

HARTLINE STUDY GROUP

FINAL REPORT

PRESENTED TO THE

HILLSBOROUGH BOARD OF COUNTY COMMISSIONERS

APRIL 5, 2006

HARTLINE STUDY GROUP FINAL REPORT

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HARTLINE STUDY GROUP

Members

Commissioner Brian Blair (Group Chairman)
Chelsea Bridges (appointed by Commissioner Kathy Castor)
Brian Delamer (appointed by Commissioner Ken Hagan)
Norbert Gobin (appointed by Commissioner Ronda Storms)
Kathy Harris (appointed by Commissioner Brian Blair)
Carlton Lewis (appointed by Commissioner Mark Sharpe)
Barbara Merritt (appointed by Administrator Pat Bean)

(Commissioners Jim Norman and Tom Scott did not make appointments to the Study Group)

Subcommittee Assignments

Service Subcommittee

Brian Blair (chair)
Chelsea Bridges
Norbert Gobin
Carlton Lewis

Finance Subcommittee

Kathy Harris (chair)
Brian Delamer
Barbara Merritt

Study Group Consultant

John Dausman



From left: Carlton Lewis, Brian Blair, John Dausman, Kathy Harris, Norbert Gobin, Chelsea Bridges, Barbara Merritt (not pictured: Brian Delamer)

HARTLINE STUDY GROUP

MISSION STATEMENT

1. *Determine the costs and benefits of unincorporated County participation in HARTline.*
2. *Clearly state what unincorporated County taxpayers are getting for their money.*
3. *Develop recommendations to improve the transit system in unincorporated County.*
4. *Develop options to accomplish these recommendations.*
5. *Designate which options can be accomplished within the current HARTline governing structure and which options would require a revision.*
6. *Present a set of recommendations to the County Commission.*

Approved by the Hillsborough Board of County Commissioners on October 5, 2005



Study Group meeting December 16, 2005

BACKGROUND

On August 17, 2005 the Hillsborough County Board of County Commissioners (BOCC) approved a motion requesting a cost-benefit analysis of unincorporated area participation in Hillsborough Area Regional Transit (HARTline). The motion also provided for the development of strategies to improve mass transit service in the unincorporated area. After reviewing the issue, County Administrator Pat Bean recommended that the BOCC form a study group similar in structure to the recently completed Health Care Study Group. On October 5, 2005, the BOCC formed the HARTline Study Group (Group) and clarified the mission of the group. The BOCC charged the Group with determining whether HARTline distributes services fairly throughout the County, how effective those services are within the unincorporated area and whether there might be other ways of providing the services, including privatization, and whether HARTline's current governance is effective and can facilitate needed changes to address the Group's findings and recommendations. The BOCC appointed Commissioner Brian Blair as chair of the Study Group. Each commissioner and the county administrator were given the opportunity to appoint one member to the Group. The BOCC contracted with John Dausman, a consultant with in-depth knowledge of HARTline, to staff the Study Group. The HARTline Study Group convened its first meeting November 18, 2005.



*Study Group meeting March 24, 2006, from left: Ray Miller HARTline Executive Director, Commissioner Brian Blair study group chair, and Kathy Harris finance subcommittee chair
Photo by Norbert Gobin, study group member*

METHODOLOGY

The Study Group's mission statement and HARTline's mission statement were read at the beginning of each meeting. The Group formed two subcommittees, one to analyze financial matters and the other to evaluate service delivery. The Study Group based their work on the presentation and review of new and existing documentation. The Group relied upon its consultant and outside experts to present factual material, statistics, maps and other hard data. The areas of review included history and comparison of ad valorem tax collection in the City of Tampa and the unincorporated area; distribution of HARTline services and resources; geographic equity versus return on investment; review of HARTline criteria for allocating resources; and assessment of HARTline's performance and efficiency and the pro and cons of privatization. The group reviewed the tangible and intangible benefits of mass transit.

The Group sought input from staff of HARTline and other agencies to explain programs, answer questions, and identify issues. HARTline staff assisted the Study Group by providing documentation, attending every meeting, and participating in discussions. The following organizations made presentations, distributed material and/or participated in discussions: HARTline's Finance, Planning, Operations, and Paratransit Departments; Hillsborough County Planning Commission's executive team and the Planning Commission's Research and Economic Department; Hillsborough County Sunshine Line; Hillsborough County Attorney's Office; Plant City's Community Development Department; Hillsborough County Office of Budget and Management Policy; the Metropolitan Planning Organization; Hillsborough County American's with Disabilities Act Liaison; Hillsborough County Planning and Growth Management Department; South Shore Roundtable; Greater Tampa Chamber of Commerce; Tampa Bay Regional Planning Council; and the Tampa Downtown Partnership. Additionally, numerous other organizations provided position statements and/or research for consideration by the Group. Among them were Hillsborough Community College; Center for Urban Transportation Research; Florida Department of Transportation; Plant City Chamber of Commerce; Hillsborough Advocates for Improved Transit; Coalition 4 Responsible Growth; and Florida Air & Surface Transportation Association (FASTA) and several community activists.

PUBLIC PARTICIPATION

The findings, analysis and recommendations in this report are the result of the collaboration, input, support and partnership that the Study Group received from many people in the community. The Study Group adopted a formal policy to include public participation throughout its meetings. The Group's chairpersons were authorized to recognize questions and comments from everyone in attendance at any time. This led to longer meetings but the resulting discussions were engaging and thorough. The end result was full participation by individuals who were initially fearful of exclusion from the process. In addition, a Study Group web page was created as part of the County website. The Group's meeting schedule, membership assignments, agendas, public notices, minutes and key documentation were available on the Internet 24 hours a day. Detailed suggestions from all public attendees are presented in Appendix B.

In addition, an email distribution list was created to notify all interested organizations and individuals of every meeting and agenda topic. That list contains about 44 organizations and individuals who received weekly updates on the Group's progress. The Study Group's incoming emails indicated that many participants forwarded the Study Group's notices to a much wider audience on a regular basis.

What We Heard

The Study Group heard concerns from public participants that efforts to improve transit in unincorporated areas might have negative impacts on service inside the City of Tampa. In general, the attendees supported efforts to expand service into new markets based on growth and need. But there seemed to be a fear among bus riders that focusing the use of county funds on unincorporated service will not be matched with continued support of current city transit services by the City of Tampa. There was also general support for the idea that ad valorem taxes may not be the best source of funding for transit. There were numerous calls for improvements in efficiency and service delivery at HARTline.

The land development process also received considerable comment and discussion. There was general agreement among the public and Study Group members that mass transit planning is not a high priority or considered early enough in the development review process. There was broad support to raise the level of transit awareness in planning new communities.



*Study Group meeting December 16, 2005
Photos thanks to Norbert Gobin!*

SUMMARY OF FINDINGS

Equity: Who pays the costs? Who receives the benefits?

The Study Group concluded that there is no correlation between taxpayers' contributions and the distribution of services. The unincorporated area taxpayers provide the majority of funding to HARTline both directly and indirectly. In 2006, unincorporated county taxpayers will provide almost \$19 million in ad valorem tax funding; comparatively, City of Tampa taxpayers will provide about \$10.5 million. Between 1981 and 2006, the portion of ad valorem paid by the unincorporated areas grew to 62.5 percent from 54 percent when HARTline was formed. Over the past ten years, the County contributed an additional \$16.1 million in subsidy funding while the City of Tampa contributed \$6.6 million.

The Study Group found that unincorporated area population and ad valorem are the largest factors in determining HARTline's eligibility for federal and state block grant funds. HARTline will receive about \$12 million in block grants during 2006 and HARTline relies upon these funds to subsidize about 15 percent of operations and half or more of capital funding. These funds are earned by formula where population and miles of service are the largest factors. The unincorporated area population, which is about 66 percent of the county total, and unincorporated ad valorem tax dollars, 62.5 percent of HARTline's total, are the largest factors in qualifying for federal and state capital and operating subsidies. The majority of this funding is spent to support the current system, most of which is inside the City of Tampa. The Study Group concluded there is no relationship between federal and state grant distribution and transit service provided in the unincorporated area despite the fact that HARTline earns more than half of these funds based on the strength of the unincorporated area population and ad valorem tax contributions.

Service Received

In exchange for 62.5 percent of overall ad valorem funding and about 60 percent of the urbanized area population used to calculate block grant funding, HARTline provides the unincorporated area about 37 percent of bus service miles. The City of Tampa receives about 62 percent.

Unincorporated county service is heavily dependent on extensions of local routes in the City of Tampa. Only 12 of HARTline's 39 local and circulator routes have more than half their service in the unincorporated areas. The level of service within the county's major suburban communities is uneven. The percentage of HARTline's total service miles provided to county neighborhoods ranges from 9 percent (Town 'N Country) to 2 percent (Seffner/Mango) while the City of Tampa receives 62 percent of the service.

The Study Group concluded that there is no relationship between ad valorem tax increases, population growth and the distribution of new service. In spite of much higher population and ad valorem growth in the unincorporated area, the City of Tampa received

over 73,000 new miles of service in 2006 compared to 50,000 new miles of service in the unincorporated areas.

Effectiveness: Does HARTline achieve the desired results?

The Study Group concluded that the existing HARTline model cannot meet the future needs of the unincorporated areas because HARTline's resources are consumed just to maintain the current system.

HARTline management presented financial projections to the Study Group that indicate that between \$2.6 million and \$3.2 million of new revenues will be needed each year over the next five years just to keep the existing system running. Ad valorem taxes and fares will have to increase 8 percent per year or more to fund this increase. An 8 percent increase in ad valorem and fares over 2005 levels would provide \$2.7 million in additional revenues. While the strength of real estate markets in Tampa and Hillsborough County make increases of greater than 8 percent possible for the next few years, this far exceeds the underlying rate of inflation just to maintain the current system.

HARTline will receive a 14.4 percent increase in ad valorem taxes from unincorporated areas during 2006. In exchange, the unincorporated areas will only receive a 2 percent increase in service miles.

In addition, the existing model has millions of dollars of unfunded needs that are not included in future service plans for the unincorporated areas. The County's 2025 Long Range Transportation Plan indicates that there are \$145 million of unfunded capital needs for bus system expansion. The corresponding unfunded operating costs are not estimated.

Efficiency: Does HARTline produce the most outcomes for the least input?

The Study Group concluded that there is little correlation between inputs and outcomes. Based on data provided by HARTline to the National Transit Database, HARTline's total vehicle and revenue miles are less in 2005 than they were in 1988. In 1988, HARTline provided 6.74 million miles of revenue service. In 2005, HARTline provided 6.72 million miles of revenue service. In 1988, HARTline's operating budget was \$15.2 million. In 2005, HARTline's operating budget was \$41.7 million, which is a 174 percent increase over 1988. During that period HARTline expenses grew almost three times the rate of inflation with no increase in service.

