

Capital Metropolitan Transportation Authority
Response to the State-Mandated **Performance Audit, 2012-2015**
Initial Response: January 12, 2017
Final Response: September 14, 2020

Section 1 – Performance Indicators

No Recommendations

Section 2 – Statutory Compliance

Recommendation: Conduct a detailed cost study to determine the financial impact of implementing Sunset Provision #2: “Require Capital Metro to competitively bid all transit services not directly provided by its own employees.”

Final Capital Metro Response: - **Adopted**

Capital Metro continues to complete cost analyses to ensure that its services are appropriately priced. The most recent of such analyses accompanied the 2019 competitive procurement for bus services and the 2018 competitive procurement for paratransit services. Both analyses were completed with the assistance of the Texas A&M Transportation Institute (TTI).

Initial Capital Metro Response — **Pending**

In the July 2011 Sunset Report, the Sunset Advisory Commission concluded Capital Metro would be able to save approximately \$11 million through cost avoidances as early as 2013 by competitively contracting out transit services. The majority of the savings would come from lowering the cost of service through a reduction in cost per mile and cost per paratransit passenger. Capital Metro subsequently contracted the Texas Transportation Institute (now Texas A&M Transportation Institute) to perform additional financial analysis of the proposed transition. TTI concluded that the Sunset Commission had, in many cases, incomplete information or made incorrect assumptions, and that the predicted savings on contracting services were unrealistic, or if savings could be realized, it could take as long as 2018 before the Authority would experience a net savings.

Some of the costs not considered by the Sunset Commission included leave payout, severance payments, legal and professional fees, retirement plan contributions, liability insurance cost and the need to negotiate market-level wages. Service providers found that the wage levels suggested by the audit were not at market level and would not be sufficient to recruit and retain employees. Employment conditions in the Austin area are such that even starting wages have to be adjusted upward to remain competitive in the marketplace to attract qualified skilled workers. Further, the board of directors was committed to maintaining the competitive wage, health and retirement benefits of the employees to ensure they had a fair and livable compensation package. As a result, the service providers were asked to propose wages and benefits similar to those in place at the time.

The Sunset Commission also assumed some of the costs listed above could be passed on to the service providers without accruing to Capital Metro. Where the Commission did recognize cost increases, they tended to differ significantly from TTI’s financial analysis. For instance, the Sunset Report used an inappropriate model that estimated the costs of contract administration at \$300,000; whereas the best-

practices model used in the TTI estimate put that figure at approximately \$4 million.

In addition to the costs associated with that transition, Capital Metro has responded to community need by significantly changing its service levels since the time the Sunset Commission reviewed its operations. Capital Metro introduced its MetroRapid bus service in 2014 with 12-15 minute frequencies during peak service. While this service has met or exceeded the ridership goals, it also has additional costs that could not have been predicted during the Sunset Review process. MetroRail service has moved from peak period-only service when it launched in 2010 to its current all-day, evening and weekend service.

The significant changes in service since the report was completed six years ago have rendered the past analysis obsolete. However, in order to continue addressing the spirit of the Sunset Audit's cost-savings recommendations, Capital Metro continually strives to improve efficiency and regularly reviews and analyzes operations in four areas: fare recovery, cost per passenger, cost per revenue hour and passengers per revenue hour. This analysis considers varying factors affecting each of these indicators and provides agency leadership with the information needed to improve efficiency and cut costs.

Section 3 – Vehicle Transit Operations and Maintenance

Contracts

1. Define contract performance by primarily using higher-level, strategic performance indicators. We recommend using metrics such as customer satisfaction, repeat ridership, preventable accidents and miles between road calls as some of these higher-level performance indicators.

Final Capital Metro Response: - **Adopted**

Capital Metro uses high-level performance indicators to incentivize the performance of its contracted service providers. High-level performance indicators are also presented for public review online at capmetro.org/dashboard.

