Chapter 9

Vertical Sharing and Leasing Equipment

NOTES

CHAPTER 9 OVERVIEW

- ✓ Outlines **vehicle sharing procedures**.
- ✓ Details ways of **leasing** equipment.
- ✓ Examines the benefits and means to establish **trip sharing** programs.
- ✓ Describes the mechanics **of joint purchasing agreements.**
- ✓ Explains **inter-city bus** requirements.
- ✓ Reviews regulations applying to **charter and school buses**.

A. Vehicle Sharing Procedures

Vehicle sharing is a process some providers use to get more service from their vehicles. Often there are vehicles put to use in a locale that is operating at capacity. Others in the same region may have a difficult time optimizing service. Vehicle sharing allows a vehicle that is not being used at maximum capacity to provide transportation to riders that traditionally rely on the services of another agency.

Sharing arrangements may be applied to existing vehicles or vehicles to be purchased some time in the future. Agreements for vehicle sharing policies may be temporary loans or on-going vehicle sharing. In order to establish a short-term vehicle-sharing program, the following steps must be followed:

1. An agency seeking to loan or borrow a vehicle should contact area providers to determine the availability of the vehicles for a temporary loan.

2. The borrowing agency should provide the lender with sufficient notice of its intent to borrow.

3. The borrower should be prepared to pay a fee for the use of the lender's vehicle. This fee may be levied per mile, per diem or based on a flat uniform rate.

4. The fee assessed for the temporary loan of a transit vehicle should be substantial enough to cover the cost of maintenance.

The same criteria, with some minor modifications, should be considered in long-term loan agreements. The main difference between the two types of agreements is that long-term loan agreements require the appointment of a caretaker. The role of the caretaker is administrative in nature. This person is responsible for scheduling the use and maintenance of the vehicle. Additionally, long-term loan agreements require a more detailed cost-sharing plan. This plan should establish a mechanism for dividing the costs among users on a fixed or variable rate.

Operators involved in vehicle sharing arrangements can share purchase costs and fixed operating costs, such as insurance and preventative maintenance. However, there are several issues that providers must resolve before entering into vehicle sharing agreements.

- Providers must decide whose driver will operate the vehicle and when.

- Insurance is another issue that must be addressed in initial negotiations. This problem should be brought before the insurance agents of both agencies for possible resolution.

- A CDL also may be needed to operate the vehicle, and each agency must make sure that all participants are complying with pertinent regulations.

Organizations that wish to engage in vehicle sharing should first consider whether or not their vehicle is tax exempt under state statute. After determining if the vehicle is exempt, the organization should assess how the agency has been classified, i.e. "humanitarian" or "benevolent and charitable." This seemingly minute definitional distinction may make all the difference. Section 79-201(9) of the Kansas Statutes Annotated requires that exempt property owned by non-for-profit groups that are classified as "humanitarian" must be used exclusively by the owner. Vehicle sharing may be out of reach for these organizations. By contrast, property used "exclusively for…benevolent or charitable purposes," as defined in Section 79-201(2), is not restricted in this manner. These groups may engage in vehicle sharing without problems.

B. Leasing Equipment Procedures

Leasing Agreements allow groups of providers to meet constantly changing service needs. This mechanism provides an easy way for transit providers to replace larger, less functional vehicles with smaller vehicles that better service the ever-changing demands of riders. The downside of leasing is the large amount of capital that must be made available up front. This burden has been the major barrier to leasing agreements in the state of Kansas. Current financing methods for the purchase of vehicles make leasing impossible unless an agency is able to purchase the vehicle without the assistance of KDOT.

C. Trip Sharing Procedures

Trip Sharing is an option that may be employed to meet demand in areas where seats on vehicles are unoccupied. Agencies who are interested in participating in trip sharing arrangements should pool together to collect information pertaining to where and when seats are available. For example, participating agencies should mark service areas on maps, identifying riders they have been unable to serve. Schedule information should be used to supplement the service area maps, including:

- ♦ information on days and times of vacancies;
- ♦ restrictions limiting clients served; and
- ♦ available special equipment and proposed fees for shared trips.

With this information, a lead agency may match unmet needs among participating agencies.

The lead agency must develop a passenger accounting and service verification process. A uniform record keeping procedure should be established. This system should account for all the reporting requirements mandated on program participants. A system verification process should also be established to insure that providers are only paying for clients who actually rode another agency's transit vehicle. This may be done by simply creating a list of passenger names and checking them off on a daily basis.

Once accounting and verification measures have been developed and agreed upon by participating agencies, a cost-sharing mechanism must be implemented. Agencies may calculate costs:

- per trip;
- per passenger mile; and
- origin to destination mileage calculation.

Wear and tear on vehicles must also be considered when agencies decide to trip share. These costs may include:

- fuel;
- parts; and
- maintenance.

A unit rate should be developed and assessed on all participating agencies. This fee may be assessed according to hours the vehicle is used or by miles traveled. Either way, a vehicle log should be kept so that the lead agency may distribute the costs associated with trip sharing fairly among participants.

