

Revised 02/25/19

REGIONAL TRANSIT ISSUE PAPER

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Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
6	02/25/19	Open	Action	02/25/19

Subject: Agreement with the City of Elk Grove for Transit Services

ISSUE

Field Code Changed

Whether to delegate authority to the General Manager/CEO to negotiate and execute ~~approve~~ the Fixed Route, ADA Paratransit/Dial-A-Ride, and Maintenance Operations Contract for Service and conditionally approving the Second Amendment to the Service Agreement with the City of Elk Grove.

RECOMMENDED ACTION

- A. Adopt Resolution No. 19-02-___, Delegating Authority to the General Manager/CEO to Negotiate and Execute ~~Approving~~ the Fixed Route, ADA Paratransit/Dial-A-Ride, and Maintenance Operations Contract for Service with the City of Elk Grove; and
- B. Adopt Resolution No. 19-02-___, Conditionally Approving the Second Amendment to the Service Agreement with the City of Elk Grove.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$	452,246*
Budget Source:	Operating	Next FY:	\$	6,757,207
Funding Source:	Elk Grove Contract*	Annualized:	\$	7.16 Million
Cost Cntr/GL Acct(s) or	Various GLs	Total Amount:	\$	35.8 Million
Capital Project #:				
Total Budget:	\$ Various GLs			

* The Elk Grove contract is anticipated to fund the service during the contract period; however, \$452,246 of unreimbursed startup labor and training costs will be incurred during this Fiscal Year. In addition, as more fully discussed below, the Operations Contract will be a fixed-rate rather than actual cost reimbursement methodology, so there is a risk of unreimbursed costs in future fiscal years.

Background

In January of 2005, the City of Elk Grove (City) assumed responsibility from Sacramento Regional Transit District (SacRT) for the administration and operation of all transit services to, from, and within the City. The service was branded by the City as “e-tran” and included commuter and local routes. In July 2006, the City also began operation of demand-response services and Americans with Disabilities Act (ADA) complementary paratransit services, branded as “e-van.”

In conjunction with the City’s separation from SacRT, the City entered into a Service Agreement with SacRT. The key terms of the Service Agreement include: (1) providing permission for City

Approved:

Presented:

General Manager/CEO

VP, Planning and Accountability

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transit services to operate within SacRT’s service area, (2) establishing a proportionate share payment to SacRT based on the benefits that light rail and other SacRT regional services provide to City residents, and (3) designating one City representative on the SacRT Board of Directors. The term of the current Service Agreement is July 1, 2017 through June 30, 2020, with an annual proportionate share payment to SacRT of \$350,000.

The City currently contracts with MV Transportation for the operation of its public transit service and the contract expires on June 30, 2019. In April 2017, SacRT and the City began discussions regarding SacRT operation of the City’s e-tran and e-van services under an intergovernmental agreement. SacRT’s proposal offers the City a number of benefits, including improved service quality, enhanced employee benefits, economies of scale savings, and a greater ability to collaborate on regional transit operations. The parties have largely agreed to the terms and conditions of the Agreement. However, two issues remain undetermined at the time of this writing. First, there is no provision for SacRT to terminate the agreement and this issue needs to be further negotiated. Second, the reporting structure is needs to be clarified in terms of how Elk Grove staff serve as contract administrators, while SacRT staff reports to SacRT management staff for purposes of day to day bus operations. Therefore, staff is recommending that the General Manager/CEO be granted authority to finalize negotiations with Elk Grove and execute the final agreement.

If a contract for SacRT to operate the City’s e-tran and e-van service is approved, payment thereunder to SacRT would be considered to satisfy the proportionate share requirement until the contract is terminated. This change would be reflected in an amended Service Agreement. These topics and contract terms are described in greater detail in this staff report.

Contract Terms

The proposed Fixed Route, ADA Paratransit/Dial-A-Ride, and Maintenance Operations Contract for Service with the City of Elk Grove (“Operations Contract”) establishes a five-year term, with service provided by SacRT commencing on July 1, 2019, for a total value of approximately \$36 million.

