

# **Capital Area Transit**

## **CAT Management, Cost Containment & Performance 2011-2014**

### **Introduction**

On August 16, 2011 in response to numerous federal and state grant and compliance issues, the Board of Directors of Capital Area Transit reorganized management structure and appointed Bill Jones General Manager of the public transit authority serving Cumberland County, Dauphin County and Pennsylvania's capital, the City of Harrisburg.

Jones directed CAT staff to conduct an in-depth analysis of current operational conditions and reported the following findings:

- Federal grants had been spent in advance almost two full years
- Numerous federal and state projects had not been invoiced
- Bank line of credit and tax anticipation notes had been nearly maxed out
- Numerous issues existed in operations, maintenance, management, marketing & planning

As a result of management's report, the CAT Board of Directors developed a Strategic Plan which included updated Mission and Vision Statements as well as specific areas of operational focus, objectives and time lines all of which provide direction to management and guidance to the staff implementation of the Plan through 2016. Since the inception of new management, work has proceeded diligently to achieve the following:

- Fiscal year Federal grant are now aligned with the proper operating year
- Over \$1.2 million in past federal and state projects has been recouped
- Annual interest expense
- Re-align the staff organization to achieve the objectives of the Board's Strategic Plan

CAT management took immediate steps to incorporate the plan's objectives and strategies into operational goals in keeping with the new CAT Mission Statement:

Capital Area Transit improves the quality of life in Central Pennsylvania by providing comprehensive public transportation services. CAT achieves this by:

- Meeting customer expectations
- Achieving regional smart growth and mobility objectives
- Being responsible stewards of public resources
- Supporting a professional, dedicated workforce

### **Management Accomplishments since 2012 in compliance with the CAT Strategic Plan include:**

- ✓ Full Board Representation – Harrisburg's two seats had either expired or were vacant for many years.
- ✓ Education of Board Members – annual retreat
- ✓ Updated Mission & Vision Statements
- ✓ Adopted Performance Metrics which are reported to Board monthly
- ✓ Annual Budget & Work Plan aligned with Boards Strategic Plan
- ✓ Adopted Service Standards
- ✓ Reorganized agency to include Executive, Finance, Operations, Maintenance, and Planning, Customer Experience & Public Information Departments.
- ✓ Implemented processes and procedures to track and monitor all grant activities
- ✓ Pro-active approach to Labor Relations to address attendance issues
- ✓ Addressed hiring protocols for all positions
- ✓ Developed Job Descriptions for all non-represented employees
- ✓ In process of conducting a wage analysis for all non-represented employees

### **Finance Department Accomplishments, Since August 2012**

- Installed/Implemented SAGE 100 ERP Accounting Software
- Installed/Implemented SAGE Payroll Software Module

- Installed/Implemented/Currently Integrating EBS Time and Attendance Software
- Installed/Implemented SAGE Fixed Asset / Depreciation Software Module
- Instituted Monthly GL Account Reconciliations to ensure accurate data
- Instituted Monthly Grant Reconciliations on Federal and State level as well as revamped the entire grant invoice process to ensure no grant drawdowns occur without proper documentation and approval to support the action.
- Clean up of all "old" open grants to ensure billing and collection of funds (In excess of \$2 million)
- All process' and procedures' updated to reflect re-engineered Finance department and software
- Process of collecting and counting passenger fares re-engineered. Less reliance on outside vendor has saved approximately \$35,000/yr.
- Less reliance on M&T Bank Line of Credit and no usage of M&T Grant anticipation Loan in FY2014. Resulted in interest savings of \$85,350 from FY2013 to FY2014.
- Driving force behind Joint Audit RFP with Rabbittransit. CAT realized two year savings of \$65,000.
- Redesign of Banking products and usage with M&T Bank. Instituted Cash Sweep, Remote Deposit Capture, Corporate Credit Card Program and expended usage of M&T Internet related products to increase speed and efficiency thus enabling quicker recording of cash receipts and longer delay of cash outlay. Corporate Credit Card Program also participates in cash back rewards.
- Increased accuracy and now meet all timeliness deadlines of Federal/State/Local Reporting and Filing relating to Payroll, Payroll Taxes, Escheat, PA DOTGrant, NTD, TEAM and general Authority filings.
- Worked very closely with FTA on Financial Management Oversight issues identified in 2012 audit to ensure closure and better ongoing awareness to avoid future findings.
- Pension Plan Audit – ensured that audit being conducted based on plan document. Currently working to clarify plan document and ensure all activities in compliance with document. Working on staff education of the pension plan. Monthly reconciliations of all pension activity.

- DBE – Increased awareness and reporting to ensure all activities related to DBE goal setting and record keeping is in compliance with regulations.
- Corrected payment, taxability and reporting for uniform allowance payment and tool allowance payment required under labor agreement.
- Currently working with HR Department to review and assess Human Resource Software for integration and cost saving opportunities.

