



DATE: SEPTEMBER 27, 2017

MEMO TO: HERITAGE VALLEY POLICY ADVISORY COMMITTEE (HVPAC)

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; and,
- Approve the Executive Director to negotiate the final terms and conditions of the Amendment, and authorize the full Commission to consider approval of the final negotiated Amendment at the next available Commission meeting.

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 amendment 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 (CBA) 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. This increase request is based on the adjustment of minimum staffing rates and which affects staff payroll expense. According to MV, the additional revenues will go directly to fund this additional cost. MV's letter request is attached to this item. Per the agreement with MV, rate adjustments may be considered if/when cost increases should occur that are outside the control of the provider. In addition MV has provided VCTC backup information including "before and after" payroll register data, and bid

models for staffing. Information provided by MV Transportation identified the fully-burdened employee payroll expense, specifically, as the subject line-item for the proposed rate increase(s).

The following table reflects the proposed annual rate increases requested by MV Transportation. The budget impact for the current fiscal year is included, as well. The net change due from each member-agency is included.

Proposed Rate Modifications					
Contract Year		Current Rate		Proposed Rates	
Mar-17	Feb-18	\$	58.96	\$	64.05
Mar-18	Feb-19	\$	59.95	\$	65.12
Mar-19	Feb-20	\$	61.16	\$	66.44
Annual Budget Impact					
Fiscal Year 2017-2018		Current Budget		Based on Proposed Rates (eff. 3/1/17)	
				Net Change (Budget)	
City of Fillmore		\$301,958		\$342,548	\$40,590 13.44%
City of Santa Paula		\$687,177		\$783,559	\$96,383 14.03%
County of Ventura		\$194,532		\$220,781	\$26,249 13.49%
Subtotal		\$1,183,667		\$1,346,888	\$163,221 13.79%
FTA Revenues		\$539,923		\$539,923	
Farebox Revenues (10%)		\$183,910		\$202,046	
Total		\$1,907,500		\$2,088,857	

The above budget analysis includes the following assumptions:

- 1) That the proposed retroactive rate increase (effective between March 1, 2017 and June 30 2017) would be absorbed during Fiscal Year 2017/2018. This cost is approximately \$40,000.
- 2) That year-end costs will be in-line with the projected level of service. However, if fixed route service is reduced, or (more likely) that Dial-a-ride service demand at year-end is *less* than anticipated, there would be cost savings to each member agency. In addition, each member-agency has accrued cost-savings from the prior fiscal year.¹ Such accrued savings could presumably be amended into the current Fiscal Year, if necessary. The total cost savings related to contract services during FY16/17 were approximately \$251,000. The final amounts apportioned specifically to each member are currently being reconciled by VCTC.

Impact to Farebox Recovery

Fiscal Year 2017-2018	Current Budget	Based on Proposed Rates (eff. 3/1/17)
Projected Farebox Revenues	\$119,750	\$119,750
Farebox Shortfall	\$64,160	\$82,296

The proposed rate increases, if effectuated retroactively to March 1, 2017, would affect farebox recovery by adding an additional approximately \$18,000 to the farebox recovery goal of 10%. Currently, projected farebox revenues are anticipated to be approximately \$119,750. The projected shortfall is

¹ On an annual basis, per the existing LTF claim cycle, claimant's past year's savings do not get applied until the fiscal year after next. For example, savings from the FY15/16 were applied to the FY17/18 budget, and the FY16/17 savings would normally be applied in FY18/19.

shown with the existing rate structure and the proposed rate structure is shown above. The projected farebox revenues, combined with the local match route guarantee provided by the City of Santa Paula's Measure T funds (\$100,000), equates to more than \$219,000, and thus the system will likely continue to meet the requirement of 10% local revenues.

Recommendation

Staff has reviewed the request and backup payroll and CBA information provided by MV Transportation. The information provided by MV has been validated by VCTC staff. Review of payroll register information demonstrates that the increased payroll expense for covered employees following the ratification of the Collective Bargaining Agreement is approximately \$5.11 per hour. This is in-line with MV's request.

Staff recommends that the HVPAC approve the Executive Director to negotiate the final terms and conditions of the Amendment(s), and authorize the Commission to consider the final negotiated Amendment for approval at the next available Commission meeting. If approved by the Commission, Staff will return to the Committee(s) with a recommended budget amendment, if necessary, which will take into consideration, the updated rates, the current and projected ridership demands, i.e. budget performance to-date, as well as the final carryover amounts following reconciliation of FY16/17.

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

Current

BASE PACKAGE SCHEDULED VEHICLE REVENUE HOURS (ANNUAL)	HOURLY RATE YEAR 1	HOURLY RATE YEAR 2	HOURLY RATE YEAR 3	HOURLY RATE YEAR 4	HOURLY RATE YEAR 5
19240 - 28860*	60.93	\$58.00	\$58.96	\$59.95	\$61.16

Proposed

BASE PACKAGE SCHEDULED VEHICLE REVENUE HOURS (ANNUAL)	HOURLY RATE YEAR 1	HOURLY RATE YEAR 2	HOURLY RATE YEAR 3	HOURLY RATE YEAR 4	HOURLY RATE YEAR 5
19240 - 28860*	60.93	\$58.00	\$64.05	\$65.12	\$66.44

Current

BASE PACKAGE SCHEDULED VEHICLE REVENUE HOURS (ANNUAL)	Expansion Option Exercised*	HOURLY RATE YEAR 1	HOURLY RATE YEAR 2	HOURLY RATE YEAR 3	HOURLY RATE YEAR 4	HOURLY RATE YEAR 5
28861-43860	Option A: FR*	\$52.24	\$50.28	\$51.19	\$52.12	\$53.22
28861-34860	Option B: DAR**	\$58.28	\$55.85	\$56.82	\$57.80	\$58.99
28861-49860	Option C: DAR + FR	\$51.76	\$50.10	\$50.98	\$51.96	\$53.04

Proposed

BASE PACKAGE SCHEDULED VEHICLE REVENUE HOURS (ANNUAL)	Expansion Option Exercised*	HOURLY RATE YEAR 1	HOURLY RATE YEAR 2	HOURLY RATE YEAR 3	HOURLY RATE YEAR 4	HOURLY RATE YEAR 5
28861-43860	Option A: FR*	\$52.24	\$50.28	\$55.29	\$56.29	\$57.48
28861-34860	Option B: DAR**	\$58.28	\$55.85	\$61.37	\$62.52	\$63.71
28861-49860	Option C: DAR + FR	\$51.76	\$50.10	\$55.06	\$56.12	\$57.28

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



