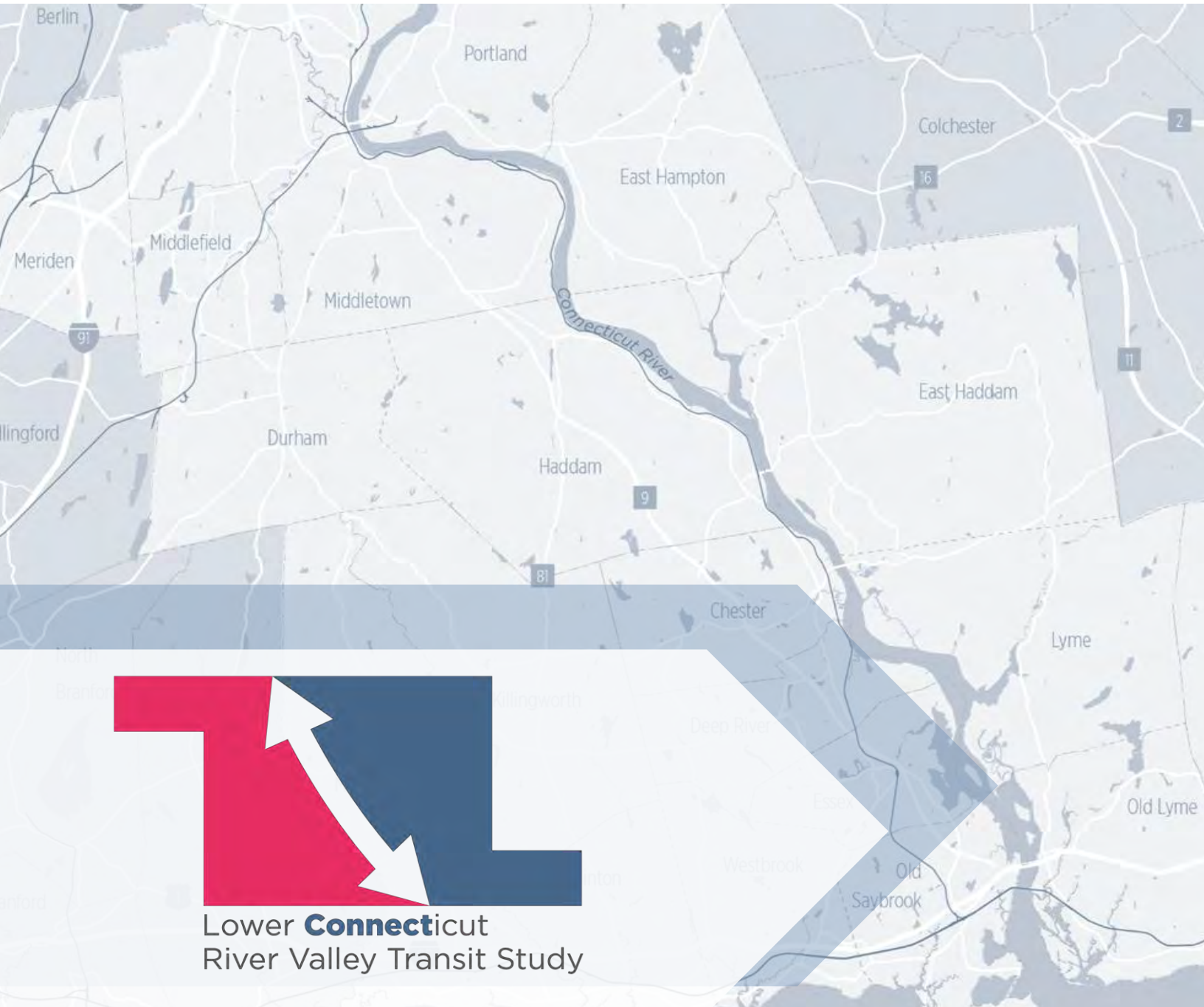


Lower Connecticut River Valley Transit Study

Executive Summary

June 12, 2020



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Purpose & Goals of the Study

The Lower Connecticut River Valley (LCRV) Council of Governments (RiverCOG) coordinates land use and transportation planning for a 17-community region in south central Connecticut. Much of the region is served by one of two local public transit districts: Middletown Transit District (MTD) operating in the northern part of the region around Middletown; and, Estuary Transit District (ETD) serving a broader area to the south and making connections along the CT shoreline between Madison, Old Saybrook and New London.

