



NASSAU COUNTY LEGISLATURE

1550 FRANKLIN AVENUE, ROOM 126

MINEOLA, NEW YORK 11501

(516) 571-6292

Inter-Departmental Memo

To: Hon. Peter J. Schmitt, Presiding Officer
Hon. Diane Yatauro, Minority Leader
All Members of the Nassau County Legislature

From: ^{SA} Steven Antonio
Office of Legislative Budget Review

Date: November 29, 2011

Re: Clerk Items 584-11

Attached is a copy of the Fiscal Impact Statement for Clerk Item 584-11 which will be considered at the Special meeting on December 5, 2011. Also, attached is a memo regarding the contract with Veolia Transportation (clerk item) 587-11.

584-11: A Local Law in relation to the management and operations of a Nassau County fixed route Transit and Paratransit Bus System.



**THE NASSAU COUNTY LEGISLATURE
OFFICE OF LEGISLATIVE BUDGET REVIEW
FISCAL IMPACT STATEMENT**

TITLE: A Local Law in relation to the management and operation of a Nassau County fixed route transit and paratransit bus system.

SUMMARY OF LEGISLATION:

The proposed legislation will allow the County Executive to enter into an agreement with a private company to operate the County's fixed route and paratransit bus systems.

The local law also establishes the Nassau County Bus Transit Committee. This committee will review and approve annual plans, budgets, fare changes and route modifications. The Committee shall consist of 5 members appointed by the County Executive. The Presiding Officer of the County Legislature shall recommend one person for appointment to the Committee. The Minority Leader of the County Legislature shall recommend one person for appointment to the Committee. All committee members shall complete, at a minimum, four hours of training each year to effectively carry out their duties. The committee members may receive a per diem compensation from the County, to be determined by the County Executive, for each day spent in the performance of their duties and shall be reimbursed by the County for their reasonably necessary expenses actually incurred related to their duties.

EFFECTIVE DATE:

This proposed legislation would take effect immediately upon passage.

FISCAL IMPACT:

See the attached memo for an analysis of the proposed contract with Veolia Transportation.

ECONOMIC IMPACT: Nassau County's bus system is an integral part of the County's economy. It transports 100,000 people per day on average. This transportation enables individuals to get to work, shop, make doctor's appointment, etc. Any significant reduction in service which inhibited individuals from getting to where they need to go would negatively impact the economy as well as County sales tax collections.

ESTIMATE PREPARED BY: Deirdre Calley, Assistant Director

DATE PREPARED: November 29, 2011



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To: Hon. Peter J. Schmitt, Presiding Officer
Hon. Diane Yatauro, Minority Leader
All Members of the Nassau County Legislature

SA
From: Steven J. Antonio
Legislative Budget Review

Date: November 28, 2011

Re: Long Island Bus/Veolia Memo

The Administration is seeking legislative approval for an agreement with Veolia Transportation to form a public-private partnership under which Veolia will take over operation of LI Bus commencing January 1, 2012. This memo seeks to provide a description of Nassau's current relationship with Long Island Bus in terms of funding, financial position and operations as well as the envisioned relationship between Nassau County and Veolia as detailed in the agreement.

Current Relationship with Long Island Bus

Since 1973, MTA Long Island Bus, LI Bus, (also known by its formal name, Metropolitan Suburban Bus Authority or MSBA) has provided bus service on behalf of Nassau County under a lease and operating agreement. That agreement called for MTA Long Island Bus to be responsible for the management of the bus system, with Nassau County owning all of the assets and providing funding for the operations.

Historically, Nassau County has provided Long Island Bus with two operating subsidy payments, the Metropolitan Suburban Bus Authority subsidy payment and a para-transit subsidy payment. The MSBA payment was used to support fixed-route operations while the para-transit payment was used to fund para-transit operations.

Nassau County has also bonded capital funds which were used as matching shares so that LI Bus was eligible to receive Federal Transit Administration, FTA, grants. To be eligible for an FTA grant, the State and Local municipality must each contribute 10% of the project cost. The Federal Government will then supply 80%.

