ADMINISTRATIVE AND FINANCE COMMITTEE
THURSDAY, AUGUST 13, 2020 8:00 A.M.

GUIDANCE FOR PUBLIC ACCESS TO THE BOARD OF DIRECTORS MEETING

MEETING ACCESSIBLE VIA ZOOM AT: https://omnitrans.zoom.us/j/86424682685

TELECONFERENCE

Dial: **1 669 900 6833**
Meeting ID: 864 2468 2685

This meeting is being conducted in accordance with Governor Newsom's Executive Orders N-25-20, N-29-20 and N-35-20

There will be no physical location for this meeting. Members of the public wishing to participate via teleconference, can do so by dialing the following number: 1 669-900-6833, Meeting ID: 864 2468 2685. Interested persons who wish to make a public comment, may submit comments in writing to BoardSecretary@omnitrans.org. Comments must be submitted by Wednesday, August 12, 2020 at 5:00 p.m. Comments received will be read into the record.

Any member of the public requiring a reasonable accommodation to participate in this meeting in light of this announcement shall contact the Board's Secretary prior to August 12, 2020 at 5:00 p.m. The Board Secretary's telephone number is 909-379-7110 (voice) or 909-384-9351 (TTY).

A. CALL TO ORDER
1. Pledge of Allegiance
2. Roll Call

B. ANNOUNCEMENTS/PRESENTATIONS
1. Next Committee Meeting: Thursday, September 10, 2020, 8:00 a.m.

C. COMMUNICATIONS FROM THE PUBLIC

This is the time and place for the general public to address the Board for items that are not on the agenda. Interested persons who wish to make a public comment, may submit comments in writing to **BoardSecretary@omnitrans.org.** Comments must be submitted by Wednesday, August 12, 2020 at 5:00 p.m**.** Comments received will be read into the record for up to 3 minutes per individual.

D. POSSIBLE CONFLICT OF INTEREST ISSUES

Disclosure – Note agenda items contractors, subcontractors and agents, which may require member abstentions due to conflict of interest and financial interests. Board Member abstentions shall be stated under this item for recordation in the appropriate item.

Posted: August 6, 2020

OmniTrans
Connecting Our Community.

ADMINISTRATIVE AND FINANCE COMMITTEE
THURSDAY, AUGUST 13, 2020 8:00 A.M.

E. DISCUSSION ITEMS

1. Approve Administrative & Finance Committee Minutes – June 11, 2020	3
2. Receive and Forward to the Board of Directors, Agency Management Report Fiscal Year 2020 Fourth Quarter Report – *Maurice Mansion*	6
3. Receive and Forward to the Board of Directors, Management Plan Strategic Initiatives and Key Performance Indicators Fiscal Year 2020 Fourth Quarter Report – *Jeremiah Bryant*	16
4. Receive and Forward to the Board of Directors, Consolidation Study Reports and Recommend the Board of Directors Support SBCTA Staff Recommendation to Not Consolidate – *Jeremiah Bryant*	32
5. Recommend the Board of Directors Authorize the CEO/General Manager to Deobligate and Reobligate Local Transportation Funds and State Transit Assistance Funds – *Maurice Mansion*	211
6. CEO/General Manager's Report – *Erin Rogers*	

F. REMARKS AND ANNOUNCEMENTS

G. ADJOURNMENT

Posted: August 6, 2020

1700 W. Fifth St.
San Bernardino, CA 92411
909-379-7100
www.omnitrans.org

ITEM # E1

ADMINISTRATIVE & FINANCE COMMITTEE
MINUTES, JUNE 11, 2020

A. CALL TO ORDER

In accordance with Governor Newsom's Executive Orders N-25-20, N-29-20, and N-35-20, the June 11, 2020, Administrative & Finance Committee was held via teleconference. Committee Chair Sam Spagnolo called the meeting to order at 8:00 a.m.

1. Pledge of Allegiance
2. Roll Call

COMMITTEE MEMBERS PRESENT
Council Member Sam Spagnolo, City of Rancho Cucamonga – Committee Chair
Mayor David Avila, City of Yucaipa
Council Member Ron Dailey, City of Loma Linda
Mayor John Dutrey, City of Montclair
Supervisor Curt Hagman, County of San Bernardino
Council Member John Roberts, City of Fontana
Council Member Alan Wapner, City of Ontario

BOARD MEMBERS NOT PRESENT
None

OMNITRANS ADMINISTRATIVE STAFF PRESENT
Erin Rogers, Interim CEO/General Manager
Trischelle Baysden, Director of Rail
Shawn Brophy, Director of Operations
Jeremiah Bryant, Director of Strategic Development
Alex Chen, Director of Information Technology
Aaron Moore, Deputy Director of Operations – STS
Suzanne Pfeiffer, Director of Human Resources
Nicole Ramos, Director of Marketing & Communications
Connie Raya, Director of Maintenance
Jerome Rogers, Director of Safety & Regulatory Compliance
Art Torres, Director of Procurement
Donald Walker, Director of Finance
Araceli Barajas, Sr. Executive Asst. to CEO/Clerk of the Board
Kevin Bleich, Rail Analyst
Vickie Chesney, Maintenance Manager – West Valley
Victor Cuate, Service Planning Manager
Marcos Espinoza, Network Engineer
Jose Hernandez, Marketing Specialist
Frank Holland, Sr. Contract Administrator

Maurice Mansion, Treasury Manager
Teresa Villa, Procurement Manager

LEGAL COUNSEL
Steve DeBaun, Legal Counsel

B. ANNOUNCEMENTS/PRESENTATIONS

The next Committee Meeting is scheduled Thursday, August 13, 2020.

C. COMMUNICATIONS FROM THE PUBLIC

There were no communications from the public.

D. POSSIBLE CONFLICT OF INTEREST ISSUES

There were no Conflict of Interest Issues.

E. DISCUSSION ITEMS

Member Dailey joined the meeting at 8:04 a.m.

Items #E1 and #E2 were voted on in one motion.

1. Approve Special Administrative and Finance Committee Minutes – April 20, 2020

   M/S (Wapner/Hagman) that approved Administrative & Finance Committee Minutes April 20, 2020. Roll call vote was taken and the motion passed unanimously by Members present.

2. Approve Administrative and Finance Committee Minutes – May 14, 2020

   M/S (Wapner/Hagman) that approved Administrative & Finance Committee Minutes May 14, 2020. Roll call vote was taken and the motion passed unanimously by Members present.

3. Recommend the Board of Directors Authorize the Interim CEO/General Manager to Amend and Extend the FY2015-2020 Short-Range Transit Plan (SRTP) to Include Fiscal Year 2021

   Director of Strategic Development, Jeremiah Bryant provided a brief background on this item ad detailed in the staff report

   M/S (Dutrey/Avila) that recommended the Board of Directors authorize the Interim CEO/General Manager to amend and extend the FY2015-2020 Short-Range Transit Plan (SRTP) to include Fiscal Year 2021. Roll call vote was taken and the motion was passed unanimously by Members present.

4. Receive and Forward to the Board of Directors September Service Triggers: Update

   Director of Strategic Development, Jeremiah Bryant, provided a brief background on this item as detailed in the staff report.

   The Committee received and forwarded this item to the Board

5. Recommend the Board of Directors Authorize Award Request for Proposals – RFP-ITS20-72, Transit Asset Management System

   Director of Procurement, Art Torres, provided a brief background on this item as detailed in the staff report.

   Member Dailey had questions regarding the FTA requirements related to this project. Mr. Torres and Ms. Rogers provided additional information regarding the FTA requirements and the services included in this contract.

   M/S(Dutrey/Dailey) that recommended the Board of Directors authorize the Interim CEO/General Manager to award Contract ITS20-72 to Phoenix Business Inc. of Sarasota, FL, for consulting services for Transit Asset Management System (TAMS), in the amount of $301,440, plus a ten percent contingency of $30,144, and a Cost Allocation Plan (CAP) of $7,886 (3.27% charged on Federal portion of $241,152) for a total not-to-exceed amount of $339,470. Roll call vote was taken and the motion was passed unanimously by all Members present.

6. CEO/General Manager's Report

   Interim CEO/General Manager, Erin Rogers reported on the following items:

   - Omnitrans submitted the Zero-Emission Rollout plan to CARB on June 10, 2020.
   - Revealed the new OmniRide microtransit bus design and branding for the pilot project scheduled to begin in September in the City of Chino Hills.

F. ADJOURNMENT

The Administrative and Finance Committee meeting adjourned at 8:27 a.m.

The next Administrative and Finance Committee Meeting is scheduled Thursday, August 13, 2020 at 8:00 a.m., with location posted on the Omnitrans website and at Omnitrans' San Bernardino Metro Facility.

Prepared by:

_____

Liz Gutierrez
Executive Staff Assistant

OmniTrans
Connecting Our Community.

1700 W. Fifth St.
San Bernardino, CA 92411
909-379-7100
www.omnitrans.org

ITEM # E2

DATE: August 13, 2020

TO: Committee Chair Sam Spagnolo and
Members of the Omnitrans Administrative and Finance Committee

THROUGH: Erin Rogers, CEO/General Manager

FROM: Maurice Mansion, Treasury Manager

SUBJECT: **AGENCY MANAGEMENT REPORT – FISCAL YEAR 2020 FOURTH QUARTER REPORT**

AGENCY RESULTS

The fourth quarter operational results in this report represent the period covering 4/01/2020 – 6/30/2020. Fourth quarter results are preliminary and do not include all year end accruals and adjustments. The results include the impact on service and costs related to COVID-19, the annual pension liability adjustment, and partial CARES Act drawn down replacing Local Transportation Fund (LTF) and State Transit Assistance (STA) funding. Final operating results will be presented during the first quarter 2021.

OPERATING REVENUE

Fourth quarter Operating Revenues of $17.7M are $5.2M under budget. The fourth quarter negative variance is driven by the impact of COVID-19 on operations resulting in passenger fare revenues being lower than plan, and partial drawdown of CARES Act funding to replace LTF and STA funding. LTF and STA funds will be set aside for future use as we gain understanding of the long-term impact of the pandemic on sales tax collections.

OPERATING EXPENSE

Fourth quarter Operating Expenses of $23.7M are $.8M over budget. The fourth quarter negative variance is driven by the $7.2M pension liability adjustment for the year.

RIDERSHIP

During the fourth quarter, Omnitrans carried a total 1,075,300 passengers. This consisted of 1,063,123 on Fixed Route service and 12,177 on Access service. Year-to-Date (YTD) Omnitrans carried a total of 9,026,137 passengers. This reflects a total system decrease of 16.9% when compared to the fourth quarter of last year. Fixed Route ridership decreased 1,725,767 or 16.4% and Access ridership decreased 111,626 or 31.0% compared to the same period last year.

REVENUE HOURS/REVENUE MILES

Omnitrans provided a total of 118,336 revenue hours for the fourth quarter, reflecting a decrease of 91,620 hours or 43.6% compared to the same quarter last year. YTD Omnitrans provided a total of 738,247 revenue hours or a 11.4% decrease over last year. Omnitrans logged a total of 1,594,601 revenue miles during the quarter, reflecting a decrease of 1,312,128 revenue miles or 45.1% when compared to same quarter last year. YTD Omnitrans logged 10,111,638 revenue miles, a decrease of 16.9% compared to last year.

FAREBOX RECOVERY RATIO

Fourth quarter passenger revenue for Fixed Route is $3,530,554 compared to $5,171,011 for the same period last year. The decrease in passenger revenue is attributed to not collecting fares during the months of April and May and the overall decrease in ridership due to the impact of COVID-19. The farebox recovery ratio for Fixed Route is 14.9% for the Fourth quarter. The minimum required farebox recovery ratio for fixed route is 20%.

Passenger revenue for Access is $694,123 versus $591,752 for the same quarter last year. This is an increase of 17.3%. The farebox recovery ratio for Access is 29.3% for the fourth quarter. The minimum required farebox recovery ratio for Access is 10%.

FINANCIALS

Total Salaries and Benefits of $17,989,285 are $4,373,829 over budget for the fourth quarter. Year to date (YTD) Salaries and Benefits are $56,004,034 or $1,542,208 over budget. The fourth quarter and YTD negative variances are driven by pension expense being higher than planned.

Total Services is $719,327 or $278,633 under budget in the fourth quarter. YTD Services are $2,747,405 or $1,206,937 under budget. The fourth quarter and YTD positive variances are primarily driven by services being lower than planned.

Materials and Supplies is $(571,866) or $2,260,910 under budget for the fourth quarter. YTD Materials and Supplies are $4,483,032 or $2,271,643 under budget. The fourth quarter and YTD positive variances are driven by recognition of the CNG fuel tax credit in the fourth quarter.

Occupancy consists of Utilities, Data Communication Lines, Repairs and Maintenance to Buildings, Equipment and Software. Fourth quarter expenses are $1,398,632 or $23,627 over budget. YTD Occupancy expenditures are $4,859,223 or $687,300 under budget. The fourth quarter negative variance is driven by year end accruals. The YTD positive variance is driven by utilities and repairs and maintenance on the buildings being less than planned.

Casualty & Liability is $2,023,461 or $17,252 over budget for the fourth quarter. YTD casualty and Liability is $8,057,113 or 32,277 over budget. The fourth quarter and YTD negative variances are driven by insurance premiums being higher than planned.

Purchase Transportation is $1,849,181 or $1,108,674 under budget for the fourth quarter. YTD Purchase Transportation is $10,173,138 or $1,658,285 under budget. The fourth quarter and YTD positive variances are driven by the decline in ridership on ACCESS due to COVID-19.

Printing and Advertising is $274,580 or $54,822 over budget for the fourth quarter. YTD Printing and Advertising is $772,279 or $100,754 under budget. The fourth quarter negative variance is driven by the timing of marketing campaigns. The YTD positive variance is driven by printing and advertising costs being lower than plan.

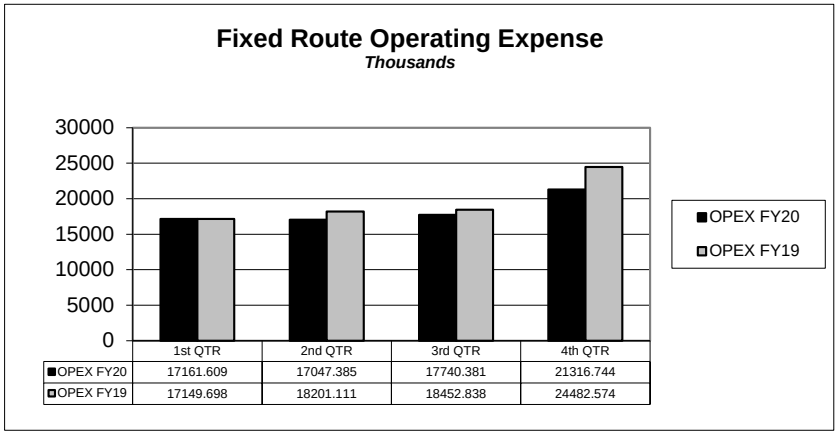
ER:DW:MM

Attachment: A. Agency Management Report FY20 Fourth Quarter Report

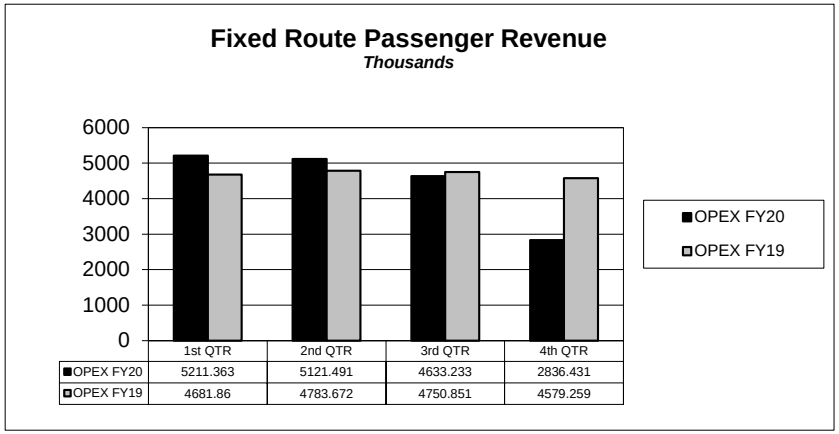
PERFORMANCE STATISTICS
FISCAL YEAR 2020
Fourth Quarter

	Current Quarter		YR/YR inc/(dec)	Year-To-Date		YR/YR inc/(dec)
	Fourth Quarter 2020	Fourth Quarter 2019	CURRENT	Fourth Quarter 2020	Fourth Quarter 2019	YTD
Total Passenger Revenue & Subsidy						
Fixed Route	$2,836,431	$4,556,110	-37.7%	$17,802,518	$18,772,493	-5.2%
Demand Response	$694,123	$573,210	21.1%	$3,482,563	$2,332,977	49.3%
Total Passengers						
Fixed Route	1,063,123	2,700,908	-60.6%	8,777,639	10,513,598	-16.5%
Demand Response	12,177	90,108	-86.5%	248,498	360,124	-31.0%
Farebox Recovery Ratio						
Fixed Route/OmniLink	13.31%	24.95%		24.29%	26.05%	
Access	29.28%	15.60%		25.23%	14.72%	
Total Passengers per Revenue Hour						
Fixed Route	9.8	15.8	-38.1%	14.3	15.5	-8.0%
Demand Response	1.3	2.3	-45.4%	2.0	2.3	-13.2%
Revenue per Passenger						
Fixed Route	$2.67	$1.69	57.9%	$2.03	$1.79	13.3%
Demand Response	$57.00	$6.36	796.3%	$14.01	$6.48	116.3%
Cost per Passenger						
Fixed Route	$20.05	$6.76	196.6%	$8.35	$6.85	21.9%
Demand Response	$194.71	$40.73	378.0%	$55.34	$44.01	25.8%
Cost per Revenue Hour						
Fixed Route	$196.18	$107.06	83.2%	$119.34	$106.44	12.1%
Demand Response	$245.06	$93.50	162.1%	$110.88	$101.06	9.7%

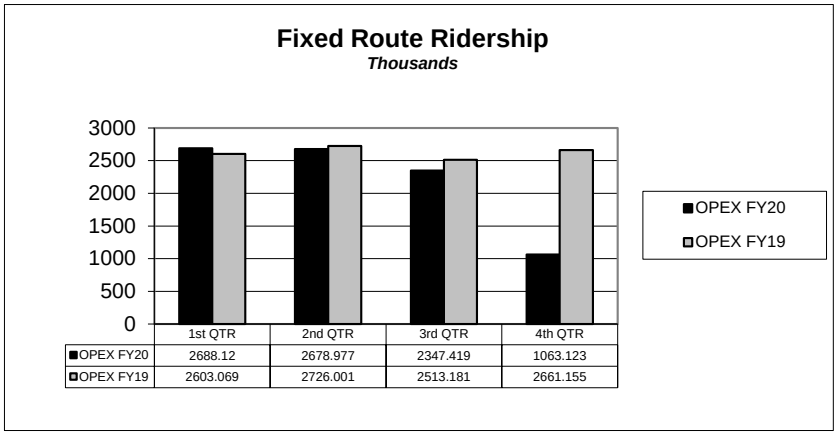
Staffing	Budget	Actual
(includes PT Operators, Operators on leave, excludes Rail,STS)		
	679	520



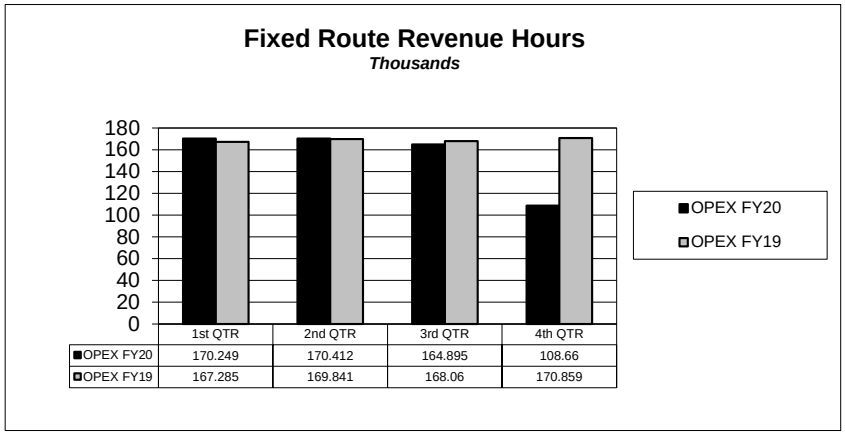
	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	17161.609	17047.385	17740.381	21316.744
OPEX FY19	17149.698	18201.111	18452.838	24482.574



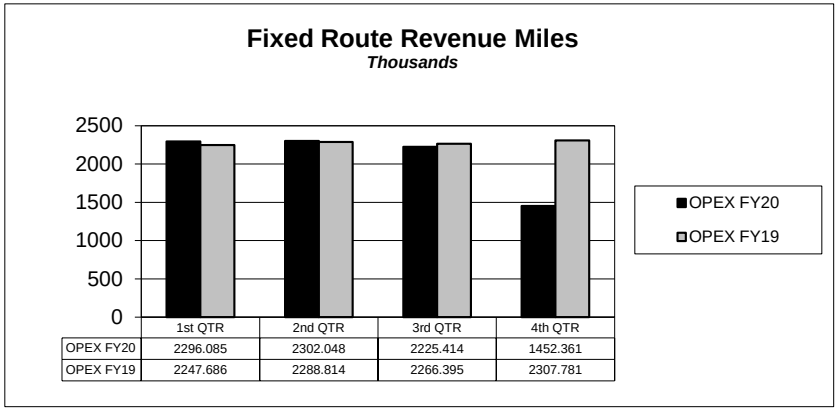
	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	5211.363	5121.491	4633.233	2836.431
OPEX FY19	4681.86	4783.672	4750.851	4579.259



	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	2688.12	2678.977	2347.419	1063.123
OPEX FY19	2603.069	2726.001	2513.181	2661.155

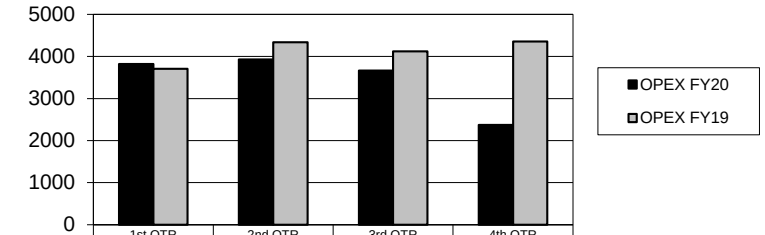


	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	170.249	170.412	164.895	108.66
OPEX FY19	167.285	169.841	168.06	170.859



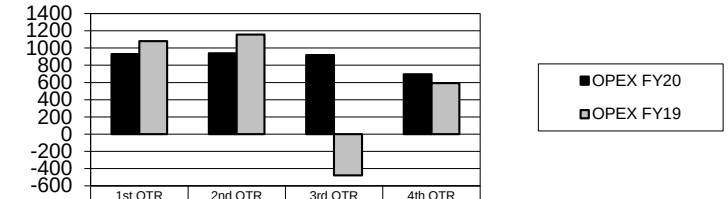
	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	2296.085	2302.048	2225.414	1452.361
OPEX FY19	2247.686	2288.814	2266.395	2307.781

Demand Response Operating Expense
Thousands



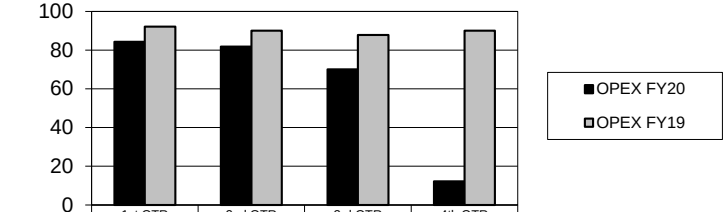
	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	3820.07	3931.169	3663.304	2370.977
OPEX FY19	3707.343	4339.927	4122.939	4357.952

Demand Response Passenger Revenue
Thousands



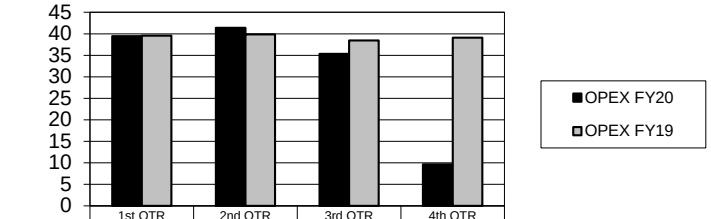
	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	930.526	938.989	918.925	694.123
OPEX FY19	1080.884	1156.078	-477.996	591.752

Demand Response Ridership
Thousands



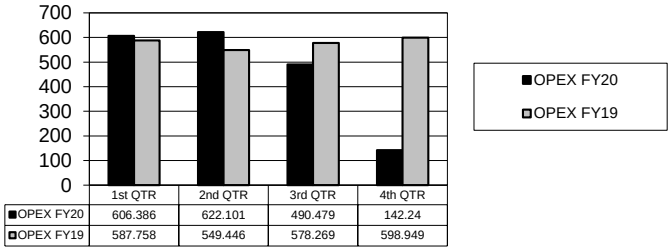
	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	84.323	81.886	70.112	12.177
OPEX FY19	92.098	90.097	87.821	90.108

Demand Response Revenue Hours
Thousands



	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	39.421	41.361	35.305	9.675
OPEX FY19	39.536	39.837	38.437	39.098

Demand Response Revenue Miles
Thousands



	1st QTR	2nd QTR	3rd QTR	4th QTR
OPEX FY20	606.386	622.101	490.479	142.24
OPEX FY19	587.758	549.446	578.269	598.949

Statement of Operations
Fiscal Year: 2020

CURRENT QUARTER: Fourth Quarter (April, May, June)					YEAR-TO-DATE: June 2020			
Actual	Budget	Fav/(Unf)	% of Budget	Operating Revenues	Actual	Budget	Fav/(Unf)	% of Budget
985,850	3,539,500	(2,553,650)	28%	Passenger Fares	11,348,642	14,158,000	(2,809,358)	80%
10,373	83,750	(73,377)	12%	Measure I Subsidy - Fares	195,618	335,000	(139,383)	58%
2,136,582	1,975,479	161,103	108%	Measure I - Operating	8,063,021	7,901,918	161,103	102%
332,811	332,811	0	100%	Measure I CTSA - Operating	1,331,243	1,331,243	0	100%
64,937	195,872	(130,935)	33%	Measure I Rail - Operating	346,557	783,490	(436,933)	44%
273,988	382,500	(108,512)	72%	LCFS - Credits	2,385,924	1,530,000	855,924	156%
636	73,568	(72,932)	1%	LCTOP Operating	300,733	294,270	6,463	102%
135,000	173,750	(38,750)	78%	Auxillary Transportation Revenue	685,699	655,000	30,699	105%
(612,912)	12,500	(625,412)	0%	Non-Transportation Revenue	130,927	50,000	80,927	262%
7,042,878	11,026,361	(3,983,483)	64%	LTF Operating	40,121,961	44,105,444	(3,983,483)	91%
(1,375,378)	634,371	(2,009,749)	-217%	STAF Operating	527,734	2,537,483	(2,009,749)	21%
0	17,250	(17,250)	0%	Other - TCC Program	-	69,000	(69,000)	0%
64,379	34,812	29,567	0%	JARC - Operating Assistance	347,854	139,246	208,608	0%
8,611,141	4,391,719	4,219,422	196%	Capital Funds for Operations	19,568,822	17,566,874	2,001,948	111%
17,670,285	22,874,241	(5,203,956)	77%	Total Revenues	85,354,734	91,456,968	(6,102,234)	93%
				Operating Expenses				
6,460,263	8,940,385	2,480,122	72%	Labor	31,705,409	35,761,539	4,056,130	89%
11,529,022	4,675,072	(6,853,951)	247%	Fringe Benefits	24,298,625	18,700,288	(5,598,338)	130%
719,327	997,960	278,633	72%	Services	2,747,405	3,954,342	1,206,937	69%
(571,866)	1,689,044	2,260,910	-34%	Materials and Supplies	4,483,032	6,754,675	2,271,643	66%
1,398,632	1,375,006	(23,627)	102%	Occupany	4,859,223	5,546,523	687,300	88%
2,023,461	2,006,209	(17,252)	101%	Casualty and Liability	8,057,113	8,024,836	(32,277)	100%
1,313	13,750	12,437	10%	Taxes and Fees	36,117	55,000	18,883	66%
1,849,181	2,957,856	1,108,674	63%	Purchased Transportation	10,173,138	11,831,424	1,658,285	86%
274,580	219,758	(54,822)	125%	Printing and Advertising	772,279	873,033	100,754	88%
3,807	(10,798)	(14,604)	-35%	Miscellaneous Expense	(80,705)	(44,691)	36,015	181%
0	0	0		Lease and Rental	-	-	0	0%
23,687,720	22,864,242	(823,478)	104%	Total Operating Expense	87,051,637	91,456,968	4,405,331	95%
(6,017,435)	10,000	(6,027,435)		Net Gain (Net Loss)	(1,696,903)	(0)	(1,696,902)	

1700 W. Fifth St.
San Bernardino, CA 92411
909-379-7100
www.omnitrans.org

DATE: August 13, 2020

TO: Committee Chair Sam Spagnolo and
Members of the Omnitrans Administrative and Finance Committee

THROUGH: Erin Rogers, CEO/General Manager

FROM: Joseph Mercurio, Accounting Manager

SUBJECT: **INVESTMENT STATUS**

FORM MOTION

Receive and file this report on the status of the Agency's investments.

BACKGROUND

California Government Code requires the quarterly reporting of investments of public agency funds to its governing body.

SUMMARY

All of the Agency's investments are invested with the Local Agency Investment Fund (LAIF) and Union Bank. Please refer to the attachment for the investment activity of the Agency for the period of April-June, 2020. Sufficient funds are available to meet the obligations of the Agency for the next thirty-one days.

ER:JM

OMNITRANS
Treasurer's Report
Quarter ending June 2020

Institution - Investment Type	Description	Starting Balance	Deposits	Disbursements	Interest Yield	Ending Balance
Cash and Investments Under the Direction of the Treasurer						
Local Agency Investment Fund		$ 44,309,500.73				
			$ 249,564.20	$ (3,350,000.00)	1.73%	
	Interest for QTR		$ 5,000,000.00	$ (4,600,000.00)	1.57%	
				$ (2,200,000.00)	1.23%	
					1.18%	
			$ 49,559,064.93	$ (10,150,000.00)		
Net LAIF Funds				$ 39,409,064.93		$ 39,409,064.93
Fair Marketing Value	Fair Value Factor				1.004912795	$ 39,602,673.59
		$ 3,388,197.04				
Union Bank Money Market	Interest		$ 1,724.81		0.25%	
GMRA			$ 214,386.50	$ (138,758.85)		
			$ 3,604,308.35	$ (138,758.85)		
				$ 3,465,549.50		$ 3,465,549.50
		$ 12,073,196.58				
Union Bank Money Market	Interest		$ 5,936.26		0.25%	
Caltrans Capital Project Funds			$ 68,445.00	$ (486,406.49)		
			$ 12,147,577.84	$ (486,406.49)		
				$ 11,661,171.35		$ 11,661,171.35
		$ 150,706.40				
Union Bank Money Market						
West Valley Corridor Project	Interest		$ 76.34		0.25%	
			$ 150,782.74			
				$ 150,782.74		$ 150,782.74
		$ 7,734,675.62				
Union Bank Money Market						
CTSA	Interest		$ 3,995.76		0.25%	
			$ 593,379.59	$ (422,886.03)		
			$ 8,332,050.97	$ (422,886.03)		
				$ 7,909,164.94		$ 7,909,164.94
Chase Bank -CTSA		$ 28,622.78				
ACH Debit			$ 25,808.76	$ (20,540.65)		
			$ 54,431.54	$ (20,540.65)		
				$ 33,890.89		$ 33,890.89
		$ 1,001,054.37				
	Passenger		$ 982,804.15			
	Grants' Revenue		$ 33,085,750.35			
	Miscellaneous Revenue		$ 2,414,302.65			
	Transfers From (To) LAIF		$ 10,150,000.00	$ (5,000,000.00)		
	Transfers From (To) GMRA		$ 241,872.93	$ (213,750.63)		
	Transfers From (To) CTSA		$ 717,082.57	$ (593,379.59)		
	Transfers From (To) WV Corridor Project			$ -		
	Accounts Payable			$ (32,033,339.92)		
	Payroll and Payroll Taxes			$ (8,161,689.33)		
	Employee Benefits			$ (1,310,096.22)		
	Bank Service Charge			$ (7,356.44)		
			$ 48,592,867.02	$ (47,319,612.13)		
Net Union Bank Operating Funds				$ 1,273,254.89		$ 1,273,254.89
		$ 9,200.00				
Petty Cash						$ 9,200.00
Cash and Investments Under the Direction of Fiscal Agents						
Union Bank		$ 150,000.00				
				-		
				-		
Pacific Claims Management				$ 150,000.00		$ 150,000.00
Total Cash & Investments						$ 64,255,687.90

I hereby certify that the investment portfolio of OMNITRANS complies with its investment policy and the California Government Code Sections pertaining to the investment of local agency funds and Union Bank of California. Pending any future actions by the Omnitrans Board or any unforeseen catastrophe, OMNITRANS has an adequate cash flow to meet its expenditure requirements for the next six months.

Prepared by:_____
Joe Mercurio, Accounting Manager

Approved by:_____
Erin Rogers, CEO/General Manager, Treasurer

@ Source of Market Value: California State Pooled Money Investment Board Report.
(1) Union: "Summary of Market Value" posted on monthly fiscal agent statements.
(2) LAIF: "Pooled Money Investment Account Market Valuation" .
Master Control Account is the controlling account for all the zero balance accounts with Union including: Accounts Payable Account (General Account) and Payroll Account. Interest earned by the Master Control account is used as a partial offset to the monthly bank service charges.

OmniTrans
Connecting Our Community.

1700 W. Fifth St.
San Bernardino, CA 92411
909-379-7100
www.omnitrans.org

DATE: August 13, 2020

TO: Committee Chair Sam Spagnolo and
Members of the Omnitrans Administrative and Finance Committee

FROM: Erin Rogers, CEO/General Manager

SUBJECT: **PAYROLLS AND WARRANTS FOR APRIL-JUNE 2020**

Approve the Agency's gross payroll for Management/Confidential Employees as follows:

Payroll Period	Amount	Register #
04/01/20-04/30/20	$ 808,034.12	07-08
05/01/20-5/31/20	$ 827,247.64	09-10
06/01/20-06/30/20	$ 1,203,240.43	11-12

Approve the Agency's gross payroll for Represented Employees as follows:

Payroll Period	Amount	Register #
04/01/20-04/30/20	$2,068,384.87	07-08
05/01/20-05/31/20	$1,961,124.20	09-10
06/01/20-06/30/20	$2,664,042.76	11-12

Approve the Register of Demands, dated as follows, and authorize the issuance of warrants:

Register Date	Amount	Register #
04/01/20-04/30/20	$ 4,741,696.91	1076-1081
05/01/20-05/31/20	$ 4,419,997.93	1082-1086
06/01/20-06/30/20	$ 22,862,788.28	1087-1091

I, Erin Rogers, CEO/General Manager of Omnitrans, declare that the above Register of Demands has been audited as required by Section 37202 and 37208 of the Government Code, and said documents are accurate and correct.

ER:JM

OmniTrans
Connecting Our Community.

1700 W. Fifth St.
San Bernardino, CA 92411
909-379-7100
www.omnitrans.org

ITEM # E3

DATE: August 13, 2020

TO: Committee Chair Sam Spagnolo and
Members of the Omnitrans Administrative and Finance Committee

THROUGH: Erin Rogers, CEO/General Manager

FROM: Jeremiah Bryant, Director of Strategic Development

SUBJECT: **MANAGEMENT PLAN STRATEGIC INITIATIVES AND KEY PERFORMANCE INDICATORS FISCAL YEAR 2020 FOURTH QUARTER REPORT**

FORM MOTION

Receive and forward to the Board of Directors the 2020 Management Plan Strategic Initiatives and Key Performance Indicators, Fourth Quarter Report.

BACKGROUND

In May 2019, the Board of Directors approved five Strategic Initiatives in the FY2020 Management Plan. The five FY2020 Strategic Initiatives are:

1. Customer-Focused Service and Development
2. Safety and Security
3. Employee Engagement and Development
4. Innovation and Technology
5. Financial Sustainability and Funding Growth

These initiatives were developed through a collaborative process with the Senior Leadership Team and align with Omnitrans Short Range Transit Plan, and the San Bernardino County Transportation Authority's (SBCTA) Short Range Transit Plan. Progress made on the Strategic Initiatives is reported to the Board of Directors quarterly (Attachment A). This report is focused on the actions and accountability measures that support each of the five Strategic Initiatives.

Additionally, each quarter Omnitrans staff prepares the Key Performance Indicators (KPI's) report to present to the Board. The attached report is the Fourth Quarter Report for Fiscal Year 2020 (Attachment B).

The results of the fourth quarter were heavily influenced by the impacts of the COVID-19 pandemic and the associated adjustments. During the quarter Omnitrans operated approximately 45% less revenue hours than planned, ridership was down by approximately 60% and Omnitrans

ceased fare revenue collection for two of the three months of the quarter. Additionally, staffing levels in operations and maintenance were reduced to align with service levels. There are one-time costs associate with these changes. As a result, cost per hour and farebox recovery were negatively impacted during the fourth quarter.

CONCLUSION

Receive and forward to the Board of Directors the 2020 Management Plan Strategic Initiatives and Key Performance Indicators, Fourth Quarter Reports.

ER: JB

Attachments: A. Strategic Initiatives Quarterly Report
B. Key Performance Indicators (KPIs)

Omnitrans Management Plan FY2020

A. Strategic Initiative: Customer Focused Service & Development

Objective Statement: Attract and retain customers by delivering high-quality service, while planning for and implementing new or enhanced service.

Lead Department(s): Marketing, Rail, Strategic Development

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
1. Partner with San Bernardino County Transportation Authority to advance Arrow Rail Project	a. Finalize Independent Cost Estimates & Scope for Operations & Maintenance Contractor with San Bernardino County Transportation Authority	Plan				X
		Action	SBCTA evaluating shifting Arrow to Metrolink instead of Omnitrans. During quarter, Omnitrans continued to partner with SBCTA and Metrolink on Arrow Project.	Continued support while transfer of Arrow service occurs from Omnitrans to Metrolink.	MOU draft between SBCTA and Metrolink in final review, scheduled to be presented at Metrolink May 2020 Board Meeting.	Arrow Rail transferred to Metrolink.
	b. Model & Develop Arrow Timetable/Schedule with San Bernardino County Transportation Authority & Mott McDonald	Plan				X
		Action	SBCTA working with Mott McDonald on Arrow schedules. Omnitrans will not make schedules.	Participated in Arrow Timetable Development Workshops until transfer of service.	Timetable workshop #3 schedules for April 9, 2020.	Arrow Rail transferred to Metrolink.
2. Complete Fiscal Year 21-25 Short-Range Transit Plan	a. Present Board with Framework of Service alternatives to inform policy decisions	Plan		X		
		Action	Presented Ad Hoc Committee recommendation, service reduction scale and guiding principles to committees and Board.	ConnectForward plan guiding principles and scale of service change approved. Draft plan developed. Presented to all cities.	Completed.	Completed.
	b. Draft Short-Range Transit Plan, Constrained Service Plan, and Financial Plan	Plan			X	
		Action	Developing draft plan as presented to Ad Hoc Committee and Board.	Draft service changes presented to JPA members and Board of Directors.	Draft completed for ConnectForward Annual Service Plan. SRTP will be finalized in FY2021.	ConnectForward Annual plan completed. SRTP to be completed in FY2021.
	c. Complete Short-Range Transit Plan Public Hearings	Plan			X	
		Action	On track for Q3.	Call for public hearing issued in Q2.	Completed ConnectForward Annual Service Plan Public Meetings. The SRTP will be finalized in FY2021.	ConnectForward Annual plan completed. SRTP to be completed in FY2021.
	d. Board approval of FY 2021-2025 Short-Range Transit Plan	Plan				X
		Action	On track for Q4.	On track for Q4.	ConnectForward Annual Service Plan developed. Presented to committee. Full SRTP will be completed in FY2021.	ConnectForward Annual plan adopted. SRTP to be completed in FY2021.

Omnitrans Management Plan FY2020

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
3. Expand Health and Human Services Transportation Projects	a. Contact City-operated senior centers for Health and Human Services transportation opportunities or interest to and from centers	Plan	X			
		Action	Reached out to multiple senior centers on Measure I Call for Projects encouraging all senior centers to apply for call.	Additional senior centers contacted in Q2 along with other trip generators for seniors and individuals with disabilities.	Additional call for projects issued to expand service offerings.	Initial effort completed. A second call for projects was issued to expand service offerings. Significant outreach to promote program.
	b. Select two senior centers and develop capital and operating budgets necessary to provide cost effective Health and Human Services transportation to and from center(s)	Plan		X		
		Action	In addition to existing programs with Senior Centers in Grand Terrace, Redlands, and Highland, two new programs were awarded funds in Fontana and Yucaipa.	Funding agreements are being finalized and the programs are being implemented by the selected partners.	Holding workshops for senior centers and non-profits so that more potential partners submit grants and eventually can be awarded funding.	Initial effort completed. Additional outreach to senior centers completed as part of second call for project. Second award expected in September of 2020.
	c. Award Measure I funds for transportation projects	Plan			X	
		Action	On track for Q2; ahead of schedule.	Assist in procurement projects related to Measure I.	Initial projects awarded; now focused on secondary call for projects following Board approval of Regional Mobility Partner program.	Initial award completed. Working on second call of year.
4. Develop/ Launch Agency-wide Customer Service Excellence Program	a. Define elements of Customer Service Excellence Program	Plan		X		
		Action	Presented program framework to Executive Office and Senior Leadership team.	Program elements finalized.	Employees surveyed; directors interviewed; individualized department programs completed.	Completed.
	b. Launch messaging, employee training and recognition programs	Plan		X		
		Action	On track for Q2.	Customer Service Manager has met with Operations training staff to coordinate initial program launch in Q3.	Initial launch delayed due to COVID-19 health crisis.	Launch delay continued due to COVID-19 health crisis.
	c. Evaluate results (employees trained and recognized; American Bus Benchmarking Group customer satisfaction survey results)	Plan				X
		Action	On track for Q4.	On track for Q4.	Dependent upon launch date.	Program launch / implementation delayed due to COVID-19 health crisis.

Omnitrans Management Plan FY2020

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
5. Cultivate Ridership Building Partnerships	a. Partner with warehouse and logistics employers to increase ridership	Plan		X		
		Action	Partnered with Amazon LGB 7 & 8 locations to provide collateral and participate in rideshare fairs for all staff to promote Routes 12 and 22.	Met with Amazon regional staff to establish quarterly on-site rideshare promotion at warehouses and quarterly ridership reporting. Management meeting set in Q3 to reintroduce corporate pass program.	Initial meeting with FedEx to discuss potential Fontana partnership and pass program potential; invitation to present to regional warehouse HR staff group discussed. Consulted with Amazon re: bus accessibility plans/rideshare programs at two new sites; outreach and progress delayed due to COVID-19 health crisis.	New Amazon location at San Bernardino Airport will be constructing a bus stop and turnaround location; service to two additional sites (Rte. 87) and marketing to two new sites will be implemented in FY21.
	b. Partner with GoSmart program participants to increase ridership	Plan		X		
		Action	Participated in and sponsored new student welcome events at all partner campuses; launched digital campaign aimed at students.	Supported outreach events at San Bernardino Valley College and Crafton Hills College. Completed two-pronged digital campaign with 588,000 impressions over several channels.	Participated in outreach at California State University San Bernardino and Crafton Hills College. Met with new Chancellor of San Bernardino Community College District to promote partnership. Second phase of advertising campaign paused due to COVID-19 health crisis.	Activity paused due to COVID-19 health crisis; amended contract costs to retain partnerships.
	c. Partner with Developers and Cities on infill developments to encourage transit supportive development to increase ridership	Plan			X	
		Action	Added bus stops in Renaissance Marketplace in Rialto. Reviewed development plans for cities. Provided suggestions for bus stop amenities and improvements to be made by developers.	Reviewed and provided comments on plans for developments throughout service area.	Reviewed and provided comments on plans for developments throughout service area.	Reviewed and provided comments on plans for developments throughout service area.
6. Plan/ Implement Micro Transit Pilot Project	a. Draft recommendations and implementation plan completed	Plan		X		
		Action	Micro Transit Pilot recommended for Chino Hills in line with service realignment strategies. Micro Transit option included contracted services RFP.	MicroTransit included in Purchased Transit RFP. Proposals received and contract award scheduled for March Board Meeting. Procurement is supporting STS efforts through RFP process.	MicroTransit awarded in Purchased Transportation Contract. Partners are First Transit and RideCo.	Transition of contractors occurred on July 1. First Transit and RideCo are working with Omnitrans to implement MicroTransit in accordance with the ConnectForward Service Plan for September.

Omnitrans Management Plan FY2020

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
	b. If found feasible and recommended, begin implementation of MicroTransit	Plan				X
		Action	Will be further assessed when response to RFP is received. Scheduled for January Board.	Plan to implement Pilot in Chino Hills as part of ConnectForward service changes.	Chino Hills MicroTransit Pilot moving forward as part of ConnectForward Annual Service Plan.	OmniRide MicroTransit Pilot approved, and service will start September 2020.
7. Plan/ Implement Improved Bus service	a. Support San Bernardino County Transportation Authority's efforts to complete environmental clearance for West Valley Connector project	Plan		X		
		Action	Attended public hearings and Locally Preferred Alternative selection workshop with SBCTA.	Reviewed final environmental document and participated in FTA environmental conference calls.	Participated in FTA environmental clearance conference calls. Environmental document scheduled for SBCTA Board approval 5/6/2020.	Environmental document approved by SBCTA Board and FTA.
	b. Identify funding and timeline to implement the West Valley Connector rapid transit line	Plan				X
		Action	Participated in meetings with and provided support to SBCTA.	Partnered with SBCTA on State TIRCP funding application for electric buses for WVC project. Participated in meetings and provided input on project design.	SBCTA was awarded $15 million TIRCP funding for electric vehicles. Omnitrans and SBCTA working toward applying for FTA Small Starts grant in Q4. Omnitrans staff providing input on design and draft project agreements.	Staff have reviewed SBCTA's draft funding applications and will be working with SBCTA to apply for FTA Small Starts grant in early FY2021. Staff are participating in design meetings as SBCTA works toward 65% design documents.
	c. Implement increased frequency on Route 83 (serving Chino, Ontario, Upland)	Plan				X
		Action	Enhanced service to begin in May as described in the FY2020 Service Plan.	Service to begin in May 2020. Buses have arrived.	Service ready to be implemented. Service start date delayed by COVID-19 pandemic.	Service ready to be implemented. Service start date delayed by COVID-19 pandemic.
	d. Modify Service on Routes 11 and 22 to attract ridership	Plan	X			
		Action	Implemented in September 2019 Service change.	Completed.	Completed.	Completed.

Omnitrans Management Plan FY2020

B. Strategic Initiative: Safety & Security

Objective Statement: Create a safety culture to protect customers, employees, and assets by developing an agency safety plan that aligns with Federal Transit Administration requirements.

Lead Department(s): Human Resources, Operations

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
1. Planning and Development of Public Transportation Agency Safety Plan	a. Assess Risk Management by implementing the following actions: • Hazard Identification and analysis • Safety Risk Evaluation and Mitigation • Establishment of committee	Plan		X		
		Action	Process underway for Risk Management, Hazard Identification and Risk Evaluation. Developing staff level Safety and Security Committees: monthly staff committee and quarterly senior management. Receive, approve and monitor Certificates of Insurance to mitigate contractual risks.	Document near completion. Assessment of risk reporting processes has been conducted and a flow chart of mitigation steps is being reviewed. Safety and Security Committees are slated to commence early in Q3. Document on track for Q3 completion and Q4/Q1 FY21 implementation.	PTASP completed and presented to board.	Completed.
	b. Develop protocols for monitoring and measuring plan effectiveness	Plan			X	
		Action	Reviewing software applications to assist in documenting processes. On track for Q3.	Continuing process of procuring appropriate software for this application. Identifying if there is a need for a full RFP process. On Track for Q3.	Plan has been completed and adopted by the Board.	Completed.
	c. Develop an Employee Reporting System (Mandatory and Voluntary) and Accountability Measures	Plan				X
		Action	Several mechanisms already in place. Plan will articulate processes. On track for Q4.	On track for Q4.	Reporting systems are in place to ensure compliance. Additionally, new Director of Safety and Regulatory Compliance will be following up on procurement of database reporting and tracking software systems.	Completed for compliance. Continued efforts on obtaining software for tracking and reporting. Action will continue in FY2021.

Omnitrans Management Plan FY2020

C. Strategic Initiative: Employee Engagement & Development

Objective Statement: Align and develop employees with organizational goals and leadership competencies.

Lead Department(s): Human Resources

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
1. Develop a compensation policy & performance management tool that aligns performance and behaviors to organizational mission and goals	a. Develop a compensation philosophy and update policy	Plan	X			
		Action	Reviewed compensation best practices. Obtained examples from other transits. Created a draft Compensation Philosophy.	Compensation Survey complete. Policies in draft to be brought to the board in Q4.	Policy update completed and approved by Board.	Completed.
	b. Develop Performance Management tool to assess and ensure that employees are carrying out their duties in an effective manner	Plan		X		
		Action	On track for Q2.	On hold for FY21 to align with the agency Strategic Plan.	Will be completed in FY2021 to align with new Strategic Plan.	Will be completed in FY2021 to align with new Strategic Plan.
	c. Procure a Performance Management Software for efficiencies	Plan			X	
		Action	On track for Q3.	No solicitation needed. Recommend NeoGov which is the current contractor for applicant tracking.	Completed.	Completed.
	d. Implement New Performance Management tool and compensation plan	Plan				X
		Action	On track for Q4.	On hold for FY21 to align with the agency Strategic Plan. (See section b, above).	Will be completed in FY2021 to align with new Strategic Plan.	Will be completed in FY2021 to align with new Strategic Plan.
2. Implement Learning Management System	a. Perform a Needs Assessment	Plan	X			
		Action	Needs assessment has been completed.	Completed.	Completed.	Completed.
	b. Procure Learning Management System software	Plan			X	
		Action	On track for Q3.	Recommend NeoGov which is the current contractor for applicant tracking.	RFP will be out in Q4.	Project on hold as technology is evaluated.
	c. Implement Learning Management System	Plan				X
		Action	On track for Q4.	On track for Q4.	Will be continued into FY2021.	Will be continued into FY2021.

Omnitrans Management Plan FY2020

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
3. Expand Leadership Development Academy to include supervisors	a. Perform a Training Needs Assessment	Plan	X			
		Action	Training needs assessment complete.	Completed.	Completed.	Completed.
	b. Establish a Training Plan and develop Specific Measurable Achievable Relevant Timebound Goals for plan	Plan	X			
		Action	Training plan has been developed. SMART goals for training plan is complete.	Completed.	Completed.	Completed.
	c. Roll out Training Plan	Plan		X		
		Action	Classes start on November 6.	Classes continue. Mentors have been assigned to participants.	Completed.	Completed.
	d. Evaluate and redirect as necessary	Plan			X	X
		Action	On track for Q3	On track for Q3.	Classes on hold due to COVID-19.	Classes have resumed. Estimated graduation in mid-August.
4. Develop a formal internship program	a. Assess current status and needs	Plan	X			
		Action	Interviewed Directors to review current practices and determine Intern needs. Working with CSUSB to establish best practices.	Completed.	Completed.	Completed.
	b. Develop formal plan	Plan		X		
		Action	Draft plan in development.	Draft plan is complete and in review.	Completed.	Completed.
	c. Implement plan	Plan			X	X
		Action	On track for Q3	On track for Q3.	Draft plan in final review.	Plan completed, Implementation delayed due to COVID.
5. Develop a formal Onboarding process	a. Work with Leadership Development Academy Team Unum to review project	Plan	X			
		Action	LDA Director Track presented full recommendations to Human Resources.	Completed.	Completed.	Completed.
	b. Establish project implementation plan	Plan		X		
		Action	Project plan draft is complete. HR Team is developing onboarding templates for both HR and Departments to utilize. Viewed demo on current software additions to evaluate a paperless onboarding process.	Onboarding template completed. Currently in procurement process for onboarding software module.	Completed.	Completed.

Omnitrans Management Plan FY2020

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
	c. Implement new onboarding process	Plan			X	
		Action	On track for Q3.	On track for Q3.	Procured NeoGov module. Implementation in process.	Completed.
	d. Evaluate process	Plan				X
		Action	On track for Q4.	On track for Q4.	On track for Q4.	Completed.

Omnitrans Management Plan FY2020

D. Strategic Initiative: Innovation & Technology

Objective Statement: Introduce new technologies to optimize current processes and comply with new regulatory requirements.

Lead Department(s): Finance, Information Technology, Strategic Development

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
1. Participate in the county-wide Zero Emissions Bus Study	a. Meet with representatives at Zero Emissions Bus facilities in the region for lessons learned	Plan	X			
		Action	Conducted site visits to Foothill, Sunline, OCTA, VVTA to discuss lessons learned and infrastructure concerns.	Attended sessions on ZEB at CTA Conference in Monterey to learn from agencies who have already implemented ZEB technology.	Completed.	Completed.
	b. Provide agency requirements to San Bernardino County Transportation Authority's Consultant	Plan		X		
		Action	Site visits to E.V., W.V. and SBTC to review requirements. Provided data to WSP consultants.	Provided additional information as requested.	Final review with WSP. Document on track for Q4.	Completed.
2. Develop strategy for meeting California Air Resources Board requirements for Zero Emissions Bus technology	a. Identify funding opportunities for infrastructure requirements	Plan			X	
		Action	Applied for Low-No Grant. Hiring grant writing consultant. Working with SCE on Charge Ready program for infrastructure.	Working with SCE on Charge Ready Program for Infrastructure.	Applied for VW Funding for Vehicles, which may allow backfill funding for infrastructure. Working on Carl Moyer Grants.	On-going.
	b. Complete Zero Emissions Bus Rollout Plan by California Air Resources Board deadline	Plan				X
		Action	Presented at P&P Committee On track for Q4. Evaluating ability to purchase ZEBs off of existing state contracts.	Began a draft template for the Rollout Plan. Compiling information for the plan.	Rollout Plan complete. Scheduled for Board approval in May. On track to submit to CARB in Q4.	Submitted to CARB.
3. Transit Asset Management/ Enterprise Asset Management Technology adoption	a. Award Transit Asset Management / Enterprise Asset Management Implementation Project	Plan	X			
		Action	Pending on award. Evaluating most cost-effective options to meet requirements.	Omnitrans issued RFP for EAM. Proposals received were more expensive than anticipated and proposals did also not meet needs. Omnitrans has refined scope only for FTA's requirements first and is currently under development.	The revised TAM project has been openly tendered with an RFP.	TAM was awarded to Phoenix Business Inc.in July 2020. Work will continue on TAM into FY2021.

Omnitrans Management Plan FY2020

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
	b. Complete Phase I (Process Review)	Plan		X		
		Action	Pending completion of TAM/EAM award or alternative more cost-effective approach.	New schedule to be developed following reissued RFP. (See comment above).	See comment above.	See comment above.
	c. Complete Phase II (Best Practices / Recommended Tech Implementation)	Plan			X	
		Action	Pending completion of TAM/EAM award or alternative more cost-effective approach.	New schedule to be developed following reissued RFP. (See comment above).	See comment above.	See comment above.
	d. Complete Phase III (Implementation)	Plan				X
		Action	Pending completion of TAM/EAM award or alternative more cost-effective approach.	New schedule to be developed following reissued RFP. (See comment above).	See comment above.	See comment above.
4. Process improvement/ process automations	a. Ariba / OpenText Implementation	Plan			X	
		Action	On Track for Q3	A demonstration will be provided, and a feasibility study will be initiated.	Feasibility study in process.	After reviewing with the Procurement Department, the project will be reassessed in the new fiscal year.
	b. TransTrack Reporting Project	Plan			X	
		Action	Working with vendor to verify the accuracy of the data and report.	Vendor provided a punch list for review and will be closing out the project during Q3.	Completed.	Completed.
	c. Family and Medical Leave Act / Timekeeping Project	Plan				X
		Action	Project design document phase is ongoing.	Completed milestone 2 – PDD acceptance. It is in configuration phase now and will be completed in Q3.	Training in process.	Due to the influence of COVID-19, the acceptance & training will be postponed until September 2020.
	d. Paratransit Online Booking	Plan			X	
		Action	The architecture of PASS-Web is nearing completion. Initial 26 user test in progress.	PASS-Web initial rollout completed with 1,475 Access passengers invited to participate. Two additional roll-out phases are planned.	Completed.	Completed.

Omnitrans Management Plan FY2020

E. Strategic Initiative: Financial Stability & Funding Growth

Objective Statement: Increase revenue and control operating costs to position Omnitrans for the future.

Lead Department(s): Finance

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
1. Maximize return on investments	a. Implement a short-term investment strategy utilizing the Board approved Investment Policy to maximize the return on investment for the short term	Plan	X			
		Action	Maximum deposit at LAIF increased from $40M to $65M. Average deposit at LAIF for Q1 was $64.6M with $366K in earned interest. The interest rate was 2.45% for Q1.	Completed.	Completed. Average deposit at LAIF for Q3 was $44.3M with $250K in earned interest. The interest rate was 2.03% for Q3.	Completed. Average deposit at LAIF for Q4 was $39.4M with $134K in earned interest. The interest rate was 1.36% for Q4. Total earned interest for FY2020 was $1.1M.
2. Increase grant funding	a. Continually research available grants and apply for relevant grants measured by number or grants applied for and grants received	Plan	X	X	X	X
		Action	Awarded $193,126 of TDA Article 3 funds by SBCTA for shelters and benches at bus stops, with no local matching funds required. Hired grant writing consultant to assist in developing grant applications related to ZEB fleet and infrastructure.	Prepared information for VW Mitigation funding application for electric buses, which grant writing consultant will be submitting in Q3. Developed a ZEB resolution for Board approval in Q3, which will help obtain future ZEB funding.	ZEB resolution approved by Board. Submitted application for VW Mitigation funds for electric buses. Submitted application for FTA Low-No grant for three electric cutaway vehicles and three chargers. Submitted application for FTA Buses and Bus Facilities grant for "I" Street facility rehabilitation project.	$720,000 of VW Mitigation funds expected to be awarded in FY 2021 for four electric buses.
	b. Board approved Strategic Capital Plan to better position agency for grant success	Plan				X
		Action	On track for Q4.	On track for Q4.	Will be completed in FY2021.	Will be completed in FY2021.
	c. Seek opportunities to leverage existing funding sources for competitive state and federal sources measured by competitive grant funding received	Plan				X
		Action	Hiring grant writing consultant. Working with cities on AHSC grant partnerships.	Hired a grant writing consultant who will be submitting application for VW Mitigation funds for electric buses in Q3. Currently developing solicitation for one-year grant writing/grant planning consultant services.	Grant services contract will be presented to Board of Directors for award in Q4. Grant needs assessment will be conducted by grant services consultant in early FY2021.	Grant services consultant is on contract and will be conducting a grant needs assessment in early FY2021. Based on assessment, consultant provides ongoing grant research and support.

