



MEETING HANDOUTS

- *Agenda Item 8 – Fiscal Year 2013 Contract Extension with MV Transportation: REVISED*

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DATE: July 18, 2012  
TO: SolTrans Board of Directors  
FROM: Mona Babauta, General Manager  
RE: Fiscal Year 2013 Contract Extension with MV Transportation

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**Issue:**

Shall the SolTrans Board approve a contract extension with MV Transportation for the provision of public transit services during Fiscal Year (FY) 2013; 2) Authorize additional appropriations in the FY 2013 operating budget to include a contract contingency; 3) Delegate authority to the General Manager to spend the appropriation and amend the contract as needed, and; 4) Allow the General Manager to make a decision, in conjunction with a Board-appointed committee or representative, to initiate a solicitation process for a new service contract or negotiate a contract extension to meet the agency's service needs beyond FY 2013, and bring a proposed contract, generated through either process, back to the Board for approval by June 2013?

**Discussion:**

During the October 20, 2011 SolTrans Board Meeting, staff was authorized to enter into negotiations with MV Transportation to extend the existing service contract through Fiscal Year 2013. The Board authorized the negotiation process with the understanding that if an operational savings of at least \$1 Million could not be achieved, staff would return to the Board with a request for authorization to conduct a solicitation for a new service contract.

On April 19, 2012, the SolTrans Board subsequently authorized the General Manager to execute a contract extension with MV Transportation for FY 2013 in the amount of approximately \$7.6 million with the understanding that the parties still needed to negotiate the fine details of the agreement. At the time, staff reported that with service level reductions to the overall system, coupled with operational changes that would achieve additional efficiencies, the parties identified nearly \$1.3 million in cost savings for FY 2013 compared to the FY 2012 contract of \$8.9 million. The Board's direction to execute a \$7.6 million contract extension with MV Transportation was further reflected in the FY 2013 Operating Budget.

After a lengthy negotiations process, staff received a final proposal from MV for the provision of services in FY 2013 on July 18, 2012. Under the proposal, MV agrees to provide 91,544 fixed route hours and 19,680 paratransit/dial-a-ride hours (111,224 total service hours), which are necessary for delivering the new service levels implemented on July 1, 2012. Furthermore, the proposed extension includes new hourly rates of \$41.79 for fixed route and \$33.07 for paratransit/dial-a-ride services, and a fixed, annual cost of \$3,147,069, for a total contract cost of \$7,600,234. The following table reflects the breakdown of the cost proposal:

Service	Hourly Rate	Service Hours	Total
Fixed Route	\$41.79	91,544	\$3,825,441
Paratransit/Dial-a-Ride	\$33.07	19,680	\$650,753
Fixed Fee	\$262,255.75 X 12 months		\$3,147,069
Total FY 2013 Contract Hours and Cost		111,224	\$7,600,234

Under the new contract terms (Attachment A), a new organizational structure will also be implemented by MV Transportation (Attachment B), which involves staffing reductions of approximately 25 positions from FY 2012. Due to time constraints, SolTrans staff was not able to influence the new organizational structure proposed by MV, and the true impacts to some services, namely vehicle maintenance, are still to be determined. Consequently, there may be a greater emphasis on SolTrans staff to work closer with MV to ensure that the service requirements, performance standards and management expectations, dictated by the contract, continue to be met in FY 2013.

Despite the staffing reductions, staff recommends that the contract extension be approved by the Board due to budgetary constraints in FY 2013. For the Board's consideration, the alternative to approving the proposed contract extension would be to continue operating under the FY 2012 contractual terms and at the higher hourly rates. Over the course of FY 2013, the total liability to the agency under the higher hourly rates would be \$8,716,473:

Service	Hourly Rate	Service Hours	Total
Fixed Route	\$42.59	91,544	\$3,898,859
Paratransit/Dial-a-Ride	\$32.97	19,680	\$648,850
Fixed Fee	\$347,397 X 12 months		\$4,168,764
<b>Total Cost Under FY 2012 contract terms (12 months):</b>			<b>\$8,716,473</b>
Required Appropriations over \$7.6 M Budget:			\$1,116,473

Essentially, providing service under the current contract terms would not be financially sustainable, and SolTrans would likely need to implement additional service cuts during the fiscal year, in that case.

