Transit Governance Models

Study is evaluating three potential governance models:

1. Consolidated Regional Transit Agency
2. Independent Transit Agencies, managed by local communities
3. Hybrid Option, with regional service provider and local transit services

Governance Considerations

- Pinal County has three public fixed route and demand response service providers (City of Maricopa COMET; City of Coolidge (Cotton Express and Central Arizona Regional Transit (CART)) and On the Go Express). There are also at least two more communities that have completed transit planning studies but have not yet moved forward with implementation.
- Comparisons of governance models are based on the existing cost structures and funding sources for transit agencies operating in Pinal County and other similarly sized and positioned transit agencies in Arizona.
- Pinal County's combined investment in transit operations and preventative maintenance is roughly $1.7 million annually (combined all sources). Capital spending varies by year but is estimated at roughly $300,000 each year.
  - FTA pays about half of the transit investment costs, or about $875,000 (in 2018)
  - Contributions from cities, towns, and partner agencies in Pinal County account for 46% of service costs (roughly $780,000)
  - The remaining funds come from fares, although this is a small portion (~ 2% or $40,000) of regional investment
- The Pinal Regional Transportation Authority (PRTA) has allocated about $1 million annually to support transit services. These funds can be used for park and ride lots, existing transit services, and service expansions. However, the governance analysis is <u>not</u> considering potential funding available through the PRTA because the PRTA has not yet developed models or systems for how public transit funds will be distributed. Any assumptions made by the project team, therefore, would be premature.

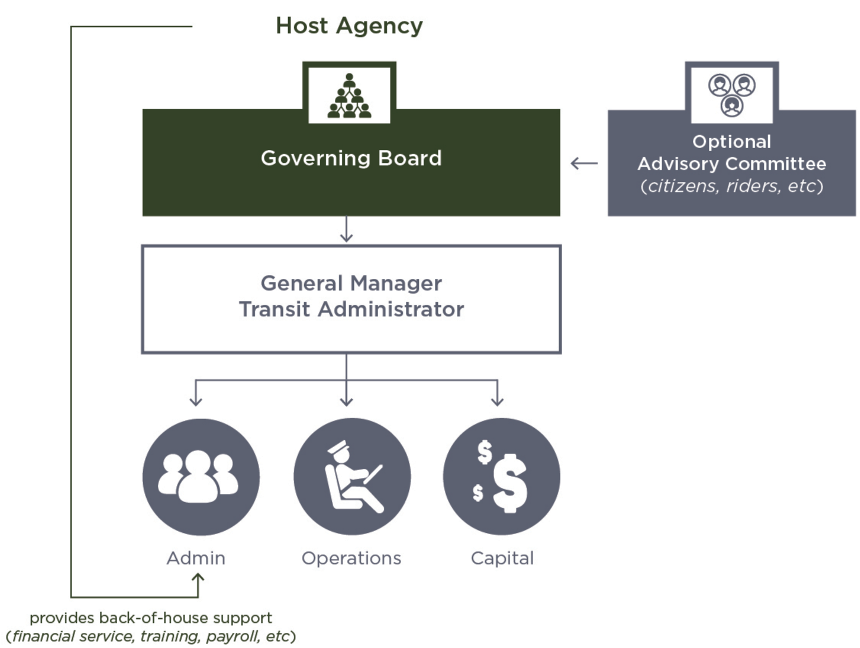
Consolidated Regional Transit System Model

Summary

Public transportation services in Pinal County would be governed and managed through a single regional agency responsible for delivering service.

A consolidated regional transit system could include the entire county or a sub-set of communities. This means, for example, that a new regional transit agency could represent all existing and future public transportation service; or it could be a new shared service model that represents a new group of communities interested in starting transit services. Transit service could be operated with public employees or as a contracted service.