### **Department of Planning, Customer Experience & Public Information Accomplishments (Established February, 2014)**

- Coordinated three separate CAT agency functions and 10 employees into one departmental function covering planning, Customer Experience, Public Information, marketing, customer and media relations.
- Implemented staff adjustments as necessary.
- Established policy and procedures in full compliance with the Board-directed 2013-2016 Strategic Plan
- Reorganized a systematic flow of CAT information to the customers, friends of CAT and elected officials, stakeholders and the general public.
- Established a tracking program to assure a satisfactory response to thousands of public inquiries per month within an average response time of 3 to 5 minutes.
- Established an internal tracking system to assure follow-up on customer inquiries throughout Cat operations.
- Establish a public outreach program which reaches into community “transit grids” and neighborhoods in the 1,000 square mile CAT operations area serving about 500,000 people.
- CAT Connect program has reach hundreds of public leaders, associations, and community members in the last 5 months and resulted in signing up more than 600 senior passes.
- For the first time in CAT history, public outreach meetings are incorporated in the planning process and impact on service adjustments and improvements.
- Re-vamped the CAT planning process to assure public input in Dauphin, Cumberland Counties and the City of Harrisburg in the planning process.

- Department employees are continually appraised and trained in certified transit training programs which result in improved employee performance, increased morale, and more cooperative teamwork.
- Assure Title VI and Environmental Justice considerations are included in CAT planning policy and procedures. Appropriate maps and policy are available on line.
- Added professional staff in key department operations to assure mentoring and future professional transit development.
- Increased CAT exposure and positive positioning in key “publics” in the CAT service area.
- Assured CAT involvement in key community events in each shared funding municipality.
- Dramatically increased marketing to key customer segments like PA seniors, large employers, students and PennDOT circulator demonstration projects in Cumberland and Dauphin County.
- Worked closely with and provided marketing support to assist economic development in the City of Harrisburg.
- Integrate community organizational needs into the CAT planning process, assuring the involvement of leaders like the local Chambers of Commerce, Hamilton Health Center, the U.S. Army War College and a number of independent businesses like Amazon, PHEA, and tourism and hotels.
- Worked closely with the City to repave the south 17<sup>th</sup> Street area roads to permit increased transit planning and service in this underserved community.
- Developed a methodology and system to regularly survey riders to determine rider satisfaction, poverty levels, and improve service availability and system improvements.
- Developed on line communications to maintain contact with CAT customers on a real time basis and track results.
- Developed and maintain consist public relations with funding partners, the media and general transit community.
- Expanded CAT involvement in transit related issues like suburban planning, biking, and multi-modal transit organizations.
- Increased CAT Advertising revenue, reduced media costs and coordinate more closely with the contacted Ad agency to assure better access to key advertisers in the CAT area of operations.

## Operations Department Accomplishments

- Transitioned the Operations Department from two separate operating units to one department with two divisions (Fixed Route and Paratransit)
- Reduced overtime in the Fixed Route Division to 2.16 % of total budgeted hours (budgeted at 3 %)
- Reduced overtime in the Paratransit Division to 2.59 % of total budgeted hours (budgeted at 3 %)
- Reduced Fixed Route Operator salaries and wages by 1.33 % over the past two years
- Implemented beginning steps of a learning environment (educating employees vs. catching them doing something wrong) in the Operations Department
- Implemented a full "investigative process" for customer and employee issues
- Implemented new ADA Passenger Assistance Training for Paratransit and Fixed Route Operators
- Completed fatigue training to all Paratransit and Fixed Route Operators
- Fine tuning the fixed route operator training program and developing and implementing a re-training program
- Implemented process for tracking on-time performance for the fixed route service
- Coordinated and developed a new customer comment process and procedure
- Implemented new hiring standards for Paratransit and Fixed Route operators based on Customer Service Skills instead of driver license requirement
- Installed and implemented PennDOT provided shared ride scheduling software
- Bid and negotiated new contract with Easton Coach for the provision of Shared Ride Service
- Implemented several quality management teams in Operations and Maintenance Department to assist improve processes and customer services
- Developed a process to clearly communicate fixed route operator route issues to the planning department to help improve service to the customer

- Installing Computer Assisted Dispatch (CAD) Automatic Vehicle Location (AVL) system to provide real-time passenger information
- Developed system to ensure all monthly, quarterly, and annual federal and state (DOT Grants, National Transit Database (NTD) both monthly and annual, quarterly milestone reports, etc.) are completed and submitted accurately and on-time

