Privatization Transfer: the Experience of the Orlando Orange County Expressway Authority

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I. Introduction

The transfer of toll collection operations from public to private management has been completed at the Orlando-Orange County Expressway Authority (OOCEA). By the fall, 1995, OOCEA had transferred operations of its ten toll plazas to Florida Toll Services (FTS). With the issuance of an Request for Proposal (RFP) in May, 1994, the process took approximately 15 months to complete. The entire process, though, from the decision to privatize to full transfer, began in the late 1980’s. Privatization was accomplished only through careful analysis of the technical feasibility, a very thorough evaluation and selection process, teamwork with the Florida Department of Transportation and the right timing with the political environment.

The present phase of the privatization transfer process, contract management, defines the nature of the public-private partnership. Ideally, it should be an evolving, dynamic relationship, characterized by both sides fully committed to reaching the goals spelled out in the contract. Both partners should be striving to solve problems, even outside the constraints posed by the boundaries of the contract.

Background

To provide a context of this privatization effort, a brief description of the Orlando-Orange County Expressway Authority (OOCEA) is in order. The OOCEA is an agency of state government that was chartered by statute in 1963. Over the last thirty years, OOCEA has grown within the central Florida region to encompass approximately eighty centerline miles of limited access design highway. Its ten main toll plazas include 160 collection lanes that have generated approximately seventy-five million dollars in toll revenue during fiscal year 1995. Until FTS was awarded the toll operations contract in November, 1994, staffing for the toll collection process had been performed by the Florida Department of Transportation Office of Toll Operations (FDOT). Approximately 275 full time personnel and additional part time employees are needed to accomplish toll collection.

Over the last several years OOCEA has been in the process of installing new toll collection equipment, including electronic toll collection. As part of the OOCEA strategy to reduce toll collections costs and improve service to the customer, an RFP to
privatize the toll operations process was issued in May, 1994. The specific objectives of privatization were:

1. Efficient toll collection operation including a reduction in current operating costs;
2. Sound financial accounting of revenues and assets;
3. Responsive, courteous customer service;
4. Encourage maximum participation of the vendor community to ensure clear communication of our expectations of performance and receive the best and lowest bids from the private sector.

The following reviews the experience of the OOCEA privatization efforts in light of the steps involved in the transfer of services performed by public agencies to a private vendor, or the privatization transfer process. First, the reasons that favored privatization are reviewed. Second, the creation of the RFP is discussed, followed by an analysis of the responses to the RFP. Next, the contract and other transitional issues are discussed. Finally, the nature of the on-going contract management relationship is explored.

II. The Decision to Privatize

In the late 1980's, four reasons seemed central to OOCEA that favored privatizing toll operations. First, there were expected cost savings, anticipating that the management fee or profit charged by a private vendor would be less than the overhead rate charged by FDOT. Second, it seemed highly likely that improved employee performance would result from privatization, producing higher levels of customer satisfaction and service. Third, the implementation of ETTM and AVI systems would both increase the accuracy of toll collection and provide better service by lessening the delays of motorists at toll plazas. Finally, with greater control over operations, OOCEA felt there would be greater opportunities for innovation and creativity that would lead to more efficient and effective service delivery.

Cost Savings

Although cost savings may not have been the primary driving force behind the privatization decision, it soon became evident that OOCEA would pay lower operating costs with a private vendor than with FDOT. Four new toll plazas (University, Dean, Curry Ford, and Hiawassee), known collectively as the 1986 Project, were built with bond money issued in 1986. These began to be operational in 1990. Immediately it became apparent that operating costs would be higher than originally estimated in 1986.
A lease purchase agreement between the OOCEA and FDOT provided for leasing the expressway system to FDOT. As authorized by Section 348.757, Florida Statutes, operations and maintenance of all parts of the expressway system are the responsibility of FDOT. With the supplemental lease purchase agreement for the toll plazas funded in 1986, operating and maintenance costs for these new toll plazas were to be paid by the OOCEA. These costs were in addition to the costs paid by the OOCEA for one previously build plaza, the Bee Line.

