



DATE: SEPTEMBER 19, 2017

MEMO TO: HERITAGE VALLEY TECHNICAL ADVISORY COMMITTEE (HVTAC)

FROM: AARON BONFILIO, PROGRAM MANAGER – TRANSIT SERVICES

SUBJECT: AMENDMENT TO AGREEMENT FOR TRANSPORTATION SERVICES WITH MV TRANSPORTATION

RECOMMENDATION

- Consider recommendation of proposed Amendment(s) to the Agreement between the Ventura County Transportation Commission and MV Transportation

BACKGROUND

In 2014 the Cities of Santa Paula, Fillmore and the County of Ventura entered into a cooperative agreement with the Ventura County Transportation Commission (VCTC). Per the Heritage Valley Transit Service (HVTs) Cooperative Agreement (Coop Agreement), VCTC is responsible for contracting for and administering the HVTs—which operates under the name *Valley Express*. Per the Coop Agreement, two committees were formed that include representatives from each member-agency. A Transit Committee, made up of VCTC Commissioners which represent the Heritage Valley area (also referred to as the Heritage Valley Policy Advisory Committee or HVPAC), and a Technical Advisory Committee (HVTAC), made up of staff from each of the member-agencies as well as VCTC. Per Coop Agreement, the HVPAC reviews and approves the annual budget and service levels, prior to the full VCTC Commission taking formal action. The HVPAC receives recommendations and technical guidance from the HVTAC. Most recently, the Valley Express service provider, MV Transportation, has approached VCTC regarding proposed amendments to the transit services agreement.

In light of recent changes in State minimum wage law, the State of California Sick Leave Act, as well as implementation of a Collective Bargaining Agreement between MV Transportation and its Santa Paula Division employees, MV has requested an increase to the fixed hourly rate of approximately \$5.10 per hour. MV's letter request is attached below. Per the agreement with MV, rate adjustments may be considered if/when cost increases should occur that are outside the control of the provider.

Staff will provide its report regarding budget impact at the HVTAC meeting. Similarly, staff is in the process of validating information and conducting due diligence with respect to payroll data and MV's request. This step is anticipated to be concluded prior to the September 29, 2017 HVPAC meeting.

September 5, 2017

Mr. Aaron Bonfilio
Manager Contracted Services
Ventura County Transportation Commission

Re: Contract for Heritage Valley Express

Dear Mr. Bonfilio,

Thank you for meeting with Erin, Fadi and myself to discuss the current state of our contract and the impact of the recent changes in Labor laws.

As we discussed, the new State minimum wage law, the Local City and County Minimum Wage Acts, and laws relative to sick leave and healthcare have greatly affected MV's Heritage Valley Operating Model. These changes, listed below, presented us with many challenges in attracting, recruiting, and retaining qualified employees, and have forced us to substantially increase wages for many positions across our operation.

- In 2016, post bid submittal and contract startup, a new State minimum wage law was passed in California effectively raising the minimum wage in yearly increments to \$15.00 per hour in the upcoming years.
- The State of California also passed a new Sick Leave Act, the Healthy Workplaces & Healthy Families Act, that took effect in July of 2015, resulting in added additional costs to our employee benefits structure. This, in turn, resulted in a need for additional staffing to compensate for the labor protection rules it introduced.
- On the Federal Level, the enactment of the Affordable Care Act further impacted us on a financial level.
- It is also important to note that an ancillary – and significant – impact of the minimum wage increases relates to mechanics that provide their own tools. State Law dictates that the hourly pay rates of these employees must be double the State minimum wage. For example, a mechanic that was making \$16.00 an hour in 2013, when minimum wage was \$8.00 per hour is now being paid \$21.00

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an hour (a \$5.00 per hour increase) as the minimum wage increased to \$10.50. Additionally, in January of 2018, the rate will go up to \$22 when minimum wage goes up to \$11 and in 2019 to \$24 when minimum wage goes up to \$12.

MV remains committed to an employee model. Based on the company's experience, this approach offers the best method of maintaining consistently high Key Performance Indicators (KPIs) and meeting the standards of VCTC. In keeping with this commitment to excellence, MV increased employee wages to a level above that initially proposed in our bid response

At the same time, the company will continue to do so as the minimum wage increases, ensuring we have the right resources to meet service demands and contractual requirements. MV values our partnership with VCTC and the Heritage Valley commission and we remain committed to meet or exceed all contractual KPIs, thus confirming the company maintains constant focus on the service delivered to Valley Express passengers.

In closing, asking for a rate increase is not easy for us. However, we could not foresee the changes in the laws when we bid this work. This type of rate adjustment to comply with legal requirements remains common industry practice.

We appreciate and remain grateful for your ongoing partnership in this matter.

Sincerely,



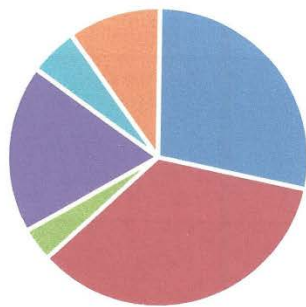
Tom Conlon
General Manager
MV transportation

		PROPOSED					
		Year 3 (2017)		Year 4 (2018)		Year 5 (2019)	
		Hourly Rate	Total Cost	Hourly Rate	Total Cost	Hourly Rate	Total Cost
BASE PACKAGE		23315	\$64.05 \$1,493,326	23315	\$65.12 \$1,518,273	23315	\$66.44 \$1,549,049
Option A - Fixed Route		33815	\$55.29 \$1,869,469	33815	\$56.29 \$1,903,433	33815	\$57.48 \$1,943,605
Option B - DAR Expansion		26315	\$61.37 \$1,614,836	26315	\$62.42 \$1,642,688	26315	\$63.71 \$1,676,508
Option C - Both FR & DAR		38815	\$55.06 \$2,137,092	38815	\$56.12 \$2,178,174	38815	\$57.28 \$2,223,447
		CURRENT					
		Year 3 (2017)		Year 4 (2018)		Year 5 (2019)	
		Hourly Rate	Total Cost	Hourly Rate	Total Cost	Hourly Rate	Total Cost
BASE PACKAGE		23315	\$58.96 \$1,374,652	23315	\$59.95 \$1,397,734	23315	\$61.16 \$1,425,945
Option A - Fixed Route		33815	\$51.19 \$1,730,990	33815	\$52.12 \$1,762,438	33815	\$53.22 \$1,799,634
Option B - DAR Expansion		26315	\$56.82 \$1,495,218	26315	\$57.80 \$1,521,007	26315	\$58.99 \$1,552,322
Option C - Both FR & DAR		38815	\$50.98 \$1,978,789	38815	\$51.96 \$2,016,827	38815	\$53.04 \$2,058,748
		\$5.09		\$5.17		\$5.28	

Payroll Burden

1	State	6.20%
2	FICA	7.65%
3	FUTA	0.80%
4	WC INS	4%
5	Sick Leave	1.15%
6	Health & Welfare	2.20%

Chart Title



1 2 3 4 5 6

