Riverside Transit Agency

BOARD BUDGET AND FINANCE COMMITTEE MEETING
WEDNESDAY, JANUARY 12, 2011, 2:00 P.M.
RIVERSIDE TRANSIT AGENCY BOARD ROOM
1825 THIRD STREET
RIVERSIDE, CA 92507

1.	**CALL TO ORDER**	
2.	**SELF-INTRODUCTIONS**	
3.	**PUBLIC COMMENTS– NON-AGENDA ITEMS** **Members of the public may address the Board regarding any item within the subject matter jurisdiction of the Board; however, no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to matters not listed on the agenda. Members of the public may comment on any matter listed on the agenda at the time that the Board considers that matter. Each person's presentation is limited to a maximum of three (3) minutes**	**RECEIVE COMMENTS**
4.	**APPROVAL OF MINUTES – NOVEMBER 3, 2010, COMMITTEE MEETING (P. 2)**	**APPROVE**
5.	**CASH FLOW PROJECTIONS (P. 5)**	**RECEIVE AND FILE**
6.	**AUTHORIZATION TO CHANGE APPOINTMENT OF ALTERNATE DIRECTOR TO THE CALIFORNIA TRANSIT INSURANCE POOL (CALTIP) (P. 7)**	**APPROVE**
7.	**AGENCY INVESTMENT POLICY/ANNUAL UPDATE (P. 11)**	**DISCUSS**
8.	**AUTHORIZATION TO AWARD AGREEMENT NO. 10-004 TO SOUTHLAND TRANSIT, INC. (STI) FOR AMERICANS DISABILITIES ACT/DIAL-A-RIDE TRANSPORTATION AND CALL CENTER SERVICES (P. 19)**	**APPROVE**
9.	**BOARD MEMBER COMMENTS AND REMARKS**	
10.	**OTHER BUSINESS**	
11.	**ADJOURN**	

Any person with a disability who requires a modification or accommodation in order to participate in this meeting or any person with limited English proficiency (LEP) who requires language assistance to communicate with the RTA Board during the meeting should contact the RTA Clerk of the Board, telephone number (951) 565-5044, no fewer than two business days prior to this meeting to enable RTA to make reasonable arrangements to assure accessibility or language assistance for this meeting.

Agenda related writings or documents provided to the Board of Directors are available for public inspection in the office of the Clerk of the Board and at the reception desk while the meeting is in session.

RTA BOARD BUDGET AND FINANCE COMMITTEE MEETING
November 3, 2010

1. CALL TO ORDER:
Committee Chairman Marion Ashley called the Board Budget and Finance Committee meeting to order at 2:00 p.m., on November 3, 2010, in the RTA Board Room.

2. SELF-INTRODUCTIONS:
Self-introductions of those in attendance took place.

Board Committee Members Present:
1. Committee Chairman Marion Ashley, County of Riverside, District V
2. Chairman Jeff Comerchero, City of Temecula Mayor
3. Director Barry Talbot, City of Canyon Lake Mayor Pro Tem
4. Director Eric McBride, City of Hemet Mayor
5. Director Wallace Edgerton, City of Menifee Mayor
6. Director Joanne Evans, City of Perris Councilmember
7. Director Andy Melendrez, City of Riverside Councilmember
8. Alternate Andrea Puga, County of Riverside, District II
9. Alternate Ron Roberts, County of Riverside, District III

RTA Staff:
1. Larry Rubio, Chief Executive Officer
2. Tom Franklin, Chief Operating Officer
3. Craig Fajnor, Chief Financial Officer
4. Vince Rouzaud, Chief Procurement and Logistics Officer
5. Jim Kneepkens, Director of Marketing
6. Bob Bach, Director of Maintenance
7. Rick Kaczerowski, Director of Information Technology
8. Mark Stanley, Director of Planning
9. Laura Murillo, Director of Human Resources
10. Maricela Hernandez, Clerk of the Board of Directors
11. Brad Weaver, Communications Manager
12. Virginia Werly, Contract Operations Manager

Other Attendees:
Steve Starbuck, Brown Armstrong

3. PUBLIC COMMENTS - NON-AGENDA ITEMS:
None.

4. APPROVAL OF MINUTES OCTOBER 6, 2010, COMMITTEE MEETING:
M/S/C (MCBRIDE/EVANS) approving the October 6, 2010, Committee meeting minutes. The motion carried with eight affirmative votes and one abstention (PUGA).

5. CASH FLOW PROJECTIONS:
The Committee members unanimously approved the receipt and file of Cash Flow Projections.

6. QUARTERLY INVESTMENT REPORT:
The Committee members unanimously approved the receipt and file of Quarterly Investment Report.