During the entire life of HARTline (1981 to 2006) total ad valorem tax contributions to HARTline grew 693 percent (above 1980 level). During this same period of time inflation (CPI) was 137 percent (25 years worth). In spite of funding increases almost six times the rate of inflation, service miles are only doubled, with most of the increase inside the City of Tampa.

The Study Group found that the current HARTline model does not encourage development of new ideas for providing service. Nationally, about 60 percent of transit agencies who receive federal aid contract for at least a portion of their service. The trend is for transit agencies to concentrate on providing core services while using third party contracts, either government, private, or not-for-profit for non-core operations such as feeder services. HARTline currently contracts some non-operations functions (facility cleaning, security, specialized maintenance, landscaping, tire leasing, and legal services) but management indicated to the Study Group it has no plans for contracting out any transit services or other administrative functions.

The Group concluded that significant philosophy changes are needed at HARTline for the agency to cope with future growth in unincorporated Hillsborough County. HARTline must develop a new model (paradigm shift) for providing service.

Efficacy: Can changes be implemented under the current governance?

The Study Group determined that HARTline's governance will need to change if improvements are to be permanent. The Group also concluded that the BOCC must assume more influence and control over County funding of transit and the provision of County transit services if future improvements in unincorporated service are to be consistently achieved.

The Group learned that the County's participation in HARTline is based upon a membership principle. HARTline has three members, Hillsborough County, the City of Tampa and City of Temple Terrace. The cities and the County joined the agency after a majority of the voters in each jurisdiction approved funding in exchange for transit services. The Study Group determined that inadequate safeguards were put in place to ensure that the resulting transit services are provided on an equitable basis.

HARTline's current governance is based on a membership principle that has not provided for the equitable distribution of services. The HARTline Board is not directly accountable to taxpayers. HARTline taxpayers, and the member jurisdictions, have limited or no control over HARTline's budget or service delivery decisions. HARTline's current governance does not provide for county-wide mass transit services.

Based on the aforementioned findings, public input and direction given by the BOCC, the Group developed and approved four priority recommendations providing for: (1) an in-depth performance audit, (2) restricting the spending of increased unincorporated ad valorem funds to the unincorporated area only, (3) the privatization of services, and (4) redefining customer service to include not only bus riders but also taxpayers. The Group also approved a series of recommendations requiring additional BOCC action and six strong requests directed specifically to the HARTline Board. The recommendations, detailed findings, and conclusions are presented on the following pages.

PRIORITY RECOMMENDATIONS

1. Recommend that the HARTline Board set aside 100 percent of increases in [HARTline] ad valorem tax dollars from the unincorporated county area above the 2006 base line for expansion or increased service in the unincorporated area for a period of time until such time as HARTline provides a report to the BOCC satisfying the promises made to unincorporated residents who approved the ad valorem tax for HARTline.
2. Recommend that HARTline Board adopt a “customer service” orientation toward tax payers. Tax payers need to know what they are getting for their dollar. This includes intangible benefits as well as bus miles. The service allocation process should be formalized to include multiple considerations including input from ridership, needs of community, input from funding jurisdiction, and evaluation of service against efficiency standards. This is not an endorsement for empty buses but a challenge to provide service to those areas deemed inefficient under existing guidelines.
3. Recommend that HARTline advise all private sector entities in our county, state and/or nation that it welcomes qualified entities to contact HARTline and offer to submit a bid to provide vehicular mass transit in any or all areas of Hillsborough County. In addition, the HARTline Board should immediately develop an RFP for private feeder service in the Brandon/Valrico/Riverview Area, the USF area, SouthShore area, and the Town & Country/Carrollwood/Citrus Park area connecting to the main bus routes. HARTline operations can also compete in the RFP process, but the review committee must be non-HARTline employees if HARTline competes. The BOCC should encourage HARTline to cultivate local businesses and local communities as partners in developing these feeder services.
4. Recommend that the BOCC issue an RFP for a performance audit of HARTline to be conducted by an entity with vast experience in conducting performance audits of mass transit systems consisting of vehicular units. The independent firm should identify opportunities to achieve savings, including an analysis of staffing levels and salary and benefits. The salary and benefits analysis should also investigate and make recommendations about linking compensation of appropriate staff to success in accomplishing targets, for example linking compensation of grant writer(s) to new grants achieved.

OTHER RECOMMENDATIONS

Recommendations to the BOCC

5. The BOCC should request that the HARTline Board submit their annual budgets to each elected body of member jurisdiction for review and comment 30 days before approving.
6. BOCC appointments to the HARTline Board should reside in the unincorporated area, however sometimes BOCC Board members live in the City of Tampa but are elected by unincorporated residents. Preference should be given to BOCC members who live in the unincorporated area and then to those who represent a majority of the unincorporated area.
7. The BOCC should not provide any subsidy funding to HARTline unless equitably matched by the other member jurisdictions or used solely in the unincorporated area on a project to expand or improve service in the unincorporated area. County ad valorem and subsidy funding should not be used for specialized services in municipal jurisdictions unless specifically approved by the BOCC.
8. The BOCC should request that the HARTline Board provide a plan of action for how they will shift their emphasis from moving more vehicles to moving more people and achieve that within the next two years. HARTline must change its philosophy to an entrepreneurial one which aggressively seeks partnerships with private companies and communities. Mass transit should emulate the port and airport which are largely operated by multiple private entities with a government oversight component.
9. The BOCC should request that the HARTline Board and BOCC jointly perform a cost/benefit analysis to determine if the Sunshine Line and HART paratransit should be merged and/or government owned (BOCC or HARTline) or privately operated with government oversight. The cost/benefit analysis should also look at increasing and strengthening the on demand trip program overall.
10. The BOCC should request that the HARTline Board provide the BOCC a report outlining the distribution of federal block grant funds received by HARTline and explain why Hillsborough County's share is less than Pinellas County and explain why the allocation of the increase is not consistent with population growth.
11. The BOCC should request that the HARTline Board distribute grant funds within the HARTline system between the three member jurisdictions based on a formula that includes population, growth in population and the amount of local matching funds contributed by the member jurisdiction. The BOCC should request that the HARTline Board provide a report that describes how federal and state block grant funds are spent by HARTline in each member jurisdiction. If the HARTline

Board wants to spend more of grant funds in a member jurisdiction than they contribute or than their population growth dictates then the HARTline Board must get prior approval from all member jurisdiction governing boards.

12. The BOCC should request that the HARTline Board prepare a report on how best to achieve equitable coverage in each member jurisdiction and indicate what would it cost and what the barriers are. The report should also show what percentage of residents, by member jurisdiction, live within a quarter-mile of a transit route and what percentage of residents, by member jurisdiction, live within a quarter-mile of a transit bus stop.
13. The BOCC should encourage HARTline to cultivate local businesses and local communities as partners in developing these feeder services.
14. The BOCC and the HARTline Board should jointly hire a consultant to determine if HARTline governance should change, if HARTline funding (ad valorem tax) should be changed and, if so, how, and review the economic activities of HARTline to determine if HARTline's mission, goals and objectives could be met more efficiently if the service was government owned but privately operated. The City of Tampa and the City of Temple Terrace may also want to participate. The study should investigate how member jurisdictions and communities can participate in setting the ground rules and definitions. For example, definitions like "transit supportive area" and "minimum density" are misleading because they relate to a specific type of service (local fixed route bus) and they imply that some areas are not ready or worthy of transit service. This discourages development of other solutions.

Recommendations to the HARTline Board of Directors

15. HARTline should adopt a policy that definitions of service (local, express, on-demand) should vary by situation and need. For example, fixed route does not always mean bus, express does not always mean Park N' Ride, and van does not always mean ADA. An express route can look like a local route at the beginning of the route.
16. The transit system must be made more convenient for choice riders, higher income riders and other targeted groups as an essential part of planning transit services. HARTline should offer new services and amenities, such as "on demand" transit that is expanded beyond traditional paratransit trips, which appeal to riders that have a choice in transportation. HARTline should be encouraged to offer discount programs to groups of riders, such as a military discount sold through base outlets. HARTline should be encouraged to invest in "free days" on a regular basis to encourage choice riders to give the bus system a try.

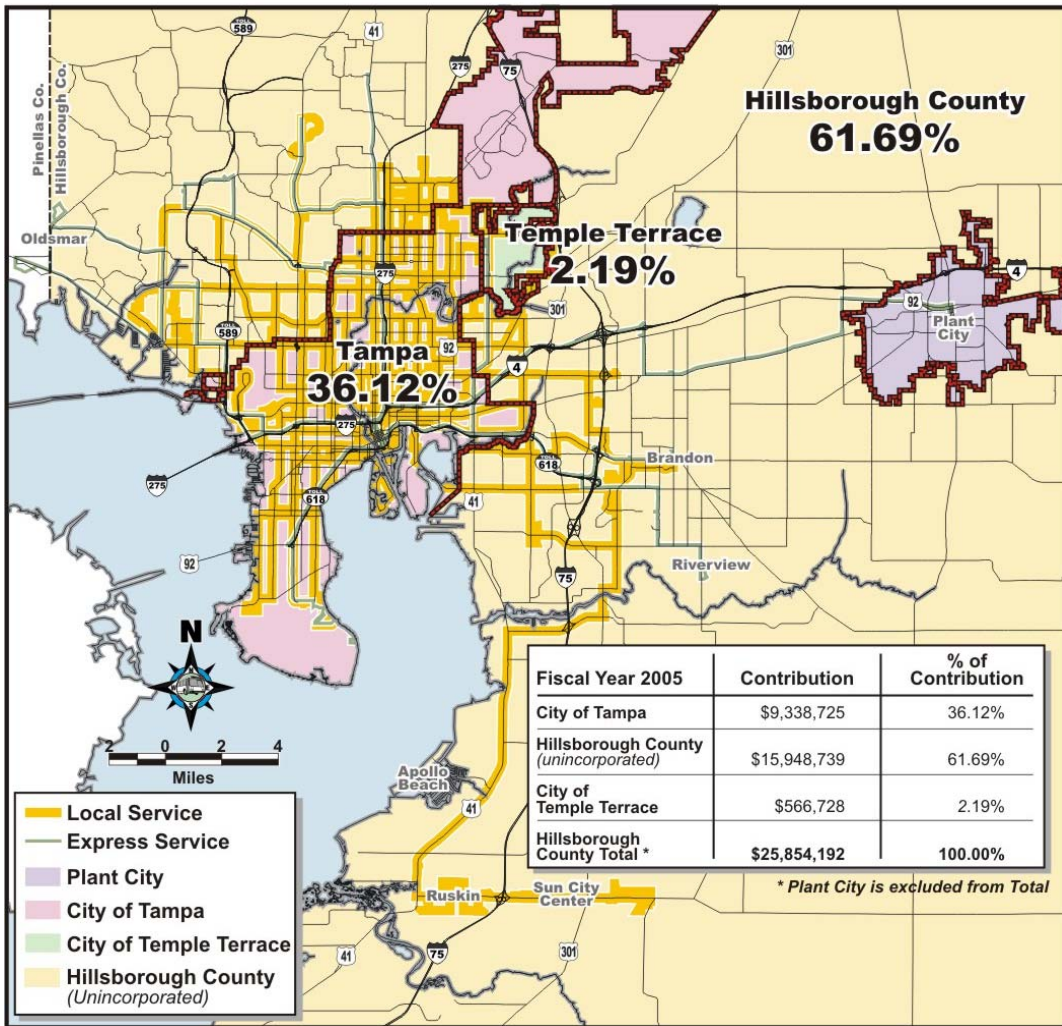
17. HARTline must integrate rider input into the service allocation process in a more convincing manner. There are plenty of surveys. But there are too many service changes, too many changes that take riders by surprise, changes that are contrary to earlier promises and changes that are rescinded right after implementation. This indicates a transit organization not attuned to its customer(s). However one group of riders should not be able to shut out service to others. Requests to eliminate the stops between “A and B” must be avoided. The disabled community, elderly citizens, youth, and service in suburban areas need to be part of the whole planning and service allocation process, not pigeonholed by minimum federal mandates.
18. HARTline must focus on basic convenience and safety issues in its core system. HARTline must develop a plan to make all bus stops ADA accessible and provide more shelters. HARTline should develop a policy on how and when to provide additional capacity on buses with standing room only riders, especially expresses.
19. HARTline must cultivate organizations that are willing to partner with HARTline in financial support for both the core and feeder systems.
20. The HARTline Board should undertake a study whether to privatize the management of the core system. The HARTline Board should advise all private sector entities in our county, state and/or nation that it welcomes qualified entities to contact HARTline and offer to submit a bid to provide vehicular mass transit in any or all areas of Hillsborough County.