LI Bus is dependent on these as well as the MTA and New York State subsidy payments. From 2008 to 2010 subsidy and grant payments have on average represented 65.8% of all revenues collected. Table 1 details LI Bus's revenue collections from 2008 to 2010

Table 1

Long Island Bus Revenue Collections 2008 to 2010			
Operating Revenues	2010	2009	2008
Farebox Revenues	43,817,736	42,013,926	42,380,550
Contract Revenues	2,078,498	931,424	1,166,533
Advertising and Sundry	1,078,632	1,878,436	1,387,292
Total Revenues	46,974,866	44,823,786	44,934,375
Operating Subsidies & Grants	2010	2009	2008
State of New York	52,113,292	54,472,572	57,746,045
Nassau County	9,067,380	10,500,000	10,500,000
MTA	21,500,000	16,383,237	14,000,000
Capital and Operating Grants	5,734,375	6,013,260	4,613,960
Total Subsidies and Grants	88,415,047	87,369,069	86,860,005
Total Revenues	135,389,913	132,192,855	131,794,380

Source: LI Bus Audited Financial Statements

In 2011 Nassau's two subsidy payments to LI Bus were budgeted to remain constant at 2010's actual level. However, the actual subsidy payments made to LI Bus were reduced by \$4.5 million. The State Senate came up with an \$8.6 million bailout for LI Bus. This last minute subsidy enabled the MTA to continue to operate LI Bus through the end of 2011.¹ In the proposed 2012 budget both subsidy payments were reduced by 72.0%. Veolia will have to operate with \$6.5 million less in County subsidy payments. Table 2 itemizes these budget allocations.

Table 2

Budgeted Long Island Bus Subsidy Payments				
	FY 11 Budget	FY 11 Actual	Adopted FY 12	% Change Budget to Budget
Metropolitan Suburban Bus Authority	\$6,887,563	\$3,443,782	\$1,930,100	-72.0%
Para-Transit Subsidy	2,179,817	1,089,908	609,500	-72.0%
Total LI Bus Subsidy Payments	\$9,067,380	\$4,533,690	\$2,539,600	-72.0%

¹ "A Temporary Reprieve for Nassau Bus Riders", *The New York Times*, April 6, 2011.

Since the MTA will no longer be running the bus system, Veolia will not receive the MTA subsidy payment which averaged \$17.3 million from 2008 to 2010. During the first quarter of 2011, the MTA stated that unless Nassau County was able to pay the cost of the 2011 MTA subsidy, \$26 million, they were going to have to reduce service. The MTA had planned to eliminate 25 of the 48 bus routes. The service cuts were expected to save \$12.2 million a year and service would have remained intact for 85% of riders.²

Hence, when Veolia takes over the bus system on January 1, 2012, all else being equal, it will collect roughly \$23.8 million less than its predecessor (\$17.3 million from MTA and \$6.5 million from County).

LI Bus accounts for its operating revenues on three lines, farebox, contract and advertising and sundry revenues. From 2008 to 2010 these revenues have constituted 34.2% on average of total revenues.

Farebox revenues are the revenues collected from customer ticket purchases. Currently, LI Bus uses the MTA metrocard system. The price of a one way fare from a vending machine is \$2.50 per ride. Frequent riders who purchase unlimited metrocards pay less per ride, since they receive a discount for buying more than one ticket. Table 3 details the multi-trip tickets available as well as the average cost per ride. Since the MTA owns the Metrocard system, Veolia will have to sign a separate agreement with the MTA so that riders may continue to utilize the Metrocard system.

Table 3

Available Multi-Trip Tickets			
# of Rides	Name	Cost	Avg. Cost Per Ride
Occasional	\$10 Pay-Per-Ride	\$10	\$2.10
14 -20 per week	7-Day Unlimited	\$29	\$2.07 or \$1.45
50 - 60 per month	30-Day Unlimited	\$104	\$2.08 or \$1.73
Source: www.MTA.info			

LI Bus ran deficits from 2008 to 2010 since its total expenses outweighed its total revenues. Table 4 details the 2008 to 2010 annual expenses for LI Bus.

² Castillo, Alfonso, "MTA Plans to Cut Most of LI Bus Routes", *Newsday*, March 2, 2011.

