Northwest Pennsylvania Transit

Regionalization Study Report

March 31, 2016

TABLE OF CONTENTS

TABLE OF EXHIBITS

EXECUTIVE SUMMARY

The 2011 Pennsylvania Governor's Transportation Funding Advisory Commission (Commission) called for the Pennsylvania Department of Transportation (PennDOT) to study the formation of regional transit agencies. In alignment with the Commission's report was a request by the northwest Pennsylvania counties to examine the potential benefits of an integrated regional transportation authority, providing both fixed route and demand response services. Pennsylvania Act 89 of 2013 (Act 89) further supported the establishment of regionalized transit operations by providing incentives for local municipalities to pursue regionalization. These incentives allow municipalities to lower or eliminate local match requirements commensurate with regionalization savings.

An initial high-level regionalization analysis was performed (Phase I study) for the counties of Clarion, Crawford, Forest, Venango and Warren. The counties determined that the initial results of the Phase I study warranted a more detailed analysis that would examine the financial impacts of regionalization, focusing on management efficiencies and including an analysis of an integrated regional demand response fare structure, a potential technology plan and a potential transition plan.

This document summarizes the results of the Phase II regionalization study. It does not express an opinion on whether or not regionalization should occur. It is solely intended to enable elected officials and other stakeholders to make informed decisions by having them consider the obstacles and the potential benefits of transit regionalization.

REGIONALIZATION BENEFITS AND CHALLENGES

Regionalized transit operations exist across the country and are typically formed when a single provider can serve the region more efficiently and/or more effectively than multiple agencies covering the same area. Operating cost savings are generated by eliminating duplicative administrative positions and services, reducing overhead costs, using volume purchasing and standardizing vehicle and parts inventory.

Regionalization can also yield operating improvements by using best-in-class technology across the region, eliminating redundant service and redesigning service to achieve efficiencies. A larger organization also has the opportunity to more easily leverage costs to focus on functions that might be neglected today due to the limited resources and operating scales of smaller agencies.

Passengers benefit from a single provider that focuses on regional transportation needs compared to today's fragmented providers that manage and deliver service for their segment of the region in disparate ways. A single entity can provide seamless regional travel with an integrated regional service plan, fare structure, schedules and fare collection system.

A single regional authority would also pose some challenges. One such challenge is alleviating concerns that local customer needs would not be addressed by a regional authority as well as they previously were by the smaller local transit providers. Other challenges include the need for significant technological capital investment, a change in governance from county control to county representation and the need to address how today's varying labor costs and work rules would impact a regional organizational structure and its financial results.

Many of the aforementioned benefits and challenges can respectively be ensured and diminished by the choices made regarding the regional agency's organization, operations and governance structures. There are many ways that a regional authority can be structured. This report presents one possible structure that maximizes the potential benefits and minimizes the potential challenges of regionalization. It was constructed with the input of northwest transit agency general managers and senior staff. Other viable options exist and ultimately the decisions that determine the actual regionalization structure would directly impact the financial results of regionalization.

IMPACT OF REGIONALIZED OPERATIONS

The financial impact analysis developed for the single regional authority focuses on administrative savings and assumes no change to existing service. It is possible that service changes would occur with a single regional authority and could further contribute to the financial and operating benefits included in this report.

Only full-time equivalent (FTE) reductions related to administrative positions were considered and only benefit savings for administrative employees were estimated. The reduction in FTEs and the related reduction in labor costs are net of new positions that were added to support human resource compliance, payroll and marketing functions. The estimated labor savings combined with savings in non-labor expenses is projected to reduce annual operating costs by approximately $234,000. This estimate does not include savings related to service improvements and potential maintenance savings from the new Crawford service bays and maintenance contract with Erie. Exhibit 1 displays the key savings components:

EXHIBIT 1: ANNUAL FINANCIAL IMPACT OF SINGLE REGIONAL TRANSIT AUTHORITY

Operating Line Item	Savings (Costs)
Salaries	$71,000
Employee Benefits	68,200
Services	(26,000)
Fuel and Fuel Tax	34,000
Office	2,000
Casualty and Liability	63,000
Clarion County Admin Payment	22,700
Total Expense Savings	$234,900

If this level of savings were achieved, the required local operating matches for the new single authority's fixed route service would be eliminated for five years since the expense savings are more than double the required total local match. The remaining expense savings could be used to eliminate county contributions for demand response service, improve service, reduce the use of fixed route grants for demand response service and/or delay or reduce future fare increases.

Finally, counties that offer transit service through a county department would be able to eliminate overhead costs associated with services provided to their transit department (i.e. payroll, human resources and technology), thereby reducing county costs and/or increasing productivity.

INTRODUCTION

The 2011 Pennsylvania Governor's Transportation Funding Advisory Commission called for the Pennsylvania Department of Transportation to study the formation of regional transit agencies. In alignment with the Commission's report was a request by the northwest Pennsylvania counties to examine the potential benefits of an integrated regional transportation authority providing both fixed route and demand response services.

An initial high-level regionalization analysis was performed (Phase I study) for the counties of Clarion, Crawford, Forest, Venango and Warren. The counties determined that the initial results of the Phase I study warranted a more detailed analysis that would examine the financial impact of regionalization focusing on management efficiencies and including an analysis of an integrated demand response regional fare structure, a potential technology plan and a potential transition plan.

This document contains a description of the approach, findings and results of the Phase II regionalization study. It does not express an opinion on whether or not regionalization should occur. It is solely intended to enable elected officials and other stakeholders to make informed decisions of the potential benefits, challenges and financial impacts of regionalization.

APPROACH

On behalf of the northwest Pennsylvania counties, PennDOT's Bureau of Public Transportation (BPT) assessed the potential for transit regionalization. The assessment included the following components:

1. Review of the current transit environment;
2. Preparation of profiles of the operating functions of a regional transit organization and develop a potential governance and organizational structure for the regional entity;
3. Exploration of integrated regional fare structure options for demand response service;
4. Estimation of administrative cost savings and assessment of other benefits of regionalization; and
5. Drafting a high-level implementation plan.

The regionalization study followed a five-step process. The first step focused on interaction with the regional stakeholders, including elected officials, transit board members, transit agency staff and regional planning representatives. Typical regionalization goals were discussed with the stakeholders and are shown in the box to the right.

Typical Goals of Regionalization

- Improved service
- Affordable budgets for counties
- Cost savings for transit agencies
- 21st century technology systems
- Improved access to service
- Seamless travel
- Improved reporting
- Increased compliance resources

Working sessions held with transit general managers and transit senior staff produced the conceptual regionalization scenario that would be examined and allowed the transit professionals to provide input regarding the key challenges of regionalization, optimizing operating functions under regionalization and the regionalization organization structure.

The purpose of the second step was to gain an understanding of the existing agencies' organizations, service, and operating and financial results. Site visits at each transit agency provided an opportunity to observe the physical environments, business processes and transit operations. Additionally, a review of various data and documents [1] offered insight on organizational structure, service details, contractual relationships and annual statistics. Profiles of each agency's current environment were subsequently developed and included a look at demographic, economic, governance, operating, financial, organizational, management, labor

[1] Fiscal Year 2013-14 was used as the base year for operational, financial and fare data.

and contractor factors. A summary of this work is provided in the *Current Environment* chapter of this report.

The third step defined the governance, operating and organizational profiles of the regionalization scenario defined by the transit professionals. The scenario envisioned the establishment of a single regional transit authority, formed by consolidating the five existing transit agencies in the region. The regionalization profile includes descriptions of how the regional entity would be structured and how it would operate. Specifically, the profile defined the regional organization's legal structure and governance, overall organization structure, transportation delivery functions, fleet, maintenance and overhaul functions, customer service functions, facilities, technology, administrative functions and labor environment. The profile for the regionalization scenario is provided in the *Single Regional Authority Profile* chapter of this report.

In parallel with the development of the regionalization profile was the exploration of potential integrated fare structures for the provision of regional demand response service. Under a consolidated regional transit authority, an integrated fare structure would support two of the primary goals of regionalization – improved customer service and seamless travel. A demand response database and financial model were created, incorporating pricing and trip data from all five agencies. The goals, approach and results of the fare integration model are presented in the *Integrated Demand Response Fare Structure* chapter of this report.

The fourth step described the impact of the regionalization scenario on transit agency governance, organizational structure and staffing levels and projected the financial impact on transit administrative expenses and local government funding. This work is described in the *Impact of Regionalization* chapter of this report. The financial impact analysis evaluated the cost reductions from eliminating overhead redundancies and improving administrative efficiencies. For example, wage and fringe benefit costs for administrative staff and other key operating costs that might be impacted by regionalization, such as professional fees, fuel and office costs, were identified and valued.

For the purpose of this analysis, a key assumption for the regionalization scenario was that service would not change. Therefore, non-administrative positions and their related costs were not evaluated. Administrative positions, which were the focus of this analysis, included non-represented employees and supervisors, secretaries, dispatchers, first level supervisors and building janitorial staff, whether represented by a labor union or not. Other costs related to

overhead were also included. Drivers/operators, mechanics and vehicle cleaners do not fall within this classification and therefore were excluded from this study.

Finally, the fifth step focused on the development of an implementation plan. The key implementation steps, time requirements for implementation and participants in the implementation process are all described in the *High-Level Transition Plan for Regionalization* chapter of this report.

CURRENT ENVIRONMENT

The regionalization assessment included the five transit agencies operating in the counties of Clarion, Crawford, Forest, Venango and Warren.

Regional Transit Agencies	
CATA	Crawford Area Transit Authority
CCT	Clarion County Transportation
FCT	Forest County Transportation
TAWC	Transit Authority of Warren County
VCT	Venango County Transportation

The current environment component of the study provides a picture of the individual and combined regional transit agencies as they are structured and operate today. This helps identify the key transition issues that would need to be addressed to regionalize service and provides a baseline for forecasting operational and financial changes.

The current environment work documents demographic and economic data, governance structure, service offerings and operating statistics, organizational structure and staffing, wages and fringe benefits, purchased transportation and other purchased services, functions provided by related parties, fuel consumption and costs and financial data.

Sources for the data shown in the Current Environment exhibits below include the U.S. Census Bureau: State and County Quickfacts, audited financial statements and responses to data requests and legacy reports submitted by the individual transit agencies.

A review of the current environment data highlights the diversity that exists in the region. There are larger and smaller transit providers; urban, suburban and rural geographies within which they operate; organization structures that include county departments and municipal authorities and fixed route and/or non-fixed route service provided.