Omnitrans Management Plan FY2020

Strategic Actions	Accountability Measures		Q1	Q2	Q3	Q4
3. Implement Fare Increase	a. Implement fare increase effective Sept. 3, 2019	Plan	X			
		Action	Fare increase implemented on September 3, 2019.	Completed.	Completed.	Completed.
4. Manage operating costs to not exceed prior year level	a. Manage "controllable" maintenance and administrative costs at or below previous fiscal year levels	Plan	X	X	X	X
		Action	Operating cost for FY2020 Q1 was $20.9M compared to $20.8M for previous year. A $134.7K increase or 0.6% increase, under the 2.3% increase anticipated in the budget.	Operating cost for FY2020 Q2 was $20.9M compared to $22.5M for previous year. A $1.6 million or 7.1% decrease, under the 2.3% increase anticipated in the budget.	Operating cost for FY2020 Q3 was $21.4M compared to $22.6M for previous year. A $1.2 million or 5.3% decrease under previous year Q3 cost.	Preliminary operating cost for FY2020 Q4 was $23.7M compared to $21.9M for previous year. YTD cost for FY2020 is $87.1M compared to $87.9 for FY2019. This is a $852K or 1.0% reduction in cost compared to the previous year.
5. Advocate for future funding and more strategic partnerships (local, regional, federal)	a. Actively and continually network and seek partnership with local, state, regional and federal agencies	Plan	X	X	X	X
		Action	Continuing to build partnerships with various agencies to seek potential funding sources, such as participating in AQMD AB617 air quality improvement plan community steering committee, and three cities' active transportation plan technical advisory committees.	Partnered with City of Grand Terrace to find funding for a premium bus shelter, which was installed in Q2. VA Ambulatory facility in Loma Linda is funding and installing a premium bus shelter in Q3. City of Loma Linda purchasing two standard bus shelters which Omnitrans will install on Barton Road in Q3. Providing input on three cities' Active Transportation Plans, which will provide for future funding applications for bus stop improvements, sidewalk connections to bus stops, and amenities.	Partnering with several agencies' grant applications, due in Q4, for Active Transportation Program funding to include bus stop accessibility improvements and amenities. Will be kicking off work on Bus Stop Safety Improvement Plan (funded by SCAG planning grant) in Q4, with input from a multi-agency interdisciplinary technical advisory committee.	Two cities' Active Transportation Program grant applications, due early FY2021, will include bus stop accessibility improvements and amenities. Kicked off work on Bus Stop Safety Improvement Plan, and will be working with various agencies to form partnerships to improve safety at bus stops. VA Ambulatory Center installed a premium shelter, and several other developments are in process of purchasing shelters.

OmniTrans
Connecting Our Community

OMNITRANS PERFORMANCE INDICATOR REPORT

Fiscal Year 2020

Key Performance Indicators & Level/Level Item		Annual Performance Target	YTD	Qtr 1	Qtr 2	Qtr 3	Qtr 4
1. Cost Effectiveness							
Cost Per Hour - Fixed Route (non-sbX)		< $106.00	$117.47	$99.09	$98.66	$105.56	$192.99
Cost Per Hour - Access		< $96.00	$110.88	$96.91	$98.38	$103.76	$245.06
Cost Per Hour - sbX		< $139.00	$146.10	$124.46	$122.05	$136.09	$249.49
Fare Recovery Ratio - Fixed Route (non-sbX)	TDA Formula	> 20.00%	24.62%	31.18%	30.67%	26.73%	12.86%
	Before Local Rev	> 20.00%	14.10%	19.96%	19.44%	16.11%	3.55%
Fare Recovery Ratio - sbx	TDA Formula	> 20.00%	20.49%	21.39%	22.29%	19.42%	19.04%
	Before Local Rev	> 20.00%	12.17%	12.50%	13.24%	11.21%	11.82%
Fare Recovery Ratio - Access	TDA Formula	> 10.00%	25.32%	24.36%	24.09%	25.08%	29.28%
	Before Local Rev	> 10.00%	8.18%	8.92%	8.98%	9.07%	4.31%
2. Service Performance							
Ridership Growth - Systemwide		>= (4.70%)	(16.91%)	2.86%	(1.96%)	(7.05%)	(60.91%)
Productivity - Passengers Per Hour - Fixed Route		>= 14.50	14.29	15.79	15.72	14.24	9.78
Productivity - Passengers Per Hour - Access		>= 2.30	2.00	2.14	2.07	1.99	1.26
Complaints Per 100,000 Boardings - Systemwide		<= 13.00	18.41	19.98	17.93	16.50	19.90
Percent of Valid Complaints - Systemwide			17.62%	16.96%	17.77%	18.54%	17.28%
Complaints Per 100,000 Boardings - Fixed Route		<= 13.00	18.09	19.53	17.39	16.40	19.94
Complaints Per 100,000 Boardings - Access		<= 19.00	29.78	34.39	35.42	19.97	16.42
Compliments Per 100,000 Boardings - Systemwide		>= 1.00	1.10	0.94	1.16	1.03	1.49
Compliments Per 100,000 Boardings - Fixed Route		>= 1.00	1.07	0.89	1.16	0.98	1.51
Compliments Per 100,000 Boardings - Access		>= 0.50	2.01	2.37	1.22	2.85	0.00
3. Reliability							
Valid Mechanical - Miles Between Failures - DO Fixed Route		> 8,000.00	6,417	5,748	7,145	7,954	4,992
Loss of Service Hours Per Qtr - Operations - DO Fixed Route		<= 600	127	46	23	38	20
Loss of Service Hours Per Qtr - Maintenance - DO Fixed Route		< 840	268	75	124	45	23
Equipment Availability - DO Fixed Route		= 100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
On-time Performance - Fixed Route		> 85.00%	82.65%	81.36%	79.59%	85.55%	90.93%
On-time Performance - Access		> 88.00%	88.90%	87.46%	89.00%	88.43%	95.07%

OMNITRANS PERFORMANCE INDICATOR REPORT

Fiscal Year 2020

Key Performance Indicators & Level/Level Item	Annual Performance Target	YTD	Qtr 1	Qtr 2	Qtr 3	Qtr 4
4. Budget						
Operating Revenue - Actuals to Budget - Systemwide	> 95.0%	93.17%	98.58%	97.28%	96.69%	80.14%
2020 - Operating Revenue		$85,215,488	$22,540,113	$22,244,301	$22,107,569	$18,323,505
2019 - Operating Revenue		$87,241,628	$20,832,283	$22,665,071	$21,579,593	$22,164,681
2018 - Operating Revenue		$82,977,800	$20,106,551	$20,735,957	$21,476,897	$20,658,396
Operating Expense - Actuals to Budget - Systemwide	<= 100.0%	95.20%	91.80%	91.80%	93.60%	103.60%
2020 - Operating Expense		$87,051,638	$20,981,679	$20,978,554	$21,403,685	$23,687,721
2019 - Operating Expense		$94,814,382	$20,857,041	$22,541,038	$22,575,778	$28,840,526
2018 - Operating Expense		$83,331,930	$19,302,768	$19,927,562	$19,621,433	$24,480,166
5. Safety & Security						
Employee Injuries (FY 2020)	< 86	80	31	19	19	11
Losses & Claims (FY 2020)	< 80	71	12	22	24	13
Preventable Safety Events Per 100,000 Miles - DO Fixed Route	< 1.0	1.00	1.10	0.70	1.30	0.70
Non-Preventable Safety Events Per 100,000 Miles - DO Fixed Route		5.16	5.04	5.73	5.02	4.62
Uncategorized Accidents Per 100,000 Miles - DO Fixed Route	= 0.00	0.00	0.00	0.00	0.00	0.00
6. Labor						
Turnover	< 10.00%	45.60%	4.75%	4.25%	3.80%	32.80%
Absenteeism Operators	< 185,000	118,678	30,699	29,004	32,358	26,617
Training (FY 2020)	>= 5,000	2,355	569	715	942	129
Training - ATU Represented (FY 2020)	>= 10,500	19,306	3,393	8,215	7,070	628
Training - Teamsters Represented (FY 2020)	>= 696	1,540	335	641	397	167

1700 W. Fifth St.
San Bernardino, CA 92411
909-379-7100
www.omnitrans.org

ITEM # E4

DATE: August 13, 2020

TO: Committee Chair Sam Spagnolo and
Members of the Omnitrans Administrative & Finance Committee

THROUGH: Erin Rogers, CEO/General Manager

FROM: Jeremiah Bryant, Director of Strategic Development

SUBJECT: **CONSOLIDATION STUDY UPDATE**

FORM MOTION

Receive and forward to the Board of Directors Consolidation Study reports.

Recommend the Board of Directors support SBCTA staff recommendation to the SBCTA Board "to not consolidate San Bernardino County Transportation Authority and Omnitrans based on findings identified in the functional analysis and the financial impact analysis reports."

BACKGROUND

As detailed at the November 2019 Omnitrans Board of Director's Meeting, the San Bernardino County Transportation Authority (SBCTA) awarded a contract to WSP USA, Inc. to complete the SBCTA and Omnitrans Consolidation Study and Innovative Transit Review of the Metro-Valley (Study). WSP presented the findings of the first two reports "Agency Functional Assessment and Pros/Cons of Consolidation" and "Performance Review Report" to Omnitrans/SBCTA Board Committees in March 2020 and the full Boards in April 2020.

The attached WSP reports and presentation cover the next two reports:

- 1.4B "Evaluation of Functional Areas in a Complete Consolidation."
- 1.4C "Detailed Analysis of Financial Impacts and Benefits of Any Proposed Consolidation"

Also attached is the SBCTA staff report for these reports. The SBCTA staff recommendation to the SBCTA Transit Committee is:

> "Based on the lack of significant financial savings, which is discussed in depth below, as well as some not-insignificant risks associated with any consolidation, which are also explained herein, staff recommends against a consolidation of the two agencies at this time[1]."

[1] SBCTA Transit Committee, August 13, 2020, Agenda Item #5, Page 3.

The SBCTA report further recommends against any consolidation at this time because of:

- Little functional overlap and resultant savings,
- One-time costs,
- Impacts to employees,
- Organizational risks/impacts.

The largest risk area and largest cost impact from consolidation stems from consolidating the two agencies' pension systems. The one-time cost for this pension consolidation is in the range of $100-$174 million. Comparatively, because the reports find there are few areas of substantial overlap, little duplication and thus minor ongoing savings, the most optimistic annualized savings from consolidation is less than 1% of the combined budget of the consolidated agency.

Should the SBCTA Board of Directors adopt SBCTA's staff recommendation, the decision process on consolidation would be completed. In order to fully complete the report should questions about consolidation surface again in the future, the final elements of the consolidation study will be completed including developing an Implementation Plan and the Innovative Transit Review.

CONCLUSION

Receiving and forwarding this report and attachments keeps the Board informed on the progress of the Consolidation Study.

Supporting SBCTA's staff recommendation signals Omnitrans support for bringing a conclusion to the consolidation effort.

ER:JB

Attachments: A. SBCTA Staff Report
B. PowerPoint Presentation
C. Task 1.4B Evaluation of Functional Areas in a Complete Consolidation
D. Task 1.4B Appendix A: Former Agency Staff Interviews
E. Task 1.4C Detailed Analysis of Financial Impacts and Benefits of Any Proposed Consolidation Study
F. Task 1.4C Appendix A: Approach, Assumptions and Data

Minute Action

AGENDA ITEM:

Date: August 13, 2020

Subject:
San Bernardino County Transportation Authority and Omnitrans Consolidation Study and Innovative Transit Review of the Metro-Valley

Recommendation:
That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

A. Receive and file an update on the Consolidation Study and Innovative Transit Review of the Metro-Valley; and

B. Approve staff recommendation to not consolidate San Bernardino County Transportation Authority and Omnitrans due to the minimal financial savings and the major organizational and legal risks.

Background:
At the September 2019 San Bernardino County Transportation Authority (SBCTA) Board of Directors (Board) meeting, staff presented a recommendation to approve a 3.5% annual increase in discretionary revenue allocations for Omnitrans based on current revenue projections, in an effort to provide a framework whereby Omnitrans' staff could develop a strategy to align service levels with forecasted revenues. This item was presented concurrently with an item presented by Omnitrans staff to the Omnitrans Board recommending an 11% service cut be considered, which was ultimately adopted by the Omnitrans Board. During the presentation of the SBCTA item, there was substantial discussion concerning the forecasted operational deficit, proposed service cuts, and the possibility of increasing the cost-effectiveness of the transit service in San Bernardino County. As part of the SBCTA Board motion, staff was directed to conduct an analysis of consolidation of transit operations county-wide.

In accordance with the direction given, staff prepared a scope of work (SOW) and independent cost estimate which were presented to the Transit Committee (Committee) in October 2019, with a recommendation to execute a contract task order (CTO) for the County-Wide Transit Consolidation Study & Innovative Transit Review of the Metro-Valley. The proposed SOW presented to the Committee included creating a pros/cons list for each transit operator with respect to consolidation with SBCTA, then an analysis of what the consolidation would look like for each of the transit operators recommended to move forward with consolidation, and lastly, an innovative transit review of the Metro-Valley. As the operational deficit is focused in the Metro-Valley area, the goal of the latter is to identify ways to match resources with the changing demand for public transportation, with a focus on cost-effectiveness, efficiency and the traveling public.

There was substantial discussion during the Committee meeting regarding the need to include the Mountain/Desert operators in the study when none of them are experiencing an operational deficit. The Committee recommended the Board approve execution of a CTO for a narrowed scope of study which includes only SBCTA and Omnitrans. In addition, the Committee recommended a working group including the General Managers and Executive Directors from

the Mountain/Desert transit agencies be formed to assist with development of the final recommendations related to the innovative transit review of the Metro-Valley, as their skill set would be helpful.

In accordance with the recommendation provided by the Committee in November 2019, the Board approved a CTO for the SBCTA and Omnitrans Consolidation Study & Innovative Transit Review of the Metro-Valley, in an estimated amount of $850,000. Subsequently, SBCTA solicited competitive proposals for the narrowed SOW from WSP USA, Inc. (WSP) (Contract No. C14086) and Mott MacDonald (Contract No. C14003), under the On-Call Transit and Rail Services contracts. In December 2019, SBCTA awarded a contract to WSP in the amount of $590,071.78. The consolidation-related elements (Task 1 and Task 2) are estimated to cost $372,451.78 and the innovative transit review of the Metro-Valley area is estimated to cost $217,620.

The consultant's role in the current study was to revisit the 2015 Study with respect to Omnitrans and SBCTA, highlight and document major changes to the organizations since that study effort, and continue with a detailed assessment that would identify and quantify the benefits and drawbacks to consolidating Omnitrans under SBCTA. The study also identified the steps and estimated cost to pursue and implement such a consolidation. As mentioned above, in addition to studying consolidation of Omnitrans and SBCTA, the SOW includes an innovative transit review of the Metro-Valley to look at ways to match resources with the changing demand for public transportation, with a focus on cost-effectiveness, efficiency, and the traveling public.

The study is currently anticipated to last 11 months following the formal kickoff meeting held in January 2020. Participants in the kickoff meeting included the Omnitrans core team composed of: the Interim CEO/General Manager, the Director of Strategic Development, the Director of Operations, and the Director of Finance; the SBCTA core team composed of: the Transit Manager and the Director of Special Projects and Strategic Initiatives; and several WSP team members. During this meeting, the scope and schedule were reviewed and agreed upon as well as communication protocols.

During the study, the WSP reports were provided to both agencies at the same time in order to ensure transparency and reduce turnaround review time. It was also agreed upon to present the results of the study to both the Omnitrans and SBCTA Committees and Boards on the same day. Furthermore, any meeting minutes and reports resulting from the study were also provided to two advisory committees comprised of 1) other San Bernardino County transit operator Chief Executive Officers; and 2) City Managers that volunteered to participate, including representatives from the Cities of Ontario, Rancho Cucamonga, Yucaipa, and the Town of Yucca Valley.

The major milestones of the Consolidation Study are as follows:

Tasks	Milestone Presentation	Committee	Board of Directors
1.1 to 1.3	Performance Review Report, Efficiency Opportunities Update from the 2015 Study, Performance Indicator Review of Omnitrans	March 2020	April 2020

	over the past five years, and Pros/Cons of Consolidation		
1.4	Functional analysis and Financial Impact Analysis.	August 2020	September 2020
2	Consolidation Findings Report, Implementation Report, and Final Consolidation Report	September 2020	October 2020
3.1 to 3.3	Innovative Transit Review Report.	October 2020	November 2020

On April 1, 2020 the Board received the first two reports, which included information regarding Omnitrans performance review, an update from the 2015 Study, a performance indicator review comparing Omnitrans against five similar transit agencies, and a preliminary list of pros/cons of consolidation. The two most recent reports on Tasks 1.4B and 1.4C are discussed herein.

Based on the lack of significant financial savings, which is discussed in depth below, as well as some not-insignificant risks associated with any consolidation, which are also explained herein, staff recommends against a consolidation of the two agencies at this time.

Study Process and Methodology

The discussion of a potential complete consolidation analysis explicitly excludes the consideration of the other four transit operators in San Bernardino County. Thus, the premise of an Omnitrans and SBCTA total consolidation underlies this study's analysis.

In Task 1.4B, the opportunities and challenges of this complete consolidation scenario are evaluated using three evaluation criteria: financial, organizational, and legal. Financial criteria assess the impact on expenditures, revenues, and savings from a potential consolidation of each function. Table 1 lists questions explored in this analysis to determine the impact of a complete consolidation under each criterion.

Table 1: Questions Asked in Each Criterion

Criteria	Evaluation Questions
Financial	What is the impact on expenditures, revenues, and savings from complete consolidation?
Organizational	What is the impact on current personnel, talent, and/or policy from complete consolidation?
Legal/Contractual	What are the legislative, contractual, or other legal actions required to effectuate complete consolidation?

A peer agency analysis was also conducted for Task 1.4B, presenting best practices and lessons learned from the successes and challenges of consolidation experiences in Los Angeles County, Orange County, and San Diego County. The evaluation findings from this chapter served as a road map for the detailed financial impacts analysis of the next task (1.4C) in the overall Consolidation Study and Innovative Transit Review.

For Task 1.4C, the two agencies (all functions) were assumed to be brought together under one organization and would entail transferring all functions into a single consolidated agency, which then would provide transit and other transportation services that would be most appropriate if consolidation were found financially advantageous. Interviews were conducted with SBCTA and Omnitrans for this subtask in January 2020; staff from both agencies responded that consolidation of Omnitrans into SBCTA as an entirely separate department would be the most appropriate consolidation scenario. Financial impacts were then assessed in a variety of scenarios that could be undertaken to complete a consolidation.

Task 1.4B noted very few areas of functional overlap between SBCTA and Omnitrans, so the potential savings would be limited. Unlike the three case study consolidations where there was significant overlap in core functions (such as in transit revenue service delivery), the areas in which SBCTA and Omnitrans have overlapping functions are primarily in the support functions (e.g., Human Resources, Payroll, Accounting, Information Technology) with minor overlap in capital projects oversight and board membership. Even in these cases, few redundancies were identified. The primary objective of this chapter's financial analysis was to estimate the higher-level order of magnitude for financial impacts of potential complete consolidation, ultimately for consideration by decision-makers in San Bernardino County.

WSP prepared the following two reports to summarize the information gathered to date: 1) Evaluation of Functional Areas in a Complete Consolidation, and 2) the Financial Impact Analysis. These reports were reviewed by both agencies and the two advisory committees. WSP prepared revisions to the reports based on detailed comments received from SBCTA, Omnitrans, and the advisory committees. The following is a summary of the key points from both reports:

Evaluation of Functional Areas in a Complete Consolidation Report

Task 1.4B: Evaluation of Functional Areas in a Complete Consolidation Report, provided as a separate attachment, is composed of three sections:

1) **Case Studies of Three Southern California Agency Consolidations** – Interviews with retired executives from Los Angeles County Metropolitan Transportation Authority (LA Metro), Orange County Transportation Authority (OCTA), and Metropolitan Transit Development Board (MTDB)/Metropolitan Transit Services (MTS) to identify best practices and lessons learned from the successes and challenges of consolidation. **Assessment of Functional Areas** – Opportunities and Challenges for 12 functional areas using three evaluation criteria: 1) Financial, 2) Organizational, and 3) Legal/Contractual
3) **Legal Formation of the Consolidated Agency** – legal actions required to effectuate complete consolidation.

1) The peer review case studies identified the following:

- The initial desire for consolidation or restructuring at all three peer agencies was based on some type of duplication in agencies or services. At LA Metro, it started from having two separate agencies, both doing rail network planning and development. At MTDB, it started with the vision of developing a light-rail transit system that would need to supplant the existing, uncoordinated transit services with a network that would feed and support light-rail and improve cross-jurisdiction ease of

travel for passengers. At OCTA, it was a response to the existence of seven separate entities, all doing some form of transportation planning or service provision.

- All three of the peer agency consolidation case studies had their origins in state legislation mandating the change and establishing planning, funding, and operating roles of the new agency. In some cases, subsequent state legislation was also needed.
- Consolidation, by itself, was not the solution for structural budget shortfalls and poor transit performance but could be the catalyst for better outcomes if other supporting actions were taken to make the consolidation more effective and efficient. With LA Metro and OCTA, it involved large-scale administrative layoffs. At MTDB, it involved service reductions and large-scale contracting for transit service delivery and service re-design.
- Restructuring takes time - often years - to see lasting effects, and it should involve a transition period with targeted implementation steps aimed at achieving specific change objectives.
- Strategic planning can institutionalize changes, guide long-term policy direction and vision, and set a timeline for action. This should preferably begin before the consolidation takes effect and should continue with multi-agency coordination efforts to achieve buy-in by the participating agencies and/or department heads.
- A balanced long-term financial plan for all modes, including Omnitrans bus service, should follow strategic planning to evaluate the financial sustainability of the agency, appease those concerned about one mode dominating the other, and secure discretionary federal grant funding in the future. Since a 20-year financial plan is already in place, this component would be easy to implement.
- A potential SBCTA-Omnitrans consolidation should be effectuated by statute to enable SBCTA to operate a bus system and to assist the consolidated agency in becoming the direct Federal Transit Administration (FTA) grant recipient for funds that had formerly gone to Omnitrans.
- If there were to be a consolidation, decisions related to discretionary grant funds distribution by SBCTA to the consolidated agency (i.e., to its new Transit Operations Department) versus the other transit operators across the county need to be worked out ahead of any potential consolidation
- The use of separate corporate entities to solve thorny consolidation issues were present at both LA Metro and MTDB. LA Metro created the Public Transportation Services Corporation to resolve the issue of two separate sets of retirement programs and benefits between the two former agencies. MTDB created a separate California non-profit corporation to be the operator of the San Diego Trolley in order to retain independence from the transit operators and avoid perceptions of conflict of interest if they had been an operator of one of the region's services.

2) Assessment of Functional Areas:

Task 1.4B analyzed 49 functional areas grouped into 12 major functions as follows:

1. Provision of fixed-route transit service and related support functions (including revenue services, dispatching and customer service); and

2. Americans with Disabilities Act (ADA) and Demand-Response Services (including paratransit services, specialized transportation services, ADA certification processes, and ADA dispatching and customer service); and
3. Integration with existing and future rail service; and
4. Assets and Maintenance (including facilities management, revenue and non-revenue vehicles, transit facilities, right-of-way and property, and transit asset management); and
5. Procurement (including professional services contract management, vehicle and support equipment acquisition, fare collection and other equipment procurement, as well as Disadvantaged Business Enterprise, Buy America, and Title VI compliance); and
6. Human Resources (including labor relations, training and drug/alcohol compliance); and
7. Planning (long range transit planning, service planning/data analysis, short range transit planning, and comprehensive operational analysis and scheduling); and
8. Capital Projects (including project development and construction management); and
9. Finance (including budgeting, accounting, payroll, risk management, internal controls and audits, capital asset management and reporting, grant application prep and assistance, grant management and reporting, funding, fare policy, cash and investment management, inventory management, sub-recipient monitoring, FTA processes); and
10. People Costs (such as retirement systems, job classification, benefits and support functions); and
11. Other Shared Services (including policy and legislative affairs, information technology, marketing, community outreach, advertising, telephone systems and security services); and
12. Board of Directors/Committees support.

The analysis identified that since Omnitrans is fundamentally responsible for transit services planning and provision in specific parts of the County, and that SBCTA is fundamentally responsible for long-range countywide multimodal planning and delivery of capital projects, there are few areas of functional redundancy between the agencies. Since there was relatively little duplication of services or activities, the magnitude of potential savings is anticipated to be less significant and is focused principally on administrative efficiencies. After careful evaluation, only 12 of the 49 functional areas were identified to possibly have the most financial implications. Those were then further evaluated in Task 1.4C Financial Impact Analysis report.

3) WSP's analysis of legal formation implications of any consolidated agency found that legislation is required in order for SBCTA to have the authority to perform transit services. Furthermore, enactment of state enabling legislation would provide a means of gathering the required approvals of the Governor and regional transit agencies for SBCTA to receive direct recipient status for FTA funding. Legislation would also provide an opportunity to codify important policy decisions regarding the funding and governance relationship between SBCTA and the county's other transit providers. WSP found that most of these legal and contractual impacts are short-term, in that they specifically relate to the effort and attention required to consolidate. These areas will need detailed attention by legal and political resources to ensure continued compliance with FTA regulations and state law during the transition and early days of a consolidated agency. In a potential complete consolidation, careful planning to address these steps will be critical to success, and such pre-planning would be crucial to avoid any interruption in the ability to provide transit service and deliver a capital program.

Financial Impact Analysis Report

Task 1.4C, the Financial Impact Analysis Report, provided as a separate attachment, covered twelve (12) out of the 49 functional areas that were analyzed first in the Task 1.4.B Evaluation of Functional Areas in a Complete Consolidation report, namely:

1. Facilities management
2. Labor relations
3. Accounting
4. Payroll
5. Risk Management
6. FTA direct recipient status
7. Retirement costs
8. Job classifications (staff duplication)
9. Employee benefits
10. Information Technology
11. Security
12. Board of Directors/Committees

WSP found that three of these areas (employer costs associated with retirement and benefits, and potential staff duplication) resulted in potential savings greater than $500,000. These three areas consist entirely of people, their jobs, and their compensation packages. Discussion of these areas are separated into considering the impacts to employer costs relating to retirement and benefits (two areas), and those impacts to the remaining ten areas. The fiscal impacts of the remaining ten areas are based on fully burdened costs based on current benefit loads. The ranges of these potential savings and costs are summarized in Figures 1 and 2 below.

It is important to note, by enacting the most cost-effective financial decisions, WSP noted that there could be a significant impact to employee morale, retention, and productivity in the near and mid-term timeframes. Furthermore, additional analysis to job classifications, workload, and compensation for bargaining units could significantly reduce the potential identified savings or further increase the overall costs.

In addition, WSP noted options to consolidate retirement and benefits are complex, and savings are generally uncertain. Not all retirement option cost increases/savings can be estimated with certainty at this time. Even the retirement option analyzed, while showing potential annual savings of approximately $2 million, would only achieve such savings as a result of a significant one-time cost ($100 million to $174 million to pay for the unfunded pension liability), which makes the option cost-prohibitive. Other retirement options, available and briefly discussed in the report, were not evaluated due to the cost and time it takes to perform actuarial analysis by the two affected retirement agencies. While these other options may be more financially feasible, any potential cost savings/increases would be a result of a change to the employees' expected retirement benefits.

Furthermore, alternatives for medical benefits lead to either a range of cost savings or increases that fluctuate depending on employees' personal choices since it is based on the medical plans they enrolled in or if they opt-out of the medical plans. Thus, the likelihood of realizing the

maximum savings is unlikely and most likely would fluctuate on an annual basis. The maximum cost increase was approximately $580,000 and the maximum cost savings were also estimated at $580,000.

Figure 1: Summary of potential fiscal impacts due to retirement and medical plan consolidation

Section	Functional Area	# of Scenarios	Lowest of range (net savings) or increase in net annual cost	Existing Baseline (2020)	Highest of range (net savings) or increase in net annual cost	Potential One-time (Savings)/Cost	Estimated Termination Costs[1]
2.4.1	Retirement	2	$ (2,200,000)	$ 9,200,000	$ (2,100,000)		$104M or $174M
2.4.3	Benefits - Non-Medical Plans	2	$ (710,000)	$ 1,110,000	$ 830,000	($140K) or $210K	
2.4.3	Benefits - Medical Plans	2	$ (580,000)	$ 2,400,000	$ 580,000		

[1] - The estimated termination costs are highly uncertain. Omnitrans' estimated termination cost is from CalPERS actuarial report. The estimated termination cost for SBCTA was calculated based on a ratio using Omnitrans' termination cost.

Of the remaining ten functional subareas, WSP found that most have no or minimal savings, except for Job Classification, and totaling the ten areas results in savings of up to $1.8 million or cost increases of up to $300,000, excluding potential one-time costs. With the combined annual budget of SBCTA and Omnitrans at approximately $1 billion annually, this represents a potential savings of 0.02% of the total combined budget. The functional area with the largest potential savings, Job Classification, reflects the potential costs to align similar job functions for similar pay for similar work, and potential reductions in staff (between three and nine employees).

Figure 2: Summary of the remaining ten functional areas

Section	Functional Area	# of Scenarios	Lowest of range (net savings) or increase in net cost	Existing Baseline (2020)	Highest of range (net savings) or increase in net cost	Potential one-time cost
2.1.1	Facilities Management	2	$ (200,000)	$ 3,560,000	$ 150,000	
2.2.1	Labor Relations	3	$ -	$ 1,890,000	$ -	
2.3.1	Accounting	1	$ -	$ 2,400,000	$ -	
2.3.2	Payroll	3	$ 10,000	$ 480,000	$ 310,000	$50k or $550k
2.3.3	Risk Management	1	$ -	$ 9,400,000	$ -	
2.3.4	FTA Direct Recipient	1	$ -	$ -	$ -	
2.4.2	Job Classification	2	$ (1,475,000)	$ 7,325,000	$ (100,000)	
2.5.1	Information Technology	2	$ (40,000)	$ 4,180,000	$ -	$250k to $1M
2.5.2	Security	1	$ -	$ 1,830,000	$ -	
2.6.1	Board of Directors/Committee	2	$ (65,000)	$ 245,000	$ (50,000)	
			Annual	Annual	Annual	

Staff Recommendation

Due to the preliminary findings summarized below, staff recommends against any consolidation at this time. The basis of this staff recommendation is as follows:

- **Little functional overlap and resultant savings:** As noted in WSP's reports, there are few areas of substantial overlap in functional areas between the agencies. As a result, there is little duplication and thus minor ongoing savings, <1% of the combined budget of the potential consolidated agency.
- **One-time costs:** The costs associated with the legal, contractual, and IT systems integration to enable and support a consolidated agency are substantial and greatly outweigh the minimal potential ongoing savings.
- **Impacts to employees:** A consolidated agency would need to consolidate classification and compensation systems, and either standardize one retirement and benefit system or create a

complex legal structure to preserve the current retirement and benefit systems. The current salary and benefits structure of the two agencies are different, and most of the savings identified in the WSP's report are specifically due to changing the employees' compensation structure, which will impact employees and create additional organizational risks.

- **Organizational risks/impacts:** As noted in WSP's report, changes to the employee compensation packages, reporting relationships, and resolving the few duplicative positions would likely result in a reduction in productivity and employee morale during the transition and loss of knowledge as employees seek other employment during the uncertainty. In addition, given the representation of labor unions for many current Omnitrans staff, any changes to retirement, benefits, or compensation structures will likely require additional engagement and partnership with the labor unions. These organizational impacts pose a significant disruption to operations due to change in overall vision, goals, and administrative policies and procedures with no offsetting positive effect to services.

After considering the few areas of overlap, limited options for savings, and the increased risks and potential additional costs managing through a complete consolidation, the concerns are significant and far outweigh any identified benefits, opportunities and savings.

Summaries of the analyses can be found in Sections 2.1 to 2.6 of the Task 1.4C report. (It should also be noted that WSP's cost summations are rounded while the detailed calculation tables found in the appendices are non-rounded values.)

Next Steps in the Study

The next steps in the study will include:

- Final Consolidation report including a summary of findings, staff recommendation, and a high-level implementation plan
- Innovative Transit Review report

Financial Impact:
This item is consistent with the Fiscal Year 2020/2021 Budget.

Reviewed By:
This item is not scheduled for review by any other policy committee or technical advisory committee. SBCTA General Counsel has reviewed this item and the reports.

Responsible Staff:
Beatriz Valdez, Director of Special Projects/Strategic Initiatives

Approved
Transit Committee
Date: August 13, 2020

Witnessed By:

sbcta San Bernardino County Transportation Authority

Consolidation Study and Innovative Transit Review

Evaluation and Detailed Financial Impacts of Functional Areas in a Complete Consolidation

San Bernardino County Transportation Authority

wsp

Presentation Overview

- Objective of the study
- Peer Agency Review
- Assessment of Functions
- Financial Analysis
- Next Steps

Study Objective and Work to Date

Analyze impacts from a potential consolidation of SBCTA + Omnitrans

- ✓ WSP presented background and performance review in March/April
- ✓ Study began prior to the COVID-19 Pandemic

Task 1.4

- Analyze the pros, cons, and financial and organizational impacts
- Conduct a peer review of agencies that have consolidated

Peer Agency Review

Case Studies of Complete Consolidation

Los Angeles County Metropolitan Transportation Authority (LA Metro)

- Two agencies planning and building rail transit systems in LA County.
- More than 30 bills were introduced in the state legislature.
- Budget challenges were not the rationales for consolidation but it did help to achieve better fiscal outcomes
- Consolidation did improve decision making due to single policy body.

Orange County Transportation Authority (OCTA)

- At least three different agencies all working on highway planning in Orange County
- Former OCTA staff interviewed for this report identified several challenges after consolidation.
- Fiscal challenges were not drivers, but consolidation to help achieve better performance results.

Metropolitan Transit Development Board / Metropolitan Transit System

- Consolidation of small transit systems in San Diego County.
- Consolidation evolved over many years and through many actions.
- Fiscal pressures did not drive consolidation, but it did help achieve better operational and budget outcomes

Key Factors	LA Metro	OCTA	MTDB/MTS	Potential Complete Consolidation
Overlap in direct transit service provision			✓	
Overlap in fleet or facilities			✓	
Overlap in planning of transportation or transit services	✓ *Transit*	✓ *Highways*	✓ *Transit*	
Overlap in leadership on major capital infrastructure programs	✓	✓	✓	
State legislation as impetus to consolidate	✓	✓	✓	
Presence of influential external consolidation champions	✓	✓	✓	
Funding/Financial Pressures	✓	✓		✓
Desire to pass a local tax measure	✓	✓		
Desire for a multi-modal planning and decision-making in a centralized Board	✓	✓		✓

Study Assumptions

Omnitrans would become a separate Transit Operations Department under the current SBCTA organizational structure. All current customer-facing services would remain the same.

This consolidation analysis explicitly excludes the consideration of the other four transit operators in San Bernardino County.

6

Study Approach

49 functional areas initially evaluated:

- ✓ **Financial** – What is the impact on expenditures, revenues, and savings from complete consolidation? 12 of these 49 assessed for financial impact
- ✓ **Organizational** – What is the impact on current personnel, talent, and/or policy from complete consolidation?
- ✓ **Legal** – What are the legislative, (union) contractual, or other legal actions required to effectuate complete consolidation?

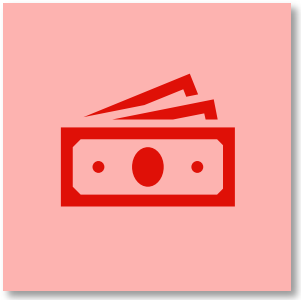
Findings

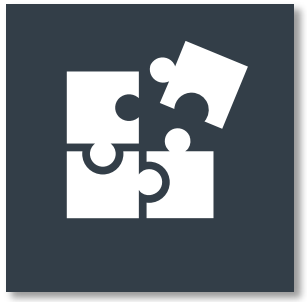
Significant Organizational & Legal Impacts

- Impacts to morale, productivity, employee retention
- One-time impacts for establishing the legal framework for all aspects of the consolidated agency
- Ongoing union concerns and additional financial impacts for represented employees

Limited financial savings

- Highest financial impacts: employer-paid benefits, retirement costs, and staff duplication
- All others have a total impact <1% of the combined agency's budget





Few areas of functional overlap

- Only support functions (HR, IT, Procurement, etc.)
- Even with overlap, few opportunities for reduction in staff (<1% of combined agency FTE)

Opportunities in closer coordination for transportation in County

- Clearer voice across transit operations and planning/project delivery
- Single policy body - more comprehensive vision and goals

Some minor efficiencies possible without consolidation

- Overlap in board makeup, discussion, and decision making
- Continued procurement coordination on similar procurements

Retirement and Benefit Plan Options: Potential Impacts

San Bernardino County Transportation Authority

Alternative 1: Plan Termination

- All employees join **1** pension/benefit system, current employees receive **2** pensions
- High one-time termination costs: $100-$200M
- From $0.5 to $3.5M annual savings (estimates)

Alternative 2: Asset Transfer

- All employees join **1** pension/benefit system, receive **1** pension
- Lower one-time costs: asset transfer fees and related costs
- Limited savings or additional costs

Alternative 3: Public Non-Profit Corporation

- All employees keep their **current** pension and health benefits
- Low one-time costs: non-profit corporation setup
- No annual savings

Caveats:

- ***Termination costs highly uncertain, based on plans' current cost differences***
- ***Actuarial analyses needed***
- ***Savings/costs increases related to health benefits are dependent on employee selection***
- ***COVID-19 could change health cost projections significantly***
- ***Further analyses of collective bargaining agreement impacts needed***

Job Classification and Staff Duplication

San Bernardino County Transportation Authority

Job Classification

Employees in a consolidated agency will be placed on an equal classification system

Few employees would be affected (largely administrative staff)

Possible cost increase in any combined budget (>$400k)

Staff Duplication

Few areas of overlap

Likely between 3 and 9 positions of duplication (<1% of combined FTE)

Between $500k - $1.9M in savings

Exact positions and resolution needs additional discussion classification studies and workload evaluation.

Recommendation – No Consolidation At This Time

- Little functional overlap and resultant savings
- Significant one-time costs
- Impacts to employees
- Organizational risks/impacts
- Compensation Studies and Actuarial Analyses Needed
- Some Additional Coordination Without Consolidation
- Further Analysis and Considerations in Task 2

Next Steps in Study
(September/October Committee/Board Meetings)

Task 2: Final Consolidation report and analysis

- Summary of Findings
- Other Considerations
- Staff Recommendation
- High-level Implementation Plan

Task 3: Innovative Transit Review

San Bernardino County
Transportation Authority

Thank You

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

CONSOLIDATION STUDY AND INNOVATIVE TRANSIT REVIEW

TASK 1.4B—EVALUATION OF FUNCTIONAL AREAS IN A COMPLETE CONSOLIDATION

AUGUST 4, 2020

FINAL

CONSOLIDATION STUDY AND INNOVATIVE TRANSIT REVIEW

TASK 1.4B—EVALUATION OF FUNCTIONAL AREAS IN A COMPLETE CONSOLIDATION

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

SUBMITTAL (VERSION 4C)
FINAL

PROJECT NO.: 12771C70, TASK NO. 1.4.B 2020
DATE: AUGUST 2020

WSP
SUITE 350
862 E. HOSPITALITY LANE
SAN BERNARDINO, CA 92408

TEL.: +1 909 888-1106
FAX: +1 909 889-1884
WSP.COM

PRODUCTION TEAM

CLIENT

Director of Special Projects and Strategic Initiatives, SBCTA	Beatriz Valdez
Director of Strategic Development, Omnitrans	Jeremiah Bryant

WSP

Project Manager	Billy Hwang
Transit Services Update Lead	Tom Lichterman
Organizational Development Specialist	Eryca Dinsdale
Labor Costs and HR Lead	Miriam Zaki
Financial Analyst	Ruby Lee
Data and Performance Analyst	Luke Yang

1 EXECUTIVE SUMMARY 1

1.1 Overview 1

2 CASE STUDIES OF COMPLETE CONSOLIDATION 2

2.1 Los Angeles County Metropolitan Transportation Authority (LA Metro) 2

2.1.1 Background 2

2.1.2 Factors Contributing to the Merger 2

2.1.3 Challenges after the Merger 3

2.1.4 Being a CTC and a Transit Operator in a Multi-Operator County 4

2.1.5 Did Consolidation Work? 4

2.2 Orange County Transportation Authority (OCTA) 5

2.2.1 Background 5

2.2.2 Factors Contributing to the Consolidation 5

2.2.3 Challenges after the Consolidation 6

2.2.4 Being a Funding Agency and a Transit Operator in a Multi-Operator County 7

2.3 Metropolitan Transit Development Board (MTDB) / Metropolitan Transit System (MTS) 7

2.3.1 Background 7

2.3.2 Factors Contributing to the Consolidation 8

2.3.3 Challenges after the Consolidation 9

2.3.4 Being a Funding Agency and a Transit Operator in a Multi-Operator County 10

2.4 Key Findings from the Review of Peer Agency Consolidations 11

2.4.1 Summary of Key Factors in Case Study Consolidations 11

2.4.2 Key Findings from Case Studies 12

3 ASSESSMENT OF FUNCTIONAL AREAS 14

3.1 Fixed Route, Commuter/Express Bus and Bus Rapid Transit (BRT) 16

3.2 ADA and Demand Response 16

3.3 Integration with Existing and Future Rail Service 17

3.4 Assets and Maintenance 18

3.5 Procurement 20
3.6 Human Resources 21
3.7 Planning 23
3.8 Capital Projects 24
3.9 Finance 25
3.10 People Costs 31
3.11 Other Shared Services 34
3.12 Board of Directors/Committees (Potential Restructure) 35
4 LEGAL FORMATION OF THE CONSOLIDATED AGENCY 39
5 SUMMARY OF FINDINGS 46
5.1 Case Study Lessons 46
5.2 Areas of Financial Impacts 46
5.3 Areas of Organizational Impacts 47
5.4 Areas of Legal/Contractual Impacts 47
5.5 Streamlining Opportunities without consolidation 48
6 REFERENCES 49

TABLES

TABLE 1: QUESTIONS ASKED IN EACH CRITERION 1
TABLE 2: SUMMARY OF KEY FACTORS IN CASE STUDY CONSOLIDATIONS.....11
TABLE 3. OVERVIEW OF EVALUATION.....14
TABLE 4. REVENUE SERVICES EVALUATION MATRIX.....16
TABLE 5. ADA AND DEMAND RESPONSE EVALUATION MATRIX 17
TABLE 6. INTEGRATION WITH EXISTING AND FUTURE RAIL SERVICE EVALUATION MATRIX 18
TABLE 7. ASSETS AND MAINTENANCE EVALUATION MATRIX 20
TABLE 8. PROCUREMENT EVALUATION MATRIX 21
TABLE 9. HUMAN RESOURCES EVALUATION MATRIX 22
TABLE 10 PLANNING EVALUATION MATRIX 24
TABLE 11 PROJECT DEVELOPMENT AND CONSTRUCTION MANAGEMENT EVALUATION MATRIX 25
TABLE 12. FINANCE EVALUATION MATRIX.....29
TABLE 13. PEOPLE COSTS EVALUATION MATRIX.....32
TABLE 14. OTHER SHARED SERVICES EVALUATION MATRIX 35
TABLE 15. SBCTA AND OMNITRANS BOARD MEMBERSHIP 35
TABLE 16. BOARD OF DIRECTORS/COMMITTEES EVALUATION MATRIX 38
TABLE 17. ENABLING STATUTES FOR LA METRO, OCTA, AND MTDB/MTS COMPARED TO SBCTA'S STATUTE.....41
TABLE 18: FUNCTIONAL AREAS OF FINANCIAL IMPACT 46
TABLE 19: FUNCTIONAL AREAS OF ORGANIZATIONAL IMPACT 47
TABLE 20: FUNCTIONAL AREAS OF LEGAL/CONTRACTUAL IMPACT 47

APPENDICES

APPENDIX A. FORMER AGENCY STAFF INTERVIEWS

1 EXECUTIVE SUMMARY

1.1 OVERVIEW

The purpose of this chapter is to evaluate the opportunities and challenges for key functional areas of the San Bernardino County Transportation Authority (SBCTA) and Omnitrans under a "complete consolidation" where the two agencies (all functions) are brought together under one organization. Complete consolidation would entail transferring all functions from one agency to a single consolidated agency, which then provides transit and other transportation services. Note that this complete consolidation analysis explicitly excludes the consideration of other transit agencies in San Bernardino County.

The *2015 SBCTA County-Wide Transit Efficiency Study*[1] (2015 Study) analyzed the complete consolidation organizational strategy as one of three organizational approaches for improving efficiencies and reducing costs. The others were cooperative agreements and functional consolidation where certain, but not all, functions are consolidated. The complete consolidation that this study assumes for analysis purposes would integrate Omnitrans into SBCTA. Omnitrans' operations-related departments would become a new operating department under the current SBCTA organizational structure. In doing so, this analysis assumes that these departments of Omnitrans would continue to operate largely as they do today, while some of Omnitrans' administrative departments are merged with SBCTA's administrative units.

Complete consolidation underlies this chapter's analysis due to the fact that the consultant's task order requires that only complete consolidation be used to provide detailed opportunities and challenges for the key functional areas presented in Section 3 of this chapter. This chapter's assumption that complete consolidation entails Omnitrans integrated under SBCTA as a separate Transit Operations Division is based on interviews conducted with SBCTA and Omnitrans for this study in January 2020. Staff from both agencies responded that consolidation of Omnitrans into SBCTA as a separate division would be most appropriate if consolidation were found financially advantageous.

The opportunities and challenges of this complete consolidation scenario are evaluated using three evaluation criteria – financial, organizational, and legal. Financial criteria assess the impact on expenditures, revenues, and savings from a potential consolidation of each function. Organizational criteria evaluate the potential transfer of personnel, talent, and policy changes in the current organizational structure. Legal criteria analyze the need for a legislative action or a potential change in agreements and/or contracts. Table 1 lists questions to be explored in this analysis to determine the impact of a complete consolidation under each criterion.

Table 1: Questions Asked in Each Criterion

Criteria	Evaluation Questions
Financial	What is the impact on expenditures, revenues, and savings from complete consolidation?
Organizational	What is the impact on current personnel, talent, and/or policy from complete consolidation?
Legal/Contractual	What are the legislative, contractual, or other legal actions required to effectuate complete consolidation?

A peer agency analysis was also conducted for this chapter, presenting best practices and lessons learned from the successes and challenges of consolidation experiences in Los Angeles County, Orange County, and San Diego County.

The evaluation findings from this chapter will serve as a road map for the detailed financial impacts analysis of the next task (1.4C) in the overall *Consolidation Study and Innovative Transit Review*.

[1] SBCTA County-Wide Transit Efficiency Study – Coordination and Optimization Alternatives Report

2 CASE STUDIES OF COMPLETE CONSOLIDATION

To provide a historical perspective on complete consolidation, the analysis drew on the experiences of agencies that consolidated to become both the County Transportation Commission (CTC) (or a transit funds distribution agency with similar authority), and a transit services provider. Three case studies are provided based on interviews with former officials from the Los Angeles County Metropolitan Transportation Authority (LA Metro), Orange County Transportation Authority (OCTA), and Metropolitan Transit System (MTS) in San Diego County that helped to ascertain best practices and lessons learned during those consolidations. It should be noted that this peer review is based on interviews with personnel who were key staff (Executive Directors, General Managers) at the time of those consolidations, in order to identify the causal factors and thought processes that led to those consolidations. This peer review does not necessarily represent how those agencies are organized or managed today, up to 30 years later.

2.1 LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (LA METRO)[2]

2.1.1 BACKGROUND

An example of complete consolidation with legislative roots is found in the Los Angeles (California) region. Starting in 1951, the Metropolitan Transit Authority (MTA) was formed as a transit planning agency, empowered to formulate plans and policies for a publicly-owned and operated mass rapid transit system that would replace the crumbling infrastructure of privately-owned and operated systems.

In 1964, the Southern California Rapid Transit District (SCRTD) was created by the California state legislature to improve bus systems and design/build a transit system for Los Angeles. The SCRTD took over all bus services operated by the near-bankrupt MTA and, like MTA, acquired local suburban bus companies. The SCRTD also was successful in securing federal funding for the Metro Rail subway project.

In 1976, the California state legislature enacted AB 1246, the County Transportation Commission Act, which created the Los Angeles County Transportation Commission (LACTC) to oversee public transit and highway policy/funding in the nation's largest county. Notably, it was this same bill that also created transportation commissions in San Bernardino, Riverside, and Orange Counties. At the time SCRTD was initially created, there were no transit or transportation grant programs available from the state or federal governments. Once funding sources became available from the Urban Mass Transit Administration (now the Federal Transit Administration), the California Transportation Commission (CTC), and others, the creation of county transportation commissions ensured coordination of multimodal transportation planning and funding programs (CA Pub. Util. Code, 1992).

2.1.2 FACTORS CONTRIBUTING TO THE MERGER

The creation of the LACTC required the SCRTD to share some of its power. While SCRTD was building heavy rail as well as operating a large bus transit system, LACTC was building light-rail systems, leading to a complex situation of two agencies planning and building rail transit systems in Los Angeles County.

[2] The information in this section based on interviews with: Linda Bohlinger, who held various senior positions leading to Director of Capital Planning, LACTC (1979 – 1985) and Chief Executive Officer, Metro (1990 - 1998); and Claudette Moody, former Director of Governmental Relations, LACTC (1985 – 1997).

In this confusing rail transit development environment, between 1987 and 1992, over 30 bills were introduced in the state legislature aimed at various changes in transit planning, construction, and operation. Ultimately, the Los Angeles Mayor at that time, Tom Bradley, requested an end to these legislative efforts to allow Los Angeles officials to work things out on their own. This led to AB 152, sponsored by California State Assemblyman Richard Katz and enacted in 1992, which was the bill that ultimately merged the two organizations.

Key in the move to consolidate the two agencies was that both were performing rail planning and construction, and the coordination of rail transit among two agencies had become unworkable. Consolidation was precipitated with the building of Metro Rail. LACTC had the authority to construct rail projects. Mayor Bradley and leaders in Los Angeles County, including Assemblyman Katz, were frustrated with too many agencies performing transportation development and construction and wanted an umbrella agency in Los Angeles County. The consolidation effort also recognized Tom Bradley's vision of a tax measure to build rail. At that time, it became obvious that there had to be one Board of Directors to govern. There were also budget problems at SCRTD, and funding shortfalls preceded the consolidation. SCRTD had a $60 million shortfall in 1990.

Ultimately, SCRTD and LACTC merged on April 1, 1993, creating the Los Angeles County Metropolitan Transportation Authority (LACMTA or LA Metro). Through this merger, "transit" was expanded to "transportation," as the agency combined both county-wide roles of the two predecessor agencies.

2.1.3 CHALLENGES AFTER THE MERGER

In the newly consolidated agency, there were many organizational decisions that needed to be made. These included who would lead each department, as there were many duplicate positions between the two former agencies. At times the negotiations were contentious, according to interviews with former Metro staff involved in the consolidation. There was a "bus operator" culture among former SCRTD staff and an "administrative/policy/engineering" culture among the former LACTC staff.

Steps to address challenges had begun even before the consolidation took effect. After the decision was made to consolidate, a committee was formed with staff from the two agencies to work on the broad outlines of the consolidation. An interim Board of Directors was also established to formalize decisions. Their work was folded into Metro's enabling legislation, AB 152, that was ultimately passed.

After consolidation, the new organization had to eliminate 250 staff due to duplication. At first, this was done by requesting retirements or resignations with six months' severance. Many staff took that offer. The second time, an additional 250 staff were eliminated, but it was performance-based and was also done with a severance package.

Metro undertook a strategic planning exercise with representatives of all departments to develop common strategies and goals. Metro hired an outside consultant to lead this effort. The staff interviewed for this report recommend that a strategic planning effort such as this needs to occur, at the latest, in the first year of the new organization, but preferably prior to the consolidation. According to the former Metro employees, having certain decisions negotiated and settled before the merger would help avoid some of the problems that could occur in a consolidation. Strategic planning in advance of consolidation would help. The former Metro staff recommend scenario building for how the new organization will look, whom the head of transit will report to (likely the Executive Director of the new consolidated agency), and other key organizational decisions.

Another major challenge was the desire of former LACTC staff to keep their CalPERS retirement and not pay into Social Security Insurance, as had formerly been the case. The retirement system question was put to the vote of the SCRTD union, and they voted not to join CalPERS. SCRTD employees had been under their own retirement system. To solve this problem, a separate legal entity was created three and a half years after the consolidation. The Public Transportation Service Corporation was created to house all the compensation and benefits of employees who had formerly been with LACTC, including CalPERS retirement (LA Times, 1998). SCRTD employees stayed with their own retirement system.

Both former agencies had been direct FTA fund recipients. Metro had to re-certify all the certifications for the new entity. What helped was that SCRTD and LACTC were state created agencies with enabling state statutes, and Metro was also established as a state-created agency under AB 152. Thus, no act of the Governor, other than signing the bill, was needed with the duties of SCRTD and LACTC transferred over to the new entity under the law. The former Metro staff interviewed for this report believe an SBCTA-Omnitrans consolidation should be effectuated by statute. The new entity should be created by the State to become a direct FTA grant recipient for funds that had formerly gone to Omnitrans. Additionally, SBCTA would need to have all of Omnitrans' existing grants transferred to SBCTA.

Another consideration raised by the former Metro staff involves requirements for financial plans. Following the strategic planning exercise, Metro staff established a 30-year financial plan that modeled how the money would be allocated between Metro's rail and bus modes, as well as highways. The former Metro staff recommended that, with Omnitrans service coming under SBCTA, SBCTA would need to show a balanced long-term financial plan for all modes, including Omnitrans bus service, to evaluate the financial sustainability of the agency, appease those concerned about one mode dominating the other and secure discretionary federal grant funding in the future. This is not currently explicitly a requirement because the organizations are separate; however, SBCTA Fund Administration staff does perform a 20 year financial plan by analyzing long-term transit operating needs through 2040 for financial constraints. Portions of this analysis are included in the SBCTA 10-year delivery plan, CMAQ 10-year delivery plan, and the 10-year LCTOP plan.

Labor issues posed another major challenge. Labor unions feared that rail would take priority with regard to funding, programming, and operations, and, thus, the unions, representing primarily bus operators, would have less leverage to negotiate higher wages for its members. They and a key SCRTD Board member brought a lawsuit that resulted in a settlement that required Metro to have a master judge oversee bus funding to make sure things were fair between bus and rail. No bus service could be cut for several years. This made changes in bus service very difficult.

2.1.4 BEING A CTC AND A TRANSIT OPERATOR IN A MULTI-OPERATOR COUNTY

Another key issue to consider is the agency taking on the dual role of both County Transportation Commission and transit operator, especially with other transit operators continuing to exist in the county, and how any perceptions of conflict of interest can be handled.

Today, Metro has very broad powers. According to the Metro website: the "Los Angeles County Metropolitan Transportation Authority (Metro) is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator for one of the country's largest, most populous counties (Metro, 2020)." As the regional transportation planning agency and public transportation operating agency for Los Angeles County, Metro develops and oversees transportation plans, policies, funding programs, and both short-term and long-range solutions that address the county's increasing mobility, accessibility, and environmental needs (Wikipedia, 2020). It should be noted that even with the creation of LA Metro, there are still several municipal transit systems that operate cooperatively but independently, such as Foothill Transit, Santa Monica's "Big Blue Bus" system, and Culver City Bus. However, funding for these agencies still flows through Metro.

There were approximately 20 separate transit operators in Los Angeles County, so Metro had to consider this very issue. Metro looked to the sales tax measures that assigned specific percentages of funding by agency to help ensure equity. Established formulae for FTA funds existing in law provided a basis for federal funds distribution. The "Call for Projects" process was very organized and transparent to protect non-Metro agencies. The municipal operators formed their own coalition to guard against Metro taking too much money for its own rail and bus operations. Metro then created a Muni committee to offer advice on the distribution of funds.

Discretionary state and federal funds were distributed on a competitive basis. For Transportation Development Act monies, the formula to follow is in law and can be verified by the other agencies. Propositions A and C, and Measures R and M all had been divided among the agencies by their respective ballot measures. Metro's rail, operations, and highway share was divided among those modes at Metro's discretion.

Former Metro staff who were interviewed recommended that all these decisions need to be worked out ahead of consolidation, including how any new sources of funding would be divided up. They recommended the establishment of a working committee of the SBCTA and Omnitrans finance managers. The grants all have to be revised to reflect the new consolidated agency if a new entity is formed. The new entity has to be listed as the grantee, and all of the state and federal certifications have to be re-done with the new entity.

2.1.5 DID CONSOLIDATION WORK?

The former Metro staff interviewed for this report concluded that consolidation did not achieve cost savings as intended. The consolidation of LACTC and SCRTD was sold to the public, staff, and stakeholders as a cost-saving measure. However, shortly after Metro's formation, an economic recession hit and undermined any potential cost savings that could have been gained. The agency, like many others across the U.S. at the time, had to address declining revenues in the face of capital and operating needs. Instead of constructing 12 light rail lines as intended, Metro proceeded with just a few.

