



Staff Report

File #: 24-0383

REQUEST FOR CITY COUNCIL ACTION

DATE: 5/15/2024

TO: Honorable Mayor and City Council Members

FROM: Community Services Department

SUBJECT:

FIFTH AMENDMENT TO THE MAINTENANCE/GENERAL SERVICES AGREEMENT WITH MV TRANSPORTATION, INC. FOR THE CONTRACTED FIXED ROUTE AND DIAL-A-RIDE TRANSPORTATION SERVICES, TO EXTEND THE TERM FOR AN ADDITIONAL THREE YEARS THROUGH JUNE 30, 2027, IN THE AMOUNT OF \$9,009,631.47

EXECUTIVE SUMMARY:

This staff report asks the City Council to approve a Fifth Amendment to the Maintenance/General Services Agreement with MV Transportation, Inc. to extend the term by three years through June 30, 2027. MV Transportation, Inc. is in the final year of a six-year contract providing the City with wrap-around fixed route and paratransit services. Wrap-around services include dispatchers, drivers, mechanics, utility workers, and administrative and management staff.

RECOMMENDED ACTION:

That the City Council:

- a. Approve the Fifth Amendment to the Maintenance/General Services Agreement with MV Transportation, Inc., for Contracted Fixed Route and Dial-a-Ride Services for an additional three-year term through June 30, 2027, in the amount of \$9,009,631.47.
- b. Authorize the City Manager, or his designee, to execute the Fifth Amendment to the Maintenance/General Services Agreement with MV Transportation, Inc., including any non-substantive extensions, change orders, purchase orders, and amendments up to the amount provided by the [Corona Municipal Code Section 3.08.060\(J\)](#).
- c. Authorize any budgetary adjustments required for the completion of this contract.

BACKGROUND & HISTORY:

The City operates two crucial public transit services known as the Corona Dial-A-Ride paratransit

service for seniors and persons with disabilities and the Corona Cruiser fixed-route service for all residents comprised mainly of students and low income residents. These operations have been contracted out to private operators since the inception of the Corona Dial-A-Ride Service in 1977 and the launch of the Corona Cruiser fixed-route service in 2001.

MV Transportation (MV) is the City’s current wrap-around transit operator. They were selected after an extensive year-long procurement process and were awarded a five-year contract by the City Council on July 18, 2018. Their Agreement received two initial administrative amendments for minor and non-substantive changes, as authorized by the City Council. On August 4, 2021, the City Council approved a third amendment to extend the contract by one year through June 30, 2024, and increase the compensation to \$11,887,475.52. On April 20, 2022, the City Council approved a Fourth Amendment, which authorized the Fourth a revenue hourly increase to maintain and attract experienced staff. Although this amendment increased the revenue hourly rate, the City received a contract reduction due to savings realized during the pandemic. The current amount for the entire six-year contract term is \$11,804,968.

In 2022 and 2023, staff conducted a holistic assessment of transit services, referred to as a Comprehensive Operations Analysis (COA). The City Council approved the service improvements recommended by the COA on August 16, 2023. Implementing the approved COA service improvements requires a complete overhaul of current fixed route services, estimated to take several years. Planning and implementation efforts are currently underway.

The original plan was to conduct all COA efforts on a parallel track with MV’s contract to align the launch of new services with a new procurement for transit services. Regrettably, the COA efforts had to be delayed due to the pandemic. Procurement for wrap-around transit services requires extensive resources and time, on average 9-12 months, followed by 6-12 months for the transition if there is a change in a third-party vendor. Therefore, rather than starting a procurement process for services that will be terminated future, staff recommends extending MV’s contract by three years to maintain uninterrupted public transit services while staff continues to focus on the COA service improvement planning and implementation phase.

ANALYSIS:

MV provided a cost proposal for the three-year extension, which is outlined in the table below.

Amendment 5 – Three-year Cost Proposal				
	Year 7 – FY25	Year 8 – FY26	Year 9 – FY27	Total 3-year Extension
Annual Cost	\$2,899,264.83	\$2,994,922.14	\$3,115,444.50	\$9,009,631.47
Cost per Revenue Hour	\$99.11	\$102.38	\$106.50	
Revenue Hours – DAR	14,500	14,500	14,500	43,500
Revenue Hours – FR	14,753	14,753	14,753	44,259

The three-year extension will result in a contract increase of \$9,009,631.47. The total unamended contract amount for the 9 years equates to \$22,035,450.48. Due to the underutilization of revenue service hours, a savings of \$1,886,876.70 will result in an amended 9-year contract amount of \$20,148,573.78.