DEMOGRAPHIC AND ECONOMIC STATISTICS

Pennsylvania's northwest region reflects diverse demographic and economic conditions that impact transit service delivery and needs. Household income is often an indicator of the need for transit service and population density is an indicator of service demand and average trip lengths. The relatively lower median household income in Crawford County reflects a high-density usage of transit for local fixed route service. Low population density in Forest County reflects higher average trip lengths seen by FCT and helps explain the higher costs for service that result from increased driver hours for demand response service. Such diversity would need to be considered in the service delivery of any regionalized approach to transit services.

EXHIBIT 2: CURRENT ENVIRONMENT – DEMOGRAPHIC AND ECONOMIC HIGHLIGHTS

	State	CATA	CCT	FCT	TAWC	VCT
2010 Median Household Income	$51,651	$40,379	$41,557	$36,006	$42,167	$40,986
2010 Persons per Square Mile	283.9	87.7	66.6	18.1	47.3	81.5
2010 Senior Population	15.4%	16.6%	16.4%	18.4%	18.6%	18.0%
2010 Civilian Veteran Population	10.2%	12.1%	10.9%	13.8%	13.9%	12.8%
2010 Individuals Below Poverty Line	12.6%	16.2%	15.8%	13.2%	12.1%	15.7%

Demographic and economic data also provide a look into the changing needs for public transit based on the size of key public transit user groups such as seniors, veterans and individuals living below the poverty line. For example, the percentage of the population that was 65 years of age or older, which primarily impacts both free transit fixed route and demand response service, is higher in every northwest county relative to the percentage for Pennsylvania as a whole. Similarly, the percentage of the population representing civilian veterans in each of the northwest counties was greater than the percentage for the Commonwealth as a whole. This underscores the region's need for demand response service.

GOVERNANCE AND SERVICE STRUCTURE

As with demographic and economic data, the five transit agencies in the region exhibit a range of organizational and governance structures (see Exhibit 3).

EXHIBIT 3: CURRENT ENVIRONMENT - GOVERNANCE AND SERVICE STRUCTURE HIGHLIGHTS

	CATA	CCT	FCT	TAWC	VCT
Governance					
Legal Structure	Municipal Authority	County Transportation Department	County Transportation Department	Municipal Authority	County Transportation Department
Governing Body	Board	County	County	Board	County
# of Governing Members	5	3	3	9	3
Selection of Governing Members	Appointed by County Commissioners	Voted by Electorate	Voted by Electorate	Appointed by County Commissioners	Voted by Electorate
Organization Structure	Centralized with 2 locations	Centralized with 1 location	Centralized with 1 location	Centralized with 1 location	Centralized with 1 location
Service					
Service Type[2]	FR/DR	DR	DR	FR/DR	FR/DR
Trips	230,755/48,059	24,649	13,020	69,442/35,288	56,270/26,339
Revenue Vehicle Miles	241,661/181,306	350,491	240,567	188,417/128,849	157,849/183,180
Max Daily Vehicles	5/20	20	19	3/16	3/26
Avg. Non-Fixed Trip Length	6.12	16.50	25.89	3.95	6.80

[2] FR = Fixed Route, DR = Demand Response

There are currently two types of organization structures and two forms of governing bodies at the existing transportation providers. Two of the agencies are structured as municipal authorities with a board of directors (board) governing each organization. The remaining transit agencies are governed by county commissioners. The number of governing officials ranges from as little as three, in the case of agencies governed by county commissioners, to as many as nine at one of the authorities. Factors such as effectiveness and adequate representation are important considerations when structuring the size, appointing bodies and by-laws for a regional authority.

The agency operating profiles also reflect the demographic and economic variety of the region. Within the northwest region, there is fixed route and demand response service. Of the five transportation providers within the region, three provide rural fixed route and demand response service and two provide only demand response service.

Current service in the region includes a number of inter-county trips, indicating a need for regional planning and coordination. All five agencies provide out-of-county service for a portion of their demand response trips.

In determining the organizational structure of a regional authority, the variety and size of today's service types should be considered.

STAFFING

Staffing at each northwest transit agency is as individual as their governance and operations:

EXHIBIT 4: CURRENT ENVIRONMENT - STAFFING HIGHLIGHTS

	CATA	CCT	FCT	TAWC	VCT
# Full-Time Equivalent Admin Positions	8.6	6.0	2.0	4.5	6.5
Purchased Transportation Services	None	All Demand Response Service	None	Only for Medical Center	None
Management	In-House	Privatized	In-House	In-House	In-House
Labor Representation	None	None	None	None	County SEIU

Administrative staff size across the individual agencies ranges from 2 to 8.6 full-time equivalent positions (FTEs). One of the five transit providers, Clarion County, outsources transportation delivery services for all of its demand response service from a private company that provides management service to the agency.

Only one of the five transit agencies operates with union employees – VCT's non-management employees, including drivers and mechanics, are represented by the Service Employees International Union (SEIU).

In determining the staffing structure of a regional authority, the current administrative size and outsourced transportation will influence the potential financial benefits of and the implementation requirements for the regional agency.

FINANCIAL PROFILES

Differences in staff size and service are reflected in a range of financial conditions. Fiscal Year 2013-14 operating revenue ranged from a low of $0.4 million at FCT to a high of $1.2 million at CCT. Similarly, operating expenses, excluding depreciation, ranged from a low of $0.4 million at FCT to a high of $2.0 million at CATA.

EXHIBIT 5: CURRENT ENVIRONMENT - FINANCIAL HIGHLIGHTS

	CATA	CCT	FCT	TAWC	VCT
Operating Revenues	$1,075,840	$1,161,389	$398,437	$908,069	$992,741
Operating Expenses excluding Depreciation	$2,002,681	$1,141,133	$396,244	$1,649,707	$1,394,446
Employee Benefits to Wages Ratio	28.6%	15.8%	32.6%	64.0%	32.6%
Total Assets	$4,973,576	N/A	N/A	$8,973,516	N/A
Line of Credit	$250K	None	None	$100K	None
Outstanding Debt	None	None	None	None	None
Long-term Leases	None	None	None	None	None
Type of Retirement Plan	457 Plan	401K Plan	County Defined Benefit Plan	404 Plan	Deferred Comp & County Defined Benefit Plan
Defined Benefit Plan Unfunded Liability	N/A	N/A	$0	N/A	$1.7M for all county employees

WAGES

Labor[3] is the largest cost component for transit agencies and there is a wide disparity of wage rates and employee benefit packages across the region. TAWC's average hourly rates for drivers and mechanics are the highest in the region. CCT and FCT average hourly rates are the lowest in the region as they require only demand response drivers whose rates are lower than that of fixed route drivers.

ADMINISTRATIVE COSTS

Administrative costs for both labor and non-labor positions are the focus of the regionalization analysis. As a percent of total labor costs, administrative labor costs are estimated to range from 23% to 36% for the individual agencies in the region. FCT and TAWC have the lowest ratios of administrative labor to total labor costs.

[3] Includes salaries, wages and employee benefits

EXHIBIT 6: PERCENTAGE OF LABOR COSTS ATTRIBUTED TO ADMINISTRATIVE EMPLOYEES

	CATA	CCT	FCT	TAWC	VCT
Estimated Administrative Labor Costs	$433,908	$184,942	$65,411	$255,352	$234,442
Total Labor Costs	$1,204,374	$588,452	$283,600	$1,019,919	$840,244
% Administrative Labor Costs	36%	31%	23%	25%	28%

EMPLOYEE BENEFITS

Employee benefits include costs such as health care coverage, retirement and life insurance. As with salaries and wages, these costs are a significant percentage of an agency's overall costs and are driven primarily by employee demographics and the type and quality of benefits that the plans provide. The average employee benefit to wage ratio for all transportation providers in the region is 35%, ranging from 16% to 64%. This range indicates the potential for cost savings resulting from regionalization.

Characteristics inherent in the benefit plans that today's transportation providers offer are shown below and illustrate the factors that influence health care and retirement costs:

- Three of the five transit agencies do not require employee contributions for health care while one agency requires a 100% employee contribution for spouse/family coverage;
- Employee contributions for retirement plans range from $0 to 19% of wages;
- Annual payments to employees for health plan opt-outs, when available, range from $300 to $2,000; and
- Caps for employer matches for defined contribution plans range from 1.25% to 5% of wages.

Typically, the two largest employee benefit costs are health care coverage and retirement plans. Defined benefit plans (pensions) paid to retirees as a guaranteed annuity payment, are more costly retirement plans compared to defined confined contribution plans (i.e. 401K or 457 plan). Once an employee retires, monthly payments are usually based on the employee's salary and years of service. Since pension payment amounts are guaranteed and all plan assets are subject to financial market risk, many defined benefit plans have unfunded liabilities that require high employer annual payments.

A defined contribution plan is an alternative that may or may not include an employer matching payment for every dollar that the employee contributes to his/her account. Contrary to a defined benefit plan where it is the employer's responsibility to direct how the plan's assets are invested, the employee has full control of how the assets in his/her account are invested within the

available options provided by the plan. Unlike defined benefit plans, the amount received by the employee during retirement is not guaranteed and is also subject to financial market risk. The employee's assets in the plan are portable and can move with the individual when employment is terminated.

Two of the five agencies (CATA and CCT) provide the less costly defined contribution plans. VCT offers a county defined benefit plan plus a deferred compensation plan. FCT provides a county defined benefit plan and TAWC provides a 404 defined benefit plan. Venango County's retirement plan had an unfunded liability of less than $2 million for all county employees[4] enrolled in the plan, not just transit employees.

Assets and Liabilities

If a single consolidated regional authority were formed, the existing transit agencies' assets would need to be transferred or leased to the new regional entity, excluding some county-owned fixed assets. Fixed assets include items such as vehicles, equipment, maintenance facilities, office buildings, terminal facilities and land. Non-fixed assets include items such as cash, investments and receivables. Any reserve accounts, including all federal, state and local subsidy balances, transferred to the regional authority could be set aside for use in specific counties and/or for specific purposes.

A funding plan would need to be structured to address outstanding liabilities using the funding streams that would also be transferred to the new organization. Liabilities include items such as payables, debt, deferred revenues, reserves and other post-employment benefits. Two agencies, CATA and TAWC have line of credit and typically obtain separate lines of credit for large capital projects. As of June 30, 2014, there was no outstanding long-term debt amongst the five agencies.

