written survey, primarily persons who use the authority's services daily. When asked to pinpoint the major issues facing Capital Metro, the largest single response—cited by 36 percent of the respondents—was routing and scheduling issues.[31] Numerous comments from the public forums also addressed routing, such as the following: "The most responsible way to address the issue of accountability and more bang-for-the-buck would be to concentrate on the needs of the ridership and proper routing of the existing bus services."[32]

Inadequate sampling of routes

According to its 1997 KPMG Peat Marwick LLP performance audit, Capital Metro cannot identify and report basic ridership information on individual routes or on the number of transfers occurring between routes.[33] In May 1998, Planning developed a matrix to begin to tracking transfers by route, but overall difficulties related to identifying ridership by route have not improved significantly since 1997. One key problem is that Planning checks less than 1 percent of Capital Metro's passenger trips each year. Planning's "ride the buses and record the number of passengers getting on and off at each stop.[34] Ride checks, however, are handled by just one full-time employee and four part-time workers, although the Planning Department has 15 full-time and five part-time positions in all. [35]

By its own admission, Planning does not check a statistically significant portion of Capital Metro's bus routes each year. The checking that is done focuses largely on routes that have attracted complaints or have known problems; the sample does not represent a random selection of routes.[36] Therefore, the data that are collected provide useful information about individual routes, but cannot be used to draw any valid conclusions about the system as a whole.

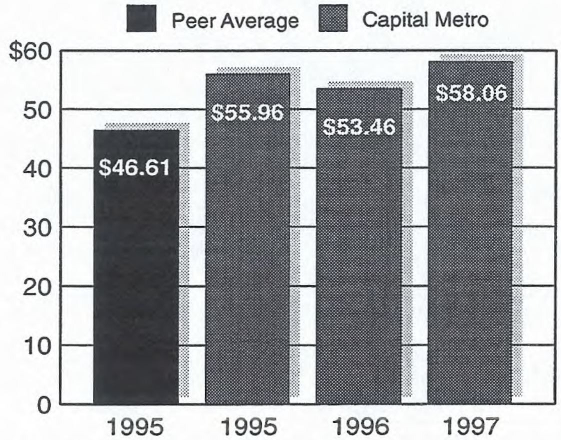
Planning's ability to provide useful ridership information is further limited by its computer system. The current system is more than ten years old; the department needs more up-to-date software to analyze ridership data accurately. Planning staff report that some of their analysis applications were rendered inoperable by an upgrade to their Oracle software.[37]

No service plan

Overall ridership depends on the effective planning of each individual route. Each route must be examined to determine its effectiveness, with clear standards determining when to revise or eliminate an ineffective route. While Capital Metro's planners have developed various standards over the years, these standards have not been adopted by or endorsed by the board, whose decisions appear to have been based largely on a simple desire to increase ridership with little or no examination of costs.

In 1994, Capital Metro purchased a Five-Year Service Plan to guide service adjustments and establish performance measures for bus routes. Capital Metro contracted with an outside firm, BRW Inc. to prepare the plan for $130,000.[38] The ridership goal cited in the five-year plan is an average 35 passengers per revenue hour (actual performance for fiscal 1997 averaged 27.4 passengers per revenue hour).[39] According to the Planning Department, the 1994 plan was developed without management's endorsement, was never formally adopted by the board, and has never actually been used.[40]

EXHIBIT 15
Operating Cost per Hour*



* Total vehicle hours from 1998 budget comparisons.
SOURCE: National Transit Database Statistics and Capital Metro.

In 1996, Capital Metro contracted with a second company, Weslin Consulting Services, Inc., to obtain basic information needed to revise its service plan. The total cost of this contract was $192,271.[41] Prior to the completion of this study, Planning changed managers and the new manager questioned the accuracy of the data, so this information was never used either—a recurring theme at Capital Metro.[42]

High operating costs

According to TPR's comparative data, Capital Metro's ridership 1995 was more than 70 percent higher than the average of its 18 peer authorities. Even after UT shuttle ridership is excluded, its ridership is almost 30 percent higher. However, Capital Metro's operating costs per hour, a key indicator of the system's efficiency, also were high—17 percent higher than the 1995 peer average and increased further in 1997 (Exhibit 15).

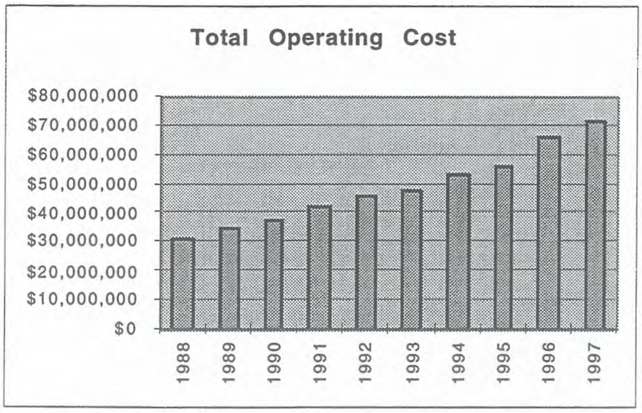
High ridership alone does not equate to efficiency. Capital Metro puts out more service than most systems, but it costs more per hour as well. This is cause for concern, given that the bulk of Capital Metro's operating costs must be paid from local taxes; they are only minimally offset by money from fares.[43]

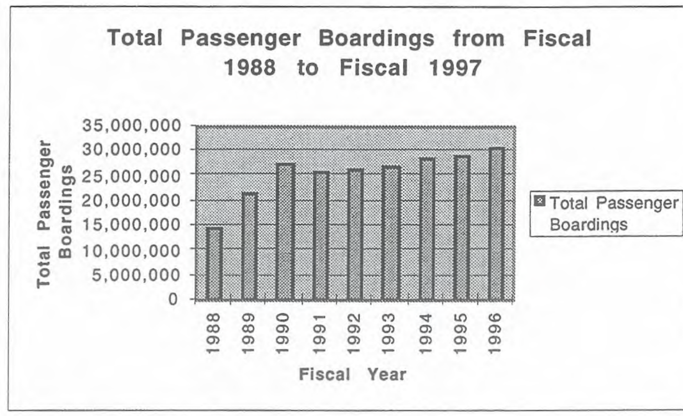
High ridership alone does not equate to efficiency.

Operating costs rising faster than ridership

Capital Metro often stresses the dramatic increase in its ridership. This picture, however, does not include the costs associated with gaining that ridership. TPR attempted to obtain a more complete picture by comparing Capital Metro's increases in ridership to the rise in its operating expenses over the last ten years (Exhibit 16).

EXHIBIT 16
Ridership and Cost Trends
Fiscal 1988 - 1997





From 1988 to 1992, Capital Metro's ridership rose by 127 percent. This was due largely to Capital Metro's assumption of the UT shuttle service in 1989 and its free fare program of 1990-91. Operating costs rose as well, but only by 47 percent. In the next five-year period, from 1993 to 1997, ridership increases slowed to only 17 percent, but operating costs rose by 50 percent.

Clearly, Capital Metro has seen the end of the period of "easy" ridership growth at least for bus services. Previous boards often continued routes with low ridership in an attempt to guarantee service throughout the entire service area. This approach has perpetuated numerous costly and unproductive routes and a system that continues to grow without regard for the efficient use of public resources.

New board's focus

The new board has focused its attention on controlling the budget and increasing Capital Metro's cost-effectiveness; most of its members were appointed with these goals in mind.

At the request of the board chairman, Capital Metro staff introduced several new performance indicators related to cost-effectiveness in a December 1997 report to the board. This report, the prototype of a new monthly report to the board, provides the cost of each type of service provided by the authority, the portion of this cost covered by fares, and the amount subsidized by Capital Metro.

These data make it clear that Capital Metro's costs per passenger vary significantly, from a low of 88 cents per trip for the UT shuttle to a high of $25.17 per trip for special transit services for persons with disabilities. The amount of these costs covered by fares also varies considerably, from nothing for the free Dillo service to a high of 86 cents per passenger per trip for van-pool services.

The percentage of these costs subsidized by taxpayers varies from 41 percent, for the UT shuttle, to 100 percent for the Dillo and 99 percent for STS and Teleride Services.

EXHIBIT 17
Cost, Revenue, and Subsidy of Capital Metro Services
First Half, Fiscal 1998

Service Types	Passenger Trips	Cost Per Passenger Trip	Revenue Per Passenger Trip	Subsidy Per Passenger Trip	Percent Subsidized
Local Fixed Route	8,142,827	$ 1.84	$ 0.18	$ 1.66	90%
UT Services	3,338,613	0.88	0.52	0.36	41
Downtown Dillo	479,202	2.35	0.00	2.35	100
Fixed Route Van	425,868	3.39	0.07	3.32	98
Park & Ride	228,535	4.95	0.14	4.81	97
Special Transit Services	199,644	25.17	0.24	24.93	99
Special Events/ Charter	121,666	2.77	0.58	2.19	79
Van-pool	175,002	4.61	0.86	3.75	81
TeleRide	38,369	15.98	0.18	15.80	99
Total/Average	13,149,726	$ 2.16	$ 0.27	$ 1.89	88%

Source: Capital Metro.

Ridership and route efficiency

The Planning Department last reported on ridership by route in fall 1997. As stated earlier, Planning tracks ridership by route and earmarks those falling below a certain level for evaluation. Ridership is measured by the number of passengers on a route divided by the number of revenue hours. By this measure, some of these routes clearly are very efficient, while others run many hours for the benefit of only a few riders.

Some routes carry thousands of riders a day. Capital Metro's North Lamar route carried 8,416 passengers a day in fall 1997, or an average of 68 passengers per revenue hour. (Note that the hours in service of each bus on a route are added to compute the route's total revenue hours; thus a route may have far more than 24 revenue hours in a single day.) The Govalle route averaged 5,253 passengers a day and 37 passengers per revenue hour. The Colony Park/Windsor Park route had 3,893 passengers in a day and an average of 76 passengers per revenue hour.

The UT shuttle routes also enjoyed very high ridership: the Intramural Fields route carried 5,288 students to campus in a day, for an average of 68 passengers per hour, while the West Campus route carried 5,247 students in a day, or 116 passengers per revenue hour.

In contrast, some regular routes report fewer than 200 passengers in a full day of service. For example, the Barton Hills route had only 143 passengers in a day, with an average of just eight passengers per revenue hour. The Southwest Oaks route had 167 passengers in a day and an average of 13 passengers per hour.

Most of the express routes also showed limited ridership. The Cameron Road Flyer carried only 42 passengers a day, with an average of 12 passengers per revenue hour. The Oak Hill Flyer carried 56 passengers per day for an average of 10 passengers per revenue hour. The Leander Express had 1,319 passengers per day but still only averaged 12 passengers per hour, due largely to the fact that buses on this route were piling up more than 100 revenue hours each day to provide service to an area so distant from downtown. The Planning staff counters that "passengers per revenue hour" is not a good measure for these routes since by their very nature they involve longer trips and do not stop as often; Planning considers total ridership more significant on such routes.

Capital Metro's board needs clear and concise cost information to make decisions on service changes, particularly if it is to meet its goal of improving the authority's cost-effectiveness.

The worst-performing service that Capital Metro operates is its TeleRide service. TeleRide provides curb-to-curb service, generally from a person's home to a nearby park-and-ride lot. TeleRide services are available in suburbs including Anderson Mill, Leander/Cedar Park, Oak Hill, San Leanna/South, Wells Branch/Pflugerville, and Central Millwood. The six TeleRide zones report from 15 to 150 passengers a day, with 1.2 to 3.7 passengers per revenue hour.[44]

Cost allocation data needed for service changes

Capital Metro's board needs clear and concise cost information to make decisions on service changes, particularly if it is to meet its goal of improving the authority's cost-effectiveness. Capital Metro's staff need to be collecting this type of information to better evaluate and substantiate their service change recommendations to the board. Such decisions cannot be based on ridership alone.

Currently, cost data are available only on a systemwide basis, but not for individual routes. Meaningful cost information on different services and routes provided by Capital Metro can be obtained only if the costs associated with the service can be isolated and indirect costs that benefit the authority as a whole can be allocated to the service under examination. The Finance Department does not have the cost-allocation model it needs to accurately report detailed information to the board on the different services currently provided. The Finance and Planning Departments are working to develop such a model, but do not anticipate having it in place until later this year.[45]

Many other transit systems use cost-allocation methods to estimate the costs associated with their various services. Houston Metro assigns costs to different services such as regular local bus service, park-and-ride service, and express service, and uses this information to estimate costs down to the route level. The authority then can develop useful cost indices for individual routes such as "subsidy per passenger trip" (which is simply the operating costs minus the fare revenue, and divided by the number of passengers).[46]

TeleRide has become a subsidized taxi service for suburban residents.

This type of information would give Capital Metro's managers and the board a much clearer idea of the actual costs associated with each individual route when making decisions about service changes. Capital Metro staff members have met with their Houston counterparts to obtain more information on their approach.

TeleRide services inefficient

One exception to Capital Metro's general lack of detailed cost data is a special Planning Department study of TeleRide services. As noted above, TeleRide provides curb-to-curb service to people in certain suburban areas. Initially, the service was established to build interest in fixed-route service by introducing suburbanites to the authority's Park-and-Ride services, but according to Planning staff, it has become a subsidized taxi service for suburban residents.[47] The fare for this specialized service is only 50 cents.

Planning's overall estimate of costs for TeleRide for the first quarter of fiscal 1998 was $16.41 per passenger trip (Exhibit 18). Generally, this is as far as Planning can go in breaking out estimated costs for a Capital metro service. Because TeleRide service is contracted, however, its costs can be analyzed more readily. TeleRide services were provided by the Greater Austin Transportation Company (GATC) for $1.3 million in fiscal 1997, with estimated fare revenues of about $13,000 about 1 percent of its costs.[48] Staff analysis estimated the costs for the six TeleRide routes as follows:

EXHIBIT 18
TeleRide Services Cost Per Passenger Trip
Fiscal 1998, First Quarter

TeleRide Zone*	Cost Per Passenger Trip
Anderson Mill	$ 9.84
South Austin	11.47
Cedar Park/Leander	13.50
Wells Branch/Pflugerville	15.04
Central Millwood	16.90
Oak Hill	27.82
Average for all TeleRide Zones	**$16.41**

Source: Capital Metro.

While the average of $16.41 per passenger clearly is high, the breakout of these costs shows huge variation in costs by route area, from $9.84 to $27.82. Despite this variation, all of TeleRide's costs per passenger are higher than those of any of Capital Metro's other services except for federally mandated services for persons with disabilities. One contributing factor to TeleRide's high costs is the fact that 15 percent of its trips are "no-shows," in which the passenger is not present when the dispatched vehicle arrives. Planning has recommended that TeleRide services be eliminated or reduced three times in the last two years (including its current recommendations for service changes for January 1999), but the board has not yet acted on these recommendations.[49]

This example indicates how critical detailed cost information can be in evaluating the continuation, elimination, or expansion of certain services. Cost per passenger is simply a more compelling and generally understandable measure than passenger boardings per revenue hour.

For example, as stated earlier, TeleRide services report 15 to 150 passengers a day, with 1.2 to 3.7 passengers per revenue hour. While this clearly smacks of inefficiency, knowing that some of Teleride routes cost as high as $27.82 per passenger per trip gives the board a much more concrete tool in its efforts to cut back on unproductive, costly services, particularly when facing pressure from riders to continue the service regardless of the cost.

Some Teleride routes cost as high as $27.82 per passenger per trip.

Opportunity to set new direction

In September 1997, Capital Metro engaged an outside consulting firm, LKC Consulting Services, Inc., to evaluate its fixed-route bus system. This study is to be completed this year at a cost of $457,000. Its key purpose is to develop system performance data to evaluate the effectiveness and efficiency of bus routes. The study includes an origin-destination survey designed to provide accurate information on the travel patterns of Capital Metro bus patrons. The study also will examine buses' on-time performance and determine how often riders must transfer and how long such transfers take. This information can be used in evaluations of various ridership models, demographic analyses of Capital Metro's passengers, and assessments of current and future market share.[50] The Planning Department seems hopeful that this study will provide some of the baseline data needed to develop an effective five-year service plan that can be fully endorsed by the board.

For the first time in years, then, Capital Metro should have baseline data on its riders' needs. While these data are important, the study does not address and will not propose any modifications to Capital Metro's ongoing system for collecting and analyzing ridership data. In addition, this study is only a statistical "snapshot" in time. Basic survey work for the study was conducted in fall 1997 and sampled about 8 to 12 percent of the ridership over a five-week period. The usefulness of this data will depend entirely on whether the board becomes actively engaged in setting a clear policy direction for development of the next five-year plan.

Is the board's primary wish to increase ridership or efficiency? Would it prefer to build new ridership in the suburbs, or to increase service to inner-city residents who depend more heavily on public transit? Should the authority focus on increasing ridership downtown or in newly developing job centers outside the downtown area? Most importantly, should Capital Metro provide service to all areas, regardless of the cost, or should cost-effectiveness be a critical deciding factor?

The study should provide excellent data for evaluating such options, but the board, not a consultant, must set Capital Metro's direction and priorities.

Houston Metro's "focus on the passenger"

Houston Metro provides an example of a transit system that has adopted a realistic direction for improving its bus services. Houston Metro's board decided in 1996 to focus on existing customers by increasing service on the most popular routes. Metro's Deputy general manager is quoted in the *Houston Chronicle* as stating "our 'focus on the passenger' effort is designed around folks already using our service, not the hardest to serve. These moves have caused a bigger ridership boost than extending new routes into distant suburbs without a strong ridership base."[51]

One goal is to allow riders to forget about bus schedules on its busiest routes and simply be confident that a bus will arrive within a few minutes. Metro also has

Should Capital Metro provide service to all areas, regardless of the cost, or should cost-effectiveness be a critical deciding factor?

targeted downtown employers with presentations to encourage bus ridership, particularly on their park-and-ride services.

The result is a more efficient system, with fewer empty seats and empty buses. In fiscal 1997, Houston Metro increased its ridership by 7.8 percent while increasing its total miles of service by only 2.9 percent. For fiscal 1998, the authority projects a 13.8 percent increase in ridership based on its experience in the first six months of the year, with only a 1 percent increase in its miles of service.[52] Thus a clear direction and strategy from Houston's board has increased ridership without a similar increase in costs due to increased mileage.

TPR does not necessarily endorse or recommend a similar strategy for Austin; however, some clear plan and priorities are needed to guide the authority's decisions. Capital Metro's board has no such plan to guide it in making decisions concerning the evolution of basic bus service over the next few years.

Recommendations

A. **The board should develop a clear policy and strategic direction, no later than September 1, 1998, to guide the development of its five-year bus service plan.**

Regardless of the fate of light rail, Capital Metro's primary function for the foreseeable future will be its bus services. Capital Metro is investing almost a half-million dollars in an outside study to assist it in developing a five-year service plan. However, neither the consultant or staff can ensure that this plan will receive any more attention than a long series of previous plans that accomplished nothing, unless the board itself sets the policy and strategic direction to guide it. The services plan can outline how to get there, but the board must decide where it wants to go.

The board should provide its staff and the consultants it has engaged with a clear strategic direction to guide the development of its core bus services and their integration into any other services developed in the future. The strategic planning process must set specific priorities for bus operations to strike a balance between increased ridership and cost-effectiveness.

B. **The board should develop clear, written goals and criteria for evaluating and improving the cost-effectiveness of its bus services no later than October 1, 1998.**

The board must set goals to improve the cost-effectiveness of the system through its new plan, with clear written criteria to measure the performance for each type of service offered by the authority. These criteria will help ensure that the board will be in a position to measure if the staff's implementation of its policy is achieving the goals it hoped to achieve.

For every proposed route change, the Planning Department should estimate a financial impact. The lack of clear cost information presently makes it impossible for the board to make informed decisions. Operating costs have outpaced increases in ridership in recent years and further expansion has become ever more expensive. To make effective decisions regarding service changes and spending priorities, the board must have access to information on costs as well as ridership.

Establishing the new criteria before the beginning of fiscal 1999 would ensure that they could be used to evaluate route changes scheduled to go into effect for January 1999. High-cost, inefficient routes should not be maintained simply to serve a few scattered riders, if the board is to remain true to its goal of making Capital Metro more cost-effective. It is not equitable or responsible to pay more than $25 for one passenger trip when the same money could provide service to ten times as many people on more efficient routes. Clear criteria in the area of cost-effectiveness would allow the board to make tough decisions fairly and reallocate the authority's resources to routes with greater needs and a higher potential for increased ridership.

It is not equitable or responsible to pay more than $25 for one passenger trip when the same money could provide service to ten times as many people on more efficient routes.

C. Capital Metro's chief financial officer and Planning Department should collaborate on the development of a cost allocation method to assign costs by service type no later than October 1, 1998.

A good cost allocation method is a must for effective decision-making in a transit system of this size. Several good models exist throughout the industry that Capital Metro could adapt to its needs. This would allow its staff to develop reliable estimates for the costs associated with various changes in service and routes, and in turn enable the board to evaluate these costs against increased ridership.

D. The board should eliminate TeleRide services no later than October 1, 1998.

Capital Metro pays more than $1.3 million a year to provide taxi service in certain suburban areas at costs ranging from $9.84 to nearly $28 per passenger trip, while recouping only 50 cents from each rider. Residents within other parts of Capital Metro's service area do not receive comparable service.

TeleRide clearly is the most inefficient service Capital Metro provides. Eliminating it would send a clear message that the new board is serious about making the authority more cost-conscious.

E. Capital Metro's general manager should reallocate resources within the Planning Department to support the collection of basic ridership data from each Capital Metro route at least twice a year to coincide with the two major annual service changes.

Capital Metro has not devoted enough resources to the basic data collection needed to evaluate the service it provides, or the computer support needed to compile and analyze these data once collected. Yet this basic information is critical to effective routing and scheduling.

The key resources needed include enough additional staff members to perform ride checks on each route at least twice a year. The Planning Department has 15 full-time and five part-time employees, but has devoted only one full-time and four part-time people to this basic function. Additional computer software support also is needed to accurately analyze ridership data. The general manager should reallocate staff resources to ensure an appropriate level of ride checking. The Information Systems Department should make it a priority to provide Planning with the support needed to upgrade its computer systems to process ridership data appropriately.

Fiscal impact

The savings to Capital Metro from eliminating the TeleRide services are estimated at $1,355,000 per year, based on costs for providing this service in fiscal 1997. The loss in revenues from fares is estimated at $13,000 per year. The net savings to Capital Metro would be $1,342,000 per year or $6.7 million over the next five years.

Better cost information should improve the board's ability to cut costs by reducing or eliminating unproductive routes, but the resultant savings would depend upon future board actions and cannot be estimated. The other recommendations in this proposal should be implemented within existing resources.

Fiscal Year	Savings	Loss in Revenues	Net Savings
1999	$1,355,000	$13,000	$1,342,000
2000	1,355,000	13,000	1,342,000
2001	1,355,000	13,000	1,342,000
2002	1,355,000	13,000	1,342,000
2003	1,355,000	13,000	1,342,000

PROPOSAL 24
Reduce costs for providing the University of Texas Shuttle service.

Background

Shuttle service is a substantial money-loser for the authority.

Capital Metro has an agreement with UT to provide shuttle services through August 2003. Passengers on UT shuttle routes make up almost 25 percent of Capital Metro's total ridership. In fiscal 1997, this involved over 7.5 million boardings by UT students on special shuttle routes. The University of Texas at Austin has provided student transportation services since 1969. Initially, UT provided the service by contracting directly with private transportation companies. In 1988, the university entered into an agreement with Capital Metro to provide shuttle service; Capital Metro in turn contracts with private companies for the service. UT's cost for the service is funded by student fees. UT will pay Capital Metro $4,252,398 for the service in fiscal 1998, based on a total of 145,398 annual service hours.[53] Hours exceeding 142,500 are paid at a rate of $29.25 per service hour.[54]

Since 1991, Capital Metro has contracted for shuttle service with Dial Activated Vehicle (DAVE) Transportation Service, Inc. (Laidlaw, another transportation company, acquired DAVE in 1997 but continues to do business as DAVE for the purposes of Capital Metro's contract). As part of the contract, Capital Metro provides DAVE with 88 fully operational, air-conditioned, wheelchair lift-equipped transit buses. Capital Metro also provides major bus repairs, fuel, and "fixed costs" including payroll taxes and other taxes, worker's compensation insurance, group insurance for drivers, vehicle licenses, and facilities costs. Capital Metro's major repair costs totaled $116,434 in fiscal 1997 and $54,580 in fiscal 1998 to date. Capital Metro has budgeted $696,629 for fuel costs for the UT shuttles in fiscal 1998. Fixed costs were budgeted at $2,340,480 for fiscal 1998.[55]

In all, Capital Metro's contract with DAVE will cost the authority $6,310,097 in fiscal 1998, $2,057,699 more than what Capital Metro will receive from UT—meaning that the shuttle service is a substantial money-loser for the authority.[56]

Other costs
This $2 million figure represents a direct subsidy of UT's shuttle service by Capital Metro taxpayers. However, other costs actually add to this subsidy amount, including indirect administrative costs, bus replacement cost, and heavy repair costs.

Three Capital Metro employees provide administrative oversight of the shuttle operation, at a cost to the authority of nearly $86,000 a year (Exhibit 19). Capital Metro has assigned one individual as a liaison between Capital Metro and UT. Capital Metro has included the cost of this individual in their budget and UT provides rent free space on the campus from which this individual works.

EXHIBIT 19
Capital Metro Staff Cost
UT Shuttle Program

Staff	Salary	Percent of Time Working on UT Shuttle Administration	Adjusted Salary	Benefits (40% x Adj. Salary)	Costs
UT Liaison	$55,255.51	90%	$49,730	$19,892	$69,622
Planner	30,377.51	8%	2,430	972	3,402
Planner	36,554.21	25%	9,139	3,656	12,795
Total	$122,187.23		$61,299	$24,520	$85,819

Source: Capital Metro.

The annual replacement cost, sometimes called depreciation costs, of the vehicles in the UT shuttle fleet is substantial as well; based on information TPR received on 80 of 88 buses in the fleet, these costs total about $191,724 annually (Exhibit 20).

EXHIBIT 20
UT Shuttle Fleet
Projected Annual Replacement Cost

Number of Buses*	Life Expectancy	Original Cost per Unit	Total Cost of all Units	Annual Replacement Cost(Total Cost / # of Years of Life Expectancy)**	Replacement Cost Less 80% Federal Share***
19 Buses	12 years	$136,384	$2,591,296	215,941	$43,188
1 Bus	12 years	148,214	148,214	12,351	2,470
3 Buses	12 years	136,384	409,152	34,096	6,819
1 Bus	12 years	148,214	148,214	12,351	2,470
1 Bus	12 years	136,384	136,384	11,365	2,273
32 Buses	12 years	134,761	4,312,358	359,363	71,873
1 Bus	12 years	129,600	129,600	10,800	2,160
1 Bus	12 years	156,910	156,910	13,076	2,615
1 Bus	12 years	156,810	156,810	13,068	2,614
1 Bus	12 years	167,229	167,229	11,429	2,286
19 Buses	12 years	167,230	3,177,370	264,781	52,956
*80 Buses			$11,533,537	$958,621	$191,724

* Capital Metro's Finance Department provided information on only 80 buses in the fleet.
** The cost to Capital Metro to replace a vehicle at today's market value.
***Capital Metro's purchase of buses is subsidized by federal funding for 80 percent of the purchase price.

Source: Capital Metro.

Capital Metro's Maintenance Department reported $116,434 in heavy repair costs for UT shuttle buses in fiscal 1997, and $54,580 for fiscal 1998 through April. TPR projects total costs for fiscal 1998 heavy repairs at about $109,000.

These other costs, then, total about $386,543 annually. Thus Capital Metro's total cost for providing the UT shuttle service in 1998, beyond the payment it receives from UT, is estimated at more than $2.4 million.

Procurement problems

In spring 1995, two companies responded to Capital Metro's most recent request for proposals to run the UT shuttle operation. These were DAVE and TCT Transit Services Group of Knoxville, Tennessee. DAVE was awarded a two-year contract with a one-year option, despite the fact that TCT submitted a lower proposal price ($16.5 million versus DAVE's $18.8 million).[57]

An official at TCT requested a review of the proposal evaluation process. As a result of this request, Capital Metro's internal auditor conducted a review and completed his report in August 1995. The internal auditor found several improprieties with the procurement process, including:

- omission of TCT from the original vendor list, despite the fact that TCT had participated in previous solicitations with Capital Metro.
- selection of the project manager for the shuttle program on the evaluation committee who had working relationships with representatives of both DAVE and TCT, and who should not have participated in evaluating the proposals.

- influence by this project manager on other members of the evaluation committee; the project manager apparently implied that giving the contract to DAVE was the most reasonable thing to do primarily because they held the previous contract.
- excessive weight given to a "Reasonableness of Price" proposal evaluation factor, considering the nature of the contract.
- lack of objective analysis of price as a factor of the proposal. Members of the evaluation committee had concerns about the TCT's low proposal price, but these never were brought to TCT's attention.
- apparent favoritism. After the board awarded the contract to DAVE at the June 1995 board meeting, a TCT official asked the project manager why TCT lost; the project manager responded that "You just can't beat the home team."

The internal auditor recommended that Capital Metro consider canceling this procurement and readvertising it.[58] Capital Metro managers acknowledged some improprieties in the procurement process, but did not feel they contributed substantially to the selection of DAVE over TCT.[59] Subsequently, Capital Metro's board authorized the general manager to negotiate and execute a contract with DAVE Transportation.

Again, TCT's proposal prices for each of the three years of the contract were lower than DAVE's. The evaluation committee chose to interpret one of the evaluation factors, "Reasonableness of Price," as a measure of how realistic the proposal was, and apparently decided that TCT's proposal was unrealistic. Interestingly, as pointed out by the internal auditor, the evaluation committee did not consider the relative prices of the proposals as a factor.

Another approach: A&M's shuttle program

Texas A&M University has a student shuttle system run directly by the university, with no outside contract. The A&M shuttle system uses about 60 school buses to provide shuttle services for about 40,000 students on and off campus. The service's operating budget for fiscal 1997 was $2.3 million; it has no capital budget. Revenues to support the shuttle include $1.2 million per year in fees from off-campus bus passes and about $800,000 in student fees intended to cover the on-campus shuttle. A&M's Parking Division makes up the difference in costs of about $280,000 annually. The service also makes some money from charters.[60]

Shuttle data skews picture

The UT shuttle routes are significantly more efficient than the rest of the Capital Metro system. For example, the UT shuttle carries about 53 riders per hour. All other routes averaged about 23.5 riders per hour. When averaged together, Capital Metro ends up with an overall system average of 27.4 riders per hour. The inclusion of UT statistics brings the system's overall performance totals up significantly, from 23.5 to 27.4 riders per hour.[61]

Capital Metro routinely uses this higher figure to compare itself with other transit authorities. In the peer comparison TPR conducted, the inclusion of the UT data gave Capital Metro higher ridership-per-hour figures than any of 18 peer transit authorities. When the UT data are excluded, Capital Metro's average of 29.4 is still slightly above average, but falls much closer to the peer average of 27.3.

Thus the inclusion of UT ridership data significantly changes the statistical picture of Capital Metro's effectiveness in comparison with its peers. Although several other transit systems provide university-related services, they are not as extensive as the UT shuttle service and often are managed as independent or stand-alone operations and are not integrated into overall community services.

Capital Metro has initiated efforts to begin separating these data based upon requests from the new board. However, according to the Planning Department, "passenger trips made by UT students are not readily available for extraction from all contractors' reports."[62] This inability to isolate data on such a significant service element is not conducive to informed decisions.

Recommendations

A. **Capital Metro should routinely and systematically collect and analyze UT shuttle ridership data and information separately.**

This change would ensure that planning and operating decisions concerning the shuttle service are made with a full awareness of each element in its cost and effectiveness.

Capital Metro also should ensure that, when making comparisons to other transit authorities, it presents systemwide data both with and without the UT shuttle data. Capital Metro also should develop a contingency plan assessing Capital Metro's opportunities and risks if UT were to give the shuttle contract to another vendor. The first plan should be completed no later than January 1, 1999, with periodic updates to coincide with the authority's budget planning process.

B. **When the contract between Capital Metro and DAVE ends in May 1999 and Capital Metro begins the solicitation process for a shuttle service provider, the authority should seek to reduce the cost of providing the service by selecting the best vendor at the lowest cost possible.**

The 1995 contract, which was supposed to end on August 22, 1998, has been extended to May 1999. Capital Metro should seek to provide UT shuttle services in the most cost-effective way possible, particularly since the service is a net money-loser for the authority.

In evaluating bids, Capital Metro's evaluation committee should make overall price a significant factor. The solicitation process should be conducted in a way that encourages as large a response as possible. The evaluation process should be free of subjectivity and allow for equitable, comprehensive, and objective analysis of all proposals.

C. **When the contract between Capital Metro and the University of Texas comes up for renewal in August 2003, the authority should discontinue subsidizing the shuttle program and pass the full cost of operating the system on to the university.**

Fiscal impact

Recommendation A can be accomplished with existing resources. Capital Metro should realize savings by focusing its solicitation and evaluation processes on cost-effectiveness, but these savings cannot be estimated.

Capital Metro's contract with the University of Texas does not end until August 31, 2003. TPR's recommendation concerning the UT contract should generate significant savings starting in 2003.

PROPOSAL 25
Strengthen controls over the van-pool program.

Background

Alternative Transportation Operations (ATO), a section within the Purchased Transportation Department since March 1998, is charged with developing alternative transportation methods for the authority's entire service area, to reduce single-occupancy car trips and provide transportation choices that satisfy the community's needs and improve its residents' quality of life. ATO pursues its goals by providing and promoting activities such as carpooling, telecommuting, "Guaranteed Ride Home" programs and van-pool services, which provide Capital Metro vans for the use of groups of commuters for a small fee per passenger.

ATO's fiscal 1998 operating budget is $1,642,627, while the capital budget, used for purchasing vehicles, is $3.4 million.[63] Direct costs budgeted for the van-pool program comprise about $1.5 million or more than 90 percent of the total operating budget. Most of the tasks involved in managing the van-pool program are performed by a private contractor.