Following consolidation, Metro also did not realize immediate cost savings from staff reductions. As noted in Section 2.1.3, the newly-formed Metro sought to eliminate 250 staff by requesting retirements or resignations with six months' severance. Then, an additional 250 staff were eliminated under a performance-based process that was supplemented with severance packages. The cost savings from these staff reductions were realized, but not for several years after the consolidation. Furthermore, another reason why savings were not realized immediately is because it took three and a half years before Metro established the nonprofit governmental agency to provide different retirement benefits to their members. During these three years, Metro was contributing to either two retirements systems for some employees or was covering the employee share for those that were just covered by a single retirement system.

Consolidation did, however, improve decision-making. Rather than two agencies and two Boards of Directors receiving the same information and making redundant or contradictory decisions, the consolidated Metro leadership and its Board of Directors could act as the sole decision-making body for delivery of Los Angeles County's mobility services and projects.

2.2 ORANGE COUNTY TRANSPORTATION AUTHORITY (OCTA)[3]

2.2.1 BACKGROUND

In 1991, around the same time that the LACTC and SCRTD consolidated, the Orange County Transportation Authority (OCTA) was formed under state law. OCTA was created by the consolidation of seven separate transportation planning agencies, including OCTA's predecessor agency, the Orange County Transit District (OCTD), which was established in 1970, the Orange County Transportation Commission (OCTC), the Orange County Service Authority for Freeway Emergencies, and the Orange County Consolidated Transportation Services Agency.

OCTC was previously created by AB 1246 (Ingalls, 1976), the same legislation that also created transportation commissions in Los Angeles, Riverside, and San Bernardino County. The commission worked closely on planning matters with the Southern California Association of Governments and advised the California Transportation Commission on highway and freeway priorities (WSP, 2020c).

In 1986, the OCTD began planning a central county mobility project, a series of flyover carpool lanes to be built at the Interstate 5 - SR 55 interchange using transit funds. At the same time, the OCTC obtained special legislation allowing it to intercept the interest earnings on the OCTD's transit reserves to begin the environmental and design work on freeway projects. To improve freeway project delivery and under pressure from the OCTC and state legislators, Orange County broke away from Los Angeles in 1987 to become its own Caltrans district (District 12), the first new Caltrans district formed in almost 40 years. Thus, in relatively short order, there were at least three different agencies all working on highway planning in Orange County.

After failing twice (in 1984 and 1989) to pass county-wide sales tax measures to fund transportation projects, in 1990, OCTC successfully led voter passage of a half-cent sales tax measure after lobbying for a consolidated transportation agency to avoid duplication of effort, improve priority setting, reduce transportation staffing, and streamline decision-making (WSP, 2020c). Sen. Marian Bergeson (R – Newport Beach) sponsored the consolidation legislation that created OCTA, known as SB 838 (1990).

2.2.2 FACTORS CONTRIBUTING TO THE CONSOLIDATION

Key factors contributing to the desire to consolidate agencies focused on reducing duplication of planning efforts, as noted earlier. Other concerns included increasing agency economy given the past difficulty with obtaining increased funding for

[3] The information in this section is derived from interviews with former key staff of OCTA and OCTC and supplemented by other references. Staff interviewed included: Stan Oftelie, OCTC Executive Director from 1983 – 1991, and OCTA Chief Executive Officer, 1991 – 1997; Will Kempton, former Chief Executive Officer, OCTA, 2009 – 2013; and Tom Jenkins, who held various senior positions at OCTD and OCTC, 1974 – 1983.

transportation. The successful passage of Measure M, the 1990 half-cent sales tax, owed its passage in part to greater efficiency through consolidation. The promise of having a single voice managing transportation decision-making was undercut when the Transportation Corridor Agencies, builder and operator of three county toll roads, and Laguna Beach Transit, a recipient of Transportation Development Act funds, were not included in the Orange County Transportation Authority legislation. All other major transportation agencies were combined into the single decision-making, operational agency (WSP, 2020c).

2.2.3 CHALLENGES AFTER THE CONSOLIDATION

Former OCTA staff interviewed for this report identified several challenges after consolidation. Board membership was, at times, a controversial issue and led to much public acrimony. Getting the Board and the new, combined agency's staff, on the same page with regard to priorities was also difficult.

OCTC and the CTSA had both been non-unionized agencies, while OCTD was heavily unionized. Most of the former OCTD labor relations programs remained intact after the consolidation. Most OCTA administrative employees were not unionized.

The state legislation carried by Sen. Bergeson included provisions to smooth over differences in pensions and other technical problems in the new organization. According to staff interviewed for this report, Orange County had its own retirement system at the time of consolidation. All of the former agencies combined under OCTA stayed with the Orange County Employees Retirement System (OCERS). OCERS had reciprocity with the other retirement systems of the former agencies. OCTA found it preferable to grandfather in the former CalPERS employees into that system. Grandfathered employees stopped accumulating CalPERS credits and started accumulating credits in OCERS. So, employees had credits in both systems upon retirement (WSP, 2020c).

OCTA's stated goals for the consolidation were as follows:

- One priority-setting agency, speaking with one voice, on transportation issues;
- Adopt a multi-modal approach balancing transportation investments in freeways, buses, streets and road, and rail programs geographically;
- Emphasize early delivery of voter-approved transportation projects;
- Re-configure the bus system to increase bus ridership and farebox return;
- Recognize the special transportation needs of the elderly and disabled;
- Manage transportation resources cautiously, with regular financial reports to the board and, annually, to the public; and
- Right-size the new agency's staff by practicing rigorous examinations of the agency needs.

There was a significant reduction in staffing after consolidation in both the administrative and operating personnel ranks. The day after consolidation was official, the combined agency had 1,790 employees. Eight years later, this had been reduced to 1,492. A former agency CEO reported that every reduction was painful; many were the result of continuous organization evaluation. The evaluations impacted morale in every area studied (some people lost their jobs), but most of the selected employees who stayed with the new OCTA recognized that the best employees were being retained and weaker, less productive staffers were being eliminated. Anticipating future changes, many who felt they were not appreciated left the organization, allowing vacant positions to be eliminated. Having a rigorous, bias-free selection process was very important (WSP, 2020c).

Morale issues were a significant issue in the consolidated agency. Despite senior management's best efforts, administrative staffers and others believed there were winners and losers in the consolidation. This sentiment was prevalent, particularly among mid-level staffers. There was a belief, and anecdotal information, suggesting former OCTC staffers were given the best jobs, even though they were a much smaller agency prior to the merger. They were seen as winners. OCTD staffers, who built their careers in the narrow field of bus transit, were seen as losers. Big investments in new freeway and highways, driven by new money, grabbed headlines. People working in those areas were winners. People working in bus operations, where there was no new money, were seen as losers (WSP, 2020c).

The former agency CEO was quite insistent that simply consolidating Omnitrans under SBCTA is not going to produce savings. There would also need to be changes in the services operated and staffing levels. This should be based on the goals of the consolidation, merging to be more fiscally responsible. Metrics of the consolidation should drive improvement in performance. In the OCTA case, the key metric was headcount, he stated.

2.2.4 BEING A FUNDING AGENCY AND A TRANSIT OPERATOR IN A MULTI-OPERATOR COUNTY

A major portion of OCTA's spending is related to Measure M, a measure approved by Orange County voters in November 1990 and renewed in 2006 that provides revenues from a one-half percent sales tax to pay for a variety of freeway, road, and rail transit improvements in cities and the county. Measure M also authorized OCTA to issue sales tax revenue bonds for transportation purposes.

Bus and commuter rail systems also comprise a major element of OCTA's operations. Funding is largely provided by a one-quarter percent Transportation Development Act (TDA) local Bradley-Burns sales tax, a TDA gasoline, and diesel fuel sales tax, passenger fares, federal grants, and property taxes.

Conflicts over funding were minimized by two things: the influx of Measure M cash (and how to manage and prioritize the new money) and the fact the old OCTD covered more than 90% of the county and received the lion's share of TDA funds. How to deal with Laguna Beach Transit and the CTSA services (for the elderly and handicapped) was always an issue in the funding area. To further address this, OCTA has a quasi-separate entity to handle CTC functions. OCTA staff did the work, but the separate entity handled the CTC function (WSP, 2020d).

2.3 METROPOLITAN TRANSIT DEVELOPMENT BOARD (MTDB) / METROPOLITAN TRANSIT SYSTEM (MTS)[4]

2.3.1 BACKGROUND

Another example of complete consolidation is found in the San Diego region. Starting in 1976, SB 101 (Mills) established the Metropolitan Transit Development Board (MTDB) as a transit development entity to plan, construct, and operate transit guideways in the urbanized area of south San Diego County. Importantly, SB 101 also placed MTDB in charge of all transit funding and transit capital project programming decisions within the metropolitan part of the San Diego region (Larwin, 2012).

Between 1976 and 1980, there were several separate transit systems begun or already in operation in the metropolitan San Diego area, which included the San Diego Transit Corporation (SDTC), the County Transit System (CTS), Chula Vista Transit, and National City Transit (NCT), as well as other contract services. It should be noted that Chula Vista and National City Transit were both contracted operations to their respective cities. Because the TDA originally remitted transit operating funding to each city, this tended to encourage the creation of small transit systems. These systems were fragmented and not well-coordinated in terms of fares, transfers, and policies. MTDB, in developing the light rail system, would be adding yet another operator.

For the first few years, MTDB focused on the development of the light rail system, the San Diego Trolley, which opened in 1981. In coordination with these efforts, other actions were undertaken:

- **Formation of the San Diego Trolley, Inc. (SDTI).** SB 101 gave the MTDB Board of Directors the option to operate transit guideways or contract services. For the San Diego Trolley (the brand name given the light rail transit [LRT] system), the MTDB Board of Directors elected to create a separate corporate entity, SDTI, to operate the LRT service.
- **Unified Transit Services Implemented with Initiation of the LRT Service.** With initiation of the LRT service, the following also occurred: the reorganization of San Diego Transit Corporation (SDTC) bus services, to feed and support the San Diego Trolley, and the reduction of SDTC bus-miles in the South Bay area, where the San Diego Trolley would operate; coordinated fares and transfers amongst the metropolitan area transit operators, as well as a single monthly pass

[4] The information in this section based on an interview with Tom Larwin, MTDB General Manager (1976 – 2003)

(replacing separate operator-issued passes); and coordinated timed-transfers at key transfer locations, a single regional telephone public information number, coordinated bus route numbering (across the multiple operators), and publication of the first regional transit map and guide.

In 1984, additional legislation was passed, resulting in the following changes to MTDB:

- **Acquisition of SDTC.** In 1985, MTDB took ownership of SDTC, acquiring assets from the City of San Diego. This was a complete consolidation of SDTC into MTDB/MTS, as SDTC ceased to exist as a separate entity.
- **Formalization of the Metropolitan Transit System (MTS).** Coincident with MTDB acquiring SDTC, MTS was introduced as the "umbrella" organization of the metropolitan area transit operators, which at the time included SDTC, the San Diego Trolley, and three contract bus operators (i.e., the CTS, Chula Vista Transit, and NCT). MTS was a brand name/logo, with no employees and no budget. All staff and administrative expenses were assumed by MTDB and the individual operators.
- **Expansion of the MTDB jurisdiction and the MTDB Board of Directors.** The MTDB Board of Directors was changed from an 8-member to a 15-member Board, better representing the actual metropolitan jurisdiction, allowing each of the nine suburban cities to have one of their Councilmembers on the Board.

From the late 1980s to 2003, additional legislation was passed, and other steps were taken, resulting in the following: a standard farebox recovery ratio for all metropolitan area transit operators; state TDA funds received directly by MTDB and distributed to the metropolitan area transit operators; the reorganization of marketing activities for all metropolitan area transit operators under MTDB; and the transfer of CTS operations from the County of San Diego to MTDB.

By 2003, MTS had acquired the assets of all but one municipal area transit operator and assumed management of all bus and light rail operations. In 2003, the roster of bus services that comprised MTS included SDTC, Chula Vista Transit, NCT, CTS, and other contract services (i.e., Strand Express Joint Powers Authority and Amarillo y Rosa). In 2005, MTDB reorganized and changed its name to MTS. In 2007, MTS assumed control over NCT from the City of National City (Larwin, 2012; SDMTS, 2020).

2.3.2 FACTORS CONTRIBUTING TO THE CONSOLIDATION

Several factors contributed to the eventual consolidation, starting with the creation of MTDB by SB 101 in 1976. The passage of SB 101 (Mills) in 1975 was the crucial impetus to the eventual consolidation of multiple metropolitan area operators into one organization. According to a paper prepared by former MTDB staff who were also interviewed for this report,

> *It is not an understatement to note that the impetus for what transpired institutionally was state legislation passed in 1975. Termed SB 101, it was authored by state senator James R. Mills, who represented the southern portion of the San Diego region, and also was president pro tempore of the state senate at the time. Largely portrayed as an urban rail transit development bill, it set into place numerous mechanisms that would eventually have an equally significant role when it would come to how metropolitan-wide transit services would be operated. . . Specifically, the MTDB was empowered to plan, construct, and operate mass transit guideways and to perform near-term planning and programming in its area of jurisdiction. These powers were significant and placed MTDB in charge of all transit funding and transit capital project programming decisions within the metropolitan part of the San Diego region (Larwin, 2012).*

Specific powers granted to MTDB under SB 101 included Short Range Transit Planning (SRTP) and Transit Improvement Program (TIP) responsibilities for the metropolitan region, and the power, any time after the first segment of the light-rail system entered revenue service, to "assume the operation of SDTC," the region's largest bus operator. MTDB was also made the designated recipient for federal public transportation funds for its area of jurisdiction and was given the power to approve claims for state public transportation monies derived from the California TDA. The result of this legislation was the creation of "an agency with substantial policy power over all transit operations and future capital development in the San Diego metropolitan area." (Larwin, 2012)

The existence of multiple, uncoordinated transit operators in the same geographic area, and the need for increased coordination with the advent of the San Diego Trolley, were additional causal factors. Among other changes, SDTC service had to change significantly in the South Bay with the start of LRT service, and SDTC bus miles were reduced substantially as a result.

2.3.3 CHALLENGES AFTER THE CONSOLIDATION

The MTDB consolidation evolved over a period of many years and through many actions, rather than occurring at a defined point in time. During the first five years of MTDB's existence, the agency was focused almost completely on the development of the first leg of the light-rail system. The first line opened in 1981. However, with the significant powers granted to MTDB by SB 101, the agency began conducting regional planning activities that would ultimately lead to a coordinated metropolitan transit system rather than a collection of independent operators. MTDB prepared a metropolitan short-range transit plan and took the lead in approval of annual operating grants for the metropolitan transit operators and the adoption of an annual transit capital improvement program. Key planning activities related to the start of LRT service in 1981 included revising SDTC South Bay routes to serve as feeders to the new LRT line.

One area of challenge created by SB 101 was the confusion of responsibilities between MTDB and the regional council of governments, the Comprehensive Planning Organization (CPO, which later became the San Diego Association of Governments [SANDAG]). In 1977, MTDB and CPO executed a memorandum of understanding regarding the division of responsibilities for long-range planning and fixed-guideway planning.

The area of jurisdiction and makeup of the Board of Directors was another challenge. The original draft of SB 101 had called for the jurisdictional area to include the entire county. However, north county officials balked at being a part of the metropolitan organization, and the draft legislation was modified to cover south San Diego County only. Instead, under SB 802 (1975), the north county cities formed the North San Diego County Transit Development Board to plan, construct, and operate public transit in North San Diego County. North County Transit District (NCTD), its operating name, began operations in July 1976 (NCTD, 2020).

Given the existence in south San Diego County of multiple transit operators and their concerns about local control of their services and farebox revenues, MTDB pursued the concept of creating an "umbrella organization" to coordinate routes, fares, transfers, and service policies, rather than becoming a direct operator. This was essential with the startup of the LRT service in 1981. The umbrella agency concept had its roots in "transit federations" of multiple transit agencies that were implemented in a number of European cities beginning in the 1960s, and with which MTDB senior staff were familiar. In those European examples, multiple separate operating companies continued to exist in a geographic area but were coordinated by the umbrella agency, including planning, operating standards, and fares for the entire region. This concept seemed particularly applicable to the situation San Diego was in at the time.

To help chart a course for the newly created agency, in 1976, MTDB adopted a set of principles for a low-cost, feasible fixed-guideway project, that would guide system development of the first and subsequent extensions of the LRT system. Those principles included the following (Larwin, 2012):

- A project that would have a relatively low capital cost
- A line that would extend a long-distance, defined to be 15 to 20 miles
- A system that could operate cost-effectively with a goal of having a relatively high farebox recovery percentage
- Use off-the-shelf technology
- Offer high-speed service

In 1979, the agency developed an organizational plan which described a future MTDB that would "… determine overall transit service levels, fares, schedules, and be responsible for public information about transit in the MTDB area of jurisdiction … The LRT operator is but one of several contract operators for transit and freight service operating to the specifications established by the regional agency. All of these contract operations would thus fit together into a unified system from the point of view of the public." (Larwin, 2012)

With the implementation of LRT service in 1981, there was a significant reduction of SDTC's bus miles in the South Bay, and this created tension between SDTC and MTDB. The bus service reduction was absorbed through bus driver attrition.

Several regional coordination strategies were pursued by MTDB to develop buy-in among the agencies they now had jurisdiction over and to improve working relationships. These included:

- Cross-membership on policy boards
- Creation of intergovernmental management groups, such as the General Managers Group from all the operators, to serve in an advisory function to the Board of Directors
- Negotiating memoranda of understanding

- Sharing of technical staff
- Creation of project-oriented task forces comprised of agency staff from the affected entities
- Contracting out of services to sister organizations with expertise in certain areas

2.3.4 BEING A FUNDING AGENCY AND A TRANSIT OPERATOR IN A MULTI-OPERATOR COUNTY

In its first several years, MTDB had the authority to become a transit operator, but chose to retain some insulation from operations. Prior to LRT start-up in 1981, MTDB had to choose whether to directly operate or contract for the operation of the new LRT line. After soliciting proposals, MTDB eventually rejected all proposals and created a separate corporate entity under California non-profit laws, and in 1981 the LRT line began operation under San Diego Trolley, Inc.

The importance of this decision was stressed by the former MTDB General Manager interviewed for this report. It was felt that, if MTDB had become a direct operator of the Trolley, it could have interfered with the umbrella organization concept. Being an operator might also have created a conflict of interest with the other operators since MTDB would be operating one of several services in the County. Not having to deal with pressures of labor unions was another advantage of this approach (WSP, 2020b). As with the bus operators, all staff associated with the LRT operations and maintenance functions—in this case, rail services—were employees of SDTI, not MTDB.

Another key to the success of the umbrella concept and eventual consolidation was that MTDB had very good working relationships at the senior staff level with SDTC and the North County Transit District (NCTD). The General Managers Group was effective in coordinating service and fares, and there was a strong desire to create seamless service between the operators. The 1984 legislation helped cement the umbrella concept and allowed MTDB to coordinate service parameters and fares and conduct major capital projects without being an operator (WSP, 2020b).

It was not until several years after MTDB's formation – after the umbrella agency concept had been well-established and additional state legislation had been passed – that MTDB became MTS and subsequently acquired the operations of the area transit operators. By then, the foundation had been laid for full consolidation of the agencies. NCTD remained a separate transit operating agency in North County.

2.4 KEY FINDINGS FROM THE REVIEW OF PEER AGENCY CONSOLIDATIONS

2.4.1 SUMMARY OF KEY FACTORS IN CASE STUDY CONSOLIDATIONS

A summary of the key factors leading to consolidation in each of the peer agency case studies, and comparing those factors to the driving factors in a potential SBCTA-Omnitrans consolidation, is provided in Table 2.

Table 2: Summary of Key Factors in Case Study Consolidations

Key Factors	LA Metro	OCTA	MTDB/MTS	Potential SBCTA/Omnitrans Complete Consolidation
Overlap in direct transit service provision			☑	
Overlap in fleet or facilities			☑	
Overlap in Planning of Transportation or Transit Services	☑ *Transit*	☑ *Highways*	☑ *Transit*	
Overlap in leadership on major capital infrastructure programs	☑	☑	☑	
State legislation as impetus to consolidate	☑	☑	☑	
Presence of influential external consolidation champions	☑	☑	☑	
Funding/Financial Pressures	☑	☑		☑
Desire to pass a local tax measure	☑	☑		
Desire for a multi-modal planning and decision-making approach in a centralized Board	☑	☑		☑

In all three case studies, a significant overlap of some kind existed prior to consolidation, either in services provided, planning activities, and/or significant project development. Other factors were also present, including financial pressures in the Metro and OCTA cases, but the overlap of activities was likely the most compelling factor leading to a desire for consolidation. The elimination of those overlaps or duplications was also the source of much of the financial savings from consolidation, either through a reduction of duplicate staff positions or through a service reduction or realignment. All three consolidations ultimately achieved the desired outcome of combined/coordinated services, planning activities, or project development. In the LA Metro and OCTA cases, these successes were somewhat offset in the human costs of employee layoffs and reduced employee morale.

It should be noted that the summary displayed in Table 2, only indicates similarity in the relative scale of the issues and opportunities presented by peer agencies and by the potential consolidation of SBCTA-Omnitrans. Like most organizations, SBCTA and Omnitrans have a variety of factors that will be analyzed specifically in this 1.4b Evaluation of Functional Areas in a Complete Consolidation report, as well as the following financial analysis report 1.4c.

2.4.2 KEY FINDINGS FROM CASE STUDIES

The case study analysis revealed that, while each consolidation had its own unique opportunities and challenges, there are lessons learned and best practices that could be applied to potential complete consolidation of SBCTA and Omnitrans:

- The initial desire for consolidation or restructuring at all three peer agencies was based on some type of duplication in agencies or services. At LA Metro, it started from having two separate agencies, both doing rail network planning and development. At MTDB, it started with the vision of developing a light-rail transit system that would need to supplant the existing, uncoordinated transit services with a network that would feed and support light-rail and improve cross-jurisdiction ease of travel for passengers. At OCTA, it was a response to the existence of seven separate entities, all doing some form of transportation planning or service provision.
- All three of the peer agency consolidation case studies had their origins in state legislation mandating the change and establishing planning, funding, and operating roles of the new agency. In some cases, subsequent state legislation was also needed.
- Consolidation, by itself, was not the solution for structural budget shortfalls and poor transit performance but could be the catalyst for better outcomes if other supporting actions were taken to make the consolidation more effective and efficient. In all three cases, difficult decisions were necessary during or following the consolidation process in order to achieve increased efficiencies. With LA Metro and OCTA, it involved large-scale administrative layoffs. At MTDB, it involved service reductions and large-scale contracting for transit service delivery and service re-design.
- Restructuring takes time – often years – to see lasting effects, and should involve a transition period with targeted implementation steps aimed at achieving very specific change objectives. The LA Metro consolidation was rushed with critical decisions made following the merging of its predecessor agencies, which resulted in administrative challenges, including labor strikes and prolonged retention of duplicative staff. The MTDB consolidation evolved over a number of years, and by starting with the federation of agencies concept, it was perhaps more palatable to the agencies than a sudden, forced consolidation would have been.
- Strategic planning can institutionalize changes, guide long-term policy direction and vision, and set a timeline for action. This should preferably begin before the consolidation takes effect and should continue with multi-agency coordination efforts to achieve buy-in by the participating agencies and/or department heads.
- A balanced long-term financial plan for all modes, including Omnitrans bus service, should follow strategic planning to evaluate the financial sustainability of the agency, appease those concerned about one mode dominating the other, and secure discretionary federal grant funding in the future. Since a 20 year financial plan is already in place, this component would be easy to implement.
- A potential SBCTA-Omnitrans consolidation should be effectuated by statute to have the consolidated agency become the direct FTA grant recipient for funds that had formerly gone to Omnitrans.
- If there were to be a consolidation, decisions related to discretionary grant funds distribution by SBCTA to the consolidated agency (i.e., to its new Transit Operations Department) versus the other transit operators across the county need to be worked out ahead of any potential consolidation
- The use of separate corporate entities to solve thorny consolidation issues were present at both Metro and MTDB. Metro created the Public Transportation Services Corporation to resolve the issue of two separate sets of retirement programs and benefits between the two former agencies. MTDB created a separate California non-profit corporation to be the operator of the San Diego Trolley in order to retain independence from the transit operators and avoid perceptions of conflict of interest if they had been an operator of one of the region's services.
- The importance of strong leadership and a strategic vision from champions of the consolidation cannot be overlooked. With LA Metro, former Mayor Tom Bradley and former State Assemblyman Richard Katz were instrumental in bringing about the consolidation of SCRTD with LACTC to improve rail planning and coordination. At OCTA, it was State Senator Marian Bergeson's leadership in sponsoring legislation to consolidate multiple agencies under OCTA for increased efficiency and "one voice on transportation issues." At MTDB, it was State Senator Jim Mills' and General Manager Tom Larwin's vision of a coordinated transit system centered on a light-rail network, supported by a "federation" of local transit services under an umbrella planning agency. After the creation of the umbrella agency, a

concerted effort was made by MTDB to have multiple cross-agency working groups to achieve a common purpose and buy-in among the staff of the other agencies.

3 ASSESSMENT OF FUNCTIONAL AREAS

Omnitrans operates three types of transit services covering 15 cities in the San Bernardino Valley, as well as major destinations such as central business districts, transportation centers, hospitals, educational facilities, and shopping malls. Its mission is to "provide the San Bernardino Valley with comprehensive public mass transportation services which maximize customer use, comfort, safety, and satisfaction, while efficiently using financial and other resources in an environmentally sensitive manner."

SBCTA is responsible for cooperative regional planning and furthering an efficient multi-modal transportation system countywide. SBCTA is also a fund administration entity that delivers a countywide capital construction program for all transportation modes. Its mission is to "improve the quality of life and mobility in San Bernardino County" and goes on to provide that "Safety is the cornerstone of all we do. We achieve this by:

- Making all transportation modes as efficient, economical, and environmentally responsible as possible.
- Envisioning the future, embracing emerging technology, and innovating to ensure our transportation options are successful and sustainable
- Promoting collaboration among all levels of government.
- Optimizing our impact in regional, state, and federal policy and funding decisions.
- Using all revenue sources in the most responsible and transparent way."

For evaluation purposes, this study assumes that, in a potential complete consolidation, Omnitrans would become a separate Transit Operations Division under the current SBCTA organizational structure, and all current customer-facing services would remain the same. The consultant's task order requires that only complete consolidation be examined to provide detailed opportunities and challenges for the key functional areas presented in this section, as stated in the RFP. Interviews conducted with SBCTA and Omnitrans for this study in January 2020 revealed that consolidation of Omnitrans into SBCTA as a separate Transit Operations Division would be most appropriate if consolidation were found financially advantageous.

The evaluation of opportunities, challenges, and findings in this chapter is provided in full recognition that they may not be feasible due to lack of support from staff, management, or Board members. They are presented, however, to simply show where financial, organizational, or legal costs or benefits may occur in the event of complete consolidation. Table 3 summarizes the opportunity and challenge areas from a complete consolidation. The sections following the table provide evaluation details for each functional area. As noted in the legend below, the summary displayed in this Table 3 is intended to at a glance, indicate areas of additional discussion and potential investigation in the event of a complete consolidation, and intentionally combine both level of effort and significance of impact to highlight the areas to potentially be considered further.

Table 3. Overview of Evaluation

	Financial	Organizational	Legal/ Contractual
Fixed Route, Commuter/Express Bus and BRT			
Revenue Service			
Dispatching and Customer Service			
ADA and Demand Response			
Paratransit Services			
Special Transportation Services			
ADA Certification Process			
ADA Dispatching and Customer Service			
Integration with Existing and Future Rail Service			
Integration with Existing and Future Rail Service			
Assets and Maintenance			
Facilities Management			
Revenue and Non-Revenue Vehicles			
Transit Facilities, ROW, and Property			
Transit Asset Management (TAM)			
Procurement			
Professional Services Contract			

	Financial	Organizational	Legal/ Contractual
Vehicle and Support Equipment			
Fare Collection and Other Equipment			
DBE, Buy America, and Title VI			
Human Resources			
HR Staffing			
Labor Relations			
Training – Coach Operator, Maintenance, Dispatch			
Drug and Alcohol Program Compliance			
Planning			
Long Range Planning			
Service Planning/Data Analysis			
Short Range Transit Plans			
Comprehensive Operational Analysis			
Scheduling and Run Cutting			
Capital Projects			
Project Development			
Construction Management			
Finance			
Budgeting			
Accounting			
Payroll			
Risk Management			
Internal Controls and Audits			
Capital Asset Management and Reporting			
Grant Application Prep and Assistance			
Grant Management and Reporting			
Funding, Fare Structure			
Cash and Investment Management			
Inventory Management			
Sub-Recipient Monitoring			
FTA Processes			
People Costs			
Retirement Systems			
Job Classification			
Benefits			
Support Functions			
Other Shared Services			
Policy and Legislative Affairs			
Information Technology			
Marketing, Community Outreach, and Advertising			
Telephone Systems and Information			
Security			
Board of Directors/Committees			
Board of Directors/Committees			

Legend

	Red shading indicates a more significant effort
	Blue shading indicates some impact or effort expected
	Light blue shading indicates nominal efficiencies or effort expected
	Grey shading indicates no significant impact

3.1 FIXED ROUTE, COMMUTER/EXPRESS BUS AND BUS RAPID TRANSIT (BRT)

Omnitrans is a major fixed route, express bus, and BRT transit operator that serves the San Bernardino Valley. SBCTA is responsible for cooperative regional planning, and furthering an efficient multi-modal transportation system countywide. Additionally, SBCTA administers funds and oversees capital construction within the County, and coordinates and approves all transit services and projects in the county. SBCTA is a Metrolink Joint Powers Authority (JPA) member and provides financial support and oversight for its commuter rail services.

As provided in the Task 1.2 *Updated Agency Functional Assessment & Initial Pros/Cons of Consolidation Report* (Task 1.2 Report), SBCTA has a Transit Department and Omnitrans has a large Transit Operations Department. As a CTC, SBCTA's role is to coordinate the operation of all public transportation services within the county so as to achieve efficient operation. As one of seven transit service providers in San Bernardino County, Omnitrans is focused on direct transit service delivery for its service area. This core difference in their operations results in relatively few opportunities under consolidation with regard to the transit services function.

Revenue Service **|** A complete consolidation of Omnitrans and SBCTA would not result in an immediate expansion or reduction of revenue services. As discussed in the Task 1.2 Report, SBCTA's Transit Department oversees the construction of major transit projects, whereas Omnitrans' Operations department is focused on service delivery. There would be some limited opportunities for cost savings related to both agencies no longer sending staff to meetings on new transit capital projects. As detailed in Section 4, to effectuate the transfer of Omnitrans revenue service operations to SBCTA, Omnitrans' JPA would need to be dissolved. If the agencies were to consolidate, legislation would be necessary, to serve as the region and state's express approval of SBCTA as the direct recipient of FTA funds that will support the continuation of Omnitrans' bus operations under SBCTA.

Dispatching and Customer Service **|** Omnitrans currently operates two dispatch centers and a customer service call center. The dispatch centers are staffed with seven dispatch staff and one supervisor. The dispatch centers are open seven days a week, often for most of the 24-hour day. The customer service call center is staffed with five full-time and two-part time staff and is currently available seven days a week, for nine to eleven hours a day. In May 2020, the call center hours are being reduced by a total of ten hours a week, including no Sunday service. SBCTA does not have staff assigned to dispatching and customer service. In a consolidated agency, there would be no cost savings or organizational impacts because dispatching and customer service would continue to be handled by Omnitrans staff that move over to the new Transit Operations Department at SBCTA.

Table 4. Revenue Services Evaluation Matrix

Functional Area	Areas of Impact
Revenue Service	**Legal/Contractual** ✓ Omnitrans' JPA would need to be dissolved, and legislation would need to be enacted
Dispatching and Customer Service	No significant impact

3.2 ADA AND DEMAND RESPONSE

SBCTA does not have comparable transit service to Omnitrans', so no significant impact is expected from financial, organizational, and/or contractual opportunities.

Paratransit Services **|** Omnitrans operates OmniAccess, its ADA-complementary paratransit demand-response service. ADA paratransit trips use assigned vehicles and drivers with pre-scheduled daily trip itineraries. Omnitrans also provides subsidies to encourage passengers who would otherwise be eligible for the OmniAccess service to use Lyft for their transportation needs. OmniAccess is contracted out. Omnitrans recently competitively procured the next contract, for up to seven years. SBCTA does not have comparable transit service to OmniAccess. There is no anticipated impact or savings impact from complete consolidation.

Special Transportation Services **|** Special Transportation Services have three areas of function – CTSA, OmniAccess, and OmniGo/Purchased Transportation. Of those functions, Access and OmniGo operate via third parties. Similarly, SBCTA manages a Vanpool Program through a third party. Each program serves different demographics of passengers: SBCTA's Vanpool Program serves commuters and motorists who travel on fixed routes, while OmniAccess provides transit service for those unable to use the fixed-route bus services and OmniGo provides services on the weekends that have low productivity and connects low demand areas with regular fixed-route services. However, in the long-term, there may be opportunities to evaluate and identify activities to streamline the services under a consolidation.

ADA Certification Process **|** SBCTA does not engage in ADA certification, but Omnitrans does. Omnitrans' ADA certification would not experience major changes in a consolidation and would likely continue to operate as-is. For the ADA certification process, Omnitrans supervisory staff routinely evaluate certifications to ensure they are completed correctly. Omnitrans has shifted from a paper screening process to an in-person interview process, after which ADA applications and certifications dropped by more than 40 percent, indicating that this has helped reduce misuse of the ADA paratransit service. As such, after consolidation, resources for ADA certification process will not see a reduction as the service will likely remain the same.

ADA Dispatching/Coordination/Customer Service **|** SBCTA does not engage in ADA dispatching, coordination, or customer service, but Omnitrans does. Omnitrans uses contractors for dispatch and reservations, separate from fixed-route service. Under complete consolidation, dispatching and customer service would continue to be handled by Omnitrans' contractor staff with the relevant and appropriate expertise and capacity.

Table 5. ADA and Demand Response Evaluation Matrix

Functional Area	Areas of Impact
Paratransit Services	No significant impact
Special Transportation Services	No significant impact
ADA Certification Process	No significant impact
ADA Dispatching and Customer Service	No significant impact

3.3 INTEGRATION WITH EXISTING AND FUTURE RAIL SERVICE

Omnitrans partnered with SBCTA and the Southern California Regional Rail Authority (SCRRA or Metrolink) for the operations of the Redlands Passenger Rail Project, also known as the Arrow Rail service. In January 2020, SBCTA Board approved the transfer of Arrow operations to SCRRA. In January, 2020, the full SBCTA Board approved this transfer. As such, the future rail service will now be integrated into Metrolink, and Omnitrans will be removed as the designated Arrow rail operator.

Integration with Existing and Future Rail Service **|** Though SBCTA (as SANBAG) was the application sponsor, Omnitrans is the recipient of a federal Transportation Investment Generating Economic Recovery (TIGER) grant in the amount of $8.6 million for the Redlands Passenger Rail Project. SBCTA is Omnitrans' sub-recipient on the TIGER grant. As the direct recipient, Omnitrans will continue to administer this grant until such time as the grant is transferred to SBCTA as a future direct recipient in the event of a consolidated organization.[5]

In terms of operations of the rail service, there will be no employees dedicated to the Redlands Passenger Rail Project at Omnitrans in the future with the transfer of Arrow rail operations to SCRRA. SBCTA currently has an oversight and funding role over commuter rail services operated by Metrolink in San Bernardino County, so it will continue these duties under a potential consolidation, adding funding and oversight of Arrow service once its operations are fully transferred to Metrolink. It is expected that current Omnitrans staff dedicated to the Redlands Passenger Rail Project will have the option of assuming similar positions with SCRRA as part of the transfer of operations. However, current Omnitrans Planning staff will be needed in the consolidated organization to plan modifications of Omnitrans routes to provide feeder service to/from Arrow line

[5] See January 8, 2020 Omnitrans Board Agenda. As provided in Section 3.9, SBCTA is not a direct recipient of Federal Transit Administration (FTA) funds. Omnitrans is a direct FTA funds recipient.

stations. Current Omnitrans' Planning staff coordination of transit service with Metrolink and Arrow service would also continue under the consolidation, either as part of the new Transit Operations Division or in a merged SBCTA Planning Department. For these reasons, there would not likely be a significant impact on future rail service in the event of a consolidation of SBCTA and Omnitrans.

Table 6. Integration with Existing and Future Rail Service Evaluation Matrix

Functional Area	Areas of Impact
Integration with Existing and Future Rail Service	No significant impact.

3.4 ASSETS AND MAINTENANCE

Omnitrans' and SBCTA's assets and maintenance approach for those assets are different, but provide a few opportunities for coordination in a consolidation. SBCTA has a property manager for the Santa Fe Station, its administrative facility, and owns some rail rights-of-way (ROW) and a portion of the regional San Bernardino Transit Center (SBTC), and co-owns several stations and parking lots maintained by the co-owner, employing maintenance contractors at the cost of $1.2 million annually. This cost includes maintenance, security, electricity, parking lot improvements, building repairs, utilities, etc. of the Santa Fe Depot but excludes ROW maintenance. ROW maintenance, which costs of $950,000 a year, requires contractors with special railroad safety training and record keeping and would likely need to be kept separate from other asset maintenance. Omnitrans has an extensive fleet of 298 vehicles and five operations and maintenance facilities, conducting facility maintenance with 11 employees and some security consultants.

Facilities Management **|** The San Bernardino Santa Fe Depot building, SBCTA's administrative center, is maintained under a property management contract administered by SBCTA. SBCTA employs the contractor for maintenance, janitorial, and security operation of the Santa Fe Depot and is currently procuring a new facilities management contractor. Omnitrans employs full-time staff and contractors to conduct facility maintenance and administration. A potential consolidated agency could streamline the management of facilities by taking one of two longer-term actions. The consolidated agency would meet its combined facility maintenance needs, in the short-term, through Omnitrans' employees and SBCTA and Omnitrans' contractors. In the longer term, it could seek cost savings by either: (A) continuing facility maintenance management by former Omnitrans staff and a single facilities maintenance contract; or (B) eliminating staff directly providing facilities maintenance services and, instead, relying on a third-party contractor, as well as staff to manage the contract. Both options are anticipated to achieve nominal savings due to economies of scale and standardization.

Revenue Vehicles, Overhauls, Body Work and Non-revenue Vehicles **|** Omnitrans' fleet includes 192 compressed natural gas (CNG)-fueled buses, comprised of 177 40-foot buses, and 15 60-foot articulated BRT buses, and 106 CNG- or gas-fueled demand response vehicles, for a total fleet of 298 vehicles. A non-revenue fleet of 69 vehicles supports the revenue fleet, including automobiles for staff and driver relief purposes, and service trucks. SBCTA does not currently own any transit fleet fixed assets, other than a single staff vehicle. The overall lack of comparable rolling stock assets and maintenance personnel limits the likelihood of any savings through a complete consolidation.

Bus Stop, Shelter and Transit Centers, Rail ROW, Facilities and Support Equipment, and Other Property and ROW **|** These asset and maintenance categories will not face significant impacts in the event of a complete consolidation. Omnitrans employees directly maintain certain assets, such as the SBTC, bus stop signage, benches, shelters, trash receptacles, solar lights, and sbX express bus stations. SBCTA co-owns a number of bus and rail stations primarily located in the San Bernardino Valley that, in virtually all cases, are maintained by the municipality in which the station is situated. Also, SBCTA contracts with a vendor to manage its ROW license/lease agreements and with a separate vendor to maintain its ROW. Both agencies co-own and operate the SBTC. Omnitrans owns the SBTC building and the bus bays, and SBCTA owns the crew house, the railroad infrastructure including the platforms and 50 percent of the parking lot with the City of San Bernardino.

Maintenance of these assets and the Santa Fe Depot building may eventually be streamlined under a complete consolidation. Similar to facilities maintenance, streamlined management of assets in a consolidated agency could take one of two longer-term forms. Potential cost savings opportunities could come from: (A) continuing asset management by former Omnitrans staff and a single facilities maintenance contract; or (B) eliminating staff directly providing asset maintenance services, and relying on a third-party contractor, as well as staff to manage the contract. Both options are anticipated to achieve nominal savings due to economies of scale and standardization, and, in the case of the latter option, elimination of some staff.

Unlike facilities maintenance, however, ROW management may be more appropriately administered through contractual or other third party means. Maintenance of SBCTA's railroad ROW, currently performed by an SBCTA maintenance-of-way contractor or by SCRRA, should remain contracted functions because it requires railroad safety qualifications.

Transit Asset Management (TAM) and Asset Management and NTD reporting processes **|** Congress requires transit agencies to report to the National Transit Database (NTD) if they receive or benefit from Urbanized Area Formula Grants under 49 United States Code (U.S.C.) Section 5307. All recipients and sub-recipients of federal transit funds that own, operate, or manage public transportation capital assets are required to develop and implement transit asset management (TAM) plans. Because SBCTA is currently an FTA funding sub-recipient to Omnitrans, SBCTA works with Omnitrans to include completed project assets into their TAM plan. At this time, this includes infrastructure completed as part of the Arrow Redlands Rail Project. Omnitrans' current TAM Plan was approved by the Omnitrans Board of Directors in December 2018. With the transfer of Arrow vehicle operations and maintenance to SCRRA, all assets associated with Arrow service will be included in SCRRA's TAM. Further, SCRRA is working to incorporate the SBCTA jointly owned Metrolink Stations into their TAM. The TAM Plan focuses on three types of capital assets: 1) Revenue vehicles; 2) Service vehicles; and 3) Buildings & Facilities. The assets have a condition assessment and a Useful Life Benchmark (ULB). Assets exceeding their ULB are prioritized and scheduled for replacement or refurbishment, depending on the capital funds available.

Transit providers are required to set performance targets for their capital assets based on the state of good repair measures and report their targets, as well as information related to the condition of their capital assets, to the NTD. FTA submits annual NTD reports that summarize transit service, asset, and safety data to Congress for review and use. Omnitrans currently sets performance targets and reports performance data to NTD, which SBCTA monitors, along with reports provided by the county's other transit providers to NTD.

Under a consolidated agency, Omnitrans' TAM plan would continue to be developed, and performance goals and data would continue to be provided to NTD. A marginal level of improvement could occur in a consolidation where the TAM plan and transit performance targets would be better aligned with overall SBCTA goals. Oversight of the new Transit Operations Department's performance, however, should be a consideration prior to consolidation. The agencies should determine whether, as a matter of policy, it benefits the consolidated agency to designate a third party or internal business unit to perform regular performance oversight.

Table 7. Assets and Maintenance Evaluation Matrix

Functional Area	Areas of Impact
Facilities Management	**Financial** ✓ Longer-term cost savings opportunity for the consolidated agency by consolidating facility-maintenance resources with Omnitrans employees, or contracting out services currently performed by Omnitrans staff to a third-party contractor.
Revenue Vehicles, Overhauls, Body Work and Non-revenue Vehicles	No significant impact
Bus Stop, Shelter and Transit centers, Rail ROW, Facilities and Support Equipment, and Other Property and ROW	**Financial** ✓ Potential opportunity for the consolidated agency by consolidating asset maintenance resources with Omnitrans employees, or contracting out services currently performed by Omnitrans staff to a third-party contractor. Nominal efficiencies expected.
Transit Asset Management (TAM) and Asset Management and NTD reporting processes	**Organizational** ✓ No short-term gains but a long-term opportunity to streamline coordination of transit planning and operations reporting, and oversight of Omnitrans and county transit providers' TAM plans. This is an opportunity with or without consolidation. Nominal efficiencies expected.

3.5 PROCUREMENT

Each agency's procurement office purchases different types of products and services. SBCTA's procurement office of three employees focuses on planning and capital construction delivery services. Omnitrans' procurement office of 20 employees purchases goods and services to support transit operations. Eleven of the 20 positions in Omnitrans' procurement function are parts clerks, maintaining storerooms and parts inventory. These parts clerks are warehouse personnel in a 24/7 operation in two parts rooms. A complete consolidation of SBCTA and Omnitrans will not impact efficiencies in this area, and Omnitrans is already evaluating this function.

Professional Services Contracts | Omnitrans and SBCTA have similar professional services procurement functions. Both agencies' procurement units engage in work associated with creating requests for proposals (RFP) and contracts for professional services that are compliant with FTA guidelines. A complete consolidation could streamline duplication in professional services procurement, requiring fewer staff and contracts where there are currently duplicative planning, design, or other service or project delivery service needs being met by similar professional services firms paid by similar funding sources.

Vehicle and Support Equipment, Non-revenue Vehicles, Fuels, Fueling Infrastructure Installation and Maintenance | There are no economies of scale from procurement of physical assets under a complete consolidation as SBCTA only operates one non-revenue vehicle and no revenue vehicles. Vehicle and support equipment, non-revenue vehicles, gas/diesel/alternative fuels, fueling infrastructure installation and maintenance will not experience any major savings or impact but would be procured by the merged procurement function in the consolidated agency. In case of a consolidation, a zero-emission bus procurement that arises from the current countywide Zero Emission Bus (ZEB) Study being conducted by SBCTA may be beneficial for the consolidated agency's Procurement Department as the five transit operators purchase their battery-electric buses. There are no direct cost savings associated under a consolidated agency because SBCTA does not purchase or own revenue vehicles and is conducting the ZEB Study for the five operators. The overall benefit is the potential coordination in battery-electric bus procurements because SBCTA is the coordinating agency for the Study, and Omnitrans is one of the stakeholders. The coordination of ZEB purchases can occur with or without a complete consolidation.

Fare Collection and Other Equipment | For the Arrow rail service, fare collection and other equipment will not experience significant impact from a complete consolidation, as it is assumed that fare collection and fare equipment management will be transferred to SCRRA along with the new rail service's operations and maintenance. Omnitrans' on-board fare collection equipment consists of General Farebox Inc. (GFI) Odyssey fareboxes and SPX/Genfare ticket machines on sbX station

platforms. Omnitrans' existing fare collection will likely continue under a consolidation with support from the same personnel who perform this today. However, the financial accounting for fare revenues and procurement of equipment and contracted security firms for cash pickup would be handled by the finance/revenue department of the consolidated agency.

DBE, Buy America, and Title VI **|** Procurement impacts due to disadvantaged business enterprise (DBE), Buy America, and Title VI requirements, have no significant impact in a complete consolidation. Omnitrans and SBCTA currently must comply with FTA procurement regulations, such as DBE, Buy America, and Title VI, due to their status as FTA funding recipient and sub-recipient, respectively. Both agencies are already coordinating DBE program goals and reporting, as SBCTA must provide information regarding its DBE spending to Omnitrans as well as following Omnitrans DBE goals when procuring for services funded by FTA. Currently, the procurement and/or planning staffs of the two agencies coordinate on DBE and Title VI matters. Also SBCTA has a consultant to do Title VI compliance while Omnitrans utilizes internal staff to perform this function. There may be an opportunity to streamline these requirements, reporting, and compliance as the agencies are integrated, but the consolidated agency's compliance with these specific regulations will see little impact. In general, the ability to streamline similar processes can provide the opportunity for staff advancement and more flexibility to cover vacancies and extended absences.

Table 8. Procurement Evaluation Matrix

Functional Area	Areas of Impact
Professional Services Contract	**Financial and Organizational** ✓ Streamlining of procurement staff performing duplicative functions ✓ Longer-term opportunity to standardize procurement functions, provide career path options, and more redundancy for vacancies and extended absences. Nominal efficiencies expected.
Vehicle and Support Equipment, Non-revenue Vehicles, Fuels, Fueling Infrastructure and Maintenance	No significant impact.
Fare Collection and Other Equipment	No significant impact
DBE, Buy America, Procurement, and Title VI	Nominal efficiencies expected.

3.6 HUMAN RESOURCES

Currently, SBCTA's human resources (HR), risk management, procurement, payroll, and information technology (IT) functions are supported by a mix of staff, other agencies, and consultants. In a complete consolidation, the combined agency could centralize HR staffing but likely faces challenges in labor relations, training, and staff development.

HR Staffing **|** SBCTA has only two HR employees who have shared responsibilities with IT and Facilities functions. SBCTA hires consultants to perform compensation studies and uses a NeoGov subscription for recruiting. Omnitrans' HR department is composed of 11 employees who support a workforce of 722 and may be large enough to support an additional 67 employees currently at SBCTA. Omnitrans performs compensation studies internally and has its own NeoGov subscription for recruitment purposes. While there are few opportunities to reduce HR staffing, some limited savings may occur with regard to compensation studies that could be conducted completely in-house or through outsourcing and recruiting services that could be assisted with a shared NeoGov account under a single consolidated agency. The long-term opportunity is to standardize HR functions, provide career path options, and support vacancies and extended absences. One of the staffing challenges of the consolidated agency would be to adjust the compensation and benefit levels for the staff positions of the two agencies to provide equity for similar-level positions, as discussed in the Job-Classification discussion of this section, and the Benefit discussion in Section 3.10 People Costs.

Labor Relations Staffing **|** Omnitrans has two unions that represent 589 front-line, operations and maintenance personnel, and administrative staff – the Amalgamated Transit Union (ATU) and Teamsters. SBCTA's employees are not unionized. Under a consolidated agency, a centralized HR function would need to continue Omnitrans' labor relations responsibilities

(e.g., administration of labor agreements, grievances and arbitrations, handling potential wage/salary level issues such as "wage compression"), which would likely largely be handled by the former Omnitrans staff who were handling these duties. The consolidated board and management will need to actively manage labor relations during the transition and longer-term operations of the consolidated agency.

It is assumed that there will be no change to labor agreements in the short-term. However, learning from LA Metro's experience, the role of labor unions in the consolidated agency and treatment of unionized employees' benefits, retirement system, and other rights will need to be addressed prior to the consolidation. Interviews performed for this study revealed that the unions might see SBCTA's large budget and believe there is more money to pay unionized staff. Thus, a consolidated agency may need additional engagement with union leadership to better explain the different purposes, funding, and expenditures at SBCTA, and help manage expectations.

Training – Coach Operator, Maintenance, Dispatch, other Administrative **|** Omnitrans has previously experienced coach operator recruitment and retention challenges but reports that these are not issues at this time. Omnitrans has six staff and one manager in the fleet safety and training group. This group is responsible for developing and conducting training and certification of coach operators. Omnitrans directly performs most vehicle maintenance for the fixed-route service. It provides maintenance training for mechanics and helpers. This training is significant with both classroom and hands-on training provided. Omnitrans is purchasing four electric-powered vehicles in 2020. The vehicle manufacturer will provide Coach Operator and vehicle maintenance training. SBCTA does not perform nor contract for vehicle maintenance training. Thus, a complete consolidation is not expected to have a significant impact on training.

Drug and Alcohol Program Compliance **|** Of the two agencies, only Omnitrans is subject to a required Drug and Alcohol Compliance program per FTA regulations. Omnitrans has one staff person that administers the Drug and Alcohol Program (as well as the leave program). The annual cost for drug and alcohol testing and services is approximately $41,000. This function would now be assumed under the combined HR department of the consolidated agency.

Table 9. Human Resources Evaluation Matrix

Functional Area	Areas of Impact
HR Staffing	**Organizational** ✓ Near-term, opportunity for limited savings on contracted service supporting the HR function through consolidation. ✓ Longer-term opportunity to standardize HR functions, provide career path options, and more redundancy for vacancies and extended absences. Nominal efficiencies expected. ✓ Longer-term, HR would likely need to address adjustments to compensation and benefit levels of employees from the two former organizations to ensure equity.
Labor Relations Staffing	**Financial** ✓ Longer-term potential shifting of some SBCTA administrative employees from non-represented to represented, or vice versa **Organizational** ✓ The consolidated agency's Board and management will need to actively manage labor relations during the transition and longer-term operations of the consolidated agency ✓ Additional engagement with union leadership will be needed from management to better explain the different purposes, funding, and expenditures at SBCTA, and help manage expectations **Legal/Contractual** ✓ The role of unions in the consolidated agency and treatment of unionized employees' benefits, retirement system, and other rights will need to be addressed prior to the consolidation and maybe codified in legislation ✓ Challenges in negotiating agreements, wage compression, and labor negotiations become a responsibility for the Board and management in the combined agency

Functional Area	Areas of Impact
Training – coach operator, maintenance, dispatch, other	No significant impact
Drug and Alcohol Program Compliance	No significant impact

3.7 PLANNING

Each agency provides a function described as planning, but the focus of each agency's planning unit is significantly different. SBCTA's Planning Department, comprised of six employees, has a multi-modal focus and plans at the regional and county-wide level, while Omnitrans' Planning and Scheduling Department, composed of 5.5 staff, focuses on short-term[6] (near-term to five years out) planning efforts relating to operating its transit services.

Long Range Planning Functions **|** Long-range planning, such as the development of the Long Range Transportation Plan (LRTP) is currently completed by SBCTA, which provides comprehensive long-range planning expertise for the county and contributes to regional plans. Omnitrans does not provide these services. SBCTA's Planning Department has been responsible for Comprehensive Multimodal Corridor Plans (required by the state for SB 1 funding), Long Range Transportation Plans (no specific timeline required), Customer-based Action Plan, submittal of growth forecast and project submittals to the Southern California Association of Governments' (SCAG) Regional Transportation Plan (RTP)/Sustainable Communities Strategy (SCS), and integration of land use into these plans (as appropriate). This function will not be impacted by a complete consolidation, but the input of the new Transit Operations Department into these plans will likely be better coordinated. Thus, a complete consolidation will have little impact on long-range planning functions.

Service Planning/Data Analysis **|** Service planning and data analysis are not expected to change significantly but offer opportunities for improved organizational efficiency and coordination under a consolidated agency. For example, SBCTA is currently conducting a Countywide ZEB Study for the six transit operators in the County, including Omnitrans. As such, planning initiatives like the ZEB Study could see improved coordination under a consolidated agency. In addition, Omnitrans' Planning Department includes a development review planner who coordinates with cities on development reviews, and whose skillsets could integrate into the current first mile/last mile studies for SBCTA, as well as active transportation planning.

Both agencies currently utilize GIS, which is another area where consolidation would provide efficiencies. SBCTA's Planning Department utilizes GIS to analyze, map, and support other SBCTA departments. Omnitrans' Planning and Scheduling Department utilizes GIS for its planning efforts and has a service planning function for scheduling of transit services provided by the agency. The consolidated agency could share resources for GIS and technical data analysis and would need to retain Omnitrans staff who currently provide service planning and scheduling services for its bus transit operations.

Short Range Transit Plans (SRTP) **|** SBCTA allocates operating and capital dollars to county transit operators every year based on the information in their individual SRTPs which are presented to the SBCTA Transit Committee and Board of Directors for approval. In addition, SBCTA's Transit Department prepares a comprehensive over-arching SRTP for the county and presents this plan to the SBCTA Transit Committee and Board of Directors. The funding projections in the SRTPs are then used as a guide for annual allocations to the operators. As such, a consolidation would improve the coordination efforts for the annual allocation for Omnitrans. In addition, SBCTA's SRTP does not currently include an annual process for evaluating the performance of transit services, which, as a transit operator, it would need to do. As a consolidated agency, SBCTA's SRTP preparation would broaden its scope to include the annual process for evaluating transit service performance, addressing service area needs, and providing capital and operating budget projections. However, this could be done by the consolidated agency's Planning staff who would perform or contract for this function, previously performed by Omnitrans. Thus, no significant impact is anticipated.

Comprehensive Operational Analysis (COA) **|** Comprehensive Operational Analyses are typically performed every five to ten years by transit agencies. They are intended to provide a detailed analysis of the operational performance of a transit system and provide a strategic plan for how the system should evolve in the following five to ten years. The last COA of the

[6] Omnitrans's service planning horizon is five years; their capital planning horizon is for the life of the assets procured.

Omnitrans system was conducted in 2013/2014 by SBCTA. A high-level version of a COA is a part of this current *Consolidation Study and Innovative Transit Review*, to identify where Omnitrans' fixed-route resources should be focused and where alternative modes may be more appropriate, given the current transit use environment. The Innovative Transit Review portion of this study (Task 3) is scheduled to start in May 2020. It is anticipated that in the future, the consolidated agency would continue to prepare a COA every five to ten years. In the future, the consolidated agency's Planning staff would complete the COA.

Scheduling/Run Cutting **|** Scheduling/run cutting is solely an Omnitrans function. SBCTA is not involved in transit route planning and scheduling. Omnitrans uses its Trapeze Software for scheduling and route optimization. There are no anticipated impacts to scheduling/run cutting from a complete consolidation. This would likely remain as a function within the new Transit Operations Department in the event of consolidation.

Table 10 Planning Evaluation Matrix

Functional Area	Areas of Impact
Long Range Planning	No significant impact
Service Planning/Data Analysis	**Organizational** ✓ Improved coordination and expertise for special studies. Nominal efficiencies expected. ✓ Sharing of resources/talent for GIS and other data analysis. Nominal efficiencies expected.
Short Range Transportation Plans	**Financial** Nominal efficiencies as it will eliminate the need to prepare a duplicate SRTP to Omnitrans SRTP. The consolidated agency's Planning staff would complete or contract for this function, previously performed by Omnitrans.
Comprehensive Operational Analysis	Nominal savings as it will eliminate two agencies participating in this function. The consolidated agency's Planning staff would complete or contract for this function, previously performed by Omnitrans. The previous Omnitrans COA was administered by SBCTA.
Scheduling and Run Cutting	No significant impact

3.8 CAPITAL PROJECTS

Staff at both agencies are dedicated to capital project development and construction management. SBCTA focuses on multimodal capital project development and construction countywide, while Omnitrans focuses on making minor improvements to its transit facilities in its service area and ensuring a state of good repair of its facilities. The differences in the modal and geographic nature of their work provide a moderate impact from a potential consolidation with some efficiency resulting from coordinated project management of major transit projects and programs. Omnitrans is currently contracting with SBCTA to deliver the construction of major capital projects related to bus infrastructure.

Project Development **|** SBCTA has two departments that oversee major capital projects: 1) Project Delivery and Toll Operations, focused on major highway construction and without similarities to Omnitrans; and 2) Transit, which oversees the construction of major capital projects related to bus and rail infrastructure improvements or station construction. Omnitrans has one Construction Manager in the maintenance department and one planner who also has other duties.

