



STAFF REPORT

DATE: April 12, 2021

TO: Sacramento Regional Transit Board of Directors

FROM: Laura Ham, VP, Planning and Engineering

SUBJ: CONDITIONALLY APPROVING THE ANNEXATION OF THE CITY OF ELK GROVE TRANSIT SERVICES INTO THE SACRAMENTO REGIONAL TRANSIT DISTRICT AND THE ASSOCIATED ANNEXATION, ADMINISTRATIVE FEE AND LEASE/LICENSE AGREEMENTS

RECOMMENDATION

Adopt the Attached Resolutions.

RESULT OF RECOMMENDED ACTION

The City of Elk Grove Transit Services (City) will be annexed into the Sacramento Regional Transit District (SacRT) service area and the City will become a member entity of SacRT.

FISCAL IMPACT

To determine the fiscal impact of the annexation, SacRT staff completed a 5-year financial forecast of the revenues and expenses associated with the annexation. Based on the assumptions used, the calculated financial impact resulted in an approximate net zero balance by the end of the fifth year after accounting for all the costs including startup and expanded paratransit services into Elk Grove.

For budgetary purposes, this amount was not included in the preliminary FY 2022 Operating Budget; however, if approved, staff will update the FY 2022 Operating Budget to reflect the additional revenues and expenses.

Note: As mentioned above, the forecast covers a 5-year period. Within this period, SacRT will enter into new labor contracts or potentially amend existing labor contracts. Staff recognizes that future events may impact our forecast and this analysis is based upon best available information using current salary and benefit rates and future year over year increases for the first five years after annexation.

DISCUSSION

In January of 2005, the City assumed responsibility from 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.”

After contracting for a number of years with private operators for its public transit service, the City and SacRT commenced discussion in 2017 regarding SacRT operation of the City’s transit services and a service contract was approved in March 2019, through which SacRT began operating e-tran and e-van service in July 2019 on the City’s behalf.

As a part of that agreement, SacRT and the City agreed that if SacRT’s performance in the first year of the agreement exceeded that of the City’s previous contractor, then the City would consider and negotiate in good faith, annexation of the City’s transit services into SacRT’s jurisdiction.

Since contracting with SacRT for its transit services, the City has received outstanding service and value-added benefits such as high customer satisfaction, enhanced employee benefits, full and immediate access to management and support staff, additional support during the COVID-19 pandemic, better service reliability, efficiency, and on-time service performance. Through annexation, this high-quality, cost-effective transit service will continue to be available to the City.

SacRT and the City began annexation discussions in early 2020, including over a dozen meetings between SacRT and City staff. A 2x2 Committee of the SacRT Board and the City Council met in the Fall of 2020 to review some of the significant deal points, and staff presented an overview of major terms at the March 8, 2021 SacRT Board of Directors meeting.

Mutual goals for annexation include: safeguarding equivalent or better public transit service levels in the City in the future; enhanced competitiveness for regional, state, and federal funding to achieve regionally beneficial projects such as zero emission vehicle replacement; increased transit service frequency and coverage, including express bus and microtransit service, and progression of the Blue Line from Cosumnes River College into Elk Grove. The annexation will also fulfill the long-standing community request to eliminate transfers between e-van and SacRT GO Paratransit Services for regional paratransit trips. SacRT would also continue to offer competitive wages and benefits for our Elk Grove employees.

This staff report proposes approval of three agreements pertaining to the annexation of the City of Elk Grove into the SacRT service area.

1. Annexation Agreement:

The discussion below summarizes the significant business points in the Annexation agreement, which will serve as guidance for staff in short- and long-term planning and implementation efforts:

Effective Date of Annexation and Termination of Existing Service Contract:

If annexation is approved by the SacRT Board of Directors and the City Council, the annexation will be effective July 1, 2021 and the 2019 service agreement will terminate. The City of Elk Grove will be included in the SacRT service area and the City will become a member agency of SacRT with Board representation in accordance with SacRT’s

enabling legislation.