Van-pool services

Capital Metro contracts with Van Pool Services, Inc. (VPSI) for the management of its van-pool program. The current contract, in effect since May 1, 1994, extends through December 31, 1998.[64]

The provisions of the contract require VPSI to

> . . . procure and deliver vehicles to drivers, provide full insurance coverage, handle fleet management, audit and invoice monthly gasoline reports, coordinate van-pool driver agreements, obtain driver license records, pay postage for and distribute monthly van-pool passes, provide cards to the van-pool drivers for gasoline purchases and bill van-pool drivers for personal usage, and collect passenger fares.

VPSI also must enroll, qualify, and train participants, arrange for high-priority vehicle maintenance, supply project administration, and assist in selecting van-pool commuter routes.[65]

Van-pool drivers and alternate drivers, as well as their spouses, are allowed unlimited use of the authority's vans. The only limitation imposed on this usage is a requirement that drivers notify and receive pre-approval from VPSI if they will be traveling more than 200 miles round-trip from home.[66]

In January 1998, ATO conducted a cost-benefit analysis that compared a continued contractual arrangement for van-pool services versus an in-house operation, and estimated that Capital Metro could save $2 million over four years by bringing the service entirely in house.[67] TPR found that this analysis contained questionable calculations and assumptions and so cannot confirm the benefits of in-house operation. Based on this analysis, however, the board recently approved $3.4 million for the purchase of new vans, with the intent of assuming VPSI's functions upon conclusion of the present contract. Capital Metro realized about $278,750 in savings by purchasing the vans (for $2.8 million) through the General Service Commission's

(GSC's) Cooperative Agreement program, which purchases supplies, materials, services, and equipment for state agencies and other qualified entities.[68]

In March 1998, the ATO coordinator asked Capital Metro's external auditors, Martinez, Mendoza & Colmenero P.C., to perform a new cost-benefit analysis of in-house operation. The auditor presented its analysis to the board on May 11, 1998, concluding that Capital Metro could save $1.1 million in general, administrative, and personnel costs along with contractor profit over four years through in-house management.[69] This estimate—almost half the original savings estimated in January 1998—assumed Capital Metro would hire four additional full-time employees for the in-house operation. The board subsequently voted to extend the VPSI contract through December 1, 1998, to give ATO time to make the transition to an in-house operation.

Recommendation

Capital Metro should annually assess the cost-effectiveness of its ATO van-pool operations to ensure that the estimated savings of $1.1 million are achieved.

Fiscal impact

This recommendation would ensure that estimated savings are not automatically reallocated in the authority's budget.

PROPOSAL 26
Improve van-pool fuel management.

Background

The authority also pays for all gasoline purchases used during van-pool commutes from home areas to the work site and back. Drivers pay fuel costs for any personal use of the vans.

Through VPSI, ATO manages 111 vans.[70] VPSI provides Wright Express credit cards to van drivers for gasoline purchases and audits and remits monthly gasoline report invoices to Capital Metro. Capital Metro pays a $2 monthly fee for each of these cards that is included in the contract's monthly van-pool charges; the authority also pays for all gasoline purchases used during van-pool commutes from home areas to the work site and back. Drivers pay fuel costs for any personal use of the vans.

According to the VPSI contract, passenger fares should cover all fixed and operating costs for the vans, third-party management expenses, administrative costs, free driver commute transportation, personal use of vans by drivers, spare vehicle ratio, and staffing requirements. Gasoline costs are not included in the fares, however; these are paid entirely by Capital Metro.[71]

Unnecessarily high fuel costs

Van-pool drivers purchase fuel separately at various gasoline stations throughout the service area. ATO receives no bulk purchase discounts off the price of the gasoline through VPSI's subcontract with Wright Express. The authority is purchasing 10,000 to 12,000 gallons of fuel per month at $1.15 per gallon, for an average annual fuel cost of $151,800.[72]

The 1995 Internal Audit review noted this lack of fuel discounts and recommended that management amend the contract to allow Capital Metro to take over gasoline purchases.[73] No action was taken on this recommendation.

The Internal Audit review also stated that Capital Metro's contract with Diamond Shamrock for unleaded gasoline for its buses could be amended to accommodate van-pool purchases. TPR found, however, that it is not feasible to do so because the unleaded gasoline is shipped to Capital Metro's bus service island; it would be inconvenient for van pool drivers, who reside and work all over the authority's service area, to fuel their vans only at Capital Metro's facility.

GSC administers a statewide retail fueling contract that was solicited through a request for proposals (RFP) in 1995 by the state's Council on Competitive Government (CCG). Through this contract, the state realized total savings of $134,783 from April 1996 through February 1998. CCG negotiated and contracted with four vendors to achieve these savings.

Recommendation

Capital Metro's fiscal 1999 budget should be reduced to reflect any discounts from retail fuel prices received through a new fuel services contract.

Because the current VPSI contract is scheduled to end December 30, 1998, ATO released a request for proposal for a gas card. Included in this is a request for information on discounts off retail fuel purchases.

Fiscal impact

Because many vendors who provide fueling services do not charge a service fee per van per month like Wright Express, ATO could save up to $2,664 per year (111 vans x $2 per month x 12 months) by seeking a more competitive arrangement. In addition, many vendors offer a discount on retail fuel to customers who meet certain volumes of purchases. These discounts vary, but based on a conservative assumption of a 1 percent discount, ATO would save an additional $1,450 annually. Total annual savings would be $4621. The first-year estimate assumes nine months of savings for a new retail fuel contract $4,114.

Fiscal Year	Savings
1999	$3,100
2000	4,100
2001	4,100
2002	4,100
2003	4,100

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CHAPTER 6

Contracts, Procurements, and Disadvantaged Business Enterprises

Because the area of purchasing is so prone to abuses and illegal activity, a public agency's procurement process and staff tend to set the ethical tone for the entire organization. The slightest deviation from legal requirements, regulations, and established policies and procedures can compromise integrity and ignite public outrage against the organization. After years of problems with its procurement process, Capital Metro finds itself in such a predicament today.

In the last three years, Capital Metro's Contracts and Procurement Department has faced four internal and external audits as well as an ongoing criminal investigation by the Federal Bureau of Investigation. The authority's managers have received numerous recommendations on ways to correct the authority's purchasing practices; yet problems continue, fostered largely by an organizational culture that does not hold employees and managers accountable for their actions.

In the last three years, Capital Metro's Contracts and Procurement Department has faced four internal and external audits as well as an ongoing criminal investigation by the FBI.

Contracts and Procurement provides purchasing and contract support for Capital Metro. The department's budget is $600,826 for fiscal 1998.[1] The department consists of a manager who reports to the chief financial officer, two senior buyers, five buyers, and three administrative employees.[2] Three additional budgeted positions—a contract administrator, an administrative services representative, and an administrative secretary—are vacant at this writing.

In fiscal 1997, Contracts and Procurement spent $653,390 (Exhibit 21):

EXHIBIT 21
Contracts and Procurement Expenditures
Fiscal 1997

Type of Expenditure	Amount	Percent of Total
Salaries and Benefits	$498,998	76.4 %
Temporary Help	14,499	2.2
Travel and Training	38,231	5.9
Newspaper Media	31,161	4.8
Office/Other Supplies	24,791	3.8
Other	45,710	6.9
Total	**$653,390**	**100%**

Source: Capital Metro.

During fiscal 1997, Contracts and Procurement processed 7,390 informal requisitions (purchases under $15,000); 62 formal requisitions (for purchases of more than

$15,000); and 14 formal amendments (to contracts worth more than $15,000).[3] In May 1998, the department had 20 formal requisitions in progress.[4]

Capital Metro's Disadvantaged Business Enterprise (DBE) Department ensures DBE participation in its contracts. The department has two full-time-equivalent (FTE) staff members and a fiscal 1998 budget of $153,360.[5] The department's primary activity is to certify small minority- and women-owned businesses as DBEs. The program is not complying with federal rules requiring on-site visits of all vendors seeking DBE certification.

In this chapter, TPR recommends ways to enforce Capital Metro's contract and procurement policies and procedures more effectively. TPR also proposes that the authority complete a new purchasing policies and procedures manual; report violations of these policies and procedures to the general manager and the board's Finance Committee on a monthly basis; adopt federal best practices in the development of a formal procurement plan for the authority; develop an in-house training program on contract management for project managers; and acquire in-house expertise in cost and price analysis. TPR also recommends ways to improve the efficiency and customer service offered by Capital Metro's DBE program.

TPR's recommendation to hire an employee with experience in cost and price analysis would cost the authority an estimated $58,520 annually in salary and benefits. The other recommendations could be implemented with Capital Metro's existing resources. TPR's recommendations in this chapter should produce significant savings that cannot be estimated at this time.

PROPOSAL 27
Hold managers accountable for complying with the authority's purchasing and contract policies and procedures.

Background

On August 25, 1997, Capital Metro's board adopted an "Acquisition, Disposal, and Delegation of Authority Policy" that states that all acquisition and disposal transactions shall be conducted in accordance with the following primary goals:

> All procurement of materials and services that are necessary for the day by day operation of the Authority shall be conducted in a manner that ensures maximum open and free competition.
>
> The Authority's acquisition and disposal procedures shall provide for maximum participation by disadvantaged business enterprises (DBEs).
>
> The Authority's acquisition and disposal procedures shall be developed so as to instill public confidence in the acquisition process and provide for public access to all procurement information to the extent provided by law.
>
> The Authority's acquisition and disposal procedures shall provide for safeguards to ensure a system of quality and integrity.[6]

The board also delegates authority to the general manager in the award of contracts as outlined below (Exhibit 22):

EXHIBIT 22
Capital Metro Board-Delegated Authority to General Manager or Designee

Approve and execute all purchase requisitions.
Formally advertise and issue solicitation documents, i.e. Information for Bids (IFBs) and Request for Proposals (RFPs).
Issue solicitation documents (IFBs/RFPs) and award contracts for consumable items that are considered basic requirements for the authority's day-to-day transit operations, such as supply agreements for bus parts, supplies, petroleum products, tickets, and passes, regardless of dollar amount.
Approve and execute purchase orders and contract instruments awarded under Capital Metro's small-dollar purchase procurements (under $15,000).
Execute contracts resulting from IFBs that do not exceed $75,000 (or, in the case of contracts based on a rate per year, less than $75,000 per year) for the construction of improvements or purchase of material, machinery, equipment, supplies, and all other property except real property, and services solicited by IFB, provided the lowest responsible bid is within the dollar amount budgeted.
Execute contracts resulting from RFPs that do not exceed $75,000 (or in the case of contracts based on a rate per year, less than $75,000 per year) for personal and professional services and all other services solicited by RFP, provided the most qualified proposal is within the dollar amount budgeted.
Approve and execute contract amendments and change orders as may from time to time be necessary, so long as they do not exceed the amount of the original contract, in total or in combination.
Approve and execute contracts or amendments in cases of emergency, which shall mean cases where postponement of the action until the next scheduled meeting of the Capital Metro Board of Directors will result in loss of property, danger to life or health, or major adverse effect on transit service, provided that the general manager shall request ratification of each action under this emergency provision at the next meeting of the Board of Directors.
Approve and execute contracts or amendments in cases of urgency, which shall mean cases where postponement of action until the next scheduled Board meeting will result in substantial negative impact on Authority programs, activities, or service. In this case the general manager shall contact the Board and inform them of his proposed action. Unless there is substantial Board disagreement with the proposed course of action, the general manager shall proceed and shall request ratification of the action at the next scheduled Board meeting. The Board of Directors will be kept informed of these activities through the general manager's Open Procurement Project List at a level of detail and frequency satisfactory to the Board.

Source: Capital Metro.

In addition, Capital Metro has established the following purchasing procedure requirements:

- $50 or less: petty cash purchase; no competitive bid required.
- $50.01 to $1,000: one verbal, documented bid required (purchases must be rotated among several vendors with award history attached).
- $1,000.01 to $5,000: two verbal, documented bids (one DBE bid minimum).
- $5,000.01 to $14,999.99, three written, documented bids (one DBE bid minimum).
- $15,000 and above: formally advertised bid (through a request for proposals or invitation for bids).[7]

Invitation for bids (IFBs) are solicitations for goods or services whereby the successful bidder is chosen mainly on the basis of price and an award is made to the bidder who submits the lowest bid. Requests for proposals (RFPs) are solicitations for goods or services whereby the successful bidder is chosen based on an evaluation of price, qualifications, experience, equipment, facilities, and other factors deemed necessary to the requesting entity.

The Contracts and Procurement manager and senior buyers have signature authority to approve and execute purchases up to $10,000. The general manager's signature authority runs from $10,001 up to $75,000. All purchases and change orders exceeding $75,000 must be approved by the board.[8]

Procurement process

Capital Metro's procurement process begins before each fiscal year (October 1-September 30) as a part of the budget preparation process. Each Capital Metro department manager incorporates anticipated purchases into his or her budget request for the upcoming fiscal year. These requests are submitted to the chief financial officer, who combines them into a formal budget document for board approval.

Upon approval of their budgets and the beginning of the fiscal year, department managers are authorized to approve purchases of materials or services by their personnel. These requisitions, their accompanying specifications, source lists, and bid quotes, if applicable, are submitted to Contracts and Procurement for processing and execution.

At the beginning of its review, TPR found that requisitions submitted to Contracts and Procurement first were reviewed by administrative employees for required elements such as appropriate budget line items; required documentation; a cost or price analysis, as applicable; vendor rotation history, if under $1,000; source lists (lists of potential vendors); and number of bid quotes, if applicable. The administrative staff then would enter the requisitions into the department's computer system and circulate them to the DBE staff, which would determine whether they presented opportunities for DBE participation and, if so, would assign DBE participation percentage goals—a percent of the project to be offered for DBE vendors to bid—to the requisitions.[9] TPR found that DBE's approvals were delaying the procurement process unduly and, in recognition of this, Capital Metro's new director of Contracts and Procurement has changed the procedure.[10]

As of March 1998, administrative employees log in requisitions upon receipt and the manager of Contracts and Procurement reviews each for completeness and assigns it to a buyer.[11] The requisitions then are submitted to DBE for assignment of goal percentages and attachment of DBE vendor list and are resubmitted to the applicable buyer for processing.

If the requisition is for materials or services valued up to $1,000, the assigned buyer reviews and may accept the quote(s) obtained by the requesting department. The buyer accepts or rejects the quote, based on whether it meets the minimum purchase order (PO) specifications. Upon approval of the low quote, the Contracts and Procurement manager signs the PO and the administrative staff mails the original PO to the vendor and awaits delivery of the product, which normally is received by the authority's Receiving Department. After Receiving accepts the product, it is inspected by the requesting department and Contracts and Procurement, if necessary. Accounts Payable is notified to pay the vendor if the product is not defective. If a defect is discovered, the vendor is notified and asked to replace it. If the vendor refuses to replace the product, the PO is canceled, the next lowest bid is identified, and the process begins anew.

A similar process is followed for purchases between $1,000 and $15,000. For such purchases, however, Contracts and Procurement obtains the vendor quotes, including one from a DBE; the buyer must draft a contract document. The Contracts and Procurement manager or senior buyers may approve orders up to $10,000. The general manager must approve orders above $10,000.

Formal bidding processes

Purchases valued at $15,000 or more are considered to be formal solicitations, requiring an invitation for bid (IFB) or a request for proposal (RFP), and involve a more detailed and time-consuming process.

Requirements for the IFB process include at least two newspaper announcements; a pre-bid conference, if needed to clarify the terms of the bid; and a time period to answer questions asked at any pre-bid conference, amend the IFB accordingly, and send the amendments to all bidding vendors.

Federal regulations require IFB contracts to be awarded to the lowest bidder, using a firm fixed-price (lump-sum or unit price) contract. IFB contract awards valued up to $75,000 must be approved by the general manager; all proposed awards in excess of $75,000 must be approved by the board.

The RFP process comprises the above steps, with the following exceptions. The RFP process requires an evaluation committee, which evaluates each proposal that is submitted by vendors; gives a score to each pre-identified factor of the offer (such as price, vendor qualification, expertise, and technical ability); totals each score; and recommends an award to the vendor with the best score. Proposals received pursuant to an RFP can be awarded by either a fixed-price or cost-reimbursement contract; the latter establishes an estimate of total cost and a ceiling that cannot be exceeded by the contractor, and must be awarded to the vendor whose proposal is most advantageous, taking into account price and the other factors listed above.[12]

Purchasing manual

As a starting point for its review, TPR requested and received a copy of the *Cap Metro Procurement Regulations*, as revised in August 1996. This 249-page manual was last revised to comply with a recommendation from a 1995 independent audit that noted the authority's need for revised and expanded purchasing procedures and a comprehensive set of procurement regulations.[13]

Despite its revision, however, the present procurement manual is unnecessarily lengthy; contains mutually contradictory statements concerning processes and rules; uses the phrases "competitive bid" and "competitive proposal" interchangeably—and incorrectly; and, in general, is written in an unnecessarily confusing manner that makes it difficult for novice purchasers and project managers to use.

Persistent purchasing problems

More significantly, TPR found a number of instances in which the authority's procurement policies and processes were circumvented by its employees. These include invoices submitted before the receipt of requisitions and purchase orders; invoices paid by the Finance Department without any documentation for the purchase; contracts made without competitive bidding, despite a requirement for such action; small-dollar purchases (under $1,000) made without vendor rotation; services purchased without evidence of work performed; and purchases made without required vendor quotations. TPR also saw evidence of missing file documents.

Of course, TPR was only the latest in a long chain of reviewers; before TPR's study, four other internal and external audits all found significant problems in Contracts and Procurement.

One of the first documents reviewed by TPR was the 1995 *Final Report for the Review of Procurement/Contracting Process of Capital Metro* by Tom Fitzgerald.[14] Fitzgerald concluded, in part, that:

TPR found a number of instances in which the authority's procurement policies were circumvented by its employees.

> Existing procedures are inadequate and/or incomplete...No internal training program exists for either the procurement staff or project managers...virtually no procurement planning is accomplished by the Materials Management Department [now called Contracts and Procurement]...Small purchases are not effectively managed [resulting in] an unusual number [being] issued without any competition and almost all without any negotiation...Project managers routinely place purchase orders without any competition...There were an unusually large number of unauthorized purchase orders issued, i.e. prior to Contracting Officer signature...Contracts are awarded without any cost analysis, and with little or no negotiation on price.[15]

Very few of the above problems were addressed, even though the report offered detailed solutions. As a result, many of the same problems persist. A January 1997 internal report entitled "Contracts and Procurement: The Manager's View," noted other problems including "renegotiated [project] scopes due to exceeded budget, expiration of contracts causing continuous amendments, failure to indicate if project is budgeted or not budgeted, wrong or obsolete requisition forms submitted, no budget line item for capital items or sign off, and project managers assessing liquidated damages and taking legal contract action rather than C&P staff."[16]

In October 1997, the Contracts and Procurement manager was fired amid allegations that he had showed favoritism towards certain vendors in awarding contracts and approving contract awards for which Capital Metro did not receive contracted deliverables, such as a policy and procedures manual.[17] In the same month, the Federal Bureau of Investigation (FBI) began an investigation into Capital Metro's "business practices" by issuing subpoenas for boxes of contract documents concerning "everything from the company that runs the cafeteria in Capital Metro's headquarters to contracts dealing with printing, office supplies, maintenance and the construction of a park-and-ride lot at...a local church."[18]

On November 11, 1997, Capital Metro's external auditing firm presented its audit of the authority's financial statements for fiscal 1997. In this report, the auditors noted that they had tested controls over cash disbursements and found four contracts out of a sample of 40 that were executed outside Contracts and Procurement, even though authority policies specifically required the department to handle these. The costs for these goods and services ranged from $2,500 to $13,750. Based on its findings, the auditor recommended that all purchases be made following established procedures and that "all purchase orders be completed and approved by the Contracts and Procurement Department prior to the goods and services being delivered, completed and invoiced."[19] Capital Metro concurred with the recommendations and stated in writing that Contracts and Procurement plans to require all solicitations between $1,000 and $15,000 to be handled solely by the department by June 1998.

On December 19, 1997, the authority's former internal auditor released the results of his review of documents and records subpoenaed by the FBI, which was requested by the former general manager. The internal auditor noted "violations of established Capital Metro policies and procedures in the processing and award of some contract and small-dollar purchase transactions," including "a consistent pattern of mismanagement of the small-dollar procurement system, circumvention of the procurement processes, and failure to ensure that Capital Metro obtains its monies [sic] worth."[20] In January 1998, Capital Metro asked the Federal Transit Administration (FTA) to perform the same type of review the FBI is conducting.

The FTA's preliminary audit findings—presented to Capital Metro on February 6, 1998—were similar to the findings of past audits. The FTA recommended that Capital Metro go back to the 1995 Fitzgerald report and simply implement those recommendations. As of June 1998, the FTA has not issued its final audit report on Capital Metro's procurement practices.

Capital Metro has no enforcement mechanisms for employees who do not comply with its purchasing procedures and policies.

Capital Metro's sorry record on purchasing appears to be due to a general disregard by the authority's employees and managers for its own policies and for the basic principle of accountability. In its interviews, TPR repeatedly heard that there was little anyone could do to stop inappropriate and questionable purchases, and that Contracts and Procurement can only return incomplete or incorrect specifications to the requesting department. Other than this, Capital Metro has no enforcement mechanisms for employees who do not comply with its purchasing procedures and policies.

Accountability at other transits

TPR determined how other transit authorities hold their managers accountable for following procurement policies and procedures. Houston Metro stated that failure to follow procurement procedures is a "firable offense."[21] Dallas' transit authority covers such failures under its disciplinary policies and the staff interviewed remembered an incident in which an employee was dismissed for not following procedures.[22] A San Antonio transit representative stated VIA too has disciplinary policies that outline consequences for employees who fail to follow purchasing rules.[23] Again, Capital Metro rather astoundingly lacks such policies.

A new beginning

On December 15, 1997, Capital Metro hired the former director of procurement for the state's General Services Commission (GSC) to serve as the new manager for Contracts and Procurement. This manager has taken several significant steps to bring credibility and integrity back into Capital Metro's purchasing practices. She has begun enforcing existing policies; updating and improving old, ineffective procedures; cutting procurement processing times; and has filled vacancies with qualified people.

For example, in January 1998, Contracts and Procurement began developing a new policies and procedures manual by requesting and reviewing procurement manuals from other transit authorities and governmental agencies.[24] The department is attempting to extract the best practices and procedures from these manuals and adapt them for Capital Metro.

The Contracts and Procurement manager also is enforcing existing contracting policies and procedures within her direct control, such as the requirement that purchases under $1,000 be rotated among vendors, and is "demanding better documentation and file maintenance."[25] In addition, the department is significantly reducing processing times for IFBs and RFPs. Capital Metro's previous goal for processing IFBs was 120 days and 180 days for RFPs.[26] As of April 10, 1998, Contracts and Procurement had achieved an average 71-day processing time for IFBs, as measured from the department's receipt of the requisition to award of the contract, a 41 percent reduction.[27] The processing time for RFPs has been reduced to 63 days, a 65 percent reduction. The manager also returns incomplete requisitions to the requesting department with a request for supporting information or documentation, and refuses to process the requisition until all of the required information is attached.

All Capital Metro employees, and particularly its managers, must be held accountable for the authority's purchasing policies and procedures.

The department is conducting on-line purchases through an interlocal agreement with the GSC, for items including vans, office supplies, fax machines, copy paper, air conditioning filters, and three-ring binders. The GSC agreement has yielded some substantial savings over previous vendor contracts, such as a fax machine for $2,125 rather than $3,200; cases of copy paper for $21 rather than $25 each; and a 40 percent savings on air conditioner filters and three-ring binders.

Because purchases through state contracts require a minimum order that often exceeds Capital Metro's needs, and because some goods that Capital Metro requires cannot be obtained through state contracts, Contracts and Procurement also has established "annual contracts" with vendors. Contracts and Procurement asks other Capital Metro departments to estimate their annual needs for certain items, and then solicits competitive bids from vendors based on these estimates, while making it clear that the estimates are not guaranteed. This significantly reduces the number of times Contracts and Procurement has to seek competitive bids. When the departments need the items or goods, they submit a requisition to Contracts and Procurement that cites the appropriate PO number and the department places an order at the established price. Annual contracts have helped Contracts and Procurement save as much as half of the unit price on such items.

Contracts and Procurement also has simplified the standard contracting package they send to prospective vendors. The only improvement Contracts and Procurement still needs, according to one newly hired buyer, is adequate automated purchasing software, and they are working to obtain this as well.

TPR was told that as of July 1, 1998, a new authority policy requires all requisitions for more than $1,000 to be handled by Contracts and Procurement. Previously, the requesting departments would call vendors to obtain from three to six bids on purchases of up to $15,000. Contracts and Procurement staff said that requesting departments often did not provide all vendors with adequate and equally specific requirements and thus were not receiving accurate bids.

While the arrival of an experienced Contracts and Procurement manager has made a dramatic difference in the department's practices, it is important to realize that the responsibility for accountability and integrity in purchasing is not limited to the department. All Capital Metro employees, and particularly its managers, must be held accountable for the authority's purchasing policies and procedures. Respect for and adherence to these policies and procedures must be institutionalized within Capital Metro.

Recommendations

A. The Contracts and Procurement manager should report directly to the general manager and be given authority to enforce all contract and procurement policies and procedures.

Without this authority, the Contracts and Procurement manager cannot ensure that other managers support and follow the department's policies and procedures. Given the critical problems that have existed in this area, it is imperative that the authority stay focused on ensuring ethical and appropriate purchasing practices. Raising the Contracts and Procurement manager to a direct reporting relationship with the general manager would aid this effort.

B. Contracts and Procurement should complete an improved purchasing policies and procedures manual and desk reference by August 31, 1998.

The manual should be clear, concise, and user-friendly. At minimum, it should document Capital Metro's purchasing policies and all applicable federal, state, and local laws, rules and regulations; a set of procedures, including instructions and examples, on soliciting proposals via IFB versus RFP, to ensure the most timely, efficient, and effective purchases possible; procedures for handling unsolicited proposals (that is, proposals to provide goods and services that Capital Metro did not request); procedures for emergency purchases; and procedures for establishing and obtaining approval from an evaluation committee. The evaluation procedures also should include methods for evaluating vendor proposals.

Contracts and Procurement should complete development of this manual and desk reference by August 31, 1998; obtain general manager approval by September 15, 1998; and submit them for board approval by the first scheduled board meeting in October 1998. The board should review, amend as necessary, and adopt the new manual and desk reference by November 1, 1998.

C. The general manager should enforce authoritywide compliance with the purchasing manual by establishing strong disciplinary consequences for noncompliance.

Each procurement and DBE staff member and all departmental and project managers should be given a copy of the manual. They should be required to sign a form developed by Contracts and Procurement stating they have read, understand, and will comply with the established policies and procedures. These forms should be placed in the appropriate personnel files.

For consistent noncompliance, the following remedies should be incorporated into the Capital Metro employee handbook and in Contracts and Procurement policy and procedures manual and enforced:

- the general manager should reduce department managers' budgets by the amount of inappropriate purchases;
- individual employee noncompliance should be documented in their annual performance evaluations; and
- in cases of consistent and blatant disregard, employees should be subject to firing, and, where appropriate, be required to personally pay for improper goods or services.

This policy should be submitted for board approval by the first scheduled board meeting in September 1998. The board should review and adopt the policy by December 1, 1998.

D. **The Contracts and Procurement manager should develop a report listing all procurement violations by department, with names, dates, dollar amounts, and descriptions, and provide this report monthly to the general manager and the board's Finance Committee. The report should identify remedies for these problems.**

This would facilitate *consistent* disciplinary actions for authority personnel who do not comply with established purchasing policies and procedures. Contracts and Procurement would compile the violations, in a format developed by Contracts and Procurement, by the 25th of each month and forward them to the general manager's management support specialist. The specialist then would aggregate all of the departments' violations into one document and submit it to the general manager by the 27th of each month. The general manager or his or her designee would in turn submit the violations to the Board Finance Committee by the first of every month.

Fiscal impact

These recommendations can be accomplished with existing funding.

PROPOSAL 28
Strengthen Contracts and Procurement contract planning, administration and monitoring.

Background

The FTA encourages its grantees, including Capital Metro, to develop and implement annual or long-term (more than one year in advance) procurement plans. Careful long-term planning is recommended for large transit systems and those planning major transit investments, complex capital projects, or a substantial number of operating contracts that will span several years.[28] Annual procurement plans are recommended for all other systems.

A good procurement plan can help alleviate backlogs in the process and facilitate sound purchasing decisions, while minimizing waste by identifying opportunities to coordinate and consolidate purchases. The FTA recommends the following best practices (Exhibit 23).

Exhibit 23
Federal Transit Administration: Best Practices for Procurement Planning

Sources for Plans - The preparation of an advance procurement plan can begin with data already prepared for service and financial planning purposes. Both state and local Transportation Improvement Programs list major federally funded projects for all modes of transportation. While the preparation of the plans is the responsibility of the local Metropolitan Planning Organization and the state, most transit agencies are involved in assisting with development of the transit element of the plans which lists their projects separately. An internal capital budget is another source which may have more detailed or up-to-date information on planned capital procurements.
Although projects funded with operating funds are often smaller and the operating budget does not usually offer as much specificity, contracting officials may be able to identify many planned procurements from the operating budget as well. Historical usage is another valuable source for the plan, particularly when compared to the operating budget and reviewed by your customers.
Another method available to assist with preparation of the plan is to conduct a survey of internal customers. They may provide more detail on the budgeted projects and may be able to identify projects that are not distinguished in the budget. An annual survey of the major customers will encourage the customers themselves to plan their needs for goods and services.
Annual procurements accounting for a great deal of activity such as parts, fuel, and other supplies can be projected at most agencies based on historical need and agency-wide plans and projects.
Plan Contents - In addition to the identity of each procurement, plans normally identify the customer contact(s) (at medium and large agencies), time requirements, and funding sources. Tentative start dates, publication dates, opening dates and award dates are usually based on the type and size of procurement contemplated. Time should be allowed for: • preparation of a source selection plan (if not already complete or in progress), where appropriate; • preparation of specifications; • assembly of the solicitation of offers; • publication period and time for preparation of offers, including pre-bid/proposal conference, where appropriate; • receipt and evaluation of offers; and • required reviews and approval actions.
Complex projects will require more time in preparing specifications. Negotiated procurements will require more time after receipt of offers. If governing board approval is required, and the governing board meets on a fixed schedule, time would be added for this step. Based on the schedule and resources, contracting officials would assign responsibility within the procurement function. In all major procurements and cases where negotiated procurement is intended, and whenever the internal customer is prepared, the planning process can evolve into a source selection plan for each major procurement.

Source: Federal Transit Administration.

Inadequate planning

The authority has no systematic method or requirement in place for departments to alert Contracts and Procurement of anticipated purchases, or to provide a timeline of expected requisitions.[29] This prevents Contracts and Procurement from scheduling its activities effectively and leads to backlogs.

TPR identified several situations indicative of poor procurement planning. A review of the "General Manager's Procurement Project Lists" for November 1997 and March 1998, for instance, found contracts that were amended several times to raise the contract ceiling amount because the original ceilings had been reached; several contracts also were amended to extend the contract, often more than once, because the agency did not allow enough time prior to the contract expiration date to competitively bid the goods or services. One annual contract for temporary services was amended for a mere two months and was increased by 73 percent of the original amount.[30]

This example not only reflects poor procurement planning; it is a clear violation of Capital Metro's Acquisition, Disposal, and Delegation of Authority Policy, which states that the general manager or his or her designee shall "[a]pprove and execute contract amendments and change orders as may from time to time be necessary which cannot exceed in total or combination the amount of the original contract."[31]

It should be noted that some amendments in active Capital Metro contracts that TPR analyzed were properly planned and appeared motivated by sound business decisions, such as amendments to exercise first- and second-year options that were authorized by the original contract. Nevertheless, TPR found a consistent lack of planning and noncompliance in contracting practices.

The new manager of Contracts and Procurement acknowledges this and is building a matrix into the fiscal 1999 budget that will identify and schedule budgeted procurement projects. She also is starting a process to notify user departments of contract expiration dates up to one year in advance.

Staff interviews reveal significant confusion regarding the relative responsibilities of project managers versus contract administrators.

Contract management

Contracts and Procurement outlines *contract administrator* duties in its procurement policies, solicitations for bids or offers, and actual contracts. The contract administrator, a staff member of Contracts and Procurement, prepares contract modifications, interprets the contract, reviews contractors' expenses and claims for payment, performs audits for contract compliance, verifies vendor compliance with contract insurance requirements, conducts any contract-related administrative correspondence, and carries out termination or suspension actions.

Capital Metro's policies, solicitations, and contracts specify that *project managers*, who normally are staff members of the department that requests a contract, are responsible for technical direction only. Technical direction refers to the supervision, inspection, and review of technical work, deliverables, reports, payment requests, vendor deliverables schedules, budget administration, and similar matters.

Whose job is it?

Despite these guidelines, staff interviews reveal significant confusion regarding the relative responsibilities of project managers versus contract administrators. An example of this confusion is the Alternative Transportation Operations van-pool contract with VanPool Services, Inc. (VPSI).

The VanPool Services contract was let on May 1, 1994 and originally budgeted for $2,565,000 over three years. This contract has been amended eight times (Exhibit 24). These amendments increased the cost of the contract to $4,191,455 over the original three-year term, costing Capital Metro an additional $1.6 million over its original estimated costs. The contract has risen further, to $5,466,863, following board authorization on May 26, 1998.