Omnitrans currently bills SBCTA for their staff time since Omnitrans is the main recipient of the FTA funding for any capital project services requested by Omnitrans in the cases that SBCTA is leading on a construction project (e.g., the San Bernardino Transit Center, West Valley Connector). In addition, SBCTA includes an allocation of funding to pay Omnitrans for their staff time too. On these joint projects, each agency assigns a project manager to oversee the project and maintain communication on the project progress. This creates some duplication of effort as both agencies must present updates to each

agency Committee of jurisdiction and Board regarding the progress of the project as well as changes to the scope, schedule, or budget. There is duplication of staff at all project meetings including those with local stakeholders and with the FTA.

If consolidation were to occur, the consolidated agency would be most effective if it incorporated operational needs from the new Transit Operations Department into the Transit Department's development of capital projects. Currently, SBCTA-managed construction projects for facilities in which Omnitrans operates require coordination between the two agencies. With a consolidated agency, the capital delivery staff will likely be able to more effectively integrate input from the new Transit Operations Department.

Construction Management | SBCTA's Transit Department has led some of Omnitrans' major capital construction for projects like the San Bernardino Transit Center and the upcoming West Valley Connector. Managing capital construction is a core function of SBCTA and not significantly undertaken by Omnitrans. Under a consolidation, there may be opportunities for minor transit projects currently handled by Omnitrans to be leveraged with SBCTA's expertise, processes, and contractual resources for project delivery. However, no significant impacts are expected.

Table 11 Project Development and Construction Management Evaluation Matrix

Functional Area	Areas of Impact
Project Development	**Organizational** ✓ Integration of operational inputs and minor transit project needs to capital project development. Nominal efficiencies expected.
Construction Management	**Organizational** ✓ Nominal efficiencies through less duplication of staff attending meetings/managing construction projects.

3.9 FINANCE

The finance functional area poses several opportunities and challenges in a complete consolidation because both agencies' Finance Departments conduct similar, and thus, duplicative functions. However, due to the agencies' diverging missions, each approaches accounting and budgeting differently.

Budgeting | SBCTA has a program-based approach to budgeting weighted toward delivery of major capital projects funded from various local, state, and federal sources. Their budget is not routinely split between operating and capital expenses as required of FTA fund recipients. Omnitrans, on the other hand, closely follows FTA requirements. Omnitrans develops an annual budget that follows FTA definitions for separation of operating and capital expenses and uses NTD object class codes and functions. Under a complete consolidation, SBCTA would need to modify its budgeting to resemble that of Omnitrans, at least for the minor transit operations and maintenance portions of its overall program. SBCTA staff indicated that they already budget at the object class level, so it would take some additional work to present the information in a way that meets FTA requirements. However, this would not require many internal accounting and process changes. Thus, no significant impact is likely from consolidation.

Accounting | Consolidation provides an opportunity to consolidate traditional accounting functions (e.g., accounts payable, accounts receivable, grant accounting, general ledger, and invoices), as well as the overall financial software system that supports all these functions, which are currently duplicated at the two agencies. It is important to note that FTA accounting requirements[7], such as utilizing the FTA Uniform System of Accounts, are met in the consolidated agency. Consolidation should provide some reduction of work resulting from a reduction of bank accounts and investment accounts to manage and

[7] FTA accounting and other financial management requirements are provided in FTA-issued guidance, including circulars, its Grant Management Requirements, its Certifications and Assurances for Federal Transit Administration Grants and Cooperative Agreements, its Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs (49 CFR Part 24), and its Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended.

reconcile, the preparation of a single Comprehensive Annual Financial Report (CAFR) instead of two CAFRs and reduction of billing back and forth between the two agencies.

SBCTA is currently assessing replacement of its financial management system, and Omnitrans holds an SAP Enterprise software system containing modules that, with some modification, could potentially support SBCTA's financial needs. If consolidation were to occur, this integration of financial management software systems could achieve lower overall costs as opposed to the acquisition of a completely new system at SBCTA and maintenance of Omnitrans' separate system. In fact, Omnitrans currently has many of its capital assets (e.g., buses, other vehicles, shop equipment, operating facilities) that are already carried in its asset management system.

Payroll and Personnel Administration **|** SBCTA's payroll system is handled through the County of San Bernardino, which procures and secures health benefits, processes payroll, and tracks/pays taxes. SBCTA collects employee timekeeping information and sends it to the County for payroll processing services. There are three SBCTA employees partly dedicated to managing payroll. In their completed Agency Questionnaire, SBCTA estimated that a total of 0.33 full-time equivalents are involved in payroll processing, in addition to the contracted County payroll and personnel services. Omnitrans has four dedicated employees to handle payroll and benefit related functions. In contrast to the SBCTA's payroll system, Omnitrans utilizes its own in-house timekeeping and payroll system, SAP ERP, to do more than just payroll processing. SAP ERP also manages financial transactions, processes work for planning, reporting of business operations, and handles data management within the HR department. Omnitrans' system could potentially handle both agencies' payroll with a system modification to include SBCTA's project coding. Alternatively, SBCTA's payroll system from the County also has the capability to incorporate Omnitrans payroll if an interface can be devised to accept Omnitrans' Trapeze System/Kronos timekeeping data.

Risk Management **|** Risk considerations and requirements for transit operations are considerably different from those of an administrative agency. Currently, Omnitrans' General Liability is handled through the CalTIP JPA and administered by Sedgwick (formerly York). Omnitrans is self-insured up to $100,000. Current liability insurance costs are budgeted at $2.7 million, which includes administrative costs. Omnitrans has a Third-Party Administrator for Workers Comp. Due to the rapidly rising costs Omnitrans has experienced in the Casualty and Liability area, the agency is considering going out on the open market for General Liability coverage.

SBCTA also has a Third-Party Administrator for all claims. SBCTA manages from a perspective of contractual risk transfer for most of its scope of work. This allows the agency itself to finance a limited amount of liability exposure through a self-insured retention and the purchase of commercial insurance. At the time a claim is received, it is evaluated for sufficiency and appropriateness. Then, at that time, the agency may reject the claim directly to the claimant with no assignment of liability as the agency may have no established contract, project, or other relationship in the incident area. On other occasions, the agency may reject the claim and tender it to the appropriate contractor or service provider based on a contractual relationship. SBCTA pays about $24,000 annually in claims. Under consolidation, SBCTA would need to absorb Omnitrans' coverage limits and increase its current $5 million coverage limit to cover the increase in risk associated with extensive public transit operations akin to the $25 million coverage limit for Omnitrans. This could potentially be addressed by SBCTA joining Omnitrans' insurance coverage pool or newly-procured liability coverage.

Internal Controls and Audits | A small portion of the duties of three SBCTA staff, including the Chief of Fiscal Resources and Fund Administration Management Analysts, involve audit services, including procurement of external auditors. SBCTA's Chief of Fiscal Resources and Chief Financial Officer also have responsibility for internal control review and assessment. Omnitrans and the other transit agencies in San Bernardino County are recipients of state Transportation Development Act (TDA) and Measure I funds from SBCTA. Thus, SBCTA engages an external auditor to audit compliance related to these funding sources. SBCTA engages a consultant for the triennial TDA audit, and both SBCTA and Omnitrans are audited. Under a consolidation, this auditing and internal control assessment would continue utilizing an external auditor procured by SBCTA. Thus, no significant impact is anticipated.

Capital Asset Management and Reporting | Omnitrans conducts regular capital asset management and reporting due to its ownership of capital assets and status as a direct FTA funding recipient. SBCTA tracks its capital assets in a manner that is compliant with FTA requirements. However, because SBCTA's ownership of capital assets is limited, it does not use the same financial accounting system as Omnitrans. Consolidation would not require a change to SBCTA's financial system to mirror FTA requirements regarding capital asset management and reporting. SBCTA's assets could simply be added to Omnitrans' SAP Enterprise financial accounting system and be adopted by SBCTA. When enabling legislation establishing the consolidated agency is pursued, it may also need to address the transfer of all of Omnitrans' assets to the newly consolidated agency.

As provided in Section 3.4, Omnitrans' 2018 TAM Plan focuses on revenue and service vehicles, as well as buildings and facilities. Assets with a condition assessment exceeding its ULB are prioritized and scheduled for replacement or

refurbishment, depending on the capital funds available. Omnitrans replaces buses based on FTA guidelines but has extended the useful life from 12 to 14 years. Other capital equipment are replaced at the manufacturers' useful life expectancy, equipment assessment, professional judgment, and available funding. A complete consolidation may change this approach to asset management, which may have budgetary impacts. Extending the useful life of assets may bear short-term cost savings, but might require longer-term expenditures related to mid-life overhauls and other repairs associated with age and deterioration.

Grant Application Preparation and Assistance **|** Discretionary grant funds can leverage existing local resources to pay for planning and construction costs of priority capital projects. Improved coordination regarding discretionary grant application preparation and assistance is expected as both agencies plan for future projects. SBCTA holds a grant preparation contract, which accesses consultant support to assist it in applying for state and federal discretionary grant funding. SBCTA has been successful in acquiring discretionary grant funding, including the following funds in Omnitrans' service area:

- $8.7 million in 2016 USDOT TIGER funds for the Redlands Passenger Rail Project
- $10.8 million in 2018 CTC Local Partnership Competitive Program funds for the Redlands Passenger Rail Project
- $65 million in 2018 CTC Solutions for Congested Corridors funds for the Redlands Passenger Rail Project
- $30 million in 2018 CalSTA TIRCP funds for the Diesel Multiple Unit Vehicle to Zero- or Low-Emission Vehicle Conversion and West Valley Connector Bus Rapid Transit Project

SBCTA prepared and applied for discretionary grant funding for these projects and in the case of the federal TIGER grant, Omnitrans was the recipient of funds. This required duplicative efforts on the parts of SBCTA and Omnitrans in the preparation of the FTA full funding grant agreement as well as with respect to the ongoing project management oversight meetings for the Redlands Passenger Rail Project which Omnitrans attends. SBCTA also provides support for the state Low Carbon Transit Operations Program (LCTOP) and federal 49 U.S.C. § 5310 (Enhanced Mobility of Senior and Individuals with Disabilities Program) funding it distributes and reviews Omnitrans grant applications when requested. Both agencies monitor the availability of these funds as well as the related expenditure deadlines. Omnitrans and SBCTA work together to input FTA grant applications in Trams (FTA's grants system) for projects where SBCTA is the lead agency for constructing the project. Omnitrans inputs the grant information into Trams when they are the project lead, using UZA and federal fiscal year information provided by SBCTA. SBCTA then reviews the grants and monitors their drawdown. Omnitrans also applies for grant funding and, when requested, SBCTA reviews the Omnitrans applications. Further, Omnitrans works with SBCTA to identify the required local match funding needed to be competitive on their grant applications.

SBCTA's grant writing contract and other grant application preparation and assistance resources could be shared in a consolidated agency such that these resources are used to apply for discretionary grant funding that could cover the costs of planning or construction of future capital projects benefiting the new Transit Operations Department. This is needed as Omnitrans, along with other transit providers statewide, seek funds to reach compliance with the California Air Resources Board's (CARB) Innovative Clean Transit regulation that mandates 100 percent ZEB fleets by 2040.

Grant Management and Reporting **|** The other side of applying for and receiving discretionary and non-discretionary grants is grants management and status reporting to funding agencies. Both agencies currently perform this function but for different grants provided by different funding agencies. At SBCTA, grant management and reporting are, for the most part, duties performed by those overseeing the specific program or project scope of work. Other, more specific functions are performed by SBCTA's Fund Administration or Finance Departments, such as determination of available funding or billing. SBCTA has 18 staff that partially support grants management as a small part of their overall work (total of 1.92 FTE). Omnitrans only has one position that explicitly handles this task with support from others, including the Finance Department, which has two financial analysts that partially support this function. In a consolidated agency, this function would likely continue as it is performed at SBCTA. That is, project managers in the consolidated agency would continue to manage the grant as part of managing the project, perform all reporting requirements and the Finance Department will continue to do grant billing only. Thus, there would be improved efficiency but little cost savings in this area.

In addition, each year, FTA requires recipients of federal grants for public transportation purposes to formally agree to certain pre-award certifications and assurances. For FY 2019, there were 18 separate categories of certifications and assurances for FTA assistance programs, covering many federal transit regulatory areas. Omnitrans, as the direct recipient of FTA funds, annually files the certifications and assurances with the FTA. Under an MOU with SCAG, SBCTA is responsible for determining the split of FTA formula funds, notifying Omnitrans of the amount of their allocation, and making sure that Omnitrans submits a copy of their FTA certifications and assurances to SCAG. In addition, SBCTA completes a separate annual certifications and assurances. This duty of SBCTA's would continue under a consolidation though the oversight would be internal to the consolidated agency and one annual certifications and assurances would be completed.

Funding (including LTF Administration and Measure I compliance), Fare Structure, Collection Methods, Fare Media, Shelter and Bus Advertising | Funding, fare structure, collection methods, fare media, shelter, and bus advertising are functional areas that will not see major impacts. Omnitrans manages a fare collection system, a monthly Mag Stripe pass, Genfare Odyssey validating fareboxes, and mobile fares. Omnitrans dumps fareboxes nightly and contracts with LA Federal Armored Service for cash handling. SBCTA does not manage fareboxes and has very little cash handling associated activities. Omnitrans also coordinates with six adjacent transit agencies for fare vending, schedule coordination, and transfers. Fare structure and collection would continue in the merged departments in the consolidated agency with little impact. Fare structure and policy would now be a function of the consolidated agency and its Board, which would also be required to conduct FTA-required hearings for fare changes.

Cash and Investment Management **|** SBCTA's Finance Department and the Chief Financial Officer (CFO) are in charge of cash, investment monitoring, and compliance. The department also utilizes a consulting firm and a bank (PFM and US Bank) for investment advisory assistance. SBCTA invests in the Local Agency Investment Fund (LAIF), California Asset Management Program (CAMP), and San Bernardino County Treasury pool. Omnitrans earns revenue (interest payments) from its investment in LAIF and money market accounts. Unlike SBCTA, Omnitrans does not have the need to invest in long-term investment types due to the nature of their operations and their available cash balance. Prior to consolidation, the agencies would need to consider whether Omnitrans' investments in LAIF or money market accounts will be combined with SBCTA's or transferred to CAMP, depending on interest earnings provided by both pools. Both options would be an easy transition, and cash and investment management resources would likely reduce slightly as less bank/pool accounts have to be managed and reconcile on a monthly basis. Thus, minimal financial, organizational, or legal/contractual impacts are anticipated, due to the transfer of all of Omnitrans' cash and investments to SBCTA as part of consolidation.

Inventory Control **|** SBCTA performs inventory checks once a year as a part of their capital asset tracking. In doing so, SBCTA uses MS Excel® for minor furniture and equipment inventory (e.g., chairs, desks, computers). SBCTA does not maintain an active inventory of parts or equipment that is used for repairs. Once the SBCTA's I-10 and I-15 Express Lanes are in operation, SBCTA will have access to the contractors' inventory management system to view inventory related to the toll systems/operations only. However, the inventory will be managed by a vendor who will perform maintenance on the assets on SBCTA's behalf. Maintenance-of-way for rail property does not have an inventory of the signs and fences maintained by SBCTA, but currently, a system is being developed to inventory asset locations. Omnitrans has 11 personnel dedicated to the maintenance of a parts storeroom and other inventory. Omnitrans uses SAP to manage all aspects of material management. SAP is integrated with maintenance work orders, and parts are issued and tracked to individual buses. This system is primarily used for the majority of their fixed-route services. The maintenance of the OmniAccess fleet is the responsibility of the contractor (MV). With respect to the contractor's inventory management system, Omnitrans staff has access to this data at any given time. In case of a consolidation, inventory management for the OmniAccess fleet would continue to be the contractor's responsibility until such time as the contracting agency (Omnitrans, or SBCTA if consolidated), decides to take it in-house.

Sub-recipient Monitoring **|** Omnitrans requests SBCTA, as a sub-recipient of its FTA funds, to complete a form as part of the FTA certifications and assurances process. This is done by various SBCTA departments based on their respective areas of the self-certification process. This form is part of the annual monitoring/audit site visit performed by Omnitrans to SBCTA. Omnitrans would no longer have to perform sub-recipient monitoring/audits of SBCTA under a consolidation. This presents an opportunity to save a limited amount of time and other resources currently used to conduct sub-recipient audits for both agencies. There may be on-going sub-recipient monitoring for other FTA recipients in the county, however, so this functional area is not expected to result in significant savings or efficiencies.

FTA Processes and Direct Recipient Designation **|** Currently, Omnitrans is a direct recipient of FTA funds, which provides them the authority to receive non-discretionary federal funds. SBCTA is a sub-recipient of FTA funds, which means SBCTA cannot receive non-discretionary funds directly from FTA but must coordinate with Omnitrans to receive them. These funds are passed-through from Omnitrans. SBCTA and Omnitrans have a master agreement that provides the general requirements of this sub-recipient relationship. Both agencies develop project-specific supplemental agreements as projects that require FTA funding are developed.

Under a complete consolidation, SBCTA would need to become a direct recipient of FTA so that, among other duties, its Board can approve grant requests, receive grant funding, and approve submission of annual certifications and assurances. These functions, currently handled by Omnitrans, would now become functions of the consolidated agency.

A key step in being designated as a direct recipient of FTA grant funding requires a letter from the governor and letters from other transit agencies in the urbanized area (Riverside-San Bernardino UZA and LA/Long Beach UZA) concurring with the

designation.[8] As the consolidated agency would be established through new authorizing legislation, the bill's enactment could serve as a means of generating these letters. The enacted statute would assign Omnitrans' FTA grant and formula fund recipient duties to the new entity.

As a new direct FTA funds recipient, SBCTA would need to comply with the comprehensive areas of compliance that FTA considers as minimum requirements for federal assistance.[9] These will be reviewed by FTA prior to becoming a new direct recipient, and again every three years. In the interim years of becoming an FTA funds direct recipient, SBCTA must submit FTA's annual certifications and assurances that require compliance by the agency in all certified areas. These tasks are currently being performed by Omnitrans and would likely be performed by the same staff in a consolidated organization.

Under a consolidation, FTA major oversight reviews would continue as they do today. This includes triennial reviews of the new Transit Operations Department at SBCTA, which would be the new grantee receiving Section 5307 Urbanized Area Formula Grants, and other reviews that may be conducted under special circumstances (e.g., participation in a special program or being at-risk or out of compliance with procurement or financial systems).

Receiving FTA recipient designation was identified as a challenge in Task 1.2 due to the required legislative steps involved and the administrative effort to re-title all FTA grants with SBCTA as the recipient. However, although SBCTA is not a direct recipient, it complies with all FTA requirements except for those that apply only to direct recipients. As a major sub-recipient, SBCTA already participates in FTA triennial reviews and maintains internal controls, policies and procedures and accounting systems that comply with FTA. The challenges in compliance with FTA requirements arise when SBCTA seeks to become a direct recipient. However, those challenges should be minimal in the compliance area as both Omnitrans and SBCTA are already complying with FTA requirements and merging the two agencies should not increase the complexity of the requirements.

As highlighted in the Task 1.2 Report, the costs and resources of becoming an FTA fund direct recipient are significant due to the extensive work involved in becoming an approved direct recipient and building internal capacity to administer grants and meet compliance requirements with annual certification and assurance. FTA direct recipient status requires approval from the Governor and concurrence from all other transit operators in San Bernardino and Riverside counties. It would cost them time and other resources needed to draft and advocate for passage of state legislation that would serve as the Governor and other transit providers' approval of SBCTA as an FTA funding direct recipient, delegating transit operations rights to SBCTA, and transferring all Omnitrans' rights and obligations to SBCTA, including applying for and receiving federal and state grants. In addition, all grants and contracts currently held by Omnitrans would have to be retitled or otherwise revised to name SBCTA as the grant recipient/contracting entity. The interview conducted for this study with former LA Metro staff confirmed that this was a substantial administrative effort. Additional time and resources would be required to establish the internal processes for annual certification and assurances on FTA grants.

Table 12. Finance Evaluation Matrix

Functional Area	Evaluation Criteria
Budgeting	No significant impact
Accounting	**Financial** ✓ Savings opportunity in the consolidation of a traditional accounting system and personnel ✓ Savings opportunity in the consolidation of the SAP system ✓ No savings in FTA reviews **Organizational** ✓ Opportunity to consolidate personnel in traditional accounting
Payroll and Personnel Administration	**Financial** ✓ Savings opportunity due to the flexibility of San Bernardino County and Omnitrans' respective payroll systems to accommodate the others'. ✓ Potential short-term cost to adapt the payroll system

[8] FTA Circular C 9030.1E
[9] FTA, Comprehensive Review Guide for Triennial and State Management Reviews Fiscal Year 2019, p. 02-03.

Functional Area	Evaluation Criteria
Risk Management	**Financial** ✓ No significant impact. Costs would likely be similar to the combined costs of the two agencies currently. **Organizational** ✓ The consolidated agency would need to adjust risk management practices and liability insurance levels to match the risks of being a transit service operator.
Internal Controls & Audits	No significant Impact
Capital Asset Management and Reporting	**Financial** ✓ Policy changes related to capital asset management will need to be considered in relation to funding available for maintenance. Differing methods are established in the regulations for evaluating facilities and fleet. No significant impact. **Organizational** ✓ Capital asset management policies will need to be evaluated and approved by the consolidated agency's committee of jurisdiction and Board, as they do separately today. No significant impact. **Legal/Contractual** ✓ Consolidation legislation could include sections addressing the transfer of all assets to the newly consolidated agency.
Grant Application Preparation and Assistance	**Organizational** ✓ Opportunity to improve services by consolidating grant writing resources to apply for discretionary grant funding for future capital projects benefiting the new Transit Operations Department
Grants Management and Reporting	**Organizational** ✓ Project managers in the consolidated agency would continue to perform grant management and grant reporting with the Finance Department performing grant billing. Nominal efficiencies expected.
Funding, Fare Structure, Collection Methods, Fare Media, Shelter and Bus Advertising	No significant impacts. The consolidated agency would now be required to conduct the FTA-required hearings for fare changes.
Cash and Investment Management	**Financial** ✓ Nominal efficiencies expected. Costs would likely be lower and interest earnings may be higher due to SBCTA cash and investment capacity. As well as the consolidated agency will manage less bank/investment accounts.
Inventory Management	No significant impact
Sub-recipient Monitoring	No significant impact

Functional Area	Evaluation Criteria
FTA Processes and Direct Recipient Designation	**Financial and Organizational** ✓ Initial additional cost and resource of establishing the consolidated agency as an FTA funds direct recipient. **Legal/Contractual** ✓ SBCTA must become a direct FTA funds recipient and comply with FTA compliance requirements ✓ All current FTA grants would need to be revised to show the consolidated agency as the recipient

3.10 PEOPLE COSTS

A consolidation presents opportunities and substantial challenges in personnel costs due to standardizing classification, compensation, labor relations administration, and type of work. The factors discussed in this section focus on employee compensation and benefits. There are substantial challenges with any change to any employee's benefits package as it may impact morale, productivity, and employee retention. Changes in employee benefits can cause unease, rumors, and productivity decline. This is on top of morale issues that may result from decisions such as relocating staff. Indeed, some Omnitrans staff in departments that are being merged may have to relocate to SBCTA's office.

The opportunities and challenges presented in this section are in addition to these significant workplace culture factors. Any decision to implement these types of changes should be accompanied by a robust employee engagement effort. For the purposes of this analysis, it is assumed that no diminution to any employee's compensation package will occur as an automatic result of consolidation.

Retirement Systems | One of the major challenges to consolidation is the difference in retirement systems between the two agencies. Omnitrans' contribution rate to retirement as a percentage of salaries under CalPERS is about 60 percent less than the amount paid by SBCTA under SBCERA. After further analysis, it was identified that the contribution percentage for the current employee is the same. However, the contribution percentage for the unfunded liability is significantly higher at SBCERA than CalPERS, primarily due to two reasons: Higher benefit retirement package and a shorter term for payment of the unfunded liability as explained below. It is the contribution for the unfunded liability that generates the significant difference in annual retirement costs between the two systems.

Each plan presents its own set of benefits and costs. For example, pensionable compensation is higher with SBCERA than CalPERS with SBCERA covering more pay categories than CalPERS. This is due to the fact that SBCERA counts cash-outs, phone allowances, car allowances, and other pay as earnable compensation, while CalPERS uses the employees' hourly rate. Thus, while SBCERA costs more, the benefit payout to each retiree is higher. In addition, CalPERS' amortization schedule until the end of this fiscal year is for 30 years, while SBCERA's is for 20 years. CalPERS is changing this to 20 years starting in the coming fiscal year but only prospectively.

Prior to consolidation, the two agencies and their Boards (or an interim Board for the consolidated agency) would need to determine the retirement plan(s) that employees of the consolidated agency would participate in. There are five options to consider: (1) all employees under CalPERS; (2) all employees under SBCERA; (3) transfer the retirement assets from one pension system to the other (4) create a separate corporate entity to hold the retirement benefits of one of the groups so that both existing groups of employees can retain their retirement plans, or (5) create a separate corporate entity to grandfather employees in their respective systems and through attrition, transition new employees into one of the two systems until one system is no longer utilized.

Although complex, other similar agencies have navigated this challenge in California. LA Metro addressed this by establishing a separate legal entity to hold the retirement and other employee benefits of a specific group of employees. The Public Transportation Service Corporation was created to house all the benefits of the LACTC employees. The former SCRTD employees stayed with their own retirement system.

The decision that is ultimately made could have significant financial impacts on the consolidated agency and SBCTA. As of June 30 2019, Omnitrans has an unfunded pension liability of approximately $25.1 million and SBCTA has an unfunded pension liability of $15 million. These liabilities could become much larger depending on the option selected. It appears the unfunded pension liability becomes due and payable at a much higher rate if a retirement plan is terminated, which would occur under options (1) and (2), but may be viewed differently if transferred which is option (3). Organizationally, leadership

in each agency and the consolidated agency will need to manage the unease, rumors, and productivity decline that may result from the announcement of any change in retirement plans.

Legal impacts are also anticipated due to the fact that SBCTA employees' participation in SBCERA is codified in the California Public Utilities Code (CA Pub. Util. Code) § 130824. The statute provides for the former SANBAG employees' membership in SBCERA following the creation of SBCTA to be as if the employees had remained members of SBCERA without any break in service or change of employer. The statute also provided for SBCTA to assume the prior obligations of SANBAG for the payment of the unfunded actuarial liability. Any shift in SBCTA employees' participation in SBCERA and Omnitrans employees' participation in the same retirement plan as SBCTA's would need to be reflected in CA Pub. Util. Code § 130824. These changes would also need to be described in a potential transfer agreement to provide equity amongst employees with similar years of service, as well as agreements that would transfer between CalPERS and SBCERA for all SBCTA or Omnitrans employees.

Job Classification **|** In a consolidated agency, there will be some staff completing similar functions with differently described job classifications and compensation. Positions most likely to be impacted are administrative staff, clerks, procurement specialists, management analysts, and other shared service functions. In the short-term, this is unlikely to result in immediate changes. Longer-term, the consolidated agency should investigate standardizing these classifications and compensation, either as the positions become vacant or as a stand-alone effort.

Also, in a potential consolidated agency, executive and administrative positions will need to be adjusted and perhaps consolidated. Because of the limited functional areas of overlap of the agencies, it is unlikely there will be substantial duplication. The analysis of possible duplicate positions will occur in the Detailed Analysis of Financial Impacts chapter.

Benefits **|** SBCTA and Omnitrans have different benefit programs, each specific to their history and labor agreements. In a potential consolidated agency, benefits packages typically are aligned at the Agency level, primarily for the unrepresented positions. (It should be noted that such alignment may not be necessary if a separate corporate entity is created to hold all the benefits of one group or the other, as discussed under Retirement.) In addition to retirement benefits already detailed above, benefits can include medical, vision, and dental insurance, disability, and life insurance, paid time off accruals, and other non-compensation employee benefits. Currently, these benefits are administered separately by San Bernardino County and Omnitrans for SBCTA and Omnitrans, respectively. Organizationally, leadership in each agency and the consolidated agency will need to manage the unease, rumors, and productivity decline that may result from the announcement of any change in employee benefits. A potential consolidated agency will need to consider the payroll IT system mentioned in Section 3.9 Finance when considering benefits packages, as in most cases, the payroll system also generates the benefit payments for the employer and employee. The two major differences in benefits are related to the number of leave days (vacation, holiday, and administrative) each agency provides to their respective employees as well as the match towards the employer sponsored deferred compensation plan. A detailed analysis of the benefit plans will be considered in the Detailed Analysis of Financial Impacts chapter. Aligning employee benefits will have an impact on the Agency labor cost. It is expected that represented employees will continue to be covered by their negotiated labor contract until the expiration of that contract. Any changes for represented employees will be subject to negotiation with the labor unions.

Support Functions **|** As described in Section 3.5, a complete consolidation can help reduce duplicative efforts in the procurement of services and save on professional services contracts in the long-term. According to SBCTA's Annual Budget FY19-20, SBCTA utilizes contractors to complete some general staff tasks, such as facilities management, security, grounds keeping, janitorial, information technology services, and on-call services. In the longer-term after the two agencies consolidate, former Omnitrans employees could gradually absorb and support these general staff and on-call tasks, allowing the consolidated agency to utilize its in-house forces. Alternatively, the consolidated agency could continue to provide these general staff support tasks through SBCTA's third party contractors and staff to manage the contracts. Both options could result in cost savings due to economies of scale and standardization, and, in the case of the latter option, elimination of some staff.

Table 13. People Costs Evaluation Matrix

Functional Area	Areas of Impact
Retirement Systems	**Financial** ✓ Challenge in funding the unfunded pension liability depending on the plan selected and the mechanism selected:1) thru a termination of one retirement plan, 2) a transfer of assets from one plan to the other, 3) grandfathering to retain the costs as is, 4) create a separate corporate entity to hold the retirement benefits of one of the groups, or 5) thru attrition. **Organizational** ✓ Changes in retirement benefits can cause unease, rumors, and productivity decline in the announcement of the change. **Legal/Contractual** ✓ Revision of statute to account for any change in SBCTA participation in SBCERA and Omnitrans employees' participation in the same or different plan ✓ Challenges in establishing reciprocity agreements especially for members with lower-tier membership, if pursued ✓ Challenges in actual logistics of transferring between CalPERS and SBCERA for all SBCTA or Omnitrans employees, if this option is pursued ✓ Challenges in establishing a separate entity to be able to maintain two retirement systems and benefit packages. The decision as to which system new hires would be hired under in the future. **Peer Agencies** ✓ Based on the experience of other similar consolidations, there are challenges in preserving current employees' benefits at current levels. ✓ Based on the experience of other similar consolidations, there are potential solutions and roadmaps to follow.
Job Classification	**Financial** ✓ Long-term, if similar positions have standardized compensation and classification, costs for the work may go up or down in comparison to the current baseline with separate agencies. ✓ Potential salary savings thru the elimination of duplicate positions.
Benefits	**Financial** ✓ Potential increase in benefits costs if SBCTA benefit levels are adopted for all in-coming Omnitrans non-union positions. **Organizational** ✓ Changes in employee benefits can cause unease, rumors, and productivity decline in the announcement of the change. **Legal/Contractual** ✓ Longer term pressure on organization by Unions to equalize benefits for bargaining unit employees
Support Functions	**Financial** ✓ Eventual opportunity to absorb some of current SBCTA's general staff tasks with current Omnitrans similar functions. Nominal efficiencies expected. **Organizational** ✓ Longer-term opportunity to standardize support functions, provide career path options, and more redundancy for vacancies and extended absences. Nominal efficiencies expected.

3.11 OTHER SHARED SERVICES

Other support functions include policy and legislative affairs, IT, security, marketing, social media, community outreach, and advertising as well as telephone systems and information. Opportunities and challenges that arise from consolidating these support functions largely depend on the degree of similarity of each function at each agency.

Policy & Legislative Affairs | SBCTA's four policy and legislative affairs staff and their consultants provide the agency with a means of taking part in transportation policy and legislative discussions at the federal and state levels. These discussions are, for the most part, currently focused on transit, rail, and highway capital projects and services, policies, and legislation. Omnitrans does not have staff or consultant resources that perform these functions but would benefit politically and financially from resources that advocate for Omnitrans' needs and policy priorities. This is especially relevant given the current federal economic stimulus and surface transportation reauthorization discussions that will inform the successor to the Fixing America's Surface Transportation (FAST) Act, which expires on September 30, 2020.

Information Technology **|** There are opportunities to consolidate some IT systems to save money on new IT systems procurement and on-going license and maintenance fees. The most significant near-term potential savings is if Omnitrans' SAP ERP implementation can support all of SBCTA's financial reporting needs, eliminating the need for SBCTA to acquire a new financial system. It is unlikely that any IT personnel would be reduced, although the combined IT staff would have additional cross-training and backup support on the team. Traditional business systems such as MS Windows® and Office® will have operational efficiencies by having the same standard platform and potential economies of scale for license purchases. The function-specific IT systems of each agency have little cross over and few opportunities for efficiencies. The Omnitrans IT system supports bus operations, manages technology of bus systems, surveillance, data storage, regional network infrastructure, route optimization, and asset management, while SBCTA's technology supports document management, capital project management, travel demand modeling as well as rideshare management and online reporting system. However, both agencies utilize the TransTrack system to report to NTD (SBCTA with Vanpool Program and Omnitrans with all service modes). As further analysis occurs in the Information Technology function, additional systems may also have the opportunity for consolidation or sharing of support resources (e.g., Board Item system, firewall and virus products, website hosting and management).

Marketing, Social Media, Community Outreach, and Advertising **|** The differences in marketing goals and targeted audience present little current opportunity for overlap in a complete consolidation. Omnitrans establishes marketing priorities each year and produces and publishes an annual marketing plan. The marketing department consists of 4.5 full-time staff for marketing and social media outreach. Functions include Omnitran's public relations and public engagement for transit services. SBCTA's marketing group consists of about one full-time equivalent staff spread amongst three positions. The positions are focused on legislative and public affairs. One potential area of coordination is with the marketing promotion for IE Commuter on the Rideshare Program, the Private Transportation Provider Pilot Program, and for enhanced coordination with Metrolink. It may be more efficient since SBCTA and Omnitrans already have ongoing coordination efforts. Furthermore, SBCTA will perform marketing activities once the toll lanes become operational. There may be a longer-term opportunity for the combined marketing teams to provide career path options and more redundancy for vacancies and extended absences.

Telephone Systems and Information **|** SBCTA utilizes one vendor to support its telephone system. Omnitrans has four vendors that support telephone systems and customer service information. The vendors support not only internal business communications but also provide bus arrival/departure information, and support sales/tracking of bus passes. A consolidated agency can combine its internal business communications telephone systems, but this will provide minimal savings.

Security **|** Both agencies have contracts for private security services at various facilities. As a transit service provider, Omnitrans manages a transit security program. Security and safety are delivered together with five staff providing some element of security management. Omnitrans also contracts with several firms for security services at an annual cost of $1,647,000. SBCTA contracts with various vendors providing facility maintenance and/or janitorial services to also provide security services at the Santa Fe Depot, SBCTA office, and employee parking lot. Security represents a small opportunity to consolidate the management of the security contracts. The potential savings in contract value and efficiency is minor.

Table 14. Other Shared Services Evaluation Matrix

Functional Area	Areas of Impact
Policy and Legislative Affairs	**Organizational** ✓ Immediate opportunity to have Omnitran's transit policy and legislative needs addressed at the state and federal levels as part of SBCTA's overall legislative platform and policy priorities
Information Technology	**Financial** ✓ Potential significant one-time savings if SBCTA's financial management needs can be met with Omnitrans' SAP implementation, with some modification ✓ Ongoing savings opportunity in the consolidation of administrative technology (i.e., office email, payroll, board agenda system) **Organizational** ✓ Combining data centers and IT systems will impact support models and systems that will need to be carefully managed during the transition.
Marketing, Social Media, Community Outreach and Advertising	**Organizational** ✓ Opportunity to improve coordination efforts for IE Commuter on the Rideshare Program and the Private Transportation Provider Pilot Program. Nominal efficiencies expected. ✓ Longer-term opportunity to provide career path options, and more redundancy for vacancies and extended absences. Nominal efficiencies expected.
Telephone Systems and Information	No significant impact
Security	**Financial** ✓ Potential minor savings through the consolidation of security contracts of the two agencies.

3.12 BOARD OF DIRECTORS/COMMITTEES (POTENTIAL RESTRUCTURE)

SBCTA's Board of Directors is statutorily-established under Chapter 7, Division 12 of the CA Pub. Util. Code, while Omnitrans' Board of Directors is provided governing authority under the Omnitrans Joint Powers Agreement (JPA). Under the law, SBCTA's Board must consist of 29 individuals: (1) five members of the San Bernardino County Board of Supervisors; (2) the Mayor or Council Member from each San Bernardino County incorporated city; and (3) one nonvoting member appointed by the Governor. Under the Omnitrans JPA, its Board must consist of 19 individuals: (1) an officially designated Mayor or Council Member from each of its member cities; and (2) four members of the San Bernardino County Board of Supervisors. Current Board members for both agencies are listed in Table 15.

Table 15. SBCTA and Omnitrans Board Membership

SBCTA	Omnitrans
1. Gabriel Reyes (Mayor, City of Adelanto)	-
2. Art Bishop (Council Member, Town of Apple Valley)	-
3. Julie McIntyre (Mayor, City of Barstow)	-
4. Bill Jahn (Council Member, City of Big Bear Lake)	
5. Eunice Ulloa (Mayor, City of Chino)	1. Eunice Ulloa (Mayor, City of Chino)
6. Ray Marquez (Council Member, City of Chino Hills)	2. Cynthia Moran (Council Member, City of Chino Hills)

7. Frank Navarro (Mayor, City of Colton)	3. Frank Navarro (Mayor, City of Colton)
8. Acquanetta Warren (Mayor, City of Fontana)	4. John B. Roberts, Jr. (Council Member, City of Fontana)
9. Darcy McNaboe (Mayor, City of Grand Terrace)	5. Darcy McNaboe (Mayor, City of Grand Terrace)
10. Rebekah Swanson (Council Member, City of Hesperia)	
11. Larry McCallon (Mayor, City of Highland)	6. Penny Lilburn (Mayor Pro Tem, City of Highland)
12. Rhodes "Dusty" Rigsby (Mayor, City of Loma Linda)	7. Ron Dailey (Council Member, City of Loma Linda)
13. John Dutrey (Mayor, City of Montclair)	8. John Dutrey (Mayor, City of Montclair)
14. Edward Paget (Vice Mayor, City of Needles)	
15. Alan Wapner (Mayor Pro Tem, City of Ontario)	9. Alan Wapner (Mayor Pro Tem, City of Ontario)
16. L. Dennis Michael (Mayor, City of Rancho Cucamonga)	10. Sam Spagnalo (Council Member, City of Rancho Cucamonga)
17. Toni Momberger (Council Member, City of Redlands)	11. Paul Foster (Mayor, City of Redlands)
18. Deborah Robertson (Mayor, City of Rialto)	12. Deborah Robertson (Mayor, City of Rialto)
19. John Valdivia (Mayor, City of San Bernardino)	13. John Valdivia (Mayor, City of San Bernardino)
20. Joel Klink (Mayor Pro Tem, City of Twentynine Palms)	-
21. Debbie Stone (Mayor, City of Upland)	14. Debbie Stone (Mayor, City of Upland)
22. Jim Cox (Council Member, City of Victorville)	-
23. David Avila (Mayor, City of Yucaipa)	15. David Avila (Mayor, City of Yucaipa)
24. Council Member, Town of Yucca Valley	-
25. Robert Lovingood (First District Supervisor, County of San Bernardino)	-
26. Janice Rutherford (Second District Supervisor, County of San Bernardino	16. Janice Rutherford (Second District Supervisor, County of San Bernardino
27. Dawn Rowe (Third District Supervisor, County of San Bernardino)	17. Dawn Rowe (Third District Supervisor, County of San Bernardino)
28. Curt Hagman (Fourth District Supervisor, County of San Bernardino)	18. Curt Hagman (Fourth District Supervisor, County of San Bernardino)
29. Josie Gonzales (Fifth District Supervisor, County of San Bernardino)	19. Josie Gonzales (Fifth District Supervisor, County of San Bernardino)
30. One nonvoting member appointed by the Governor	-

Under SBCTA's enabling statute, alternate members of the SBCTA Board are only allowed for its city members if the regular member cannot attend a meeting, and the alternate is a Mayor or Council Member. Under Omnitrans' JPA, each city representative may have one alternate who must be a Mayor or City Council Member officially designated by the City Council, and each County Supervisor representative may have one alternate who must be a County Supervisor.

Though all 19 Omnitrans members could serve on SBCTA's Board, currently, 13 members of SBCTA's Board actually sit on Omnitrans' Board. Board meetings for both agencies are typically scheduled for the same day of the month (the first Wednesday).

SBCTA has committees that make recommendations to the Board. The Board has the authority to approve the budget, fees, or grants. Furthermore, since the Metro Valley Study Session committee is composed of the same membership as the Board, SBCTA has a policy that allows MVSS committee to approve certain items without additional Board approval. Some delegation of authority via Board items has been given to the Executive Director to sign subsequent grant agreements or annual fee increases for the right of use fees.

The SBCTA Board's six policy committees and two technical advisory committees are:

1 General Policy Committee (second Wednesday every month)
2 Transit Committee (second Thursday every month)

3 Mountain/Desert Policy Committee (second Firday every month)
4 Metro Valley Board Study Session (second Thursday every month)
5 I-10/I-15 Joint Subcommittee (second Thursday every month)
6 Legislative Policy Committee (on as needed basis)
7 City/County Manager Technical Advisory Committee (first Thursday every month)
8 Public and Specialized Transportation Advisory and Coordination Council

Issues related to transit and Omnitrans are generally discussed at the Transit Committee, which occurs on the second Thursday of the month. SBCTA's Transit Committee is currently structured to provide policy guidance and recommendations to the SBCTA Board of Directors with respect to commuter rail and transit service in San Bernardino County. The Metro Valley Board Study Session Committee provides policy guidance and recommendations to the Board of Directors on issues related to the Measure I Major Projects in the Metro Valley region.

Omnitrans also has committees that make recommendations to the Board. Omnitrans' Board has the authority to set/change fares, approve the budget, approve service changes, and submit grants. Omnitrans staff present coordinated updates to their appropriate Committee and Board of Directors meetings. Omnitrans' Board has four standing committees that meet on different days:

1 Administrative and Finance Committee (second Thursday every month)
2 Plans and Programs Committee (third Wednesday every three months)
3 Operations and Safety Committee (third Wednesday every three months)
4 Executive Committee (first Friday)

Both agencies' Boards are supported by the Clerk of the Board staff and other resources. SBCTA employs ten staff to support Clerk of the Board functions as well as daily administrative functions. Of those ten staff, only two support Clerk of the Board functions full-time, and others support partially as administrative assistance for the department heads, work as a receptionist, or support the Procurement department. In addition, SBCTA utilizes Granicus and Accela software to manage Board meetings and functions. Omnitrans employs two staff to support its Clerk of the Board functions with no specific software to manage Board operations, currently. Furthermore, Omnitrans has eight administrative support staff reporting directly to the individual departments. It is typical practice for Omnitrans staff to attend the SBCTA Transit Committee and Board of Directors meetings and for SBCTA Transit Department staff to attend Omnitrans committees and Board meetings. Some agenda items presented to the Omnitrans committees, SBCTA Transit Committee, and the respective Board committees are duplicative in nature.

Today, there is a duplication of effort in SBCTA and Omnitrans Board membership, and staff and Board member time spent on preparing for, attending, and following up Committee and Board meetings. Under a potential complete consolidation, the Omnitrans committees and Board would be dissolved, and SBCTA's Board of Directors would continue to oversee Omnitrans' transit operations, as well as the operations of the other transit providers in the county. Decisions regarding the new SBCTA Transit Operations Department could be overseen by the Board's existing Transit Committee or Metro Valley Board Study Session Committee or a newly-created committee (e.g., a Transit Operations Committee) under a revised SBCTA committee structure. A newly-created Transit Operations Committee may be most beneficial given the volume of Board business currently handled by the existing Omnitrans committees, such as contract awards, grant requests, and performance reviews. If so, the existing SBCTA Transit Committee could be re-named the Rail Committee and focus on Metrolink and Arrow service.

Time and cost savings would be realized to the extent that both Boards and Committees currently meet to discuss Omnitrans-related issues. The primary efficiency would be streamlined discussions and decisions. Savings may occur from meeting stipend and time savings of the 13 members who currently sit on both Boards since they will only be required to participate in one set of meetings. Savings may also come from duplicative Clerk of the Board staff and the resources used to support their functions. Potential savings will be explored in the Detailed Analysis of Financial Impacts chapter. The software SBCTA uses to support its Board management would likely continue to be utilized, freeing Omnitrans from having to procure such software.

Legal and contractual impacts to consolidating the two Boards include the dissolution of the JPA establishing Omnitrans. However, no change to SBCTA's enabling statute would be needed because the County Supervisors and cities that comprise Omnitrans' Board are represented on the SBCTA Board. However, the statute would need to change to add duties and powers to the consolidated agency's Board that covers the Omnitrans Board's authority to establish fares, set and change bus services and routes, and approve FTA funds and expenditure of such funds.

One benefit of a consolidated Board/Committee structure that cannot be quantified is improved efficiency and effectiveness in decision-making. Interviews with former LA Metro staff involved in the consolidation of the Los Angeles County Transportation Commission and Southern California Rapid Transit District into LA Metro described how one of the greatest benefits of merging the agencies was a more efficient decision-making process.by the Board of Directors. Having one Board of Directors decide on all matters currently within Omnitrans' jurisdiction may provide more consistency and a regional focus regarding transit policy decisions of the Board in San Bernardino County.

Table 16. Board of Directors/Committees Evaluation Matrix

Functional Area	Areas of Impact
Board of Directors/Committees	**Financial** ✓ Time, Board stipend savings, and legal consultant savings from consolidation into one Board and consideration of transit operations issues and decisions at existing or newly-established committees, which will need to add new business items currently handled by Omnitrans Committees/Board **Organizational** ✓ Efficiencies in decision-making due to the existence of a single decision-making body **Legal/Contractual** ✓ The consolidated agency would be governed by a single Board of Directors, which will require the dissolution of the Omnitrans JPA ✓ No change to the statute providing for SBCTA's Board membership is needed because the Supervisors and cities that comprise Omnitrans' Board are represented on the SBCTA Board. ✓ Changes to SBCTA's enabling statute should be made to expressly expand the scope of the Board's authority to include delivery and oversight of transit operations

4 LEGAL FORMATION OF THE CONSOLIDATED AGENCY

FORMATION OF EXISTING AGENCIES

San Bernardino Associated Governments was created in 1973 as a council of governments responsible for cooperative regional planning and furthering an efficient multi-modal transportation system countywide, and over time was statutorily designated to serve in additional capacities. SBCTA was established in its current structure in 2016 through SB 1305, the SBCTA Consolidation Act of 2017 (Morell), to consolidate those additional functions into a single entity:

- **County Transportation Commission (CTC)** – Allocates and programs State and Federal funds for regional transportation projects throughout the county, and conducts regional planning for all transportation modes in San Bernardino County.
- **Service Authority for Freeway Emergencies** – Manages the system of call boxes on major highways throughout the county
- **County Transportation Authority (CTA)** – Administers Measure I, the voter-approved half-cent transportation sales tax and provides major transportation improvements within the county
- **Congestion Management Agency** – Implements the plan for addressing congestion and air quality related to transportation facilities throughout the county

SB 1305 gave SBCTA authority to "exercise all rights and powers, expressed or implied … and rely on any immunities or exemptions provided by law to a county transportation commission, a local transportation authority, a service authority for freeway emergencies, or a local congestion management agency" (CA Pub. Util. Code § 130809). The bill passed through both houses and was signed by the Governor in August 2016, becoming effective on January 1, 2017.[10] San Bernardino Associated Governments continues as a Joint Powers Authority (JPA) functioning as a Council of Governments (SBCOG).

Omnitrans was established under a Joint Powers Agreement (JPA) among its member agencies on March 8, 1976 pursuant to the state's Joint Exercise of Powers Act. The agreement has been amended and restated as late as July 1, 2016. Legally, a JPA is established when two or more public agencies by agreement jointly exercise any power common to the contracting agencies. It is not necessary that each member agency has the authority to exercise the common powers in the geographical area in which the authority will jointly exercise such powers.

In 2019, AB 1457 (Reyes) was introduced to establish Omnitrans as a transit district under state law, but was not enacted. A transit district is a legal entity under state statute with authority to, among other things, administer its own voter-approved transportation revenue (tax) measure for its own major transportation improvements. The Omnitrans JPA provides the agency taxing authority, which would not have changed had AB 1457 passed.

CONSIDERATIONS FOR ESTABLISHING A CONSOLIDATED AGENCY

The following discussion outlines the topics and actions identified by the consultant to establish a consolidated agency. This discussion is not a legal opinion, including legislative changes that might be needed. Should the Boards vote to consolidate, they should engage legal counsel to validate and provide direction on the specific actions required.

SBCTA would not be able to undertake transit operations without enabling legislation. To effectuate complete consolidation, several legislative and contractual actions would need to take place. If Omnitrans were to be integrated into SBCTA as a new Transit Operations Department, it would first need to be dissolved as a legal entity. The Omnitrans JPA can only be terminated by mutual agreement of all the JPA members/signatories. Section 16 of the Omnitrans JPA provides that the agreement may be "terminated, assigned, or transferred in whole or in part," in which case all of its assets must be distributed to the parties of the JPA. Omnitrans could also be dissolved "for purposes of changing its governance structure," in which case all of its assets and liabilities will transfer to the successor agency. Complete consolidation would, arguably, be a change

[10] SBCTA was formerly known as the San Bernardino Associated Governments (SANBAG), which continues as a Joint Powers Authority functioning as a Council of Governments (SBCOG).

in the governance structure. Thus, no distribution of assets to the JPA members would need to occur, but simply be transferred from Omnitrans to SBCTA.

As a CTC, SBCTA is required under law to "coordinate the operation of all public transportation services within the county so as to achieve efficient operation thereof," "resolve all jurisdictional disputes between public transit operators"[11], and "designate the operator of any approved transit guideway system"[12]. Bus transit operations are not expressly within the scope of powers for a CTC, local transportation authority, service authority for freeway emergencies, and local congestion management agency. SBCTA could not take on Omnitrans transit operations under its current authority to "construct, acquire, develop, jointly develop, maintain, operate, lease, and dispose of work, property, rights-of-way, and facilities"[13], "enter into and perform all necessary contracts"[14], and "fix and collect fees for any services rendered by it"[15].

Legislation was required for the consolidated LA Metro and OCTA to undertake transit operations partly because the predecessor transit providers, SCRTD and OCTD, were established as transit districts through the law decades before the consolidations. The laws governing SCRTD and OCTD had to be changed to transfer their duties and responsibilities to LA Metro and OCTA, respectively. Omnitrans, on the other hand, is not statutorily-established. It is not a transit district, despite AB 1457, nor is it a transit development board, or other statutorily-established transportation entity (e.g., CTC or CTA). However, the law still needs to change in order for SBCTA to take on Omnitrans duties and responsibilities as a transit operator because the authority to operate bus transit are not expressed within the CTC scope of powers.

In addition to the legal basis mentioned above for legislation, there are policy benefits to SBCTA undertaking transit operations through legislation. Enactment of state enabling legislation would provide a means of gathering the required approvals of the Governor and regional transit agencies for SBCTA to receive direct recipient status for FTA funding, by providing evidence to the FTA that SBCTA is a state-created entity designated to receive direct FTA funding formerly apportioned to Omnitrans. Legislation would also provide an opportunity to codify important policy decisions regarding the funding and governance relationship between SBCTA and the county's other transit providers. Amending the current SBCTA statute would also provide documented evidence of Omnitrans' dissolution due to a change in governance structure, which would provide a valid defense to any claim by Omnitrans' JPA members that they are entitled to a distribution of Omnitrans' assets. The statutory change would not trigger the distribution of assets to the JPA members but simply allow the transfer of such assets from Omnitrans to SBCTA. Enacting legislation to expand SBCTA's statutory authority would also codify policy decisions related to such issues as Board structure, retirement systems, and collective bargaining.

Just as LA Metro initiated consolidation prior to the enactment of its authorizing statute, SBCTA and Omnitrans could transition into a merged organization by agreement of the two agencies. LA Metro was created by AB 152, the Los Angeles County Metropolitan Transportation Authority Reform act of 1992 (Stats. 1992, Ch. 60, Sec. 4. Effective January 1, 1993), which was signed into law by Governor Pete Wilson on May 19, 1992 and became effective on February 1, 1993 with the predecessor agencies being dissolved effective April 1, 1993. AB 152 was partially required because both predecessor agencies were statutorily-established. AB 152 was needed to modify sections of the CA Public Utilities Code relevant to the CTC. However, it left the Transit District law untouched, along with the powers and authorities granted to both the SCRTD and LACTC in their original legislation, which was transferred over to LA Metro.

AB 152's provisions were informed by decisions and actions made by LA Metro after it had been consolidated. During the transition, committees composed of members of the two predecessor agencies and an interim Board engaged in strategic planning and decision-making that were folded into AB 152. In the same way, SBCTA and Omnitrans could be functionally consolidated prior to the enactment of enabling legislation. It should be noted, however, that the former LA Metro staff interviewed for this study recommended strategic planning for consolidation before it actually occurs and an interim Board and staff from both agencies to work together in a transition period preceding consolidation to formulate legislation that would incorporate Omnitrans' transit operations responsibilities into SBCTA.

