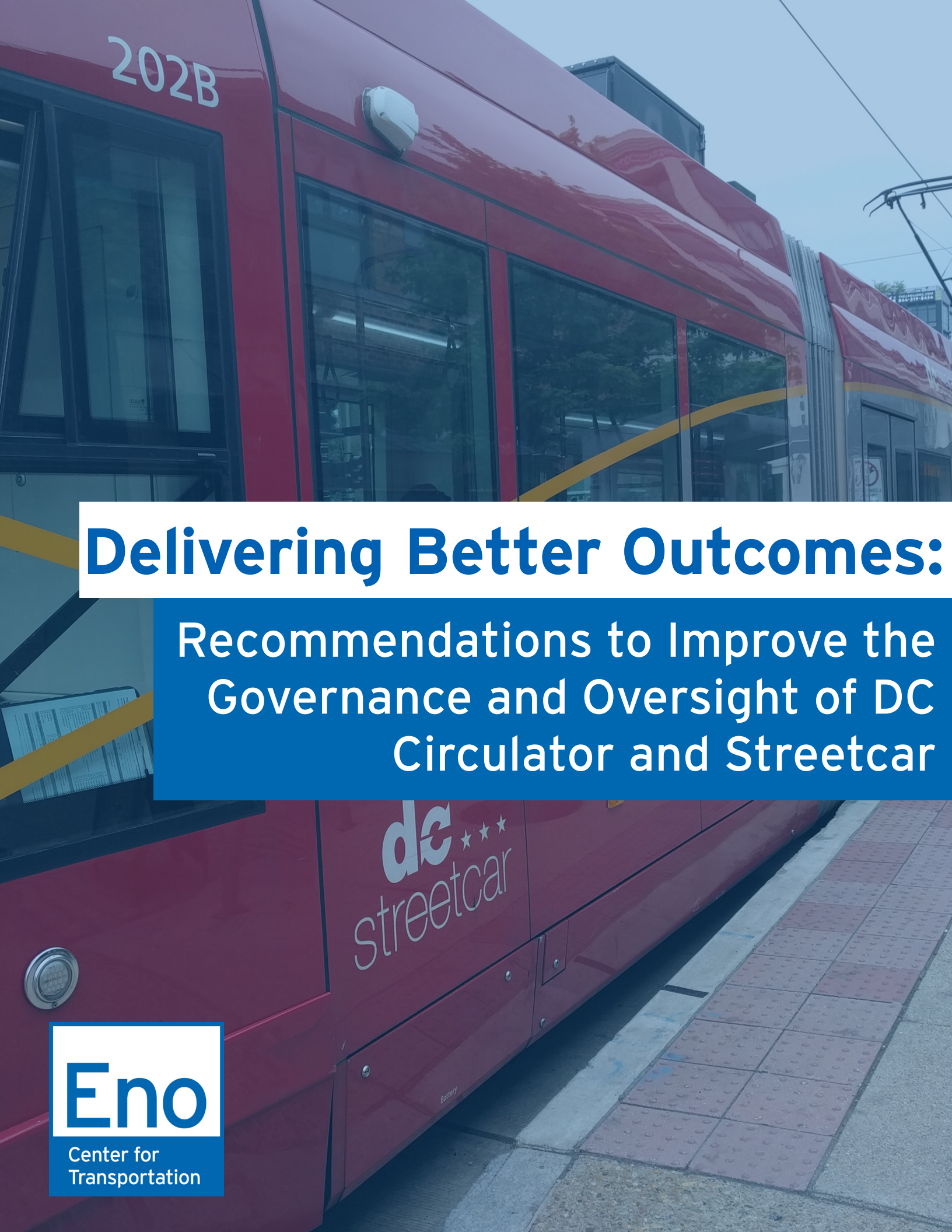

Delivering Better Outcomes:

Recommendations to Improve the Governance and Oversight of DC Circulator and Streetcar

Eno
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About the Eno Center for Transportation

The Eno Center for Transportation is an independent, nonpartisan think tank whose vision is for an American transportation system that fosters economic vitality and improves the quality of life for all. The mission of Eno is to cultivate a creative and innovative workforce and to impact emerging issues for the nation's multi-modal transportation system.

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Executive Summary

The District of Columbia contributes to the regional transportation network by providing two public transit systems in the city. The DC Circulator consists of six fixed-route bus lines throughout the city, and the DC Streetcar is one single rail line running along the H Street corridor in Northeast DC. The District government, through the District Department of Transportation (DDOT), manages two separate contracts with one private company to operate these services.[1] While this management structure is established for the tenure of the contracts, District leaders want it proactively reviewed to improve or overhaul it in the future.

Much is at stake. Reforming the governance can alter who is making long term capital and service planning decisions for Circulator and Streetcar. Bus drivers and mechanics currently work for a private company, but change could mean them becoming District government employees. Different governance models provide varying incentives and tools for the District to get the best service for its riders.

This analysis takes an independent approach to evaluate alternative management structures and operational models for Circulator and Streetcar, including understanding how to improve the current model for potential future procurements. Analyzing the implications of transit governance and service delivery models involved in-depth conversations with stakeholders, experts, and those with knowledge of the regional system. The Eno Center for Transportation used its existing knowledge of transit governance, reviewed previous research, and interviewed government officials, rider groups, business leaders, private transit operators, bus drivers and maintenance workers, and labor and community organizers.

This report reviewed four feasible options for the District government. Ultimately any governance option is viable, but the analysis shows that a continuation of the current model with proper oversight will best serve the District moving forward. Beyond that, we make four other recommendations that are necessary for the model to work: legislating labor protections, following international best practices for contracting, investing in an adequate bus maintenance facility, and determining the future of the District's transit networks. These can help improve Circulator and Streetcar regardless of which governance structure is chosen.

1. Introduction

Public transportation in the District of Columbia is at a crossroads. Like many across the country, the region's transit systems face overall ridership declines.[2] Such challenges represent an inflection point for agencies and cities in which their role in the future of mobility is yet to be determined. The District is not alone in its quest to rethink transit: the Washington Metropolitan Area Transit Authority (WMATA)—the greater Washington DC region's public transportation provider of rail, bus, and paratransit services—recently began a major analysis of its bus system's business model, with the goal of developing a long-term strategic plan for that service.[3]

The Council of the District of Columbia (DC Council) and the District Department of Transportation (DDOT) are considering the long-term future of the city's own transportation services: the DC Circulator and the DC Streetcar. Both services are fairly new (Circulator service began in 2005 and Streetcar service began in 2016) but face many of the same challenges as other longstanding public transportation providers. DDOT operates these two services alongside – and in some cases, in direct competition with – WMATA's rail and bus services.

Shifting visions over time regarding the geographical reach of these services have further challenged Circulator and Streetcar. The Circulator was originally conceived in part as a means to test streetcar routes, to refresh the image of the bus, and to fill a gap in downtown DC transit options.[4] Service began as two routes – connecting Union Station to Georgetown from east to west and connecting the Convention Center to the Southwest Waterfront from north to south – but as it gained popularity, political pressure mounted for service to be extended to neighborhoods throughout the city. This system expansion challenged Circulator's ability to provide the originally proposed level of service frequency, and DDOT has also had difficulty securing sufficient facilities to store and maintain its buses.[5] The Streetcar has experienced different challenges: what was originally conceived of as a 37-mile system throughout the city is today just a single 2.2-mile line. It opened after a series of delays and construction and budget challenges limited the original vision's scope.[6]

Amidst the challenges associated with redefining urban mobility and changing visions of Circulator's and Streetcar's service, there are also shifting visions of how they are governed. Today, maintenance and operations for both Circulator and Streetcar are contracted out to private companies and not run by staff directly employed by the District.

Labor leaders and community groups believe that the current system of operation and oversight compromises the safety and effectiveness of the service and creates workplace injustices for employees.7 Proponents of having the services directly operated by DDOT claim that contracting out maintenance and operations has failed to deliver driver and

rider safety, system reliability, and promised cost savings.8 They argue that direct operations can lead to improved oversight, better working conditions, and service that is more accountable to the riding public.9 And poor performance of the contracted model, particularly with respect to safety, under the initial contractor, First Transit, indicated that continuing this model will not yield good outcomes.

Members of the DC Council have expressed interest in creating a city transit authority that oversees all of the District's transportation services, including Circulator, Streetcar, and Capital Bikeshare. Others point to difficulties associated with directly operated transit services, including staffing needs and the transfer of liabilities for crashes, injuries, and property damage to the District.[10]

Finding an appropriate governance structure has direct impacts on the daily lives of the system's operators and riders. As the District grapples with the same challenges facing transportation systems nationwide, it must also determine how to govern and oversee services in a way that meets the needs of workers, riders, and taxpayers while providing safe and reliable services.

This report takes a comprehensive approach to reviewing the transit governance options available to the District. It assesses the historical and current governance of Circulator and Streetcar. It highlights the problems and opportunities that these services face, outlines best practices for governance and contracting, and examines several options for District leaders to consider. From these options, we recommend one governance structure that is likely to result in the most effective outcome for the District. But several improvements in related areas are needed, as recommended at the end of this paper.

A quantitative financial analysis of the governance options is outside the scope of the report. Even if it were, such studies provide little guidance when evaluating governance models.[11] The potential for cost savings are relatively minor when compared to the District's $14.6 billion annual budget or DDOT's $140 million budget. More important is how the District envisions the future of its transit services, who exactly is going to oversee those decisions, and how involved the city wants to be in the day-to-day management of the operations. Effective protections for workers, system quality oversight, and measuring performance are necessary for any effective governance models.

2. Methodology

To understand the history of the District's public transportation services, Eno evaluated contracts, collective bargaining agreements, relevant studies, white papers, and guidance from national organizations like the Transportation Research Board, the American Public

Transportation Association, and the Federal Transit Administration. Eno conducted numerous in-depth interviews with regional stakeholders, national experts, and those with knowledge of the local system including representatives from the following:

- DC Council
- DDOT leaders and management
- Private-based transit operators
- Public-based transit operators
- Labor unions
- Rider groups
- Industry experts
- Transit advocates
- Bus operators and maintenance workers

These conversations were held without attribution in order for interviewees to be candid with their thoughts and perspectives. Through these, common threads and ideas emerged, and this report captures their sentiment even if the insight does not have a direct source referenced.

