

STAFF REPORT

SUBJECT: Exercise the Third Option Year of the Contract with MV Transportation

FROM: Christy Wegener, Executive Director

DATE: March 28, 2023

Action Requested

Staff requests the Finance Committee recommend that the Board authorize the exercise of the third option year with MV Transportation, Inc. (MV) for the fixed route operations and maintenance services contract through FY2024.

Background

In 2018, the Board of Directors awarded a contract to MV to provide fixed route operations and maintenance services for LAVTA. The agreement was awarded for a base term of July 1, 2018 to June 30, 2021, with LAVTA holding the right to extend the agreement for four one-year periods. The contract is recommended for extension of the third option year through June 30, 2024.

Discussion

MV has continued to provide quality fixed route operations and maintenance services since being awarded a new contract in 2018. During that time MV has partnered with LAVTA staff to improve service and ridership as well as driver retention, especially during the COVID-19 pandemic and related service reductions.

In 2021 and 2022, respectively, LAVTA exercised the first two, one-year contract extensions with MV. In mid-2022 MV and LAVTA exercised Modification #3 which revised and increased the wages of operations staff to be more locally competitive. In January 2023, LAVTA and MV executed Modification #4 which provided additional financial incentives and service hour guarantees in the effort to recruit and retain drivers. Modification #5 preserves and carries forward the financial terms agreed to in all previous modifications as well as the original terms and conditions of the contract, and exercises the third one-year extension option.

Recommendation

Staff requests the Finance and Administration Committee recommend the Board of Directors to authorize the Executive Director to exercise the third option year and extend the fixed route operations and maintenance services contract from July 1, 2023 through June 30, 2024.

Attachments:

1. Modification 5 to Agreement with MV Transportation, Inc.

**MODIFICATION NO. 5
TO AGREEMENT BETWEEN LIVERMORE AMADOR VALLEY TRANSIT
AUTHORITY AND MV TRANSPORTATION, INC.**

THIS MODIFICATION to the Agreement is made and entered into on July 1, 2023 by and between the LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY, a joint exercise of powers agency established pursuant to California law, hereinafter referred to as "LAVTA," and MV TRANSPORTATION, INC., a California corporation, hereinafter referred to as "Contractor."

WITNESSETH

WHEREAS, on May 3, 2018, LAVTA and the Contractor entered into that certain Agreement for the management and operation of LAVTA's transit operations; and

WHEREAS, on July 1, 2021, LAVTA and the Contractor entered into Contract Modification # 1, revising the hourly rate, monthly fixed rate, and Cutaway maintenance fee for Fiscal Year 2021-2022 and exercising the first one-year contract option (for the period from July 1, 2021 through June 30, 2022); and

WHEREAS, on April 4, 2022, LAVTA and the Contractor entered into Contract Modification # 2, revising the hourly rate, monthly fixed rate, and Cutaway maintenance fee for Fiscal Year 2021-2022 (April 2, 2022 through June 30, 2022); and

WHEREAS, on July 1, 2022, LAVTA and the Contractor entered into Contract Modification # 3, revising the hourly rate, monthly fixed rate, and Cutaway maintenance fee for Fiscal Year 2022-2023 and exercising the second one-year contract option (July 1, 2022 through June 30, 2023); and

WHEREAS, on January 4, 2023, LAVTA and the Contractor entered into Contract Modification # 4, formalizing several financial incentives put in place to address driver recruitment and retention for the remainder for Fiscal Year 2022-2023 (July 1, 2022 through June 30, 2023); and

WHEREAS, staff wishes to exercise the third one-year option term to cover Fiscal Year 2023-2024 (July 1, 2023 through June 30, 2024) in this Modification No. 5.