Expansion of SBCTA's powers under a complete consolidation to expressly allow for bus transit operations could parallel AB 152 and other legislation enacted following it (codified as CA Pub. Util. Code §§ 130050.2 - 130051.24), which established LA Metro as a transit operator, as well as the CTC for Los Angeles County. The new legislation could also replicate the Orange County Transportation Authority's enabling statutes in CA Pub. Util. Code §§ 130052.2 -130052.3. As Table 17 shows, LA Metro's authorizing statute is more comprehensive than OCTA's, as well as SBCTA's. Certain LA

[11] CA Pub. Util. Code § 130250
[12] CA Pub. Util. Code § 130254
[13] CA Pub. Util. Code § 130809(b)(6)
[14] CA Pub. Util. Code § 130809(b)(8)
[15] CA Pub. Util. Code § 130809(b)(9)

Metro and OCTA statutory provisions may be useful in executing the complete consolidation of Omnitrans and SBCTA. Of note are provisions that would:

- Amend § 130806 to establish SBCTA as the successor to the powers, duties, revenues, debts, obligations, liabilities, immunities, and exemptions of Omnitrans
- Require the predecessor agencies to conduct quarterly joint regular interim Board meetings to discuss major fiscal and policy items for the consolidated agency (similar to § 130051.7)
- Provide SBCTA discretion to determine its organizational structure, but require a transit operations unit and allow SBCTA to make adjustments to bus routes and services (similar to § 130051.11)
- Transfer collective bargaining obligations of Omnitrans to SBCTA (similar to § 130051.11)
- Amend § 130809 to expand Board powers to include approving labor contracts, establishing organizational structure, setting fare policy, and approving certain transit equipment purchases (similar to § 130051.12)
- Require the predecessor agencies to develop a comprehensive plan for consolidation to be approved by a certain date (similar to § 130052.3)

Table 17. Enabling Statutes for LA Metro, OCTA, and MTDB/MTS Compared to SBCTA's Statute

CA Pub. Util. Code	Description	Effective Date	Similar Statute for SBCTA
§ 130050.2	Establishes LA Metro as the single successor agency to SCRTD and LACTC	Jan. 1, 1993	§ 130806 establishes SBCTA as the successor to the SBCTC, the local transportation authority, service authority for freeway emergencies, local congestion management agency, and SANBAG
§ 130051	Defines Board membership, method of appointment, and term of service. Abolishes alternate members	Jan. 1, 1998	§ 130815 defines Board membership. Allows for alternate members
§ 130051.1	Allows the Board member appointed by the LA Mayor who is not a Council Member to serve for a period without Council approval	Sept. 2, 1992	None
§ 130051.5	Requires all Board members to be subject to the state conflict-of-interest standard	Jan. 1, 1998	None
§ 130051.6	Describes Board member term duration and limits	Jan. 1, 1993	None
§ 130051.7	Requires the predecessor agencies to conduct quarterly joint regular interim Board meetings to discuss major fiscal and policy items. Prohibits alternates from attending the joint meetings in place of the LA County Board of Supervisors and LA Mayor.	Sept. 2, 1992	None
§ 130051.9	Describes CEO appointment, term, and limits on removal. Requires appointment of General Counsel and Board Secretary	Jan. 1, 1998	None
§ 130051.10	Requires Board appointment by Feb. 1, 1993. Allows the Board to exercise powers of both predecessor agencies between Feb. 1, 1993 to April 1, 1993	Jan. 1, 1993	None
§ 130051.11	Provides LA Metro discretion to determine its organizational structure, but requires transit construction, transit operations, and transportation planning and programming units. Allows LA Metro to make adjustments to bus routes and services. Transfers collective bargaining obligations of SCRTD to LA Metro. Delegates from the Board to the CEO or a LA Metro unit certain duties and powers	Jan. 1, 2010	None

CA Pub. Util. Code	Description	Effective Date	Similar Statute for SBCTA
	(eminent domain, contract approval, bid protest hearings). Establishes a citizens' advisory council.		
§ 130051.12	Provides for Board duties and responsibilities, including establishing goods and people movement goals and objectives, adoption of budgets, approving rail corridor selections, approving labor contracts, establishing organizational structure, setting fare policy, approving transportation zones, approving bonds and other debt, approving benefit assessment districts and assessment rates, and approving certain transit equipment purchases. Requires LA Metro to work with other municipal operators in the County to complete a security assessment every five years	Jan. 1, 2003	§ 130809 provides the general powers of SBCTA and its Board, including adoption of budgets, acquisition of property, appoint necessary employees, entering into JPAs, issuing bonds, advancing funds in anticipation of future funding, loan funds, and other powers and duties needed or desired to carry out the purposes of a CTC, CTA, service authority for freeway emergencies, and local congestion management agency
§ 130051.13	Abolishes the SCRTD and LACTC and transfers their powers, duties, rights, obligations, and liabilities to LA Metro	Jan. 1, 1993	§ 130806 establishes SBCTA as the successor to the powers, duties, revenues, debts, obligations, liabilities, immunities, and exemptions of SBCTC, the local transportation authority, service authority for freeway emergencies, local congestion management agency, and SANBAG
§ 130051.14	Expressly provides for statutory references to SCRTD and LACTC to refer to LA Metro	Jan. 1, 1993	None
§ 130051.15	Transfers rights and obligations of SCRTD and LACTC contracts, property, and Full Funding Grant Agreements to LA Metro. Prohibits LA Metro from renewing or extending until April 1, 1993 employment contracts that SCRTD or LACTC made before Jan. 1, 1993	Jan. 1, 1993	§ 130806 establishes SBCTA as the successor to the powers, duties, revenues, debts, obligations, liabilities, immunities, and exemptions of SBCTC, the local transportation authority, service authority for freeway emergencies, local congestion management agency, and SANBAG
§ 130051.16	Transfers duties, obligations, and liabilities of SCRTD related to collective bargaining agreements and labor obligations required by law to LA Metro	Jan. 1, 1993	None
§ 130051.17	Requires LA Metro to adopt an ordinance regulating the acceptance of gifts	Jan. 1, 1998	None
§ 130051.18	Requires LA Metro to adopt an ordinance regulating lobbying, including lobbyist registration and reporting	Jan. 1, 1999	None
§ 130051.19	Requires LA Metro to establish an affirmative action plan for management positions, a DBE program, and a Transportation Business Advisory Council	Jan. 1, 1993	None
§ 130051.20	Prohibits gifts over $10 from businesses seeking contracts with LA Metro Board members, employees, and families of Board members and employees	Jan. 1, 1998	None
§ 130051.21	Requires LACTC and SCRTD to undertake an independent fiscal audit for July 1, 1992 to March 30, 1993 to determine the financial condition of the agencies. Requires LA Metro to conduct independent fiscal audits annually	Sept. 2, 1992	None

CA Pub. Util. Code	Description	Effective Date	Similar Statute for SBCTA
§ 130051.22	Requires LA Metro to establish a prequalification program for contract bidders	Jan. 1, 2013	None
§ 130051.23	Allows for sale, destruction, or other disposition of documents	Sept. 30, 1994	None
§ 130051.24	Describes collective bargaining units and the authority to approve labor contracts. Describes the process for maintaining and changing retirement systems and health benefits under collective bargaining	Jan. 1, 2001	§ 130824 transfers the membership of SANBAG employees in the SBCERA retirement system to the same personnel as SBCTA employees as if the employees remained members of the retirement system without any break in service or change of employer
§ 130051.25	Requires construction firms under contract with LA Metro to provide monthly reports of recordable injuries	Jan. 1, 1998	None
§ 130051.28	Requires LA Metro to appoint an inspector general. Defines their term of service, removal, and reporting requirements	Jan. 1, 1998	None
§ 130052	Establishes OCTA as successor to the OCTC. Defines Board membership and terms of service. No alternate members included.	Jan. 1, 2005	§ 130806 establishes SBCTA as the successor to the SBCTC, the local transportation authority, service authority for freeway emergencies, local congestion management agency, and SANBAG. § 130815 defines Board membership and allows for alternate members
§ 130052.1	Establishes the OCTA Board as the governing body of the Orange County Service Authority for Freeway Emergencies	Dec. 1, 1991	§ 130806 establishes SBCTA as the successor to the service authority for freeway emergencies and § 130815 defines Board membership
§ 130052.2	Defines annual funding allocation for municipal transit operators	Dec. 1, 1991	None
§ 130052.3	Requires OCTA's four predecessor agencies (OCTC, the Orange County Transit District, the Orange County Service Authority for Freeway Emergencies, and the Orange County Consolidated Transportation Services Agency) to develop a comprehensive plan for consolidation to be approved by Dec. 1, 1991	1990	None
§ 130010	Applies provisions regarding employer-employee relations, employee benefits, and conditions of employment for OCTD to OCTA	1991	None
§ 40060	Establishes the OCTA Board as the Board for the Orange County Transit District, effectively transferring OCTD's transit operations responsibilities to OCTA	1991	None
§ 40095	Provides the OCTA Board authority to appoint and determine the salary for the OCTD general manager	1991	None
§ 40120	Establishes the right of OCTD employees to enter into collective bargaining	2012	None
§ 40130	Covers OCTD employees under the Orange County Employees Retirement System	1965	§ 130824 transfers the membership of SANBAG employees in the SBCERA retirement system to the same personnel as SBCTA employees as if the employees

CA Pub. Util. Code	Description	Effective Date	Similar Statute for SBCTA
			remained members of the retirement system without any break in service or change of employer
§ 40500	Allows for dissolution of OCTD by election of voters of the district	1965	None
§ 40600	Allows for OCTD to consolidate with SCRTD	1965	None
§ 120050	Establishes the MTDB to be known as the "San Diego Metropolitan Transit System" as a rapid transit district and public agency	Jan. 1, 2020	§ 130806 establishes SBCTA as the successor to the SBCTC, the local transportation authority, service authority for freeway emergencies, local congestion management agency, and SANBAG.
§§ 120050.2 - 120051	Defines membership of the MTDB Board of Directors	Jan. 1, 2018 and Jan. 1, 2004	§ 130815 defines Board membership
§ 120051.6	Defines alternate membership for the MTDB Board	Jan. 1, 2018	§ 130815 defines alternate membership for the SBCTA Board
§ 120054	Defines the geographic area of the MTDB	Jan. 1, 2004	None
§§ 120100 - 120109	Provides rules, duties, and procedures for the MTDB Board	1975 – 2005	None
§§ 120200 - 120488	Defines the powers of the MTDB, including making and entering into contracts (Article 2), acquiring and disposing property (Article 3), acquire, construct, maintain, and operate transit facilities and services (Article 4), coordinating with SANDAG on planning in MTDB's service area (Article 5), receiving FTA funds from SANDAG, the designated FTA direct recipient (Article 6), imposing penalties for violations (Article 8), investing surplus funds (Article 9), coordinating with transit operators within its service area and resolving disputes amongst them (Article 10), and imposing a sales and use tax measure to generate revenues (Article 11)	1975 – 2020	§ 130809 provides the general powers of SBCTA and its Board § 130818 transfers the rights, obligations, assets, and liabilities of predecessor agencies § 130821 provides the taxing authority of local transportation authorities to SBCTA
§§ 120500 – 120550	Defines the collective bargaining rights of employees, resolution of labor disputes, adoption and application of collective bargaining agreements, and enrollment of collectively bargained employees in CalPERS or another retirement system (Article 1). Provides for the rights of employees of corporate or utility facilities that are acquired by MTDB (Article 2). Applies the federal prevailing wage law to MTDB transit facilities and establishes a MTDB police force (Article 3)	1978 – 2010	§ 130824 transfers the membership of SANBAG employees in the SBCERA retirement system to the same personnel as SBCTA employees as if the employees remained members of the retirement system without any break in service or change of employer § 130827 provides SBCTA the authority to provide the services of its employees to SANBAG
§§ 120630 – 120702	Authorizes MTDB to issue bonds (Article 1), acquire transit equipment by executing agreements, leases, and equipment trust certificates (Article 2), and borrow money (Article 4).	1983 – 2005	§ 130812 authorizes SBCTA to take action to determine the validity of debts and contracts

CA Pub. Util. Code	Description	Effective Date	Similar Statute for SBCTA
§ 120050	Establishes the MTDB to be known as the "San Diego Metropolitan Transit System" as a rapid transit district and public agency	Jan. 1, 2020	§ 130806 establishes SBCTA as the successor to the SBCTC, the local transportation authority, service authority for freeway emergencies, local congestion management agency, and SANBAG.
§§ 120050.2 - 120051	Defines membership of the MTDB Board of Directors	Jan. 1, 2018 and Jan. 1, 2004	§ 130815 defines Board membership
§ 120051.6	Defines alternate membership for the MTDB Board	Jan. 1, 2018	§ 130815 defines alternate membership for the SBCTA Board
§ 120054	Defines the geographic area of the MTDB	Jan. 1, 2004	None
§§ 120100 - 120109	Provides rules, duties, and procedures for the MTDB Board	1975 – 2005	None
§§ 120200 - 120488	Defines the powers of the MTDB, including making and entering into contracts (Article 2), acquiring and disposing property (Article 3), acquire, construct, maintain, and operate transit facilities and services (Article 4), coordinating with SANDAG on planning in MTDB's service area (Article 5), receiving FTA funds from SANDAG, the designated FTA direct recipient (Article 6), imposing penalties for violations (Article 8), investing surplus funds (Article 9), coordinating with transit operators within its service area and resolving disputes amongst them (Article 10), and imposing a sales and use tax measure to generate revenues (Article 11)	1975 – 2020	§ 130809 provides the general powers of SBCTA and its Board § 130818 transfers the rights, obligations, assets, and liabilities of predecessor agencies § 130821 provides the taxing authority of local transportation authorities to SBCTA
§§ 120500 – 120550	Defines the collective bargaining rights of employees, resolution of labor disputes, adoption and application of collective bargaining agreements, and enrollment of collectively bargained employees in CalPERS or another retirement system (Article 1). Provides for the rights of employees of corporate or utility facilities that are acquired by MTDB (Article 2). Applies the federal prevailing wage law to MTDB transit facilities and establishes a MTDB police force (Article 3)	1978 – 2010	§ 130824 transfers the membership of SANBAG employees in the SBCERA retirement system to the same personnel as SBCTA employees as if the employees remained members of the retirement system without any break in service or change of employer § 130827 provides SBCTA the authority to provide the services of its employees to SANBAG
§§ 120630 – 120702	Authorizes MTDB to issue bonds (Article 1), acquire transit equipment by executing agreements, leases, and equipment trust certificates (Article 2), and borrow money (Article 4).	1983 – 2005	§ 130812 authorizes SBCTA to take action to determine the validity of debts and contracts

5 SUMMARY OF FINDINGS

This section summarizes the evaluation of the functional areas in a potential complete consolidation and provided recommendations for further analysis.

5.1 CASE STUDY LESSONS

In Section 2.4 Key Findings from the Review of Peer Agency Coordination, the primary drivers for consolidation by the case studies included several duplicated services or activities. By contrast, the potential SBCTA – Omnitrans consolidation analyzed in this study, appears to have its primary motivation in funding or financial pressures, and potentially in a desire for planning and decision making to be conducted in a more centralized manner by a single Board with a county-wide, multi-modal focus. Since there is relatively little duplication of services or activities of the two agencies, the magnitude of potential savings is going to be less significant and will focus principally on administrative efficiencies.

5.2 AREAS OF FINANCIAL IMPACTS

A comparison of functional areas between SBCTA and Omnitrans, in an analysis of financial impacts under a potential complete consolidation, yielded few relative areas of financial impact, summarized in Table 18. These functional areas will be further analyzed and discussed in the Detailed Analysis of Financial Impacts chapter.

Table 18: Functional Areas of Financial Impact

	Financial
Facilities Management	Some Effort
Labor Relations	Significant Effort
Accounting	Significant Effort
Payroll	Significant Effort
Risk Management	Some Effort
FTA Processes	Significant Effort
Retirement Systems	Significant Effort
Job Classification	Some Effort
Benefits	Some Effort
Information Technology	Significant Effort
Security	Some Effort
Board of Directors/Committees	Significant Effort

Legend

- Significant Effort
- Some Effort

It is worth noting, as is reinforced by the case studies, this potential complete consolidation by SBCTA and Omnitrans lacks the redundancy and duplication that would produce significant cost savings due to labor force reductions. The opportunities for expenditure reductions to address the funding/financial pressures factor are independent of a complete consolidation, and nothing is preventing Omnitrans from directly addressing these issues internally through service and staffing reductions and restructuring (an effort Omnitrans is already undertaking through ConnectForward and in response to COVID-19), with or without consolidation. However, some of the savings related to duplicate administrative positions could not be accomplished without a consolidation.

5.3 AREAS OF ORGANIZATIONAL IMPACTS

A comparison of functional areas between SBCTA and Omnitrans, in an analysis of organizational impacts under a potential complete consolidation, yielded few relative areas of impact, as summarized in Table 19.

Table 19: Functional Areas of Organizational Impact

	Organizational
HR Staffing	Some Effort
Labor Relations	Significant Effort
Accounting	Some Effort
Grant Application Prep and Assistance	Some Effort
Retirement Systems	Significant Effort
Job Classification	Some Effort
Benefits	Some Effort
Information Technology	Some Effort
Board of Directors/Committees	Significant Effort

Legend

- Significant Effort
- Some Effort

As indicated in Section 3's discussion areas, most of the organizational impacts due to a potential complete consolidation can be attributed to two primary factors:

1. The long-term opportunities to standardize functions, provide career path options, and support vacancies and extended absences.
2. Changes in employee compensation (pay and benefits) can cause unease, rumors, and productivity decline in the announcement and implementation of the change.

These organizational impacts could be somewhat mitigated with support from a strong champion and strong change management practices.

5.4 AREAS OF LEGAL/CONTRACTUAL IMPACTS

A comparison of functional areas between SBCTA and Omnitrans, in an analysis of legal/contractual impacts under a potential complete consolidation, yielded few relative areas of impact, as summarized in Table 20.

Table 20: Functional Areas of Legal/Contractual Impact

	Legal/ Contractual
Revenue Service	Some Effort
Labor Relations	Significant Effort
Capital Asset Management and Reporting	Some Effort
FTA Processes	Significant Effort
Retirement Systems	Significant Effort
Job Classification	Significant Effort
Benefits	Significant Effort
Board of Directors/Committees	Significant Effort

Legend

- Significant Effort
- Some Effort

Most of the legal and contractual impacts are short-term, in that they specifically relate to the effort and attention required to consolidate. These areas will need detailed attention by legal and political resources to ensure continued compliance with FTA regulations and state law during the transition and early days of a consolidated agency. In a potential complete consolidation, careful planning to address these steps will be critical to success, and crucial to not interrupt the ability to provide transit service and deliver a capital program.

5.5 STREAMLINING OPPORTUNITIES WITHOUT CONSOLIDATION

Some of the opportunities identified in this report could also be undertaken without a complete consolidation. The degree of success of these opportunities is most dependent on the willingness of the agencies to individually address the financial/funding pressures through making difficult decisions in service and staffing levels to equilibrate on-going agency costs with foreseeable revenue streams. The follow-on portion of this study, the Innovative Transit Review, will be one of the efforts to evaluate Omnitrans service in light of current demand levels and potentially better match service with demand.

6 REFERENCES

- California Public Utilities Code (CA Pub. Util. Code) § 40060 et seq. 1965. *Orange County Transit District Law*.
- CA Pub. Util. Code § 120050 et seq. 1975. *San Diego Metropolitan Transit System Law*.
- CA Pub. Util. Code § 130000 et. seq. 1976. *County Transportation Commissions*.
- CA Pub. Util. Code § 130800 et. seq. 2017. *San Bernardino County Transportation Authority Consolidation Act*.
- CA Pub. Util. Code § 130050.2 et. seq. 1992. *Los Angeles County Metropolitan Transportation Authority Law*.
- CA Pub. Util. Code § 130052.2 et. seq. 1990. *Orange County Transportation Authority Law*.
- Larwin, Thomas F., P.E. 2012. *San Diego Metropolitan Transit Development Board: Lessons for Competitive Transit Governance.* Paper prepared for the FSU Market-Oriented Transit Reform Symposium, May 15, 2012.
- Los Angeles County Metropolitan Transportation Authority (Metro). 2020. Metro website, "Overview" webpage: http://www.metro.net/about/agency/mission/. Accessed March 2, 2020.
- Los Angeles Times (LA Times). 1998. *Quirky Perks of the MTA*. Article by staff writer Richard Simon published in the Los Angeles Times on April 24, 1998.
- North County Transit District (NCTD). 2020. *NCTD at a Glance: Overview of North County Transit District (NCTD)*. Accessed at: https://gonctd.com/wp-content/uploads/2019/09/NCTD-At-A-Glance-Fact-Sheet-September-2019.pdf . Accessed on March 4, 2020.
- Omnitrans. *Joint Powers Agreement Creating a County Wide Transportation Authority to be Known as Omnitrans, Amended and Restated*. 2016
- San Diego Metropolitan Transit System (SDMTS). 2020. About MTS. Accessed at: https://www.sdmts.com/about-mts . Accessed on March 4, 2020.
- Wikipedia. 2020. Los Angeles County Metropolitan Transportation Authority. Accessed at: https://en.wikipedia.org/wiki/Los_Angeles_County_Metropolitan_Transportation_Authority. Accessed March 2, 2020.
- WSP USA. 2020a. *Peer Agency Interviews on Consolidation Issues: Los Angeles County Transportation Authority*. Interviewed Staff: Linda Bohlinger, former Chief Executive Officer, LA Metro; and Claudette Moody, former Director of LACTC Governmental Relations. Interview date: February 19, 2020.
- WSP USA. 2020b. *Peer Agency Interviews on Consolidation Issues: Metropolitan Transit Development Board*. Interviewed Staff: Thomas Larwin, P.E., former General Manager, MTDB. Interview date: February 14, 2020.
- WSP USA. 2020c. *Peer Agency Interviews on Consolidation Issues: Orange County Transportation Authority*. Interviewed Staff: Stan Oftelie, former Chief Executive Officer, OCTA; former Executive Director, Orange County Transportation Commission. Questionnaire completion date: March 25, 2020.
- WSP USA. 2020d. *Peer Agency Interviews on Consolidation Issues: Orange County Transportation Authority*. Interviewed Staff: Will Kempton, former Chief Executive Officer, Orange County Transportation Authority. Interview date: March 16, 2020.

APPENDIX

A

FORMER AGENCY STAFF INTERVIEWS

LA Metro
Linda Bohlinger, held various senior positions leading to Chief Executive Officer, Metro (1990 - 1998); Director of Capital Planning, LACTC (1979 – 1985)
Claudette Moody, former Director of Governmental Relations, LACTC (1985 – 1997)

Orange County Transportation Authority
Will Kempton, former Chief Executive Officer, OCTA (2009 – 2013)
Tom Jenkins, held various senior positions at OCTD and OCTC (1974 – 1983)
Stan Oftelie, former Executive Director, OCTC (1983 – 1991); former Chief Executive Officer, OCTA (1991 – 1997)

Metropolitan Transit Development Board
Tom Larwin, General Manager, MTDB (1976 – 2003)
Dave Schumacher, Director of Planning, MTDB (1983 - 2004)

THIS PAGE IS INTENTIONALLY LEFT BLANK

APPENDIX

Questions for Peer Agency Interviews on Consolidation Issues

Agency Name: Los Angeles County Metropolitan Transportation Authority (LACMTA)

Contacts Interviewed: Linda Bohlinger, Former CEO, Metro; and Claudette Moody, Former Director of LACTC Government Relations

Date: February 19, 2020

1. According to our previous study, the former SCRTD and LACTC merged on April 1, 1993, to create the Los Angeles County Metropolitan Transportation Authority. What acts or events precipitated this merger? There had been state legislation creating LACTC in 1976 but our 2015 study did not identify any subsequent legislation or action that led to the merger.

A lot of things contributed to the consolidation. From 1987 – 1992, 35 bills were in legislature. In 1991, Tom Bradley said, STOP, we will deal with this ourselves. One of the bills would allow that to happen, which led to AB 152, Katz, 1992. It took effect April 1, 1993. Consolidation Causes: two different agencies building rail, SCRTD and LACTC. People started saying it was confusing to have two agencies building rail, so rail component came over to LACTC prior to AB 152. Somewhat voluntary. Could not coordinate rail projects with two agencies doing rail construction.

There were also budget problems at RTD, funding shortfalls preceded the consolidation ($60M RTD shortfall in 1990).

After decision was made to consolidate, committee formed with staff from the 2 different agencies – they folded their work into AB 152.

Consolidation was precipitated with building of Metro Rail. LACTC had the authority to construct. Katz was frustrated with too many agencies doing transportation. Wanted an umbrella agency in LA County. Also recognized Tom Bradley's vision of a tax measure to build rail. At that time, it became obvious that there had to be one board (not 2) to govern.

LA Times articles also had an impact, publicized every little issue. Some Board member overlap but not completely. Some infighting between the agencies.

When the RTD Board members realized rail was going to be pre-eminent, a bus riders union was formed by local activists to protect bus service. That led to a lawsuit to prevent Metro from changing bus routes and funding. The settlement of the lawsuit set up a Master judge who mediated between Metro and the bus riders union on matters of bus funding. After several years, the Master Judge ruled that Metro had met the requirements and Metro was free to set bus policy and funding after that.

In 1990, Prop C passed. This was the second half cent sales tax for LACTC. Blue Line opened at this time. FTA also would only give a FFGA to an agency that could both build and operate a rail line. Prop A passed around 1980, was the first half-cent sales tax.

Right after all this, the recession of 1991-1992 occurred. It was Tom Bradley saying STOP that got things moving, led to AB 152. Subsequent legislation passed to clean up the language, saying the Board could not fire the CEO until after first four years. This was due to a lot of turnover of CEOs.

2. What other factors led to the merger of the agencies? Things like:
   a. Overlapping/duplicative responsibilities?

b. Financial/funding challenges?
c. Conflicts over funding?
d. Conflicts over cost control or management approach?
e. Overlapping Boards/Board membership?
f. Other?

There was a bill ahead of AB 152 that laid the groundwork for AB 152. After AB 152, Claudette believes there was an interim board arrangement. Linda worked on the organizational structure of the administrative side. Required many decisions on who would lead what department, who would support, in new structure. There had been a lot of duplicate positions between the two agencies. It was a contentious negotiation between the two agencies. Bus operator culture at RTD, admin/policy/engineering types at LACTC.

LACTC legacy staff keeping their PERS and no SSI was a major issue. Put it to a vote of the RTD union, they voted not to join PERS. RTD had their own retirement system. A separate legal entity was created for new Metro benefits. Transportation Service Corporation created to house all the benefits of the new Metro employees. RTD employees stayed with their own retirement system.

New organization had to eliminate 250 staff due to duplication. At first, this was done requesting retirement or resignation with 6 months' severance. A lot of people took that. The second time an additional 250 staff were eliminated but it was performance based, also done with a severance package.

Metro did a strategic planning exercise with representatives of all departments to develop common strategies and goals. Metro hired an outside consultant, William Ochi from UCLA, to lead this effort. Linda recommends that the strategic planning effort needs to occur in the first year of the new organization.

Still a lot of hanging together of RTD employees with their own and with LACTC with their own, to this day.

Early on, there was a lot of bad blood between the new Metro CEO and the LA Mayor. And between other levels between the two organizations.

3. What organizational issues had to be dealt with in consolidation? Issues such as:
   a. Differing labor unions/agreements
   b. FTA funds recipient status
   c. Special state legislation? (That seems to have been required in both the LA and San Diego examples.)
   d. Merging of senior and mid-level management staff – how was this handled to ensure salary and benefit equity?
   e. Differing retirement programs or benefit programs?
   f. Other?

After AB 152, which took effect April 1, 1993, an interim board was established and Alan Pegg (RTD) and Neil Peterson (LACTC) were told to work it out. Linda was tasked with devising the new, combined organizational structure.

Both agencies were direct FTA fund recipients. But had to re-certify all the certifications for the new entity. What helped was that Metro was a state-created agency. No act of the governor was needed – the duties were assigned to the new entity. SBCTA-Omni would have to be done by statute. New

entity has to be created by the state to be the recipient. SBCTA would need new designation. All the formula funds have to be re-assigned to SBCTA.

Labor – huge issue. Benefits and salaries – fear that rail would take all the money and unions wouldn't be able to negotiate decent wages. They and a key Board Member brought a lawsuit that resulted in a settlement that required Metro to have a master judge oversee bus funding to make sure things were fair between bus and rail. No bus service could be cut for several years. Made changes in the bus service very difficult.

Getting some things settled before the merger would help avoid some of these problems. Doing the strategic planning in advance would help. Metro followed up their strategic planning effort with a 30-year strategic funding plan, which laid out funding for both rail and bus and highways. Do scenario building on how the new organization would look, who the head of transit will report to (preferably the SBCTA CEO).

With Omni service under SBCTA, SBCTA would need to show a balanced financial plan for all modes, including former Omnitrans bus service, to get federal funding grants. This is not currently explicitly a requirement because the organizations are separate.

4. Were there any administrative savings from the consolidation? In what areas?

Consolidation was sold as a cost savings and efficiency measure. Some staff reductions probably saved some money. But then the recession hit so everything was reduced in funding. Less rail lines. Hard to prove it is cheaper, but it is more efficient on decision making.

5. Were there any other areas of savings besides administrative areas?

6. How was the handling of the funds-distribution function as a CTC separated from the transit operator function, to avoid any conflicts of interest and/or perceptions of unfairness by the other transit operators in the county?

Municipal operators in LA County (20 agencies) – what gets doled out to Metro vs. Munis. Looked to the sales tax measures assigning specific percentages by agency. Call for projects process very organized and transparent to protect non-Metro agencies. Munis formed their own coalition against Metro taking too much money for rail and bus operations. Metro then created a Muni committee to offer advice on distribution of funds. Formulae for FTA funds and locally generated funding. Discretionary state and federal funds are competed. TDA – it is in law what the formula is. Prop A, C, R and M all had been divided by their respective ballot measures. The rail, operations and highway %'s are discretionary to Metro. The Local Return %'s are distributed to each city by formula. If not, talk with Metro.

All this needs to be worked out ahead of time. Should be set in concrete, including how any new sources of funding would be divided up. Working committee of the SBCTA and Omni finance

managers. Funding grants all have to be changed if a new entity is formed The new entity has to be listed as the grantee and all of the state and federal certifications have to be re-done with the new entity.

7. Were any overarching business goals or values established as part of the impetus for consolidation?

8. Are there any other factors the study team should be aware of regarding the LACMTA merger?

Matt Barrett, main librarian at Metro, has file records of Claudette and Linda from this era, if we need further information.

APPENDIX

THIS PAGE IS INTENTIONALLY LEFT BLANK

Questions for Peer Agency Interviews on Consolidation Issues

Agency Name: Orange County Transportation Authority

Contact Interviewed and Title at Time of Consolidation: Will Kempton, (714) 272-5270

Will was not the CEO at OCTA at the time of the consolidation. Was CEO from 2009 to 2013. He recommended I ask Tom Jenkins or Stan Oftelie. Tom used to be with OCTC. Greg Winterbottom is still a public rep on the Board. Call OCTA – Liz Wade Executive Assistant to the CEO, Darrell Johnson, to get the contact info.

Date: 3-16-20

1. According to our information, in 1991, OCTA was created under state law, combining the seven separate Orange County agencies that managed transportation planning. What acts or events precipitated this merger? Any details on dates, causal factors, legislative efforts, etc., would be much appreciated.

There was legislation that did the consolidation. OC is a unique political area. Ask the other contacts for reasons why this occurred.

2. What other factors led to the merger of the agencies? Things like:
   a. Overlapping/duplicative responsibilities?
   b. Financial/funding challenges?
   c. Conflicts over funding?
   d. Conflicts over cost control or management approach?
   e. Overlapping Boards/Board membership?
   f. Other?

There were financial issues that helped lead to the consolidation. Ask the other contacts.

3. What organizational issues had to be dealt with in consolidation? Issues such as:
   a. Differing labor unions/agreements
   b. FTA funds recipient status
   c. Special state legislation?
   d. Merging of senior and mid-level management staff – how was this handled to ensure salary and benefit equity?
   e. Differing retirement programs or benefit programs?
   f. Other?

Will was CEO in 2009 - 2013. Under him was a Transit Director for the transit program. Will thought it worked effectively. OCTC at the time of the consolidation became OCTA. Orange County had its own retirement system. All of the former agencies combined under OCTA stayed under Orange County Retirement System. They had reciprocity with their other retirement systems.

4. Were there any administrative savings from the consolidation? In what areas?

Does not have any information on this. Data to support that should be out there, Will thought.

5. Were there any other areas of savings besides administrative areas?

6. How was the handling of the funds-distribution function as a County Transportation Commission separated from the transit operator function, to avoid any conflicts of interest and/or perceptions of unfairness by other transit operators in the county?

   OCTA had a quasi-separate entity to handle the CTC functions. OCTA does the work but the separate entity handles the CTC function.

7. Were any overarching business goals or values established as part of the impetus for consolidation? Goals such as ensuring all employees are kept whole, etc.?

8. Are there any other factors the study team should be aware of regarding the OCTA merger?

San Bernardino County Transportation Authority Consolidation Study

Questions for Peer Agency Interviews on Consolidation Issues

Peer Agency Name(s): Orange County Transportation Authority/ Orange County Transportation Commission/ Orange County Transit District

Contact Interviewed and Title at Time of Consolidation: Tom Jenkins

I had left OCTC in 1983. OCTD was formed in 1972 by a vote of the people along with a small property tax assessment. I started at OCTD in 1974 as Director of Planning and Engineering. In Dec 1977 I left OCTD and became Executive Director of the newly authorized Orange County Transportation Commission (OCTC) (4 counties were started at that same time with Commissions). I left OCTC in 1983 and returned to the private sector. In 1991 I was a Vice President and Project Manager with Parsons Brinckerhoff (now WSP).

Date: __3/23/2020_____

1. According to our information, in 1991, OCTA was created under state law, combining the seven separate Orange County agencies that managed transportation planning. What acts or events precipitated this merger? Any details on dates, causal factors, legislative efforts, etc., would be much appreciated.

   In November 1990 M1 was passed by the voters and gave OCTC major funding. As I recall, there was a political movement to merge the two agencies supposedly for efficiency and management purposes including having only one Board of Directors to be in change of transportation for Orange County. Reducing both political and public confusion.

2. What other factors led to the merger of the agencies? Things like:
   a. Overlapping/duplicative responsibilities?
   b. Financial/funding challenges?
   c. Conflicts over funding?
   d. Conflicts over cost control or management approach?
   e. Overlapping Boards/Board membership?
   f. Other?

   I think all the items a through e contributed to the merger.

3. What organizational issues had to be dealt with in consolidation? Issues such as:
   a. Differing labor unions/agreements?
   b. FTA funds recipient status?
   c. Special state legislation?
   d. Merging of senior and mid-level management staff – how was this handled to ensure salary and benefit equity?
   e. Differing retirement programs or benefit programs?
   f. Other?

   a. OCTC had no labor unions so taking on OCTD created additional duties for the new Board
   b. OCTC was the Sections 7 and 9 designated recipient in the early days and the merger cleared that up.
   c. Special state legislation was needed because both agencies had been created and authorized by the State.
   d. As I recall this was an issue with two chief executives.

e. Retirement programs were different. Not sure how all that was resolved. There were options provided I recall.
f. Planning – who really was in charge of transportation and transit planning. The merger resolved that.

4. Were there any administrative savings from the consolidation? In what areas?

There probably was but not sure. Jim Kenan, former Finance Director, would know.

5. Were there any other areas of savings besides administrative areas?

Planning, programming, and legislative duplication was streamlined. Better "one" voice for the County.

6. How was the handling of the funds-distribution function as a County Transportation Commission separated from the transit operator function, to avoid any conflicts of interest and/or perceptions of unfairness by other transit operators in the county?

There was only one other included transit operator in the county (City of Laguna Beach). They still maintained their independence and eligibility for TDA funding percentage (TDA was created by State in 1972).

7. Were any overarching business goals or values established as part of the impetus for consolidation? Goals such as ensuring all employees are kept whole, etc.?

I don't recall if that was a goal or promise. Long time ago but I do know a lot of folks were not happy with the merger.

8. Are there any other factors the study team should be aware of regarding the OCTA merger?

I would just go back and interview some of the major players at that time including Jim Reichert, Stan Oftelie, Jim Kenan, Brian Pearson, Kia Mortazavi.

San Bernardino County Transportation Authority Consolidation Study
Questions for Peer Agency Interviews on Consolidation Issues

Peer Agency Name(s): Orange County Transportation Authority/ Orange County Transportation Commission/ Orange County Transit District
Questionnaire Completed By: Stan Oftelie, former Chief Executive Officer, OCTA; former Executive Director of OCTC
Date Completed: 3/25/20. Follow-up clarification interview on 3/31/20.

Descriptor: Prior to the merger, I was the Executive Director of the Orange County Transportation Commission, the county's planning and programming agency. Discussions of merging transportation agencies pre-dated the commission's successful efforts to pass Measure M, a half-cent countywide transportation sales tax measure, in 1990. When the merger was completed, I became the CEO of the new agency.

1. According to our information, in 1991, OCTA was created under state law, combining the seven separate Orange County agencies that managed transportation planning. What acts or events precipitated this merger? Any details on dates, causal factors, legislative efforts, etc., would be much appreciated.

The Orange County Transit District (OCTD), Orange County's oldest countywide transportation agency, was approved by county voters on November 3, 1970 but moved slowly to organize as a countywide bus service. There was, initially, significant opposition to public transportation, believing the private sector would provide bus service if it were truly needed. Because of this cautious approach, and state funding formulas that awarded transit funds on a per capita basis, the OCTD became the wealthiest special district in Orange County by the middle of the 1980s, with reserve funds totaling more than the bus agency's annual budget. A 1974 OCTD sponsored transit sales tax for bus and rail projects failed countywide.

The Orange County Transportation Commission was formed by the same legislation --(AB 1246 of 1976 (Ingalls, D -Riverside) -- as commissions in Los Angeles, Riverside and San Bernardino. The commission worked closely on planning matters with the Southern California Association of Governments and advised the California Transportation Commission on highway and freeway priorities.

Simultaneously, Orange County's growth was exploding, freeways were overloaded, and major arterials were over capacity. The OCTD bus system was operating countywide, but many were seeing it as a social service (getting poor people to work, serving the frail elderly and disabled) rather than an integral part of the transportation system. OCTD staff and its board of directors bristled at this description. In 1982, the OCTD spun off specialized portal-to-portal service to the frail elderly and persons with disabilities to a new Consolidated Transportation Services Agency.

In June of 1984, the OCTC sponsored a multi-modal, one-cent transportation countywide sales tax. It lost badly, failing to receive 30% of the countywide vote. The OCTC began looking for innovative ways to solve transportation issues, including construction of the first successful carpool lanes in Southern California on S.R. 55 (the Costa Mesa Freeway) in 1986.

In 1986, the OCTD began planning a central county mobility project, a series of flyover carpool lanes to be built at the Interstate 5 - SR 55 interchange using transit funds. At the same time, the OCTC obtained special legislation allowing it to intercept the interest earnings on the OCTD's transit reserves to begin the environmental and design work on freeway projects. To improve freeway project delivery and under pressure from the OCTC and state legislators, Orange County broke away from Los Angeles in 1987 to become its own Caltrans district. The first new Caltrans district formed in almost 40 years.

APPENDIX

In a 1989 special election, the OCTC lost a special multi-modal election calling for a half cent transportation sales tax, with no funds for the bus system or three planned toll roads. A year later, an almost identical sales tax measure passed after OCTC directors successfully lobbied for a consolidated transportation agency to avoid duplication of effort, improve priority-setting, reduce transportation staffing and streamline decision-making. The promise of having a single voice managing transportation decision-making was undercut when the Transportation Corridor Agencies, builder and operator of three county toll roads, and Laguna Beach Transit, a recipient of Transportation Development Act funds, were not included in the Orange County Transportation Authority legislation. All other major transportation agencies were combined into a single decision-making, operational agency. Sen. Marian Bergeson (R – Newport Beach) sponsored the consolidation the State legislation, known as SB 838 (1990).

2. What other factors led to the merger of the agencies? Things like:
    a. Overlapping/duplicative responsibilities?
    b. Financial/funding challenges?
    c. Conflicts over funding?
    d. Conflicts over cost control or management approach?
    e. Overlapping Boards/Board membership?
    f. Other?

Other factors. Nice list. Elements of all of these issues appeared. A prolonged (and long-lasting) fight between the county and cities over board membership was a particularly difficult hurdle to overcome. The original OCTA Board had 11 members: 4 supervisors, 6 city members, and a public member. The first fight over the public member was particularly brutal.

Supervisors were particularly focused on increasing agency economy, city members echoed the viewpoints of staff members they were close with in the earlier agency. Getting both the board and the new, combined staff to agree on the same playbook was difficult. Some resisted all change, until they were removed from the agency. Top management in both agencies worked together fairly well and the former general manager of the OCTD (who became the OCTA COO) was helpful in the transition process, which made the consolidation process smoother.

Conflicts over funding were minimized by two things: the influx of Measure M cash (and how to manage and prioritize the new money) and the fact the old OCTD covered more than 90% of the county and received the lion's share of TDA funds. How to deal with Laguna Beach Transit and the CTSA services (for the elderly and handicapped) was always an issue.

3. What organizational issues had to be dealt with in consolidation? Issues such as:
    a. Differing labor unions/agreements?
    b. FTA funds recipient status?
    c. Special state legislation?
    d. Merging of senior and mid-level management staff – how was this handled to ensure salary and benefit equity?
    e. Differing retirement programs or benefit programs?
    f. Reduction in force for the consolidated agency?

g. Other?

The OCTC and CTSA were non-unionized, the OCTD was heavily unionized. Most of the OCTD labor relations program remained intact. Most OCTA administrative employees are not unionized.
Sen. Marian Bergeson (R-Newport Beach) carried the original consolidation legislation that also smoothed differences in pensions and other technical problems. Regarding retirement systems, OCERS (Orange County Employees Retirement System) and CalPERS have reciprocity arrangements and recognize years of service between the systems. OCTA found it preferable to grandfather in the former CalPERS employees into that system. Grandfathered employees stopped accumulating CalPERS credits and started accumulating credits in OCERS. So, employees had credits in both systems upon retirement.

Her bill, however, was the source of serious disagreements over board membership. This disagreement oft times threatened to scuttle the consolidation.

4. Were there any administrative savings from the consolidation? In what areas?

Yes. The day the consolidation was official, the combined agency had 1,790 employees. When I left 8 years later, staffing had been reduced to 1,492. (Stan stated that OCTA had about 50 employees prior to the consolidation). The reductions included both administrative positions and direct operating personnel. The bus system needed to be sized to appropriate size. Every reduction was painful; many were the results of continuous organization evaluation. The evaluations briefly impacted morale in every area studied (some people lost their jobs), but except for some survivor's remorse, most of the selected employees who stayed with the new OCTA recognized that the best employees were being retained and weaker, less productive staffers were being eliminated. Anticipating future changes, many who felt they were not appreciated left the organization, allowing vacant positions to be eliminated. Having a rigorous, bias-free selection process was very important.

On follow-up interview, Stan said severance packages were used in some instances, on a case by case basis. Job placement assistance services were also provided in some cases.

Stan added that the principal metric used to judge the success of the consolidation was headcount. With regard to the potential SBCTA – Omnitrans consolidation, Stan was emphatic in stating, "If you just graft Omnitrans onto SBCTA, you are not going to have any savings. There needs to be changes in the services operated and staffing levels. This should come from the goals of the consolidation, merging to be more fiscally responsible. Metrics of the consolidation should drive improvement in performance."

5. Were there any other areas of savings besides administrative areas?

It is difficult to determine what other savings were realized because of the inflow of Measure M funds in 1991 and 1992. The reduction in overall staffing, while increasing the amount and type of transportation work being done, is the best measure of the Orange County consolidation success.

6. How was the handling of the funds-distribution function as a County Transportation Commission separated from the transit operator function, to avoid any conflicts of interest and/or perceptions of unfairness by other transit operators in the county?

All of the agencies combined had identical boundaries. The outliers were the TCAs and Laguna Beach transit. These identical boundaries were key to solving allocation of resources issues, however some areas disagreed with allocation priorities (too much bus service in the county core areas, not enough in south county) and timing of new freeway projects.

On follow-up interview, Stan stated one way to address disagreements on allocation priorities is to look at the region multimodally. For example, in south county where bus service was being reduced, they were getting a big investment in highway improvements. You have to look at needs and funding more holistically, not just limited to transit service. Put in the transit where it makes sense, put in other investments where that is more logical, and use that to help defend the decision on bus service reductions in some areas.

Stan also stated that, during the development of the consolidation legislation, Laguna Beach tried to get Sen. Bergeson to include funding level guarantees in her legislation. Sen. Bergeson refused to do that, and Stan believes this helped persuade Laguna Beach to realize they would have to work with OCTA on funding issues.

7. Were any overarching business goals, objectives, or values established as part of the impetus for consolidation? Goals such as reducing duplication of services, better coordination on planning efforts, ensuring all employees are kept whole, etc.?

Yes. There were goals for the consolidation:

- One priority-setting agency, speaking with one voice, on transportation issues;
- Adopt a multi-modal approach balancing transportation investments in freeways, buses, streets and road, and rail programs geographically;
- Emphasize early delivery of voter-approved transportation projects;
- Re-configure the bus system to increase bus ridership and farebox return;
- Recognize the special transportation needs of the frail elderly and persons with disabilities;
- Manage transportation resources cautiously, with regular financial reports to the board and, annually, to the public;
- Right-size (that was a catch-phrase in this era) the new agency's staff by practicing rigorous examinations of the agency needs.

8. Are there any other factors the study team should be aware of regarding the OCTA merger?

Yes. Despite our best efforts, administrative staffers and others believed there were winners and losers in the consolidation. We tried to avoid that view, but it was prevalent, particularly among mid-level staffers, no matter what we said. There was a belief, and anecdotal information, suggesting former OCTC staffers (including me) got the best jobs, even though they were a much smaller agency prior to the merger. They were winners. OCTD staffers, who built their careers in the narrow field of bus transit, were seen as losers. Big investments in new freeway and highways, driven by new money, grabbed headlines. People working in those areas were winners. People working in bus operations, where there was no new money, were losers. (The original Measure M had no money for bus operations.) As the bus system was re-configured to focus on high-volume routes, many bus drivers found their daily jobs harder. They felt like the added work was because of consolidation and they felt like losers. Some mid-level transit managers re-enforced this belief.

On follow-up interview, Stan stated that under the legislation, OCTA can contract out up to 40 percent of their service, but they have not contracted out to that level yet. The contracting was driven primarily by internal financial pressures, not the Orange County Bankruptcy of 1994 – 1996. Stan also noted that the OCTA Board members of that era were very pro-private sector and supported more contracting for bus service.

APPENDIX

THIS PAGE IS INTENTIONALLY LEFT BLANK

Questions for Peer Agency Interviews on Consolidation Issues

Agency Name: San Diego MTDB/MTS

Contact Interviewed: Tom Larwin, former General Manager, MTDB

Date: February 14, 2020

1. According to our previous study, in 1975, SB 101 (Mills) established the Metropolitan Transit Development Board (MTDB) as a transit development entity to plan, construct, and operate transit guideways in the urbanized area of south San Diego County. In 1984, State legislation passed that allowed MTDB to acquire SDTC, and SDTC ceased to exist as a separate entity. Also at that time, MTS was introduced as the "umbrella" organization of the metropolitan area transit operators. By 2003, MTDB had acquired the assets of all but one municipal area transit operator and had assumed management of all bus and light rail operations. By 2003, the roster of bus services that comprised MTS included SDTC, Chula Vista Transit, National City Transit (NCT), CTS, and other contract services (i.e., Strand Express JPA and Amarillo y Rosa).

   What acts, events, or concerns precipitated these various mergers/acquisitions?

   The most important foundation issue was that MTDB was given financial power over all state and federal moneys under the SB101. This gave them much leverage in coordinating the operators in the County. Smaller operators were just getting started. Gave MTDB power in dealing with CPO (Comprehensive Planning Organization, SANDAG's predecessor). Financial authority gave MTDB power to do anything it felt necessary. This started slowly, as from 1976 to 1981, 95% of what they did was related to getting the Trolley built. Did a SRTP for metro area during this period.

   In 1979 – 1980, MTDB looked at different ways to operate trolley. Decided to create SDTI to operate it, keeping MTDB out of operations. MTDB could then be an umbrella organization that coordinated services. Very important point. If MTDB had been a direct operator, this may have interfered with being the umbrella organization. Main thing in Tom's mind is operations is something you can't take your eyes off of. Giving both operations and oversight to one entity, you are diluting the development aspect. Being an operator would also have created a conflict of interest with the other operators since MTDB would be operating one of several services in the County. Not having to deal with pressures of labor unions was another advantage of this approach.

   As part of the umbrella concept, around 1981, MTDB coordinated operators with Uniform Fare Structure agreement to ease transfers between the different operators. MTDB had good relationship with Tom Snoble, General Manager of SDTC. Worked hard to coordinate. General Managers group among all the operators was created to coordinate service and fares, primarily in metro area. Wanted seamless service between operators. Uniform pass and transfer system. Involved everyone agreeing. Worked out the distribution of pass moneys through the system.

   Also, SDTC had a major route between border and downtown, which duplicated service of the new Trolley. Needed to work that out, create feeder services. SRTP power helped in creating coordinated service. Got them into the planning of operations and service.

   1985 legislation – came up with the concept of a metropolitan transit system umbrella. Could set parameters for service and fares without being operator. Plus doing the major engineering projects. The competition among the operators was helping improve performance. SDTC wanted their statistics to look good, for example, against their peers in the County.

What did not work as well was coordination with the SDTC Board of directors. Their Board put up much more resistance than at the staff level. Took another 15 years to deal with, with the final dissolution of the Board with the 2003 SANDAG consolidation. Operating performance from 1981 to 2003 was generally positive situation. Getting SDTC Board out of the way should have made it work better.

The people at the top of the organizations are crucial to success. Larwin – Snoble – Fifer worked much better together than the leadership under the prior administrations. Personalities. All were dedicated to making the entities work well. There was a role to play in coordination.

2. What other factors led to the merger of the agencies? Things like:
    a. Overlapping/duplicative responsibilities?
    b. Financial/funding challenges?
    c. Conflicts over funding?
    d. Conflicts over cost control or management approach?
    e. Overlapping Boards/Board membership?
    f. Other?

See notes in previous section. MDTB had planning powers. Tried to prevent duplication. Power to develop SRTP and TIP gave them decision making authority. Also realized over time that you can have two different kinds of services in the same corridor.

3. What organizational issues had to be dealt with in consolidation? Issues such as:
    a. Differing labor unions/agreements
    b. FTA funds recipient status
    c. Special state legislation? (That seems to have been required in both the LA and San Diego examples.)
    d. Merging of senior and mid-level management staff – how was this handled to ensure salary and benefit equity? – There were some bad relations initially between MTDB and SDTC. Tom was key to helping it smooth out.
    e. Differing retirement programs or benefit programs? Dave did not know. This was an issue when SANDAG and MTDB merged. Needs more research.
    f. Other?

MDTB did not get involved in any labor issues at all. Jack Limber, MTDB Counsel, would brief MTDB Board in closed session on labor issues. MTDB handled FTA funds, state legislation. No merging of staff occurred until the SANDAG consolidation in 2003. Elliot Hurwitz at MTDB was in charge of the contract operations for most of his time at the agency. Those contracts were coordinated through MTDB. In the 1990's Total Quality Management was a big deal, coordinate but not merge.

4. Were there any administrative savings from the consolidation? In what areas?

A number of studies were done in the 1980's that should have that info. Tom's early paper was one. Greg Thompson may have a copy. Tom will try to contact him and ask him to forward it.

5. Were there any other areas of savings besides administrative areas?

6. How was the funds-distribution function handled to avoid any conflicts of interest and/or perceptions of unfairness among the transit operators in the county?

There wasn't a lot of warfare. TDA came down to each City, a complicating factor. SDTC got FTA money. Consolidation of TDA occurred around year 2000 and made it a lot easier. MTDB decided how much each agency would get.

7. Were any overarching business goals or values established as part of the impetus for consolidation?

The model that Tom latched onto was the Western European umbrella entity over transportation agencies. Greg Thompson would know. Tom will email Greg to forward the paper he wrote.

8. Are there any other factors the study team should be aware of regarding these mergers?

One of the first things Tom is very proud of (aside from the Trolley) was the infrastructure capital plan for the overall system – transit centers, bus divisions – especially in a very difficult geographic area to serve.

APPENDIX

Questions for Peer Agency Interviews on Consolidation Issues

Agency Name: San Diego MTDB/MTS

Contact Interviewed: Dave Schumacher, former Planning Director for MTDB

Date: February 13, 2020.

1. According to our previous study, in 1976, SB 101 (Mills) established the Metropolitan Transit Development Board (MTDB) as a transit development entity to plan, construct, and operate transit guideways in the urbanized area of south San Diego County. In 1984, State legislation passed that allowed MTDB to acquire SDTC, and SDTC ceased to exist as a separate entity. Also at that time, MTS was introduced as the "umbrella" organization of the metropolitan area transit operators. By 2003, MTDB had acquired the assets of all but one municipal area transit operator, and had assumed management of all bus and light rail operations. By 2003, the roster of bus services that comprised MTS included SDTC, Chula Vista Transit, National City Transit (NCT), CTS, and other contract services (i.e., Strand Express JPA and Amarillo y Rosa). What acts or events precipitated these various mergers/acquisitions?

What led up to this was the inefficiency of all the operators having administration, separate services within their municipal boundaries, in a relatively geographically-close area. Differences among the agencies. MTDB's Tom Larwin worked well with the other operators, created a "federation of agencies" and General Managers group. Eventually, everyone saw from a service and efficiency standpoint, that it made more sense to consolidate. It was not a forced takeover. MTDB must have had the ability to obtain FTA money, because they used New Starts money for Euclid Line. The small operators may not have had this. SDTC did likely have FTA direct recipient status. The small operators were creatures of the way TDA was written, giving money to cities for transit. MTDB may have given some guarantees on continued funding after the consolidation.

2. What other factors led to the merger of the agencies? Things like:
   a. Overlapping/duplicative responsibilities?
   b. Financial/funding challenges?
   c. Conflicts over funding?
   d. Conflicts over cost control or management approach?
   e. Overlapping Boards/Board membership?
   f. Other?

Small operators ran on a shoe-string, had old equipment. They realized they could get better service and more continuity in a combined system. Fare coordination - Uniform Fare Structure agreement. Mostly contracted out services. Most were very small, had inefficient fleets and services. County was the largest (other than SDTC), operated some express bus service. They held out the longest before consolidating.

3. What organizational issues had to be dealt with in consolidation? Issues such as:
   a. Differing labor unions/agreements – Dave did not know. There were 13c issues with SDTC.
   b. FTA funds recipient status
   c. Special state legislation? (That seems to have been required in both the LA and San Diego examples.) - MTDB needed state legislation to be an operator. They were originally set up just to build the trolley.

d. Merging of senior and mid-level management staff – how was this handled to ensure salary and benefit equity? – There were some bad relations initially between MTDB and SDTC. Tom was key to helping it smooth out.
e. Differing retirement programs or benefit programs? Dave did not know. This was an issue when SANDAG and MTDB merged. Needs more research.
f. Other?

There were differences, definitely. SDTC had a different pension than MTDB.

4. Were there any administrative savings from the consolidation? In what areas?

Must have been savings, but does not recall if there were studies to determine this.

5. Were there any other areas of savings besides administrative areas?

Economies of scale in general. Service coordination and better route structure, went where the routes were needed instead of staying within jurisdictional limits. Note all of the consolidated agencies were operators. Also relieved the Cities of operating responsibilities.

6. How was the funds-distribution function handled to avoid any conflicts of interest and/or perceptions of unfairness among the transit operators in the county?

Dave thinks there must have been some guarantees. Ask Tom Larwin.

7. Were any overarching business goals or values established as part of the impetus for consolidation?

Tom Larwin wanted to achieve a sophisticated regional transit operation where transfers were less complicated, service made more sense, integration of bus service with Trolley.

8. Are there any other factors the study team should be aware of regarding these mergers?

Personalities were crucial. Tom Larwin was highly effective in bringing people together through the General Managers forum. This was an ongoing forum to discuss issues. They were all friends, first and foremost. Less acrimony than exists today.

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

CONSOLIDATION STUDY AND INNOVATIVE TRANSIT REVIEW

TASK 1.4C—DETAILED ANALYSIS OF FINANCIAL IMPACTS AND BENEFITS OF ANY PROPOSED CONSOLIDATION

JULY 15, 2020

CONSOLIDATION STUDY AND INNOVATIVE TRANSIT REVIEW

TASK 1.4C— DETAILED ANALYSIS OF FINANCIAL IMPACTS AND BENEFITS OF ANY PROPOSED CONSOLIDATION

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

FINAL SUBMITTAL (VERSION 3.0)

PROJECT NO.: 12771C70, TASK NO. 1.4.C 2020
DATE: JULY 2020

WSP
SUITE 350
862 E. HOSPITALITY LANE
SAN BERNARDINO, CA 92408

TEL.: +1 909 888-1106
FAX: +1 909 889-1884
WSP.COM

PRODUCTION TEAM

CLIENT

Director of Special Projects and Strategic Initiatives, SBCTA	Beatriz Valdez
Director of Strategic Development, Omnitrans	Jeremiah Bryant

WSP

Project Manager	Cliff Henke
Transit Services Update Lead	Tom Lichterman
Organizational Development Specialist	Eryca Dinsdale
Labor Costs and HR Lead	Simon Mosbah
Financial Analyst	Ruby Lee
Data and Performance Analyst	Luke Yang

1 Executive Summary 1

2 Detailed Financial Analysis 5

2.1 Assets and Maintenance 6

2.1.1 Facilities Management 6

2.2 Human Resources 7

2.2.1 Labor Relations 7

2.3 Finance 8

2.3.1 Accounting 8

2.3.2 Payroll 9

2.3.3 Risk Management 10

2.3.4 FTA Direct Recipient Status 10

2.4 People Costs 11

2.4.1 Employer Retirement Costs 11

2.4.2 Job Classifications 13

2.4.3 Employee Benefits 15

2.5 Other Shared Services 17

2.5.1 Information Technology 17

2.5.2 Security 18

2.6 Board of Directors/Committees 19

2.6.1 Board of Directors/Committees 19

Appendices

Appendix A: APPROACH, ASSUMPTIONS AND DATA

Figures

FIGURE 1: COMBINED TOTAL ANNUALIZED COSTS/SAVINGS FOR RETIREMENT AND BENEFITS 2
FIGURE 2: COMBINED TOTAL POTENTIAL RANGE, ALL OTHER FUNCTIONAL AREAS 4
FIGURE 3: SUMMARY OF POTENTIAL FISCAL IMPACTS DUE TO RETIREMENT AND MEDICAL PLAN CONSOLIDATION 5
FIGURE 4: SUMMARY OF REMAINING ON FUNCTIONAL AREAS..... 6
FIGURE 5: ESTIMATION OF ANNUAL FACILITIES MANAGEMENT COSTS UNDER TWO SCENARIOS 7
FIGURE 6: ESTIMATION OF ANNUAL COSTS DUE TO ALIGNING REPRESENTATION OF ADMINISTRATIVE PERSONNEL..... 8
FIGURE 7: ACCOUNTING FUNCTION SUMMARY FINANCIAL ANALYSIS 9
FIGURE 8: PAYROLL FUNCTION SUMMARY FINANCIAL ANALYSIS . 9
FIGURE 9: ESTIMATION OF ANNUAL LIABILITY INSURANCE COSTS10
FIGURE 10: FTA DIRECT RECIPIENT ESTABLISHMENT COSTS 11
FIGURE 11: ESTIMATION OF EMPLOYER RETIREMENT COSTS UNDER TWO SCENARIOS 13
FIGURE 12: STAFF DUPLICATION COST SUMMARY 13
FIGURE 13: STANDARD JOB CLASSIFICATION COST SUMMARY .. 14
FIGURE 14: JOB CLASSIFICATION COST SUMMARY 15
FIGURE 15: COMPARISON OF SBCTA AND OMNITRANS EMPLOYEE BENEFITS 15
FIGURE 16: ESTIMATION OF ANNUAL EMPLOYEE BENEFIT COSTS UNDER TWO OPTIONS, EACH INCLUDING TWO SCENARIOS..... 16
FIGURE 17: INFORMATION TECHNOLOGY COST SUMMARY..... 18
FIGURE 18: SECURITY COST SUMMARY..... 18
FIGURE 19: BOARD OF DIRECTORS/COMMITTEES FINANCIAL ANALYSIS SUMMARY..... 19

1 EXECUTIVE SUMMARY

The previous chapter, Evaluation of Functional Areas in a Complete Consolidation, identified the organizational, legal, and potential financial opportunities and challenges by functional areas of the San Bernardino County Transportation Authority (SBCTA) and Omnitrans under a potential "complete consolidation". This matter is defined as the two agencies (all functions) are brought together under one organization and would entail transferring all functions into a single consolidated agency, which then provides transit and other transportation services. During interviews conducted with SBCTA and Omnitrans for this study in January 2020, staff from both agencies responded that consolidation of Omnitrans into SBCTA as an entirely separate department would be most appropriate. The previous chapter noted there are very few areas of functional overlaps between the two agencies. Unlike many other consolidations where there was significant overlap in core functions, such as service revenue delivery, the areas in which SBCTA and Omnitrans have overlapping functions are in the support functions (e.g. HR, Payroll, Accounting, IT). Even in these cases, few redundancies were identified.

Note that this complete consolidation analysis explicitly excludes the consideration of the other four transit operators in San Bernardino County. Thus, the premise of an Omnitrans and SBCTA total consolidation underlies this chapter's analysis due to the consultant's task order to undertake this study.

The primary objective of this chapter's financial analysis was to estimate the higher-level order of magnitude financial impacts of a potential complete consolidation, ultimately for consideration by decision-makers in San Bernardino County.

Of the twelve functional areas, three resulted in potential savings or increased costs greater than $500,000 (employer costs associated with retirement and benefits, and potential staff duplication). However, by enacting the most cost-effective financial decisions, there will be a significant impact to morale, retention, and productivity in the near and mid-term timeframes. These three areas consist entirely of people, their jobs, and their compensation packages. In addition, alternatives to consolidate retirement and benefits are complex and savings are generally uncertain. Not all retirement alternative cost increases/savings can be estimated with certainty at this time.

Of the remaining nine functional areas, most have savings less than $200,000, and totaling the nine areas results in a savings of up to $300,000. With the combined annual budget of SBCTA and Omnitrans at approximately $1 billion annually, this represents a potential savings of 0.03% of the total combined budget.