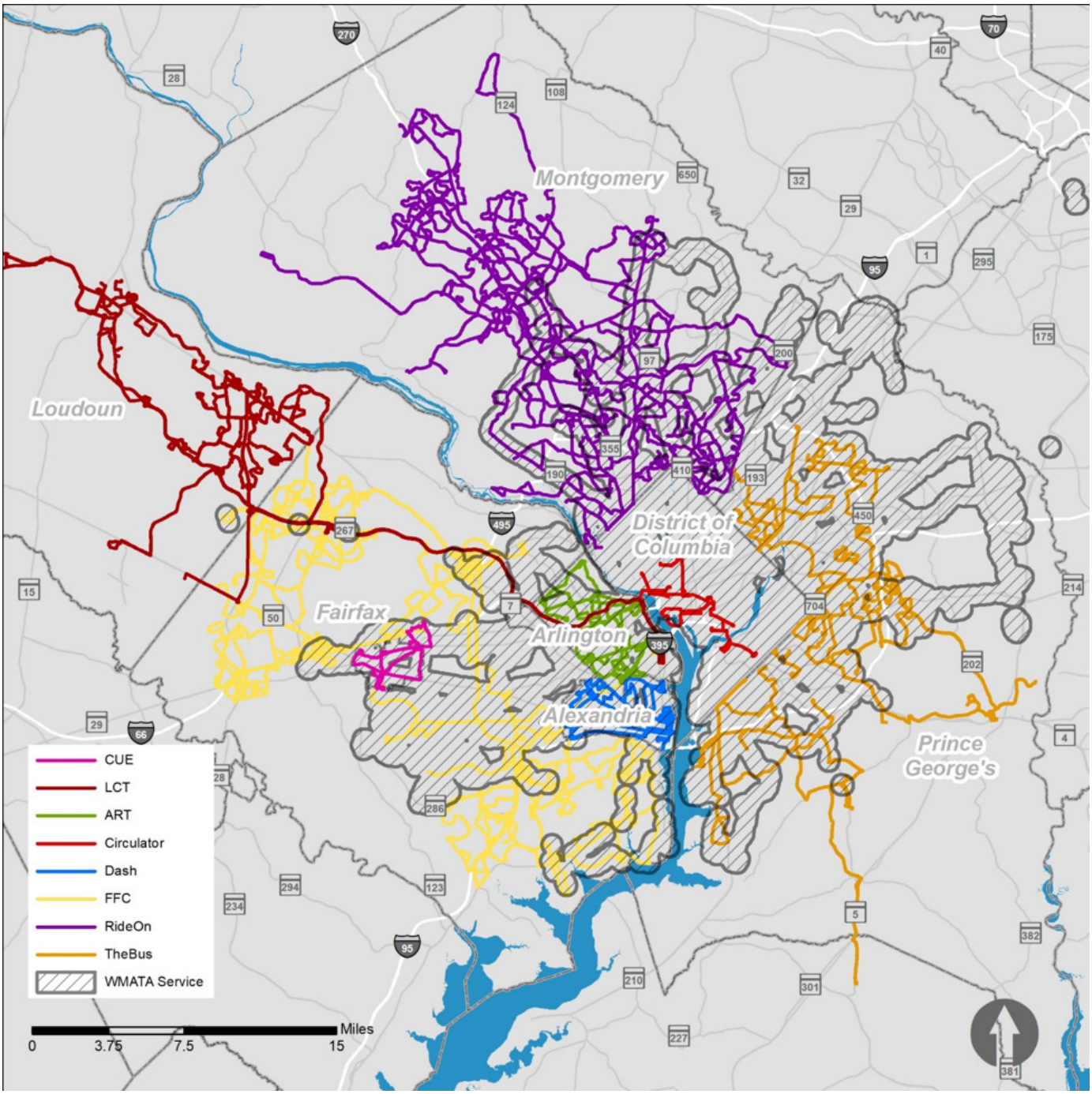
3. Overview of Transit Service in Washington, DC

The greater Washington region is comprised of numerous public transportation jurisdictions that exist alongside WMATA's regional bus, rail, and paratransit services (Figure 1). There are currently nine providers across the region, including WMATA, Loudoun County Transit, Prince George's County's The Bus, Fairfax County's Connector, Montgomery County's Ride On, Arlington Transit (ART), Alexandria's Driving Alexandria Safely Home (DASH), the city of Fairfax's City-University-Energysaver (CUE), along with DC Circulator and Streetcar.

WMATA was founded in 1967, with rail (Metrorail) and bus (Metrobus) services operating throughout the region by the late 1970s. At the time of its creation, the goal of WMATA was to build, regulate, and provide coordinated regional public transportation services.[12]

The various jurisdictions have since run their own public transportation (primarily bus) independently, and with a variety of governance models (See Table 1). The different governance structures reflect variance in agencies' decisions about who should operate and maintain transit services on a day-to-day basis, and who should oversee that services are being run in a way that achieves the jurisdiction's policy goals.

Figure 1: Metropolitan Washington's Major Bus Transit Service



Source: Washington Area Bus Transformation Project, Briefing to WMATA board of directors, January 24, 2019.

Note: does not include rail or commuter bus.

Table 1: Bus and Streetcar Services in Metropolitan Washington

Service	Location	Operator	Agency	Governance Oversight	Annual Ridership (Fiscal Year 2017)	Fleet Size
Metrobus	Regionwide	**Public and Private:** WMATA, with portions operated by Transdev North America	WMATA	16-member Board of Directors	123,124,352	1,344
Ride On	Montgomery County, MD	**Public:** Montgomery County Division of Transit Services	Montgomery County Department of Transportation	County Executive and County Council	22,984,194	282
Fairfax Connector	Fairfax County, VA	**Private:** Transdev North America (effective July 1, 2019)	Fairfax County Department of Transportation	Fairfax County Board of Supervisors; 10 members elected by voters	8,631,906	221
DASH	Alexandria, VA	**Public via non-profit public service corporation:** Alexandria Transit Company	Alexandria Transit Company	Nine-member Board selected annually by the Alexandria City Council	3,949,711	64
DC Circulator	District of Columbia	**Private:** RATP Dev (since October 2018)	DDOT	Mayor and City Council; DDOT	3,904,345	72
Arlington Transit (ART)	Arlington County, VA	**Private:** National Express Transit Corporation	Arlington County Department of Environmental Services	County Manager-appointed Transit Advisory Committee; 15 members who live or work in Arlington	3,404,896	39
The Bus	Prince George's County, MD	**Private:** Transdev	Department of Public Works and Transportation: Office of Transportation	County Executive and Chief Administrative Officer	2,958,980	76
DC Streetcar	District of Columbia	**Private:** RATP Dev	DDOT	Mayor and City Council; DDOT	1,121,266	6
City-University-Energysaver (CUE) Bus	City of Fairfax, VA	**Public:** City of Fairfax	Fairfax Department of Public Works	Mayor and City Council	645,687	8

Sources: See Endnote [13]

3.1 DC Circulator: History and Overview

In a 1997 report, the National Capital Planning Commission (NCPC), a planning agency for the federal government, proposed a circulator transit system that would primarily allow National Mall tourists and downtown commuters to connect to regional Metro services.[14] A 2003 Circulator bus implementation plan prepared by the NCPC, DDOT, the Downtown Business Improvement District, and WMATA described the need for a Downtown Circulator:

> *"Washington's Metrorail and bus systems do an extraordinary job of getting residents, commuters, and visitors into downtown DC, but they are not efficient at moving them around the downtown and the Monumental Core. The Downtown Circulator can fill this void."*[15]

To enable Circulator's success, the NCPC formed an advisory non-profit partnership called DC Surface Transit, Inc (DCST) with the Downtown, Georgetown, and Golden Triangle Business Improvement Districts, the Washington Convention and Tourism Corporation, and DDOT.[16] Although the 2003 Circulator Implementation Plan proposed four routes, when the service began in July 2005, there were only two: Georgetown-to-Union Station, and the Convention Center-to-the southwest waterfront.[17] Fares were set at $1.

In early plans for the system, Circulator's routes were meant to fill transit service gaps. Circulator was also, in part, a response to what the business community saw as WMATA's outdated bus model. Circulator was branded with new red buses, following straightforward routes running on 10-minute headways with no posted schedule.

Over time, Circulator's route structure shifted. For example, the Convention Center-to-Southwest Waterfront line was eliminated in 2011 due to low ridership, while additional routes that expanded service beyond the Mall and the central business district were added, which critics say duplicate existing Metrobus routes and serve wealthier parts of the city.[18]

Circulator services were contracted out to First Transit, a private company headquartered in Cincinnati, Ohio that operates in over 300 locations.[19] First Transit was responsible for managing and operating Circulator's equipment, facilities, staffing, and maintenance.[20] Under the initial contract with WMATA, First Transit assumed responsibility of Circulator route operations, as well as procurement of its own bus maintenance and storage. First Transit was chosen for the initial contract in part because of its ability to provide a bus maintenance garage, as the District did not own any facilities when Circulator services began.