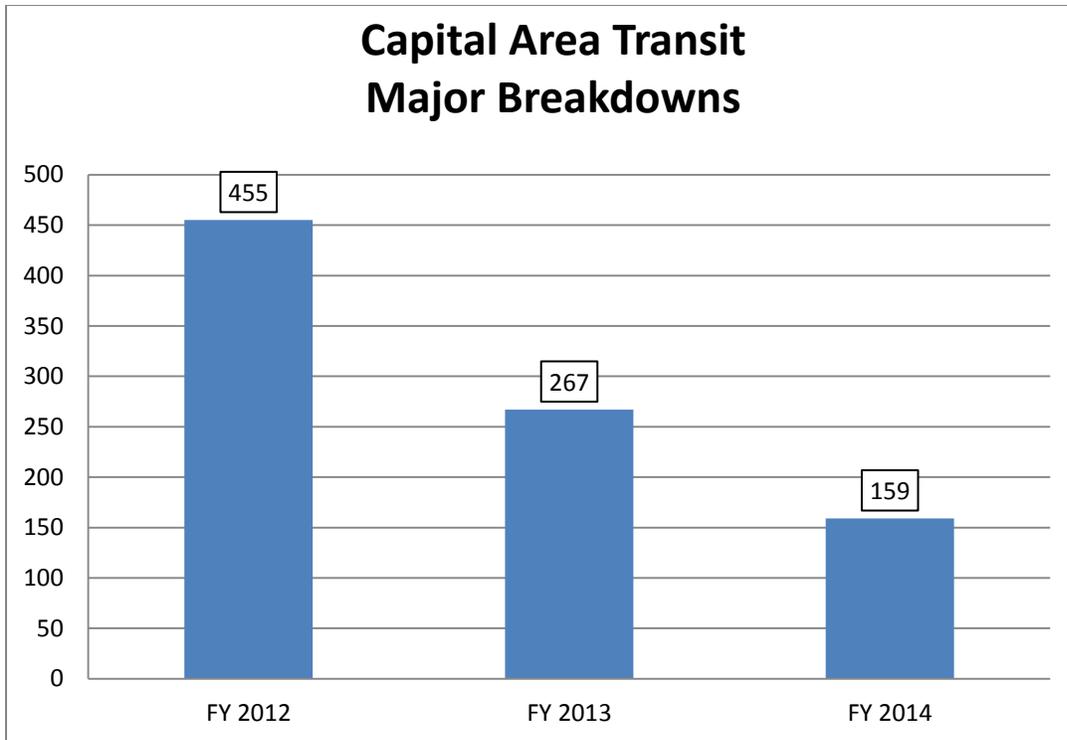
### **CAT Maintenance Department Accomplishments**

- Reduced overtime in the Maintenance Division 54.85 % over a 2 year period – down to 4.94 % of total budgeted hours (goal is 3%)
- Implemented beginning steps of a learning environment (educating employees vs. catching them doing something wrong) in the Maintenance Department
- Developed job descriptions for all represented maintenance positions
- Implemented Hiring protocols in the Maintenance Department that reflect skills instead of seniority
- Implemented several quality management teams in Maintenance and Operations Departments to assist improve processes and customer services
- Exploring new Asset Maintenance Software
- Re-designed the layout of the Maintenance Department to improve workflow and productivity

### **Leading Cost Containment & Performance Indicators**

Highlighted indicators of improved CAT cost containment & performance from 2011-2014 are as follows:

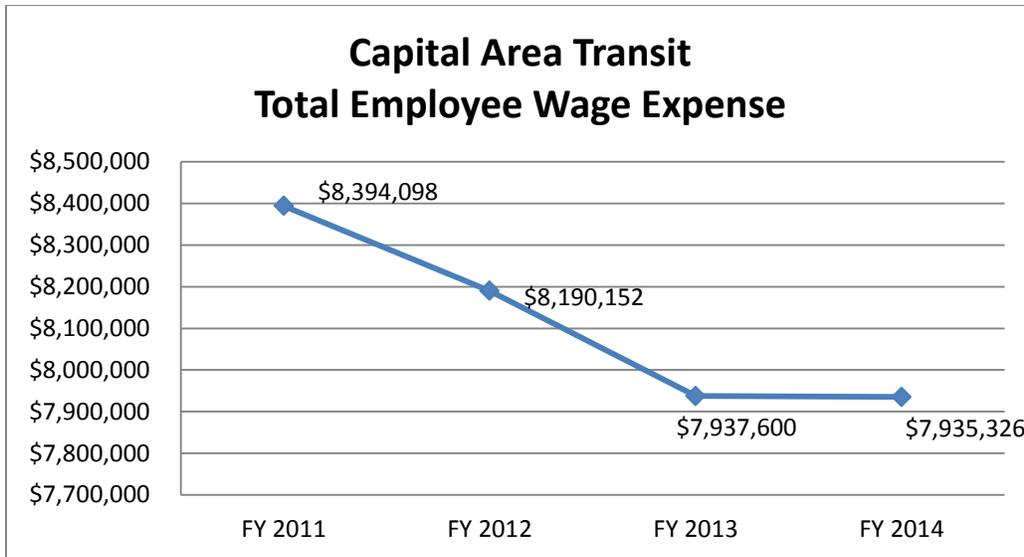
#### **Chart 1: Bus Breakdowns**



Source: CAT Operations

As Cost Containment Chart 1 indicates, bus breakdown data recently quoted in the media is accurate only for FY2012, while ignoring the cost containment actions subsequently taken by new CAT management, which dramatically reduced breakdowns in FY 2013 and 2014. The current breakdown rate is 159.

