



AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

**LEADERSHIP APTA CLASS OF 2010-2011
RESEARCH PROJECT**

**LEADING THROUGH
ECONOMIC DOWNTURN**

Group One

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SUMMARY

Since 2006, U.S. transit agencies and transit industry suppliers alike have experienced less than favorable economic conditions that have threatened their ability to provide optimal transportation solutions to customers. In response to declining sales or property tax revenues and increasing costs, many have been forced to cut their budgets by trimming services and reducing staff, as well as look for alternative sources of revenue. At the same time, the public's demand for bus and rail services has increased due to rising gasoline prices. This situation is forcing the creative use of already limited services and resources across the board.

Almost daily, the various media outlets publish articles about one transit system or another having to face down an \$X million budget shortfall. For example, in an article printed in *Mass Transit*, "PART Faces Funding Questions¹," Piedmont Authority for Regional Transportation ("PART") in Burlington, N.C., is having difficulties reducing a \$3.2 million deficit for fiscal year 2011-2012. The transit system has to make some difficult choices to balance the budget. A recommendation to increase vehicle registration by \$3 is just one of several "deficit-busting measures" suggested by the PART Board of Directors. However, the public's sentiment is not to raise taxes whatsoever. *So what is a transit agency to do in order to survive?*

In our "Leading Through Economic Downturn" research project, we examine the challenges faced by key senior executives and present solutions that have enabled them to lead and succeed during today's economic crisis. Our goal is to share some of their strategies in hopes of enlightening others who may be facing similar situations.

¹ Mass Transit Magazine, April 28, 2011, Times-News, Burlington, N.C.,
<http://www.masstransitmag.com/news/10259108/part-faces-funding-questions>

METHODOLOGY

Method of Research

First, our team researched books, periodicals, and other literature to identify best practices and quotes from U.S. transit industry leaders.

Second, we developed a questionnaire through which we might ascertain answers to the following questions:

1. What is your organization's overall vision? Where do you think your organization is going to be in three to five years?
2. What do you think are the critical issues your transit agency/company is facing at this time?
3. How is your transit agency/company coping with budget shortfalls?
 - a. Is your agency using reserves to cover budget shortfalls? If so, how long do you project doing this?
 - b. Is your agency raising fares/costs on products? If so, how much are fares being increased and does this cover the agency's budget shortfalls?
 - c. Is your agency cutting services? What percent of the total service area is being cut?
 - d. Is your agency changing business practices? If so, how?
 - e. Did your agency have to lay off employees to balance the budget?
 - f. Other ideas?
4. What are the positive trends you see in your organization?
5. What are your best practices to keep employees motivated that get you through the day?
6. What innovations/strategies have you implemented at your organization that has the highest impact? What kind of impact have these innovations/strategies had?
7. Is it acceptable to take risks in the organization? If someone makes a mistake, how is that addressed and has anyone ever shared what they learned from a mistake they have made? When someone does something right, how is their accomplishment acknowledged?
8. How are the people that work at your company being given opportunities to learn and contribute?
9. How are you allowing your managers and employees to be part of something significant?
 - a. Keep employees positive through hard times?
 - b. Motivation?
 - c. Attract and retain quality employees with little or no added resources?
 - d. How do you ensure that your vision is shared with all ranks of employees?
10. May we use your name, picture and quote in our Leadership presentation to APTA? We will send you the final draft of your section of the presentation and will be happy to share the entire presentation. Who may I contact at your agency to obtain your picture?

Third, we also developed a “long” list of key transit industry leaders from across the country that we’d like to interview.

Fourth, we emailed the questionnaire to the long list of transit industry leaders to solicit their help in our research project and to provide time for willing participants to develop responses to our questions.

Fifth, we conducted telephone and/or in-person interviews with:

1. **Access Services**, Shelly Verrinder, Executive Director, Los Angeles, Calif.;
2. **Aecom**, Jim De La Loza, **Title, City, State;**
3. **Ben Franklin Transit**, Tim Fredrickson, **Title**, Richland, Wash.;
4. **Community Transit**, Joyce Eleanor, **Title, City, State;**

5. **Dallas Area Rapid Transit**, Ben Gomez, [Title], Dallas, Texas;
6. **Denton County Transportation Authority**, Jarod Varner, [Title], Denton, Texas;
7. **Denver RTD**, Phil Washington, [Title], Denver, Colo.;
8. **DRI Corporation**, David L. Turney, Chairman of the Board and Chief Executive Officer, Dallas, Texas;
9. **Durham Area Transit Authority**, Sean Smith, [Title], Durham, N.C.;
10. **First Transit, Brad Thomas**, [Title, City, State];
11. **HDR Engineering**, Oscar Gonzalez, [Title, City, State];
12. **Lawton Area Transit System**, Steve Sherrer, [Title, City, State];
13. **Los Angeles County Metropolitan Transportation Authority**, Arthur Leahy, [Title], Los Angeles, Calif.;
14. **Los Angeles Metrolink**, John Fenton, [Title], Los Angeles, Calif.;
15. **Lynx Transit**, John Lewis, [Title, City, State];
16. **McDonald Transit Associates, Inc.**, Robert Babbitt, [Title], Forth Worth, Texas;
17. **MV Transportation**, Kevin Klika, [Title, City, State];
18. **Palm Tran**, Chuck Cohen, [Title, City, State];
19. **Pierce Transit**, Lynne Griffith, [Title, City, State];
20. **Rochester Genesee Regional Transportation Authority**, Mark Aesch, [Title, City, State];
21. **San Antonio Via**, Keith Parker, [Title, City, State];
22. **Texoma Area Paratransit System**, Brad Underwood, [Title, City, State];
23. **Transit Authority of River City**, J. Barry Barker, [Title, City, State];

Sixth, following each interview, the participating senior executives' responses were compiled into individual summary statements and presented to each participant for final review and approval.

Seventh, a PowerPoint presentation and script were prepared for purposes of delivering such during various American Public Transportation Association ("APTA") events.