ANALYSIS OF FINDINGS

Who Pays the Costs?

The unincorporated areas contribute the lion’s share of ad valorem revenue.

**Ad Valorem Contribution
by Jurisdiction
(FY 2005)**



Source: HARTline

Today, tax and subsidy contributions from county areas are almost double that of the City of Tampa. Tampa and Temple Terrace’s share of HARTline funding is shrinking.

Percentage Contribution of HARTline Ad Valorem by Jurisdiction

	Tampa	Unincorporated County	Temple Terrace
1980	43.41%	54.45%	2.13%
1985	41.05%	56.97%	1.99%
1990	40.09%	57.15%	2.75%
1995	38.21%	58.74%	3.06%
2000	37.62%	59.73%	2.66%
2005	35.56%	62.39%	2.06%

Source: Florida Department of Revenue

When HARTline was formed in 1980, the unincorporated areas contributed 54 percent of the ad valorem tax paid to HARTline. Between 1981 and 2006, the contribution from the unincorporated areas grew to 62.5 percent.

Ad valorem (property tax) collections have been the mainstay of HARTline funding since the formation of the agency.

Tax Year	Actual Collections	Percentage Growth
1981	\$3,775,067	
1982	\$4,088,280	8.3%
1983	\$4,661,511	14.0%
1984	\$5,684,975	22.0%
1985	\$6,822,136	20.0%
1986	\$7,739,999	13.5%
1987	\$9,179,566	18.6%
1988	\$9,741,476	6.1%
1989	\$10,574,034	8.5%
1990	\$10,918,771	3.3%
1991	\$11,293,719	3.4%
1992	\$11,204,408	-0.8%
1993	\$11,638,973	3.9%
1994	\$11,896,576	2.2%
1995	\$12,254,951	3.0%
1996	\$12,660,481	3.3%
1997	\$13,683,542	8.1%

1998	\$14,870,561	8.7%
1999	\$16,001,530	7.6%
2000	\$17,577,816	9.9%
2001	\$19,993,813	13.7%
2002	\$21,584,067	8.0%
2003	\$23,570,405	9.2%
2004	<u>\$26,162,200</u>	11.0%
	\$297,578,857	

Source: Hillsborough County Tax Collectors Office

Over the 25 year life of HARTline, total ad valorem contributions grew 693 percent. The greatest increase came from the unincorporated area where the tax base grew 857 percent while the tax base grew 584 percent in the City of Tampa. During the same time, inflation (consumer price index) was 137 percent.

Percentage Growth In Tax Base Over Five Year Increments

	City of Tampa	Unincorporated County	County Total	Inflation (CPI) during same period
1980 to 1985	78%	97%	88%	31%
1985 to 1990	59%	63%	63%	21%
1990 to 1995	5%	14%	11%	17%
1995 to 2000	42%	47%	44%	13%
2000 to 2005	62%	79%	71%	13%
whole period (25 years)	584%	857%	739%*	137%

Source: Florida Department of Revenue, 1980-2000

Hillsborough Property Appraisers Office 2001-2005

**739 percent increase in tax base equaled 693 percent increase in actual collections because of delinquencies and non payments*

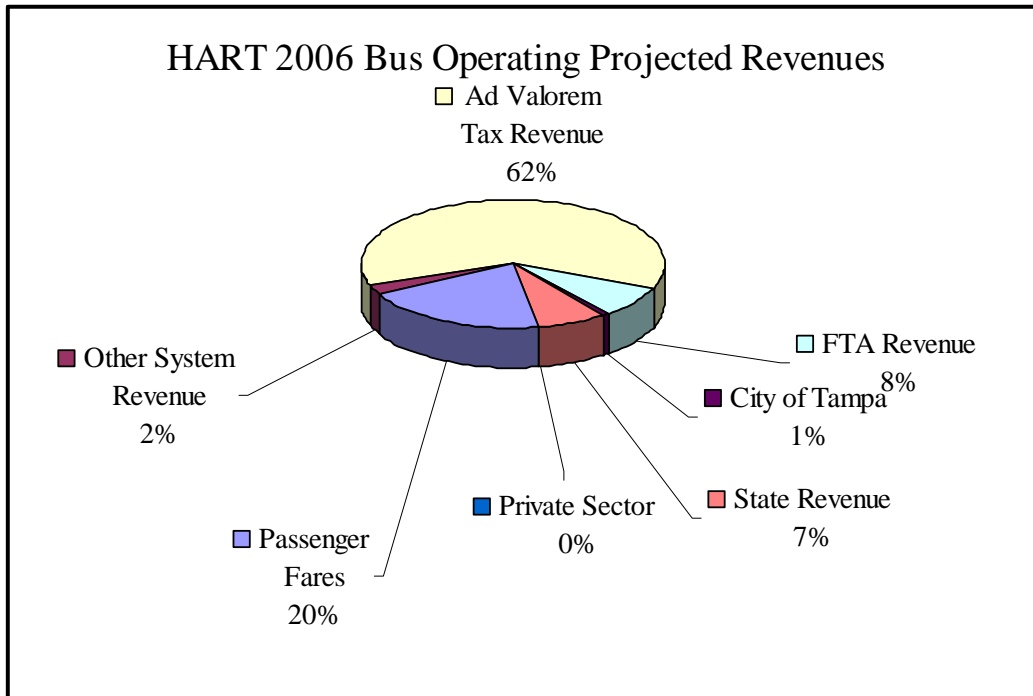
In addition to ad valorem taxes, both Hillsborough County and City of Tampa have provided large amounts of subsidy funding to HARTline. Over the past ten years, the County contributed \$16,092,823 in subsidy funding while the City of Tampa contributed \$6,606,581. In 2006, the County eliminated subsidy funding for operations but continued to make capital contributions. Even with this policy change, the County will contribute more subsidy funding in 2006, \$442,524, than the City of Tampa, \$421,780.

COMPARISON OF UNINCORPORATED COUNTY AND CITY OF TAMPA CONTRIBUTIONS TO HARTLINE

FISCAL YEAR	Unincorporated County				City of Tampa			
	ad valorem percent	ad valorem amount	subsidy amount	total unincorporated	ad valorem percent	ad valorem amount	subsidy amount	total city
1996	58.9%	\$7,219,473	\$1,841,810	\$9,061,283	37.9%	\$4,639,532	\$315,000	\$4,954,532
1997	59.1%	\$7,532,616	\$1,482,648	\$9,015,264	37.5%	\$4,782,019	\$345,000	\$5,127,019
1998	59.3%	\$8,182,125	\$1,862,608	\$10,044,733	37.2%	\$5,130,962	\$757,040	\$5,888,002
1999	59.5%	\$8,903,401	\$1,812,608	\$10,716,009	36.9%	\$5,514,749	\$1,640,461	\$7,155,210
2000	59.7%	\$9,655,346	\$1,962,608	\$11,617,954	36.5%	\$5,906,686	\$879,442	\$6,786,128
2001	60.9%	\$10,938,389	\$1,872,485	\$12,810,874	36.7%	\$6,588,061	\$546,339	\$7,134,400
2002	60.9%	\$12,223,208	\$637,960	\$12,861,168	36.8%	\$7,372,403	\$414,969	\$7,787,372
2003	61.0%	\$13,197,189	\$1,052,524	\$14,249,713	36.7%	\$7,942,390	\$435,728	\$8,378,118
2004	61.5%	\$14,556,966	\$1,548,524	\$16,105,490	36.4%	\$8,619,442	\$407,637	\$9,027,079
2005	62.2%	\$16,349,054	\$1,576,524	\$17,925,578	35.8%	\$9,406,805	\$443,185	\$9,849,990
2006	62.4%	\$18,704,000	\$442,524	\$19,146,524	35.5%	\$10,634,000	\$421,780	\$11,055,780

Source: Florida Department of Revenue, 1996-2000 Ad Valorem Jurisdiction Percentages
 Hillsborough Property Appraisers Office 2001-2005 Ad Valorem Jurisdiction Percentages
 HARTline, Total Ad Valorem Collections and Subsidy Amounts

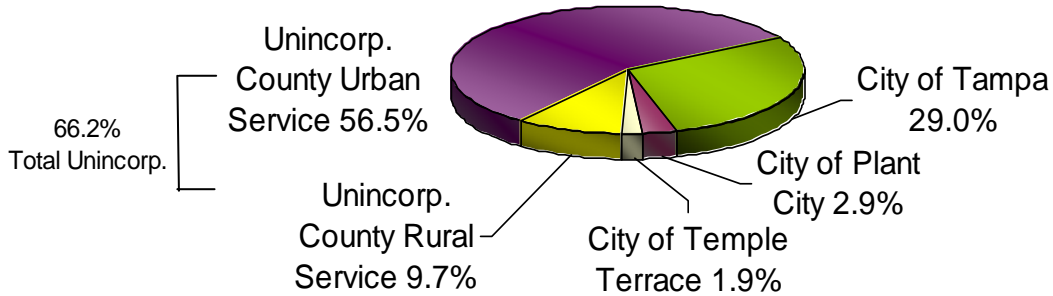
HARTline receives 15 percent of its operations funding and nearly all its capital funding from federal and state grant sources.