Exhibit 24
Capital Metro VanPool Services Contract Amendments

Amendments	Justifications
Amendment 1 (June 21, 1996)	Change in contract language only.
Amendment 2 (November 7, 1996)	Raised ceiling amount for continued services for fiscal 1997 ($1,445,880) and reflected increases of ceiling amounts for fiscal 1995 ($855,000) and fiscal 1996 ($925,000).
Amendment 3 (December 20, 1996)	Simplified the billing process, reserved the right for Capital Metro to limit personal mileage, and modified the pricing of demonstrator/emergency vehicles.
Amendment 4 (April 24, 1997)	Corrected calculation errors that did not properly identify the correct "Not to Exceed" amounts (NTEs) for fiscal 1996 and fiscal 1997. The NTE for fiscal 1996 was amended to increase by $925,000, from $855,000 to $1,780,000. The NTE for fiscal 1997 was amended to increase by $1,445,880, from $1,780,000 to $3,225,880.
Amendment 5 (May 9, 1997)	Ceiling amount was increased to reflect contract period extension from May 1, 1997 through December 31, 1997 for an additional $965,575—$463,078 of which was an amended amount to the existing contract period and $502,497 for the first quarter of the fiscal 1998 budget. The NTE was increased to $4,191,455.
Amendment 6 (January 12, 1998)	Changed wording of contract to reflect increase in revenue fares from $10 per month per passenger to $25 per month per passenger.
Amendment 7 (January 26, 1998)	Increased contract amount by $631,924 to extend contract for an additional six months. The NTE was increased to $4,823,379.
Amendment 8 (May 26, 1998)	The board authorized the general manager or his designee to negotiate and execute an amendment to the VPSI, Inc., contract extending the term for an additional six-month period with the option to terminate after five months. Raised ceiling amount by $643,485 to extend contract through December 1, 1998. The NTE was increased to $5,466,863.

Source: Capital Metro.

The project manager in this case told TPR she did not believe it was her responsibility to "administer" the contract; she thought someone in Contracts and Procurement should be monitoring the contract budget and notifying her well in advance of excessive budget expenditures.[32] While she was correct that contract administration was not her responsibility, her assumption that she was not responsible for budget monitoring was both wrong and costly. The RFP's scope of services clause identifies her as the project manager and specifically states that as project manager she is responsible for budget administration.

The project manager's assumption that she was not responsible for budget monitoring was both wrong and costly.

The VPSI contract also reflects poor contract administration and monitoring. As noted in Exhibit 24, Amendment 2 raised the ceiling amount for continued service and *also* reflected increased ceiling amounts for 1995 and 1996. Essentially, the ceiling amount was raised and higher payments were made to the vendor, but the contract was not properly amended until two years later. Amendment 4 was required to correct calculation errors of "not to exceed" contract ceiling amounts in Amendment 2. Moreover, Amendment 5 increased the ceiling amount to reflect a contract extension from May 1997 to December 1997, for an additional $965,575.

This substantial amount, however, is not reflected in the general manager's contract monitoring logs for November 1997 or March 1998, indicating a lack of effective monitoring. These logs, which are supposed to document the status and all activity of active contracts, are maintained by an administrative employee in Contracts and Procurement.

Recommendations

A. Contracts and Procurement should use the Federal Transit Administration's best practices as a guide in its ongoing development of a formal procurement plan.

These best practices would facilitate the department's effort. The plan should be complete by October 1, 1998.

B. Contracts and Procurement should develop an in-house training program on contract management for all current and future project managers.

This training should be intensive and comprehensive, covering all contract management functions that a project manager would encounter. At minimum, it should include an in-depth discussion and explanation of "technical direction" and an examination of all its components, including "supervision, inspection, and review of technical work, deliverables, reports, payment requests, schedule, financial budget administration and similar matters," as stated in the "Project Manager/Contracting Officer" section of Capital Metro's formal solicitation documents. Each of these components should be an individual training chapter. An additional training topic should clearly delineate and contrast the responsibilities of the contract project manager and the contract administrator. All chapters should conclude with a "quiz" that measures comprehension of each chapter's subject matter.

This training should be developed by December 1, 1998, with classes beginning in January 1999. The general manager should make this training a requirement for all project managers and hold project managers and contract administrators accountable for any negligence in their respective duties.

C. Contracts and Procurement buyers should submit all contract activities, such as amendments and change orders, to the employee responsible for maintaining the monitoring log no later than 24 hours after any contract change.

This would ensure that the status of active contracts is accurately reflected in the contract monitoring log.

The administrative employee should immediately begin carefully reconciling the monitoring log to actual contract files, noting and correcting any discrepancies. This process should be complete by August 31, 1998.

Every effort should be made to always present accurate information to the general manager, who must in turn make accurate status reports to the board. Current contract status, including amendments, must be accurate to avoid noncompliance with authority policy.

Fiscal impact

These recommendations can be implemented with existing funding.

PROPOSAL 29
Train a buyer in cost and price analysis.

Background

A cost or price analysis is required for all purchasing actions conducted by FTA grantees such as Capital Metro. The method and degree of analysis may vary according to the particulars of the situation, but some kind of independent estimate must be made before bids or proposals are received.

The FTA lays out the following guidelines for cost or price analyses:

> A **cost analysis** must be performed when the vendor is required to submit the elements (such as labor hours, overhead, materials, etc.) of the estimated cost, as with professional consulting and architectural and engineering services contracts.
>
> A cost analysis also is necessary when adequate vendor competition is lacking and for sole-source procurements, including contract modifications or change orders, unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public or on the basis of prices set by law or regulation.
>
> A **price analysis** may be used in all other instances to determine the reasonableness of the proposed contract price....
>
> Grantees will negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. [33]

Internal auditors should be independent of the activities they audit.

Capital Metro's former Internal Audit Department performed cost and price analyses on vendor proposals prior to negotiations with the vendors. The authority credits these analyses with saving Capital Metro about $3 million in fiscal 1997.[34]

Despite these significant savings, however, this activity was misplaced in Internal Audit. Internal Audit should be responsible for guaranteeing internal departmental functions, not operational functions. According to the Institute of Internal Auditors, "Internal auditors should be independent of the activities they audit. [They] should not assume operating responsibilities... because performing such activities is presumed to impair audit objectivity."[35] Moreover, the number of formal solicitations needing an analysis in fiscal 1997—53—diverted Internal Audit's resources away from its traditional duties.[36]

During TPR's review, as mentioned elsewhere in this report, Capital Metro reorganized and eliminated the internal auditor function, despite the fact that solicitations were awaiting cost and price analyses. A senior buyer simply made notes to several solicitation files indicating that an analysis was needed, but these were not conducted because the authority had no one qualified to do so.[37] These instances represent a clear violation of federal regulations and leave Capital Metro in jeopardy of receiving poor value on its contracts.

As an interim measure, the manager of Contracts and Procurement decided that cost and price analyses could be completed by the authority's external financial auditors, Martinez, Mendoza & Colmenero. The auditors completed three at a cost of $850, $750, and $900 respectively; thereafter, Contracts and Procurement contracted with another firm to perform the analyses at a cost of $170 per hour. At this writing, one analysis has been completed for $480.50.

While the external financial auditing firm is capable of performing the analyses needed, this arrangement could become quite costly for Capital Metro. Recognizing this, Capital Metro has posted a job opening and budgeted for a contract administrator to perform cost/price analyses.

Recommendation

The Contracts and Procurement manager should train a buyer with specific expertise in cost/price analysis techniques by December 1, 1998.

Given TPR's recommendation to bolster the authority's contract administration activities, it is important not to divert the new contract administrator from his or her primary duties. Capital Metro would be better served by placing this responsibility with a buyer position.

The FTA offers a four and one-half day training course in cost and price analysis and contract negotiation through its National Transit Institute at Rutgers University. The course is free for FTA grantees.

Fiscal impact

The cost of sending a single buyer to Rutgers University, including meals, car rental, and lodging, should not exceed $1,500.

Fiscal Year	Costs
1999	($1,500)
2000	0
2001	0
2002	0
2003	0

PROPOSAL 30
Improve efforts to contract with disadvantaged business enterprises.

Capital Metro's Disadvantaged Business Enterprise program is intended to ensure DBE participation in its contracts. Capital Metro has an overall agency DBE contracting goal of 27 percent of all dollars spent on contracting in each fiscal year, excluding contracts for buses and bus manufacture; DBE goals for these items are set by the transit vehicle manufacturers each year.[38] According to the Code of Federal Regulations, "each [FTA grantee] shall require that each transit vehicle manufacturer, as a condition of being authorized to bid on transit vehicle procurements in which [FTA] funds participate...establish and submit for [FTA] approval, an annual percentage overall goal...based on the amount of [FTA] financial assistance participating in transit vehicle contracts to be performed by the manufacturer during the fiscal year in question."[39]

In fiscal 1997, DBE contracts constituted 20.1 percent of the authority's total contracted dollar value, considerably less than the previous year's level of 25.3 percent.[40] In the first two quarters of fiscal 1998, however, DBE contracting rose to 25.4 percent.[41]

The DBE Department has a staff of two and a fiscal 1998 budget of $153,360.[42] The department's primary function is to certify minority- and women-owned businesses as DBE vendors. As part of the certification process, the DBE staff reviews applications and documentation submitted by vendors and performs unannounced site visits to ensure that they meet the authority's requirements.

Capital Metro also has reciprocal agreements with other transit authorities whereby it accepts DBE certification established by another authority. Such agreements make the certification process much simpler and faster. Capital Metro has such agreements with two Texas transit agencies, including VIA in San Antonio and the Regional Transportation Authority of Corpus Christi. Capital Metro also automatically honors DBE certifications from the federal Small Business Administration (SBA). In calendar 1997, Capital Metro accepted 29 certifications from other entities, including 10 from SBA and 19 from other transit authorities.[43]

In addition to its certification function, the department maintains a database of DBE vendors; establishes a DBE subcontracting goal for each purchase in excess of $15,000; provides Contracts and Procurement with a list of certified and non-certified DBE vendors for each of these requisitions; and evaluates bids to determine if they meet the requirements for DBE participation. DBE staff also attend pre-bid and pre-proposal conferences to answer DBE-related questions from vendors.

DBE staff interact with the Contracts and Procurement Department to ensure that the purchasing process includes DBE participation whenever possible. For procurements of more than $15,000, specific DBE goals are determined for each project, prior to issuance of an IFB or RFP. The goals are set using a methodology that takes into account the number of DBEs available to bid on a project or a component of a project.

DBE goal-setting process

The Contracts and Procurement Department logs in each purchase requisition and then forwards it to DBE. DBE staff members review the requisitions to determine whether the project offers DBE vendors the opportunity to contract with Capital Metro, in whole or as subcontractors. If they determine that the project can be subcontracted, the project is broken down into particular areas of vendor expertise, such as barricades, construction, debris removal, and concrete installation. DBE then reviews the vendor database to determine whether DBE vendors are available in those areas of expertise. The department determines what percentage of the project DBE vendors could handle, including 100 percent of the project, and sets the contract goal accordingly. If there are no opportunities for DBE vendors, no goal is set.

The DBE goal-setting process takes about two days. DBE staff then forward the goal and the list of certified and non-certified DBE vendors for the project to Contracts and Procurement for processing. When bids and proposals are submitted, DBE staff evaluate them to determine if they meet the requirements for DBE participation.

TPR commends the DBE staff for working cooperatively with the Contracts and Procurement staff to improve the efficiency and effectiveness of the contracting process. DBE staff also have worked with Contracts and Procurement to simplify the DBE instructions and forms contained in IFBs and RFPs, to help minimize the number of DBE vendors eliminated from consideration as participants for problems with their paperwork.

Delays in DBE certification

Despite these improvements, TPR found that the process for certifying DBE vendors still takes too long. The department takes about four to six months to certify new DBE vendors who are not bidding on upcoming contracts. If a new DBE vendor is bidding on an upcoming contract, however, certification takes less than two weeks.[44]

TPR found that site visits are not performed for many DBEs.

Capital Metro does not require DBE vendors to be certified when they bid on contracts. They are required, however, to submit a DBE application with their bid and to be certified before they can be awarded a contract. Some contract awards have been delayed pending DBE certification, but this does not happen often, according to DBE staff.[45] In calendar 1997, 107 DBE vendors were certified by Capital Metro and 196 were recertified. Annual recertifications are not as labor-intensive as initial certifications. For recertification, the department simply checks income limits to make sure the DBE has not exceeded the income size standard set by the Small Business Administration; reviews minutes for the companies' most recent corporate meeting, if the recertification is for a corporation; and assesses any changes in the structure of the business, such as changes in ownership shares and address changes.

Violations of federal regulations

According to federal regulations, Capital Metro is required to perform unannounced site visits on each new DBE as part of its certification process to determine if DBE status is valid.[46] These site visits are conducted by DBE staff, but TPR found that the visits are not performed for many DBEs. Capital Metro is violating federal regulations in such cases. That department cited limited resources as a justification for this violation.

In calendar 1997, DBE staff conducted 10 site visits and relied on reciprocal agreements with the SBA and other transit agencies to satisfy the site-visit requirement for 23 DBEs.[47] The remaining 74 DBEs were not visited.

Austin Minority Supplier Development Council

The Austin Minority Supplier Development Council was established in May 1998 to help minority vendors in the Austin area gain access to procurement opportunities. The council was modeled on similar programs in the Houston and Dallas areas, and serves as a clearinghouse for information on minority business development programs.

Capital Metro is considering joining the council at a cost of $2,000. Membership benefits include assistance in the identification of additional DBE vendors and opportunities for increasing DBE participation. The council also provides programs and services for a fee, including certification of DBE vendors, site visits, referrals to member buyers, educational seminars and training. At this time, administrative support to the council is being provided by the Houston Minority Business Council. The Austin council should be fully staffed and operating no later than January 1999.

Recommendations

A. **The DBE program should maximize its number of reciprocal agreements with federal, state, and other transit and local government agencies for certifications.**

DBE vendors should not have to wait four to six months for certification. Establishing reciprocal agreements with other entities would help reduce the DBE Department's workload and speed up processing times.

B. **When the Austin Minority Supplier Development Council becomes fully functional, the DBE program should consider contracting with the council for certifications, recertifications, and site visits.**

Outsourcing some or all of the certifications and site visits could free up limited DBE resources, reduce the processing time for certifications, and put the authority in full compliance with federal regulations.

Fiscal impact

These recommendations would have no fiscal impact beyond the cost associated with contracting for certifications and site visits. This cost cannot be determined, as the number of certifications and site visits that could be contracted for and the fees that would be charged by the Austin Minority Supplier Development Council are unknown at this time.

Endnotes

1 Capital Metro, *Capital Metropolitan Transit Authority FY 1998 Budget* (Austin, Texas, March 3, 1998), p. 23.

2 Interview with Pat Martin, manager, Contracts and Procurement, Capital Metro, Austin, Texas, April 10, 1998.

3 Interview with Pat Martin, manager, Contracts and Procurement, Capital Metro, Austin, Texas, June 19, 1998.

4 Capital Metro, "Procurement Project List," Austin, Texas, March 10, 1998.

5 Capital Metro, *Capital Metropolitan Transportation Authority FY 1998 Budget*, p. 24.

6 Capital Metro, "Acquisition, Disposal, and Delegation of Authority Policy," Austin, Texas, August 25, 1997.

7 Capital Metro, "Bid Guide," Austin, Texas, February 19, 1996.

8 Interviews with Pat Martin, manager, and Evelyn Johnson, senior buyer, Contracts and Procurement, Capital Metro, Austin, Texas, March 19, 1998.

9 Interview with Harold Tye, senior buyer, Contracts and Procurement, Capital Metro, Austin, Texas, January 22, 1998.

10 Interviews with senior management staff, Capital Metro, Austin, Texas, November 1997.

Endnotes *(continued)*

11 Interviews with Pat Martin and Evelyn Johnson, March 19, 1998.

12 U.S. Department of Transportation, "Third Party Contracting Requirements," Federal Transit Administration Circular FTA C 4220.1D, Washington, D.C., April 15, 1996, Section 9c, pp. 5-6.

13 Capital Metro, *Final Report for the Review of Procurement/Contracting Process of Capital Metro*, by Thomas J. Fitzgerald (Austin, Texas, February 9, 1995), Action Plan, p. 1. (Consultant's report.)

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16 Capital Metro, "General Manager's Meeting: Contracts and Procurement—the Manager's View," (Austin, Texas, January 9, 1997), pp. 2-4.

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20 Capital Metro, "Review of Documents and Records Sent to the Federal Bureau of Investigations (FBI)," Tony Tegbe, former internal auditor, Internal Audit (Austin, Texas, December 19, 1997).

21 Interview with Laurie Burridge-Kowalik, management analyst, Metropolitan Transportation Authority of Harris County, Houston, Texas, June 18, 1998.

22 Interview with Ken Patterson, contract administrator, Dallas Area Rapid Transit, May 18, 1998.

23 Interview with Gloria Boysen, public information officer, VIA Metropolitan Transportation Authority, May 19, 1998.

24 Interview with Pat Martin, manager, Contracts and Procurement, Capital Metro, Austin, Texas, January 23, 1998.

25 Debbie Hiott and Laylan Copelin, "Transit Authority Invites Review," *Austin American-Statesman* (Austin, Texas, January 15, 1998).

26 Capital Metro, "Contracts and Procurement—The Manager's View," p. 11.

27 Interview with Pat Martin, April 10, 1998.

28 U.S. Department of Transportation, Federal Transit Administration, *Best Practices Procurement Manual* (Washington, D.C., May 7, 1996), Sections 2.2 and 2.3.

29 Interview with Pat Martin, April 10, 1998.

30 Capital Metro, "Open Procurement Project List," Austin, Texas, November 4, 1997; and "Procurement Project List," Austin, Texas, March 10, 1998.

31 Capital Metro, "Acquisition, Disposal, and Delegation of Authority Policy," Austin, Texas, August 25, 1997.

32 Interview with Mary Butler, former manager, Alternative Transportation Operations, Capital Metro, Austin, Texas, February 10, 1998.

33 U.S. Department of Transportation, "Third Party Contracting Requirements," p. 7.

34 Capital Metro, "Internal Audit Department List of 1997 Accomplishments," Austin, Texas, November 1997.

35 The Institute of Internal Auditors, *Codification of Standards for the Professional Practice of Internal Auditing*, Standard 100, "Independence," §120(.02)(.4) and §120(.03), (Altamonte Springs, Florida, August 1993), pp. 9, 14 and 15.

36 Capital Metro, "Internal Audit Department List of 1997 Accomplishments"; and interview with John Imafidon, assistant internal auditor, Capital Metro, Austin, Texas, November 1997.

37 Interview with Harold Tye, senior buyer, Contracts and Procurement, Capital Metro, Austin, Texas, April 2, 1998.

38 Interview with Pat Bush, DBE coordinator, Capital Metro, Austin, Texas, March 20, 1998.

39 Office of the Secretary of Transportation, *49 Code of Federal Regulations*, Part 23, Subtitle A, §23.67(a) and (b) (Washington, D.C. October 1, 1995), pp. 241-242.

40 Capital Metro, "FY 97 Complete Annual DBE Goal Report," Austin, Texas.

41 Capital Metro, "Contracts Over $15,000 Awarded Second Quarter FY 1998," Austin, Texas.

42 Capital Metro, Capital Metro, *Capital Metropolitan Transportation Authority FY 1998 Budget*, p. 24.

43 Memorandum from Jessie Burke, DBE specialist, to Pat Bush, DBE coordinator, Capital Metro, April 9, 1998.

Endnotes *(continued)*

[44] Interview with Pat Bush, DBE coordinator, Capital Metro, Austin, Texas, March 20, 1998.

[45] Interview with Pat Bush, DBE coordinator, Capital Metro, Austin, Texas, April 8, 1998.

[46] Office of the Secretary of Transportation, *49 Code of Federal Regulations*, Part 23.

[47] Memorandum from Jessie Burke to Pat Bush, April 9, 1998.

CHAPTER 7

Facilities

Every organization has assets it should protect. Assets come in the form of workers, cash and investments, and physical assets. Capital Metro has significant physical assets: administrative offices for authority personnel, "passenger amenities," including park-and-ride facilities, bus stops, and transfer centers; and operational facilities such as vehicle repair facilities, fueling and vehicle washing facilities, and bus yards. In addition, Capital Metro owns 162 miles of railroad and related facilities and equipment.

Capital Metro's management of its physical assets is disjointed, disorganized, and results in duplicative effort. TPR's review found major problems throughout the authority's various facility operations, including a lack of accountability, poor decision-making, poor record-keeping, poor allocation of facilities staff, disregard for standard and appropriate business practices, and an absence of planning for managing and improving its physical assets.

Capital Metro's management of its physical assets is disjointed, disorganized,and results in duplicative effort.

This chapter examines Capital Metro's facility operations from the standpoints of planning, accountability, decision-making, and organization.

Organization

Between 1991 and 1996, Capital Metro's Facilities, Maintenance, and Construction Department administered a substantial construction program devoted to passenger amenities such as transfer centers, park-and-ride facilities, and bus stop shelters, benches, and litter cans.[1]

In 1996, the authority reorganized and spread its facility functions throughout the organization. Today, Capital Metro has three facility-related departments and two facility-related sections divided between its Operations and Administration Divisions (Exhibit 25).

EXHIBIT 25
Capital Metro
Facility-Related Departments/Sections

Facility Related Department and Section	Department	Division
Facilities Design and Construction Dept.	Facilities Design and Construction Dept.	Administration
Building Maintenance Section	Maintenance Dept.	Operations
Public Facilities Maintenance Section	Maintenance Dept.	Operations
Railroad Right-of-Way Dept.	Railroad Right-of-Way Dept.	Administration
Rail Capital Project Dept.	Rail Capital Project Dept.	Administration

Source: Capital Metro.

The *Facilities Design and Construction (FDC) Department*, created in 1996, is responsible for the remodeling and renovation of administrative offices and operational facilities and the construction of park-and-ride and bus transfer facilities. The department also manages the construction of some bus shelters, although these more typically are the responsibility of the Public Facilities Maintenance Section in the Operations Division's Maintenance Department. FDC also manages construction in "Build Greater Austin" projects, which are designed to improve the infrastructure along Capital Metro routes; these improvements can include street repairs, the construction of sidewalks, and similar projects.

The *Building Maintenance Section* of the Maintenance Department is responsible for installation, repairs, and maintenance of industrial machinery, equipment, monitoring systems, physical structures, electrical control systems, and all piping at the main Capital Metro location at 2910 East Fifth Street. The section also performs painting, carpentry, electrical and plumbing repairs, and inspections and preventive maintenance on all Capital Metro buildings and equipment. The section also manages the authority's service and repair contracts for major equipment such as air conditioning and heating units. Building Maintenance also has handled minor construction projects such as the building of a canopy to protect scrap materials. The supervisor of this section also supervises Capital Metro's body shop, upholstery shop, and wheelchair lift installation team.

The Maintenance Department's *Public Facilities Maintenance Section* installs and maintains passenger amenities such as bus shelters, benches, and trash cans. The section changes bus stop signs concerning bus routes as needed and maintains the Braille signs at bus stops. According to Capital Metro, over the past eight years this section has spent a total of nearly $6.3 million on benches (1,079 for almost $3.1 million), bus stop shelters (636 for $2.6 million), and litter cans (1,442 for about $659,000).

The *Railroad Right-of-Way Department* manages the authority's 162 miles of railroad line running from Giddings to Llano, including tracks, track support structures, and other features; in practical terms, this consists of overseeing the authority's relationship with its contractor, Longhorn Railway Company, and managing the leases and licenses connected with the railroad line's right of way.

The *Rail Capital Project Department*, currently unstaffed, is expected to handle the planning and other developmental activities associated with fixed guideway (light rail, heavy commuter rail, high-occupancy vehicle lanes) activities, if and when they are approved by the voters.

Staffing

Exhibit 26 illustrates current staffing levels for each of these departments and sections.

EXHIBIT 26
Facility-Related Departments/Sections Staffing, July 1998

DEPARTMENTS/SECTIONS				
Facilities Design & Construction	Building Maintenance	Public Facilities Maintenance	Railroad Right-Of-Way	Proposed Rail Capital Project
Manager (1)	Coordinator (1)	Supervisor (1)	Manager (1)	Mgr./Engineer (Proposed-1)
Admin. Staff (1)	Bldg. Maint. Lead (1)	Lead Facilities Installer (1)	Real Estate Specialist (1)	Civil Engineer (Proposed-1)
Constr. Project Mgr. (Capital Metro Projects) (1)	Bldg. Maint. Tech. 1st Class (2)	Facilities Installers (10)	Property Agent (1)	Office Manager (Proposed-1)
Constr. Project Mgr. (Build Greater Austin) (1)	Two Bldg. Maint. Tech. 2nd Class (2)		Construction Coordinator (1)	
	Bldg. Maint. Tech. 3rd Class (4)			
	Building Maint. Attend.(1)			
4	11	12	4	3

Source: Capital Metro as of April 1998.

Budget

The combined 1998 operating budgets for these departments and sections total nearly $3.4 million. Exhibit 27 compares the operating budgets of these departments and sections for fiscal 1997 and 1998.

EXHIBIT 27
Facility-Related Departments/Sections Operating Budgets Fiscal 1997 and 1998

	Department/Section Budgets							
	Facilities Design & Construction		Building Maintenance		Public Facilities Maintenance		Railroad Right of Way & Rail Capital Project	
Budget Category	Actual FY 97	Budget FY 98	Actual FY 97	Budget FY 98	Actual FY 97	Budget FY 98	Actual FY 97	Budget FY 98
Salaries and Benefits	$348,027	$ 347,372	$ 478,593	$ 490,367	$461,944	$375,989	$ 25,399	$ 158,734
Professional Fees and Contracts	211,996	58,750	112,432	131,300	0	0	932,125	233,000
Other Expenses	46,140	431,970	786,931	747,336	142,284	200,604	0	180,230
Total	$606,163	$838,092	$1,377,956	$1,369,003	$604,228	$576,593	$957,524	$571,964

Source: Capital Metro.

The major shift in the FDC Department's "Other Expenses" category between fiscal 1997 and 1998 was due to the fact that two items from the budget of a Property Acquisition Management Department, since disbanded, were shifted to FDC's in

1998. One of these was $173,000 for "Lease-Unmanned Shelter/Land," essentially what Capital Metro pays for the use of its leased park-and-ride facilities. The other, $234,000 for "Building and Structure and Paved Surface," actually represents annual lease payments for Capital Metro's office building at 801 Congress (approximately $140,000) and its Pflugerville Bus Yard (approximately $94,000). TPR asked why this item was so confusingly named, but the manager of FDC could not provide an answer.

The other major variance, in the railroad operation's spending on professional fees and contracts, reflects four significant contracts let in 1997. The largest, with Daniel, Mann, Johnson, and Mendenhall for $824,000 (subsequent amendments to the contract increased this amount to $959,795), was for design and preliminary engineering work for a bus terminal and a rail line to the new Bergstrom International Airport. The other three contracts were for engineering and consulting services related to Capital Metro's railroad operations and light rail plans. These items were funded through an operating budget fund called "Other Professional Fees - Future Transit System."

Capital Metro's railroad operation reports only $95,000 in professional fees in its 1998 budget. However, other parts of the Capital Metro budget—"1998 Projected Fixed Guideway Expenditures" and "1998 Projected Giddings/Llano Acquisition & Safety Upgrades"—have total budgets of $3.3 million and $2.3 million respectively and are directly related to Capital Metro's railroad operations. About $3 million of the money budgeted under "1998 Projected Fixed Guideway Expenditures" will be used to obtain professional consulting connected with a preliminary engineering environmental impact statement and program management for the light rail project.

The FDC Department, Public Facilities and Building Maintenance Sections, and Railroad Right-of-Way Department have separate capital project budgets. Exhibit 28 lists these projects and their budgets for fiscal 1998.

EXHIBIT 28
Facilities Capital Projects for Fiscal 1998

Facilities Design & Construction		Public Facilities Section		Building Maintenance Section		Rail Right-of-Way	
Project	Budget	Project	Budget	Project	Budget	Project	Budget
Downtown Transit Center	$73,500	Benches (35)	$20,000	Cap Computer	$5,000	PE/EIS Consulting Contracts	$3,000,000
Architectural and Engineering A/E DMAP	$150,000			Oil Tank Upgrade	$60,000	FRA Railroad Safety Improvement: Signal & Railroad Crossing	$768,000
South Transit Facility	$45,000			Compressed Natural Gas engine rebuild	$15,000	FRA Railroad Safety Improvement: Track Road Bed	$476,000
North Transit Center - Professional Fees	$55,000			Compressed Natural Gas Facility Expansion	$100,000	FRA Railroad Safety Improvement: Street crossings	$300,000
Bus Shelters Construction	$240,000					Giddings/Llan o ROW Purchase	$764,000
Leased Facilities Maintenance	$200,000						
Leased Park & Ride Facilities	$127,000						
Bus Shelters A/E	$14,400						
Cedar Park Electronic Card Reader	$7,000						
Park and Ride	$16,351						
2910 E. 5th Exterior Security Construction	$146,000						
2910 E 5th Operations renovation	$200,000						

* A/E: Architecture & engineering; P & R: Park and Ride.

Source: Capital Metro.

In this chapter, TPR recommends that Capital Metro expedite the completion of a comprehensive master facilities plan; strengthen its management of leases along its railroad right of way, improve Capital Metro's purchase of bus stop amenities; consolidate isolated facilities functions scattered throughout its organization into a single Facilities Division; and combine the Building Maintenance and Public Facilities Maintenance Sections. TPR also proposes that the authority eliminate certain facilities-related positions. The recommendations in this chapter would save Capital Metro $598,300 in the first year and $2,991,500 over five years.

PROPOSAL 31
Consolidate all facility-related operations.

Background

Capital Metro's division of facility operations among five different organizational units—the Facilities Design and Construction (FDC) Department, Building Maintenance Section, Public Facilities Maintenance Section, Railroad Right-of-Way Department, and Rail Capital Project Department—has led to duplicated effort, confusion over responsibilities, and inappropriate staffing patterns.

One of the problems that TPR encountered during it review of these units was that three different units can and have managed construction contracts (Facilities Design and Construction, Building Maintenance, Public Facilities Maintenance). Responsibility for construction projects appears to be assigned more or less at random.

Create a Facilities Division and move all facility-related functions into it.

Before Capital Metro's March 1998 reorganization, for instance, FDC was responsible for remodeling on the first, second, and third floors of the authority's main building and in the rest rooms of the Service Islands. Similarly, the Building Maintenance Section has managed projects such as the construction of a canopy for scrap materials and remodeling of a wash facility for Capital Metro vehicles. More recently, FDC installed shelters at bus stops, which typically has been the responsibility of Public Facilities Maintenance section.

TPR also found unclear lines of responsibilities for budgets. In recent years, Public Facilities Maintenance has purchased passenger amenities (bus shelters, benches, and litter cans), but in fiscal 1998, these items were included in the FDC budget.[2] Similarly, contracted janitorial services are included in the Building Maintenance Section's budget, but the service is managed by the chief of Operations. Other organizations usually attach the supervision of custodial services, whether internal or contracted, directly to a facilities-related division. The major advantage of such an approach is the fact that the supervisor who oversees day-to-day custodial activities is the most informed and appropriate person to manage the custodial budget.

Recommendations

A. Create a Facilities Division and move all facility-related functions into it.

This recommendation would be part of the authoritywide reorganization suggested in the Governance chapter of this report. This recommendation, along with the Facilities master plan, would help to reduce duplicated effort and maximize coordination among facilities-related groups. It also should improve Capital Metro's management of employees, construction projects, and budgets.

B. All major construction, renovation, and bus stop facilities installation projects at Capital Metro should be coordinated and managed by the Facilities Design and Construction Department.

Capital Metro should clearly assign responsibility for construction project management to Facilities Design and Construction. This assignment should be addressed and included in Capital Metro's Facilities master plan. This should reduce inconsistencies in construction project management; ensure that construction project managers are appropriately trained and skilled; reduce duplication of effort; and guarantee that budgets are assigned to the appropriate departments.

C. **The Facilities Division manager should assign management of its contracted custodial services to the supervisor of the Facilities Maintenance Section.**

This assignment, which would include responsibility both for custodial activities and the associated budget, would complement the Facilities Maintenance Section's other activities.

Fiscal impact

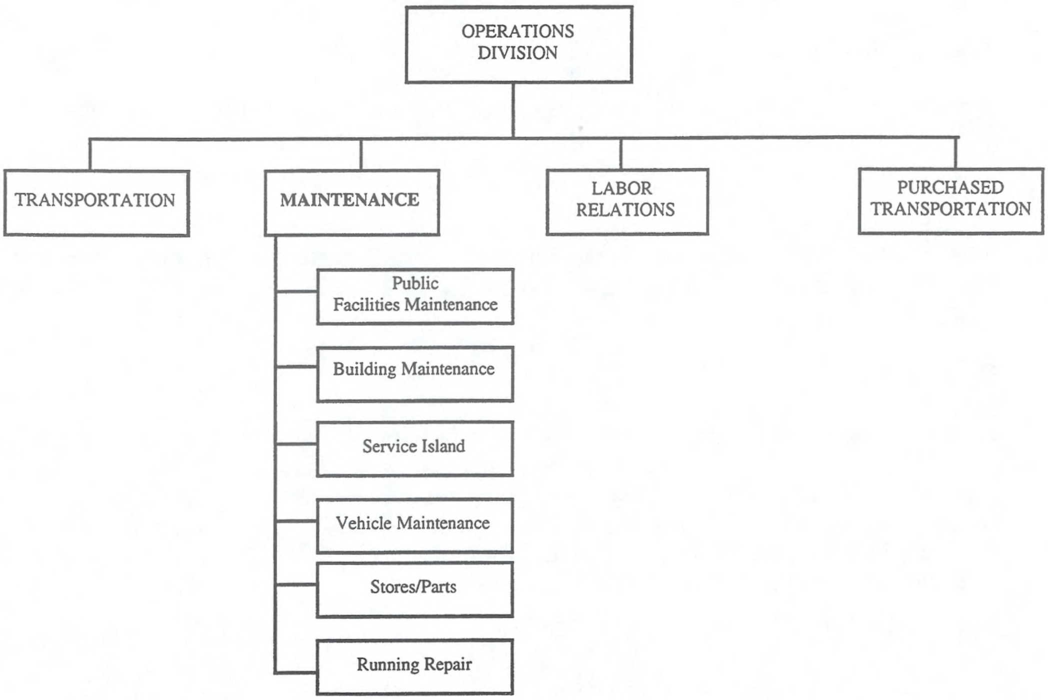
These recommendations would not involve a direct fiscal impact but should produce greater efficiency throughout Capital Metro's facilities operations.

PROPOSAL 32
Combine the Building Maintenance and Public Facilities Maintenance sections into a single Facilities Maintenance Section.