Although MTD and ETD are the legal names of these transit districts, MTD operates as Middletown Area Transit (or MAT) and ETD operates as 9 Town Transit. This nomenclature is used interchangeably throughout this report, with “MTD” and “ETD” used when discussing governance and “MAT” and “9 Town” used when discussing service- related issues.

Many communities in this region have expressed interest in enhancing the efficiency, attractiveness, and usefulness of public transit service to better meet the needs of local residents, workers, and visitors. At the same time, both districts are in need of investment to effectively deliver these services. To meet these objectives, RiverCOG, in cooperation with the Connecticut Department of Transportation (CTDOT) and the two transit districts, has completed this Lower Connecticut River Valley (LCRV) Transit Study.

Goals established to guide the study include:

1. **Improve Regional Transportation:** Evaluate opportunities in administration, operations, and policy-making to ensure improved regional transportation for Estuary Transit District and Middletown Transit District.
2. **Achieve Efficiencies in Service Delivery:** Consider a shared structure and locations of assets and facilities to provide future transit services in the Lower CT River Valley region.
3. **Implement Recommended Actions:** Develop recommendations for subsequent planning and integration steps.

Background

The two transit districts are similar in size and the scope of their operations. As shown in Figure 1 | Snapshot Comparison of MTD and ETD Transit Districts, they have operating budgets in the range of \$2.5 million, have similar sized fleets and each deliver about 50,000 annual hours of transit service.

9 Town Transit operates five fixed routes, on-demand Dial-a-Ride and XtraMile services, and complementary ADA services. Middletown Area Transit (MAT) operates seven fixed routes, Dial-A-Ride for seniors and complementary ADA services.

Figure 1 | Snapshot Comparison of MTD and ETD Transit Districts

	MTD	ETD
FY2020 Operating Budget	\$2.5 M	\$2.5 M
Employees (FTEs)	28	25
Annual Hours of Revenue Service	48,000	54,000
Revenue Vehicle Fleet Size	20	18

As relatively small transit districts, both entities have faced and overcome financial challenges, with MTD still working to secure long-term financial sustainability.

ETD experienced financial challenges beginning around 2007. Rising expenses were not managed in line with available local and State revenues. At that time, member municipalities increased their oversight by appointing First Selectmen to the Board and bringing on contracted management to oversee operations. These efforts allowed ETD to recover financially to the point where new services and an expanded fleet are now in place. The district was in strong financial position at the end of FY2019.

MTD was faced with financial challenges, near bankruptcy, and imminent financial shutdown in 2017. This situation was also largely a result of local expenses not being adequately reined in following cuts in State subsidy levels. The MTD Board brought on new management, expanded its membership and has made significant progress towards financial sustainability; the district had positive cash flow in FY2019, but also an outstanding liability to the State that has yet to be addressed.

The concept for this study emerged from a desire to ensure long-term financial stability for both districts. As small entities, both are inherently vulnerable to small shifts in expenses or revenues and must be vigilant about maintaining financial reserves to be prepared for unforeseen events. This study was envisioned to meet two critical objectives: finding ways to more efficiently provide better transit services to the public, *and* to build more resilient transit districts.

The Need for Investment

There is a demonstrated need for investment to ensure the long-term sustainability of transit services in the Lower Connecticut River Valley.

Financial stability is of critical importance. Despite recent audits showing MTD and ETD having positive cash flow on an annual basis and near-term stability, both agencies have experienced financial challenges and, as small agencies, must remain vigilant to maintain reserves and achieve long term financial resiliency. A particular concern is that MTD has a roughly \$900,000 liability owed to the State.

Small staff sizes impact operational effectiveness. It is challenging to attract talent and properly staff a small, specialized operation. These challenges include employee retention, the need for technical capacity to keep up with changing technologies and growing federal regulations, and pressures for key employees to take tasks outside their areas of responsibility.

Both districts are in need of new or retrofitted facilities. MTD is in need of functional upgrades at their North Main Street maintenance facility, including a statewide mandate to incorporate new battery-electric buses into their fleet by 2030. 9 Town has been expanding their fleet and services yet operates out of a leased facility that does not adequately accommodate its needs. Neither district has facilities that position them for future growth.

New efficiencies may provide opportunities to improve service. The two districts are close neighbors within the region but, as separate entities, have redundant staff and assets. Building an Operations & Maintenance facility for ETD would further exacerbate these redundancies. Integration should be explored for the potential to redirect redundant resources to expand staff capabilities and to reduce overall capital needs by sharing the revenue fleet, equipment, and computer technologies.