Service Hour/Service Operation Payment Structure

In accordance with the Maintenance/General Services Agreement (Agreement), MV is paid an hourly rate per revenue service based on revenue service operated to provide Corona’s public transit services. Revenue service is earned when the transit vehicle provides public transportation and is available to carry passengers. The Corona Cruiser service operates along a fixed schedule; as such, revenue service hours are consistent with negligible fluctuation. On the other hand, Dial-A-Ride service is demand-based and more difficult to anticipate. When the scope of work was written in late 2018, there was an expectation that the demand would increase year-to-year, thereby increasing the revenue service hours. However, during the second year of the Agreement, the demand for Dial-A-Ride Service decreased starting in March 2020 due to the pandemic. The table below outlines the Revenue Service Hours versus actual Utilization. There are roughly 37,745 unused Revenue Service Hours.

Revenue Service Hours				
	Per Contract		Utilization	
	FR*	DAR**	FR	DAR
Year 1 - FY19	12,165	12,663	11,990	12,116
Year 2 - FY20	14,753	15,955	14,558	11,703
Year 3 - FY21	14,723	16,753	14,471	6,344
1st 3-year total	41,641	45,371	41,019	30,163
Year 4 – FY22 Option 1	14,723	17,591	14,398	8,027
Year 5 – FY23 Option 2	14,753	18,470	14,426	11,594
Year 6 – FY24 Option 3	14,753	18,470	14,400	14,000
	44,229	54,531	43,224	33,621
TOTAL	85,870	99,902	84,243	63,784
% Change			-2%	-36%

*FR = Corona Cruiser Fixed Route

**DAR = Dial-A-Ride

The revenue hours for the three-year extension have been adjusted to reflect current trends. Therefore, 29,253 (14,753 for FR & 14,500 for DAR) revenue hours have been allocated for each fiscal year (FY25 through FY27).

Revenue Hour Rate

The following table depicts the revenue hour rate charged per year pursuant to the contract and the proposed per revenue hour rate for the three-year extension.

		Revenue Hour Rate				
Service Year	Rate	% Increase	Notes	Variable Rate	Overall Variable Rate	Variable % Increase
Year 1 - FY19	\$ 63.11			N/A	\$ 63.11	
Year 2 - FY20	\$ 62.69	-1%		N/A	\$ 62.69	-1%
Year 3 - FY21	\$ 63.31	1%	Used variable rate for DAR	\$ 74.28	\$ 68.80	10%
Year 4 - FY22 (Jul-Jan)	\$ 63.58	0%	Used variable rate for DAR	\$ 74.05	\$ 68.82	0%
Year 4 - FY22 (Feb-Jun)	\$ 73.78	16%	Rate Increase; Used variable rate for DAR	\$ 84.84	\$ 79.31	15%
Year 5 - FY23	\$ 77.84	6%	Used variable rate for DAR	\$ 89.15	\$ 83.50	5%
Year 6 - FY24	\$ 83.17	7%	Used variable rate for DAR	\$ 91.72	\$ 87.45	5%
Amendment 5 Proposed 3-year Extension						
Year 7 - FY25	\$ 99.11	19%			\$ 99.11	13%
Year 8 - FY26	\$ 102.38	3%			\$ 102.38	3%
Year 9 - FY27	\$ 106.50	4%			\$ 106.50	4%

Note: Variable Rates are defined in Section V of the Scope of Services attached as Exhibit "A" of the Agreement.

The Agreement includes a Variable Rate schedule for changes in revenue service hours at 16% or more. In accordance with the Agreement, the Variable Rate decreases if additional revenue service is added and increases when there is a decrease in revenue service. As the Revenue Service Hour table depicts, demand for DAR decreased significantly due to the pandemic, which reduced revenue hours, triggering the Variable Rate schedule for DAR. Therefore, while the base percent increase is 19% from year 6 to year 7, the percent increase when using the Variable Rate is 13%.

Cost Proposal Analysis

Initially, MV requested a revenue hour increase of 22% from Year 6 to Year 7. After further discussion with staff, MV agreed to maintain its overhead percentage and other expenses to reduce the overall increase from 22% to 19%, or \$99.11 per revenue hour. The three main contributors to the increase in revenue hour rate include fringe benefits, maintenance, and facility costs.

