
- Currently, the multiple administrative layers function well as PW and TSD staff has a good relationship. As staff retires, this relationship could become less productive.

Disadvantages

- TSD would still require PW services for capital projects. Overhead costs associated with these services would appear in the TSD budget as an inter-agency charge. This charge would likely amount to more than the existing inter-departmental charge.

New Municipality

A variation of the status quo governance structure in Western Nevada County would be to change the municipality operating public transit services to either the City of Nevada City or the City of Grass Valley. This would result in a distinct mis-match between the geographic area of the municipal jurisdiction and the much larger geographic area of the transit program. Excluding the Town of Truckee, the population of Grass Valley represents only 15.5 percent of the Nevada County population while Nevada City represents only 3.7 percent. As a result, the majority of the transit services would be operated outside of the city boundaries, even in the case of the larger City of Grass Valley.

Additionally, the cities have fewer staff and resources available for transit operations. Transferring transit operations to Nevada City or Grass Valley would incur start up costs without the added benefit of streamlining A-87 charges. Finally, City of Grass Valley staff has indicated that this scenario is not the preferred alternative. Similarly, Nevada City represents an even smaller proportion of Western Nevada County transit passengers. Therefore, this alternative was not considered any further.

Maintaining the existing structure is the preferable option under the municipal operator alternative.

Joint Powers Authority

Under the JPA governance model, a new governing board must be established. An example organization chart of transit services under a JPA is shown in Figure 6. As the TSC is composed of all members of jurisdictions that are involved in the public transit system and is well versed in the areas of transit, the TSC could transition into the governing board for the JPA. As for TDA funding, each jurisdiction which currently receives LTF and STA funds from the NCTC would pass on that funding to the newly-created authority, thereby giving the transit authority control over the purse strings. The governing board of the JPA would replace the supervisory duties of the County Executive Office. The TSD Transit Services Manager would report directly to the TSC instead of Nevada County department directors.

Administrative Costs

If Western Nevada County were to form a JPA for the purposes of operating transit, all the administrative functions listed in Table 4 would need to be performed by new or existing TSD staff or contracted out to private vendors. Tables 9 and 10 present an estimate of what it would cost to operate as an independent joint powers authority. As overhead charges are anticipated to decrease in the FY 2012-13 budget, this analysis was performed using both the actual FY 2010-11 expenses and the preliminary estimated FY 2012-13 budget. Much of the data in Tables 9 and 10 is based on the peer transit authorities’ administrative cost estimate. The 2010-11 average salary and benefits for an administrative TSD FTE was $67,500 in FY 2010-11 and $72,160 in FY 2012-13.

Table 9 : Projected Annual Costs of a Joint Powers Authority Based on FY 2010-11 Budget

	Annual Administrative Costs		
	Current Structure	JPA On-Going	Difference
Key Administrative Functions			
Payroll	$ 20,000	$ 18,200	$ (1,800)
Total Human Resources	$ 34,300	$ 19,600	$ (14,700)
Fringe Benefit Administration	*$ 13,700*	*$ 7,840*	*$ (5,860)*
Other Human Resources/ Recruitment	*$ 20,600*	*$ 11,760*	*$ (8,840)*
Legal Services	$ 4,650	$ 4,650	$ -
Training	$ 9,900	$ 9,900	$ -
Accounting	$ 113,600	$ 74,100	$ (39,500)
Purchasing	$ 9,900	$ 15,100	$ 5,200
Audits	$ 14,300	$ 14,250	$ (50)
Risk Management/ Claims	$ 1,300	$ 3,400	$ 2,100
Information Technology/Computer Support	$ 19,300	$ 6,000	$ (13,300)
Grants Administration	$ 7,400	$ 7,400	$ -
Subtotal	*$ 234,650*	*$ 172,600*	*$ (62,050)*
Other Fixed Costs			
Printing/Copying	$ 7,300	$ 12,000	$ 4,700
Subtotal	*$ 7,300*	*$ 12,000*	*$ 4,700*
Other Administrative Overhead Costs			
Transit Services Division	$ 175,200	$ 199,500	$ 24,300
Community Development Administration	$ 2,700	$ -	$ (2,700)
Public Works Administration	$ 20,000	$ -	$ (20,000)
Other A-87 Charges	$ 56,100	$ -	$ (56,100)
Subtotal	*$ 254,000*	*$ 199,500*	*$ (54,500)*
Total Administrative and Fixed Costs	**$ 495,950**	**$ 384,100**	**$ (111,850)**

Note: Costs may not match figures in Table 4 due to rounding.
Source: LSC, Nevada County FY 10-11 Actual Expenditures.

Table 10 : Projected Annual Costs of a Joint Powers Authority Based on FY 2012-13 Budget

	Annual Administrative Costs		
	Current Structure	JPA On-Going	Difference
Key Administrative Functions			
Payroll	$ 19,200	$ 18,900	$ (300)
Total Human Resources	$ 24,000	$ 20,900	$ (3,100)
Fringe Benefit Administration	*$ 9,600*	*$ 8,360*	*$ (1,240)*
Other Human Resources/ Recruitment	*$ 14,400*	*$ 12,540*	*$ (1,860)*
Legal Services	$ 4,400	$ 4,400	$ -
Training	$ 9,500	$ 9,500	$ -
Accounting	$ 140,200	$ 77,100	$ (63,100)
Purchasing	$ 10,000	$ 16,100	$ 6,100
Audits	$ 21,300	$ 14,700	$ (6,600)
Risk Management/ Claims	$ 800	$ 3,600	$ 2,800
Information Technology/Computer Support	$ 21,700	$ 6,000	$ (15,700)
Grants Administration	$ 8,000	$ 8,000	$ -
Subtotal	*$ 259,100*	*$ 179,200*	*$ (79,900)*
Other Fixed Costs			
Printing/Copying	$ 7,300	$ 12,000	$ 4,700
Subtotal	*$ 7,300*	*$ 12,000*	*$ 4,700*
Other Administrative Overhead Costs			
Transit Services Division	$ 190,000	$ 216,000	$ 26,000
Community Development Administration(1)	$ 4,400	$ -	$ (4,400)
Public Works Administration(1)	$ 13,100	$ -	$ (13,100)
Other A-87 Charges(2)	$ (13,700)	$ -	$ 13,700
Subtotal	*$ 193,800*	*$ 216,000*	*$ 22,200*
Total Administrative and Fixed Costs	**$ 460,200**	**$ 407,200**	**$ (53,000)**

Note: Totals may not match figures in Table 4 due to rounding.

Note 1: Only FY 2011-12 available.

Note 2: FY 12-13 A-87 charges include a $33K decrease adjustment as part of "roll forward". This results in a negative number under current structure.

Source: LSC, Nevada County Estimated FY 12-13 Budget.