Initial Capital Metro Response — **Pending**

Capital Metro agrees that the use of high-level performance indicators is important, and this practice is currently followed. All of the recommended service provider performance indicators, other than repeat ridership, are used to measure contract performance. Three of those measures — preventable accident rate, miles between road calls and customer complaints — are specifically identified in the bus and paratransit service provider contracts to determine incentives and disincentives. A customer satisfaction survey is conducted biannually and reported to the board of directors. The most recent survey results indicate a very high level of satisfaction with Capital Metro services, with 88 percent of those surveyed reporting they were satisfied with their experience and 92 percent reporting they were likely to continue riding. Additionally, a Customer Satisfaction Composite Index of several key performance indicators (including miles between road calls and customer complaints) is provided monthly to the operations committee of the board of directors and to the full board on a quarterly basis.

Capital Metro can get an indication of repeat customers through pass sales but repeat cash and single ride customers cannot be identified. We believe the best indicator available to us at this time is tracking ridership trends.

Preventable accident trend data by service provider is reported to the board of directors quarterly, as well

as in a year-end safety update that compares service over time. Capital Metro will continue to collect, analyze and report miles-between-road-calls, as this is valuable data for assessing the quality of the maintenance program.

2. Set more aggressive goals for the strategic performance indicators. For example, pushing the target of Miles Between Road Calls from 5,500 miles to 10,000 or 12,000 miles (which is achieved at other similar transit authorities) will challenge contractors' maintenance staffs to think more creatively about how to care for the vehicle fleet.

Capital Metro Response — **Rejected**

This performance audit confirms Capital Metro's vehicle oversight results, wherein it was stated: "The good physical and operating condition of the fleet, along with the timely repairs and preventive maintenance inspections, demonstrate that Capital Metro is able to define and administer a successful maintenance strategy, maintenance standards and contract oversight." It was further noted that monthly reports "generally included action plans that addressed issues that had arisen during the previous month(s)." This audit's assessment indicates a well-maintained fleet; however, the miles-between-road-call performance indicators seem to contradict having a well-maintained fleet. This can be explained by considering two additional factors. As reported in this audit, the average age of 20 percent of the fleet is more than 15 years (a bus life cycle is 12 years), and one-third of the fleet has been in service more than 10 years.

The second factor that should be considered is that Capital Metro has always had stricter criteria for counting road calls. For example, Capital Metro requires a bus with a defective windshield wiper to be removed from service even if it is not raining. The benchmark agencies do not. Accordingly, this is counted as a road call, resulting in a higher number of incidents than others, likely skewing the results.

Capital Metro will evaluate reporting comparable industry standards and the higher level currently used separately so that industry comparisons can be evaluated. Performance goals are reviewed annually for service provider contracts and adjustments are made as needed. Capital Metro will also continue to actively monitor vehicles to ensure they are well maintained and that any problems be properly addressed and reported.

3. Standardize these strategic metrics and performance targets across all vehicle modes and all transit services contracts.

Final Capital Metro Response: - **Rejected**

To the extent possible, goals are aligned across contracts for the same mode.

Initial Capital Metro Response — **Pending**

Capital Metro maintains similar metrics across all modes; however, the targets necessarily vary by mode. For example, the target for rail is much different from what is needed to assess a paratransit vehicle, given the great difference in vehicles and operating environment. The transit environment does not support this type of standardization. Different modes need different performance targets given the differences in operating characteristics, type of service, vehicle used and operating environment.

4. Eliminate lower-level performance metrics that can have an adverse or negative impact on the strategic metrics. For example, by penalizing late arrivals, a driver who is stuck in traffic congestion may speed or drive recklessly to make up the lost time.