7. AUTHORIZATION TO SUBMIT THE TITLE VI COMPLIANCE UPDATE FOR FY 2008-FY 2010 TO THE FEDERAL TRANSIT ADMINISTRATION:
M/S/C (EVANS/PUGA) approving and recommending this item to the full Board of Directors for their consideration as follows:

- Authorize submission of the Title VI compliance update for FY 2008 through FY 2010 to the Federal Transit Administration to satisfy the 1964 Civil Rights Act and FTA Circular 4702.1A.

The motion carried unanimously.

8. AUTHORIZATION TO AWARD AGREEMENT NO. 10-038 TO GOODYEAR TIRE & RUBBER CO., AKRON, OH, FOR TIRE LEASING SERVICES:
M/S/C (MCBRIDE/EVANS) approving and recommending this item to the full Board of Directors for their consideration as follows:

- Authorize staff to award Agreement No. 10-038 to Goodyear Tire & Rubber Co. for tire leasing services in an amount that shall not exceed $1,256,788.58.

The motion carried unanimously.

9. AUTHORIZATION TO AMEND AGREEMENT NO. 9-039 WITH BARRY'S SECURITY SERVICES INC. (BARRY'S), RIVERSIDE, CA, FOR ADDITIONAL SECURITY GUARD SERVICES:
M/S/C (COMERCHERO/ROBERTS) approving and recommending this item to the full Board of Directors for their consideration as follows:

- Authorize staff to amend Agreement No. 9-039 with Barry's Security Services, Inc., increasing the total not-to-exceed amount for the five year period from $826,914.60 to $1,171,864.20.

The motion carried unanimously.

10. FISCAL YEAR 2009/2010 (FY10) FINANCIAL AUDIT RESULTS:
Mr. Fajnor introduced Mr. Steve Starbuck from Brown Armstrong to present the Agency's annual financial audit results.

Mr. Starbuck presented a summary of the audit results and reported that the Agency received a clean opinion.

M/S/C (COMERCHERO/MCBRIDE) approving and recommending this item to the full Board of Directors for their consideration as follows:

- Accept the Riverside Transit Agency's FY10 Audited Financial Statements and Single Audit Reports as submitted as final documents despite the delay in receipt of the annual

CalPERS actuarial valuation update. If the actuarial results, when received, have a material effect on the statements as presented, staff will bring them back to the Board for their review and approval.

The motion carried unanimously.

11. BOARD MEMBER COMMENTS AND REMARKS:
Committee Chairman Ashley announced that the December Committee meeting would be canceled. Committee Chairman Ashley congratulated Board members who were successful in their re-election campaigns.

12. OTHER BUSINESS:
Mr. Rubio announced that RTA administrative offices will be closed on Thursday, November 11th due to a mandatory furlough; however, buses will operate regular hours and the Customer Information Center will be opened from 6 a.m. to 8 p.m.

13. ADJOURN:
The meeting adjourned at 2:38 p.m.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

January 12, 2011

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer

SUBJECT: Cash Flow Projections

Summary: The Agency develops cash flow projections for the entire fiscal year representing weekly increments. Due to the size of the report, it is difficult to portray the entire fiscal year.

The attached report represents actual cash performance through December 2010 with projections through February 2011. There are no cash flow issues anticipated during this reporting period.

Recommendation:

Receive and file.

Riverside Transit Agency
FY 2011 Funds Projection

		Actual	Actual									
1	**General Account**	**12/24/2010**	**12/31/2010**	**1/7/2011**	**1/14/2011**	**1/21/2011**	**1/28/2011**	**2/4/2011**	**2/11/2011**	**2/18/2011**	**2/25/2011**	**3/4/2011**
2	Est. Cash, Beg Balance (Book)	326,161	(191,762)	55,844	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
3	**Receipts:**											
4	LTF Operating - recurring	2,478,520					2,478,520				1,485,259	
5	LTF GASB 43/45	71,667					71,667				71,667	
6	FET Credit											
7	CalPERS CERBT Receipt		60,475			58,333					58,333	
8	Farebox	64,834	92,628	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
9	Total Other Farebox	135,737	60,207	15,296	1,875	63,982	188,840			60,348	174,071	
10	Total Other Local		2,690			3,000						
11	FTA Operating		23,953		52,000				52,000			
12	Capital - Local, State	145,905	8,736		36,000	42,000		54,600		100,000		105,000
13	Echo - FTA Capital		52,319	73,735	50,000		145,000	100,000		50,000		156,600
14	Transfer from LAIF to Gen Acct.		1,000,000	1,528,058	1,034,592	387,935		1,410,150	1,259,250	94,902		1,693,650
15	**Disbursements:**											
16	Payroll = Net+Tax	830	(599,908)		(600,000)		(650,000)		(600,000)		(600,000)	
17	A/P Wires	(263,808)	(103,494)	(1,417,933)	(199,467)	(130,250)	(331,250)	(1,389,750)	(336,250)	(130,250)	(166,250)	(1,380,250)
18	A/P Checks	(217,696)		(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
19	Capital Expenditures	(33,913)		(180,000)	(350,000)	(400,000)	(550,000)	(150,000)	(350,000)	(150,000)	(420,000)	(550,000)
20	Transfer to LAIF from Gen Acct.	(2,900,000)	(350,000)				(1,327,777)				(578,080)	
20	Transfer to GASB Trust Acct.											
21	Actual Ending Book Balance / Targeted Minimum Balance	(191,762)	55,844	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