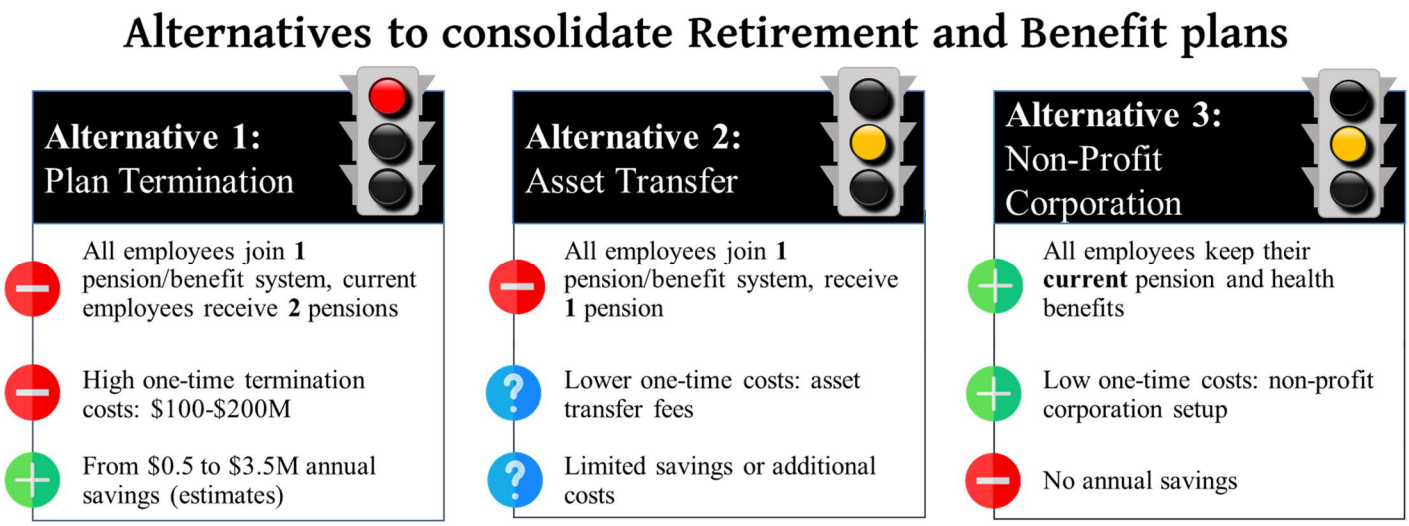
While the results for all twelve areas are described in this financial analysis, only Employer Retirement Costs, Employee Benefit Costs, and Job Classification Costs yield potential cost savings or increases of a substantial enough nature to inform fiscal decision-making regarding a potential consolidation.

EMPLOYER INCURRED RETIREMENT & BENEFIT COSTS

The most significant potential financial impact due to a complete consolidation occurs with the employer costs associated with retirement costs and employee benefits. Both areas are complex in that any change to the benefits provided have significant organizational and legal challenges that should be taken into account when considering a total consolidation. In addition, the largest risk when considering retirement alternatives is how to resolve the significant potential costs of an unfunded liability.

Figure 1 below summarizes the three main alternatives to consolidate retirement and benefit plans in a complete consolidation.

Figure 1: Combined Total Annualized Costs/Savings for Retirement and Benefits



Notes:

- ***Alternative 1:*** *Estimated plan termination costs are highly uncertain. The estimated termination cost for Omnitrans reflects CalPERS 2019 actuarial report, and will require an update. The estimated termination cost for SBCERA was calculated based on a ratio using Omnitrans' termination cost.*
- ***Alternative 2:*** *Unfunded liability annual payments will change after the asset transfer takes place, which may result in limited savings or additional costs.*

Alternatives 1 and 2:

- *Retirement cost increase/savings amounts need to be established through actuarial analysis, taking into account the differences in amortization period between SBCERA and CalPERS.*
- *Health insurance costs will vary based on changes in the demographics of the insured employees' pool, and may increase due to the current health crisis.*

The key features of each alternative described in Figure 1 are explained below.

High-level retirement cost estimates are available for **Alternative 1**, **Plan Termination**. This alternative consists of transferring all employees to CalPERS or SBCERA with service for future employees under one retirement plan from either CalPERS or SBCERA. Current employees will receive a pension of their initial plan, as well as of the selected system if their initial plan is terminated. This alternative leads to significant termination costs due to the unfunded liability of whichever plan that is terminated: high-level estimates range between $100 and $200 million. CalPERS' termination costs were estimated at $174 million but updated estimates will be required when CalPERS determines its plan has been terminated. Note that SBCERA may follow a different process to determine termination costs for its plan. The conditions under which the consolidated agency would have to pay termination costs are not known at this time (i.e. whether the entire amount be due on a specific date, under what conditions would the agency borrow funds to pay said termination costs, etc.). Additional description of each scenario (transferring to CalPERS or SBCERA) is included in the appendices.

Two other alternatives would not require a termination cost: **Alternative 2**, **Asset Transfer** to SBCERA or CalPERS, and **Alternative 3**, setting up a **Public Non-Profit Corporation**.

Alternative 2, **Asset Transfer**, would potentially generate additional costs in the case of a transfer to SBCERA, since only accumulated contributions would be transferred, not capital gains, which would be retained by CalPERS (please refer to the Appendix, Data 2 and note that this memo does not cover asset transfer from SBCERA to CalPERS). No cost estimates are available for the asset transfer alternative prior to actuarial analysis (detailed below).

It was not possible to include a full analysis of these alternatives' costs, due to the need of engaging actuaries from both SBCERA and CalPERS to prepare cost estimates for pension plan consolidation, as well as the timing and costs necessary to perform each analysis. SBCERA and CalPERS will each have to perform a section of the actuarial analysis. The cost of analysis is estimated at $40,000 per scenario (note that Alternatives 1 and 2 each have two scenarios: consolidation under SBCTA's benefit package or Omnitrans'). The

resultant study may take up to eight weeks to complete after the information is shared between the two retirement systems. Considering the significant cost of completing these analyses, this report only presents descriptive information on the differences between the plans per the latest CAFRs and actuarial reports available.

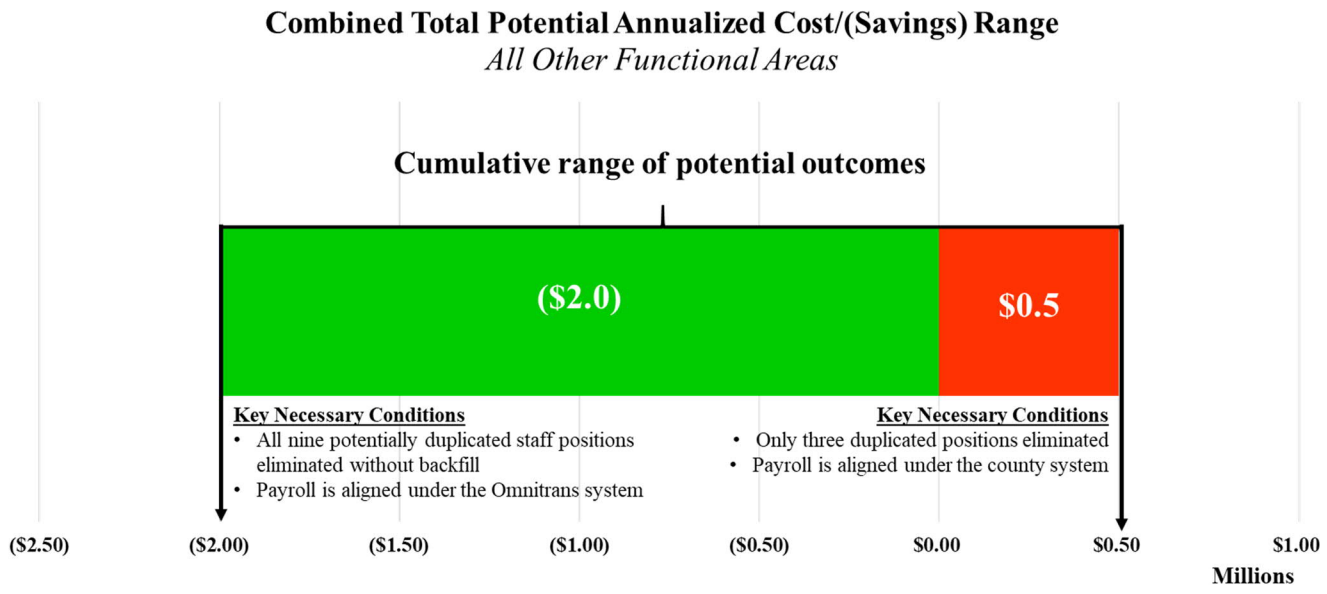
Alternatives 1 and 2 will lead to either cost savings or increases and part of these cost fluctuations relate to the medical benefits. If SBCTA employees transfer or opt-out of the Omnitrans' plan, it could generate between approximately half a million dollars in cost increases and half a million dollars in cost savings. If Omnitrans employees transfer or opt-out of the SBCTA's plan, it could generate between approximately $10,000 in cost increases and half a million dollars in cost savings. These cost savings/increases are uncertain, due to employees' decisions of opting in or out of the plan, selecting a plan, and deciding how many members of a household will be covered by said plan. Healthcare costs would vary between $3,000 and $21,000 for each new employee if the Omnitrans package is chosen, and between $8,500 and $13,500 if the SBCTA package is chosen. Note that health insurance costs may increase due to the current health crisis. For non-medical benefits, switching SBCTA employees to Omnitrans' benefit package is estimated to result in cost savings of $700,000 per year. Scenario 2, switching Omnitrans unrepresented employees to SBCTA's non-medical benefit package, is estimated to result in cost increases of $800,000 per year.

Alternative 3, the creation of a **public non-profit corporation**, would allow all employees to keep their existing benefits and pension plans, as well as minimize undue financial and personal impacts. The public non-profit corporation alternative was used for the consolidation of the Los Angeles County Metropolitan Transportation Authority. The estimated cost of creating a public non-profit corporation; $50,000 is included in the "Payroll" analysis. Since all employees will keep their current benefit packages, this alternative will not generate any cost savings.

REMAINING FUNCTIONAL AREAS

Figure 2 below shows the potential range of costs or savings based on the total financial impact of the remaining areas, which have a lower potential to address significant budget shortfalls identified at the start of this study. Included in this summary range are fully burdened staff costs that should not be added directly to the retirement and benefit analyses discussed above. Of the ten functional areas, only one, "Job Classification ", includes a potential for over $500,000 savings annually. The "Job Classification" functional area has the potential to save up to $1,475,000 annually based on a reduction on up to nine staff positions and reclassifying others. It is unlikely to achieve the full cost savings indicated, as decisions for each position and reallocation of duties should include a detailed workload balancing analysis to ensure delivery of critical services.

Figure 2: Combined Total Potential Range, All other functional areas



Notes:

1. *Staff duplication has the most significant impact on the range of potential outcomes*
2. *Potential one-time costs are excluded in the above range:*
   - *Payroll - $50K or $550K*
   - *IT - $250K to $1M*
3. *Combined SBCTA and Omnitrans have an annual budget of approximately $1 billion. The impact shown is <1%.*

Agencies should be cautious in realizing any potential savings outlined in this report. Importantly, they should also consider the organizational (morale, career satisfaction) and legal impacts. Any functional areas that mention the impacts of outsourcing would need to be negotiated with the respective unions and may also impact the potential savings. Summaries of the analyses can be found in the Sections 2.1 to 2.6 of this report. The cost summations are rounded while the detailed calculation tables found in the appendices, are non-rounded values. Analyses generally consider fully loaded costs with benefit packages continuing as is, to reflect the total costs of each functional area per consolidation scenario.

2 DETAILED FINANCIAL ANALYSIS

For evaluation purposes, this study assumes that, in a complete consolidation, Omnitrans would become a separate operating department under the current SBCTA organizational structure, and all current customer-facing services would remain the same. The two organizations have different missions, and the areas of functional overlap are principally in administrative areas, such as Board functions, finance and accounting, grants management, and procurement.

This detailed analysis of financial impacts analyzes those functional areas assessed in Task 1.4B that potentially have some or significant impact. The purpose of this Task 1.4C analysis is to estimate the high-level impact on expenditures, from a complete consolidation. Financial impacts were estimated with available information, and at times used industry best assumptions for relative impact between scenarios. A primary goal of this analysis was to estimate financial impacts at a higher-level order of magnitude to identify items with a larger financial impact and those not worth much further consideration for decision-makers in San Bernardino County. Note that not all functional areas assessed in Task 1.4B were evaluated in this chapter. Only those with potentially some or significant impact per the summary of findings in the 1.4B chapter were included.

Figures presented in the summary analysis throughout in this Section 2 are rounded for order of magnitude. The appendix contains the detailed tables and assumptions for each section, and figures in the appendix are not rounded.

Figure 3 below summarizes the costs associated with changes to retirement and benefit plans in a complete consolidation. Care should be taken in comparing these figures directly with those shown in Figure 4 as those are fully burdened costs. Analyses generally consider fully loaded costs with benefit packages continuing as is, to reflect the total costs of each functional area per consolidation scenario. Benefit and retirement plans are presented separately, since any potential savings are not exclusive of other functional areas' savings, and cost levels are highly uncertain. The total savings/cost increases reflected below for the most significant cost items, benefits and retirement, are order-of-magnitude costs, subject to significant variations.

Figure 3: Summary of potential fiscal impacts due to retirement and medical plan consolidation

Section	Functional Area	# of Scenarios	Lowest of range (net savings) or increase in net annual cost	Existing Baseline (2020)	Highest of range (net savings) or increase in net annual cost	Potential One-time (Savings)/Cost	Estimated Termination Costs[1]
2.4.1	Retirement	2	$ (2,200,000)	$ 9,200,000	$ (2,100,000)		$104M or $174M
2.4.3	Benefits - Non-Medical Plans	2	$ (710,000)	$ 1,110,000	$ 830,000	($140K) or $210K	
2.4.3	Benefits - Medical Plans	2	$ (580,000)	$ 2,400,000	$ 580,000		

[1] - The estimated termination costs are highly uncertain. Omnitrans' estimated termination cost is from CalPERS actuarial report. The estimated termination cost for SBCTA was calculated based on a ratio using Omnitrans' termination cost.

Figure 4 displays the other ten functional areas detailed in this report, which have a lower potential to address significant budget shortfalls. These functional areas are displayed separately, as they include fully burdened staff costs that should not be added directly to the retirement and benefit analyses discussed above. Of the ten functional areas, only one, "Job Classification", includes a potential for over $500,000 savings annually. The "Job Classification" functional area has the potential to save up to $1,475,000 annually based on a reduction on up to nine staff positions and reclassifying others. It is unlikely to achieve the full cost savings indicated, as decisions for each position and reallocation of duties should include a detailed workload balancing analysis to ensure delivery of critical services. The potential consolidation has few overlapping functional areas, thus there are limited options for eliminating redundant staff. Section 2.4.2 Job Classifications includes a more detailed description of the comparison. In addition to "Job Classification", any impacts on computer systems typically incur one-time programming/conversion costs, as are shown in the "Information Technology" and "Payroll" functional areas.

Figure 4: Summary of remaining on functional areas

Section	Functional Area	# of Scenarios	Lowest of range (net savings) or increase in net cost	Existing Baseline (2020)	Highest of range (net savings) or increase in net cost	Potential one-time cost
2.1.1	Facilities Management	2	$ (200,000)	$ 3,560,000	$ 150,000	
2.2.1	Labor Relations	3	$ -	$ 1,890,000	$ -	
2.3.1	Accounting	1	$ -	$ 2,400,000	$ -	
2.3.2	Payroll	3	$ 10,000	$ 480,000	$ 310,000	$50k or $550k
2.3.3	Risk Management	1	$ -	$ 9,400,000	$ -	
2.3.4	FTA Direct Recipient	1	$ -	$ -	$ -	
2.4.2	Job Classification	2	$ (1,475,000)	$ 7,325,000	$ (100,000)	
2.5.1	Information Technology	2	$ (40,000)	$ 4,180,000	$ -	$250k to $1M
2.5.2	Security	1	$ -	$ 1,830,000	$ -	
2.6.1	Board of Directors/Committee	2	$ (65,000)	$ 245,000	$ (50,000)	
			Annual	Annual	Annual	

2.1 ASSETS AND MAINTENANCE

2.1.1 FACILITIES MANAGEMENT

Facilities costs include maintenance contracts for both agencies' facilities (25 contracts for Omnitrans, three contracts for SBCTA). In addition to these contracts, Omnitrans also has 11 maintenance workers and two staff in maintenance management functions. Omnitrans maintains five facilities, while SBCTA maintains two facilities, including the Santa Fe Depot Building. SBCTA is currently procuring a new property manager to oversee its facility operations. SBCTA maintains railroad right of way, and the maintenance of this disparate activity is not considered in this financial analysis given the separate type of work.

The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found a potential longer-term cost savings opportunity for the consolidated agency if SBCTA's facility-maintenance resources were merged with Omnitrans employees or contracting out services currently performed by Omnitrans staff to a third-party contractor.

For the purposes of analysis in this chapter, two scenarios were evaluated:

1. Eliminate the SBCTA contract and have Omnitrans staff perform maintenance activities for the consolidated agency (with a range of current contract margins)
2. Expand the SBCTA contracts to cover all facilities management functions

Most of the facilities management cost is based on hourly labor, and any potential savings only come from minor efficiencies in one management system for the combined assets. Additionally, there are minor differences between benefit costs if contracted activities are performed in-house and fee/overhead of in-house activities are outsourced, based on the chosen scenario. The analysis found a nominal savings in either scenario, with the most significant savings in Scenario 2 (approximately $200,000).This area presents opportunities for coordination even if the agencies do not consolidate, considering the significant overlap in facilities management between both agencies and the different contracts each agency has.

Figure 5 shows the comparison of estimated costs between the two scenarios.

Figure 5: Estimation of Annual Facilities Management Costs Under Two Scenarios

Total Facilities Management Costs	*Existing*	*Scenario 1*	*Scenario 2*
SBCTA - Facilities Management Costs	980,000	N/A	N/A
Omnitrans - Facilities Management Costs	2,580,000	N/A	N/A
Total Combined Facilities Management Costs	**3,560,000**	**3,550,000 to 3,710,000**	**3,360,000**
Annual Savings/Cost Increases over Existing	N/A	(10,000) to 150,000	(200,000)

The cost for security was removed from these contracts for analysis and presented in Section 2.5.2 Security. Note also that impacts of outsourcing must be negotiated with the union and would likely impact the potential savings.

Appendix A-1 includes the assumptions, approach, and data used for the above analysis.

2.2 HUMAN RESOURCES

"Labor Relations" is the only functional area under "Human Resources" identified for a detailed financial analysis.

2.2.1 LABOR RELATIONS

Omnitrans has two unions that represent 589 front-line, operations and maintenance personnel, and some administrative staff – the Amalgamated Transit Union (ATU) and Teamsters. SBCTA's employees are not unionized. Administrative positions at Omnitrans that are deemed to be handling confidential information as a part of their job duties are unrepresented. Thus, Omnitrans has both represented and non-represented administrative employees. In a consolidated agency, employees performing the same or similar work are typically represented in a similar fashion. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found a potential longer-term impact, with the potential shifting of some SBCTA administrative employees from non-represented to represented, or vice versa with similar Omnitrans employees.

For the purposes of financial analysis in this chapter, three scenarios were evaluated:

1. Consolidation of current staff covered by Omnitrans-Teamsters/ATU labor agreements into SBCTA with no current SBCTA employees represented by a union (keep current representation the same at the employee level)
2. Consolidation of current staff covered by Omnitrans-Teamsters/ATU labor agreements into SBCTA with certain existing SBCTA administrative employees represented by a union (administrative SBCTA positions similar to represented Omnitrans positions would be represented)
3. Consolidation of current transit operations staff covered by Omnitrans-ATU labor agreement into SBCTA with currently covered Omnitrans administrative employees no longer represented by a union (administrative Omnitrans positions would be no longer represented, similar to SBCTA positions)

SBCTA positions that are similar to currently represented administrative positions at Omnitrans, and are not handling confidential information (in contrast to the Clerk of the Board, for instance) cover one category of personnel occupying three staff:

- Accounting Assistant: three positions

It is assumed that the consolidated agency would add other administrative represented positions at Omnitrans that do not have an equivalent at SBCTA to its job classification system at their current pay rates.

Only one SBCTA classification (Accounting Assistant) has a direct equivalent at Omnitrans (Accounting Clerk), which is consistent with the analysis in Section 2.4.2, Job Classifications. Figure 6 summarizes the costs of each scenario.

Figure 6: Estimation of annual costs due to aligning representation of administrative personnel

Total Administrative Personnel Costs - Represented or eligible to representation	*Existing*	*Scenario 1*	*Scenario 2*	*Scenario 3*
SBCTA	$280,000	$280,000	$280,000	$280,000
Omnitrans	$1,610,000	$1,610,000	$1,610,000	$1,610,000
Total Combined Costs	**$1,890,000**	**$1,890,000**	**$1,890,000**	**$1,890,000**
Annual Savings/Cost Increases over Existing	N/A	$0	$0	$0

None of the scenarios result in an annual savings or cost increase over existing conditions. The analysis was conducted based on the midpoint of the salary ranges, including salaries and benefits. If changes to benefit packages occur for some or all employees, there may be cost savings or increases in the different scenarios, which are not reflected in this analysis.

Appendix A-2 includes the assumptions, approach, and data used for the above analysis.

2.3 FINANCE

The "Finance" functional area poses several opportunities and challenges in a complete consolidation because both agencies' Finance Departments conduct similar functions. However, due to the agencies' diverging missions, each of them approaches accounting and budgeting differently. Functional areas identified for detailed financial analysis in the "Finance" area include accounting, payroll, risk management and Federal Transit Administration (FTA) processes.

2.3.1 ACCOUNTING

Consolidation provides an opportunity to merge traditional accounting functions (e.g., accounts payable, accounts receivable, grant accounting, and general ledger), as well as the overall financial software system that supports all these functions, which are currently duplicated at the two agencies. It is important to note that FTA accounting requirements, such as utilizing the FTA Uniform System of Accounts, must be met by the consolidated agency, at least for the "Transit Operations" function. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found a potential savings opportunity in the consolidation of accounting personnel and aligning the accounting software systems. The financial impacts of aligning the accounting software systems are analyzed in Section 2.5.1, Information Technology. This section addresses the consolidation of accounting personnel.

For the purposes of analysis in this chapter, one scenario was evaluated:

1. Consolidation into one aligned accounting department

The accounting function cost analysis considers current staff in departments of accounts payable, accounts receivable, grant accounting, and general ledger. Analysis of these personnel was based directly on the information provided by both agencies in the respective questionnaires. The goals of this analysis were to differentiate between disparate (non-redundant) and redundant processes of accounting functions and to determine the effort associated with aligning these processes. The financial analysis found that current functions are fundamentally distinct. Even if these departments are generally combined within transit agencies that have both roles, as shown in Figure 7, it is unlikely that any staff savings will be achieved in the near-term. However, potential efficiencies could be achieved in the medium term. Synergies occur in that the consolidated entity will have to prepare only one Comprehensive Annual Financial Report (CAFR) and one budget, as well as manage fewer bank accounts, investment accounts, and billing interactions.

Figure 7: Accounting Function Summary Financial Analysis

Total Annual Accounting Costs	*Existing*	*Scenario 1*
SBCTA - Accounting Costs	$1,400,000	$1,400,000
Omnitrans - Accounting Costs	$1,000,000	$1,000,000
Total Combined Costs	**$2,400,000**	**$2,400,000**
Annual (Savings)/Cost Increases over Existing	N/A	$0

Appendix A-3 includes the assumptions, approach, and data used for the above analysis.

2.3.2 PAYROLL

SBCTA's payroll system is handled through the County of San Bernardino, which procures, secures, and manages health benefit plans including enrollment, payroll processing, tax tracking and payment, retirement contributions, deferred contribution, other employee deductions, and manage position control. SBCTA utilizes Eden as a financial accounting system, to collect employee timekeeping information and for other uses. SBCTA collects employee timekeeping information and sends it to the County for payroll processing services. Three SBCTA employees are partly dedicated to managing payroll. Omnitrans utilizes SAP ERP and Kronos, for timekeeping, payroll and other functions. Therefore, any consideration of eliminating the current Omnitrans SAP ERP system should also consider impacts listed in many other areas of this report. This "Payroll" section solely focuses on the payroll functions.

When considering the total impacts due to integrating the payroll function, it is important to note the wider implications of the potential consolidation of payroll systems, as they tie to how employee benefits are administered. There must be an alignment of where the benefits are administered and which payroll system is processing payroll. Note also that changes to payroll management will require engaging with the respective unions that currently manage benefit plans for Omnitrans' represented employees.

The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found a potential opportunity to consolidate payroll functions into one of the two systems. In addition, there would be a potential cost to make changes in one system to accommodate the timekeeping functions of the other agency. For the purposes of this chapter, three scenarios were evaluated:

1. One aligned payroll system using the County's system
2. One payroll system under the Omnitrans payroll system
3. Maintain two separate payroll and benefits functions through the use of a public non-profit benefits corporation, such as the one the Los Angeles County Metropolitan Transportation Authority established in 1993 and still utilizes

This analysis found a range in costs from an increase of approximately $310,000 annually for aligning the payroll systems using the current County system, to an increase of approximately $10,000 annually for using the Omnitrans payroll system. In addition, Scenario 1 would require an initial one-time cost of approximately $550,000 to configure Omnitrans current system to provide inputs for the County's system, and to configure the County's system to accommodate these inputs. Scenario 2 would require that former SBCTA employees have access to health plan benefits through Omnitrans rather than through the County of San Bernardino. Additionally, due to the high cost of having the County process payroll for the far larger workforce of former Omnitrans employees, Scenario 3 may make the most sense, strictly from a financial and feasibility perspective. Figure 8 is a graphical representation of the three scenarios described above.

Figure 8: Payroll Function Summary Financial Analysis

Total Annual Payroll Costs	*Existing*	*Scenario 1*	*Scenario 2*	*Scenario 3*
SBCTA - Payroll Costs	$120,000	$120,000	$50,000	$120,000
Omnitrans - Payroll Costs	$360,000	$670,000	$440,000	$360,000
Total Combined Payroll Costs	**$480,000**	**$790,000**	**$490,000**	**$480,000**
Annual (Savings) / Cost Increases over Existing	N/A	$310,000	$10,000	$0
One-Time Cost	N/A	$550,000	$0	$50,000

Note that Scenario 2 shows no one-time costs to modify SAP to incorporate SBCTA payroll because one-time costs to modify SAP to accommodate SBCTA business needs, including payroll, are covered under the IT section. Scenario 3 shows a one-time cost of $50,000 to set up a public non-profit corporation.

AppendixA-4 includes the assumptions, approach, and data used for the above analysis.

2.3.3 RISK MANAGEMENT

Risk considerations and requirements for transit operators are considerably different from those of an administrative agency. Currently, Omnitrans' general liability is handled through the CalTIP Joint Powers Agreement (JPA) and administered by Sedgwick (formerly York). Omnitrans is self-insured up to $100,000. Omnitrans current casualty and liability insurance costs are budgeted at approximately $9 million with CalTIP and other insurance providers. Omnitrans has a third-party administrator for workers' compensation. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found the consolidated agency would need to adjust risk management practices and liability insurance levels to match the risk portfolio of transit service operator. Thus, if consolidation were to occur, SBCTA would have to absorb Omnitrans' coverage limits. This would significantly increase SBCTA's current $5 million coverage limit to $25 million to cover the increase in risk associated with extensive public transit operations. Costs would likely be similar to the combined costs of the two agencies currently.

For the purposes of analysis in this chapter, one scenario was evaluated:

1. The consolidated agency procures a new combined liability policy on the open market

SBCTA and Omnitrans staff have discussed this scenario with their insurance broker, who has stated that there would be no savings from consolidating the insurance policies of the two agencies. Cost savings could only be achieved by testing the open insurance market.

Figure 9: Estimation of Annual Liability Insurance Costs

Total Risk Management Costs	***Existing***	***Scenario 1***
SBCTA Risk Management Costs	$300,000	$300,000
Omnitrans Risk Management Costs	$9,100,000	$9,100,000
Total Combined Risk Costs	**$9,400,000**	**$9,400,000**
Annual Savings/Cost Increases over Existing	N/A	$0

Appendix A-5 includes the assumptions, approach, and data used for the above analysis.

2.3.4 FTA DIRECT RECIPIENT STATUS

Omnitrans is a direct recipient of FTA funds, which provides authority to receive non-discretionary federal funds. SBCTA is a sub-recipient of FTA funds, which means SBCTA cannot receive non-discretionary funds directly from FTA, but may receive from Omnitrans as pass-through funds. SBCTA and Omnitrans have a master agreement that provides the general requirements of this sub-recipient relationship. Both agencies develop project-specific supplemental agreements as projects that require FTA funding arise.

Under a complete consolidation, SBCTA would need to become a designated FTA funds recipient, so that, among other duties, its Board can approve grant requests, receive grant funding, and approve submission of annual certifications and assurances. These functions, currently handled by Omnitrans, would now become functions of the consolidated agency. While most of the functions of a direct-recipient agency are currently provided by the separate agencies and would continue by the same or similar functions, there would be a one-time conversion to designate SBCTA as a direct FTA funds recipient. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found a potential initial cost to establish the consolidated agency as the FTA funds direct recipient. For the purposes of analysis in this chapter, one scenario was evaluated:

1. SBCTA is established as a direct recipient of FTA funds

The analysis, as summarized in Figure 10, shows a one-time cost of approximately $204,000 to establish SBCTA as an FTA direct recipient. Most of these costs are associated with the effort to develop, introduce, advocate for, and pass state legislation amending SBCTA's authority to include direct transit operations. The cost appraisal was based on a previous SBCTA legislative effort for SB 1305 and would vary based on the current political climate and legislative priorities. Other smaller cost impacts would result from one-time efforts to amend current FTA grants held by Omnitrans to show SBCTA as the recipient, as well as updates to the annual Certifications and Assurances processes to reflect SBCTA as the certifying entity. Staff already employed by SBCTA and Omnitrans and consultants paid in a lump sum every year will perform the effort. As such, all costs to establish SBCTA as a direct recipient of FTA funds are sunk costs. If a complete consolidation is selected, additional staff and work planning should be reviewed to adequately ensure focus on the legislative effort alongside other duties. This analysis does not include the cost of the work for sub-recipient monitoring as it was estimated to have very minimal impact.

Figure 10: FTA Direct Recipient Establishment Costs

Costs to establish FTA Direct Recipient Status	***Existing***	***Scenario 1***
Legislative Costs SBCTA Staff	$0	$180,000
Legislative Costs Consultants	$0	$14,000
Grant Amendment Efforts (staff)	$0	$6,000
Certifications and Assurances Effort	$0	$4,000
Total Combined Effort Costs	**$0**	**$204,000**
Net Total (Excluding Staff Costs)	**$0**	**$0**
One-Time Net (Savings)/Cost Increases over Existing	N/A	$0

Appendix A-6 includes the assumptions, approach, and data used for the above analysis.

2.4 PEOPLE COSTS

The "People Cost" functional area poses several opportunities and challenges in a complete consolidation because both agencies compensate employees using different factors and benefits. Functional areas identified for a detailed financial analysis are Retirement Systems, Job Classification, and Employee Benefits.

2.4.1 EMPLOYER RETIREMENT COSTS

The largest financial impact from a potential consolidation stems from employer participation costs to retirement systems. In addition, this function requires careful consideration of legal impacts and likely impacts to employees' morale and productivity. Omnitrans' employees participate in CalPERS, and SBCTA employees participate in SBCERA. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found a potential for a significant cost impact in transitioning to a retirement system for the current and future employees of a consolidated agency, depending on the scenario chosen.

For the purposes of the order of magnitude financial analysis in this chapter, five scenarios were initially considered.

1. All employees in the consolidated agency would be enrolled in CalPERS (transferring all SBCTA employees to CalPERS): with the termination of SBCTA's SBCERA plan, SBCTA's unfunded liability rises significantly due to the change in the investment rate of return. SBCTA employees transferred to CalPERS after termination of the SBCERA plan will receive two pensions when they retire, one from SBCERA for the period worked while under that plan, and one from CalPERS for future work.
2. All employees enrolled in SBCERA (transferring all Omnitrans employees to SBCERA): with the termination of Omnitrans' CalPERS plan, the unfunded liability rises significantly due to the change in the investment rate of return. Omnitrans employees

transferred to SBCERA after termination of the CalPERS plan will receive two pensions when they retire, one from CalPERS for the period worked while under that plan, and one from SBCERA for future work.

3. All employees in the consolidated agency would be enrolled in CalPERS (transferring all SBCTA employees to CalPERS) with a transfer of assets from SBCERA to CalPERS. SBCTA employees transferred to CalPERS will receive only one pension when they retire, from CalPERS. Transfer is retroactive to the date at which they started working at SBCTA. A termination payment may be due for those members that are already retired from SBCERA and some payment/credit may be also due to/received from CalPERS if the assets transferred from SBCTA are not enough/too much to keep the plan funded at the same level.
4. All employees in the consolidated agency would be enrolled in SBCERA (transferring all Omnitrans employees to SBCERA) with a transfer of assets from CalPERS to SBCERA. Omnitrans employees transferred to SBCERA will receive only one pension when they retire, from SBCERA. Transfer is retroactive to the date at which they started working at Omnitrans. A termination payment may be due for those members that are already retired from CalPERS and some payment/credit may be also due to/received from SBCERA if the assets transferred from CalPERS are not enough/too much to keep the plan funded at the same level.
5. All employees stay in their current retirement plan by placing one group under a public non-profit corporation. A mix of options exists under this scenario, with new employees enrolling either in CalPERS or in SBCERA (a single option), or new non-represented hires entering SBCERA, and new represented hires entering CalPERS.

Actuarial analyses will be required in order to estimate any savings/cost increases associated with changing retirement systems under each of these scenarios. For every scenario, SBCERA and CalPERS will each have to perform a section of the actuarial analysis. The cost for analyzing a scenario was estimated at $40,000. The analysis may take up to eight weeks to complete after the information is shared between the two retirement systems.

Considering the significant cost and time to complete these analyses, this report only presents descriptive information on the differences between the plans per the latest CAFR or actuarial report available, i.e. the levels of contribution and unfunded liability contribution and the costs to terminate Omnitrans' CalPERS plan, related to scenarios 1 and 2. Note that pension liability amounts most likely have increased due to the recent investment losses suffered by both retirement systems. Figures below are for reference only. Actuarial analysis will be required to obtain estimates. Note also that the figures shown below include all employees' salaries and wages for Omnitrans and SBCTA, in contrast to the benefits analysis.

The retirement analysis was based on FY 2020 salaries and does not account for salary and wage increases. Existing cost data used are from information provided by SBCTA and Omnitrans and presented in the Task 1.2 chapter. To calculate the annual employer costs for the combined agencies, the current costs were converted to a percentage of annual salaries. In addition to the employer-paid retirement costs for each employee, "catch-up" payments are due to each retirement system to address the unfunded pension liability. These percentage factors were then used against the salaries of each of the agencies to calculate relative retirement system cost impacts under the two scenarios. Using this method, the current SBCTA annual employer retirement cost for active employees is approximately $3 million. For Omnitrans, the current annual employer retirement cost for active employees is approximately $6 million. The primary drivers of this cost differential are that SBCERA's percentage paid to retire the unfunded pension liability was significantly higher than CalPERS, at 26.80% vs. 5.61%, respectively.

The differences between the two plans are the following (source: SBCERA Plan Provisions vs CalPERS Plan Provisions Memorandum):

- Items included in compensation: SBCERA allows more items to be included in final compensation numbers than CalPERS
- Assumed salary increases are greater with SBCERA
- Amortization horizons on changes to the UAAL are different (currently 20 years for SBCERA and 30 years for CalPERS, subject to change). SBCERA has used closed amortization layers, while CalPERS has reset amortization in recent history. In theory, this treatment causes a lower UAAL payment in the near future, but allows it to linger longer
- Disability benefits are potentially higher with the SBCERA plan than they are with CalPERS
- Death benefits are higher with SBCERA
- Benefit formulas are calculated differently

To conduct the analysis for Scenario 1, the retirement factors of CalPERS were applied to SBCTA's salaries. Scenario 1 results in a decrease of annual employer retirement costs due to the lower combined contribution rate (regular employer contribution rate plus rate for "catch up" payments). However, the estimate for the one-time cost of the SBCTA unfunded liability if SBCERA determines their plan has been terminated is higher than $100 million. Note that this high-level estimate is provided for reference only. SBCERA's methods to estimate the termination liability are likely to differ from CalPERS. Essentially, "the effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination." Finally, costs may be incurred to ensure that no employee is unfairly impacted by the plan termination, with respect to vesting period, eligibility to retirement, among other plan features.

Scenario 2 was calculated similar to Scenario 1, but with all employees participating in SBCERA. Scenario 2 also results in a decrease of annual employer retirement costs due to the lower combined contribution rate (regular employer contribution rate plus rate for "catch up" payments). Also included is the estimate (as of July 2019) for the one-time cost of the Omnitrans unfunded liability if CalPERS determines their plan has been terminated. In addition, costs may be incurred to ensure that no employee is unfairly impacted by the plan termination, with respect to vesting period, eligibility to retirement, among other plan features. Figure 11 below highlights the various retirement systems under the two aforementioned scenarios.

Figure 11: Estimation of Employer Retirement Costs Under Two Scenarios

Total Retirement Systems Costs	***Existing***	***Scenario 1***	***Scenario 2***
SBCTA - Retirement Systems Costs (high-level estimates)	$2,900,000	$800,000	$2,900,000
Omnitrans - Retirement Systems Costs (high-level estimates)	$6,300,000	$6,300,000	$4,100,000
Total Combined Retirement Systems Costs (high-level estimates)	**$9,200,000**	**$7,100,000**	**$7,000,000**
For reference only: termination costs based on CalPERS' termination costs of hypothetical termination liability	N/A	$104,000,000	$174,000,000

Appendix A-7 includes the assumptions, approach, and data used for the employer-paid retirement cost analysis.

2.4.2 JOB CLASSIFICATIONS

STAFF DUPLICATION

In a potential consolidated agency, positions must be adjusted and perhaps amalgamated. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found possible salary and benefit savings through the elimination of staff redundancy. As mentioned in the preceding reports, there are few areas of functional overlap or duplication, thus very little duplication of staff was identified in this financial impact analysis. For the purposes of analysis in this chapter, several alternatives were analyzed for each potential position. Taken together, this develops a range of potential financial impacts to consider in future staffing discussions. The range of potential staffing options include eliminating up to nine positions and adjusting the classifications of up to four positions. When considering the number of FTE in the current agencies, this represents approximately 1% of the total FTE. As shown in Figure 12, this results in a range of savings between $500,000 and $1,875,000 annually.

Figure 12: Staff Duplication Cost Summary

Total Costs	***Existing***	***Option 1***		
SBCTA Subtotal	$2,625,000	$2,700,000	*to*	$4,075,000
Omnitrans Subtotal	$1,950,000			
Total Costs	**$4,575,000**	**$2,700,000**	*to*	**$4,075,000**
Annual (Savings)/Cost Increases over Existing	N/A	($1,875,000)	*to*	($500,000)

In conducting the analysis, it was again clear there are few areas of redundancy in a consolidated organization, due to the limited areas of functional overlap. Positions considered for potential alignment are primarily in the shared service areas supporting both agencies.

It is critical to stress that this analysis solely provides a range of potential savings. Therefore, staffing decisions should be made with the long-term health and viability of the consolidated agency in mind, and in a process that involves participation from staff to ensure a deep understanding by decision-makers of the advantages and disadvantages of each decision. The analysis process typically would occur after the decision to form a consolidated agency, and ideally, in conjunction with a strategic plan or other similar effort to ensure position planning is based on the work of the position, team, and in conjunction with overarching agency goals.

Not addressed in this analysis is the exact form of a final organizational chart. Similar to identifying any potential changes to positions, discussions of changes to an organizational chart and reporting structure should be completed after a decision to consolidate is made and with an established vision for the future consolidated agency. Designing the new organizational chart and reporting structure should be completed with open communication regarding opportunities and challenges with potential changes in any team reporting structure.

STANDARDIZED STAFF CLASSIFICATION

SBCTA and Omnitrans each have their own job classification systems and associated salary ranges for each position. While many of the positions at Omnitrans are unique since they involve direct bus operations or maintenance, several positions in the administrative areas are similar between the two agencies and, in some cases, even have the same or similar job titles.

This analysis is intended to estimate the annual financial impact from the potential consolidation of all job classifications into one system. For the purposes of this analysis, it was assumed that, in the event of a consolidation, staff in similar positions would need to be on the same salary range. It was further assumed that no individual's salary would be diminished as a result of consolidation. For the purposes of analysis in this chapter, one scenario was evaluated:

1. Under a consolidated agency, the creation of a single job classification system covers all employees of the consolidated organization

Figure 13 summarizes the total estimated financial impact from the Standardize Staff Classification analysis.

Figure 13: Standard Job Classification Cost Summary

Total Costs	*Existing*	*Standardized Classification*
SBCTA Subtotal	$1,500,000	$3,150,000
Omnitrans Subtotal	$1,250,000	
Total Costs	**$2,750,000**	**$3,150,000**
Annual (Savings)/Cost Increases over Existing	N/A	$400,000

The analysis estimates that there would be a net increase of approximately $400,000 in salary costs resulting from the alignment of job classifications between the two agencies.

The analysis only calculated the affected positions salary changes in case of a consolidation. As such, only the additional costs of bringing these affected positions to the consolidated agency's classification level was determined.

COMBINED FINANCIAL IMPACT OF STANDARDIZED STAFF CLASSIFICATION AND EXECUTIVE STAFF DUPLICATION

The overall financial impact of the "Job Classifications" functional area ranges from saving $1,475,000 to $100,000 annually for both duplication of staff and aligning classifications. As mentioned above, it is unlikely that all reductions would occur to achieve the lowest end of the range, as specific positions and organizational reporting decisions should be evaluated based on workload and the overall needs of the consolidated agency. The ranges presented below should be considered as a range of potential financial impact.

Figure 14 summarizes the total estimated financial impact from the Job Classification analysis.

Figure 14: Job Classification Cost Summary

Total Costs	*Existing*	*Duplication*	*Standardization*	*TOTAL*
SBCTA Subtotal	$4,125,000	$2,700,000 to $4,075,000	$3,150,000	$5,850,000 to $7,225,000
Omnitrans Subtotal	$3,200,000			
Total Costs	**$7,325,000**	**$2,700,000 to $4,075,000**	**$3,150,000**	**$5,850,000 to $7,225,000**
Annual (Savings)/Cost Increases over Existing	N/A	($1,875,000) to ($500,000)	$400,000	($1,475,000) to ($100,000)

Note that changes to benefits and retirement will change the range of results presented in this analysis.

Appendix A-8 includes the assumptions, approach, and data used for the analysis found in this Job Classification section.

2.4.3 EMPLOYEE BENEFITS

SBCTA and Omnitrans have different employee benefits programs, each specific to their history and labor agreements. In a potential consolidated agency, benefits packages typically are aligned at the agency level. In addition to retirement benefits, employee benefits include medical, vision, and dental insurance, disability and life insurance, paid time off accruals, deferred compensation plans, and other non-compensation employee benefits. Currently, these non-retirement benefits are administered separately by the County of San Bernardino and Omnitrans for SBCTA and Omnitrans, respectively. Appendix A-7 provides the specific details of Employee Benefits provided by each Agency, which are summarized here in Figure 15.

The analysis shown below includes all employees' salaries and wages for SBCTA but only unrepresented employees for Omnitrans, in contrast to the retirement analysis. Bargaining units are excluded from the analysis since they are covered by labor agreements.

Figure 15: Comparison of SBCTA and Omnitrans Employee Benefits

	SBCTA	*OMNITRANS*
VACATION LEAVE(DAYS)	*10 (0-4 YOS)* *15 (5-9 YOS)* *20 (>9 YOS)*	*10 (1-5 YOS)* *15 (5-10 YOS)* *20 (10-20 YOS)* *25 (>20 YOS)*
SICK LEAVE (DAYS)	*12*	*12*
HOLIDAY LEAVE (DAYS)	*13*	*11*
ADMINISTRATIVE LEAVE*(DAYS)	*5*	*0*

YOS: Years of Service
** only provided to professional staff and not all staff receive this benefit.*

The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found that aligning employee benefits will have an impact on agency labor costs.

For the purposes of analysis in this chapter, two options were evaluated to consolidate benefits for SBCTA's staff and Omnitrans' unrepresented staff. These options can be considered separately or jointly:

1. Option 1: Medical Plans
2. Option 2: Main Non-Medical Benefits

Option 1:

Scenario 1: Switch 65 SBCTA employees to Omnitrans health benefit package
Scenario 2: Switch Omnitrans' 123 unrepresented employees to SBCTA health benefit package

Each scenario presents maximum cost savings and maximum cost increases due to switching staff from one health benefit package to the other, compared to the current trend. Given the uncertainty linked to the decisions of opting in or out the plan, selecting a plan, and

deciding how many members of a household will be covered by the plan, a range of costs provides more reasonable estimates than specific amounts. The range of costs of Scenario 1, switching 65 SBCTA employees to Omnitrans health benefit package, is significantly larger than the range of costs of Scenario 2, switching Omnitrans' 123 unrepresented employees to SBCTA's health benefit package. This is due to the fact that while Omnitrans' opt-out subsidy ($3,000) is lower than SBCTA's ($8,473), Omnitrans' employer subsidy reaches much higher potential levels than SBCTA, at almost $21k.

Note that health insurance costs may increase due to the current health crisis. Figures below are for reference only. Actuarial analysis will be required to obtain estimates. Note also that this range assumes that costs will remain the same for healthcare plans. In practice, costs will change when the population of eligible employees changes. The midpoint average is for reference only.

Option 2:

Scenario 1: SBCTA employees receive Omnitrans benefit package other than health
Scenario 2: Omnitrans employees receive SBCTA benefit package other than health

The analysis was based on FY 2020 salaries and does not account for salary and wage increases. Existing cost data used are from information provided by SBCTA and Omnitrans and presented in the Task 1.2 chapter. In contrast to Option 1 regarding the health benefit package, it was possible to determine more precisely the costs of each scenario, based on the current staff and positions of each organization. Scenario 1, switching SBCTA employees to the Omnitrans benefit package other than health, is estimated to result in cost savings of $700k per year. Scenario 2, switching Omnitrans employees to the SBCTA benefit package other than health, is estimated to result in cost increases of $800k per year.

Beyond the scenarios presented here for medical and non-medical benefits, the consolidation of SBCTA and Omnitrans could be accompanied by the creation of a public non-profit corporation, which would allow all employees to keep their existing benefits. The cost of creating a public non-profit corporation cost is included in the payroll analysis. The consolidated organization would then offer to its new unrepresented employees the Omnitrans benefits package, the SBCTA benefits package, or a combination of the two. Healthcare costs would vary between $3,000 and $20,921 for each new employee if the Omnitrans package were used, and between $8,473 and $13,318 if the SBCTA package were used. Non-medical benefits could be a combination of both packages, and could still depend on the position for certain benefits such as communication allowance, car allowance and administrative leave.

Figure 16 highlights the medical and non-medical benefits across the two established scenarios.

Figure 16: Estimation of Annual Employee Benefit Costs Under Two Options, Each Including Two Scenarios

	Option 1 - Medical Plans			Option 2 - Non-Medical Benefits		
Total Employee Benefits Costs	***Existing***	***Scenario 1***	***Scenario 2***	***Existing***	***Scenario 1***	***Scenario 2***
Average Trend - SBCTA	$780,000	$0	$0	$940,000	$220,000	$940,000
Average Trend - Omnitrans	$1,620,000	$0	$0	$170,000	$170,000	$1,000,000
Total Average Trend Employee Benefits Costs	**$2,400,000**	**$0**	**$0**	**$1,110,000**	**$390,000**	**$1,940,000**
Maximum Cost Savings	N/A	($580,000)	($580,000)	N/A	($710,000)	N/A
Maximum Cost Increases	N/A	$580,000	$10,000	N/A	N/A	$830,000
One-time (Savings)/Cost	N/A	N/A	N/A	N/A	($140,000)	$210,000

Appendix A-9 includes the assumptions, approach, and data used for the above analysis.

2.5 OTHER SHARED SERVICES

Other support functions include: policy and legislative affairs, IT, security, marketing, social media, community outreach, and advertising, as well as telephone systems and information. Opportunities and challenges that arise from consolidating these support functions largely depend on the degree of similarity of each function at each agency. The functional areas identified for a detailed financial analysis are Information Technology and Security.

2.5.1 INFORMATION TECHNOLOGY

The function-specific IT systems of each agency have little cross-over and few opportunities for efficiencies. The Omnitrans IT system supports bus operations and maintenance, manages technology of bus systems, surveillance, data storage, regional network infrastructure, route optimization, and asset management; whereas, SBCTA's technology supports document management, capital project management, travel demand modeling as well as a rideshare management and online reporting system. However, there are commonalities in the basic financial system functions of: accounting, accounts payable, accounts receivable, and general ledger, among others. This analysis examined the alignment of a single financial accounting platform for the consolidated agency.

ENTERPRISE FINANCIAL SYSTEMS

As mentioned in Section 2.3.1, consolidating the agencies would require a common platform for the traditional accounting functions. SBCTA is currently assessing replacement of its financial management system (EDEN), and Omnitrans holds an SAP Enterprise software system containing modules that, with some modification, could potentially support SBCTA's financial needs. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found that, if consolidation were to occur, this integration of financial management software systems could potentially achieve lower overall costs as opposed to the acquisition of a completely new system for the consolidated agency. Omnitrans has invested heavily in the customization of their SAP system and its integration with other operations-supporting systems such as Trapeze.

For the purposes of the financial analysis conducted for this chapter, one scenario was investigated:

1. Utilize Omnitrans existing SAP ERP system as the financial management system for the potential consolidated agency.

WSP interviewed two IT experts within the consultancy who determined Scenario 1 would require far lower expenditures than replacing the entire financial system covering both agencies. Scenario 1 would also make the best use of the significant investment Omnitrans has already made in customizing SAP for its tailored needs. Both experts stated that SAP is one of the leading providers of enterprise-level financial systems.

Under Scenario 1, two types of cost impacts would likely be observed: (1) a small reduction to SBCTA and Omnitrans' combined annual operating costs; and (2) a one-time system modification cost estimated to range between $250,000 and $1,000,000. Scenario 1 would result in annual operating savings of approximately $40,000 annually, which nets the current support cost for SBCTA's existing EDEN financial system.

Figure 17 indicates the cost differentials in existing Information Technology systems across both agencies.

Figure 17: Information Technology Cost Summary

Total Information Technology Costs	*Existing*	*Scenario 1*
SBCTA - IT Costs	$690,000	$650,000
Omnitrans - IT Costs	$3,490,000	$3,490,000
Total Combined IT Costs	**$4,180,000**	**$4,140,000**
Net Total (Excluding Staff Costs)	$2,610,000	$2,570,000
Annual Savings/Cost Increases over Existing	N/A	($40,000)
One-Time System Modification Cost	N/A	$250,000 to $1,000,000

Appendix A-10 includes the assumptions, approach, and data used for this Information Technology analysis.

2.5.2 SECURITY

Both agencies have contracts for private security services at various facilities. As a transit service provider, Omnitrans manages a transit security program. SBCTA contracts with a property manager that hires a security firm to provide security to the Santa Fe Depot and parking lots, and with Omnitrans to provide security services for the SB downtown crew house. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found that security represents a small opportunity to consolidate the management of the security contracts. For the purposes of analysis in this chapter, one scenario was evaluated:

1. One security contract covering the needs of the consolidated agency

The financial analysis found no significant savings from the consolidation of security contracts into one, though would provide administrative ease for all security services to be merged into one agreement in the consolidated agency. There are negligible opportunities for savings due to the existing contracts being in conjunction with facilities management work, and a significant amount of the cost is specifically due to labor-hours for security guards. The overheads for each contract are likely a percentage of the hourly rate for security guards, thus overhead would remain the same with one larger contract, as opposed to two smaller contracts. Consolidating two contracts is therefore unlikely to change the number of hours or the wages for the security guards.

Figure 18 highlights the contract prices for security services across both agencies.

Figure 18: Security Cost Summary

Total Security Payroll Costs	*Existing*	*Scenario 1*
SBCTA	$230,000	$230,000
Omnitrans	$1,600,000	$1,600,000
Total Combined Security Costs	**$1,830,000**	**$1,830,000**
Net Total Cost (Excluding Staff Cost)	$1,830,000	$1,830,000
Annual (Savings) / Cost Increases over Existing	N/A	$0

Appendix A-11 includes the assumptions, approach, and data used for the above analysis.

2.6 BOARD OF DIRECTORS/COMMITTEES

2.6.1 BOARD OF DIRECTORS/COMMITTEES

SBCTA's Board of Directors consists of 29 individuals who meet once a month. In addition, SBCTA recently formed the Legislative Policy Committee composed of 7 members who will meet on an as needed basis. SBCTA's Board has four committees comprised of 12 of the 29 members each, whom also meet once a month. Board members receive attendance stipends for each meeting they attend, not to exceed $400 a month, combined with $100 for attendance to San Bernardino Council of Governments Board of Directors meeting.

Omnitrans has 19 Board members who meet once a month. Omnitrans' Board has four committees comprised of six to eight members. Two committees meet monthly and the other two committees meet quarterly. Board members receive attendance stipends for each meeting they attend. The Evaluation of Functional Areas in a Complete Consolidation (1.4B) chapter found potential time and cost savings from consolidation into one Board and committee structure.

In a potential complete consolidation, the legal basis for the Omnitrans Board would be dissolved. For the purposes of the analysis in this chapter, it is assumed that the SBCTA Board would absorb all the current duties of the current Omnitrans Board with the following two scenarios:

1. SBCTA Board handles all Board functions; an existing SBCTA Committee handles all transit operations issues
2. SBCTA Board handles all Board functions; a new Transit Operations Committee handles all transit operations issues

The financial analysis considered these scenarios and found savings in a consolidation of the boards and committees for both scenarios, with savings of $65,000 annually if an existing SBCTA committee handles all transit operations issues, and $50,000 in annual savings if transit operations issues are handled by a newly established "Transit Operations" committee. The analysis used the required stipend/meeting and mileage reimbursements to calculate a reduced total expense for the consolidated meetings. The savings due to a consolidated board are nominal when compared with the operating budget of either agency or other impacts analyzed in this report. Note that total costs include agency executive staff time, which are sunk costs. As a result, net costs excluding staff costs are calculated, and savings are based on said net costs.

Figure 19 details the two scenarios of future board costs, while highlighting current conditions across the two agencies.

Figure 19: Board of Directors/Committees Financial Analysis Summary

Total Board Costs	***Existing***	***Scenario 1***	***Scenario 2***
SBCTA & Omnitrans Board/Committee	$215,000	$150,000	$150,000
SBCTA & Omnitrans Staff	$30,000	$5,000	$5,000
New Transit Operations Committee	$0	$0	$15,000
Total Cost	**$245,000**	**$155,000**	**$170,000**
Net Total Cost (Excluding Staff Costs)	**$215,000**	**$150,000**	**$165,000**
Annual (Savings)/Cost Increases over Existing	N/A	($65,000)	($50,000)

The summary of the financial analysis can be found in Appendix A-12 includes the assumptions, approach, and data used for the above analysis.

In addition to the savings generated by consolidating the board functions, there would be additional costs associated with implementing the legal framework for these board functions. The overall costs for this legal framework are integrated into the establishment of SBCTA as a direct fund recipient and, therefore, are included in the detailed analysis in Section 2.3.4, FTA Direct Recipient Status.

APPENDIX A

APPROACH, ASSUMPTIONS AND DATA

APPENDICES

Appendix A: APPROACH, ASSUMPTIONS AND DATA

A-1 Facilities Management 6

A-2 Labor Relations 11

A-3 Accounting 14

A-4 Payroll 16

A-5 Risk Management 20

A-6 FTA Direct Recipient Status 22

A-7 Retirement System 24

A-8 Job Classifications 26

A-9 Employee Benefits 27

A-10 Information Technology 33

A-11 Security 35

A-12 Board of Directors/ Committees 36

APPENDIX

FINANCIAL ANALYSIS APPROACH

APPROACH 1, FACILITIES MANAGEMENT FUNCTION 6
APPROACH 2, LABOR RELATIONS FUNCTION.....11
APPROACH 3, ACCOUNTING FUNCTION 14
APPROACH 4, PAYROLL FUNCTION.....16
APPROACH 5, RISK MANAGEMENT FUNCTION 20
APPROACH 6, FTA DIRECT RECIPIENT STATUS 22
APPROACH 7, RETIREMENT SYSTEM.....24
APPROACH 8, JOB CLASSIFICATIONS – STANDARD JOB CLASSIFICATIONS.....27
APPROACH 9, EMPLOYEE BENEFITS.....28
APPROACH 10, IT & ACCOUNTING SOFTWARE.....33
APPROACH 11, SECURITY CONTRACTS 35
APPROACH 12, BOARD OF DIRECTORS/COMMITTEES.....36

FINANCIAL ANALYSIS TABLES

EXISTING COSTS 1 FACILITIES MANAGEMENT 7
EXISTING COSTS 2 LABOR RELATIONS FUNCTION.....12
EXISTING COSTS 3 ACCOUNTING FUNCTION 15
EXISTING COSTS 4 PAYROLL FUNCTION.....17
EXISTING COSTS 5 RISK MANAGEMENT FUNCTION 21
EXISTING COSTS 6 EMPLOYER RETIREMENT COSTS 25
EXISTING COSTS 7 STANDARD JOB CLASSIFICATION DETAILS ...27
EXISTING COSTS 8 CURRENT EMPLOYEE BENEFITS.....28
EXISTING COSTS 9 INFORMATIONAL TECHNOLOGY 34
EXISTING COSTS 10 SECURITY.....36
EXISTING COSTS 11 BOARD AND COMMITTEE COSTS 37

A-1-1A FACILITIES MANAGEMENT – SCENARIO 1A, HIGH MARGIN ASSUMPTION 8
A-1-1B FACILITIES MANAGEMENT – SCENARIO 1B, LOW MARGIN ASSUMPTION 9
A-1-2 FACILITIES MANAGEMENT – SCENARIO 2.....10
A-2-1 LABOR RELATIONS FUNCTION – SCENARIO 1 12
A-2-2 LABOR RELATIONS FUNCTION – SCENARIO 2 13
A-2-3 LABOR RELATIONS FUNCTION – SCENARIO 3 13
A-3-1 ACCOUNTING FUNCTION - SCENARIO 1.....15
A-4-1 PAYROLL FUNCTION – SCENARIO 1 18
A-4-1 PAYROLL FUNCTION – SCENARIO 2 19
A-4-1 PAYROLL FUNCTION SCENARIO 3 19
A-5-1 RISK MANAGEMENT FUNCTION – SCENARIO 1.....21
A-6-1 FTA DIRECT RECIPIENT DESIGNATION – SCENARIO 1 23
A-7-1 EMPLOYER RETIREMENT COSTS – SCENARIO 1.....25
A-7-2 EMPLOYER RETIREMENT COSTS – SCENARIO 2.....26
A-9-1 EMPLOYEE BENEFIT COSTS – OPTION 1 – MEDICAL PLANS29
A-9-2 EMPLOYEE BENEFIT COSTS – OPTION 2 – NON-MEDICAL PLANS 31
A-10-1 IT - SCENARIO 1 35
A-11-1 SECURITY - SCENARIO 1 36
A-12-1 BOARDS AND COMMITTEES – SCENARIO 1.....38
A-12-2 BOARDS AND COMMITTEES – SCENARIO 2.....38

SUPPORTING DOCUMENT

DATA 1 MEMO FROM SBCERA CHIEF FINANCIAL OFFICER 39
DATA 2 MEMO FROM BEST BEST & KRIEGER, GENERAL COUNSEL39

APPENDIX

FINANCIAL ANALYSIS STRUCTURE

The financial analysis employs specific nomenclature that defines each data point or value used in the analysis. Table 1 is an example of how the financial analysis is structured.