Operation of Transit Service and Fare Structure:

- J SacRT and City agree to develop a transition plan to enable SacRT to assume full operation of the City's transit services and administrative functions as soon as possible on or after the Effective Date of Annexation. SacRT will be operationally ready to fully transition the service on the Effective Date of Annexation.
- J SacRT will operate existing City fixed-route transit services and paratransit services specifically as they are described in the annexation agreement "Service Commitment." SacRT will make no modifications, except those defined as "Emergency Changes," City requested changes, temporary detours due to unforeseen events and/or schedule adjustments to improve on-time performance during the first year of the agreement.
- J SacRT and City will, to the extent financially feasible and economically practicable, begin actively planning within six months of annexation for the operation of a bus rapid transit (BRT) and/or express bus (ExBus) transit service along the Big Horn Boulevard corridor, with a target of operation by July 1, 2024. If new revenues are not available to support the service, such as a sales tax measure, then SacRT will present the item to the Elk Grove City Council with an option to use available revenues from other City transit services to be redirected to support the capital and operating cost of the service.
- J SacRT agrees to continue providing the City with transit service levels that are commensurate with the local, state, and federal funding that the City received as of the Effective Date of Annexation to directly provide these services. SacRT will endeavor to ensure an equitable distribution of funding, amenities and assets within the City as compared to the overall SacRT service area.
- J SacRT will be obligated to retain the Service Commitment for the first four years after the effective date of annexation. SacRT commits to maintain service levels consistent with existing service during the first four years of annexation and commits to no changes that affect overall service levels unless there is a significant economic downturn or other significant change beyond SacRT's ability to control. In that event, SacRT and the City will meet and confer to discuss potential adjustments to the service levels necessary to address the change in economic circumstances. In such instance, the parties will work towards a reasonable adjustment in service levels, that may include the reduction in service levels. If the parties are unable to come to agreement within 30 days of discussion, the parties will submit the issue to mediation and will work with a third-party neutral to attempt to come to agreement on service changes.
- J The City's fixed-route commuter services have been reduced temporarily as a result of the COVID-19 pandemic's impacts. Upon the Effective Date of Annexation, SacRT may continue to operate these fixed-route commuter services at their reduced levels. However, when pandemic conditions signify a potential for return to pre-pandemic ridership, including, but not limited to, the State of California determining the risk of transmission is minimal (i.e., "Yellow" color tier) SacRT must return to pre-pandemic service levels.

- J SacRT and the City will form a group of current riders and transit stakeholders to assist with providing input on transit service performance matters, addressing customer service complaints, and conducting public outreach during the transition of the City's transit services to SacRT.
- J SacRT will not modify the fare structure within the first six months following the Effective Date of Annexation, and after the first six months SacRT will provide the City with at least 30 days' notice prior to the beginning of any public input process required by SacRT's fare change policy.

Major Financial Terms:

- J The City will transfer all current and future transit-related revenues and assets and liabilities to SacRT and SacRT will operate transit services in the City of Elk Grove and will be responsible for all the costs of transitioning service upon Annexation.
- J SacRT commits a reasonably proportionate Future Sales Tax Measure allocation, including commitment for light rail extension, zero emission vehicle replacement and other service improvements.
- J SacRT will lease Transit Facility at the City's Corporation Yard – City will use these funds to address Negative Transit Fund Balance of \$3.58 million. The time-period for use will be no more than eight years.
- J SacRT will provide the City approx. \$98,000 per year for Transit Administration / Transit Improvements, +/- with annual TDA fluctuations.
- J SacRT anticipates breaking even by the end of the first five years of Annexation.

2. Administrative Fee (Transit Liaison) Reimbursement Agreement:

The purpose of this Agreement is for SacRT to provide the City with an annual administrative fee that City must use to pay for transit related expenses including, but not limited to, partially funding a Transit Liaison staff position to be employed by the City. The Transit Liaison will serve as the liaison between SacRT and the City on transit related matters following annexation of the City into the SacRT District. The Transit Liaison will perform transit-related duties for the City, including, without limitation, assisting with the gathering and analysis of data, generating transit reports, evaluating ridership and transit needs, and assisting with transit related projects within City's jurisdiction. SacRT will be provided access to the Transit Liaison's reports and work product and the Transit Liaison will provide assistance to SacRT with transit related projects within CITY. This position will provide support to SacRT's transit planning and public outreach efforts for promoting transit in the City. While SacRT will have access to the Transit Liaison's work product and will work with the Transit Liaison, the Transit Liaison is a City employee and SacRT will not control the Transit Liaison's wages, hours or working conditions.