In the "Traffic and Earnings Report for the Orlando-Orange County Expressway Authority", issued on September 25, 1986 by Vollmer Associates, it was estimated that operations and maintenance expenses for each of the toll plazas that were funded by the 1986 bonds would total no more than $.5M for the first full year of operation, with the expenses of each of the four no more than $.6M by 1994.

The actual expenses charged to the OOCEA by FDOT were considerably higher than was estimated in 1986. The operating costs for first full year of operation of University Plaza, for example, 1990, was 1.68M, more than 300% higher than original estimates. For 1991, the 2.03M cost was more than 400% higher! Similar costs representing amounts three to four times higher than original estimates were also charged to operate the other three plazas.

There are several reasons for the difference between original estimates and actual costs. First, it seems likely that the original estimates were inaccurate. It may have been that the operation cost estimates for the 1986 toll plazas were based upon the historical data reflected by the expenses for the Bee Line plaza. These had risen from a low of .2M in 1981 to .4M in 1985. The Vollmer report had projected increases of approximately 5% per year resulting in an estimated cost for the Bee-Line of .5M for each year from 1988 through 1990, with .8M the predicted operating costs by 1994. Since the amount of the estimate for the four 1986 Plazas was the same for 1990, for example, it seems likely that the Bee Line estimates were used as a basis.

The implied assumptions underlying these estimates was first that the number of open lanes and open toll ramps that were manned (requiring toll collectors to collect tolls) would be the same for the 1986 Project plazas as was for the Bee Line prior to the construction of these plazas. This assumption proved to be incorrect. As indicated in the data furnished in Addendum One of the 1994 RFP, for example, the Bee Line Plaza operated 8 open lanes, 6 of which were manned at least part of each day, for a total of 736 manned open hours per week. Eight lanes were also built for the University Plaza, with six of them manned. The number of needed manned hours per week, however, was listed at 784. The need for manned off-on ramps at University is also much
greater than for the Bee-Line. Of the ten off-on ramps, four of them are manned, requiring an additional 352 manned hours per week.

It seems likely that no analysis was performed that compared the number of estimated manned hours needed for the 1986 Project plazas with the Bee Line plaza. If it had been done, the conclusion that 54% more manned hours were needed at University than the Bee Line, for example, would have resulted in a higher original operating cost estimate.

A second reason that contributed to higher than expected operation costs was the increase in tolls. Effective July 1, 1990, tolls for two axle vehicles were raised from $0.50 to $0.75 on the most heavily used plaza in Central Florida, the East-West Expressway. The same increase occurred for two of the four plazas build with 1986 bond support. FDOT concluded that additional manned lanes were necessary because more patrons would likely require change because of the increase. In other words, the automobile driver was much more likely to have exact change than $0.75. To prevent longer lines at manned lanes, while fewer cars would be using exact change (unmanned) lanes, FDOT opened more manned lanes than were originally estimated.

An comparison of the 1989-90 FDOT estimated Operating Budgets for the 1986 Project plazas with those for 1990-91 supports this analysis. The data from University plaza illustrates a dramatic increase in operating costs. The overall operating budget rose from $1.68M in 89-90 to $2.03M in 90-91, an increase of over 20% in one year. The major portion of these budgets was allocated to toll collection salaries, which rose from $1.16M in 89-90 to $1.55 in 90-91, an increase of over 33%. The number of employees needed to operate the manned lanes was 4 supervisors and 38 collectors in 89-90, compared to 6 supervisors and 48 collectors in 90-91. The rental for automatic toll equipment fell during this time, from $183,276 to $143,508, further supporting the supposition that fewer automatic lanes were used after the toll increase.

Perhaps the most significant contribution to this unexpected higher cost was the increased overhead charges made by FDOT to OCCEA to operate these toll plazas. From July 1986 through May, 1987, the overhead rate charged against direct salary costs, for both administrative and toll collector personnel, was 30.65%. From June, 1987 through April, 1988, however, the overhead percentage jumped to 81.60%, and then again to 94.44% from May, 1988 through January, 1989. From February, 1989, through June, 1989, the overhead charge was 65.71%.