Table 1 Legend of Financial Analysis Workbook Nomenclature

Imported value or data point provided from the agency

Existing Costs - Example Only				
	Annual Cost	Hourly Rate	Hours Spent	Total Cost
SBCTA Staff 1	$75,000	$36.06	30	$1,081.73
Omnitrans Staff 1	$75,000	$36.06	20	$1,081.73
			Total Existing Costs	**$2,163.46**

Calculated value. In this example this is the value of $75,000/2080 working hours

Input value, assumption or a data point

Figures presented in the summary analysis throughout in the main body of the report are rounded for order of magnitude. This appendix contains the detailed tables and assumptions for each section, and figures in the appendix are not rounded.

A-1 *Facilities Management*

Approach 1, Facilities Management lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in Section 2.1.1, Facilities Management.

Approach 1, Facilities Management Function

Scenarios	1. Eliminate SBCTA facilities contract and expand Omnitrans staff to perform these functions 2. Maintain/expand SBCTA contracts to cover all facilities
Assumptions	Any change in facilities management or staffing would occur longer-term and not immediately upon consolidation. (e.g., more than 1 year out as contracts expire or staff positions are eliminated) Security and Stops & Zones are excluded. A range of contract margins is used to test sensitivity.
Approach	– Detail the current costs of facility management for each agency and the services. Outline what contracts they have for services (with expiration dates) and what personnel is involved. – Develop a spreadsheet with expiration dates and annual contract costs for all current SBCTA Facilities maintenance contracts – Add to spreadsheet the estimated cost of additional Facilities personnel over time
Data Used	– Current number of staff in facilities management functions and their pay – Current contracts for facilities management – Identify the duties and functions of management functions – Identify if any of this work is performed by union employees if they are protected. – Identify workload/capacity.

THE FOLLOWING TABLES SHOW THE DATA BEHIND THE ANALYSIS.

Existing Assets & Maintenance: Facilities Management Costs - Both Agencies

Facilities maintenance costs include maintenance contracts for both agencies' facilities (25 contracts for Omnitrans, three contracts for SBCTA). In addition to these contracts, Omnitrans also has 11 maintenance staff and two staff in maintenance management functions. Omnitrans maintains five facilities, while SBCTA maintains two facilities, including the Santa Fe Depot Building.

APPENDIX

Existing Costs 1, Facilities Management

Existing Costs	Units / Constants	Annual Cost (including benefits for Staff)	Total Annual Costs[4]
SBCTA			
Current staff in facilities management functions and their pay [1,2]			
Management Analyst II	0.4	$139,724	$55,889
Deputy Executive Officer	0.02	$336,271	$6,725
Chief of Transit	0.02	$238,981	$4,780
Current facilities maintenance staff (excluding management, Stops and Zones)	0	$0	$0
		Subtotal - Staff	*$67,395*
Current contracts for facilities management net of utilities and management fees[3]	2	$1,141,350	$1,141,350
Value of security services for one year in Santa Fe Depot Station/Offices (including margin and overhead)		$230,000	$230,000
Value of facility management contracts net of security services		$911,350	$911,350
Current number of facilities[5]	2		
Future number of facilities	2		
		Subtotal - Contracts net of security, utilities, management fees	*$911,350*
		Subtotal - SBCTA	*$978,745*
Omnitrans			
Current staff in facilities management functions and their pay[1,2]			
Facility Manager	1	$160,269	$160,269
Facility Supervisor	1	$123,321	$123,321
Current facilities maintenance staff (excluding management, Stops and Zones)			
Building Maintenance Mechanic	7	$86,092	$602,642
Custodian	4	$53,413	$213,653
		Subtotal - Staff	*$1,099,885*
Current contracts for facilities management[3]	25	$1,479,767	$1,479,767
Current number of facilities[5]	5		
Future number of facilities	5		
		Subtotal - Contracts	*$1,479,767*
		Subtotal - Omnitrans	*$2,579,652*
		Grand Total	**$3,558,397**

Scenario 1: Eliminate SBCTA facilities contract and have Omnitrans staff perform maintenance

SBCTA facilities are managed by three staff – Management Anaylst II, Deputy Executive Officer and Chief of Transit. SBCTA uses two maintenance contracts for the Santa Fe Depot Building that cover activities that could be performed by Omnitrans staff. Note that SBCTA also has a specific EV charger maintenance contract excluded from this estimation, since those are specialized skills that Omnitrans building mechanic staff are assumed not to have.

The analysis aims to determine how many equivalent work hours of Omnitrans staff would need to perform to maintain the Santa Fe depot and other maintenance work under SBCTA's two maintenance contracts (excluding security, utilities and management fees). The maintenance contracts are assumed to operate on an average margin percentage (10%) and overhead percentage (25 to 35%) for the building maintenance and management industry. This 35% percentage assumes that building maintenance contracting is a low

overhead activity, but it includes healthcare and benefits costs (lower in the private sector) as well as management of maintenance employees. The contract value is also assumed to include 10% of its value for outside specialized subcontractors (e.g., roofers, electricians), and another 10% for materials and supplies. Margin (or fee) is assumed to apply to outside specialized subcontractor's costs and materials and supplies, but not overhead. To test sensitivity, two assumptions for margin and overhead rates were used. Based on the range of margin rates, the potential range of financial impacts for Scenario 1 extends from savings of $10,000 to an increase of $150,000 a year.

A-1-1a Facilities Management – Scenario 1a, High Margin Assumption

Scenario 1a: Eliminate SBCTA facilities contract and have Omnitrans staff perform maintenance / High-Margin Assumption			
	Units / Constants	Annual Cost (including benefits for staff)	Total Annual Costs
SBCTA			
Staff Costs:			
Management Analyst II	0.40	$139,724	$55,889
Deputy Executive Officer	0.02	$336,271	$6,725
Chief of Transit	0.02	$238,981	$4,780
		Total Cost of SBCTA staff	*$67,395*
Contract Costs:			
Subtotal - Contracts net of security, utilities, management fees		$911,350	$911,350
Specialized contract: Maintenance of EV Chargers at SBCTA Office Parking lot		$45,000	$45,000
Value of SBCTA maintenance contracts net of specialized contract		$866,350	$866,350
Assumptions to determine number of FTEs needed to cover SBCTA's maintenance contracts:			
Margin assumption (not included in Property Management Fee)	10%		
Value of services and materials without margin		$787,591	$787,591
Material and Supplies Allowance Percentage	10%		
Specialized repair contractors	10%		
Total Value of Labor for SBCTA Maintenance Contracts (including overhead)		$630,073	$630,073
Overhead rate assumption (includes employee benefits and company overhead)	35%		
Value of janitorial and maintenance services without margin or overhead rate		$466,721	$466,721
Building Maintenance Mechanics at mid step (Step C) hourly wage	$28.54		
Custodians at mid step (Step C) hourly wage	$17.71		
Average Cost per hour (50% maintenance mechanics, 50% custodians)	$23.13		
Number of work hours	20,183		
Productive Work hours/year	1,850		
Number of FTEs needed to cover SBCTA's maintenance contracts		11	
Building Maint. Mechanic - Midpoint Cost (including Benefits)	5.5	$86,092	$473,504
Custodian - Midpoint Salary (including Benefits)	5.5	$53,413	$293,773
Total Cost of additional Omnitrans Facilities maintenance staff to provide work hours for SBCTA maintenance contracts			*$767,278*
Combined Costs			
Staff in facilities management functions and their pay - Omnitrans [1,2]	2	$283,590	$283,590
Existing Facilities maintenance staff (excluding management, Stops and Zones)	11	$816,295	$816,295
Additional Facilities maintenance staff (excluding management, Stops and Zones)	11	$767,278	$767,278
Additional materials and supplies (previously included in SBCTA contracts)		$78,759	$78,759
Specialized repair contractors (previously included in SBCTA contracts)		$78,759	$78,759
Specialized contract formerly owned by SBCTA for EV charger maintenance		$45,000	$45,000
Contracts for facilities management[3] - Omnitrans	25	$1,479,767	$1,479,767
Current number of facilities[5] (SBCTA and Omnitrans combined)	7		
Future number of facilities (SBCTA and Omnitrans combined)	7		
Total Annual Combined Assets & Maintenance: Facilities Management Costs			**$3,549,448**
Annual Cost Savings from eliminating SBCTA facilities contract and having Omnitrans staff perform maintenance			($8,948)

A-1-1b, Facilities Management – Scenario 1b, Low Margin assumption

Scenario 1b: Eliminate SBCTA facilities contract and have Omnitrans staff perform maintenance / Low-Margin Assumption			
	Units / Constants	Annual Cost (including benefits for staff)	Total Annual Costs
SBCTA			
Staff Costs:			
Management Analyst II	0.40	$139,724	$55,889
Deputy Executive Officer	0.02	$336,271	$6,725
Chief of Transit	0.02	$238,981	$4,780
		Total Cost of SBCTA staff	*$67,395*
Contract Costs:			
Subtotal - Contracts net of security, utilities, management fees		$911,350	$911,350
Specialized contract: Maintenance of EV Chargers at SBCTA Office Parking lot		$45,000	$45,000
Value of SBCTA maintenance contracts net of specialized contract		$866,350	$866,350
Assumptions to determine number of FTEs needed to cover SBCTA's maintenance contracts:			
Margin assumption (included in Property Management Fee)	0%		
Value of services and materials without margin		$866,350	$866,350
Material and Supplies Allowance Percentage	10%		
Specialized repair contractors	10%		
Total Value of Labor for SBCTA Maintenance Contracts (including overhead)		$693,080	$693,080
Overhead rate assumption (includes employee benefits and company overhead, partly included in Property Management Fee)	30%		
Value of janitorial and maintenance services without margin or overhead rate		$533,138	$533,138
Building Maintenance Mechanics at mid step (Step C) hourly wage	$28.54		
Custodians at mid step (Step C) hourly wage	$17.71		
Average Cost per hour (50% maintenance mechanics, 50% custodians)	$23.13		
Number of work hours	23,055		
Productive Work hours/year	1,850		
Number of FTEs needed to cover SBCTA's maintenance contracts		12	
Building Maint. Mechanic - Midpoint Cost (including Benefits)	6	$86,092	$516,550
Custodian - Midpoint Salary (including Benefits)	6	$53,413	$320,480
Total Cost of additional Omnitrans Facilities maintenance staff to provide work hours for SBCTA maintenance contracts			*$837,030*
Combined Costs			
Staff in facilities management functions and their pay - Omnitrans [1,2]	2	$283,590	$283,590
Existing Facilities maintenance staff (excluding management, Stops and Zones)	11	$816,295	$816,295
Additional Facilities maintenance staff (excluding management, Stops and Zones)	11	$767,278	$767,278
Additional materials and supplies (previously included in SBCTA contracts)		$86,635	$86,635
Specialized repair contractors (previously included in SBCTA contracts)		$86,635	$86,635
Specialized contract formerly owned by SBCTA for EV charger maintenance		$185,200	$185,200
Contracts for facilities management[3] - Omnitrans	25	$1,479,767	$1,479,767
Current number of facilities[5] (SBCTA and Omnitrans combined)	7		
Future number of facilities (SBCTA and Omnitrans combined)	7		
Total Annual Combined Assets & Maintenance: Facilities Management Costs			**$3,705,400**
Annual cost increases from eliminating SBCTA facilities contract and having Omnitrans staff perform maintenance			$147,003

Scenario 2: Maintain/expand SBCTA contracts to cover all facilities

Currently, Omnitrans manages 25 facilities management contracts for a total value of $1.5 million per year approx. These contracts are complemented by 11 maintenance and custodial staff, which is equivalent to around 20,000 hours per year. Using the same assumptions as in Scenario 1, contracting out these work hours would cost $0.74 million a year, which would result in a savings of approximately $200k. These limited savings are in line with the fact that building maintenance trades are in high demand, thereby

diminishing the potential cost reduction outsourcing could generate. This scenario assumes a high margin in order to produce conservative estimates.

A-1-2, Facilities Management – Scenario 2

Scenario 2: Maintain/expand SBCTA contracts to cover all facilities		
Cost of contracting out in-house maintenance performed by Omnitrans staff	**Units / Constants**	**Total Annual Costs**
Existing staff - Building Maint. Mechanic	7	
Existing staff - Custodian	4	
Productive Work hours/year	1850	
Number of work hours - Building Maint. Mechanic	12950	
Building Maintenance Mechanics at mid step (Step C) hourly wage	$28.54	
Total Cost - Work Hours - Building Maint. Mechanic		*$369,593*
Number of work hours - Custodian	7400	
Custodian at mid step (Step C) hourly wage	$17.71	
Total Cost - Work Hours - Custodian		*$131,054*
Value of services without overhead or margin		$500,647
Overhead rate assumption (includes employee benefits and company overhead)	35%	
Value of services without margin		$675,873
Margin assumption	10%	
Total Cost of Contracting out maintenance work currently performed in-house		***$743,461***
Value of Omnitrans current contracts for facilities management[3]	25	$1,479,767
Total Omnitrans maintenance costs (contracts + workforce) transferred to SBCTA contracts		***$2,223,228***
Value of SBCTA's facility management contracts net of security services	3	$911,350
Total Contracts for facilities management (Existing Omnitrans + SBCTA, new contracts for Omnitrans in-house work)	28	**$3,134,578**
Combined Costs		
Staff in facilities management functions and their pay - SBCTA[1,2]	0.44	$67,395
Staff in facilities management functions and their pay - Omnitrans[1,2]	1	$160,269
Facilities maintenance staff (excluding management, Stops and Zones)	0	$0
Contracts for facilities management[3]	28	$3,134,578
Current number of facilities[5]	7	
Future number of facilities	7	
Total Annual Combined Assets & Maintenance: Facilities Management Costs		**$3,362,241**
Annual Cost Savings from maintaining/expanding SBCTA contracts to cover all facilities		($196,156)

Notes:
1. Estimates do not account for salary and wage increases. Staff in Facilities management functions are not represented.
2. Excludes Stops and Zones personnel
3. All those contracts are annual and would be renewed annually
4. 2020 Costs
5. Source: Table 3-5. Fixed Asset Review in Task 1.2.pdf, page 3

A-2 Labor Relations

Approach 2, Labor Relations lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.2.1, Labor Relations.

Approach 2, Labor Relations Function

Scenarios	1. Consolidation of current staff covered by Omnitrans-Teamsters/ATU labor agreements into SBCTA with no current SBCTA employees represented by a union 2. Consolidation of current staff covered by Omnitrans-Teamsters/ATU labor agreements into SBCTA with certain SBCTA administrative employees represented by a union 3. Consolidation of current transit operations staff covered by Omnitrans-ATU labor agreement into SBCTA with current covered Omnitrans administrative employees no longer represented by a union
Assumptions	– No changes to the terms of labor agreements in the short-term. Any changes to the represented employees' compensation and benefits could be explored in the next round of contract negotiations. – All rights and obligations of the previous entity would become those of the new entity – Administration of Labor Relations becomes a responsibility of a merged HR function in the Consolidated agency
Approach	– Investigate and identify potential classifications that might be subject to being covered by labor agreements – Calculate differences in costs (plus or minus) of those positions changing from non-represented to represented or vice versa based on current labor agreement rates
Data Used	– Specific SBCTA positions that would be subject to labor agreement coverage – Specific Omnitrans positions covered under the Omnitrans-Teamsters and Omnitrans-ATU agreements

DISCUSSION

Existing Labor Relation Costs - Both Agencies

No SBCTA personnel are currently unionized. Omnitrans operating and maintenance staff, as well as some administrative positions, are currently unionized. SBCTA positions that are similar to currently represented administrative positions at Omnitrans, and are not handling confidential information (in contrast to the Clerk of the Board for instance), cover one category of personnel occupying three staff:

- Accounting Assistant: three positions

The SBCTA position (Accounting Assistant) has a direct equivalent at Omnitrans (Accounting Clerk), consistent with the "Job Classifications" cost analysis.

Existing Costs 2: Labor Relations Function

Existing Costs			
Agency/Position	**# of Positions**	**Average Salary per Position**	**Total**
SBCTA			
Specific SBCTA positions that could potentially be subject to labor agreement coverage:			
Accounting Assistant	3	$91,819	$275,456
		Subtotal - SBCTA Staff	*$275,456*
Omnitrans			
Specific Omnitrans administrative positions covered under the Omni-Teamsters agreement:			
Accounting Clerk	2	$56,188	$112,376
Administrative Clerk (Procurement)	1	$56,188	$56,188
Administrative Clerk (Operations)	3	$56,188	$168,564
Customer Service Representative I - Part-Time	3	$39,755	$119,264
Customer Service Representative I - Full Time	5	$53,006	$265,031
Customer Service Representative II	3	$56,188	$168,564
Customer Service Representative I	1	$53,006	$53,006
Parts Clerk	11	$56,188	$618,069
Maintenance Clerk	1	$53,006	$53,006
		Subtotal - Omnitrans Staff	*$1,614,069*
		Total Existing Costs	**$1,889,525**

A-2-1, Labor Relations Function – Scenario 1

Scenario 1: Consolidation of current staff covered by Omnitrans-Teamsters/ATU labor agreements into SBCTA with no current SBCTA employees represented by a union	
Agency	**Total**
Indirect Costs:	
SBCTA - Staff	$275,456
Omnitrans - Staff	$1,614,069
Total Cost/(Savings)	**$1,889,525**
Net Total Cost/(Savings) (Excluding Staff Costs)	***$0***

Note for Scenario 1: In the medium-term, wages for Omnitrans administrative staff fulfilling similar functions to SBCTA employees are likely to converge to current higher SBCTA levels.

A-2-2, Labor Relations Function – Scenario 2

Scenario 2: Consolidation of current staff covered by Omnitrans-Teamsters/ATU labor agreements into SBCTA with certain SBCTA administrative employees represented by a union	
Agency	**Total**
Indirect Costs:	
SBCTA - Staff	$275,456
Omnitrans - Staff	$1,614,069
Total Cost/(Savings)	**$1,889,525**
Net Total Cost/(Savings) (Excluding Staff Costs)	***$0***

Note for Scenario 2: Firstly, the pay discrepancy between SBCTA Accounting Assistants and Omnitrans Accounting Clerks likely is a result of differening skills and experience. Thus, the consolidatd agency will likely require to divide up the Omnitrans' represented Accounting Clerk position in two positions, Accounting Clerk I and Accounting Clerk II. The new accounting clerk series, with two classifications could provide career progression. No determinations as to which individual would be best suited for which position, and it would be recommended that the consolidated agency conduct a competitive recruitment if two classifications are required. In the medium to long-term, this will increase wages for Omnitrans Accounting Clerks.

A-2-3, Labor Relations Function – Scenario 3

Scenario 3: Consolidation of current transit operations staff covered by Omnitrans-ATU labor agreement into SBCTA with current covered Omnitrans administrative employees no longer represented by a union			
Agency/Position	**# of Positions**	**Average Salary per Position**	**Total**
Indirect Costs:			
SBCTA - Staff			$275,456
Omnitrans -Staff			$1,614,069
Subtotal			*$1,889,525*
Total			**$1,889,525**
Net Total Cost/(Savings) (Excluding Staff Costs)			***$0***

A-3 *Accounting*

Approach 3, Accounting lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.3.1 Accounting.

Approach 3, Accounting Function

Scenarios	1. Consolidation into one Finance division/dept. with aligned accounting departments
Assumptions	– Opportunity to consolidate traditional accounting functions (e.g., accounts payable, accounts receivable, grant accounting, general ledger, and budget preparation, cash management/investment, and CAFR preparation). – FTA accounting requirements, such as utilizing the FTA Uniform System of Accounts, must be met in the consolidated agency, at least for the transit operations component. – Financial impacts of aligning the accounting software are analyzed in Section 2.5.1 Information Technology.
Approach	– Pull data from January interviews and agency questionnaires, where staff identified that the above functions have disparate processes (and are not redundant). – Quantify effort (cost) associated with aligning the processes
Data Used	– Current staff in departments of accounts payable, accounts receivable, grant accounting, general ledger, and invoices – Disparate (non-redundant) and redundant processes of accounting functions – The effort associated with aligning the redundant processes

THE FOLLOWING TABLES AND INFORMATION SHOW THE DATA BEHIND THE ANALYSIS.

The accounting function cost analysis considers current staff in departments: accounts payable, accounts receivable, grant accounting, and general ledger. The goals for this analysis are to differentiate between disparate (non-redundant) and redundant processes of accounting functions and to determine the effort associated with aligning the redundant processes.

To identify reduction of additional staff aside from the Director, the team would need to assess workloads to determine whether, once the accounting processes are realigned, there are efficiencies of scale. Omnitrans' accounting staff manages the day-to-day accounts payable, accounts receivable, grant accounting, and general ledger of an operating agency, whereas SBCTA's accounting staff manages similar functions for a planning and construction agency. The individual functions are fundamentally distinct, even if they are generally combined within transit agencies that have both roles. As a result, it is unlikely that staff savings will be achieved in the near-term. Potential efficiencies could be achieved in the medium term.

APPENDIX

Existing Costs 3: Accounting Function

Existing Costs				
Agency/Position	**Responsibilities**	**Average Salary per Position (including benefits)[4,5]**	**Number of Positions[1,2]**	**Annual Total Cost**
SBCTA				
Specific SBCTA positions in charge of accounting functions including budget preparation [1] :				
Chief Financial Officer[3]	Directs agency financial activities including procurement	$290,484	0.72	$209,148
Accounting Assistant	Accounts payable, enter invoices, reviews information, processes batches, post transactions, mail checks.	$94,573	1.10	$104,031
Accounting Assistant	Accounts Receivable including preparing billing for grants or cooperative agreements, cash receipts	$94,573	0.90	$85,116
Senior Accounting Assistant[3]	Activates contracts, purchase orders, reviews AP batches and assists in the development of the budget.	$114,953	0.65	$74,720
Accountant	Performs accounting functions such as general ledger, process acounts receivable billing and reviews a/p batches	$126,737	1.00	$126,737
Accountant	Process Accounts Receivable billing	$126,737	0.98	$124,202
Senior Accountant	Prepares complex reimbursement requests including grant billing	$146,713	0.95	$139,377
Accounting Supervisor	Manages the A/R section	$169,838	0.98	$166,441
Chief of Fiscal Resources[3]	Under the Chief Financial Officer direction manages and oversees the finance department including procurement, A/R, A/P, budget, Cash management, debt management, revenue claiming, CAFR.	$238,981	0.82	$195,964
Toll Financial Administrator	Performs TIFIA related accounting and compliance activities including grant billing	$187,249	0.90	$168,524
			Subtotal - SBCTA Staff	*$1,394,260*
Omnitrans				
Specific Omnitrans positions in charge of accounting functions including budget preparation [2] :				
Director of Finance	Directs agency financial activities	$208,285	1	$208,285
Accounting Manager	Manages general ledger, AR, AP, Payroll, audits, etc.	$213,691	0.75	$160,269
Treasury Manager[6]	Prepares budget, grant management and cash management	$160,269	0.5	$80,134
Sr. Financial Analyst	Performs complex accounting functions; reporting; grants	$123,321	2	$246,642
Accountant	Accounting functions	$108,177	2	$216,355
Accounting Clerk	Accounts Payable; Accounts Receivable	$56,188	2	$112,376
			Subtotal - Omnitrans Staff	*$1,024,061*
			Total	**$2,418,321**
			Net Total (Excluding Staff Costs)	***$0***

Notes:
1. Source: SBCTA Questionnaire
2. Source: Omnitrans Questionnaire
3. Source: SBCTA Questionnaire numbers were updated based on SBCTA inputs for these roles.
4. Source: SBCTA FY20 Salary Information
5. Soucre: Omnitrans FY20 Salary Information
6. Treasury Manager does both grants and accounting. Treasury Manager was included at 50% for this analysis.

A-3-1, Accounting Function - Scenario 1

Scenario 1: Consolidation into one Finance division/department with aligned accounting departments	
Agency/Position	**Annual Total Cost**
Indirect Costs:	
SBCTA - Staff	$1,394,260
Omnitrans - Staff	$1,024,061
Total	**$2,418,321**
Net Total (Excluding Staff Costs)	***$0***

Note: IT costs of convergence between SBCTA's and Omnitrans' accounting systems are described under the IT Cost Analysis.

A-4 Payroll

Approach 4, Payroll lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.3.2, Payroll.

Approach 4, Payroll Function

Scenarios	1. Consolidation into one agency with aligned payroll department using the County System. 2. Consolidation into one agency system under the Omnitrans payroll system. 3. Maintain two separate payroll and benefits functions through use of a public non-profitcorporation as was done at LA Metro
Assumptions	– Payroll system will be driven by benefits (health, retirement, etc.) and may be difficult to accommodate same payroll system with different benefit (including retirement) systems
Approach	– Pull data from January interviews and questionnaire responses where staff under payroll department have disparate processes (and are not redundant). – Quantify effort (cost) estimates associated with aligning the processes for the three separate scenarios, based on applying current cost information to each scenario, and/or estimates by WSP IT professionals.
Data Used	– Current staff in payroll/compensation departments – Disparate (non-redundant) and redundant processes of payroll/compensation functions – Effort associated with aligning the redundant processes – Cost estimate of developing an interface for Omnitrans' timekeeping function to the County's payroll function (Scenario 1) – Cost estimate of modifying the County Payroll system to accommodate Omnitrans payroll requirements for both union and management positions (Scenario 1) – Cost estimate for annual costs associated with the County performing payroll and benefit functions (Scenario 1) based on applying current County cost allocation rates.

THE FOLLOWING TABLES SHOW THE DATA AND INFORMATION BEHIND THE ANALYSIS.

Existing Payroll Costs - Both Agencies

SBCTA currently dedicates around 0.33 FTE to payroll supervision and pays $69k per year to the County of San Bernardino to process its payroll. Total costs for SBCTA are approximately equal to $120k per year.

Omnitrans payroll staff is composed of two payroll technicians and one Human Resources technician dedicated to payroll, as well as some managerial time (total estimated to be 3.45 FTE). Omnitrans' SAP system supports payroll. Current costs for Omnitrans payroll is estimated to total $363k per year.

Existing Costs 4: Payroll Function

Existing Costs			
	One-Time Cost	Number of Units[1,2]	Annual Cost (including benefits for Staff)	Total Cost
SBCTA				
Projected FY21 Staff Levels		60.65		
Current staff in payroll/compensation departments:				
Chief Financial Officer		0.05	$290,484	$14,524
Senior Accounting Assistant		0.25	$114,953	$28,738
Chief of Fiscal Resources		0.03	$238,981	$7,169
			Subtotal - Staff	*$50,432*
Current Consultants:				
County of San Bernardino		1	$69,300	$69,300
			Subtotal - Consultants	*$69,300*
			Subtotal - SBCTA	$119,732
Omnitrans				
Note: Some Omnitrans payroll staff perform functions in both Accounting and Payroll. To eliminate double counting, some Omnitrans Payroll staff were assumed at 25% of existing staff count.				
Projected FY21 Staff Levels		650		
Current staff in payroll/compensation departments:				
Accounting Manager		0.25	$160,269	$40,067
Payroll Technician		2	$80,417	$160,834
Human Resources Technician[3]		1	$80,417	$80,417
Dispatch Supervisor		0.2	$123,321	$24,664
			Subtotal - Staff	*$305,982*
Current cost of payroll interface:				
SAP Public Services, Inc.		0.1	$274,030	$27,403
Kronos		1	$29,578	$29,578
			Subtotal - Consultants	$56,981
			Subtotal - Omnitrans	$362,963
			Grand Total	**$482,695**

Notes:
1. Source: SBCTA Questionnaire Task 1.2 Appendix.pdf, page 32
2. Source: Omnitrans Questionnaire Task 1.2 Appendix.pdf, pages 19,20
3. There are two Human Resources Technicians but only one is dedicated for Payroll

Scenario 1: Consolidation Into one agency with aligned payroll department using the County system

SBCTA costs will continue incurring as is. However, Omnitrans' payroll staff will decrease, since Omnitrans' payroll will be handled by the County of San Bernardino. Costs for the management of Omnitrans' payroll by the County are estimated at approximately $453k per year based on the County's cost allocation formula, which is significantly higher than current costs. This option in total is $311k more expensive than current combined costs on an annual basis.

Note that this scenario does not include two one-time costs: creating an interface from Omnitrans' SAP and Trapeze systems to produce inputs needed by the County to process Omnitrans' payroll, which is roughly estimated at $250k based on input from WSP's IT experts. The one-time cost to modify the County system to accommodate Omnitrans is estimated at $300k.

A-4-1, Payroll Function – Scenario 1

Scenario 1: Consolidation Into one agency with aligned payroll department using the County system				
	One-Time Cost	Number of Units	Annual Cost (including benefits for Staff)	Total Cost
SBCTA				
Current staff in payroll/compensation departments:				
Chief Financial Officer		0.05	$290,484	$14,524
Senior Accounting Assistant		0.25	$114,953	$28,738
Chief of Fiscal Resources		0.03	$238,981	$7,169
			Subtotal - Staff	*$50,432*
Consultants:				
County of San Bernardino		1	$69,300	$69,300
-			*Subtotal - Consultant*	*$69,300*
			Subtotal - SBCTA	$119,732
Omnitrans				
Current staff in payroll/compensation departments:				
Accounting Manager		0.125	$160,269	$20,034
Payroll Technician		0.5	$80,417	$40,209
Human Resources Technician		1	$80,417	$80,417
Dispatch Supervisor		0.2	$123,321	$23,222
			Subtotal - Staff	*$163,881*
Consultants:				
County of San Bernardino[4]		1	$453,446	$453,446
Current cost of payroll interface:				
SAP Public Services, Inc.		0.1	$274,030	$27,403
Kronos		1	$29,578	$29,578
			Subtotal - Consultant	*$510,427*
One-off cost to adjust SAP System / Trapeze to produce inputs needed by the County	$250,000			
One-time Cost to modify County Systemt to accommodate Omnitrans	$300,000			
			Subtotal - Omnitrans	$674,308
			Total (Excluding One-Time Costs)	**$794,040**
			One-Time Costs	**$550,000**

Notes:
4. Source: SBCTA Spreadsheet Payroll-HR-Cowcap

Scenario 2: Consolidation into one agency system under the Omnitrans payroll system

Costs would be slightly higher with this option: the elimination of the $69,300 annual cost SBCTA currently pays to the County to process payroll is offset by the need for an additional Human Resources technician. Other costs would remain the same as existing. Note that scenario 2 would require that former SBCTA employees access health plan benefits through Omnitrans rather than through the County of San Bernardino."

A-4-1, Payroll Function – Scenario 2

Scenario 2: Consolidation into one agency system under the Omnitrans payroll system				
	One-Time Cost	Number of Units	Annual Cost (including benefits)	Total
SBCTA				
Current staff in payroll/compensation departments:				
Chief Financial Officer		0.05	$290,484	$14,524
Senior Accounting Assistant		0.25	$114,953	$28,738
Chief of Fiscal Resources		0.03	$238,981	$7,169
			Subtotal - Staff	*$50,432*
One-off cost to adjust County's payroll system:[5]	$0			$0
			Subtotal (with One-Time Cost)	*$0*
			Subtotal - SBCTA	$50,432
Omnitrans				
Current staff in payroll/compensation departments:				
Accounting Manager		0.25	$160,269	$40,067
Payroll Technician		2	$80,417	$160,834
Human Resources Technician[6]		2	$80,417	$160,834
Dispatch Supervisor		0.20	$123,321	$24,664
			Subtotal - Staff	*$386,399*
Current cost of payroll interface:				
SAP Public Services, Inc.		0.10	$274,030	$27,403
Kronos		1.00	$29,578	$29,578
			Subtotal - Consultants	*$56,981*
			Subtotal - Omnitrans	$443,380
			Total (Excluding One-Time Costs)	**$493,812**
			One-Time Costs	**$0**

Notes:
5. One-off cost to modify the County system to operate under the Omnitrans system is included in the IT Financial Analysis to avoid double-counting

Scenario 3: Maintain two separate payroll and benefits functions through use of a public non-profit benefits corporation as was done at Metro

A-4-1, Payroll Function Scenario 3

Scenario 3: Maintain two separate payroll and benefits functions through use of a public non-profit benefits corporation as was done at Metro			
	One-Time Cost	Annual Cost (including benefits)	Total
SBCTA Existing Payroll System and Personnel		$119,732	$119,732
Omnitrans Existing Payroll System and Personnel		$362,963	$362,963
One-time cost of creating a public non-profit benefits corporation[6]	$50,000		
		Total (Excluding One-Time Costs)	**$482,695**
		One-Time Costs	**$50,000**

Notes:
6. One-off cost of creating a public non-profit corporation (estimated at $50,000) is not included in the Benefits Financial Analysis, to avoid double-counting.

This scenario may be the most viable, and is consistent with the lower cost options under Retirement. Former SBCTA employees would continue to receive their benefits through the County and their Payroll processed by the County. Omnitrans employees would continue to receive their payroll through their in-house system, which is heavily integrated with the Trapeze system to collect time keeping data. Costs would continue as is. One-off costs due to the creation of public non-profit corporation are estimated at $50k.

A-5 Risk Management

Approach 5, Risk Management lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.3.3, Risk Management.

Approach 5, Risk Management Function

Scenarios	1. The consolidated agency goes out on the insurance market for new combined liability policies
Assumptions	– The consolidated agency would need to adjust risk management practices and liability insurance levels to match the risks of being a transit service operator. – Costs would likely be similar to the combined costs of the two agencies currently. – Risk considerations and requirements for transit operations are considerably different from those of an administrative agency.
Approach	– Calculate current cost – Have agencies discuss with an insurance broker for an estimate of premium changes
Data Used	– Current practices, risk considerations, requirements, and costs for SBCTA and Omnitrans' plans – Full list of insurance plan categories and costs

APPENDIX

THE FOLLOWING TABLES HIGHLIGHT DATA BEHIND THE ANALYSIS:

Existing Costs 5: Risk Management Function

Existing Costs	Annual Cost	Self Insured Retention	Liability Limits
SBCTA			
Third-party Administrator Costs:			
Alliant	$29,000		
George Hills	$10,000		
Individual Plans:			
Commercial General Liability (including automobile, e&o, and employment practices liability coverages)	$159,967	$50,000	$5,000,000
Commercial Automobile	$1,373	$1,000	$1,000,000
Excess liability	$46,914	Excess of underlying	$5,000,000
Cyber liability	$15,387	$30,000	$1,000,000
Workers' compensation	$38,126	$0	$1,000,000
Commercial Property	$30,884	$5,000	$32,589,834
Crime	$11,600	$2,500	$10,000,000
Total SBCTA Insurance and Liability costs including third-party administrator	*$343,251*	*$88,500*	*$55,589,834*
Omnitrans			
Property/Official and Employer Liability Insurance (Property Insurance, Earthquake, Flood, Pollution, and Crime Insurances – Alliant Insurance Services)	$309,617	$262,500	$148,052,500
General Liability & Vehicle Liability/Loss Insurance (Liability Insurance for revenue & non-revenue vehicles – CalTIP)	$3,019,461		
General Auto Physical Loss/Physical Damage Insurance (Vehicles accidents – CalTIP)	$906,762	$5,000	Actual cash value or repair/replacement cost
Workers' Compensations Excess/Employer's Liability Expense (Workers' compensation claims – Pacific Clams TPA)	$121,837	$1,000,000	Excess of 1 million for workers compensation up to statutory limits. Excess of 1 million upto 5 million for employer's liability.
Workers' Compensation Self Insured Expense – Incurred But Not Reported (IBNR)	$3,488,024		
General Liability/Loss – Incurred But Not Reported (IBNR)	$1,210,281		
Total Omnitrans Insurance and Liability costs [1]	*$9,055,981*		
Total Costs	**$9,399,232**		

A-5-1, Risk Management Function – Scenario 1

Scenario 1: The consolidated agency goes out on the insurance market for new combined liability policies[2]	Annual Cost ($/year)	Self Insured Retention	Liability Limits
Direct Costs:			
SBCTA - Risk Management Costs	$343,251	$88,500	$55,589,834
Omnitrans - Risk Management Costs	$9,055,981	$0	$0
Subtotal	*$9,399,232*	*$88,500*	*$55,589,834*
Consolidated Agency Annual Total Estimate[2]	**$9,399,232**		

Notes:

1. Casualty and Liability costs are from Omnitrans' FY19 Actual numbers.

2. Per discussion with SBCTA and Omnitrans staff on 4/15/20, their mutual insurance broker has stated that there would be no savings from consolidating all liability insurance policies of the two agencies, hence, no savings is shown.

SBCTA and Omnitrans staff have discussed this scenario with their insurance broker, who has stated that there would be no savings from consolidating insurance policies of the two agencies; thus, the analysis reflects this commercial input. However, Omnitrans has indicated they plan to investigate the open insurance market to reassess whether obtaining liability insurance in that manner would be less expensive than continuing to procure through CalTIP.

A-6 FTA Direct Recipient Status

Approach 6, FTA Direct Recipient Status lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.3.4, FTA Direct Recipient Status.

Approach 6, FTA Direct Recipient Status

Scenario	1. SBCTA is established as a direct recipient of FTA funds
Assumptions	– Designation as direct FTA funds recipient requires express approval from the Governor and transit agencies in the Metropolitan Statistical Area (MSA: Riverside-San Bernardino), which can take the form of enacted legislation that amends SBCTA's current state statutory authority to explicitly provide transit services in the Metro Valley area – Same staff currently at Omnitrans would continue duties related to direct recipient compliance (no need to re-establish, but simply transfer, Omnitrans' internal processes for annual certification and assurances on FTA grants to SBCTA) – All of Omnitrans' existing federal grants would need to be revised to show SBCTA as the recipient
Approach	– Estimate level of hours of staff/consultant time to develop, introduce, advocate for, and pass state legislation amending SBCTA's authority to include direct transit operations, based on previous legislative effort for SB 1305 – Hourly rates for applicable staff – Obtain number of open FTA grants that would require modification to show as recipient. – Obtain ROM estimate of hours per grant to make these changes, multiply by grants admin staff rates – Follow similar process to estimate costs for updating certifications and assurances.
Data Used	– Estimate of the level of effort (in hours) that SBCTA Policy and Legislative Affairs staff and their consultants would expend to introduce, advocate for, and pass legislation amending SBCTA's authority to include transit operations – Hourly pay for SBCTA Policy and Legislative Affairs staff and billing rates for legal and legislative services to be utilized to enact legislation – Estimate of the level of effort (in hours) that SBCTA staff and their consultants would expend to revise FTA grants to show SBCTA as a recipient – Hourly pay for SBCTA staff and billing rates for services to be utilized to revise FTA grants

THE FOLLOWING TABLES HIGHLIGHT DATA BEHIND THE ANALYSIS:

Estimation of Costs for SBCTA to Become a FTA Direct Recipient

APPENDIX

A-6-1, FTA Direct Recipient Designation – Scenario 1

Miscellaneous Data Point Used	
Number of hours per year	2080

Step 1: Estimate level of hours of staff/consultant time for Legislative effort; and
Step 2: Hourly Rates for applicable staff

Staff/Consultant	Staff/Consultant Duties	Annual Cost (including benefits for agency staff)	Hourly Rate	Estimated Hours/% Spent on Legislative Effort [1]	Total Cost
SBCTA					
Staff:					
Chief Financial Officer	Provide Legislative services to enact legislation	$290,484	$140	25	$2,872
Chief of Legislative and Public Affairs	Provide Legislative services to enact legislation	$238,981	$115	25	$2,872
Director of Legislative Affairs	Provide Legislative services to enact legislation	$290,484	$140	400	$55,862
Director of Strategic Initiatives	Provide Legislative services to enact legislation	$290,484	$140	25	$3,491
Director of Transit	Provide Legislative services to enact legislation	$290,484	$140	25	$3,491
Executive Director	Provide Legislative services to enact legislation	$556,750	$268	25	$6,692
Management Analyst II	Provide Legislative services to enact legislation	$139,724	$67	400	$26,870
General Counsel	Provide Legislative services to enact legislation	$357,000	$172	400	$68,654
Assistant General Counsel	Provide Legislative services to enact legislation	$282,023	$136	80	$10,847
				Subtotal - Staff	*$181,652*
Consultants:					
Holland and Knight	Provide Legislative services to enact legislation	$82,500		10%	$8,250
California Advisors	Provide Legislative services to enact legislation	$60,000		10%	$6,000
				Subtotal - Consultants [2]	*$14,250*
				Total	**$195,902**

Step 3: Number of Open Omnitrans FTA grants (currently 16); and
Step 4: Estimate of Hours required to make changes

Staff	Staff Duties	Annual Cost (including benefits)	Hourly Rate	Estimated Hours/% Spent on Legislative Effort [1]	Total Cost
SBCTA					
General Counsel	Provide Legal Reviews	$357,000	$172	4	$687
Executive Director	Provide CEO/Executive Director Signatures	$556,750	$268	2	$535
				Subtotal - Staff	$1,222
Omnitrans					
	Level of Effort Estimate for Grant Amendments[2]:				
Treasury Manager	List and Research All Grants	$160,269	$77	16	$1,233
Treasury Manager	Discussions with Funding Agencies and coordination with FTA	$160,269	$77	36	$2,774
Treasury Manager	Final Preparation of documents	$160,269	$77	8	$616
				Subtotal - Staff	*$4,623*
				Total	**$5,845**

Step 5: Estimate of Updates to Certifications and Assurances

Staff	Staff Duties	Annual Cost (including benefits)	Hourly Rate	Estimated Hours/% Spent on Legislative Effort [1]	Total Cost
Omnitrans					
	Level of Effort Estimate for Certifications and Assurances[3]:				
Treasury Manager	Research certifications of both agencies, determine process in Consolidated Agency	$160,269	$77	24	$1,849
Treasury Manager	Discussions with Funding Agencies	$160,269	$77	4	$308
Treasury Manager	Preparation of documentation for Board Approval	$160,269	$77	4	$308
Treasury Manager	Preparation of final certifications	$160,269	$77	16	$1,233
				Subtotal - Staff	*$3,699*
SBCTA					
Executive Director	Provide CEO Signatures	$556,750	$268	2	$535
				Subtotal - Staff	*$535*
				Total	**$4,234**

Step 6: Grand Total		
	Cost	Total Cost
Direct Costs		
SBCTA Consultants	$14,250	$14,250
	Subtotal - Consultants	*$14,250*
Indirect Costs		
SBCTA and Omnitrans Staff	$191,731	$191,731
	Subtotal - Staff	*$191,731*
	Grand Total	**$205,981**
	Net Total (excluding sunk costs)	**$0**

Notes:

1. Legislative level of effort estimates provided by SBCTA staff.
2. SBCTA's state lobbyst is paid as a lump sum plus travel. No additional costs will be incurred if another bill is added. These estimates constitute sunk costs, as reflected in the net total.
3. Grant Amendment and Certifications and Assurances level of effort estimates provided by Linda Bohlinger, former CEO, LA Metro, following consolidation with SCRTD

A-7 Retirement System

Approach 7, Retirement System, lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.4.1, Employer Retirement Costs.

Approach 7, Retirement System

Scenarios	1. All employees enrolled in CalPERS (transfer all employees from one system to the other) 2. All employees enrolled in SBCERA (transfer all employees from one system to the other)
Assumptions	– SBCTA employees currently under SBCERA – Omnitrans employees currently under CalPERS
Approach	– Develop spreadsheet with all Omnitrans employees' annual retirement costs and all SBCTA employees' annual retirement costs – Copy to separate tables and show costs if all employees were under CalPERS or all under SBCERA for the different scenarios, for Scenarios 1 and 2. – Add in worst case scenario of financial hit if one or the other plan is terminated, resulting in payment of unfunded liability
Data Used	– Current retirement system costs for SBCTA employees (from personnel data provided) – Current retirement system costs for Omnitrans employees from employee listings and employer contribution percentage – This approach provides an initial, high-level estimate of impacts. Actuarial analysis of transfer costs and new rates will be required of both SBCERA and CalPERS.

THE FOLLOWING TABLES HIGHLIGHT DATA BEHIND THE ANALYSIS:

Actuarial analyses will be required in order to estimate any savings/cost increases associated with changing retirement systems under each of these scenarios. For every scenario, SBCERA and CalPERS will each have to perform a section of the actuarial analysis. The cost for analyzing a scenario was estimated at $40,000. The analysis may take up to eight weeks to complete after the information is shared between the two retirement systems.

Considering the significant cost of completing these analyses, this report only presents descriptive information on the differences between the plans per the latest CAFR or actuarial report available, i.e. the levels of contribution and unfunded liability contribution and the costs to terminate Omnitrans' CalPERS plan, related to scenarios 1 and 2. Note that pension liability amounts most likely have increased due to the recent investment losses suffered by both retirement systems. Figures below are for reference only. Actuarial analysis will be required to obtain estimates. Note that the figures shown below include all employees' salaries and wages for Omnitrans and SBCTA, in contrast to the benefits analysis.

APPENDIX

Existing Costs 6: Employer Retirement Costs

Existing Retirement Costs - Both Agencies	Annual Cost	Percentage of Cost	Other Costs / Liabilities	Total Annual Employer Retirement Costs (for active employees)
SBCTA				
Total FY2020 Salaries Cost[2]	$7,805,307			
FY20-21 Employer's Contribution towards Retirement as a Percentage of Salaries[3]		10.70%		$835,012
FY20-21 Employer's Unfunded Liability as a Percentage of Salaries[3]		26.80%		$2,091,822
Unfunded Pension Liability as of last CAFR[4]			$14,926,497	
			Subtotal - SBCTA Retirement Costs (estimated)	*$2,926,834*
Omnitrans				
Total FY2020 Salaries and Wages Cost[5]	$38,587,869			
Employer Paid Retirement Percentage of Salaries[6]		10.82%		$4,174,822
Employer Paid Retirement unfunded liability Percentage of Salaries[6]		5.61%		$2,164,394
Unfunded Pension Liability as of last CAFR[7]			$25,090,306	
			Subtotal - Omnitrans Retirement Costs (estimated)	*$6,339,215*
			Grand Total FY20 (estimated)	**$9,266,049**

Estimation of Annual Retirement System Costs Under Two Scenarios[1]

A-7-1, Employer Retirement Costs – Scenario 1

Scenario 1: All Employees Enrolled in CalPERS	Salaries	Percentage of Salaries	Other Costs / Liabilities	Total Annual Employer Retirement Costs (for active employees)
SBCTA				
Total FY2020 Salaries Cost[2]	$7,805,307			
FY20-FY21 Employer's Contribution towards Retirement as a Percentage of Salaries[3,9]		10.82%		$844,456
For reference only: SBCERA termination costs based on CalPers' termination costs of hypothetical termination liability[10]			*$103,630,846*	
			Subtotal - SBCTA (high-level estimate)	*$844,456*
Omnitrans				
Total FY2020 Salaries and Wages Cost[4]	$38,587,869			
Employer's Contribution towards Retirement as a Percentage of Salaries[3,9]		10.82%		$4,174,822
Employer's Payment towards Unfunded Liability as a Percentage of Salaries[3,9]		5.61%		$2,164,394
Unfunded Pension Liability as of last CAFR[7]			$25,090,306	
			Subtotal - Omnitrans Retirement Costs (estimated)	*$6,339,215*
			Grand Total FY20 (high-level estimate, excluding termination costs)	**$7,183,671**

A-7-2, Employer Retirement Costs – Scenario 2

Scenario 2: All Employees Enrolled in SBCERA	Salaries	Percentage of Salaries	Other Costs / Liabilities	Total Annual Employer Retirement Costs (for active employees)
SBCTA				
Total FY2020 Salaries Cost[2 6]	$7,805,307			
Employer's Contribution towards Retirement as a Percentage of Salaries[3,9]		10.70%		$835,012
Employer's Payment towards Unfunded Liability as a Percentage of Salaries[3,9]		26.80%		$2,091,822
Unfunded Pension Liability			$14,926,497	
			Subtotal - SBCTA Retirement Costs (estimated)	*$2,926,834*
Omnitrans				
Total FY2020 Salaries and Wages Cost[4]	$38,587,869			
Employer's Contribution towards Retirement as a Percentage of Salaries[3,9]		10.70%		$4,128,130
CalPers Plan Unfunded Termination Liability at 2.50% interest rate[8]			$174,195,569	
			Subtotal - Omnitrans (high-level estimate)	*$4,128,130*
			Grand Total FY20 (high-level estimate, excluding termination costs)	**$7,054,964**

Notes:
1. Estimates are for changes in retirement system costs only, do not account for salary and wage increases
2. Source: SBCTA Staff Positions FY2019-2020 Budget Salary Spreadsheet
3. Source: SBCERA Actuarial Report, page 34
4. Source: SBCTA FY19 CAFR, page 105
5. Source: Updated Omnitrans salaries
6. Source: CalPERS Actuarial Report, page 4
7. Source: Omnitrans FY19 CAFR, page 41
8. Source: CalPERS Actuarial Report, page 25. "The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination."
9. Normal cost rates change when new employees come into their system, depending among other factors on the demographic characteristics of the employee population.
10. This high-level estimate is provided for reference only. SBCERA's methods to estimate the termination liability are likely to differ from CalPERS. Similar to CalPERS, "the effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination."

A-8 *Job Classifications*

Staff Duplication: Information and assumptions regarding staff duplication were reviewed and validated with key staff in both SBCTA and Omnitrans but are not included in this appendix. See Section 2.4.2 for discussion of the analysis. Costs shown were based on fully burdened rates.

Job Classification: Approach 8, Job Classifications – Standard Job Classifications lists the scenarios, assumptions, approach, and data used to complete the analysis for the standard classifications section and summarized in 2.4.2, Job Classifications.

Approach 8, Job Classifications – Standard Job Classifications

Scenario	1. Under a consolidated agency, a new job classification structure is developed that encompasses all non-union positions
Assumptions	– Only non-unionized staff will be assessed – Salary ranges and mid-points by employee category, not individual salaries, will be assessed – Individual employees' existing salary/wages will not be reduced in a consolidation
Approach	– Compare similar classifications and salary ranges for Omnitrans staff not covered by labor agreements to those of SBCTA staff – Quantify annual cost difference by category of moving like-positions to the higher of the two agencies current pay ranges by position – Identify if any employee falls outside the range and identify the cost
Data Used	– Classifications of employees by agency, with job descriptions and salary ranges for SBCTA and Omnitrans – Functional Assessment report's Tables and Staffing/Salary Range Lists

The following methodology was used to calculate the impacts in this area:

1. Using the Agency Staffing Levels tables from Chapter 2 of the Task 1.2 Agency Functional Assessment, align each agency's current positions, salary ranges, and salary mid-points with the corresponding departmental/functional positions, and Identify current classifications with similar required skills and experience.
2. Remove positions addressed in the staff duplication section to avoid double counting.
3. Using the salary mid-points for each position where there are similar positions in each agency, identify the salary difference between the mid-points. No impact was deemed to occur for positions that are not equivalent in both agencies.
4. Assuming the higher of the two salaries will become the salary range for each position, multiply the salary difference by the number of positions in the agency that currently pays less for that position.
5. Sum up all salary differentials and adjust for multiple headcounts to arrive at the estimated annual salary costs increase due to the alignment of job classifications

Existing Costs 7: Standard Job Classification Details

Option 2: For positions that are not duplicative but are in the same classification for salary level, account for the cost of bringing these positions to the highest pay level								
SBCTA	**Salary (including benefits)**	**Number of Positions**	**Omnitrans**	**Salary (including benefits)**	**Number of Positions**	**Salary Difference (including benefits)**	**Number of Positions Affected**	**Total**
Senior Accountant	$146,713	1	Senior Financial Analyst	$123,321	2	$23,392	2	$46,783
Accounting Assistant	$94,573	1	Accounting Clerk	$56,188	2	$38,385	2	$76,770
Accountant	$126,737	1	Accountant	$108,177	2	$18,559	2	$37,119
Procurement Analyst	$139,724	1	Contract Administrator	$123,321	2	$16,403	2	$32,805
Chief of Legislative and Public Affairs	$238,981	1	Director of Marketing and Communication	$208,285	1	$30,696	1	$30,696
Management Analyst II	$139,724	6	Community Outreach Coordinator	$108,177	1	$31,546	1	$31,546
Senior Planner	$169,838	1	Service Planning Manager[3]	$160,269	1	$9,570	1	$9,570
GIS Administrator	$161,750	1	Business Intelligence Analyst	$123,321	1	$38,428	1	$38,428
Administrative Assistant Senior	$109,479	1	Senior Administrative Assistant	$94,892	1	$14,586	1	$14,586
Office Assistant	$81,696	1	Administrative Clerk	$56,188	3	$25,507	3	$76,522
Administrative Assistant	$94,573	1	Administrative Assistant	$80,417	1	$14,156	1	$7,078
Subtotal	*$1,503,802*		*Subtotal*	*$1,242,573*			*Subtotal adjustment increase*	*$401,905*
							Total SBCTA and Omnitrans existing costs	*$2,746,375*
							Grand Total (with cost Increase after adjustment)	**$3,148,280**

Note that changes to benefits and retirement will change the range of results presented in this analysis.

A-9 *Employee Benefits*

Approach 9, Employee Benefits lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.4.3, Employee Benefits.

Approach 9, Employee Benefits

Scenarios	1. All employees enrolled in Omnitrans system 2. All employees enrolled in SBCTA system
Assumptions	— No employee's benefits are harmed in the change/consolidation — It is expected that represented employees will continue to be covered by their negotiated labor contract until the expiration of that contract. Any changes for represented employees will be subject to negotiation with the labor unions. — Bargaining units are excluded in the analysis since they are covered by labor agreements — There may be scenarios where the data is being compiled, but as this is an analysis, no decision are made.
Approach	— For the purposes of analysis in this chapter, two options were evaluated to consolidate benefits for SBCTA's staff and Omnitrans' unrepresented staff. These options can be considered separately or jointly: — Option 1: Medical Plans — Option 2: Main Non-Medical Benefits
Data Used	— Detailed benefits and costs by employee category and agency — List of all benefits (health care, vision, insurance, paid time off accruals, others)

THE FOLLOWING TABLES SHOW THE DATA BEHIND THE ANALYSIS.

For Option 1, given the uncertainty linked to the decisions of opting in or out the plan, selecting a plan, and deciding how many members of a household will be covered by the plan, a range of costs provides more reasonable estimates than specific amounts.

For Option 2, the analysis was based on FY 2020 salaries and does not account for salary and wage increases. Existing cost data used are from information provided by SBCTA and Omnitrans and presented in the Task 1.2 chapter. In contrast to Option 1 regarding the health benefit package, it was possible to determine more precisely the costs of each scenario, based on the current staff and positions of each organization.

