Agenda Item No.	Executive Board Committee Meeting Date	Open	Information	Issue Date
2	04/05/10	Open	Information	04/01/10

Subject: ADA Paratransit Services Discussion: Organization, Structure, Cost and Alternative Strategies

ISSUE

Further evaluation and discussion of RT's ADA paratransit services, including organization, structure, cost and alternative strategies.

RECOMMENDED ACTION

None

FISCAL IMPACT

None

DISCUSSION

In response to the Board's request for additional information regarding ADA paratransit services, as presented in the Mundle & Associates, Inc. *Review of Cost Allocation Model and Alternative Strategies for Paratransit Service* at the March 22, 2010 RT Board of Directors meeting, RT's consultant, Subhash Mundle will discuss the organization and structure of paratransit services in the Sacramento Region. This presentation will address questions raised during the March 22, 2010 meeting regarding RT's cost for the provision of ADA complementary paratransit services provided through a contract with Paratransit, Inc., versus the cost of other services provided by Paratransit, Inc. as the Consolidated Transportation Service Agency (CTSA) in the urbanized portion of Sacramento County. The presentation will provide background information on the provision of these distinct services in the region, as well as RT's regulatory requirements related to ADA complementary paratransit services.

Mundle & Associates, Inc. has consulted with RT on two separate occasions related to ADA complementary paratransit services. An *Audit of Selected Paratransit Activities* was submitted to RT in October 2004 and is provided as Attachment 1 to this Issue Paper. A *Review of Cost Allocation Model and Alternative Strategies for Paratransit Service* was submitted to RT in March 2010, along with a Power Point summary of the review presented during the March 22, 2010 RT Board of Directors meeting, which are attached to this issue paper as Attachments 2 and 3 respectively.

Approved: Presented:

FINAL 4/1/10

General Manager/CEO AGM of Planning & Transit System Development

Attachment 1

FINAL REPORT

Audit of Selected Paratransit Activities

submitted to the
Sacramento Regional Transit District

prepared by
Mundle & Associates, Inc.
Philadelphia, PA

October 2004

Table of Contents

List of Exhibits

I. Introduction

Project Scope and Report Organization

An audit of selected paratransit activities was conducted as part of this project. These activities include service operated by Paratransit, Inc. (PI) under contract to the Sacramento Regional Transit District (RT). The objectives of the project were to:

- evaluate compliance with Americans with Disabilities Act (ADA) requirements;
- determine cost of paratransit services and the extent of RT's contribution;
- verify trips scheduled and service operated in FY 2004;
- review alternative payment methods and incentive clauses;
- identify advantages and disadvantages of the current arrangement; and
- develop recommendations for improvements.

An audit plan was developed in order to meet these objectives. A summary of the audit plan is presented in Exhibit I.1. The remainder of the report presents the results of the audit and is organized into the following chapters.

II. Compliance with ADA Requirement
III. Cost, Revenue and Funding Sources
IV. Verification of Statistics and Payment Amount
V. Cost Containment/Productivity Enhancement Opportunities
VI. Alternative Contracting Arrangements
VII. Recommendations

In order to improve the readability of this report, all exhibits are presented at the end of each chapter.

Background

Paratransit, Inc. (PI) was designated as a Consolidated Transportation Service Agency (CTSA) by the City of Sacramento, the County of Sacramento, Sacramento Regional Transit district (RT), and Sacramento Area Council of Governments (SACOG) on July 1, 1988. In support of its role as the CTSA, PI annually claims and receive funds under Article 4.5 of the Transportation Development Act (TDA) from SACOG for the provision of services to the elderly and disabled. TDA Article 4.5 funding amounted to $1.8 million in FY2004. PI also receives funding through Measure A Program and the City and County of Sacramento. Funds received from these two sources in FY2004 amounted to $1.6 million and $642,000, respectively. PI also is responsible for operating Sacramento RT's Complementary Paratransit Service, which is required by the Americans with Disabilities Act (ADA) of 1990.

PI Services

PI's paratransit services in the Sacramento region consist of two types of services, Demand Response (DR) and CTSA. DR services are scheduled and operated directly by PI with buses and taxies. The operators of the DR service and maintainers of the bus fleet are PI employees. Their wages and benefits are under PI's management control. DR trips can be scheduled from two days in advance up to the same day as the service request. Also, some DR service is provided on a subscription basis. CTSA services are operated by various agencies under contract to PI. The operators of CTSA services are employed by agencies and not by PI. Many agencies use volunteer operators to provide their services. The agencies operating CTSA service include:

- Catholic Healthcare West
- Carmichael Adult Day Healthcare
- Asian Community Center
- Developmental Disabilities Services Organization
- Easter Seals
- Health for All
- Jewish Family Services
- President John Adams Manor
- Sacramento LAO Family
- Senior Nutrition Services
- Sutter Senior Care
- Robertson Adult Day Healthcare/United Christian Centers
- United Cerebral Palsy

The service levels operated by PI and its CTSA providers are presented in Exhibit I.2. Although the number of scheduled trips are evenly split between DR and CTSA, the number of DR service hours is more than twice that of the CTSA service. The funding for DR trips is shared between PI and RT. CTSA trips are funded completely by PI.

Eligibility Programs

There are currently two eligibility programs in the Sacramento region for DR service. In order to ride, passengers must qualify under one of these two programs These programs are ADA Eligible and Age Eligible. Eligibility determinations for both of these programs are conducted by RT.

- ADA Eligibility – In order to be considered ADA eligible, passengers must submit an ADA application for approval to RT's Accessible Services.

- Age Eligibility – In order to be considered Age eligible, passengers 75 years an older must submit a Senior Transportation Services application for approval to RT's Accessible Services.

Eligibility to ride CTSA services are handled by each of the provider agencies. PI is not involved in making any eligibility determinations.

Although there are three different categories of eligibility, there are overlaps among the standards and clients for each of these groups. A conceptual representation of the program eligibility and potential overlaps is illustrated in Exhibit I.3. It should be noted that the illustration in this exhibit is not to scale, nor does it intend to imply any quantitative measure.

As shown in Exhibit I.3, passengers who are age 75 or older may qualify for ADA eligibility. However, they would not apply for ADA eligible status since they qualify for DR service based on age. Similarly, certain CTSA clients may qualify for DR services under ADA or age criteria, but utilize CTSA service instead because it meets their transportation needs. Currently, clients utilize whichever service fits their travel patterns. However, if one type of service is reduced, i.e., DR or CTSA, clients are likely to shift to the service that is available.

Exhibit I.1
Summary of Proposed Audit Plan

Scope of Work *(a)*	Proposal Audit Steps	Chapter
1. Expenses and Funding Sources	• Determine PI's operating expenses for FY2004 • Review cost allocation model • Assess adequacy of current model	Chapter III Chapter IV
2. Fare Revenue	• Review revenue collection procedures • Review accounting practices for ADA and non-ADA fare revenues • Review convention for crediting fare revenue to the operating budget	Chapter III Chapter IV
3. Payment Basis	• Determine specifics used to derive PI's billing rate • Assess RT and PI Agreement • Review contracts of selected systems • Develop and evaluate alternative contracting approaches	Chapter III Chapter IV Chapter VI
4. PI Reports	• Review financial, operating statistics and ridership reports • Compare report information with external agencies' requirements • Offer suggested revisions	Chapter II Chapter IV
5. Internal Controls	• Select a sample of data for three consecutive months • Determine time periods and data categories to review • Compare reported information with source documentation • Evaluate reliability of reports • Determine acceptable level of accuracy	Chapter IV
6. Contractual Obligations	• Select a sample of data for three consecutive months • Determine quantity of ADA trips • Determine cost rate for ADA and non-ADA trips • Calculate costs for ADA trips	Chapter II
7. Cost Containment/ Productivity Enhancement Opportunities	• Review preliminary paratransit efficiency report • Calculate quantifiable operational impacts and cost savings based on report. • Review PI's organizational structure, span of control and staffing	Chapter I Chapter V

(a) As described in RT's Project Scope

Exhibit I.2
FY2004 PI Service Levels

Trips Scheduled		
DR	375,413	49.3%
CTSA	386,434	50.7%
Total	761,847	100.0%
Service Hours		
DR	190,584	70.1%
CTSA	81,286	29.9%
Total	271,871	100.0%

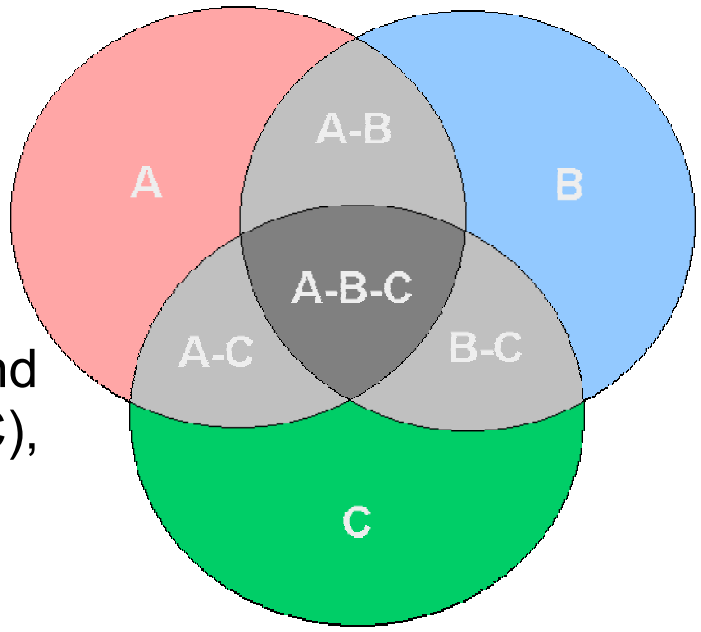
Exhibit I.3
Program Eligibility and Potential Overlaps

A: ADA Eligible on DR

B: Age Eligible on DR

C: CTSA

Overlapping Eligibility and Service Use: (A-B), (A-C), (B-C), and (A-B-C)



Note: diagram not to scale.

II. Compliance with ADA Requirements

The requirements of ADA are fully described in Title 49, Part 37 of the Code of Federal Regulations (49 CFR Part 37). The specific requirements for complementary paratransit service appear in Subpart F (49 CFR 37.121, *et seq.*) and address the following criteria for complementary paratransit service:

- Service Types – ADA requires that service be provided from curb-to-curb.

- Service Area – ADA requires that service be provided up to ¾ mile of a bus route or a rail station. Although not required, the ADA regulation includes an optional provision that service can be provided from ¾ mile up to 1½ miles of a bus route or rail station at the transit operator's discretion.

- Span of Service – the hours and days that complementary paratransit service is provided must be the same as bus and rail service.

- Response Time – at a minimum, service must be provided the day after it is requested by an ADA eligible client.

- Service Eligibility – the requirements and provisions for ADA complementary paratransit service need only apply to those paratransit clients who are eligible under the Act as determined by the transportation provider.

- Capacity Constraints – the transit provider must not deny service (i.e., all trips must be scheduled within one hour before or after the requested pick-up time) or otherwise engage in any pattern or practice that significantly limits the availability of service to ADA eligible clients.

One of the objectives of this project is to determine compliance with ADA requirements. A comparison of these ADA complementary service requirements and optional provisions to the Sacramento region's policies is presented in Exhibit II.1. As shown in this exhibit, the Sacramento Region not only meets, but also exceeds the requirements in nearly all of the criteria presented. However, a determination of capacity constraints, particularly as it relates to the denial rate, could not be accomplished without further analysis. The remainder of this chapter presents the analysis of PI's DR service denial rate.

PI's Reporting Mechanism

The primary source document for reporting the service levels provided and performance levels achieved by PI is the monthly Ridership Report. This report provides a rolling snapshot of various statistics for up to 14 time periods, as well as the last and current fiscal years. It also presents year-to-date summary of DR services funded by RT and PI based on the methodology agreed to under the current agreement.

The current structure and contents of the monthly report reflect formal and informal understanding between RT and PI in the past of how paratransit services were to be categorized and reported in the Sacramento region. The strengths and weaknesses of this document are discussed below.

Strengths

- The report is well structured to present current and past statistics in a easy to read format
- It presents wealth of information on service levels, trip attributes and some performance measures, such as capacity denials, on-time performance, missed or cancelled trips etc.

Weaknesses

- All statistics for DR and CTSA trips scheduled, trips provided service levels operated etc. are reported as ADA. This is inaccurate and misleading because not all DR and CTSA services operated by PI are required by, nor are they eligible for funding under ADA. As discussed previously, not all DR and CTSA clients are ADA eligible. Therefore, trips provided for non-ADA eligible clients can not be counted as ADA.
- As a recipient of federal funds, RT is required to be in compliance with the complementary paratransit service requirements of the ADA regulations. The report does not provide information for RT to be able to monitor and ensure compliance with ADA regulations.
- The report presents information on some performance measures an indicated above. This list of performance measures needs to be expanded to include all required items and ensure that the information presented is consistent with the ADA regulations.

The current structure and contents of the monthly report appears to be well suited to document status of all paratransit services operated by PI in the Sacramento region. This, however, does not provide the information necessary for RT to carry out its responsibility to ensure compliance with ADA complementary paratransit service requirements. In order to determine compliance, the report format and contents need to be revised according to the specific eligibility and reservation period categories of the DR service. Furthermore, performance measures to monitor compliance with ADA requirements also need to be developed and incorporated into the monthly report.

Alternative Framework for Reporting DR Trips

As mentioned previously, DR trips are provided to clients who are eligible based on either ADA criteria or age. Trips can be scheduled from two days in advance up to the same day for which the service is requested. The different eligibility requirements and reservations times have an impact on the scheduling efficiency and on operational capacity needs. As such, it is important to know the breakdown of DR trips according to the eligibility and reservation time categories in order to determine whether ADA requirements are being met, particularly ensuring that there are no capacity constraints. However, the current reporting mechanism used by PI does not provide information in a format that allows RT to determine the number of ADA-required trips that are being provided. Therefore, an alternative reporting framework is needed.

An alternative framework for reporting DR trips is presented in Exhibit II.2. This exhibit breaks trips down into two main categories of riders, ADA Eligible and Age Eligible. Furthermore, the categories are segmented by reservation time and also by type of service provided, ADA Required, ADA Optional and Beyond ADA.

Results of the Alternative Reporting Framework

Using the alternative framework, DR trips for a three month time period from April 2004 through June 2004 were disaggregated into the ADA Required, ADA Optional and Beyond ADA categories. With the assistance of PI staff, the reservation system and ridership data were queried for the three month sample and DR trips were summarized into the alternative framework categories by analyzing the trip characteristics. These characteristics included:

- when the trip was scheduled (i.e., subscription, two day, one day, or same day);
- origin and destination of the trip; and
- time of day and day of week that service was provided.

These characteristics formed the basis of specific decision rules that were used to determine the category to which the trip belongs. These rules are:

- ADA Required – trips with origins and destinations within ¾ mile of bus route or rail station and during the hours of the day and days of the week when RT service is operated.

- ADA Optional – trips with origins or destinations within ¾ mile and destinations or origins more than ¾ mile but less than 1½ miles; and origins and destinations more than ¾ mile but less than 1½ mile of bus route or rail station and during the hours of the day and days of the week when RT service is operated.

- Beyond ADA – trips with origins or destinations within 1½ miles and destinations or origins more than 1½ miles; and origins and destinations more than 1½ mile of bus route or rail station and during the hours of the day and days of the week when RT service is operated; and all origins and destinations when RT service is not operated.

The decision rules include the distance of trip origins and destinations from RT bus routes and rail stations. The rules define a ¾ mile ADA buffer zone and 1½ mile optional buffer zone around areas served by RT bus routes and rail stations. The ADA and Optional buffer zones are illustrated in Exhibits II.3 and II.4, respectively. The decision rules were applied to both the DR trips scheduled.

The results of the analysis are presented in Exhibit II.5. As shown in this exhibit, 89.6 percent of DR trips are in the ADA Required category with 79.8 percent provided to ADA Eligible clients and 9.8 percent provided to Age Eligible clients. ADA optional and Beyond ADA trips comprise 7.6 percent and 2.8 percent of DR trips, respectively. Overall, 89.4 percent of PI's DR clients are ADA Eligible and 10.6 percent are Age Eligible.

The approximate number of total trips scheduled for each eligibility group and each service category is derived by applying these percentages to the total number of FY2004 DR trips scheduled of 375,413 (see Exhibit I.3). These results are presented in Exhibit II.6.

Analysis of Capacity Constraints

In addition to applying the decision rules to the DR trips scheduled. the rules were also used to disaggregate the number of DR trips provided by eligibility group and service category. Using these data, the percentage of DR trips provided versus scheduled was calculated. These results are shown in Exhibit II.7. As the results indicate, 69.4 percent of the scheduled ADA required trips are provided. Thus, more than 30 percent of the scheduled trips result in either a cancellation, or a passenger no-show. Such a high rate of cancellations and no-shows places constraints on PI's ability to meet service demands. One area that might be affected is trip denials.

The number of capacity trip denials for FY 2004 is presented in Exhibit II.8. As shown in this exhibit, there were 325,878 trip requests, including both one day and two day reservations. Of these, 8,957 requests (2.7 percent) resulted in a trip denial. This overall rate is a composite of an 8.6 percent rate for denials of requests made one day in advance and a rate of 1.8 percent for denials of requests made two days in advance.

Conclusions

It appears that there may be some capacity constraints on PI's ability to provide service according to ADA requirements. ADA requires that operators provide next day service and that there be no pattern or practice that limits the availability of service. PI's next day trip denial rate is 8.6 percent. Furthermore, more than 30 percent of the DR trips scheduled result in either a cancellation or a no-show.

Exhibit II.1
Comparison of Service Requirements

Criteria	Requirement	Optional Provision	Sacramento Region
Service Type	Curb-to-Curb	- -	Door-to-Door
Service Area	up to ¾ mile of a bus route or rail station	from ¾ mile up to 1½ mile of a bus route or rail station	beyond 1½ mile of a bus route or rail station
Span of Service	Hours and days when bus and rail service is operated	- -	Any time and day
Response Time	One day	- -	Up to same day
Service Eligibility	ADA Eligible	- -	ADA and Age Eligible
Capacity Constraints	No denials/any pattern or practice that significantly limits availability of service	- -	*(a)*

(a) The denial rate for DR trips scheduled is shown in Exhibit II.8.