From a cost savings view, privatization would save money for OCCEA if the cost of operating all toll plazas under the jurisdiction of the OCCEA were less than the amount reimbursed to
FDOT for the operation of the four 1986 Project plazas plus the Bee Line plaza. In addition, other costs would have to be considered: the cost charged by consultants to help write the RFP; one time transition costs incurred by the private vendor in assuming the operation from FDOT; and the contract management costs that OOCEA would assume after the privatization contract had been signed. It can be estimated that these additional costs would total approximately $100,000.

This additional cost needed to privatize would be offset by expected lower operating costs from a private vendor, primarily because the profit charged would be less than the overhead charged by FDOT. A quick analysis of the operating costs for the four 1986 Project plazas plus the Bee Line plaza shows the likelihood of significant savings. Of the $8.58M total operating cost of these five plazas for 1990-91, $6.94M can be attributed to salary charges. Assuming an overhead cost of 65%, $2.73M of the salary was attributed to overhead charges.

If the operating costs of a private vendor would be the same, assuming exactly the same personnel and salaries, these costs (without overhead charges) would be $5.85M annually. With an additional 10% profit (or management fee), the total operating charge to the OOCEA would be $6.43M. Even adding the $100,000 of additional costs, the $6.53M amount is still over $2M per year less than what FDOT would have charged!

Even though it could not be predicted what a private vendor would bid to operate these toll plazas, significant savings could be expected, as it seemed unlikely that the winning bidder would be awarded an amount more than $2M higher than the FDOT charges. As indicated below, however, there were more compelling reasons to privatize.

The Perceived Likelihood of Higher Quality Service

In addition to higher than expected operating costs, a second reason that contributed to the privatization decision was the perception that a private vendor may be able to provide better service to patrons of the toll roads than FDOT. This perception was based in part on the certainty that OOCEA could have more influence over the daily operating procedures of a private contractor than it could have over FDOT procedures. Second, the ability of either FDOT provided sanctions or incentives to improve customer satisfaction seemed lower than what could be provided by agreed upon OOCEA/private vendor customer satisfaction systems. Finally, as will be discussed in the next section, the implementation of ETTM systems of toll collection would likely quicken toll collection processing times and improve overall performance of toll operations.
ETTM Technology

A third reason for the belief that privatization was a more efficient and effective way of achieving OOCEA goals involved the implementation of the ETTM System and the AVI technology. It had long been recognized that before privatization could occur, the ETTM system needed to be in place. The system would allow for a much more accurate counting of each vehicle that moved through the toll plazas. Reporting of the amount of tolls collected would be much more accurate, with less room for error.

With the implementation of a Vehicle Enforcement System (VES), vehicles that did not pay tolls would be identifiable. A camera would take pictures of the license plates of all vehicles that would pass through each toll lane. An administrative system would be established to notify all those who were delinquent, requesting payment of due tolls, charging a fee to cover administrative costs, or issuing a Uniform Traffic Citation.

With the implementation of the Automatic Vehicle Identification (AVI) technology, named E-PASS by the OOCEA, it was felt that better service and increased ridership would likely occur. Those vehicles with transponders would travel through the toll plazas much faster, ideally slowing down to speeds no slower than 25 miles per hour, and unlikely to experience delays.

Cost Savings were not the major reason underlying the decision to privatize. With an expanding number of people moving to Central Florida, and with all traffic projections indicating increased use of tollways, the income received to collected tolls was expected to be more than enough to meet bond payments and support administrative and operational costs.

With privatization, OOCEA felt that it would have more control over toll operations. This control would allow greater opportunity to be more innovative and creative in a variety of ways. A more responsive patron satisfaction system could be implemented, one that would result in improved service. Incentive systems could be established that would reward employees for friendlier, better service, as well as for identifying ways to be more efficient. The new ETTM technology, and the E-PASS system would not only collect tolls more accurately, it would allow patrons to travel more quickly through toll plazas. Ultimately, as more patrons used E-PASS, fewer manned lanes would need to be opened, thereby saving additional funds.

The Florida Political Climate and FDOT Support

Finally, the political climate was supportive, as Governor Chiles has long been in favor of privatization, a sentiment echoed by
FDOT Secretary Ben Watts. The broader framework of toll collection privatization at OOCEA began in the state capital with the election of 1990. The incoming governor was earnest about the re-invention of government and was particularly diligent about finding ways to privatize government operations. It was suggested by the Florida Department of Transportation (FDOT) that toll collection operations might be a good candidate for such an experiment. The approach was consistent with the strategy of the OOCEA and the Authority Board elected to implement a full privatization of toll collection. Only the administration of the vehicle enforcement system, the operation of computer systems and toll audit functions are performed by OOCEA staff.