22	**LAIF Account:**											
23	Beginning balance	22,750,000	25,650,000	25,000,000	23,471,942	22,468,395	22,080,460	23,408,237	21,998,087	20,738,837	20,643,935	21,222,014
24	Quarterly Interest Income				31,045							
25	Transfers to/from Gen Acct.	2,900,000	(650,000)	(1,528,058)	(1,034,592)	(387,935)	1,327,777	(1,410,150)	(1,259,250)	(94,902)	578,080	(1,693,650)
26	Ending balance	25,650,000	25,000,000	23,471,942	22,468,395	22,080,460	23,408,237	21,998,087	20,738,837	20,643,935	21,222,014	19,528,364

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

January 12, 2011

TO: BOARD BUDGET AND FINANCE COMMITTEE

FROM: Larry Rubio, Chief Executive Officer

SUBJECT: Authorization to Change Appointment of Alternate Director to the California Transit Insurance Pool (CalTIP)

Summary: The Agency is a member of the California Transit Insurance Pool (CalTIP). The pool is comprised of 35 members ranging from Transit Agencies and Authorities, to various City and County members.

CalTIP's Liability Program provides protection against covered losses wherein the member is legally liable for bodily injury or physical damage caused by either the member itself or an owned vehicle. CalTIP's pooled and excess coverage provides general liability, public officials' errors and omissions, limited employment practices liability and vehicle liability.

CalTIP self-funds or "pools" the first $1,000,000 of coverage for any claim. That amount is inclusive of the member's deductible. CalTIP purchases reinsurance and excess insurance for members applying to losses that exceed CalTIP's Pooled Program Layer. All members receive $4,000,000 of reinsurance or excess insurance above the $1,000,000 Pooled Layer. The Agency selects the option of purchasing a total of $20,000,000 in excess coverage.

As a member, CalTIP requires the Agency's Board of Directors to take action authorizing and/or making changes to the designation of staff members to serve on its Board through a Resolution (attached Resolution 2011-01).

The risk manager position is currently designated as the alternate director. Because the actions taken by the CalTIP Board are mostly of financial nature, staff proposes that the designation of alternate director be changed to the chief financial officer position.

Fiscal Impact:

No fiscal impact involved.

Recommendation:

Approve and recommend this item to the full Board of Directors for their consideration as follows:

- Authorize the Chairman of the Board to execute Resolution 2011-01 changing the appointment of alternate director to the California Transit Insurance Pool (CalTIP) to the chief financial officer.

RESOLUTION 2011-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE RIVERSIDE TRANSIT AGENCY APPOINTING DIRECTOR AND ALTERNATE DIRECTOR TO THE CALIFORNIA TRANSIT INSURANCE POOL (CALTIP) BOARD OF DIRECTORS

WHEREAS the: Board of Directors of the Riverside Transit Agency, at its January 22, 1987, meeting did hereby authorized participation by the Agency in the California Transit Insurance Pool (CalTIP) beginning May1, 1987; and

WHEREAS, it is necessary for the Board of Directors to approve appointments of a Director and an Alternate Director to the California Transit Insurance Pool (CalTIP);

NOW, THEREFORE, BE IT RESOLVED AND ORDERED, that the Chief Executive Officer is hereby appointed Director and the Chief Financial Officer is hereby appointed Alternate Director to the California Transit Insurance Pool (CalTIP) to serve at the pleasure of the Board of Directors of the Riverside Transit Agency.

PASSED AND ADOPTED this 27th day of January, 2011.

RIVERSIDE TRANSIT AGENCY

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Bob Buster
Chairman of the Board of Directors

APPROVED AS TO FORM:

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Kennard R. Smart, Jr.
Agency General Counsel

CERTIFICATION

The undersigned duly qualified Clerk of the Board of Directors of the Riverside Transit Agency certifies that the foregoing is a true and correct copy of a Resolution, adopted at a legally convened meeting of said Board of Directors held on January 27, 2011.

ATTEST:

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Maricela Hernandez
Clerk of the Board of Directors

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

January 12, 2011

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer

SUBJECT: Agency Investment Policy – Annual Update

Summary: The Agency's Board of Directors must adopt an Investment Policy on an annual basis. Doing so ensures that the investment policy remains consistent with overall Agency goals and objectives. All policy changes must be approved by the Board of Directors prior to implementation.