Exhibit II.2
Alternative Framework for Reporting DR Trips

Eligibility/ Reservation Time	ADA Required	ADA Optional	Beyond ADA	Total
ADA Eligible				
Subscription				
Two Day				
One Day				
Same Day				
Subtotal				
Age Eligible				
Subscription				
Two Day				
One Day				
Same Day				
Subtotal				
Total				

Exhibit II.3
¾ Mile ADA Buffer Zones

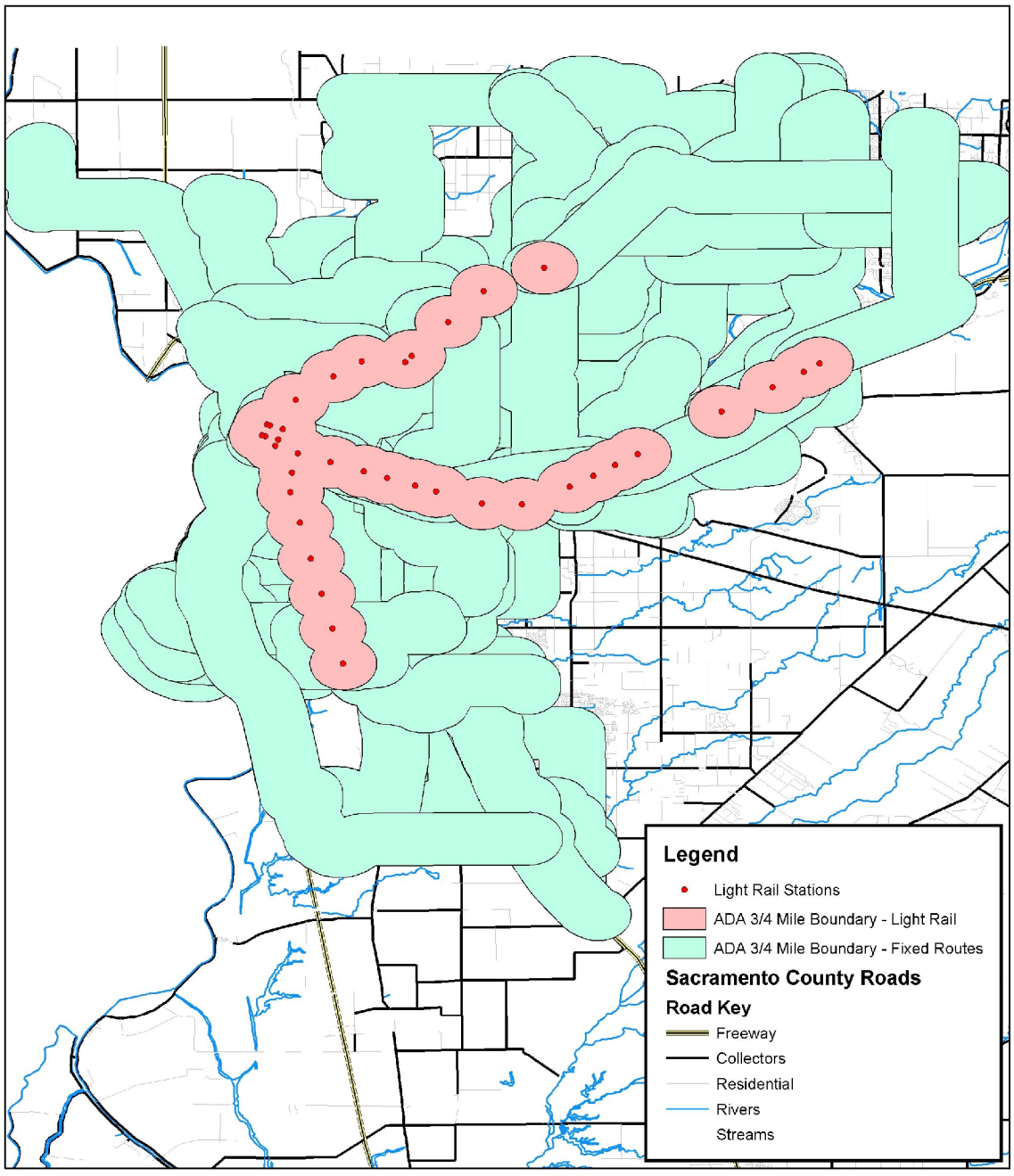


Exhibit II.4
1½ Mile Optional Buffer Zones

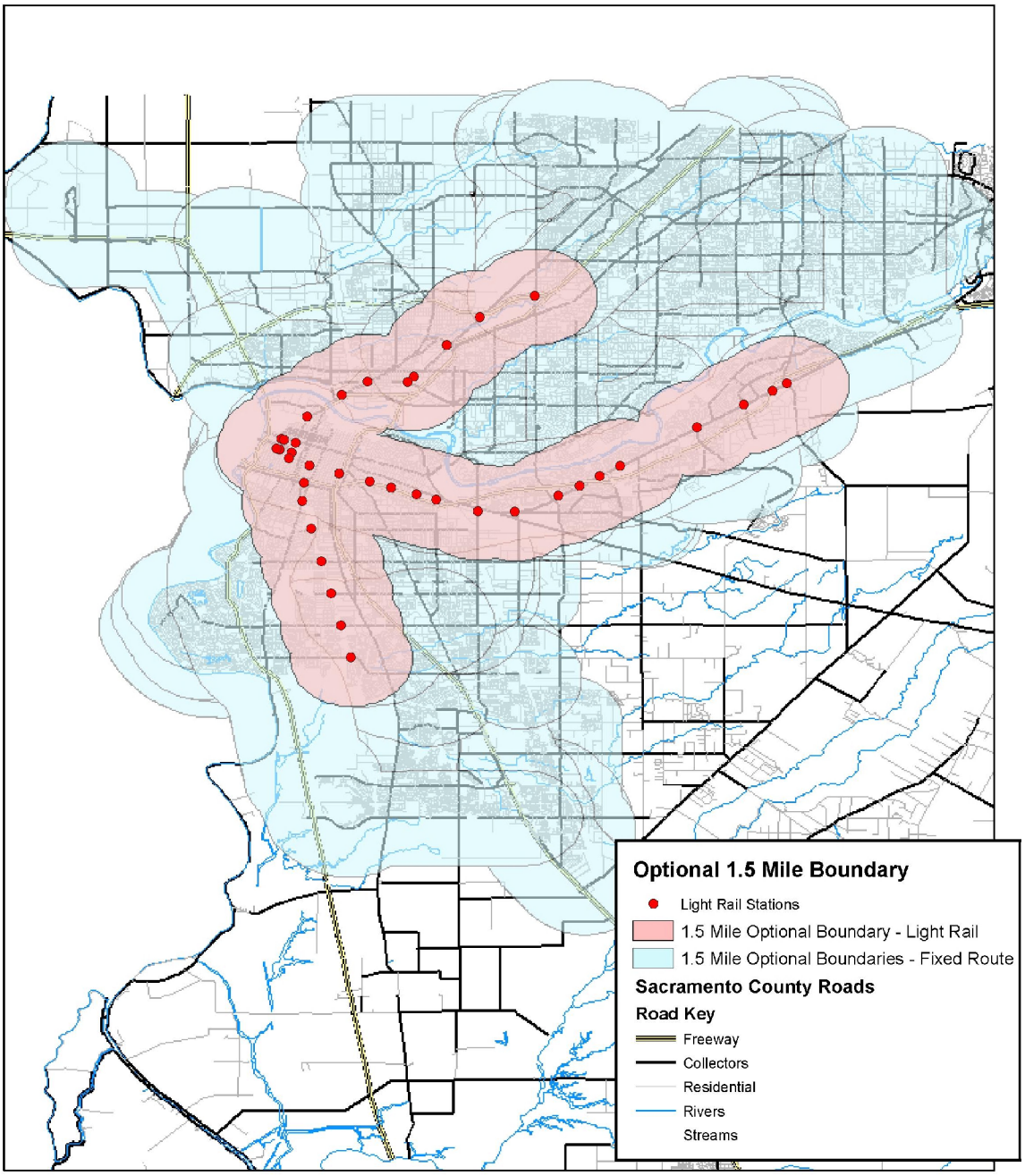


Exhibit II.5
DR Trips Scheduled by Eligibility Group
April through June 2004

Eligibility Group	ADA Required		ADA Optional		Beyond ADA		Total	
	No. Trips	Pct.	No. Trips	Pct.	No. Trips	Pct.	No. Trips	Pct.
ADA Eligible								
Subscription	10,019	9.4%	490	0.5%	292	0.3%	10,801	10.1%
Two Day	53,816	50.5%	5,118	4.8%	1,752	1.6%	60,686	57.0%
One Day	18,833	17.7%	1,625	1.5%	623	0.6%	21,081	19.8%
Same Day	2,343	2.2%	212	0.2%	63	0.1%	2,618	2.5%
Subtotal	85,011	79.8%	7,445	7.0%	2,730	2.6%	95,186	89.4%
Age Eligible								
Subscription	443	0.4%	2	0.0%	39	0.0%	484	0.5%
Two Day	6,752	6.3%	462	0.4%	149	0.1%	7,363	6.9%
One Day	2,977	2.8%	163	0.2%	22	0.0%	3,162	3.0%
Same Day	270	0.3%	17	0.0%	5	0.0%	292	0.3%
Subtotal	10,442	9.8%	644	0.6%	215	0.2%	11,301	10.6%
Total	95,453	89.6%	8,089	7.6%	2,945	2.8%	106,487	100.0%

Exhibit II.6
FY2004 DR Trips Scheduled by Eligibility Group

Eligibility Group	ADA Required	ADA Optional	Beyond ADA	Total
ADA Eligible	299,580	26,279	9,761	335,619
Age Eligible	36,790	2,252	751	39,794
Total	336,370	28,531	10,512	375,413

Exhibit II.7
Percentage of DR Trips Provided vs. Scheduled by Eligibility Group

Eligibility Group	ADA Required	ADA Optional	Beyond ADA	Total
ADA Eligible	68.8%	65.4%	62.8%	68.3%
Age Eligible	74.6%	73.4%	76.3%	74.6%
Total	69.4%	66.0%	63.8%	69.0%

Exhibit II.8
FY2004 Capacity Denials for DR Trips Scheduled *(a)*

Reservation Time	Trips Requests	Trip Denials	Denial Rate
Two Days	279,836	4,982	1.8%
One Day	46,042	3,975	8.6%
Total	325,878	8,957	2.7%

(a) Based on FY2004 DR capacity denials reported in the Ridership Report, July 30, 2004.

III. Cost, Revenue and Funding Sources

This chapter presents a review of PI's costs, revenues and funding sources. Particular focus is placed on expenses related to the provision of ADA complementary paratransit services operated on behalf of RT and RT's participation in funding these expenses.

Operating Expenses

PI's operating expenses for FY2004 are presented in Exhibit III.1. Costs are broken down by functional expense categories (e.g., personnel, fleet operations and non-personnel) as well as service category (e.g., DR, CTSA, and Other). The costs in the DR category are those that are related to the provision of ADA complementary paratransit services. RT participates in funding a portion of these costs . Certain costs such as lobbying and interest expenses are considered ineligible for reimbursement with federal dollars. Although PI does not use any funds for lobbying, it does include interest expenses in its DR costs. The costs shown in Exhibit III.1 are prepared by PI using a cost allocation model.

Review of PI's Cost Allocation Model

PI has a detailed chart of accounts to collect and report operating costs of the various types of services it provides. PI prepares and reports monthly and annual financial information according to this chart of accounts. PI develops and uses allocation factors to distribute operating costs by source groups to functional departments. Some of the source groups are considered to be fixed for allocation purposes, while other source groups are considered to be variable. The allocation factors and application methodology is discussed below.

Allocation Factors - Allocation factors are developed annually based on prior year's experience and forecast of service levels for nine source groups and five functional departments. The nine source groups fall in two categories: Personnel and Non Personnel. The Personnel category has five subcategories and Non Personnel category has four subcategories. The five functional departments: DR, CTSA, Outside Vehicle Maintenance; Mobility Training and Diversified Services. In this discussion the last three functional departments, Outside Vehicle Maintenance; Mobility Training and Diversified Services, are grouped in one category, Other. The budgeted FY 2004 cost allocation factors by source group for the three functional departments are presented in Exhibit III.2. The basis of allocation or the primary cost driver for each source group assumed by PI is as follows:

- Personnel
  - ! Administration: non-administrative FTEs
  - ! Drivers: anticipated service levels
  - ! Driving Supervision: anticipated service
  - ! Customer Service: anticipated service
  - ! Vehicle Maintenance: anticipated distribution of maintenance labor hours

- Non Personnel
  - ! Administration: non-administrative FTEs
  - ! Occupancy: square footage utilized per FTE
  - ! Travel: done in two steps: Step 1, Function Specific 100%; Step 2, remaining according to FTEs
  - ! Vehicle Maintenance: anticipated distribution of maintenance labor hours

Application Method - The allocation factors discussed above are applied to the chart of accounts monthly to determine costs allocated to each functional department. The amount of work done by PI in the vehicle maintenance function varies from month to month based on the proportion of in-house versus outside maintenance activity during that month. To account for this variation, PI further categorizes each account as fixed or variable, as follows:

- Fixed – The allocation percentages in Exhibit III.2 are applied to those accounts that are not impacted by the variation on monthly work compared to the assumptions at the beginning of the year; such as personnel costs for drivers, supervision and customer service.

- Variable – The allocation percentages in Exhibit III.2 are adjusted monthly based on the change from the budgeted to actual ratio of labor hours worked among DR, CTSA and Other maintenance

This allocation methodology used by PI appears to be systematic and logical for disaggregating costs by functional departments. It is presented in a series of spread sheets. This methodology has not been approved by any funding agency, such as the SACOG or RT. Further, it does not appear to be based on state or federal guidelines, such as the OMB Circular A-122, Cost Principles for Non-Profit Organizations, June 1, 1998.

Cost of DR Scheduled Trips

As shown in Exhibit III.1, PI's FY2004 total costs for DR service is $11,376,483. The unit cost per scheduled trip can be derived by dividing the total cost by the total number of scheduled trips, 375,413 (see Exhibit II.6). The cost of scheduled trips by eligibility group and service category can then be derived by applying the unit cost to the number of scheduled trips in each group (see Exhibit II.6). These results are presented in Exhibit III.3. As shown in the exhibit, ADA Required trips cost a total of $10,193,324, with ADA Eligible trips costing $9,078,429 and Age Eligible trips costing $1,114,895.

Revenue and Funding Sources

PI receives funding from a variety of sources. Revenues and funding sources for FY2004 are shown in Exhibit III.4. PI's DR revenues for FY2004 totaled $11,828,453, which is 81.3 percent of its total revenue for all services. The sources of funding for PI's DR service include the following:

- RT Funding – This funding is RT's contribution to PI's DR service. These funds amounted to approximately $8.2 million (69.2 percent) for FY2004.

- Measure A – These funds come from a ½¢ sales tax for highway, bridge, road and transit projects, including transportation for seniors and persons with disabilities. PI received $1.6 million, 13.9 percent of DR revenues, in Measure A funding in FY2004.

- Transportation Development Act (TDA) Article 4.5 – The source of these funds is a ¼¢ sales tax. Article 4.5 is the portion of those funds that are set aside for the CTSA. PI, as the CTSA for Sacramento County is the recipient of these funds, which amounted to $1.2 million in FY2004.

- DR Bus Fares – Passenger fares are collected by the drivers for each trip and are remitted daily after the driver completes his or her daily runs. Fares accounted for $771,283 in FY2004, which is 6.5 percent of DR revenues.

The remaining revenue accounts for less than one percent of DR revenues. This includes other income of $1,808.

Cost Sharing Between RT and PI

The total cost of scheduling DR trips is $11,376,478 (see Exhibit III.3), which includes $10,193,324 for ADA required service, $864,612 for ADA optional service and $318,541 for service beyond ADA requirements. RT is responsible to ensure that the ADA complementary paratransit service requirements in the region are met. Therefore, RT's contribution is applied first to ADA required and ADA eligible riders, and so on. The level of cost sharing between RT and PI for the provision of DR service in FY2004 is illustrated in Exhibit III.5.

In FY2004, RT contributed $8,056,330 towards PI's DR service. This contribution is made in exchange for PI's operating the complementary paratransit service for RT's fixed route bus and light rail service. This contribution constitutes 79 percent of the costs associated with providing ADA required service. As such, PI's share of the costs for ADA required scheduled trips amounts to $2,136,994, or 21 percent. The remainder of the costs associated with ADA optional and Beyond ADA service are borne solely by PI.

Conclusions

PI's cost allocation methodology is a systematic and logical approach to distributing costs. However, it has not been approved by any local, state or federal agency. Furthermore, PI's costs include interest expenses, which are typically considered ineligible by federal cost reimbursement guidelines. This is not considered to be an issue since PI has adequate local funding to cover these expenses.

RT's contribution covers 79 percent of the costs of ADA required DR trips scheduled. The remaining 21 percent of the costs for these trips is covered by PI. In addition, the costs associated with all ADA optional and beyond ADA DR trips are paid for through PI revenues, which primarily consist of Measure A, TDA Article 4.5 and passenger fare revenues.

Exhibit III.1
FY2004 PI Operating Expenses

Operating Expenses	DR		CTSA		Other (a)		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Personnel								
Vehicle Operators	$2,308,384		$54,112		$131,167		$2,493,663	
Driving Supervision	515,869		34,384		7,022		557,274	
Scheduling Operations	1,024,214		68,240		13,936		1,106,390	
Administration	682,167		40,832		118,903		841,902	
Information Systems	147,877		8,851		25,771		182,499	
Mobility Options					291,959		291,959	
Maintenance Operations	440,021		75,130		364,686		879,837	
Customer Service	252,992		-		-		252,992	
Fringe Benefits	1,556,566		94,329		331,147		1,982,043	
Workers' Compensation	688,964		33,265		99,993		822,221	
Subtotal: Personnel	$7,617,054	67.0%	$409,144	53.1%	$1,384,583	65.7%	$9,410,781	66.0%
Fleet Operations								
Fuel	$741,926		$77,217		$121,983		$941,126	
Insurance	382,527		84,393		69,051		535,971	
Cost of Parts & Sublet Labor	378,600		64,613		291,034		734,247	
Subtotal: Fleet Operations	$1,503,053	13.2%	$226,223	29.3%	$482,067	22.9%	$2,211,343	15.5%
Nonpersonnel								
Professional Services	$250,058		$15,047		$44,990		$310,096	
Outside Services	238,548		12,423		29,654		280,626	
Facility Rent/Repair	11,997		627		2,989		15,613	
Office Expense	141,749		11,359		38,508		191,616	
Interest Expense	214,646		12,411		35,731		262,789	
Telephone/Utilities	109,217		6,523		18,745		134,485	
Tax/License/Dues/Permits	32,597		2,062		11,438		46,097	
Travel	26,291		1,625		25,880		53,796	
Professional Development	17,384		1,266		4,062		22,712	
Equipment Rent/Repair	22,114		1,572		5,107		28,794	
Brokered Trans. Services	1,191,774		70,623		22,680		1,285,077	
Subtotal: Nonpersonnel	$2,256,376	19.8%	$135,539	17.6%	$239,786	11.4%	$2,631,700	18.5%
Total: Operating Expenses	$11,376,483	100.0%	$770,906	100.0%	$2,106,436	100.0%	$14,253,824	100.0%
Percent of Total	79.8%		5.4%		14.8%		100.0%	

Source: FY 2004 Unaudited Financial Statements

(a) Includes Outside Vehicle Maintenance, Mobility Training and Diversified Services.

Exhibit III.2
FY2004 Cost Allocation Factors

Source Group	Functional Departments			
	DR	CTSA	Other (a)	Total
Personnel				
Administration	81.28%	4.85%	13.87%	100.00%
Drivers	92.57%	2.17%	5.26%	100.00%
Driving Supervision	92.57%	6.17%	1.26%	100.00%
Customer Service	77.56%	22.44%	0.00%	100.00%
Vehicle Maintenance	55.17%	8.77%	36.06%	100.00%
Non Personnel				
Administration	81.42%	4.85%	13.73%	100.00%
Occupancy	70.28%	6.92%	22.80%	100.00%
Travel	50.12%	2.98%	46.90%	100.00%
Vehicle Maintenance	55.17%	8.77%	36.06%	100.00%

(a) Includes Outside Vehicle Maintenance, Mobility Tranining and Diversified Services

Exhibit III.3
FY2004 Total Cost of DR Trips Scheduled by Eligibility Group *(a)*

Eligibility Group	ADA Required	ADA Optional	Beyond ADA	Total *(b)*
ADA Eligible	$9,078,429	$796,353	$295,788	$10,170,571
Age Eligible	$1,114,895	$68,259	$22,753	$1,205,907
Total	$10,193,324	$864,612	$318,541	$11,376,478

(a) Based on unaudited FY 2004 actual PI costs of $11,376,483; FY 2004 Trips Scheduled of 375,413; and cost per DR trip scheduled of $30.30 (Note: this trip rate of $30.30 is not related to RT's budgeted cost per hour rate of $30.04 for reimbursement to PI).

(b) Difference due to rounding.

Exhibit III.4
FY2004 Revenue by Service Type

Operating Revenues	DR		CTSA		Other		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
RT Funding	8,182,552	69.2%		0.0%		0.0%	8,182,552	56.2%
Measure A	1,647,776	13.9%					1,647,776	11.3%
City/County			187,911	23.2%	454,084	23.7%	641,995	4.4%
TDA 4.5	1,225,034	10.4%	541,969	66.8%			1,767,003	12.1%
DR Bus Fares	771,283	6.5%					771,283	5.3%
CTSA Bus Fares			81,046	10.0%			81,046	0.6%
Diversified Transportation Fares					451,767	23.6%	451,767	3.1%
Mobility Training					225,891	11.8%	225,891	1.6%
Maintenance - Outside					770,007	40.3%	770,007	5.3%
Other Income	1,808	0.0%			10,845	0.6%	12,653	0.1%
Total Revenue	11,828,453	100.0%	810,926	100.0%	1,912,593	100.0%	14,551,973	100.0%
Percent of Total	81.3%		5.6%		13.1%		100.0%	

Source: FY 2004 Unaudited Financial Statements

Exhibit III.5
FY2004 Cost Sharing Between RT and PI

Eligibility Group	Total Operating Costs	RT	PI
ADA Required			
ADA Eligible	$9,078,429	$8,056,330	$1,022,099
Age Eligible	$1,114,895	0	$1,114,895
Subtotal	$10,193,324	$8,056,330	$2,136,994
Percent	100.0%	79.0%	21.0%
ADA Optional			
ADA Eligible	$796,353	0	$796,353
Age Eligible	$68,259	0	$68,259
Subtotal	$864,612	$0	$864,612
Percent	100.0%	0.0%	100.0%
Beyond ADA			
ADA Eligible	$295,788	0	$295,788
Age Eligible	$22,753	0	$22,753
Subtotal	$318,541	$0	$318,541
Percent	100.0%	0.0%	100.0%
Total	$11,376,477	$8,056,330	$3,320,147
Percent of Total	100.0%	70.8%	29.2%

IV. Verification of Statistics and Payment Amount

The purpose of this task was to determine the reasonableness of PI's request for funding to support the additional service hours operated during FY2004. The task consisted of a two discrete steps. The first step was to verify the accuracy of PI's operating statistics. The second step was to reconcile budgeted versus actual services hours and payments.