There was still a great deal of uncertainty in 1989–90, however, concerning whether privatization would be successful. At that time, no toll operations in the United States had been privatized. Even though there were informal indications that private firms would be interested in responding to a privatization RFP, a sufficient number had to respond to make the effort a success. By 1994, when the second RFP was finally issued, the Southern Connector plazas had been opened, thereby adding to the operations cost. If all the private firms bid at levels that were higher than the cost charged by FDOT, and no cost savings were to occur, then the privatization decision may have had to be reconsidered.

Much depended on the creation of a successful Request for Proposal, one that would lead to a contract that would represent an successful partnership between the OOCEA and the private vendor. The RFP that was created and issued in 1994 is the next step in the privatization process.

III. The RFP Creation

Once the decision to privatize has been made, the RFP must be written. The degree of specificity in the RFP has significant implications for the ease and nature of the ability of the government to effectively manage the contract.

The Request For Proposal

Any RFP for services contracting must include at least three aspects: first, the goals or objectives of the government in providing the service; second, the standards by which the private vendor will be judged regarding how well these goals are met; and third, the activities by which the vendor must perform in order to reach the goals.

Underlying these aspects is the degree of specificity provided in the RFP. A more general, shorter RFP has the advantage of
letting the vendor provide the detail, especially with regard to
the activities needed in service provision. This approach may
also be preferred if the government wants to change the ways in
which the service is delivered, but is not completely certain of
the best way that innovation or change could take place. In this
manner, the private vendor will help to "write the RFP" by
indicating specific procedures, policies, and activities that
will be directly related to goal achievement.

The disadvantage of a general RFP is that the vendor may not
clearly understand the priorities of what the government wishes
to accomplish. Responses in terms of cost and service activities
may be unrealistic. If standards are unclear or omitted from the
response to the RFP, contract management difficulties are likely
to occur.

An RFP that provides great detail may preempt wishes to change or
innovate, as the vendor must provide cost estimates and identify
service activities that are as close as possible to those
outlined in the RFP. Yet the advantage of such detail is that
contract management becomes much easier, as there is likely to be
fewer unanticipated conditions or situations that will cause
conflict between the vendor and the government.

An ideally written RFP contains both general and specific
aspects. Although goals may be general, e.g., providing the
service in the most cost efficient manner, standards can be
specific, especially those that refer to vendor performance or
service activity. Service provision can be authored in both
specific terms, if the activity is routine, for example, and in
general terms with regard to the number of personnel needed to
perform the service, if it is suspected that innovative
managerial techniques may be feasible.

An analysis of the OOCEA privatization RFP indicates that both
specific standards and general guidelines are present. The
former must be followed by the bidder, while the latter invites
bidder creativity, innovation, and partnership.

In the beginning of the Scope of Services Section, the OOCEA
clearly states its position (in addition to the four goals stated
above):

It is not the intent of the Authority to recreate the
current operation, but to provide a more creative,
efficient Toll Operations Management Program, particularly
during the second and third years of the Contract.

In light of this more general goal, and the more specific ones of
better customer service and better auditing and accounting
procedures, the RFP requested specific information from the
bidders. For example, all lanes for all plazas are identified as
manual or automatic, with the required hours that each needs to be open. The bidder must provide sufficient staffing to operate these lanes for the hours that are identified.

A quality management/assurance program is required, including a customer complaint resolution system, plus periodic customer satisfaction surveys. Toll collection personnel should include a minimum of 60% full-time employees, with a supervisor present 24 hours per day, 7 days per week. The winning bidder, or Toll Operations Contractor (TOC), is held accountable for 100% of all transactions processed at each lane.

The OOCEA also reserves the right to approve any personnel changes, and to request the dismissal of any employee. In this manner, replacement of a more qualified management employee with one less qualified may be prevented. OOCEA feels lower service quality would result. Also, drug testing and background checks for all staff were requested as well.