Consolidated Regional Transit Service Delivery Model



Agency Type	Regional Government or Independent Organization
Federal Funding Sources	Potential for FTA 5310, 5311 and 5307 depending on participating members
Local Government Contribution	Estimated at between 3% and 40% of total system costs. (Cost allocation formulas to share costs across partners has not yet been **developed**)
Admin Costs (Est.)	~18%
Cost per Hour of Service (Est.)	$75.00 to $79.00
Participation	Assumes Pinal County has one transit agency. Participation depends on agency type – a countywide operator assumes all communities in the county are members, while an independent agency could represent a sub-set of communities
Flexibility to Support Transit Growth	Strong – new agencies can buy into existing organization and administrative structures

Consolidated Regional Transit System Model

Strengths

Reduced administrative costs. Shared management functions will reduce the proportion of resources spent on administration. Currently, the region spends on average 22% of existing transit resources on management. In Arizona, other consolidated transit models (Yuma and Pima counties) operate with lower administrative costs of around 18%. Lower administration costs increase the amount of service available without additional funds. *Impact increases as regional investment in public transportation grows.*

Makes it easier to develop new transit services. A consolidated transit agency facilitates service expansion as it will be administratively less complicated to join an existing agency, rather than start a new one.

Increased expertise and investment in support functions like marketing and technology. By consolidating administration functions, a regional transit agency would then have a dedicated full-time staff to manage services and operations, therefore providing an increased and focused skill set and expertise to the region. A single consolidated agency also increases the flexibility to invest in marketing and technology development, and create standardized branding and information systems.

Weaknesses

Loss of local control. Cities and towns would have to cede local control over the development, operations and management of public transportation services and would still be expected to contribute funds.

More complicated decision-making systems. A regional transit agency requires more complicated governance structures, including cost allocation funds, revenue sharing and decision-making structures. This will be more challenged as new services are developed, especially urbanized areas with higher needs.

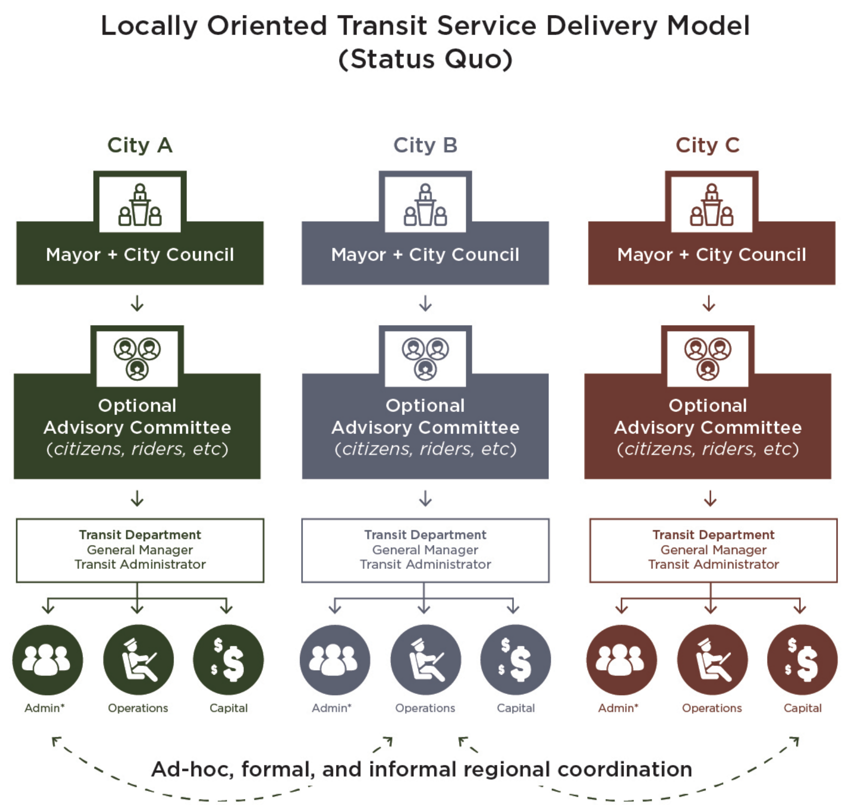
Independent Transit Agencies Model

Summary

Public transportation in Pinal County would be provided through a disaggregated model with individual communities operating services and developing local services in response to need. This option follows the status quo, with existing service providers continuing to operate and manage their own services.