DDOT did not have the staff capacity or expertise needed to manage a transit system when Circulator was first implemented, so it provided funding to WMATA to oversee the bus procurement (WMATA bought and owned the buses on behalf of the District) and the contract to operate and maintain them.[21] The contract allowed the District to expand service, and by early 2012, Circulator was operating on five routes and carrying over 500,000 rides per month.[22]

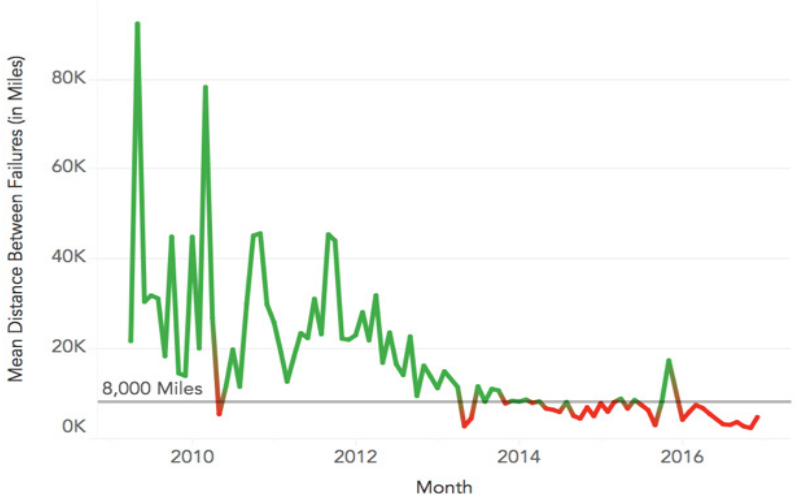
That only one route has been eliminated outright – others were discontinued and replaced by similar routes – is a testament to the early popularity of the Circulator. Today, the Circulator operates six bus routes throughout DC with one of the routes serving a stop in Rosslyn, Virginia (Figure 2).[23]

Figure 2: District Department of Transportation Circulator Bus Routes, 2019

Source: DDOT

Over time, Circulator struggled to meet some of its performance goals. In the early years of operation, the service was largely successful at coming in under the targeted number of 10 public complaints per month. More recently, however, the number has risen and the service rarely has months with fewer than 10 complaints. This trend parallels recent declines in vehicle reliability, on-time performance, and ridership.[24] (Figure 3)

Figure 3: DC Circulator Vehicle Reliability



Source: DC Circulator Data. January 2019.

Note that data beyond December 2016 were not provided at this source.

In 2015, DDOT commissioned the Transit Resource Center (TRC), an independent transit consulting firm, to conduct a vehicle safety and maintenance evaluation. The audit revealed evidence of a number of safety issues, including an average of 22 defects per bus and 2.9 Class A defects per bus, which indicate serious safety concerns that should place buses out of service until repairs are made.[25] In part, the maintenance issues plaguing Circulator were due to aging vehicles. In 2015, 29 of the 67 buses in rotation were from model years 2003 and 2004, and 20 were from model year 2009. The audit also found that buses were dirty because First Transit did not own the proper bus washing equipment, workshops and parking areas were too small, and maintenance records often lacked sufficient detail.[26] A 2017 follow-up audit indicated that while the average number of overall defects per bus fell from 22 in 2015 to just 5.6 in 2017, the number of defects on the newest buses in the fleet increased.[27]

The 2015 audit was a turning point, as this was the first public report that reflected poorly on First Transit's performance in providing safe and reliable service and WMATA's oversight of First Transit. Since then, there has been increasing recognition that the complicated governance structure—where Circulator services and buses were owned by DDOT and contract oversight and service operations were administered by WMATA—rendered it difficult for the District to properly manage the system. In 2018, DDOT decided to manage Circulator contract oversight for the first time, without WMATA involvement. DDOT Director Jeff Marootian stated that, "assuming management oversight is the next major step of continuing our efforts to deliver quality service and at the same time improve opportunities for DC Circulator personnel."[28]

In 2018, DDOT competitively rebid the Circulator operations and maintenance contract. RATP Dev USA (headquartered in Ft Worth, Texas) won the contract and began operations in October 2018. The switch to RATP Dev as the operator and to DDOT with direct responsibility over contract oversight represents an opportunity for the District to directly improve the services for which it is responsible. The 2018 RATP Dev contract established several new elements that distinguish it from the prior arrangement.

For one, the contractor is no longer responsible for securing the maintenance facility but is still responsible for keeping facilities in good repair. The District now provides operations and maintenance facilities: one at East Potomac Park, one at 2860 South Capitol Street SE, and one at 1710 17th Street NE.[29]

The new contract also includes incentives and disincentives for performance. RATP Dev is eligible to receive up to $1 million annually (evaluated quarterly, to be adjusted for inflation) for exceeding a set of performance standards, and is subject to similar monetary penalties for failing to meet the standards. DDOT performs monthly oversight of the operations reports submitted by RATP Dev, which are used in determinations of incentives and disincentives. Table 2 breaks down the incentives and disincentives outlined in the 2018 contract. Incentives are applied for instances where the contractor exceeds the performance standard, and disincentives are applied when the contractor fails to meet the performance standard.

Table 2: 2018 RATP Dev Contract Thresholds for Incentives and Disincentives

Performance Standard	Incentive Amount	Disincentive Amount
90% on-time	Additional $4,000 / month if above 95% on-time performance	Reduction of $4,000 / month if below 85% on-time performance
6,000 miles between service interruptions per revenue vehicle	Additional $1,500 / month / Revenue Vehicle meeting incentive standard if above 8,000 miles	Reduction of $3,000 / month / Revenue Vehicle meeting the disincentive standard if below 4,000 miles
Zero preventable collisions and zero moving traffic violations	Additional $1,000 / month if there are zero preventable collisions and zero moving traffic violations	Reduction of $1,000 / collision / month if there are one or more preventable collisions
0.5 customer complaints / 10,000 passengers	Additional $2,000 / month if there are fewer than 0.3 customer complaints per 10,000 passengers	Reduction of $2,000 / month if there are greater than one customer complaints per 10,000 passengers
95% of fleet preventative maintenance inspections (PMIs) performed on-time	Additional $4,000 / month if 100% of fleet PMIs are performed on-time	Reduction of $4,000 / month if 90% or fewer fleet PMIs are performed on-time
Zero "A" defects as identified in condition audits	Additional $4,000 / audit if there are zero "A" and zero "B" defects	Reduction of $4,000 / "A" defect / audit if there are one or more "A" defects
95% of required vehicle pull-out (i.e. departures from assigned facility for revenue service)	Additional $100 / day if 100% of the required vehicle pull-out is met	Reduction of $100 / day if less than 90% of the required vehicle pull-out is met

Source: District Department of Transportation, "DC Circulator Operations and Maintenance Services," DCKA-2017-C-0052, 2017.

Themes in Circulator Governance

Below are themes that are directly related to current and future considerations of governance and contracting of Circulator services.

Staffing

In the 2018 contract with RATP Dev, DDOT lists the following as key personnel positions to be filled by the contractor:

- General Manager
- Assistant General Manager of Operations
- Assistant General Manager of Maintenance
- Assistant General Manager of Safety and Training
- Assistant General Manager of Administrative Services

The following are among those listed in the 2018 contract as additional required RATP Dev staff, with DDOT providing further operational support:

- Support and managerial positions
- Street supervisors
- Dispatchers
- Vehicle operators
- Safety personnel
- Training personnel
- Maintenance personnel

A 2016 report on transferring Circulator management responsibility to DDOT evaluated the staffing needs for DDOT to effectively take over the contract management responsibilities that had previously been performed by WMATA. That study indicated that WMATA's responsibilities amounted to six full-time employees, dispersed in various Full Time Equivalent amounts across responsibilities like contract management, street monitoring, revenue collection, customer service, and maintenance auditing.[30]

In the 2016 report, DDOT pointed to challenges associated with rapidly hiring and training employees, as well as the use of specific technologies and information systems and vendor experience in a variety of environments as issues the agency does not have the capacity to manage. Additionally, these concerns would require the agency to hire additional personnel in human resources, customer service, operations and dispatch, and maintenance roles.[31]

However, additional personnel required to carry out essential tasks are only part of the staffing considerations related to Circulator, including planning, policy development, safety, grant management, and federal compliance. Treatment of the workforce also plays a critical role in governance considerations for the system.

Worker safety was a central focus of a three-year collective bargaining agreement made between the Amalgamated Transit Union (ATU) Local 1764 and First Transit in 2016. This agreement secured the rights of drivers to refuse to operate buses that have known safety deficiencies and required First Transit, the operator at the time, to fix defects before allowing buses back onto roads.[32]

In addition, Circulator drivers gained wage increases in the 2016 collective bargaining process. Before the increases, Circulator drivers' wages began at $16.56 an hour, and maximum wages topped out at $23.47 per hour. For comparison, WMATA's Metrobus, which operates on some of the same routes as Circulator, had starting wages of $19.01/hour and maximum wages of $34.33/hour in 2016. This discrepancy created a situation where drivers would train on the Circulator system and switch over to the more lucrative Metrobus system after only a couple of years, or in some cases a few months, of service.[33] The increases, which set maximum wages for Circulator drivers at $31.69/hour, came out of the DC Council budget, as First Transit indicated that it did not have the revenue to cover the wage increases.[34] According to DDOT's responses to DC Council questions in a June 2018 public roundtable, the 2018 base salary for Circulator bus operators under the Service Contract Act is $20.85 per hour.[35]

The announcement of the maintenance and operations contract switching hands to RATP Dev (which was charged with anti-union activity in 2015 for threatening Streetcar workers against joining a union) raised concerns that the new contractor may not be required to honor existing worker seniority roles and the three-year collective bargaining agreement, which expired in March 2019.[36] DDOT stated that the contract with RATP Dev includes personnel retention incentives, such as training exemptions for current operators with at least six months of experience.[37] Outside of the formal contract, RATP Dev pledged to honor the collective bargaining agreement, to preserve the existing workforce, and to allow workers to maintain their union representation.[38]

Costs

As part of the 2016 report, DDOT also explored the possibility of assuming the service management function, rather than contracting it out. The report estimated that it would cost the agency $26 million – or an additional $6 million per year over their contract with First Transit – to directly operate services.[39] The bulk of this amount ($20.5 million) was attributed to obtaining new full-time District employees, including 195 bus operators and 56 additional staff such as managers, supervisors, trainers, mechanics, and administrative personnel.

Additional costs were attributed to the procurement (but not renovation) of facilities ($1.03 million); fuel ($1.9 million); program management staff ($0.9 million); and costs associated with insurance, customer service, parts and materials, and uniforms ($1.7 million).