Compensation Methodology

SacRT submitted an initial cost proposal to City for the proposed services in February 2018. Since that time, there have been refinements to and escalation of some of the costs from the initial proposal. In the pricing proposal, SacRT calculated all of the anticipated fixed and variable contract costs. The annual fixed costs are divided by 12 to calculate a fixed Monthly Administrative Cost. The annualized variable costs were divided by the estimated number of annual revenue hours for both fixed-route and paratransit service to create a blended hourly cost for revenue service. SacRT will be paid for the variable costs on the basis of the number of revenue service hours actually provided in a given month. Both the monthly fee and the per hour costs will be escalated by 3% each fiscal year. Reasons that costs might exceed the estimate would include: labor cost increases; payment of claims that fall within SacRT’s self-insured retention; or greater than anticipated maintenance costs due to the age of the City’s bus fleet.

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SacRT does not have the right to terminate the Operations Contract or request additional compensation if its costs exceed the estimates. Because of this, there is some cost risk to SacRT's operating budget by entering into the Operations Contract.

Terms of Performance

Under the Operations Contract, which contains many of the provisions that are currently included in the City's contract with MV Transportation, SacRT would be responsible for operational and operational support activities, scheduling, and fare revenue collection for fixed route and ADA paratransit services, as well as the maintenance of service revenue vehicles, a portion of a shared City facility, and bus stop signs and shelters. SacRT's performance of these services must also comply with the following key provisions:

Key Staffing: SacRT must ensure that key staff positions remain filled for the duration of the agreement. The key positions are the Operations Superintendent, Maintenance Supervisor, Operations Training Specialist, and Data Analyst.

Reporting: SacRT must provide daily, monthly, and occurrence based performance reporting to the City. SacRT is also responsible for tracking and reporting National Transit Database information and other federally required information.

Liquidated Damages: Similar to the current contract between the City and MV Transportation, SacRT would be subject to liquidated damages for not meeting certain contract requirements. These include: (1) failure to comply with all material elements of SacRT's Transition Plan that are integral to service delivery beginning July 1, 2019, or failure to materially comply with contract termination requirements (5% of the monthly administrative fee); (2) failure to permanently fill vacancies in "key positions" described above (liquidated damages equal to the daily compensation for each day the position is left vacant beyond 90 days); (3) failure to comply with operational performance metrics after an initial 90-day grace period (generally unless cause was beyond SacRT's control), including: failure to maintain a system-wide unclassified revenue rate of 15% (\$250 a month), missed trips (\$250 per trip starting, excluding the first two occurrences and other excused missed trips), failure to pick up passengers (\$500 per verified pass-up), late first stops (\$50 per late first stop per route block of work, excluding the first two occurrences and other excused occurrences), failure to timely submit reports to City (\$500 per occurrence), late paratransit pick-ups (\$50 per occurrence, excluding the first and other excused occurrences), missed paratransit pick-ups (\$250 per occurrence, excluding the first and other excused occurrences), failure to secure a paratransit passenger (\$250 per verified occurrence); (4) failure to meet maintenance performance metrics, including failure to clean a vehicle per the schedule and criteria (\$50 per occurrence), failure to conduct preventive maintenance per the schedule (\$250 per monthly occurrence per bus), annual CHP inspection failure (\$2,500 for the first occurrence, with escalation for subsequent failures), failure to repair a bus stop sign or shelter within 7 days (\$50 per occurrence unless repair is not possible within 7 days), and failure to clean a bus stop sign or shelter (\$50 per occurrence).

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Indemnity: Each party must indemnify, defend, and hold harmless the other party for any claims, damages, etc. resulting from that party's negligent acts or omissions (but the City has no such obligation for claims resulting from SacRT's responsibilities under the agreement).