The current policy includes the following objectives – in order of priority:

1. Preservation of principal
2. Maintain liquidity
3. Rate of Return consistent with the first two objectives

There are no changes recommended to the current policy for the coming year with regards to the objectives above. However, based on Board member feedback given at the September 2010 Budget and Finance Committee meeting, alternative investment vehicles – consistent with the given objectives - have been investigated. These alternative investment vehicles are as follows:

- Bonds
- Investment vehicle with commercial banking institution
- County of Riverside Treasurer's Pooled Investment Fund (Riverside County Pool)

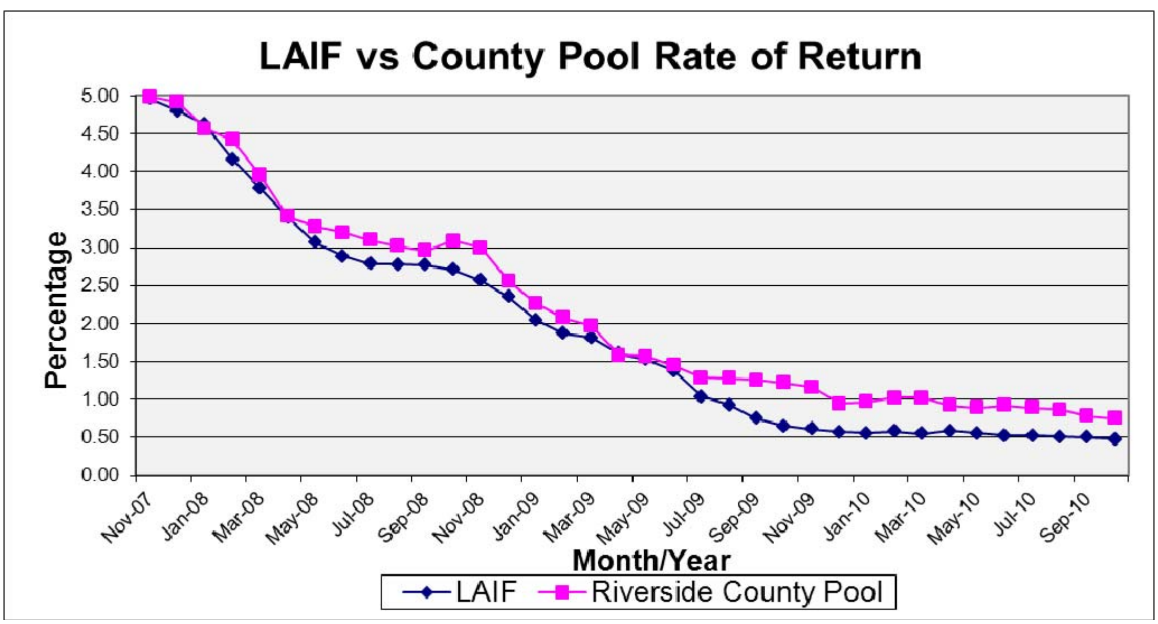
Local peer transportation agencies were reviewed to identify where their excess cash balances were held for investment purposes. The results of this review were as follows:

- Omnitrans – Local Agency Investment Fund (LAIF)
- Sunline – LAIF
- RCTC – Commercial paper, Riverside County Pool, LAIF

Bonds are not considered a viable option given the objectives of the policy. Recent rates of return are not significantly different than what the Agency has been experiencing in LAIF. More importantly, bonds do not provide the liquidity the Agency requires to meet weekly disbursement obligations, bi-weekly payroll, or when large capital procurements come due. This is further exasperated by federal funding challenges in recent years.

An investment vehicle with a commercial bank, structured like a mutual fund consistent with current investment policy objectives, was recommended and investigated. While the rate of return (estimated at 1%) over the past year of an investment like this may have been better than what the Agency experienced in LAIF (.5%) or the Riverside County Pool (.9%; see graph below), the liquidity element would not have been the same. To achieve a greater return than LAIF or the Riverside County Pool, no withdrawals from this vehicle would have been realized. Conversely, the Agency processes LAIF transfers (withdrawals and deposits) approximately every other day. That said, further effort to create an investment vehicle with a commercial banking or investment institution could be pursued.

At this time, a better - or additional - option to LAIF appears to be the Riverside County Pool. The chart below compares historical monthly rates of return for both LAIF and the Riverside County Pool for the trailing 3-year period of November 2007 through October 2010.



Attachment A to this staff report presents a comparison of key logistical features of both LAIF and the Riverside County Pool. In summary, they are similar in many ways.

Attachment B to this staff report is the current Board-approved Agency Investment Policy.

Fiscal Impact:

None at this time.

Recommendation:

Discuss the Agency Investment Policy for 2011.

