



Briefing Memorandum

TO: Gus McCoy, CAO

FROM: Eric Jefferson, Director *Eric Jefferson*

CC: Monica Joiner, City Attorney
Christine Welch, Deputy Director of Planning & Development - Transportation

DATE: June 19, 2016

RE: **Transitioning to in-house transit operations – initial assessment**

This memo responds to your request to provide this Administration with guidance as it considers moving from transit operations and maintenance from National Express Transit (NE Transit) to an entirely internal City function.

I see three primary advantages in moving to an “in-house” model

1. Direct control over operations and maintenance staff, including hiring and retention;
2. Direct information and control over operations and maintenance costs and savings;
3. Elimination of potential conflicts between corporate profit motives and city’s vision and goals.

Under a contractor, the City does not have direct contact with or authority over the bus drivers. Any issues that arise such as complaints from riders must go through the contractor, not through the City. By bringing service in house, the City will be able to directly address issues with bus drivers by both setting the policies and having direct interaction with the drivers when enforcing those policies. Internal operations also alleviate the need for paying contractor’s overhead and profit, which aren’t entirely known. Furthermore, the City may be able to secure better liability and workers compensation insurance than a private provider.

Moving to self-management entails a significant shift of human resources since drivers, mechanics, and other transit workers that are now employees of NE Transit. This move requires creating 70+ additional positions within the City to adequately operate transit service internally (ironic at a time when the City is furloughing and considering significant layoffs). The City’s pay plan, which doesn’t include positions needed for transit operations such as dispatchers, operations supervisors, road supervisors, general manager, etc., would have to be updated. A salary study for the positions not included in the City’s pay plan would also need to be performed. The union agreement, which expires on September 30,

2016, must be renegotiated between the ATU and NE Transit, and we expect it to be a contentious negotiation. Changing the model means it will eventually fall to the City to negotiate salaries, insurance, sick days, and working conditions. Managing operations internally places a greater administrative burden on the City, particularly the Transportation Office. However, from a risk management perspective, the City could be better positioned to implement stronger training programs, refresher training and ongoing evaluations of bus drivers as opposed to it being under a contractor.

Changing to an internal operation is a major undertaking, even greater than changing from one contracting model to another as we did last year. Making transit an internal operation is not a decision to be made in haste, nor should it be viewed as a remedy to the current service crisis. This is a decision that must be made after extensive planning and consultation, including with other agencies that made this change. Other agencies that I've researched online took up to 12 - 14 months to plan and implement needed infrastructure changes before the anticipated transition date to internal operations.

Our FTA grants for operations and preventative maintenance, which currently specify third-party contracting, would have to be amended. There would also be a need for additional FTA training and possibly additional staff in Legal, Risk Management, Personnel Management, and Administration-Finance and IS Divisions. Due to the size and scope of resources and staff needed just to run a transit operation, if it's made internal to the City it should be entirely reorganized and removed from the Planning and Development Department. Transportation should be made either its own department or a separate authority like the vast majority of other major cities. Contractor's employees will need time to apply for a position with the City.

One other consideration that I cannot stress enough – if we make this change the city must firmly commit to providing enough funding annually to JATRAM to purchase and, more importantly, properly maintain its fleet. The underlying reason we find ourselves in this crisis situation, beyond any failures on NE Transit to make repairs and perform proper maintenance, is that the City has in the past routinely underfunded transit which contributed to the fleet not being properly maintained. That thinking can't continue. This commitment means requiring a qualified, trained maintenance workforce that is certified and trained in the latest technologies so that newer buses don't fall into disrepair because we have under-qualified mechanics working on them.