The report stated that contracted operations provide a number of benefits to the District, attributed to operator efficacy and efficiency, DDOT's internal capacity, and liability concerns. Cities and transit agencies across the country routinely contract transit services out to private companies and success varies dramatically.[40] DDOT's 2016 report indicated that private contractors are likely to provide lower costs per revenue hour, which is in part driven by industry competition to provide effective services at lower costs.[41] In addition, contractors take on the liability for crashes, injuries, and property damage, shifting risk away from the agency.[42]

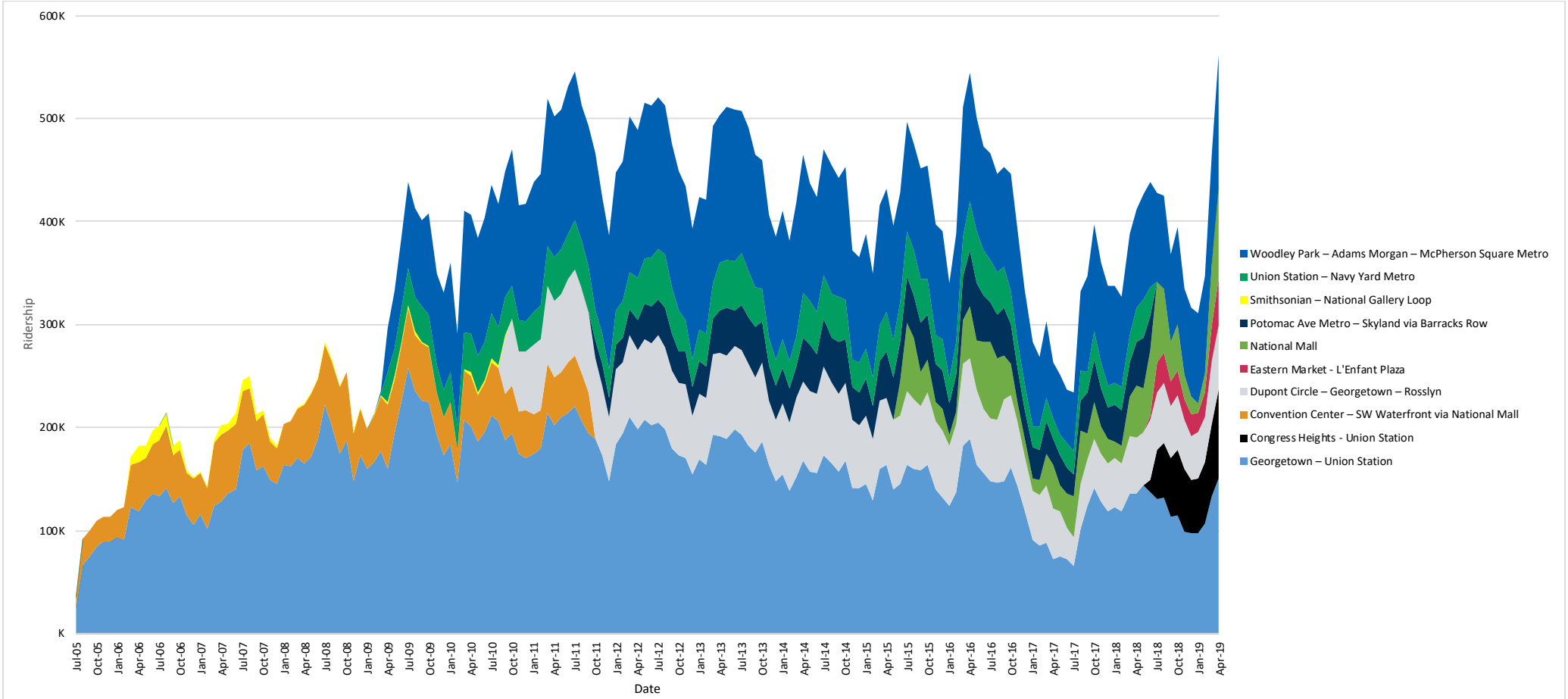
Declining Ridership

Figure 4 shows that ridership on Circulator has gradually decreased in recent years. All of the routes tend to experience ridership peaks during the summer months, with a recent spike coinciding with the introduction of free fares.[43] These declines are attributable, in part, to the decline in service quality due to poor maintenance and oversight of the previous contract.[44]

Measured as the mean distance in miles between failures, DC Circulator online data indicated that vehicle reliability has declined since 2009, with few instances of vehicles exceeding the target of 8,000 miles between failures since 2014 (note: this data has since been removed from the DC Circulator website).[45] Circulator has also struggled to meet its on-time performance goals of 80 percent of trips having headways of under 15 minutes; in recent years, the numbers have consistently fallen short of the 80 percent target. Consistent with these trends, the number of rider complaints has often risen above the target of 10 complaints per month.

But these ridership trends closely follow those of public transportation agencies across the country, and thus may reflect larger industry challenges in an era of ridehailing services, increases in personal vehicle ownership, and a lack of transit priority.[46] In her 2019 State of the District Address, Mayor Muriel Bowser announced that the District would remove all fares for Circulator, and in June 2019 Councilmember Brandon Todd introduced the DC Circulator Act of 2019 proposing to eliminate all fares and fees for Circulator and to expand access in all eight wards.[47] Making the service free is part of an attempt to boost ridership, and will cost the city approximately $3.1 million in lost annual revenue.[48]

Figure 4: DC Circulator Monthly Ridership in 100 Thousands, 2005 – 2019, By Route



Source: Data through September 2014 were obtained from DCCirculator.com. Data from October 2014 to present were obtained directly from DDOT.

While declining ridership is troublesome for revenues and cost recovery, it also brings up the question of Circulator's purpose and future. Ridership gains might come with a new operator, reduced fares, and better service through targeted bus priority investments and reliable service. Or the District could decide to pare back its routes and service levels. Either case has direct implications for the governance of the system.

Facility Procurement

Forty buses are stored at a maintenance facility near the National Arboretum leased by DDOT, and 18 are stored off-site at a National Park Service-owned facility in East Potomac Park.[49] There is an additional facility on South Capitol that houses 14 electric buses. These three facilities are insufficient to perform the necessary maintenance, as the main facility does not have a fully-functioning washing station and according to DDOT officials, there is an existing need for four additional maintenance bays between the facilities.

The 2017 Circulator Transit Development Plan pointed to "an immediate demand for a facility owned or leased by the District government."[50] To meet the need for charging facilities for its newly acquired electric buses, DDOT reconfigured a Streetcar facility on South Capitol Street to store and charge electric buses. However, this facility can only be used for the system's electric buses, and DDOT stated that the District's Department of General Services (DGS) is currently looking for properties to maintain and house the operator's administrative functions.

DDOT made a commitment to owning and operating the maintenance facilities for Circulator, with the DGS responsible for finding the site. The challenge will be to find an adequate space for a facility that can accommodate the maintenance needs of the current and future system.

Alexandria's DASH provides an example of a bus maintenance facility more suited to a fleet of comparable size to Circulator. In 2018, DASH maintained a fleet of 85 buses.[51] The DASH facility is 90,700 sq. feet with covered and heated bus storage for at least 96 vehicles, 10 bus bays, and two fueling and washing lanes.[52] By comparison, the main Circulator facility is 30,000 sq. feet with three maintenance bays and a small power washing station (see Figure 5).[53] The size disparity shows that for Circulator, it will be a challenge for any system – contracted or directly operated – to effectively perform maintenance in the existing facility.

Figure 5: Alexandria DASH and DDOT Circulator Maintenance Facilities

Source: Google Maps. Images are set to same scale.

3.2 DC Streetcar: History and Overview

Washington DC's original streetcar service ran on over 200 miles of track between 1862 and 1962.[54] Over its 100 years of service, the system faced service delivery challenges in extreme weather conditions since it was mandated by Congress to use alternatives to overhead wires (in this case, a power system that would swell in the summer and clog with snow and ice in the winter). Workers engaged in multiple strikes over wages and working conditions, and eventually, the streetcar succumbed to competition from automobiles and were replaced by buses.[55]

Discussions to develop a modern streetcar system in the District began in the 1990s with calls from the District Department of Public Works for improved cross-town transit options in the form of light-rail on H Street and Benning Roads Northeast.[56] Feasibility analyses

in the early 2000s resulted in recommendations that the District invest in combinations of streetcar, bus rapid transit, and enhanced bus services in 14 corridors throughout the District.[57] The project was intended to "identify additional connections between the existing Metrobus and Metrorail lines and between key activity centers within the District [and support] community development initiatives articulated in the District's Comprehensive Plan."[58] The entire buildout was projected to result in a 37-mile, five-line streetcar system built over three phases.

Throughout the planning and design of Streetcar, a number of obstacles delayed the original goal of a 2013 operations start and reduced its geographic reach from the anticipated 37-mile system.[59] Factors for the delay included shifting plans for Streetcar's track location (including an unfinished line in Anacostia), problems with siting the car barn maintenance facility, failure to obtain right of way permissions, and opposition from Amtrak and community associations.

A challenge of any new system is finding an appropriate place to store and repair the rail cars for the service. Unlike bus garages, which do not need to be adjacent to the service, rail facilities must connect directly, which affects the routing of the lines and limits where a maintenance facility can be. Early in the process, WMATA was involved in planning the line and there was talk of using an existing freight right of way to facilitate a quick launch of the system. Eventually the District chose to pursue placement of the facility on its current site near Kingman Island, in part because that site would receive the quickest approval. The District acquired streetcar vehicles before track construction was started, and expedited track construction to take advantage of ongoing road construction in the corridor even while design was still underway.[60]

Costs for the initial streetcar segment grew to over $200 million from a 2011 projection of $16.9 million. The car barn maintenance and storage facility also grew larger than originally planned and played a major role in raising costs, though project delays have contributed to asset procurement challenges like price increases.[61] Today, the system consists of one 2.2-mile line that runs in mixed traffic from H Street NE near Union Station toward an eastern terminus on Benning Rd NE. The next expansion of the project, for which design is ongoing, will be an additional two-miles eastward over the Anacostia River.[62]

RATP Dev, a French company that operates in 40 cities in North America, was chosen to operate and maintain the Streetcar. The contract was signed in 2012 for a five-year term and was extended for another five years in 2017. A number of challenges delayed the start of service until February 2016.[63]

Per the contract, the District is responsible for providing the vehicles, the maintenance facility, certain equipment and parts, and the infrastructure (i.e. tracks, yard, and electrification system). The contractor is responsible for the operations of the service and the maintenance of the vehicles and infrastructure. The contractor receives a base payment and then variable payment based on the number of hours of vehicle revenue service. The contractor is subject to financial penalties of $100 per day if it does not have vehicle "pull-outs" for 96 percent of the service defined in the operations plan. Other penalties can accrue for failing audits of vehicle service delivery, reporting requirements, substance abuse testing programs, subcontractor plans, uniform requirements, and customer complaints.[64]

Themes in Streetcar Governance

Below are themes that are directly related to current and future considerations of governance and contracting of Streetcar services.