Attachment A

	LAIF	County Pool
Assets (as of Oct. 2010)	$21.4 billion	$4.9 billion
Transactions Per Month	15	unlimited
Minimum Transaction	$5,000 (in $1,000 increments)	no stated minimum
Account Cap	$50,000,000	none
Advance Notice Requirement	24 hours for withdrawal of $10,000,000 or more	24 hours for withdrawal of $1,000,000 or more
Same-day transaction cut-off	10:00AM	10:00AM
Transaction communication	phone	phone or email
Monthly Transaction Statement	yes	yes
Interest Earned	daily	daily
Interest Posted	quarterly	quarterly
Interest Available	15 days after quarter end	approximately 1/3 available 5 days after quarter end; remaining 2/3 by end of second month after quarter end
Holidays/closure dates	10 in 2011 (posted and known in advance)	11 in 2011 (posted and known in advance); in addition the County is closed every Friday for the forseeable future (an additional 49 days)

ATTACHMENT B

INVESTMENT POLICY

SCOPE

This investment policy applies to the Operating and Capital cash funds of Riverside Transit Agency, except for its employees' retirement system fund and its retiree medical fund, both of which are administered by the California Public Employees Retirement System (CalPERS). Separate Section 401 and 457 Deferred Compensation Funds are administered by Great West Retirement Services (Great West).

OBJECTIVE

Investable funds shall be invested to the maximum extent feasible. The primary goal of the investment program is to maintain safety and liquidity of principal and interest while maximizing returns, minimizing risks and ensuring that funds are available to meet anticipated cash flow requirements.

In the investment of its funds, Riverside Transit Agency will be guided by the following principles in order of importance:

1. The primary objective of the investment program is to safeguard the principal of the funds.
2. The secondary objective is to meet the liquidity needs of the Agency.
3. The third objective is to achieve a maximum return while assuming minimal risk on Agency investments.

AUTHORIZED INVESTMENT OFFICERS

The Chief Financial Officer is designated as the Investment Officer for the Agency and is responsible for investment decisions and activities, under the direction of the Chief Executive Officer. Cash management and investment transactions are the responsibility of the Investment Officer. In the absence of the Chief Financial Officer, the Chief Executive Officer will designate a temporary Investment Officer.

The authority to execute investment transactions on behalf of the Riverside Transit Agency will be limited to the:

- Chief Executive Officer
- Chief Financial Officer
- Chief Operating Officer
- Chairman of the Board

Two authorized signatures will be required for all investment transactions and wire transfers as delineated in Resolution 98-04 adopted on May 28, 1998, or any revision thereafter subsequently approved by the Board of Directors.

ETHICS AND CONFLICT OF INTEREST

Officers and employees who are directly involved in the investment program shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair the ability to make impartial investment decisions.

PRUDENCE

The standard to be used by investment officials shall be that of a "prudent person" and shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as probable income to be derived.

The Agency realized that market prices of securities would vary depending on economic and interest rate conditions at any point in time. It is further recognized, that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit risk. These occasional losses must be considered within the conte**x**~~s~~t of the overall investment program objectives and the resultant long-term rate of return.

The Investment Officer and other individuals assigned to manage the investment portfolio, acting in accordance within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall not be held personally responsible for security credit risk or market price changes, provided that deviations from expectations are reported immediately to the Chief Executive Officer and that appropriate action is taken to control adverse developments.

SAFEKEEPING

Agency cash and investment securities, if any, shall be held in safekeeping by a designated institution. The institution shall issue a safekeeping receipt to the Agency listing the specific instrument, rate, maturity and other pertinent information as applicable. The independent auditors should review safekeeping procedures annually along with internal controls.

MONITORING AND ADJUSTING THE PORTFOLIO

The Investment Officer will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio accordingly.

INTERNAL CONTROL

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis.

Internal controls shall be reviewed annually by the independent auditor. The controls shall be designed to prevent a loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

REPORTING

The Investment Officer shall render a quarterly report to the Chief Executive Officer and the Board of Directors within 30 days following the end of the quarter covered by the report. The report will include the following information:

- Type of Investment
- Name of Issuing Institution
- Date of Maturity, if applicable
- Amount of Deposit (Investment)
- Rate of Interest Earned
- Current Market Value of the Investment as of the Date of the report
- Sufficient Funds Statement for Next 30-90 Days' Obligations for Operating Costs
- State compliance of the portfolio to the Statement of Investment Policy

AUTHORIZED INVESTMENTS

Investment of the Agency funds is governed by the California Government Sections 53600 et seq. Within the context of these limitations, the following investments are authorized, as further limited herein:

1. Passbook Savings and Account Demand Deposits with commercial banks or savings and loan banks insured by the Federal Deposit Insurance Corporation and/or collateralized in accordance with the California Government Code. These accounts are liquid; therefore, there is no percentage limitation of the portfolio, which can be invested in this category.

2. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool and may be used to the maximum permitted by the California State Law.

3. California Arbitrage Management (CAMP) Pool. Funds deposited in this category are restricted to the remaining Certificates of Participation (COP) proceeds and interest earned to pay the debt service on the 57 replacement buses purchased in 2001/2002. This service expires in 2014.