Verification of Operating Statistics

The two statistics relevant to this discussion are scheduled passenger trips and service hours operated. In performing the verification, a sample of four months was selected for verification. These were: September 2003, December 2003, March 2004, and June 2004. For each of the sample months, scheduled passenger trips and service hour statistics for both PI's Demand Response (DR) service and services provided by the Community Transportation Service Agencies (CTSAs) were obtained from PI's FY2004 Regional Transit/Paratransit, Inc. Ridership Report, dated July 30, 2004. The following steps were performed to verify each statistic.

Demand Response

- Monthly data for DR service was verified against daily summaries for service directly operated by PI as well as for Taxi service.
- The daily summary statistics were verified against the Daily Route Reconciliation Reports, which tabulate the data from the daily Route Productivity Reports, Senior Nutrition Service summaries, and Taxi logs.
- For DR service, a sample of three weekdays, one Saturday and one Sunday was selected in each of the sample months. Then, 10 percent of the daily driver reports were examined and verified against the route-level information for each of the sample days.

Community Transportation Service Agencies

- Monthly data from each of the CTSA's were compared to PI's monthly Regional Transit/Paratransit, Inc. Ridership Report.
- Each CTSA's monthly data summary was then examined to verify completeness of the supporting documentation.

In each step of the verification process, results were compared to reported data and differences were noted when applicable. The results of the verification process are summarized in Exhibit IV.1. As shown, there were some differences between the verified and the reported trips scheduled. These amount to only a small fraction of the total. In all cases the differences were less than 0.1 percent. No differences between verified and reported service hours were noted.

It appears that PI's methodology for gathering its operating statistics follows a consistent approach. As such, PI's methodology results in reporting trips scheduled and service hours accurately to RT.

Reconciliation of PI's Rates

A reconciliation of PI's and RT's demand response rates per hour is presented in Exhibit IV.2. As shown in this exhibit, PI's budgeted rate for RT's demand response service is $30.04 per hour. This figure is based on the budgeted figures in Exhibit A-1 of the Service Term and Rates agreement for providing 258,751 hours of service at a total cost of $7,772,203. This rate is approximately one-half of PI's budgeted rate per hour for all demand response service, which is $60.51 per hour. However, based on unaudited actual financial and operating data for FY 2004, PI's actual rate for providing demand response service is $59.69, which is 82¢ less than its budgeted rate. Adjusting RT's demand response rate per hour proportionally results in an actual rate of $29.63 per hour, or 41¢ less than the budgeted rate.

Reconciliation of Service Hours and Payments

The reconciliation of budgeted versus actual service hours and payments for FY2004 is presented in Exhibit IV.3. As shown in this exhibit, there are no differences between the reported actual and the verified actual hours. However, the difference between actual and budgeted service hours is 13,120 hours for the entire fiscal year. These hours represent the additional service provided by PI during the year, particularly between January and June 2004.

Based on budgeted rate per hour of $30.04, it would appear that RT's share of these additional hours is $394,090 (see Exhibit IV.3). However, as shown in Exhibit IV.2, PI's actual rate for RT's demand response service is 41¢ lower than what was budgeted. As a result, RT's actual share of these additional service hours amounts to $284,127 (see Exhibit IV.3).

Conclusions

Based on the results of this review of PI's data collection and reporting procedures for scheduled trips and service hours it appears that these data are collected in an accurate manner. Furthermore, it was verified that PI operated 13,120 more hours than were budgeted for FY2004. Based on an examination of PI's budgeted and actual rates for the demand response service as a whole and RT's portion of this service, it was determined that the actual FY2004 rate for RT's demand response service was $29.63 per hour. When applied to the total service hours operated for FY2004, the resulting costs for RT's demand response service is $8,056,330, or $284,127 more than was originally budgeted.

Exhibit IV.1
Verification of DR and CTSA Statistics

Trips Scheduled

	Reported (a)			Verified			Difference			Percent Difference
	DR	CTSA	Total	DR	CTSA	Total	DR	CTSA	Total	
September 2003	29,910	31,688	61,598	29,910	31,688	61,598	-	-	-	0.00%
December 2003	31,508	29,387	60,895	31,516	29,387	60,903	8	-	8	0.01%
March 2004	34,722	35,833	70,555	34,715	35,833	70,548	(7)	-	(7)	-0.01%
June 2004	31,279	35,451	66,730	31,232	35,451	66,683	(47)	-	(47)	-0.07%
Total	127,419	132,359	259,778	127,373	132,359	259,732	(46)	-	(46)	-0.02%

Service Hours Operated

	Reported (a)			Verified			Difference			Percent Difference
	DR	CTSA	Total	DR	CTSA	Total	DR	CTSA	Total	
September 2003	15,029	6,579	21,608	15,029	6,579	21,608	-	-	-	0.00%
December 2003	15,483	6,226	21,709	15,483	6,226	21,709	-	-	-	0.00%
March 2004	18,782	7,487	26,269	18,782	7,487	26,269	-	-	-	0.00%
June 2004	15,669	6,872	22,541	15,669	6,872	22,541	-	-	-	0.00%
Total	64,963	27,164	92,127	64,963	27,164	92,127	-	-	-	0.00%

(a) FY 2004 Regional Transit/Paratransit, Inc. Ridership Report, July 30, 2004

Exhibit IV.2
Reconciliation of PI's vs. RT's
Demand Response Rate per Hour

	Budgeted		Unaudited Actual	
Total Cost	$11,017,698		$11,376,483	
Service Hours	182,080		190,584	
PI's DR Rate per Hour	$60.51		$59.69	
Adjustment Factor			0.9864	(a)
RT's DR Rate per Hour	$30.04	(b)	$29.63	(c)

(a) Unaudited actual/budgeted PI's DR Rate per Hour
(b) Based on Exhibit A-1, October 24, 2004
(c) Budgeted RT's DR Rate per Hour * Adjustment Factor

Exhibit IV.3
Reconciliation of Budgeted vs. Actual Service Hours and Payments for FY2004

Service Hours

Month	Budgeted (a)		Reported Actual (b)	Verified Actual		Difference (c)
July 2003	21,444		21,363	21,363		(81)
August 2003	20,294		21,238	21,238		944
September 2003	21,040		21,608	21,608		568
October 2003	24,319		23,512	23,512		(807)
November 2003	19,939		19,797	19,797		(142)
December 2003	22,276		21,709	21,709		(567)
January 2004	21,548		22,757	22,757		1,209
February 2004	20,244		21,965	21,965		1,721
March 2004	22,597		26,269	26,269		3,672
April 2004	22,177		25,126	25,126		2,949
May 2004	21,548		23,986	23,986		2,438
June 2004	21,325		22,541	22,541		1,216
Total	258,751		271,871	271,871		13,120

Budgeted Payments

Rate per Hour	$30.037383	(d)				
Amount	$7,772,203			$8,166,293		$394,090

Reconciliation of Payments: Budget vs Actual

Rate per Hour				$29.632914	(e)	
Amount	$7,772,203			$8,056,330		$284,127

(a) Exhibit A-1, October 24, 2004
(b) FY 2004 Regional Transit/Paratransit, Inc. Ridership Report, July 30, 2004
(c) Verified Actual vs Budgeted
(d) Based on Exhibit A-1, October 2004
(e) see Exhibit IV.2

V. COST CONTAINMENT/PRODUCTIVITY ENHANCEMENT OPPORTUNITIES

RT and PI have initiated a dialog on containing costs and improving productivity in the operation of the paratransit program. The joint effort is an attempt to increase efficiency, effectiveness and pursue revenue enhancement opportunities in the provision of complementary paratransit services. A preliminary draft report was prepared to highlight the issues that were brought up. This report, entitled "Paratransit Efficiency Measures and Revenue Enhancement Opportunities", has been reviewed. This section contains a summary and assessment of the elements in the report.

Report Summary

Six different areas of focus were included in the report:

- Suspension Policy – enforcing the suspension policy for individuals who are chronic no-shows or cancel trips late, with a more active role for RT in evaluating cases.
- Next-Day Scheduling – reducing the call-in period from two days to one day to try curbing the cancellation rate.
- Conditional Eligibility – revisiting the current policy that permits rides to be scheduled without verification of eligibility.
- Feeder Service – attempting to transition more trips to the RT's fixed-route system, for cost savings.
- ADA vs. Non-ADA Trips – considering scaling back trips that do not meet the ADA requirements.
- Vehicles – evaluating the adequacy of the vehicle mix and potential for increased vehicle advertising revenue.

For each of these areas, a short discussion of possible strategies and policy changes is included. In most cases, the rationale (e.g., cost savings potential) of any proposed actions is noted. However, issues have been identified that might need to be addressed prior to implementation, or that appear to require additional analysis and/or could reduce the effectiveness of the action. For example, it was noted that strict enforcement of the suspension policy might result in some sensitivity issues among customers where no-shows or untimely cancellations have been due to circumstances beyond their control.

Conclusions

The proposed efficiency measures and improvement strategies contained in this document cover many aspects of the paratransit operation. Individually, their implementation could result in cost containment and improved productivity. Collectively, the impacts could be significant.

All of the strategies appear to be valid in addressing currently identified performance deficiencies. However, the draft report presents noteworthy circumstances associated with most of the proposals that need to be considered prior to implementation. As such, the proposals do not currently lend themselves to evaluation of their impacts in a quantifiable manner (e.g., direct operational impacts or cost savings).

VII. ALTERNATIVE CONTRACTING ARRANGEMENTS

The FY2004 ADA Service Term and Rates agreement between RT and PI indicates the maximum contribution from RT, and also contains provisions for calculating the maximum contribution for RT in FY2005. This agreement is part of the overall agreement for the provision of paratransit services between RT and PI. As part of the assessment of the contractual payment basis, a review has been conducted of these agreements as well as the agreements of a selected group of other ADA service providers.

Assessment of Current Arrangement

RT has contracted with PI since 1992 for paratransit services to assist RT in implementing its Complementary Paratransit Service Plan. RT and PI have a collaborative agreement, whereby both parties share funding resources to provide elderly and disabled transportation services in the Sacramento region. The current amended version of the Collaborative Agreement for Provision of Complementary Paratransit Services between RT and PI has been in effect since July 2002. The separate Service Terms and Rates section was updated for FY2004.

Details of the Arrangement - The agreement specifies the responsibilities of the parties, including their respective funding contributions, invoicing procedures, and reconciliation methods. For FY2004, RT agreed to pay PI a maximum of $7,922,215.18, based on the projected costs of service hours and trips utilizing an "actual expenditure rate" derived through the following formula:

$$\frac{\textit{PI audited operating expenses for ADA services}}{\textit{PI actual ADA service hours}} \times \textit{actual RT ratio}$$

The actual RT ratio is calculated by dividing the RT actual contribution by the PI audited operating revenues used for ADA services.

Monthly invoice amounts are primarily based on annual projected service levels, which have been calculated based on total ADA scheduled trips, service hours and revenue hours (combined for demand responsive and CTSA service). Twice each year, the parties are to compare PI's records documenting actual ADA service hours performed to those invoiced. If the actual hours are less than those invoiced, RT has the option of directing PI to provide an equivalent number of additional hours without charge, or reimbursing RT for the overpayment.

Other payments are related to transportation of ADA service applicants, mobility training, and construction projects. The contract does not attach any financial impacts to PI's performance; no performance standards are specified.

Assessment of the Arrangement – Several strengths have been identified in the current arrangement between RT and PI:

- There is coordination of all paratransit services in the Sacramento region.
- There is sharing of capital and operating resources among public and private service providers.
- A higher quality of service is provided to the customers.

Conversely, a number of weaknesses have been identified as well:

- There is no direct control on compliance with ADA requirements.
- There is a lack of control on annual cost increases.
- There is minimal oversight on daily scheduling and operational activities.
- There is a lack of minimum performance expectations or incentives.
- There is no competition for operating the services.

Comparison with Selected Systems

This review included comparisons of the payment methods as well as any performance incentive and penalty clauses contained in the agreements. This section contains a description of the selected systems as well as the findings from the review.

Description of Selected Systems - The systems included in this comparative analysis were selected based on input from RT staff. RT also provided copies of the service contracts, requests for proposals, and/or operating policies and procedures in effect for each of the systems. Five systems were selected, including three geographically situated in northern California as is RT. Each of these systems is identified below:

- Valley Transportation Authority (VTA), Santa Clara, CA – VTA contracts with a paratransit broker, Outreach and Escort, Inc. to perform management and operational functions required to coordinate paratransit service delivery in all 15 cities in Santa Clara County.
- King County Metro Transit, Seattle, WA - The County's paratransit transportation service is provided by a broker and service operators under the banner of *ACCESS* Transportation.
- Santa Cruz Metropolitan Transit District, Santa Cruz, CA - The *METRO ParaCruz* paratransit transportation service is provided through an outside contractor.

- San Mateo County Transit District (SamTrans), San Carlos, CA - SamTrans contracts with an outside vendor for the provision of its Redi-Wheels paratransit service.

- Metropolitan Transit Authority (METRO), Houston, TX – Metro has separate contracts in effect with private firms for provision of various METROLift paratransit services. One contract with the Greater Houston Transportation Company covers the taxicab services under the METROLift Subsidy Program, back-up taxi service and a guaranteed ride home program. Another contract with the same firm covers METROLift sedan transportation services. A separate contract with First Transit, Inc. covers METROLift van transportation services.

Findings - Most of the contract-related documents provided for the selected systems include details on incentive and penalty clauses as part of the performance requirements, and all of them include information on the contractual payment bases. There are several alternative contracting arrangements, as shown in Exhibit VI.1 and discussed below.

- Incentives/Penalties - The contracts typically involve monetary bonus payments or liquidated damages stemming from achievement or failure to achieve established performance standards. The focus is on areas of service reliability, service quality and customer satisfaction. Some specific areas of performance include the following:

  - On-time performance
  - Late departures
  - Revenue service hours and missed trips
  - Wait time
  - Road call rate
  - Preventive maintenance on vehicles
  - Preventable accidents
  - Operator conduct and appearance
  - Vehicle condition and appearance
  - Customer complaints

  The details such as the performance areas included and the dollar amounts involved vary from operator to operator. However, the overall aim in each case is to establish performance expectations for providing service with a high level of productivity, reliability and safety, and to ensure that the customer experience is a good one.

- Payment Methods – Among the selected systems, various arrangements are in place for determining the payments to be made to the service provider(s). There are fixed and variable components, as summarized below:

  - Annual or monthly administrative charges (pre-determined)
  - Additional administrative time, charged at an agreed upon hourly rate
  - Rate per mile when a client is on board
  - Rate per vehicle service hour

Again, while the details differ from contract to contract, the basic concept is that flat administrative fees are determined in advance and agreed upon by the parties, while the variable fees are directly based on the level of service provided. The prevailing method among the selected systems is to base payments on the revenue service hours actually provided. Another method that is often employed in the industry, but not among these systems, is to charge on the basis of the number of passenger trips provided.

Conclusions

The current arrangement has several strengths including the coordination of regional services, the sharing of resources, which results in a high quality of service to the customer. However, the arrangement does have some weaknesses in that RT has no direct control over compliance with service related ADA requirements and costs. Additionally, daily operational oversight is limited, performance expectations are minimal, and competition for service is non-existent.

A comparison with selected systems indicated that incentives and penalties typically are included in contractual arrangements. Also, payment arrangements tend to include flat administrative fees, plus variable costs billed according to the level of service provided.

Exhibit VI.1
Contract Comparison of Selected Systems

System	Incentive	Penalty	Payment Methods
Santa Clara Valley Transportation Authority (VTA) contract with paratransit services broker, Outreach and Escort, Inc.	**Between VTA and Broker** If Outreach achieves a cumulative late rate of less than 4% (i.e., greater than 96% on-time rate) system-wide for each contract year defined as July 1 – June 30, then Outreach shall be eligible for a bonus payment to be disbursed in the month of July following the closure of each contract year. The bonus payment amount shall be determined by VTA in consultation with Outreach. **Between Broker and Vendors** If a vendor achieves a cumulative late rate of less than 4% during the contract year, without exceeding 5% on any one month, the vendor shall be eligible for a bonus payment. Only vendors who are operating at 90% or greater of the capacity that they stipulated for the contract year in review in their contract with Outreach shall be eligible for rewards. Reward payments shall be made in July following the close of each fiscal year. The total possible incentive funds and payment dates shall be determined by VTA. Incentive payments shall be distributed to eligible vendors based on the percentage of total rides (not fees) an eligible vendor has provided during the applicable time period.	**Between VTA and Broker** None **Between Broker and Vendors** Liquidated damages for non-compliance and/or failure to achieve performance standards shall be delineated in vendor contracts.	**Between VTA and Broker** Broker and vendor payments for services, capital acquisitions and special projects shall be reflected in an annual budget. Budgets shall be established by mutual agreement. Contractor shall propose annual budgets in a format subject to VTA approval and on a schedule established by mutual agreement. Compensation for services shall not exceed the amount authorized by VTA's Board of Directors for each fiscal year. **Between Broker and Vendors** Payment terms are delineated in contracts between Outreach and vendors. Outreach's payment schedule for vendors is based on twice monthly payments (the 15th & 30th). The unit of service used to pay vendors shall be on a cost-per-mile basis when an Outreach client is on board.

Exhibit VI.1
Contract Comparison of Selected Systems

System	Incentive	Penalty	Payment Methods
King County Metro Transit (Seattle) contract for ACCESS Transportation	The County believes that significant improvement in productivity, reliability and safety can result from a well thought out, long range, incentive program. The County intends to work with the Contractor, Broker, and the other service operators to develop programs which would have sufficient financial incentives to create continuous, aggressive efforts for improvements in efficiency and safety.	Liquidated damages, *which shall not be considered penalties*, may be assessed against the contractor. These include: $50 per occurrence for a finding of deficient vehicle condition or appearance; $100 per occurrence if Contractor fails to perform a PMI within 4,000 miles of the previous PMI; $100 for each missed trip not reported by the Contractor to the County.	The fixed Monthly Price and variable Vehicle Service Hour (VSH) price, paid for the vehicle service hours delivered according to the terms of this Contract shall remain firm for the first 12 months of service operation following the sixty day service preparation period. Price adjustments for the fixed Monthly Price and variable VSH Price shall occur each year following the first year, and shall be based on the Consumer Price Index (CPI-W) for the Seattle Metropolitan area for the most recent 12 month period.
Santa Cruz Metropolitan Transit District METRO ParaCruz	Liquidated damages and/or incentives, if any, shall be deducted or added by Santa Cruz METRO from/to the monthly payment.	Liquidated damages and/or incentives, if any, shall be deducted or added by Santa Cruz METRO from/to the monthly payment.	Payment to the Contractor shall be made based on the advance reservation door-to-door service hours operated. Monthly payments for the service hours for the previous month shall be based on number of service hours actually provided by Contractor multiplied by the rate agreed upon in the contract.

Exhibit VI.1
Contract Comparison of Selected Systems

System	Incentive	Penalty	Payment Methods
SamTrans contract for Redi-Wheels Paratransit Service	Incentive Provisions: $2,000 to $8,000 for miles between preventable accidents above standard; $2,000 to $5,000 for Vehicle Revenue Hours above standard; $1,000 to $5,000 for customer complaints within standard; $1,000 to $3,000 for call wait time within standard; $3,000 to $7,000 for on-time performance above standard.	Assessment Provisions: $1,500 to $6,000 for miles between preventable accidents below standard; $1,000 to $4,000 for Vehicle Revenue Hours below standard; $1,000 to $5,000 for customer complaints exceeding standard; $1,000 to $3,000 for call wait time exceeding standard; $1,000 to $5,000 for on-time performance below standard. Two times daily amount owed Contractor each day on a VRH basis for each day that Redi-Wheels service is not provided; $150 for operator out of uniform; operator failure to check in with dispatcher at beginning of route; late departure (5 to 15 minutes); $500 for late departure more than 15 min; Up to $1,000 for failure to notify of accident; Up to $1,500 for failure to notify of missed trip; for each day Contractor fails to provide full complement of drivers; 100% cost of repair up to $50,000 for vehicle damaged due to Contractor negligence; $500 per incident for various staffing/reporting violations.	The District will compensate the Contractor for services rendered under the contract as follows: 1) A Monthly Administrative Charge – a flat monthly amount that includes all fixed costs associated with operating the Redi-Wheels service; 2) Additional Administrative Hours, when required – if this additional administration staffing is required, it will be charged at an hourly rate; 3) Cost per Service Hour for Contractor-supplied Paratransit Vehicle – variable costs associated with operating a Contractor-supplied vehicle, excluding the sedan leasing or amortization amount. 4) Cost per Service Hour for District-Supplied Vehicle – variable costs associated with operating a District-supplied vehicle; 5) the Supplemental Service Provider invoice amount plus the percentage fee for Supplemental Service management, if this option is exercised.