Table 4

Long Island Bus Expenditures 2008 to 2010				
Operating Expenses	2010	2009	2008	Avg. % of total
Salaries and wages	72,171,221	73,223,891	70,147,852	50.2%
Pensions	7,076,795	4,149,111	5,207,220	3.8%
Health and welfare	10,153,402	10,569,398	11,213,802	7.4%
Other Emp. Bene.	14,084,120	12,150,803	12,363,287	9.0%
Other Post Emp. Bene.	10,900,000	10,086,842	11,857,324	7.6%
Materials and Supplies	7,825,654	7,765,926	9,124,487	5.8%
Fuel and Power	8,723,324	6,597,229	10,045,603	5.9%
Public liability claims	6,745,485	1,591,531	4,821,479	3.0%
Professional Fees	1,972,375	1,788,959	1,809,854	1.3%
Utilities and Commun.	3,424,923	3,341,316	3,450,348	2.4%
Maintenance Serv.	2,699,984	3,062,423	2,943,007	2.0%
Operating Serv.	2,083,541	1,991,372	1,659,260	1.3%
Other Expenses - net	237,718	354,008	514,411	0.3%
Total Expenses	148,098,542	136,672,809	145,157,934	

Source: LI Bus Audited Financial Statements

Salaries and wages are the largest expense category. From 2008 to 2010 on average they represented 50.2% of all expenses. Other Employee Benefits, Other Post Employment Benefits and Health and Welfare costs are the only other expense categories to exceed 6.0% on average.

Operations

Currently LI Bus operates 48 routes which carry more than 100,000 riders a day throughout Nassau County, western Suffolk County and eastern Queens. Table 5 details LI Bus’s annual ridership from 1997 to 2010.

Table 5

Annual LI Bus Paid Passengers (in millions)		
	Riders	%
2010	30.8	0.00%
2009	30.8	-5.66%
2008	32.6	1.71%
2007	32.1	-0.31%
2006	32.2	2.55%
2005	31.4	2.61%
2004	30.6	0.66%
2003	30.4	-1.30%
2002	30.8	-0.65%
2001	31.0	2.99%
2000	30.1	2.73%
1999	29.3	3.90%
1998	28.2	5.22%
1997	26.8	

Source: MTA

Looking forward, it seems that the MTA would still be an option for the County if the contract with Veolia is not passed. MTA representatives recently stated,

“It’s not our intent to leave everyone without a bus system,” said Mitch Pally, executive director of the Long Island Builders Institute and an MTA board member. “We’re not going to do anything unless Nassau asks, but we do understand the county hasn’t finalized the contract yet; so while it is not our intent to run the bus system [past the Dec. 31 deadline], we’re prepared to do so if the county called on us.” Beyond that, Pally said the MTA board has had no further discussions about Nassau or its bus service. The MTA would require a larger subsidy than the almost \$10 million the county provides annually for the bus service.³

Adopted 2012 Budget and Multi-Year Financial Plan (MYP)

In the technical adjustments to the Adopted 2012 Budget, \$103.8 million was added to the Office of Real Estate Services contractual services expenditures. This expense line was offset by \$103.8 million in the Office’s revenues. These revenues are budgeted on five sub-object lines. Table 6 details the technical adjustments to the 2012 adopted budget lines pertaining to the contract with Veolia.

It should be noted that Table 6 reveals that in the out-years of the plan farebox revenues are budgeted to increase 1.8%, 3.4%, and 4.8%. These growth rates will be hard to achieve if routes are reduced or eliminated. To maintain ridership given a route reduction or elimination, fares would have to increase by an amount greater than the drop off in ridership. This is due to the elasticity of demand for public transportation which implies, all else equal, as the price of transportation services increase, the demand (ridership) will decline.

As per the agreement, the following guidelines govern the procedures to be followed when farebox revenues fall short of or exceed projection:

- 1- if the variance is within 5% of the annual projected revenue then Veolia is responsible for covering the shortfall or keeping the surplus.
- 2- if the variance is greater than 5% of the annual projected revenue, then the amount in excess of 5% will be shared equally or made up equally by both parties.
- 3- if the variance is greater than 10% for two consecutive quarters, then Veolia may renegotiate the financial terms. In the case of a surplus it may set up a reserve fund.