The Right of First Refusal: Employee Rights and Benefits

Many governments decide not to privatize because of often intense opposition from current employees and from elected leaders. Opposition to the decision of OOCEA to privatize toll operation did not occur, primarily because of 1) the decision to allow FDOT employees to be given the right of first refusal for similar positions with the TOC; and 2) the requirement that responses to the RFP price salaries and benefits at amounts and levels similar to those presently held by current employees.

As stated in the RFP:

It is the expressed desire of the Authority to protect the employment of current FDOT career service employees who have attained permanent status in the classifications of Toll Collector, Toll Collector Supervisor, Toll Facilities Supervisor I and II, and Toll Collection Courier. Accordingly, the selected firm shall provide first right of refusal for re-employment for comparable positions to those current FDOT employees (I-17).

The TOC was also encouraged to consider hiring the part time and temporary employees who worked as toll collectors.

Perhaps more important was the requirement that employee benefits for full time personnel should be approximately the same as those currently offered to full time career service FDOT employees. Four areas of benefits were identified: vacation and sick time, health care, retirement, and group insurance coverage (life and disability).
Although there was no specific requirement that salaries be comparable to those presently held, information was provided regarding the number and different classes of FDOT employees and salary information for these employees. The winning bid provided salaries that were comparable to those provided FDOT employees, with toll collectors paid an average hourly rate of $6.30; shift supervisors received $7.90, and plaza managers were paid $8.66. Benefit packages were comparable to those already provided.

There were many areas of the RFP that allowed the TOC some discretion in choosing the specific procedures and activities necessary to perform the tasks associated with toll collection. Although an outline of the activities and requirements for program management, audit/accounting, and toll collections were requested in the RFP, the TOC was expected to create a variety of plans and manuals identifying the specific steps and procedures needed to implement these activities. Existing FDOT policies and procedures were provided for review by bidders, but there was no requirement that these be followed exactly.

The RFP detailed as much information as possible to ensure that all proposers had a level playing field on which to pursue the contract and to communicate the requirements of the project. Current operations costs and procedures were fully detailed and records of other requested records of OOCEA were made available.

IV. Evaluation of Bidder Responses

A clearly identified evaluation process to select the highest bidder was also outlined. A five member selection committee was formed, comprised of staff from OOCEA and FDOT. Although the selection process was not strictly low bid, cost was obviously a consideration. Selection was based upon independent rankings of the individual committee members and at no time did the members of the committee discuss their rankings. Oral presentations were evaluated similarly. The final selection was known by no one until an independent firm calculated the totals of the individual members. This process ensured fairness to all vendors.

Three bidders responded to the Privatization RFP. These were 1) Florida toll Services (FTS) a Morrison Knudsen/Parsons Brinckerhoff Joint Venture; 2) United Infrastructure Company (UIC), a Bechtel Enterprises and Peter Kiewit and Sons Joint Venture; and URS Consultants, Inc. All three submitted separate technical and pricing proposals as requested. Proposals were received by OOCEA on September 23, 1994. The technical proposal underwent an evaluation by the OOCEA-FDOT Selection Committee, using criteria identified in the RFP.

On November 3, 1994, the evaluation was completed and Notice of the Intent to Award was issued. FTS was awarded the most points,
360.1, followed by UIC with 265.8, and URS with 223.5. For the technical proposal, the rank order of the three bids was the same: FTS, 240.1; 229.2 for UIC; and 223.47 for URS. The number of points allocated by Section and subsection for the Technical Proposal is identified in Table A.
TABLE A
Evaluation Criteria
Overall Major Sections--Technical Proposal
Average Points--Selection Committee