Staffing

When RATP Dev began test operations, the workers were not unionized. RATP Dev was accused of workplace abuses, creating unsafe working conditions for operators, and failing to pay wages comparable to those received by WMATA drivers operating in the same right of way.[65] The Streetcar workforce voted to join WMATA's union in 2016. This vote came amidst the ATU bringing a case before the National Labor Relations Board (NLRB) about the reported firing of workers in response to their move to organize. The NLRB found the firings legal and further responded that Streetcar employees had violated a no-cellphone use policy and that two employees had damaged a streetcar for failing to follow proper procedures.[66]

In January 2018, Streetcar employees ratified their first collective bargaining agreement with the operators to attain competitive wages with their WMATA counterparts and an affordable medical insurance program.[67] Variances exist between WMATA and Streetcar operators, in part because WMATA does not operate streetcars but also because WMATA employees receive a defined benefit pension, and Streetcar operators (like other District employees) receive a defined contribution retirement plan.

RATP Dev, by contract, is obligated to hire at least 51 percent District of Columbia residents per the First Source Employment Agreement Act of 1984. While the District can impose this requirement on its contractors, the District Government itself is not permitted to hire based on residence location for its direct employees.

Per the contract, RATP Dev must submit monthly reports verifying compliance with the First Source Agreement, including information such as the number of employees needed and transferred, the number of job openings created, and the number of District residents hired for the reporting period.[68]

DC Streetcar Financing and Governance Task Force

In October 2012, DDOT created a task force to propose a long-term governance structure for the Streetcar.[69] The 14-member DC Streetcar Financing and Governance Task Force was comprised of six private sector representatives and the heads of eight DC government agencies. It was expected to produce a written report of findings and recommendations before disbanding on December 31, 2013.[70]

In documentation from 2014, the task force discussed the following as goals and priorities for structures of a long-term streetcar governing entity: emphasizing transparency, predictability, efficiency in project execution and procurement, integration of modes, and best-in-class practices.[71] To meet those ends, the task force cited independence from the political climate in order to plan, procure, and deliver service in a stable and accountable way as a critical attribute of the Streetcar's governance entity.[72]

The 2012 DDOT Request for Information (RFI) soliciting vendor proposals to deliver Streetcar services stated,

> *"In keeping with the concept of a public-private transportation initiative for this transportation project, DDOT anticipates that Project oversight responsibilities will be shared by both public and private partners with a stake in the Project. The District is considering options, including the creation of a new special purpose entity and the use of existing entities, to best achieve this goal of shared responsibilities."*[73]

The task force's overarching recommendation to insulate Streetcar from the decision-making of the District government was thus consistent with the District's thinking.

Plans for Expansion

Initial ridership projections for the initial Streetcar segment (made in the mid-2000s and assuming that passengers would be paying fares) were 1,500 riders per weekday.[74] While the District has yet to charge fares for Streetcar use, ridership has been consistently above 3,000 per weekday.[75] This still is below the average 11,500 weekday riders on WMATA's much larger X2 bus route, which parallels Streetcar, but ahead of many other WMATA bus routes.[76]

By 2025, DDOT plans to extend the current segment 1.9 miles east toward the Benning Road Metro station. As part of this extension, DDOT would procure ten new streetcars and rebuild Benning Road.[77] In a February 2019 interview, Mayor Muriel Bowser indicated she "has no plans to charge for Streetcar," though DDOT has indicated that a plan for fare collection will be finalized closer to the start of service for the extended segment.[78] Costs for the Benning Road extension are estimated at over $200 million.[79]

4. Interview Key Takeaways

During the course of this work, Eno staff interviewed dozens of stakeholders and experts throughout the region and beyond. The interviewees had diverse perspectives, thoughts, and insights into the questions about the future governance of Streetcar and Circulator services. Nevertheless, several consistent themes emerged:

The old contracting regime did not work well

Not a single interviewee suggested returning to the governance model where DDOT pays WMATA to oversee the contract. Many of the problems associated with the transit operations – poor maintenance, unreliable service – were attributed to the fact that DDOT did not have direct oversight of the contractor and their performance. Perhaps that was an appropriate governance model to start up the Circulator service in 2005 due to DDOT's lack of experience with transit system management, but it did not work well in the long run. Interviewees suggested that the current method of direct DDOT oversight of the contractors would bring more accountability.

Maintenance is a consistent concern for Circulator

Since it was launched in 2005, the Circulator has been plagued with poor maintenance. These issues were worst in 2016 and 2017 as First Transit was consistently missing runs and had a very poor track record for bus maintenance. This was costly to riders in terms of poor service, costly to the District in that the buses were not well taken care of, and costly to the workers since they had to operate buses that were not in the best condition.

Some of the blame was on poor contract oversight, as stated above. Not enough pressure was placed on First Transit to properly maintain the vehicles, and the incentives intended to encourage better maintenance were not sufficiently effective. However, the maintenance facility that First Transit acquired in 2005 was also inadequate to meet the needs of a system that the District expanded greatly over the past 14 years. According to interviewees, no other system in the region, small or large, has such small and under-developed facilities to house and maintain a fleet of buses the size of Circulator's.

Under the 2018 contract, the District has taken over leasing the bus facility (the same one that First Transit used). But interviewees consistently bemoaned the limited size of the space, and the fact that few, if any, potential new sites for bus maintenance exist within the District. Since the facility is located where there is not reliable public transit, many of the maintenance workers and drivers must use personal automobiles to commute to work, further congesting a lot with limited bus parking space. The maintenance facility will continue to plague the Circulator system regardless of the governance structure.

The Streetcar maintenance facility, on the other hand, is new, spacious, and built to accommodate a much larger network.

The workforce is concerned about parity with other drivers

Operators and maintenance workers for Circulator and Streetcar are generally paid less than their counterparts at WMATA and receive fewer healthcare and pension benefits. Not surprisingly, compensation parity is a priority for labor. The labor contract from 2016 narrowed the pay gap. Per the current Circulator labor agreement, RATP Dev pays for 80 percent of the premium cost for employees' health insurance. Employees are eligible for a 401(k) retirement benefit for which RATP Dev matches 50 percent of the employee's contribution up to three percent. This labor agreement is currently undergoing renegotiation. WMATA is the only bus operator in the region that provides a defined benefit retirement plan and covers 85 percent of the cost of an HMO healthcare plan. The District government offers all its full-time employees the same healthcare and pension plan, which covers 75 percent of a base healthcare plan and a five percent contribution to a retirement plan.[80]

District leaders indicated that making Circulator and Streetcar part of WMATA is not an option, in part because of the costs associated with an expansion of a WMATA-style defined benefit plan for retirees. Regional leaders cited the need to avoid long-term obligations that can be financially unsustainable, let alone the financial strain that WMATA is currently facing. But guaranteeing Circulator and Streetcar employees benefits similar or equal to that of DDOT employees is possible.

Costs associated with directly operated services are a minimal element of the District's budget

The current operating cost includes a fixed base price and a variable price that depends on vehicle revenue hours and incentive payments. According to an internal memo from DDOT, direct operation of Circulator services would add about $6 million to annual operating costs, although the specific number is debatable.[81] That cost includes the need to hire more DDOT expertise to run such an agency, and the costs associated with greater compensation to

operators and mechanics. Interviewees quibbled whether the $6 million estimate should be higher or lower, especially since the report is now several years old, but agree in general it would be more expensive for DDOT to assume all Circulator operations.

Six million is a large cost relative to the overall annual operating expense for Circulator, and the overall cost could grow significantly if the scope of Streetcar and bus services are expanded in the future. Building new Streetcar infrastructure could cost hundreds of millions of dollars and buying an expanded fleet and maintenance facility for buses could cost tens of millions. However, $6 million in additional operating expenses represents less than one-half of one percent of the District's $14.6 billion annual budget.[82]

A focus on the relatively minor cost savings can be a distraction without a clear long-term vision for the service and how the District wants to control it.

Transparency for Circulator and Streetcar performance is lacking

This report used DC Circulator's website data showing ridership, vehicle reliability, customer complaints, and other useful evaluation information up until 2017. The data had not been updated, and the platform has since been taken down and was no longer accessible by June 2019. Eno was able to obtain Circulator ridership data from DDOT, and DDOT also provided a copy of the April 2019 monthly performance report from RATP Dev, showing 3,154 miles between bus failures; far fewer than the 6,000 target in the contract. But the monthly report did not include all the data required in the contract, indicating DDOT has not been able to apply full scrutiny to the contractor. This was only one month of the more than nine that RATP Dev has been operating, so it is possible that the information in the April report was an anomaly, but without full public transparency it is difficult to discern.

The future of Circulator and Streetcar is uncertain

While the topic of this analysis and the questions in the interviews revolved around contracting and the governance structure for Circulator and Streetcar, each interview pivoted to a related conversation about the long-term goals and purposes of the services. Before deciding on how to deliver the services, an important discussion about their future is needed.

Circulator was originally conceived as a way to provide tourist and business routes for some underserved parts of the District. It has since grown into a robust network of six routes and is grappling with many of the same issues facing transit agencies around the country. Some of the interviewees suggested that Circulator should be dissolved and turned back into a WMATA service, particularly for those routes that parallel existing ones. Others suggested changing Circulator into a flexible microtransit system or one that uses autonomous shuttles.[83]

At the same time, the region is currently engaged in a broad discussion about the future of bus in the region that includes an effort to redefine locally and regionally operated services.[84] This may ultimately change Circulator's network, workforce, and responsibility.

Streetcar's future is also in question. Originally conceived as a start to a District-wide network, the current system suffers for a lack of dedicated right of way, and although ridership is higher than projected, that is due in large part to its lack of fares. The system opened years after the infrastructure was completed because of poor planning and implementation. Some interviewees suggested that the right course might be to eventually close the network and reinvest in the bus routes that currently share the same roadway. Others suggested spending the hundreds of millions of dollars to expand the system, while some felt this is politically infeasible.

For both cases, the DC Council needs to have a clear vision and purpose for Circulator and Streetcar. Their governance is a means to an end, not the end itself, and knowing the size and scale of the eventual system will be important to selecting a management or contracting method to serve the District in the years to come.