Exhibit VI.1
Contract Comparison of Selected Systems

System	Incentive	Penalty	Payment Methods
Houston Metropolitan Transit Authority			
METROLift Subsidy Program, Back-Up Taxi Service, and Guaranteed Ride Home	n/a	n/a	The Contractor shall be compensated for the actual services provided, at the rates as provided in the Schedule of Items and Prices of this Contract.
METROLift Sedan Transportation Services	Incentives related to performance standards: METRO will review each performance factor on a six-month basis to determine if the Contractor will receive a bonus or a penalty. Cash payments or deductions shall be calculated on the contract rate per revenue hour for the hours actually operated during the six-month period. The performance factors are: On-time performance; Accidents per 100,000 revenue miles; Passenger complaints per 100,000 trips.	Disincentives related to performance standards: On-time performance; Accidents per 100,000 revenue miles; Passenger complaints per 100,000 trips. Liquidated damages: $15 per occurrence for service interruption, late driver, driver not reporting via radio, failure to notify of a no-ride; $50 per occurrence for tampering with communication equipment, vehicle removal from service; $100 per day if Contractor fails to cover supervisory position, failure to submit timely monthly report; $10 per incorrect ticket envelope; Maximum liquidated damages: $2 million.	METRO shall pay to the Contractor compensation on the basis of the number of METRO scheduled Revenue Service Hours satisfactorily performed and accepted by METRO or fractions thereof at the price per revenue hour for all hours between 90% and 110% of the estimated revenue hours as stipulated in the Contract.
METROLift Van Transportation Services	Same as Above.	Same as Above.	The Contractor shall be paid on the basis of the number of METRO scheduled Revenue Service Hours satisfactorily performed and accepted by METRO or fractions thereof at the price per revenue hour stipulated in the Contract.

VII. Recommendations

The following recommendations have been formulated to address the findings from this study. The recommendations are organized according to chapter.

- Chapter II: It is recommended that operational and performance statistics for DR trips be reported according to the alternative framework described in this report. DR trips should be reported according to eligibility group (i.e., ADA Eligible and Age Eligible) as well as by service category (i.e., ADA Required, ADA Optional and Beyond ADA).

- Chapter III: It is recommended that audited actual costs for DR services be submitted to RT annually.

- Chapter IV: It is recommended that RT contribute its share of the costs for the additional service hours provided by PI in FY2004 based on the adjusted rate of $29.63 per hour.

- Chapter V: No recommendations are offered.

- Chapter VI: Two recommendations are offered for RT's consideration.

    1. RT should consider incorporating performance measures and establishing baseline expectations for compliance with ADA requirements into its contract with PI.

    2. RT should consider establishing a measure of service provided (e.g., total or revenue service hours) or service consumed (passenger trips provided) or a combination of these two factors as the basis for payment to PI.

Attachment 2

FINAL REPORT

Review of Cost Allocation Model and Alternative Strategies for Paratransit Service

submitted to the
Sacramento Regional Transit District

prepared by
Mundle & Associates, Inc.
Philadelphia, PA

March 2010

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List of Exhibits

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EXECUTIVE SUMMARY

As an operator of fixed-route transit services in the Sacramento region and a recipient of federal funds, the Sacramento Regional Transit District (RT) is responsible for the provision of complementary paratransit services (CPS) that meet the federal regulations promulgated under the Americans with Disabilities Act (ADA). To meet the requirements of ADA CPS, RT has entered into a Collaborative Agreement with Paratransit, Inc. (PI), the primary Consolidated Transportation Services Agency (CTSA) in the Sacramento region designated by the State of California via the Sacramento Area Council of Governments (SACOG). PI receives funding as the CTSA through a four party agreement between SACOG, the City of Sacramento, the County of Sacramento, and RT – providing that the CTSA, PI, is the direct recipient of Transportation Development Act (TDA) Article 4.5 funding and Measure A local sales tax revenue. PI also generates revenue through its Diversified Services as described later in this report.

In addition to providing ADA CPS for RT, PI also provides human service transportation and related services in the region under a variety of other programs. Since there is overlap among the programs operated by PI, many of the costs charged to these programs are allocated using a methodology developed by PI.

Objectives

The purpose of this study is to examine PI's cost allocation methodology particularly as it relates to the ADA CPS funded by RT and to assess adequacy of the provisions contained in the current Collaborative Agreement. The objectives of this study are listed below:

- To examine PI's cost allocation model and calibration methodology in order to identify its strengths and weaknesses;
- To develop alternative strategies to improve cost and performance characteristics of ADA service;
- To assist RT with development of new Collaborative Agreement; and
- To suggest alternative service delivery concepts for providing ADA CPS in the Sacramento region.

Cost Allocation Assessment

The assessment of PI's cost allocation model was conducted in several steps. The first step was to examine PI's service delivery structure in order to understand how the services provided by PI are organized and how these influence the methodology for allocating costs. The second step was to examine the structure of the cost model; how costs are distributed among the various service categories; and calibration protocols.

The third step was to evaluate the strengths and weaknesses of the current methodology.

PI's cost allocation model structure, calibration and application procedures were assessed in five categories. These are:

- Structure;
- Comprehensiveness;
- Calibration Procedure;
- Calibration Frequency; and
- Application Procedure.

The assessment indicates that PI's cost allocation, calibration and application methodology has many strengths and is well suited for this purpose under steady state condition. No weaknesses were identified in four of the five assessment categories. The only weakness identified was in the Calibration Frequency category. Subsequent to the identification of this weakness, PI began conducting a more frequent review of the calibration.

Since the allocation methodology appears to be sound, reductions in allocated costs will have to be sought through reductions in administrative personnel, wages and benefits, and other economies similar to those being considered by RT.

Funding and Enhancement Strategies

There are five areas through which RT can seek to achieve some cost reductions and performance improvements. These are:

- Funding Amounts – RT has less funding available in FY 2010 to provide services it operates in the Sacramento region. It is reasonable to assume that all modes will operate proportionately reduced level of service. Therefore, RT's contribution to operating Type I ADA service also needs to be reduced. Another area in which costs could be contained or reduced includes mobility training. In FY 2009, RT contributed $100,000 for mobility training. Due to budget constraints, RT has eliminated the mobility training program for FY 2010. In the future RT may consider paying for mobility training based on a rate of $1,500 per person trained, the estimated contribution for training 50 persons would drop to approximately $75,000, a savings of $25,000 as compared to the FY 2009 contribution of $100,000.

- Performance Indicators and Levels – Improving performance in one or more of certain indicators could potentially result in cost savings over time; thereby increasing cost efficiency and service effectiveness. Revisions to performance targets and measures are proposed for the following indicators:

  - Trips Provided per Vehicle Service Hour

- Percentage of Subscription Trips
- Percentage of ADA Capacity Denials
- Percentage of No Shows
- On-time Performance
- On-Board Trip Times

- Provisions of the Collaborative Agreement – RT should consider modifying the current Collaborative Agreement to incorporate all of the following provisions.

Provision	Article No.	Proposed Change
Governance Structure	New Article	RT should have the ability to appoint majority of the PI's board members.
Eligibility Determination Process	Modify Articles 8A and 8B	RT may discontinue processing eligibility applications for non-ADA service (e.g., Type II).
Data Reports	Modify Article 7C(7)	Increase the number of special reports to be received as well as change the definition of simple report from 8 to 16 hours.
Data Sharing and On-Line Access	Modify Article 9D	Establish data sharing capabilities and on-line access to operating activities. RT also expects both RT and PI to use the same scheduling package to further facilitate data sharing activities.
Complaints	New Article	RT needs to receive all ADA CPS related complaints directly from the passengers. The complaint process, telephone number, website address etc. needs to be modified accordingly. RT will forward the complaints to PI for follow-up actions and respond to the complaints.
Driver Manifests	Add to Article 7C	RT needs to receive electronic copies of the driver manifests, for Demand Response service, for the 2nd and 4th Wednesday of each month.
Late Trips	Add to Article 7C	RT needs to receive electronic copies of the late trip reports for the 2nd and 4th Wednesday of each month. These reports will include the reasons for each late trip.
Accident Reporting	Add to Article 7C	RT needs to receive electronic copies of all accident reports.
Preventive Maintenance	Add to Article 12	RT needs to receive electronic copies of monthly preventive maintenance reports.
No Compete in RT Region	New Article	It is expected that PI will not compete with RT for contract services in the Sacramento region, consistent with the provisions of PUC Section 99281.

- Demand Management – One of the strategies that RT should consider in its attempts to reduce the costs of ADA service is to manage the demand for this service. As discussed in the performance indicators section, there are a number of areas in which performance can be improved. These include:

  - Passenger Productivity
  - Conditional Eligibility
  - No Shows
  - Subscription Level

- Monthly Pass
- Fare Increase
- Bus Service Cuts

- Cost Containment – Cost containment is another strategy that RT should pursue with PI in its attempts to reduce the costs of ADA CPS. Two approaches to reducing the allocated costs are discussed below.

  - Cost per Vehicle Service Hour – Between FY2006 and FY2009 the allocated costs per vehicle service hour increased from $64.77 to $71.43, whereas the actual cost per vehicles service hour reported by PI increased from $69.35 to $76.41. Cost per vehicle service hour for both budgeted and actual peaked in FY2007 with costs of $77.99 and $77.22 per vehicle service hour, respectively. Overall, the trend in budgeted and actual cost per vehicle service hour has been upwards. RT's cost containment strategy should include efforts that would reduce the allocated cost per vehicle service hour.

  - Passenger Trip Miles – The number of trips provided is a basic measure of service consumption. Since not all trips are of the same trip length, a better measure of consumption is the number of passenger trip miles. A comparison of allocation percentages for FY2010 Type I and Type II trips using these two consumption statistics is presented in Exhibit 17. As shown in this exhibit, allocation costs for Type I trips based on passenger trips miles would reduce the allocation percentage by more than four percentage points to 83.5 percent, a potential reduction of approximately $500,000.

Alternative Service Delivery Concepts

RT's existing relationship with PI is only one way in which ADA CPS could be delivered in the Sacramento Region. As a matter of sound business strategy, RT could and should consider competitively contracting for ADA CPS, or to bring the operation of ADA CPS entirely within RT's organization.

Summary of Findings

This section summarizes the key findings from this review of PI's cost allocation methodology; performance levels in the past four years; and provisions of the current Collaborative Agreement.

- Cost Allocation Methodology – PI's cost allocation, calibration and application methodology has much strength and is well suited for this purpose under steady state condition. Since the allocation methodology appears to be sound, reductions in allocated costs will have to be sought through reductions

in administrative personnel, wages and benefits, and other economies similar to those being considered by RT.

- Performance Measures and Levels – A number of performance indicators for PI's Demand Response service were examined – trips provided per vehicle service hour, percentage of subscription trips, capacity denials, no shows, on-time performance and on-board trip time. Changes to standards and measures were proposed for improving performance which could potentially result in cost savings over time.

- Provisions of the Collaborative Agreement – ways to strengthen and improve RT's ability to obtain timely access to ADA CPS operational and performance information from PI were considered. Modifications to the current Collaborative Agreement provisions were proposed. The modifications included revisions to existing provisions as well as addition of new articles.

- Alternative Service Delivery Concepts – alternatives to the existing arrangement with PI were proposed. These included competitively contracting for ADA CPS, or bringing the operation of ADA CPS entirely within RT's organization.

I. INTRODUCTION

As an operator of fixed-route transit services in the Sacramento region and a recipient of federal funds, the Sacramento Regional Transit District (RT) is responsible for the provision of complementary paratransit services (CPS) that meet the federal regulations promulgated under the Americans with Disabilities Act (ADA). To meet the requirements of ADA CPS, RT has entered into a Collaborative Agreement with Paratransit, Inc. (PI), the primary Consolidated Transportation Services Agency (CTSA) in the Sacramento region designated by the State of California via the Sacramento Area Council of Governments (SACOG). PI receives funding as the CTSA through a four party agreement between SACOG, the City of Sacramento, the County of Sacramento, and RT – providing that the CTSA, PI, is the direct recipient of Transportation Development Act (TDA) Article 4.5 funding and Measure A local sales tax revenue. PI also generates revenue through its Diversified Services as described later in this report.

In addition to providing ADA CPS for RT, PI also provides human service transportation and related services in the region under a variety of other programs. Since there is overlap among the programs operated by PI, many of the costs charged to these programs are allocated using a methodology developed by PI.

I.A Objectives

The purpose of this study is to examine PI's cost allocation methodology particularly as it relates to the ADA CPS funded by RT and to assess adequacy of the provisions contained in the current Collaborative Agreement. The objectives of this study are listed below:

- To examine PI's cost allocation model and calibration methodology in order to identify its strengths and weaknesses;
- To develop alternative strategies to improve cost and performance characteristics of ADA service;
- To assist RT with development of new Collaborative Agreement; and
- To suggest alternative service delivery concepts for providing ADA CPS in the Sacramento region.

I.B Report Organization

This report is organized into five sections. This Introduction is the first section. The remaining sections are:

- Cost Allocation Model Assessment
- Funding and Enhancement Strategies
- Alternative Service Delivery Concepts
- Summary of Findings

II. COST ALLOCATION MODEL ASSESSMENT

The assessment of PI's cost allocation model was conducted in several steps. The first step was to examine PI's service delivery structure in order to understand how the services provided by PI are organized and how these influence the methodology for allocating costs. The second step was to examine the structure of the cost model; how costs are distributed among the various service categories; and calibration protocols. The third step was to evaluate the strengths and weaknesses of the current methodology. The results of the third step were used in subsequent stages of the study to develop alternative strategies to improve the cost and performance characteristics of ADA service funded by RT.

II.A Service Delivery Structure

PI's service delivery structure consists of two broad categories of services – Demand Response (DR) and Diversified Services (DS). The individual services provided under these two categories are shown in Exhibit 1. The ADA CPS funded by RT is operated under the DR category.

- Demand Response Service – these services include Type I and Type II trips, either of which may be provided based on a passengers eligibility under ADA or by virtue of their age (75 years an older). Type I trips are those trips which have origins and destinations within ¾ mile of RT fixed-route services. Type II trips are those trips provided within RT's service area boundary, but are not Type I trips.

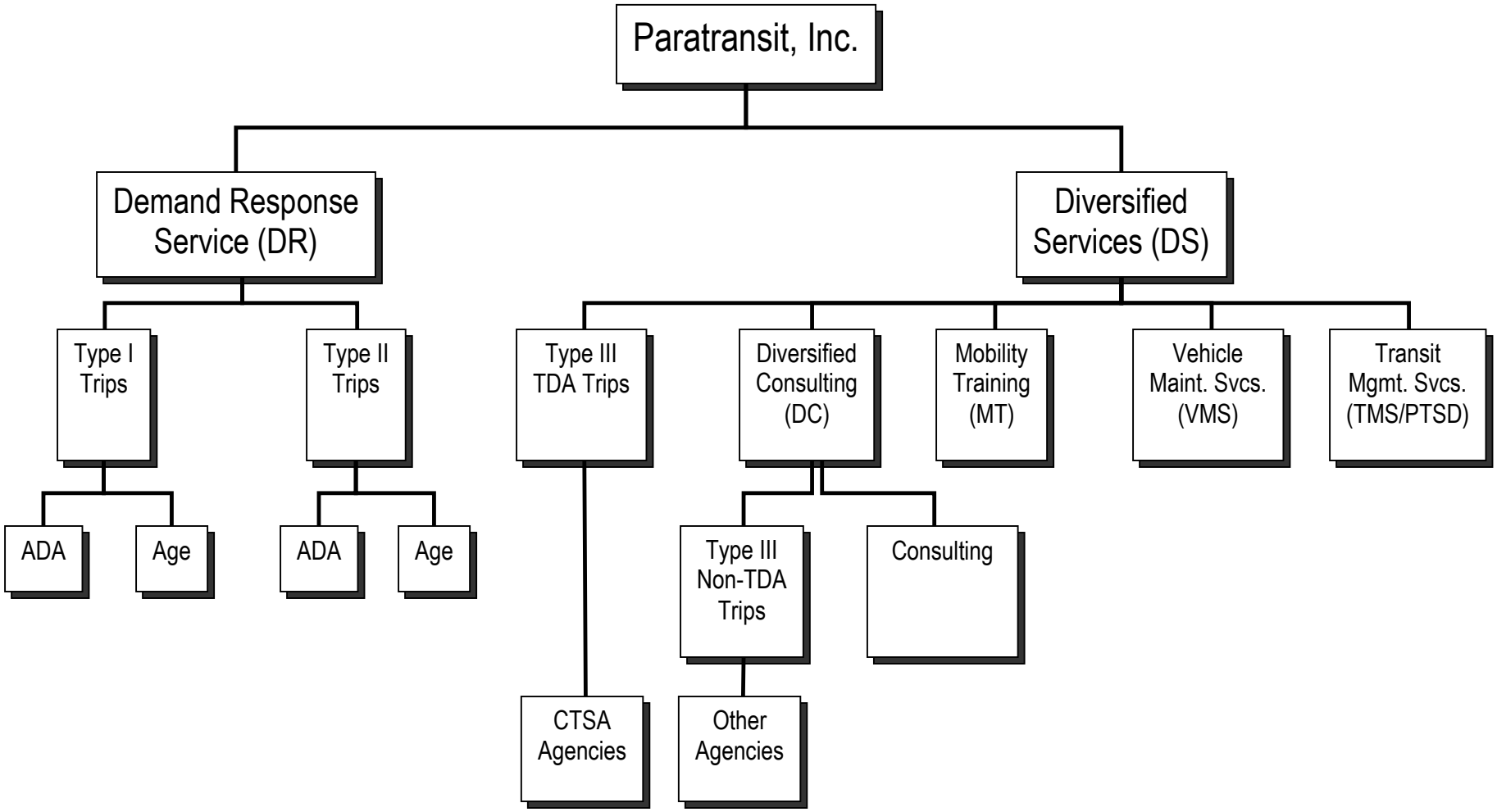
- Diversified Services – includes a variety of services including trips provided through contracts with other providers (CTSA Operators), consulting, mobility training, vehicle maintenance services and transit management services.

Under ADA, RT is responsible for the ADA-eligible Type I trips. RT provides funding support for Type I trips through a Collaborative Agreement with PI.

II.B Cost Allocation Model

PI's costs are allocated among its different programs using an allocation methodology. In this methodology costs are classified into one of three categories – allocated, direct or mixed. The cost classifications for personnel, fleet operations, and non-personnel related costs are illustrated in Exhibit 2. As shown in this exhibit, most of

Exhibit 1: Types of Services Provided by PI



the costs fall under the Allocated category. Few costs fall under the Direct category and even fewer fall under the Mixed category.

Exhibit 2: Allocation Categories

	Allocated	Direct	Mixed
Personnel	• Vehicle Operators • Training Center • Call Center • Administration • Information Systems • Maintenance Operations • Planning & Transit • Dispatch Center	• Mobility Training • Customer Service • Innovative Paradigms	• Fringe Benefits • Workers' Compensation
Fleet Operations	• Insurance	• Fuel • Cost of Parts & Sublet Service	
Non-Personnel	• Outside Services • Facility Rent/Repair • Office Expense • Interest Expense • Telephone/Utilities • Tax/License/Dues/Permits • Professional Development	• Brokered Trans. Services	• Professional Services • Travel

The distribution of PI's operating costs for FY2008 into the allocation categories is presented in Exhibit 3. As shown in this exhibit, nearly 73 percent of PI's operating costs go towards provision of Demand Response services. The remaining 27 percent are distributed among the programs under Diversified Services.