State and Local Subsidies

Some of the northwest transit agencies receive operating and/or capital subsidies from the state and/or local municipalities.

Exhibit 7 provides a summary of the annual state and local operating subsidies used by the transit providers in FY2013-14:

[4] There are 365 active and 319 inactive plan members in Venango County's pension plan. VCT employees represent approximately 3.5% of total plan membership

EXHIBIT 7: STATE AND LOCAL OPERATING SUBSIDIES USED IN FY2013-14

	CATA	CCT	FCT	TAWC	VCT	Total
State Operating Grants	$630,233	$0	$0	$608,314	$391,759	$1,630,306
Local Operating Matches and Contributions	38,650	0	0	39,321	22,996	100,967
Total State and Local Operating Subsidies	$668,883	$0	$0	$647,635	$414,755	$1,731,273

STATE SUBSIDIES

State operating and capital subsidies are provided annually to Pennsylvania transit agencies pursuant to Act 44 of 2007 (Act 44). Special assistance may also be provided at BPT's option. Act 44 enables BPT to provide capital grants to transit agencies for investments in fixed assets such as vehicles and facilities. Capital funding for vehicles is also available to smaller agencies through the Community Transportation Capital program. Additionally, state bond funds can be provided on a discretionary basis for permitted capital expenditures.

Those agencies that operate both fixed route and demand response service have the ability to use state fixed route operating grants to offset demand response operating losses. In FY2013-14, the three agencies that operate both types of service used a combined total of approximately $114,000 of fixed route grant funds to subsidize demand response service.

LOCAL SUBSIDIES AND RELATED SUPPORT

Each of the state operating and capital programs noted above has distinct local match requirements. The counties and, in some cases, other municipalities where the local service is provided, contributed funds to fulfill the match requirements. In FY2013-14, the total operating match for fixed route service across all transportation providers was approximately $96,000. Additionally, one of the three county transportation departments received direct contributions from its county to offset operating losses for shared ride service.

While not a direct cash grant, some of the agencies in the region receive services from their counties, such as payroll, purchasing and legal services. In such cases, the agency either receives the services free of charge or they are charged a direct or allocated cost for the services:

- Clarion County provides administrative and grant management, contract management, finance, treasury, audit, financial reporting and legal services to CCT and charges $1.50 per trip for these services;

- Forest County provides administration and grant management, finance, payroll, treasury, audit, human resources, procurement, legal, insurance and information technology services to FCT at no charge, but charges FCT actual costs for plowing, landscaping and building maintenance services; and
- Venango County provides finance, treasury, payroll, audit, procurement, human resources, legal, information technology and some maintenance services to VCT at no charge, but allocates costs to VCT for certain administrative staff, insurance, utility and capital improvement expenditures.

COMBINED OPERATING PROFILE

Exhibit 8 provides the combined operating profile for the five existing agencies for FY 2013-14:

EXHIBIT 8: REGIONAL OPERATING PROFILE

	FY2013-14 Regional Value[5]
Total Passenger Trips	503 thousand
Fixed Route Trips	356 thousand
Non-Fixed Route Trips	147 thousand
Total Vehicles	98
Fixed Route Vehicles	17
Non-Fixed Route Vehicles	81
Total Vehicle Revenue Miles	1.7 million
Total Vehicle Revenue Hours	97 thousand
Total Operating Expenses Excluding Depreciation	$6.6 million
Total Operating Revenue	$4.5 million
Total Current Administrative Employee FTEs	27.6

[5] Trips, miles and hours exclude non-public other transportation services

General Benefits and Challenges of Regionalization

Regionalized transit organizations exist across the country and are formed when a single provider can serve the region more efficiently than multiple agencies covering the same area. Understanding the benefits and challenges of transit regionalization is critical in optimizing a successful regional entity's organization and governance structures. The following benefits and challenges relate to the formation of a single consolidated regional authority:

General Benefits of a Single Consolidated Authority

Regionalization through the use of a single consolidated authority has the potential to provide financial benefits to local municipalities and their transit providers:

Single Authority Benefits

- Transit Expenditure Savings
- Transit Revenue Gains
- Reduction in Local Match Funding
- Elimination of Transit Related County Costs
- Use of Local Expertise for Regional Benefit
- Use of Best-in-Class Technology
- Use of Broader In-House Resources
- Functions Neglected Today Due to Limited Resources Receive Proper Attention
- Fleet Optimization
- Elimination of Redundant Service
- Seamless Regional Travel
- More Efficient Service Plans
- Positions the Region to Better Package Capital Funding Requests

1. **Transit Expenditure Savings** are typically generated by eliminating duplicative administrative positions and services, reducing overhead costs, using volume purchasing, standardizing vehicles and inventory, restructuring service delivery (directly operated vs. outsourced transportation service) and redesigning service (routes, stops, connections and timetables). These savings can occur in both operating and capital costs.

2. **Transit Revenue Gains** are usually achieved from the ability to leverage volume advertising and may occur from fare revenue increases due to ridership growth by integrating route and fare structures. Additionally, real estate and facilities that are no longer needed by the regionalized entity could possibly be used to generate new operating or capital income streams.

3. **Reductions in Required Local Match Funding** are now possible given the passage of Act 89 that permits municipalities to reduce their operating matching contributions dollar for dollar over a five-year period up to the amount of savings achieved from regionalization and consolidation of functions within a single organization.

4. **Elimination of Transit Related County Costs** for those counties that currently provide services to transit agencies that are county departments. Functions such as payroll, human resources, procurement and maintenance would no longer need to be provided as the new regional organization would assume responsibility for such services. This would enable these counties to reduce their costs and/or improve productivity.

Financial benefits could be used for a number of purposes such as reducing local fixed route match requirements, improving service, delaying fare increases, offsetting inflationary cost increases, reducing reliance on fixed route grant use for demand response service and/or reducing reliance on county contributions for demand response service.

Operating improvements can also be derived that benefit the region's passengers through the operation of a regional authority with a consistent focus:

5. **Use of Local Expertise for Regional Benefits** is a key advantage of regionalization. In the northwest region, there is expertise in areas such as compliance, vehicle maintenance and contract management. In a regionalized organization, management strengths and best operating practices could be broadly and consistently applied in the larger regional organization.

6. **Use of Best-in-Class Technology** across the region would occur as transition plans to develop a single authority would assess the current use of technology at all area providers and migrate the full region to an appropriate level of technology support. For example, the region as a whole would be able to take advantage of software to automate scheduling for driver runs and to automate the scheduling of fleet maintenance to manage preventive maintenance, parts inventory and maintenance productivity. Technology would also make it possible for improved data collection, reporting and analysis of service and performance.

7. **Use of Broader In-House Resources** for functions such as marketing and training. Rather than relying on third party contractors, a larger regional organization's staff would be available to service the full region.

8. **Functions Neglected Today Due to Limited Resources Receive Proper Attention**. Many small and mid-size transit agencies have insufficient resources to fully or even partially address all of the demands of running service along with the abundant federal compliance requirements in areas such as human resources, procurement, planning and reporting. A

larger regional organization provides the ability to properly focus on operational and compliance functions that might otherwise be neglected.

9. **Fleet Optimization** from regionalization occurs by increasing opportunities to right-size service using smaller or larger vehicles where appropriate and, over time, standardizing vehicle types and inventory where possible.

10. **Elimination of Redundant Service** is often a by-product of regionalization. In this particular region, there may be an opportunity to eliminate redundancies for demand response service.

When transit agencies achieve operating improvements, customer service and regional planning often improves as well:

11. **Seamless Regional Travel** can be achieved with an integrated regional fare structure, integrated schedules, single web-based trip planner and single fare collection system.

12. **More Efficient Service Plans** are the result of transit planning by a single regional organization rather than attempting to coordinate the service plans of five distinct transit providers.

13. **Positions the Region to Better Package Capital Funding Requests** by demonstrating a unified approach to capital investment requirements and priorities to federal and state stakeholders.

General Challenges of a Single Consolidated Authority

Regionalization through a consolidation of agencies into a single transit authority also poses challenges, including the following key items:

Single Authority Challenges
- Concern that Customer Needs Would Not be Properly Addressed in a Regional Structure
- Significant Technology Investment
- Requirement for Local Decisions and Legislative Changes
- Governance Change from County Control to County Representation
- Varying Labor Costs and Work Rules in the Region

1. **Concern that Customer Needs Would Not be Properly Addressed in a Regional Structure** is a concern typically raised when regionalization is being evaluated. However, agencies within the region and across the state have successfully addressed customer service needs during similar organizational changes. Concerns could be addressed by (a) developing organizational and governance structures that focus on customer service and

(b) implementing a transition plan that includes steps to minimize the customer service learning curve.

2. **Significant Technology Investment** and conversions to single systems and applications would be required to maximize regionalization benefits. To support this investment, PennDOT would fund both the planning efforts necessary to determine the technology needs for regionalization and the actual required capital investment during the transition period. Not all technological investments would be required before regional operations commence, which would lessen the burden on resource and monetary demands in the short period of time during transition.

3. **Requirement for Local Decisions and Legislative Changes** related to organization and governance structures would need to be made by local elected officials. Although there are steps that must be taken to establish the regional authority, they are all achievable provided there is a political will to do so and stakeholders are reasonable in reaching the necessary agreements.

4. **Governance Change from County Control to County Representation** would occur if regionalization via a single authority is implemented. County commissioners and other elected officials, who today control the governance of their local transit agencies, would relinquish that role and instead would have partial representation on the regional authority's board. These county and city officials would need to weigh the loss of governance control against the financial benefit of reducing their required transit funding obligation and continuing and potentially improving service to their constituents.

5. **Varying Labor Costs and Work Rules Within the Single Regional Entity** would need to be maintained in order to achieve the full financial and operating benefits of regionalization. As the *Current Environment* section of this report showed, wage rates, benefit plans and work rules vary among the transit agencies in the region. The key to optimizing regionalization benefits is to develop an organization and accounting structure that provides transparency for county-by-county operations. This approach has been successfully used in Pennsylvania at small and large transit agencies that have consolidated operations with varying labor environments.

Many of the aforementioned benefits and challenges can respectively be ensured and diminished by the choices made regarding the regional authority's organizational and governance structures. The next chapter, *Single Regional Authority Profile*, provides one potential set of such structures.