Warranties: Upon execution, SacRT and the City would jointly go through an inspection process of all facilities, vehicles, equipment, goods, and services, to be supplied by the City for SacRT's use to identify and address any material defects. SacRT would not be obligated to perform services under the contract if the failure is due to any identified but unresolved material defects. However, following SacRT's acceptance of the facilities, vehicles, equipment, goods, and services, the City would make no further warranty, with an exception for major powertrain components for engine, transmission, and differential overhauls or replacements for the City's revenue service vehicles.

Insurance: SacRT must maintain, at a minimum, the following insurance coverage: (1) Commercial general liability (\$5,000,000 per occurrence), (2) Commercial automobile coverage (combined single limit of \$5,000,000), (3) Comprehensive and collision/physical damage (\$10,000,000 per occurrence/\$500,000 per vehicle), Garagekeepers (\$500,000 per occurrence/\$1,000,000 aggregate), On-Hook/Cargo (\$500,000 per occurrence/\$1,000,000 aggregate), (4) Workers' Compensation and Employer's Liability (\$1,000,000 per occurrence), (5) Umbrella and Excess Liability policy (\$20,000,000 per occurrence), (6) Employee dishonesty/fidelity bond (\$1,000,000 per occurrence), and (7) Pollution legal liability (\$1,000,000 per occurrence).

Facility: SacRT would lease a portion of the City Corporation yard in Elk Grove to perform transit services under the Operations Contract, including administrative operations, dispatch, maintenance, potential fueling, and parking. SacRT would be responsible for maintaining the portion of the shared facility exclusively reserved for SacRT, with the exception of shared systems such as fire suppression and heating ventilations and air conditioning (HVAC), as well as landscaping, custodial services, and pest control.

Service and Fares

Under the Operations Contract, SacRT would operate all routes that the City currently identifies as available to the public. This service is described in Exhibit "I" of the Operations Contract, and includes six local routes, ten commuter routes, as well as four Saturday routes, and daily dial-a-ride/ADA paratransit service at the same level operated today. The service would be operated out of the Elk Grove Corporation yard with City-owned and branded transit vehicles as it is today.

In addition, the Operations Contract addresses the possibility of SacRT providing system-wide or regional paratransit services. The parties intend to commence negotiation on regional paratransit service immediately, with a goal of July 1, 2019 implementation. The method of providing regional paratransit services and the fares for such service are subject to future negotiation with both Paratransit, Inc. and the City.

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Employment

All e-van and e-tran employees are currently employees of MV Transportation. The drivers, reservationists, dispatchers, mechanics, technicians and utility workers are represented by the Amalgamated Transit Union Local 256 (ATU). The supervisors and managers are non-represented.

SacRT's intent is to offer employment to all qualified employees who would like to continue serving in the City. SacRT has authorized 98 new positions for the Elk Grove operation. All MV employees who apply and meet the minimum qualifications for a position would be invited to an interview with SacRT and offered employment upon successful completion of an interview and pre-employment screening, and training. SacRT's goal is to make the transition as seamless as possible.

SacRT is currently coordinating with ATU to establish an agreement for the SacRT employees who would be in the Elk Grove bargaining unit, with the intent of having similar terms to the current agreement between ATU and MV Transportation. This would include all employees currently represented by ATU if they elect to become SacRT employees. SacRT has committed to the City and ATU that employees will receive comparable wages, improved medical benefits and an increase over the current deferred compensation contribution. Because the details of the labor agreement have not yet been finalized, the uncertainty surrounding labor costs represents one of the biggest risks of the Operations Contract.

Organization

Under the direction of the SacRT Director of Transportation ~~and the City of Elk Grove Transit Systems Manager~~, the Operations Superintendent will have primary responsibility for delivery and monitoring of transit operations and maintenance under the contract, including oversight and supervision of dispatch supervisors, bus operators, maintenance employees, and customer service staff. The ~~organization-current contract management~~ structure is described in the following chart below.