An initial annual payment of \$98,180 will be the base fee amount, which will be adjusted annually after the first year to match the percentage increase or decrease of the budgeted TDA apportionment for the CITY for that fiscal year. Consequently, in FY 2022/2023, the

base amount will be \$98,180 adjusted up or down based on the TDA apportionment percentage for CITY for FY 2022/2023 and revised in accordance with any revised apportionments. If the Effective Date of this Agreement commences after July 1st of the current year, CITY shall invoice SacRT on a pro-rata basis for the remaining term of the fiscal year (July 1 – June 30).

The funds paid by SacRT to CITY under this Agreement must be used by CITY annually to fund transit related costs including the CITY's Transit Liaison, transit improvement planning, development, services, amenities, implementation and/or other transit related activities, including capital improvements.

3. License Agreement for Leasing City's Corporation Yard to SacRT for Transit Service Operations and Maintenance:

With approval of this agreement, upon the effective date of Annexation, SacRT will also enter into a License Agreement for leasing space in the City's Corporation Yard for transit service operations and maintenance. SacRT will have use of 17,782 usable square feet of space on the first floor of the facility, with shared use of conference rooms on the second floor of the facility, and approximately 127,500 square feet of fenced and paved area outside of the maintenance shop, including up to 57 large bus parking spaces and 21 paratransit and/or other support vehicle reserved parking spaces, and 65 employee parking spaces. SacRT will use the space for the purpose of operating bus transportation services, including administrative operations, dispatch, maintenance, potential fueling, cleaning, and parking.

SacRT would pay a monthly base rent to the City of \$38,031 per month. The total base rent amount for the Agreement for the eight-year term will be \$3,650,976.00. This amount is exclusive of any utility, building/property maintenance, and/or a proportionate share of damage repair expenses, which SacRT will be responsible for paying separately per the provisions of the Agreement. SacRT will be responsible for an annual payment of up to 40% of maintenance/repair expenses of all shared facilities, structures, and property contained within the non-exclusive use portions of the Corporation Yard facility used by SacRT. SacRT would be responsible for paying for capital replacement costs associated with the replacement of two HVAC units in Fiscal Year 2023 in the Exclusive Use Portion of the Property, estimated at an annual payment amount of \$2,884.00 for the 8-year term of the License Agreement. In addition, SacRT will provide its own premises liability insurance and workers' compensation insurance. Beginning in Year 6 of the License Agreement, the City may terminate the agreement, with or without cause, provided that SacRT is given no less than 12 months written notice. However, in the first five years of the agreement, the City may not terminate the agreement except in the event of a material breach on the part of SacRT of the terms and conditions of the Agreement. Over the next few years, SacRT will be looking for a new bus maintenance location that will service the Elk Grove area and remove the need to use the City's yard.

Recommended Actions:

Understanding that this Annexation Agreement requires concurrence by Elk Grove City Council, staff requests that the Board conditionally approve the annexation of the City of Elk Grove transit services contingent upon the Elk Grove City Council approving the

same, and authorize the General Manager/CEO to execute the Annexation Agreement, upon approval of the Annexation Agreement by the City of Elk Grove.

Staff requests that the Board conditionally approve the Administrative Fee Agreement contingent upon the City approving said agreement, the Annexation Agreement, and the License Agreement and authorize the General Manager/CEO to execute the Administrative Fee Agreement, upon occurrence of the stated contingency. Staff also requests that the Board approve the License Agreement contingent upon the City approving said agreement, the Annexation Agreement and the Administrative Fee Agreement and authorize the General Manager/CEO to execute the License Agreement upon occurrence of the stated contingency.

Similar items are expected to be presented to the Elk Grove City Council for approval on April 14, 2021.