Capital Metro Response — **Rejected**

Capital Metro sets its performance indicator priorities in the following order: safety, customer service and on-time performance. However, on-time performance is key to running a reliable, viable service and meeting customer expectations. One of the most-common reasons people are not attracted to transit is reliability, i.e. on-time performance. Therefore, timeliness is critical to customer satisfaction levels and to operating a reliable system. While Capital Metro will never sacrifice safety to ensure timeliness, it is important to have the necessary tools to evaluate routes that consistently run behind schedule so timeliness issues can be addressed. The key factor for Capital Metro is to use multiple metrics to ensure safety, customer satisfaction and solid operational performance.

However, Capital Metro will continue to review the performance metrics in each contract when it is procured and at the request of a service provider.

5. Eliminate many of the mandatory requirements in current contracts in order to give contractors more leeway in defining and establishing their own policies and practices for performing the work. For example, as discussed in Section 3.1, current CMTA contracts define a specific number of mandatory key staff positions, require Capital Metro to approve all new hires for these key positions and assess financial penalties when vacant positions are not filled within 60 calendar days. Contractors should be able to staff their organizations as they see fit to satisfy the contract's performance goals.

Final Capital Metro Response: - **Rejected**

Since the initial response was provided, Capital Metro has conducted competitive procurements replacing its two largest service provider contracts. Contract language was thoroughly reviewed and updated prior to those procurements. These contracts are outcome-based when appropriate but remain prescriptive where needed to protect Capital Metro's assets and services.

Initial Capital Metro Response — **Pending**

Capital Metro reevaluates its requirements at the time of procurement to identify cost drivers and determine if those provisions are still needed. Capital Metro recognizes the importance of reviewing mandatory requirements in order to improve service and reduce costs. However, based on experience, the ability to approve key positions is critical to the continued quality of service. Though it is not the standard operating procedure, it is not unheard of for service providers to cut costs, which would improve their profit, by not filling critical positions or setting wages and salaries at a rate that does not attract highly qualified candidates. This not only impacts service quality but costs, as well.

While Capital Metro provides great leeway for service providers to run their business, there are a few key positions that must be filled with a certain level of experience and quality in order to achieve success. Capital Metro has an obligation to ensure contracted service providers deliver the highest quality public transportation services possible. In order to ensure that quality, it is necessary to establish policies and procedures that must be followed. Among those is the requirement to approve recommended candidates for certain "key" positions. There are any number of private transit service providers with the corporate

experience and ability to successfully fulfill a contract. It is Capital Metro's experience that the single most influential factor in a particular firm's success is the quality of the local team managing the contract. Accordingly, Capital Metro has put in place requirements that ensure service providers maintain throughout the term of the contract the level of quality staffing that led to their selection in the first place.

6. Increase the size of the penalties for not meeting the contracts' performance goals and more rigorously enforce compliance.

Capital Metro Response — **Rejected**

Capital Metro conducted a rigorous review of industry models for contracting and placed an open call for input from numerous industry contractors in an effort to determine the best approach for getting the best performance for each contract. Many elements in current contracts were recommended by proposers, based on their prior experience. In fact, Capital Metro has been widely viewed as industry leading in the thoroughness and results of this effort. Accordingly, we believe that the current model is appropriate for achieving contract goals. Our goal is to partner with, not penalize, our service providers to ensure the delivery of the best service.

7. Consider bringing back in-house some of the outsourced maintenance-related support functions and processes. These could include materials purchasing, logistics, inventory control and PMI scheduling.

Capital Metro Response — **Rejected**

Capital Metro believes that maintenance support functions go hand-in-hand with maintenance tasks. In order to hold a service provider responsible for performance, they need to have control over all of the inputs of that task. For the vehicle maintenance task, the relevant inputs are materials purchasing and inventory control. Additionally, there is much cost-risk associated with things like inventory control. One key benefit of the outsourced model is that Capital Metro is able to shift that risk to the contractors. The national service providers can leverage their entire customer base in order to obtain discounts that are not afforded to Capital Metro.

8. Consider breaking the current mega-contracts into multiple contracts with smaller, more-defined scopes of work. This may open up more competition, lower prices, and encourage greater supplier diversity.