³ Callegari, John, “MTA the Backup Plan for Long Island Bus”, Long Island Business News, November 23, 2011.

Table 6

2012 Adopted Budget and MYP funding for Veolia Transportation				
Expenses	2012	2013	2014	2015
Veolia Contractual Services Payment	103,818,256	104,601,507	106,110,257	108,332,979
Revenues	2012	2013	2014	2015
R081B Bus Farebox Revenues	43,818,000	44,601,251	46,110,001	48,332,723
R081C Bus Advertising Revenues	1,000,000	1,000,000	1,000,000	1,000,000
R081D Non Operating Revenues	600,256	600,256	600,256	600,256
R0928 Federal Aid	6,000,000	6,000,000	6,000,000	6,000,000
R1032 State Aid	52,400,000	52,400,000	52,400,000	52,400,000
Total County Revenues	103,818,256	104,601,507	106,110,257	108,332,979

Adding the \$2.5 million in mass transportation subsidy funding detailed in Table 2 to the \$103.8 million in estimated 2012 bus revenue collections detailed in Table 6 yields estimated annual bus revenues of \$106.3 million. That is \$2.5 million greater than the \$103.8 million of contractual expense which the County owes Veolia. Table 7 details the total amount, contractual services plus subsidy payments that the County is obligated to pay Veolia from 2012 to 2015.

Table 7

County Subsidies and Payments to Veolia Included in the 2012 to 2015 MYP				
Expenses	2012	2013	2014	2015
Veolia Contractual Services Payment	103,818,256	104,601,507	106,110,257	108,332,979
Subsidies				
Metropolitan Suburban Bus Authority Subsidy	1,930,100	1,991,863	2,059,587	2,133,732
Para-Transit Subsidy	609,500	609,500	609,500	609,500
Total County Subsidy	2,539,600	2,601,363	2,669,087	2,743,232
Total County Payments to Veolia	106,357,856	107,202,870	108,779,344	111,076,211

Relationship with Veolia

As per the County’s agreement with Veolia, the new bus company will be called NICE Bus, Nassau Inter-County Express. The contract entails an initial 5-year term and includes a 5-year renewal. The initial term will start at 12:00 AM 1/1/12 and run through 11:59 PM 12/31/16. There is an optional one time five year renewal. The budget term shall start on April 1 and terminate on March 31 of the following year; therefore the State’s budget allocation should be known prior to the annual budget plan.

By April 1, 2012 Veolia will implement a route and service network adjusted to available Federal, State and County resources budgeted for the transit system. However, para-transit services shall not be adjusted downward for the first two years after the commencement date.

The new system will operate with “costs not exceeding the revenues available, as quantified by the Annual Plan and Budget ... and monitored and/or modified through the Quarterly Review process.”

Veolia will directly manage, operate and maintain the County's transit system. They may adjust routes and services when:

- 1- 80% or more of the cost of the trip requires taxpayers' subsidy.
- 2- 20% or less of the revenue vehicle is used.
- 3- during the first two quarters following the commencement date, up to **six routes** may be eliminated if such service is duplicative in that the majority of passengers on such route have access to another route within one mile.

Veolia shall follow the public hearing process prior to making any major adjustment; where a major change shall mean any increase in fare or an increase or decrease greater than 25% in the number of service hours assigned to a specific route. However, any non-major change which includes the reduction of unproductive services and temporary service changes may be carried out by Veolia alone. An unproductive service is defined as any service which generates a farebox recovery ratio (passenger revenue divided by cost of service) of less than 20% on a given route. A temporary service change is defined as one which is effective for less than six months.

Veolia shall, along with the County, establish performance standards to be reported in a performance scorecard to be updated quarterly.

Not earlier than July 1, 2012, the County may assess liquidated damages against and/or award incentives to Veolia for instances where there is a pattern and practice of Veolia's failure to comply with the standards set forth therein or where Veolia's performance materially exceeds such standards for reasons within the reasonable control of Veolia.