Communities could establish new transit services as they see fit and partnerships between new and existing communities would also be possible, as desired.

Local transit service could be operated with public employees or as a contracted service.



* Individual cities provide back-of-house support (financial services, training, payroll, etc)

Agency Type	Cities/towns and county governments
Federal Funding Sources	FTA 5310, plus 5307 **or** 5311 depending on city
Local Government Contribution	Varies by agency, average is 43% to 48%
Admin Costs (Est.)	Varies by agency, average is 22%
Cost per Hour of Service (Est.)	Varies by agency, average is \$80.00 to \$83.00
Participation	Assumes Pinal County has multiple transit agencies Participation is optional – communities decide if they want to sponsor transit agencies
Flexibility to Support Transit Growth	Weak – requires new agencies to raise own matching funds and develop own structures. Has not been feasible to date

Independent Transit Agencies Model

Strengths

Local control. Governing transit agencies at the local level maximizes local control over the design and development of public transportation services. It also provides flexibility for agencies to work together and form regional services, like CART, as needed.

Flexibility to develop regional public transportation services. While more challenging, the status quo does provide flexibility for communities to collaborate and develop regional services in response to needs.

Weaknesses

Makes it difficult to develop new transit services. The independent transit agency model provides flexibility for cities and towns to develop new transit agencies, but the ability to initiate these new services would be difficult. Increased difficulty results because cities and towns must assume the risk and responsibility for service development on their own and must also develop expertise.

Does not maximize federal transit investment. It is difficult to start new transit services, especially a new agency, largely because of finding local matching resources. For example, Casa Grande is a designated as an urbanized area by the federal government and eligible for significant public transportation funds (estimated at just less than $1 million per year*) through the FTA. Data suggests that after the 2020 census, the City of Maricopa will also be a designed urbanized area and eligible for a similar level of funding. However, these funds must be matched local funds. Given that Casa Grande currently does not invest in transit, it would need to raise approximately $790,000 to capture the full federal grant. Funds could be raised through general fund contributions, partnerships and other strategies. The City of Maricopa might have an easier time raising some local funding, but it is unclear if it could leverage all available FTA funds.

Results in more expensive transit services. Operating independent transit services increases the cost of the overall network. The region will spend more on transit administration and support functions (marketing, contracting, procurement, technology, etc.) increasing the cost of service on a per unit basis.

*In Federal Fiscal Year 2020 the Casa Grande urbanized area was apportioned $908,108 in federal transit funds. In previous years, Casa Grande has declined receiving their apportionment since they do not have bus service. In cases where communities decline receiving funds, the resources are released to Arizona DOT for a competitive grant application.

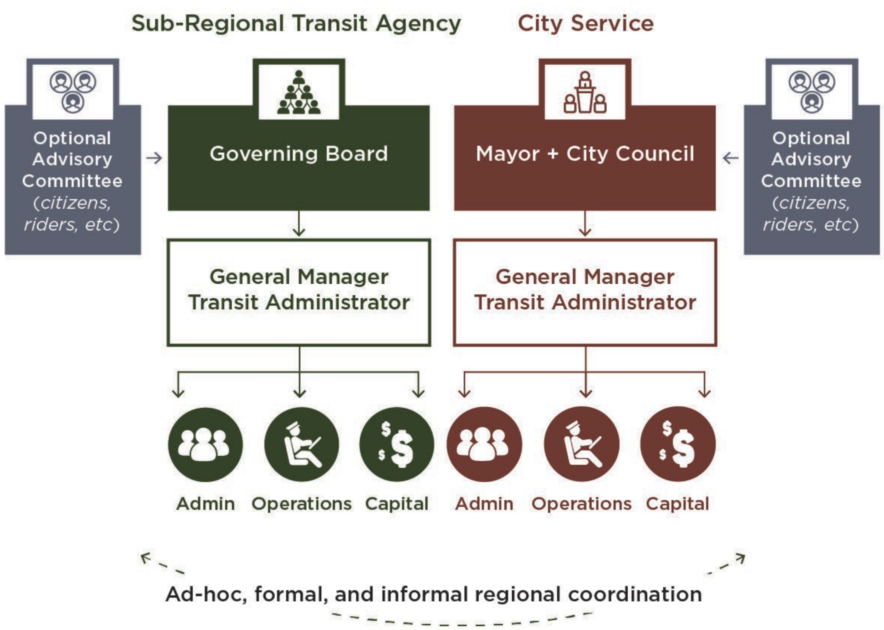
Hybrid Model: Regional and Local Transit Service