Benefits

[Insert text]

Deliverables

The individual summary statements for each completed questionnaire are included in this paper. Select questionnaire responses were presented during a 40-minute presentation delivered at the third workshop of the Leadership APTA Class of 2011, held July 26-30, 2011, in Los Angeles, Calif. Further, abbreviated presentations are hereby slated for delivery during APTA's Annual Meeting and EXPO, Oct. 3-5, 2011, in New Orleans, La. Lastly, this research paper will be archived within the APTA website, www.apta.com.

Timing

Our fieldwork was conducted April 2011 through May 2011. Results were compiled and submitted to participants for review/approval in June 2011, initially presented to a small group in July 2011, and slated for subsequent presentation to larger groups in October 2011. This research report was completed in August 2011.

OUR FINDINGS

Let's first take a look at some interesting numbers from our industry to help put matters into perspective.

According to APTA, our industry creates and supports over 1.9 million public and private sector jobs. And in the current economic environment, many transit agencies and supply chain partners across the country are feeling the pressure financially. Hence, many transit related jobs are being cut and lost. This environment forces us as leaders to think a little differently and be more innovative in what we do.

Did you know that in 2010, public transit passengers took over 10 billion trips and they rode transit vehicles for more than 55 billion miles! That's like going to the moon and back 2,000 times!

These numbers are simply amazing! They really provide us with a big-picture perspective of the importance of our industry and the impact that our industry has on everyday lives of Americans.

There is no doubt that as the global economic downturn continues in the U.S., the need for public transit will become even greater.

- But, what do we do when resources become limited and the demand for public transportation increases?
- How will transit leaders change the way they manage their organizations to keep up with the pace?
- How will they manage to provide safe, reliable public transportation during these periods of economic uncertainty?

That is exactly what our team set out to determine.

For the past few months we've had the opportunity to talk to key transit leaders from across the country to learn about the unique **challenges** they face when leading their organizations through TOUGH economic times -- and, more importantly, discover the **strategies** developed by organizations in an attempt to overcome similar obstacles while maintaining and growing their businesses.

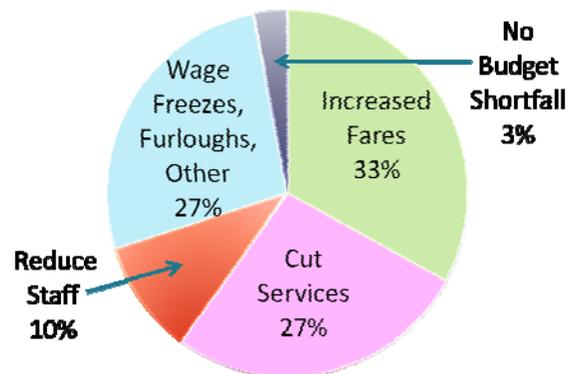
Our goals were to compile the data collected through our research and provide **recommendations** that might help you and others in our industry to overcome similar obstacles during this uncertain economic time.

One thing is for sure ... There is no one magic formula for success in leading any organization through tough economic times. However, we can learn from others successes and perhaps apply some of the strategies with our own organization without necessarily reinventing the wheel.

That being said, let's discuss what we've learned about leading organizations through an economic downturn.

Challenges

- Transit leaders are being pulled in many different directions to meet internal and external demands.
- Increased costs and customer demands are putting upward pressure on transit leaders while having to deal with reduced funding and dwindling resources.
- How many of you feel like you're being pulled in different directions?
- In addition to dealing with internal and external demands, there's always the money issue. Funding is a favorite topic for all transit and transit-related organizations, right?
- In August 2010, *METRO Magazine* conducted a survey to determine how CEOs and general managers managed budget shortfalls. The results were:



- How many of you have experienced reductions in staff, cuts in service, increased fares?
- How many of you have a budget surplus?

Traditional Strategies

When faced with stretching limited dollars, agency and supply side executives alike often slash their organization's marketing/communications budget, which tops our list of traditional strategies during economic downturns. For example ... Ben Gomez, the executive vice president of Administration at Dallas Area Rapid Transit ("DART"), said the agency has had to reduce its 2012 marketing/communications budget to \$10 million -- which was their budget back in 1997. As a result, they will be unable to conduct as many advertising campaigns as they'd like. But since 1997, DART has grown by leaps and bounds -- and it now has a lot more to communicate thanks to 72 miles of light rail. How will DART communicate effectively with such a significantly reduced budget and a service-area population of 2.3 million people? Like many organizations, DART plans to augment their traditional print and broadcast media approach by relying extensively on social media tools such as Facebook®, Twitter®, and YouTube®.

Another traditional way to reduce budgets is to trim the organization's cost for providing employee benefits. Consider, for example, employee healthcare insurance ... a very politically charged topic these days. According to the *Employee Benefit Research Institute*, health insurance premiums have exceeded worker earnings increases and inflation in every year since

1998. As a result, employers have been seeking ways to manage the cost increases. Many are pushing more of the cost burden upon their employees.

During tough times, some organizations also traditionally “reorganize” their services. For example, DART recently experienced one of the largest bus service reconfigurations in years ... buses have been re-routed from downtown to support the feeding of the light rail system. The agency’s fleet also has been “right-sized” to accommodate more riders in the suburbs. Some of DART’s 40-foot buses are being replaced with 30-foot buses and shorter 19-person vans -- vehicles that are better acclimated for suburban areas. Rather than cutting services as some organizations are inclined or forced to do, DART’s approach may help provide more economical services that better meet demand.

Some organizations also partner with others to better leverage economies of scale. For example, DART installed a secondary data center in 2010. It is now being utilized as Houston Metro’s secondary data center. Ben Gomez said DART plans to approach other government groups, such as schools, to help share the love.

Some organizations may traditionally implement fare increases and service cuts during periods of economic uncertainty. Robert Babbitt, the president and chief executive officer of McDonald Transit Associates, Inc., in Fort Worth, said some of the community transit agencies they serve have experienced fare increases of up to 10 percent while others have experienced service cuts as high as 18 percent.

During tough times, some organizations may traditionally attempt to increase taxes. But it’s quite difficult to squeeze blood out of a turnip.

Of course, the last thing any organization’s management team wants to do is to freeze wages, initiate furloughs, or execute a reduction of force ... or worse, be forced to do all three. But really tough decisions sometimes must be made to help make ends meet. Ben Gomez said DART, in all likelihood, may have to downsize the agency’s administrative areas later this year to better achieve the goals of its scaled-back budget.