5. Governance Options for Streetcar and Circulator

This report lays out several possible options for the future governance of Circulator or Streetcar. Eno has extensively reviewed governance and contract oversight for public transit across the United States and beyond.[85] The following key insights are based on this previous work as well as the research and interviews for this analysis, and are relevant to the discussion about Circulator and Streetcar today:

Governments should prioritize the public interest

Discussions about transit governance need to be squarely focused on ways to provide high-quality, affordable, equitable and safe transportation to their citizens. Leaders should not elevate the interest of the transportation department or a private contract operator above that of the riders, taxpayers, or workers. Local labor protections can ensure fair pay and treatment of drivers and mechanics regardless of whether the workers are government employees or working for a contractor. Governments should invest in expertise that can oversee private contractors or their own staff. If they contract out to a private provider, the terms should be designed to expand, rather than constrain, government's ability to advance the public interest.

Contracting should not be done only to save money

Too often discussions about governance and contracting comes down to what would be the most affordable. Governments certainly have a responsibility to taxpayers to keep costs under control, but practice shows that if cost savings are the primary goal, the resulting transit service will be sub-par. For example, contracted bus services in London during the 1990s prioritized lowest cost, which resulted in poor bus services.[86] A revamp of the contracting system in the 2000s prioritized bus reliability, which greatly increased the costs but resulted in one of the best performing bus networks in the world. Government should outline its goals for its service, such as specified reliability, headways, ridership, and safety and put into place a structure that maximizes those goals.

Contracting should be done with clear agreements that align the profit motive with agency goals

Governments that contract for transit service must set performance standards for private contractors to meet their articulated public goals. These goals can be related to service reliability, ridership, cleanliness, safety, and treatment of the workforce, for example, and be tied to both financial penalties and bonuses for missing or exceeding targets. Many contracts set out service standards and penalties, but few reward good performance. Others lack the oversight and management to make sure that the contractor is correctly penalized or compensated for its measured performance.

Contracting should have strong and effective oversight from the public agency

Under a contracted model, public agencies retain responsibility for ensuring the contractor meets its requirements. This includes transparency, both procedurally and with respect to financial and performance reporting. The agency must balance between working collaboratively with the contractor to address problems while also exercising strong oversight to ensure that the promised services are delivered and the contractor is not in violation of safety protocols.

Consolidation typically provides policy and service benefits

Many regions suffer from fragmentation of transit systems and the metropolitan Washington is no different. DC Circulator and Streetcar are two services that operate within a system that overlaps with WMATA, along with many other county and city-based operators outside of the District. The resulting system is confusing for passengers, with each having its own routes, maps, fares, and schedules. For example, while WMATA charges $2 per bus ride, the Streetcar is free and the decision to make Circulator rides

permanently free is pending before the DC Council. While they are coordinated with a smart card payment system (SmarTrip), regions with fewer agencies tend to have more coherent systems for their riders.

Board representation is critical

The board is the governing body that oversees the public transit services and while not involved in the day-to-day management of operations, it provides policy guidance and oversight of the transit management staff and operators. When developing governing boards, regions should ensure that they reflect the geographic and demographic distribution of the transit system's users and the board is dynamic enough to change over time as the region's transit needs change. Governing boards should not be overly political in nature and emphasize providing quality service to existing and future riders.

In 2011, the Transportation Research Board reviewed governance models for transit agencies across the United States and defined five typologies that broadly covered different agencies (see Table 3). The report does not claim that one model works better than another, and it recognizes that each can be adapted in an "infinite number of ways."[87]

Table 3: Governance Models for Transit Authorities

Governance Model	Regional Example
State Transit Agency	Maryland Transit Administration
General Purpose Transit Authority or District	None in Maryland, DC, or Virginia, but national examples include the transit agencies in Pittsburgh and Cleveland
Special Purpose Regional Transit Authority or District	WMATA
Municipal Transit Agency	Arlington Transit, District DOT
Joint Exercise of Powers or Joint Powers Authority	Virginia Railways Express (Northern Virginia and Potomac and Rappahannock Transportation Commissions)

Adapted from Transportation Cooperative Research Program Project J-11, "Regional Organizational Models for Public Transportation," January 2011.

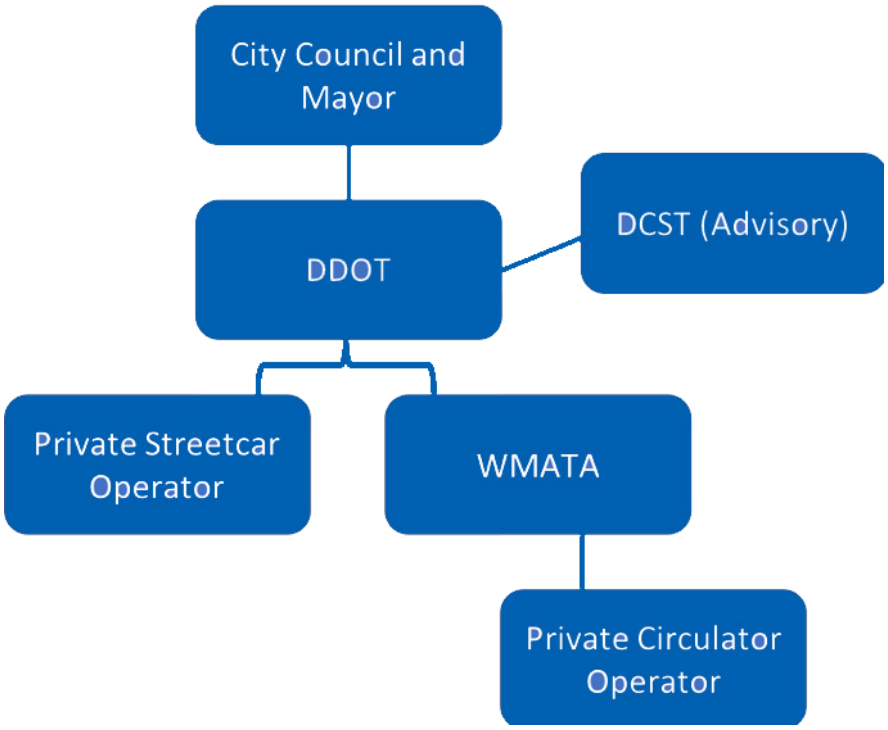
In the context of Circulator and Streetcar services, which generally do not cross jurisdictional boundaries and there is no distinct city and state government, a broad municipal governance model is the only realistic option for both services.

However, within that range, the District can decide whether the services should remain part of DDOT with direct council and mayoral oversight or create a separate transit agency with an independent governing board.

In terms of service delivery, riders can have quality and safe transit with either DDOT workers or contractors.[88] Examples from around the world show that workers can enjoy fair pay and benefits regardless of whether they are directly employed by the government or by contractors. And in perspective with the broader District budget, changes to the governance structure will have relatively minor effects on the cost of the transit services. But achieving better outcomes will require stronger oversight and transparency from the District.

Figure 6 shows how the Circulator and Streetcar systems were governed prior to the 2018 reorganization. This model of contracted operations with delegated oversight to WMATA was arranged for Circulator because DDOT lacked the in-house expertise at that time. Circulator duplicated WMATA routes in some cases, and WMATA had little incentive to push the contractors to meet their obligations.

Figure 6: Pre-2018 Governance of Circulator and Streetcar



The results of this structure were poor, and none of the interviewees suggested that DDOT return to this model. However, four other options for the District are outlined below including the trade-offs of each.

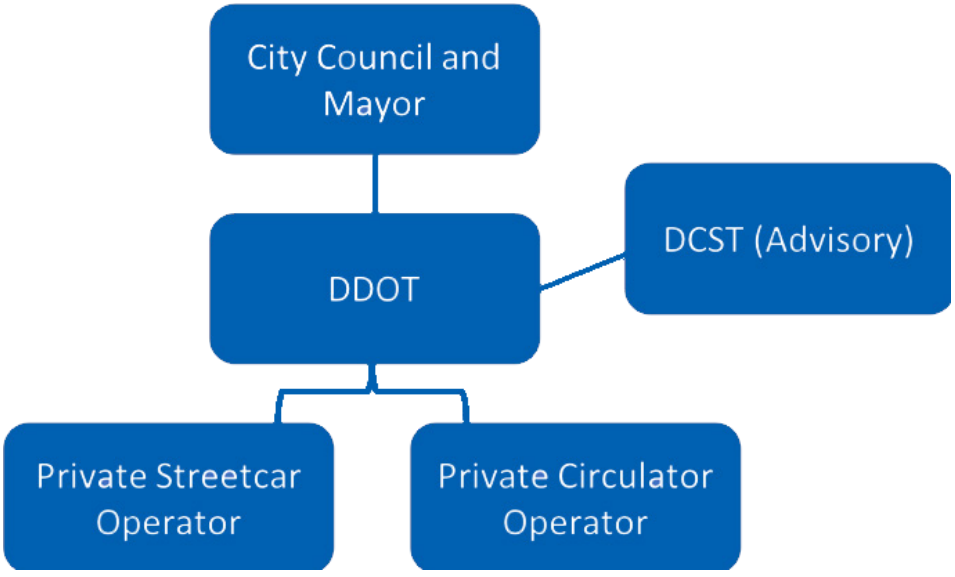
Option 1: DDOT Oversight, Contracted operations

The current model for Circulator and Streetcar uses private contractors for operations and maintenance. As of fall 2018, DDOT staff directly oversee the contractors. Interviewees expected to see better results from the prior model in terms of service reliability, maintenance, and safety with DDOT more directly involved. The contracts for Circulator and Streetcar are separate five-year agreements that do not have coinciding end dates. Although RATP Dev currently has both contracts, they have two separate general managers and some duplicative tasks due to the nature of the two different contracts.

One option for the future is for DDOT to continue this structure, while combining the contracts into a single agreement. This arrangement keeps the liability and operational risk with the private company and allows DDOT to institute its policy goals through the procurement and contract management process. For example, the contract could stipulate a certain level of employment from District residents (the District government cannot do this itself) or it could reward the contractor for service that exceeds standards, perhaps stipulating that a portion of the bonus go to drivers and mechanics. However, combining the contracts could potentially limit competition because not all contractors have experience running and managing both a bus and streetcar system.