NOW THEREFORE, the parties hereto do agree as follows:

1. Commencing July 1, 2023 through June 30, 2024 (FY 2023-24) LAVTA agrees to pay the Contractor for performance of the service set forth in this Agreement as follows:

In accordance with the wage increases authorized by the Board of Directors of LAVTA Authority in Modification No. 3, LAVTA agrees to pay Contractor for total hours (revenue and deadhead) according to the following revised variable cost per hour and monthly fixed cost, based on corresponding service level:

	60%	70%	80%	90%	Year 6 FY23/24	110%	120%	130%	140%
Total Hours	82,097	95,780	109,463	123,146	136,829	150,512	164,195	177,878	191,561
Cost Per Hour	\$ 62.27	\$ 61.62	\$ 59.69	\$ 58.16	\$ 57.06	\$ 56.03	\$ 55.17	\$ 54.45	\$ 53.91
C. Subtotal Annual Hourly cost AXB	\$ 5,111,872	\$ 5,901,523	\$ 6,534,024	\$ 7,162,569	\$ 7,808,018	\$ 8,433,120	\$ 9,059,135	\$ 9,685,846	\$ 10,326,872
D Subtotal Annual Fixed Cost	3,680,055	3,768,080	3,947,773	4,251,777	4,414,792	4,613,375	4,954,614	5,295,990	5,673,223
E Subtotal Monthly Fixed (D/12)	306,671	314,007	328,981	354,315	367,899	384,448	412,885	441,333	472,769
F Grand Total Costs C plus D	8,791,926	9,669,603	10,481,797	11,414,346	12,222,810	13,046,495	14,013,749	14,981,836	16,000,094
					729,413.08				

The rates outlined above cover all of Contractor's costs expenses for providing service, including operations at LAVTA's Atlantis Fuel and Wash facility located at 875 Atlantis Court, Livermore CA.

In accordance with the financial incentives authorized by the Board of Directors of LAVTA Authority in Modification No. 4, LAVTA agrees to pay Contractor based on the incentives outlined below:

- a) Commencing July 1, 2023 through June 30, 2024, LAVTA agrees to pay 50% of a \$3,000 Sign-on Bonus (\$1,500) to new drivers completing the training program, entering into revenue service, and staying for 12 months; as well as 50% of a \$3,000 referral bonus (\$1,500) to existing employees who refer a new driver applicant who then completes training, enters into revenue service, and stays for 12 months. For the Sign-on Bonus, a third of the \$3,000 bonus will be paid at the employees' three-month anniversary, a third at their six-month anniversary, and a third at their 12-month anniversary. For the referral bonus, the payments will be made at the same intervals as the payments to the new employee.
- b) Commencing July 1, 2023 through June 30, 2024, LAVTA agrees to pay a "split guarantee" for drivers working less than an eight-hour day with a "split" of more than five (5) hours with a work day spread of more than twelve (12) hours, a guarantee of eight (8) hours of pay for the day.
- c) Commencing July 1, 2023 through June 30, 2024, LAVTA agrees to pay additional standby hours. This payment will be made to "standby" drivers with less than 35 hours of work to compensate them for providing additional services and assistance. This compensation will be capped at ten (10) hours per week per driver and will align with the driver's current hourly wage.
- d) Commencing July 1, 2023 through June 30, 2024, LAVTA agrees to pay a "tripper incentive" for drivers who come in on their day off to drive a supplemental route an additional three (3) hours of pay, and for drivers who come in on their day off and drive two (2) supplemental routes an additional four (4) hours of pay. Additionally, for drivers that come in early or stay late to drive a supplemental route, LAVTA will pay for two (2) additional hours of work. These hours will be paid at the average base driver wage (currently \$26.19 per hour).

IN WITNESS WHEREOF, the parties hereto have caused this Modification to the Agreement to be executed by and through their respective officers on the day written below.

BY LAVTA this _____ day of April, 2023.

BY CONTRACTOR this _____ day of April, 2023.

MV TRANSPORTATION, INC.:

By: _____
Marie Graul, EVP and Chief Financial Officer

LAVTA:

By: _____
Christy Wegener, Executive Director

APPROVED AS TO FORM:

By: _____
LAVTA Legal Counsel