Background

The Maintenance Department of the Operations Division is made up of sections primarily dedicated to vehicle operations and maintenance (Exhibit 29). However, it also has two facility-related sections: the Building Maintenance Section and the Public Facilities Maintenance Section.

EXHIBIT 29
Capital Metro
Operations Division



Source: Capital Metro.

The Building Maintenance Section is responsible for the installation, repair, and maintenance of industrial machinery, equipment, monitoring systems, physical structures, electrical control systems, and all piping at all facilities at the main Capital Metro location on 5th and Pleasant Valley. Interestingly, the supervisor of Building Maintenance also is responsible for three specialty vehicle units in the department's Running Repair Section: the bus Body Shop, with a staff of seven, the Upholstery Shops, with a staff of two, and the Wheel Chair Lift team, with four employees.

Capital Metro owns or leases a number of facilities at a significant cost, yet lacks a master facilities plan to guide the management of these facilities

The Public Facilities Maintenance Section is responsible for the installation, maintenance, and servicing of passenger amenities such as bus shelters, benches, and trash cans. They also change informational signs about bus routes at bus stops as needed and maintain Braille signs at the stops.

The present organizational scheme, in which one supervisor is responsible for Building Maintenance as well as three specialty units in Running Repair, requires this person to manage two totally different types of work—and more activity than even one highly competent supervisor can handle effectively.

Recommendation

The Facilities Division manager should consolidate the Building Maintenance and Public Facilities Maintenance sections into a single Facilities Maintenance Section.

The combined section would reside within the newly created Facilities Division recommended elsewhere in this report. The present Public Facilities Maintenance supervisor would supervise the new section. The current supervisor of Building Maintenance should continue to supervise the Body Shop, Upholstery Shop, and Wheel Chair Lift team.

Fiscal impact

This recommendation could be accomplished with existing employee resources.

PROPOSAL 33
The manager of the Facilities Design and Construction Department should complete a comprehensive master facilities plan.

Background

Capital Metro owns or leases a number of facilities at a significant cost, yet lacks a master facilities plan to guide the management of these facilities. Facilities owned or leased by Capital Metro include administrative and operational facilities (Exhibit 30); passenger amenities such as bus stop shelters, as well as benches and litter containers (Exhibit 31); park-and-ride facilities and transfer centers (Exhibit 32); and a 162-mile railroad line running from Llano to Giddings.

EXHIBIT 30
Capital Metro Administrative and Operational Facilities
March 1998

Facility	Space	Arrangement	Lease Amt. or Cost
Capital Metro Administration Building, Operation Facilities and Bus Depot 2910 E. 5th Street, Austin	19.7 acres 30,000 sf Administration Bldg. 15,000 sf Maintenance Bldg.	Owned by Capital Metro	$23,368,320
Capital Metro Downtown Office 801 Congress, Austin	7,245 sf "usable area" 7,425 "rentable area"	Leased by Capital Metro	$8,364 per mo.
Bus Satellite Yard 16107 IH-35, Pflugerville	150,082-land area(3.445 acres) 4,100 sf - existing bldg.	Leased by Capital Metro	$8,000 per mo.

sf = square feet

Source: Capital Metro.

EXHIBIT 31
Purchases of Bus Stop Passenger Amenities
1990—1997

Types of Bus Stop Amenities						
	Shelters		Benches		Litter Cans	
Year	Number	Total Cost	Number	Tot. Cost	Number	Total Cost
1990	*1	$3,595	*76	$2,440,007		
1992	63	$310,587	137	$70,927	1	$616
1993	117	$630,329	111	$61,308	553	$207,655
1994	143	$473,310	280	$150,342	242	$87,250
1995	126	$419,679	473	$289,694		
1996	179	$692,910	64	$45,080	309	$219,696
1997	7	$33,108	14	$7,560	337	$143,632
Total	636	$2,563,518	1,079	$3,064,918	1,442	$658,849

* One shelter and 76 benches constructed of wood and concrete existed prior to 1991.

Source: Capital Metro.

EXHIBIT 32
Listing of Capital Metro Park and Ride and Transfer Centers March 1998

Capital Metro Park and Ride and Transfer Center Facilities			
Facility	**Space**	**Arrangement**	**Lease Amt. or Cost**
Cedar Park & Ride	6.5 acres and 600 sf building	Owned by Capital Metro	$620,000
Pavilion Park & Ride	7.26 acres and 450 sf building	Owned by Capital Metro	$936,000
North Lamar Transfer Center	5.6 acres and 1,250 Canopy	Owned by Capital Metro	$750,000
Oak Hill Plaza Park & Ride	unknown	Lease or Interlocal agreement	$275 per mo.
Barton Creek Mall Special Events Transfer Center	unknown	Lease or Interlocal agreement	$2,700 per mo.
Barton Springs/Bouldin P&R-Dillo	unknown	Lease or Interlocal agreement	$1 per yr.
Austin High School P & R	unknown	Lease or Interlocal agreement	$1 per yr.
Praise Tabernacle Church P & R	unknown	Lease or Interlocal agreement	$93,648 for 3 yrs.
Hyde Park United Methodist Church P & R	unknown	Lease or Interlocal agreement	$800 per mo.
Pflugerville Elementary P & R	unknown	Lease or Interlocal agreement	0
Pflugerville High P & R	unknown	Lease or Interlocal agreement	0
Pflugerville H.E.B. P & R	unknown	Lease or Interlocal agreement	0
Travis Square P & R	unknown	Lease or Interlocal agreement	0
Leander Church of Christ P & R	unknown	Lease or Interlocal agreement	$850
William Cannon/Bluff Spring Transfer Center	unknown	Oral Agreement	n/a
ACC Riverside Transfer Center	unknown	Oral Agreement	n/a
Highland Mall Transfer Center	unknown	Oral Agreement	n/a
Northcross Transfer Center	unknown	Oral Agreement	n/a
San Marcos @ Burton (in Manor) P & R	unknown	Oral Agreement	n/a
Burnet @ Townes (in Manor) P & R	unknown	Oral Agreement	n/a
Dawn @ Thunderbird P & R	unknown	Oral Agreement	n/a
Lago Vista P & R	unknown	Oral Agreement	n/a
Jonestown P & R	unknown	Oral Agreement	n/a

Source: Capital Metro.

Since October 1997, the Facilities Design and Construction Department has been developing a master facilities plan that was to have been completed by March 1998.[3] Recently, TPR was told that this deadline has been moved back to July at the earliest. This plan should be completed as soon as possible, not least because it would help Capital Metro's facility-related departments and sections prepare their fiscal 1999 budgets and their five-year Capital Projects forecast.

More importantly, however, a master facilities plan would assign clear responsibility for facility-related activities and projects, such as construction projects; eliminate duplication of effort among the Facilities Design and Construction Department, Building Maintenance Section, and Facilities Maintenance Section; aid facilities management in making crucial decisions about facility operation; document the authority's need to lease or acquire property for the development of transit facilities; address ownership, use, and management of its railroad right-of-way; allow management to determine current and future staffing needs, assign employees to jobs that match their skills and training; and would add a degree of professionalism and accountability to facility operations. Without a master facility plan, assigning accountability for facilities operations is difficult at best.

Capital Metro's lack of a master plan for its facilities often causes it to adopt a reactive approach to its facility problems. For instance, in 1997 the Federal Railroad Administration cited regulatory safety violations in aspects of Capital Metro's railroad facilities, such as nonfunctional railroad crossing signals and crossing arms, and threatened the authority with penalties.[4] As part of its response to this situation, Capital Metro transferred an FDC employee who had managed 22 different construction projects for the authority to the Railroad Right-of-Way Department, where he will now act as construction coordinator for projects related to railroad facilities. While this employee is highly competent at managing typical construction projects, the construction and rehabilitation of railroad signals and crossings requires an understanding of highly specific federal laws and regulations. Thus Capital Metro is losing the services of a seasoned construction specialist by placing him in a role that will require additional training. This type of crisis response without consideration for long-term effects appears to be fairly common at Capital Metro.

A pattern of hasty response to crises without consideration for long-term effects appears to be fairly common at Capital Metro.

Recommendations

A. The manager of the Facilities Design and Construction Department should complete a comprehensive master facilities plan by September 1, 1998.

The plan should specify staffing needs for various facilities units and force facilities managers to determine and plan for their own staffing and expertise needs. The plan also should clearly assign responsibility for construction project management to the Facilities Design and Construction Department.

A master facilities plan would improve the management, coordination, and efficiency of Capital Metro's facility operations. After the plan is developed, it should be updated annually. In the future, a team representing each facility-related unit should participate in the continuing development of this plan.

B. Capital Metro's senior managers should review and evaluate the Facilities Design and Construction Department's staffing needs, specifically the department's workload and the qualifications, training, and expertise needed to perform the department's tasks. This review should be complete by January 1, 1999.

This review would allow Capital Metro to review and adjust the department's staffing as needed to equip it properly for implementing the master plan and for accomplishing tasks associated with other recommendations in this chapter.

Fiscal impact

These recommendations could be achieved with existing resources.

PROPOSAL 34
Improve management of the contract with its railroad operator.

Background

For many years, Capital Metro's board and staff have ignored one of the authority's major assets, the railroad line. Because of this neglect, the federal government is requiring Capital Metro to pay a substantial amount of public funds for long-overdue repairs to the line.

In August 1986, Capital Metro joined with the City of Austin to purchase a 162-mile Southern Pacific railroad line from Llano to Giddings that passes through Austin, with the idea of eventually developing parts of the line for commuter rail. The final purchase price was $9,382,454, $6 million of which came from a grant to the city from the Federal Transit Administration (FTA). Austin provided $600,000 of its own funds as well, while Capital Metro contributed about $2.7 million. According to Capital Metro, the railroad line had an appraised value of about $70 million at the time of purchase.[5] A more recent (September 8, 1995) appraisal by real estate advisors Bates/PA JV, however, valued the line at about $56.3 million, a decline of $13.7 million.

Capital Metro's management of its railroad line has been marred with repeated examples of mismanagement, inadequate oversight, poor internal controls and misuse of staff.

With this purchase, Capital Metro and the City of Austin became responsible for the maintenance, rehabilitation, and improvement of railroad facilities on the line (including railroad bridges, signals, track ties, and crossing equipment) and thus for ensuring that carriers needing to use the line can do so. In May 1998, Capital Metro purchased Austin's share of the line for $1 million and thus assumed sole responsibility for these functions, as well as for any eventual light rail system that uses the line.

A history of neglect

Capital Metro's management of its railroad line has been marred with repeated examples of mismanagement, inadequate oversight, poor internal controls and record-keeping, and misuse of staff.

Capital Metro and the City of Austin have relied on contracted operators to maintain and operate the railroad line since its initial acquisition. The Austin & Northwestern Railroad Company, Inc. (AUNW) operated the line for Capital Metro and the city from August 1986 until March 1996. Under this firm's management, the track deteriorated to such an extent that only 52 miles of its 162-mile length were operable for railroad freight traffic. The devaluation of the line from $70 million in 1986 to $56.3 million in 1995 can be attributed to a general lack of maintenance, repair, and intelligent management.

In 1994, Capital Metro contracted for two audits of AUNW's management of the railroad line. The first one conducted by Sprouse & Winn, an accounting firm, covered an operational period from July 31 to December 31, 1986. Sprouse & Winn noted that AUNW had sold fixed assets of the line without informing Capital Metro of the sales or the proceeds involved, and had been forced to pay $30,800 in fines to the Federal Railroad Administration for violations of railroad safety statutes.[6]

A second review of AUNW operations was conducted by HDR Engineering, Inc. In an August 1994 report to Capital Metro, HDR concluded that AUNW "were not railroaders and did not take care of the property."[7] AUNW was cited for its failures to develop adequate maintenance and rehabilitation plan; notify the line's owners about changes to the properties; and maintain the track in line with federal safety requirements.[8]

Longhorn

Since 1996, Capital Metro's railroad operator has been the Central Tennessee Railway & Navigation Company (doing business as Longhorn Railway Company, Railroad Operator). Longhorn's contract with Capital Metro stipulates that it will serve as the railroad freight operator and provide such management as is needed for the efficient and economical operation of freight service on the line, while providing a suitably maintained railway for any future mass transit operations by Capital Metro.

According to Longhorn's contract, the operator must provide a certain minimum level of maintenance, rehabilitation, and betterment of the line. The railroad operator is obligated to rehabilitate any portion of the line on which it provides freight service at least to the FRA's Track Class I status, which would allow freight trains to run on the track at 10 miles per hour and passenger trains at 15 miles per hour. This must be accomplished before the beginning of the third year of the contract (1999). Longhorn also is obligated to provide the line's owners with a rehabilitation schedule and plan for the portions of the line over which it provides freight service; to deposit into an owner's escrow account 15 percent of all gross revenue from freight operations, to be used for rehabilitation and right-of-way maintenance activities; to submit maintenance plans and schedules to the owners for prior approval; and to maintain the entire Scobee-Smoot section—a section of the railroad line that runs from west of Fairland to east Austin—at its own expense.

The contract provides that Longhorn may be deemed in default of the contract for:

- failure to provide freight service required by the contract and by the federal Surface Transportation Board (STB) or any other regulatory agency;
- failure to maintain railroad facilities and physical properties as stipulated in the contract and in accordance with industry standards and federal, state, and local law;
- conduct resulting in suspension of railroad freight service by the STB or any other governmental agency;
- continuous operation in a way likely to lead to the imposition of penalties and fines.
- failure to make payments to the owner under the escrow schedule;
- failure to file documents or applications with regulatory agencies, resulting in fines;
- failure to pay taxes;
- failure to seek the owner's written consent for any provision of the contract requiring such consent; or
- bankruptcy.

In turn, Capital Metro, as owner, may be deemed to be in default of the contract for the following:

- continuous failure to act in good faith in reviewing and approving or denying rehabilitation and right-of-way maintenance projects suggested by the railroad operator.
- continuous conduct by any owner that unreasonably impairs the operation of railroad freight service.[9]

Capital Metro's fiscal 1998 budget allocated more than $1.5 million for safety improvements along the line required by the FRA. The Right-of-Way Department, however, anticipates the FRA may require additional improvements costing $1.6

million in each of the next two years. Capital Metro most likely will include these expenditures in its fiscal 1999 and 2000 budgets.[10] An October 31, 1997 draft memo to the FRA Southwest Region administrator from an FRA railroad safety specialist indicates that the line is severely out of compliance with federal requirements. Specifically, the inspector found "defect ratios" ranging from 368 percent to 863 percent; the FRA considers defect ratios of greater than 15 percent to be unsatisfactory. He also indicated that assessable civil penalties for these conditions could be as high as $63 million. The safety specialist recommended that the authority and the City of Austin develop a safety action plan to restore the line, and noted that "should these recommendations not be explored for an equitable solution, in the interest of public safety, an emergency order halting operations of all freight and passenger rail service should be put into effect immediately and maximum civil penalties requested and assessed."[11]

Capital Metro is paying a substantial amount of public funds for rehabilitation and improvements that its contract suggests should be performed by Longhorn.

While the contract does obligate the railroad's owners to cooperate with the railroad operator in obtaining federal, state, and local grants for improvements, a strict interpretation of the contract suggests that the railroad operator should be responsible for these costs, through its payments to the owner's escrow account. Nevertheless, FRA is requiring immediate improvements to the line and, regardless of the contract, is looking to Capital Metro to fund these improvements.

The contract terms also raise serious questions about the railroad operator's satisfactory discharge of its obligations. For example, in its 1996 annual report to Capital Metro and the City of Austin, Longhorn explained its failure to provide a required track rehabilitation and maintenance plan by stating that:

> ...Some of the things that are contractually required to be done, could not be done due to circumstances that have arisen, many which are positive, since the execution of the contract. An example of this relates to the track rehabilitation and maintenance plan, which is overdue. The grant of ISTEA funds was implemented, one new grant was acquired for the railroad out between Llano and Kingsland, and there is an Application,...to the Railroad Commission of Texas, to get some additional grant money, for rehabilitation of railroad from Giddings to Austin, with the use of Local Freight Railroad Assistance funds from the Federal Railroad Administration. Until it is known how, and where, and to what extent these funds are to be used, it would be an exercise in futility to attempt to arrive at a meaningful rehabilitation and/or maintenance plan for the railroad...[12]

An attorney engaged by Capital Metro to handle railroad-related matters told TPR that the authority believes Longhorn to be in "substantial compliance" with the contract.[13] Capital Metro recognizes that the current railroad operator is having difficulty meeting its contractual obligations but feels that it is making a good-faith effort to do so, given the extremely poor condition of the track when it assumed its present responsibilities. For instance, 150 miles of the track now are operable for rail service, compared to the 52 in this condition when Longhorn assumed control of the railroad operation in May 1996. Furthermore, annual railroad traffic on the line has tripled since Longhorn took over.[14] However, revenues from the railroad operations have not kept pace with needed rehabilitation and maintenance expenses.[15]

Nevertheless, the fact remains that Capital Metro is paying a substantial amount of public funds for rehabilitation and improvements that its contract suggests should be performed by Longhorn.

Recommendations

A. Capital Metro should enforce the contract's sections pertaining to the submission of maintenance and rehabilitation plans and schedules.

Capital Metro cannot monitor railroad line maintenance and rehabilitation performed by the freight operator without the submission of workplans and schedules. These plans and schedules are key elements of the contract and Capital Metro should insist on their timely submission.

B. Capital Metro and the Longhorn Railway Company should diligently pursue federal, state, and local grants available to fund the escrow account at the level needed to satisfy the contract's maintenance, rehabilitation, and betterment requirements.

Fiscal impact

These recommendations, if successfully implemented, would aid in the maintenance and repair of the railroad.

PROPOSAL 35
Audit leases and licenses connected with the railroad line and restructure the responsibilities and staff assignments of the Railroad Right-of-Way Department.

Background

Regardless of the activities of its railroad operators, Capital Metro itself is responsible for many of its railroad line's problems. In many cases, Capital Metro has failed both to maintain proper oversight of the contractor and to properly manage the railroad activities for which it is solely responsible, such as the administration of leases and licenses on the railroad line's right of way. These leases and licenses cover buildings, utility installations, and crossings on railroad property, as well as the right to run certain traffic over the tracks.

Capital Metro has paid very little attention to the management of licenses and leases on its railroad right of way.

Throughout much of its involvement with the railroad line, Capital Metro assigned only one person to oversee the operation, relying on the contractor to run the line on a day-to-day basis. Because of its impending sole ownership (Capital Metro purchased Austin's share in May 1998) and the need to address FRA non-compliance issues regarding railroad signals and crossings, Capital Metro increased the staff in the Railroad Right-of Way Department to four FTEs in March 1998. Currently, the Railroad Right-of-Way Department is staffed with three people and has one vacant position. Before the March 1998 reorganization, the present department manager was a real estate specialist who managed all of Capital Metro's leases and licenses including those involved in the railroad right of way. A second department employee, the railroad property agent, manages leases and licenses along the railroad right of way; this person, moreover, performed the same function for the Railroad Department from 1991 to 1994. The department also has a railroad construction coordinator who is responsible for coordinating and monitoring railroad construction projects along the railroad right of way. Before the March reorganization, this person served as a project manager for construction projects in Facilities Design and Construction Department. Finally, the vacant position is for a real estate specialist. It is unclear what this position's duties will be, since it seems that the property agent already performs the tasks of a real estate specialist.

A document issued by Capital Metro's now-disbanded Development Division concerning railroad projects for fiscal 1998 contained the following statement:

> Capital Metro is currently in the process of acquiring ownership of the entire 162 track miles Giddings - Llano railroad right-of way from the City of Austin.... There are several lease and license agreements currently in place. The largest agreements are the Rail Freight Agreement and the Historic Stream Train Excursion Service Agreement. These and other agreements will require close attention and management.[16]

The fact is, however, that over the last four years Capital Metro has paid very little attention to the management of licenses and leases on its railroad right-of-way. The situation has become critical; the Railroad Right-of-Way Department has not kept accurate records of leases and licenses along the right of way since 1994. Department staff openly admit, moreover, that many of Capital's Metro leases have not been reviewed in years and could be renegotiated to generate more revenue.[17]

No accounting for leases and licenses

When TPR staff asked the department how many leases and licenses are maintained on the railroad right of way, they were told that there were at least 2,500 to 5,000.[18] In fact, however, the Railroad Right-of-Way Department quite simply has no idea of how many leases and licenses it administers.

The Railroad Right-of-Way Department quite simply has no idea of how many leases and licenses it administers.

When TPR staff requested a list of all leases and licenses on the railroad right of way, the department could only provide a report from 1994 listing 61 license agreements. TPR requested information on the amount of revenue coming in on these leases, but the staff has no record of these figures. TPR then asked the Finance Department for a list of all licensees who made payments during the previous year. This report produced a list of 65 licensees, most of whom appeared on the 1994 report. Based on these two reports, it appeared that Capital Metro had established only four new licenses over a four-year period. The staff of the Railroad Right-of-Way Department believe they established more than three over this period, but could not tell TPR how many. In an effort to resolve this question, TPR reviewed the logs for new licenses from 1994 to the present. This review found a number of inaccuracies; many licenses listed in the log were never issued. When TPR asked to see supporting paperwork or applications for these licenses, the department manager could not even open the file cabinet in which the files are stored.

A week later, the department was able to provide a list of 33 new licensees since 1994, but it seems far from certain that this is a complete list. TPR hoped to help the department identify additional revenue opportunities from licensing, but the authority's records are in such poor condition that it proved impossible to do so.

Department staff admitted that, at present, they cannot determine whether they are receiving the appropriate payments for all of the authority's leases and licenses and are not sure whether they are even charging appropriate amounts for the ones they know exist.[19] One lessee on Capital Metro's right of way told TPR that they have been unable to get accurate information concerning their lease from Capital Metro. TPR also noted that, in this case, the lease amount had never been raised since Capital Metro took over the rail line in 1986.

Staffing problems

TPR also found that the Railroad Right-of-Way Department is inappropriately staffed, with poor matches between staff skills and job responsibilities. One example of this is the placement of a former Facilities Design and Construction project manager, a seasoned construction specialist, to coordinate railroad construction projects along the right of way. This employee, once essential to the FDC Department, will require additional training to manage any construction and rehabilitation projects connected with railroad signals and crossings, which are subject to highly specific federal guidelines and regulations. A representative of the Texas Railroad Commission told TPR that a railroad construction coordinator should have knowledge of the railroad industry and some background and experience in railroad construction, as well as a technical background in railroad equipment and facility specifications and in electrical systems, if signals or crossing installations are part of the project. Generally he felt that it would be more appropriate to hire someone with these skills and qualifications than to train someone for the task.[20]

Furthermore, the department's manager has been entirely ineffective in maintaining railroad lease and licenses, and seemingly has little interest in or knowledge of this function. The manager has no role other than to act as a liaison with the railroad operator. TPR found evidence that Capital Metro's right-of-way records were considerably better-maintained in 1994 and before, when the present railroad property agent had sole responsibility for this function.

Recommendations

A **The general manager should immediately merge the staff of the Railroad Right-of-Way Department into the Facilities Design and Construction Department. The staff should report to the manager of the FDC.**

TPR believes that the small staff of Railroad Right-of-Way Department should be assigned to FDC as a section of the department. This would allow Capital Metro to reduce its supervisory staff, because the current supervisor of the Railroad Right-of-Way Department would not be needed, and would allow the property agent and railroad construction coordinator to continue to perform their duties.

Currently, the Railroad Right-of-Way Department is composed of one manager who supervises two employees. The FDC Department is made up of a manager and three employees. The merger would create a more reasonable span of control for the manager of FDC, who would now be responsible for six employees.

B. **The board should require the manager of the Facilities Design and Construction Department to prepare a complete catalogue of all existing leases and licenses on the authority's railroad right of way by December 31, 1998.**

The board should make this a priority project and direct the department to provide monthly progress reports to the general manager and board. The project should result in a comprehensive database of leases and licenses, payments, and relevant dates.

C. **The Railroad Right-of-Way Section in the Facilities Design and Construction Department should determine the fair-market value of the property it leases and licenses and report to the board no later than June 1, 1999 on its holdings.**

Based on Capital Metro's 1994 listing of 61 leases, TPR estimates that these leases generate $60,200 annually. A review of this rather dated list shows that Capital Metro has not reassessed the fair-market value of its holdings. For example, one lease holder is paying $1 per year, as originally negotiated in 1952.

D. Capital Metro should move the railroad construction coordinator back to Facilities Design and Construction and hire a new and appropriately qualified employee for this position.

TPR believes the present railroad construction coordinator could serve Capital Metro more effectively in his original role as a construction manager for FDC. The Railroad Right-of-Way unit needs a railroad construction coordinator to oversee projects along the line, however, and this person should be fully qualified in the specific statutory and regulatory requirements involved in railroad-related activities and construction projects.

Fiscal impact

If these recommendations are implemented, Capital Metro would save $64,175 ($45,839 plus benefits of 40 percent) annually by eliminating the Railroad Right-of-Way supervisor position. The current railroad construction coordinator could be returned to FDC in a lateral transfer, at no additional cost; based on the position's present salary. The new railroad construction coordinator position would cost Capital Metro an additional $70,739 annually ($50,528 plus benefits of 40 percent).

TPR can find no convincing need for extra shelters at this time.

Once Capital Metro determines the fair-market value of its leases, it should be able to increase revenue. A conservative estimate assumes $987 in lease payments annually x 500 leases, yielding an additional $493,500 in revenue. The net fiscal impact is estimated at $487,000.

Fiscal Year	Annual Savings	Annual Cost	Annual Revenues	Net Fiscal Impact
1999	$64,200	($70,700)	$493,500	487,000
2000	64,200	(70,700)	493,500	487,000
2001	64,200	(70,700)	493,500	487,000
2002	64,200	(70,700)	493,500	487,000
2003	64,200	(70,700)	493,500	487,000

PROPOSAL 36
Inventory passenger amenities monthly and base future purchases on need.

Background

Capital Metro has a store of excess passenger amenities, such as bus stop shelters, benches, and litter cans. These extra amenities either were never used or were placed at bus stops that subsequently closed and then were placed in storage.[21] When TPR requested an inventory of stored amenities, however, the Public Facilities Maintenance supervisor was not able to readily provide a copy; the review team finally received a hand-written inventory two weeks later. It has since been reported to TPR that the section now is preparing monthly passenger amenity inventories. Capital Metro has the following bus stop amenities in storage (Exhibit 33).

EXHIBIT 33
Bus Stop Amenities in Storage
As of March 18, 1998

Inventory/Location/Quantity		
Item	Downtown Bus Depot	Pflugerville Storage
Litter Cans	27	0
Shelters 10' x 10'	8	6
Shelters 7' X 14"	0	3
Round Benches	5	3
Straight Benches	13	0

Source: Capital Metro.

Responsibility for amenities purchases unclear
TPR found considerable confusion as to which Capital Metro unit is responsible for buying and installing bus stop shelters, benches, and litter cans. In the past, such items have been budgeted for and installed by the Public Facilities Section. Recently, however, the Facilities Design and Construction Department became involved in the process, including $240,000 for bus shelter construction, $20,000 for benches, and $14,400 for bus shelter architecture and engineering in its fiscal 1998 budget. Public Facilities was unaware of any need for additional shelters and did not know until after the fact that FDC had budgeted for them.

As noted above, Capital Metro has some extra shelters in its inventory; moreover, Capital Metro completed a major expansion of passenger amenities just two years ago. TPR can find no convincing need for extra shelters at this time.

Recommendation

A. The Public Facilities Maintenance manager should prepare and submit a formal monthly inventory report of all bus shelters, benches, and litter cans in storage to the supervisor of the new Facilities Division.

Capital Metro should take proper precautions to protect its assets. The Public Facilities Maintenance manager should be held accountable and responsible for maintaining an accurate inventory of stored passenger amenities, not only because of the cost of these items but also because it is simply a useful practice.

B. Capital Metro should cancel its current plans to purchase additional shelters. The authority should take steps to ensure that all future purchases of passenger amenities are based on a documented need.

Fiscal impact

Recommendation A could be accomplished with existing resources.

Capital Metro could realize immediate savings by canceling its plans to spend $274,400 on additional shelters and other passenger amenities in fiscal 1998.

PROPOSAL 37
Seek more competitive bids for purchases of bus stop shelters, benches, and litter cans.

Background

From 1992 through 1996, Capital Metro purchased nearly $6.3 million worth of bus stop shelters, benches, and litter cans from the same vendor (Exhibit 34).

EXHIBIT 34
Capital Metro Amenities Purchases, 1992-96

Amenities	Costs
1,079 Bus Stop Benches	$3,064,918
1,442 Bus Stop Litter Cans	658,849
636 Bus Stop Shelters	2,563,518
Total	$6,287,285

Source: Capital Metro.

TPR reviewed documents concerning the bidding processes for these contracts. Often, as few as two bidders responded to the authority's invitations to bid on contracts worth a quarter-million dollars or more. For example, consider the following data on three contracts related to the fabrication and installation of bus stop facilities (Exhibit 35):

EXHIBIT 35
Bid Information
Bus Stop Facilities Contracts

Bid Item	Year	Number of Bidders	Winning Award
900 Litter Containers	1995	2	$403,200
800 Litter Containers	1993	2	$279,200
Fabrication/Installation of 225 Bus Stop Shelters and 725 Benches	1993	3	$1,280,950

Source: Capital Metro.

The same company won all three contracts. Such patterns suggest that Capital Metro may be drawing requirements and specifications in a way that discourages participation by a larger pool of vendors.

Recommendation

Capital Metro should review and revise its bidding process for shelters, benches, and litter cans to encourage participation from more vendors.

Bid requirements and specifications can be written so strictly that they discourage bidders and thereby limit the potential number of bidders for a contract. Capital Metro should review its bid documents and processes and make appropriate revisions to encourage vendor participation.

Fiscal impact

The fiscal impact of this recommendation cannot be determined, but greater participation in the bidding process should yield savings.

PROPOSAL 38
When more are needed, purchase industry-standard shelters, benches, and litter containers.

Background

Capital Metro purchases custom-designed bus stop shelters and litter containers at a substantial price. TPR met with other contractors in the Austin area who manufacture and install outdoor facilities such as benches, shelters, and litter cans. They indicated that the items Capital Metro purchases are fairly priced considering their design but also noted that, because Capital Metro insists on custom designs, it would be hard to find other companies that would even consider making them.

Capital Metro could procure perfectly adequate stock shelters and litter containers for far less than its custom-designed equipment.

The industry standard for litter containers, for instance, is round.[22] The square design that Capital Metro uses is rare and adds substantially to its cost. The same is true for the shelters; Capital Metro has chosen to use a shelter with custom design features that raises its cost by as much as 25 percent. Yet many companies can supply suitable outdoor shelters and offer many types of designs to accommodate customer wishes. Capital Metro could procure perfectly adequate stock shelters and litter containers for far less than its custom-designed equipment.

In reviewing the contract for Capital Metro's shelters and litter containers, TPR was able to identify the following unit costs for each of these items (Exhibits 36 through 38).

EXHIBIT 36
Unit Cost for Litter Cans

Description	Unit Price
Fabrication and assembly of litter container and liner	$308
Installation of container and ciner	$68
Installation of concrete pad	$72
Total	$448

Source: Capital Metro.

EXHIBIT 37
Unit Cost for Benches

Description	Materials Costs	Services Costs	Total Unit Price
Fabrication of straight benches	$176	$216	$392
Installation of straight benches	$10	$78	$88
Fabrication and installation of straight bench pads	$140	$140	$280
Total	$326	$434	$760

Source: Capital Metro.

EXHIBIT 38
Unit Cost for Shelters

Description	Materials Costs	Services Costs	Total Unit Price
Fabrication of bus stop shelter	$1,140	$938	$2,078
Installation of bus stop shelter	$46	$300	$346
Fabrication and installation of bus stop shelter pads	$950	$1,886	$2,836
Fabrication and installation of four-inch sidewalks	$2 per sq. ft.	$3 per sq. ft.	$5 per sq. ft.
Fabrication and installation of two-foot retaining wall	$22 per linear ft.	$23 per linear ft.	$45 per linear ft.
Fabrication and installation of three-foot retaining wall	$27 per linear ft.	$28 per linear ft.	$55 per linear ft.
Fabrication and installation of four-foot retaining wall	$30 per linear ft.	$32 per linear ft.	$62 per linear ft.

Source: Capital Metro.

TPR did not total the costs for shelters because these costs vary depending on the height of the retaining wall to which the shelters are attached. However, the cost for fabrication and installation of the shelter and its pads alone totals $5,260 apiece. TPR interviewed representatives of companies that manufacture street and park fixtures such as shelters, and found that stock shelters with seating, wheelchair accessibility, and overhead cover space identical to Capital Metro's could be purchased and installed for as little as $3,650 each.[23] TPR also found that a local civic organization, Keep Austin Beautiful (KAB), could provide Capital Metro with similar litter containers for about $245 each.[24]

Capital Metro's Facilities Maintenance manager is aware that the authority pays a premium for its amenities but said that more expensive, higher-quality materials used in their manufacture help to reduce subsequent maintenance costs.[25] For example, the paint used is a high-grade industrial paint that resists petroleum-based products, making it easier to remove graffiti. He also felt that the authority's amenity designs offer more security and provide better passenger comfort. Other vendors, however, make similar claims about their products.[26]

In all, the custom design of Capital Metro's amenities appears to be the most important factor in their price. TPR could find no compelling reason why Capital Metro's litter cans must be square or its shelters custom-designed.

Recommendation

As more become needed, Capital Metro should purchase industry-standard shelters, benches, and litter containers.

Fiscal impact

TPR does not recommend the purchase of any unnecessary litter containers, shelters, and benches. When more become necessary, however, Capital Metro should reduce its costs by purchasing industry-standard items. For example, standard round litter cans can be purchased for $245 apiece ($210 for the metal container and $35 for the liner) versus the current average unit cost of $376 ($308 for the square container and $68 for the liner); this would yield a savings of $131 per unit. Similarly, Capital Metro pays about $5,260 for each custom-designed shelter; TPR's interviews suggest the authority could reduce the unit cost to $3,650 without a loss in quality. This recommendation ultimately could yield significant savings.

TPR could find no compelling reason why Capital Metro's litter cans must be square or its shelters custom-designed.