4. U.S. Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio which can be invested in this category. Maturity is not to exceed the projected dates of the Agency's cash needs or two years, whichever is less.

MATURITY SCHEDULED

Investment maturities shall be scheduled, as applicable, to coincide with projected cash flow needs, taking into account large routine expenditures such as payroll, accounts payable and capital purchases along with receipt of projected revenues.

INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be accrued monthly to various fund accounts based on the cash balances in each fund as a percentage of the entire pooled portfolio.

LEGISLATIVE CHANGES

Any State of California legislative action, that further restricts allowable maturities, investment type or percentage allocations, will be incorporated into the Riverside Transit Agency's Investment Policy and supersede any and all previous applicable language.

POLICY REVIEW

The Board of Directors on an annual basis shall adopt the Riverside Transit Agency's investment policy. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to the Board of Directors for approval.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

January 12, 2011

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Vince Rouzaud, Chief Procurement and Logistics Officer

SUBJECT: Authorization to Award Agreement No.10-004 to Southland Transit, Inc. (STI) for Americans with Disabilities Act/Dial-a-Ride Transportation and Call Center Services

Summary: The Agency operates complementary paratransit services known as Dial-A-Ride (DAR), an advanced reservation transportation service for seniors and persons with disabilities. DAR is a curb-to-curb reservation based transportation service giving priority to individuals who are certified under the Americans with Disabilities Act (ADA). Service is provided within ¾ of a mile of local fixed-route bus service and during the hours of bus service operation. Currently, the Agency has two DAR services; ADA Priority and Senior/Disabled local service. The ADA Priority service is strictly for persons certified under the ADA and allows for travel between all cities within the 2,500 square mile service area. The Senior or Disabled services are for seniors age 65 and above, and for anyone carrying an Agency-issued Disabled ID card. The contract for this service, which has been operated by STI since March 2006, is due to expire on June 30, 2011.

On June 1, 2010, staff issued Request for Proposal (RFP) No. 10-004 for *ADA/Dial-A-Ride Transportation and Call Center Services*. The RFP was publicly advertised in a newspaper of general circulation and a notice was posted on the Agency's website along with a copy of the RFP document. In addition, the Agency sent notices of the contracting opportunity to the chambers' of commerce for those cities that are members of the Joint Powers Agreement (JPA) for distribution among their membership. Seventeen (17) vendors downloaded a copy of the RFP document from the Agency's website.

The Scope of Work for this RFP requires the selected contractor to provide all services necessary for a 'turnkey operation' including but not limited to, facilities, management, operations, reservations, scheduling, dispatching, maintenance, fuel and insurance. Further, the contractor is responsible for providing these services throughout the Agency's entire 2,500 square mile

service area. The services will continue to be operated using Agency provided vehicles. The current number of vehicles assigned to the DAR fleet, including spares, is 90. The DAR service represents 16.9% of the Agency's annual operating budget, employing 164 people in all aspects of the operation including drivers, mechanics, reservationists, dispatchers, and administrative support personnel.

Since fuel represents a major expense line item for a transportation services contract, vendors were instructed to use the Oil Price Information Service (OPIS) rack pricing for Colton, CA as the index to establish the baseline for calculating fuel expenses. Using the OPIS rack pricing as the baseline put proposers on equal footing when developing their fuel projections. In addition, as is the case with the current agreement, the proposed agreement includes a fuel escalation/de-escalation clause. This clause either mitigates the successful contractor's expenses or provides a savings to the Agency should the cost of fuel increase or decrease by more than 10% during any six-month period. An example of this methodology is included under the fiscal impact section of this report.

The proposed agreement also includes well-defined and measurable performance standards, specific performance incentives, penalties for not meeting the minimum performance standards, and additional reporting requirements that will improve management oversight.

The projected passenger trips, revenue vehicle hours and revenue vehicle miles for the proposed seven-year agreement are identified in Table 1 below. These projections were developed by a consultant, HDR Decision Economics, Inc. (HDR), as part of the ADA/Paratransit study approved by the Board in late FY10.

Table 1 - ADA/Paratransit Projections (FY12 – FY18)

Period	Passenger Trips	Revenue Vehicle Hours	Revenue Vehicle Miles
Base Term (FY12) – Year 1	345,692	172,980	3,358,350
Base Term (FY13) – Year 2	363,668	181,975	3,532,985
Option Year 1 - FY14	381,851	191,074	3,709,634
Option Year 2 - FY15	400,944	200,628	3,895,116
Option Year 3 - FY16	420,991	210,659	4,089,871
Option Year 4 - FY17	442,041	221,192	4,294,365
Option Year 5 - FY18	464,143	232,251	4,509,083

On July 20, 2010, the Agency received proposals from the following five (5) vendors:

- Empire Transportation, Inc., Bellflower, CA
- Southland Transit, Inc., El Monte, CA
- Transportation Concepts, Irvine, CA
- Tectrans, Los Angeles, CA
- First Transit, Inc., Cincinnati, OH

The proposals were evaluated by a selection committee representing staff from the purchasing, direct operations, contracted operations, and maintenance departments. In addition to pricing, vendors were rated in three technical areas: qualifications and related experience, staffing and project organization, and an understanding of the Agency's requirements.