The transit system costs are the sole responsibility of Veolia and if they exceed the budget they shall not be carried into the next year's budget. However, they shall be taken into consideration in determining increased (or/decreased) Transit System Costs in the preparation of the subsequent Annual Plan and Budget to the extent they are likely to be recurring or indicative of higher (or lower) anticipated Transit System Costs and are mutually agreed upon in the Annual Plan and Budget process.

The County shall pay Veolia both a fixed fee and a variable fee on a monthly basis.

1-fixed fee = \$2,319,664 for the first year and will be adjusted annually. It covers the anticipated fixed costs of managing and operating the Transit System plus anticipated reasonable overhead and profit.

2-variable fee = product of applicable platform hour rate (fixed route and paratransit) times the number of platform hours operated each month. The hourly variable rates will be adjusted annually.

- 1st year \$87.12 fixed route
- 1st year \$55.81 paratransit

During the first 12 months of the contract, the variable costs are estimated to be \$104,038,192.

The County's total annual costs (fixed plus variable) are estimated below; these are said to be the maximum amount to be remitted by the County to Veolia each budget year.

i. Year 1 (1/1/2012—3/31/2013)	\$132,947,195*
ii. Year 2	\$107,202,870
iii. Year 3	\$108,779,344
iv. Year 4	\$111,076,211
v. Year 5	\$113,620,694**
vi. Option Year 6	\$116,667,863
vii. Option Year 7	\$120,120,638
viii. Option Year 8	\$123,630,328
ix. Option Year 9	\$127,249,032
x. Option Year 10	\$ 98,299,914***

\$106,357,756 divided by 12 and multiplied by 15 months
\$85,215,520.50 if reduced to 9 months (option not exercised)
\$131,066,552 divided by 12 and multiplied by 9 months

Out of these payments Veolia is expecting to make a profit. According to an internal New York State Department of Transportation guideline, Veolia can make up to 6.38% of line revenues or 22% of company equity whichever is greater as profit and still be eligible to receive State subsidy payments. The Department defines line revenues as all passenger revenues collected as a result of providing the service. Company equity is defined as assets minus liabilities. The Department of Transportation reserves the right to change this internal guideline.

A newly established Nassau County Bus Transit Committee will review and approve annual plans, budgets, fare changes and route modifications. The committee shall consist of five members appointed by the County Executive. The Presiding Officer and Minority Leader of the County Legislature may each recommend one individual for appointment to the committee.

According to the agreement, upon the occurrence of a Major Event, changes to service, routes and/or fares shall be immediately reviewed and implemented. A Major Event includes any 13(c) claim (see fiscal impact section), any material changes in the funding identified in the Annual Plan and Budget beyond the control of Veolia or the County, and other labor related issues that meet the materiality requirements detailed below.

Upon the occurrence of a Major Event which results in a material adverse financial impact to the Annual Plan and Budget, Veolia can implement non-major changes, reductions of unproductive services, and temporary service changes. Major changes require the approval of Veolia and the Transit Committee.

Both parties have the right to terminate the agreement. The agreement states that the County may terminate the agreement for convenience or for default.

(a) The performance of the Services under the Agreement may be terminated for convenience by the County at its sole discretion upon ninety (90) calendar days written notice to Veolia, or terminated upon mutual written agreement of the County and Veolia, or in accordance with any other provisions of the Agreement expressly addressing termination. Any such termination will be accomplished by delivery of a Notice of Termination to Veolia, specifying the extent to which performance of the Services under the Agreement shall be terminated and the date upon which such termination shall become effective.

Veolia may terminate the agreement for the Transit Committee's failure to approve the Annual Plan, remedy a Major Event or approve a change during a quarterly review. Veolia also has the right to terminate the contract for default.

When Veolia chooses to terminate due to the Transit Committee's failure to Approve Annual Plan, Remedy a Major Event or Approve a change during a quarterly review, the terminations shall be effective either one year after a 60 day period where Veolia and the Transit Committee try to find a settlement, one year after 45 days of notice of termination, or one year after the end of the quarter in which the Transit Committee fails to implement the recommended changes.