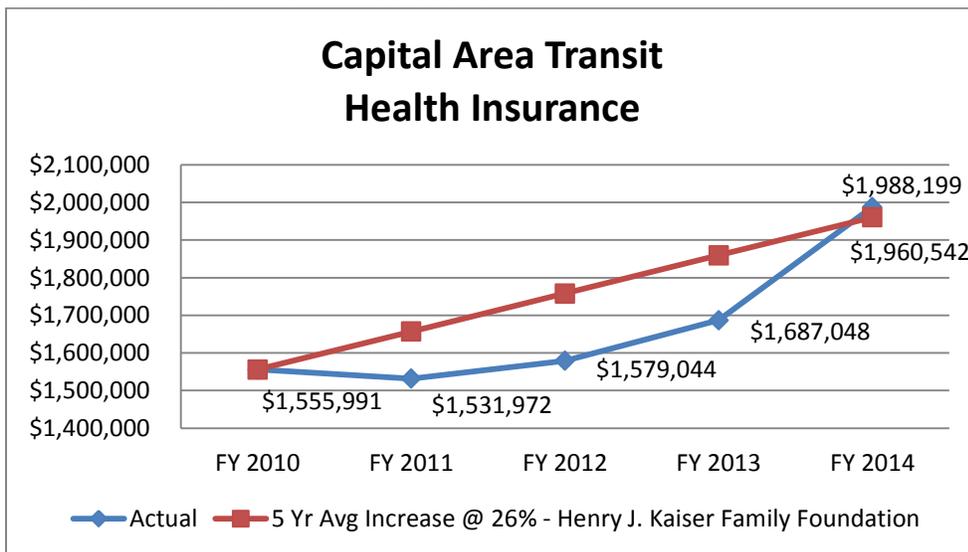
#### **Chart 2: Total Wages, 2011-14**



Source: CAT Finance Department

As the wage chart above indicates, when benefits are separated from actual wage expenses, wage costs have been significantly reduced and stabilized since new management interaction in 2011, including the latest 2% increase in contracted wage expenses.

**Chart 3: Health Insurance Costs**

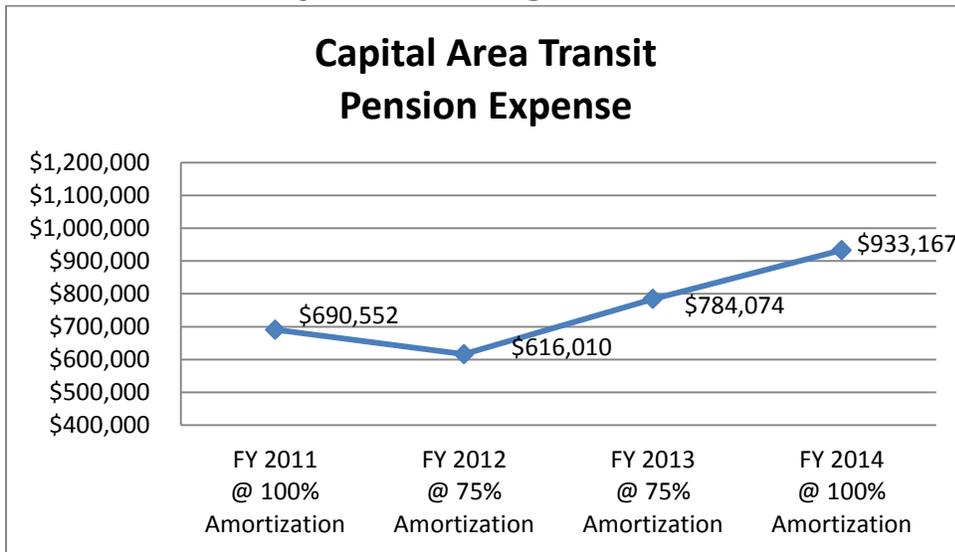


Source: CAT Finance Department

When looking at the impact of rising health care costs on any public or private entity in the U.S. economy, including CAT, we discover that CAT

management health care cost containment has actually slowed the rate of cost increase at well below the national average, as projected over the last five years by the Henry J. Kaiser Family Foundation. CAT costs in 2014 are in step with the national average, as reported to Kaiser.

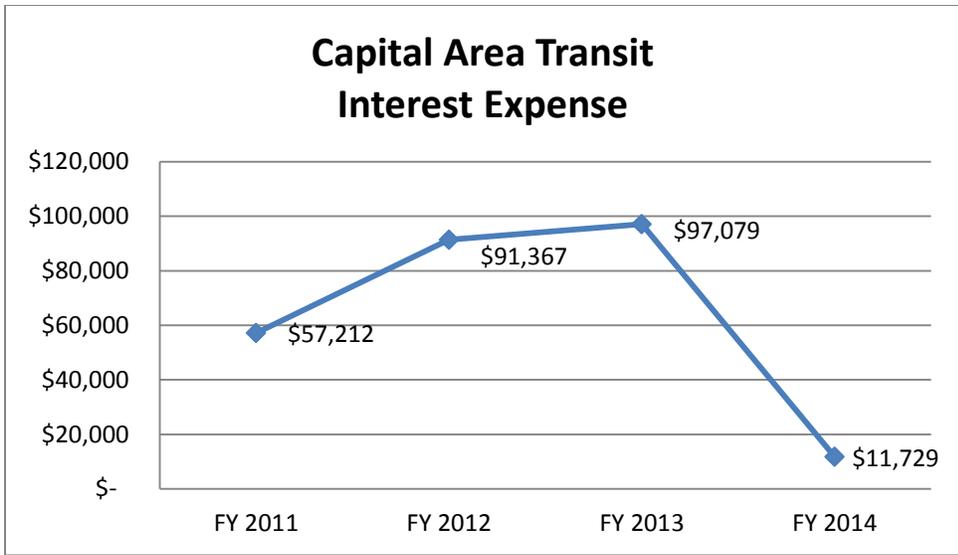
**Chart 4: Pension Adjustment Savings**



Source: CAT Finance Department

CAT management took advantage of federal policy to reduce pension contributions to better manage cash flow in FY 2012 and 2013. In 2014, CAT fully funded the pension program at 100% Amortization in compliance with policy and regulations.