Key Transit Administrative Functions

- **Payroll** - Any payroll duties now performed by Nevada County could be contracted out to a payroll service. ESTA and MTA use an outside vendor for payroll at a cost of roughly $9,000 per year. This is slightly less than the Nevada County's charge for payroll in FY 2010-11. In addition to the vendor, TSD staff would continue to spend roughly $10,000 in staff time on payroll. As seen in Table 9, there would be a slight decrease in costs with a JPA of $1,800 in FY 2010-11. This cost savings would be reduced to $300 in FY 2012-13.

- **Human Resources –** Under the existing structure, all human resources activities including fringe benefit administration and recruitment are performed by the Nevada County Human Resources department at a cost of $960 per FTE or $34,272 in FY 2010-11. ESTA estimates that human resources is a 0.33 FTE position while Mendocino Transit Authority estimates that 0.10 FTE is dedicated to simply benefit administration and time dedicated to other HR activities varies significantly from year to year. EDCTA contracts with a professional HR consultant at times on top of the EDCTA staff time associated with HR; however EDCTA is a larger agency. Services the Nevada County HR department provide for TSD staff include: drug test processing and reporting, confers on all accident or incidents, employee hiring/terminations/performance review finalization, all fringe benefit administration, all collective bargaining activities, required personnel trainings, desk audits and acts as an overall resource center for all personnel related questions.

  It is reasonable to assume that an additional 0.30 FTE of TSD administrative staff time would be required to conduct all HR functions. This equates to roughly $19,600 in FY 2010-11 and is approximately $14,700 less than existing HR function costs. In FY 2012-13, it is estimated that there would only be a savings of $3,100. As with existing conditions, Table 9 and 10 assumes that roughly 40 percent of total HR costs can be attributed to fringe benefit administration while the other 60 percent is associated with other HR activities and recruitment.

Legal Services – As a JPA, TSD could contract with Nevada County Counsel for legal services at a rate of $216 per hour which is the same hourly rate used in the A-87 Cost Plan. In FY 2010-11, TSD employed County Counsel for roughly 21 hours for a total cost of $4,650. This cost is below the peer average for JPAs of $12,300. Only Mendocino Transit Authority's legal services cost is lower at $1,500 per year. Mendocino's contract rate for legal services is only $115 per hour. The annual cost of legal services for a JPA could vary dramatically, particularly if there are accidents. Significant transit service changes may also increase the use of legal services. However, becoming a separate entity will not likely increase the need for legal services, therefore, this study assumes that the new JPA would require the same level of County Counsel time.

- **Training –** As TSD staff is responsible for driver training, therefore there will be no change to this function under the JPA alternative.

- **Accounting –** Peer data demonstrates that it is more cost effective to conduct accounting duties internally or with private contractors instead of contracting with the County Auditor Controller and Treasurer. EDCTA's accounting function costs are lower than ESTA which contracts with the County Auditor Controller and MTA who uses the County Treasurer as a depository. As part of the JPA alternative, the Accounting Technician's and Office Assistant's job description could be expanded to include the processing of accounts payable and receivable using commercially available accounting software. Total additional TSD staff time is assumed to be roughly 0.10 FTE. Additionally, the new JPA could contract with a CPA firm for accounting expertise, similar to YSTA and EDCTA. This would cost on the order of $15,000 per year. These costs would replace time charged by CDA staff for accounting duties. If the JPA did not use the County Treasurer as a bank, the A-87 Treasury charge of $1,217 would be eliminated. Applying these estimates show that accounting functions under a JPA would total to approximately $74,100 or roughly $39,500 less than existing accounting expenses. An even larger savings is estimated in the analysis for FY 2012-13 ($63,100).

- **Purchasing** – Purchasing costs for TSD are significantly lower than the JPA peer average of $28,283. As a JPA, TSD staff would need to take on the duties of the county purchasing staffer. The A-87 charge from the purchasing department in FY 2010-11 was only $1,500. Some of the County Purchasing Department's time is spent ensuring that purchase orders are consistent with County policy. The new JPA would develop a separate and likely more simplified purchasing policy. If large capital purchases are planned such as vehicle replacement, time spent on this function would be greater than the FY 2010-11 A-87 charge.

  MTA was unable to identify costs associated with purchasing, as each manager participates in this function. ESTA estimated that 0.4 FTE is spent on purchasing activities and a portion of the contract with the County Auditor Controller is allocated to this function for a total cost of $51,900. This is significantly more that EDCTA's purchasing cost of $19,130. TSD staff currently spends approximately 0.12 FTE or $9,900 on this function. Without the assistance of the County Purchasing Department, it is reasonable to assume that TSD staff would spend an additional 0.10 FTE on purchasing for a total cost of $15,100 under the JPA scenario in FY 2010-11. This represents an increase of $5,200 over status quo. The increase in purchasing costs would be slightly more in FY 2012-13 ($6,100).

- **Audits** – The JPA peer average for the audit function is $27,218. This cost includes time for preparation of independent audits by staff or contractors but does not include contractor costs associated with annual TDA fiscal audits or triennial performance audits (which are funded through the RTPA). Under the current structure, 20 percent of CDA staff time is allocated to this function and includes preparation for audits and state controller reports. Another $324 of the CDA overhead charge represents the county internal audit cost. As a JPA, it is assumed that the contracted CPA firm would take over audit functions currently performed by CDA. An additional 0.10 of TSD staff time may be required to assist the CPA firm with audit preparation. This equates to an annual administrative savings of $50.00 in FY 2010-11 and $6,600 in FY 2012-13.

- **Risk Management/Claims** – For Western Nevada County public transit services, risk management/ claims costs stem from the A-87 Insurance Department charge of $1,300 which is based on the TSD total budget. This is significantly lower than the JPA peer average of $14,203. ESTA and MTA estimate that three to five percent of the Executive Director's time is spent on this function. For MTA some of this includes CalTIP meetings for which the Executive Director was a founding board member. The TSD Transit Services Manager currently attends CalTIP meetings; however there would be additional costs involved with the maintenance of insurance plans. Therefore it is assumed in Table 9, that an additional 0.05 FTE of TSD staff time would be required for this function under the JPA alternative. In the analysis for FY 2010-11 and FY 2012-13, the increase in costs is less than $3,000.

- **Information Technology/Computer -** A-87 charges from the Information Services Department and line item expense from the County Information Services Department account for all of expenses with this function. Some of this charge covers the use of the countywide network. As a JPA, TSD would likely contract with an outside IT service. Both MTA and EDCTA do this for a cost of $7,350 and $30,000 respectively. As these peer agencies are larger than TSD, it is assumed that TSD could contract for IT services at a lower rate of $500 per month (on average) for an annual cost of roughly

$6,000. It would also be possible to contract with the County IS department for computer support as is done for the City of Grass Valley, although it is estimated that a small IT consultant would provide a more competitive rate. Under this scenario, TSD could save as much as $13,300 per the FY 2010-11 analysis and $15,700 per the FY 2012-13 analysis.

- **Grant Administration** – This function is currently performed solely by TSD staff and therefore costs would remain the same under the JPA alternative.