Cutting-Edge Strategies

As Veronica mentioned, many transit systems use traditional cost-cutting strategies as part of their belt-tightening solutions.

However, some transit systems have implemented innovative, dynamic strategies. These creative strategies include:

Green Technology. Transit systems across the country are purchasing alternative fueled vehicles and building transit centers and offices that are more energy efficient.

Public-Public Partnerships. For example, Durham Area Transit Authority in Durham, North Carolina, partners with other transit agencies in their area by sharing costs in providing operational and leadership training for employees. Employees gain leadership skills and networking opportunities. Sharing the cost of training saves training dollars for all the agencies and builds great working relationships between the transits agencies.

Fare Reductions. Now why would we think that is innovative? Wouldn’t reduced fares generate more ridership and, therefore, the transit system will receive more federal formula

funds? I would think so. We will talk about one agency that did this and is included in the 3 percent on the pie chart who did not experience a budget shortfall in 2010.

Let's take a closer look.

In 2004 Rochester Genesee RTA in Rochester, NY, had a budget shortfall of \$27.7 million. They had a complicated transit system and a fare structure that was confusing for customers. Their on-time performance was a dismal 76 percent.

Fast forward to 2011 and we see Rochester Genesee RTA had changed their situation from dire to outstanding. They hired more employees and added more vehicles. Their financial picture improved over 200 percent to a \$33 million surplus, fares were reduced to \$1.00, and their on-time performance improved 14 percent to 90 percent. Cost recovery improved to 41 percent.

So how did Rochester Genesee RTA do this? The agency's board of directors concentrates on policy making and doesn't get involved in day-to-day business activities. Management focuses on succeeding versus just surviving. This gives them a different mindset and attitude in overcoming their challenges. Their employees are committed to the Rochester Genesee RTA's strategy.

The following tools were among those used by Rochester Genesee RTA to accomplish their impressive turnaround:

- The agency generated outside revenue by partnering with businesses to support routes that carry their employees to work. The thinking is that while people pay taxes to support the transit agency's infrastructure, it still does not pay for the actual service.
- For example, property taxes are used to pay for the infrastructure (pipes, meters and more) to get water to people's homes, but homeowners still have to pay for the water they use. Water isn't provided free of charge to homeowners.
- The agency is currently partnering with Rochester Institute of Technology to use technology to improve operations and enable the agency to grow.
- The agency did away with the complicated fare structure and zones and reduced fares to \$1.00. In turn, this strategy generated more ridership and more satisfied customers.
- We found this next point to be very interesting: Rochester Genesee RTA does not adopt a budget. ***Let me say it again: They do not have a budget.*** In fact, they haven't adopted one in 6 years. Rather, the agency adopts a plan that outlines the strategies they will use to implement and achieve their vision. Money is used as a tool to realize their operating strategies. And, this next point is extremely important ... Their strategies are communicated throughout the agency.
- Management's efforts are directed towards their vision using the plan to get them to their destination. They have a measurement system that outlines clearly what success is and they know how to accomplish this through their plan.

Ideal Transit Organization

During the course of our research, it became evident that an ideal transit agency more than likely would incorporate three key elements into their daily business practices, especially during

periods of economic downturn. FIRST, they are utilizing all manners of communication; SECOND, they are routinely gathering, reviewing and interpreting data and performance measurements; and THIRD, they are increasingly emphasizing investment and innovation.

In terms of communications methods, one common thread we observed when speaking with a number of CEOs was their willingness to implement an open-door policy and to engage in meaningful dialog with employees at all organizational levels -- especially in regards to solving problems and finding better ways of tackling routine tasks.

Communications methods include "All Hands" meetings with the CEO, question-and-answer sessions with the CEO, employee focus groups, "Ask the CEO" websites and one-on-one meetings with the CEO to discuss concerns -- no agenda required.

Some CEOs have also found it helpful to meet regularly with elected officials in an effort to develop solid working relationships and exchange ideas to help improve public transit services in their communities. At Metro, our CEO meets with our elected officials' staff quarterly to brief them on all of our projects. He also takes an active role in meeting with other agencies, such as the Federal Transit Administration to solidify a strong relationship with the FTA's local staff.

These and other tools used by the CEOs help keep employees engaged and enthused about the job they do every day.

Within an ideal agency, there also would be an intense focus on routinely gathering, reviewing and interpreting data and performance matrices. While data should always be reviewed, it's especially critical during times of lean budgets for agencies to strive for peak performance at reduced costs.

In addition, budget and performance data analysis should be posted within employee Intranet sites or otherwise made available to all employees in a format that is easily understood. This way, rather than being overwhelmed by numbers, employees are empowered by them and seek to improve their performance.

For instance, at Metro, our Operations department develops its daily, weekly and monthly in-service on-time performance data to determine how our bus and rail lines are meeting their time points for improved customer service. These performance measures allow staff to identify those lines that need improvement.

As for investment and innovation, in a world of dwindling resources, it behooves us to use or re-invest in our current resources more efficiently. This approach can help decrease our operating costs and prepare for an uncertain future. Furthermore, as we build transit projects for future generations' use, we need to keep in mind how we leverage these capital resources to reduce our operating costs.

For instance, if a transit agency proposes to build a station that uses 20 percent less electricity, it is positioning itself to lower ongoing operations costs. The ideal transit agency would focus on sustainable development and promote the construction of LEED-certified buildings, as well as the blending of bio-fuels and purchase of alternative energy vehicles since this will benefit both human health and economic development.

While it is likely that pursuing LEED-certification will increase a project's initial up-front investment by an average of 2.3 percent, studies suggest that the resource efficiencies achieved through LEED will yield over ten times more in operational savings over the life cycle

of the building. And, with the ever increasing cost of electricity, water and natural gas, every kilowatt, gallon and cubic foot that is not consumed will add to a building's operational savings.