Source: HARTline 2006-2007 Adopted Budget

Federal and state block grants furnish nearly all the operations portion and more than half the capital portion of these funds. The two largest factors in state and federal block grant allocation formulas are total population and total miles of service. The unincorporated area comprises about 60 percent of the population in those formulas and contributes 62 percent of the ad valorem funding for operations which is the main determinate of the amount of revenue miles that can be provided.

Jurisdictional Share of Population 2005



Source: Hillsborough County City-County Planning Commission

HARTline’s largest source of federal funds is an annual Federal Transit Administration (FTA) Section 5307 Urban Formula Grant. In 2005, HARTline received \$8,766,801 from this source. Population size, revenue miles and population density are the three components in the “bus tier” formula. The federal 2005 fiscal year apportionment values for urban areas over 1 million in population are:

Population	\$3.02529684
Population times Density	\$0.00076761
Bus Revenue Miles	\$0.40607118

These federal funds are awarded on a regional basis. For fiscal 2005, funding was awarded to Hillsborough, Pinellas and Pasco Counties, as a whole, in the following amounts:

FY 2005	Apportionment Unit Value	NTD Inputs	Apportionment \$ Value
Bus Tier			
Population	\$3.02529684	2,062,339	\$ 6,239,188
Population x Density	\$0.00076761	5,302,273,569	\$ 4,070,078
Bus Revenue Vehicle Mile	\$0.40607118	19,480,830	\$ 7,910,604
Bus Incentive (Bus PM x Bus PM) Oper Cost	\$0.00727312	133,235,315	\$ 969,036
Fixed Guideway Tier			
FG Revenue Vehicle Mile	\$0.61127338	169,288	\$ 103,481
FG Route Mile	\$34.324	5.50	\$ 188,782
FG Incentive (FG PM x PM) Oper Cost	\$0.00061923	948,312	\$ 587
		Total	\$ 19,481,756

Source: Federal Transit Administration, grant program fact sheet

Population size and revenue miles generated 73 percent of the total grant amount. The distribution of funds among the three counties is negotiated by interlocal agreement. Federal and state funding formulas do not apply to this process. The allocation of federal grant funds to each county is solely determined by the agreement reached among the counties. A new multiyear agreement was negotiated during 2005 and will remain in effect until data from the next census is available (approximately year 2012).

DISTRIBUTION OF FEDERAL TRANSIT BLOCK GRANT FUNDS					
	2005 ACTUAL		New Agreement Allocation of any Increase next 7 years		Actual Population Growth
Hillsborough	\$8,766,801	45%	46%	↔	62%
Pasco	\$1,178,648	6%	14%		25%
Pinellas	<u>\$9,536,332</u>	49%	<u>40%</u>	↔	13%
	\$19,481,781	100%	100%		100%

Source: HARTline Planning Department: block grant funding allocations
US Census Bureau: population growth

In the mid-1990's, Hillsborough's population exceeded that of Pinellas County and Hillsborough's population growth now dramatically exceeds that of Pinellas and Pasco Counties combined as indicated in the chart below.

COMPARISON OF POPULATION SIZE AND GROWTH

	2004 Estimate	2000 Census	1990 Census	Increase 2000-2004
Hillsborough	1,108,435	998,948	834,054	109,487
Pasco	389,776	344,765	281,131	45,011
Pinellas	<u>943,640</u>	<u>921,482</u>	<u>851,659</u>	<u>22,158</u>
	2,441,851	2,265,195	1,966,844	176,656

Distribution of Growth	2000-2004	1990-2000
Hillsborough	62%	55.3%
Pasco	25%	21.3%
Pinellas	13%	23.4%
	100%	100.0%

Source: US Census Bureau

In spite of Hillsborough's lead in population size and growth, Pinellas County still receives the largest allocation of federal block grant funds (see chart above) and will receive 40 percent of any new funding above 2005 levels even though Pinellas County is now contributing a small portion of the population growth in the bay area. The main reason given for this distribution is the higher amount of bus revenue miles and paratransit trips provided by the Pinellas transit agency, PSTA. PSTA is able to achieve more miles of service with approximately equal funding in spite of more traffic congestions in a more densely populated area.

Unlike federal funds, the State of Florida allocates its transit block grant to each county directly. However the state uses a similar funding formula that places heavy emphasis on total population size and revenue miles operated. HARTline receives 71 percent of its state block grant allocation from these two factors. The remaining 29 percent is based on ridership.

2006-2007 State of Florida Transit Block Grant Allocations

District	Urbanized Area	Transit System	Population Dollars	Revenue Miles Dollars	Passenger Trips Dollars	Total 06/07 Grant
7	Spring Hill	Hernando	\$182,818	\$0	\$0	\$182,818
7	Tampa	HART	\$1,395,541	\$793,620	\$915,707	\$3,104,868
7	Pasco	Pasco	\$490,736	\$166,820	\$55,176	\$712,732
7	Pinellas	PSTA	\$1,188,061	\$1,257,121	\$913,021	\$3,358,203
	TOTAL		\$20,145,000	\$20,145,000	\$20,145,000	\$60,434,999

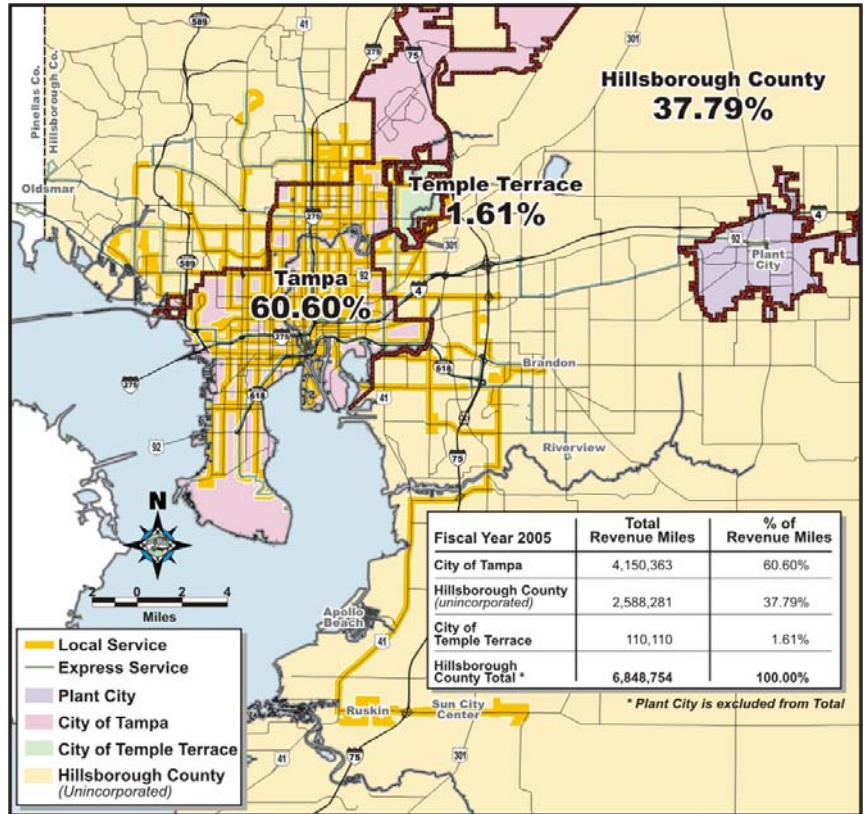
Source: Florida Department of Transportation

HARTline receives 77 percent of its operations funding from taxes and grants. County population and county ad valorem contributions are the most significant determining factors in both.

Who receives the benefits?

Unincorporated areas receive about 37 percent of HARTline’s bus service miles.

**Revenue Miles Operated
by Jurisdiction
(FY 2005)**



Source: HARTline Planning Department

Unincorporated county service is heavily dependent on extensions of local routes in the City of Tampa. Only 12 of HARTline’s 39 local and circulator routes have more than half their service in the unincorporated areas.

The distribution of service in unincorporated county is uneven.

Area	Served by	Total Annual Unincorporated Revenue Miles	Percent of HART total annual miles	Percent of Unincorp. annual miles
USF Area	6 Tampa routes, 1 circulator	487,775	7%	19%
Carrollwood	5 Tampa routes, 3 express	397,475	6%	15%
Town N Country	5 Tampa routes, 1 circulator, 1 limited express	602,777	9%	23%
Netpark/ East Tampa	3 Tampa routes, 1 express	227,801	3%	9%
Palm River/ Brandon	3 Tampa routes, 3 express	478,463	7%	18%
Seffner/Mango	1 Tampa route, 1 express	172,077	2%	7%
South County	1 circulator, 1 Tampa route	221,913	3%	9%
Grand Totals		2,588,281	37%	100%

Source: HARTline Planning Department data, grouped by Study Group Consultant

To evaluate the appropriateness of HARTline service in the unincorporated areas in relation to demand, the Study Group sought Planning Commission input on population and employment trends that drive current and future transit service needs. Planning Commission staff provided information that summarized population and job data into four broad areas of the county: 1) south of the Alafia, 2) northeast Hillsborough, 3) northwest Hillsborough and 4) central municipal areas of Tampa and Temple Terrace.

POPULATION	SHARE UNINC.		SHARE COUNTY
	2005	2005	2005
TAMPA & TEM. TERR.	355,060		31.0%
NORTHEAST UNINCORP	392,610	49.6%	34.2%
NORTHWEST UNINCORP	328,890	41.5%	28.7%
SOUTH OF ALAFIA	70,560	8.9%	6.2%

TOTAL	1,147,120	100.0%	100.1%
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Source: Hillsborough County City-County Planning Commission

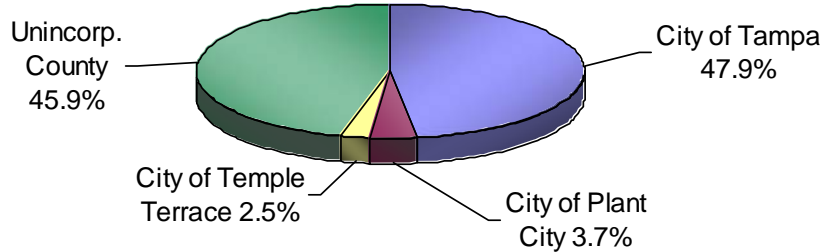
Population is currently about evenly split between municipal areas 31%, northeast Hillsborough 34%, and northwest Hillsborough 29% with the remainder 6% south of the Alafia.