The following two categories represent the most significant budgetary impacts, which have been caused by inflation and supply-and-demand issues.

Maintenance of Transit Fleet: Maintenance costs include lubricants, parts (filters, brakes, batteries, AC/heating supplies, etc.), tires, towing, bus washing, and major overhaul expenses. Per MV, the costs for parts and services have increased since the pandemic. Shortage in parts and supplies has increased demand, which has impacted the cost. While MV staff makes efforts to obtain

parts from multiple sources, expediting the repairs of the vehicles is necessary in accordance with regulations to ensure service is uninterrupted.

The table below reflects the contract allowance by year and the actual costs. As of January 3, 2024, FY24 costs have already exceeded the proposal, and when annualized, the costs may be greater by 77%.

Maintenance Cost Comparison				
FY	Cost Proposal	Actual Cost	Difference	% change
FY22	\$ 77,918.00	\$ 128,562.00	\$ 50,644.00	65%
FY23	\$ 82,309.00	\$ 119,747.00	\$ 37,438.00	45%
FY24 Jun23-Jan24	\$ 83,838.00	\$ 86,588.00	\$ 2,750.00	3%
FY24 Estimate	\$ 83,838.00	\$ 148,437.00	\$ 64,599.00	77%

Facility Leasing for Fleet Maintenance: In accordance with the City’s requirements, a qualified transit provider must have a maintenance shop within 15 miles of the City’s Corporation Yard. MV’s proposal anticipated leasing space in Corona or assuming the maintenance facility from the City’s prior transit operations contractor; therefore, MV submitted a budget amount accordingly. Unfortunately, the City’s prior transit contractor decided to keep the facility, and MV was unable to secure space within the City, forcing them to secure a location approximately 13 miles away in the City of Ontario to maintain the City’s transit buses. The table below compares the contract amount versus the actual costs.

Facility Cost Comparison					
Cost Proposal	Facility Costs	Interest/Tax	Total	Actual Lease Costs*	
Year 4 – FY22 Option 1	\$ 88,600	\$ 10,265	\$ 98,865	\$ 123,858	25%
Year 5 – FY23 Option 2	\$ 91,221	\$ 10,127	\$ 101,348	\$ 135,630	34%
Year 6 – FY24 Option 3	\$ 92,681	\$ 9,888	\$ 102,569	\$ 141,053	38%

As the table above depicts, MV has been in the negative under this line item for several years. Therefore, as part of this proposed Fifth Amendment, MV wants to update this rate, including other ancillary expenses such as utilities, property maintenance and repair, telephone, supplies, property tax, and interest.

Staff has thoroughly examined MV’s proposal and compared it with proposals received by other transit agencies for similar services. Staff has concluded that the proposed increase is reasonable considering market conditions (i.e., rental rates, supply chain, and demand issues) and information obtained from other agencies indicating 25% to 35% increases for transit services with fewer revenue hours. Staff supports and recommends Council approval of the Fifth Amendment to the Maintenance/General Services Agreement with MV Transportation, Inc. to maintain uninterrupted services while staff focuses on COA service improvements.

FINANCIAL IMPACT:

The current total compensation of MV’s six-year contract is \$11,804,967.53. If the Fifth Amendment

is approved, the total compensation for the entire 9-year term of the Agreement will be \$20,148,573.78. Sufficient funds are programmed in the appropriate budget year through the Short-Range Transit Plan process. Operating revenues that support the transit program consist of Local Transportation Funds administered by RCTC, Federal Transit Administration funds, Low Carbon Transit Operations Program funds, and fare revenues.

Approval of the Fifth Amendment to the Agreement will not impact the General Fund other than what is normally programmed to meet the required farebox ratio contribution. The General Fund usually contributes approximately three percent towards the entire transit program each fiscal year to meet the required farebox recovery ratio.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action merely approves a three-year contract extension for operating the City's transportation services. Since there is no possibility that adopting this action will have a significant effect on the environment, no environmental analysis is required.

PREPARED BY: SUDESH PAUL, TRANSIT PROGRAM MANAGER & CYNTHIA LARA, COMMUNITY ASSISTANCE MANAGER

REVIEWED BY: DONNA FINCH, COMMUNITY SERVICES DIRECTOR

Attachment:

1. Exhibit 1 - Fifth Amendment to the Maintenance/General Services Agreement with MV Transportation, Inc