SINGLE REGIONAL AUTHORITY PROFILE

The results of regionalization are dependent upon a number of factors including the regional authority's organization, services, fare structure, operational and financial policies and procedures and customer service program. In order to determine the results of regionalization, there needs to be an understanding of what the authority will look like and how it will operate.

There are many ways that a regional authority can be structured. The following regional profile presents one possible structure that maximizes the potential benefits and minimizes the potential challenges of regionalization. It was constructed with the input of northwest transit agency general managers and senior staff. The nine components of the regionalization profile that were developed for this purpose are noted in the box to the right.

Regionalization Profile Components

- Legal Structure and Governance
- Overall Organizational Structure
- Transportation Delivery
- Facilities
- Fleet, Maintenance and Overhauls
- Customer Service
- Labor
- Administrative Functions
- Technology

LEGAL STRUCTURE AND GOVERNANCE

The single regional authority would be formed as a municipal authority by expanding the geographic service area of one of the existing transit authorities in the region. The authority would be renamed, indicating its regional purpose, and the five counties in the region would transfer, by resolution, the provision of transit services for their county to the new authority. The new authority would reconstitute its board to include representation from each of the five counties.

Alternative governance options are offered for consideration. The first has the county commissioners of each county appoint one individual to the regional authority board for a total of five members. Alternatively, additional board members could be added to the five county members, representing municipalities that contribute significant local match funding for fixed route service. In either case, the chairmanship and vice-chairmanship of the board should rotate among the counties on a periodic basis.

Finally, the new board will need to draft its by-laws. In addition to the more traditional by-law provisions regarding board structure, duties and voting requirements, the by-laws could incorporate provisions regarding the requirements for changes to the service area of the authority and for changes in the modes of service offered.

Overall Organization Structure

For administrative purposes, the regional authority would have a centralized administrative structure for communications, finance, human resources, legal and technology functions. A centralized senior operations management would oversee staff located at the current transit agency locations.

Equally as important as the organization structure is the accounting and reporting structure which must separately account for each county's operations. This will support the regional authority's ability to initially operate with distinct wage rates in each county. Over time, the authority would move to a tiered compensation structure for labor, dependent upon the type of service the employee was engaged in – fixed route or demand response. The county based accounting structure would also provide the ability to determine county-by-county financial results to support the accurate calculation of each county's local match obligations for service received in each county.

Transportation Delivery

Transportation delivery functions, such as fixed route service planning and scheduling, would be automated with new software applications and would be performed centrally. Road supervision, dispatching, safety and training would be managed centrally but assigned and performed locally. CCT's outsourced operations would continue unless the regional authority's board determines otherwise. This management contract along with any other subcontracted transportation contracts would be managed centrally.

Each of the current operating locations would continue to serve as the daily operations location for fixed route and demand response service. They would be staffed with operations supervisors, dispatchers and/or clerical support staff to manage the daily functions of service provision during standard hours of operation.

Given current management views that there is unmet demand for weekend service in Warren County and extended weekday hours in Clarion and Venango counties, the regional authority should formally prepare a demand analysis and then, based on the analytical results, develop a

new service plan by the end of the first year of regionalized operations. It is recommended that the authority partner with the Northwest Commission for this route planning.

FACILITIES

There are six facilities in the northwest region – CATA with two and one each at the remaining four agencies. This regional profile assumes that the new regional authority's headquarters would be located in Meadville. The Meadville site would house senior operations management and administrative staff and continue to house the daily transportation delivery functions for service provided in Crawford County.

The facilities located in Meadville, Warren and Franklin would contain the larger transit delivery operations along with vehicle maintenance operations. The facilities in Shippenville and Marienville would house smaller transit delivery operations and the site in Titusville would serve as a central storage facility.

Leases for existing office, vehicle storage and service bays would be transferred to the new regional authority, which would also negotiate new lease agreements for transit operations currently located in county-owned space. The regional authority would pay the actual cost for services, such as utilities and building maintenance, from operating at county-owned facilities.

FLEET, MAINTENANCE AND OVERHAULS

Title for the existing vehicle fleet and equipment would be transferred to the new regional authority. The Meadville location would house senior maintenance management and support services staff including safety and materials management.

Vehicle, inventory and fuel procurement would be performed centrally, with tires and other inventory stored at the Titusville location, a geographically central location from which deliveries to maintenance sites would occur. A single fuel management software application would be used and, if possible, fuel would be purchased from one vendor to obtain a volume discount. The authority would purchase inventory, including tires, needed by any maintenance contractors.

A single maintenance management software application would be used to track and schedule all inspections and repairs for the entire region's vehicles. Data would be entered into the application by staff located at field locations, the storage site in Titusville and the central administrative headquarters. Data from this system would be used to manage costs and ensure proper levels of staffing and inventory.

Staff at the local sites would perform light vehicle maintenance. Staff at the Meadville, Warren and Franklin maintenance facilities would continue to perform heavy maintenance for the vehicles operating within their related counties. When financially and operationally feasible, the Warren maintenance facility could be used to perform heavy maintenance services for FCT's fleet. Similarly, the new Meadville maintenance site could be used to perform heavy maintenance service for other parts of the region when capacity allows. Since CATA, as a recipient of maintenance services, is entering into an agreement with the Erie Metropolitan Transit Authority (EMTA) to manage maintenance operations at the new Meadville site, EMTA's standards could be used as the protocols for the region. To the extent that CCT and FCT vehicles cannot be maintained at one of the regional maintenance facilities, third party contractors would be used as they are today.

Capital investment in additional vehicles would be helpful for regional operations, including a wrecker/tow truck that could reduce costs and lost time. Additional vehicles might include management vehicles for regional mobility. A fleet plan should be prepared in the second year of regionalized operations following the establishment of the new service plan.

CUSTOMER SERVICE

Demand response reservations would be handled by an integrated but not central structure. Two reservationists/dispatchers/schedulers would be located at each local site other than Marienville, where one reservationist/dispatcher/scheduler would be placed. Operating supervisors and eligibility staff would provide support for the reservations function during peak call periods. Trips would be scheduled through Ecolane software with local dispatching and service delivery.

A centralized eligibility function would be staffed with an MATP eligibility manager and a mobility manager. While there would still be local sites for customers to provide eligibility documentation and receive mobility information, policies, procedures, processing and record keeping would be performed centrally. The eligibility and mobility managers would be supported locally by the authority's road supervisors and marketing manager as well as the region's senior centers.

Call specialists and other supporting staff would be initially trained in both fixed route and demand response service for a specific geographical area. Over time, specialists would be able to provide information on fixed routes in any local service area and reserve demand response trips regardless of origin and destination.

LABOR

No change in labor rates are assumed at the outset of regionalization. However, over time, a single or tiered compensation structure, based on job classifications, would be established across the region and work rules would be standardized.

The regional authority would standardize the benefits provided to all employees, whether they came from an existing transit authority or an existing county department or whether they serve in an administrative or operating position. It is assumed that all employees of the regional authority would participate in a defined contribution retirement plan sponsored by the regional authority and would receive a capped employer match to employee contributions.

Individuals who are employed by the regional authority and today are participants in a defined benefit retirement plan would, upon retirement, receive pension payments from their current employer for their years of service through the start of regionalized operations plus their defined contribution plan balance accrued during their years of service with the regional authority.

The unfunded liability for VCT employees in Venango County's retirement plan at the time the regional authority begins operations would be the financial responsibility of Venango County.

ADMINISTRATIVE FUNCTIONS

As the *Overall Organization Structure* section noted above, the bulk of the administrative functions would be centralized at the regional authority's headquarters. However, dispatchers, operations management (other than senior management), and reservationists/schedulers would be located at the local operating facilities. Rather than rely on internal staff for all administrative functions, it is assumed for this regionalization scenario that all or most of the strategic planning, non-operational training, legal, technology and capital project management work would be performed with contract staff. Compliance functions would be performed primarily with in-house staff and supplemented with contractors.

It is anticipated that regionalization would result in administrative cost reductions by eliminating redundant positions and standardizing processes such as procurement. The regionalization profile also assumes that three new positions would be created to encourage ridership growth and satisfy compliance and financial requirements that are not fully supported by the individual transit agencies today. These positions include a human resources manager, an

accounting/payroll specialist and a marketing specialist. There is a critical need for regulatory compliance management. The compliance manager would be responsible for training and would be supported by the new human resources manager.

TECHNOLOGY

A high-level technology plan for a single regional authority was developed based on the regional profile described in this chapter. There are three categories of technology referenced in the technology plan – technology required for day one of regionalized operations; technology required by end of year one of regionalized operations and technology required for local sites.

TECHNOLOGY FOR DAY ONE

The only technology to be deployed on the first day of regionalized service is that which is necessary for the business to function as a single enterprise. These components are shown in the box to the right.

Technology Required for Day One of Regionalized Operations

- Voice network
- Data network
- Wide-area network
- Exchange system
- Website
- Finance and HR applications
- Ecolane reservations and scheduling application

All other technologies currently in use at the separate transit agencies, such as fleet maintenance, vehicle cameras and building security systems would remain in use at their local sites until a later date when a standardized replacement would occur.

Wherever possible, the single regional authority would reuse or upgrade existing equipment and software. Requests for Proposals (RFPs) for technology solutions would require "turn-key" implementations that include project management, design, training and testing services. An overview of the day one technologies follows:

Voice Network and "Call Center" Technology

The voice network would allow regional authority staff to call each other, transfer calls, park calls and use other features as though they are all in the same building. There would be a consistent four or five-digit numbering plan. In addition to standard telephone features, the following advanced features, supporting the communications system and the reservation/scheduling system, are recommended for the multi-site regional entity:

- Dynamic call routing based on number dialed and calling line ID. The ability to route callers based on the number dialed and the number from which the call originated is essential to providing the "local touch" for demand response scheduling and fixed route

trip planning. Callers can be routed to the individual most likely to be familiar with the local area.