Risk-Taking, Technology, Training and More

Our ideal transit agency would embrace risk taking, technology, training and special projects. On the risk-taking side, employees would be encouraged to take risks. What this means based on our CEO interviews is that employees of formerly risk-averse work environments are now encouraged take risks. Additionally, ideas are embraced from all ranks, diversified strategies are used to add markets, and identify new potential management opportunities.

The executives we interviewed also focused on technology, which included the replacement of redundant applications and obsolete systems, the investment in technology, and the partnering with firms to advance bus technology. An example was the building of technology centers by MV Transportation.

Training was a common component amongst our executives interviewed. Especially the larger transits have set up METRO universities to train personnel. Staff is increasingly being cross-trained in different functions to cover the workload and expand promotional opportunities and of course, succession planning is critical in transit as the workforce retires.

Finally, the executives we interviewed mentioned special projects and programs. One such example was the WIN program at Denver RTD, which was to partner with public/private and public/public entities to educate citizens in skills useful to transit and to then provide transit jobs to those so trained.

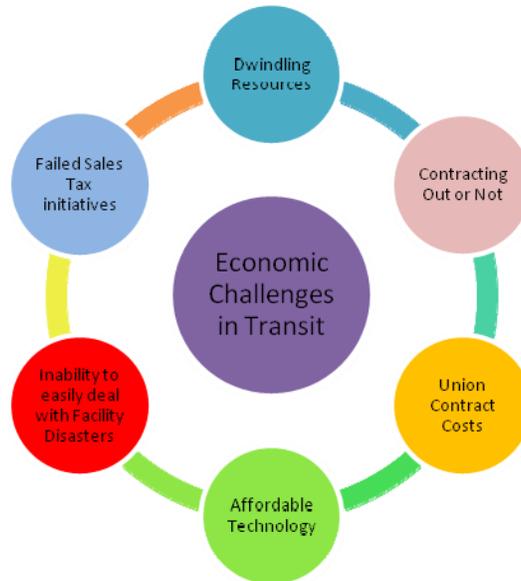
Another program is the Safety Bucks initiative at LYNX where managers regularly ride the buses -- not to discover what is being done wrong, but to reward employees with casino chips for demonstrating safe behaviors. The casino chips can be traded in the agency's "store" for things like key chains and bomber jackets. This effort, in conjunction with quarterly safety meetings, has improved the agency's safety program.

The Vehicle Diagnostic Testing Pre-breakdown Program is a project that Rochester Genesee RTA partnered with the Rochester Institute of Technology. The technology is supposed to send an automatic signal back to radio control before a bus breaks down to let them know that the bus is about to break down. As Sylvia mentioned, this technology is being tested on their buses and when completed, the U.S. Marine Corps is interested in using this technology on their tanks.

Thinking outside the box ... Imagine partnering with local service and fraternal organizations -- such as Lions, Rotary, Kiwanis, and others -- to purchase and install co-branded bus shelters and benches along transit routes. The possibilities are endless!

SENIOR EXECUTIVE INTERVIEWS

Of the senior executives we interviewed, a number of challenges were identified:



Our participants face great challenges but they are not constricted in developing positive trends in their organizations which we discovered:

“What counted was whether they (leaders) were intensely committed to something beyond their own survival”.²

² “Questions of Character, Illuminating the Heart of Leadership Through Literature,” Joseph Badaracco Jr., 2006

ACCESS SERVICES



Shelly Verrinder
Executive Director
Los Angeles, Calif.



As the business environment changes, Access Services (“Access”) has learned to adapt by being more creative and innovative in the way they manage their business. As an example, for the first time in the history of the organization, Access became a self insured entity.

Access implemented a new insurance structure in 2009 to manage costs, exercise more control over the claims process, and to make Access safer for our riders. A year later, the Access team has achieved a savings of nearly \$400,000 in total claims and a \$1million decrease in excess insurance costs.

The challenge of having adequate funding to operate one of the largest Paratransit systems in the nation will remain a focus for Ms. Verrinder. Striving to provide a safe, reliable, and efficient service is the agency’s mission and vision.

Critical issues being faced at this time include increasing fuel costs, dwindling funding sources, and compliance with Federal Regulations are critical issues for the agency.

The agency is coping with budget shortfalls by: Controlling insurance costs through the Self Insured Retention program; improving overall safety culture to reduce accident/incident claims; maintaining staffing levels at or below 5 percent of budget; and managing cash flow and money market funds.

Although Access is not using reserves to cover budget shortfalls, the agency did increase fares in July 2009. Fares have not increased since the beginning of the service 14 years ago, except for a small increase in 2002 that affected very few customers.

The agency is not cutting services or service area.

The agency is changing business practices by being creative and innovative in managing our business.

The agency has not had to lay off employees to balance the budget.

Positive trends include: improved quality of service over time; customer-oriented approach when operating the service; and partnering with fixed-route operators to provide various transportation mode choices for Access customers through mobility management and free fare programs.

Best practices to keep employees motivated include: Listen to the employees’ feedback through employee survey; respecting employees; walking the floor and around offices to talk to employees; and finding a connection with staff.

Resulting key innovations and strategies include: the “Self-Insured Retention” program with savings of nearly \$400,000 in total claims and a \$1 million decrease in excess insurance costs; the “Organization Leadership Readiness” program, which is a succession planning program through which **one to nine** employees were motivated to further their education by going back to college; the creation of an employee-friendly work environment that decreased employee turnover.

Is it acceptable to take risks in the organization? If someone makes a mistake, how is that addressed and has anyone ever shared what they learned from a mistake they have made? When someone does something right, how is their accomplishment acknowledged?

Management has to be willing to take risks and be willing to acknowledge when things go wrong. Learn from mistakes to avoid future occurrences.

The agency empowers people to learn and contribute through its “Organization Leadership Readiness” program, which provides opportunities for employees to express their interests in leadership growth and development. The program provides learning and mentoring environment for OLR candidates to be future leaders in the industry. “WE” groups were formed with full employee participation to help improve work environment and work processes.

The agency allows managers and employees to be part of something significant through empowerment. They take ownership of own job responsibilities and projects, and embrace creative thinking in the work environment. Empowering employees to be part of the solution and make a difference has helped the agency during hard times.

