



Operations and Maintenance Contract Structure and Development

July 9, 2020

Summary

- KEOLIS Transit America (same firm as VRE)
- Revenue Hour vs. Platform Hour model does not change the total amount of contract, it redistributes
- Variable/Fixed rate model allows better cost control
- 5-year base contract w/ 5 option years



Overview



- Current contract structure
- Goals of new contract
- Terms of contract
- Terminology and cost model

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Contract Background



- Revenue Hour based
- One maintenance facility
- Commuter service primarily on 95 corridor
- Local fixed route deviation service
- Post-Recession pricing/service levels

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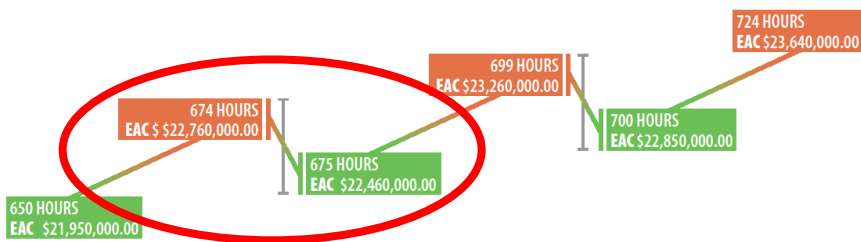
Highlights of Current Rate Structure



- Deadhead (travel time) built into in “revenue hour” pricing
- Annual flat rate increases
- Effective for highly stable service
- Budgeting challenges when service levels cross key rate thresholds

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Potential for Inefficiencies



EAC = ESTIMATED/ANNUAL COST

■ INITIAL HOURLY TIER

■ MAXIMUM HOURLY TIER

┆ ANNUAL SAVINGS DISCREPANCY

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Why a new RFP?



Changing times, changing conditions



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New Operating Scenarios



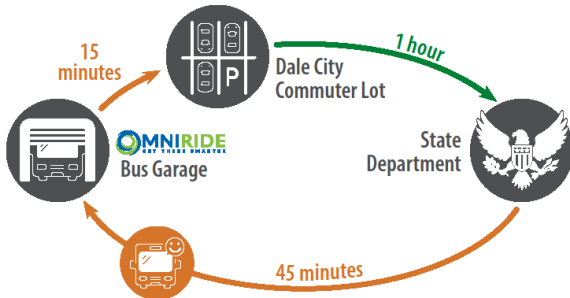
- Expansion of commuter operations (particularly along I-66 corridor)
- New local service models, including paratransit and taxi programs
- Uncertainties in future service needs
- Western Facility opening and staffing dependent on post-COVID environment

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Change in Rate Structure

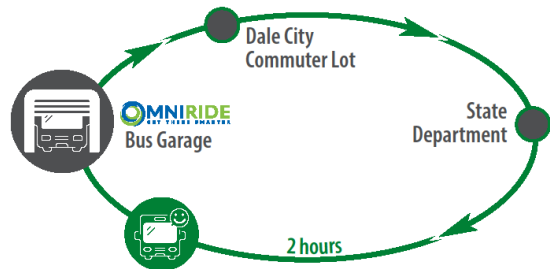
Revenue Hour Based
(current contract)

Platform Hour Based
(new contract)



Revenue Hours = 1 hour
Deadhead = 1 hour

1 Revenue Hour = \$100



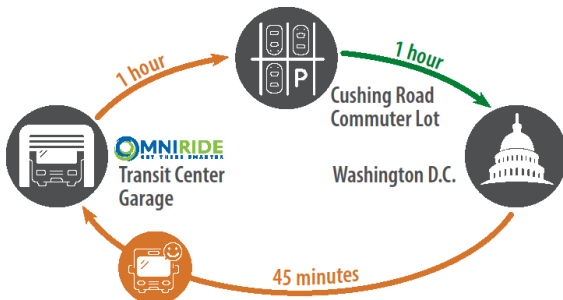
2 Platform Hours = \$100
@ \$50/hour

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Western Service Example

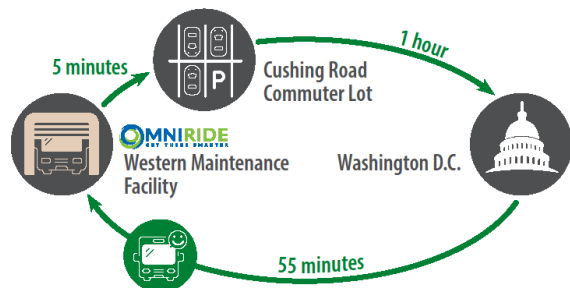
Revenue Hour Based
(current contract)

Platform Hour Based
(new contract)



Revenue Hours = 1 hour
Deadhead = 1:45 hours

1 Revenue Hour = \$100



2 Platform Hours = \$100
@ \$50/hour

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Innovative Cost Model Approach



- COVID-19 disruption of revenues
- Need predictable costs in fluid environment
- Incorporates fixed route and paratransit
- Established Fixed and Variable rates

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Fixed Pricing



- Known fixed costs helps with budgeting
 - Key Management/Administrative Labor & Expenses
 - Operational Supervision
 - Monthly Corp/Overhead Fee
- Fee does not fluctuate with service levels

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Variable Pricing



Variable:

- Pay for what you need = More agency control
- Rate change (up or down) when factors require:
 - Operational Labor & Benefits
 - Parts & Materials
 - Insurance
- Evaluate at end of FY21

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Summary



- Revenue Hour vs. Platform Hour model does not change the total amount of contract, but instead redistributes cost centers
- Variable rates allow better cost control
- Agency can focus on better resource utilization
- Near universal hiring of existing First Transit employees

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Terms of Contract



- KEOLIS Transit America is new contractor
- Begin service Nov 1, 2020
- 5-year base contract, up to 5 option years
- Includes Pandemic Plan & COVID-19 mitigation plan in place by Day 1 of service

