

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

CONSIDERATION OF SANBAG REPORT PROPOSING POSSIBLE CHANGES TO VICTOR VALLEY TRANSIT AUTHORITY (VVTA) STRUCTURE

Summary Statement:

VVTA has provided regional public transportation for the high desert cities and unincorporated county areas since 1998, serving Adelanto, Apple Valley, Hesperia, and Victorville. In 1998, the Authority went out to bid for administrative services and operational services in two separate contracts. The administrative contract was won by McDonald Transit, Inc., and Kevin Kane, a McDonald employee, became the McDonald-designated general manager for VVTA. The operations contract was awarded to Forsythe & Associates, which organization has changed owners a number of times. Currently, vehicle operations, maintenance and dispatch are run by Veolia. The administrative contractor has not changed since 1998.

McDonald Transit operates multiple transit systems and periodically dispatches VVTA's general manager to one of its remote locations. Corporate meetings are also scheduled which Mr. Kane is expected to attend, generally out of state. At one point, McDonald attempted to relocate Mr. Kane to National City to work with its transit system in that area. When that occurred, the VVTA Technical Advisory Committee (TAC) members began to discuss (informally) whether it might be to the Authority's benefit to hire in-house administrative staff directly rather than use contract employees which by definition can at times have divided loyalties and focus. This month, for example, Mr. Kane has been sent for several days to Bryce, Utah, where McDonald Transit is developing a transit system and desires his expertise.

San Bernardino Associated Governments (SANBAG) oversees county transit organizations and manages the Local Transportation Funds (LTF) for jurisdictions. SANBAG reviews the annual independent audits for transit agencies within the county and has noted that for the past several years, the auditors have pointed out the need for VVTA to have a financial officer in order to exercise more controls over the many different accounts associated with a public transit agency, although no specific problems were noted. The City of Victorville has handled the Treasurer function which has entailed only making ledger entries and cutting checks. Setting up the new position of Finance Manager would likely entail a direct hire rather than requesting that McDonald Transit hire a finance manager on VVTA's behalf, which also makes consideration of in-house administration timely.

(Continued on next page)

Recommended Action:

Provide direction to the Apple Valley VVTA Board member.

Proposed by: Diana McKeen _____ Item Number _____

T. M. Approval: _____ Budgeted Item Yes No N/A

The initial contract with McDonald Transit was for five years, plus two optional two-year extensions. These expired in February of this year, and VVTA is now operating on a month-to-month basis with McDonald. As a result of recommendations arising out of the most recent Transit Development Act (TDA) Triennial Performance Audit of VVTA, SANBAG commissioned Dhillon Management Services to study the probable impacts of discontinuing the contract for administrative services in favor of hiring administrative staff directly, which is permissible under the terms of the JPA Agreement. The Dhillon report was made available to VVTA Board Members at the board meeting in May.

The bulk of the complex VVTA budget is made up of charges for (1) administration, (2) Americans with Disabilities Act (ADA) complementary paratransit, (3) regional fixed route services, (4) county routes and (5) the compressed natural gas (CNG) yard expenses. Costs are allocated among the member agencies on the following bases:

Administrative services	Each member agency pays 20%
Paratransit services	Each agency pays a percentage of the projected costs, based on the number of calls for service from within its jurisdiction the previous calendar year
Fixed route services	Each agency pays a percentage of the projected costs, based on the percentage of route miles run within its boundaries
County routes	Paid by the county
CNG yard costs	Each member agency pays 20%

For fiscal 2010-11, the cost of administrative services is projected to be \$879,519. Of this amount, \$724,227 is allocated to McDonald Transit for "Contract Services" while the rest are administrative costs not paid to McDonald, i.e., printing passes and schedules, security operations, marketing, legal services, etc.

The Dhillon report proposes a total of seven employees for the administrative services, including the new position of Finance Manager. It assigns arbitrary salaries to each, based on a salary survey, plus an additional 40% for projected benefits, and compares this cost to the amount now being paid McDonald Transit for administrative services. Page 21 of the report from Dhillon Management, summarizes the findings of the report as follows:

"The above analysis indicates that the in-house operations would cost about \$676,096 compared to \$681,839 currently paid to McDonald Transit."

The current general manager, Kevin Kane, has reservations about the accuracy of the job descriptions and duties described in the report, noting that the author of the report has no independent transit expertise. However, the organizational structure suggested is simply a matter of recommendation.

Should the VVTA Board choose to hire its own administrative staff, it would undoubtedly begin by formally advertising for and hiring an individual to serve as general manager and allow that individual considerable flexibility in staffing up the organization. Since VVTA has no staff, SANBAG has offered the use of its Human Resources Department for assistance in preparing required documents, job descriptions, advertising, and so forth.

In the alternative, the current general manager could be tasked by the Board to work with a consultant and SANBAG staff to develop a framework for in house administrative services. The Board might also elect to have the general manager develop this structure by working with an *ad hoc* committee with representation from the Board and TAC members.

Staff believes the benefits of hiring administrative staff directly would include ongoing continuity of service, dependability and 100% time focused on VVTA's operation. It appears that the author of the Dhillon report may have overlooked the \$34,700 currently allocated for Treasurer functions now being performed by the City of Victorville which is in addition to what is paid to McDonald for administration. If the Finance Manager took over treasurer functions, VVTA would save that additional salary expense.

The drawback to bringing administration in-house would be the need to develop all the personnel resources that go along with hiring employees: payroll, insurances, benefits, developing personnel policies and procedures, and any associated costs.

The Technical Advisory Committee is of the opinion that the current size of the regional transit operation, providing over a million rides annually, merits development of a full-time administrative staff. In addition, completion of the purpose-built administration, operations, and maintenance facility next year will require currently unknown additional responsibilities and duties best provided by a full-time, dedicated staff.