So what’s the motivation? No layoffs along with competitive compensation and benefits. Further, the agency shares its vision with employees through all-staff meetings, bi-weekly newsletters, special email announcements, and management taking the time to talk to employees.

AECOM



Jim de la Loza

Title

City, State



BEN FRANKLIN TRANSIT



Tim Fredrickson

Title

City, State

Bio-Fuels Program

Ben Franklin Transit became the first transit agency in the United States to validate the concept of blending two clean and renewable fuels, biodiesel and ethanol with ultra low sulfur diesel. These additive fuels, grown from domestic crops, became the basis of a very successful operational test using seven different diesel engines in chassis's from five different manufacturers. Our combination fuel was made possible by an emulsion made by O² Diesel of Newark, Delaware allowing for the creation of a superior fuel. Based on data, this composite fuel made for significant reductions of smoke, particulate matter, nitrogen oxides and carbon monoxide in vehicle emissions. It flowed well at sub-zero temperatures and provided substantially easier starting and because of its clean burning characteristics allowed for extended oil change intervals decreasing another waste stream.

Two Sustainability Conferences and One LEED®-Certified Building

Ben Franklin Transit hosted two sustainability conferences and with ARRA funds, built our first LEED-certified building. Our first sustainability conference was in 2005. Our second sustainability conference was in 2010. The purpose of our conferences was to raise awareness among developers, policymakers, planners and all related professionals about sustainable development practices and how it benefits transit, human health and economic development for communities focusing on the three Ds: density, diversity and design.

COMMUNITY TRANSIT



Joyce Eleanor

Title

City, State



Bus Rapid Transit Line is the biggest achievement for us. It out performs what we anticipated and daily ridership is up. It has been in service for a year. Highest ridership and highest productivity. It starts at Everett Station and goes to Aurora down Hwy 99. It operates every 10 minutes. We'll have to take it to twelve minutes due to the economy. We have 14 buses on that route, 12 operating and 2 spares.

The other thing is our Advanced Public Transportation Technology Program where we utilize GIS and all the other current technology. There are so many work processes that will change with that technology and work process is a major initiative for us as well.

And our ORCA Card which is the regional smart card which seven agencies use. This is a fare card with a chip. King County, Sound Transit, Pierce Transit, Everett Transit, State Ferry, Kitsap Transit and Community Transit all participate. We have been working on this project for 15 years. We implemented the card two years ago. The drivers have to deal with it, Marketing, Planning, Accounting were all involved; a huge project and the public loves it. Can use one card to ride seven systems.

DALLAS AREA RAPID TRANSIT



Ben Gomez

Title

Dallas, Texas



DENTON COUNTY TRANSPORTATION AUTHORITY



Jarod Varner

Title

Denton, Texas



Our overall vision is to be a leader and implement excellent, efficient service in Denton County and to spend public funds appropriately. Our primary focus for the past few months has been launching the A-train, which occurred on June 20, 2011. We are in the midst of developing a New Member Policy that would allow additional cities to join the Authority and receive transit services. The state legislature recently amended DCTA's enabling legislation to provide municipalities with flexibility in the funding mechanism they may utilize in order to join the Authority. The enhanced flexibility increases the likelihood that more cities in Denton County will be able to join DCTA. We are also updating our short term and long term Service Plan to better define where transit services are needed within the county. Where we will be in three to five years is completely dependent on other cities accepting the need for transit in their community and determining whether or not they can afford to participate in DCTA. We are doing everything we can to open the doors of opportunity. If other cities elect not to join, we will spend the next three to five years enhancing existing services to ensure they are as safe and efficient as they can be.

The overriding issue is our transition from a bus only agency to one that provides both bus and commuter rail service. Over the past few years, we have been primarily focused on the design and construction of the A-train, a major capital undertaking. We're about to move into a time in which we're focused solely on operations and dealing more with customer service. We are greatly expanding service, so we must transition from being infrastructure driven to being operations driven. Additionally, we are operating a very expensive mode of transit services for the first time and we must be quick to react if actual costs are higher than we anticipated. There are unknown expenses in operating a rail service as each line is different and we don't have a lot of room for error given our thin margins.

Board turnover could become an issue when the terms of some of the Authority's original board members end in 2012.

We haven't experienced budget shortfalls yet. DCTA's funding stream is very narrow with the majority of funds being derived from a half-cent sales tax levied in member cities. Fortunately, sales tax receipts in the North Texas region have remained strong. We plan to continue funding a reserve equal to three months of operating expenses.

Beginning last December, DCTA joined a reciprocal fare agreement that had existed between DART and the Fort Worth T. Joining this agreement allowed DCTA to sell regional passes, which are accepted throughout DART and The T service areas. The adoption of regional fares is effectively a fare increase, the impact of which is unknown. Our farebox recovery has improved slightly between December and the implementation of rail service in June. While we

have developed farebox estimates for the A-train, it will take some time to determine the impact our fare structure has on ridership and revenue.

DCTA launched the A-train in June and has no plans to reduce services. Assuming rail operating costs are within budget, we intend to continue operating the current level of service. Given our limited funding and staff levels, DCTA continually reviews business practices to ensure we are as efficient as possible. We're currently analyzing the possibility of coordinating with the City of Denton to provide fleet maintenance. This approach would allow both entities to benefit from economies of scale which could greatly decrease maintenance costs. DCTA is also revisiting how we contract with other public entities for the provision of services. We contract with the University of North Texas, Texas Woman's University and North Central Texas College for shuttle services and prepaid fares for students, faculty and staff. We're in the process of a paradigm shift centered around the idea that these institutions will pay a larger share for the services they are provided so we lessen the subsidy we've been providing through our federal formula funds.

No, we have not [had to lay off employees]. We've hired more people through our contract with Herzog Transit Services to manage the A-train. We've partnered with DART to expand their existing agreement with Herzog to include the A-train. This is another example of our willingness to partner with other public agencies so that both might benefit financially. DCTA and DART share overhead expenses that would be much higher had we contracted separately. We've focused a great deal of energy lately on employee unity and involvement. The unity process has helped with morale. Over the last few years we experienced a high turnover rate including the departures of our President and Chief Operating Officer. We presently have an interim CEO, Jim Witt, who is very employee focused. He performed a survey and determined that we lacked unity as an organization, which is absolutely necessary considering the fact that we have 17 staff members in our office. Executive staff tasked employees with participation in committees and subcommittees which reporting directly to the executive staff on various topics centered on developing unity and improving the work environment. We used a facilitator who helped create a dialog between management and employees. When we sat down at the committee level, we made sure people who would be impacted would be part of the committee. We are preparing to finalize the action plan which will have a direct impact on the issues experienced in the past. Morale is quickly improving and everyone is getting on the same page as we adapt and adopt goals for success.

