

To: All NCTD Employees

From: Matthew O. Tucker  
Executive Director



Date: November 13, 2009

Subject: Outsourcing of Bus Operations

First, I want to thank you all for your professionalism and continued commitment to our customers during these very difficult times. I want to assure you that I recognize the stress that you and your families are enduring as a result of these difficult economic times that have resulted in significant declines in our operating revenues. To keep afloat, we've had to raise fares, cut services, reduce staff, and consider outsourcing. Our collective plans and efforts during this period have been to continue providing services to our customers and retain as many jobs as possible for our employees.

On Thursday, November 19, the Board will ratify an agreement with First Transit to assume responsibility for bus operations and maintenance as of July 1, 2010. Transition activities will begin in January.

I committed to providing you information regarding outsourcing at the All Hands meetings that were held over the last three days. Based on a suggestion that was made at the West Division meeting, we are posting information on our website [www.gonctd.com](http://www.gonctd.com). Information regarding outsourcing, including the Board of Directors agenda item to ratify an agreement with First Transit, will be posted prior to 5:00 p.m. today.

There are a few questions that have been asked regarding outsourcing that I want to address to provide clarity and avoid unnecessary stress.

Question 1: Who is First Transit?

Answer 1: First Transit currently operates our LIFT Paratransit Services and is one of the largest private contractors for public transportation in North America and the United Kingdom. They successfully operate many transit systems comparable to NCTD. In the southwestern states, they have operations in the Los Angeles, Phoenix, Las Vegas, Houston and Denver areas.

Question 2: Did we look at other options before deciding to move forward with outsourcing?

Answer 2: Yes, we did. In fact, we hired two independent consultants to work with us to analyze options including varying and significant levels of reductions to wages and benefits (across the board for all areas, including administrative staff). We shared and discussed the findings of the consultants with you during the All Hands meetings and discussed the options with the Teamsters. The Board of Directors reviewed these options at a number of meetings and determined that outsourcing represented the best option to maintain service levels and retain jobs.

Question 3: If the Board of Directors ratifies the agreement with First Transit, what happens next?

Answer 3: First Transit is required to develop a transition plan within the next 30 days. They have already submitted a draft plan that staff is reviewing. First Transit will assume full responsibility for bus operations effective July 1, 2010. In order to achieve that goal, employees, beginning with certain administrative staff, will be transitioned to First Transit in the early months of 2010. First Transit's proposed General Manager, Tim Omick, will be on-site in January 2010. Coach Operators will start the transition process several months prior to July 1<sup>st</sup> but will not be separated from NCTD prior to July 1<sup>st</sup>. Fleet and Facility Maintenance employees will continue to be NCTD employees until the expiration of their labor agreement but will be supervised by First Transit staff.

Question 4: What about the transition for Fleet and Facility Maintenance employees?

Answer 4: Unless the Teamsters votes to terminate the current labor agreement sooner, those employees would receive direction from First Transit beginning July 1, 2010, but would continue to be NCTD employees during the last year of their labor agreement. They would transition to First Transit effective July 1, 2011.

Question 5: What are the key facts about the agreement with First Transit?

Answer 5: The agreement with First Transit is for 7 years, with an estimated cost of \$176 million for the seven years, dependent on service levels actually operated. The agreement with First Transit, along with the related organizational restructuring, will save NCTD about \$70 million over the seven year term of the contract. This will reduce our projected deficit approximately 50% by FY 2013.

Question 6: What are the wages and benefits that will be provided by First Transit?

Answer 6: First Transit will be required to negotiate wages and benefits with the Teamsters for represented employees and will negotiate directly with individual non-represented employees. NCTD staff cannot participate in any of these discussions. However, I do want to share that First Transit's overall proposal, particularly for our represented employees, was the best proposal for you and your families when compared with the alternatives that we discussed, such as a 30% reduction in wages.

Question 7: How will Fleet and Facility Maintenance staff report to First Transit if they're still NCTD employees?

Answer 7: NCTD oversees the activities of our contractors for the COASTER, the SPRINTER, and LIFT services. First Transit will supervise the activities of the Fleet and Facility Maintenance staff in terms of work schedules, responsibilities and expectations.

Question 8: The State Supreme Court denied the state's request to appeal the ruling that the State Transit Assistance (STA) funds were illegally transferred. Why doesn't this solve the financial problems at NCTD?

Answer 8: The state is having their own fiscal problems and do not have funds to pay back the transit agencies. This ruling only affects past years. The state's elimination of STA for the next five years is not addressed by the court's ruling. In short, we do NOT expect to see any money associated with this ruling in the foreseeable future. We are, however, pursuing some options through the California Transit Association, such as increasing other transit revenues, such as TDA.