Veolia agrees to make employment offers to a majority of MTA LI Bus employees. Veolia recognizes TWU 252 as the collective bargaining representative of its applicable bargaining unit. Veolia when authorized by law will bargain in good faith to reach a new agreement regarding wages, benefits and other terms of employment.

It should be noted that by privatizing the bus system, the employees will no longer be covered by the Taylor Law which prohibits public employees from striking.⁴

New Initiatives

Although Veolia will have the authority to implement route and fare adjustments, they also believe that they can align their expenses with their anticipated revenues by implementing the following initiatives.

NICE Bus intends to employ fewer maintenance workers and administrative personnel than LI Bus did. They believe that more bus drivers will be required. In lowering the headcount, NICE Bus is expecting to accrue salary and fringe savings.

According to the Administration, current LI Bus drivers relieve each other at the bus depot during shift changes. NICE Bus intends to have bus drivers relieve each other in the field. This initiative is expected to generate fuel and maintenance savings.

Additional savings are expected from new approaches to purchasing fuel and commodities, improved scheduling and planned fair compensation and benefits.⁵

⁴ Rumsey, Spencer, 'Coming Soon To Long Island Bus: Higher Fares, Longer Waits, Fewer Routes?', Long Island Press, October 13, 2011.

Fiscal Impact

According to the Administration, Nassau County is only liable to NICE Bus for the \$103.8 million contractual service payment and its \$2.5 million subsidy payment. The plan is for Nassau County to act as a conduit, collecting the revenues and passing them along to NICE Bus. The adjustment mechanism for a variance in farebox revenues was detailed previously. In the event of a shortfall in either a State or Federal subsidy payment, the agreement states that the County shall have no liability beyond funds appropriated or available for this agreement.

One undetermined issue deals with section 13(c) of the Federal Transit Act:

Section 13(c) protects transit employees who may be affected by Federal transit funding. Section 13(c) requires the continuation of collective bargaining rights, and protection of transit employees' wages, working conditions, pension benefits, seniority, vacation, sick and personal leave, travel passes, and other conditions of employment. Section 13(c) also requires paid training or retraining for employees affected by Federal assistance. If a transit employee loses his or her job or is placed in a lower paying job due to Federal funding, Section 13(c) requires that the grant recipient pay a displacement or dismissal allowance to the employee for a period equal to the employee's length of service, not to exceed six years. A displacement allowance pays the difference between the current position and the one from which the employee was removed. A dismissal allowance pays an employee the full wage for the position the employee lost. Section 13(c) does not protect employees from adverse effects that are not caused, directly or indirectly, by Federal funding, such as changes in the volume and character of employment resulting from causes other than the project. The protections applicable to a specific grant are contained in the Section 13(c) arrangements. Copies of these arrangements can be obtained from the transit grant recipient or the employees' union.⁶

According to the union representing the transit workers, section 13(c) of the Federal Transit Act mandates that, once LI Bus is privatized, Nassau County would be responsible for maintaining the full salary and benefits of 810 Long Island Bus union employees for the next six years.⁷

However, others state that section 13(c) may be interpreted in other ways. For example, Charles Chieppo, a senior fellow at the Pioneer Institute, a Massachusetts think tank, said the Transit Act's Section 13(c) applies only when there is a specific connection between the acceptance of Federal funds and the decision to privatize. After reviewing Nassau's 1973 agreement, Chieppo said, "The decision to contract it out doesn't seem to have anything to do with the Federal grant."⁸

⁵ Solnik, Claude, "Mangano Rolls Out Nassau Inter-County Express", Long Island Business News, November 10, 2011.

⁶ <http://www.dol.gov/olms/regs/compliance/QandA.htm>

⁷ Brodsky, Robert and Alfonso A. Castillo, "Labor: Nassau Could Owe Bus Workers", Newsday, June 21, 2011.

⁸ Same as above.

Both parties do not believe any valid 13(c) claim will arise. If such claim does arise it would be considered a major event in which case an immediate review and change to service, routes, fares, and fees may be implemented. If those remedies do not work then Veolia shall indemnify and hold the County harmless.