D. Joint Purchasing Agreements

Joint Purchasing Agreements are arrangements that allow groups of providers to combine to purchase transportation services, equipment and supplies. Joint purchasing attempts to procure the best rates for the group in order to save money through bulk buying. These types of agreements tend to be more effective if one agency is responsible for all joint purchases.

PURCHASING TRANSPORTATION SERVICES

Transportation services can be purchased for:

- unit rates on vehicle miles;
- vehicle hours or operations;
- passenger trips; and
- passenger miles.

The services may also be purchased on a metered rate that is a monthly, weekly, or daily rate.

Contracting among these different provider types means devising a method for comparing bids on an equal basis. An agency or group should have policies for bid comparison in place before a job or service is bid out. A low bid in one area may not necessarily mean that a particular provider will be able to provide the transportation service at the lowest cost possible. Another area may have a high cost associated with the aspect of service. The agency should have a maximum unit amount it will purchase established.

Coordinating agencies are not limited to contracting for transportation services only. Non-transportation items may include supplies, such as fuel or tires, and maintenance. To begin purchasing these items, a purchasing schedule should be created. All the participants who intend to take part in the joint purchase of supplies need to share all procurement regulations. Procedures and policies should be developed which comply with all regulations for each participant.

Once a purchasing schedule and a procurement policy has been developed, participants need to know when and where to send orders for inventory needs. The schedule for purchasing inventory will determine how each participating provider should plan inventory needs to coincide with the delivery schedule. Agreements for purchasing supplies may be between a group of agencies, or a lead agency may purchase the entire inventory of goods needed by the group. The group then purchases the necessary quantities of supplies from the central inventory.

Developing a Joint Purchasing Agreement

Before establishing a new structure for purchasing transportation or related supplies, the group should try to locate any other service providers in the area who are already coordinating purchases. If the procedures of that purchasing unit meet the needs of the group, an agency or agencies may find it worthwhile to see if the other group is willing to procure the necessary supplies through the existing group, rather than establishing a new network of purchasers.

The second step in developing joint purchasing agreements is the identification of common purchases. Members of the purchasing group need specific goods and services. Goods necessary for transportation operations may include tires, fuel, and other supplies. Services may include items such as service contracts, insurance, legal consulting and maintenance. A list of items most commonly needed by all participants in the group should be compiled along with all specific items needed by each provider. A list of dollar amounts spent by each agency on each good or service should also be compiled.

A decision must then be made as to whether a joint purchase agreement would be beneficial for purchases of all listed goods and services. Some goods cannot be shared between agencies, so a purchasing agreement for these items would be useless. However, if half of the agencies in the area demand the same item, a purchasing agreement may be economically beneficial since some items are less expensive when purchased in bulk.

Before items are purchased, rules should be agreed upon which establish standards for the products and services to be acquired. All members should agree on minimum standards for items such as office equipment and fuel. Basic specifications for these items should be decided upon through direct discussions with the providers. Quality standards are also very important when choosing between service contractors.

Joint Purchasing Agreement Policies

Policies and procedures should be developed which guide the creation and management of a joint purchase agreement.

Purchases should be based upon a purchasing schedule, but the lead agency or group must decide how many times a year to purchase each item under the group arrangement. The agreed upon purchases and timing of these purchases needs to be disseminated to all the providers in the purchasing group. Each of the participants in the group should be notified in advance of the purchase date.

- The lead agency, committee organizing the agreement, or the CTD should develop an order for goods and services and distribute the form to all providers. The group should decide on the bidding procedures to be used to choose contractors to provide the goods and services. The decision to bid or competitively negotiate cost may be impacted by the Kansas bidding requirements and the volume of goods or services to be purchased. Some items to be procured through joint agreements can be competitively bid, while others are more suited for competitive negotiation. Guidelines should follow any State or Federal regulations pertaining to such processes.

- The participants should also decide whether bids or quotes should be taken in writing or verbally. If negotiating, the group should determine the number of quotes to take before making a decision.

Procedures should be established that will ensure that the bids or quotes taken are for comparable service and products.

Awarding a Contract

Once the decision has been made to purchase supplies, and the procurement procedures have been finalized, the group must implement procedures for awarding the contract. A decision must be made which defines whether the price quotes or quality of service will be considered. However, the lowest bid may not always be the best bid. The group should select and authorize individuals to execute these purchases.

Other payment requirements must also be decided in advance. The group should decide how and when the payment will be offered to the vendor. It may also be necessary to get commitments from each of the participants in writing before ordering supplies. If groups are combining funds, a policy must be in place that assigns payment amounts for each of the participants. When a lead agency is in charge of the procurement process, a policy should be developed which states when payments are due from providers. This type of policy protects the cash flow of the lead agency. The policy should state whether full or partial payments will be required by the agency. The policy should also state whether a penalty will be assessed on agencies making late payment and the amount and form of that penalty.

Invoices and purchase orders will help track the accounting expenses involved with all purchases. The group should have form consolidating the purchasing information from all the local providers that may be sent to the supplier. These forms should be numbered and signed by an authorized individual. Participants should receive invoices for the services and goods they are purchasing. This invoice may include only that particular agency's purchases, the purchase order or the supplier invoice.