The District would avoid the task of setting up a new agency (see Option 2) for the transit services, which might not be necessary if they do not intend to expand the scope and extent of the Streetcar and Circulator services. However, if the District expects to greatly expand the size and scope of the system, a governance structure that reports to a more formal board might be a better option (see Option 3).

Figure 7: DDOT Oversight, Contracted Operations



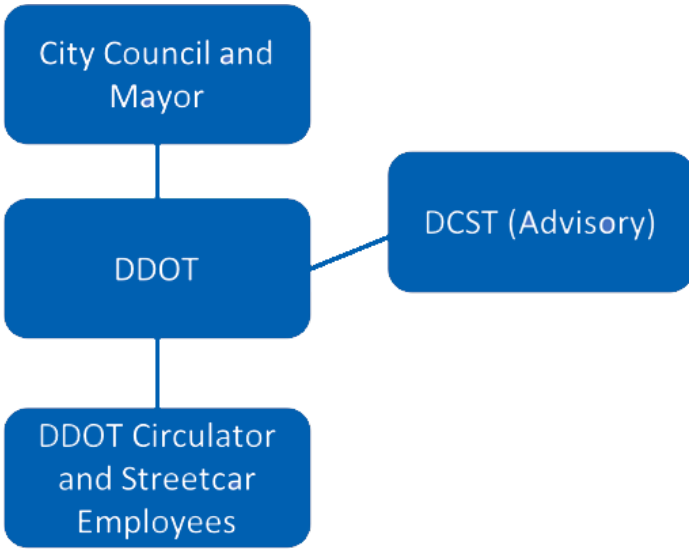
Option 2: DDOT Oversight, Direct Operations

Another option is for the District to retain the current governance arrangement, but to onboard workers and hire bus drivers and mechanics as DDOT employees. This would involve hiring management staff at DDOT to run the day-to-day operations, creating a driver and mechanic training program, and expanding the size of the DDOT workforce. Doing so would likely increase the cost of Circulator and Streetcar services and would require significant internal work at DDOT, but it is not unreasonable both in terms of budget and effort.

The question is what this structure would provide in terms of gains for the riders and the workforce. For riders, poor performance of the previous Circulator operator indicates that direct operations could boost quality. But some of the previous problems stemmed from a maintenance facility that was too small which has still not been expanded. Comparable statistics from WMATA and Circulator show that both missed vehicle reliability targets, failing to reach at least 8,000 average miles between bus failures (based on the most currently available statistics).[89] Also, by giving up a financial contract, the District would lose a powerful incentive to keep the current contractor accountable to good performance and would likely find it more challenging to hold internal management accountable for maintaining high performance standards.

For workers, becoming DDOT employees would allow them the same healthcare and defined contribution retirement plan as other DDOT employees. However, it would not give them a WMATA-style pension, nor would it guarantee greater wage parity with WMATA operators.

Figure 8: DDOT Oversight, Direct Operations

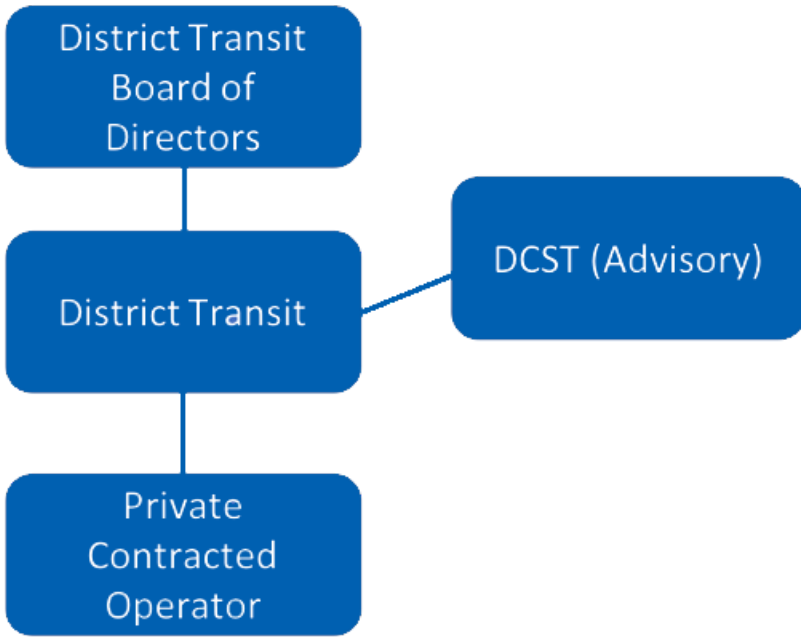


Option 3: New Public Authority Oversight, Contracted Operations

The District could choose to create an entirely new agency that would oversee Circulator and Streetcar operations. The new organization (herein called District Transit) would report to a new board of directors separate from the Mayor's office and city council, but members would be appointed by the city council. This board would oversee the long-term planning and policy for public transit provided by the District and would have several public staff that are responsible for managing the contract for the private operator(s) for Streetcar and Circulator. The contracts for Streetcar and Circulator could be separate or combined. In this way, District Transit could be set up similar to other agencies in the region as a publicly-chartered non-profit organization.

This model provides a level of distance between the District government, the policy setting, and direction of the service. This can be advantageous for the District government, as it frees time at city council meetings and enables decisions to be less political. It also inhibits direct involvement of the Mayor and Council members in setting routes, fares, and other planning decisions. However, separating the transit functions from DDOT might make it more difficult to coordinate on transit delivery and street design, particularly as the District considers creating exclusive bus lanes in the city. The contracted nature of the operations allows for more flexibility to scale the services up or down, depending on the policy direction of the board.

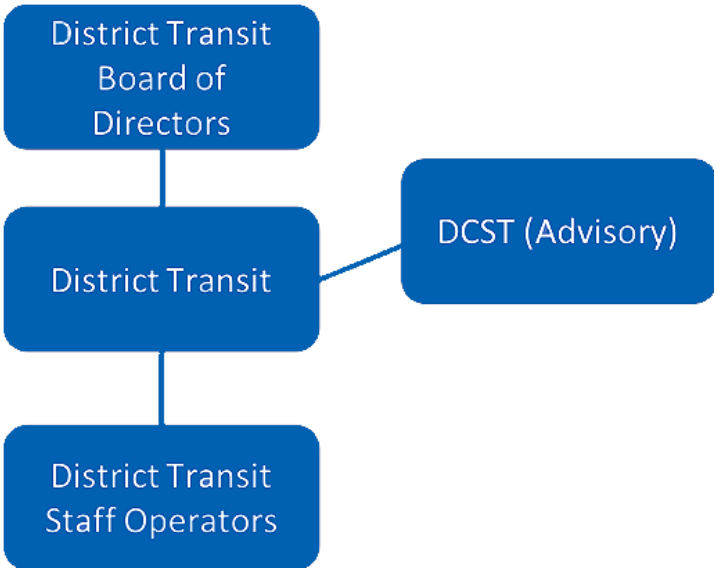
Figure 9: New Public Authority Oversight, Contracted Operations



Option 4: New Public Authority Oversight, Direct Operations

District Transit could also be established as a public authority to oversee the planning and policy for transit. But instead of hiring a private contractor for operations and maintenance, in this model it would hire, employ, and train its own internal staff for all transit related activities. While riders might not be able to tell the difference, the agency would take on all the hiring, risks, and liabilities, and be responsible for ensuring that the system is well run without the ability to penalize or reward a contractor directly.

Figure 10: Option 4: New Public Authority Oversight, Direct Operations



6. Governance Recommendation and Other Agency Considerations

The goal of public transit is to provide quality transportation to riders that is affordable to taxpayers and fair to the workforce that makes it happen. How governments provide that service varies greatly across the country and even within regions. For governance and oversight of public transit services, regions across the country have their own unique structures that are embedded in history, geography, and politics. No "one-size-fits-all" solution exists. However, when considering alternative governance and contracting models, the District can follow best practices that ensure that their system and the oversight have the best interests of the public in mind.

Any of the four options above are viable models for the District, and none represent a "bad choice." However, when making a decision, the following six factors will need to be considered by DDOT as it selects the most appropriate governance structure for its transit services:

1. Administration set up – *How much effort would it take to establish a given governance structure?*

Factors like arranging healthcare and benefits, hiring additional staff, and coordinating with other government agencies or departments contribute to the upfront efforts associated with establishing or changing a governance structure and operational model. Maintaining the current structure is the most straightforward, while directly operating services or creating a new public agency would require substantial effort from the District. None of the options represent an impossible burden for the District, nor should this factor be the most important part of the decision making process.

2. Costs – *What would be the operating costs associated with providing services?*

While the exact number is debatable, Option 1 provides the lowest cost option for the District, and direct operations or setting up a new agency would both require additional expenditures for the city. Cost is an important factor but should not be the most important.

3. Performance incentives – *How can good outcomes for the riders be incentivized?*

Examples of well-run and poorly-run bus and streetcar operations exist for both contracted and directly operated services. But governments that contract for transit service can set performance standards for private contractors to meet their articulated public goals. These goals can be related to service reliability, ridership, cleanliness, safety, and treatment of the workforce, for example, and can be tied to both financial penalties and bonuses for missing or exceeding targets. While in-house labor has a different set of incentives, these are harder for the governing board to enforce on management. The ability for an agency to have strong levers to pull to demand quality service is an important factor when determining the best governance structure.

4. Agency redundancy – *To what extent do transit services provided within the District government work cohesively across departments?*

Buses and streetcars operate on District-owned streets and coordinate with other District-run services. Especially with a push for more dedicated bus lanes and expanded streetcar tracks, different parts of DDOT will have to work closely together to make those improvements happen. A transit agency that is distinct and separated from other agencies may find it more difficult to coordinate, while one that is embedded within DDOT will make it easier. This factor will be important to consider given the plans for capital improvements that will directly affect Circulator and Streetcar services.

5. Decision-making independence – *How are the broader objectives of the region met in a way that is free of political interference?*

Current decision making for Streetcar and Circulator are made jointly with the Council, the Mayor, and DDOT staff. The establishment of a new agency and independent board of directors can allow decisions to have a more technocratic approach to make decisions, set policy decisions, and conduct planning. Given the current point of inflection for both Streetcar and Circulator indicated by interviewees, an independent board might be helpful in making short- and long-term decisions for the services.

