

PIERCE TRANSIT BOARD MEETING

Training Center, Rainier Room

May 13, 2013

STUDY SESSION - 3 p.m.

AGENDA

CALL TO ORDER

ROLL CALL

STAFF/POLICY DISCUSSION

1. Contracting Out Analysis

Doug Middleton
Vice President of Operations

ADJOURNMENT



Contracting Out Analysis

Executive/Finance Committee Meeting, April 18, 2013

Presented by: Doug Middleton, VP of Operations

Purpose: The purpose of this presentation is to share the results of a recent internal cost/benefit analysis focused on developing options for contracting out the following Pierce Transit functions/programs:

Paratransit

Vanpool

Public Safety Variations

Information Technology

Money Counting

Payroll



Participants

Lead

Erik Solberg

Core Team

Wayne Fanshier, Kathy Sullivan, Liz Passmore, Kristine Dupille, Andrea Handeland, Heidi Neideigh

Satellite Teams

Function/Program

Participant(s)

Paratransit

Dena Withrow, Jean Archer, Kelly Hayden

Public Safety

Rod Baker and Bill Cassio

Vanpool

Jay Peterson and Lani Fowlkes

Information Technology

Shaney Edington and Keith Messner

Money Counting

Finance (Part of Core Team)

Payroll

Finance (Part of Core Team)

Evaluation Criteria

- Cost (all inclusive)
- Legal Barriers
- Implementation time line
- Pro/Cons (risks/opportunities)

Paratransit

Contracting Savings

Contracting out Remaining 25% of Operations

\$831,738

Contracting out Administrative Functions

1,681,439

Contract out Everything (with oversight)

\$2,513,177

Paratransit

Legal and Political Concerns

- Labor contract with ATU 758
- 13C Requirements (Mass Transit Employees Protection Act)
- Public Employee Relations Commission (PERC)
- RFP Process

Advantages of Outsourcing

- Cost savings
- Potential to gain working software (increased efficiencies)
- Potential reduction in workers compensation costs
- Increasing Fixed Route service to community
- Public Perception (leaner and more efficient; adequate return on taxpayer dollar)

Disadvantages of Outsourcing

- Low Morale
- Labor Relations Challenges
- Customer perception
- Potential degradation of service and maintenance quality
- Control (potential M & A concerns)

Implementation Timeline

Increased Purchased Transportation to 100%

No Constraints: 3 to 6 months

With Constraints: Unknown

Administration, CSR, and Supporting Transition

No Constraints and Sole Source: 3 to 6 months

No Constraints and No Sole Source: 18 to 24 months

Vanpool

Method

- NTD data from 2011 was used to compare Pierce Transit's efficiency measures to a purchased model.
- vRide, a subsidiary of VPSI Inc., was used as a model for comparison.
- *Operating expenses per Vehicle Revenue Miles (VRM)* was used as the primary measurement in identifying potential costs savings given a purchased model.

Historical Comparison using Efficiency Measures

- Based on the average Operating Expense per VRM for purchased transportation (\$0.6844) and Pierce Transit's Operating Expense per VRM from 2011 (\$.9927), the potential cost saving for 2011 would have been **\$1,439,239** given a fully purchased model.

Results

- Adding back in one staff member to perform contract oversight (\$102,643) resulted in a potential cost savings of **\$1,336,596** in the year 2011.

Vanpool

Legal and Political Concerns

- No Significant Concerns

Advantages of Outsourcing

- Potential cost savings
- Reduction in maintenance costs
- Wide array of options (with costs) are available to meet the agency's needs
- No loss of branding

Disadvantages of Outsourcing

- An element of control may be lost based on the chosen model

Implementation Timeline

- Six to nine months

Public Safety

- Law enforcement is already contracted out.
 - (Part-Time) Off duty officers from Tacoma and Lakewood Police Departments
 - (Full-time) Fulltime dedicated deputies from the Pierce County Sheriff's Department
- Analyzed in-house security and cost are comparable to contracting.
 - Private security are not "Special Commissioned Peace Officers"
 - Training and background investigation costs are substantial
 - TSO'S are represented employees

Remaining Programs

Information Technology

- Limited options due to current IT infrastructure
- Hourly rate for contract support substantial in comparison to in-house cost (Typical Analyst: PT= \$35-50 per hour ; Contract= \$90-110 hour)

Money Counting

- Cost of contracting out is higher (\$4,354) than current costs
- High risk area (revenue and control issues)

Payroll

- Searched for ways to reduce operating costs by reconfiguring automated timekeeping (component of system) by contracting with ADP for processing payroll.
- Given the complexity of interfacing and the replacement cycle of software, the option is not viable.



Questions