According to the Administration, section 13(c) only becomes an issue for LI Bus union workers who are not given employment with NICE Bus. Additionally, if Veolia is successful in signing a collective bargaining agreement with the TWU which represents the LI Bus union employees, then section 13(c) does not come into play.

The 2010 salary, pension and health and welfare expenses of LI Bus were \$89.4 million. The issue would most likely be settled by the court system or an arbitrator. The courts or arbitrator would determine what percentage, zero to one hundred, Nassau County would be liable for.

Experiences with Veolia

As per the request of the Legislature, OLBR conducted both an Internet search and contacted Veolia references to ascertain the experiences of other municipalities which have contracted with Veolia for transportation services. Below you find a synopsis of the responses which OLBR received. As of this date, OLBR has not received responses from all references.

The results of the survey were primarily positive with some labor and legal issues.

All of the municipalities that we spoke with stated that they were satisfied with Veolia. Both Loudoun County, Virginia and San Diego, California stated that they were very satisfied. However, in Phoenix, Arizona they said that they were satisfied, but that improvements could be made. They are currently reviewing the performance benchmarks used in the liquidated damages clause.

Bus operations have been privatized in Phoenix since the 1970's. The city believes that it has both saved money and gotten a better product by continually re-bidding the contract. They received proposals from the same three companies which Nassau did, Veolia Transportation, MV Transportation and First Transit. They feel by having the private sector competing with each other, the City has benefitted.

However, one of the ways that the providers are able to underbid each other is by holding salary and fringe costs down. These cost cutting initiatives have created labor strife in some areas.

In Phoenix, Veolia has to negotiate with three separate unions. It has been successful in signing agreements with two of the three unions. However, negotiations with the third union have become contentious with both sides filing claims with the National Labor Relations Board.

Labor strife is also evident in Las Vegas, Nevada. There, negotiations between Veolia and Amalgamated Transit Union (ATU) Local 1637 have deteriorated. After several months of deadlock and stalemating, the Regional Transportation Commission commissioners have decided to split the bus system, start the process over and issue a new request for proposal (RFP), which

will be opened to additional bidders. The split bus system could possibly allow for more than one operator to manage the bus system.

In Prince George County Maryland, the bus drivers under contract with Veolia went on a surprise strike on September 13, 2010. By September 28, 2010, Veolia had brought in drivers from other areas and had 60 out of 60 buses running; some ran with limited service.⁹ According to the County's web-site, by October 22, 2010 the strike was concluded.

Additionally, in York Region, Canada, as of November 16, 2011, a labor strike between York BRT Services, a division of Veolia, Miller Transit, First Canada and the two local Amalgamated Transit Unions (ATU) was in effect. This is the region's second strike in four years. The unions are demanding 20% wage increase over three years and the private operators say that they can not meet that.¹⁰

Moreover, it should be mentioned that in OLBR's limited survey sample, no instance of a municipality having to pay out on a 13(c) claim was found. OLBR did not survey or receive a response from every entity currently working with Veolia. OLBR did not survey 13(c) payments made by the competitors of Veolia.

Additionally, in some of the areas surveyed, fares have gone up while routes have been reduced. However, the entities surveyed said that Veolia was not responsible for these trends since, the government makes the determination on fares and routes. Veolia just gets paid on a per mile basis. They attributed the route reductions to the economy. In areas like Loudoun County, Virginia, where the economy is experiencing strong growth, ridership, routes and fare have all grown in tandem.

cc: Hon. George Maragos, Nassau County Comptroller
Frank Moroney, Nassau County Chief Deputy Comptroller
Jeff Nogid, Director, OMB
Evan Cohen, Executive Director, NIFA
David Gugerty, Policy Director
Dan McCloy, Director of Law, Finance & Operations
Tim Sullivan, Deputy County Executive
Gregory May, Director of Legislative Affairs
William Muller, Clerk of the Legislature
Edgar Campbell, Minority Chief of Staff

⁹ Jamieson, Dave, "Prince George's Bus Strike, Day 16: Stoppage Continues but Service is Restored", [TBD.com](#), September 28, 2010.

¹⁰ Kalinowski, Tess, "Commuters Stew as York Transit Strike Drags On", [TheStar.com](#), November 16, 2011.