- Screen pop support. Screen pops are a handshake between the communications system and the scheduling system. The goal is to "read" the caller's calling line ID, match it to a customer record and pop the customer information screen as the agent answers the call. This capability increases call-handling efficiency and provides the agent with immediate customer data.
- Call monitoring and call recording. These features are essential for training and performance management.
- Out-dialing for reminders. This feature enables the agency to send recorded reminders To passengers to limit "no shows" for demand response service.
- Interactive Voice Response (IVR) for self-service. IVR systems allow callers to cancel trips and hear information without having to speak to a customer service representative.
- Call forwarding to allow office phones to ring to mobile phones. With a mobile staff (executives, road supervisors and others) it is helpful to have office calls forwarded to mobile devices.
- Enterprise Instant Messaging and Chat. This feature allows users to instant message and chat with one another in the regional entity. The feature is useful for reservationists who need to ask quick questions of supervisors and/or schedulers while they are on the phone with a customer.
- Conference Bridge for audio/web/video conferencing. In a multi-site enterprise, collaborating on projects, management and daily tasks can be a challenge. The conference bridge eases this by facilitating a shared workspace on the network. Instead of traveling to a meeting, staff can use the conference/video bridge. This is a purchased application with a one-time upfront investment with no ongoing cost as there is without-of-network conferencing applications such as WebEx™ or GoToMeeting™.
- Unified messaging integration with MS-Exchange. Unified messages present all voice and e-mail messages through a single portal, the Outlook Inbox. Users can retrieve voice and email messages at the same time using their keyboard.

Data Network, Wide Area Network and Exchange Technology

The data network for the regional authority would have its core at the Meadville site with failover capability at a second site. The network would house Microsoft Exchange, financial systems and data storage/backup for the enterprise.

For the voice and data applications to work efficiently and accurately, the regional entity would need a robust wide area network to handle the traffic. Speed and flexibility will be a key requirement considering the variety (voice, data, and video) and volume of network traffic.

Microsoft Exchange, through a single server in the region, would be used for email, calendars and contacts. Email addresses would change to reflect the new entity's name. Old addresses would be configured as "aliases" for a period of time for external users to adapt to the name change.

Website Technology

The regional entity would have its own website and include features such as fixed route trip planning, commendation/complaint processes, demand response information and real time route information. Fixed route transit data would be supplied to the website using applications from Avail Technologies.

Financial and Human Resource Systems Technology

There are two systems that would work together to support the financial functions of the single regional authority – time and attendance software and financial software. The time and attendance system is separate from but essential to payroll and accounting. The time and attendance system must support multiple shifts, complex transit work rules, and mobile applications and interface with the financial and access control systems.

The financial system would include general ledger, billing/accounts receivable, accounts payable, fixed assets, procurement, budgeting and payroll modules. It would also provide grants management and cost allocation functionality as well as interfaces for point of sale terminals.

The human resources system would provide for management of employee performance, benefits and enrollment, wages and raises, commendations and discipline, training records and succession planning.

Reservations Technology

The state's Ecolane application would be used for reservation and scheduling functions for service throughout the region.

TECHNOLOGY FOR END OF YEAR ONE

Technology Required for End of Year One
- Badges/Employee Identification
- Fleet Maintenance
- Inventory Management
- Fuel Management
- Document Management

The technologies to be implemented in the first year of regionalized operations provide increased operational efficiency, increased security and cost reductions. They also support the management needs of a larger organization:

Badges/Employee Identification

A single badging system would be used throughout the region. Ongoing costs incurred would only be for the individual badges.

Fleet Maintenance and Inventory Management Technology

A single fleet maintenance and inventory management system would provide the ability to standardize maintenance policies and processes across local sites, improve record keeping and achieve volume discounts. The fleet maintenance system would also integrate with an inventory management system. Current inventory management systems would continue to be used locally at the outset of regionalized operations. By the end of the first year of operations, a single inventory management system would be used to manage and record vehicle parts and supplies.

Fuel Management Technology

Sites currently using fuel management systems would continue to use them locally at the outset of regionalized operations. By the end of the first year of operations, a single enterprise fuel management system would be put in place to manage and record fuel consumption and costs by vehicle.

Document Management Technology

As the enterprise becomes more geographically distributed, document access and storage can become a challenge. The size of the new authority makes it a candidate for a document management system that would include the following functionality:

- Optical Character Recognition (OCR) to scan current paper documents
- Interface with the financial system
- Complaints/commendations and incident management

The goal is to become as paperless as possible so that remote users have full access to any documents that they may need.

Technology Remaining at Local Sites

A number of the operations related systems would remain at the local sites including those listed in the box to the right.

Technology Remaining at Local Sites

- Two-way radios
- Automated passenger counters
- Announcement systems
- Automatic vehicle locators
- Vehicle video surveillance
- Building video surveillance
- Fare collection

A single regional authority would need dedicated two-way radios that are integrated with each of the county emergency management systems in order to respond in accordance with emergency plans.

Any automated passenger counter and automatic vehicle locator applications would remain at the local sites with data transmitted to the authority's headquarters. Additionally, the vehicle location information would be available on the website and to reservation staff. Similarly, vehicle and building video files would be transferred to and stored on the network at the authority's headquarters.

The fare collection process would remain a local activity as will any existing point of sale applications, both of which will be integrated with the financial system. Central administrative staff would design and document the collection, counting and deposit protocols.

PennDOT is currently working on a state-wide procurement for fixed route intelligent transportation systems that would provide a series of supporting applications, such as the ones noted in this section, for local site technology. Once that procurement is completed, it would be available to the new regional authority.

INTEGRATED DEMAND RESPONSE FARE STRUCTURE

Consolidating public transit in northwestern Pennsylvania offers the potential to design a single integrated fare structure for the region for demand response service. Changes to fares with a single authority could be implemented all at once at the start of regionalized operations or in an incremental fashion to satisfy both technical and policy considerations.

FARE STRUCTURE GOALS

As described earlier in this report, a series of working group sessions were held at the beginning of this regionalization study to gain the input of transit management in the region. One of the working group sessions focused on an integrated regional fare structure for demand response service. Participants were asked to provide input on policies and goals for the fare structure, the use of technology in fare collection and their opinion of the ideal fare structure and method of payments to be used by the regional agency. From these discussions, eight key goals for the regional integrated fare structure were developed:

Integrated Fare Structure Goals
- Uniformity
- Revenue Neutrality
- Regional Integrity
- Equity
- Administrative Ease
- Simplicity
- Ridership Generation
- Compliance

- Uniformity: fares charged should be similar throughout the region;
- Revenue Neutrality: the new fare structure should yield the same revenue after fare integration as the five transit agencies produce today;
- Regional Integrity: the new fare structure should help to facilitate travel between counties in the service area;
- Equity: the fare charged should correlate to the distance travelled;
- Administrative Ease: fare collection and processing should be performed in an efficient manner;
- Simplicity: the new fare structure should be easily understood by riders;
- Ridership Generation: the new fare structure should increase ridership through the use of fare incentives; and
- Compliance: the new fare structure must conform to state and federal regulations.

DEMAND RESPONSE FARE STRUCTURE

Demand response transit service is currently offered in all five counties within the region. In order to best meet the goals identified with the stakeholders, the criteria shown in the box to the right were developed for the integrated demand Response fare structure. The stakeholders agreed that the integrated structure should accommodate a wide range of trip lengths and use simple increments of distance and fares.

Demand Response Fare Structure Criteria

- Create uniform, distance-based fares
- Standardize the fare zone boundaries across the region
- Incorporate simple increments of fare
- Charge more for longer trips

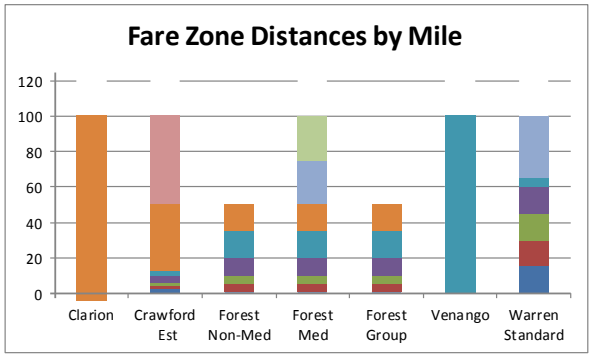
CURRENT STRUCTURE

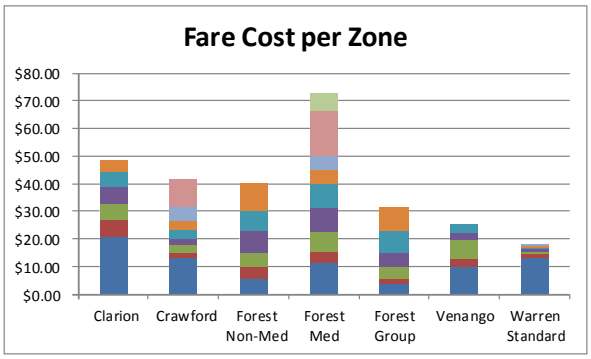
As noted in the *Current Environment* chapter, the region is very diverse in demographic characteristics. That diversity is reflected in the wide range of fare structures employed by the regional providers of demand response service. Four agencies operate with a mileage based zone structure and one agency operates with a geographic zone structure. The structures vary widely in the number of zones they employ and the fare that is charged for each zone.

Exhibit 9 illustrates the variety of fare strategies in the region. The first graph displays the number of fare zones within each system and the distance covered by each zone. The agencies use anywhere from five to nine zones per fare structure. Since CATA relies on geographic areas rather than mileage to define its zones, the distance covered by each zone in the exhibit has been estimated. FCT has three different fare and zone structures dependent upon the type of trip taken (medical, non-medical and group).

The second graph shows the number of zones and the fare for each zone. The difference in fares is illustrated by FCT's medical trip fare which exceeds $70.00 while TAWC's highest fare is $18. Overall, FCT's higher fares are a function of its average trip length of 32.5 miles which is more than five times the average trip length of TAWC at 5.8 miles.

EXHIBIT 9: FARE ZONE DISTANCES AND FARE PER ZONE





POTENTIAL INTEGRATED STRUCTURE

Using the goals and criteria discussed above, a single regional-fare structure was developed for demand response service. A demand response fare model was constructed that calculated the change in revenue resulting from the unified fare being applied at each agency. The model assumed no charge for escorts and no separate fare structure for group or medical trips. Therefore, all trip types would be charged the same fare which would be solely dependent upon the trip distance.

Since revenue neutrality was a primary criterion, several different fare variations were tested until one was found to be as revenue neutral as reasonably possible. Revenue neutrality was defined as achieving the same amount of fare revenue collected in the test year, FY2013-14, plus the value of revenues received from local government contributions for demand response service. In the test year, $34,300 was contributed by local governments for demand response service.

The "best" scenario results for a single integrated fare structure are presented in Exhibit 10 with the associated trip and revenue results shown in Exhibit 11.