- **Other Fixed Costs** – The new JPA would also need to purchase or lease printers and copies for production of schedules, other marketing information and daily reports. Monthly lease costs for a high quality color printer copier and supplies are roughly $1,000 per month or $12,000 per year. This is more than the existing County Central Services charge of $7,300 which is included as a line item in the TSD operating budget (Table 3). The difference of $4,700 is included as an additional annual fixed cost in Table 9 for the JPA alternative.

- Currently, TSD offices are located at the Airport. The new JPA could remain in this location and continue to pay rent to the Airport or move to the proposed new county facility. Maintenance of the building would need to be contracted. For this analysis, building maintenance costs are estimated to be similar to the A-87 facilities charge of $600 per year. Transit vehicles are located at the airport. It is reasonable to assume that this would continue under the JPA.

Other Administrative Overhead Costs

The lower portion of Table 9 and 10 displays the remaining TSD staff fully loaded salary and benefit costs along with the savings from the reduction of county overhead charges. Total additional TSD staff time required (beyond the three full-time administrative employees) to conduct key administrative functions without the support of the county equals roughly 0.64 FTE. Mendocino Transit Authority operates nearly 50 percent more VSH than Western Nevada County and has an administrative staff of 4.0 FTEs with additional administrative assistance from the maintenance manager and transit manager. ESTA, which operates a similar level of VSH as Mendocino has an administrative staff of 3.0 FTEs with additional assistance from the operations supervisor. ESTA's structure is similar to Western Nevada County, except that Western Nevada County does not have an operations supervisor; however lead drivers do provide some administrative support. To be conservative, this analysis assumes that one additional FTE administrative employee should be hired under the JPA alternative. Salary and benefit costs of this new employee, not already included in the key functions section, were added in the Transit Services Division line in Tables 9 and 10.

In total, it is estimated that annual administrative costs will be $111,850 less under the JPA alternative per the FY 2010-11 analysis and $53,000 less per the FY 2012-13 analysis.

The three primary areas which account for the difference in administrative savings between FY 2010-11 and FY 2012-13 are HR, County Executive Office and the "roll forward" adjustment as part of the A-87 cost allocation plan. As noted earlier in the report, the A-87 cost allocation plan is based on actual costs from two years prior and adds in a "roll forward" adjustment which is the difference between the current year estimated costs and the prior year estimated costs. The FY 2010-11 A-87 cost allocation plan included a "roll forward" cost **addition** of $20,690. In FY 2012-13 the roll forward is a **subtraction** of $33,100.

Operating Costs

Vehicle Maintenance

Gold Country Stage vehicle maintenance is currently performed by Nevada County. EDCTA performs its own vehicle maintenance and found this to be more cost effective. Other peer agencies have indicated a preference to conduct vehicle maintenance "in house" or through the private transit contractor as opposed to using the municipality fleet services department. Conducting vehicle maintenance "in house" would be a significant initial operating and capital expense considering an entirely new facility would be constructed. A preferable option at this time would be to continue to contract with Nevada County for vehicle maintenance or use outside vendors. It is assumed for this analysis that the cost of vehicle maintenance would remain the same under the JPA alternative.

Other Operating Costs

- All other operating costs in TSD's line item expenditures (Table 3) including those for services currently provided by Nevada County departments such as drug testing, minor signage repair and telephone are estimated to stay relatively similar if TSD were to become a separate entity.

- Vehicle insurance for Western Nevada County transit services is provided through CalTIP. Direct annual charges for vehicle insurance in the amount of $26,000 appear in TSD's line item expenses. As a JPA, TSD would need to apply for a separate insurance policy. It is assumed that premiums would be similar under both the status quo and JPA alternative. Transit vehicle titles would need to be transferred to the JPA.

Summary of Cost Analysis

This analysis indicates that Western Nevada County public transit services annual administrative and operating cost savings from a JPA could range between $50,000 and $100,000.

Startup Costs

Establishing a separate entity would incur significant startup costs that should be considered in this cost analysis.

- A committee, including representatives from Nevada County, Grass Valley and Nevada City, Gold Country Telecare and Gold Country Stage should be formed to craft a new joint powers agreement and establish bylaws and a procedures manual for the new transit authority. The actual drafting of the documents could be performed by outside consultants with approval and oversight from the committee. This task would cost on the order of $30,000 for both documents.

- Payroll - After becoming a JPA, the TSD Accounting Technician would need to spend roughly 20 hours researching payroll vendors, setting up an account and changing the existing payroll process for a cost of approximately $700.00.

- Legal Services - Each entity's legal counsel should review the new JPA documents, a process which could take 45 hours of combined legal counsel time. Using Nevada County Counsel's hourly rate of $216 per hour, legal start costs for a JPA would be roughly $9,700.

- Human Resources - Once the new transit authority is established, time would need to be spent hiring the additional employee and contractors. This is estimated at roughly 60 hours of TSD Transit Services Manager's time or approximately $3,700.

- Fringe Benefit Administration - Nevada County employees (including TSD) have a defined benefit retirement plan, which pays 2.7 percent of final average pay, multiplied by years of County service. The County also offers seven CalPERS's health plans. Any public agency employer is eligible to contract with CalPERS for health and retirement benefits. All peer JPAs reviewed in this study offer CalPERS retirement benefits. CalPERS retirement benefits are funded through contributions paid by contracting employers, member contributions, and earnings from CalPERS investments. Employer contribution rates are determined by periodic "actuarial valuations." These valuations are based on the benefit formulas the agency provides and the employee groups covered. Required contribution amounts are expressed as a percentage of active member payroll reported to CalPERS.

  For health insurance, CalPERS charges an annual administrative fee of 0.43 percent of total gross premium. Employers are also required to contribute to the cost of eligible employee and retiree health premiums. Generally, a memorandum of understanding or some other agreement is in place with employees to provide a contribution toward their health benefits. Minimum employer monthly contribution is roughly $100 per employee or retiree.

  It is assumed for this study that CalPERS retirement and health benefit programs for transit employees would remain relatively similar under a JPA. However, TSD staff would need to dedicate time to choosing and monitoring the plans. It was estimated that 50 hours of Transit Services Manager time would be required to process new contract paperwork with CalPERS, choose the benefit plans and assist employees with joining the new plan. The CalPERS retirement program requires an initial valuation which costs $900. Total set up costs for fringe benefit administration are around $4,000. Processing of new contract paperwork by CalPERS for the retirement program can take up to one year. In order to participate in the CalPERS Health Benefits program, each public agency must adopt a resolution consistent with the provisions of the Public Employees' Medical and Hospital Care Act (PEMHCA). CalPERS recommends that the resolution be filed three to four months before health coverage is to begin.

- Accounting – Simple accounting software could be purchased for around $200. Establishing new account files would require approximately 80 hours of Accounting Technician time, at a cost of $3,000.

- Information Technology/Computer – Computer equipment used by the TSD department is owned by Nevada County. TSD also uses and pays for the use of the countywide network. TSD would need to purchase a separate server as well as up six computers and software licenses. Ballpark estimate for these purchases is $5,000. If TSD were able to purchase the TSD computers from the County this cost could be reduced to roughly $2,000.