All five vendors were invited for in-person interviews. As part of the interview process, each vendor was asked to make available key project personnel so they could be interviewed directly by the committee in areas thought to be critical to the success of this project. This process is designed to be challenging, with candidates presented with real operational scenarios requiring them to demonstrate their experience and critical thinking skills.

During this process, several proposed management teams were unable to demonstrate a level of expertise that met the Agency's minimum expectations, while others did not make their key management candidates available for interview at all.

After the interview process, the overall technical rankings were as follows:

Table 2 – Technical Rankings

Vendor Name	Technical Ranking
Southland Transit Inc.	75.6
Empire	67.2
Tectrans	64.3
First Transit	63.2
Transportation Concepts	54.3

The evaluation committee then reviewed the original price proposals and requested Best and Final Offers (BAFO's) from all five vendors. The combination of low technical scores and pricing considered outside of the competitive range eliminated First Transit and Transportation Concepts from further consideration. BAFO pricing for all five vendors is shown in Table 3:

Table 3 – BAFO Pricing (Initial)

	TecTrans	Southland Transit	Empire	First Transit	Transportation Concepts
Base Period First 2 Years	$ 17,456,813	$ 17,549,409	$ 17,714,410	$ 18,631,472	$ 22,181,123
Opt 1	$ 9,331,749	$ 9,550,195	$ 9,641,464	$ 10,451,016	$ 12,031,094
Opt 2	$ 9,779,994	$ 10,119,276	$ 10,258,349	$ 11,281,838	$ 12,712,945
Opt 3	$ 10,263,407	$ 10,713,192	$ 10,953,424	$ 11,948,251	$ 13,464,160
Opt 4	$ 10,631,847	$ 11,398,992	$ 11,698,037	$ 12,693,889	$ 13,962,889
Opt 5	$ 11,031,810	$ 12,105,444	$ 12,459,526	$ 13,616,486	$ 14,617,959
Grand Total	$ 68,495,620	$ 71,436,508	$ 72,725,210	$ 78,622,952	$ 88,970,170
% Difference	0.00%	4.29%	5.92%	13.93%	26.04%

The next step in the evaluation process was to conduct a thorough price analysis of the three remaining proposals, comparing resources and individual cost elements for reasonableness. This exercise highlights cost variances by line item between vendors and is intended to ensure proposals are compared on an “apples to apples” basis.

Based on this analysis significant variances were noted in several key categories raising concerns that the selection committee felt needed further investigation. In order to address these concerns and to ensure the best possible vendor was selected, staff scheduled an additional round of interviews and solicited a second round of Best and Final Offers from the three remaining vendors.

The revised proposals were thoroughly reviewed with feedback provided to each of the three vendors. During the final round of interviews, each vendor was asked to address the Agency’s concerns in specific detail. Vendors were also given an opportunity to replace unacceptable candidates and present final proposed project teams. The new teams were subjected to a round of questioning that required them to again demonstrate their experience and critical thinking skills.

After review of the final proposals, interviews, Best and Final Offers and vendor negotiations, the final results are summarized in Table 4:

Table 4 – BAFO Pricing (Final)

	Southland Transit	Empire	TecTrans
Base Period First 2 Years	$ 17,605,774	$ 17,647,201	$ 18,972,280
Opt 1	$ 9,467,703	$ 9,535,454	$ 9,968,762
Opt 2	$ 9,939,130	$ 10,151,700	$ 10,438,621
Opt 3	$ 10,426,929	$ 10,800,078	$ 10,974,573
Opt 4	$ 10,992,239	$ 11,492,485	$ 11,334,478
Opt 5	$ 11,567,566	$ 12,193,962	$ 11,745,321
Grand Total	$ 69,999,341	$ 71,820,880	$ 73,434,035
% Difference	0.00%	2.60%	4.68%

At the conclusion of the evaluation process, it was the selection committee's determination that STI represented the most technically responsive and responsible vendor providing the best value to the Agency.

Several other important factors supported the selection committee's decision. STI is the incumbent vendor and has provided these services for the last five years. During this period, DAR service improved with on-time performance increasing from 85% five years ago to 95% today. During this same period, passenger per hour (PPH) productivity improved by 33%.

Staff is, therefore, recommending this agreement be awarded to STI for a base period of two-years with five one-year options. Historically, agreements of this nature were awarded for a maximum five-year term. However, in recent years, the Federal Transit Administration (FTA) has acknowledged the merits of longer-term agreements, recognizing that there are substantial start-up expenses that must be amortized over the term of the agreement.