EMPLOYMENT	SHARE UNINC.		SHARE COUNTY
	2000	2000	2000
TAMPA & TEM. TERR.	345,840		51.4%
NORTHEAST UNINCORP.	167,288	51.2%	24.9%
NORTHWEST UNINCORP.	140,716	43.1%	20.9%
SOUTH OF ALAFIA	18,556	5.7%	2.8%
TOTAL	672,400	100.0%	100.0%

Source: Hillsborough County City-County Planning Commission

The most current information on employment by census tract (the basis for community analysis) comes from the 2000 Census. At that time, 51% of the jobs were in the municipal areas, 25% in northeast Hillsborough, and 21% in northwest Hillsborough with the remaining 3% south of the Alafia. Between 2000 and 2005, the unincorporated County's share of employment grew about 30,000 jobs. Planning Commission staff provided estimates that the City of Tampa had 48% of the County's jobs in 2005; unincorporated county had 46%, with the remainder in Plant City and Temple Terrace.

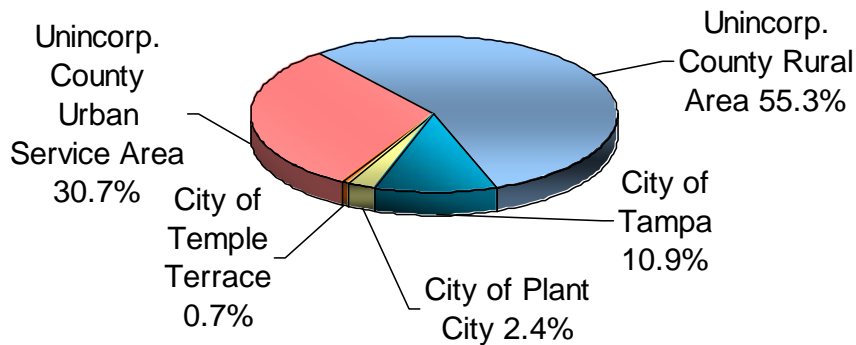
Jurisdictional Share of Employment 2005



Source: Hillsborough County City-County Planning Commission

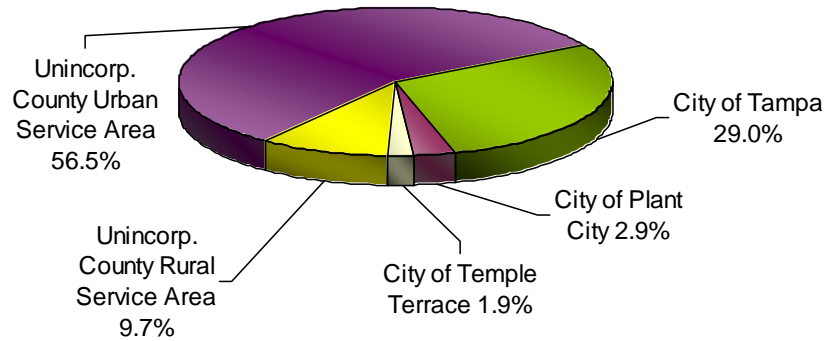
In total, the unincorporated area has 86% of the land area, 66% of the population, and 46% of the jobs in 2005. However, the jobs and population in the unincorporated areas are heavily concentrated in the designated Urban Service Area as defined by the County's Comprehensive Plan. The remaining rural area covers about 55 percent of the County's land mass. Less than 10 percent of the county's population lives in the rural area.

Jurisdictional Share of Land 2005



Source: Hillsborough County City-County Planning Commission

Jurisdictional Share of Population 2005



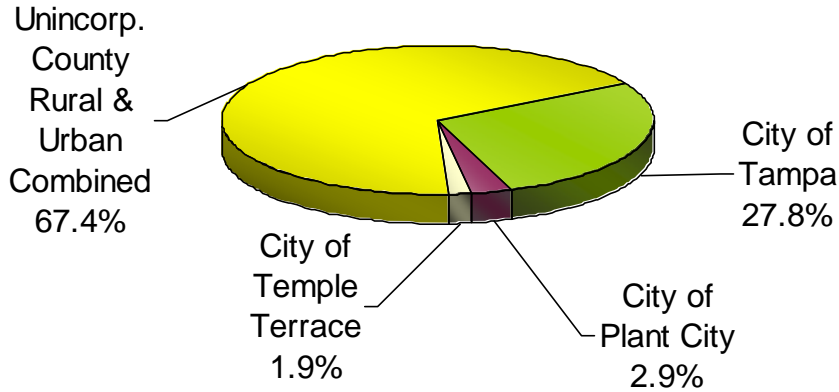
Source: Hillsborough County City-County Planning Commission

Planning Commission staff has developed a method of prioritizing geographic areas that are likely to be able to support traditional fixed-route bus routes. These areas are presented on maps in appendix D-16 (2005 map) and D-17 (2025 projection). Highlighted census tracts are segregated by two tiers. Tier one, the darkest color, identifies those areas where there were at least seven households per acre or eight jobs per acre, and tier two, a lighter color, identifies those areas where there were at least three households per acre or four jobs per acre. These tiers conform to standards for those areas most likely to support fixed-route transit.

The 2005 map shows that there are dense areas of the unincorporated county that can support fixed-route transit service now, particularly in Brandon. Some areas of Town ‘N Country, north Hillsborough and Carrollwood also currently meet the definition of “transit supportive area.” The analysis of actual transit service in Appendix F-2 indicates that only the USF area receives the same level of local transit service as most areas of the City of Tampa.

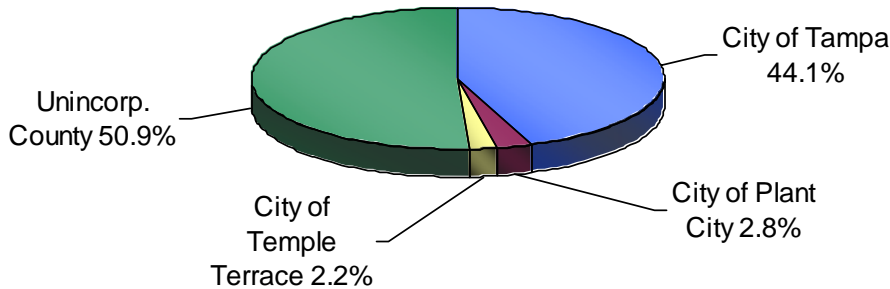
According to Planning Commission projections, by 2025, the unincorporated area will have the majority of both population and jobs in the county. Planning Commission projections of population and employment for 2025 are presented in Appendix D. These maps identify the census tracts that are projected to grow the most in both population and jobs by 2025. Concentrations of both jobs and people are expected to occur in Brandon, south of the Alafia, Westchase, northwest Hillsborough, New Tampa, Westshore area, and downtown Tampa.

Jurisdictional Share of Population 2025



Source: Hillsborough County City-County Planning Commission

Jurisdictional Share of Employment 2025



Source: Hillsborough County City-County Planning Commission

The 2025 map in Appendix D-17 forecasts that many more unincorporated areas will have high density to support transit. These areas include all of Brandon and major portions of Town ‘N Country, New Tampa, and north Hillsborough.

The Study Group investigated whether there is a relationship between transit service growth and funding increases that result from population and job growth in unincorporated areas. HARTline management responded (Appendix A-5) that HARTline’s service allocation process does not provide a link between who pays for service and who receives service. There is no mechanism in HARTline service planning to put county growth areas on equal footing with other expansion plans.

Just during the lifespan of the Study Group, HARTline announced five service changes negatively impacting unincorporated transit service. Between November and January,

HARTline announced, and then retracted the (i) elimination of county bus stops on express route 23X, (ii) elimination of county bus stops on express route 25X, (iii) elimination of county bus stops and rerouting of express route 27X, and (iv) elimination of bus service to the Wimauma senior center and other locations on the south county circulator route 84. Also, HARTline announced that it is considering elimination of the Town N' County circulator route 88.

Documentation was presented to the Study Group that HARTline announced that it would not make any changes to three of these routes, 23X, 25X and 27X, when public comment was sought in spring 2005. Then, after the public was told these routes were not being considered for changes, significant route changes were proposed. Announcements of elimination of the majority of bus stops on routes 25X and 27X were posted during Christmas week 2005 for implementation January 22, 2006. Rider protests were immediate.

In every case, the Study Group learned of these proposed changes from the public, not from HARTline staff attending Study Group meetings. HARTline has not offered any justification for needing to cut back on county service.

Appendix F-4 presents an analysis of HARTline service mile changes between 2005 and 2006. The City of Tampa received over 73,000 new miles of service in 2006 compared to 50,000 new miles of service in the unincorporated areas in spite of much higher funding and a larger increase in funding from the unincorporated areas.

The Study Group learned that specialized services inside the City of Tampa are subsidized by county ad valorem. The City of Tampa makes heavy use of CRA's (community redevelopment areas) that direct city and county tax funds to special uses but the City does not use these funds to pay for transit services in the CRA areas. HARTline staff reported to the Study Group that the downtown Tampa bus circulator (route 96) required a public subsidy of \$578,000 in 2005 after fares and a \$50,000 contribution from the City of Tampa were deducted. In 2006, the City of Tampa no longer makes any contribution at all to this service. The on-going annual subsidy in excess of \$620,000 per year is largely funded by county ad valorem and county related block grant funds.



Surprise announcement of cancellation of 23 express stops December 2005

The Study group determined, based on HARTline’s service history that member jurisdictions and communities should have a role in setting the ground rules. Definitions like “transit supportive area” and “minimum density” are misleading because they relate to a specific type of service (local fixed route bus). They imply that some areas are not ready or worthy of transit service which discourages development of other solutions. The Study Group concluded that definitions should vary by situation and need. HARTline needs a different way of looking at service potential. Member jurisdictions and communities should be able to influence the ground rules to include community needs. There should be a formal process to ensure that this happens.