- Financial – If the JPA chooses to not use the Nevada County Treasurer as a depository, the JPA would need to set up a separate bank account. The new entity would also be prudent to establish a line of credit in order to ensure that payroll can be met given any delays in funding allocations. These activities are anticipated to take roughly 40 hours of the Transit Services Manager's time or $2,500.

Total start up costs amount to roughly $58,000. Roughly $22,000 of this cost is associated with TSD staff time outside normal transit duties. The transition to a JPA would likely take one to two years, particularly as CalPERS benefits take a significant period of time to process. This allows TSD staff to spread some of the administrative time and costs associated with set up of the JPA over the period of at least one year.

Advantages

Based upon this evaluation, the benefits of a joint powers authority are summarized as follows:

- With an established transit authority in place that can hire new employees without approval by County officials, the ability to provide expanded or reduced service as necessary would be improved. Overall, by establishing an independent legal entity with the power to hire and fire employees, enter into contracts, issue bonds, etc. the JPA would have greater control over transit issues and a stable form of governance. It should be noted, however, that lack of flexibility in these matters has not been an issue in recent years.

- Creating a JPA would simplify the lines of reporting between transit management and the decision making entity. Currently the TSC has the final decision for service changes; however, the transit manager reports to the Nevada County administrative staff. Not only would a JPA streamline the administrative process but would make it easier for the general public to understand the governance structure of public transit.

- Being a separate entity from the local government could also be viewed positively by the public and social service agencies.

- As a separate entity, the new JPA would have the ability to sue or be sued; therefore, Nevada County would no longer be liable.

- A JPA increases TSD's ability to purchase supplies and services outside the County's procurement process, potentially resulting in cost savings.

- A JPA would allow for greater attention to transit issues, as it would result in a decision-making body with budgetary control focusing solely on transit issues. Although the existing TSC is the driving force behind all transit decisions, changes to the transit budget can not occur without the consent of the Board of Supervisors. Under a JPA, only one board's approval would be required for budget changes.

- The JPA would save roughly $50,000 in annual administrative and operating costs in FY 2012-13.

- As demonstrated in this report, most administrative charges from other County departments have decreased over time to a level that appears reasonable and is in-line with other peer agencies. However, as a municipal operator, the transit program has no control over how these administrative costs are allocated. Overhead costs could fluctuate due to county reorganization or staff turnover.

Disadvantages

- The primary disadvantage of the JPA alternative is the costs associated with establishing public transit services as a separate entity. This cost analysis estimates that $58,000 in start up costs could be incurred. Start up costs could be spread over the course of one to two years.

- In order to successfully establish a JPA, there would need to be a "champion" for the project who could see through the setting up of the JPA from beginning to end.

- Depending on the position of Nevada County, it is possible that the County will not to continue to provide certain services such as legal counsel or vehicle maintenance under a contract arrangement with the new JPA.

Special District

A special district would incur similar start up costs and annual administrative cost savings as a JPA. If a special district is formed, it could take up to a year to obtain the necessary legislative approval on top of start up time for the JPA.

Advantages

- The advantages of a transit district are the powers available to it to fund services through taxes and fees.

Disadvantages

- Increasing taxes, especially given current economic conditions, is not probably feasible at present.

- Costs associated with elections would also be incurred.

For these reasons a transit district does not seem to be the best governance alternative for Western Nevada County.

Consolidation of Public Transit and School Bus Transportation

The State has recently cut funding for home - school transportation by 50 percent and it is likely that additional cuts will occur in next year's budget. The majority of Western Nevada County School Districts contract with Durham School Services for "yellow bus" transportation. The school districts receive transportation funding through Department of Education grants. In times of revenue shortfall, consolidating services is one method of maximizing funds.

Potential benefits of combining the two services include:

- Vehicles – School buses are not in use mid-day and could potentially provide Gold Country Stage service. School buses also have a larger capacity than some of the public transit buses.

- Maintenance Facility – Durham School Services has a fairly new maintenance facility dedicated to school bus transportation.

- Drivers – Public transit and school bus drivers require the same commercial driver's license. In fact, many of Gold Country Stage drivers were trained through Durham School Services.

This combination strategy also has several complications:

- Funding Restrictions - As a recipient of Federal Transit Administration (FTA) grant funds, Gold Country Stage cannot legally provide school bus operations exclusively for the transportation of students and school personnel, in competition with private school bus operations per Title 49 of the Code of Federal Regulations Part 605. If no private school bus operators were willing and able to provide school bus transportation at a reasonable cost (which is not the case), Gold Country Stage could provide the service but transit vehicles purchased with FTA funds could not be used for the service. Therefore Gold Country Stage would not be able to take over school bus routes currently operated by Durham School services.

Additionally, the intent of TDA funds, the primary revenue source for GCS, is to provide transportation services which are open to the general public. Therefore, simply allocating public TDA funds to the school district for the purposes of funding school transportation is not the intent of the TDA legislation.

Along the same lines, there are strict accounting requirements on school districts to ensure that state education funding is used solely for education purposes. While not insurmountable, these accounting and reporting requirements substantially increase the staff time and costs associated with joint use of these funds.

- Vehicles – Most of the vehicles, designed for children, are inconvenient or uncomfortable for adults to ride. Entering and exiting the buses would be time consuming and more difficult for elderly passengers. The larger school buses are not required to be equipped with wheelchair lifts and ramps and therefore could not transport disabled passengers. Under the Americans with Disabilities Act, these buses cannot be used in services open to the general public.

- Safety for Children – School districts typically are reluctant to allow "mixing" of students with members of the general public, due to a concern over safety issues (or the perception of potential safety issues).

- School Bus Capacity – Durham School Services indicated that the school buses are near or at capacity during the morning runs, leaving little room for general public passengers.

Short of consolidation, increased coordination between the two entities is a possibility. Gold Country Stage is not prohibited from transporting school children as long as the route is open to and used by the general public. GCS currently serves children attending both public and private schools and makes an effort to coordinate bus schedules with school schedules. If school bus transportation is eliminated in particular areas served by GCS, the school districts could purchase Gold Country Stage bus passes for school children who are dependent on public sources of transportation to school. Although the school districts could not be reimbursed through the Department of Education for this expense, the overall cost would be less than contracting for school bus transportation. Currently, GCS offers a discount to riders age 6 to 17. In the interest of coordination, TSD staff could regularly review existing bus routes to coordinate runs with bell times.

In some California regions, such as the cities of Lincoln and Dixon, the majority of public transit passengers are school children. While public buses do not travel onto school property and are available to the general public, they fill an important transit need for children.

Another method of coordinating school and public transportation is to involve the school districts in the public transportation planning process by including a school district representative as a member of the public transit governing or policy board. This would help ensure that the transportation needs of school children are met.