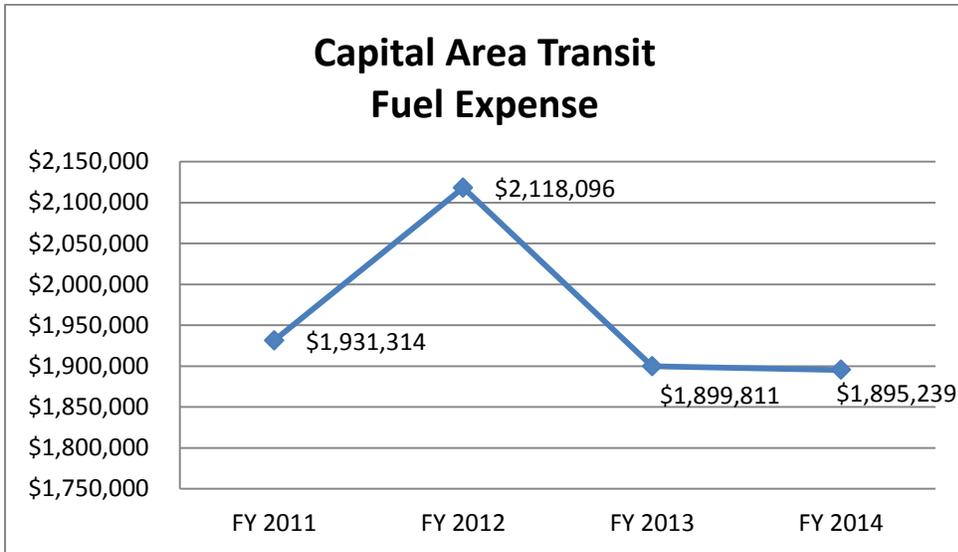
**Chart 5: Interest Expense**



Source: CAT Finance Department

An important aspect of debt management is containing interest costs over time, and, as Chart 5 indicates, CAT has implemented containment measures which significantly reduced interest costs in 2014.

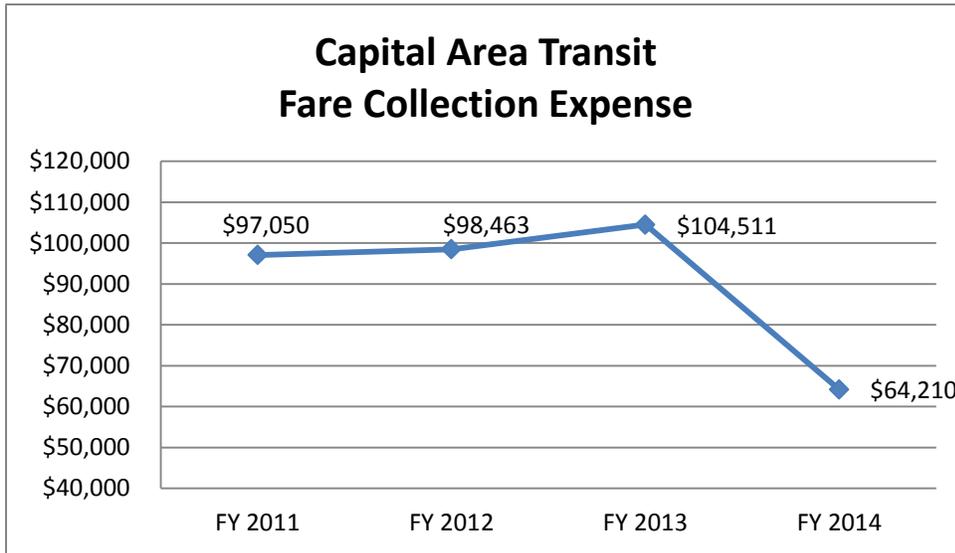
**Chart 6: Fuel Costs**



Source: CAT Finance Department

Fuel is a fundamental (and unpredictable) indicator of transit cost containment. As Chart 6 above demonstrates, CAT fuel cost containment program and purchasing strategy has proven effective, given uncertain market fluctuations, particularly since mid-2012.

