

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
2	02/26/18	Open	Action	02/14/18

Subject: Delegating Authority to the General Manager/CEO to Approve an Agreement with the North Natomas Transportation Management Association for Operation of the North Natomas Flyer Bus Service

## ISSUE

Whether or not to delegate authority to the General Manager/CEO to approve an Agreement for Operation of the North Natomas Flyer Bus Service with the North Natomas Transportation Management Association (NNTMA).

## RECOMMENDED ACTION

Adopt Resolution No. 18-02-\_\_\_, Delegating Authority to the General Manager/CEO to Approve an Agreement for Operation of the North Natomas Flyer Bus Service with the North Natomas Transportation Management Association

## FISCAL IMPACT

The cost of operation of the service will be reimbursed by the NNTMA as set out in the contract.

	Operating cost/revenue	Capital recovery (vehicle cost)	Total (not to exceed)
Year 1	\$364,853	\$128,000	\$492,853
Year 2	\$372,150	\$128,000	\$500,150
Year 3	\$379,593	\$128,000	\$507,593
Year 4	\$387,185	\$128,000	\$515,185
Year 5	\$394,928	\$128,000	\$522,928

Payments made by NNTMA under the Contract will include two components: operating and capital recovery. The operating revenues will fund the operating expenses, whereas the capital payments from this contract will be used to reimburse SacRT for a portion of the cost of bus acquisition. Since the reimbursement for the bus purchase occurs over a 5-year time period, and, in addition, the capital recovery amount will not fully fund the acquisition of the buses and additional equipment that staff has incorporated into the purchase, SacRT will use alternative funding options to temporarily bridge the timing gap for the \$640,000 as well as fill the budget gap of approximately \$473,745.

## DISCUSSION

Since 2011, SacRT and the NNTMA have had an agreement for the provision of transit service. In December 2011, the SacRT Board approved a five-year Agreement with the NNTMA to operate and maintain the "North Natomas Flyer" bus service. Service began in March 2012. The Agreement was amended in October 2016 to extend through December 31, 2017. The

Approved:

Presented:

Final 02/20/18

General Manager/CEO

Deputy Chief Operating Officer

J:\Board Meeting Documents\2018\03 February 26, 2018\DOA NNTMA Agreement with BB edits.doc

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Agreement was amended again in December 2017, to extend the Agreement through June 30, 2018.

On August 14, 2017, the NNTMA released a Request for Information (RFI) for the operation of the North Natomas Flyer fixed route bus service. In response, on September 22, 2017, SacRT provided the NNTMA a Best and Final Proposal to operate the “North Natomas Flyer” for a five-year term. The service will consist of six (6) peak-only routes available to the general public. The service will feature four (4) local routes and two (2) new Express routes between North Natomas and Downtown Sacramento. “North Natomas Flyer” service connects with SacRT bus and rail lines at multiple locations throughout downtown. The service will be provided using eight (8) new 2017 32’ Ford F550 Starcraft Allstar gasoline “cut-away” vehicles. The base fare of \$2.00 will be collected by SacRT and will be credited to the NNTMA as an off-set to the cost of providing service.

SacRT will operate the service out of the Community Bus Service (CBS) division during the five-year Agreement for up to 6,150 Revenue Vehicle Hours (RVH) annually.

**Total Operating and Capital Costs**

	Operating Cost per RVH	Must Not Exceed Amount
Year 1	\$ 59.33	\$ 492,853
Year 2	\$ 60.51	\$ 500,150
Year 3	\$ 61.72	\$ 507,593
Year 4	\$ 62.96	\$ 515,185
Year 5	\$ 64.22	\$ 522,928

The RVH rate is based upon SacRT’s incremental (direct) cost of operating the service from the CBS division, where the hourly operator rate, maintenance and fuel costs are lower. The RVH rate also includes a capital cost component to fund a portion of the cost of the eight (8) new “cutaway” vehicles. The term of the Agreement is through December 31, 2022, at which time the RVH rate and service will be reevaluated, and the Agreement may be renegotiated as needed.

The agreement requires NNTMA to fund a portion of the purchase of 8 vehicles. However, because the funding is spread over a 5 year period, SacRT staff needs to identify a funding mechanism to pay the vendor for the buses at the time of acceptance.

A potential cash flow source being considered is using the Board approved PTMISEA funds that are proposed to be loaned to SacRT by SACOG. If the PTMISEA loan funds are used SacRT is required to repay SACOG on December 1, 2020. That is approximately 2.5 years before SacRT will be reimbursed by NNTMA for the vehicle purchases. Further, the total reimbursement for bus purchases from NNTMA is \$640,000; however, the cost to purchase the vehicles is \$ 1,113,745 for all eight fully equipped vehicles. Therefore, SacRT will be required to use other operating or capital funds, when available, to bridge the gap in funding.

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Additionally, NNTMA can, at any time, cancel the contract with SacRT and will have no requirement to pay the remaining capital cost of purchasing the vehicles. The Fiscal Sustainability Policy adopted by the Boards in November 2015 requires SacRT to review the economic and financial risks of undertaking new business or changes to business process. SacRT is accepting a level of risk by entering into the agreement with NNTMA due to the timing differences on cash flow and the \$473.745 funding gap. However, Staff believes that the risk of financial loss is low, tolerable, and valid in order to continue the partnership with NNTMA.

At the time of this writing, staff is negotiating the legal terms and conditions of the proposed Agreement between SacRT and NNTMA. Staff anticipates that the Contract negotiations will be completed by March 30, 2018. Therefore, staff recommends that the Board delegate authority to approve and execute the Agreement upon completion of negotiations.

The proposed start date is July 1, 2018.

Staff recommends that the Board delegate authority to the General Manager/CEO to approve an Agreement between SacRT and the NNTMA, and authorize the General Manager/CEO to sign said Agreement upon completion of negotiations with NNTMA of the terms and conditions of the Agreement to provide service.

RESOLUTION NO. 18-02-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

February 26, 2018

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO APPROVE AN AGREEMENT FOR OPERATION OF THE NORTH NATOMAS FLYER BUS SERVICE WITH THE NORTH NATOMAS TRANSPORTATION MANAGEMENT ASSOCIATION**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the General Manager/CEO is hereby authorized to approve an Agreement between Sacramento Regional Transit District, therein referred to as "SacRT," and the North Natomas Transportation Management Association, therein referred to as "NNTMA," wherein SacRT agrees to provide fixed-route bus service for a period of 5 years upon completion of negotiations between the parties.

THAT, the General Manager/CEO is hereby authorized to execute said Agreement upon satisfactory completion of contract negotiations.

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PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary