



**DATE:** APRIL 17, 2019

**MEMO TO:** HERITAGE VALLEY TECHNICAL ADVISORY COMMITTEE (HVTAC)

**FROM:** AARON BONFILIO, PROGRAM MANAGER – TRANSIT SERVICES

**SUBJECT:** EXTENSION OF TRANSIT SERVICES AGREEMENT

---

### RECOMMENDATION

- Consider the proposed rates and terms for extension and provide recommendation to the Heritage Valley Policy Advisory Committee.

### BACKGROUND

At the last Heritage Valley Technical Advisory Committee (HVTAC) meeting, the Committee recommended that the Heritage Valley Policy Advisory Committee (HVPAC) exercise the extension provision contained in the current Transit Services Agreement for operation of the Valley Express bus service with the current provider, MV Transportation (MV), for three more years. The recommendation was subsequently approved by the HVPAC and then approved by the full Commission at the March Commission meeting.

Since that time, staff have engaged in negotiations with MV regarding extension rates and terms. Pursuant to the current Agreement, VCTC and the provider have a thirty-day negotiation period to determine hourly rates for service. This item presents those rates and terms for HVTAC consideration. If approved by the Committee, the item along with the full draft contract will be presented to the HVPAC in May before final consideration at the full Commission in June.

The draft rates and terms are summarized below.

- Exercise 3-Year Term Extension, effective March 2, 2020 to March 1, 2023
- Service Rates:

<u>Per Revenue Hour</u>	<u>Year One (1)</u>	<u>Year Two (2)</u>	<u>Year Three (3)</u>
Base Scenario: 20,000 - 25,000 Annual Revenue Hours	\$ 69.79 / hr	\$ 72.03 /hr	\$ 73.87 / hr

- Rates for Service Increase/Decrease Scenarios

<i>Decrease Scenario: 15,000 - 19,999 Annual Revenue Hours</i>	<i>\$73.74 / hr</i>	<i>\$76.11 / hr</i>	<i>\$78.05 / hr</i>
<i>Increase Scenario: 25,001 - 30,000 Annual Revenue Hours</i>	<i>\$67.43 / hr</i>	<i>\$69.79 / hr</i>	<i>71.59 / hr</i>

4. That due to low utilization, and to provide savings to the member-agencies (and the contractor), the MV-operated “pass sales office” located at 810 Railroad Ave. in Santa Paula be closed/discontinued effective March 1, 2020.
  - a. Passes will continue to be sold at Santa Paula City Hall, Fillmore City Hall and VCTC office.
  - b. In addition, in advance of the closure, **online pass sales** will be launched effective January 1, 2020.
5. Performance Bond Requirements will remain in place and be equal to value required for the final 5<sup>th</sup> year stipulated in the current agreement.
6. All other terms and conditions will remain in place and unchanged; which include, but are not limited to staffing requirements, maintenance standards and schedules for service.

#### **DISCUSSION OF RATE NEGOTIATIONS AND SALES OUTLET PERFORMANCE**

Leading among the points of negotiation with MV was the provision of increased dial-a-ride service, which requires additional dispatch and clerical resources to operate (versus a bus service that is primarily fixed-route). Over the past three years, this shift has continued and dial-a-ride continues to grow monthly. Dial-a-ride service, generally, requires more vehicles to be in service per day than the fixed route service. Similarly, dial-a-ride requires more dispatch and administrative resources to operate. In particular, the resources for proper accounting and manifest “reconciliation” are more detailed. In addition, concerns over driver recruitment were raised—as the minimum wage in neighboring Los Angeles County has driven up the price of labor, staff retention has been difficult with the existing rate structure.

While the existing contract contains a provision for service expansion should there be a shift to operate more dial-a-ride, it only applies if the total amount of service hours increases. In this case service has not actually expanded. Rather the shift in service delivery was net-neutral in terms of billable hours, i.e. instead of operating fixed route hours, the Valley Express operates more dial-a-ride hours and the economies of scale did not increase / rates paid to the contractor did not change.

To accommodate what has become an increasing level of administrative functions, the provider proposed two options:

1. A rate package with higher rates that would reinforce resources required to run the dial-a-ride dominant Valley Express service, and at the same time maintain MV sales outlet operations.
2. An *alternative* rate package that contemplated closure of the MV-operated sales outlet and instead transition those sales staff resources into the dispatch office to assist with dispatch and other clerical duties (i.e. to assist with the increased dial-a-ride workload), and use cost savings to reinforce driver recruitment.

Staff weighed these two rate options, which are noted below.

“Option One” – to maintain the MV sales office and continue with the current level of service—results in rate escalation from the existing contract by approximately 7% in year one, and then increases approximately 3% in year two and 3% again in year three.

“Option Two”—to discontinue MV sales operations and transition staff resources to dispatch operations and the cost savings for driver recruitment—would see rates increase 5% in year one, and 3% thereafter.

<u>Hourly Rate Options</u>	<u>Year 1<sup>1</sup></u>	<u>Year 2</u>	<u>Year 3</u>
Option One	\$ 71.16	\$ 73.44	\$ 75.32
Option Two (alternative)	\$ 69.79	\$ 72.03	\$ 73.87

*(The current rate is \$66.44 per hour.)*

**Option Two rates are within the draft budget previously approved and requires no modification to the existing service plan for Fiscal Year 2019/2020.** Whereas, Option One rates requires either a reduction in the level of service or that the Fiscal Year 2019/2020 budget be revised, and thus additional revenues from member-agencies. In Fiscal Year 2019/2020, the additional cost of Option One versus Option Two equates to an additional \$11,000, and in Fiscal Year 2020/2021, this equates to an additional \$33,500.

Regarding performance of the outlet the below table reflects sales for the current Fiscal Year to-date (July 2018 – March 2019), by location. Historically the MV sales outlet is the lowest “performer” relative to the other sites. In addition, the majority of pass sales occur during a 5-10 day-period surrounding the end and start of the month. Unlike the other locations, which operate public customer service locations for numerous reasons with foot traffic throughout a given month, the MV outlet’s only purpose is as a Valley Express pass sales location and sits idle the majority of the month.

	Units Sold	Sales Revenue
VCTC Office	560	\$ 14,445
Santa Paula City Hall	118	\$ 2,880
Fillmore City Hall	369	\$ 5,165
MV Transportation	87	\$ 2,050

If approved, VCTC and MV staff will conduct outreach education with the regular customers of the MV location to ensure alternative arrangements for pass sales are available. In addition as noted above, VCTC currently sells its regional fare media online. Effective mid budget-year and prior to the contract extension period, VCTC will introduce demonstration of online sales of the Valley Express fare media.

Timeline of Next Steps

- April 2019 – HVTAC review of proposed rate package (Option Two)
- May 2019 – HVPAC review of proposed rates and draft contract amendment
- June 2019 – VCTC Commission review of proposed rates and draft contract amendment
- January 2020 – VCTC / Valley Express Online Sales Begin
- March 2020 – Amendment Effective / Extension Period begins

---

<sup>1</sup> The draft FY 2019/2020 budget assumed a rate of \$69.77/hr.