<table>
<thead>
<tr>
<th>TITLE</th>
<th>AVAILABLE POINTS</th>
<th>FTS</th>
<th>UIC</th>
<th>URS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualification Narrative</td>
<td>45</td>
<td>41.1</td>
<td>38.3</td>
<td>39.4</td>
</tr>
<tr>
<td>Financial Statement</td>
<td>15</td>
<td>.8</td>
<td>13.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Understanding and Approach</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clear Understanding of Project Objectives</td>
<td>30</td>
<td>26.7</td>
<td>25.6</td>
<td>26.17</td>
</tr>
<tr>
<td>Proposed Approach</td>
<td>50</td>
<td>45.6</td>
<td>43.0</td>
<td>41.5</td>
</tr>
<tr>
<td>Ability and Professional Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Management Staff</td>
<td>50</td>
<td>47.3</td>
<td>34.3</td>
<td>40.1</td>
</tr>
<tr>
<td>Technical and Support Staff</td>
<td>20</td>
<td>18.2</td>
<td>15.2</td>
<td>17.0</td>
</tr>
<tr>
<td>Project Management and Organization Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsibility and Accountability</td>
<td>15</td>
<td>14.2</td>
<td>13.7</td>
<td>12.7</td>
</tr>
<tr>
<td>Work Program</td>
<td>15</td>
<td>13.1</td>
<td>12.8</td>
<td>11.3</td>
</tr>
<tr>
<td>Quality Control Program</td>
<td>5</td>
<td>4.4</td>
<td>4.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Financial Control and Security</td>
<td>15</td>
<td>13.6</td>
<td>13.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Affirmative Action Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levels of Women/Minorities in the Proposers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional and Technical</td>
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Workforce Participation Goal of 15%

<table>
<thead>
<tr>
<th></th>
<th>10</th>
<th>6.5</th>
<th>5.9</th>
<th>7.6</th>
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<tbody>
<tr>
<td>TOTAL</td>
<td>280</td>
<td>240.1</td>
<td>229.2</td>
<td>223.5</td>
</tr>
</tbody>
</table>

The four Sections were first divided into the 12 Sub-Sections identified above. The evaluation criteria were further divided into a total of 54 smaller sub-sections.

The response submitted by FTS was much longer and much more detailed than that submitted by UIC and UPS. FTS also was awarded the most points on eight of the twelve criteria listed above. The consistently higher score on the major sections and sub-sections reflects the higher quality information provided.

The Section for which FTS clearly outscored its competitors was the "Ability and Professional Staff". FTS proposed a management team that would begin on the project during the transition phase and remain intact when normal operations began. The key members of this team all had toll operations experience. In total, the years of toll operations experience was also much greater than the team proposed by UIC and UPS. In addition, FTS also proposed a much smaller technical and support staff.

The total number of management and support staff for FTS was 21; for UIC was 32; and for UPS was 29. The Selection committee felt that the smaller number was more appropriate in terms of meeting the goals of efficiency and quality of service, and thus rated FTS higher in this area as well.

As indicated in TABLE B, FTS also proposed the fewest total toll collector personnel. Clearly, FTS eliminated the position of Toll Plaza Assistant Manager, and identified the need for only 5 supervisors per plaza.
TABLE B
Responses to OOCEA Privatization RFP

Number of Toll Collection Staff by Labor Category

<table>
<thead>
<tr>
<th>LABOR CATEGORY</th>
<th>FTS</th>
<th>UIC</th>
<th>URS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plaza Managers</td>
<td>10</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Assistant Managers</td>
<td>--</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>Supervisors</td>
<td>50</td>
<td>62</td>
<td>53</td>
</tr>
<tr>
<td>Toll Collectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-Time</td>
<td>194</td>
<td>195</td>
<td>219</td>
</tr>
<tr>
<td>Part-Time</td>
<td>128</td>
<td>130</td>
<td>195</td>
</tr>
<tr>
<td>Laborers</td>
<td>--</td>
<td>--</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>382</td>
<td>417</td>
<td>497</td>
</tr>
</tbody>
</table>

In both the case of the Management Team and Support Staff, as well as for the Toll Collection personnel, the lower numbers for FTS may be due to several reasons. First, because the authors of the FTS response had more years of toll operations experience, they may have been able to better estimate optimal staffing patterns. Second, FTS may have spent more time analyzing the staffing needs of the OOCEA system. Third, since the higher labor numbers estimated by UIC and URS more closely approximated those employed by FDOT, perhaps the FDOT staffing assumptions were used by these two bidders.