The methodology for allocating costs is illustrated in Exhibit 4. This exhibit the cost allocation source groups – personnel and non-personnel – and how these are broken down into categories. Fixed or variable allocation percentages are developed for the individual source group categories. The allocation percentages are based on various factors including employee full-time equivalents (FTEs), labor hours, direct expenses, and office space, as shown in Exhibit 5. The details of the different allocation percentages are presented in Appendix A of this report.

Exhibit 3: Distribution of FY2008 Operating Costs

	DR	CTSA	MT	DC	VMS	TMS/PTSD	TOTAL
Personnel							
Allocated	$6,589,458	$977,183	$179,756	$271,240	$262,382	$49,641	$8,329,662
Direct	$144,112	$0	$400,980	$160,345	$0	$0	$705,437
Mixed	$2,643,785	$407,142	$285,728	$136,388	$123,537	$22,527	$3,619,107
Subtotal	$9,377,355	$1,384,325	$866,464	$567,974	$385,919	$72,169	$12,654,206
Fleet Operations							
Allocated	$253,569	$106,951	$16,243	$11,036	$16,375	$7,485	$411,660
Direct	$1,758,569	$502,051	$0	$151,658	$678,821	$0	$3,091,099
Mixed	$0	$0	$0	$0	$0	$0	$0
Subtotal	$2,012,138	$609,002	$16,243	$162,694	$695,195	$7,485	$3,502,758
Non-Personnel							
Allocated	$846,537	$130,495	$59,404	$48,343	$98,990	$178,006	$1,361,775
Direct	$2,233,371	$38,355	$0	$8,545	$0	$0	$2,280,270
Mixed	$262,249	$36,492	$49,524	$101,287	$13,250	$46,306	$509,108
Subtotal	$3,342,156	$205,343	$108,929	$158,175	$112,240	$224,311	$4,151,154
TOTAL	$14,731,650	$2,198,670	$991,636	$888,843	$1,193,354	$303,965	$20,308,118
% of Total	72.5%	10.8%	4.9%	4.4%	5.9%	1.5%	100.0%

Exhibit 4: Cost Allocation Methodology

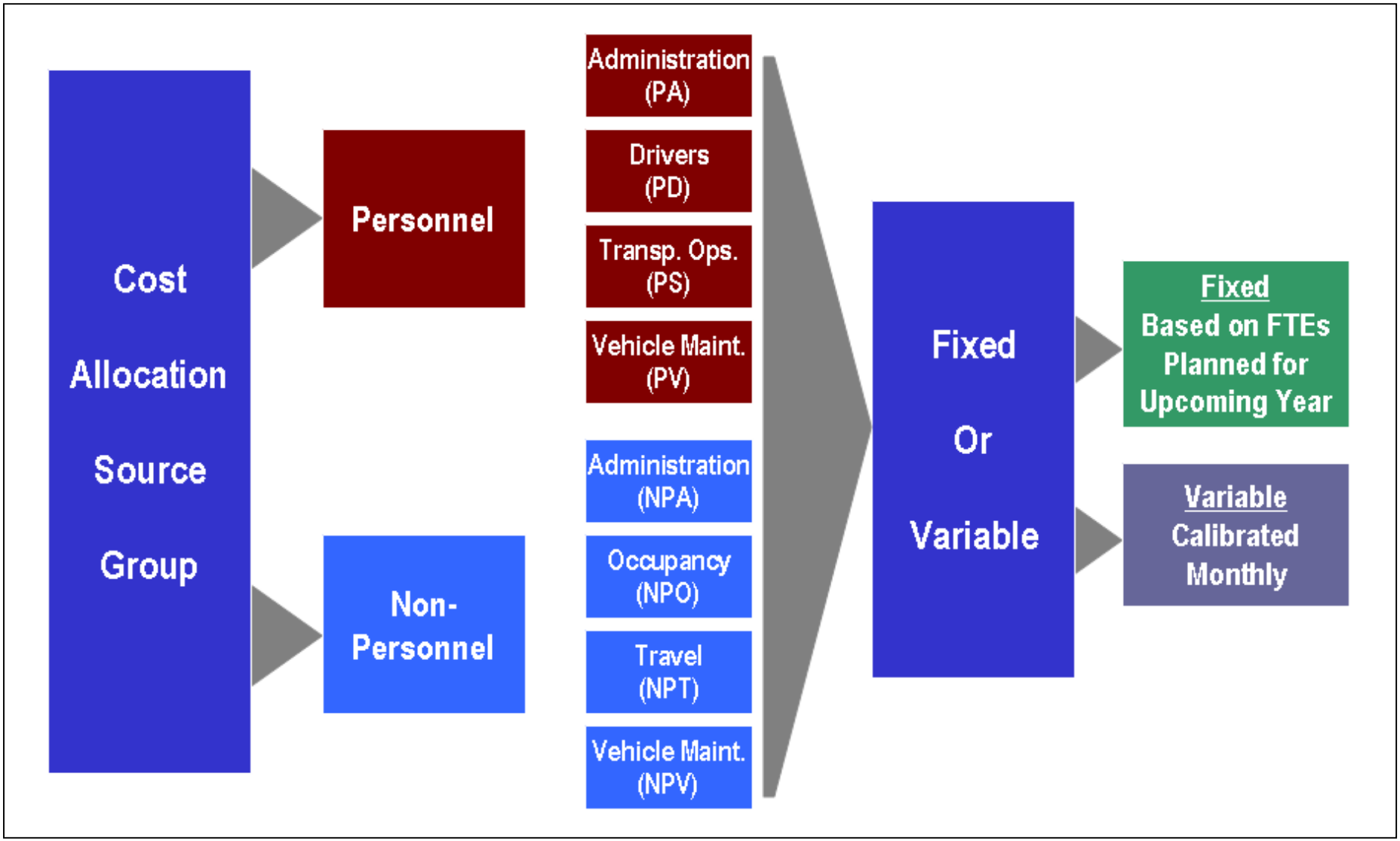


Exhibit 5: Summary of Allocation Details

Source Group	Description	DR	CTSA	MT	DC	VMS	TMS/ PTSD	Total	Allocation Basis
PA	Personnel Administration	74.97%	10.96%	5.02%	3.05%	3.82%	2.18%	100.00%	Based on Non-Admin FTEs (Appendix A1)
PD	Personnel Drivers	86.17%	8.94%	0.00%	4.89%	0.00%	0.00%	100.00%	Based on FTEs required by Service Mode (Appendix A2)
PS	Personnel Transportation Operations	86.17%	12.83%	0.00%	1.00%	0.00%	0.00%	100.00%	Based on FTEs required by Service Mode (Appendix A2)
PV	Personnel Vehicle Maintenance	48.88%	16.50%	0.00%	3.36%	31.26%	0.00%	100.00%	Based on PY mean allocation of direct maintenance labor hours (Appendix A3)
NPA	Non-Personnel Administration	74.97%	10.96%	5.02%	3.05%	3.82%	2.18%	100.00%	Based on Non-Admin FTEs (Appendix A1)
NPO	Non-Personnel Occupancy	63.42%	13.95%	2.61%	3.26%	15.63%	1.13%	100.00%	Two step: (1) Florin office split per sq ft into maint and trans ops. (2) Maint occupancy cost spread via direct labor hours, trans occ cost spread via non-Admin FTEs (Appendix A4)
NPT	Non-Personnel Travel	60.22%	8.80%	23.71%	2.45%	3.07%	1.75%	100.00%	Two step: (1) Direct travel training mileage projection (in FY08 it was 19.8%), (2) the balance of projected travel cost allocation per Non-admin FTEs (Appendix A1)
NPV	Non-Personnel Vehicle Maintenance	48.88%	16.50%	0.00%	3.36%	31.26%	0.00%	100.00%	Based on PY mean allocation of direct maintenance labor hours (Appendix A3)

II.C Comparison of Planned versus Actual FTEs

Since the cost allocation methodology relies on the estimate of budgeted FTEs, one way to examine the reasonableness of the allocations is to compare the planned versus actual FTEs. Although this does not indicate the level of accuracy of the methodology, it provides a "reality check" in terms of application of the methodology. The planned versus actual FTEs for FY2007 are presented in Exhibit 6. This exhibit shows that despite some variation in the service categories, the planned versus actual number of FTEs is fairly consistent.

Exhibit 6: FY2007 Planned versus Actual FTEs

	DR	CTSA	DS	MT	VMS	TMS/ PTSD	Total
Planned							
FTEs	168.4	23.8	6.8	10.8	6.8	2.5	219
Admin Allocation	76.8%	10.9%	3.1%	4.9%	3.1%	1.2%	100.0%
Actual							
FTEs	167.8	21.9	7.6	11.7	8.1	2.0	219
Admin Allocation	76.6%	10.0%	3.5%	5.3%	3.7%	0.9%	100.0%
% Difference	-0.4%	-7.9%	12.0%	8.1%	19.5%	-21.0%	0.0%

II.D Strengths and Weaknesses

PI's cost allocation model structure, calibration and application procedures were assessed in five categories as summarized in Exhibit 7. These are:

- Structure;
- Comprehensiveness;
- Calibration Procedure;
- Calibration Frequency; and
- Application Procedure.

The assessment indicates that PI's cost allocation, calibration and application methodology has many strengths and is well suited for this purpose under steady state condition. No weaknesses were identified in four of the five assessment categories. The only weakness identified was in the Calibration Frequency category (see Exhibit 7). Subsequent to the identification of this weakness, PI conducted a review of the calibration and feels that the current frequency of review is sufficient.

Since the allocation methodology appears to be sound, reductions in allocated costs will have to be sought through reductions in administrative personnel, wages and benefits, and other economies similar to those being considered by RT.

Exhibit 7: Summary of Strengths and Weaknesses

Assessment Category	Definition of Category	Strengths	Weaknesses
Structure	Logical and systematic grouping of all types and categories of expenses.	Includes personnel and non-personnel expense categories; direct and indirect expense categories; and all applicable services and business units	None
Comprehensiveness	Inclusion of all operating expenses.	Includes all types of operating expenses: Personnel, Fleet Operations and Non Personnel	None
Calibration Procedure	Methodology for calculating allocation factors.	Previous year's actual FTEs are used for fixed accounts and monthly experience is used for variable accounts	None
Calibration Frequency	Frequency for calculating allocation factors.	Fixed allocation factors are updated at the beginning of the fiscal year; and variable allocation factors are updated monthly	Fixed allocation factors can be reviewed more frequently, either quarterly or semi annually to determine if updates are needed
Application Procedure	Procedures for applying allocation factors systematically and periodically to determine operating expenses by service type and business unit.	Both fixed and variable allocation factors are applied to each account in the source group consistently and systematically	None

III. FUNDING AND ENHANCEMENT STRATEGIES

As discussed in Section II.C, the reductions sought by RT in allocated costs for ADA CPS will need to be pursued through reductions in personnel, wages, benefits and other economies. Since review of PI's personnel staffing levels, wages and benefits is beyond the scope of this review, this section focuses on other strategies to incorporate in the renewal of the current Collaborative Agreement. There are five areas through which RT can seek to achieve some cost reductions and performance improvements. These are:

- Funding Amounts;
- Performance Indicators and Levels;
- Provisions of the Collaborative Agreement;
- Demand Management; and
- Cost Containment.

The suggested strategies to achieve cost savings and performance improvements through each of these areas are discussed in more detail in the following sections.

III.A Funding Amounts

The amount of RT's total contribution to PI includes funding for Type I ADA trips provided by PI; transporting ADA applicants; and for mobility training. The breakdown of RT's total contribution is presented in Exhibit 8.

Exhibit 8: FY2009 RT Funding Details

	Amount
RT ADA Service	$11,846,520
Transport of Applicants	$12,000
Mobility Training	$100,000
Total	$11,958,520

RT has less funding available in FY 2010 to provide services it operates in the Sacramento region. It is reasonable to assume that all modes will operate proportionately reduced level of service. Therefore, RT's contribution to operating Type I ADA service also needs to be reduced. This can be done as percentage of cut across all the modes, say X percent, or specified as reduction in level of funding, for example $700,000.

Another area in which costs could be contained or reduced includes mobility training. In FY 2009, RT contributed $100,000 for mobility training. Due to budget

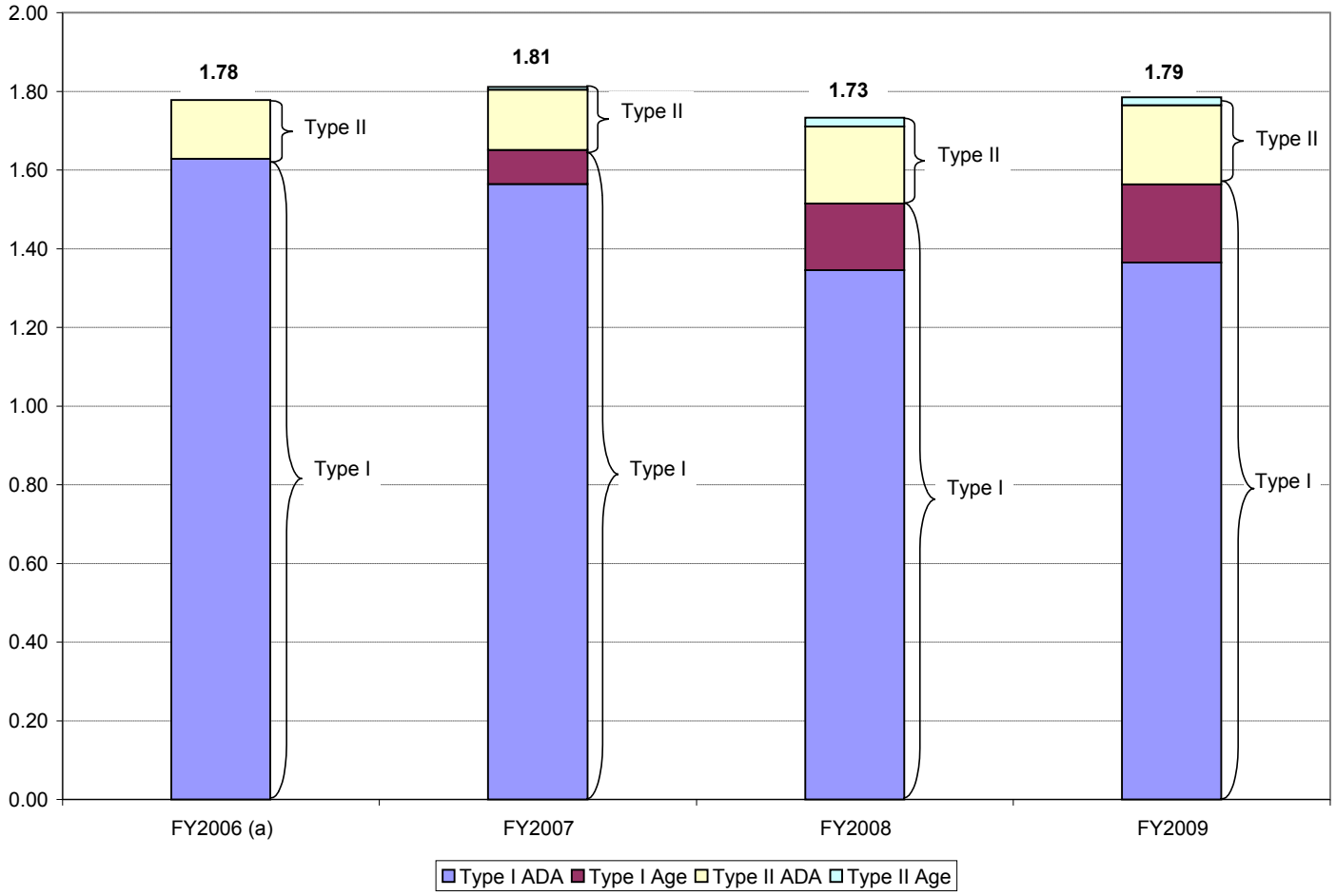
constraints, RT has eliminated the mobility training program for FY 2010. In the future RT may consider paying for mobility training based on a rate of $1,500 per person trained, the estimated contribution for training 50 persons would drop to approximately $75,000, a savings of $25,000 as compared to the FY 2009 contribution of $100,000.

III.B Performance Indicators and Levels

A number of performance indicators for PI's Demand Response service are discussed in this section. Improving performance in one or more of these indicators could potentially result in cost savings over time; thereby increasing cost efficiency and service effectiveness.

III.B.1 – Trips Provided per Vehicle Service Hour

Exhibit 9: Trend in Trips Provided per Vehicle Service Hour



(a) Data is not disaggregated by ADA and Age.

Exhibit 9: Trend in Trips Provided per Vehicle Service Hour, *continued*

	FY2006 (a)	FY2007	FY2008	FY2009
Type I Trips Provided				
ADA Eligible	(a)	267,158	256,695	268,324
Age Eligible	(a)	14,755	32,279	39,150
Subtotal (Type I)	266,514	281,913	288,974	307,474
Type II Trips Provided				
ADA Eligible	(a)	26,176	37,392	39,547
Age Eligible	(a)	1,130	4,250	3,936
Subtotal (Type II)	25,106	27,306	41,642	43,483
Total Type I and II Trips	291,620	309,219	330,616	350,957
Vehicle Service Hours (VSH)	163,660	170,733	190,772	196,583
Type I Trips per VSH				
ADA Eligible		1.56	1.35	1.36
% Change	- -	- -	-14.0%	1.4%
Age Eligible		0.09	0.17	0.20
% Change	- -	- -	95.8%	17.7%
Subtotal (Type I)	1.63	1.65	1.51	1.56
% Change	- -	1.4%	-8.3%	3.3%
Type II Trips per VSH				
ADA Eligible		0.15	0.20	0.20
% Change	- -	- -	27.8%	2.6%
Age Eligible		0.01	0.02	0.02
% Change	- -	- -	236.6%	-10.1%
Subtotal (Type II)	0.15	0.16	0.22	0.22
% Change	- -	4.3%	36.5%	1.3%
Total Type I and II Trips per VSH	1.78	1.81	1.73	1.79
% Change	- -	1.6%	-4.3%	3.0%

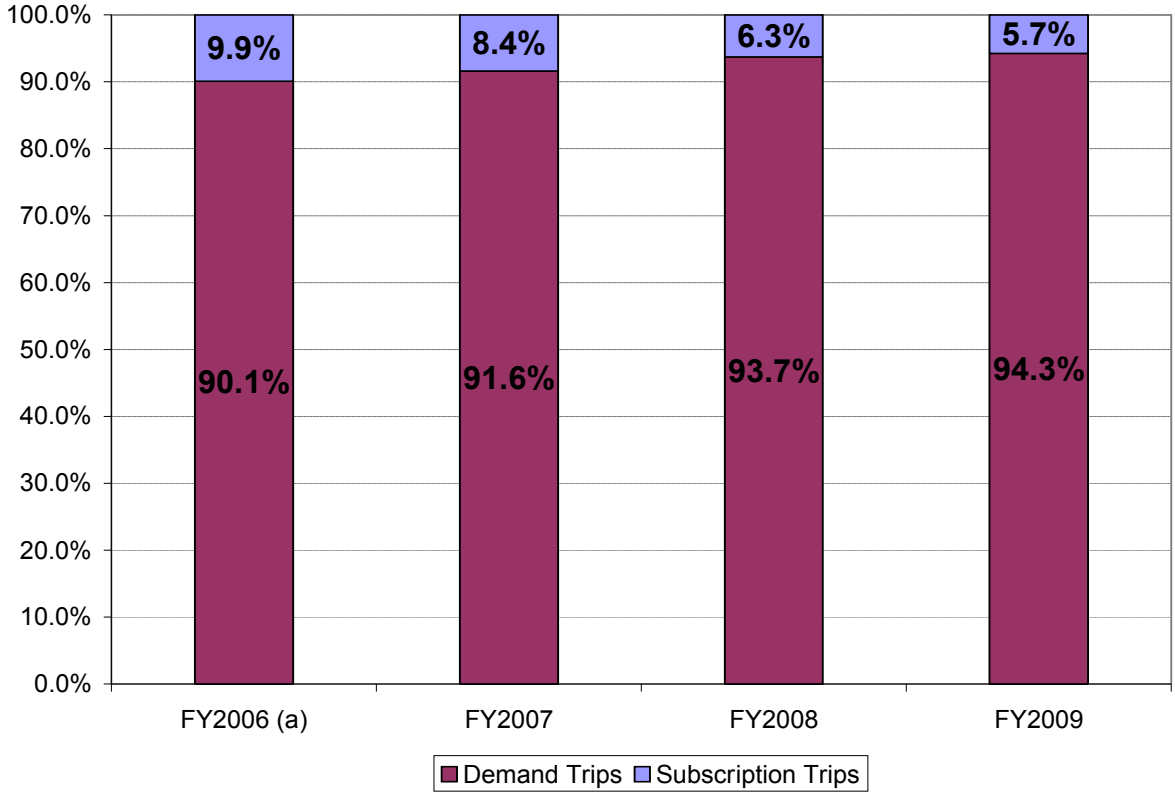
(a) Data is not disaggregated by ADA and Age.