[Among our best practices to keep employees motivated], we have fellowship time. On random occasions, the CEO or a member of executive staff will buy ice cream or treats and we all enjoy it together. The implementation of our action plan will also assist in motivating DCTA employees. The unity process and fellowship time has opened up our communications.

[With regard to taking risks], we are beginning to implement a "lessons learned" model. If the agency or a small group has an issue or made a mistake, we come together and ask, "What could I have done differently to prevent this mistake in the future? Whether or not an individual was directly responsible for the mistake, in a supportive work environment there is often something a coworker could have done to help prevent the mistake from occurring. This approach is helping everyone realize that job tasks and responsibilities are not as narrow as we think. Everyone is integral to the success of the agency and should support one another so that mistakes are avoided.

The small size of our agency provides staff with an unparalleled opportunity to expand the scope of their knowledge base. If our people want to learn about and be involved in a new task, we let them. We never presume that someone should or shouldn't contribute to a given task

based on their title or existing responsibilities. A great example is the fact that we have tasked an accountant to lead the coordination effort with our operating partners to ensure the functionality of our 10 new Ticket Vending Machines. This was a very technical undertaking well outside her normal scope of responsibility. She has seized the opportunity to the benefit of herself and the Authority. The leadership challenge is to make sure our staff members are aware of these types of opportunities and to push them to grow. Everyone in the agency was involved in the launch of the A-train, DCTA's commuter rail service.

DENVER RTD



Phil Washington

Title

Denver, Colo.



Strategic Leadership Development Program

This program looks at current employees and identifies leaders, takes them through an academy, which lasts 12 months, and we share with them everything that is related to the transit industry. Transit 101, transit economics, how we are funded, the many stakeholders we deal with (elected officials, the union, the other transportation organizations on the highway and aviation sides). It identifies high achievers and invests in them. The academy is one leg of the stool. The other legs are the mentoring and dept training programs. It is open to represented and salaried employees. The result is high morale.

Investing in People

We have shadowing programs and cross training programs to learn about other depts. We have opened the entire agency and encouraged people to learn other areas. That is huge for us and very exciting.

FasTracks

The FasTracks program is huge for us. Many things are embedded in it. For example, it includes this country's largest public/private partnership which is a \$2.1B piece of the whole. This is an infrastructure program.

Workforce Initiative Now Program ("WIN")

The WIN program identifies, assesses and trains people to work in the community on the FasTracks program. It is an internal program but it reaches out to people in the community to train them to work on transportation infrastructure problems in and around our stations. The idea is that as we build out FasTracks and go through impoverished and communities of color, how do we get those folks engaged, and put them to work as we build infrastructure (which in our case is a rail program). WIN does just that. We have community colleges of Denver, the Denver Urban league, and 34 training providers working with us. So go out to the community, identify people and say we will assess you to see where your interests lie. An example might be electrical or carpentry interests. And if you don't have a diploma, we will get you your GED first and then send you, based on skill level, to one of 34 training programs, and finally, we'll put you to work on this project. So the WIN program is really taking off right now and I would hope it would be adopted at the federal level and incorporated there under Reauthorization and New Starts. I would like to see this embedded in the federal guidelines to encourage and even mandate agencies to do this.

General Manager Forums

This is where I go out and talk to employees. I randomly select employees who represent their division. I meet with them quarterly and there may be 15-20 per division and I give them updates and listen to their needs. Their job is to bring issues to me. Also to disseminate and dispel rumors. That has worked very, very well. We have 7-8 divisions with varying populations, some 400-500 people, some less.

Rappin' With Phil Sessions

I just go out and sit in the drivers' room and talk to folks and they can bring anything they want. I might spend 2-3 hours with them in one sitting.

Situation Reports

If you are faced with an issue or situation, then I will do Situation Reports, or Sit Reps for short. Whether it consists of a senior team, senior and middle folks, or lower level employees, it involves explaining the situation and providing all the information that you know or that I know and then I ask each person in the room what they would do. This has really caught on here amongst my staff. You want to hear what folks are thinking. I served under General Powell for a number of years and he said you normally only get 30-70% of the information on an issue. So what I do is have Sit Reps to gather information.

After Action Reviews ("AAR")

We conduct AARs after every major event. That helps everyone to learn what went well and how we can improve. It has worked for me throughout my career.

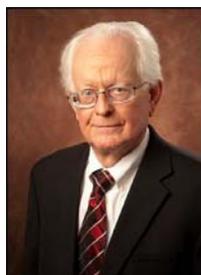
DRI CORPORATION



David L. Turney

Chairman of the Board and Chief Executive Officer

Dallas, Texas



I believe the U.S. transit industry and businesses serving the U.S. transit industry -- including DRI Corporation -- will be moving at a fast pace down the road to recovery from the current recession.

I believe that our organization's most critical issue is assuring that we preserve and protect our core competencies even as we tighten our belts during this trying period of global economic uncertainty. We are not changing our business practices per se -- we're simply applying more caution than ever before.

We have witnessed an enhanced awareness of the need to exercise extreme caution while rethinking all daily business practices that might typically be considered "normal" or "routine." Our associates have taken up the austerity torch and they are running with it. We've always fostered a business atmosphere that encourages open and honest dialog between management and associates -- and I believe such a philosophy has contributed to our global teams' proactive efforts to control and/or reduce costs during these trying times.