Capital Metro Response — **Rejected**

While Capital Metro continuously seeks ways to improve efficiency, we believe this particular recommendation would not achieve that goal. Rather, breaking large contracts into several smaller ones would result in increased cost, duplication of personnel and a lack of clarity when it comes to accountability.

Contract Oversight

9. Assess the current staffing levels of the contract oversight function and bring on additional staff if more oversight is necessary to support contract compliance. CMTA may want to consider augmenting its staff with business intelligence, predictive analytics, data mining and other skill sets to find and make changes to the contract terms and conditions to improve contractors' overall performance.

Final Capital Metro Response: - **Adopted**

Capital Metro continues to refine its contract oversight team and has grown that team since the completion of the review. Capital Metro also continues to improve its agency-wide capabilities related to business intelligence, predictive analytics, and other similar activities.

Initial Capital Metro Response — **Pending**

Capital Metro concurs with this recommendation and is currently defining the needs across the organization for this function.

Systems and Documentation

10. Accelerate the upgrade or replacement of Spear. The current Spear system is scheduled to be upgraded or replaced in 2017 or 2018. Because this application is the primary tool for managing all of Capital Metro's assets, Capital Metro's asset maintenance is performed completely by contractors, and MAP-21 requirements will necessitate having robust documentation for all assets, we recommend accelerating Spear's upgrade or replacement.

Capital Metro Response — **Adopted**

Capital Metro concurs with this recommendation and has begun the process. The scope of services has been drafted and is being reviewed by internal stake holders; its release is planned for the third quarter of fiscal year 2017. The transition is expected to be completed by fiscal year 2018, an endpoint that cannot be pushed forward.

11. Strengthen Capital Metro's document management/content management infrastructure. Maintenance-related content, including contract clauses, maintenance-related standard operating procedures (SOPs), work instructions (WIs), original equipment manufacturer (OEM) maintenance and repair manuals, and all other relevant documentation should be complete, accurate, up-to-date and accessible by all third-party contractors, either through Spear or a separate document management system.

Final Capital Metro Response – **Adopted**

SharePoint has been implemented and is utilized to store a variety of business records, including information related to maintenance patterns. Additional updates and integration with SharePoint are being implemented with the new enterprise asset management system, Infor.

Initial Capital Metro Response — **Pending**

Capital Metro has recently implemented SharePoint and begun the process of moving documents from the Spear system when possible.

Vehicle Acquisition

12. Fully consider the “cost of complexity” and the “cost of maintenance” in any decision to procure new vehicles and other capital investment. Specifically, develop adequate financial models for evaluating the complexity-related and ongoing maintenance-related costs, such as greater inventory carrying and obsolescence costs and greater training expenses.

Final Capital Metro Response – **Rejected**

Capital Metro’s range of services and the life cycle of the vehicle fleet require a varied fleet mix. Capital Metro considers cost complexity and cost of maintenance in any decision to purchase vehicles. Such purchases are completed through competitive procurement processes and cost and other data from our service providers is utilized to inform those decisions.

Initial Capital Metro Response — **Pending**

Capital Metro’s range of services and the life cycle of the vehicle fleet require a varied fleet mix. There are additional costs that come as a result of that mix, though Capital Metro works to minimize that when possible. However, in order to offer quality service and attract riders, it is important to match the vehicle to the service type. For example, over-the-road coaches are used for long express trips, articulated buses are used for high-capacity service, and smaller vehicles are used for routes with lower demand, as well as in areas where larger buses cannot safely travel.

Capital Metro considers these factors by providing detailed specifications for each vehicle procurement. However, with a fleet life cycle of 12 years or longer, it is difficult to find similarities across the entire fleet and, per Federal Transit Administration regulations, the agency cannot sole source the procurement of buses.

These considerations are an ongoing part of the vehicle/asset acquisition process. This is done through Capital Metro-defined technical specifications and appropriately prioritized evaluation factors during the procurement process.