The Potential for Regional Service Delivery

Recognizing the need for investment and the fact that the systems operate in close proximity (with services meeting in Middletown), the CTDOT sees an opportunity to consider some level of regional integration. With limited resources and significant levels of investment required at transit districts across the State, CTDOT has a vested interest in exploring regional cooperation where appropriate and practical.

Regional cooperation between local transit districts has been occurring in other parts of the State. Northwest CT Transit in Torrington is coordinating with CT*transit*'s Waterbury division (operated by North East Transportation) to provide vehicle maintenance. In northeast CT, the concept of collaboration came up several years ago as Windham Regional Transit District (WRTD) was having financial challenges. WRTD and UConn's Husky Go service in Storrs are now working to consolidate management, operations, and maintenance under the auspices of WRTD.

The State further recognizes that the individual districts have a right to remain independent and compete for funding for needed upgrades and enhancements. This report compares a number of strategies for meeting MTD and ETD needs as either independent districts, through cooperation and sharing of certain functions, or as one integrated agency.

Investment Scenarios Considered

Four alternative investment scenarios were evaluated. Each incorporates a different strategy for governance and construction of needed facilities (see Figure 2 | Investment Scenarios Considered).

The anticipated costs, benefits and impacts of each of these scenarios was then assessed. Operating costs were projected and compared to FY2020 budget levels. Required levels of capital investment, above and beyond those currently planned, were estimated. The assessment also considered a range of more qualitative factors, benefits and impacts affecting agency operations.

Figure 2 | Investment Scenarios Considered

Scenario	Governance Strategy	Facility Alternative
1	Independent Districts	Facility Alternative 1 <ul style="list-style-type: none"> Expanded MTD Operations & Maintenance Facility New ETD Operations & Maintenance Facility along Shoreline
2	Independent Districts with Shared Functions	Facility Alternative 2 <ul style="list-style-type: none"> Expanded MTD Operations & Maintenance Facility New Shared Vehicle Maintenance Facility in Middletown New ETD Operations Facility along Shoreline
3	Regional Service Delivery	Facility Alternative 3 <ul style="list-style-type: none"> Expanded Operations & Maintenance Facility in Middletown New Shared Vehicle Maintenance Facility in Middletown New Shoreline Operations Facility
4		Facility Alternative 4 <ul style="list-style-type: none"> Operations, Maintenance & Storage Facility in Middletown

Recommendation

It is recommended that MTD and ETD merge as one integrated district to achieve a more efficient and sustainable approach to delivering transit services across the Lower Connecticut River Valley region.

This approach was one of four potential investment options identified by the LCRV Transit Study Steering Committee. It would involve:

1. The acceptance of member municipalities from one district into the other
2. The transition of staff and negotiated transition of contracts, assets, and liabilities into the accepting district
3. Construction of two new facilities:
 - a. A shared Operations & Maintenance facility in Middletown
 - b. A second Operations Facility in Westbrook to support Shoreline area services (including fueling, storage and local transportation staff)

The Operations & Maintenance center would serve as the district's primary headquarters and would include an expanded vehicle maintenance facility to serve the larger, merged fleet. Transit serving the northern part of the LCRV region would be operated out of the Middletown facility. Shoreline area transit services would operate out of a Shoreline area facility, currently proposed for Westbrook.

This approach was found to present the most cost-efficient and practical strategy for the delivery of regional transit services and would require:

- An estimated \$29.0 million capital investment for facility construction, including \$800,000 to initiate site surveys, environmental review, and preliminary design.
- An additional \$1.6 million for other capital needs (engineering services, new equipment, technology upgrades, rebranding, etc.) to support consolidation
- Annual ongoing costs of about \$6.2 million (in FY2020 equivalent \$)
- An immediate \$465,000 to fund near term studies and efforts in support of board decision-making related to the merger (e.g. real estate market review, fare policy study, legal support, etc.)

When compared to the baseline scenario which maintains independent transit districts, this approach represents an estimated 12% savings over the baseline facility costs and an 8% savings over annual operating expenses.

There would be no job losses or layoffs anticipated from integration. In fact, it is recommended that the new larger district expand its overall technical capacity by creating several new management, maintenance, and administrative positions.