The Study Group also determined that rider input is not convincingly integrated into the service allocation process today. The disabled community, elderly citizens, youth, and service in suburban areas need to be part of the whole planning and service allocation process, not pigeonholed by minimum federal mandates. The Study Group learned that HARTline conducts plenty of surveys. But there are too many service changes, too many changes that take riders by surprise, changes that are contrary to earlier promises and

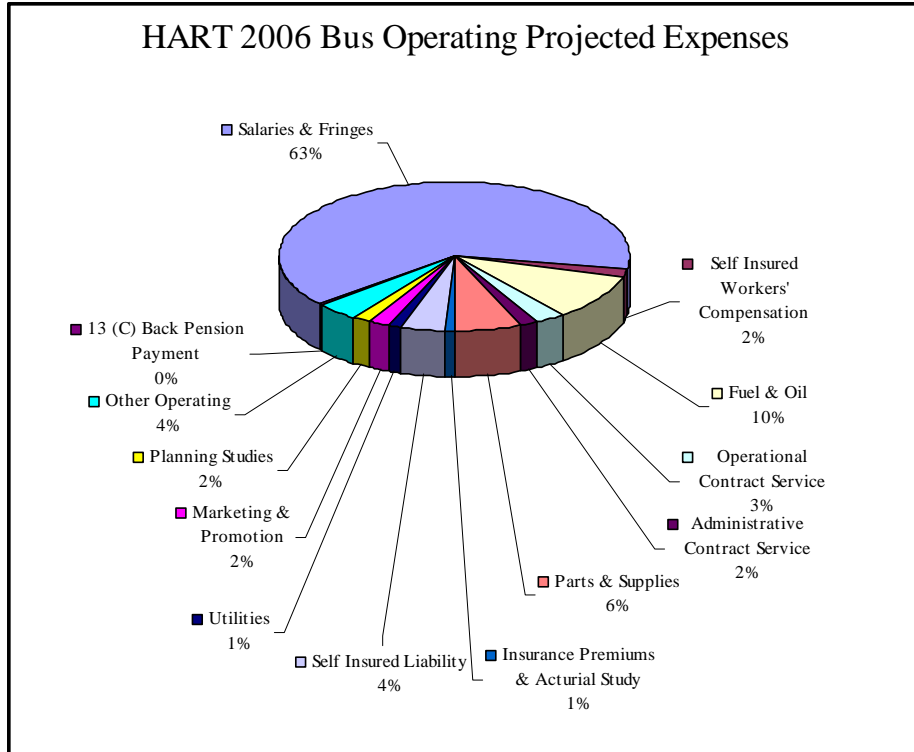
changes that are rescinded right after implementation. This indicates a transit organization not attuned to its customers. This area needs rigorous attention.

Most importantly, the Study Group determined that unincorporated county areas do not receive an equitable amount of service in return for its investment. If you pay for it, you deserve to know what you got for your money. The service allocation process should be formalized to include multiple considerations such as input from ridership, needs of community, input from funding jurisdiction, and evaluation of service against efficiency standards.

The Study Group recommendations are not an endorsement for empty buses but a challenge to provide service to those areas deemed inefficient under existing guidelines.

ANALYSIS OF FINDINGS

Efficiency: Does HARTline produce the most outcome for the least input?



HARTline 2006-2007 Budget, Bus Operating Detail

The Study Group paid considerable attention to HARTline’s cost trend. The funding information presented earlier in this report indicates that revenues grew at a substantially greater rate than inflation during most of HARTline’s 25 year history. Yet a significant portion of that history was marred by service cutbacks and budget crises.

HARTline management informed the Study Group that HARTline’s cost to provide fixed route bus service in 2005 was \$83.88 per vehicle hour and \$6.46 per vehicle mile (see Appendix A-5, question 9).

The following chart summarizes HARTline’s operating and capital costs for 2006.

FY06 & FY07 Adopted Budget				
FISCAL YEAR 2006 ADOPTED SUMMARY BUDGET ALL MODES				
Operating Budget	Bus	Paratransit	Streetcar	Total
Revenues				
System Revenue	\$10,254,135	\$121,000	\$0	\$ 10,375,135
Ad Valorem Tax Revenue	29,951,000	0	0	29,951,000
Ad Valorem Transfer To Paratransit & Capital Budgets	(1,345,064)	976,193	0	(368,871)
Federal	3,753,068	800,000	200,000	4,753,068
State	3,397,901	0	100,000	3,497,901
City of Tampa	339,000	0	0	339,000
Private Sector	45,000	0	0	45,000
THS Historic Streetcar, Inc.	0	0	1,581,200	1,581,200
Total Operating Revenue	\$46,395,040	\$1,897,193	\$1,881,200	\$50,173,433
Appropriations				
Salaries & Fringes	\$29,289,900	\$1,672,500	\$0	\$30,962,400
Self Insured Worker's Compensation Expense	853,000	0	0	853,000
Fuel and Oil	4,491,000	137,000	0	4,628,000
Streetcar Base Service	0	0	1,516,000	1,516,000
Operational Contract Service	1,292,642	0	73,000	1,365,642
Administrative Contract Service	796,180	0	0	796,180
Parts and Supplies	2,763,047	82,193	154,200	2,999,440
Insurance Premiums & Actuarial Study	372,500	0	0	372,500
Self Insured Liability Expense	1,970,000	0	0	1,970,000
Utilities	484,660	5,500	138,000	628,160
Marketing & Promotion	867,000	0	0	867,000
Planning Studies	768,000	0	0	768,000
Other Operating Expenses	1,832,920	0	0	1,832,920
13 (C) Back Pension Payment	130,000	0	0	130,000
Total Operating Appropriations	\$45,910,849	\$1,897,193	\$1,881,200	\$49,689,242
Reserves				
Transfer to Operating Reserve	\$7,191	\$0	\$0	\$7,191
Transfer to Self Insurance Liability Reserve	230,000	0	0	230,000
Transfer to Self Insurance Workers' Comp Reserve	247,000	0	0	247,000
Total Operating Reserves	\$484,191	\$0	\$0	\$484,191
Total Operating Appropriations & Reserves	\$46,395,040	\$1,897,193	\$1,881,200	\$50,173,433
Depreciation Expense	\$8,000,000	\$0	\$0	\$8,000,000
Capital Projects Budget				
Revenues				
Federal	\$13,169,387	\$0	\$1,000,000	\$14,169,387
Fixed Guideway	0	0	122,170	122,170
State	535,063	0	0	535,063
HART	368,871	0	0	368,871
Hillsborough County	442,524	0	0	442,524
City of Tampa	82,780	0	0	82,780
Total Revenue	\$14,598,625	\$0	\$1,122,170	\$15,720,795
Appropriations				
Fleet Acquisition	\$3,359,112	\$0	\$0	\$3,359,112
Basic Transit Infrastructure	800,000	0	0	800,000
Intelligent Transportation Systems and Technology	375,000	0	0	375,000
Transit Centers	3,192,210	0	0	3,192,210
Operations and Maintenance Facilities	4,256,523	0	0	4,256,523
Operations and Maintenance Facilities - Ybor Station Build out	1,000,000	0	0	1,000,000
Transit Emphasis Corridors	1,205,780	0	0	1,205,780
Park and Ride Facilities	410,000	0	0	410,000
Streetcar Rail and Vehicle Enhancement	0	0	122,170	122,170
Streetcar Construction Phase IIA	0	0	1,000,000	1,000,000
Total Appropriations	\$14,598,625	\$0	\$1,122,170	\$15,720,795
Total Proposed Operating and Capital Budget	\$60,993,665	\$1,897,193	\$3,003,370	\$65,894,228

HARTline 2006-2007 Adopted Budget

Labor costs are, by far, the largest component of transit cost. HARTline provided detail on the breakdown of labor costs between operations, maintenance and administration.

The following chart shows that administration costs are a significant portion of total personnel costs. Administration costs at HARTline almost equal maintenance costs.

	FISCAL 2006			TOTAL
	OPERATIONS	MAINTENANCE	ADMINISTRATION	
Salaries and Fringes				
Salaries	\$ 11,659,400	\$ 4,140,750	\$ 4,116,300	\$19,916,450
Overtime	682,000	187,000	28,000	897,000
Social Security	1,030,000	371,000	347,000	1,748,000
State Pension	1,054,000	378,000	354,000	1,786,000
Disability Insurance	53,900	20,000	18,300	92,200
Medical Insurance	1,590,000	585,000	441,000	2,616,000
Life Insurance	30,500	13,400	18,500	62,400
Accidental Death and Dismemberment Ins.	3,550	1,700	2,300	7,550
Unemployment Compensation	20,000	2,000	1,000	23,000
Sick Leave	298,000	133,500	104,000	535,500
Holiday Pay	430,000	135,500	91,000	656,500
Annual Leave	350,000	174,000	152,000	676,000
Other Paid Absence	27,600	8,500	4,700	40,800
Deferred Compensation Match	43,000	17,000	131,000	191,000
Uniforms	85,000	60,000	3,500	148,500
Capitalized Labor	<u>-7,000</u>	<u>-100,000</u>	<u>0</u>	<u>-107,000</u>
Total Salaries and Fringes	\$ 17,349,950	\$ 6,127,350	\$ 5,812,600	\$29,289,900

Source: HARTline accounting department

The Study Group requested more detail on the composition on labor costs, total administration costs, legal expenses, and employee turnover.

Appendix E-8 presents a list of salaried administrative positions including a history of which positions have been added or reclassified during the past five years. Of 78 salaried administrative positions, 11 have been added since 2000 which is a 14 percent increase in number of positions. Thirteen positions were reclassified since 2000 (17 percent of total positions). Twelve of the reclassifications increased the title and pay level of the position. Only one position was reclassified downward and one position was eliminated since 2000. HARTline experienced a severe budget crisis in 2001 and 2002. Yet, between 2000 and 2005, 28 percent of the salaried positions were either added or upgraded. Appendix B-4 presents an analysis of these administrative positions that was presented to the Study Group by Mr. Ralph Hughes.

In addition to the 78 salaried administrative positions, there are an additional 44 non-salaried (hourly) employees not covered by collective bargaining, for a total non-bargaining count of 122 positions as indicated in the following chart. Ninety-five of

these are classified as administrative (executive, administration, finance, planning, engineering, and marketing).

FISCAL YEARS 2005-2007 AUTHORIZED POSITIONS ENTIRE AUTHORITY			
DEPARTMENT OR DIVISION	FY 2005 POSITIONS	FY 2006 POSITIONS	FY 2007 POSITIONS
Executive Office	4.0	4.0	4.0
Administration	20.0	23.0	23.0
Finance	31.0	31.0	31.0
Planning	17.0	17.0	17.0
Engineering and Development	5.0	5.0	5.0
Marketing and Public Relations	15.0	15.0	15.0
Transportation	363.3	376.3	388.3
Maintenance	134.0	136.0	136.0
Paratransit	32.7	35.7	38.2
Streetcar	29	29	29
Total	651.0	672.0	686.5

Twenty-one new positions are included in fiscal 2006 and fourteen and one-half additional new positions are included in fiscal 2007. For a more detailed description see page 37.

<u>Employee Count Breakdown by Unit</u>	<u>2006</u>	<u>2007</u>
Non-bargaining	122.0	122.5
Teamsters	43.0	45.0
ATU	<u>507.0</u>	<u>519.0</u>
Totals	<u>672.0</u>	<u>686.5</u>

HARTline 2006-2007 Adopted Budget

Appendix E-9 presents a history of bus operator turnover between 2000 and 2005 that the Study Group received from Amalgamated Transit Union local president Mike McCoy. The termination list shows turnover of more than 600 union members between 2000 and 2005. This equals more than 100 percent turnover in five years. Only 26 of these were related to inability to perform the job or job infractions. Half or more resigned for personal reasons or dissatisfaction with the job. Mr. McCoy indicated to the Study Group that HARTline makes extraordinarily high use of split shifts which results in long work days and corresponding harm to morale and bus operator personal lives. The Study Group noted that continually replacing about 20 percent of the bus driver work force annually must have negative consequences on training and employment costs. The Study Group also noted that few negative comments were heard from the public about bus operator conduct or pay levels.