E. Intercity Bus Eligibility and Requirements—Application and Reporting

For the purposes of this program, intercity bus service has been defined by FTA as "regularly scheduled bus service for the general public which operates with limited stops over fixed routes connecting two or more urban areas not in close proximity, which has the capacity for transporting baggage carried by passengers, and which makes meaningful connections with scheduled intercity bus service to more distant points, if such service is available". Under Section 5311(f), which was authorized by the Intermodal Surface Transportation Efficiency Act (ISTEA), the State of Kansas has or will set aside fifteen percent (15%) of its Section 5311 apportionment for the development and support of intercity bus transportation.

KDOT is involved in identifying rural intercity transportation issues in the state, and developing a program implementation strategy based on the anticipated resources to support rural intercity service enhancement provided through TEA-21.

The first general public intercity bus service project in Kansas using Section 5311(f) funding serves communities along U.S. Highway 81 between the cities of Belleville and Salina. Priority is given to those making the trip for medical purposes. A second public intercity bus service project began operations in 1997, along a route from St. Francis to Hays, Kansas.

Assistance under Section 5311(f) must support intercity bus service in rural and small urban areas. Section 5311 specifies eligible intercity bus activities to include "planning and marketing for intercity bus transportation, capital grants for intercity bus shelters, joint-use stops and depots, operating grants through purchase-of-service agreements, user-side subsidies and demonstration projects and coordination of rural connections between small transit operations and intercity bus carriers." This listing does not preclude other capital and operating projects for the support of rural intercity bus service. Capital assistance may be provided to purchase vehicles or vehicle related equipment such as wheelchair lifts for use in intercity service.

POTENTIAL USES FOR 5311(f) FUNDING

Examples of ways in which to use these funds are:

- improvements to existing intercity terminal facilities for rural passengers;
- modifications to transit facilities to facilitate shared use by intercity bus and rural transit operators;
- operating assistance to support specific intercity route segments; and
- application of Intelligent Transportation Systems (ITS) technology for coordinated information and scheduling.

Section 5311(f) authorizes KDOT to provide funds to private intercity bus operators in a subrecipient relationship. In some instances, certain intercity bus providers may prefer to maintain a contractual relationship, in order to isolate the remainder of their operations from Federal requirements related to a grant. KDOT is authorized to use either mechanism to provide assistance to private operators for intercity bus service. In either case, a merit based selection process is used to ensure that the private operator is qualified, will provide eligible service, can comply with Federal and states requirements, and is the best, or only, provider available to offer service at a fair and reasonable cost. A provision is made for the "coordination of rural connections between small transit operations and intercity bus carriers," including a provision of service which can act as a feeder to intercity bus service. The feeder service is not required to have the same characteristics as the intercity service with which it connects. Transit providers operating or contracting for Intercity bus services are not required to provide complementary paratransit service for individuals with disabilities who are unable to use the fixed route intercity bus service.

Commuter bus service is exempt by law from the requirement for complementary paratransit service. However, vehicles acquired for use in intercity service or feeder service may be required to be accessible.

This is a new program included in TEA-21 to assist operators of over-the-road buses comply with the training and capital requirements placed on the buses by new ADA accessibility legislation. This funding is available separate from Sections 5310 and 5311 funding and has a 50 percent federal share. FY 1999 assistance is available to operators of over-the-road services used substantially in intercity, fixed-route over-the-road services. From FY 2000 and beyond, assistance will also be made available to local commuter, charter, and tour services.

F. Charter Bus and School Bus Protections— Eligible Service, Application and Reporting

Charter Services

All Section 5311 subrecipients must certify compliance in writing with 49 CFR Part 604 in the provision of any charter service provided with FTA funded equipment or facilities. A certificate of assurance must be on file with KDOT. KDOT will review project applications for appropriate charter service provisions and will check compliance during site visits.

All charter service provided by subrecipients will be incidental. The service should not interfere with or detract from provision of mass transit services. KDOT specifies allowable charter activities within the grant application packet. Further assurance of compliance occurs through annual monitoring visits. Providers in the 5311 program who are planning unscheduled trips outside their service area must first check to see if there are any charter bus services available to provide the transportation. If there are none, they must notify the Office of Public Transportation 30 days prior to the trip and publicize the trip as being open to the general public.

School Bus Services
Section 5310 and 5311 subrecipients will have a signed certificate of assurance on file with KDOT stating that they are in compliance with all school bus requirements. Section 5310 and 5311 providers may not engage in school bus operations exclusively for the transportation of students and school personnel in competition with private school bus operators.

The applicable school bus requirements are outlined in the 49 CFR Part 605.

CHECKLIST

- ❑ Does your agency share vehicles or trips with other transit providers? 9-1 and 9-3
- ❑ Does your agency lease vehicles or other related equipment? 9-2
- ❑ Has your agency entered into a joint purchasing agreement with another transit provider? 9-7
- ❑ Is your vehicle being used in charter or school bus service? 9-12