EXHIBIT 10: SINGLE INTEGRATED DEMAND RESPONSE FARE STRUCTURE

Zone	Mileage From	Mileage To	Fare
1	0.00	1.99	$10.50
2	2.00	4.99	$12.50
3	5.00	9.99	$17.50
4	10.00	14.99	$24.50
5	15.00	19.99	$33.00
6	20.00	34.99	$39.00
7	35.00	49.99	$47.00
8	50.00	74.99	$56.00
9	75.00	More	$65.00

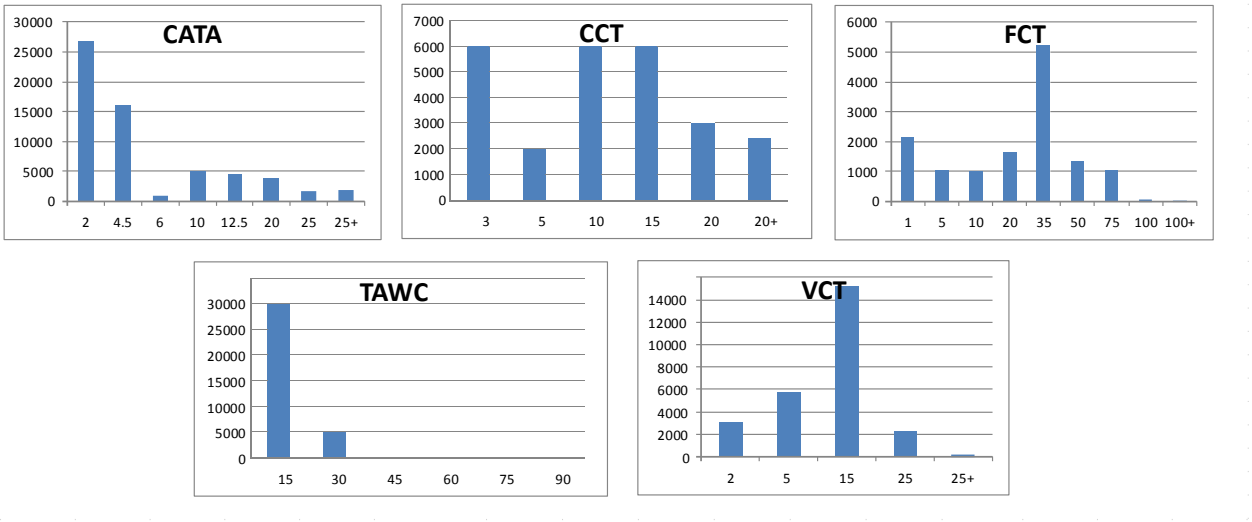
EXHIBIT 11: RIDERSHIP AND REVENUE RESULTS OF SINGLE INTEGRATED DEMAND RESPONSE FARE STRUCTURE

Agency	Base Year Trips	Base Year Revenues	Regional Revenues	Revenue Difference	Percent Difference	Base Year Avg. Fare	Regional Avg. Fare
CATA	60,980	$1,060,286	$968,886	-$91,400	-8.6%	$17.39	$15.89
CCT	25,181	852,057	542,036	-310,021	-36.4%	$33.84	$21.53
FCT	13,487	384,879	429,992	45,113	11.7%	$28.54	$31.88
TAWC	37,538	519,250	861,321	342,071	65.9%	$13.83	$22.95
VCT	26,339	461,308	509,398	48,090	10.4%	$17.51	$19.34
Total	**163,525**	**$3,277,780**	**$3,311,633**	**$33,853**	**1.0%**	**$20.04**	**$20.25**
Local Subsidy	--	34,300	--	-34,300	--	--	--
Grand Total	**163,525**	**$3,312,080**	**$3,311,633**	**-$447**	**0.0%**	**$20.25**	**$20.25**

As can be seen in the table above, the overall results are revenue neutral. Revenues decrease by only $447. In the individual counties, however, the results are mixed, dramatic and sometimes negative. Some areas, such as Crawford and Clarion counties, experience reductions in revenue and average fares. In other areas, such as Warren County, revenues and average fares increase significantly by over 65%.

Because of these dramatic disparities and especially out of concern for passengers and sponsoring agencies of TAWC who would see significant increases in fares, an alternative structure was examined – a dual regional fare structure. In order to determine how fares would vary across the region, existing trip patterns were examined by agency:

Exhibit 12: Trip Distance Patterns by Agency



These trip patterns help explain one of the reasons for the wide range of impacts on individual agency riders. With an inconsistent trip pattern amongst agencies, a single fare structure will therefore impact riders inconsistently. A number of dual fare structures were examined. Each was structured to be revenue neutral for the area to which it applied. The "best" dual fare structure combined CATA, TAWC and CCT in one fare structure and FCT and VCT in another. Exhibit 13 and Exhibit 14 respectively show the dual fare schedule and the ridership and revenue results for this scenario.

Exhibit 13: Dual Fare Structure for Demand Response Service

Area 1 Zone	Area 1 Mileage From	Area 1 Mileage To	Area 1 Fare	Area 2 Zone	Area 2 Mileage From	Area 2 Mileage To	Area 2 Fare
1	0.00	1.99	$12,00	1	0	4.99	$11.00
2	2.00	4.99	$14.00	2	5.00	9.99	$15.00
3	5.00	14.99	$22.00	3	10.00	14.99	$20.00
4	15.00	24.99	$30.00	4	15.00	24.99	$35.00
5	25.00	44.99	$39.00	5	25.00	49.99	$50.00
6	45.00	59.99	$48.00	6	50.00	More	$65.00
7	60.00	74.99	$57.00				
8	75.00	More	$66.00				

Exhibit 14: Ridership and Revenue Results for Dual Fare Structure

Agency	Base Year Trips	Base Year Revenue	Regional Revenue	Revenue Difference	Percent Difference	Base Year Avg. Fare	Regional Avg. Fare
Area 1							
CATA	60,980	$1,060,286	$1,018,945	-$41,341	-3.9%	$17.39	$16.71
CCT	25,181	852,057	543,871	-$308,186	-36.2%	$33.84	$21.60

TAWC	37,538	519,250	868,929	$349,679	67.3%	$13.83	$23.15
Subtotal	**123,699**	**$2,431,593**	**$2,431,745**	**$152**	**0.0%**	**$19.66**	**$19.66**
Area 2							
FCT	13,487	$384,879	$470,361	$85,482	22.2%	$28.54	$34.88
VCT	26,339	461,308	448,105	-$13,203	-2.9%	$17.51	$17.01
Subtotal	**39,826**	**$846,187**	**$918,466**	**72,279**	**8.5%**	**$21.25**	**$23.06**
Total	**163,525**	**$3,277,780**	**$3,350,211**	**$72,431**	**2.2%**	**$20.04**	**$20.49**
Local Subsidy	**--**	**34,300**	**0**	**-$34,300**	**-100.0%**	**--**	**--**
Grand Total	**163,525**	**$3,312,080**	**$3,350,211**	**$38,131**	**1.2%**	**$20.25**	**$20.49**

Unfortunately, this dual fare structure does not solve the single fare structure problems. Only VCT riders see a benefit relative to the single fare structure. FCT and TAWC riders are disadvantaged the most, with respective increases of 22% and 67% in their average fares and, therefore, is a fare structure that should not be implemented.

CONCLUSION

Both the single and dual fare structures examined result in unacceptable levels of fare increases for the FCT and TAWC riders. Today's multiple service approaches and cost structures across the region negatively influence the ability to build an equitably integrated fare structure. Additionally, the lack of specific distances per trip prevented the ability to provide accurate revenue estimates. For these reasons, it is recommended that if regionalization occurs, fare integration for demand response service should be re-evaluated after the first year of regionalized operations. Three changes will have been made by that time that should provide more accurate revenue results. One year after regionalized operations, there will be a single approach to service, a single cost structure and one year of accurate mileage data from using the Ecolane reservations and schedule software. During the first year of regionalized operations, the new regional entity should attempt to standardize the county AAA funding programs.

IMPACT OF REGIONALIZATION

Estimating the financial impact of a single regional transit authority requires an understanding of how the authority will be structured from an organizational and governance perspective. One potential scenario out of numerous available options was modeled based on the regionalization profile developed as well as the previously identified benefits and challenges. Other viable options exist and ultimately the decisions regarding what the northwest regionalization would look like would be determined during a planning and transition period prior to the start of regionalized operations.

The financial impact analysis focuses on administrative savings, assumes no change to existing service and maximizes the use of existing assets to minimize new capital investment requirements. However, service changes would certainly occur with a single regional authority and could further contribute to the financial and operational benefits estimated in this chapter. Any service change would require a comprehensive analysis to optimize such benefits.

The subsequent text in this chapter describes the approach, assumptions, and resulting financial impact of the previously defined regionalization scenario.

ESTIMATED FINANCIAL IMPACT OF A SINGLE REGIONAL AUTHORITY

The estimated financial impact of regionalization was developed by examining eight key areas of operating expenses – salaries, employee benefits, services, fuel & fuel taxes, office, casualty and liability and allocated county costs.

STAFFING PLAN

In order to estimate salary and employee benefit changes, a staffing plan for a single regional authority was developed. The regionalization profile for the single regional authority was used as the basis for developing the staffing requirements.

It is assumed that the single regional authority's organization is divided into four primary functional areas, each reporting to the Chief Executive Officer (CEO) – Operations, Finance, Human Resources/Safety and Marketing. Each of these areas is populated with positions responsible for the following functions:

- Operations – Transportation Delivery; Reservations, Scheduling, Dispatching and Road Supervision; Eligibility; Asset Management (Fleet, Facilities, Materials and Inventory); Security; and Service Planning and Scheduling

- Finance – Accounting; Payroll; Financial Planning and Budgets; Grants Management; Financial Analysis; Cash and Debt Management and Procurement
- Human Resources/Safety – General Human Services; Labor Relations; DBE and EEOC; Safety; Compliance and Training
- Marketing – Communications; Public Relations and Marketing.

Additionally, it is assumed that some functions, such as legal, technology and advertising, would be provided in whole or in part through third party contracts rather than the authority's employees.