Appendix E-10 provides detail about HARTline’s attorney’s fees during 2004 and 2005 which was provided by HARTline accounting staff. HARTline paid \$798,716 in attorney’s fees in fiscal 2004 and \$597,168 in fiscal 2005 for a two year total of \$1,395,885. This issue was raised by the Study Group because of a condition noted in HARTline’s 2005 audit (Appendix G-3) which noted that the level of general liability

claims and reserves comprised a significant portion of HARTline's operating budget and equaled 2.9 percent of operating expenses over the past three years. Actual general liability claims for 2004 and 2005 were \$502,000 and \$622,000, respectively, and according to HARTline's independent auditor, general liability reserves represent the single largest liability on HARTline's balance sheet. It was subsequently learned that these amounts do not include attorney's fees. Legal fees are in addition to these amounts. It was noted that HARTline's general counsel firm was paid \$1,607,624 by HARTline over the past two years.

The Study Group noted in all these documents that HARTline appears to have a high level of administrative costs for a system with limited prospects for growth. In total, HARTline has 95 positions, or 18 percent of total employment, devoted to management, administration, finance, planning, engineering and marketing.

The Study Group asked HARTline management what alternatives had been considered to use third parties and new methods to reduce costs. Management's response was that privatization had been attempted during the 1990's but it failed. HARTline owns, operates, and administers all of its services. HARTline currently contracts some non-operations functions (facility cleaning, security, specialized maintenance, landscaping, tire leasing, and legal services) but management indicated to the Study Group it has no plans for contracting out any transit services or other administrative functions.

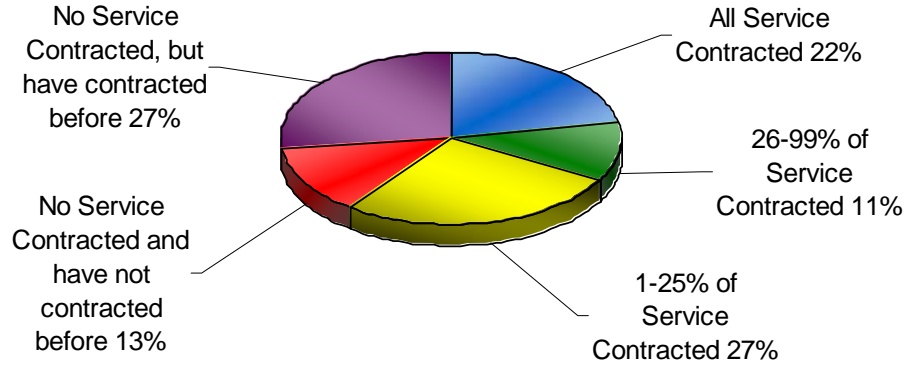
The Study Group investigated the relationship of the County's Sunshine Line transportation disadvantaged service to HARTline's paratransit service. Financial and operations information on Sunshine Line are presented in Appendix E-11. Financial and operations information on HARTline's paratransit operations are presented in Appendix E-12.

The Study Group also investigated the extent to which other transit agencies and governments use contracting and privatization. The Study Group learned that new methods of doing things are in use in our own back yard. The Study Group heard from Plant City administration on the process it used to evaluate the benefits and costs of continued participation in HARTline. Exhibit E-13 presents Plant City's cost analysis that led to the decision to discontinue contracting with HARTline and operate its own transit service to lower costs and increase the level of service. A similar example was located in the town of Gulfport in Pinellas County. A cost comparison between Gulfport's transit service and HARTline's similar service in Sun City Center is presented in Appendix E-14. Gulfport's cost per trip is 38 percent lower than HARTline's.

Extent of Transit Contracting

The Study Group learned that use of contracting for transit service is widespread across the country. A federally sponsored agency called the Transportation Research Board conducted a survey in 2002 of the extent of contracting for transit service among all recipients of federal transit funding.

Share of Transit Agencies Contracting For Service



About 60% of all transit agencies contract some of their service.

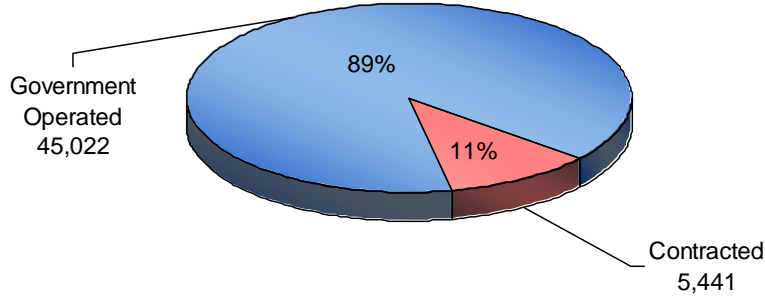
Source: McDonald Transit Associates, Inc.
Contracting for Bus and Demand-Response Transit Services
Journal of the Transportation Research Board, Report #258

That study determined that almost 60 percent of all transit agencies contract for some transit service; one third of all federal transit grant recipients contract for more than 25% of their service; and one quarter of agencies contract out a smaller share.

In the Transportation Research Board study, 11 percent of all bus and demand-response vehicle hours were provided by contractors. The amount of contracting varies significantly by system size and type.

Of those systems that contract out service, larger systems (more than 50 vehicles) are more likely to contract for some of their transit services. Smaller systems are more likely to contract for all services.

Vehicles in Maximum Operation, FY2002 National Profile



Source: McDonald Transit Associates, Inc.
2002 Survey of 65 Transit Agencies in California
Journal of the Transportation Research Board, Report #1927

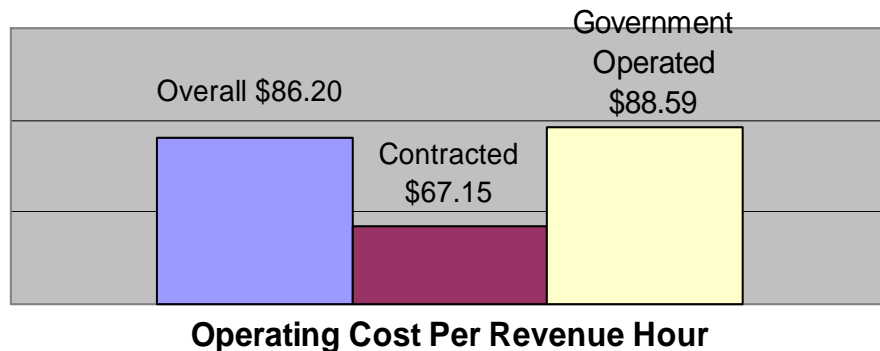
Reasons for Contracting

The Transportation Research Board study asked general managers what were the most prevalent reasons for contracting. The most common factors given were:

- Start New Service
- Reduce Operating Costs
- Improve Service Cost Efficiency

This study found that the portion of service contracted to third parties was operated at lower cost than service directly operated by the transit agencies. The amount of savings is influenced by the type of service contracted.

National Profile



Source: McDonald Transit Associates, Inc.
Journal of the Transportation Research Board, Report #1927

Good Principles of Contracting

The Transportation Research Board study determined that the following issues were key in successful transit contracting:

- Anticipate the advantages and disadvantages of contracting
- Set realistic expectations
- Establish a competitive procurement process that invites high-quality proposals
- Prepare an internal analysis of the cost of service contracting as a baseline for examining the proposals
- Delineate contractor responsibilities clearly
- Monitor performance closely and communicate with the contractor frequently and openly

Contract Provisions

Lastly, the Transportation Research Board study determined that in order to control costs and maintain high service quality, contracts should be structured to include:

- Compensation based on a per revenue hour rate (cost containment shifts to contractor)
- Contract terms designed to foster competition (e.g. 3 years, 2 one-year options)
- Agency provision of major capital items (e.g. facilities and vehicles)

ANALYSIS OF FINDINGS

Effectiveness: Preparedness for the Future

The existing HARTline model cannot meet future needs.

HARTline's resources are consumed just to maintain the current system. The Study Group asked HARTline management to estimate the cost of running the current transit system for the next five years if no changes were made to the system.

HART Bus Service			
Five Year Fully allocated Cost Projection			
Calculated on Annualized Base Service Revenue Miles as of January 22, 2006			
	Revenue miles, Cost per mile	Total Projected Cost	Annual Increase
<u>2006</u>			
Cost per Revenue Mile (from 2006 budget)	\$6.78	\$53,055,548	
<u>2007</u>			
Revenue Miles	7,825,302		
Cost per Revenue Mile	\$7.12	\$55,708,325	\$2,652,777
<u>2008</u>			
Revenue Miles	7,825,302		
Cost per Revenue Mile	\$7.47	\$58,493,741	\$2,785,416
<u>2009</u>			
Revenue Miles	7,825,302		
Cost per Revenue Mile	\$7.85	\$61,418,428	\$2,924,687
<u>2010</u>			
Revenue Miles	7,825,302		
Cost per Revenue Mile	\$8.24	\$64,489,350	\$3,070,921
<u>2011</u>			
Revenue Miles	7,825,302		
Cost per Revenue Mile	\$8.65	\$67,713,817	\$3,224,467
Average cost increase per year			\$2,931,654

Source: HARTline accounting department

HARTline management presented financial projections to the Study Group that indicate almost \$3 million of new revenues will be needed each year just to keep the existing system running. Ad valorem taxes and fares will have to increase 8 percent per year or more to fund this increase. An 8 percent increase in ad valorem and fares over 2005 levels would provide \$2.7 in additional revenues. While the strength of real estate

markets in Tampa and Hillsborough County make increases of greater than 8 percent possible for the next few years, this far exceeds the underlying rate of inflation just to maintain the current system.

HARTline management indicated to the Study Group that changes and efficiencies to the system will help contain cost increases. Nevertheless, HARTline’s current Transit Development Plan projects that funding for new service will be minimal for the next five years.

	Fiscal Years 2006 - 2010					
	FY2006	FY2007	FY2008	FY2009	FY2010	5 Yr Total
<i>Revenues</i>						
Fares & Other System Revenues	\$10,086,900	\$10,306,000	\$10,901,000	\$11,070,000	\$11,686,000	\$54,049,900
Ad Valorem	\$27,913,241	\$30,011,189	\$32,115,000	\$34,266,000	\$36,419,000	\$160,724,430
Federal Funding Programs	\$4,393,068	\$3,377,575	\$3,857,978	\$3,933,922	\$3,328,000	\$18,890,543
State Funding Programs	\$3,444,191	\$3,438,336	\$3,358,022	\$3,377,592	\$3,508,836	\$17,126,977
Local Subsidies	\$944,000	\$955,000				\$1,899,000
Streetcar Revenues	\$1,858,200	\$1,920,300	\$2,538,000	\$2,614,000	\$2,692,000	\$11,622,500
Total Operating Revenues	\$46,781,400	\$48,088,100	\$50,232,000	\$52,647,514	\$54,941,836	\$252,690,850
<i>Expenses</i>						
Total Operating Expenses	\$46,781,400	\$48,088,100	\$50,032,000	\$52,150,000	\$54,098,000	\$251,149,500
Funding available for new services (Revenues - Expenses)	\$0	\$0	\$200,000	\$497,514	\$843,836	\$1,541,350

HART Transit Development Plan 2006-2015, Table 4-1

The county’s current Long Range Transportation Plan for 2025 indicates that there are \$145 million of unfunded capital needs for bus system expansion (see chart below). Corresponding unfunded operating costs were not estimated.