- Current Performance Level: As shown in Exhibit 9, the trend in this indicator for all Type I trips has declined from 1.63 in FY2006 to 1.56 in FY2009 indicating that PI's service has become less efficient. This trend is even more pronounced for ADA eligible trips, where productivity declined by approximately 14 percent. Overall productivity has remained steady due to the increasing productivity of Type II trips. It should be noted that this indicator is calculated on the basis of vehicle service hours for all trips (Type I and II) since individual trips are delivered as shared rides on PI's vehicles. Attempting to allocate vehicle service hours by trips provided would result in overestimating, or underestimating the productivity of the different types of trips.

- Proposed Standard/Measure: This declining passenger productivity, Trips Provided per VSH, is a matter of concern due to its impact on cost of providing ADA CPS to Type I trips. RT should consider an improvement target for this measure. A target for this measure can be expressed as a percentage improvement, say 10 percent.

III.B.2 – Subscription Trips

Exhibit 10: Trend in Percentage of Subscription Trips



	FY2006 (a)	FY2007	FY2008	FY2009
Subscription Trips Provided	26,385	23,667	18,124	17,656
% of Total	*9.9%*	*8.4%*	*6.3%*	5.7%
Demand Trips Provided	240,129	258,246	270,850	289,818
% of Total	*90.1%*	*91.6%*	*93.7%*	94.3%

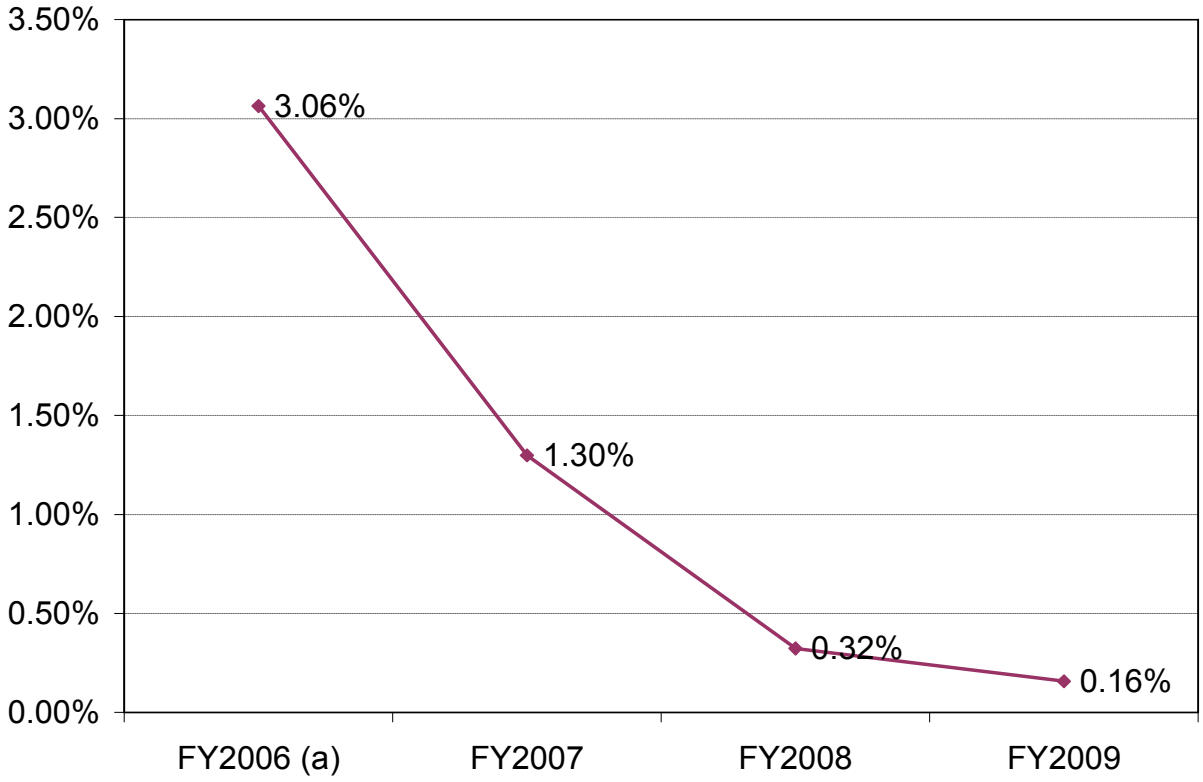
(a) Data is for all Type I Trips

- Current Performance Level: as shown in Exhibit 10, the percentage of subscription trips has dropped from 9.9 percent in FY2006 to 5.8 percent in FY2009. An increase in the percentage of subscription trips would allow PI to improve scheduling and service efficiency (trips per vehicle service hour).

- Proposed Standard/Measure: While PI has had success in grouping trips and moving them over to the CTSA service, continuing to examine reservations in order to identify potential subscription trips will further enhance productivity and scheduling efficiency, as well as reduce the number of daily reservation calls received. RT should consider establishing periodic targets for increasing percentage of subscription trips up to the maximum of 50 percent.

III.B.3 – Capacity Denials

Exhibit 11: Trend in Capacity Denials



	FY2006 (a)	FY2007	FY2008	FY2009
ADA Eligible Capacity Denials	11,173	4,684	1,123	568
% of Trips Requested	3.06%	1.30%	0.32%	0.16%

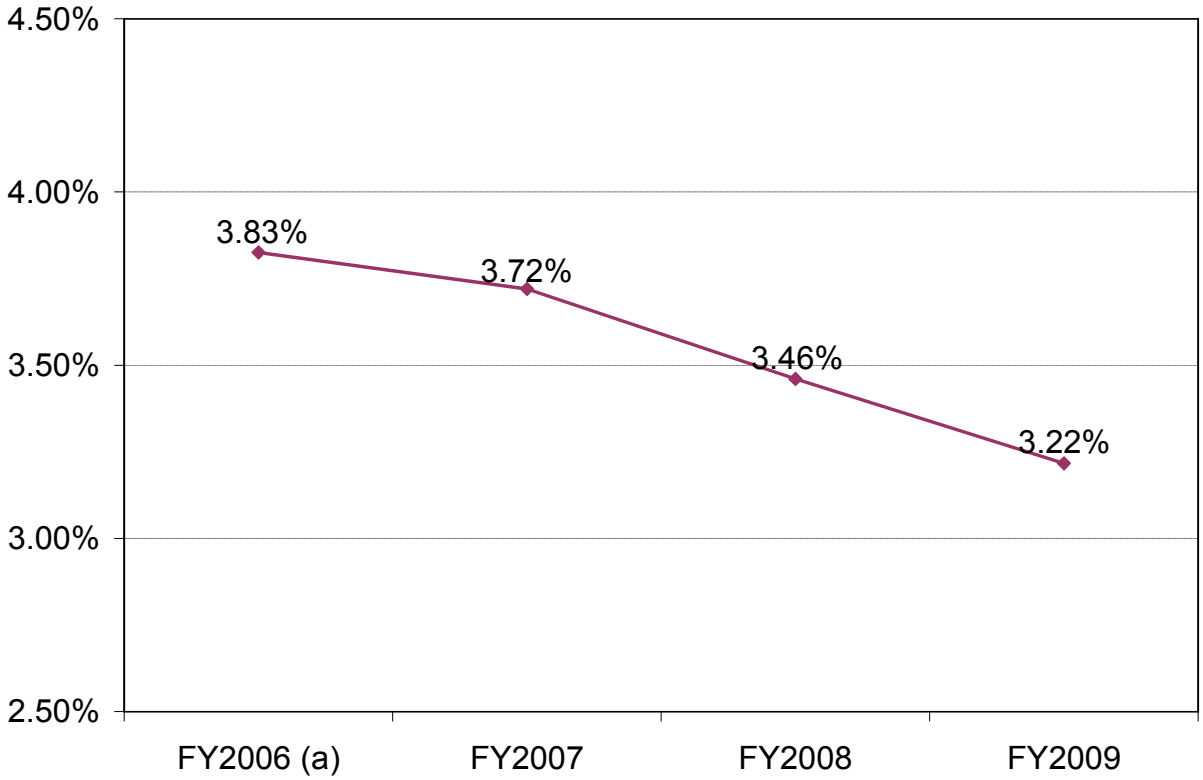
(a) Data is for all Type I Trips

- Current Performance Level: as shown in Exhibit 11, the trend in performance for capacity denials has declined from 3.06 percent to 0.15 percent.

- Proposed Standard/Measure: although performance for capacity denials has improved substantially, the target of performance should be zero capacity denials. This was one of the findings in a recent Triennial Review of RT completed in May 2009. RT and PI have implemented a zero denial policy effective July 1, 2009.

III.B.4 – No Shows

Exhibit 12: Trend in No Shows



	FY2006 (a)	FY2007	FY2008	FY2009
ADA Eligible No Shows	13,511	13,240	11,991	11,578
% of ADA Trips Scheduled	3.83%	3.72%	3.46%	3.22%

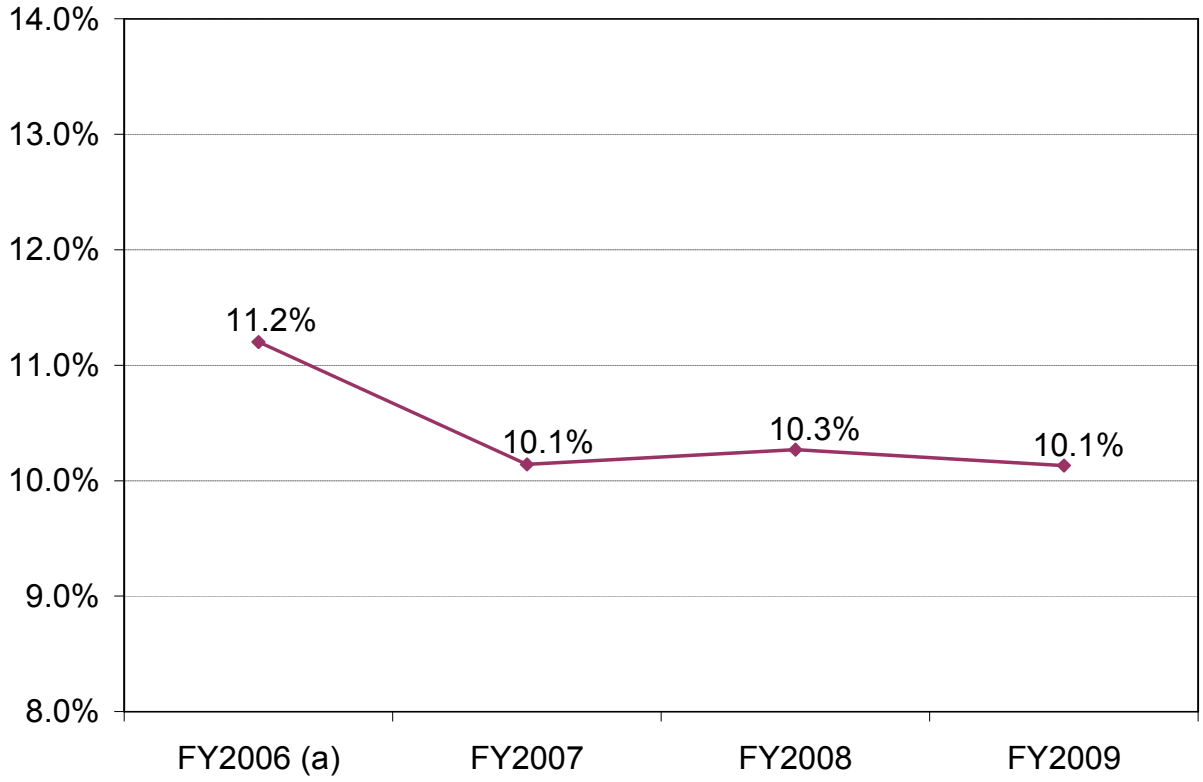
(a) Data is for all Type I Trips

- Current Performance Level: as shown in Exhibit 12, the number of no shows has remained steady between FY2006 and FY2009. No shows result in lost productivity and have a detrimental impact on operational efficiency.

- Proposed Standard/Measure: Stricter enforcement of RT's No Show policy and continued reduction in the number of No Shows is essential to improve passenger productivity and cost efficiency. RT needs to develop and implement strategies to continue to reduce the number of No Shows.

III.B. 5 – On-Time Performance

Exhibit 13: Trend in On-Time Performance



	FY2006 (a)	FY2007	FY2008	FY2009
Zero to 30 minutes	193,881	192,168	186,452	199,451
31 minutes or later	24,453	21,684	21,336	22,483
% stops 31 minutes or later	11.2%	10.1%	10.3%	10.1%

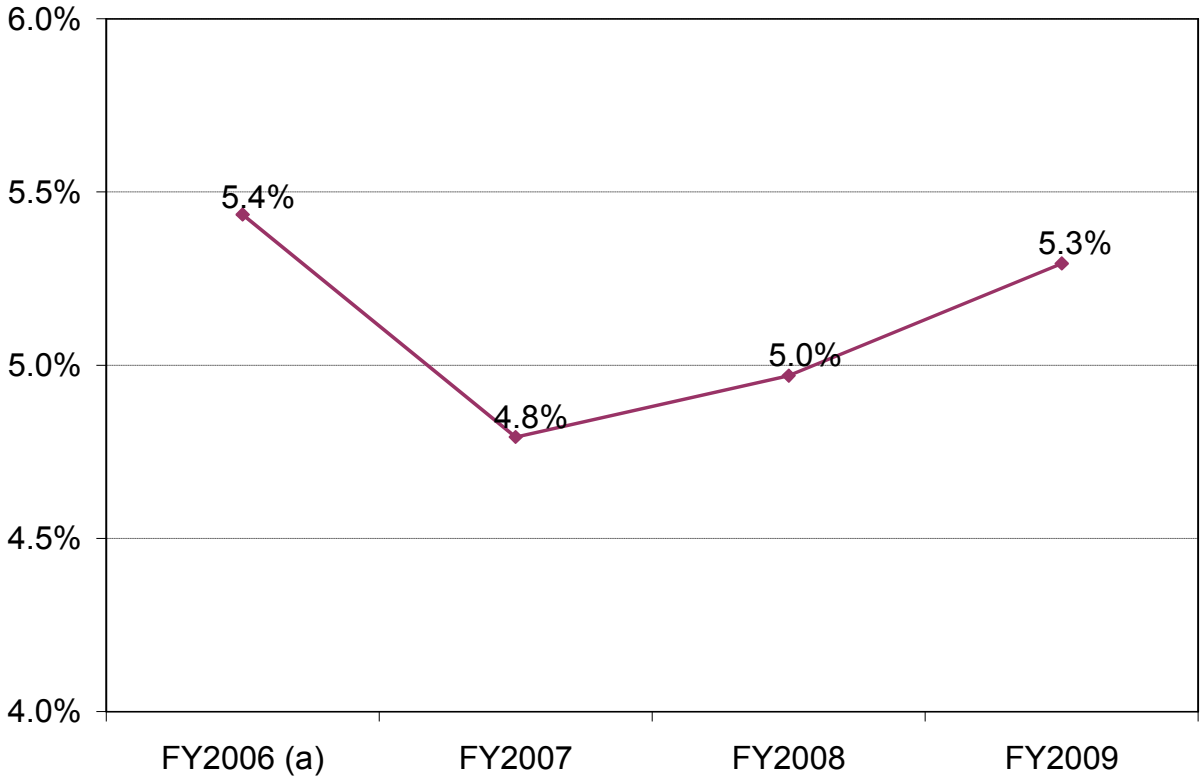
(a) Data is for all Type I Trips

- Current Performance Level: as shown in Exhibit 13, the percentage of late stops has remained at approximately 10 percent.

- Proposed Standard/Measure: Consider establishing a target of 95 percent on-time to improve performance level.

III.B.6 – On-Board Trip Times

Exhibit 14: Trend in On-Board Trip Times



	FY2006 (a)	FY2007	FY2008	FY2009
61 minutes or longer	11,866	10,849	11,696	13,538
% stops 61 minutes or longer	5.4%	4.8%	5.0%	5.3%

(a) Data is for all Type I Trips

- Current Performance Level: as shown in Exhibit 14, currently, this is measured at 61 minutes or longer and has remained steady at approximately 5 percent.

- Proposed Standard/Measure: In order to improve RT's ability to monitor performance under this measure, trip times should be examined for several ranges of trip lengths (i.e., 30 minutes or less, 31 to 60 minutes, 61 to 90 minutes, and 91 minutes or longer).

The proposed changes to PI's standards and measures that are discussed above are summarized in Exhibit 15. The exhibit shows a template for FY2010, which is based on PI's existing Monthly Ridership and Performance report with the proposed changes highlighted.

Exhibit 15: Proposed Changes to Performance Standards/Measures for FY2010

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	FY09-10
Trips Requested													
Type I Trips													
ADA Eligible													
Age Eligible													
Total Trips Requested													
Type II Trips													
ADA Eligible													
Age Eligible													
Total Trips Requested													
Trips Scheduled													
Type I Trips													
ADA Eligible													
Age Eligible													
Total Trips Scheduled													
Type II Trips													
ADA Eligible													
Age Eligible													
Total Trips Scheduled													
Trips Provided													
Type I Trips													
ADA Eligible													
Age Eligible													
Total Trips Provided													
Type II Trips													
ADA Eligible													
Age Eligible													
Total Trips Provided													
Stops Scheduled													
Type I Trips													
ADA Eligible													
Age Eligible													
Total Stops Scheduled													
Type II Trips													
ADA Eligible													
Age Eligible													
Total Stops Scheduled													

Exhibit 15: Proposed Changes to Performance Standards/Measures for FY2010, *continued*

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	FY09-10
Stops Provided													
Type I Trips													
ADA Eligible													
Age Eligible													
Total Stops Provided													
Type II Trips													
ADA Eligible													
Age Eligible													
Total Stops Provided													
Service Level Operated													
Total Vehicle Hours (TVH)													
Vehicle Service Hours (VSH)													
Total Vehicle Miles (TVM)													
Vehicle Service Miles (VSM)													
Trips Provided per VSH													
Type I Trips													
ADA Eligible													
Age Eligible													
Total Trips Provided													
Type II Trips													
ADA Eligible													
Age Eligible													
Total Trips Provided													
Reservation Attributes Type I Trips													
Subscription Trips													
Trips Scheduled													
Trips Provided													
Percent Provided vs. Scheduled													
Demand Trips													
Trips Scheduled													
Trips Provided													
Percent Provided vs. Scheduled													

Exhibit 15: Proposed Changes to Performance Standards/Measures for FY2010, *continued*

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	FY09-10
Reservation Attributes Type II Trips													
Subscription Trips													
Trips Scheduled													
Trips Provided													
Percent Provided vs. Scheduled													
Demand Trips													
Trips Scheduled													
Trips Provided													
Percent Provided vs. Scheduled													
Capacity Denials													
Type I													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total Capacity Denials Percent													
Type II													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total Capacity Denials Percent													
Trips Withdrawn													
Type I													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total Trips Withdrawn Percent													
Type II													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total Trips Withdrawn Percent													

Exhibit 15: Proposed Changes to Performance Standards/Measures for FY2010, *continued*

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	FY09-10
Timely Trip Cancellations													
Type I Trips													
Percent													
Type II Trips													
Percent													
Total Timely Trip Cancellations													
Percent													
Late Trip Cancellations													
Type I													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total Late Trip Cancellations													
Percent													
Type II													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total Late Trip Cancellations													
Percent													
No Shows													
Type I													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total No Shows Percent													
Type II													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total No Shows Percent													

Exhibit 15: Proposed Changes to Performance Standards/Measures for FY2010, *continued*

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	FY09-10
Missed Pickups													
Type I													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total Missed Pickups Percent													
Type II													
ADA Eligible													
Percent													
Age Eligible													
Percent													
Total Missed Pickups Percent													
On-Time Performance (stops)													
Type I													
ADA													
Early trips (stops before "pickup window")													
% stops early													
Zero minutes before to 30 minutes after													
% zero to 30													
31 minutes or later													
% stops 31 minutes or later													
Age													
Zero minutes before to 30 minutes after													
31 minutes or later													
% stops 31 minutes or later													
Type II													
ADA													
Zero minutes before to 30 minutes after													
% zero to 30													
31 minutes or later													
% stops 31 minutes or later													

Exhibit 15: Proposed Changes to Performance Standards/Measures for FY2010, *continued*

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	FY09-10
Age Zero minutes before to 30 minutes after % zero to 30 31 minutes or later % stops 31 minutes or later													
On-Board Trip Time (stops) Type I Trips 30 minutes or less % stops 30 minutes or less 31 to 60 minutes % stops 31 to 60 minutes 61 to 90 minutes % stops 61 to 90 minutes 91 minutes or longer % stops 91 minutes or longer													
Type II Trips 61 minutes or longer % stops 61 minutes or longer													
Lift-Assisted Boardings Type I Trips Type II Trips Total													
Reservation Telephone Hold Time per Call **(avg # of minutes)** Peak Period (7:00 to 10:00 a.m.) Off-Peak Period Average													
Reservation Telephone Calls Abandoned Peak Period (7:00 to 10:00 a.m.) Off-Peak Period Average													

Exhibit 15: Proposed Changes to Performance Standards/Measures for FY2010, *continued*

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	FY09-10
Reservation Telephone Hold Time Per Call for Calls Abandoned (avg # of minutes)													
Peak Period (7:00 to 10:00 a.m.)													
Off-Peak Period													
Average													
Customer Service Attributes													
Commendations per 1,000 Trips Scheduled													
Complaints per 1,000 Trips Scheduled													
Number of Complaints Received													
Number of Commendations Received													
Service Reliability and Safety													
Mean Distance Between Failure (MDBF)													
Accident Frequency (TVM per Accident)													
Preventable Accident													
Nonpreventable Accident													
River Cats Service Data													

- Proposed change to existing standards/measures

- Proposed addition to existing standards/measures

III.C Provisions of Collaborative Agreement

This section discusses ways to strengthen and improve RT's ability to obtain timely access to ADA CPS operational and performance information from PI. RT should consider modifying the current Collaborative Agreement to incorporate all of the following provisions.

