



City of Racine, Wisconsin

AGENDA BRIEFING MEMORANDUM

AGENDA DATE: 1/10/2022

SUBJECT: Restructuring RYDE Racine Transit Management/Ownership in the City of Racine

PREPARED BY: Transit Manager

EXECUTIVE SUMMARY: The City of Racine, with the consent of the Common Council and the Mayor, will restructure the management and employment of the transit system that serves the City of Racine and neighboring municipalities, most notably by hiring the 91 positions, 32 being part time, of the transit system as employees of the City of Racine. This action is necessitated by both the benefits of running an “in-house” transit operation and circumstances that have precluded private management firms from operating and employing those in the City of Racine’s transit system due primarily to concerns over assuming secondary position for pension liability.

BACKGROUND: The City of Racine contracts transit management services and operations through First Transit. This private firm signed a three-year contract with the City of Racine on February 1st, 2018, and two additional optional years. On March 8, 2021 First Transit requested “securing an assignment and novation (release) from the City of Racine.” The “current management agreement would be assigned to a legal entity owned and controlled by First Transit’s current UK based parent, FirstGroup plc,” so that First Transit could be sold to a company that does not want to purchase some of First Transit’s contracts, including the one with the City of Racine. The Common Council passed File #0428-21 approving the novation on June 1, 2021. As a result of the novation agreement and subsequent sale, First Transit did not exercise the option for a fifth year, thus ending the contract on Jan 31, 2022. After exploring potential options, city staff posted a request for proposals (RFP) on September 20th, 2021. After no bids were received, the City of Racine engaged in outreach to transit management firms while concurrently researching the benefits of the City of Racine taking on the role of employer with RYDE Racine transit employees.

Why were no private transit management firms interested in engaging in a contractual agreement to operate the City of Racine’s fixed route and paratransit services? RYDE Racine employees are contributors to the Central States Pension Fund, which requires any employer/operator of the transit system to have secondary liability in the case of pension withdrawal as required by a 2018 settlement agreement between Central States and the City of Racine. This growing liability has dissuaded private firms from entering into an arrangement once agreed upon by First Transit, despite the fact that the City of Racine holds first position as it relates to Central States pension liability. This private model for transit employment and operations in Racine dates back to the purchase of a local bus system in 1975 and is no longer a viable arrangement based on market forces and industry norms.

The City of Racine must continue to provide transit services to residents, as mandated by state and federal law, without the role of a private employer/operator. The City of Racine has the wherewithal and capacity to operate the transit system by hiring RYDE Racine staff, including the General Manager, as employees of the City of Racine. This type of arrangement where fixed route and paratransit employees are public employees is common in Wisconsin and elsewhere. This is the case for every fixed route transit system in Wisconsin, with currently Racine and Waukesha being the exceptions.

BUDGETARY IMPACT: As the City of Racine currently budgets for and serves as the manager of all funds related to the transit system, this restructuring will have minor impacts on annual operating costs, which amounts to \$9,942,679 in 2022, and in all intents and purposes is budget neutral. This restructuring would result in not needing to pay a third party for management & employment services, and in the case of a fifth year extension with First Transit, amount to \$190,613.50 in 2022. Although, a portion of those dollars contribute to the salary of the General Manager, currently a First Transit employee, who will become an employee of the City of Racine. There will also be potential savings related to our insurance policy through our provider, Transit Mutual.

RECOMMENDED ACTION: The Mayor and City staff be authorized and directed to incorporate RYDE Racine as the Transit Department for the City of Racine, and the Human Resources Department engage in the process of hiring RYDE Racine transit staff, including the General Manager, as employees of the City of Racine, while honoring the collective bargaining agreement negotiated by Teamsters Local 200 until the new municipal employees hold an election regarding workplace representation.