Chapter 6 of this document explores the option of reducing costs through privatizing Western Nevada County public transit service by contracting with a private transportation company. Under this alternative, a request for proposals would be circulated to all interested parties, including providers of school bus transportation. Conversations with Durham staff indicate a willingness to bid on such a contract and the potential for a lower overall cost. However, as discussed in Chapter 6, some of the cost advantage would be diminished by federal requirements for labor protections of transit employees. There is also the potential to contract with Durham School Services to provide public transit service during the midday only when the school buses are not in use.

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Chapter 6
Privatization Options

Instead of direct operation of Gold Country Stage using Nevada County employees, another institutional option would be to contract with a private transportation company to operate some of all of the public transit service. Currently, TSD contracts with Gold Country Telecare for paratransit services. Typically, the primary advantage of contracting is cost effectiveness. The competitive bidding process for a transit contract helps to keep costs low. Private companies can often take advantage of lower wage rates to provide a lower unit service cost. Private transportation contractors take on personnel management duties and therefore reduce some (though certainly not all) administrative overhead for public transit agencies. Private transportation companies can also increase service flexibility by having access to specialists in particular aspects of management and training. On the other hand, the primary advantages of publicly operated transit systems is access to less expensive fuel at a bulk rate, the potential for higher service quality based on better retention of staff, lower insurance rates and overall internal control over service quality.

The *Transportation Research Board Special Report 258: Contracting for Bus and Demand Response Transit Services, 2001* outlines some of the pros and cons of transit contracting based on a survey of over 250 public transit agencies. According to the results, reduction in operating costs is the primary reason for contracting. This is borne out by the results of the peer analysis presented in Chapter 4, which indicates an average cost per vehicle service hour for contracted services that is 7 percent below that for directly-operated services. Smaller transit systems were more likely to cite the primary benefit of contracting as reduced administrative costs. Surveyed transit managers were asked to provide advice to other transit agencies considering privatization. The top five responses were:

- Outline specific duties/responsibilities
- Specify performance requirements
- Monitor contract performance
- Scrutinize contractors beforehand
- Talk to other agencies

Regulatory Issues

<u>Federal</u>

Several issues should be considered before going out to bid for a transit operations contract. There are legal and regulatory issues associated with transferring from a publicly operated transit system to a privately operated transit system funded through federal and state grants. Section 13c of the Federal Transit Act sets forth labor management stipulations for entities receiving Federal Transit Administration (FTA) grant funding which are switching from or to public or private operations.

The intent of the original federal transit funding bill, the Urban Mass Transportation Act of 1964, was to provide capital financial assistance to a transit industry which was rapidly deteriorating and being forced to raise fares and defer maintenance. In the early 1960's many transit systems were operated by private companies whose employees were represented by unions. At the time, public employees were exempt from coverage under the National Labor Relations Act (NLRA) and some public employees were prohibited from collective bargaining. As the new federal funds enabled public operators to acquire private operators in financial trouble, unions representing employees of private transportation companies were concerned that employee rights would be compromised as a result of transfer from private to public ownership. Therefore, Section 13(c) of the Act was established.

In summary, Section 13(c) stipulates that if a public transit agency accepts FTA funding, the agency must accept the following labor protections:

- Preservation of rights, privileges and benefits under existing collective bargaining agreements,
- Continuation of collective bargaining rights,
- Protection against adverse effects,
- Assuring jobs for employees of acquired mass transit systems,
- Employment assurances in acquisitions and priority of reemployment, and
- Paid training or retraining programs.

Various clauses in Section 13(c) have been interpreted differently through subsequent legal proceedings. The primary stipulation in Section 13(c) as it pertains to privatization of public transit is that collective bargaining rights of transit employees must be preserved. Labor rights achieved through collective bargaining cannot be taken away unless the change occurs through a new collective bargaining agreement. Section 13(c) does not, however, guarantee employment for existing employees in the event of transition from a public to a private operator unless the change is a result of a federally-funded acquisition.

Recently the North County Transit District in Oceanside, California transitioned from a combination of public employees and private contractors to complete privatization of public transit, in response to budget cuts. After a thorough legal review, it was determined that the District's Section 13(c) agreement with FTA did not include stipulations for preserving wage rates and benefits of pubic employees under the new private employer. Simultaneously, the district entered into negotiations with the labor union to develop the following agreement:

- Recognition of Union
- Hiring preference and respect of existing seniority for employees
- Requirement that private providers provide specific (or base) minimum salary and benefits

The agreement and new contract allowed North County Transit District to preserve 15 to 23 percent more transit services than under the status quo option.

Nevada County employees are covered under the collective bargaining unit with Local 39 of the Operator Engineers Union. TSD employees receive the following benefits:

- Merit salary increases at a specified rate
- CalPERS retirement pension
- Health Insurance
- Paid Leave Program (PLP)

Unless a legal review of Nevada County's Section 13(c) agreement with the FTA states otherwise and Nevada County were willing to pay fees for a legal opinion on this issue, Gold Country Stage employees are covered under the protections of Section 13(c). If the system were privatized, employees should be offered the same wage rate and benefits under a contractor as is currently available and collective bargaining rights must continue. As a private company cannot offer CalPERS retirement benefits, the new contractor would have to negotiate with the labor union to provide similar benefits. In FY 2010-11, employee salaries and benefits accounted for over 60 percent of operating costs of Gold Country Stage (not including the Telecare contract). These stipulations would eliminate short-term cost savings in labor operating costs if Gold County Stage were privatized. As new hires are not subject to FTA Section 13(c), it would be possible to reduce salary and benefit costs over the long term (a “two-tier system”).

State

TDA, the primary funding source for public transit in Western Nevada County, does not prevent recipients from contracting with private transportation companies nor are there regulations regarding contracting.

Section 1072 of the California Labor Code outlines labor protections for when a public transit agency awards a new contract to provide bus or rail service:

- A bidder must include in the bid proposal whether or not he or she will retain the employees of the prior contractor or subcontractor for a period of not less than 90 days.

- The awarding authority of a transit service contract must give a 10 percent preference to any bidder who agrees to retain the employees of the prior contractor or subcontractor for at least 90 days (as stated above).

- If, at any time, the successor contractor or subcontractor determines that fewer employees are required than were required under the prior contract or subcontract, he or she shall retain qualified employees by seniority within the job classification. In determining those employees who are qualified, the successor contractor or subcontractor may require an employee to possess any license that is required by law to operate the equipment that the employee will operate as an employee of the successor contractor or subcontractor.

- Section 1072 of the California Labor Code does **not** require the successor contractor or subcontractor to pay the same wages or offer the same benefits provided by the prior contractor or subcontractor.

In summary, the California Labor Code provides incentives to hire the existing labor force but does not require it.

Discussion of Advantages and Disadvantages of Contracting in Nevada County

Although wage and benefit costs would remain relatively constant in the short term, some administrative overhead costs of Gold Country Stage could be realized through privatization. There is the potential for the contractor to take advantage of economies of scale in terms of transit management. Some contractors have significant management experience with a large variety of transit systems which could be beneficial for a small system. This potential for savings is particularly great for contractors with other relatively small transit service contracts in the nearby region, which could allow sharing of administrative staff between programs. Additionally, as part of the contract, the private entity would pick up many of the administrative functions now performed by TSD staff (such as payroll, training and accounting), thereby freeing existing staff time for other duties. This could be particularly helpful under the JPA governance alternative under which a new administrative position is needed.