Had Capital Metro purchased industry-standard shelters and litter containers over the past eight years, it would have cost the following amount:

636 Shelters x $3,650 each =	$ 2,321,400
1,442 litter cans x $245 each =	$ 353,290
Total Cost	$ 2,674,690

Capital Metro actually paid $3,222,367 for these facilities. Thus the savings would have been $547,677 ($3,222,367 -$2,674,690).

The actual fiscal impact of this recommendation would depend on Capital Metro's future needs and actions and cannot be estimated.

PROPOSAL 39
Stop collecting trash and reinstate the contract with the "Keep Austin Beautiful" program.

Background

At present, Capital Metro's Public Facilities Maintenance Section picks up trash at the bus stops at an annual cost of about $150,000. Trash collection is by far the section's most time-consuming activity, accounting for a third of its work hours. Yet this service could be performed by the City of Austin for considerably less.

In the past, Capital Metro relied on the City of Austin to provide a portion of this service. In 1988, Capital Metro, along with four other major sponsors—Austin Cablevision (now Time Warner), 3M, the *Austin American-Statesman*, and Texas

Disposal Systems—entered into an agreement with the Keep Austin Beautiful (KAB) civic organization for litter cans. KAB asks members of the area's business community to sponsor its litter container program; sponsors pay KAB $245 per litter container and in return their company or organization names are placed on the containers. KAB then donates the litter containers to the City of Austin, and thereafter the city is responsible for maintaining and servicing them. A sponsorship lasts for five years and can be renewed at a cost of approximately $125. Renewal fees are used to refurbish the litter containers.

Capital Metro sponsored 150 of these litter cans and participated in the program for about two years. During its participation, the authority became dissatisfied with the city's servicing of the litter containers (specifically, the frequency of litter pickup).[27] However, while problems with city service were common during the early days of the KAB program, at present the city services all of the KAB-sponsored litter containers daily.

Bigger problems arose from two other issues. The first was that Capital Metro wanted KAB to supply them with square litter containers.[28] KAB could not comply with this request, stating that round cans are the industry standard used in most communities and that they could not economically fabricate custom-designed square containers for Capital Metro.[29] Secondly, in 1992 the City of Austin's Solid Waste Department asked Capital Metro to pay an additional $56,195 in fiscal 1992 and $74,529 in fiscal 1993 above the $245 per container, to pay for a new truck and two employees to service 600 proposed Capital Metro litter containers. Representatives of KAB pledged to fight on Capital Metro's behalf and felt that their chances of avoiding this additional cost were good.[30] KAB representatives pointed out that the contract with the City of Austin requires the city to install KAB-donated trash containers, collect their refuse, and maintain the containers, and that KAB intended to enforce the provisions of the contract.[31] Nevertheless, for these reasons, Capital Metro quit the program, entered into a contract with a vendor to produce square litter containers, replaced the 150 round cans they initially sponsored through KAB with their own, and assumed sole responsibility for servicing the authority's present total of 1,442 litter containers.

Capital Metro chose to assume full responsibility for trash collection from its containers, thus performing a service that contributes little to its primary mission and wastes its resources and manpower.

The total cost of the 150 litter containers obtained from KAB was approximately $36,750 (150 x $245 per container and liner; the installation cost was assumed by the City of Austin). Removing the round litter containers and replacing them with square ones cost Capital Metro about $67,200 (150 x $448 per container with liner, including the installation cost Capital Metro was forced to absorb). In addition, Capital Metro also must bear the cost of servicing the cans.

While Capital Metro's concerns about avoiding an additional expense for trash collection were valid, TPR believes that the authority's response may have been premature, inappropriate, and costly. KAB representatives have expressed their sincere willingness to work with both Capital Metro and the City of Austin to work out an arrangement that is mutually beneficial to all parties, even if it means enforcing contractual requirements on the city to collect trash at KAB-donated litter containers. Yet it appears that Capital Metro did not allow KAB to attempt to do so. Moreover, to date none of the other major sponsors have been required to pay any additional money to the city for trash collection from KAB containers. Even so, Capital Metro chose to assume full responsibility for trash collection from its containers, thus performing a service that contributes little to its primary mission and wastes its resources and manpower.

Capital Metro experienced an immediate expense of $67,200 when it left the KAB program and replaced KAB's containers with its own, and wasted another $36,750 by returning the 150 round litter cans to the city. More expensive still, however, was the long-term impact of this decision. Capital Metro has for the last seven years employed a Public Facilities Section staff of 12 persons with 11 flatbed trucks and one pickup who dedicate a full third of their energies to trash collection (Exhibit 39).

EXHIBIT 39
Facilities Maintenance Section
Annual Work Activity
Fiscal 1997

Task	Number of times Performed	Percent of Total Work Activity
Trash Collection Service	24,810	33%
Shelter Removal	5	-
Shelter Cleaning	6,821	9%
Shelter Powerwash	4,428	6%
Shelter Graffiti Removal	3,700	5%
Bench Cleaning	4,729	6%
Bench Powerwash	3,228	4%
Bench Graffiti Removal	3,908	5%
Litter Container Powerwash	3,571	5%
Litter Container Installation	72	-
Litter Container Removal	36	-
Litter Container Graffiti Removal	3,854	5%
Braille Sign Installation	4,869	6%
Braille Sign Removal	780	1%
Braille Sign Replacement	356	-
Braille Sign Cleaning	1,020	1%
Braille Sign Graffiti Removal	975	1%
Pole Installation	333	-
Pole Removal	140	-
Pole Painting	2,902	4%
Pole Graffiti Removal	3,654	5%
Pole reinstallation	209	-
Lawn cutting	1,879	2%
TOTAL	76,279	100%

Source: Capital Metro.

Staff salaries and benefits for non-administrative staff in the Public Facilities Section total $365,117 in the fiscal 1998 budget.

In August 1997, Capital Metro replaced Public Facilities' truck fleet with 11 new vehicles at a cost to Capital Metro of $45,837 (federal revenue paid for 80 percent of the purchase). The truck fleet, of course, also requires maintenance and fuel. From February through June 1998, the section spent $2,958 for vehicle maintenance and $7,204 in fuel costs for a total of $10,162.

Capital Metro constantly reminds the public that running a transit operation is expensive; while this is true, however, TPR found that Capital Metro involves itself in expensive endeavors that have no relationship to its core mission of providing mass transportation.

Recommendation

Capital Metro should negotiate with Keep Austin Beautiful and the City of Austin to arrange KAB sponsorship for all of its litter containers.
Sponsorship of KAB litter cans is much more economical than Capital Metro's current arrangements; sponsorship for the authority's existing litter cans would mean that the responsibility of servicing them would be assumed by the City of Austin.

The chairman of KAB told TPR that his organization would be willing to work with Capital Metro to obtain city servicing for the authority's installed base of square trash containers.[32]

Fiscal impact

The total annual salaries for the 11-person staff of the Public Facilities Maintenance Section, excluding its supervisor, amount to about $365,117 ($260,798 plus 40 percent benefits). A third of these employees' activity is dedicated to servicing litter containers at bus stops; therefore, about a third of these staff salaries could be saved if Capital Metro entered into an agreement with KAB and allowed the City of Austin to perform this task. Capital Metro could eliminate four Public Facilities Maintenance positions, including two positions at $28,909 annually ($20,649 plus 40 percent benefits) for a total of $57,817; another position at $30,372 ($21,694 plus 40 percent); and a fourth position at $34,769 ($24,835 plus 40 percent). Elimination of these positions would save $122,958 annually.

Sponsorship is much more economical than Capital Metro's current arrangement.

Capital Metro also should be able to reduce its annual maintenance and fuel costs by a third by eliminating in-house litter collection. Over a five-month period (February to June 1998), Public Facilities Maintenance spent $2,958 for vehicle maintenance and $7,204 in fuel costs, for a total of $10,162. The monthly average for these costs during this period was $2,032 ($10,162/five months) or $24,384 annually, which could be saved if Capital Metro rejoined the KAB litter container program.

A KAB representative told TPR that, starting in October 1998, the organization intends to promote new sponsorship for its litter container program, and that if Capital Metro is interested in rejoining the program, KAB would treat all 1,442 Capital Metro containers as renewal sponsorships.[33] This is significant because renewal fees are no greater than $125 and can be as low as $55 and a renewal lasts for five years. Therefore, even if the cost of renewal were $125 per container, the annual cost to Capital Metro would be $25 per container per year, for a total annual cost of $36,050 (1,442 litter containers x $25 per container per year).

If this recommendation were implemented, the annual net savings would be $111,292 ($122,958 in savings from eliminating four positions in Public Facilities Maintenance plus $24,384 in fuel and maintenance cost reductions less $36,050 the cost of participation in the KAB program).

These savings would be reduced if the City of Austin imposes charges beyond those outlined in its contract with KAB.

Fiscal Year	Savings	Change in FTEs
1999	$111,300	-4
2000	111,300	-4
2001	111,300	-4
2002	111,300	-4
2003	111,300	-4

Endnotes

1 Interview with Elaine Timbes, interim chief of Operations, Capital Metro, Austin, Texas, March 25, 1998.

2 Capital Metro, Capital Metropolitan Transportation Authority FY 1998 Budget (Austin, Texas, March 1998), p. 15.

3 Interview with John Hodges, Facilities Design and Construction Department, Capital Metro, Austin, Texas, February 10, 1998.

4 Memorandum from Gregory Likness, railroad safety specialist, Federal Railroad Administration, to John F. Megary, regional administrator, Federal Railroad Administration, October 31, 1997, p. 5.

5 Interview with Joe Ramirez, interim chief administrative officer, Capital Metro, Austin, Texas, February 11, 1998.

6 Capital Metro, *Independent Auditors' Reports of Austin and Northwestern Railroad Company, Inc.*, by Sprouse and Winn, LLP, Certified Public Accountants (Austin, Texas, May 5, 1994).

7 Capital Metro, *Review, Analysis, and Recommendations for Austin and Northwestern Railroad and Operations by the AUNW Operator*, by HDR Engineering, Inc. (Austin, Texas, August 1994), p. 2. (Consultant's report.)

8 Capital Metro, *Review, Analysis, and Recommendations for Austin and Northwestern Railroad and Operations by the AUNW Operator*, p. 31.

9 Capital Metro, *Giddings-Llano Line Rail Freight Service Contract Between the City of Austin, Capital Metropolitan Transportation Authority, and Longhorn Railway Company, Rail Operator* (Austin, Texas, March 15, 1996), Section XXXIII.

10 Capital Metro, *Capital Metropolitan Transportation Authority FY 1998 Budget* (Austin, Texas, March 1998), p. 15; and Capital Metro , "Railroad Right-of-Way Department FY 1998 Budget Backup," Austin, Texas.

11 Memorandum from Gregory Likness to John F. Megary.

12 Longhorn Railway Company, *Annual Operations Report presented to Capital Metro* (Austin, Texas, April 30, 1997), p. 12.

13 Interview with Beverly Landers, a private attorney engaged by Capital Metro for rail-related issues, Austin, Texas, March 19, 1998.

14 Interview with Don Cheatham, general manager, Longhorn Railway Company, Austin, Texas, March 23, 1998.

15 Interview with Joe Ramirez, chief administrative officer, Capital Metro, Austin, Texas, July 1, 1998.

16 Capital Metro, Development Division, *Fiscal Year 1998 Budget: Mission and Vision for the Development Division* (Austin, Texas), p. 17.

17 Interview with Joe Ramirez, February 11, 1998; and interview with Sharon Walker, March 23, 1998.

18 Interviews with Joe Ramirez, February 11 and March 19, 1998.

19 Interview with Joe Ramirez, February 11, 1998; and interview with Sharon Walker, March 23, 1998.

20 Interview with Mike Jones, director of Rail Planning and Projects, Texas Railroad Commission, Austin, Texas, July 3, 1998

21 Interviews with David Guzman, supervisor of the Public Facilities Section, and Steve Herrera, interim manager for the Maintenance Department, Capital Metro, Austin, Texas, February 10, 1998.

22 Interview with John Braun, president, Braun and Butler Construction Inc., Austin, Texas, March 30, 1998.

23 Interview with John Braun, president, Braun and Butler Construction Inc., Austin, Texas, April 20, 1998.

24 Interview with Dennis Hobbs, director, Keep Austin Beautiful, Austin, Texas, March 31, 1998.

25 Interview with Steve Herrera, interim manager for the Maintenance Department, Capital Metro, Austin, Texas, March 19, 1998.

26 Interview with John Braun, April 20, 1998; and interview with Dennis Hobbs, director, Keep Austin Beautiful, Austin, Texas, April 20, 1998.

27 Interview with Elaine Timbes, March 25, 1998.

28 Interview with Steve Herrera, March 19, 1998; interview with Elaine Timbes, March 25, 1998; and interview with Dennis Hobbs, March 31, 1998.

29 Interview with Dennis Hobbs, March 31, 1998.

30 Memorandum from Robin Loving, executive director of Keep Austin Beautiful to Tony Kouneski, general manager, Capital Metro, August 6, 1991.

Endnotes ***(continued)***

[31] Interview with Dennis Hobbs, Dennis Hobbs, director, Keep Austin Beautiful, Austin, Texas, July 2, 1998.

[32] Interview with Dennis Hobbs, July 2, 1998.

[33] Interview with Dennis Hobbs, Dennis Hobbs, director, Keep Austin Beautiful, Austin, Texas, July 3, 1998.

CHAPTER 8

Customer Service and Public Communications

In the 1990s, both the private and public sectors recognized the importance of focusing on the needs of the customer. In business, satisfied customers mean the difference between making a profit and closing the doors. Price, quality, selection, delivery time, and service are the factors that give one business the edge over another.

In the public sector, customers have fewer choices about who provides the services they need, and no choice about paying the bill in the form of taxes. In this environment, the quality of the governmental service must become the main focus.

Capital Metro's first job is to give its customers what they need—efficient, affordable, dependable transportation. The authority's efforts to provide high-quality customer service should extend beyond the Customer Service Section discussed in this chapter to every corner of the organization. This chapter discusses several ways in which the information developed from contacts with the public can be used to improve service for all of Capital Metro's customers.

In the past, the authority focused heavily on "image-building" and much less on customer service.

In the past, the authority focused heavily on "image-building" (as evidenced by their former $1.8 million contract with a local public relations firm) and community relations, and much less on customer service. For fiscal 1998, however, the board cut the amount of money to be spent on public relations, and the interim general manager has shifted the authority's organizational structure to place the day-to-day needs and concerns of its customers first.

From summer 1997 through March 1998, Capital Metro's Communications Department administered the authority's government affairs, public information, community relations, and customer service functions through five sections: Government Affairs, Public Information, Community Involvement, Customer Service, and Advertising/Marketing.[1] In March 1998, the general manager reorganized the department, retitling it Customer Service and Public Communications, and promoted the former manager of the Customer Service Section to manage the entire department. Government Affairs was raised to separate departmental status, reporting directly to the general manager, while Advertising/Marketing, which had managed the authority's contract with an advertising firm, was eliminated. Customer Service retained its status as a section, while the Public Information and Community Involvement sections now constitute the Public Communications Section.

The reorganization eliminated a total of five positions, including the positions of chief communications officer/director of Communications, an advertising promotion coordinator, a public relations specialist, and two community relations specialists. The department's budget was reduced by $451,079 to a combined fiscal 1998 budget of $1,465,526 ($572,406 for the Customer Service Section and $893,120 for the Public Communications Section).[2]

Staffing and functions—Customer Service

Customer Service responds to general inquiries regarding bus routes and schedules, performs customer trip planning, and accepts and disseminates customer comments. The section consists of 22 positions, including a customer service supervisor; two senior customer service representatives; 12 customer service representatives, including two part-time positions; a quality assurance representative; two customer service ticket/pass agents; a customer relations supervisor/technical support specialist; and three customer relations representatives.[3] The ticket/pass agents sell transit bus tickets and passes to the general public from its Customer Service Center located in the downtown area; the customer service representatives answer general route and schedule information; and the customer relations representatives accept and disseminate customer comments, including complaints.

Staffing and functions—Public Communications

Public Communications' major responsibilities include community outreach initiatives and correspondence, media relations, press releases, newsletters, graphics, Americans with Disabilities Act (ADA) compliance, support of board advisory committees, maintenance of the authority's website, publication of the authority's schedule booklet, and transit advertising. The section has eight employees, including a senior community relations specialist, a community relations specialist, a public relations supervisor, a public information specialist, a graphics specialist, an accessible transportation specialist, an ADA transportation specialist, and an administrative secretary.[4]

Capital Metro's response to customer complaints is unnecessarily slow.

TPR found that Capital Metro's response to customer complaints is unnecessarily slow, and that its tracking of consumer complaints does little to address or resolve the problems identified. TPR also learned that Capital Metro has attempted to build community support through the granting of donations and sponsorships to community organizations, a practice that is highly unusual for a transit authority and moreover is inadequately guided by written policies and procedures. Capital Metro has useful stores of data on its customers that could be used to improve its customer service, but these data are scattered among different departments and used ineffectively.

In this chapter, TPR makes recommendations that would improve Capital Metro's accountability to the public in handling complaints; suspend donations, sponsorships, and memberships to community and national organizations until and unless procedures are put in place to allocate them fairly; improve recordkeeping related to community contacts; and establish guidelines for all internal and external written communications.

In all, the recommendations in this chapter would save Capital Metro $20,000 in fiscal 1999 and $100,000 over the next five years.

PROPOSAL 40
Improve the authority's customer complaint responses and hold all department managers responsible for improved customer service.

Background

The Customer Service Section receives customer and public comments and complaints via telephone calls, mail or e-mail, and walk-ins. When a complaint is called into Customer Service, a customer relations representative attempts to resolve the customer's concern immediately.[5] If this is not possible, the representative documents the customer's information in a Lotus Notes-based customer call report.[6] The customer call report captures information such as the date of call or comment; the customer's name, address, and phone number; the date, time, and location of any incident described; and the actual comment or complaint.[7] Complaints received via e-mail are handled by the authority's website administrator who also is the senior community relations specialist.

After all of this information is entered, the customer relations representative determines which Capital Metro department is responsible for the incident that prompted the complaint or comment and routes the customer call report to that department's action officer.

Complaint responses

Every Capital Metro department delegates an action officer to respond to customer complaints concerning its operations.[8] The action officer investigates the problem, takes appropriate action, and prepares a response. The response (a letter or telephone call) is entered into a computer and routed back to Customer Service. If the response is in the form of a letter, Customer Service edits and mails the letter to the customer.[9] The customer service representative then performs a close-out of the customer call report, meaning the customer complaint has been resolved.

Often, the manner in which Customer Service receives a complaint determines how Capital Metro departments respond to it. TPR examined several customer call reports regarding complaints phoned into Customer Service. While these complaints were investigated and a response or "plan of action" was internally communicated via a form filled out by a supervisor, the complainant could not be informed of the response because he or she was not asked or did not choose to leave an address or telephone number. For example, one customer call report states that the caller "has been waiting for the Dillo to show up and it still is not there. Caller has waited since 1:20 p.m. and it is now 1:43 p.m. and still no Dillo. Caller stated that she has 3 classes of PRE-K children with her. Caller wants to know why this happened." This complaint was forwarded to the Dillo operator's supervisor who asked the operator about the incident and filled out a form accordingly. The operator commented that "he always leave[s] later than scheduled. He does not know how this passenger could have miss[ed] his bus if she was there." In the space for "plan of action/ recommendations," the supervisor wrote, "I will ask the...supervisor to monitor this location." The caller was not informed of this action since no contact information was captured.

Capital Metro's Purchased Transportation Department coordinates responses to complaints concerning contract transportation services such as DAVE Transportation, which provides UT shuttle services, and Greater Austin Transportation Company (GATC), which provides Teleride and certain van services.[10] UT shuttle bus complaints are handled by the Customer Service Section first, distributed to DAVE for a response, and sent back to Customer Service for closeout. The contractor has access to Capital Metro's hardware and software to process complaints. Actual personal contact with customers is made by the contractor, however, and some customers who complain to Customer Service regarding purchased services are told to contact the contractor directly.[11]

Other Texas transits have similar processes; the Dallas Area Rapid Transit (DART) Customer Service Department, for instance, has five customer response representatives who accept and disseminate complaints.[12] These representatives, however, also mail out letters acknowledging receipt of complaints within two days.

The Houston Metro's Customer Service Section has a supervisor, four full-time customer service representatives, and one temporary employee.[13] These representatives also receive and disseminate complaints to designated staff members in other departments. Responsibility for mailing out responses to customers, however, lies with the individual departments, rather than Customer Service. (Customer Service does, however, acknowledge receipt of customer e-mail.) Customer Service tracks responses by receiving all copies of letters sent to customers.

Customer comments

From October 1997 through March 1998, Capital Metro received 268 compliments from the public, an average of 44 per month. For the same period, Customer Service documented 2,777 complaints, an average of 462 per month. About 58 percent of those complaints (1,612) were about fixed-route service (regular bus lines); 16 percent concerned contract services such as DAVE and GATC; and 14 percent concerned the Special Transit Services (STS) Department, with the remainder divided among other services.[14]

Capital Metro's seven-day complaint turnaround goal is sufficient, if somewhat lenient, given the average number of complaints per month. Some departments, however, consistently fail to meet even this generous goal.

Customer Service tracks and accounts for major categories of complaints, including discourteous behavior by bus drivers and administrators (the latter category work in STS only); hazardous bus operations; bus pass-bys (failures to pick up a rider at a designated stop); bus no-shows; dissatisfaction with the rules and procedures for riding the bus; and late buses. For October 1997 through March 1998, the most common *fixed-route* complaints were discourteous behavior by bus drivers (327); hazardous bus operation (196); and dissatisfaction with the rules and procedures for riding the bus (59). The top complaint categories for *STS* were scheduling (93), discourteous behavior by bus operators (45), and discourteous behavior by other staff members. *GATC* garnered 97 complaints for bus-no shows, 56 complaints for late buses, and 35 for discourteous behavior by bus operators.

Customer Service compiles all of these numbers into a monthly "Comment Analysis Report" that is distributed to department and project managers of Fixed Route, STS, and the GATC and DAVE contract transportation providers.[15] TPR could find little evidence, however, that these reports are used to make substantive changes or improvements in its service.

Turnaround times

Capital Metro's customer complaint turnaround goal—the time in which a complaint must be answered and, if possible, rectified—is seven business days. The turnaround time for responding to complaints is calculated from the time the call is taken to the time the complaint is resolved.[16] Houston Metro's turnaround goal, by contrast, is three to five working days, except for phone responses, which should be made within three working days; DART's turnaround goal is 10 days.[17]

In March 1998, complaint response turnaround time averaged six business days for fixed-route and STS complaints and two days for GATC-related complaints.[18] Facilities Maintenance and DAVE Transportation (the UT shuttles) each averaged a four-day complaint turnaround. Capital Metro's overall turnaround time for complaints in March was five business days; its average turnaround time for October 1997 through March 1998, however, was 11 business days, with a high of 21 days in November and December 1997 and a low of three days in February 1998.

Capital Metro's seven-day complaint turnaround goal is sufficient, if somewhat lenient, given the average number of complaints per month. Some departments, however, consistently fail to meet even this generous goal. No incentives or penalties are attached to complaint resolution goals that would encourage and hold employees accountable for quality customer service.

Recommendations

A. **The board should establish a policy mandating that complaints be processed and resolved within five business days.**

The board should hold the general manager accountable for compliance with this policy. In turn, the general manager should evaluate all administrative managers and department directors against this standard. Requiring adherence to this policy would demonstrate a higher level of commitment to customer service. Department managers should document consistent noncompliance in employees' personnel files. This recommendation should be implemented no later than September 1, 1998.

B. **The Customer Service and Public Communications Department should revise its monthly Comment Analysis Reports to include recommendations on policy and operational changes that could be made to respond to customer complaints. The revised monthly report should be circulated to the board, general manager, and department heads.**

The current Comment Analysis Reports emphasize the numbers of complaints by type and response turnaround times, with no discussion of what can be done to resolve recurring complaints. This recommendation should be implemented no later than October 1, 1998.

The board should establish a policy mandating that complaints be processed and resolved within five business days.

C. **The Customer Service and Public Communications Department should develop a periodic report card for the public that captures the information from the revised Comment Analysis Report, including its recommended remedies and an implementation status on recommended changes.**

This report card would demonstrate the authority's commitment to customer service as well as public accountability. The availability of this report card should be publicized via the authority's website and other media forms such as public newsletters, and distributed at all public meetings, hearings, and special events. The authority should publish the information on a quarterly basis. This recommendation should be implemented no later than December 1, 1998.

Fiscal impact

These recommendations can be accomplished with existing resources.

PROPOSAL 41
Establish board policies for the fair allocation of donations and sponsorships to community and national organizations.

Background

To enhance community relations and customer service, Capital Metro provides cash donations and sponsorships to community groups and nonprofit organizations. The authority spent $80,984 in fiscal 1997 for these purposes. The recipients of these funds were all recognized community groups.

However, the use of taxpayer dollars for donations and sponsorships for community groups raised several troubling policy issues that must be addressed. In the first place, any such donations and scholarships should be awarded only through a fair, open, and formal process for soliciting grant applications from community groups. One also can question whether granting funds to community groups is the most effective way for Capital Metro to enhance its community relations. The final question is whether the mission of a transit authority includes spending local sales tax funds for general goodwill grants and sponsorships, no matter how worthy the recipients.

Need for a grant and sponsorship evaluation process

Capital Metro's staff and board have not developed written policies, procedures, or criteria for granting or donating funds to community groups. The authority has no formal process for soliciting applications for sponsorships, grants, or other cash donations.[19] Without such a process, Capital Metro's funds are spent without a clear strategy or any expectation as to what the authority should accomplish.

Capital Metro's staff and board have not developed written policies, procedures, or criteria for granting or donating funds to community groups.

The lack of a grant application and evaluation process also exposes the board to criticism from other nonprofit community groups that do not receive funds. A formal process could ensure that all community groups receive public notice and have a fair chance to apply for funding, and that Capital Metro selects only those applications that further its strategic plan and objectives.

Other community involvement techniques

Capital Metro has an active and visible community involvement program beyond its grants and donations. For example, the authority periodically sponsors special transit-awareness events and public comment sessions that are widely publicized by the media and on Capital Metro's website.

But Capital Metro lacks a focused strategic plan for involving individual citizens, neighborhood groups, and community groups in efforts to improve transportation throughout its service area. Without such a plan, the authority cannot determine whether or not its grants are an effective use of its funds.

The authority could take advantage of many other ways of garnering community input on transportation services. For example, the Federal Transit Administration (FTA) has developed a 225-page document listing 131 specific techniques for involving and communicating with the public.[20] These include the use of advisory committees and task forces; special efforts to gather input from the disabled; special techniques for involving low-income groups; the use of mailing lists and telephone surveys; and public work sessions such as focus groups and public mediation sessions. It is noteworthy that none of the techniques recommended by the FTA involve blanket donations, sponsorships, or grants.

Use of tax revenues for cash grants

Capital Metro's primary mission is to provide transit services to the greater Austin area. To accomplish this, Capital Metro levies a sales tax that provides most of its budget. One can legitimately question whether a transportation authority should be in the business of providing grants, no matter how worthy the cause. Community groups have many other avenues of funding, including private donations, fundraising, and memberships, as well as assistance from local, state, and federal agencies that are specifically in the business of providing such grants.

Capital Metro made 38 payments totaling $80,984 to community groups in fiscal 1997. The actual total may be higher; Capital Metro's bookkeeping involves conflicting and confusing expense account categories, and grants to community groups are not specifically disclosed in Capital Metro's annual budgets. The full extent of Capital Metro's community sponsorships and grants is hard to determine since the payments are made by several departments and are not disclosed as separate line items in the budget submitted to the board.

Capital Metro's new board is aware of some of these expenditures, and has recently reduced the budget for community grants. Out of the $80,984 known to have been paid to community groups in fiscal 1997, $29,498 (36 percent) was spent by the Disadvantaged Business Enterprises (DBE) Department. In the board's March 1998 budget, DBE's budget for community group sponsorships was reduced by almost half, to $14,850.[21] However, the budget documents provide no indication that the board intends to make similar reductions in other departments.

Other Texas transit authorities' practices

According to a Texas transit consultant interviewed by TPR, the provision of grants, donations, and sponsorships is not a standard practice in other Texas transit systems. This was confirmed when TPR contacted two other major Texas transit authorities, Houston Metro and Dallas' DART. Houston Metro does not give cash donations to organizations. A senior budget analyst with Houston Metro stated that if a donation is given as a gift for no value returned, the payment may risk being in violation of state law. Houston Metro does occasionally provide bus services to community organizations for special events. Even then, Houston Metro has a set policy on how to manage these requests and asks the beneficiary to bear at least a third of the costs.[22] DART does not make cash donations of any kind.[23]

The provision of grants, donations, and sponsorships is not a standard practice in other Texas transit systems.

Need for detailed advance disclosure

Finally, while most of the $80,984 paid in 1997 went to local community groups, one payment was for the *national* sponsorship of a rail policy meeting held in Washington, D.C. The following case provides a clear example of the need for greater advance disclosure in budget-setting for sponsorships, and donations.

On October 11, 1996, Capital Metro paid $10,000 to become one of the top cosponsors of a national rail conference.[24] Only ten other organizations contributed funds to sponsor this event, including Amtrak, the FTA, the Surface Transportation Policy Project, the Environmental Protection Agency, and transit authorities from Denver, Colorado and Portland, Oregon. Given that Capital Metro does not even have a commuter rail system, it is difficult to justify its use of local taxpayer dollars for a high-profile sponsorship of a national rail workshop. "General goodwill" sponsorship payments such as this make little sense unless they fit a clear strategy and can be expected to produce tangible results to the people of the Austin area.

Recommendations

A. The board should suspend all payments of donations, sponsorships, and grants until it adopts written policies and procedures governing these payments.

Without formally adopted policies and procedures, the board could face criticism from other nonprofit community groups who do not receive donations and sponsorships from Capital Metro. These payments should be discontinued immediately until such policies are adopted by the Board. In addition, Capital Metro's legal counsel should review past payment practices and prepare a written determination to the board on whether any past payments may have been in violation of state laws.

B. The board should adopt policies, criteria, and an evaluation process for fairly and openly allotting donations and sponsorships to community groups and nonprofit organizations.

The board should adopt policies and procedures to guarantee the fairness and legality of allocations among community groups; the effectiveness of the use of taxpayer dollars to involve community groups; and the appropriateness of using taxpayer dollars for general grants to nonprofit groups. These policies should include both cash donations and donations of transportation services. The board also should establish a goal to reduce these payments by at least 30 percent.

The board should discuss these issues with staff and the public and enact final policies no later than December 1, 1998.

C. The board should direct the general manager to establish a single expense and budget category containing all amounts for sponsorships, grants, and donations so that these may be disclosed to the board before approval of the annual budget.

All such disbursements should be charged to a single expense category in the accounting records so that they can be readily tracked and disclosed to the general manager, the board, and the public.

Fiscal impact

In fiscal 1997, Capital Metro spent $80,984 for donations, grant and sponsorships to community and national organizations. The board's fiscal 1998 budget has already reduced the Disadvantaged Business Enterprises Department budget for community group sponsorships by $14,648. If the board reduces future payments by another 30 percent, this would yield annual savings of approximately $20,000.

Fiscal Year	Savings
1999	$20,000
2000	20,000
2001	20,000
2002	20,000
2003	20,000

PROPOSAL 42
Update lists and databases of community and customer contacts.

Background

The Public Communications Section has extensive databases of community and customer contacts it uses to develop labels for mailouts of informational letters and newsletters. Its databases include members of neighborhood and community organizations, representatives of the business community and railroad firms, and members of the community at large. Names and addresses in the databases are compiled from lists of attendees at presentations, public meetings, and hearings; advisory committee participants; comments received by Customer Service; and the City of Austin's Community Registry.[25] The databases are updated quarterly by Public Communications.

Outdated and unconsolidated data

Capital Metro's constituency and customer service mailing lists are outdated and generally in poor shape. TPR found them completely unusable for developing simple mailout surveys. Moreover, key data that would help Capital Metro target its services have not been collected. For example, Public Communications does not maintain a database that can identify riders who have contacted the authority. (Customer Service, however, is purchasing an automated trip planning software that will assist with the identification of riders.) While the various lists currently maintained inevitably include some customers of Capital Metro's services, no database is entirely composed of customers.

Capital Metro's constituency and customer service mailing lists are outdated and generally in poor shape.

Public Communications also lacks a comprehensive listing of all contact lists maintained by other Capital Metro departments. For example, the Alternative Transportation Operations Section maintains a database of Austin-area employers and other useful contacts, but these data are not consolidated or accessible by Public Communications.

Recommendations

A. Public Communications should identify and consolidate all customer data from all Capital Metro departments.

This recommendation would form a more comprehensive database for Public Communications' public outreach efforts.

Public Communications should collect electronic lists of customers and stakeholders from all other Capital Metro departments. Upon receipt of this information, Public Communications should incorporate the lists into a new combined database and eliminate duplicate listings. Public Communications then would be responsible for maintaining this database for the authority. This task should be completed no later than October 1, 1998.

B. Public Communications should conduct an annual purge and update of its existing customer databases and mailing lists.

Fiscal impact

These recommendations could be accomplished with existing resources.

PROPOSAL 43
Establish guidelines for all internal and external written communications.

Background

The Customer Service and Public Communications Department is responsible for most of Capital Metro's correspondence with the general public. The Public Communications Section drafts and disseminates press releases, schedule changes, event invitations, newsletters, and various responses to public requests for information. Customer Service responds to customer complaints and also edits and disseminates responses to customer complaints drafted by other departments.

Inconsistent correspondence

TPR's review of examples of correspondence drafted by Public Communications revealed inconsistencies regarding style, tone, and format. For example, versions of one letter sent to several different Capital Metro constituencies contained essentially the same information but featured different formats, font sizes, and styles. It becomes difficult to tell what an official letter from Capital Metro looks like.

While the Customer Service Section has established and distributed guidelines for the contents of customer complaint response letters, Public Communications has no such guidelines.[26] The section's business plan for 1997-1998 includes a strategy to "establish editing/proofing guidelines to be applied to all written information"; however, the stated objective of the strategy is "to maintain and improve...internal communications with all levels of the Authority."[27] The section has no such objectives, goals, or strategies for its external customers.

