

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2011	2012	2013	20--	20--
Grant Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	NA				
# ADDITIONAL FTE POSITIONS (Cumulative)	NA				

Is Item Included In Current Budget? Yes NA No _____
 Budget Account No.: Fund _____ Dep't. _____ Unit _____ Object _____
 Program _____ Reporting Category _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

C. Departmental Fiscal Review: John Murphy
 John Murphy, Finance Manager

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:
 *Fiscal impact is indeterminate at this time.

N. Diaz 1/31/11
 OFMB
 SN 1/31/11
 AD 1/31/11
 1/28/11

Dr. J. Jacobson 2/1/11
 Contract Dev. and Control

B. Legal Sufficiency:
[Signature] 2/2/11
 Assistant County Attorney

C. Other Department Review:

 Department Director

Nationwide, paratransit service is operated using one of three basic models:

- In-house operation - service is operated by public employees, in the same way that Palm Tran's fixed route service is operated;
- Use of private contractors to operate the service with the paratransit administration (including call taking and scheduling) being the responsibility of the governmental entity, as Connection does today;
- Use of private contractors for almost all responsibilities including the administration and operation of the paratransit system except for certain oversight roles (vendor would take over call taking/scheduling responsibilities).

Palm Beach County has tried the last model during the 1990's. This led to poor results and significant levels of public complaints, which resulted in the creation of Connection in the year 2000. Connection's current role includes customer trip reservations, which staff validates and then schedules. Individual trips are then combined into full or half day runs and assigned to the appropriate vendor. Connection's goal is to insure that requirements of the American's with Disabilities Act (ADA) are properly met while maximizing customer satisfaction and service efficiency. Under the existing contracts, Connection staff is also responsible for contract compliance. This includes regular inspections of all vehicles operated in service and verifying that all driver's meet the minimum qualifications. Staff, with the input of the public and the Palm Tran Service Board, has focused our review of how to operate Connection over the next five (5) year period based on the first two options.

1) In-House vs. Privatization – Staff reviewed the expected potential costs and benefits of bringing paratransit service in-house, operating Connection service with Palm Tran employees (operators/mechanics/supervisors) as we do for fixed route service. Our goal was to be able to compare the benefits and costs of operating the service in-house versus using private contractors (as we have been doing for the last 10+ years). There is little industry experience in bringing paratransit service in-house after it has been contracted out, with approximately 2/3 of all larger transit systems (those with more than 100 fixed route buses) contracting all the work out. In some locations, where service is operated in-house they contract out the overflow work.

Advantages of bringing the work In-House include:

- Better control of the operation, including who is doing the work and how it is getting done;
- Stability in that you do not need to worry about vendor issues including fulfilling contract requirements or having to go through a RFP/Bid process every so many years;
- There would be one operation and one set of supervisors/managers versus paying multiple organizations to oversee work.

Disadvantages of bringing work in-house include:

- County would have to lease/buy/construct facilities to operate out of and would have to purchase all the equipment including vehicles for the operation at an initial capital cost estimate at \$16 million dollars. While we believe we could use Federal grants, these grants are limited in their amount and use of these funds would have a negative impact on Palm Tran's fixed route operation, which relies on these grants now for bus purchases and other items;
- We would expect that the County owning and directly operating this service would have a negative impact on liability costs and other claims costs, which the vendors are responsible for paying the majority of now;
- If we assumed full control of the paratransit service, we would increase the number of Palm Tran employees by approximately 400 people, including impacting Palm Tran's administrative support staff, requiring increased staffing in payroll, human resources, maintenance, and supervision.

The County met with the ATU on several occasions to discuss this concept. The ATU provided us with cost information based on if they had operated the service during FY 2010. The cost numbers provided by the ATU for wage and benefit costs were higher than the vendors currently pay, but less than what Palm Tran pays its fixed route drivers. The ATU did not provide a cost proposal for future years. Staff compared costs for bringing the work inside based on this proposal based on FY 2010 actual hours of service. Staff's analysis found that there would be an increased cost of operations by \$1.5-\$2.5 million a year versus existing costs.

The additional costs were the result of several key factors including:

Adding 400 or so employees (now mostly contractor employees) to the Palm Tran ranks, the increased employee wage and benefit costs, the costs of leasing/purchasing the facility and equipment, and higher claims costs. The higher cost differential is based on several open questions that would have to be determined if we proceed with bringing service in-house, including how we would maintain and fuel the vehicles. Further, we expect that the cost difference between in-house versus vendor operation would increase if we allow for more flexible service delivery, which we believe would help the vendors further reduce costs. Because of the higher costs, Staff does not recommend this.