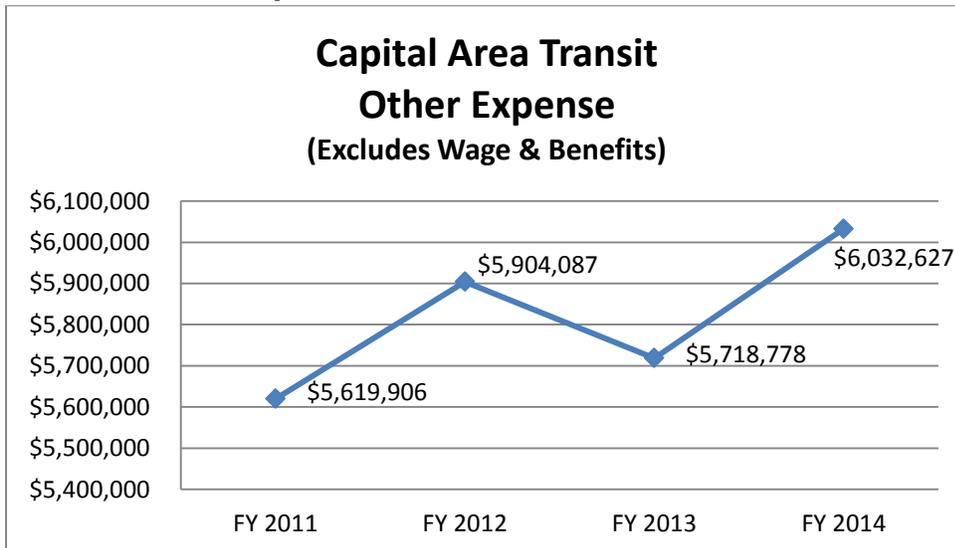
**Chart 7: Fare Collection Costs**



Source: CAT Finance Department

Turning to internal cost containment measure, Fare collection costs are an indicator of how efficient fare revenue is collected and accounted for. Chart 7 indicates that containment actions taken since mid-2012 have significantly reduced fare collection expenses by 2014.

**Chart 8: Other Expenses**



Source: CAT Finance Department

When looking at "other expenses," as isolated from the above wage and benefit and related cost analysis, CAT cost containment program has

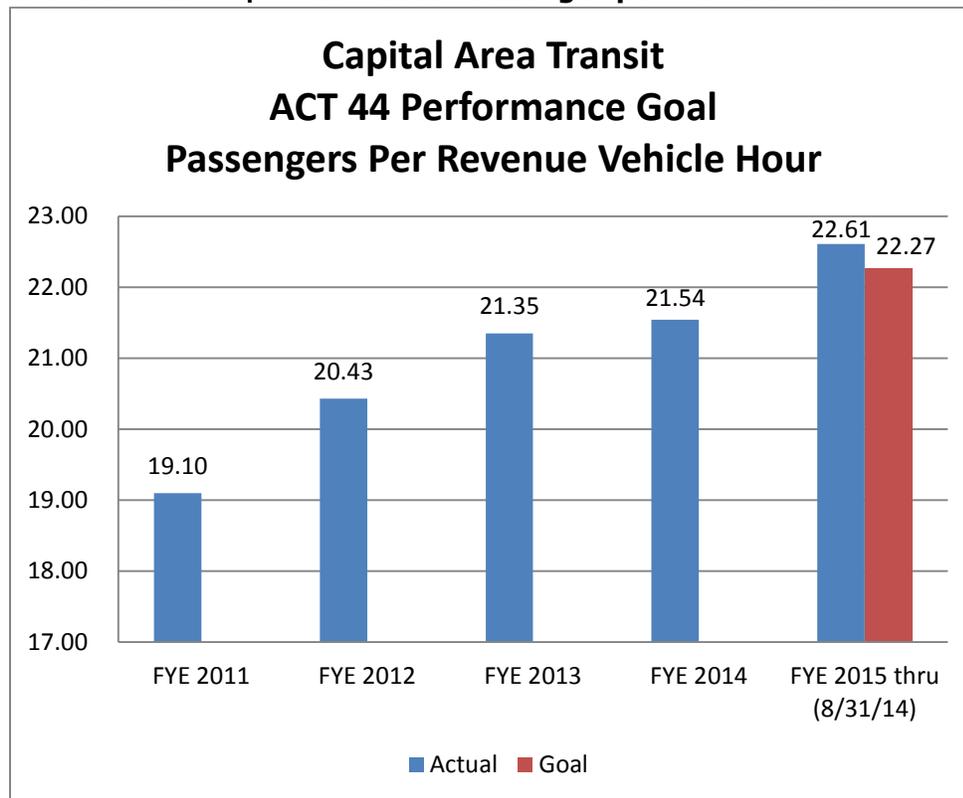
stabilized this cost category to fluctuations of about \$200,000 or approximately .01% of the total FY2014 actual expense of \$19,644,428.

### Act 44 Performance Goals

There are [four categories of measurement](#) instituted by ACT 44 and monitored as performance goals by PennDOT. The following fixed route performance goal charts indicate actual CAT performance measured against those goals 2011-2014.

Both the goals and transit authority reporting of data is mandated by law. As the charts below indicate, CAT management cost containment strategies permitted the transit agency to meet or exceed Act 44 Performance Goals in all four categories since the implementation of the CAT Strategic Plan in 2012.