In terms of price, FTS was the lowest bidder. The bid of approximately $47.5 million over a five year period was almost $6 million less than the nearest competitor. Over 72% of this amount was found in Toll Operations Labor Costs, with another 9.6% allocated to management and support staff costs. Given the above discussion, it should be no surprise that UIC management/staff costs were almost 75% higher than that of FTS, a difference of $3.4 million, with the toll operations labor costs 7.3% higher, a difference of $2.5 million. Similarly, URS management/staff costs were 68% higher than FTS, a difference of $3.2 million, while its toll operations labor costs were 18.2% higher, a difference of over $6 million.
V. Transition and Contract Issues

There are a variety of transitional issues that face governments after the private vendor has been chosen. These include scheduling, need for personnel training, establishing service provision policies and procedures, and other issues as identified by the RFP.

The Job Fair

To provide a range of employment opportunities for FDOT toll operations employees, a Job Fair was held from February 27, 1995 through March 8, 1995. Employees were transported to the job fair site by plaza. They were given three options: 1) become employees of FTS, holding the same or similar position at the same toll plaza; or transfer to another toll plaza; 2) transfer to other FDOT positions with the Florida Turnpike or other toll plazas outside the jurisdiction of OOCEA; or seek employment elsewhere. Based upon seniority, employees were allowed to choose from among positions available included in these three options.

The job fair was deemed a success, as positions either with FDOT or FTS were found for all full time employees that requested them. The approximately 200 FDOT positions were filled quickly. Many of the more experienced supervisors and managers decided to remain with FDOT. Employees at various toll plazas transitioned into FTS because they enjoyed working at these plazas and did not wish to commute a longer distance to other FDOT plazas. In addition, employment was found for almost half of the temporary employees.

Transition From the Public Sector to FTS

To implement the System Operations Transition Plan, as requested by the RFP, a transition team met every Friday from February 6, through April, 1995. Team members included staff from OOCEA, FDOT, FTS, and Post, Buckley, Schuh, and Jernigan (the general engineering consultant group).

A variety of issues were discussed. Initially, staffing concerns were paramount. FTS needed a complete list of all FDOT employees prior to the Job Fair. After, it was agree that FTS would notify those employees who would transfer to FTS, while FDOT would notify all others, including those terminating employment or relocating. Complete staffing lists were sent by FTS to both OOCEA and FDOT. Auditing procedures were drafted by FTS and sent to FDOT and OOCEA for review. A quality management committee was established. Cash management procedures were developed. Some equipment such as cash drawers needed replacing.
As FTS began to take over various plazas, beginning April 1, 1995, the transition team was also able to quickly review the various collection and operating reports. Immediate feedback was provided to FTS in the form of suggestions for improvement and corrections to procedures.

The Contract: A Combination of Fixed Fee, Cost Plus, and Incentives

The contract chosen by the OOCEA can best be described as a combination of a fixed fee contract and a time and materials or cost plus contract. Though the two types may seem contradictory, the best of each was used in the RFP and in managing the contract.

The OOCEA requested proposals for a very specific scope of work defined by the schedules for manning toll plazas and providing confidence to the OOCEA that all toll revenues would be accounted for. Since the primary component of the project cost was labor, using very specific manning schedules led FTS to bid minimum profit and overhead costs. There was little flexibility allowed in creativity regarding staffing. Gains in efficiency from suggested staffing alterations would come later into the contract once the minimum unit cost for labor was established.

Because the right of first refusal was offered to FDOT collection personnel, and because of the manner in which FDOT broadened the pool of prospective employees, each bidder was aware of the pool from which they would be able to employ toll collectors and supervisors. To the greatest extent possible, state employees were given the option of continuing employment with FDOT or accepting a positions with FTS.

Once FTS was chosen, the contract was negotiated. This step was without controversy. Legal language was agreed upon, individual personnel were accepted by OOCEA, and financial commitment of each partner was affirmed. While the concept of employee incentive programs were mentioned, no details were consummated.

The incentive program was created as a result of discussions held between OOCEA and FTS after the contract was signed. FTS had mentioned during negotiations that it had intended to incorporate some form of employee incentive program. OOCEA began to consider this as a means by which FTS and its employees could be encouraged to help reduce operations costs. The final agreement had to benefit all three parties: OOCEA, FTS, and FTS support staff and toll collection personnel. After much discussion it was decided that any reductions in labor cost would come from temporary employees until such time as permanent employee attrition would allow for the reduction. Next, it was agreed
that FTS would receive none of the savings, but would be allowed to retain the profit margin originally bide on the original base. It would therefore not suffer a reduction in the profit amount because the labor costs and the contract amount would be reduced. Finally, it was agreed that OOCEA would provide one year of the savings to an incentive pool that would be administered by FTS to their employees, excluding top management. The savings pool would be increased each year by any savings agreed upon the OOCEA and FTS and would be distributed over the live of the contract than all in one year. This allowed for the probable condition that efficiency gains would become less sizable over time.