Recommendation

The Public Communications section should draft a correspondence style guide for the authority. The general manager should approve and enforce adherence to the guide.

At minimum, the style guide should define any incoming mail or mailings to be deemed priority mail; describe the authority's preferred style and tone for external and internal correspondence, including capitalization, punctuation, and titles, names, and salutations; establish letter format guidelines and samples; and include editing and proofing tips. Public Communications should complete this draft by September 1, 1998.

Fiscal impact

The fiscal impact of this recommendation would consist of a minimal cost to print the manual.

Endnotes

1 Capital Metro, "1997-1998 Communications Division Business Plan," p. 1.

2 Capital Metro, *Capital Metropolitan Transportation Authority FY 1998 Budget* (Austin, Texas, March 3, 1998), pp. 18-19.

Endnotes *(continued)*

3 Capital Metro, "Customer Service Organizational Chart," Austin, Texas, as of March 1998.

4 Capital Metro, Human Resources Department, "Payroll and Staffing Report," Austin, Texas, March 27, 1998.

5 Capital Metro, *Customer Comment Report Guidebook* (Austin, Texas), p. 21.

6 Capital Metro, *Customer Comment Report Guidebook*, p. 3.

7 Capital Metro, "Customer Call Report," sample documents, 1997.

8 Interview with Joel Gomez, senior customer service representative, Customer Service Section, Capital Metro, Austin, Texas, February 11, 1998.

9 Interview with Irene Sparks, customer relations representative, Customer Service Section, Capital Metro, Austin, Texas, February 11, 1998.

10 Interview with Dan Peabody, coordinator, Purchased Transportation Department, Capital Metro, Austin, Texas, March 25, 1998.

11 Interview with Dan Peabody, March 25, 1998.

12 Interview with Fran Thompson, manager, Customer Service Department, Dallas Area Rapid Transit, Dallas, Texas, June 15, 1998.

13 Interview with Fran Patina, supervisor, Customer Service section, Metropolitan Transit Authority of Harris County, Houston, Texas, June 15, 1998.

14 Capital Metro, Customer Service and Public Communications Department, "Comment Analysis Report and Telephone Information Center Call Volume Report," Austin, Texas, April 7, 1998.

15 Interview with Michelle Smith, customer relations supervisor and technical support specialist, Customer Service Section, Capital Metro, Austin, Texas, February 11, 1998.

16 Capital Metro, Customer Service Section, "Comment Analysis Report," Austin, Texas, October 1, 1997.

17 Interviews with Fran Patina and Fran Thompson.

18 Capital Metro, "Comment Analysis Report and Telephone Information Center Call Volume Report."

19 Interviews with Pat Bush, DBE coordinator; Gina Estrada, liaison to the Board of Capital Metro; and Gary Griffin, manager of Finance; Capital Metro, Austin, Texas, March 30, 1998.

20 U.S. Department of Transportation, Federal Transit Administration, *Public Involvement Techniques for Transportation Decision-making* (Washington, D.C., September 1996), pp. i-ii and vii-ix.

21 Interview with Pat Bush, March 30, 1998. (Supplemented with documentation collected at this interview.)

22 Interview with Laurie Burridge-Kowalik, senior management analyst, Metropolitan Transportation Authority of Harris County, Houston, Texas, June 18, 1998.

23 Interview with Ken Patterson, contract administrator, DART, Dallas, Texas, June 18, 1998.

24 Memorandum from Jim Robertson, assistant general manager of Development, to Matt Langendorff, "Regarding Contribution to Rail-Volution 1996," Capital Metro, Austin, Texas, October 1, 1996. (With supporting payment documentation.)

25 Interview with Sam Archer, senior community relations specialist, Customer Service and Public Communications Department, Capital Metro, Austin, Texas, May 14, 1998.

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CHAPTER 9

Information Systems

Capital Metro's board and managers are fully aware that the authority's core computer systems are antiquated and must be replaced. However, Capital Metro has a long history of mismanaging the implementation of large contracts such as these. New computer system purchases pose a substantial risk to Capital Metro. If the new systems are not planned, installed, and managed properly, Capital Metro could waste millions of dollars and operate under reduced efficiency for the next decade.

Capital Metro collectively lacks the skills needed to develop appropriate specifications for new, multimillion-dollar systems; implement and test them; or ensure that they meet the long-term needs of managers and staff. The authority quite rightly is seeking outside assistance to develop contract specifications and negotiate final contracts. In the end, though, it will be Capital Metro's responsibility to rigorously monitor and enforce vendors' compliance with project timelines and design specifications.

The upcoming purchase of major new information systems offers an excellent opportunity for Capital Metro to rethink its current administrative processes and business procedures and reshape them to take the best advantage of new technologies. The authority should conduct the planning needed to ensure that financial reporting, cost accounting and cost allocation, and route and ridership data can be combined to provide useful performance measures for managers and the board. The new system should be expected to accurately report cost and taxpayer subsidy information on all services and routes provided by Capital Metro.

The upcoming purchase of major new information systems offers an excellent opportunity for Capital Metro to rethink its current processes and reshape them to take the best advantage of new technologies.

TPR's proposals are intended to help Capital Metro obtain the information systems it needs for the next decade and put them in place on time and at the right price.

TPR recommends that Capital Metro immediately consolidate the authority's information systems staff, functions, and resources. This also was recommended by two separate consulting studies in 1997, and should be done without delay. This recommendation is even more important now because Capital Metro is in the process of several major information system procurements that need to be managed rigorously and in constant coordination with existing systems. Capital Metro's managers should develop a strategic plan for information technology to guide the agency's needs for the next five to seven years.

TPR recommends that Capital Metro establish a working committee to monitor all information procurement projects budgeted at $1 million or more, to help guarantee that the systems chosen are the best available for the authority's long-term needs.

Capital Metro should continue to hire independent technical firms for all large information systems projects to help assess the authority's needs, write the contractual specifications, manage negotiations, and monitor implementation. Finally, TPR recommends that the authority take advantage of free or low-cost independent advice such as assistance from state and local agencies.

In all, the recommendations in this chapter would save Capital Metro $20,000 in fiscal 1999 and $100,000 over the next five years.

PROPOSAL 44
Promptly consolidate information systems staffing and resources.

Background

Capital Metro's information systems and technical personnel are scattered among a number of departments including Information Systems, Vehicle Maintenance, Finance, Planning, and Customer Service. The fiscal 1998 operating budget for the Information Systems Department alone is $733,464, but this amount does not include related costs incurred by other departments.[1] It is difficult to determine Capital Metro's total information systems budget since the costs are divided among several departments. Capital Metro's annual budget does not provide a convenient summary of total costs for computer hardware, software, maintenance, training, consulting contracts, and personnel.

Rather than consolidating its management of information systems, Capital Metro has instead further decentralized it.

Capital Metro is in the process of replacing some older computer systems. Capital Metro's fiscal 1998 budget estimates its expenditures for new computer equipment and software at $4.2 million in 1998 and $1.7 million in 1999, leveling off to an annual average of about $440,000 in each of the following four years.[2] Additional amounts not specified in the budget may be needed for outside contracts to help implement new systems and train technical and operational staff in their use.

Centralization recommended

A July 1997 performance audit by KPMG Peat Marwick LLP recommended that Capital Metro centralize its key information systems under the management of a single group. Such arrangements are nearly always more efficient and more secure for an organization of Capital Metro's size.[3]

Shortly afterward, in October 1997, a large information systems study by the University of Texas Center for Transportation Research concurred, stating that:

> ...an integrated information system is now essential if the agency (Capital Metro) is to move forward in the area of improved information for management. There are many sources of information presently flowing into or available to various departments with Capital Metro. This information is typically used...to address a limited specific need and...is not available to enhance and support other activities that may benefit from it. This results in duplication, inconsistency in information format and content, and inefficiency. Integrated information systems across planning and operations can contribute greatly to more effective decision-making at Capital Metro, translating into better services.[4]

Capital Metro has not followed the recommendations of either of these studies. Rather than consolidating its management of information systems, in fact, Capital Metro has instead further decentralized it.

For instance, in February 1998, a key staff member of the Information Systems Department was transferred to the Operations Division. A number of technical employees have been shifted to Operations, in part to complete the implementation of the $1.3 million Maintenance Management Information System (MMIS), which is intended to track and schedule vehicle maintenance and maintain parts inventories.[5]

Both the July 1997 audit and the October 1997 study specifically recommended that management of this system be consolidated into the Information Systems Department. At the end of March 1998, the MMIS was about 90 percent operational.[6]

However, TPR believes that Capital Metro faces a risk that key components of the MMIS will not communicate effectively with Capital Metro's new financial and human resource information systems, which are scheduled to be obtained in the next 18 months. One of the main risks is that a procurement module of the MMIS may not easily integrate with the new financial information system.

Automated Trip System

The Customer Service Department's Automated Trip System provides a case study of the problems that can develop when major information systems are developed as "stand-alone" projects without centralized management and open communications among departments. This system—which involved initial costs of at least $452,838 for hardware, software, and consultants—is significantly behind schedule and its costs may grow as a result. Capital Metro was unable to provide a long-term estimate of future costs for this project but they will be substantial, involving annual costs for hardware and software maintenance and updates, updating of geographical and bus route information, and technical support staff.

Customer Service did not thoroughly validate the project's cost-effectiveness, perform technical tests of the system, or closely monitor the vendor's work.

In July 1997, the Customer Service Department contracted with Mantech Systems Engineering Corporation, an Arlington, Virginia software company, for a $365,000 "automated trip management system." The system is intended to allow telephone operators in Customer Service to provide fast, accurate information about bus routes, times, transfer points, and trip planning. This is a worthwhile concept, since at present, the telephone operators have to plow through thick, cumbersome schedule books and ring binders to answer the huge volume of phone calls they field each day from Capital Metro riders.[7] Capital Metro received five responses to its request for proposals for this system; there are few vendors for transit-specific software such as this. The Mantech contract includes all computer hardware, software, and implementation services.

The project was to be completed by March 31, 1998; at present, however, the final completion date is uncertain due to the vendor's continuing inability to deliver a workable system.

Part of the problem is that Customer Service has not solicited the ongoing advice or expertise of the Information Systems Department. According to the manager of Information Systems, the project has had severe problems in part because the Customer Service Department did not thoroughly validate the project's cost-effectiveness, perform technical tests of the system it was purchasing before the contract was signed, or closely monitor the vendor's work. The contractual specifications for the system were written by an outside consulting firm, Macro Corporation of Horsham, Pennsylvania, at a cost of $87,838 for work beginning June 1996 through the present. While outside technical advice was needed, the Information Systems Department was largely excluded from the process; its only involvement being a two-day review of the final contract with Mantech.[8]

The Automated Trip System, which was to have been fully operational by March 1998, has been plagued with major problems. On March 16, a team of three Customer Service employees, one Contracts and Procurement employee, and a representative of Macro Corporation visited Mantech's place of business in Chesapeake, Virginia to conduct a one-week test of the Automated Trip System. The team found so many fundamental problems with the system—63 in all—that it halted its testing after only a day and a half and returned to Austin.[9] This trip, including the cost of technical advice from the Macro consultant, cost Capital Metro $12,500.[10] On March 20, 1998, the manager of Contracts and Procurement sent a formal letter to Mantech citing the firm's failure to perform a long list of basic contractual requirements.

As of March 1998, Mantech had been paid two progress payments totaling about $100,000.[11] According to the manager of Contracts and Procurements, Mantech has been asked to reimburse the authority for the full $12,500 spent on the abortive field test in March, and no further payments will be made to the vendor until this amount is refunded.[12]

While problems remain, Capital Metro believes that this project will be back on track some time in the late summer 1998. In early June 1998, Capital Metro employees and a Macro consultant revisited the vendor and found the software substantially improved, though more work and testing remains. Capital Metro will have to incur more costs for another visit, termed a "factory acceptance test," before it makes another progress payment to the vendor and begins work on the final phases of the project. Note that, once again, the Information Systems Department was left entirely out of the loop concerning either trip to Mantech.

Sending computer equipment out of town for custom software installation is unusual. In most cases, software is shipped to and loaded at the client's place of business. The Mantech contract has other unusual aspects. According to the new manager of Contracts and Procurement, the project contract has no performance bond, which is standard practice for contracts of this type. A performance bond would help Capital Metro cover its losses should the vendor fail to execute the contract successfully. The contract was executed in July 1997, under a previous procurement manager, and Capital Metro has no documentation explaining why it failed to require a performance bond.

Sending computer equipment out of town for custom software installation is unusual. In most cases, software is shipped to and loaded at the client's place of business.

Another oddity is that the software initially will not be delivered to Capital Metro's place of business. Instead, Mantech is purchasing 17 personal computers, two computer servers, and other hardware from an Austin subcontractor; Mantech already has purchased six personal computers and two servers and shipped them from Austin to its headquarters in Virginia. Once Mantech Systems installs and tests the software, Capital Metro's computers will be shipped back from Virginia to Austin. Later, the department will purchase 11 more personal computers in Austin, and the Automated Trip System software for these will be installed directly at Capital Metro.[13]

Sending computer equipment out of town for custom software installation is unusual. In most cases, software is shipped to and loaded at the client's place of business. It makes more sense to have the Automated Trip System installed at Capital Metro, so that all software and computer networking problems can be field-tested under actual working conditions, instead of the vendor's place of business. Capital Metro's rationale was that it preferred testing to be done at the vendor's site so as not to interrupt business in Capital Metro offices. This might make sense if the Automated Trip System was a stand-alone system. But the software also needs to be linked and tested to computer systems in at least two other departments at the authority. According to the Customer Service Department's plans, the Automated Trip System eventually will be accessible to the public through Capital Metro's Internet site, though a date has not been set for this goal; this website is maintained by the Information Services Department.[14] In addition, the system's database will need substantial updating at least twice each year by the Planning Department to reflect bus route changes and changes to Austin-area streets. For this updating, the Automated Trip System must be linked to the Planning Department's "Trapeze" and "ArcView GIS" computer systems.

Because few vendors offer this sort of transit call center system, Capital Metro wisely included a provision in the contract for the vendor to provide an escrow agreement that guarantees access to the program's source code and other files should the vendor be unable or unwilling to do so, which in theory would allow the authority to maintain the system itself.

Nonetheless, TPR believes that if this project had been managed with the oversight and involvement of a consolidated Information Systems Department, instead of as an ad hoc, stand-alone project, many of the problems stalling it could have been avoided. Other departments, moreover, should have been involved throughout the project, particularly Planning, which by default will have substantial ongoing responsibilities for updating the system's database.

Strategic planning for information systems

Any large organization needs an information technology strategic plan to manage the performance of its information systems and to anticipate its informational needs. But such plans are not effective when produced in a vacuum. A workable information systems plan must be harmonized with an organization's overall strategic plan.

One of the keys to successfully managing expensive information system projects is to make sure that the projects support the organization's mission and that the projects' strategies and goals are clearly understood by all stakeholders. To do this, information system managers must listen to their customers and translate customer expectations into practical projects that are planned and implemented in open cooperation with their customers.[15]

Capital Metro as a whole has not acted on Information Systems' strategic plan, in effect shelving it with little discussion.

As discussed in Chapter 2, however, Capital Metro also lacks an overall strategic plan. This has made it difficult for Information Systems and other departments to plan and coordinate future information technology projects. Instead, computer projects end up being developed by separate departments, without the involvement of other departments and without sufficient budgetary and quality control.

To its credit, in mid-1997 the Information Systems Department prepared an introductory strategic plan for Capital Metro's information systems.[16] The department manager believed that in the absence of any apparent interest by authority managers, a stand-alone plan for the department would be better than no plan, and could be used as a starting point for coordinating technology projects among departments. However, Capital Metro as a whole has not acted on Information Systems' strategic plan, in effect shelving it with little discussion. The board considered hiring an outside consultant to help prepare an information system strategic plan, but this has been placed on hold pending consideration of Capital Metro's general strategic direction.

TPR believes that elements in the Information Systems plan should be revisited, particularly when Capital Metro begins preparing its overall strategic plan. The plan includes a vision statement, mission statement, goals and objectives, major technology projects to support future operations, and clearly stated strategic five-year assumptions. The Information Systems strategic plan also provides detailed lists of performance measures and best practices to hold the Information Systems Department responsible for results to its customers.

But important items are lacking from this plan, most notably requirements for guidance or approvals by the board, general manager, or other senior managers. The Information Systems strategic plan also makes a number of assumptions, including the following:

- Capital Metro will develop a light rail project, with construction beginning in five years.
- Capital Metro will directly provide bus service to the University of Texas and discontinue contracting for this service during fiscal 1999.
- Capital Metro will open a new bus service and maintenance facility in north Austin in 1999.
- New farebox systems will be purchased that will serve as the authority's primary source of ridership information.
- Capital Metro will provide communication and automation services to contractors who provide transportation services on behalf of the authority.[17]

It would be a mistake for the Information Systems Department to proceed with the development of future information technology projects on assumptions that are contingent upon uncertain future decisions by the general manager, the board, and the electorate. Clearly, however, the department realized the limitations of this effort, as it also requested funding for an outside consultant to help complete a more detailed strategic plan.

Planning for the optimal use of information systems is the responsibility of the entire management team.

Still, this example serves to illustrate the point that planning for the optimal use of information systems is the responsibility of the entire management team, with input from the board. If the task is shifted by default to a single department, too much money is tied up in the wrong systems; computer systems do not work efficiently with each other; and the needs of customers are not met.

Computer training costs

Since 1995, Capital Metro has had an ongoing contract with Productivity Point International for computer software training. The contract has been amended and renewed during the last five years for an average of about $51,000 per year.[18] In 1995, Capital Metro was moving from a mainframe to personal computer environment, and Capital Metro's professional and administrative employees needed basic training on personal computer software. By all accounts, the Information Services Department was stretched thin during this transitional period, and Capital Metro wisely decided to outsource this initial round of training. More recently, Capital Metro stated that it has negotiated lower training rates through an interlocal agreement with the Texas Department of Information Resources.

However, the transition to the personal computer environment is complete, and much of Capital Metro's computer training needs now are for routine training in applications such as word processing, spreadsheets, and general personal computer operations. Routine software training often can be conducted less expensively in house. In addition, administrative employees will need training on the authority's new financial and human resource information systems, but the experience of various state agencies studied by TPR suggests that large-scale outside training provided directly by software vendors can be extremely expensive.

Capital Metro should explore ways to mitigate computer training costs, while at the same time providing prompt training for its staff. A useful alternative is a "train-the-trainers" program; a small group of Capital Metro employees could receive extensive training from the software vendors and then become responsible for developing and delivering computer training programs for the rest of the authority's administrative staff. Such training would be cheaper and can be more effective. In-house computer training can be custom-tailored to meet the specific needs of each department, and the training can be shorter and more to the point. Some of the authority's more experienced computer users also could be recruited to help guide and train computer users in their departments.

Recommendations

A. The board and general manager should immediately consolidate all information systems staff, functions, and resources.

This action was recommended by two separate consulting studies in 1997 and is even more important now. Capital Metro is embarking on several major computer system purchases that should be managed rigorously and in constant coordination with its existing information systems.

As a first step, computer operations of the Customer Service, Planning, and Vehicle Maintenance Departments should be consolidated into the Information Systems Department. The consolidated department should be involved in all procurements for information systems.

A priority for the new Information Systems Department should be to ensure that Capital Metro's new computer systems for vehicle maintenance, procurement, finance, human resources, and customer service are closely integrated and operate smoothly with each other.

The new Information Systems Department should ensure that Capital Metro's new computer systems service are closely integrated and operate smoothly with each other.

B. Capital Metro should include performance bonds in its information technology contracts and ensure the continued usefulness of specialized software systems by using software code escrow agreements.

Some of Capital Metro's largest computer software investments are with specialized transit software vendors. Capital Metro should take steps to ensure that it can continue operating this software in the future if the software vendors go out of business or otherwise stop supporting the software. Capital Metro has such provisions in its contract for the Automated Trip Planning system, and software code escrow agreements should be used for all major purchases of information systems.

As a standard business practice, Capital Metro should establish three-way agreements in which software vendors agree to place their computer software source code with a designated escrow agent. If a vendor ever fails to support its software, Capital Metro then could obtain access to the software code and modify it as needed to keep it running in the future.[19]

C. Capital Metro should develop an information technology strategic plan to guide the authority's computer usage and acquisition for the next five to seven years, in connection with an overall strategic plan.

One of the first priorities of the newly consolidated Information Systems Department should be to develop a detailed information technology strategic plan to serve as a blueprint for all information systems, in place or planned. The plan must support the authority's overall strategic long-term plan recommended in Chapter 2, and should be clearly written in language that all managers can understand.

The information technology strategic plan should consider issues such as the integration of purchasing functions with the new financial system and the electronic dissemination of budget and performance management information for easy access by managers and staff.

The plan also should address future needs for competitive salaries for technology employees; detailed descriptions of the skills needed for operating new information systems; and recruitment plans for hiring and retaining qualified information technology specialists.

D. Capital Metro should use in-house personnel to provide routine software training for administrative workers.

Now that Capital Metro has shifted from a mainframe to a personal computer environment, much routine training could be conducted less expensively in-house using a "train-the-trainers" approach in which a few employees receive extensive outside computer training and then become responsible for training the rest of the staff. Some of the authority's more experienced computer users also could be recruited to help guide and train computer users in their departments. Capital Metro should contract for computer training sparingly and selectively, preferably for highly advanced or specialized computer applications. The authority should reduce training expenditures by 40 percent beginning in fiscal 1999.

Whenever Capital Metro hires new information systems staff, one of the job skills sought should be the ability to train users

Fiscal impact

These recommendations would save Capital Metro money by eliminating duplication and gaps in computer systems management and by ensuring that additional technology is purchased only when it fits with an overall plan and when proper contract oversight is in place. These savings could be substantial but cannot be estimated.

Minor savings would result from reducing Capital Metro's reliance on outside contracts for computer training. A 40 percent reduction in outside contracting for this training would save the authority about $20,000 each year.

Fiscal Year	Savings
1999	$20,000
2000	20,000
2001	20,000
2002	20,000
2003	20,000

PROPOSAL 45
Strengthen planning and oversight of major new information systems.

Background

Capital Metro's financial information systems are more than 11 years old. The authority plans to replace them due to "Year 2000" problems. The widely publicized "Year 2000" problem is caused by older software improperly reading dates beyond the year 1999, which in turn causes severe software and computer system malfunctions. Capital Metro must act quickly to replace its aging systems; yet the board and senior managers also must remain aware that they are making expensive and potentially disastrous decisions the authority will have to live with for the next decade.

Capital Metro collectively lacks the technical and negotiating skills to buy or contract for the best financial and human resource information systems. Computer-related procurements have been a perennial stumbling block for the authority; for example, Capital Metro took more than two years to buy and install its automated vehicle maintenance system.[20]

Oversight of information systems purchases

In the early 1990s, Capital Metro had an Information Technology Planning Committee consisting of 11 managers and senior staff members. Its goals were to obtain authoritywide input on information technology planning and ensure that all managers were involved in the management of computer and software purchases and projects. According to the manager of the Information Systems Department, this planning committee worked quite well until it was disbanded by the then-general manager.[21] Since this committee disbanded, Capital Metro managers have communicated only infrequently concerning information system plans and purchases.

In addition, until fairly recently, Capital Metro lacked a sufficient number of information systems employees. The authority lagged in keeping its information technology up to date until a new information systems manager, hired in 1996, was allowed to begin hiring staff with deeper technical skills. But the Information Systems Department has had to play "catch up" to meet the daily demands of its users, and has not been able to monitor some new information system projects.

Capital Metro lacks the technical and negotiating skills to buy or contract for the best financial and human resource information systems.

Recently, Capital Metro began using outside consultants to act as quality assurance experts for the authority's acquisitions of major new information systems. In planning its purchase of its new financial and human resource systems, Capital Metro has sought the assistance of the Texas Department of Information Resources (DIR) to facilitate vendor negotiations. Capital Metro, under DIR's advice, also is hiring an independent technical quality assurance firm to assist it in writing contract specifications, negotiating with vendors, evaluating technical proposals, integrating new computer systems with older ones, and providing ongoing testing and quality assurance during the implementation of new systems.[22]

Capital Metro believes the use of an independent technical advisor to monitor all aspects of its purchase of new systems, from creating specifications to ensuring that vendors deliver quality products on time, is well worthwhile, and TPR concurs. At the same time, Capital Metro also must closely monitor both the technical and fiscal aspects of these contracts throughout their implementation.

Specify expectations in detail

The most critical issue involved in information systems procurements is the need for a thorough understanding between Capital Metro and any vendor concerning the authority's expectations for its new systems. Well-written information systems contracts include very detailed expectations and specifications. Contract deliverables, quality checks, and delivery timelines must be thoroughly specified in the written contract. All oral conversations with vendors should be documented in writing and kept in well-organized files.

Given Capital Metro's history of weak contract administration, it is essential that basic contract controls be established for new information system purchases. After vendors are selected, Capital Metro should document and prioritize its key expectations for the implementation process and the final capabilities of the systems it is buying. After this information is summarized, it should be presented at a final meeting with the winning contractors to verify that the expectations of Capital Metro and its contractors mesh. Only after this process should the final contracts be signed.

Example: purchasing system software

Contracting and purchasing have been a major source of problems for Capital Metro throughout the 1990s. The main problems have been human—poor management, a lack of monitoring and oversight, and a lack of appropriate policies and enforcement of those policies. Another potential problem, however, has resulted from Capital Metro's automated purchasing systems. Under Capital Metro's previous general manager, the authority attempted to improve its purchasing systems by adding a procurement software module to the new vehicle maintenance system and using it as the authority's general purchasing system.

After an almost two-year implementation process, Capital Metro began using its Maintenance Management Information System (MMIS) on January 28, 1998. The MMIS cost Capital Metro nearly $1.4 million, as well as an unknown amount of additional labor and miscellaneous costs. The MMIS is intended to provide Capital Metro's vehicle mechanics and managers with a more effective means of tracking vehicle maintenance schedules and an automated process for ordering parts, assigning tasks, and reviewing vehicle maintenance histories.[23] The MMIS procurement module, however, was designed specifically for maintenance operations and not necessarily for the wide-ranging needs of a major organization such as Capital Metro.

Given Capital Metro's history of weak contract administration, it is essential that basic contract controls be established for new information system purchases.

The MMIS is an "open system" based on the widely-used Oracle data management system and the Windows NT operating environment. Still, very few vendors specialize in this type of asset maintenance management software. According to Capital Metro, there are only four major U.S. vendors of this type of software. On the other hand, general procurement software is commonplace and is marketed by dozens of major national and international vendors. Capital Metro needs a flexible, standardized procurement package that links directly and easily to its financial system, sharing common data to the full extent possible. Procurement modules are very common in financial information systems.

According to interviews with Capital Metro staff, it may be technically possible to link the MMIS procurement module to Capital Metro's forthcoming financial information system, but it will not be an easy, seamless process. The MMIS procurement module and Capital Metro's planned financial systems both will be based on Oracle software. The vendor of MMIS and at least one major vendor of financial information systems recently informed Capital Metro that their systems can be integrated. However, the costs and practicality of integrating MMIS with other financial systems cannot be determined without further technical study by Capital Metro or an outside consultant.[24] Moreover, being industry-specific, MMIS exposes Capital Metro to the risks of uncertain future vendor support.

Capital Metro added the procurement module to the MMIS as a stop-gap measure to improve its well-publicized contracting and procurement problems. Capital Metro claims that the procurement module added no additional costs to the MMIS vendor contract, although considerable staff time and effort were involved getting the new procurement system to operate properly. As part of its ongoing project to completely replace its financial information systems, the authority is considering the purchase of another procurement software package to better meet its long-term needs; if it does so, it will discontinue its use of the MMIS module. This is probably the best solution. Nevertheless, the whole episode illustrates the sort of needless duplication that can result from Capital Metro's ad hoc approach to the development of important computer systems.

Plans for a "data warehouse"

Capital Metro has been considering purchasing the hardware and software needed to create a "data warehouse," which would consolidate the organization's electronic data in a uniform format for easy access by multiple users for a wide variety of purposes. A data warehouse integrates information from multiple departments for faster and more informed decision-making, while eliminating the need for special computer runs by an information systems department. When properly developed, a data warehouse can improve customer service and increase employee productivity through fast and comprehensive access to vital information.

The initial estimate for a Capital Metro data warehouse was $120,933. This price included a dedicated database computer server and upgrades to the agency's database license. TPR was specifically asked to review and comment on Capital Metro's plans for a data warehouse. Capital Metro wanted to explore the concept because of the authority's present, decentralized computing environment. According to Capital Metro, the authority operates in two hardware environments and three networking environments, and houses five critical applications on an older VAX mini-computer and eight more on several computer servers. The Information Systems Department justifies the need for a data warehouse because its current computer environment makes it extremely difficult to share, integrate, and maintain information. [25]

TPR found, however, that the initial cost estimate for Capital Metro's data warehouse is too low, as it does not include the full spectrum of costs needed to maintain the system. Capital Metro's estimated cost for the data warehouse project does not include estimates for the substantial costs of implementation, data analysis and conversion, reporting tools, and user support and training. In addition, many other questions need to be addressed by Capital Metro before proceeding with the project, including whether the hardware can be easily expanded as the data warehouse itself grows; whether Capital Metro has the expertise to establish the data warehouse on its own; and whether the board is prepared to provide more funding for ongoing support of the data warehouse.

Needless duplication can result from Capital Metro's ad hoc approach to the development of important computer systems.

The board has placed the data warehouse project on indefinite hold. This is prudent, as the installation of a data warehouse prior to the creation of a strategic plan for information systems carries some risk that the data warehouse may not meet the authority's future needs.

Recommendations

A. The board and general manager should establish a working committee to monitor all information procurement projects budgeted at $1 million or more.

Capital Metro is in the process of purchasing multimillion dollar systems that will be expected to function for at least the next eight to ten years. A joint management-board working committee would help ensure that the best systems are procured to meet the authority's long-term needs. The committee's overall goal should be to use new information systems to better manage Capital Metro's operations and, where possible, reduce administrative staffing through increased productivity.

B. Capital Metro should continue and expand its new practice of hiring independent technical firms for large information systems projects to help assess the authority's needs, write contractual specifications, manage

negotiations, guide project implementation, and provide quality checks during the implementation of contracts.

Given the time and money Capital Metro will spend on new information systems, it should make use of independent third parties to manage contract specifications, negotiations, and project implementation. Independent firms also can help Capital Metro by establishing realistic cost estimates for the type of information systems typically used by organizations of Capital Metro's size and type.

An outside technical firm should be used to determine whether a new procurement module should be purchased as an integrated part of the authority's new financial information system. The outside firm should be assigned to prepare an analysis that compares the procurement module of Capital Metro's vehicle maintenance system with the use of general purchasing software that integrates with the new financial information system.

The use of free or low-cost independent assistance also is recommended, such as that available from state and local agencies. Capital Metro also should seek to develop ongoing contacts with other state and national transit authorities for computing expertise.

C. **Capital Metro should continue studying the long-term benefits of establishing a data warehouse so that key management information can be accessed timely and accurately and effectively shared among departments.**

Planning for the eventual procurement of a data warehouse system can proceed so long as it is incorporated into Capital Metro's overall strategic planning process. Before buying a data warehouse system, however, Capital Metro should address these basic questions:

- Is the selected hardware expandable, so that capacity can be upgraded later without loss of value?
- Will all planned products associated with the data warehouse support the database software?
- Does the Information Systems Department have the expertise to implement a data warehouse without outside help?
- Is the board prepared to provide funding for additional resources for the implementation and ongoing support of a data warehouse?

Fiscal impact

Capital Metro's board already has a 1998 capital budget of $4 million for the acquisition of major new information systems, including those for financial and personnel applications. These recommendations would entail no additional costs. These recommendations should save Capital Metro money by making sure it buys only the technology it needs, with the flexibility to meet future needs. Savings from better information systems and cost avoidance cannot be estimated.

Endnotes

1. Capital Metro, *Capital Metropolitan Transportation Authority FY 1998 Budget*, "Proposed Expenses by Department" (Austin, Texas, March 3, 1998), p. 1.
2. Capital Metro, *Capital Metropolitan Transportation Authority FY 1998 Budget*, p. 10.

Endnotes *(continued)*

3 Capital Metro, *Capital Metropolitan Transportation Authority: System-Wide Performance Audit*, by KPMG Peat Marwick LLP (Austin, Texas, July 21, 1997), p. 26 and pp. 177-179. (Consultant's report.)

4 Capital Metro, *Information Support System for Effective Decision Making—Reengineering Capital Metro for the Information Age*, by the University of Texas at Austin Center for Transportation Research (Austin, Texas, October 1997), chapter 5, p. 1. (Consultant's report.)

5 Capital Metro, Contracts and Procurement Department, "Procurement Project List and Contract Monitoring Log," Austin, Texas, May 1998. (Internal working document.)

6 Interview with Steve Herrera, interim manager of Operations Maintenance, and Tony Palacios, Operations coordinator for information systems, Capital Metro, Austin, Texas, March 27, 1998.

7 Capital Metro, *Planning Report for the Telephone Information Center Automation Project* (Austin, Texas, August 1996), pp. 1-1, 1-6, 1-7, and 2-1 to 2-11.

8 Interview with Mark Xavier, manager of Information Systems, Capital Metro, Austin, Texas, March 26, 1998.

9 Letter from Pat Martin, manager of Contracts and Procurement, Capital Metro, to James F. Parks, senior vice president, Mantech Systems Engineering Corporation, March 20, 1998.

10 Interview with Pat Martin and Rob Alsbury, Contracts and Procurement, Capital Metro, March 26, 1998.

11 Interview with Pat Martin, manager of Contracts and Procurement, Capital Metro, March 26, 1998.

12 Interview with Pat Martin, manager of Contracts and Procurement, Capital Metro, June 18, 1998.

13 Capital Metro, *Planning Report for the Telephone Information Center Automation Project* (Austin, Texas, August 1996), p. 4-5 and 4-6.

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19 "Software Licensing Flexibility: A Checklist of Terms," *InSide Gartner Group This Week* (February 19,1997), p. 9.