**Chart 8: Act 44 | Fixed Route Passenger per Vehicle Hour**

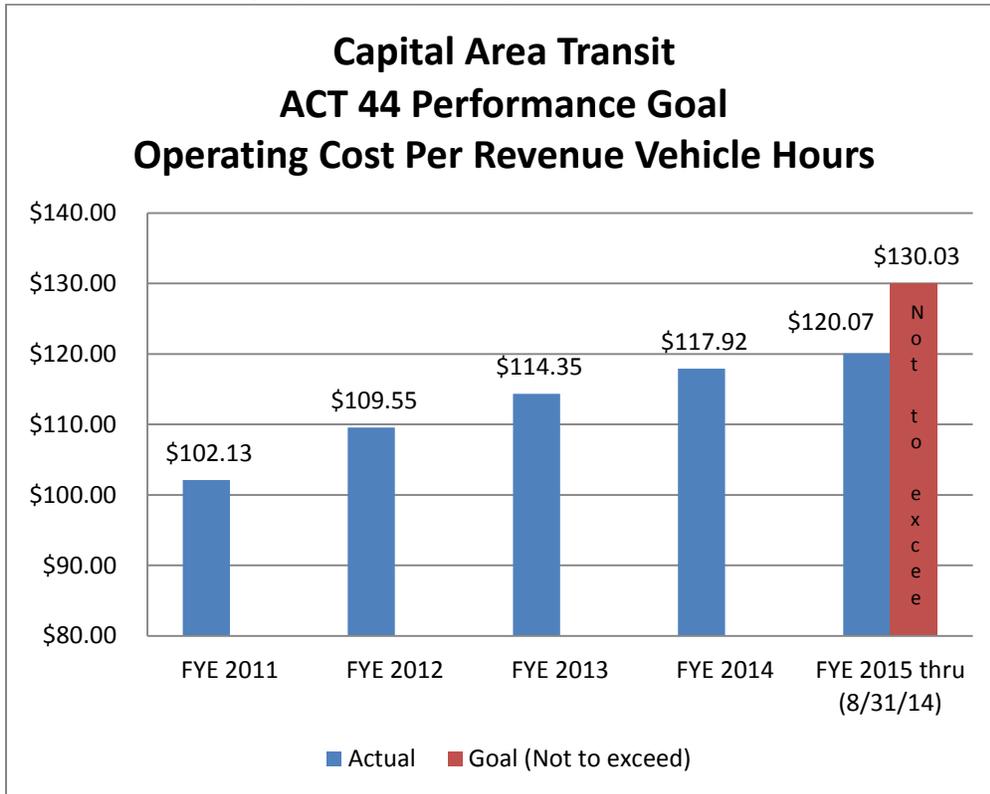


Source: CAT Finance Department

The above chart demonstrates CAT performance since 2011 against the Act 44 goal of 22.27 passengers per revenue vehicle hour. CAT has steadily

improved this service goal and is currently at 22.61, approximately exceeding this Act 44 goal.

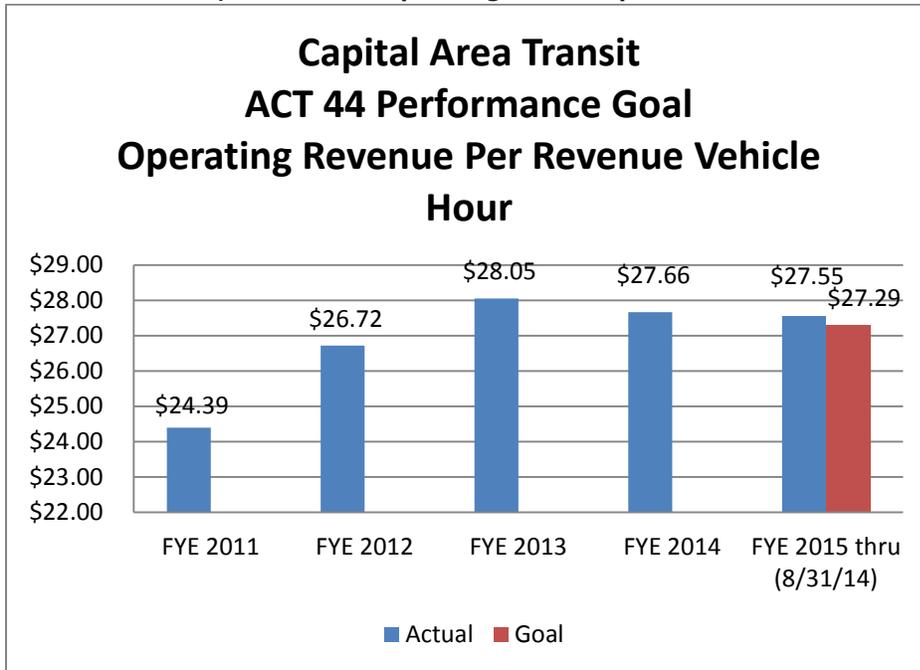
**Chart 9: Act 44 | Operating Cost per Revenue Vehicle Hours**



Source: CAT Finance Department

While overall transit costs continue to rise annually, CAT has reduced the rate of cost increase since containment measures were in effect in late 2012 and remains well below the Act 44 performance goal of \$130.03.