Summary

There is also potential for a hybrid approach where a group of cities and towns collaborate on a regional (or sub-regional) transit agency. Individual cities and towns can maintain independent services that operate alongside of the sub-regional operator. Coordination between service providers would be encouraged. Regional transit service could be operated with public employees or as a contracted service.

Existing service providers would have the option to join a regional transit service agency, including through service contracts with the regional transit agency. A community that contracts with the regional transit operator for service would not be a member of the sub-regional consolidated agency.

Hybrid Service Delivery Model



Agency Type	Regional transit agency **and** cities/towns and county
Federal Funding Sources	FTA 5310 & 5311, plus 5307 depending on member participation
Local Government Contribution	38% to 48%
Admin Costs (Est.)	18% to 22%
Cost per Hour of Service (Est.)	$75.00 to $83.00
Participation	Assumes Pinal County has multiple transit agencies Participation optional - communities decide if they want to join regional provider or sponsor independent service
Flexibility to Support Transit Growth	Medium – with a regional operator, communities can opt into service

Hybrid Model: Regional and Local Transit Service

Strengths

Makes it easier to develop new transit services. Having a regional transit entity, even if it is a sub-regional organization, makes it easier for the region to expand services because it simplifies work needed to get started. Individual cities and towns could join the sub-regional agency, or contract with them to provide new service.

Partially reduces administrative costs. The hybrid model retains some of the benefits associated with a consolidated model because it continues to consolidate management functions into a single agency.

Increased expertise and investment in support functions like marketing and technology. Larger transit agencies have more resources for administration functions, and positions like a full-time general manager/transit administrator. Larger agencies are also more likely to invest in resources like marketing and technology. A single agency also would create standardized branding and information systems.

Weaknesses

More complicated decision-making systems. A regional transit agency requires more complicated decision-making systems and structures about how funding and resources are shared and invested across individual communities. Complex decision-making models will continue with a hybrid model.

Table 1: Potential Governance Models Summary

	Consolidated Regional Transit Agency Model	Independent Transit Agencies Model	Hybrid Model
Agency Type	Regional Government Agency or Independent Agency	Cities/towns and county governments	Regional transit agency **and** cities/towns and county
Federal Funding Sources	FTA 5310 & 5311, plus 5307 depending on member participation	FTA 5310, plus 5307 **or** 5311 depending on city	FTA 5310 & 5311, plus 5307 depending on member participation
Local Government Contributions	38% to 40%	Varies by agency, average is 43% to 48%	Varies by agency, 38% to 48%
Admin Costs (Est.)	~18%	Varies by agency, average is 22%	Varies by agency, 18% to 22%
Cost per Hour of Service (Est.)	\$75.00 to \$79.00	Varies by agency, average is \$80.00 to \$83.00	Varies by agency, \$75.00 to \$83.00
Participation	Depends – countywide operator assumes communities are members, but an independent agency could be an optional sub-set of communities	Optional – communities decide if they want to sponsor transit agencies	Optional – communities decide if they want to participate
Flexibility to Support Transit Growth	Strong – new agencies can buy into existing organization and administrative structures	Weak – requires new agencies to raise own matching funds and develop own structures. Has not been feasible to date	Medium – can participate in sub-regional operator