VI. The Ongoing Public/Private Partnership: Contract Administration versus Contract Management

The administration of a contract focuses upon the legal contract documents of the RFP, the bidders response, and the contract. Each of these documents is legally bound together in the signing of the contract and becomes a legal statement of what is to be delivered and the conditions of the delivery. These documents are extremely important, in addition, because they constitute the nature of the agreement among the public agency and the private vendor. The RFP represents the public agency's expectation of what is to be delivered and is the primary document upon which contract interpretations may be based if necessary. The contract is the negotiated agreement between the public agency and the vendor which incorporates the expectations spelled out in the RFP and the vendor response.

In the process of managing the contract, there is the potential for disagreement concerning expectations. If a misalignment of expectations does occur, each party will typically point to the document which it has authored. Resolution of disagreements is often difficult when this occurs.

If the public agency has been administering or monitoring the contract, simply noting that reports and activities spelled out in the contract have been followed, resolution may not occur. Certainly contract administration is necessary, it just may not be sufficient to resolve conflicts when they occur.

Contract management is the process of finding ways within the parameters set forth by the contract to compromise, to find "win-win" solutions, and to establish a partnership between the public agency and the vendor. In is an ongoing process that may include resolving a minor interpretation of a contract point that changes a daily activity. It may mean resolution can only occur through a contract modification. In no case, however, can the original essence of the contract be violated and the scope of the contract changed. Contract management is a process of working with all imagination and creativity within the limits of an original contract. The goal of the contract management is not to get the
most for the public agency, nor is it to maximize the profits of the vendor. It is to balance the interests of both so that the result is beneficial to each partner. It is a partnership by deed rather than word.

It is essential that contract management occur when changes in service delivery policies and procedures are needed or expected, and when the service or product is highly complex and/or can be greatly influenced by technological changes. Under these conditions, it is likely that goals and standards are unclear, not easily measurable or need adjusting over the life of the contract. The RFP may allow for a significant amount of contractor discretion over service delivery policy, deliberately recognizing that a partnership between contract management and the contractor must be created that will allow for evolvement of policies/procedures in a dynamic relationship.

The incentive program is unique when viewed within the context of contract management. It was first agreed that FTS employees should get their management direction from FTS, not from OOCEA. To confuse the chain of command would be disruptive to all. The results in terms of accountability and customer service were concerns of both parties. Through daily communications and project monthly meetings, it has become apparent that both parties must be concerned with both the goals to be accomplished as well as the activities needed to accomplish those goals. Contract Management is the dynamic evolution of both these concerns.

VII. Conclusion

The OOCEA decision to privatize toll operations was supported by a variety of reasons. The cost savings were expected to be considerable; sufficient competition from prospective contractors existed; the political climate, with support from the Governor and the Secretary of FDOT, was appropriate; and employee opposition, with salaries, benefits and alternative employment concerns met, was minimal. Almost two years after the contract was signed, the experience can be judged a success, with savings estimated at approximately one million dollars annually, and relationships with FTS and FDOT running smoothly.

Future success must be judged according to the continued effectiveness of the contract management process. Efforts must remain focused on achieving the three primary goals of cost savings, service quality, and sound financial reporting. The partnership between OOCEA and FTS that will evolve as plans, reports and SOP's are submitted, reviewed, and revised must remain committed to achieving these privatization goals.

The privatization of toll collection at OOCEA was not an easy task and it is not over. Now the OOCEA and FTS must learn how to
live with one another on a daily basis and continue the process towards improved goal achievement. While it seems as though toll collection privatization may be successful at OOCEA, it may not work for everyone in the toll business. The political support of the OOCEA Board, FDOT and state government in general was necessary. The teamwork with FDOT during the process and a win/win strategy have made this effort possible.