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Contract Management Structure:



Benefits and Opportunities

As stated previously, the SacRT contract with the City would provide a fair and reasonable compensation package to operators, dispatchers, customer service representatives and maintenance staff. The City’s report to Elk Grove City Council on December 12, 2018 explained that MV Transportation and other private operators have experienced a driver shortage over the past year. City staff stated that the shortage has stemmed primarily from a robust economy with low unemployment that has offered potential bus drivers more competitive wages and benefits in sectors outside of privately operated public transit. The City described late and missed trips due to lack of available drivers. With more competitive wages/benefits, and a larger pool of available drivers, SacRT will likely provide greater driver retention and availability for City transit services and improved service quality.

SacRT also offers economies of scale through the consolidation of certain administrative functions and staff. SacRT can provide additional resources including experienced transit scheduling personnel who will analyze run-cutting (schedule-making) for e-tran service to further evaluate and improve on-time performance issues. SacRT’s experienced transit operations staff will expand the depth and breadth of available resources for the City transit service.

Additional benefits include the ability to collaborate more effectively on regional transit operations and long-range capital and strategic planning efforts. Contracting with the City will provide SacRT

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the opportunity to understand the City’s transit operations and future transit objectives, while still allowing the City to maintain oversight and administration of transit services. With the recent annexation of the cities of Citrus Heights and Folsom, annexation may be considered by the City of Elk Grove after a successful contract term. Annexation offers an even stronger partnership between SacRT and the City, including broader economy of scale, and improving our ability to compete more successfully for regional, state and federal funding, benefitting the region as a whole.

Amendment to the Service Agreement

Currently, under the Service Agreement, the City pays \$350,000 per fiscal year in monthly installments of \$29,166.67 as its proportionate share payment to SacRT based on the benefits that light rail and other regional SacRT services provide to City residents. The term of the Service Agreement is July 1, 2017 through June 30, 2020. If SacRT and the City enter into the Operations Contract, the Services Agreement will be amended to provide that, beginning July 1, 2019, while the Operations Contract is in effect, the amounts paid to SacRT under the Contract for Service will be considered to satisfy the statutory proportionate share requirement. If the Operations Contract is terminated during Fiscal Year 2020, the City must resume the specified proportionate share payments for the remaining term of the Service Agreement.

Staff Recommendation

Staff recommends that the Board ~~approve~~ delegate authority to the General Manager/CEO to negotiate and execute the Fixed Route, ADA Paratransit/Dial-A-Ride, and Maintenance Operations Contract with the City of Elk Grove and conditionally approve the Second Amendment to the Service Agreement with the City of Elk Grove contingent upon the City approving the Operations Contract.

RESOLUTION NO. 19-02-_____

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

February 25, 2019

DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO NEGOTIATE AND EXECUTE ~~APPROVING~~ THE FIXED ROUTE, ADA PARATRANSIT/DIAL-A-RIDE, AND MAINTENANCE OPERATIONS CONTRACT FOR SERVICE WITH THE CITY OF ELK GROVE

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

THAT, the Board Delegates authority to the General Manager/CEO to negotiate and execute the Fixed Route, ADA Paratransit/Dial-A-Ride, and Maintenance Operations Contract for Service by and between the Sacramento Regional Transit District (therein "SacRT") and the City of Elk Grove (therein "City"), whereby SacRT agrees to provide fixed route, ADA Paratransit/Dial-a-Ride and maintenance services for a five-year period, beginning July 1, 2019 and ending June 30, 2024, and City agrees to compensate SacRT based on a fixed monthly administrative rate and a per hour rate for hours of revenue service actually provided, for a total amount not to exceed \$36 million, as further specified therein, ~~is hereby approved.~~

~~THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute the foregoing agreement.~~

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 19-02-_____

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

February 25, 2019

CONDITIONALLY APPROVING THE SECOND AMENDMENT TO THE SERVICE AGREEMENT WITH THE CITY OF ELK GROVE.