Today, there are 27.6 combined administrative full-time equivalent (FTE) positions in the region. A single regional authority achieves efficiencies by reducing this administrative headcount to 25 FTEs through a centralized management team. Exhibit 15 shows the projected change in administrative headcount by major functional area:

EXHIBIT 15: PROJECTED CHANGE IN ADMINISTRATIVE FTES - SINGLE AUTHORITY

Function	Combined Agencies Today	Single Regional Authority	Change
Executive and Executive Assistance	5.6	2.0	(3.6)
Communications, Marketing and Advertising	0.0	1.0	1.0
Compliance	1.0	1.0	0.0
Customer Service	11.0	10.0	(1.0)
Finance and Procurement	2.5	2.0	(0.5)
Human Resources	0.0	1.0	1.0
Operations	7.5	8.0	0.5
Total	27.6	25.0	(2.6)
% Change	--	--	(9.4%)

Position reductions stem primarily from eliminating redundant positions and are *net* of adding new positions to support operations across the entire region. The new positions include those for human resources, marketing and finance/payroll. Additionally, one of the ten customer service positions is an MATP Eligibility Specialist fully funded by the MATP program.

This analysis assumes a staffing plan representing one hypothetical scenario on how the consolidated agency could be staffed. It is understood that different viewpoints may exist with regard to the number and level of positions and the related salaries incorporated in this organizational structure. If any of those alternative viewpoints were incorporated into the regional model, it would result in an increase or decrease to the salary and employee benefit savings reflected in the analysis.

Salary Expenses

A complete inventory of all existing administrative positions, as defined in this study, and their salaries were obtained from each transit provider. Using the staffing plan that was developed and discussed above, each position on an organization chart was assigned a title that was best aligned with the responsibilities of the position. For the vast majority of these jobs, position titles and their salaries remained as they are today since the responsibilities remained the same in the new regional authority. Salaries were adjusted for existing positions where there was a significant increase in responsibility between current operations and operating as a single regional authority. Newly created positions were identified that did not exist today and were priced at a salary that was commensurate with the responsibility[6].

The net reduction in the number of administrative positions due to regionalization with a single regional authority would yield $71,000 in reduced salary costs.

Employee Benefit Expenses

There are two components of savings related to employee benefit expenses. The first is savings attributed to eliminated positions and the second is savings attributed to standardizing employee benefits plans for the single authority's administrative employees.

As previously mentioned, the single regional authority staffing plan resulted in a reduction of 2.6 FTEs and an associated salary reduction of $71,000. The average employee benefits to salary ratio found at the existing transit agencies was applied to these salary reductions to obtain the estimate of employee benefit savings related to position reductions.

The remaining 25 individuals in administrative positions at the single regional authority would receive a standardized benefit package. The *Current Environment* chapter indicated that a variety of health care plans and retirement plans were in use among the region's transit providers. With the regional authority standardizing health care coverage, it can reduce premiums by taking advantage of its larger employee pool. Retirement plan costs are reduced by offering a defined contribution plan rather than a defined benefit plan.

The regionalization model assumes mid-priced employee health care coverage and retirement benefits stemming from a defined contribution plan with an employer match.

[6] Salary data was obtained from APTA's Public Transportation Management Compensation Report

Reduced health care premiums from a slightly reduced administrative staff and the implementation of single standardized coverage along with reduced costs attributed to a standardized defined contribution retirement plan for these employees is projected to yield $68,000 in savings.

Services

Professional services is typically another expense category that incurs duplicative costs across multiple agencies and can be reduced due to regionalization. The key components of professional services are audit, payroll, legal and planning services. As an example, a single regional authority would require only one annual independent financial audit, while today one for each of the five agencies is required. While professional service costs are expected to be reduced in most areas, it is assumed that technology consulting costs will increase since a new set of systems, applications and connectivity would be required for regional operations and the staffing plan does not include an in-house technology position. The net result of professional service savings and technology consulting increases is a projected increase in services costs of $26,000.

Fuel and Fuel Tax

The existing transit agencies purchase both gasoline and diesel for their vehicles and equipment. Gasoline is purchased by all five existing agencies and diesel is purchased by the three agencies providing fixed route service. For gasoline, there is a 20 cent spread in the average cost per gallon between the highest and lowest agency cost; and for diesel, there is a 41 cent spread between the highest and lowest agency cost. The use of standard fuel management software combined with a single purchaser for the region's fuel needs provides the potential for cost savings of approximately $20,000. These savings do not include the impact of price fluctuations due to economic or global fuel industry factors.

Additionally, since CCT is managed by a private entity, its current purchase of fuel is taxable. With a tax-exempt regional entity responsible for the purchase of fuel throughout the region, savings of approximately $14,000 can be achieved in fuel taxes. Combined, fuel and fuel tax savings are projected to be $34,000.

Office

These costs include expenses related to office materials and supplies, marketing and advertising, dues and subscriptions, forms and postage, telephone, and travel and meetings. Many of these costs will proportionally decrease in relation to the reduction in administrative staff and others

will be reduced due to volume purchasing or other factors. Overall savings in this category are estimated to be approximately $2,000 as a result of regionalization.

Casualty and Liability

Similar to health care coverage, casualty and liability costs are expected to decrease when the risk pool is expanded by combining the vehicles and facilities of all five agencies and insuring them under a single policy held by the regional authority. Therefore, it is estimated that casualty and liability expenses would decrease by approximately $63,000.

Allocated County Costs

Today, CCT pays a fee to Clarion County for administrative services such as contract management, grant management and reporting. A single regional authority would perform these services on its own, thereby eliminating the payment to the county and resulting in savings of approximately $23,000.

Summary Financial Impact

Exhibit 16 provides a summary of the estimated financial impact of a northwest transit regionalization. This $235,000 cost savings estimate is considered to be conservative as it does not include any savings related to an integrated service plan which is assumed to be developed and implemented by the regional authority, nor does it include any savings related to the potential maintenance savings from new CATA maintenance bays and the maintenance contract with EMTA.

Exhibit 16: Estimated Financial Impact of Regionalization

Operating Line Item	Savings (Costs) in $000
Salaries	$71
Employee Benefits	68
Services	(26)
Fuel and Fuel Taxes	34
Office	2
Casualty and Liability	63
Allocated County Costs	23
Total Expense Savings	$235

Additional Local Government Impacts from Regionalization

Today, Crawford, Venango and Warren counties along with other jurisdictions in Crawford and Warren counties provide local match funding for fixed route service. In Fiscal Year 2013-14 the total combined local match payments for these municipalities was approximately $96,000.

The passage of Pennsylvania Act 89 permits PennDOT to reduce the fixed route local match requirements for municipalities that implement regional consolidations or cooperation agreements up to a maximum value equal to the amount of savings generated by such consolidation or cooperation agreement.

Local Government Impacts of a Single Regional Authority

- Elimination of fixed route local operating matches for five years
- Elimination of local contributions for demand response service
- Reduction or elimination of use of fixed route grants, and/or delay in fare increases for demand response services
- Clarion, Forest and Venango counties no longer provide administrative and overhead services for transit programs
- Regional authority pays actual costs for any office, vehicle storage space and maintenance bays leased from counties

Based on the amount of savings estimated to be generated by a single regional authority, the pursuit of this regionalization scenario in the northwest region would result in an elimination of the fixed route operating local match requirements for a five-year period.

All or a portion of the remaining savings from a single regional authority could be used in support of demand response services in the region. Potential uses of the savings include, but are not limited to, the elimination of any county contributions made for demand response activities[7], the reduction or elimination of the use of fixed route grants for demand response service and/or postponement of demand response fare increases. The board of the new regional authority would be responsible for making these policy decisions.

The three county-based transit agencies currently receive services from their counties. If a single regional authority is formed for transit services, the counties will no longer need to provide the administration, grant management, finance, human resources, legal, technology, procurement, risk management and maintenance services for their transportation departments. The three counties could reduce their overhead costs or at least improve employee productivity. Clarion County would no longer receive its administrative fee from transit operations.

Additionally, the regional authority would pay actual operating costs such as utilities and maintenance for any office space, vehicle storage space and maintenance bays it might lease from the regional counties. All existing leases would be transferred to the new regional authority.

[7] In recent years, Venango County has provided contributions for demand response service

SUMMARY FINANCIAL IMPACT OF REGIONALIZATION

The results of the regionalization analysis show that significant benefits that can be achieved due to regionalization. Exhibit 17 provides a summary of the overall impact on the transit providers and the local governments that support them:

EXHIBIT 17: OVERALL IMPACT OF REGIONALIZATION ON TRANSIT AND LOCAL GOVERNMENTS

	Single Regional Authority
Percentage Administrative FTE Reductions	• 9.4%
Financial Impact on Transit Providers	• Cost savings of $235,000
Local Match Requirements for Fixed Route Operations	• Elimination of local match
County Contributions for Demand Response Service	• Elimination of county contributions the result of the integrated fare structure
Demand Response Service Benefits	• Ability to reduce use of fixed route grants for demand response service and/or delay fare increases
County Provided Services	• County administrative and overhead services for transit no longer required
Other County Impacts	• Counties receive payment for actual costs for any leased office, vehicle storage and maintenance space • Clarion County no longer receives administrative fee

HIGH-LEVEL TRANSITION PLAN FOR REGIONALIZATION

The successful regionalization of transit services in northwest Pennsylvania will be a complex task requiring significant planning and transition efforts.

The transition efforts will require in-house staff support and potentially outsourced support. In-house staff involved in the transition would include members of senior management staff at the existing transit agencies as well as senior management staff at the new regional organizations who are hired prior to full regional operations. At the start of the transition, support would likely be provided by outsourced specialists and as the start of regional operations approaches, most support would be provided by in-house staff at the new regional organization. Transition costs, which would be borne by PennDOT, could include capital costs for technology, equipment, and vehicles required for regional operations and operating expenses which are directly related to consolidation and not covered by existing subsidies.

Transition would occur over three phases – Resolutions and Appointments, Organization Start-up, and Functional Transition.

The first phase, Resolutions and Appointments, involves local elected officials determining if regionalization is to occur and implementing the legislative steps to facilitate it. Exhibit 18 provides a summary of the key steps that would occur in Phase I:

EXHIBIT 18: PHASE I KEY TRANSITION STEPS - RESOLUTIONS AND APPOINTMENTS

Phase I Key Transition Steps
Local Elected Officials
• Agree to pursue regionalization
• Agree on governance structure
• Approve by resolution, establishment of new regional entity
• Approve by resolution, the transfer of transit responsibilities to the single regional authority
• Appoint Board members in accordance with governance structure agreement
Current Transit Agencies (County Departments and Transit Authorities)
• Appoint transition point person from each agency
• Select transition lead for the region
Transition Team
• Develop detailed transition plan and budget
• Identify technical assistance required of PennDOT

Once Phase I is completed, stakeholders should expect Phase II and Phase III combined to take approximately 12 months to complete. The time of transition completion is primarily influenced by how long it takes to implement the required technology changes.