Table 2: Transit Agency Functions and Staffing Levels

Responsibilities	Consolidated Model	Independent Model	Hybrid Model
Administrative/Management • Liaise with Board of Directors • Financial management (budgeting, accounting, grants) • Contracting • Human resources/payroll • Stakeholder and community engagement • Legal • Procurement • Marketing, branding and customer service	• Dedicated General Manager or Transit Administrator • Part or Full Time Finance Director or Grants Manager	• Full or Part Time Transit Manager • Most other functions provided by city staff	Sub-Regional Agency • Dedicated General Manager or Transit Administrator • Part or Full Time Finance Director or Grants Manager Independent Agencies • Full or part-time transit manager • Most other functions by provided by city staff
Transit Operations • Hire, train and manage operators/drivers • Scheduling and dispatch • Road supervision • Service and operations planning	• Dedicated Operations Director • Depending on service model may require additional staff	• Full or Part Time Operations Director for individual city systems (depends on system size and service model)	• Dedicated Operations Directors for Sub-Regional Agency • Full or Part Time Operations Director for individual city systems
Capital Planning • Fleet management (procurement, maintenance) • Technology	• Capital planning likely managed by Operations Director	• Potential to share with other city departments (I.e., Public Works)	• Combination of shared and dedicated staff

Table 3: Potential Regional Governance Structures

	Countywide Transit Agency	Metropolitan Public Transit Agency (MPTA)	Regional Transportation Authority (RTA)	Joint Powers Organization (JPO)	Intergovernmental Agreement (IGA)
Consolidated Model	Yes Consolidated transit services could be managed by Pinal County	Yes MPTA must serve 51% of county. Requires considerations of other requirements, such as publicly elected board	Yes Pinal County has already approved RTA. Powers could be extended to operate regional transit services	Yes JPO could help create structure for sub-section of county interested in transit services	Yes IGA could help create structure for sub-section of county interested in transit services
Multiple Independent Agencies	Existing Services	Yes On-the-Go is example of county wide transit service	No	No	No
Hybrid Model	Unlikely Hybrid model implies some areas and subareas are served and others are not.	Yes MPTA must serve 51% of county. Requires considerations of other requirements, such as publicly elected board	Yes Pinal County has already approved RTA. Powers could be extended to operate regional transit services	Yes JPO could help create structure for 2 or more cities interested in sharing transit services	Yes IGA could help create structure for 2 or more cities interested in sharing transit services

Two transit governance models are allowed by Arizona Statue but not permissible in Pinal County due to population size. These include a Regional Public Transportation Authority, which requires a county population of 1.2 million or more and an Intergovernmental Public Transit Authority (IPTA), which requires a county population of 200,000 or less.

Governance and Financial Models Assumptions

The financial analysis to estimate administration, operations, and other costs for these three models relies on the following assumptions:

- FTA 5307 and 5311 grants for administration and capital costs require a 20% match from local entities. FTA 5307 operational grants require a 50% local match, and FTA 5311 operational grants require a 42% local match.
- A handful of human service demand response providers in Pinal County also use Federal Transit Administration (FTA) Section 5310 funds for vehicles and services. These funds are not considered in this analysis.
- After the 2020 Census, the City of Maricopa will draw 5307 funds rather than 5311, due to its increasing population. Casa Grande also qualifies for 5307 funds.
- The current total amount of 5311 funds within Pinal County will remain the maximum total amount that agencies can draw from, due to the competitive nature of these funds within Arizona. Since the City of Maricopa will become a 5307 agency, another community may access the 5311 funds that used to go to Maricopa.
- Admin costs for larger transit agencies and regional agencies are about 18% of total operational and preventative maintenance costs, comparable with agencies in peer regions.
- Existing service hours for each agency are sourced from agency data or NTD 2018, which are then used to determine agency cost per service hour. For agencies without data, an average of the other agencies is used to determine cost per service hour.