There is also the potential to reduce A-87 and interagency charges from departments which perform functions the private contractor would take over such as Auditor-Controller, Human Resources and CDA. The CEO charge would decrease if the overall operating budget were to decrease.

As an example, Nevada County solid waste services were recently put out to bid with great success. As a larger company, the private contractor offers a greater depth of services. As the solid waste industry is not bound by the regulations of Federal Section 13(c), the private contractor was not required to offer existing employees the same union wages and benefits and therefore benefited from reduced labor costs.

The greatest perceived drawback of privatizing transit is a loss of control over day-to-day operations which could negatively impact the passenger experience. This is particularly true when large private transportation companies operate a small rural system. The overall emphasis of the contractor may be the bottom line instead of the well-being of the transit dependent community. In addition, there has been some history of large contracting firms using smaller transit operations as a "training ground" for their project managers before they are assigned to larger properties, resulting in a high level of turnover of management staff. Another potential downside of making the decision to contract for operations is that existing employees may search and find other employment before a contractor is actually hired. This would leave GCS short staffed until the new contractor officially takes over service.

There are strategies that can address some of these potential drawbacks. In an effort to maintain high quality of service, Lassen Transit Services Agency requires that the contractor conduct public outreach efforts. Yuba-Sutter Transit Authority staff work in the same building as contractor staff and therefore have greater control over daily operations. All peer agencies which contract for service have indicated that it is important to design a contract which incorporates all elements the transit agency feels is important. Agencies also caution against basing the decision to hire a contractor solely on price. Rather, experience in similar transit programs and proven commitment to provision of high quality services should also be considered.

Financial Analysis

Tables 11 and 12 present the financial analysis of various privatization alternatives and compare costs with the status quo (public operation of GSC and private operation of Gold Country Telecare). Table 11 uses FY 2010-11 wages, administrative overhead charges and operating costs, while Table 12 uses preliminary FY 2012-13 budgeted wages, administrative overhead charges and operating costs. While relying on forecast rather than actual costs, the reader is encouraged to focus on the information in Table 12, as it better reflects relative impacts in the future. At the outset, it is important to note that estimates of costs under of a transit operating contract have a high level of uncertainty until actual bids are received. There are many variables involved and each service area is unique. Due to these uncertainties, the financial analysis in Tables 11 and 12 should be considered as a ballpark estimate of the potential savings from privatizing public transit services in Western Nevada County.

Table 11: Privatization Alternatives Analysis – Based on FY 2010-11 Budget

	Operating Costs				
	Contract	**Other**	**Admin**	**Total**	**Cost/ Savings**
Status Quo - Contract for Paratransit, Direct Provision of GCS	$ 726,400	$ 1,103,900	$ 491,000	$ 2,321,300	--
<u>Contract for GCS and Telecare Separately, Vehicle Maintenance Included</u>					
Short-Term	$ 1,830,300	--	$ 453,500	$ 2,283,800	$ (37,500)
Long-Term	$ 1,482,800	$ 223,100	$ 453,500	$ 2,159,400	$ (161,900)

Source: LSC, Nevada County FY 2010-11 Expenditures.

Table 12: Privatization Alternatives Analysis – Based on FY 2012-13 Budget

	Operating Costs				
	Contract	**Other**	**Admin**	**Total**	**Cost/ Savings**
Status Quo - Contract for Paratransit, Direct Provision of GCS	$ 767,600	$ 1,290,300	$ 453,171	$ 2,511,071	--
<u>Contract for GCS and Telecare Separately, Vehicle Maintenance Included</u>					
Short-Term	$ 2,057,900	--	$ 415,900	$ 2,473,800	$ (37,300)
Long-Term	$ 1,563,900	$ 307,100	$ 415,900	$ 2,286,900	$ (224,200)

Source: LSC

<u>Alternative -- Two Contracts: GCS and Gold Country Telecare; Vehicle Maintenance Included</u>

Short-Term

Under the first alternative, the operation of GCS would be put out to bid for operation by a second contractor. The cost estimate assumes that the contractor would provide vehicle maintenance, bus stop maintenance, personnel management, purchasing and basic accounting. This will reduce A-87 charges dedicated to payroll, human resources and accounting. TSD staff time spent on payroll, purchasing and accounting functions could also be reduced in this scenario. This could potentially free up TSD staff to take over some of the fiscal responsibilities currently conducted by CDA and thereby reduce the CDA overhead charge. However, time associated with contract management would be increased. Contract management costs per vehicle service hour were estimated based on the peer average. In total, a savings of roughly $37,000 could be realized in administrative costs over the short-term for both the FY 2010-11 and FY 2012-13 analyses. GCS operations would continue to be run out of the same facility at the airport or at the proposed new Nevada County yard, and fuel would be provided by Nevada County. It was assumed that PW would continue to assist with general contract management and larger capital projects. Therefore, the overhead charge from PW would remain the same. Due to 13(c) requirements, it is assumed that salary and benefits for existing employees remain unchanged.

Long-Term

As existing employees retire or leave, there is the potential to reduce labor costs closer to that experienced at peer transit agencies (such as Calaveras County and Lassen County) that have been privatized for many years. The average of the two contract costs per VSH (for those peer systems with contracts that include vehicle maintenance) is $60.27 in FY 2010-11. Applying this rate to GCS vehicle service hours and adding the Telecare contract costs results in an estimate of $1,464,000 in annual contract operating costs. Other operating costs not performed by the contractor such as fuel, telephone, rent, etc., total an estimated $223,100 per year. Adding the administrative savings referenced above, this alternative represents potential savings of $180,700 over the long-term for the FY 2010-11 analysis. This savings is anticipated to be larger ($244,200) per the FY 2012-13 analysis.

This latter figure ($244,200) is equal to 9.7 percent of the FY 2012-13 GCS budget. It would be sufficient to fund 11 vehicle-hours of additional service per day, roughly equal to one additional transit route.

<u>Alternative -- Two Contracts: GCS and Gold Country Telecare, with Vehicle Maintenance Provided by Nevada County</u>

Among the peer agencies reviewed, there is a difference of opinion on whether or not to contract for vehicle maintenance with the private service contractor versus providing vehicle maintenance through the municipality. Some agencies feel that transit vehicles are not always the top priority for county fleet maintenance departments and the charges associated with vehicle maintenance can be higher than actual costs. Other agencies, such as Truckee Transit, switched from including vehicle maintenance in the transit contract to using the Town Fleet Department and prefer the latter arrangement. At its core, the answer to this question depends on the strength of the working relationship between transit operations and fleet maintenance. Conversations with PW staff indicated that there is a good relationship between TSD and Nevada County Fleet Services. There are certain Fleet Services employees who specialize in transit vehicle maintenance. A review of vehicle maintenance costs per VSM for peer agencies that do not currently contract for service indicates a value for PCT of $0.36 per mile and for Mendocino Transit Authority of $0.57 per mile, versus a value for Gold Country Stage of $0.60 per mile. This indicates that vehicle maintenance costs are slightly (but not substantially) higher for Gold Country Stage. Vehicle maintenance is not performed by “transit” employees, and not bound by the labor protections of Section 13(c). Therefore, it is not likely that this alternative would provide additional cost savings over the contractor providing vehicle maintenance. The advantage of this alternative would be that TSD staff could maintain greater control of transit vehicle maintenance, and thus avoid the potential for concerns regarding the contractor’s performance in maintaining vehicles.