Phase II, Organization Start-Up, revolves around the legal and financial requirements of forming a new entity and legal and management issues related to governance. Exhibit 19 shows the key steps that would occur during Phase II:

EXHIBIT 19: PHASE II KEY TRANSITION STEPS - ORGANIZATION START-UP

Phase II Key Transition Steps
Regional Entity Formation
• Legally establish new entity and draft articles of incorporation
• Name entity reflecting its regional purpose
• Register name and develop logo
• Obtain federal, state and local corporate identification numbers
• File appropriate tax entity registrations
Regional Entity Governance
• Appointed Board members convene and create corporate bylaws
• Transition team reports to Board until General Manager is hired
• Transition team provides monthly status reports to regional Board, PennDOT, counties and transit agencies
• Board hires authority General Manager

Other than the hiring of the general manager, Phase II should take no more than two months to complete.

Phase III, which is the heart of the transition, can begin any time after the transition team is formed and the regional entity board has created its corporate bylaws. Phase III, Functional Transition, involves the legal, financial, operational, technological, human resource and communications activities required to start regionalized operations. For example, the existing agencies' fixed assets would need to be transferred to a regional authority, a single accounting system would need to be selected and structured to support the single authority's needs and health care and retirement plans would need to be in place by the start of regionalized operations. Other changes, such as the installation of upgraded fare collection devices and the use of consistent vehicle livery could be accomplished subsequent to the start of regionalized operations.

Exhibit 20 through Exhibit 26 display key activities of Phase III by functional area – Executive and Legal, Finance, Human Resources, Communications/Marketing, Customer Service, Technology and Operations:

EXHIBIT 20: PHASE III KEY EXECUTIVE AND LEGAL TRANSITION STEPS

Executive and Legal
• GM develops and Board approves organizational and operational structures
• GM hires executive staff with Board approval
• Evaluate existing and potential claims, environmental exposures, and regulation non-compliance for existing transit agencies and determine party responsible for settlement

• Create new agreements and/or establish novation agreements for existing arrangements needed on a go forward basis for
  ○ Commercial contracts, leases and purchase orders
  ○ Software license agreements
  ○ Business and other commercial licenses
  ○ Utility transfers and modifications

• Obtain or reconfigure office space for regional authority administrative staff
• Move files, equipment and furniture as required

EXHIBIT 21: PHASE III KEY FINANCE TRANSITION STEPS

Finance
• Secure insurance coverage for transition period and first year of operations
• Set-up bank accounts, issue Board authorization resolution and execute signature cards
• Prepare operating and capital budget for transition and first year of operations
• Develop cash flow forecast for transition and first year of operations
• Establish a line of credit

• Secure federal, state and local operating and capital grants
  ○ Secure transportation grantee designation status for the region
  ○ Prepare and submit compliant operating and capital grant applications
  ○ Set-up grant transfer agreements in case of mid-year start-up of regional operations

• Develop finance and procurement policies and procedures
• Determine which finance and procurement contracts from existing transit agencies should be transferred and determine need for new contracts
• Interview, select and train finance & procurement staff
• Select financial system and integrate appropriate data from existing platforms including inventory, payroll, human resources and procurement
• Set-up chart of accounts and financial reporting consolidation process

• Work with existing transit agency finance departments to
  ○ Perform a physical fixed asset and parts inventory at current transit agencies
  ○ Prepare list and transfer title of capital assets and inventory, and record assets in financial system
  ○ Establish value of receivables, payables and restricted cash and reserves, and develop inter-agency fund transfer agreements
  ○ Pursue refunds of unused services/goods from existing agency prepayments not expected to be utilized on a go forward basis
  ○ Determine costs related to accumulated sick leave and vacation and recommend plan to pay such costs or transfer obligation to regional authority
  ○ Carryover vendor accounts as appropriate
  ○ Settle/transfer existing long-term obligations including leases

• Work with county AAAs to standardize demand response funding parameters
• Determine if money handling functions will be outsourced and if so, select contractor
• Calibrate fareboxes to accommodate all fare media and categories planned to be used if an integrated fare structure is implemented at start of regional operations

EXHIBIT 22: PHASE III KEY HUMAN RESOURCES TRANSITION STEPS

Human Resources
• Recommend pay scale and benefit package
• Develop Human Resources policies and procedures
• Determine which Human Resources contracts from existing transit agencies should be transferred and determine need for new contracts

• Health, Other Benefit and Retirement Plans
  ○ Set-up health and other benefit programs with appropriate enrollment protocols
  ○ Establish defined contribution plan
  ○ Work with Finance to determine value and establish funding mechanism for existing authority pension plan liabilities

• Develop personnel handbook
• Establish code of ethics
• Draft personnel position descriptions
• Support Compliance Manager in setting up policies and procedures related to compliance
• Identify employees at existing transit agencies who are interested in pursuing employment with the regional authority
• Support executive staff in recruitment, interview and hiring of administrative personnel
• Transfer existing non-administrative personnel to regional authority
• Move Human Resources and other administrative files to regional authority offices
• Support executive staff in training all staff

EXHIBIT 23: PHASE III KEY COMMUNICATIONS/MARKETING TRANSITION STEPS

Communications/Marketing

• Develop ongoing public outreach plan
  ○ Purpose and benefits of regionalization
  ○ Transition phases and timeline
  ○ Operational/service impacts
  ○ Changes in protocols for all constituents
  ○ Transition progress

• Develop employee communication plan for current agencies
• Assist in preparing progress presentations for Board, PennDOT, counties and transit agencies
• Work with Information Technology to establish regional authority website
• Develop Communications and Marketing policies and procedures
• Determine which Communications and Marketing contracts from existing transit agencies should be transferred and determine need for new contracts
• Obtain new stationary and communication print materials with new letterhead and logo
• Work with Information Technology consultant to establish new phone numbers, call forwarding from existing numbers at current agencies and new domain/e-mail addresses

EXHIBIT 24: PHASE III KEY CUSTOMER SERVICE TRANSITION STEPS

Customer Service
• Work with information technology consultant and existing agencies to implement and test Ecolane
• Develop customer service policies and procedures
• Develop which customer service contracts from existing transit agencies should be transferred and determine need for new contracts

• Develop training program and materials
  ○ Establish route and fare training program including testing and performance standards
  ○ Compile and organize materials
  ○ Develop training schedule

• Staff customer service function
  ○ Develop job descriptions and criteria
  ○ Advertise open positions and interview candidates
  ○ Select staff
  ○ Develop strategy for excess personnel requirements and call rerouting

• Conduct training
  ○ Learn agencies' routes, services and fares
  ○ Conduct route reviews
  ○ Implement testing

• Prepare customer information material and advertise any new information including reprogramming and printing of new fare media

EXHIBIT 25: PHASE III KEY TECHNOLOGY TRANSITION STEPS

Technology
• Conduct site visits and gather information/data for all systems to be implemented
• Develop final technology (IT) plan
• Identify IT transition team and select internal project managers for each functional area
• Write and issue request-for-proposals (RFPs) for all IT procurement needs
• Review and analyze RFP responses
• Select IT applications and implementation vendors for each functional area
• Develop and approve project plans for each IT functional area
• Finalize network design
• Design, develop and implement new regional website
• Order equipment, devices and software
• Accept final design for all systems
• Develop acceptance testing checklist
• Stage and configure hardware/software
• Deliver network, voice, contact center and pilot website
• Connect and test as many components as possible running parallel to existing systems
• Conduct live system training demonstrations
• Upgrade network backbone and test wide area network
• Perform initial acceptance testing of all systems
• Address issues arising from initial acceptance testing
• Perform final acceptance run through
• Conduct "day one" trouble shooting
• Develop IT policies and procedures
• Determine which IT contracts from existing transit agencies should be transferred and determine need for new contracts

EXHIBIT 26: PHASE III KEY OPERATIONS TRANSITION STEPS

Operations
• Develop Operations policies and procedures
• Determine which Operations contracts from existing transit agencies should be transferred and determine need for new contracts
• Interview, select and train administrative staff
• Obtain route, employee and other data from existing transit agencies to set-up centralized service planning, computerized scheduling and run cutting functions
• Affix fare structure/pricing information to fareboxes and in vehicles as appropriate

• Upgrade and equip road supervisor vehicles
  ○ Assess fleet for appropriate vehicles
  ○ Upgrade, retrofit and equip as needed to function as medium duty road service vehicles and to enable interchangeability within new regional service area

• Affix new logo decals to vehicles

• Develop procedures and forms for
  ○ Data collection in preparation for centralized fleet maintenance software implementation
  ○ Centralized procurement, including specialized maintenance service contracting
  ○ Inventory warehouse management

• Manage signage development and installation
• Implement security system additions for any facility space not currently secured
• Train non-administrative staff including drivers and mechanics

The transition steps for the functions specified above are related to activities that need to occur prior to the start of regional operations. There are additional transition steps that should occur in the first two years following the start of regional operations. Key among them is the implementation of cost savings and efficiency generating actions in operations and maintenance and the implementation of fare integration. Exhibit 27 summarizes these steps:

EXHIBIT 27: KEY TRANSITION ACTIVITIES FOR FIRST TWO YEARS OF REGIONAL OPERATIONS

First Two Years of Regional Operations

• Operations
  ○ Schedule, manage and track all vehicle maintenance and life cycle data in one application
  ○ Centralize parts procurement and consolidate parts inventory
  ○ Centralize fuel management
  ○ Reassign some or all heavy repair/overhaul work in-house facilities using Erie maintenance contract
  ○ Outsource specialize services
  ○ Centralize vehicle procurement
  ○ Evaluate radio coverage/range and compatibility; upgrade or replace as needed to cover expanded service area
  ○ Develop service plan for both fixed route and demand response services
  ○ Develop fleet investment plan

• Implement demand response fare integration
  ○ Work with county AAAs to standardize funding parameters in parallel with service plan
  ○ Use new service plan and Ecolane data to re-analyze fare structure options
  ○ Finalize new fare structure and determine timeframe for integration
  ○ Prepare and implement communication plan
  ○ Reprogram Ecolane and train staff
  ○ Restructure phone system and staff overflow protocols if required

• Determine if fixed route fare structure should be standardized across the region and if so, prepare analysis to determine revenue neutral and ridership neutral options