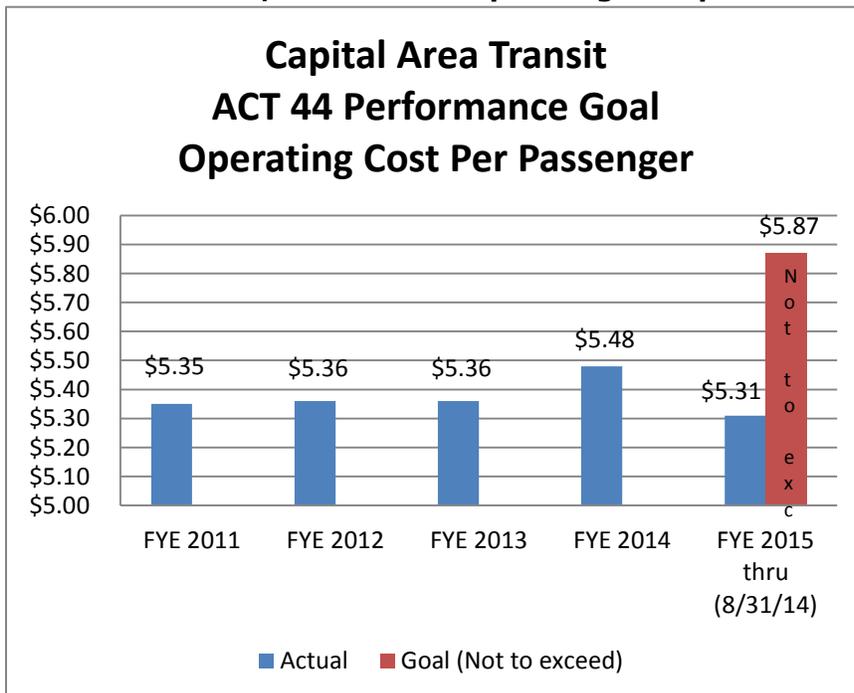
**Chart 10: Act 44 | Fixed Route Operating Revenue per Revenue Vehicle Hour**



Source: CAT Finance Department

Operating revenue has increased steadily from a low of \$24.39 in 2011 to a stabilized \$27-28 range since 2013, exceeding the Act 44 operating revenue goal as of late August, 2014.

**Chart 11: Act 44 | Fixed Route Operating Cost per Passenger**



Source: CAT Finance Department

While transit costs continue to rise as a result of a variety of uncontrollable cost factors, CAT has maintained a relatively stable cost containment structure since 2011, well below the Act 44 \$5.87 performance goal.

CAT Board and Management continue to closely monitor and report these Act 44 performance goals.

### **Looking to the Future: Regionalization & Consolidation**

The current two-county and capital city transit service, provided by Capital Area Transit as incorporated by the Counties of Cumberland and Dauphin, and the City of Harrisburg since 1973, is at a crossroad between the past, the present, and future regional transit needs. The overlay of service which has developed since the rise and dominance of the automobile as the primary mode of transportation, and the intentional destruction of the embryonic area mass public transit system, such as it was in the capital region, had been traditionally a 'spoke and hub' strategy, focused on moving passengers from the surrounding communities to, around, and from the state capital City of Harrisburg.

As poorly managed sprawl created new suburban development "communities" and expanded existing and aging municipal populations and services, it also created the need for dispersed, circular, and more community connective transportation services.

The CAT system is perhaps unique in that it evolved over time to provide urban, suburban, and rural bus service in a thousand square mile service area with a population of approximately 500,000 central Pennsylvania residents. As new community transit connectivity needs grow, CAT is in a strong position to adjust and reconfigure resources to respond to those needs. Increased "real time" scheduling and operating technology will permit more rapid response to changing community transit needs and the deployment of CAT resources. CAT management projects completion of necessary technological upgrade and increased operational efficiency to be completed by mid-2015.

Under new management since mid-2011, CAT has moved in recent years to anticipate and facilitate that future fundamental structural shift in transit strategy, while cognizant and protective of the rights and needs of an increasing expanding Title VI and Environment Justice 'transit bound' protected population throughout the region. CAT, for example, has been able to provide express and local surface from one end of its two-county service area to the south in Shippensburg in Cumberland County, to the north with service to Millersburg and Elizabethville in Dauphin County, as well as expand service to transit-bound urban Title VI and Environmental Justice defined communities in south Harrisburg and the Borough of Carlisle.

Working closely with PennDOT, CAT management has been developing test circulator services in Carlisle and is also part of a current PennDOT project to provide similar test circulator service in south Dauphin County to include Harrisburg International Airport, the expanding PSU Harrisburg Campus, Middletown, Hummelstown and Hershey.

Both suburban and rural circulator programs provide community-connective transportation services, while maintain continued 'hub' service to the state capital City of Harrisburg.

These test community circulator transit services are funded by PennDOT, FTA, and locally contributed matching funds. As these new suburban and rural community transit service patterns emerge in the future, the current interlocking service map of the broader regional transit operator areas may shift to provide more service efficiencies at the edges of historically well-established service patterns.

The most current available performance record for all transit operators in the greater central Pennsylvania region is the [PennDOT Pennsylvania Public Transportation Annual Performance Report 2012-13 \(April 30, 20124\)](#) which is [available online](#).

Current CAT management is working cooperatively to both develop new transit service patterns regionally, while at the same time maintaining and improving current historic service levels. The first phase of regional consolidation, as outlined by PennDOT, is the implementation of cost and service efficiencies through shared costs, where feasible, through group

purchases and economies. At some point, of course, the traditional geographic delineations of regional transit operations and services may transition to accommodate both existing and emerging urban, suburban, and rural transit service needs. CAT management anticipates and is diligently planning now for this new emerging regional transit eventuality in the future.

Eric Bugaile  
Chairman  
Board of Directors  
Capital Area Transit

William A. Jones  
General Manager  
Capital Area Transit  
October 17, 2014