Expansion of the current bus fleet is largely unfunded. The Long Range Transportation “Cost Affordable” Plan provides for replacement of existing vehicles in HARTline’s fleet plus an additional 25 high efficiency diesel buses that were to be funded with Congestion Mitigation Air Quality (CMAQ) funds. However, future CMAQ funding eligibility was lost when the federal government determined that the bay area was within air quality attainment standards. HARTline had projected the use of CMAQ funds to pay for a significant portion of its bus replacement orders in 2006 and 2007. A list of unfunded CMAQ projects is presented in Appendix E-6.

The specific unfunded capital items in the Long Range Transportation Plan are indicated in the following chart.

**Public Transit-Capital Projects
In Millions of Dollars
(Bus only)**

Ref#	Project	Unfunded Needs
3	Expansion of Fleet (to 300+ vehicles)	\$ 80.26
7	Capital Equipment and Rehabilitation	\$ 11.00
16	Super Express Corridors	\$ 8.83
22	Intermodal Centers-Hillsborough County (one center)	
	Candidate Locations:	
	Downtown Tampa-Former Mecklenburg Jail Area	
	Westshore Area-Cypress Avenue	
	University of South Florida-Fowler Ave/30th Street	\$ 54.40
	Total, bus only (<i>millions of dollars</i>)	\$ 145.66

Hillsborough MPO 2025 Long Range Transportation Plan, Appendix C excerpt

These amounts reflect capital costs only. The costs of operating the desired fleet expansion were not projected.

The Study Group found that the current HARTline model does not encourage development of new ideas for providing service. Both the HARTline 2006-2007 Budget and the HARTline 2006-2015 Transit Development Plan focus on preservation and expansion of service through purchase of more vehicles by HARTline, to be operated by HARTline. These planning documents do not demonstrate aggressive effort by HARTline Board or management to restructure and expand operations through partnerships, third-party contracting or privatization.

Yet the Study Group learned that examples of alternative methods of providing transit are plentiful. Some successful implementations are in our neighboring counties. The Pinellas County Metropolitan Planning Organization (Pinellas MPO) contracts both scheduling and trips (taxis and vans) for all transportation disadvantaged services. Similarly, the Pinellas transit agency, PSTA, contracts for all ADA paratransit services. Neither agency purchases, owns or operates vehicles in these specialized areas. Both agencies began these arrangements in the early 1990s and both reported that the main benefit of contracting was lower per-trip costs which allow provision of service to more clients with limited funding.

The Study Group also received information from a few of the national firms that administer transit management and operations for governments. A non-profit group, the Transportation Research Board, reported that in 2002 about 60 percent of transit agencies

across the nation that receive federal aid contract for at least a portion of their service. The national trend is to concentrate on core services while using third party contracting, either government or private, for non-core operations such as feeder services.

HARTline must develop a new model for providing service (a paradigm shift).

The Study Group concluded that significant philosophy changes are needed at HARTline for the agency to cope with future growth in unincorporated Hillsborough County. That Study Group recommended the following changes at HARTline:

- HARTline's Board must shift their emphasis from moving more vehicles to moving more people.
- HARTline must concentrate its own operations on core services. Non-core services should be provided by others.
- HARTline must include the private sector and communities in planning and providing non-core services (including feeder service and administrative functions).

ANALYSIS OF FINDINGS

Efficacy: Can changes be made to HARTline with the existing Governance?

The Hillsborough County Attorney's office conducted a search of news articles from around the time of the formation of HARTline and the 1980 referendum approved by City of Tampa and Hillsborough County residents that authorized HARTline to levy up to one-half mil ad valorem tax. That research discovered that a first attempt for a transit funding referendum failed in June 1980 by 2000 votes. Those negative votes were disproportionately from the unincorporated area but the referendum failed in both the City of Tampa and unincorporated county. News coverage of the failed referendum cited concerns about whether county residents would receive transit and whether there was a need for such transit (see Appendix C-3).

A group called Citizens for Transit was formed to generate support for another referendum that was subsequently held in November of 1980. News articles of the second referendum effort indicate that promises were made to voters as an inducement to for a positive result (see Appendix C-4).

Specific promises made to voters in the second referendum in 1980 were:

- 1) Restoration of bus service inside City of Tampa to previous levels**
- 2) Elimination of annual subsidies by City of Tampa and Hillsborough County of about \$1 million each**
- 3) Doubling the size of the bus fleet**
- 4) Expanding service throughout the county with the new buses**
- 5) Specific commitments to create routes serving Brandon, Sun City Center and the USF areas.**

The HARTline model has not delivered promised benefits.

Press reports between 1981 and 1990 indicate that progress was made in implementing the promises. But from the late 1980's through 2003, repeated budget crises occurred at HARTline even though tax revenues increased at a much greater rate than inflation. Grants for operations from the state and federal government dropped briefly in the mid-1990s because of a change in federal funding philosophy from funding operations to funding capital, but the amount of grant funds available for operations quickly returned to previous levels and continue to increase.

In spite of significant growth in overall operations funding, HARTline's executive director was reported in the press to say that the agency cut its service 28 percent between 1989 and 1996. A further 6 percent service cut was implemented within six months of that comment (see Appendix C-5).

HARTline’s executive director also acknowledged in 1992 press coverage that unincorporated county services bore the brunt of service cutbacks while some services inside the City of Tampa were being improved.

The press articles of HARTline budget crises and service cutbacks between 1991 and 2005 are presented in Appendix C-5.

HARTline has three members: Hillsborough County, City of Tampa, and Temple Terrace. Each of the members joined the agency after a majority of the voters in each jurisdiction approved funding in exchange for transit services.

The Study Group learned that the county’s participation in HARTline is based upon a membership principle that is an integral part of HARTline’s charter. The membership principle in HARTline’s charter is based upon the requirements of Florida Statute 163.565 which was the authorizing legislation for HARTline’s formation. Copies of both documents are presented in Appendix C-6 and C-7.

HARTline’s charter envisioned two possible outcomes for funding when the agency was created. If voters did not approve ad valorem taxes to support HARTline, the charter contains specific provisions for “equitably allocating among the members the operating, planning and capital costs of the Authority” simultaneously with the submission of each annual budget. This portion of HARTline’s charter also requires that “prior approval of the proposed budget by the member within whose jurisdictional limits the aforesaid special tax ad valorem cannot be levied shall be a condition precedent to final adoption of the proposed budget by the Authority.”

The Study Group learned that these safeguards to ensure that transit services are provided on an equitable basis were not built into the provisions of the charter covering passage of ad valorem funding of the agency by voters. As a result, references to membership rights and equity are not evident in HARTline’s mission statement, goals or objectives.

HARTline’s mission statement does not include a reference to the membership basis of the organization, nor to the geography to be covered by transit services.

HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY

MISSION STATEMENT

The mission of the Hillsborough Area Regional Transit Authority (HART) is to provide public transportation services, which are safe, dependable, and cost effective thereby enhancing the quality of life in our community.

HARTline’s adopted bus system goals and objectives do not include obligations to members or definition of services to satisfy member needs or geographies.

GOAL/OBJECTIVES	MEASURES
I. INCREASE RIDERSHIP	
Increase ridership	Total Bus Ridership from GFI Farebox
	Bus Passenger Trips per Revenue Mile
Increase the effectiveness of transit services	Passenger Trips per Actual Revenue Hours
II. MANAGE BUDGET	
Contain costs effectively	Gross Operating Expense per Bus Passenger Trip
	Gross Subsidy per Passenger
III. IMPROVE SYSTEM EFFICIENCY	
Monitor per unit cost of delivering transit service	Gross Operating Expense per Actual Revenue Mile
Revenue supports a reasonable share of cost	Bus Farebox Recovery in Comparison to Gross Operating Expenses
IV. ENHANCE QUALITY AND SAFETY OF SERVICES	
Provide on-time service	On Time Performance: Weekdays Saturdays Sundays
	Missed trips as percent of Scheduled Trips
Reduce the number of accidents	Revenue Miles between each Service Interruption of 10 Minutes or More
	Total Bus Collisions per 100,000 Actual Vehicle Miles
V. ENHANCE EMPLOYEE WORK EXPERIENCE	
Have high productivity	Revenue Hours per Employee Passenger Trips per Employee
Reduce employee absenteeism	Total Hours of Absenteeism as a Percent of Total Employee Hours
VI. ENHANCE PUBLIC IMAGE	
Provide quality service	Service complaints per 100,000 passengers

HART Transit Development Plan 2006-2015, Table 2-1

The Study Group also looked into the history of HARTline director residency. That analysis indicated the jurisdictional appointments to the HARTline Board of Directors is not a clear indication of jurisdictional allegiances.

The following chart indicates actual residency counts of HARTline directors by the boundaries of the member jurisdictions regardless of which jurisdiction appointed them.

HARTLINE BOARD MEMBERSHIP RESIDENCY				
Number of Directors living in each jurisdiction				
	Unknown	Tampa	Temple Terrace	Unincorp. County
1979	1	4	0	3
1980	1	4	0	3
1981	1	4	0	3
1982	1	4	1	3
1983	1	4	1	3
1984	1	4	1	3
1985	1	5	1	2
1986	1	5	1	2
1987	1	4	1	4
1988	1	4	1	4
1989	1	4	1	4
1990		5	1	4
1991		4	1	5
1992		5	1	4
1993		5	1	4
1994		5	1	4
1995		7	1	3
1996		7	1	3
1997		7	1	3
1998		7	1	3
1999		6	1	4
2000		7	1	3
2001		6	2	3
2002		6	2	3
2003		7	1	3
2004		6	1	4
2005		6	1	5
2006		6	1	5

Appendix C-1. History of Board Membership

The history of board residency shows that the City of Tampa has enjoyed a strong influence on the policy direction of HARTline. The detailed history of HARTline director residency is presented in Appendix C-1.

The Study Group concluded that the BOCC must assume more influence and control over county funding of transit and the provision of county transit services to ensure that the resulting transit services are provided on an equitable basis to unincorporated areas. The Study Group also determined that HARTline governance must change if improvements are to be permanent.

APPENDICES

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