- Governance Structure (new Article) – RT provides a substantial proportion of PI annual operating expenses. Therefore, RT should have the ability to appoint the majority of PI's board members.

- Eligibility Determination Process (modify Articles 8A and 8B) – RT has decided to implement conditional/trip-by-trip eligibility for ADA CPS in the Sacramento Region. RT is not required to continue to process age and non ADA eligible applications. However, in its ADA plan update, RT commits to certifying persons age 75 or older under a simplified age-only based eligibility process. RT may discontinue processing eligibility applications for non-ADA service (e.g., Type II).

- Data Reports (modify Article 7C(7)) – Current agreement limits the number of special reports to be received by RT. There is a need to increase the number of special reports to be received as well as change the definition of simple report from 8 to 16 hours.

- Data Sharing and On-Line Access (modify Article 9D) – Currently RT staff does not have daily access to PI's scheduling, dispatching and service monitoring activities. There is a need to establish data sharing capabilities and on-line access to operating activities. RT also expects both RT and PI to use the same scheduling package to further facilitate data sharing activities.

- Complaints (new Article) – Currently, complaints are filed with PI. The information is then forwarded to RT. RT needs to receive all ADA CPS related complaints directly from the passengers. The complaint process, telephone number, website address etc. needs to be modified accordingly. RT will forward the complaints to PI for follow-up actions and respond to the complaints.

- Driver Manifests (add to Article 7C) – Until the on-line access to PI's database discussed above becomes available, RT needs to receive electronic copies of the driver manifests, for Demand Response service, for the 2nd and 4th Wednesday of each month.

- Late Trips (add to Article 7C) – Until the on-line access to PI's database discussed above becomes available, RT needs to receive electronic copies of the late trip reports for the 2nd and 4th Wednesday of each month. These reports will include the reasons for each late trip.

- Accident Reporting (add to Article 7C) – Until the on-line access to PI's database discussed above becomes available, RT needs to receive electronic copies of all accident reports.

- Preventive Maintenance (add to Article 12) – Until the on-line access to PI's database discussed above becomes available, RT needs to receive electronic copies of monthly preventive maintenance reports.

- No Compete in RT Region (new Article) – As mentioned above, RT provides a majority of the annual operating funding to PI, as well as most of the buses used to operate the Demand Response service. Therefore, it is expected that PI will not use RT provided resources to compete with RT for contract services in the Sacramento region, consistent with the provisions of PUC Section 99281.

III.D Demand Management

One of the strategies that RT should consider in its attempts to reduce the costs of ADA service is to manage the demand for this service. As discussed in the performance indicators section, there are a number of areas in which performance can be improved. The following discussion highlights a number of areas in which RT could focus its efforts on managing demand.

- Passenger Productivity – as discussed previously, performance in this area has declined for Type I Trips during the past three years. This trend needs to be reversed in order to improve service efficiency.

- Conditional Eligibility – in order to limit the demand for ADA service, RT's policy of conditional/trip-by-trip eligibility will be enforced in early FY 2010. Under this policy, certain ADA passengers may be eligible for service under certain conditions (e.g., inclement weather, or specific origins and destinations). This may help reduce demand.

- No Shows – the percentage of no shows has been consistent over the past four years, which indicates that this may be a regular pattern of behavior among certain ADA passengers. RT implemented the enforcement of a strict no show policy in October 2009 that includes suspension of service in order to bring the level of no shows down.

- Subscription Level – according to ADA regulations, a transit provider may provide up to 50 percent of its trips on a subscription basis. Currently, RT's ADA service is well below that level. Examining scheduling patterns to determine if more trips could be handled on a subscription basis should continue to be pursued. If more trips could be scheduled on a subscription basis, then service efficiency and effectiveness could also be improved.

- Monthly Pass – currently, RT offers an unlimited ride monthly pass for $100. Passengers can use the pass any number of times throughout the month. Since the pass is priced at a substantial discount, limiting its usage to certain hours of the day or for a certain number of trips per month would help reduce demand and also could assist in improving passenger productivity.

- Fare Increase – RT offers an unlimited ride monthly pass for $100. With a per trip fare of $4.50, the multiple of this Monthly Pass is a little more than 22 (i.e., a passenger need only take 22 one-way trips to break even). Raising the multiple on the ADA Monthly Pass would help reduce demand and also could assist in improving passenger productivity. It should be noted that the multiple for RT's fixed-route service is about 44. The RT Board recently adopted a fare increase, which raised the ADA single ride fare to $5.00 and the ADA monthly pass price to $125 (raising the multiple to 25). The Board did not approve limiting the number of rides that could be taken using the ADA monthly pass. The fare increase became effective on September 1, 2009.

- Bus Service Cuts – since the ADA CPS is based on the fixed-route service levels, reductions in bus service, which are currently being considered as cost saving measures by RT, also would result in reduced demand and potential cost savings for the ADA service.

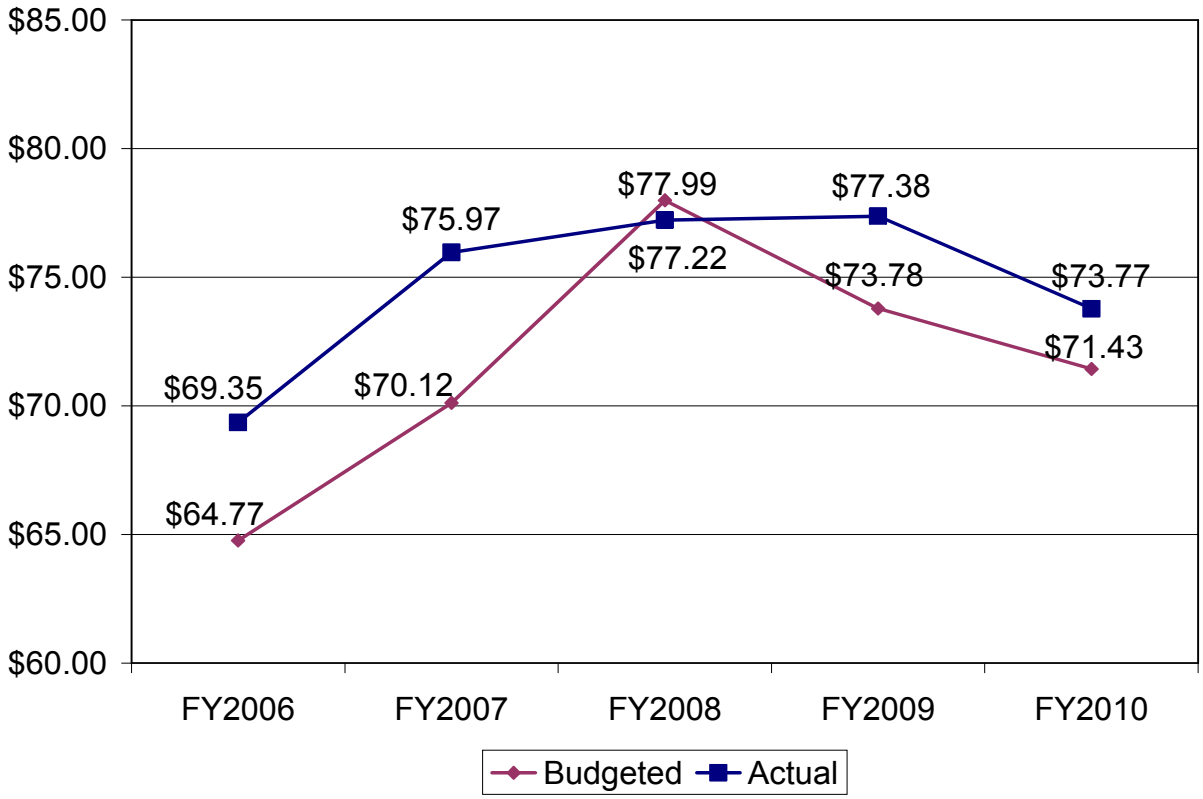
III.E Cost Containment

Cost containment is another strategy that RT should pursue with PI in its attempts to reduce the costs of ADA CPS. Two approaches to reducing the allocated costs are discussed below.

III.E.1 Cost Efficiency (Cost per Vehicle Service Hour)

A comparison of the allocated cost per vehicle service hour from the Collaborative Agreements' budgets versus the actual cost per vehicle service hour reported bi PI are presented in Exhibit 16. Between FY2006 and FY2009 the allocated costs per vehicle service hour increased from $64.77 to $71.43, whereas the actual cost per vehicles service hour reported by PI increased from $69.35 to $76.41. Cost per vehicle service hour for both budgeted and actual peaked in FY2007 with costs of $77.99 and $77.22 per vehicle service hour, respectively. Overall the trend in budgeted and actual cost per vehicle service hour has been upwards. RT's cost containment strategy should include efforts that would reduce the allocated cost per vehicle service hour.

Exhibit 16: Trend in Allocated Cost per Vehicle Service Hour
Budgeted versus Actual



	FY2006	FY2007	FY2008	FY2009	FY2010
Budgeted Amounts from the Collaborative Agreement					
a. Allocated Operating Cost	$11,574,685	$11,772,816	$12,818,750	$12,874,765	$13,343,280
b. Passenger Fare Revenue	$890,137	$883,340	$1,046,504	$1,028,245	$1,212,439
c. PI's Contribution	$1,169,517	$740,476	$803,246	$0	$984,321
d. RT's Contribution	$9,515,031	$10,149,000	$10,969,000	$11,846,520	$11,146,520
e. Trips Provided (a)	290,377	292,481	296,413	296,407	312,047
f. Vehicle Service Hours (VSH) (a)	178,716	167,904	164,363	174,503	186,800
g. Allocated Cost per VSH (a/f)	$64.77	$70.12	$77.99	$73.78	$71.43
Actual Data provided by Paratransit, Inc.					
Actual Cost per VSH	$69.35	$75.97	$77.22	$77.38	$73.77 *(a)*

(a) Projected data as of February 22, 2010

III.E.2 Cost Allocation (Passenger Trip Miles)

The number of trips provided is a basic measure of service consumption. Since not all trips are of the same trip length, a better measure of consumption is the number

of passenger trip miles. A comparison of allocation percentages for FY2010 Type I and Type II trips using these two consumption statistics is presented in Exhibit 17. As shown in this exhibit, allocation costs for Type I trips based on passenger trips miles would reduce the allocation percentage by more than four percentage points to 83.5 percent, a potential reduction of approximately $500,000.

Exhibit 17: Difference in FY2010 Allocation Percentages

	Type I Trips	Type II Trips	Total
Trips Provided	312,047	44,171	356,218
Percent	87.6%	12.4%	100.0%
Passenger Trip Miles *(a)*	2,770,977	548,604	3,319,581
Percent	83.5%	16.5%	100.0%

(a) Based on average trip lengths of 8.88 miles for Type I trips and 12.42 miles for Type II trips (Appendix B)

IV. ALTERNATIVE SERVICE DELIVERY CONCEPTS

RT's existing relationship with PI is only one way in which ADA CPS could be delivered in the Sacramento Region. As a matter of sound business strategy, RT could and should consider competitively contracting for ADA CPS, or to bring the operation of ADA CPS entirely within RT's organization.

IV.A Competitive Contracting of ADA CPS

RT staff has completed some background work in the past on gathering information about contracting activities by systems throughout the country. A summary of this information is presented in Appendix C. The following is a list of major milestones that should be completed by RT:

- Prepare Milestones and Timeline- Develop RFP
- Prepare List of Potential/Interested Bidders
- Solicit Expression of Interest

IV.B In-House Operation of ADA CPS

RT staff has also completed some background work in the past on gathering information about in-house operation of the ADA service. The following is a list of major milestones that should be completed by RT:

- Update Milestones and Timeline
- Update Personnel, Training and Start-up Needs
- Update equipment and facility impacts
- Prepare capital cost estimates

V. SUMMARY OF FINDINGS

This section summarizes the key findings from this review of PI's cost allocation methodology; performance levels in the past four years; and provisions of the current Collaborative Agreement.

- Cost Allocation Methodology – PI's cost allocation, calibration and application methodology has many strengths and is well suited for this purpose under steady state condition. Since the allocation methodology appears to be sound, reductions in allocated costs will have to be sought through reductions in administrative personnel, wages and benefits, and other economies similar to those being considered by RT.

- Performance Measures and Levels – A number of performance indicators for PI's Demand Response service were examined – trips provided per vehicle service hour, percentage of subscription trips, capacity denials, no shows, on-time performance and on-board trip time. Changes to standards and measures were proposed for improving performance which could potentially result in cost savings over time.

- Provisions of the Collaborative Agreement – ways to strengthen and improve RT's ability to obtain timely access to ADA CPS operational and performance information from PI were considered. Modifications to the current Collaborative Agreement provisions were proposed. The modifications included revisions to existing provisions as well as addition of new articles.

- Alternative Service Delivery Concepts – alternatives to the existing arrangement with PI were proposed. These included competitively contracting for ADA CPS, or bringing the operation of ADA CPS entirely within RT's organization.

APPENDIX A: DETAILS OF ALLOCATION PERCENTAGES

Appendix A1: FY2008 Non Administrative FTEs

Payroll Departments		Employee Count	DR	CTSA	OM	MT	PTSD	DS
1	Drivers	110.57	95.28	9.89	0.00	0.00	0.00	5.40
2	Training Center	11.00	9.48	1.41	0.00	0.00	0.00	0.11
3	Call Center	33.00	28.44	4.23	0.00	0.00	0.00	0.33
4	Administration	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Travel Training	11.50	0.00	0.00	0.00	11.50	0.00	0.00
6	IT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Maintenance	28.00	13.69	4.62	8.75	0.00	0.00	0.94
8	Customer Service	10.00	7.62	2.38	0.00	0.00	0.00	0.00
9	TMS/PSTD	5.00	0.00	0.00	0.00	0.00	5.00	0.00
11	Dispatch Center	20.00	17.23	2.57	0.00	0.00	0.00	0.20
Total		229.07	171.73	25.11	8.75	11.50	5.00	6.98
Allocation Percentage		100.00%	74.97%	10.96%	3.82%	5.02%	2.18%	3.05%

Appendix A2: FY2008 FTEs by Service Mode

	DR	CTSA	DS	Total
Driving FTEs	95.3	9.9	5.4	110.6
Percent	86.17%	8.94%	4.89%	100.00%
Operations FTEs	55.2	8.2	0.6	64.0
Percent	86.17%	12.83%	1.00%	100.00%

Appendix A3: FY2007 Maintenance Labor Hours Percentage Distribution

	DR	CTSA	Outside Maintenance	DS	Total
Jul-06	50.43	18.15	30.38	1.04	100.00
Aug-06	50.13	13.72	32.77	3.38	100.00
Sep-06	52.32	18.93	25.37	3.38	100.00
Oct-06	46.69	13.81	35.24	4.26	100.00
Nov-06	45.61	19.40	31.99	3.00	100.00
Dec-06	50.19	15.14	30.90	3.77	100.00
Jan-07	42.74	16.69	36.19	4.38	100.00
Feb-07	48.60	17.81	31.12	2.47	100.00
Mar-07	53.19	14.84	27.42	4.55	100.00
Total	439.90	148.49	281.38	30.23	900.00
Average	48.88%	16.50%	31.26%	3.36%	100.00%

Appendix A4: FY2008 Occupancy Allocation

	Demand Response	CTSA	Outside Maintenance	Mobility Training	Planning & Trans Sys Dev	Diversified Services	Total
PA & NPA *(a)*	74.97%	10.96%	3.82%	5.02%	2.18%	3.05%	100.00%
Florin Rent & Repair Allocation (Prior to maint distribution)	38.97%	5.70%	50.00%	2.61%	1.13%	1.58%	100.00%
Maintenance Labor Hours Allocation	48.88%	16.50%	31.26%	0.00%	0.00%	3.36%	100.00%
Maintenance Rent & Repair Allocation *(b)*	24.44%	8.25%	15.63%	0.00%	0.00%	1.68%	50.00%
Net Occupancy Allocation	63.41%	13.95%	15.63%	2.61%	1.13%	3.26%	100.00%

(a) Based on actual distribution of non-Admin FTEs.
(b) per Maintenance Labor Hours Allocation.

APPENDIX B: SUMMARY OF DISCRETE TRIPS (One Day Sample)

	Average Trip Length (miles)	Average Miles per Hour	Average Trip Time (hrs)
Type I	8.88	16.08	0.55
Type II	12.42	21.75	0.59

APPENDIX C: SUMMARY OF BENCHMARKING ANALYSIS

AGENCY	DATA PERIOD	TOTAL ANNUAL TRIPS	TOTAL ANNUAL ADA HOURS	COST PER PASSENGER TRIP	COST PER VEHICLE SERVICE HOUR	COST PER VEHICLE SERVICE MILE	CAPACITY DENIAL RATE	# TRIPS PROVIDED PER VEHICLE SERVICE HOUR	NO-SHOW RATE	ON-TIME PERFORM-ANCE	ON-BOARD TRIP TIMES (minutes)	SUBSCRIP-TION SERVICE LEVEL	SCHEDULING SOFTWARE	IN-HOUSE OR CONTRACT
Sacramento Regional Transit District *(Sacramento, CA)*	FY2008	296,413	164,363	$43.25	$77.99	*(a)*	0.3000%	1.35	3.46%	90.00%	*(d)*	6.3%	TRAPEZE	CONTRACT
C-Tran *(Vancouver, WA)*	FY2008	224,773	83,373	$34.99	$79.75	$5.15	0.0000%	2.70	1.06%	97.40%	*(d)*	18.31%	TRAPEZE	IN-HOUSE
Spokane Transit *(Spokane, WA)*	FY2008	516,616	178,981	$23.15	$66.91	$4.50	0.0000%	2.80	1.50%	92.58%	*(a)*	45%	TRAPEZE 8	55% IN-HOUSE; 45% CONTRACT
Broward County Transit Division *(Pompano Beach, FL)*	FY2009	644,974	599,304	$31.34	$52.77	$3.01	0.0000%	1.68	3.07% *(c)*	98.00%	37	68%	STRATAGEN ADEPT V 5.6.31	CONTRACT
Lane Transit District *(Eugene, OR)*	FY2009	83,836	42,784	$23.55	$48.05	$3.21	0.0001%	1.96	1.03%	86.20%	28.9	27.3%	DRSI ARCLOGISTICS ROUTE	CONTRACT
RTC Reno *(Reno,NV)*	FY2009	238,026	90,043	$22.00	$48.75	$3.20	0.0000%	2.60	2.40%	95.30%	23	50%	TRAPEZE 7.1	CONTRACT
MBTA *(Boston, MA)*	FY2009	1,983,489	1,590,276	$31.35	$46.78	$3.88	0.0000%	1.60	6.69%	98.70%	*(a)*	*(a)*	STRATAGEN ADEPT V 5.3	CONTRACT
TriMet *(Portland, OR)*	July 2008 - May2009	1,100,000	579,442	$26.00	$25.00	$3.31	0.0000%	1.71	2.50%	92.00%	32	40%	TRAPEZE 7	CONTRACT
RTC Southern Nevada *(Las Vegas, NV)*	FY2008	726,567	460,934	$38.33	$60.42	$3.98	0.0100%	1.58	2.40%	95.80%	32.81	19%	TRAPEZE	CONTRACT
Metropolitan Transit System *(San Diego, CA) (b)*	FY2009	372,273	185,073	$32.68	$57.19	$3.26	0.0000%	2.10	1.31%	93.00%	34	35.17%	TRAPEZE 8	CONTRACT
Transit Authority of River City *(Louisville, KY)*	FY2009	385,000	253,583	$28.77	$43.72	$2.60	0.0000%	1.52	4.10%	93.20%	*(a)*	34%	TRAPEZE PASS	CONTRACT
Roseville Transit *(e)*	FY2008-09	35,499	1,985	$29.71	$79.14	$6.33	0.0000%	2.32	5.00%	97.00%	23	39.50%	TRAPEZE	CONTRACT
Benchmark Average		573,732	369,616	$29.26	$55.32	$3.86	0.0009%	2.05	2.82%	94.47%	30.1	37.6%		

(a) Not available
(b) Cost includes fuel
(c) 5.07% including late cancellations
(d) Less than one hour
(e) includes general public dial-a-ride service

Presentation

Attachment 3

Review of Cost Allocation Model and Alternative Strategies for Paratransit Service

March 2010

Mundle & Associates, Inc.
Philadelphia, PA

Background

- RT is federally mandated to provide ADA complementary paratransit services
- Non-compliance with the ADA may jeopardize RT federal funds.
- In an effort to aggressively pursue opportunities to contain cost, RT pursued development of a new Cost Allocation model for ADA services.