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

THAT, the Second Amendment to the Service Agreement between the Sacramento Regional Transit District (therein "SacRT") and City of Elk Grove (therein City") whereby SacRT agrees to treat payments made by City under the Fixed Route, ADA Paratransit/Dial-A-Ride, and Maintenance Operations Contract for Service ("Operations Contract") as City's "proportionate share" contribution toward regional transit service for Fiscal Year 2020, beginning July 1, 2019 and ending June 30, 2020, is hereby conditionally approved, pending execution of the Operations Contract.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute the Second Amendment following full execution of the Operations Contract.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

City of Elk Grove Service Agreement



SacRT Board Meeting - Monday, February 25, 2019

Agenda Item 6

Background

January 2005

- City of Elk Grove Formed e-tran
- SacRT and Elk Grove Entered Into a Service Agreement That:
 - allowed e-tran operation in SacRT service area
 - established “Proportionate Share” payment
 - designated a representative to SacRT Board

Background (continued)

- City of Elk Grove Currently Contracts with MV Transportation, Inc. (Dallas, TX)
 - Contract expires June 30, 2019
- April 2017 to Present
 - SacRT and City of Elk Grove discussions
 - Operations planning
 - Maintenance planning
 - Contract negotiations

Contract Terms

- July 1, 2019: Service Start Date
- Five Year Term (only the City may terminate the contract early)
- Total Consideration: \$35.8 million (\$7.16 million per year)
- \$452k in Start Up Costs
- Contract will Satisfy the Proportionate Share Payment -- \$350k

Contract Terms (continued)

- Termination: City may terminate with or without cause by giving SacRT 180 days' notice OR for SacRT's uncured breach
- Options:
 1. Keep existing language
 2. Change term to 2 years with 3 1-yr options
 3. Add termination for convenience for SacRT

Contract Terms (continued)

- SacRT will Provide Service in all Aspects of Operation
- Must Comply with Several Key Provisions:
 - ✓ Key Staffing
 - ✓ Reporting
 - ✓ Liquidated Damages
 - ✓ Indemnity
 - ✓ Warranties
 - ✓ Insurance
 - ✓ Facility