20 Interview with Mark Xavier, manager of Information Systems, and Rob Turner, Information Systems, Capital Metro, Austin, Texas, March 3, 1998.

21 Interview with Mark Xavier, manager of Information Systems, and Rob Turner, Information Systems, Capital Metro, Austin, Texas, November 12, 1997.

22 Interview with Mark Xavier, manager of Information Systems, and Rob Turner, Information Systems, Capital Metro, Austin, Texas, March 26, 1998.

23 Capital Metro, "Buslines—The Employee Newsletter of Capital Metro/StarTran," Austin, Texas, March 30, 1998, p. 1. (Newsletter.)

24 Letter from Timothy A. Dyer, regional sales manager, PeopleSoft, Inc., Austin, Texas, to Robert J. Alsbury, buyer, Contracts and Procurement, Capital Metro, Austin, Texas, July 2, 1998.

25 Memorandum from Mark A. Xavier, manager of Information Systems, to the Capital Metro Board of Directors, Austin, Texas, January 20, 1998. (Board work-session item no. 18.)

APPENDIX I

Capital Metro Performance Review Summary of Written Survey

Background

In March 1998, TPR circulated written surveys in the Capital Metro service area. Surveys were placed on buses and made available where bus tickets and passes are sold. Respondents were asked to complete the surveys and mail them, postage-paid, to the Comptroller's office. TPR received about 550 completed surveys.

Survey at a Glance

Based on the responses, TPR found that:

- Almost 80 percent of the respondents use Capital Metro services daily.
- About 60 percent rated Capital Metro service positively.
- Slightly more than 60 percent felt that Capital Metro's service either has improved or remained the same over the past three years.
- About 40 percent of the respondents felt Capital Metro manages its finances efficiently.

When asked what are the *most important issues* facing Capital Metro in the next two years:

- More than a third mentioned routing and scheduling issues, such as the need for more service during peak periods and extended hours in the mornings, evenings, and on weekends.
- About 20 percent mentioned future transportation issues such as light rail and increased access.

When asked what practices or programs *merited commendation:*

- About half of the survey respondents mentioned buses and bus drivers, reflecting satisfaction with driver courtesy and efficiency or other features such as Dillo service and the availability of bike racks on buses.
- Respondents also praised routes and scheduling, specifically citing express service.

Profile of Respondents

From the survey's demographic questions, TPR found that:

- About 60 percent of respondents classified themselves as Anglo.
- Fifteen percent each classified themselves as either African American or Hispanic.
- Respondents were split almost evenly between males (48 percent) and females (52 percent).
- Nearly 58 percent of the respondents have lived in the Austin area for more than ten years.
- About two-thirds of respondents were between the ages of 25 and 54.
- More than three-quarters had an annual household income of less than $40,000.

Respondents live in 44 zip code areas in the Austin area. The respondent pool showed good representation from the South Austin area (78704, 78745) and the area east of Interstate Highway 35 (78702, 78723, 78741, 78744).

Responses by Question

(Numbers in parentheses indicate the total responses to each question.)

Have you or anyone in your household used Capital Metro services in the past three years? (538)

Yes	97.6%
No	2.4%

If so, how frequently do you use Capital Metro service? (526)

Almost every day	79.5%
At least once a week	9.1%
Occasionally	9.1%
Rarely	2.1%

How would you rate the quality of Capital Metro service? (532)

Excellent	14.7%
Good	44.9%
Fair	22.2%
Poor	17.1%
Don't know	1.1%

Over the past three years, the quality of Capital Metro service has: (528)

Improved	29.7%
Stayed the same	31.8%
Gotten worse	22.4%
Don't know	16.1%

How would you rate the efficiency of Capital Metro's management of tax dollars? (528)

Very efficient	6.8%
Somewhat efficient	33.5%
Very inefficient	27.5%
Don't know	32.2%

Open-ended Questions (responses categorized by type):

In your opinion, what are the major issues facing Capital Metro this year and next? What are your suggestions for improving Capital Metro? (466)

Routing and Scheduling	35.8%
Future Transportation	20.8%
Buses and Bus Drivers	18.9%
Board Management	13.9%
Bus Stops	4.9%
STS and Van Pools	3.2%
Financial Planning	2.2%

What specific Capital Metro practices or programs merit commendation? (306)

Buses and Bus Drivers	49.3%
Routing and Scheduling	22.8%
STS and Van Pools	12.4%
Board Management	8.2%
Future Transportation	4.6%
Financial Planning	1.6%
Bus Stops	1.0%

Optional Questions:

What is your race? (474)

Anglo	59.1%
African American	14.9%
Asian	1.7%
Hispanic	15.4%
Other	8.9%

What is your gender? (488)

Male	47.5%
Female	52.5%

Years you have lived in the Austin area (484)

1-10	42.4%
11-20	29.5%
21 or more	28.1%

How old were you on your last birthday? (480)

18-24	17.7%
25-34	21.5%
35-44	21.9%
45-54	22.9%
55-64	9.3%
65 or older	6.7%

Which figure describes your 1997 annual household income? (444)

Less than $10,000	24.2%
$10,000 to $24,999	25.2%
$25,000 to $39,999	26.1%
$40,000 to $59,000	12.8%
$60,000 or more	11.7%

What is your zip code? (422)

Zip Code	Percent	Zip Code	Percent
78704	10.4%	78721	1.4%
78723	8.1%	78749	1.4%
78745	7.8%	78722	0.9%
78731	5.5%	78725	0.9%
78741	5.5%	78750	0.9%
78752	5.0%	78709	0.7%
78744	4.7%	78728	0.7%
78702	4.5%	78736	0.7%
78757	4.5%	78640	0.5%
78758	4.3%	78681	0.5%
78703	4.0%	78735	0.5%
78753	3.6%	78737	0.5%
78751	3.3%	78746	0.5%
78641	2.4%	78610	0.2%
78748	2.1%	78642	0.2%
78759	2.1%	78660	0.2%
78705	1.9%	78664	0.2%
78724	1.9%	78717	0.2%
78754	1.7%	78726	0.2%
78756	1.7%	78727	0.2%
78617	1.4%	78729	0.2%
78701	1.4%	78742	0.2%

APPENDIX II

Capital Metro Performance Review Summary of Electronic Survey

Background

From November 1997 to February 1998, TPR asked users of the Window on State Government, the Comptroller's website, to respond to a survey on Capital Metro's performance. TPR received about 300 completed surveys via the website.

Survey at a Glance

Of the respondents to the electronic survey, TPR found that:

- Only 40 percent use Capital Metro services daily.
- Less than a third rated Capital Metro's service positively.
- Only 13 percent felt that Capital Metro service has improved in the past three years.
- Less than 20 percent felt that Capital Metro manages its funds efficiently.

When asked what were the *most important issues* facing Capital Metro in the next two years:

- Almost 30 percent cited light rail (both for and against) and service to outlying areas.
- 27 percent cited consistent leadership.

When asked what practices or programs *merited commendation:*

- About 32 percent lauded buses and bus drivers.
- About 31 percent approved of recent board changes.

Profile of Respondents

From the survey's demographic questions, TPR found that:

- About 80 percent of respondents classified themselves as Anglo.
- 8 percent were Hispanic and less than 6 percent were African American.
- Males represented almost two-thirds of the respondents.
- About 70 percent have lived in Austin for more than 10 years.
- More than 80 percent were between the ages of 35 and 44.
- Almost 40 percent had an annual household income of more than $60,000.
- Electronic respondents live in 33 zip codes in the Austin area. About 44 percent of the responses came from five zip codes: 78758 (North Austin), 78704 (South Central Austin), 78745 (South Austin), 78705 (North Central Austin) and 78741 (Southeast Austin).

Responses by Question

Have you or anyone in your household used Capital Metro services in the past three years? (239)

Yes	68.2%
No	31.8%

If so, how frequently do you use Capital Metro service? (209)

Almost every day	40.1%
At least once a week	8.0%
Occasionally	17.3%
Rarely	34.6%

How would you rate the quality of Capital Metro service? (263)

Excellent	2.7%
Good	28.3%
Fair	25.0%
Poor	26.0%
Don't know	18.0%

Over the past three years, the quality of Capital Metro service has: (211)

Improved	13.0%
Stayed the same	32.2%
Gotten worse	26.2%
Don't know	28.6%

How would you rate the efficiency of Capital Metro's management of tax dollars? (226)

Very efficient	0%
Somewhat efficient	19.2%
Very inefficient	57.7%
Don't know	23.1%

Open-ended Questions (responses categorized by type):

Note: Some respondents selected more than one response.

In your opinion, what are the major issues facing Capital Metro this year and next? What are your suggestions for improving Capital Metro? (466)

Future Transportation	28.3%
Board Management	27.0%
Routing and Scheduling	25.1%
Buses and Bus Drivers	13.9%
STS and Van Pools	1.3%
Financial Planning	3.6%
Bus Stops	0.8%

What specific Capital Metro practices or programs merit commendation? (306)

Buses and Bus Drivers	32.1%
Board Management	31.3%
Routing and Scheduling	12.2%
Future Transportation	10.7%
STS and Van Pools	7.6%
Bus Stops	6.1%

Optional Questions:

What is your race? (189)

Anglo	80.7%
African American	5.6%
Asian	1.1%
Hispanic	8.4%
Other	4.2%

What is your gender? (242)

Male	65.7%
Female	34.3%

Years you have lived in the Austin area (266)

1-10	28.1%
11-20	37.6%
21 or more	34.3%

How old were you on your last birthday? (280)

18-24	1.0%
25-34	18.1%
35-44	80.9%
45-54	0%
55-64	0%
65 or older	0%

Which figure describes your 1997 annual household income? (274)

Less than $10,000	10.6%
$10,000 to $24,999	10.6%
$25,000 to $39,999	18.2%
$40,000 to $59,000	21.9%
$60,000 or more	38.7%

What is your zip code? (184)

Zip Code	Percent	Zip Code	Percent
78758	15.2%	78757	2.7%
78704	11.4%	78753	2.2%
78745	7.1%	78660	1.6%
78705	5.4%	78664	1.6%
78741	4.9%	78610	1.1%
78729	3.8%	78701	1.1%
78749	3.8%	78728	1.1%
78750	3.8%	78708	0.5%
78759	3.8%	78715	0.5%
78727	3.3%	78720	0.5%
78731	3.3%	78721	0.5%
78744	3.3%	78723	0.5%
78748	3.3%	78726	0.5%
78751	3.3%	78736	0.5%
78613	2.7%	78737	0.5%
78703	2.7%	78754	0.5%
78746	2.7%		

APPENDIX III

Capital Metro Performance Review Comments from Public Forums

From March 21, 1998 through March 27, 1998, TPR held public forums in the Capital Metro service area to allow citizens to express their opinions about the authority in person. These forums were held at Crockett High School (south), Reagan High School (northeast), Mendez Middle School (southeast), Lanier High School (north), Pflugerville High School (far north) and Pan American Community Center (central).

Participants were asked to share their experiences with Capital Metro, concerns about the authority's direction, and ideas for improvements in its structure and services. Participants could either write comments on these topics or could present oral comments to TPR staff members. As a springboard to participation, TPR provided attendees with the following questions:

PUBLIC TRUST: What can Capital Metro do to restore public trust?

FISCAL ACCOUNTABILITY: How can Capital Metro save tax dollars and be held accountable for spending tax dollars?

CUSTOMER SERVICE: How can Capital Metro improve the reliability of its basic bus services, the maintenance of buses, and customer-friendliness of Capital Metro drivers and staff?

COMMUNITY RELATIONS: How can Capital Metro improve communications with the public, with other city, county, and state government agencies, with neighborhood groups, and with the business community?

BOARD STRUCTURE: How could the structure of the Capital Metro Board be changed to promote stable management and public accountability?

VAN POOL: Does Capital Metro's van pool program provide an equal amount of service to all areas of the Austin area? Is it a good use of taxpayer dollars?

SPECIAL TRANSIT SERVICES: How well does Capital Metro serve the disabled and other citizens with special transportation needs?

FUTURE OF CAPITAL METRO: What should be Capital Metro's top three guiding goals? What should Capital Metro do during the next five years to keep up with the growth of the Greater Austin area?

The following responses were provided by forum participants.

PUBLIC TRUST: What can Capital Metro do to restore public trust?

1. Involve the community in its decision-making in a meaningful way.
2. Change board structure so that board members are elected by the public.
3. From this point on, be fiscally responsible with frequent, independent audits.
4. Restore internal auditor of proven integrity.
5. Admit their system is outdated with today's culture. Change their mindset, that what they provide is reasonable service.
6. Make the bus system work efficiently.
7. Buses are the most conspicuous part of Capital Metro, at least in between scandals. Give us a bus system that will compete with the automobile. CMTA could have found more allies if it at least had been providing a useful service.
8. Stop making excuses for bad service.
9. Do not repeat mistakes made by previous managers or boards when they refuse to release information which should have been made public.
10. Stabilize the agency's board and management. Constant change in the leadership produces uncertainty and chaos for the staff. Each time the board and management changes, new procedures/policies are instituted (sometimes without adequate study of those already in place). A stable board and management would allow time for plans instituted to be carried to fruition.
11. Provide the most reliable, efficient bus service possible.
12. Let the public know what's going on and what's planned for the future. Use the media to tell Capital Metro's story.
13. The appointing body should establish stable board of directors, so that the staff can have clear policy direction.
14. The public cannot trust Capital Metro Authority, which has constant change at the top.

FISCAL ACCOUNTABILITY: How can Capital Metro save tax dollars and be held accountable for spending tax dollars?

1. Capital Metro needs good money managers. Establish and maintain sound accounting and management information systems. As new buses are acquired, get smaller ones, but keep some large ones.
2. Build a route system that serves the region better.
3. The most responsible way to address the issue of accountability and more bang-for-the-buck would be to concentrate on the needs of the ridership and proper routing of existing bus services and forego the greed for federal dollars for light rail. Leave this to the will of the people to vote yay or nay.
4. Need sensible and careful use of good purchasing criteria. The new buses have terrible seats and not many poles for safety, steps are bad for the kids.
5. Establish a[n] audit, selecting a big "5" accounting firm!
6. Return the position of internal auditor to the staff and require annual internal audits to ensure in-house controls.
7. Provide the public with periodic budget reports in easily understood format/language.
8. Use an efficient preventative maintenance program for the buses. Another way would be for the Legislature to release Capital Metro from the requirement to use condensed natural gas buses for the Special Transit Services.
9. Provide quarterly budget reports to customers, taxpayers, public, legislators, and other stakeholders in layman's language.
10. Clearly explain the purpose of strategic planning and make sure all groups have the opportunity to be participants in the process.
11. Need fare increase to $0.75 or $1.00. Need a new type of transfer. Many riders are riding free, taking advantage of it. Most operators don't punch the transfer like they are supposed to.

12. Examples of other types of transfer used...coupon[s]...used in New Orleans and L.A. [are] perforated. Only half of the drivers at Capital Metro make the effort to collect the coupons.

CUSTOMER SERVICE: How can Capital Metro improve the reliability of its basic bus services, the maintenance of buses, and customer-friendliness of Capital Metro drivers and staff?

1. Rotate buses for maintenance.
2. Have frequent community public forums.
3. Inside appearance of buses needs to be maintained.
4. A big enough fleet of buses and regular maintenance should provide reliable service.
5. Drivers need continuous training in public relations.
6. I've had a lot of great drivers. Some were personally pleasant, but needed driving lessons. Campus shuttle drivers are a little worse than regular drivers. And I don't mind the campus drivers playing stereos, but turn them down please…
7. Requires a fundamental change in target ridership. As long as service is aimed amicably at the "transportation disenfranchised" (riders by necessity), respect for the riding population will be a problem.
8. Planning group has a "can't do" mindset, don't seem aware of new development in Austin; needed bus routes get discontinued.
9. I hear many bus drivers complain to other drivers or passengers about Capital Metro policy/procedures. Are drivers that unhappy?
10. Suggest working with state to develop a.m. and p.m. express buses from 4-8 areas of the region to the Capitol complex in exchange for eliminating free parking for state employees. Build buildings and not parking garages.
11. Slow buses down on small streets.
12. Consider not being involved with UT shuttle.
13. Provide better and more driver education.
14. Bonuses for driver safety.
15. Comment cards for passengers to give input. Make courtesy and friendliness reason for promotion and raises.
16. More lighted bus stops and signs for safety purposes.
17. Public officials should randomly ride without suits and ties!
18. By purchasing new buses periodically rather than ordering a new fleet at once.
19. Solicit input from both operators and passengers regarding problems.
20. Examine routes and schedules to make them more efficient-perhaps delete some low use stops, add more cross-town routes.
21. Explore and implement HOV or bus-only traffic lanes, use of new technologies, such as traffic light, pre-emptied equipment on buses. Bring "smart" buses to Austin.
22. Continue the round-the-clock maintenance service now in place.
23. Staff maintenance facility with experienced personnel.
24. Continue encouraging operators and staff to deal with the public in a courteous and helpful way. They are consistently friendly and helpful. I have witnessed incredible displays of patience and helpfulness on part of operators in trying situations. I think they do an excellent job. Recognition from the board, consideration, and encouragement from management go a long way to help staff.
25. Purchase buses on cycle that will insure that the fleet is replaced on a staggered schedule rather than the current 12-year cycle. Continue to improve the prevention Maintenance program. Get more input from drivers and passengers when developing specifications for future bus purchases. Increase maintenance personnel, so that buses can be prepared more quickly. Hold the bus

manufacturer accountable for bus equipment failure while still under warranty. Example: when Capital Metro bought first CNG buses, manufacturer recommended some change to make buses more efficient, which Capital Metro disregarded costing more money in the long run. Example 2: on the Special Transit Services buses, the manufacturer did not notify the authority that the transmission fluid vent was under exhaust system, which caused fires. This manufacturer's defect should have been addressed before delivery. Increase resources for training of maintenance personnel.

26. Bus driver says we need more East, West, cross town lines. Need to expand services in the evening especially to the UT area. Should run from at least 12 midnight to 1:00 a.m. 11:30 is last outbound for leaving 6th Street.
27. Really believes that a new style transfer would really improve customer service. Stop contracting services.

COMMUNITY RELATIONS: How can Capital Metro improve communications with the public, with other city, county, and state government agencies, with neighborhood groups, and with the business community?

1. Needs to focus on who their customers are.
2. Who is the light rail trying to attract-people in the cars or existing passengers?
3. Need to be open about whatever they intend to do. Better upkeep of bus stops; clean buses on heavily traveled route more than once daily.
4. Police the bus stops to keep transients and drunks away from these areas.
5. Use Capital Metro Police to improve communications.
6. Its public involvement programs need to be improved and maintained, but be far different from the past in approach; must give all segments a voice and role in decisions.
7. Have more input from neighborhood associations.
8. More partnerships with community, i.e. bus services for group transportation for businesses/governments.
9. Create a cross jurisdictional panel to better integrate all entities on transportation issues!
10. Use direct mail notices to residents; don't just rely on neighborhood associations. A lot of citizens don't join the association.
11. CIAC (Community Involvement Advisory Committee) created 1997, but never appointed.
12. Restore positions recently cut from the community relations department for better communication.
13. Public meetings, new services, should be publicized using all media. An effort to establish cordial relations with personnel in radio, television, and newspaper should be undertaken. Capital Metro should be proactive, not reactive, where media is concerned.
14. Strengthen the citizen advisory groups now in existence, give them good direction as to how they can help in the effort to build the best transportation system possible. Listen to what they have to say and provide timely response to their suggestions.
15. Actively market new routes and services via presentations at neighborhood groups, direct mail, ads in all media, etc.
16. Recruit leaders of neighborhood groups to participate on advisory committees, so that they feel that they are part of the solution and not responding to a problem.
17. Update the carpool database. Many entries are over 5 years old and are invalid.

BOARD STRUCTURE: How could the structure of the Capital Metro Board be changed to promote stable management and public accountability?

1. The board needs a game plan.
2. The board needs a comprehensive 5 or 10 year plan.
3. The board should be diversified to reflect the ethnic make-up of its ridership.
4. The board should include a person(s) who is not elected or appointed.
5. Board members should have experience managing "large enterprises."
6. Longer terms/greater support from elected officials, appointing bodies that aren't trying to steal CMTA's money!
7. Let the people elect all the board members.
8. Make board members ride the buses if they don't already! Feel free to issue them free bus passes on the sole condition that they don't ride a car if they can use the bus. I predict we will never run short of buses again!
9. Members should be users of the service. Have community users give input regularly.
10. Add bus riders and add bus operator to the board, if the bus could fit more than ten people. All present and former boards have been composed of political officials or cronies. As long as this continues, the best interests of the community will continue to be ignored.
11. Work sessions have no public participation.
12. Provide for election of at least one board member, preferably all elected.
13. Having a board composed of elected officials is a mistake. They are in effect trying to serve two masters (both taxing authorities) and inevitably there will be some conflict of interest. Sometimes they seem more interested in how things will be perceived by their constituencies than what the long term effects of their actions will be.
14. Board should include regular citizens as well as transportation experts.
15. The Sunset Commission made a serious mistake by requiring that two (2) year terms be required for board members. It takes two (2) years to learn the job. Four-year terms would provide much more stability.
16. Elected official being responsible for two taxing authorities at the same time create inefficiency for both governmental entities. Board members should be required to participate in an extensive orientation program when appointed. A member who refuses to participate should be removed.
17. Positive changes in Capital Metro operation to increase efficiency and reliability is much more important than quick-fix, public-relation moves. Longer terms of service will give board members the opportunity to establish credibility and accountability and renew the public confidence in the authority.

VAN POOL PROGRAM: Does Capital Metro's van pool program serve all areas of the Austin equally? Is it a good use of taxpayer dollars?

1. No, van pool does not work.
2. Yes, van pools do work and have a role in a wide range of transit options.
3. I don't know if the van pool is worth the money. Not that many people use them.
4. Good use of taxpayer $-yes.
5. This program needs improvement. It could be better.
6. Surveys of non-users needed to determine why they don't use the program.
7. Today's service reflects the level of attention it is given; CMTA does not have a data base that can be used to increase participation.
8. No, does not provide equal service to all areas of Austin.
9. Yes, it is good use of taxpayer dollars. Cuts down on the number of cars on the road and provides service to areas where fixed routes don't go.

10. Van pool does not provide equal amount of service to all areas. The van pool could be used much more effectively to reduce the load on Special Transit Services. This is an example of responsible use of the tax dollar.
11. Yes, all CMTA citizens are eligible to form a van pool. It is a good use of money because support is shifted to volunteer drivers, reducing Capital Metro's overhead.

SPECIAL TRANSIT SERVICES: How well does Capital Metro service the disabled and other citizens with special transportation needs?

1. Many drivers do not know how to assist riders in wheelchairs.
2. Better than just about anywhere in the USA, and everywhere in Texas!, but still needs to go further given the larger disabled population in Austin.
3. Be available to provide special assistance on demand-no waiting list for service.
4. Not very well; drivers need training to help special/disabled persons, like sign language, etc. Many people feel helpless when in fact if it was not for these people, some drivers would not have a job.
5. Timing-sometimes clients wait for an hour or more for pick ups.
6. Great, I've noticed it has done very well.
7. Very good service, very good access.
8. Insufficient number of wheelchair lifts and vans especially.
9. Listen closely to the needs of ADA and respect their pleas.
10. Increase lines serving key locations for disabled and bike riders.
11. Terribly, customers have to schedule two weeks in advance to ride. Technology exists today to make this real time.
12. Wait time is too long after drop-off. Critical for elderly who are on medication or diets for health reasons.
13. Capital Metro does a fairly good job with its Special Transit Services, but they need more vehicles as well as dispatchers. Also need a program to help users learn how to use regular fixed routes as well as Special Transit Services.
14. Special Transit Services is not the only way to serve the disabled community. Could also use a combination of efficient basic bus service, accessible bus stops, accessible routes to get to the bus stop. For long routes, use a training program to teach people with disabilities how to use basic bus service; can go a long way to meet the unmet demand for Special Transit Services. Not suggesting that they do away with Special Transit Services, but Capital Metro has not done a good job of addressing the problems. If Capital Metro would teach the disabled community how to use the basic bus system, it would help them understand how to teach the total community how to use the system. Take the best from both Special Transit Services and regular service and then have a system that would serve everybody.

FUTURE OF CAPITAL METRO: What should be Capital Metro's top three guiding goals? What should Capital Metro do during the next five years to keep up with the growth of the Greater Austin Area?

1. Something like BART (Bay Area Rapid Transit)?
2. Try to educate people about the benefits of riding a bus.
3. Need routes that go to dense areas without having to transfer.
4. Get on with building a regional rail transit system and make the bus system more efficient. In the process, run light rail to new airport through East Austin; for more job opportunities.
5. Develop cross town routes, so every bus trip doesn't have to go to town.
6. Work with city planning on future development issue together (transit villages).

7. Develop light rail with re-vamped bus system using a "spine & rib" layout: short, frequent bus routes feeding light rail stations.
8. Set up routes going into major employers, destinations and forget idea that everyone should be able to walk to bus stop from home. Don't be afraid of people driving a short way to catch a bus or train.
9. Strive for high frequency (10 minutes) on several high usage routes.
10. Transit industry does not have a clearinghouse that collects information to help improve quality standards nationwide.
11. Efficient transportation.
12. Fiscal responsibility.
13. Public access and participation in decision making.
14. On time routes.
15. Friendly drivers.
16. Light rail system.
17. Better use of dollars, quality of service, and maintenance of buses.
18. Utilize grid and transit center.
19. Timed transfers.
20. Fixed routes-on time at stops.
21. Alts-HOV lanes and light rail.
22. Establish major, fast moving lines running to the downtown area, which are fed by feeder lines.
23. Establish fast rail lines running from Round Rock through UT and downtown to the new airport. Also, a line running east-west from Oak Hill to far East Austin.
24. Parking lots–express buses. Create a credible public image that clearly communicates Capital Metro is the leader in solving area transportation problems and write a clear mission statement that can be understood and embraced by the community! This statement is for the community not for the board or the staff. From a clear mission statement the answers to all question above will be found.
25. Establish a credible strategic plan with early involvement of all stakeholders to meet the need for efficient transportation, including efficient basic bus service. Conduct an election in 1999 to make a decision on the direction for this authority regarding light rail.
26. The disabled community is concerned about reducing Special Transit Services because they do not have confidence in Capital Metro's basic service. Example: Special Transit Services can get from North Austin to Capital Complex in 45 minutes, the alternative basic service takes at least an hour and a half, plus walking to and from bus stop to work.
27. Light rail–get ready to be on line.
28. Expand Service.
29. More cross town routes and build light rail.
30. Need a new garage.
31. Stop contracting service.
32. Some feeder lines should be consolidated into major routes to eliminate transfers. Example bus 1 and bus 45 have parallel service.
33. Confusing to the passenger is the route numbers. Why are there more than one route number per one bus. Example 1-13 same bus just changes numbers during the route.

Public Forums
General Comments

Most of Capital Metro's routes are radial routes. Capital Metro could do better by favoring cross-town routes. Have a problem with the timers of bus routes. Need more balance in their route types. Bus systems in Belgium use a repeating schedule. The planning of public transportation in Europe is easier because more people are going the same direction. You have more commercial area running into private. The advantage of the European approach to public transportation is better because of less fiddling with the routes. Capital Metro sometimes gives the impression that it will judge a particular area to be adequately served once a bus route is installed without actually taking into account what that bus route does. Problem is that Capital Metro thinks of service in terms of bus stops. Bus stop planning appears to be one dimensional.

I started riding buses in 1932. People need to be educated about riding the bus. The bus system worked very well in Los Angeles. There are advantages to mass transit. I do not know why people do not ride the buses. Public transportation is very important for people who don't have cars or are disabled, senior citizens, etc. My experience with Capital Metro bus drivers has been excellent.

More and smaller buses are needed. Devote 1/2 cents of full cent tax to rail. Stop studying rail and get started building the first line. Some customers won't ride a bus, but they will ride the rail. I have no problems with the bus drivers. I frequently ride the bus to work. But the buses themselves have not gotten any better—they still break down frequently. It must be difficult for the drivers to have such unreliable buses, especially when they have problems with the brakes. We need a transit system that can compete with the automobile.

My thoughts are mostly on customer service, since I have been a bus rider in Austin for almost five years. First, one thing you do that I like: I ride the 37, and it's usually the same driver at the same time. This is good; I like having a driver who recognizes me when I'm at the same stop at 6:57 every morning! I find myself wondering though, at the logic of the route designers. Many routes have weird timing or inconvenient schedules, and it's difficult to get from some parts of town to others. Example: My doctor and dentist and the blood bank are around 40-45th and Lamar. I live near the Cameron part of the 37 route. In order to get to my doctor, dentist, blood donation, and more importantly, in order to get home, I have to either go all the way downtown, or go all the way to North Lamar Transit Center; unless I'm lucky and make a 39 and still I have to walk 15 minutes from Guadalupe. The 201 was some help when it existed, but I still had to walk from Airport and 51st Street to the far side of IH35. And it was usually faster to walk! This is a bad sign, when it's faster to walk than to wait for a bus. Why isn't there a route running, say, all the way down 51st Street?

Public Trust: Open the books. Open the procedures. Don't hide when the press or a private citizen wants to know something. I am more sympathetic to Capital Metro honestly admitting mistakes than trying to cover up problems only to have to admit to them later. Also make all Capital Metro executive staff and board members ride the bus to work at least twice a week. Do these people ride the bus? A bus rider knows what is good and what is bad about the bus system, and they're well aware of where they can go and where they can't.

Fiscal Accountability: Explain why you make the financial decisions you do and listen when people raise objections. Don't ignore preventive maintenance; when I hear bus drivers complaining about buses that run out of gas two minutes after they leave the garage, I'm not encouraged! And the solution is not to shut up the drivers; it's to make sure maintenance is really done.

Maybe it's time for a complete redesign of routes. And I have the perfect route setup for getting to work, two-minute walks on each end, so I'm not suggesting this lightly.

Send Capital Metro reps to visit neighborhood group meetings. The sample tickets for particular routes are a good idea.

STS: The new buses with the low entry are great. Too bad they don't seat more people. One note: When a bus picks up a wheelchair passenger, it loses several minutes. How about assistance training for interested citizens to pull up the seats while the wheelchair passenger is getting into the bus, and helping the passenger secure the chair, so the driver can get going faster. I've seen this happen informally and it makes a big difference.

Future: Make sure the new airport is bus accessible. Actually, it would be really neat to have bus connections between the airport, the Amtrak station, and the greyhound station, but that's just my personal bias.

Idea: Provide bus info in the airport and at greyhound and Amtrak, so out-of-town tourists can find public transit info.

Route working: Add routes that don't go through downtown; stagger routes in similar areas. Why isn't the RO scheduled to be on the IH35 feeder when the 37 flyer is running, instead of when the 37 local is running? Two buses in the same place in 5 minutes and then a half hour wait-why? Also, consider some later routes, maybe? I'd love to go by bus to the banks downtown, but then I can't get home!

I favor light rails, and it can run through my backyard anytime, but I'm not sure the red line is the best route.

Other thoughts: Are my businesses interested in putting money into shuttle services like UT's. Say, a bunch of large companies clustered in some small area. A personal wish: Put the 15 stop back at the front door of the new HEB in Hancock Center! I'm willing to pay a bit more for rides and monthly passes, but I can also afford it.

There's very little trust in Capital Metro. The agency has too much money and has not shown the fiscal responsibility necessary to manage it. It is a dedicated income stream with no accountability.

The city ran a bus system in 1985 for $7 million. Within the first year of its creation, Capital Metro was bringing in $40 million. Most Austinites voted for the formation of Capital Metro in 1985, but it has not lived up to its responsibilities. It now has over $135 million in revenue, quite a bit more than the Austin Police Department.

Citizens have been polled on what they consider the most vital local services. Invariably, public transportation comes out last when compared to the following services: police, emergency medical services, fire protection, parks and recreation, garbage collection and street repair.

Capital Metro should be funded by no more than a 1/2 cent sales tax.

People have no confidence in Capital Metro to run a light rail system. If the Austin area wants a light rail system, it should consider one under separate governance.

Capital Metro shouldn't be carrying UT students, which is now 1/3 of its ridership although the school only contributes about $4.2 million a year.

Working on it over two years. Talked to Augustine trying to get a bus schedule to Bergstrom, so they would have some experience. Proposing they use park and ride and go right into the airports. A place to start is 183-620. Most people he surveyed liked that idea. People will be willing to pay for this service so it'll be sustaining. This is a good time to start. Capital Metro thinks they got to spend a lot of money to do anything. Star shuttle is doing without anything. Two or three, 15 passenger buses. All they need is buses and schedules. They need to give people what they need.

Capital Metro can gain the public trust by giving them the services that they need and want. Bus transportation schedules to the Mueller Airport is needed and will provide the experience that Capital Metro needs for Bergstrom when completed. It will be fiscally accountable because it can be a self-sustaining operation. Capital Metro can improve community relations by the use of questionnaires via the media or other means. Public opinion is important. Capital Metro needs the help of a well established professional transportation consultant such as Mr. David Gunn who would be willing to come to Austin as a favor to one of our citizens. Information has been placed in your hands.

Over the past five years, I have attended many Austin Transportation Study Policy Advisory Committee (ATS PAC) meetings and University of Texas Community and Regional Planning Growth Forum sessions, but have been unable to make any significant impact on their traditional industrial age concepts... These powerbrokers are trying to protect their investments in the downtown business district–an example of a centralized ("mainframe") model of the industrial age when face-to-face physical communications was essential between people as well as their work related tools. The power brokers are also motivated by the government funds to build the light rail system and buy the rights-of-way. In contrast, the information age will not only allow for an increasing distributed model of work, i.e. by the use of sophisticated electronic digital communications between people, but will be essential for workers to be competitive in an increasingly global market place as it will allow them to maximize their productivity. In addition, these workers will expect improvements in their lifestyle by being able to have more personal control of their time such as minimizing physical commuting to/from downtown work places (by any means) during rush hours and maximizing their use of telecommunications. It is important that governments (at every level) realize they are become increasing vulnerable because companies are becoming more mobile while governments are intrinsically immobile. In addition, companies can downsize their employees which governments cannot downsize their citizens. Hence, governments will become increasingly like 'motels'–competing to attract and keep their 'customers' or citizens. Governments, like any economic unit, which do not provide a competitive set of services will be at a disadvantage. As such, expensive services that are of little value to high tech employees—as I anticipate light rail in Austin to be—and citizens who do not contribute very much to the economic (lower tax revenue) or social well-being (more crime) will make a government less competitive in attracting/keeping high tech citizens... As an alternative, Austin should encourage the use of telecommuting, i.e. an increasing distributed workplace either in homes or local telecenters, even possibly by tax incentives. This, of course, will have benefits to our environment as well. If the number of people who become telecommuters each year equaled the number of new people coming to Austin (about 3% per year and most of them in high tech related work), the current set of roads (supplemented by SR 130 primarily to allow commercial traffic–and its air pollution–to/from Mexico to bypass Austin) would remain adequate. I-35, 183 and Mopac traffic during off-peak hours is still relatively light!