Service levels would also not be directly affected by this proposed merger. Although no service improvements are proposed at this time, combining forces as an integrated district will achieve efficiencies that a combined Board may wish to redirect into service improvements. An accompanying *Evaluation and Recommendation of LCRV Transit Service Improvements Report* (released separately from this report in spring 2020) identifies priority actions to enhance transit service across the region.

Implementation Plan

A two-year timeline is proposed to complete this merger, with an additional two years to bring new facilities on line.

This plan will move forward at the discretion of the two existing transit district boards, and with the support of CTDOT. Suggested actions to facilitate decision-making, advance implementation and design new facilities are shown in Figure 3 | Anticipated Timeline of Implementation Actions & Other Key Milestones. Key first steps include drafting a letter of agreement between the districts and CTDOT to outline the overall intent, responsibilities, and conditional steps required for a merger, formalizing the sharing of contracted management, advancing site acquisition and initiating facility design. Joint board meetings, or meetings of an appointed subcommittee, could then be initiated to finalize details.

It is recommended that MTD member municipalities, and possibly other municipalities, join ETD. With fewer municipal actions required, this approach would present the most direct path for a merger. Additionally, the ETD Board has a longer track record of financial stewardship and is well positioned to take the lead.

Figure 3 | Anticipated Timeline of Implementation Actions & Other Key Milestones

		Governance	Facilities	Management/Employee Relations
2020	Summer	<ul style="list-style-type: none"> Letter of Intent/Agreement: CTDOT-MTD-ETD Request DOT to resolve outstanding MTD debt Request DOT funding (facilities + other studies) 	<ul style="list-style-type: none"> Middletown Site Negotiations Shoreline Site Negotiations (Site Review if needed) Issue RFP for Design Services 	<ul style="list-style-type: none"> Letter to staff (notice of multi-year transition, etc.) Formalize shared Management Formalize shared Finance Director
	Fall	<ul style="list-style-type: none"> Joint Board subcommittee appointed (being to negotiate budgets, assets, bylaws, municipal contributions) 	<ul style="list-style-type: none"> Kickoff Facility Design Confirm Facility Programs Complete Land Acquisition 	<ul style="list-style-type: none"> Hire HR Director Hire Maintenance Director
2021	Winter	<ul style="list-style-type: none"> Joint FY21 Audit Statement 	<ul style="list-style-type: none"> Facility Program & Site Master Plan Charrettes 	<ul style="list-style-type: none"> Begin sharing of technology/other functions Implement joint work rules
	Spring	<ul style="list-style-type: none"> Conduct needed studies (e.g. fringe benefits, etc.) 	<ul style="list-style-type: none"> Site Plans / Preliminary Facility Concepts 	
	Summer	<ul style="list-style-type: none"> Invite new municipal members (Portland, Madison, East Haddam, East Hampton, etc.) to join in July 2022 RFP for Rebranding/PR/Marketing effort 	<ul style="list-style-type: none"> 30% Facility Design/NEPA 	<ul style="list-style-type: none"> Move MTD support staff to ETD payroll All admin staff moved to Middletown
	Fall	<ul style="list-style-type: none"> Middletown City Council votes to join ETD in July 2022 Town Meeting votes in Durham and Middlefield Request FTA Approval to Transfer Assets ETD Votes to Accept New Towns as of July 2022 Boards vote on future bylaws and member dues Kickoff Rebranding/PR study 	<ul style="list-style-type: none"> 60% Facility Design 	<ul style="list-style-type: none"> Hire Grants/Procurement Specialist and make Administrative Assistant full time
2022	Winter	<ul style="list-style-type: none"> Joint board meeting on FY2023 budget Start Public Relations/Marketing campaign 		
	Summer	Begin Operations as One District		
	Fall	<ul style="list-style-type: none"> Rebrand website, schedules, vehicles, etc. 	<ul style="list-style-type: none"> 90% Facility Design IFB Construction 	<ul style="list-style-type: none"> Teamsters contract negotiations
2023	Winter	<ul style="list-style-type: none"> MTD Board votes to disband Middletown Transit District 	<ul style="list-style-type: none"> Start Facility Construction 	
2024	Winter		<ul style="list-style-type: none"> Shoreline Facility Opens 	<ul style="list-style-type: none"> Fill remaining staff positions
	Summer		<ul style="list-style-type: none"> Middletown Maintenance Facility Opens 	
	Fall		<ul style="list-style-type: none"> Middletown Storage Retrofits Complete 	