Start-up expenses include the acquisition or leasing of facilities, facility improvements to meet contractual requirements, major capital purchases such as office furniture, shop equipment, communications and IT equipment, etc. As these expenses can be substantial, amortizing them over a longer period of time effectively lowers the operating costs for both the contractor and the Agency.

In summary, staff recommends awarding a two-year agreement with five one-year options to STI as the best value provider for the ADA/Dial-a-Ride and Call Center services.

Fiscal Impact:

STI has proposed $17,605,774 to operate the services for the two-year base period and a total of $69,999,341 for the full seven-year period.

As mentioned previously, vendors were instructed to use OPIS rack pricing (in effect on June 1, 2010) as the baseline for calculating fuel expenses. In the six-month period since release of the RFP, fuel has increased from $2.18 to $2.53 per gallon, a 16.5% increase. Since this increase in unleaded fuel pricing could not have been anticipated, and in keeping with the fuel escalation clause incorporated within this proposed agreement, an adjustment to offset this increase is recommended in this award. Based on the current price of unleaded fuel, and applying the fuel escalation methodology, staff determined that the proposed contract amount must be adjusted by $390,000 bringing the base period amount to $17,995,774. It should be noted that the new agreement is not scheduled to take effect until July 1, 2011, at which time the rate may need to be adjusted again if fuel continues to rise as predicted. If that should occur, staff will return to the Board in July with an update.

The fuel escalation/de-escalation clause is structured so that it can only be utilized in the event of a greater than 10% increase or decrease in fuel costs during any six-month period. Actual fuel costs will be based on the OPIS rack pricing for Colton, CA.

Example:

Fuel Escalation Methodology

	Threshold of Increase in Rate Per Gallon				10.01%
	Initial Billing Rate Per RSH				$ 29.89
	Base Contract Fuel Rate per Gallon				$ 2.18
	Fuel portion of Hourly Rate				$ 7.52
FUEL INCREASE	Rate Per Gallon				
	$ 2.18	$ 2.53	$ 3.26	$ 4.35	$ 5.44
% Change in Fuel Rate	0.0%	16.50%	50.0%	100.0%	150.0%
Fuel portion of Hourly Rate	$ 7.52	$ 8.76	$ 11.28	$ 15.04	$ 18.80
Adjusted Billing Rate Per RSH	$ 29.89	$ 31.13	$ 33.65	$ 37.41	$ 41.17
FUEL DECREASE	Rate Per Gallon				
	$ 2.18	$ 1.96	$ 1.85	$ 1.74	$ 1.63
% Change in Fuel Rate	0.0%	-10.01%	-15.0%	-20.0%	-25.0%
Fuel portion of Hourly Rate	$ 7.52	$ 6.77	$ 6.39	$ 6.02	$ 5.64
Adjusted Billing Rate Per RSH	$ 29.89	$ 29.14	$ 28.76	$ 28.39	$ 28.01

OPIS rack pricing as of January 2, 2011

The proposed agreement will continue to emphasize passenger productivity by aligning the objectives of the Agency and the contractor. PPH productivity, also known as passengers per hour, has the most direct impact on cost to the Agency. By increasing the number of passengers per hour, the actual cost for providing the service decreases. The more efficient the contractor becomes, the greater the net savings to the Agency. Incentive payments would not begin until productivity exceeds the minimum contract standard of 2.0 PPH. Both parties benefit from improved efficiencies; the Agency from a reduction in revenue hours and the contractor through the incentive payments. There is no additional cost to the Agency for this incentive since payments are made to the contractor through the resulting reduction in operating expenses.

As mentioned previously, the Scope of Work also includes incentive payments should maintenance and operations performance standards be achieved or exceeded. These payments could amount to as much as $56,000 per year if the vendor is able to achieve the following:

• On Time Performance	>95%	$ 2,500/month
• Valid Complaints per Month	<3	$ 500/month
• Call Abandonment Rate/Month	<3%	$ 500/month
• Avg Fleet Miles Between Road Calls	>17,500	$ 500/month
• Avg Fleet Miles Between Preventable Accidents in 2 or more Consecutive Quarters	>150,000	$ 2,000/quarter

By including the additional costs for incentives and fluctuating fuel, the base term not-to-exceed amount will be $18,107,774. The total seven-year not-to-exceed amount will be $70,781,341 should the Agency exercise all five one-year options.

Funding for these services will be incorporated in the Agency's budget request for fiscal years FY2012 through FY2019.

Recommendation:

Approve and recommend this item to the full Board of Directors for their consideration as follows:

- Authorize staff to enter into an agreement with Southland Transit Inc. for ADA/Dial-a-Ride Transportation and Call Center Services for a two-year base period with five one-year options in an amount that will not exceed $70,781,341. Prior to exercising the option year periods, in accordance with FTA requirements, staff will conduct a thorough price analysis to determine if pricing in effect at that time is competitive and considered fair and reasonable.