6. Risk and liability – *Who assumes the risks associated with crashes, injury, and damages?*

When incidents happen, liability can be attributed to the service provider. In a governance structure where services are contracted out, private contractors typically take on the responsibility for crashes, injuries, and damages. Direct operation of services would require the District to adopt the financial costs associated with risk and liability. This is generally less of a concern than other factors, but an important part of the decision-making process.

Table 4 is a decision matrix that weights each of these factors for the four proposed governance structures. A score of "1" on these factors indicates the least effective outcome for the District, while a score of "5" indicates the most effective outcome for the District. Although the weights and scores were subjectively determined based on the research findings and the takeaways from the interviews, they give an indication for the best governance outcome for the District.

Table 4: Governance Decision Matrix

Governance Option	Decision factors						
	Administration set up	Costs	Performance Incentives	Agency redundancy	Decision-making independence	Risk and liability	TOTAL SCORE
Weights	15	15	20	20	20	10	100
1: DDOT oversight, contracted operations	5	4	4	4	2	4	375
2: DDOT oversight, direct operations	3	3	3	4	2	3	300
3: New public authority oversight, contracted operations	2	3	4	2	5	4	335
4: New public authority oversight, direct operations	1	2	3	2	5	3	275

Note: A score of 5 indicates the most effective outcome for the District. A score of 1 indicates the least effective outcome for the District. Scores were determined by summing across all factors the products of the factor scores and the factor weights. For example, for governance option #1, the total score of 375 was obtained by multiplying the score for administration set up (5) by the weight of that factor (15) and adding this to the product of the score for costs (4) and the weight of costs (15), and so on for all of the factors. Eno performed a sensitivity analysis by testing different weights and assigning various scores to each option. Option 1 consistently scored the highest.

The following are several recommendations for the District to consider. Item one is the recommendation for the most effective governance structure for Streetcar and Circulator. Items two through five are considerations that should happen independently of and prior to a larger decision about governance, and are required to make the first recommendation effective:

1. The District should use governance Option 1 (DDOT oversight, contracted operations) to provide its Circulator and Streetcar services

Based on our decision matrix, the existing governance model of DDOT oversight and contracted operations would provide the most effective outcome of quality transit services for the District. This model enables better inter-agency collaboration than other options and retains the ability to incentivize good service from the operator. In addition, it would require the least effort in terms of administrative set up, would avoid the high costs associated with establishing a new oversight entity or transit agency, and avoids the risk and liability costs associated with direct service operation.

Option 1 does not provide the Circulator and Streetcar with an independent board to make some difficult decisions for the future of the services. However, with respect to the other factors, this does not necessitate a governance change.

Importantly, if the District chooses to continue with its existing model, DDOT must take steps to more properly oversee and manage the contractor. Failure to effectively manage the contract will result in poor performance of the service and will negate the benefits that this model brings. DDOT should be transparent about the performance of the services and provide accessible data and information about how well the contractor is, or is not, meeting the performance targets outlined in the contract. In addition, DDOT should commission an independent safety audit of the current operator to determine whether it is an improvement over the previous operator. The results of transparent evaluation of the current contracted operations will help future assessments of the governance model.

2. Invest in an adequate bus maintenance facility

The current bus maintenance facility is far too small for the service that the District is trying to provide. Investing in the facility or finding a new site will help the current and future operators, whether contracted or directly operated. The size and scope of the maintenance facility goes along with the long-term planning of the system but funding a new facility will certainly be needed. Circulator, directly operated or contracted, will have a hard time meeting its service goals in its current facility.

3. Follow international best practices for contracted services

During the current contract, and if the District plans to continue contracting in the future, national and international case studies provide ample evidence for best practices. DDOT is following some of these practices already.

- Most bus contracts are five years in length and offer extensions as a reward for good performance. While there is no exact best practice, London's contracted network—which that city has been refining for decades—has contracts for terms of five years with an option for a two-year extension. The contract is rebid after that period.
- Many cities encourage contractor competition by providing maintenance facilities and, in some cases, the buses. DDOT already does this and should continue it.
- DDOT should bundle Circulator and Streetcar into one contract once the current Circulator contract expires. Bundling saves on management duplicity and simplifies the contract oversight for DDOT. While this could limit competition by dissuading those companies that do not have experience with both operations, enough private providers do exist so the bids would be competitive.
- As it does currently, contracts should include penalties and bonuses for not meeting or exceeding safety, cleanliness, or operational standards. Relatively small financial incentives can go a long way to encourage agency goals, and the District should exercise these incentives and publish the results of operations under the new contracted operator.
- DDOT must strengthen its oversight to ensure that the contract is fulfilling its requirements and meeting it performance targets. Transparency for both Streetcar and Circulator will inform the public debate about whether contracting makes sense and hold both RATP Dev and DDOT accountable. As part of this, DDOT needs to transparently and routinely report data on how well the contractor is meeting its performance targets. As of June 2019, the DC Circulator website data portal has been removed or not updated, a step in the wrong direction.

4. Legislate labor protections

The discussion on whether Circulator or Streetcar should be operated with government staff rather than contracted labor hinges on compensation disparity between drivers in the region. Despite the desire for a defined contribution benefit plan, contractors are reticent to offer this benefit and District leaders have indicated they do not have the appetite for such a pension. DDOT currently provides staff with a 401(a)/457(b) plan, like all District government employees. If the District wants to ensure access to a defined contribution plan, better healthcare, or other benefits, they need not necessarily directly operate services. Future procurement language in contracts can ensure that the private provider include a minimum level of benefits, honor previous wage agreements with prior contractors, and assure that new contracted operators hire the incumbent workforce.

5. Determine the long-term goals for Circulator and Streetcar

When Circulator launched in 2005, the service was two routes. Since then it added six more and discontinued two. Ridership has fallen over the past two years, and the Mayor recently announced permanent free fares. In addition, she also proposed new investments in a K Street NW bus rapid transitway and Circulator route expansion in Ward 7. During the interviews for this paper, stakeholders speculated and promoted a wide range of future prospects including abolishing all the service and absorbing into WMATA, replacing all service with microtransit, or greatly expanding service to include all bus routes that lie solely within the District. Interviewees remarked on how service currently is ad-hoc and without a vision on what it is trying to accomplish.

Streetcar has a similar lack of vision. While originally planned to be part of a 37-mile citywide network, the promise has faded along with the significant capital funds that would be needed to make the system whole. Poor planning from the beginning has left the current service without its dedicated lanes and not much different than the bus lines that run along the same route. Some stakeholders want the District to build out the entire system, others think the wisest use of funds is to abandon Streetcar altogether.

Regardless of the future, the District should not place the operational cost of service over its goals. Evidence shows that cities that have invested in high quality, high frequency bus service have higher costs, contracted or directly operated, while those that look for the least expensive option end up with a service that is inexpensive but substandard.

7. Conclusion

This report reviewed the transit governance options available to the District as it considers the long-term landscape of its transportation services. Based on this review, the primary recommendation is for the District to maintain the current governance structure of DDOT's transit services and give the contractor an opportunity to prove themselves. Recent changes to the governance and delivery of Circulator and Streetcar services – transitioning contract oversight from WMATA to DDOT and initiating a new contract with a different provider, RATP Dev – provide an opportunity for the District to improve on some historical contracting and governance challenges.

Performance incentives can help to ensure that the chosen contractor meets the needs of the District as it looks to deliver high quality transit services for the system's riders and operators. But the District must strengthen its own oversight, invest in an adequate maintenance facility, and ensure that labor has adequate protections.

In addition to considering the policy trade-offs of various options, the DC Council and DDOT should also establish their larger vision for Circulator and Streetcar. The governance option chosen by the District will determine its level of involvement in day-to-day service provision. While cost is an important consideration for decision making, it should not be the driver of it. Factors like the onset of new technologies, transit ridership declines, and the larger context of regional transit services can all affect the shape of the District's own transit services into the future.

8. Appendix

Timeline of Events

1962 – Original streetcar service terminates

1997 – National Capital Planning Commission report proposes a circulator transit system that would primarily allow National Mall tourists and downtown commuters to connect to regional transit services

District Department of Public Works calls for light-rail on H St and Benning Roads, Northeast

2003 – Circulator bus implementation plan prepared by the National Capital Planning Commission, District Department of Transportation (DDOT), Downtown Business Improvement District, and Washington Metropolitan Area Transit Authority (WMATA) describes need for a four-route Downtown Circulator

2005 – Circulator service begins with two routes

2012 – RATP Dev signs contract for Streetcar services

2015 – Circulator service reaches five routes

Transit Resource Center (TRC) reports a number of safety issues in vehicle safety and maintenance audit

2016 – Streetcar service begins

DDOT issues report on staffing needs for the agency to effectively take over contract management responsibilities

Three-year collective bargaining agreement (CBA) is reached between Amalgamated Transit Union (ATU) Local 1764 and First Transit for Circulator employees, resulting in wage increases and other benefits

Streetcar workforce votes to join WMATA's union

DDOT creates task force to propose a long-term governance structure for Streetcar

2017 – Follow-up safety and maintenance audit by TRC points to increase in defects on new buses, but a decline in overall defects per bus

Circulator Transit Development Plan points to "immediate demand for a facility owned

or leased by the District government"

2018 – DDOT replaces WMATA in Circulator contract oversight

DDOT competitively rebids Circulator operations and maintenance contract

Streetcar workers ratify first collective bargaining agreement

2019 – Mayor Muriel Bowser announces the removal of Circulator fares

Endnotes

1 Throughout this report, "directly operated" refers to services that are delivered entirely by the public agency itself. This term is derived from the Federal Transit Administration's National Transit Database, which defines directly operated services as "Transportation service provided directly by a transit agency, using their employees to supply the necessary labor to operate the revenue vehicles. This includes instances where an agency's employees provide purchased transportation (PT) services to the agency through a contractual agreement." Under the current service model for Circulator and Streetcar, operations and maintenance functions are contracted out, but control and ownership remain within the District. Notably, this is not privatization, where ownership of assets and control are transferred to private companies.

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