As I've mentioned, we've always fostered a business atmosphere that encourages open and honest dialog between management and associates -- and I believe such a philosophy has contributed to our global teams' proactive efforts to control and/or reduce costs during these trying times. Being frank and open as to what we're facing and what is going on within our business has helped our global teams to better understand the depths of the global recession and its impact on our business, our served markets and the global transit industry

Taking prudent, well-thought risks should be a normal daily operating practice for businesses; if such risk-taking evolves into what is considered over time to be a misstep, the decision/action should not to be punished. Instead, it should be a launching pad for learning and improvement, as well as to brainstorm new ideas. And, although we do try to recognize individual and team excellence, we probably do not recognize the good decisions and outcomes often enough.

Our associates are encouraged to share ideas, offer opinions, and critique results. They are empowered to run with ideas that are considered to be sound and/or good for the organization and our stakeholders. We strive to refrain from limiting anyone's imagination ... brainstorming new and/or creative ways to accomplish our tasks is a good thing!

DURHAM AREA TRANSIT AUTHORITY



Sean Smith

Title

Durham, N.C.

FIRST TRANSIT



Brad Thomas

Title

City, State



Technology

Technology is impacting the industry, so we have pushed ourselves to be in the forefront of all that is new, trying to be on the cutting edge of technology. We have partnered with Drive Cam aimed to improve safety practices for drivers and fuel efficiency for clients.

Alternative Fuel Vehicles

We have purchased alternative fuel vehicles, everything from operating all sorts of hybrid vehicles, battery powered vehicles in California, hydrogen powered in Connecticut, compressed natural gas, and bio-diesel.

Training and Development Programs

Certainly we have a very good training and development program, for drivers, supervisors, dispatchers, General Managers. We try to promote from within. We want to keep them motivated and excited about working at First. That is primary. We offer opportunities to learn about other jobs. It might come through training, spending time at other locations or learning a different part of the business. We have 18,000 employees, we run fixed route, paratransit, airport and university shuttles, call centers and consulting services so there are many opportunities to keep employees engaged.

HDR ENGINEERING

[Missing Logo]

Oscar Gonzalez

Title

City, State

[Missing Photo]

LAWTON AREA TRANSIT SYSTEM



Steve Sherrer

Title

City, State



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY



Arthur Leahy

Title

Los Angeles, Calif.



LOS ANGELES METROLINK



METROLINK

John Fenton

Title

Los Angeles, Calif.



LYNX TRANSIT



John Lewis

Title

City, State



McDONALD TRANSIT ASSOCIATES, INC.



Robert Babbitt

Title

Fort Worth, Texas



McDonald Transit Associates, Inc. ("McDT") was founded in Fort Worth, Texas, in 1972. In October 2009, we became affiliated with Régie Autonome des Transports Parisiens Développement. McDT is now 51 percent owned by RATPDev America and 49 percent owned by our employees.

RATP Group operates all modes of transit – bus, metro, trains and trams. Every day, it transports more than 10 million people across all continents with the exceptions of Australia and Antarctica. United in public service, RATP Group's 56,000 men and women share the same objective: Allow passengers to travel calmly, quickly and as comfortably as possible.

McDT provides management services at 34 locations in 16 states. We also have successfully completed more than 100 transportation studies and consulting assignments. Each of our clients receives individual attention and participation from our firm's principals, including the Chief Executive Officer. We believe our record of contract renewal is among the best in the industry.

During this recent period of global economic downturn, McDT has actually experienced the fastest growth in our firm's history. Since late 2010 we have been competitively selected for 11 contracts – six are new and five are renewals. We are extremely optimistic about our long-term outlook.

Ours is a business that helps communities efficiently manage their public transit systems. We believe we do this very well.

In general, this industry does well because transit operators are relatively recession resistant. That's not to say we're recession proof, because margins do sometimes get pinched during periods of economic downturn -- such as the one we're experiencing now. Regardless of the economic conditions in which we presently live and work, passengers still need access to mobility through public transit. Thus, our business does really well in good times and surprisingly well in bad times.

I started in this industry in 1977 with our company. Looking back, I can recall at least four different bus manufacturers that went bankrupt after receiving very large contracts as part of the cyclical nature of this industry. Since the industry is cyclical, it often causes companies to spend inefficiently along the way. We have experienced a little bit of contract inefficiencies of our own. As with most businesses and most industries, the transit industry has had its own ups and downs -- but McDT's depths have not been nearly as deep when compared to others.

McDT has experienced occasional local government revenue shortfalls in some of the municipalities in which we serve. Through our operating contracts, we earn so many dollars per hour to run a municipality's buses. In our management contracts, we manage a municipality's complete transit department and all that doing so entails. Some of the service cuts we have seen during this economic slump have averaged 2 percent to 3 percent, but others have been much higher -- up in the 5 percent to 18 percent range.

How we cover tax revenue shortfalls really varies by municipality and contract -- and it oftentimes involves union negotiations. For example, we support unions when we think they're right and fight them when we think they're wrong.

We often must explain and discuss fundamental concepts such as...

- We have one bucket of money.
- There's only so much money in that bucket.
- What can we do with the bucket of money to help preserve existing jobs and services?

We've been successful in negotiating with some unions to either freeze wages and/or make slight, downward adjustments to help offset current tax revenue shortfalls. About half of the municipalities we serve have raised their fares and about half have cut their services.

When the municipalities have public hearings, the citizens who show up to those meetings are generally the ones most interested or the ones with something to lose. Most of those individuals in attendance would rather see their fares increase than to have their services reduced. They depend too highly on the services to risk losing them.

Interestingly enough, during many of those public hearings, most bus riders say they want more frequent headway whereas most non-riders say they want rail service. The fare increases that we've seen have ranged from 5 percent to 10 percent. Some of the service cuts we have seen during this economic slump have averaged 2 percent to 3 percent, but others have been much higher -- up in the 5 percent to 18 percent range.

RATPDev and RATPDev America are not publicly traded. Although our parent company is a large organization, it isn't an overly complicated entity. However, as with any well-run business, it does have reporting steps.

There have been some layoffs or reduction in force through attrition anywhere there have been service cuts. But most of those individuals affected by layoffs were recalled within a few months.

The hardest thing to do is to make cuts during a serious revenue pinch that was not anticipated. Cuts are usually relatively short lived and do not make much sense over 10 years. Over one year, yes, but usually not over 10 years. Moving from capital to operating budgets can be a painful decision; however, McDT and the riders within the municipalities we serve have seen only a modest impact.

