

FACT SHEET: Service Contracts

What are Service contracts?

- A service contract is a formal agreement between the public transportation entity and any agency or organization that needs to transport people. In exchange for transporting agency clients, the agency gives the public transportation entity resources they would normally use to transport clients. This may be vehicles, staff, or money.
- Your agency might seek a service contract with the public transportation entity if you currently provide rides out of necessity (your clients have no other way to get around) or you can no longer afford to transport your clients (fuel costs, vehicle upkeep, drivers' wages, insurance, etc.).

Functions of a Service Contract:

- Shows explicit agreement by the agency to use the public transportation system and end any dedicated client-provider system they may have operated.
- Income from the contract represents local match requirement for receiving additional federal transit funding through the state.

Characteristics of a Service Contract:

- Each contract opens a new route.
- Anyone can use the bus which provides the contracted service.
- The public transportation operator reserves the right to mix clients.
- No single client group has the exclusive use of the bus while it is providing service.
- No contract is too small- \$100 contracts are valued as much as \$150,000 contracts.

Financial Structure of a Service Contract:

- Cost per trip (e.g. \$5.00 per trip).
- Fixed yearly fee with a set number of routes or trips based on a pre-established daily mileage average. If the actual is over or under, the contract is re-negotiated.
- Pre-set mileage rates (e.g. \$0.85 per mile).
- "Non-client" riders pay a cash fare or, if eligible, use vouchers from a human service agency or other entity that has subsidized the cost of their ride.

- Successful **service contracts** result from understanding that coordination is in the best interest of the whole community.
- In a coordinated public transit system, all populations receive services that meet their needs.

Service contracts might be negotiated with:

- Educational programs (adult education, English as a Second Language, community colleges, and trade or vocational schools)
- Housing authority
- Agencies who work with individuals with special needs
- Employment centers
- Senior living facilities
- Medical facilities
- Civic organizations

Agencies and organizations enter into **service contracts** for different reasons. Perhaps they started their transportation program because their clients had no other options to get around. Now they may find that they can no longer afford to provide transportation due to the costs of fuel, vehicle maintenance, driver and administrative salaries, insurance, etc.

Due to the nature of public transportation, you may have one customer whose ride is paid under a service contract, another rider paying the trip fare out of pocket, and still another using a voucher from an agency that has subsidized the cost of their ride. Therefore, it is important to develop a tracking system of riders so drivers will have an accurate way to count them. This will determine who should be billed for which trips.

On the next page is a Service Contract template you can use with interested agencies.

Service Contract

This agreement made this _____ day of _____, between [County Transit System] hereinafter referred to as PROVIDER, and _____, hereinafter referred to as RECIPIENT.

WHEREAS, it is the mutual concern of the parties hereto that the transportation services provided hereunder be of high professional quality.

NOW THEREFORE, the parties hereto agree as follows:

(1) This agreement shall become effective _____. Either party upon thirty (30) days written notice may terminate this agreement.

(2) Service eligible for delivery under this agreement would be the transporting of RECIPIENT'S consumers in _____ County from their designated homes to the _____ at _____ and [Any other service provided].

The PROVIDER will issue a numbered fare card to each of the RECIPIENT'S consumers. If applicable, a minimum of _____ units of service will be delivered under this AGREEMENT. [Additional service criteria here: miles, hours etc.]

(3) RECIPIENT will compensate PROVIDER for services described in the AGREEMENT at \$ _____ per _____.

(4) The PROVIDER shall, for the period of this contract, carry and maintain in full force and effect, insurance in such company or companies while it is performing hereunder, in the following minimum types and amounts:

Type of Insurance	Amount
PERSONAL INJURY & PROPERTY	COMBINED SINGLE LIMIT
DAMAGE LIABILITY INSURANCE	\$1,000,000.00 PER OCCURANCE
WORKMEN'S COMPENSATION (For <u>[County Transit System]</u> employees only)	Full Statutory Limits

(5) PROVIDER shall develop, maintain, and make information and reports available to RECIPIENT.

(6) RECIPIENT will notify dispatchers if for any reason the regular route cannot or should not be made. This will be done in time to notify drivers before they begin the day's route. The Director of _____ and the County Supervisor of [County Transit System] will work directly together to handle overall operations of the AGREEMENT. Day to day communications concerning changes in routes or consumers will be between the [County Transit System] dispatchers and a designated RECIPIENT employee.

(7) PROVIDER'S employees will communicate accidents and incidents involving the RECIPIENT'S consumers in the following manner:

- Accidents should be reported by phone to the designated RECIPIENT employee as soon as prudently possible after the occurrence. The PROVIDER will provide copies of follow-up accident reporting to the RECIPIENT within (3) three business days after the completion of any investigation.
- Designated PROVIDER'S employees will provide the RECIPIENT with copies of written incident reporting regarding improper or unusual physical or verbal activity of its consumers during transport. This reporting would be provided as soon as possible after the completion of the scheduled route. Incidents of a serious nature requiring immediate action would be communicated by phone or in person immediately and followed by written report.

(8) Based on the costs presented under the AGREEMENT, RECIPIENT agrees to reimburse the PROVIDER for services rendered on a monthly basis. Payment will be due within 15 days of receipt of invoice.

(9) PROVIDER will operate as a subcontractor to the recipient and will meet all of the necessary requirements of the RECIPIENT'S sponsoring agency or organization and/or grant requirements.

(10) Compensation under this contract is considered funding of last resort and is not intended to replace other State and Federal program obligations.

(11) The AGREEMENT and any addenda constitute the entire agreement between the PROVIDER and RECIPIENT. If any provision of the AGREEMENT is in conflict with the laws of the State of Illinois or the United States of America, said provision shall be considered invalid and the remaining provisions shall remain in force.

Executed this _____ day of _____ 20 ____.

APPROVED:

_____	_____
	DATE
_____	_____
	DATE
_____	_____
[County Transit System]	DATE

The Reality of Developing Service Contracts

1. Now that you know what a service contract is, how do you achieve them?

How not to achieve a service contract? J.O. example:

- Had no prior relationship with the client-based transportation provider
- Had not participated in interagency councils so did not understand the needs and the viewpoint of the client-based provider
- Had a reputation for providing less-than-stellar customer service at his transit system, leading to trust issues on the part of the potential contractee
- Had no interest in the service contract, "I just want their money for local match"

What do you think the outcome was?

2. Are you going to "make money" with service contracts?

- "I can't make money" is often cited. My answer: Show me the segment of your service that is making money right now. You can't.
- "The average cost of a rural public transportation trip is \$25, so this contract will cost me too much."
The \$25 was thrown out as an average a couple of years ago. Do you actually know your system's cost

per trip? Rides MTD's cost is around \$10-\$11 per trip. If you want to decrease your cost per trip, group your ridership. How do you do that? Through developing service contracts.

3. Your selling point:

- If an existing dedicated provider-client system goes between two points, then the public transportation system can go between those same two points
- It can provide the client with transportation, and pick up non-client riders along the way. The non-client riders can be elderly, disabled, poor, or any other component of the riding public

4. "I don't know how to establish a contract rate?"

- We're going to help you figure out how to do that.
- The ICCT Clearinghouse has received a commitment from Bill Jung of Rides MTD to hold a one-day, two-day, or however long needed class on Service Contract Development
- If you are a longtime Section 5311 grantee with little or no service contracts, please sign up for the class
- If you are a potential or new Section 5311 grantee who wants to know how to develop service contracts, please sign up for the class