<u>Alternative -- Contract for Vehicle Maintenance Only</u>

Another option is to contract with a private entity solely for vehicle maintenance. One advantage of a private transportation company is that the maintenance facility is dedicated to transit vehicle maintenance. There is also the potential to benefit from lower wage rates for mechanics in this scenario as fleet services staff that currently perform transit vehicle maintenance staff are not transit employees.

Gold Country Telecare employs two contractors, Nevada City Auto Services and Advantage Auto, for vehicle maintenance. Paratransit, Inc. of Sacramento is contracted for wheelchair lift maintenance. Sage Stage contracts for vehicle maintenance with vendors outside of the county in Redding as there are limited options in Modoc County. Gold Country Stage has a much larger fleet of vehicles and therefore it may not be feasible to contract with a local garage.

As none of the peers reviewed for this analysis contract **only** for vehicle maintenance, it is difficult to determine the cost of a maintenance only contract with a private transportation company without going through the RFP process. TSD appears to have a good relationship with fleet services, which argues for continuing maintenance through the County. While there is some modest potential for cost savings with contracted maintenance, this is not expected to be sufficient to significantly change overall transit program costs or ability to expand services.

<u>Alternative -- One Contract for Transit and Paratransit Services</u>

In the interest of streamlining public transit services and providing greater efficiency, another alternative is to consolidate fixed route and paratransit services under one contract. Again, it is difficult to analyze this alternative quantitatively without an RFP process. The Gold Country Telecare contract cost per VSH is quite low at $43.68 (Table 1). If the peer average contract rate of $60.27 is assumed for a new contractor, switching from Telecare to the new contractor would not be cost effective, as it would increase operating costs by approximately 38 percent. Although there would be a small increase in administrative efficiency generated by the fact that TSD staff would only be managing one contract, this would be far less than the increase in operating costs.

There could be significant cost savings if Gold Country Telecare were to operate both fixed route and paratransit services at the current rate of $43.68 (not including fuel adjustment and contract management). However, Section 13(c) would increase the overall labor rate for fixed route services. Under this option, Telecare employees operating paratransit services would be paid less than the fixed route employees, which would be perceived as unfair. As a small non-profit agency specializing in services for seniors and disadvantaged, Gold Country Telecare staff, facilities and equipment are not currently adequate to operate Gold Country Stage. In addition, the transit program could not simply be transferred to Gold Country Telecare (or any other outside organization, either non-profit or for-profit) without some form of RFP process.

If a new contractor were to operate both services, there would be short-term disadvantages in switching contractors for demand-response service that should be considered. Often paratransit passengers have established comfortable “working relationships” with the individual drivers and the drivers often become familiar with passengers’ needs and behaviors. Having new drivers under a new contractor could have an initial negative effect on passengers’ perception of customer service.

Summary of Privatization Alternatives

Advantages

- A private contractor for GCS would take over payroll and HR functions for the drivers. This in turn would reduce the A-87 charges from the Auditor-Controller and HR department.

- Contracting for GCS would free up TSD staff to perform other duties now conducted by CDA staff, thereby reducing the CDA overhead charge. This could be particularly useful under the JPA alternative.

- Contractors can take advantage of economies of scale in terms of transit management and share administrative staff between nearby programs.

- There is the potential for substantial cost savings if GCS were contracted with a private transportation company over the long term (on the order of a 9.7 percent reduction in costs for the FY 2012-13 program). Smaller administrative cost savings would be realized in the short-term as existing salaries and benefits would remain constant per federal regulations. These cost savings in turn could be used to expand the availability of public transit services to residents of Western Nevada County.

Disadvantages

- As a condition of accepting FTA funding, the new contractor must take on certain labor protections including the continuation of collective bargaining and preservation of rights and privileges under the existing bargaining unit. These regulations would have the effect of limiting cost savings from a cheaper labor force through a private contractor. New staff could be hired at a lower wage rate but this would develop a "two-tiered" wage system which could cause tension between staff and management.

- CalPERS benefits could not be continued under a private company, however, the private contractor would be required to negotiate with the union for similar benefits.

- TSD would lose some control over day to day operations which could affect customer service.

- The contractor may be more concerned over cost than the well-being of public transit passengers.

Conclusion

The analysis presented above indicates that there is a potential for cost savings (on the order of a 9.7 percent reduction from current costs) associated with contracting over the long term. This potential is very dependent upon the specific bids that would be received from a Request for Proposal (RFP) process. There are also a wide range of issues that would need to be addressed. If there is interest in pursuing this option, a "next step" would be to prepare and release an RFP that generates bids from contractors, as well as from the TSD. This would yield an actual set of options that could be considered side-by-side to determine the appropriate course of action.

Based upon the review of existing conditions, regulatory requirements and financial impacts discussed in previous chapters, this chapter presents the Consultants recommendations.

Public Transit Governance

Table 13 summarizes the advantages of each governance alternative, including privatization. Overall, the governance alternatives analysis and further discussions with stakeholders did not indicate gross inefficiencies with the existing institutional structure as a municipal operator. Western Nevada County public transit operating costs per vehicle service-hour are in line with peer transit agencies. The two governing boards (Board of Supervisors and TSC) have no history of discord nor has this institutional structure contributed to ill-informed decisions at the board level. Additionally, TSD staff and other Nevada County staff appear to have a good working relationship.

Table 13: Summary of Governance Alternatives

	Status Quo	Joint Powers Agency	Special District	Private Contractor
Can be implemented quickly at low cost	X			X
Avoids need for special legislation	X	X		X
Provides benefits of a taxing authority			X	
Simplifies lines of reporting between transit management and decision making entity		X	X	
Allows for greater control and flexibility to respond to sudden changes in transit demand or revenue shortfalls		X	X	
Provides a more streamlined process to change vendors or enter into new contracts		X	X	
Can provide a reduced risk of liability for participating entities		X	X	
Provides a board and staff that focuses on transit	X	X	X	X
Provides transit management with greater control over administrative costs		X	X	
Allows for access to greater transit management and operational experience.				X
Provides cost savings in the long term		X	X	X
Avoids the need for a "champion" in order to be successful	X			
Provides significant short term cost savings which would allow for transit service expansion	None			

Source: LSC.

