



NAPA VALLEY TRANSPORTATION AUTHORITY

COVER MEMO

SUBJECT

Modification of Transit Operations Services Agreement No. 21-12 with Transdev Services Inc.

STAFF RECOMMENDATION

That the NVRTA Board approve a modification to the Transit Operations Services Agreement No. 21-12 Section 3, to revise the addition or deletion of service hours from 20% to 15% without the need for a contract amendment.

EXECUTIVE SUMMARY

Since the July 21st, 2021 Board of Director's meeting tentatively approving the Transit Operations Services Agreement No. 21-12, NVRTA has been in discussions with Transdev on the draft agreement. All, but one of the comments are deemed minor changes and therefore within the Executive Director's authorization. Transdev has requested that NVRTA modify the 20% provision to 15% in Section 3 of the Agreement which guides the adjustments to service hours not requiring an amendment to the contract. The modification is considered a significant change to the contract which requires Board approval. It should be noted that the service hours proposed in the new agreement are already roughly 20% lower than the existing agreement.

FISCAL IMPACT

A potential impact of up to \$2,738,014 through the seven year contract period or roughly 3% of the contract value of \$81.4 million.



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Board Agenda Memo

TO: NVTA Board of Directors

FROM: Kate Miller, Executive Director

REPORT BY: Antonio Onorato, Director of Administration, Finance and Policy
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SUBJECT: Modification of Transit Operations Services Agreement No. 21-12 with Transdev Services Inc.

RECOMMENDATION

That the NVTA Board approve a modification to the Transit Operations Services Agreement No. 21-12 Section 3, to revise the addition or deletion of service hours from 20% to 15% without the need for a contract amendment.

COMMITTEE RECOMMENDATION

None

BACKGROUND

At its July 21, 2012 meeting, the Board of Director's approved a new contract with Transdev Services Inc. for transit operations and maintenance services with a base term of five years, from January 1, 2022 through December 30, 2026, and two one-year options which could extend the contract to June 30, 2028. The Board also authorized the Executive Director to make minor modifications to and execute the agreement once all parties have provided their respective comments and approvals.

The contract, as currently drafted, allows for the adjustment of service hours of plus or minus 20%. Transdev Services has asked NVTA to revise this provision from 20% to 15% and has requested the same change in new contracts to other clients. It should be noted that the service hours in the new agreement is already 20% lower than the hours in the existing agreement.

The effects of the pandemic was nearly catastrophic to public transit for both NVTA and Transdev. In March 2020, NVTA invoked its right under the contract terms to reduce service hours by 18% due to the precipitous drop off in passengers. During the first and subsequent lockdowns when travel was restricted and many business were closed, only essential workers used public transit during this time. Transdev Services in Napa took a major hit to its revenues and furloughed several drivers. This left Transdev in a very precarious position reducing its bottom line by \$1 million per year for the last two years of the contract period.

Transdev has requested this modification to ensure better predictability of its finances during the new contract period. Although it's highly unlikely another calamity would involve a steep drop in service hours, both NVTA and Transdev are making plans to ensure the viability and continuity of the transit system if another disaster were to occur. As such, staff is supportive of the request and understands the reasoning behind it. This change would not prohibit a 20% decrease or increase in service hours, it just means that such a change would need a contract amendment.

The 5% difference- changing the provision to 15% from 20% is a significant change to the contract and must be considered by the Board of Directors. Table 1 below illustrates the potential cost impact.

While the impact could be \$2.73 million as outline above, the reality is that the number of service hours in 2022 (year 1) is already significantly below the contracted service hours under the prior Transdev Agreement 2016-12. In the 2016 agreement, the service hours for FY 20/21 were 133,500 and in 2022 under this new contract, the service hours are significantly lower at 112,630. At no point during the five year agreement or the two option year are the service hours go as high as FY20/21.

Given the low number of service hours in the new agreement 21-12, NVTA would still be able to cut service to mirror FY 20-21 when NVTA operated 98,666 service hours because 15% reduction on 112,630 hours is 95,736. On the other end, if NVTA wanted to increase service to pre-pandemic levels in 2023, that would also be within the 15% threshold. Therefore, with the proposed 15% threshold, NVTA could still operate a limited service and increase its service without a contract amendment.

Table 1: Potential Financial Impact

	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026	Year 6 2027 Option Yr 1	Year 7 2028 Option Yr 2	Total
<i>Service Hours</i>	112,630	125,130	125,130	125,130	125,130	125,130	125,130	863,410
Contract Amount	\$9,833,079	\$10,855,445	\$11,372,268	\$11,748,911	\$12,093,813	\$12,541,715	\$12,910,061	\$81,355,292
Cost per Service Hour*	\$58.19	\$58.49	\$61.35	\$63.42	\$65.03	\$67.69	\$69.27	
20% Adjustment in Service Hours	22,526	25,026	25,026	25,026	25,026	25,026	25,026	172,682
15% Adjustment	16,895	18,770	18,770	18,770	18,770	18,770	18,770	129,512
5% Difference	5,632	6,257	6,257	6,257	6,257	6,257	6,257	43,171
Financial Impact of 5% Difference	\$327,697	\$365,943	\$383,836	\$396,787	\$406,860	\$423,502	\$433,388	\$2,738,014

*Cost per fixed route service hours.

STRATEGIC GOALS MET BY THIS PROPOSAL

Goal 3: Use taxpayer dollars efficiently.

The modification to the contract will provide financial predictability and operational continuity assurances to both Transdev and NVTa throughout the contract period.

ATTACHMENT

None