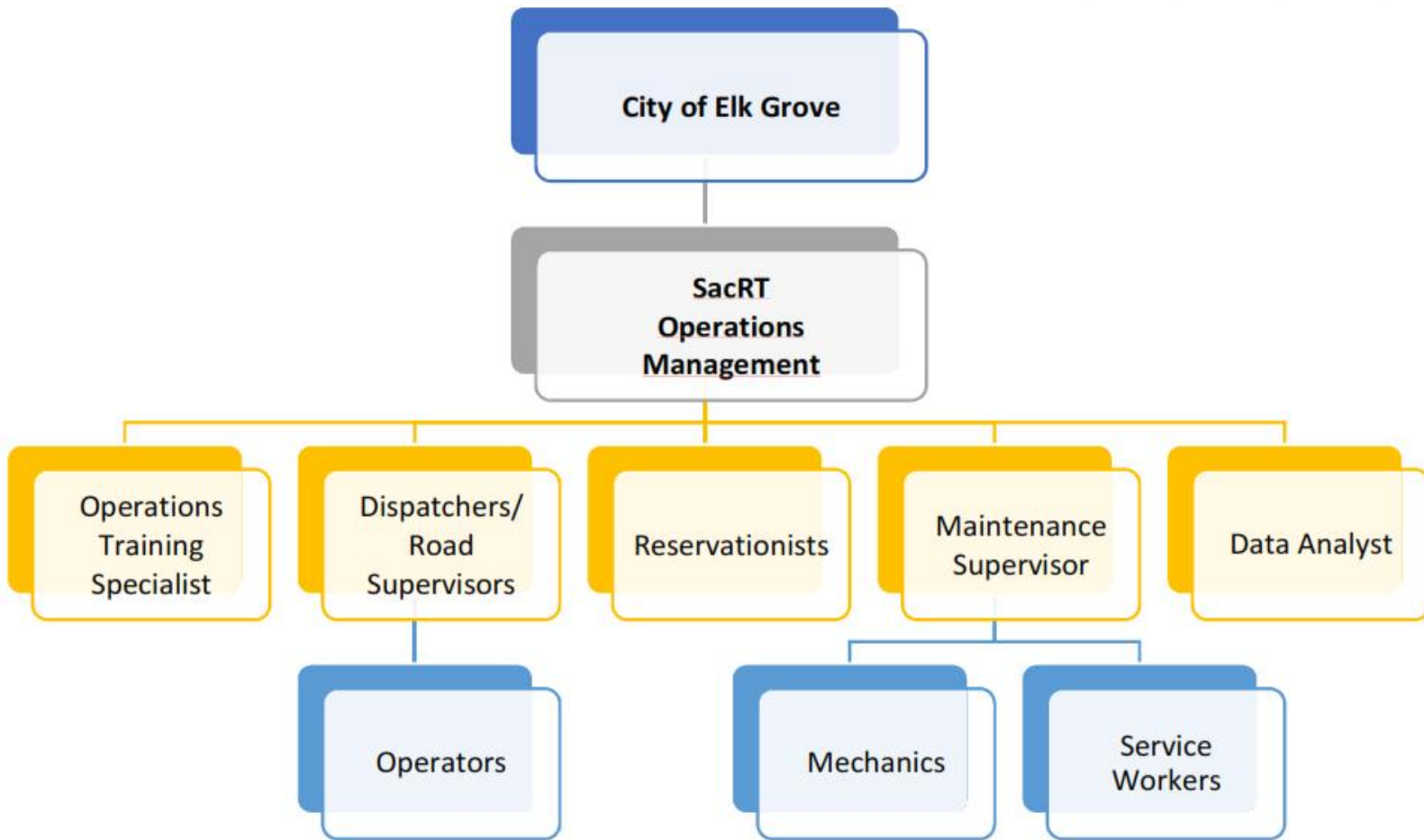
Service and Fares

- Service
 - SacRT will operate all current e-tran routes
- Fares
 - Fares will remain the same
- ADA Service
 - Continue to provide e-van service within the City 7 days a week
 - Discuss system-wide/regional paratransit service

Employment

- 98 Positions
- Personnel – Current MV employees:
 - ✓ apply
 - ✓ interview
 - ✓ pre-employment screening
- ATU Representation
 - ✓ comparable wages and improved benefits
 - ✓ improved deferred compensation

Contract Management Structure



Transition Plan Timeline

2/25/2019 SacRT Board Approves Contract

2/27/2019 Elk Grove City Council Approval

3/1/2019 Personnel Recruitment Begins

5/1/2019 Personnel Training Begins

7/1/2019 Begin Service Contract

Transition Team

- VP, Maintenance, Alva Carrasco
- VP, Operations, Douglas Cook
- VP, Communications and Partnerships, Devra Selenis
- VP, Planning and Accountability, Laura Ham
- Chief of Staff, Shelly Valenton
- VP, Finance/CFO, Brent Bernegger
- Director, Bus Transportation, Blanca Salcedo
- Director, Bus Maintenance, Albert Kennedy
- Director, Marketing, Jessica Gonzales
- Director, Information Technology, Roger Thorn
- Director, Scheduling, Mike Fitzpatrick
- Treasury Controller, Jamie Adelman
- Superintendent Facilities, Jeffrey Anderson

Benefits and Opportunities

- Improved compensation package
- Greater retention and larger pool of available drivers
- Economies of scale
- Experienced transit operations staff
- Regional paratransit service – one seat ride
- Greater collaboration on regional transit operations
- Strong City oversight and local collaboration
- Potential for future annexation

Recommended Action

1. Delegate authority to the General Manager/CEO to negotiate and execute the Fixed Route, ADA Paratransit/Dial-A-Ride, and Maintenance Operations Agreement with the City of Elk Grove, and;
2. Conditional Approval of the Second Amendment to the Service Agreement with the City of Elk Grove