The ATU has also raised another issue that might impact the cost of the service. They believe that Article 13(c) of the Federal Transit Act should provide protection to the existing employees of the vendors in that there should be assurance of employment to existing employees and continuation of their collective bargaining rights including salaries, benefits, and Union protection. While we will encourage that any new employer offer employment first to existing employees, we do not believe that there is any 13(c) protection entitlements to these contracted employees. It is the County's position that any protections that might exist do not extend beyond the contract expiration for the different vendors employed to operate the Connection service.

2) Continue to Contract-out Paratransit Service Employing Cost Saving Measures – Approximately 94% of current Connection service is operated by two main vendors (MMMG and MV Transportation) with Two Wheels and several other DBE's providing the balance of the service. Additionally, Mae Volen operates the trip requirements for the DOSS (Division of Senior Services) program in the southern half of the County. Staff sees no reason to expect lower cost proposals from vendors, if we simply issue an RFP to continue the requirements as we currently operate service, however, by modifying certain requirements; we believe that we can achieve lower cost proposals from the vendors. The proposed RFP and the items noted were discussed at three (3) different meetings of the Palm Tran Service Board and Paratransit Sub-Committee of the Service Board. There was a clear consensus by the members of the PTSB recommending to allow for greater flexibility in service delivery, allow for the use of non-accessible vehicles including sedans for use in service, for advertising if the revenue is used to fund Connection services, and allowing Connection to continue to take reservations and schedule the majority of the trips. There was some concern in regard to the risks of only having a single prime operator, although the members of the Service Board did endorse this concept and recognize that if we go with the more flexible service delivery option, then such an option clearly favors the need for one prime vendor. Staff recommends the following items:

- a) One Primary Vendor vs. Two Vendors– We expect that having only one prime vendor would provide the greatest economic incentive and should result in lower costs to the County. However, having only one prime vendor could increase our risk if that vendor does not fulfill the contract requirements. Currently, we have two prime vendors, with each doing approximately 47% of the work. Under this model should one vendor pull out we could still operate at least half of the trip requirements, without significant issue. The main motivation for having only one vendor is based on getting the best cost proposal. Palm Tran has had a declining level of service demand at Connection, now down to an average of 165 peak vehicles per weekday. If we permit greater flexibility in service delivery, and require a DBE to operate 25-30% of the service, as proposed, a prime vendor will only likely be operating a fleet of 100 or so vehicles per day. Splitting this up between two vendors, would have a significant impact on their overhead costs and profit margin and the rates that they propose. Staff recommends contracting with one prime vendor.
- b) Allowing for greater vendor flexible in service delivery. Currently all trips are scheduled and assigned to one of our prime vendors who either operate directly or use a DBE sub-contractor. We do not currently allow for use of independent contractors or allow work to be sub-contracted out except for DBE work. We are proposing to allow vendors the ability to use a greater number of subcontractors, and to be able to use independent contractors like taxi's to perform less productive trips. This was suggested by the vendors who believe strongly that allowing for more flexible service delivery is in every ones best interests. We would propose that up to 40% of the work, depending on day and scheduling demands, could be moved to more flexible service delivery options that could include taxis. Staff and the PTSB recommend this and believe that allowing for greater flexibility in service delivery should reduce vendor and

County costs for operation of Connection service. This will also better accommodate fluctuations in demand and peak service demand.

- c) Allow for use of Sedans and non-ambulatory vehicles in providing Connection services. Currently, approximately 80% of our clients are ambulatory and only about 30% of all scheduled trips actually require a fully accessible vehicle. Staff believes we could allow for up to 25% of all vehicles to use non-accessible vehicles including sedans, without any negative impact to the service. This would be beneficial in allowing for flexible service delivery options, and should help to get lower rates from vendors as it will reduce both their procurement and operating costs. Staff recommends this with the PTSB concurrence.
- d) Allow limited advertising on the paratransit vehicles as another way to reduce the County's cost of providing this service. We have discussed this issue during the current contract with our existing vendors. We believe that allowing for limited advertising, for example on the back of the Van, would provide additional revenue that would benefit Connection service without any negative impact to customers or the service. Staff recommends this with PTSB concurrence.