Now that McDT is part of a global organization with larger resources, we are able to take better advantage of economies of scale.

We also do not have to self-limit our new business. We are presently bidding on 50 to 60 new contracts each year. Before becoming affiliated with RATPDev, we would only bid on 15 to 20 new contracts each year.

A year ago, McDT had approximately 2,900 employees. In the past 12 months, we've lost two contracts and added six. We presently have approximately 3,300 employees. Globally, RATP Group has approximately 56,000 employees.

McDT is part of the fifth largest public transport group in the world. Our firm is largely employee owned. We also have the good fortune of having many people who have been with us for more than 30 years. We've tried to organize ourselves like a law firm or an accounting or engineering practice. We provide our employees lots of opportunities to learn and grow and we give senior management the authority to make key decisions at the local level. We advocate responsibility and autonomy. These are sources of motivation for our employees.

From a national perspective, it's hard to give a general answer. However, let's take a look at Lubbock. The bus schedule there is posted within each and every bus stop. Following a recent fare increase, Lubbock actually experienced a ridership increase! While the Lubbock transit department does provide bus service at Texas Tech University, the ridership increase wasn't caused by the college students -- they ride for "free" as part of their tuition and fees. Instead, the ridership increase was generated by the greater Lubbock community as they have come to depend upon the safe, reliable transit service throughout the city and on campus!

Since safety is our top priority, accident risk is managed at all levels. But innovation requires mistakes. Most patents were preceded by dozens of mistakes. Organization learning requires a fact based review of which risks led to success and which did not.

We've tried to organize McDT much like a law firm or an accounting or engineering practice. We advocate responsibility and autonomy. We encourage management and operational experience and opportunities. We provide our employees with many opportunities to learn and grow and we give senior management the authority to make key decisions at the local level. Such an organizational structure fosters continuous learning and encourages ongoing employee contributions.

We try to cultivate people who show promise. Our operational and management contracts vary from municipality to municipality, so we try to ensure the right people are in the right place to excel. Our senior managers are given a great deal of responsibility from the start and our managers are being groomed for top management. In fact, two of our managers have earned the honor of METRO Magazine's 2010 list of 40 people under 40 to watch.

We also encourage a variety of training tools and methods, including professional designations, continuing education and tuition reimbursement. We also encourage our managers to accept speaking engagements at various transit industry trade association events. Although we're not an overly academic group, we do have a handful of employees who have written books. We also have a former APTA chairman within our firm!

McDT's business is now 51 percent owned by RATPDev America and 49 percent owned by our employees. Employee ownership occurs through the McDT Employee Stock Ownership Plan ("ESOP"), a benefit plan that enables ownership of the firm's "stock." Our ESOP presently has more 1,000 shareholders.

I think this is the best job in North America. It's public service and private sector free enterprise! At the end of the day, I can always ride a bus and see why we're in the business. In early April

2011, I had the opportunity to attend meetings in Massachusetts, London and Paris -- and witness their transit systems first hand. Here in the U.S., we almost have to apologize for transit as though it isn't as good as riding in a car. In Europe, people effectively only take a car to drive if transit will not get there. This is the way American cities need to grow to ensure sustainability. Having safe, clean and friendly public transit should be part of the picture. Although public transit is only one of the legs of the mobility stool, so is developing sustainable communities in a smart way.

I don't want to sound like I'm bragging, but we only run about two advertisements each year to attract new employees. Why? Because we usually receive more applications than we have opportunities. We are very fortunate.

There's no simple communications answer for a 3,300-person matter. We publish a newsletter for our employees. We also gather our General Managers from around the country on a fairly regular basis, at least every other year. We also have monthly meetings of Board and various senior management groups -- with frequent messages generated from those meetings as a result.

MV TRANSPORTATION



Kevin Klika

Title

City, State

PALM TRAN



Chuck Cohen

Title

City, State



Intermodal Staging Area

They opened an intermodal staging area in the central part of the transit area in downtown. There is a commuter rail, called Tri Rail and it runs from northern Palm Beach to Miami which is somewhere around 80-90 miles. We have seven stations in Palm Beach County that we serve with buses. We built the intermodal next to our station and it has room for 18 buses plus the West Palm Beach trolley. And people can transfer from the train to buses, from 5:30 in the morning until 9-10 at night. That was a great team exercise, working with the state, county, city government and has proved to be very successful.

Improvements to Paratransit

The paratransit service is a contracted out service but our staff does reservations and some of the other work. In the past, it did not interact with fixed route well. Everyone has done a great job in improving the transportation and reducing cost. Today we are doing 3000 trips a day using 170 vehicles, with a ratio of 1.7 passengers per hour. Seven years ago, it was 270 vehicles and 1 passenger per hour. So we are carrying more passengers today with \$2 million less and we also have the fewest complaints. Paratransit is more efficient by 40 percent. Also, on time performance is over 90 percent.

PIERCE TRANSIT



Lynne Griffith

Title

City, State



ROCHESTER GENESSE REGIONAL TRANSPORTATION AUTHORITY



Mark Aesch

Title

City, State

SAN ANTONIO VIA

[Missing Logo]

Keith Parker

Title

San Antonio, Texas

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TEXOMA AREA PARATRANSIT SYSTEM



Brad Underwood

Title

City, State

[Missing Photo]

TRANSIT AUTHORITY OF RIVER CITY

[Missing Logo]

J. Barry Barker

Title

City, State

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CONCLUSION

On some positions, Cowardice asks the question, "Is it safe?" Expediency asks the question, "Is it politic?" And Vanity comes along and asks the question, "Is it popular?" But Conscience asks the question, "Is it right?" And there comes a time when one must take a position that is neither safe, nor politic, nor popular, but he must do it because Conscience tells him it is right. Our lives begin to end the day we become silent about things that matter."³

The bottom line is that leading through economic downturn is not a magical event. We may sometime like to think so when our efforts work and receive praises. But in all seriousness, all the ideas that we have shared with you today are strategies that others have tried and worked for them. The solutions are around us and they are just waiting for us to discover them.

³ William Morley Punshon