As indicated in Table 10, under the JPA model there is the potential for annual administrative savings of $50,000 in FY 2012-13 or roughly 2.0 percent of the FY 12-13 estimated budget. In other words, using projected FY 2012-13 systemwide operating cost per hour of $87.34, this annual savings would allow for an additional 575 VSH per year or 2.3 vehicle-hours per service day. Under the FY 2010-11 JPA cost analysis, approximately $112,000 in administrative cost savings was estimated. The primary difference in costs stems from smaller A-87 charges in FY 2012-13. As TSD has little control over charges from other County departments, annual administrative savings from the JPA model are likely to vary within the range of $50,000 to $100,000 per year. As a separate entity, administrative costs would be more predictable and the JPA would not be subject to reorganization changes at the County, which may result in higher overhead costs.

One potential benefit of a JPA is that it would streamline the administration of the program, thereby increasing the public transit program's ability to react quickly to important changes such as a sudden reduction in sales tax revenue or increase in transit demand due to high gasoline prices (only one board's approval is required under a JPA). However, decisionmakers have been able to react to changes under the current structure in a timely fashion.

The key disadvantage of the JPA institutional form compared with the current structure is that the transit program would no longer have the administrative "backup" provided by the larger County structure. While current transit staff has the skills needed to function as an independent JPA, there have been times in the past when the availability of higher-level County staff to address transit management/financial issues has proven to be vital. In this regard, the additional administrative costs associated with the existing institutional form can be considered as an "insurance policy" providing greater assurance that administrative resources are available if needed to address future issues.

Considering the required start up costs of $58,000 and the staff time that would be required, **LSC's recommendation is to not pursue JPA formation at this time.** While ongoing cost savings and administrative efficiencies would be provided, these savings would not be sufficient to significantly improve public transit services. Finally, it would eliminate the ability of County staff to assist with capital improvements or potential future administrative issues. Rather, ongoing efforts to minimize A-87 costs and other County department overhead charges should be maintained.

Privatization Option

The projected costs savings from contracting with a private transportation company in the long term is substantial ($244,000 per year). This savings would be sufficient for Gold Country Stage to fund an additional route, or to make other substantial improvements to the span of service or service frequency. The length of time required to achieve this cost savings is unknown and would depend on how quickly existing TSD staff retire or leave, but it can be expected that substantial benefits would occur within ten years.

The primary perceived disadvantage of privatization is the loss of control over daily operations. The peer review analysis indicated that this factor could be overcome by specifying certain standards in the contract. Another disadvantage is that this alternative would create a two-tiered wage and benefit schedule which could negatively affect labor relations. The decision to contract for some agencies depends on the level of qualified "in house" staff available to manage transit operations. Gold Country Stage currently has capable staff in place to effectively manage fixed route (as well as paratransit) services.

As noted in the alternatives chapter, it is difficult to pinpoint contract costs without a full RFP process. **Should the TSC choose to further evaluate this option, LSC's recommendation is to release an RFP to request bids from transit operations contractors for the GCS operations**. In order to provide an effective cost comparison to the status quo, TSD should also respond to the RFP. The RFP should specifically outline work required and expectations for providing public transit service in Western Nevada County. The RFP should also specifically state that Nevada County reserves the right to **not** accept any of the bids received. If bids from private contractors do not provide sufficient cost savings over TSD costs, then the institutional structure Western Nevada County transit services should remain as status quo.

The following elements should be incorporated into the RFP, potential operating contract and transit program:

- Fuel would be provided by Nevada County.
- Request bids to address vehicle maintenance two ways: Vehicle maintenance incorporated into the operating contact to be conducted at a contractor owned/leased facility or vehicle maintenance provided by Nevada County Fleet Services (if feasible). For the latter option, contractor staff could be based out of the existing GCS facility.
- Allowance for minor flexibility in annual number of service hours (such as plus or minus 10 percent).
- Requirement for the contractor to participate in public outreach to ensure that the contractor remains in touch with the transit riding community.
- Conduct collective bargaining with existing unionized TSD employees.
- Provide existing TSD employees with a comparable wage and benefit structure as currently is provided through Nevada County.
- Request bidders to propose a wage and benefit structure for a five year period for both unionized existing TSD employees as well as new employees that may be hired over time.
- Monthly reporting to TSD staff.
- TSD contact information should be clearly referenced on all marketing materials so as to remain the primary point of contact for passenger complaints.
- Durham School Services should be included in the list of recipients for the RFP under the privatization alternative.

An RFP could be prepared by an outside consultant. This would cost on the order of $7,000, if conducted externally.

Coordination with School Districts

Given the significant funding reductions for home to school transportation, it has become increasingly important for public transit to coordinate with the many school districts in Nevada County. **LSC has the following recommendations** with respect to coordination with the school districts:

- Establish a primary point of contact and line of communication for the Nevada County Superintendent of Schools and the ten school districts. School districts should be notified of any service changes.

- Provide the school districts with a convenient method of purchasing Gold Country Stage bus passes for school children who are dependent on public transit services for travel to school.

- Continue to offer a discount to GCS youth riders age 6 to 17.

- Prior to the beginning of every school year, review existing bus schedules to consider coordination with bell times. While the GCS program cannot provide service specifically for school transportation, student transportation needs can be considered as part of the general public transit planning process.

- Involve the school districts in the public transportation planning process by encouraging a school representative to attend and provide input at TSC meetings. This would help ensure that the transportation needs of school children are met.

Additional Recommendations

A brief review of the Gold Country Telecare paratransit services operating contract is relevant to this Governance Study. The Telecare contract has not been competitively bid for thirteen years. As Telecare has provided good service at a reasonable cost for this time period, there has not been an impetus to change contractors. Chapter 6 also indicates that Gold Country Telecare's contract costs are quite low. Although FTA rules do not stipulate a maximum contract period for operations contracts, rules do require "full and open competition" when a new contract is established. Further FTA recipients must provide the opportunity to compete for contract awards at "appropriate intervals of time." If each subsequent contract with the same operator is not competitively bid, the transit agency must abide by the restrictions on "procurement by noncompetitive proposals (sole source)." These are situations where there are no other suppliers which can satisfy the bidding requirement. Sole source contract extensions must be justified in writing to FTA. LSC's review of the criteria for allowing "sole source" contracting indicates that these criteria cannot be met in Western Nevada County.

Therefore, it is **LSC's recommendation to put forth a RFP for the operations of paratransit services at the expiration of the current contract with Gold Country Telecare** in July of 2013 to fulfill the intent of the FTA requirements. The alternatives analysis indicated that bidding one contract for both fixed route and paratransit services would be more expensive than the two contract option. Therefore bidding two separate contracts is recommended at this time.

Elements of the existing paratransit services contract such as pursuing grant funding for vehicle acquisition and the enhancement of the provision of paratransit services should be incorporated into the new RFP for paratransit services. Evaluation criteria can go beyond cost considerations to also reflect other, less quantifiable, criteria. The RFP should also require sufficient community outreach to allow for a smooth transition if a new contractor is chosen.