#### **Fiscal Impact:**

Approval of the proposed contract extension for FY 2013 in the amount of \$7,600,234, with a 1.2% contract contingency of \$90,000, will require an increase in the FY 2013 operating budget of \$90,234. This increase could be funded with one-time STAF-Population Based funds provided by the Metropolitan Transportation Commission (MTC) for SolTrans transition costs.

Choosing to maintain the FY 2012 contract rates would require an increase in the FY 2013 operating budget of \$1,116,473. This increase would require additional revenues beyond the \$1,000,000 in STAF-Population Based funding that the MTC offered for SolTrans transition costs in FY 2013. SolTrans' cash flow requirements would be significantly compromised under this scenario, and additional service cuts would likely be necessary.

Legal counsel has reviewed the contract and has approved as to form.

**Recommendation:**

Details of the revised recommendation will be provided during the Board Meeting.

**Attachments:**

- A. First Amendment to SolTrans-MV Transit Services Contract (to be provided under separate cover)
- B. New Organizational Structure

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MV OFFER FOR AMENDMENT TO CURRENT CONTRACT WITH SOLTRANS

(Additional Staff Reductions)

SOLTRANS

CONTRACT PERIOD	Period 5 7/1/12 - 6/30/13		
	Fixed Cost	Variable Fixed Cost	Variable Benicia/Runabout Cost
<b>Salaries and Wages</b>			
Management	212,826		
Supervisors/Dispatchers	331,427		
Support Staff	200,179		
Maintenance Staff	410,425		
Drivers		2,049,552	320,039
Drivers: Training and Non-Revenue		65,211	11,951
<b>Payroll Taxes and Fringe Benefits</b>			
Management	74,489		
Supervisors/Dispatchers	115,999		
Support Staff	70,063		
Maintenance Staff	143,649		
Drivers		816,499	129,035
Drivers: Training and Non-Revenue		26,019	4,768
<b>Facility Expense</b>			
Utilities	84,000		
Phone	2,640		
Facility Maintenance	7,260		
<b>Office Expenses</b>			
Office equipment lease/amortization			
Office supplies	10,028		
Printing/copying	2,245		
<b>Insurance Expense</b>			
General liability	22,800		
Vehicle liability	402,567		
Workers Compensation	180,580		
Performance Bond			
Licenses	2,920		
<b>Maintenance Expense</b>			
Parts		429,818	92,402
Tires		68,896	14,811
Supplies and Materials		22,288	4,792
<b>Vehicle Cleaning Expense</b>			
Vehicle cleaning expense		7,800	
<b>Equipment Purchase/Depreciation</b>			
Vehicles (non-revenue)			
Capital (Tools / DriveCam)	24,876		
Moving			
<b>Miscellaneous Expense</b>			
Drug Screens / Physicals/ Training	25,968		
Radio fees	21,720		
Uniforms	12,238		
Intrest on Working Capital	22,447		
<b>Profit and Overhead</b>			
Overhead	321,110	142,311	30,594
Profit	444,614	197,047	42,361
<b>Total Fixed Cost</b>	3,147,069	3,825,441	650,753
<b>Total Variable Cost</b>		\$ 41.79	\$ 33.07
<b>TOTAL PROJECT COST</b>		7,600,234	

SALARIED EMPLOYEES	
GENERAL MANAGER	1.0
OPERATION MANAGER	0.0
SAFETY / TRAINING MGR	1.0
ACCOUNTING MANAGER	1.0
TRAINING MANAGER	0.0
DISPATCHERS	3.0
ROAD SUPERVISOR	5.0

ADMINISTRATION	2.5
FERRY AGENTS	3.0
CUSTOMER SERVICE	1.0
PARTS CLERK	0.0
	17.5

SHOP EMPLOYEES	
MAINTENANCE MANAGER	1.0
SHOP SUPERVISOR	0.0
A MECHANICS	2.0
B MECHANICS	2.0
C MECHANICS	1.0
UTILITY	2.0
BUS SHELTER	1.0
	9.0

Hours	
Fixed-91,544	
Para-19,680	
Total-111,224	

\*Mechanic positions reduced by ~~50%~~ 50%.

Current Contract Totals	Current Contract Totals	\$ 8,935,700
	Difference	\$ 1,047,418

correct calculation:  
\$7,623,263

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# Organizational Chart

## Final Org Chart