Public transportation gets a bad rap. The people outside of the taxing district taking advantage of the 113 van routes they did not know could not figure the cost per passenger mile!

40 Parkfield, 25 Olhen, 42 Quail Valley, and old #44 Arb. routes... The bus drivers were great. Provided good and great service. Route was canceled because only few people rode the bus. Empty bus[es] don't bother me, if I need them; they are there when I need them. Empty buses are like an insurance policy. Restore #40 Parkfield to service along Bitterhollow. Bus is now a mile away on the other side of Braker.

Is generally satisfied with Capital Metro but doesn't like how the board sets policy. The board feels that every new route must come at the expense of discontinuing an existing route.

The problem with disabled access is the City of Austin's fault, not Capital Metro's. The heavy load for STS is due to the problems with accessibility in Austin. He and his wife are blind and could better use regular bus service if the city were more accessible.

STS needs a toll-free, 1-stop phone number. Right now, a user can call a separate reservation number, a cancellation number, a "where's my ride" status number, and a number for the program's administration. This can create problems if a user is calling from a pay phone.

TPR should scrutinize middle management of the STS program. The program head and the drivers are good, but problems with service may be due to middle managers.

The constant criticism from the *Austin American-Statesman* is unfair and damaging. It is also hypocritical of the newspaper to lambaste the authority on how it uses tax dollars since the newspaper itself has benefited from a state franchise tax break.

The sales tax that funds Capital Metro is a regressive tax, so the proceeds should be used progressively. A lot of people rely on public transit, especially with new welfare laws which expand the number of people who need to work.

There's been an improvement in bus shelters over the last two years. There has also been a reduction in underused buses.

Service to people with disabilities needs to be approved. These folks need to access vocational rehabilitation services and medical services. This commentator, who is an attorney, has many disabled clients and they've mentioned the lack of dependability of STS services. The STS system needs greater flexibility. There needs to be more staffing and equipment in the STS program. Folks are missing appointments because the service is unreliable. He had one client who lost his job because he kept getting to job training late because STS was unreliable.

Capital Metro has been given the task of synchronizing traffic lights. How many other cities give their transit systems this responsibility?

Light rail is an appropriate function for Capital Metro, but routes should treat east and south Austin fairly. Innsbruck, Austria has a good light rail system. Capital Metro should study that system.

I trust Capital Metro. They run late, but it is not always their fault. Sometimes it's because of traffic. I am for the full one-cent tax, but Capital Metro can use it more wisely. What are they going do when Austin grows? There will always be a need for good, basic bus service, not van service or TeleRide are just extra. They will need more money when Austin grows for better public amenities. I am on the Capital Metro Citizens Advisory committee. The media stuff usually is a bunch of lies. The media needs to ride more and come up with solutions, not constantly attacking Capital Metro. Public distrust of Capital Metro is the fault of the media. The media should be more constructive.

Capital Metro needs to sell the transit. A lot of people don't understand the value of public transit. So, sell the value of it and explain why buses are empty and the comparative advantages of "empty" buses versus single occupancy vehicles.

Some routes duplicate parts of another. Each route should run on its own street, but the way Austin is built makes this impossible. I am trying to convince the Planning department to stop duplicative routes. Don't direct every single new route to UT Shuttle Service: UT is not charged enough money by Capital Metro for the service. UT needs to raise student fees to cover cost. Some of the UT shuttle routes need to merge together (i.e., have one bus do two routes). The General Manager needs to control how departments are spending money.

The system could use almost as much money as conceivably could be used by it for public amenities like shelters, walkways, etc. The question becomes how much will people ride transit? In general, if you put better service out there, you will get better ridership. Every major repair and capital issues are contracted out. I don't think it's a bed of corruption. The former Internal Auditor was great! His loss is a great one! There are some problems in purchasing, but it's not a huge problem...it's more confusion.

Capital Metro needs to have reliability of basic services. While bus tardiness is not always the driver's fault, Cap Metro can improve the schedules to account for times like rush hour, accidents, etc. But, if they give buses more time and keep the service at the same efficiency level, it will cost taxpayer dollars because Capital Metro will need a new bus. Generally, the bus service is reliable, but the weekend service can use more improvements. Maintenance of buses is excellent. I haven't seen a bus broken down since last August. The new maintenance program started by Justin Augustine is great. A lot of drivers are very friendly, but just being friendly is not enough. The drivers should welcome every passenger and be prepared to answer every question. Passengers often know more about buses and routes than drivers and this shouldn't happen! Drivers should also be trained to handle unruly passengers in a professional manner.

Reliability has improved over the last two years, but it is not yet summer so Capital Metro should focus maintenance on areas that normally and predictably breakdown during the summer season. I've never had a bus driver who was unfriendly or not helpful.

Capital Metro should target direct mail on focused routes. Have a simple card at all car repair garages in town that says "Call Capital Metro. We will tell you if a route is close to your location."

Capital Metro is pretty honest, but may need to improve its communication skills.

Capital Metro needs an ongoing citizens' advisory board.

Capital Metro should have a better and more formal structure for citizen input. The current Citizen Strategic Advisory Committee is a joke! They are self-selected and are not representative of the community.

The board's main responsibility is to listen to transit users and serve those users more than those that don't use transit. The current board should not be politicians while on the board! The board should try to motivate non-transit users to become users. The board could talk to more businesses asking what employees want from Capital Metro to motivate them to become users. Maybe incentives could be given like discounts on automobile insurance if a person is a regular transit user. The board also is in a position to talk about transit benefits, i.e. less congestion, less auto accidents, lower health care costs, reduction in air pollution, and good on the environment. Mass transit promotes economic growth in areas of the city where transit is heavily used, and Capital Metro has this potential downtown. Transit users spend less money on gasoline and have less wear and tear on their automobiles. There is less maintenance on major thoroughfares, thus saving highway money. Building new highways like I-130 to mitigate congestion only promotes urban sprawl and Austin cannot afford any more of that. If the board does all of the above, it will be doing Austin a great service!

The van pool service is a good use of taxpayer dollars. Vans cost a lot less than buses and they are good for the neighborhoods. But, $25.00 per passenger, per month is too low. Capital Metro should charge more of the true cost of providing the service!

STS is very expensive service, but users have already paid a great price because of their disabilities, so this is a good way to give them something back. Most users are employed and are giving back to the community. Maybe Capital Metro needs to raise the fare to no more than $1.00 per passenger. Capital Metro could do a better job of showing the public what a bargain they are getting, even if fares increase.

Capital Metro's special transit service is one of the finest services in the country and this fact pushes up the service's cost.

Top three...Light Rail definitely; expand the bus service to outlying areas with increased efficiency and better reliable service; and take customer complaints a lot more seriously! Most people don't complain because they think nothing will happen. What should the city and Austinites do to keep up with the growth of Greater Austin? We need to promote transit; stop building all of those parking spaces/garages (downtown), roads, and highways because they only promote more automobiles on the roads. By doing this, we will be more environmentally friendly, tax dollars will be working for us. A bus won't get you everywhere you want to go, but if the ridership doubles or triples, the board would meet that demand for more buses, because people would want it. The transit system would be our highway system. If you have transit close by, use it! If transit service is not close to you, say something to Capital Metro. Capital Metro cannot guess. They are communicating great with the public. It is the public that's not communicating with Capital Metro! [Politicians] have Capital Metro all wrong. [They should]...ride the transit instead of using it to further...political careers...

The bus system should be first thing to be improved...should be a network serving all. Any further budget cuts will be detrimental. *Austin American-Statesman* is using Capital Metro as a whipping boy.

There was a meeting in New Braunfels between representatives of Capital Metro, Austin Transportation Study (ATS), and VIA to discuss how to get $500,000 for an engineering study to get ISTEA funding for IH130. Capital Metro representatives said they would get the money from the Capital Metro Board and asked for $900,000. The Board balked at that amount, but compromised to give $500,000. The Board was removed one month after refusing to give almost $1 million. Why is Capital Metro funding IH130...? Austin supplies 90 percent of the funding, but cannot control the direction of where Capital Metro goes because Austin no longer has majority representation on the board.

The old board approved compressed natural gas buses. The new board reversed back to diesel despite mass protest. Now Capital Metro is dirtying the air. I counted 964 single diesel bus trips in one day on one square mile area (11 bus lines in this one square mile). Lung damage is a possibility here (Barton area, but not West Austin).

How do you cut the budget at Capital Metro and project to people in Austin they are saving them money, but still install $998 million rail system?

Light rail is welfare for the downtown business community. Five rail lines [will be] going to downtown Austin.

Comptroller should fix accountability, also accountability and responsibility of Capital Metro over their contracted services. Example: called in with a complaint and was told to talk to contractor.

Complaint forms should be put on-line. Capital Metro says complaints are down, but only because citizens feel no action will be taken if they complain, so they don't.

Capital Metro is so tied into transit jargon, that citizens are "belittled" at schedule changes because [they] don't speak the language.

APPENDIX IV

National Transit Database Comparisons

As part of its review of Capital Metro, TPR commissioned TransTech Enterprises of Corpus Christi, Texas to conduct a comparative analysis of Capital Metro and 18 similar transit systems around the U.S. This study, which is cited throughout TPR's report, indicates that Capital Metro provides a greater-than-average amount of service for a relatively large ridership, measured both in absolute and per capita terms. The statistics also suggest, however, that Capital Metro operates less efficiently than many of its peers and at a higher cost.

Methodology

In selecting the peer group of transit authorities, TransTech considered areas similar to Austin in transit system characteristics, population size, or economic activity (such as government or major universities). Peer cities reviewed include:

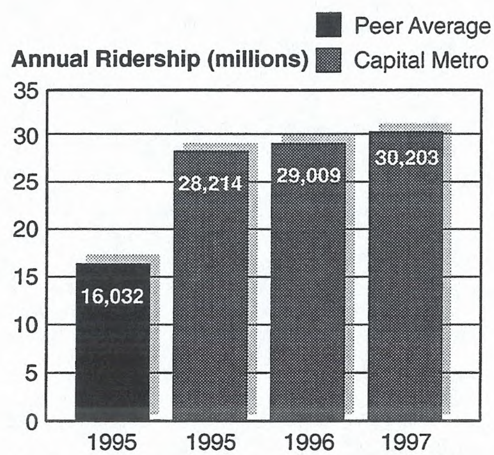
Albany, NY
Albuquerque, NM
Charlotte, NC
Cincinnati, OH
Columbus, OH
Fort Worth, TX
Indianapolis, IN
Kansas City, MO/KS
Louisville, KY
Madison, WI
Memphis, TN
Providence, RI
Richmond, VA
Salt Lake City, UT
San Antonio, TX
Syracuse, NY
Tampa, FL
Tucson, AZ

TransTech's analysis established benchmark averages among the peer group for a number of different performance characteristics and compared Capital Metro's performance with these averages. The use of averages helps to minimize variations due to the unique characteristics of every operating environment. (For detailed accounting of this information by city see the chart at the end of this appendix.)

Data for the comparisons came from the Federal Transit Administration's 1995 National Transit Database, the most recent reliable and compatible information available. The age of the federal statistics used, however, begs the question: how has Capital Metro performed in years since 1995? Therefore, this analysis also includes 1996 and 1997 data for Capital Metro, to indicate whether the trends observed between the authority and its peers have changed since 1995.

Ridership

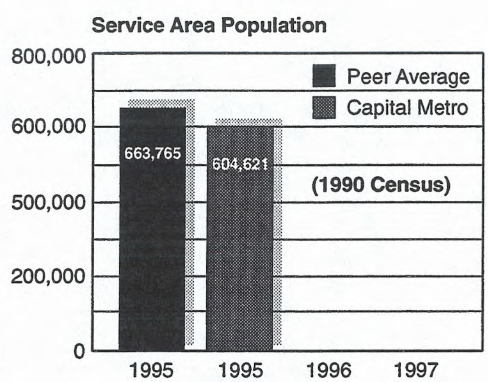
Capital Metro's reported ridership of 28.2 million passenger boardings for 1995 was nearly 76 percent higher than the peer-group average of 16.3 million. Capital Metro's ridership continued to grow in 1996 and 1997.



SOURCE: National Transit Database Statistics and Capital Metro.

Service Area Population

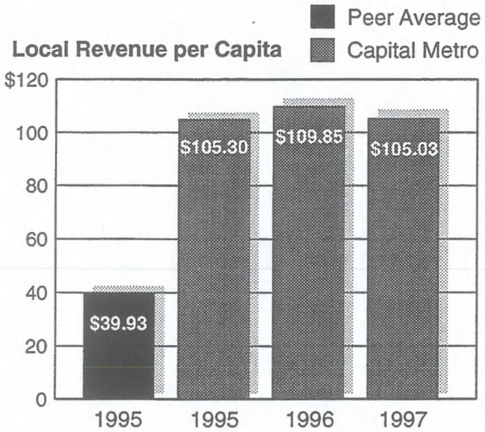
Capital Metro's reported service area population in 1995 was 8.9 percent lower than the peer average, although the Austin area's rapid growth is likely to have altered that picture. Figures were not available for 1996 and 1997.



SOURCE: National Transit Database Statistics and Capital Metro.

Local Revenue per Capita

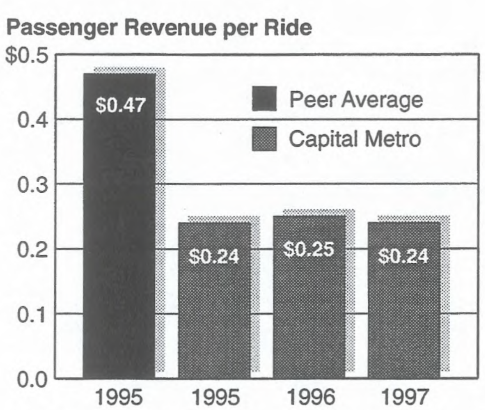
Local revenue per capita compares total *local* revenues generated from all sources (including fares, taxes, advertising, and other sources) to the service area population. State and federal revenues are not included. Capital Metro had the highest amount of local revenue per capita by a wide margin; Capital Metro's $105.30 per area resident was nearly *164 percent* above the peer average of $39.93. This trend did not change significantly in 1996 and 1997.



SOURCE: National Transit Database Statistics and Capital Metro.

Passenger Revenue per Ride

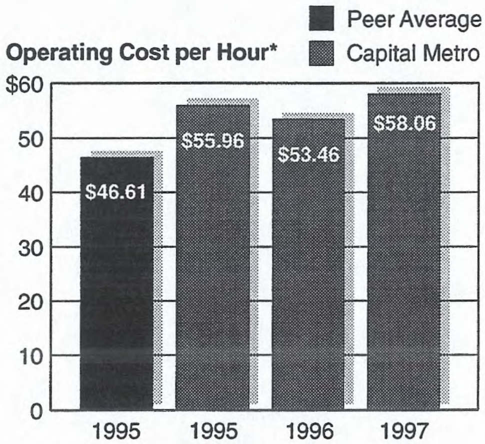
This ratio measures passengers' average payment per ride. Capital Metro had the lowest average revenues per rider of any of the peer systems in 1995. Capital Metro earned just 24 cents per rider, 49.3 percent below the peer average of 47 cents. The figures for Capital Metro did not change significantly in 1996 and 1997.



SOURCE: National Transit Database Statistics and Capital Metro.

Operating Cost per Hour

Operating cost per hour compares operating costs to vehicle hours of service operated. It measures the efficiency of the transit operation, or how well it uses its resources to deliver a given amount of service. Capital Metro's cost per hour in 1995 was $55.96, 20.1 percent higher than the peer average of $46.61 per hour. Capital Metro's operating cost per hour dipped slightly in 1996 but went back up in 1997.



* Total vehicle hours from 1998 budget comparisons.
SOURCE: National Transit Database Statistics and Capital Metro.

It should be noted that Capital Metro's Special Transit Services (STS), curb-to-curb services for people with disabilities, accounts for a significant part of its difference from the peer average. This can be seen by comparing the same statistics for STS and ordinary bus transportation separately. Note that Capital Metro's operating cost per hour for STS was markedly higher than the average, while its cost per hour for bus service alone is closer to average:

Special Transit Services

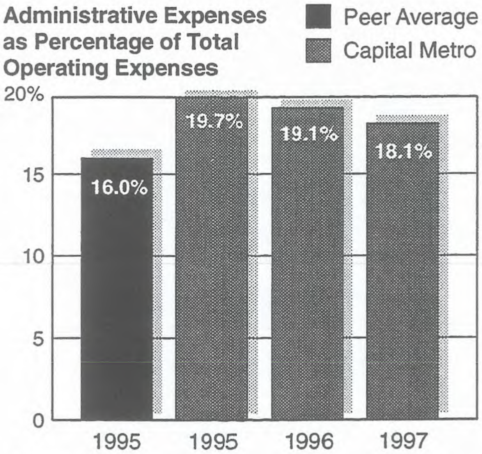
Capital Metro	$57.73 cost per hour (STS) 113.3 percent above peer average
Peer Average	$27.06 cost per hour (STS)

Fixed Route Bus Transportation

Capital Metro	$56.67 cost per hour (bus) 10.6 percent above peer average
Peer Average	$51.23 cost per hour (bus)

Administrative Expenses as a Percentage of Total Operating Expenses

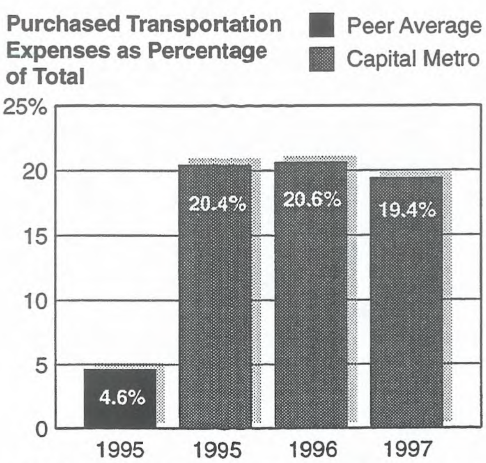
This ratio measures administrative expenses (the cost of overhead expenses not directly related to the operation of services) as a percentage of overall operating costs. Generally, lower percentages indicate more efficient operations. Capital Metro's administrative costs made up 19.7 percent of the authority's operating costs, 23 percent higher than the peer average of 16 percent. Capital Metro's administrative costs fell in 1996 and 1997, but continue to exceed the 1995 peer average.



SOURCE: National Transit Database Statistics and Capital Metro.

Purchased Transportation Expenses as a Percentage of Total

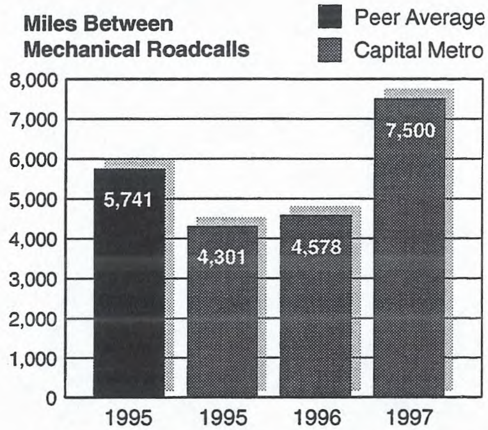
This ratio indicates how much of a system's total operating expenses are related to contracted rather than "in-house" services. Capital Metro spends a larger share of its funds on contracted services than any of its peers, by a wide margin; this is largely attributable to the UT shuttle operation. In 1995, about 20.4 percent of Capital Metro's operating expenses went to contracted services, compared to a peer average of just 4.6 percent. Several of the peer systems did not contract for transportation services at all.



SOURCE: National Transit Database Statistics and Capital Metro.

Miles between Mechanical Roadcalls

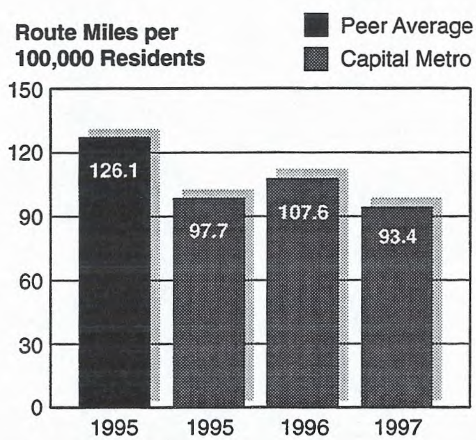
This ratio measures the number of vehicle miles operated for each maintenance roadcall performed for mechanical reasons. It is an indicator both of maintenance quality and, indirectly, the age and condition of the bus fleet. Higher numbers generally indicate better performance. These statistics are for Capital Metro-operated bus service only, and do not include contracted services. Capital Metro performed 25.1 percent below the peer average, at 4,301 miles between roadcalls, compared to a peer average of 5,741 miles. Capital Metro was still below the 1995 peer average in 1996, but exceeded it in 1997.



SOURCE: National Transit Database Statistics and Capital Metro.

Route Miles per 100,000 Residents

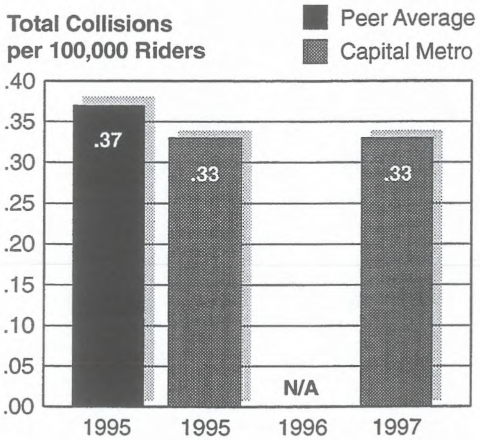
This ratio compares the number of miles of regularly operated routes in the service area against its population. Higher numbers usually indicate a denser route network, although local development patterns can influence the results. Capital Metro fell 22.5 percent below the peer average, with 97.7 miles of bus route per 100,000 residents compared to an average 126.1 miles. (These statistics cover Capital Metro service only and exclude the UT shuttle network.) Capital Metro's figures for 1996 and 1997 continued to rank below the 1995 peer average.



SOURCE: National Transit Database Statistics and Capital Metro.

Total Collisions per 100,000 Riders

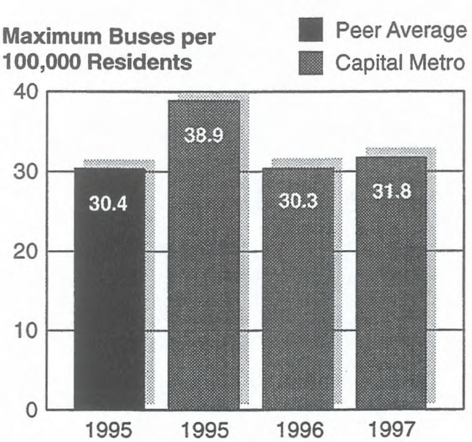
This ratio measures total vehicle collisions to ridership levels, and indicates transit system safety performance. Lower numbers indicate better performance. Capital Metro outperformed the peer average, with 0.33 collisions per 100,000 riders versus a peer average of 0.37 per 100,000. (Once again, these statistics are for directly operated bus service only.) Figures were not available in 1996, but in 1997 were identical to 1995.



SOURCE: National Transit Database Statistics and Capital Metro.

Maximum Buses per 100,000 Residents

This ratio compares the maximum number of buses in service during peak periods to the service area population; statistics are for fixed-route bus service only. Capital Metro operated a maximum of 38.9 buses per 100,000 residents, 27.7 percent above the peer average of 30.4. Figures for 1996 and 1997 indicate that Capital Metro's maximum number of buses is now more in line with the 1995 peer average.



SOURCE: National Transit Database Statistics and Capital Metro.

Since 1995

In general, Capital Metro has continued many of the trends observed in the 1995 peer comparison. One major area of improvement is the authority's number of miles between road calls.

Capital Metro's ridership measures remain high; other indicators, however, suggest that the cost of service remains high as well, and continues to increase. Administrative costs as a percent of total operating expenses have fallen but continue to exceed the 1995 peer averages by nearly 12 percent.

Capital Metro Peer Analysis

	Mode*	Unit	Austin**	Peer Average	Providence	Albany	Syracuse	Richmond
Ridership	All	1,000s	28,214	16,032	14,918	10,733	12,504	14,164
Service Area Population	All		604,621	663,765	750,000	779,718	388,918	308,505
Ridership/ Capita	All		46.66	24.15	19.89	13.77	32.15	45.91
Riders/ Vehicle Hour	MB		36.96	27.31	25.98	21.97	34.98	34.04
Local Revenue/ Capita	All		$ 105.30	$ 39.93	$ 10.59	$ 19.25	$ 28.46	$ 40.88
Passenger Revenue/ Hour	All		$ 0.24	$ 0.47	$ 0.49	$ 0.73	$ 0.53	$ 0.64
Operating Cost/ Hour	All		$ 55.96	$ 46.61	$ 55.75	$ 47.25	$ 55.46	$ 40.77
Operating Cost/ Hour	DR		$ 57.73	$ 27.06	$ 61.41	$ 26.94	$ 55.57	$ 27.26
Operating Cost/ Hour	MB		$ 56.67	$ 51.23	$ 55.62	$ 49.94	$ 55.45	$ 42.45
% General Admin Expenses	All		19.7%	16.0%	12.9%	13.7%	16.0%	11.4%
% Purchased Trans Expenses	All		20.4%	4.6%	2.5%	0.2%	0.0%	7.4%
Miles/ Mechanical Roadcalls	DO-MB		4,301	5,741	1,999	6,394	5,381	3,728
Directional Miles/ 100,000 Residents	DO-MB		97.75	126.11	61.13	135.18	93.46	129.95
Collisions/ 100,000 Riders	DO-MB		0.33	0.37	0.65	0.14	0.23	0.36
Maximum Buses/ 100,000 Residents	MB		38.87	30.44	26.00	24.75	40.11	41.49
Peak Vehicles	MB		235	202	195	193	156	128
Peak Vehicles	All		400	266	205	212	168	152
Operating Expenses	All	1,000s	$ 56,002	$ 33,273	$ 32,701	$ 25,906	$ 21,258	$ 18,945
Operating Expenses	DR	1,000s	$ 13,063	$ 3,570	$ 801	$ 1,725	$ 1,571	$ 1,397
Operating Expenses	MB	1,000s	$ 41,891	$ 29,822	$ 31,899	$ 24,181	$ 19,687	$ 17,547
Ridership/ Capita	MB		45.19	23.68	19.87	13.64	31.93	45.61
Revenue Hours/ Capita	MB		1.07	0.78	0.64	0.57	0.84	1.22
Miles/ Total Roadcalls	DO-MB		3,006	4,147	1,435	6,394	4,282	2,241
Vehicle Revenue Hours	All	1,000s	859.59	636.51	494.66	502.10	352.71	423.11
Vehicle Revenue Hours	MB	1,000s	647.24	519.35	481.61	446.27	327.29	376.95
Operating Speed	MB		14.08	13.97	15.07	11.97	12.26	11.51

Notes:
Some Tampa statistics were unrealistic, and have been excluded from the peer average.
Some Indianapolis statistics were not included in available Section 15 reports.
* For mode column: All = All modes; MB = Motor bus only; DR = Demand-responsive only; DO = Directly operated only.
**Demand-responsive in Austin is for Special services for people with disabilities (STS).

Source: Federal Transit Administration, National Transit Database.

Capital Metro Peer Analysis (continued)

	Memphis	Charlotte	Louisville	Tampa*	Madison	Cincinnati	Columbus
Ridership	14,524	12,054	19,841	11,027	9,794	23,980	17,634
Service Area Population	702,512	499,300	761,002	864,608	219,185	707,964	961,437
Ridership/ Capita	20.67	24.14	26.07	12.75	44.68	33.87	18.34
Riders/ Vehicle Hour	27.37	31.93	32.43	21.69	27.25	26.72	25.48
Local Revenue/ Capita	$ 27.53	$ 37.41	$ 39.84	$ 21.57	$ 65.76	$ 62.99	$ 44.94
Passenger Revenue/ Hour	$ 0.65	$ 0.51	$ 0.31	$ 0.47	$ 0.56	$ 0.70	$ 0.61
Operating Cost/ Hour	$ 43.23	$ 45.56	$ 43.40	–	$ 50.95	$ 53.57	$ 60.41
Operating Cost/ Hour	$ 22.22	$ 31.53	$ 20.62	–	$ 21.77	$ 32.25	$ 26.67
Operating Cost/ Hour	$ 44.61	$ 49.17	$ 50.31	–	$ 60.28	$ 56.19	$ 63.94
% General Admin Expenses	13.4%	19.4%	15.6%	–	14.8%	14.6%	17.6%
% Purchased Trans Expenses	0.0%	3.9%	9.6%	–	7.9%	6.6%	4.2%
Miles/ Mechanical Roadcalls	7,253	3,440	2,434	3,706	3,985	13,397	11,832
Directional Miles/ 100,000 Residents	102.75	89.04	146.33	158.43	139.74	175.59	104.03
Collisions/ 100,000 Riders	0.09	0.70	0.24	0.53	0.23	0.59	0.66
Maximum Buses/ 100,000 Residents	22.49	26.24	28.65	15.85	64.33	45.91	26.52
Peak Vehicles	158	131	218	137	141	325	255
Peak Vehicles	176	198	282	281	299	355	280
Operating Expenses	$ 24,771	$ 20,283	$ 34,082	–	$ 23,692	$ 53,500	$ 45,925
Operating Expenses	$ 1,037	$ 2,005	$ 3,766	–	$ 2,452	$ 3,526	$ 1,922
Operating Expenses	$ 22,620	$ 18,168	$ 30,316	–	$ 21,240	$ 49,973	$ 44,003
Ridership/ Capita	19.76	23.63	25.68	11.69	43.80	33.57	18.24
Revenue Hours/ Capita	0.59	0.69	0.75	0.50	1.45	1.15	0.64
Miles/ Total Roadcalls	4,996	1,337	2,211	3,189	3,728	9,888	10,047
Vehicle Revenue Hours	479.92	410.52	668.58	719.21	389.81	913.10	679.93
Vehicle Revenue Hours	417.25	342.81	567.73	428.34	318.25	816.65	617.90
Operating Speed	13.63	13.73	13.21	13.76	12.45	12.88	12.62

Notes:
*Some Tampa statistics were unrealistic, and have been excluded from the peer average.

Source: Federal Transit Administration, National Transit Database.

Capital Metro Peer Analysis (concluded)

	Indianapolis*	Fort Worth	San Antonio	Albuquerque	Kansas City	Salt Lake City	Tucson
Ridership	10,869	5,846	48,416	6,536	14,472	25,105	16,162
Service Area Population	823,424	485,600	1,212,023	398,000	509,356	1,072,227	503,991
Ridership/ Capita	13.20	12.04	39.95	16.42	28.41	23.41	32.07
Riders/ Vehicle Hour	25.46	15.39	31.84	24.40	24.50	23.95	30.38
Local Revenue/ Capita	–	$ 34.04	$ 57.59	$ 38.51	$ 67.67	$ 47.01	$ 43.34
Passenger Revenue/ Hour	–	$ 0.52	$ 0.26	$ 0.39	$ 0.51	$ 0.39	$ 0.35
Operating Cost/ Hour	$ 51.34	$ 44.68	$ 37.93	$ 49.17	$ 53.09	$ 43.65	$ 38.51
Operating Cost/ Hour	–	$ 34.45	$ 28.80	$ 29.85	$ 17.27	$ 20.74	$ 27.37
Operating Cost/ Hour	–	$ 48.37	$ 42.12	$ 55.05	$ 62.28	$ 47.83	$ 41.99
% General Admin Expenses	16.1%	16.3%	17.1%	9.8%	18.2%	18.2%	19.7%
% Purchased Trans Expenses	8.2%	9.1%	5.6%	0.0%	6.6%	2.1%	0.0%
Miles/ Mechanical Roadcalls	5,006	6,859	39,481	15,123	6,505	7,887	4,302
Directional Miles/ 100,000 Residents	81.42	88.39	136.88	168.09	169.82	167.12	100.50
Collisions/ 100,000 Riders	0.98	0.51	0.14	0.14	0.82	0.12	0.29
Maximum Buses/ 100,000 Residents	15.30	22.45	38.53	26.13	40.25	40.29	31.15
Peak Vehicles	126	109	467	104	205	432	157
Peak Vehicles	151	174	683	133	276	545	209
Operating Expenses	$ 25,728	$ 22,031	$ 82,147	$ 16,873	$ 38,718	$ 52,639	$ 26,437
Operating Expenses	–	$ 4,499	$ 19,578	$ 2,389	$ 2,570	$ 3,407	$ 4,467
Operating Expenses	$ 25,728	$ 17,532	$ 62,569	$ 14,483	$ 36,148	$ 48,912	$ 21,969
Ridership/ Capita	13.08	11.48	39.03	16.13	27.92	22.84	31.53
Revenue Hours/ Capita	0.42	0.73	1.18	0.56	1.03	0.79	0.96
Miles/ Total Roadcalls	3,338	3,310	22,649	8,143	5,703	6,001	3,657
Vehicle Revenue Hours	418.73	481.16	2,012.61	291.43	584.63	1,008.34	626.62
Vehicle Revenue Hours	344.66	354.43	1,429.43	221.80	526.99	844.70	485.17
Operating Speed	16.08	14.09	14.13	16.08	13.51	18.67	13.18

Notes:
Some Indianapolis statistics were not included in available Section 15 reports.

Source: Federal Transit Administration, National Transit Database.

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Acknowledgments

Austin Area Texas Legislators

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