RESOLUTION NO. 21-04-0034

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

April 12, 2021

CONDITIONALLY APPROVING THE ANNEXATION OF THE CITY OF ELK GROVE TRANSIT SERVICES INTO THE SACRAMENTO REGIONAL TRANSIT DISTRICT AND THE ASSOCIATED ANNEXATION AGREEMENT

WHEREAS, pursuant to California Public Utilities Code (PUC) Section 102001, Sacramento Regional Transit District (SacRT) was established to operate a single unified public transportation system in the Sacramento region in order to meet the present and future public transportation, and mass and rapid transit needs of that region; and

WHEREAS, pursuant to that authority, SacRT operates public transit services (including but not limited to bus and light rail) in the Sacramento region; and

WHEREAS, the City of Elk Grove is incorporated as a general law city and provides transit service within its jurisdictional boundary as part of its municipal authority; and

WHEREAS, effective July 1, 2019, the City of Elk Grove contracted with SacRT to provide fixed-route local, commuter and paratransit services and maintenance operations to the City of Elk Grove; and

WHEREAS, pursuant to PUC Section 102055, the City of Elk Grove may annex its transit services to SacRT based on an agreement entered into between the legislative body of the City of Elk Grove and the SacRT Board of Directors setting forth the terms and conditions of the annexation; and

WHEREAS, the parties desire to enter into an Agreement setting out the terms and conditions for City of Elk Grove's annexation to SacRT.

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

THAT, the Board of Directors of the Sacramento Regional Transit District hereby conditionally approves the annexation of the City of Elk Grove transit services, effective July 1, 2021, pending the approval of the City Council of the City of Elk Grove, subject to the terms and conditions of the Annexation Agreement.

THAT, the General Manager/CEO is hereby authorized and directed to execute the foregoing Annexation Agreement following approval by the Elk Grove City Council and take all actions necessary to effectuate the annexation.

STEVE MILLER, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 21-04-0035

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

April 12, 2021

CONDITIONALLY APPROVING THE ADMINISTRATIVE FEE AGREEMENT AND LEASE/LICENSE AGREEMENT WITH THE CITY OF ELK GROVE FOR TRANSIT SERVICES

WHEREAS, pursuant to PUC Section 102055, the City of Elk Grove may annex to the Sacramento Regional Transit District (SacRT) based on an agreement entered into between the legislative body of the City of Elk Grove and the SacRT Board of Directors setting forth the terms and conditions of the annexation; and

WHEREAS, contingent upon the approval of the Annexation Agreement, the parties desire to enter into a License Agreement setting forth the terms of use of Elk Grove's Corporation Yard to Sacramento Regional Transit District to support the operation of transit services in the City of Elk Grove; and

WHEREAS, contingent upon the approval of the Annexation Agreement, the parties desire to enter into an Administrative Fee Agreement setting out the terms and conditions to fund the City of Elk Grove's transit-related costs, including partially funding the City of Elk Grove's Transit Liaison, transit improvement planning, development, services, amenities, implementation and/or other transit related activities, including capital improvements.

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

THAT, the Board of Directors of the Sacramento Regional Transit District hereby conditionally approves the License Agreement contingent upon the approval by the City Council of the City of Elk Grove of the Annexation Agreement, License Agreement and the Administrative Fee Agreement; and,

THAT, the Board of Directors of the Sacramento Regional Transit District hereby conditionally approves the Administrative Fee Agreement with the City of Elk Grove, effective July 1, 2021, contingent upon approval by the City Council of the City of Elk Grove of the Annexation Agreement, License Agreement and the Administrative Fee Agreement; and,

THAT, the General Manager/CEO is hereby authorized and directed to execute the foregoing Agreements following approval by the Elk Grove City Council and take all actions necessary to effectuate the annexation.

STEVE MILLER, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary



Annexation of City of Elk Grove Transit Services

Update on Annexation Discussions

- Presented to SacRT Board of Directors March 8, 2021
- Addressed Remaining Specific Terms
- Union Negotiations Complete

Overview of Implementation Tasks

- Update Passenger Information Materials (maps, schedules, bus stops)
- Transition Assets (vehicles, parts)
- Install Vehicle Equipment (radios, cameras, routers)
- Amend/Establish Contracts (fueling, janitorial)
- Update Insurance Policies
- Complete Safety Analysis and Related Tasks
- Establish Regional Paratransit to/from Elk Grove
- And many more...

Staff Recommendation

- Proposed Adoption of:
 - Annexation Agreement
 - License Agreement for Use of Elk Grove Corporation Yard
 - Administrative Fee Agreement