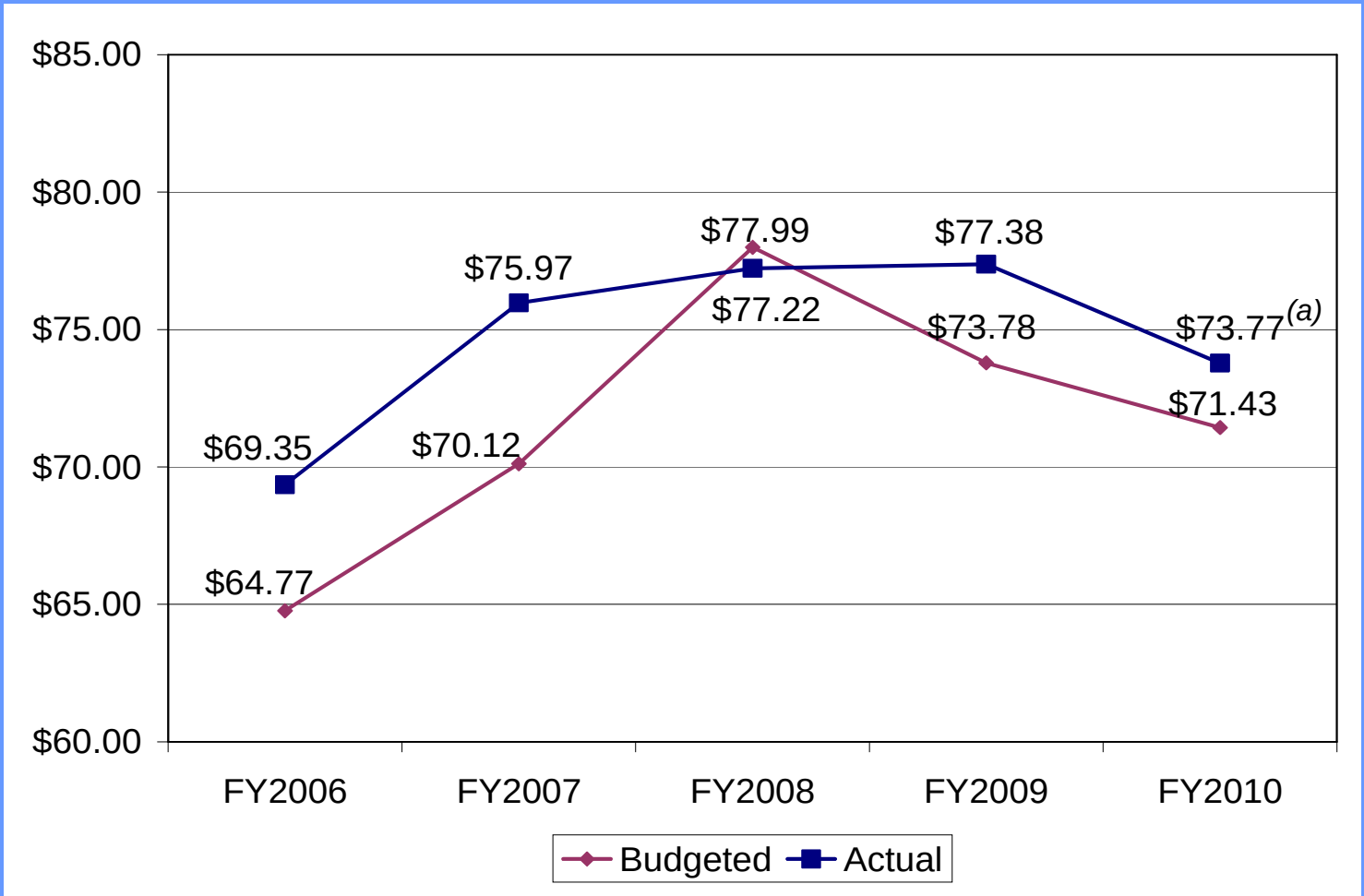
Objectives

- Review Paratransit Inc.'s (PI) cost allocation model and calibration methodology.
- Identify strengths and weaknesses of this approach.
- Develop alternative strategies to improve cost and performance of ADA service.
- Assist RT with development of new Collaborative Agreement with PI.

Cost Allocation Model and Calibration Methodology - Strengths and Weaknesses

- PI's cost allocation, calibration and application methodology has many strengths
- Methodology is well suited for its purpose under steady state condition
- One weakness identified related to calibration frequency
- Reductions in allocated costs will have to be sought through reductions in administrative personnel, wages and benefits, and other economies

Trend in Allocated Cost per Vehicle Service Hour

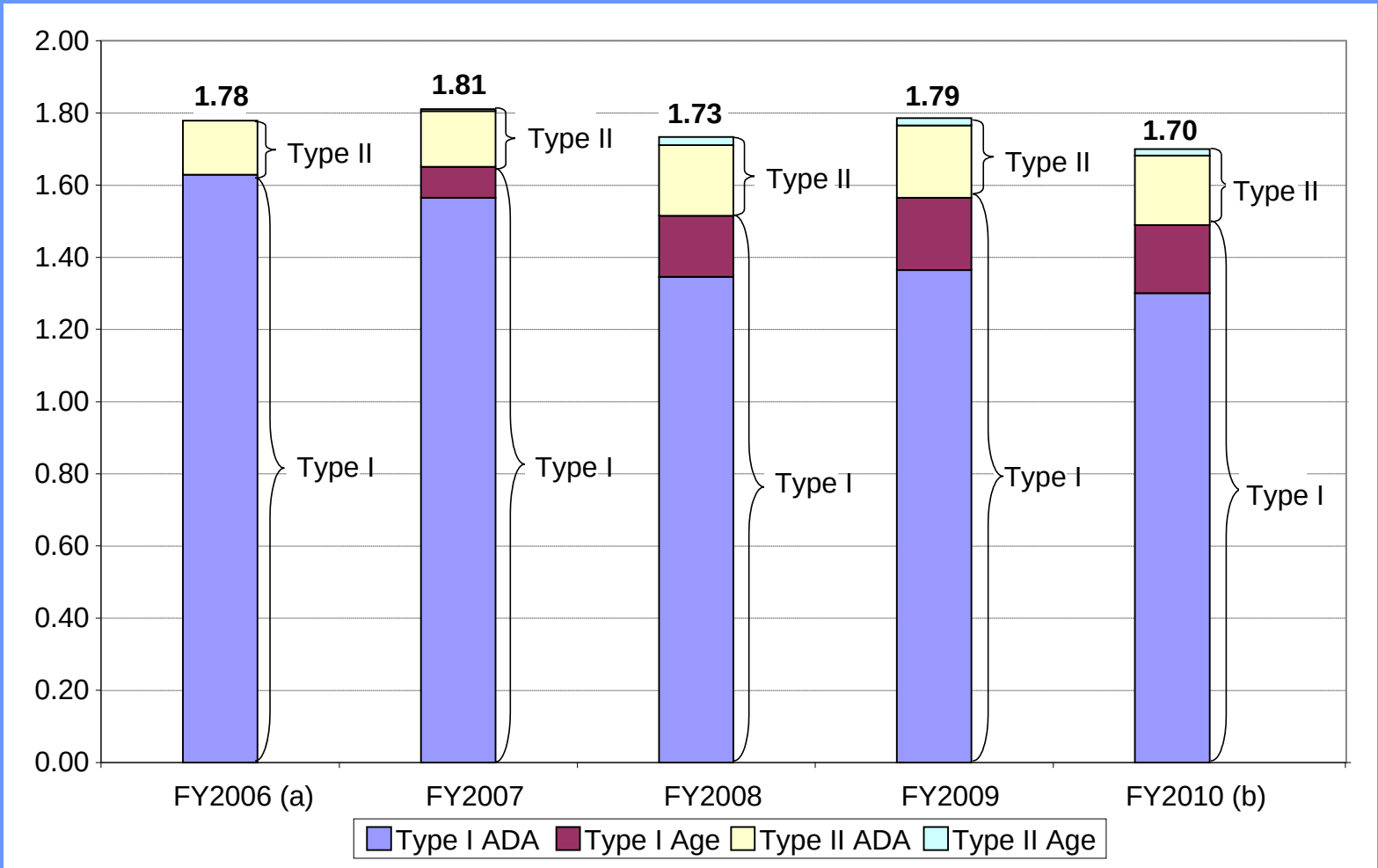


(a) Projected as of February 22, 2010

Trend in Allocated Cost per Vehicle Service Hour, *continued*

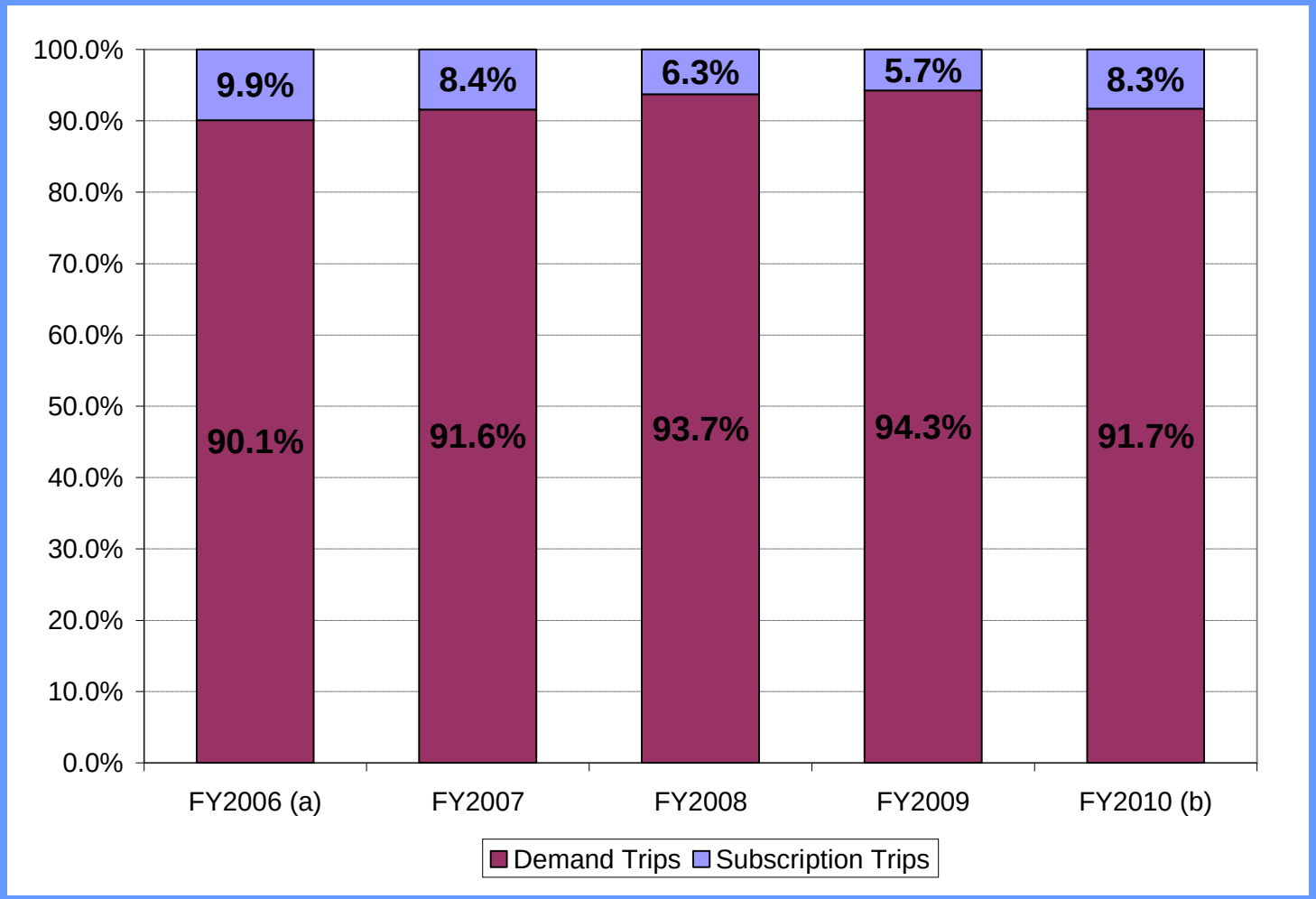
Collaborative Agreement	FY2006	FY2007	FY2008	FY2009	FY2010
a. Allocated Operating Cost	$11,574,685	$11,772,816	$12,818,750	$12,874,765	$13,343,280
b. Passenger Fare Revenue	$890,137	$883,340	$1,046,504	$1,028,245	$1,212,439
c. PI's Contribution	$1,169,517	$740,476	$803,246	$0	$984,321
d. RT's Contribution	$9,515,031	$10,149,000	$10,969,000	$11,846,520	$11,146,520
e. Trips Provided (a)	290,377	292,481	296,413	296,407	312,047
f. Vehicle Service Hours (VSH) (a)	178,716	167,904	164,363	174,503	186,800
g. Allocated Cost per VSH [a/f]	$64.77	$70.12	$77.99	$73.78	$71.43
h. Allocated Cost per Trip [a/e]	$39.86	$40.25	$43.25	$43.44	$42.76

Trend in Trips Provided per Vehicle Service Hour



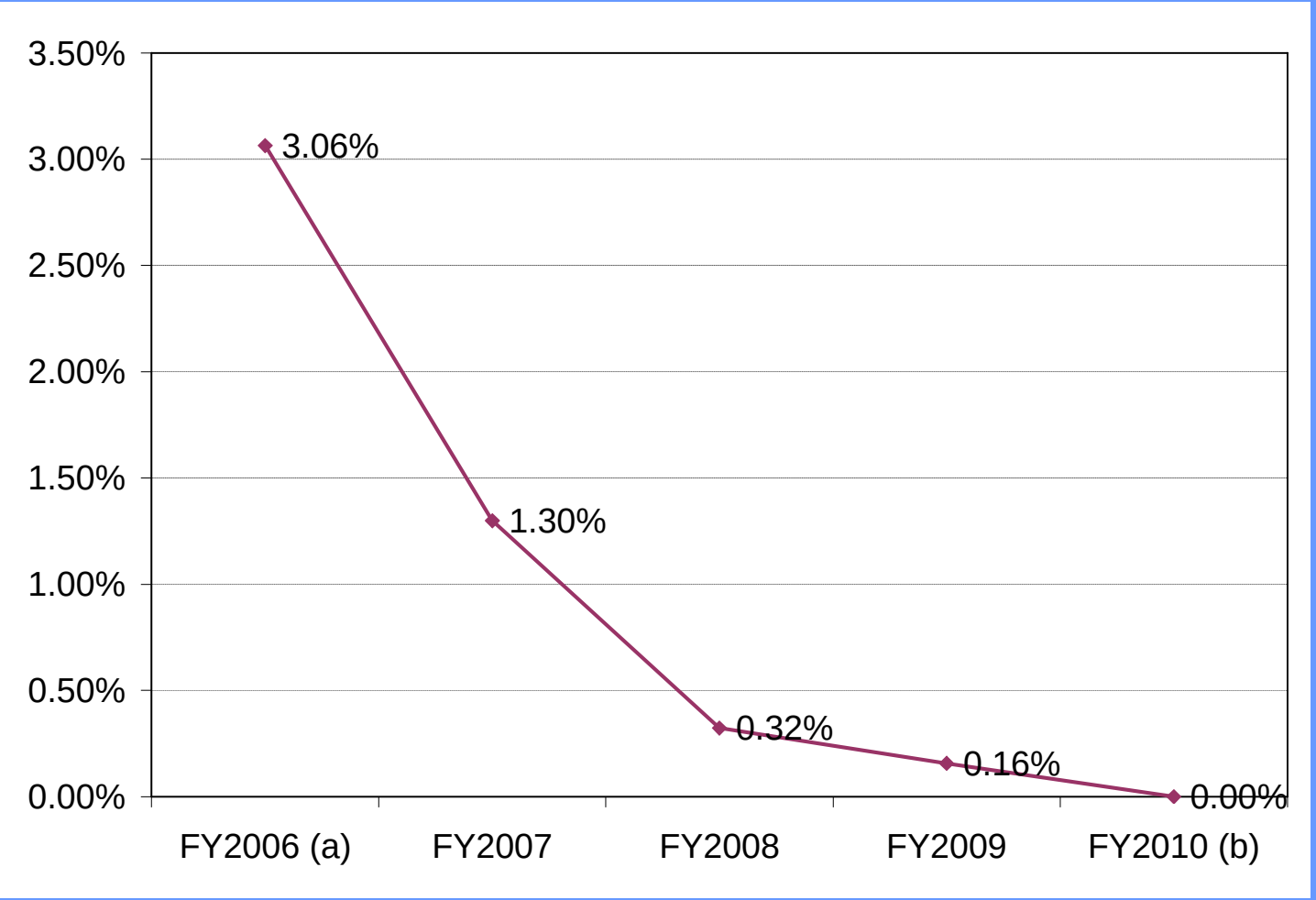
(a) Data are not disaggregated by ADA and Age.
(b) Data are for the period from July 2009 through January 2010.

Trend in Percentage of Subscription Trips



(a) Data are for all Type I (i.e., ADA and Age) Trips.
(b) Data are for the period from July 2009 through January 2010.

Trend in Capacity Denials



(a) Data are for all Type I (i.e., ADA and Age) Trips.
(b) Data are for the period from July 2009 through January 2010.

ADA Paratransit Service Cost Comparison

	Cost per Trip	Cost per VSH
Paratransit, Inc.		
FY 2008	$43.25	$77.99
FY 2009	$43.44	$73.78
FY 2010	$42.76	$71.43
Selected Systems from Benchmarking Analysis		
RTC Reno (FY09)	**$22.00**	$48.75
TriMet, Portland, OR (Jul 08-May09)	$26.00	**$25.00**
RTC Southern Nevada (FY08)	**$38.33**	**$60.42**
MTS San Diego (FY09)	$32.68	$57.19
TARC, Louisville, KY (FY09)	$28.77	$43.72
Average	**$29.56**	**$47.02**

- Lowest of selected systems

- Highest of selected systems

Conclusions

- ADA paratransit costs rose as high as $78 per hour in FY2008, although it has since decreased to $74 in FY2010, it still remains fairly high
- Cost per trip rose as high as $43 in FY2009
- Passenger productivity for Type I (i.e., ADA and Age) trips, measured as passengers per VSH, declined
- Capacity denials for Type I (i.e., ADA and Age) trips were reduced over time; zero capacity denials achieved in FY10
- Minimal number of subscription rides provided over time

Recommendations

- Reduce level of funding to corresponding service reductions
- Focus efforts to manage demand to reduce costs
- Establish Performance Indicator targets
- Competitive contracting or in-house operation of ADA paratransit services should be seriously considered.
- RT should immediately begin to evaluate cost containment strategies