Existing Costs 8: Current Employee Benefits

Agency	Unit	0-4 Years of Service	5 - 9 Years of Servce	> 9 Years of Service	10 Years +
SBCTA					
Vacation Leave/ PTO Accruals	Days	10	15	20	
Sick Leave	Days	12	12	12	
Holiday Leave	Days	13	13	13	
Administrative Leave - only Professional positions	Days	5	5	5	
Flexible Benefits and premium subsidy	$/year per position	$8,473-$13,318			
Deferred Compensation (based on employee providing a match)		Non-Professional up to 5%, Professional up to 7%			
Auto Allowance - Executive level only	$/year per position	$7,800			
Tuition Reimbursement	$/year per position	$1,000			
Communications Stipend - based on position and duties	$/year per position	$1,080			
	Unit	**1 - 5 Years**	**5 - 10 Years**	**10-20 Years**	**>20 Years**
Omnitrans					
Vacation Leave/ PTO Accruals (hours)	Days	10	15	20	25
Sick Leave (days)	Days	12	12	12	12
Holiday Leave (days)	Days	11	11	11	11
Administrative Leave (days)	Days	0	0	0	0
Flexible Benefits (health insurance providing health, dental and life insurance)	$/Year per position	$3,000 (opting out) -$20,920 (90% of most expensive medical plan)			
Deferred Compensation	$/Year per position	From 1% to 4% depending on the years of employment and performance - starts in year 3.			
Auto Allowance	$/Year	$0			
Tuition Reimbursement	$/Year	$0			
Communications Stipend	$/Year	$0			

APPENDIX

ESTIMATION OF ANNUAL BENEFITS COSTS UNDER TWO SCENARIOS[1]

A-9-1, Employee Benefit Costs – Option 1 – Medical Plans

Option 1 - Medical Plans	# of Employees	Cost per Employee	Total Costs
SBCTA			
Base subsidy		$8,473	
Health and dental insurance maximum premium subsidy for SBCTA insurance		$4,845	
Maximum expense if all SBCTA employees enrolls in the health plan		$13,318	
Miminum expense if all SBCTA opts out from the health plan		$8,473	
Number of employees	65		
Average trend of medical plan costs - SBCTA			$778,466
Omnitrans			
Maximum expenses if all unrepresented Omnitrans employees select EE+Family package at 90% of plan costs		$20,921	
Minimum expense if all unrepresented Omnitrans employees select to opt out from a health plan at $3,000/employee		$3,000	
Number of employees (excluding represented)	123		
Average trend of medical plan costs - Omnitrans unrepresented employees			$1,624,732
Total Average trend of medical plan costs (SBCTA + Omnitrans unrepresented employees)			**$2,403,198**

Option 1 - Medical Plans: Scenario 1 - Switch 65 SBCTA employees to Omnitrans health benefit package	Annual Costs / (Savings)
SBCTA Benefit Package	
Maximum expense if all SBCTA employees enrolls in a health plan at SBCTA at $13,318 per employee	$865,678
Minimum expense if all SBCTA opt out from the health plan at $8,473 per employee	$550,745
Average costs based on current enrollment FY2020	$778,466
Omnitrans Benefit Package	
Maximum expense if all SBCTA employees selects Employee+Family package from Omnitrans -90% of plan cost	$1,359,844
Minimum expense if all SBCTA selects to opt out from Omnitrans health plan at $3,000 per employee	$195,000
Maximum and Minimum Projected Savings per Year	
Maximum cost increase to transfer SBCTA employees to Omnitrans Plan compared to current trends	$581,379
Maximum cost savings to transfer SBCTA employees to Omnitrans Plan, if all opt out, compared to current trends	($583,466)
Midpoint average additional costs (savings)	*($1,044)*

Note that this range assumes that costs will remain the same for healthcare plans. In practice, costs will change when the population of eligible employees changes. The midpoint average is for reference only.

Option 1 - Medical Plans: Scenario 2 - Switch Omnitrans' 123 unrepresented employees to SBCTA health benefit package	
	Annual Costs / (Savings)
SBCTA Benefit Package	
Maximum expense if all unrepresented Omnitrans selects an SBCTA health plan at $13,318 per employee	$1,638,129
Minimum expense if all unrepresented Omnitrans selects to opt out from a health plan at $8,473 per employee	$1,042,179
Omnitrans Benefit Package	
Maximum expenses if all unrepresented Omnitrans employees select EE+Family package at 90% of plan costs	$2,573,244
Minimum expense if all unrepresented Omnitrans employees select to opt out from a health plan at $3,000/ee	$369,000
Average costs based on current Omnitrans enrollment FY2020	$1,624,732
Maximum and Minimum Projected Savings per Year	
Maximum cost increase to transfer Omnitrans unrepresented employees to SBCTA Plan compared to current trends	$13,397
Maximum cost savings to transfer Omnitrans unrepresented employees to SBCTA Plan, if all opt out, compared to current trends	($582,553)
Midpoint average additional costs (savings)	*($284,578)*

Note that this range assumes that costs will remain the same for healthcare plans. In practice, costs will change when the population of eligible employees changes. The midpoint average is for reference only.

APPENDIX

A-9-2, Employee Benefit Costs – Option 2 – Non-medical Plans

Option 2 - Main Non-Medical Benefits	
Average trend of main non-medical benefits - SBCTA	$936,828
Average trend of of main non-medical benefits - Omnitrans unrepresented employees	$174,124
Total Average trend of of main non-medical benefits (SBCTA + Omnitrans unrepresented employee	**$1,110,952**

Option 2 - Non-Medical Benefits: Scenario 1 - SBCTA employees received Omnitrans benefit package other than health		
	One-Time Cost	**Annual Costs/(savings)**
SBCTA Current Costs Eliminated		
Car allowance		($98,400)
Communication Allowance		($31,321)
Tuition Reimbursement [5]		($65,000)
Holiday Leave		($60,887)
Administrative Leave		($117,091)
Deferred Compensation Plan		($564,129)
One time savings for vacation leave hour increase one year earlier than Omnitrans	($140,510)	
Subtotal using SBCTA benefit package		($936,828)
SBCTA new costs added based on Omnitrans benefit plan		
Car allowance		$0
Communication Allowance		$0
Tuition Reimbursement[5]		$0
Holiday Leave		$0
Administrative Leave		$0
Vacation Leave extra week for 20+ years of employment		$9,367
Deferred Compensation Plan		$213,231
Subtotal using Omnitrans benefit package		*$222,598*
Annual savings for reduction in Benefits to match Omnitrans		**($714,230)**
Average savings per employee (65)		*($10,988)*

Option 2 - Non-Medical Benefits: Scenario 2 - Omnitrans employees received SBCTA benefit package other than health		
	One-time Cost	**Annual Costs/(savings)**
Omnitrans current costs eliminated:		
Car allowance		$0
Communication Allowance		$0
Tuition Reimbursement [5]		$0
Holiday Leave		$0
Administrative Leave		$0
Deferred Compensation Plan[6]		($153,065)
Vacation Leave extra week for 20+ years of employment		($21,059)
Subtotal using SBCTA benefit package		*($174,124)*
Omnitrans new costs added based on SBCTA benefit plan		
Car allowance		$0
Communication Allowance		$22,680
Tuition Reimbursement [5]		$123,000
Holiday Leave		$79,700
Administrative Leave		$80,996
Vacation Leave		$0
Deferred Compensation Plan		$696,689
One time costs increases for vacation leave hour accruing one year earlier than Omnitrans	$213,830	
Subtotal costs using SBCTA benefit package		*$1,003,066*
Annual costs increases to increase benefits to match SBCTA		**$828,942**
Average costs increases per employee (123)		*$6,739*

Notes:
1. Estimates are for changes in benefits costs only, do not account for salary and wage increases
2. Source - SBCTA Staff Positions FY2019-2020 Budget Salary Spreadsheet
3. Source - Task 1.2 Report, Section 3.3
4. Source - Omnitrans Staff Positions and Salaries Estimate, Task 1.2 Report
5. Tuition reimbursement is maximum costs - currently is not widely used.
6. Source: Omnitrans

A-10 *Information Technology*

Approach 10, IT & Accounting Software list the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.5.1, Information Technology.

Approach 10, IT & Accounting Software

Scenarios	Transfer Omnitrans' existing SAP services and integrate as subsidiary. In doing so, removed Eden, SBCTA software used for General Ledger, Accounting, AP, contracts, Payroll, HR, Purchase Orders, Project Accounting (limited), budget preparation (limited) and AR (limited)
Assumptions	– The consolidated agency will use a common financial system (SAP or other). – FTA accounting requirements, such as utilizing the FTA Uniform System of Accounts, and separation of operating and capital costs using FTA definitions, are required in the consolidated agency, at least for the new Transit Operations Department.
Approach	– Account for current staff, consultant and software costs from both agencies. Obtain high-level cost ranges from experts on the costs of modifying and adopting SAP agency-wide.
Data Used	– Existing SBCTA and Omnitrans consultant, staff and software/license costs. – High-level ranges of the costs of modifying and adopting SAP agency-wide based on interviews with IT experts.

THE FOLLOWING TABLES HIGHLIGHT DATA BEHIND THE ANALYSIS.

The Information Technology cost analysis considers Omnitrans' and SBCTA licensing fees, consultant fees, and staff salaries associated with their IT functions. SBCTA indicated during the agency interviews that their existing financial package is aging and that SBCTA planned to replace it soon. Thus, a key focus of this analysis entails the options for replacing that system. The table below presents SBTA's and Omnitrans' existing annual operating costs.

Existing Costs 9: Informational Technology

Existing Costs				
Agency/Meeting		**Annual Cost**	**Personnel Count**	**Total**
SBCTA				
License/Consultant Fees	*Services provided*			
Eden	GL, Accounting, AP, contracts, Payroll, HR, Purchase Orders, Project Accounting (limited) Budget preparation (limited)& AR (limited)	$47,122		$47,122
All other Contracts		$463,293		$463,293
Total Contracts				**$510,415**
List of IT staffing (full-time):				
Management Analyst II		$139,724	0.24	$33,534
Human Resources/Information Services Administrator		$187,249	0.58	$108,605
Deputy Executive Officer		$336,271	0.12	$40,352
Total Staff				**$182,491**
			Subtotal - SBCTA	*$692,906*
Omnitrans				
License agreements/Consultants	*Services provided*			
SAP Public Services, Inc.	ERP includes FI/CO,HCM,Payroll,MM,SRM,PM	$274,030		$274,030
All other Contracts		$1,828,744		$1,828,744
Total Contracts				**$2,102,774**
List of IT staffing (full-time):				
Director of Information Technology		$208,285		$208,285
Database Manager		$160,269		$160,269
Network Administrator		$140,586		$140,586
System Coordinator		$140,586		$140,586
Application Developer		$123,321		$123,321
Application Specialist		$123,321		$123,321
Network Engineer		$123,321		$123,321
Systems Engineer		$123,321		$123,321
Systems Specialist		$116,110		$116,110
Web Designer		$123,321		$123,321
Total Staff				**$1,382,442**
			Subtotal - Omnitrans	*$3,485,215*
			Grand Total	**$4,178,121**
			Net Total (excluding Staff Costs)	***$2,613,189***

The analysis has assumed that the consolidated agency will use the same administrative systems (email, MS Office), as well as a common enterprise-level financial system (SAP or other). Additionally, FTA accounting requirements, such as utilizing the FTA Uniform System of Accounts, and separation of operating and capital costs using FTA definitions, are required in the consolidated agency, at least for the new Transit Operations Department under SBCTA.

WSP considered one scenario:

1.Transfer Omnitrans' existing SAP services and integrate as subsidiary

A-10-1, IT - Scenario 1

Option 1 : Transfer Omnitrans' existing SAP services and integrate as subsidary			
	One-Time Cost	Annual Cost	Total
Direct Costs			
SBCTA Existing Costs		$510,415	$510,415
Omnitrans Existing IT Costs		$2,102,774	$2,102,774
MINUS: Eden		($47,122)	($47,122)
		Contract Costs (exlcuding Eden)	*$2,566,067*
Indirect Costs			
SBCTA Staff		$182,491	$182,491
Omnitrans Staff		$1,382,442	$1,382,442
		Existing Staff Costs (no change)	*$1,564,932*
		Total Cost	**$4,130,999**
		Net Total (Excluding Staff Costs)	***$2,566,067***
One-Time System Modification Cost			
Scenario 1: Low Range	$250,000		
Scenario 2: High Range	$1,000,000		

A-11 *Security*

Approach 11, Security Contracts lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.5.2, Security.

Approach 11, Security Contracts

Scenarios	1. A single consolidated agency with one security contract
Assumptions	– When existing contracts expire, the consolidated agency will be using the same security system under one contract
Approach	– Review potential efficiencies linked to merging or simplifying contracts
Data Used	– List of security contracts, costs, and dates (start and end) for each agency

THE FOLLOWING TABLES HIGHLIGHT DATA BEHIND THE ANALYSIS:

Existing Costs 10: Security

Existing Costs		
	Value	**Annual Cost**
SBCTA		
Security Guard at Santa Fe Depot Building	$200,000	$200,000
	Subtotal - SBCTA	$200,000
Omnitrans		
Platinum Security (Security Guard Services)	$1,647,000	$1,647,000
Payment received from Metrolink for SBTC security services	-$44,300	-$44,300
	Subtotal - Omnitrans	$1,602,700
	Total	**$1,802,700**

A-11-1, Security - Scenario 1

Scenario 1: A single consolidated agency with one security contract	
	Annual Cost
Direct Costs:	
SBCTA - Security Costs	$230,000
Omnitrans - Security Costs	$1,602,700
Total	**$1,832,700**

1. Source: information provided by SBCTA staff on 4/20/20
2. Source: information provided by SBCTA staff from Omnitrans contract

A-12 *Board of Directors/ Committees*

Approach 12, Board of Directors/Committees lists the scenarios, assumptions, approach, and data used to complete the analysis in this section and summarized in 2.6.1, Board of Directors/Committees.

Approach 12, Board of Directors/Committees

Scenarios	1. SBCTA Board handles all Board functions; an existing SBCTA Committee acts as Committee for Transit Operations 2. SBCTA Board handles all Board functions; a new Transit Operations Committee handles all transit operations issues
Assumptions	– Omnitrans Board is dissolved, all Board and Committee functions transferred to SBCTA – Consideration of transit operations issues and discussions made at the Committee level – Due to the magnitude of business items currently handled by Omnitrans Committees/Board, SBCTA may need to add these matters to an existing Committee or create a new Committee – Costs per hour of legal services and legislative representation for consolidation are reflected in the FTA direct recipient costs section
Approach	– Calculate current annual cost of Omnitrans Board and Committee meetings – Calculate annual savings from no future Omni meetings for Scenario 1. – Calculate net annual savings if a new SBCTA Committee is created to handle Transit Operations issues.
Data Used	– Board Member stipend per meeting at Omnitrans – Board Member stipend per meeting at SBCTA – Current mileage paid per meeting at both agencies – Info on the number of Board members per committee at both agencies

APPENDIX

THE FOLLOWING TABLES HIGHLIGHT DATA BEHIND THE ANALYSIS.

Existing Costs 11: Board and Committee Costs

Miscellaneous Data Point	
Number of Work Hours	2080

Existing Costs	# of Meetings/Year	# of Members/Meeting	Member Stipend/Meeting	Mileage/ Month (when meetings occur)	Member Stipend/Mileage (IRS standard mileage rate)	Staff Cost (including benefits)	Staff Hourly Cost (including benefits)	Staff Hours Spent on Attending Meeting/Year	Total Annual Cost
SBCTA									
Committees:									
Board	11	29	$200	1737	$0.58				$74,787
General Policy Committee	11	12	$100	470	$0.58				$16,173
Mountain/Desert Policy Committee	11	12	$100	832	$0.58				$18,462
Metro Valley Study Session[1]	11	17	$100	1347	$0.58				$27,220
Transit Committee	11	12	$100	390	$0.58				$15,667
Legislative Policy Committee[2]	0	7	$0	N/A	N/A				$0
								Subtotal - Board	*$152,308*
SBCTA staff attending Omnitrans Committee meetings[3]:									
Director Transit and Rail						$290,484	$140	40	$5,586
Director of Fund Administration						$290,484	$140	60	$8,379
Chief of Transit and Rail						$238,981	$115	30	$3,447
Management Analyst III						$161,750	$78	100	$7,776
Management Analyst II						$139,724	$67	20	$1,343
								Subtotal - Staff	*$26,532*
								Subtotal - SBCTA	***$178,841***
Omnitrans									
Committees:									
Board	10	19	$125						$23,750
Executive Committee	10	6	$125						$8,750
Admin and Finance Committee	10	7	$125						$8,750
Plans and Programs Committee	4	7	$125						$3,500
Operations and Safety Committee	4	7	$125						$3,500
External Legal Counsel (Best, Best & Krieger - BBK)	11	1	$1,250						$13,750
								Subtotal - Board/Consultants	*$62,000*
Omnitrans staff attending SBCTA Committee Meetings:									
Omnitrans CEO						$347,130	$167	22	$3,672
Director of Strategic Development						$208,285	$100	22	$2,203
								Subtotal - Staff	*$5,875*
								Subtotal - Omnitrans	***$67,875***
								Grand Total	**$246,715**
								Net Total (excluding Staff Costs)	***$214,308***

Notes:

1. The number of committee members for the Metro Valley Study Session is 29, 17 is used to calculate the stipend as the other 12 members already received a stipend from the Transit Committee which is held the same day.
2. The Legislative Policy committee meets on an as needed basis.
3. Hours of SBCTA Staff attending Omnitrans Committee meetings are estimated and provided by SBCTA Staff.

A-12-1, Boards and Committees – Scenario 1

Scenario 1: Total Board Member Attendance Costs if All Omnitrans Board and Committees Eliminated and an existing SBCTA Committee handles Transit Operations matters		
	Annual Cost	**Total**
Direct Costs:		
SBCTA - Board/Committee	$152,308	$152,308
Omnitrans - Board/Committee/Consultants	$0	$0
	Subtotal - Board/Committee	$152,308
Indirect Costs:		
SBCTA Staff	$0	$0
Omnitrans Staff	$5,875	$5,875
	Subtotal - Staff	*$5,875*
	Grand Total	**$158,183**
	Net Total (excluding Staff Costs)	***$152,308***

A-12-2, Boards and Committees – Scenario 2

Scenario 2: Total Board Member Attendance Costs if All Omnitrans Board and Committees Eliminated and One new Committee is Needed at SBCTA to handle Transit Operations							
Board/Committee	**# of Meetings/Year**	**# of Members/Meeting**	**Member Stipend/Meeting**	**Mileage/Monthly meeting**	**Member Stipend/Mileage** (IRS standard mileage rate)	**Annual Cost**	**Total**
Direct Costs:							
New Transit Operations Committee - SBCTA	11	12	$100	564	$0.58	$13,524	$13,524
SBCTA - Board/Committee						$152,308	$152,308
Omnitrans - Board/Committee						$0	$0
						Subtotal - Board/Committee	*$165,833*
Indirect Cost:							
SBCTA Staff						$0	$0
Omnitrans Staff						$5,875	$5,875
						Subtotal - Staff	*$5,875*
						Grand Total	**$171,707**
						Net Total (excluding Staff Costs)	***$165,833***

APPENDIX

Data 1 : Memo from SBCERA Chief Financial Officer

SB|cera
San Bernardino County Employees' Retirement Association

MEMORANDUM

DATE March 11, 2020

FROM Amy McInerny
Chief Financial Officer

PHONE (909) 885-7980
FAX
EMAIL amcinerny@sbcera.org

TO Beatriz Valdez
SBCTA

SUBJECT: **SBCERA Plan Provisions vs CalPERS Plan Provisions**

Comparing two pension plans can be difficult, the comparison is unlikely to be an "apples-to-apples" comparison. There are many factors that can be different. These include amortization horizons and methodologies, benefit formulas, items included in final salaries, investment performance, and mortality experience.

Here are some items that I can see are different between the OmniTrans (CalPERS) plan and the SBCTA (SBCERA) plan:

- Items included in compensation – SBCERA allows more items to be included in final compensation numbers than CalPERS.
- Assumed salary increases are greater with SBCERA.
- Amortization horizons on changes to the Unfunded Actuarially Accrued Liability are different. SBCERA has used closed amoritzation layers, while CalPERS has reset amoritization in recent history. In theory, this treatment causes a lower UAAL payment in the near future, but allows it to linger longer.
- Disability benefits are potentially higher with the SBCERA plan than they are with CalPERS.
- Death benefits are higher with SBCERA.
- Benefit formulas are calcualted differently.

I based these observations on the SBCERA CAFR, OmniTrans CAFR, CalPERS Valuation Study, and the SBCERA Valuation Study.

BEST BEST & KRIEGER LLP
ATTORNEYS AT LAW

MEMORANDUM

To: Erin Rogers, Omnitrans Interim CEO/General Manager
From: Best Best & Krieger LLP, General Counsel
Date: April 15, 2020
Re: Implications of Consolidation on Pension Obligations

INTRODUCTION

Omnitrans and the San Bernardino County Transportation Authority ("SBCTA"), collectively ("Agencies"), are considering a consolidation of their operations into a single entity. Omnitrans has asked for an analysis of the impact of such consolidation on the pension obligations of each Agency. Omnitrans provides pension benefits to eligible employees through the California Public Employees' Retirement System ("CalPERS") whereas SBCTA does so through the San Bernardino County Employees' Retirement Association ("SBCERA") pursuant to statutory obligation as codified in Public Utilities Code Section 130824.

ANALYSIS

The Public Employees' Retirement Law ("PERL"), the body of law governing CalPERS, and the County Employees Retirement Law ("CERL), the body of law governing county retirem ent systems such as SBCERA, include provisions requiring that employees in the same membership classification (i.e., general members for SBCERA, miscellaneous members for CalPERS) be covered by the same retirement system.[1] Therefore, as the Agencies continue to move towards consolidation, a principal consideration is that the Agencies will need to select either CalPERS or SBCERA as the retirement system for the employees of the consolidated agency.

Although the consolidated agency could theoretically opt to go in a different direction from either CalPERS or SBCERA, there are two reasons why this would not be advisable. First, under the vested rights doctrine, current employees are entitled to continue accruing pension benefits at the same level extended to them at the start of employment, as improved over time. Therefore, if the consolidated agency were to forego contracting with CalPERS or SBCERA, as a successor to both Omnitrans and SBCTA, it would be required to at the very least replicate the pension benefits provided by CalPERS or SBCERA to then current employees. While opting not to contract with a retirement system would allow the consolidated agency to offer a different retirement benefit to new employees (e.g., a defined contribution plan), the second reason makes this untenable. That is, if the consolidated agency does not negotiate a transition from SBCERA to CalPERS, or vice versa, then each of the Agencies (assuming they cease to operate) would be responsible for the unfunded actuarial liability ("UAL") under their respective retirement system

1 See e.g., Gov't Code §§20479 and 31485.9.

30870.02003\32877136.1

on a terminated basis which generally increases the UAL by three to four times the value of the UAL on an ongoing basis.

The process for the termination of a pension contract varies between CalPERS and SBCERA but the underlying principle is the same – that each retirement system will want to retain sufficient assets to ensure that it can pay the benefits that accrued as of the termination date. Once a contract is terminated, the retirement system cannot go back to the terminated agency seeking additional contributions if the retained assets turn out to be insufficient to pay all accrued benefits. As such, the retirement systems will calculate the UAL on terminated basis using a much lower assumed rate of return than the rate used to calculate UAL on an ongoing basis (i.e., agencies that continue to participate in the system). While there is no publically available information that provides us with an estimate of what the terminated UAL would be for SBCTA – the Agencies would need to approach SBCERA to request an estimate – that information is available for Omnitrans. Omnitrans' current valuation report provides a hypothetical termination calculation which assumes a June 30, 2018 termination date. It estimates termination UAL (i.e., termination liability *minus* plan assets) between $145,005,987 (using a 3.25% discount rate) and $174,195,569 (using a 2.5% discount rate).[2] The total termination liability is calculated using a variable rate and would not be finalized until *after* the termination is effective. Therefore, the preceding numbers are subject to change based on numerous factors, including investment returns, benefit accruals, actuarial experience since the date the estimate is based on, and the discount rate applicable at termination. If Omnitrans is unable to pay its entire termination liability, the accrued benefits of its retirees and employees would be reduced to an amount that is proportionate to the remaining unfunded liability.[3]

In light of the preceding, the remainder of this Memorandum assumes that the consolidated agency would elect either an SBCERA or CalPERS retirement program. A foundational consideration in electing between these retirement systems are the retirement plans offered under each. For this purpose, the following table provides a general overview of the retirement plan offered by each Agency based on publicly available information (this table can be updated as more specific information becomes available). While the plans appear to be similar, the difference lies in what is included in reportable compensation.

Omnitrans (CalPERS)[4]	SBCTA (SBCERA)[5]

[2] For comparison purposes, the UAL for Omnitrans on an ongoing basis was $33,026,939 as of June 30, 2018. A copy of the most recent valuation report for Omnitrans can be obtained on the following webpage: https://www.calpers.ca.gov/docs/actuarial-reports/2018/omnitrans-miscellaneous-2018.pdf.

[3] Gov't. Code §20577.

[4] 2019 Omnitrans actuarial valuation from CalPERS based on data available as of June 30, 2018.

Pension Formula	Classic: 2% @ 55 PEPRA: 2% @ 62	Tier 1 (Classic): 2% @ 55 Tier 2 (PEPRA): 2% @ 62
Employee Contribution	Classic: 7% PEPRA: 7.25%	Tier 1: 9.13% - 14.79%[6] Tier 2: 9.06%
Employer Contribution Rate	14.683% (inclusive of normal cost and amortization of UAL) of projected payroll of $36,649,597	Tier 1: 37.03% + Tier 1 employee % Tier 2: 34.30%
Final Compensation Period	Classic: Highest 12 months PEPRA: Highest 36 months	Tier 1: Highest 12 months Tier 2: Highest 36 months
Participants	Active: 662 Retired: 444	*Data not available publicly*

The calculation of benefits for PEPRA members is based on identical factors for both CalPERS and SBCERA as they are based on the Public Employees' Pension Reform Act of 2013. However, the calc

ulation of benefits for classic members (referred to as Tier 1 members by SBCERA) is governed by the laws, regulations and policies applicable to each system. For classic members, reportable compensation is comprised of payrate and special compensation. Payrate is essentially base salary as listed on a publicly available pay schedule. Special compensation is limited to items of compensation identified in Section 571 of the California Code of Regulations which meet a number of requirements, including that it be made available t
o a "group or class", that it be contained in a written labor or agreement, that it be for normally required duties and for duties performed during normal hours of employment. Compensation items such as overtime (other than FLSA premium pay for normal work hours), cash in lieu of benefits, auto allowances, cash outs of accrued leave, standby or on-call pay are not reportable to CalPERS. In contrast, SBCERA defines reportable compensation broadly excluding only minimal items such as overtime. For SBCERA purposes, reportable compensation is defined as base pay plus any additional payable items, including allowances and cash outs, as approved by the SBCERA Board of Retirement in the annual pay code resolution. The pay code resolution for SBCTA (enclosed) includes items that would not be reportable under CalPERS but note that several items are pending resolution of the vested rights case *Alameda County Deputy Sheriff's Assn v. Alameda County Employees' Retirement Assn., Cal. Supreme Court Case No. S247095* which has been scheduled for oral arguments on May 5, 2020.

5 SBCTA 2019 Comprehensive Annual Financial Report. Data available for year ended June 30, 2019.

6 Paid by SBCTA.

Additionally, final compensation calculations are inherently different between CalPERS and SBCERA for classic and Tier 1 members. For instance, CalPERS uses the full-time equivalent salary during a final compensation period for calculations, while SBCERS uses the true earnings from the final compensation period.

Irrespective of which system is selected by the consolidated agency, the goal is to avoid the assessment of termination lia
bility. For this purpose, we strongly recommend early engagement with both SBCERA and CalPERS to negotiate an orderly transition that avoids the assessment of termination liability. The current models for a transfer without the assessment of termination liability provide for a transfer from CalPERS to a county retirement system such as SBCERA.

- The first, is codified in PERL Section 20585,[7] and carried out, relevant to these circumstances, by PERL Section 20587. This provision states that if all or some of the functions and corresponding employees of a CalPERS employer are transferred to an agency that participates in a county retirement system, the CalPERS employer together with CalPERS and the county retirement system may enter into an agreement to provide for the termination of the CalPERS employer's participation in CalPERS and inclusion of its employees in the county retirement system. While this avoids termination liability, a significant drawback of this approach is that transferred assets from CalPERS to SBCERA would be capped at the accumulated contributions by Omnitrans implying that any investment earnings would be retained by CalPERS.[8]

- The second is codified in PERL Section 20588 but would require amendment. As currently written, this section allows for a CalPERS safety plan to be transferred to a county retirement system in cases where firefighting or law enforcement functions are transferred from an agency participating in CalPERS to an agency participating in a county retirement system. The significant advantage of Section 20588 is that a termination of a CalPERS plan pursuant to this section is not subject to termination liability because the liability of accrued benefits of current employees is transferred entirely to the county retirement system.

Under this approach, retired employees through the date of the transfer remain with CalPERS and CalPERS retains sufficient assets to cover its anticipated liability for the payment of said benefits. However, the accrued service credit (and associated liability and assets) of existing members are transferred in their entirety to the county retirement system. While assets, the investment of, and

[7] All subsequent statutory references are made to the California Gov. Code, and will be designated as being contained within the County Employees' Retirement Law ("CERL") or the Public Employees' Retirement Law ("PERL"), unless otherwise noted.

[8] CERL §31648.4, where PERL §20569 was amended as PERL §20585

resultant interest from relevant contributions will be transferred to SBCERA, the CalPERS Board will have control over determining the extent of what's transferred, which could be a point of contention. As such, it would be prudent to request a transfer report from CalPERS under the assumption that PERL Section 20588 would be amended to apply to miscellaneous members, detailing all relevant costs and transferred values, prior to approaching SBCERA under this scenario.

As implied above, pursuing this option would require legislative action to expand the scope of PERL Section 20588 (and the corresponding CERL Section 31657) to include miscellaneous members.

In addition to the foregoing, there is a possible approach that could be pursued for a transfer from SBCERA to CalPERS if SBCTA has no retirees under SBCERA. While unlikely, since SBCTA is a successor to another SBCERA employer, CERL Section 31564(c) appears to allow for a transition of all member contributions to another public retirement system, so long as SBCTA does not have any retirees under SBCERA. In conjunction with PERL Section 20462, which allows for the continuation of an existing pension trust or retirement plan, SBCTA could effectively move all active employees, and their credited service, to CalPERS. To the extent this is a viable approach, we would need to confer with both retirement systems to confirm the application of these statutes. However, a move by SBCTA from SBCERA to CalPERS would require a further amendment to Government Code Section 130824 (part of the law that created SBCTA) as it requires participation in SBCERA to the extent that SBCTA is the surviving entity.

One last consideration is that the process becomes more complicated to the extent that the consolidation results in a new entity and the new entity decides to contract with CalPERS. In this case, assuming that termination liability can be avoided, the new entity would need to establish eligibility to participate in CalPERS (a step that a surviving Omnitrans would not have to engage in). To the extent that the new entity is created by specific legislation, eligibility would likely be assured but not so if the new entity is a joint powers authority. Most, if not all, joint powers authorities have not been deemed eligible by CalPERS since 2012.

APPENDIX

BEST BEST & KRIEGER LLP
ATTORNEYS AT LAW

Memorandum

To: Erin Rogers, Omnitrans Interim CEO/General Manager

From: Best Best & Krieger LLP, General Counsel

Date: May 4, 2020

Re: Questions Regarding Potential Consolidation of Omnitrans Under SBCTA

QUESTION PRESENTED

1. What actions would be required to dissolve the Omnitrans JPA?

2. What is required to change Omnitrans' status as the Consolidated Transportation Authority ("CTSA")?

3. Is the San Bernardino County Transportation Authority ("SBCTA") authorized to operate buses, set and collect fares and take other actions related to transit operations?

4. Is SBCTA currently eligible to claim Local Transportation Funds ("LTF") under the Transportation Development Act ("TDA"), and are there any other limitations in the TDA related to SBCTA's potential assumption of Omnitrans functions?

5. How would other transit funding sources be transferred from Omnitrans to SBCTA?

6. What actions would be required for SBCTA to utilize Omnitrans contracts for paratransit and other services?

BRIEF ANSWERS

1. Dissolution of the Omnitrans JPA would either require legislation that would provide for such dissolution, or would require elective action of the member agencies to terminate the JPA Agreement, as defined below.

2. SBCTA may rescind the CTSA designation upon making an appealable finding that Omnitrans has failed substantially to comply with the terms of its allocations, with the governing act or with the action plan.

3. SBCTA, as a special district, is a limited purpose entity and is not clearly authorized to operate buses, set and collect fares and take other actions related to transit operations.

30870.02002\32811497.4

4. It does not appear that SBCTA is the type of entity that is eligible to submit claims for LTF under Article 4. Assuming SBCTA is eligible, as a successor to an existing joint powers authority, SBCTA would be required to comply with specified fare ratio requirements.

5. *Other Transit Funding Sources*.

a. Measure I does not identify transit provider entities, thus it would appear that SBCTA can redirect these funds in its discretion, as long as the funds are used for transit in the San Bernardino Valley Subarea.

b. Absent Board or legislative action to dissolve Omnitrans and make SBCTA a successor to the agency, consent and cooperation of Omnitrans would be required to negotiate potential transfer of existing grant agreements with FTA, and a change in the designated recipient for various formula funds. FTA consent may be required regardless of how such transfer is accomplished.

6. Absent Board action or legislation that would provide for automatic assumption by SBCTA of existing Omnitrans' contracts required for continued transit operations, cooperation and consent from Omnitrans to assignment of such contracts would be required. Omnitrans' standard contract form does not specify whether Omnitrans has the right to assign the contract, so a contractor could potentially contest such assignment, and request termination of the contract.

ANALYSIS

1. JPA Dissolution; Transfer of Assets.

Omnitrans is a joint powers authority formed pursuant to the Joint Exercise of Powers Act, Government Code Section 6500, et. seq. through that certain joint powers agreement titled "Amended and Restated Joint Powers Agreement amongst the County of San Bernardino and the Cities of Chino, Chino Hills, Colton, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland, and Yucaipa Creating a County Wide Transportation Authority to be Known as 'Omnitrans'", dated July 1, 2016 (the "JPA Agreement").

Omnitrans could be dissolved by legislative action that would provide for assumption of Omnitrans' transit operations by SBCTA. Legislation could provide for dissolution of Omnitrans, upon enactment of such legislation, without the necessity of any further action. Such legislation could, among other things, provide for all real and personal property owned by Omnitrans to be transferred to SBCTA as the successor to its operations. Cooperation and consent of Omnitrans would likely be necessary to successfully move such legislation through the State government.

Dissolution of Omnitrans, absent legislative action, would have to occur by voluntary action of its member entities. Section 14 of the JPA Agreement provides that the JPA Agreement shall continue in force until terminated by mutual agreement of the parties.

In accordance with Section 15 of the JPA Agreement, individual members may withdraw from the JPA Agreement in accordance with the procedures set forth in this section, as shown below, which requires advance notice, adoption of a resolution of intent to withdraw by the legislative body of the withdrawing member, and a return to that member of any capital contributions made to Omnitrans, over a period of not more than five years.

> **Section 15**. Any party may withdraw from this Agreement as of the first day of July of any year following six (6) months' notice to the other parties by resolution of intent to withdraw adopted by the legislative body of the party. A withdrawing party shall be compensated for its total capital asset value contributed less appreciation, by return of capital assets and/or cash payment, over a period not to exceed five (5) years, the method to be determined by the Board of Directors.

Section 16 of the JPA Agreement sets forth the terms for dissolution of Omnitrans. In accordance with Section 16(B), if the member agencies elect to dissolve the JPA Agreement in order to change the governance structure of Omnitrans, all assets and liabilities of Omnitrans will transfer to the successor agency. If Omnitrans is dissolved for other than a change in governance structure, in accordance with Section 16(A), all assets owned by Omnitrans are to be distributed to the member agencies "…in the same proportion as that reflected in the parties' accumulated capital contribution accounts….." This subsection provides that, "…the winding up and property distribution hereunder shall be effected in the manner calculated to cause the least disruption to existing public transportation service."

In either case, a complete dissolution of Omnitrans as a JPA requires elective action by a majority of its Board members. Section 3(B) of the Omnitrans JPA provides that, generally, actions of the Board are by a majority vote of the members present, with a quorum in attendance. However, certain actions require a majority vote of the entire membership of the Board. These actions are specified as: "…the adoption of By-laws, Amendment of By-laws, adoption of an annual budget and such other matters as the Board may designate shall require a majority vote of the entire membership of the Board." An action to dissolve the JPA would appear to be the type of action that would require a majority vote of the entire membership of the Board, but it is in the Board's discretion to make this determination.

Individual members may withdraw from the JPA in accordance with Section 15, with any asset return owed to such member(s) to be made in accordance with the timeframe set forth in that section. In practicality, even if some but not all of the members withdraw, the ability of Omnitrans to continue operations under the JPA Agreement, and its current structure, would at some point be compromised. Dissolution of Omnitrans either pursuant to Section 16(B), or

legislative action could provide for transfer of its assets and liabilities to SBCTA, as the successor agency. Dissolution under 16(A) would be more complicated, and member agencies could require distribution of any assets to which they may be entitled, in accordance with the JPA.

2. CTSA Designation.

Omnitrans is currently the consolidated transportation services agency (CTSA) for the San Bernardino Valley region. Pursuant to Title 21, California Code of Regulations section 6680 ("Section 6680"), SBCTA, as the county transportation commission, is the entity in the SCAG region that has the authority to designate CTSAs within San Bernardino County. Such designations are to be made in accordance with the action plan adopted pursuant to Government Code section 15975, and one or more entities may be designated as the CTSA.

Section 6680 provides that a CTSA designation may be rescinded if the designating agency: "finds that the agency [CTSA] has failed substantially to comply with the terms of its allocations, with the Act or with the action plan." The decision to repeal a CTSA designation may be appealed pursuant to Public Utilities Code section 99242. The appeal is made to the Secretary of the Department of Transportation, who conducts an investigation and evaluation of the matter, and renders a final decision.

Based on the above, it appears that unless Omnitrans is in agreement with a change in the CTSA designation, in order to rescind Omnitrans' status as the CTSA for the San Bernardino Valley region, SBCTA must have a valid basis to make the above identified findings, or Omnitrans may appeal the decision.

Section 21 CCR § 6680, Designation of Consolidated Transportation Service Agency (CTSA), identifies the types of entities that may serve as the CTSA, and specifies that the transportation planning agency may not be the CTSA.

> Each consolidated transportation service agency shall be an entity other than the transportation planning agency and shall be one of the following:
>
> (a) A public agency, including a city, county, operator, any state department or agency, public corporation, or public district, or a joint powers entity created pursuant to Chapter 5 (commencing with section 5000) of division 7, title 1 of the Government Code.
>
> (b) A common carrier of persons as defined in section 211 of the Public Utilities Code, engaged in the transportation of persons, as defined in section 208.
>
> (c) A private entity operating under a franchise or license.

(d) A nonprofit corporation organized pursuant to division 2 (commencing with section 5000) of title 1 of the Corporations Code.

SBCTA may designate one or more other entities as the CTSA that meet any of the above requirements. It appears that SBCTA may also designate itself as the CTSA.

3. Does SBCTA have power to operate buses, and to set and collect fares?

It is not clear that SBCTA has the authority to operate buses, and take all actions related thereto, including establishing bus routes, setting bus schedules and setting and collecting fares (referred to in this section as "Transit Operations"). Omnitrans' authority to engage in Transit Operations stems from the JPA Agreement, and the broad authority of its member agencies. Cities and counties are general purpose governments, with much of their authority arising directly from Article XI, section 7 of the California Constitution, which provides: "A county or city may make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws." This is generally known as the "police power". In addition, Article XI, section 9(a) of the California Constitution provides:

> (a) A municipal corporation may establish, purchase, and operate publ
> ic works to furnish its inhabitants with light, water, power, heat, transportation, or means of communication. It may furnish those services outside its boundaries, except within another municipal corporation which furnishes the same service and does not consent.
>
> (Emphasis added.)

Special districts, by contrast, are entities created by legislation, with their powers only as established by the Legislature in their authorizing statute. Special districts do not have police power.[1]

SBCTA, in its current form, was created by SB 1305, Chaptered August, 26, 2016. SBCTA is a consolidated entity with the right to exercise the powers of: a county transportation commission, a local transportation authority, a service authority for freeway emergencies, or a local congestion management agency, all as defined in the San Bernardino County Transportation Authority Consolidation Act of 2017 (Public Utilities Code section 130800, et. seq.). It is not apparent than any of the foregoing types of entities have the power to engage in Transit Operations, and such operations are not part of the basic purpose of any of these types of entities.

1 See for example, Los Angeles County Flood Control Dist. v. Southern California Edison Company, 51 Cal. 2d 331, 339,333 P.2d 1 (1958).

Pursuant to Public Utilities Code section 130809(b)(6), SBCTA does have authority: "to construct, acquire, develop, jointly develop, maintain, operate, lease, and dispose of work, property, rights-of-way, and facilities." Further, under subsection (b)(9), SBCTA may: "…fix and collect fees for any services rendered by it." However, these rights do not clearly authorize Transit Operations.

In comparison, the Orange County Transportation Authority ("OCTA"), for example, is a consolidated entity which includes the Orange County Transit District. The Orange County Transit District has the express right, pursuant to Public Utilities Code section 40180, to own and operate buslines and all facilities necessary for the provision of transit service:

> …acquire, construct, own, operate, control or use rights-of-way, rail lines, buslines, stations, platforms, switches, yards, terminals and any and all other facilities necessary or convenient for transit service within or partly without the district…

Since the power to engage in Transit Operations does not seem clear in SBCTA's statutory authority, especially as compared to other special districts that were formed for the purpose of such operations, a reasonable conclusion is that SBCTA does not have such power.

4. <u>LTF Claims for Municipal Services</u>

a. *SBCTA Does Not Appear to be an Entity Entitled to File a Claim for LTF Funds for Municipal Services.*

LTF funding is a major source of revenue for transit operations. To make transit operations by SBCTA feasible, it would likely require access to this funding source. However, based on a plain reading of the relevant Public Utilities Code (PUC) sections, it does not appear that SBCTA is currently entitled to file a claim for LTF funds. If this reading of the PUC is correct, it appears that a statutory change to the TDA, or to SBCTA's legal status would be required. Another alternative would appear to be for Omnitrans members, following withdrawal from Omnitrans, dissolution of the JPA, or possibly on joint consent of all Omnitrans members, to file claims individually for their respective cities or the county, on behalf of SBCTA.

PUC section 99231, titled "Operators and city or county governments; claims for area's apportionment" provides, in part, that:

> All <u>operators and city or county governments</u> with responsibility for providing municipal services to a given area collectively may file claims for only those moneys that represent that area's apportionment.
>
> (Emphasis added.)

It does not appear that SBCTA would qualify as an entity eligible to file a claim for apportionment of LTF for provision of municipal services. SBCTA does not appear to meet the definition of an "operator" or a "city or county government" with responsibility for providing municipal services in a given area.

The term "operator" is defined in PUC section 99210 as: "any transit district, included transit district, municipal operator, included municipal operator, or transit development board."

"Transit district" is generally defined in PUC section 99213 as a public entity designated in i
ts enabling legislation as a transit district or a rapid transit district. Pursuant to PUC section 99208, an "included transit district" means any of the following which has operated a public transportation system since at least January 1, 1971:

> (a) A transit district whose boundaries are contained entirely within those of a larger transit district.
>
> (b) A district organized pursuant to Part 3 (commencing with Section 27000) of Division 16 of the Streets and Highways Code.

Public Utilities Code section 99209 defines "municipal operator" as:

> …a city or county, including any nonprofit corporation or other legal entity wholly owned or controlled by the city or county, which operates a public transportation system, or which on July 1, 1972, financially supported, in whole or in part, a privately owned public transportation system, and which is not included, in whole or in part, within an existing transit district.

Per PUC section 99209.1, "municipal operator" also means any county which is located in part within a transit district and which operates a public transportation system in the unincorporated area of the county not within the area of the district.

PUC section 99207 generally, and in relevant part, defines "included municipal operator" as city or county that has since January 1, 1971, and continuously since then, provided its own public transportation services, but which is included, in whole or in part, within a transit district or which has the authority to join a transit district by that district's enabling legislation.

PUC section 99215 defines "transit development board" as a public entity created by state law and designated as a transit development board in its enabling legislation. It also includes any nonprofit corporation or other legal entity wholly owned or controlled by the transit development board which operates a public transportation system.

Per Section 99204, "City" means a city within the county having the fund from which the disbursement will be made, and per 99205, "County" includes a city and county.

As SBCTA does not appear to be an "operator" or a "city or county government" it does not seem that SBCTA would be entitled to file a claim for LTF funds under PUC 99231, without a legislative change either to the TDA or to its structure (for example, Orange County Transportation Authority appears to operate bus services under its authority as the Orange County Transit District, Public Utilities Code section 40000, et. seq.) [2]

b. *PUC 99231 Reference to San Bernardino County JPA.* PUC section 99231 appears to clearly refer to the area covered by the Omnitrans JPA, however, it does not seem that this section, on its own, would limit the ability of another eligible entity to make a claim for funds apportioned to this area.

PUC 99231 provides that term "area" means:

> (h) With reference to the County of San Bernardino, the area within the jurisdiction of the transit operator established by the joint exercise of powers of one or more cities, including the most populous city, and the County of San Bernardino. The area within the jurisdiction of the transit operator shall be as it existed on January 1, 1985, as determined by the San Bernardino County Transportation Commission.

Assuming that SBCTA was otherwise authorized to submit a claim under PUC section 99231, it seems that it could submit the claim for this area in lieu of Omnitrans submitting such claim.

c. *The TDA Includes Specific Requirements for a Successor to a JPA.*

PUC section 99268.6 specifically addresses successor agencies to a joint powers entity that have provided public transportation services and received funding under Article 4 of the TDA. This section addresses dissolution of the joint power entity, and eligibility of a successor entity, and requires that the successor entity comply with specified fare ratio requirements. Section 99268.6 provides:

> (a) If a joint powers entity providing public transportation services was funded at any time under this article and is subsequently

2 Pursuant to Public Utilities Code section 130052.3, the Orange County Transportation Commission, the Orange County Transit District, the Orange County Service Authority for Freeway Emergencies, and the Orange County Consolidated Transportation

Services Agency were required to provide a consolidation plan to the legislature for consolidation of their functions under a single policy board by December 1, 1991.

dissolved, any succeeding entity providing such services shall not be eligible for funding, unless it conforms to Section 99268.1, 99268.2, 99268.3, 99268.4, 99268.5, or 99268.9, as the case may be, which applied to its predecessor.

(b) Except a city or a county filing a claim pursuant to Section 99260.
7, no public agency providing public transportation services, after withdrawing from, or while remaining in, a joint powers entity providing public transportation services, shall be eligible for funding under this article, unless it conforms to Section 99268.1, 99268.2, 99268.3, 99268.4, or 99268.9, as the case may be, that the joint powers entity is required to conform with in order to be eligible for such funding at the time the public agency commences its public transportation services. The public agency is an operator and shall be subject to Section 99268.9.

It would appear that if SBCTA became the successor to Omnitrans, and assuming it is eligible to make a claim for TDA funds, it would also have to comply with the applicable fare ratio requirements set forth above.

5. Other Funding Sources.

a. Measure I Funds.

SBCTA's current measure, Ordinance No. 04-01, provides for the continuation of SBCTA's one-half of one percent retail transaction and use tax for local transportation purposes and Transportation Expenditure Plan from 2010 to 2040 ("Measure I"). Measure I identifies the San Bernardino Valley Subarea, which includes the Omnitrans member entities, as one of the subareas for which various funding sources are allocated, including transit. Measure I does not specifically name Omnitrans, and rather includes generalized funding categories, and allocations for such categories. For example, funding is allocated for express bus and bus rapid transit, "…for the development, implementation and operation of express bus and bus rapid transit service, to be jointly developed by the Authority and transit service agencies serving the Valley Subarea."

In light of the generalized nature of Measure I, it would appear that funds currently allocated to Omnitrans services could be reallocated to transit services provided by SBCTA, without consent or cooperation of Omnitrans, as long as those funds were used for the San Bernardino Valley Subarea.

b. Federal Funds.

Omnitrans is currently the direct recipient of the FTA TIGER grant of $8.7 million dollars for the Redlands

Passenger Rail Project, as well as other FTA funds. Omnitrans annually

executes the FTA Certifications and Assurances, and completes its multiple reporting, auditing, and other obligations to the FTA. As the direct recipient of multiple FTA grants, and as an obligee to FTA to carry out its grant requirements (such as requirements related to continuing control of FTA assisted revenue vehicles and other property), Omnitrans has direct contractual rights and obligations related to its agreements with the FTA. Absent legislative or Board action to make SBCTA the successor to Omnitrans, as described in Section 1 of this memo, consent and cooperation of Omnitrans would be required to negotiate potential transfer of existing agreements with FTA to SBCTA, and a change in the designated recipient for various formula funds. In any case, agreements with FTA should be reviewed to determine if assignment, even to a successor entity, may require FTA consent.

6. Existing Contracts.

Omnitrans has a multitude of existing contracts for the performance of work and services required for its operations. One of its major contracts is for the provision of Omnitrans Access, its Americans with Disabilities Act mandated on-demand paratransit access service. Omnitrans recently conducted a multi-month procurement process to engage the services of First Transit, Inc. under a long term contract for these services. In order for SBCTA to take on many of the functions provided by Omnitrans, it would need to either conduct new procurements for a multitude of contracted services, or would require Omnitrans' consent to an assignment of its existing contracts, such as its contract with First Transit, Inc. Alternatively, legislative or Board action to make SBCTA the successor agency to Omnitrans could also include assignment of these contracts. Omnitrans' standard contract form does not address Omnitrans' right to assign the contract. While it is unlikely that a contractor would protest assignment of its contract to SBCTA, a contractor could potentially contest the right of Omnitrans to make such assignment, and seek termination of the contract.

1700 W. Fifth St.
San Bernardino, CA 92411
909-379-7100
www.omnitrans.org

ITEM # E5

DATE: August 13, 2020

TO: Committee Chair Sam Spagnolo and
Members of the Omnitrans Administrative and Finance Committee

THROUGH: Erin Rogers, CEO/General Manager

FROM: Maurice A. Mansion, Treasury Manager

SUBJECT: **DEOBLIGATE AND REOBLIGATE LOCAL TRANSPORTATION FUNDS AND STATE TRANSIT ASSISTANCE FUNDS**

FORM MOTION

Recommend the Board of Directors:

1. Authorize the CEO/General Manager to deobligate $2,273,552 of Local Transportation Funds (LTF) and $3,393,732 of State Transit Assistance (STA) funds and reobligate these funds to the designated projects shown in the attached funding source; and,

2. Authorize the CEO/General Manager to transfer $1,077,829 of Local Transportation Funds (LTF) and $285,446 of State Transit Assistance (STA) funds identified in prior motion and originally allocated to Omnitrans to the San Bernardino County Transportation Authority (SBCTA) for use on the West Valley Connector project.

BACKGROUND

Per the Transit Development Act, Omnitrans is allocated funding through Local Transportation Funds(LTF)and State Transit Assistance(STA)Funds. Omnitrans receives these funds through yearly allocation agreements with the San Bernardino County Transportataion Authority(SBCTA). Allocation agreements are for three years. After three years Omnitrans must either return the funds or reobligate funds into another allocation. Omnitrans is seeking to deobligate lapsed allocations and reobligate funding that is still needed to complete projects into a new allocation agreement.

The new allocation includes releasing $1,077,829 of LTF funds and $285,446 of STA funds allocated to the West Valley Connector project to SBCTA. Omnitrans was originally allocated these funds. However, SBCTA is now delivering the project and should be the recipient of these funds.

CONCLUSION

Recommend the Board of Directors authorize the CEO/General Manager to deobligate $2,273,552 of Local Transportation Funds (LTF) and $3,393,732 of State Transit Assistance (STA) funds and reobligate these funds to the designated projects shown in the attached funding source and to transfer $1,077,829 of Local Transportation Funds (LTF) and $285,446 of State Transit Assistance (STA) funds originally allocated to Omnitrans to the San Bernardino County Transportation Authority for use on the West Valley Connector project.

ER: MM

Attachment: A. LTF Deobligate and Reobligate Project List

	PROJ #	Fiscal Year Allocation #	Project Description	Allocation Balance		
IT	D1122004S	11-03-OMN-B	Network Infrastructure	965		
IT	D1122006S	11-03-OMN-B	Replacement Call Recorders	6,679		
IT	D0822017S	12-09-OMN-B	IT Department Copier Lease	2,045		
IT	D0922002S	12-09-OMN-B	Computer Equip:Hardware Replacement	2,185		
IT	D0922003S	12-09-OMN-B	Licensing & Upgrades	649		
IT	D0622006S	12-09-OMN-B	Software Licensing & Upgrades	79		
IT	D0522012S	12-09-OMN-B	Bank Note Processing System	23,433		
IT	D0922012S	12-09-OMN-B	WV-Install Camera System for Shop	4,704		
IT	D0822011S	12-09-OMN-B	Rev. Equip: Vehicle Transponder	4,335		
IT	D0922007S	12-09-OMN-B	Facilities:Emergency Duress System	1,600		
IT	D0922008S	12-09-OMN-B	CCTV/Access	12,257		
IT	D0342005S	12-09-OMN-B	Upgrade Security Camera/Key Cards	2,104		
IT	D0542007S	12-09-OMN-B	Other: LNG/CNG System Risk Management	1,466		
IT	F0420201S	12-09-OMN-B	Rev. Equipment: Voice/Data Communication Project	784,080		
IT	D1322001S	13-04-OMN-B	Computer Hardware Replacements	5,000		
IT	D1322004S	13-04-OMN-B	SAP ERP Enhancement Project	1,033		
IT	D0722009S	13-10-OMN-B	Upgrade- Six(6) Security Cameras to PTZ	794		
IT	D0722016S	13-10-OMN-B	Emergency Operations Center	16		
IT	D101B005S	13-10-OMN-B	Computer Equip: Kronos Upgrade(match)	90		
IT	D101B001S	13-10-OMN-B	Computer Hardware Replacements(match)	14,211		
IT	D101B002S	13-10-OMN-B	Major Software Applications(match)	10		
IT	D101B003S	13-10-OMN-B	Software Licensing & Upgrades(match)	5,619		
IT	D101B004S	13-10-OMN-B	Network Infrastructure(match)	114		
IT	D1222001S	13-10-OMN-B	Computer Hardware Replacements	908		
IT	D1222002S	13-10-OMN-B	Visitor Management	21		
IT	D1222003S	13-10-OMN-B	Card Access/CCTV	32,486		
IT	D1222004S	13-10-OMN-B	Mobile Solution	52		
IT	D1222005S	13-10-OMN-B	Call Center Solution	17,200		
IT	D1222007S	13-10-OMN-B	Bus Arrival Prediction	51,157		
IT	D1422001S	14-04-OMN-B	Computer Hardware Replacements	17,000		
Maint	A1120401S	11-03-OMN-B	Replacement Paratransit Vehicles	11		
Maint	D1140301S	11-03-OMN-B	EV-Yard Reseal	23,989		
Maint	D1140302S	11-03-OMN-B	EV-Frequency Drives	4,349		
Maint	D1140303S	11-03-OMN-B	EV-UST Manhole Upgrade	5,997		
Maint	D1140304S	11-03-OMN-B	EV-Interior Painting (M&O) Building	75		
Maint	D1140306S	11-03-OMN-B	WV-Roof Maintenance	4,429		
Maint	B1110101S	11-03-OMN-B	SBX	42,098		
Maint	A0820101S	12-09-OMN-B	Replacement Buses	13,935		
Maint	A0840101S	12-09-OMN-B	Upgrade Hybrid Buses (45 & 47)	869		
Maint	D0821101S	12-09-OMN-B	Service Vehicles: Rpl Support Vehicle	2,103		
Maint	D0822012S	12-09-OMN-B	Office Equip: Repl Shop Equipment	111		
Maint	D0921102S	12-09-OMN-B	Non Rev. Veh: Replacement Planning Dept Car	4,005		
Maint	D0521102S	12-09-OMN-B	Support Vehicles: Parts Truck, (9) Relief Veh, (3) Supe	1		
Maint	D0521103S	12-09-OMN-B	6 Service/Relief Vehicles	1		
Maint	D0621102S	12-09-OMN-B	6 Vans	1		
Maint	D0621104S	12-09-OMN-B	1 Staff Car-Lease	5		
Maint	D0940307S	12-09-OMN-B	I St.-Guard Shack & Fuel Canopy	964		
Maint	A0920101S	12-09-OMN-B	Rev. Vehicles: 40 foot CNG Bus	54		
Maint	D0920601S	12-09-OMN-B	Shop Equip.: Replacement Shop Equipment	3,915		
Maint	D0921103S	12-09-OMN-B	Vehicles: Van Purchase	8,338		
Maint		12-11-OMN-B	Other: SBX Project Development and Construction	16,958		
Maint	D12REO07S	12-11-OMN-B	Facility Upgrades	1,265		
Maint	D12REO02S	12-11-OMN-B	Omnitrans Rebranding	8		
Maint	D1321101S	13-04-OMN-B	Non Revenue Support Vehicles	1,402		
Maint	A1320102S	13-04-OMN-B	Agency Rebranding	100,856		
Maint	D0710301S	13-10-OMN-B	SBX E Street Corridor	83,486		
Maint	C0710101S	13-10-OMN-B	Ontario Transit Center	46		
Maint	D0740305S	13-10-OMN-B	Replace water distribution lines	3,000		
Maint	D0721101S	13-10-OMN-B	Service Vehicles: Car Replacements	1,125		
Maint	D0722015S	13-10-OMN-B	Portable Jacks	12,000		
Maint	B0710101S	13-10-OMN-B	BRT PE, Environmental and Final Design	6,223		
Maint	H101B901S	13-10-OMN-B	Facilities: Transit Enhancements (match)	2,843		
Maint	D101B301S	13-10-OMN-B	EV-Maint/Ops Building Painting (match)	5,587		
Maint	D101B302S	13-10-OMN-B	EV-Reslurry/Repaint Parking Lot (match)	7,083		
Maint	D101B303S	13-10-OMN-B	EV/WV-Methane Detection Systems(match)	16,001		
Maint	D101B304S	13-10-OMN-B	WV-UBT Sensor Cable replacement(match)	3		
Maint	D101B305S	13-10-OMN-B	WV-Yard Crack Fill (match)	1		
Maint	D101B306S	13-10-OMN-B	WV-Replacing Cylinder Hoist (match)	26,675		
Maint	D101B307S	13-10-OMN-B	WV-Interior Repainting (Admin/Maint)(match)	4,469		
Maint	D101B308S	13-10-OMN-B	WV-Building Automation(match)	8,326		
Maint	D101B309S	13-10-OMN-B	WV-Roof Replacement Fuel Island(match)	8,122		
Maint	D101B310S	13-10-OMN-B	New Warehouse Racking System(match)	6,704		
Maint	D101B311S	13-10-OMN-B	I Street Bathroom Partitions(match)	2,584		
Maint	D101B312S	13-10-OMN-B	LCNG Station Upgrade (match)	7		
Maint	D101B101S	13-10-OMN-B	Service Vehicles: Relief Cars-Lease(match)	33,955		
Maint	D101B601S	13-10-OMN-B	Lift Truck for Parts Warehouse(match)	1,294		

	PROJ #	Fiscal Year Allocation #	Project Description	Allocation Balance		
Maint	D101B602S	13-10-OMN-B	Parts Truck for Procurement(match)	871		
Maint	B101B101S	13-10-OMN-B	SBX (match)	2,362		
Maint	D1221101S	13-10-OMN-B	Non Revenue Support Vehicles	72		
Maint	A1220401S	13-10-OMN-B	Replacement Paratransit Vehicles	14,233		
Maint	D1240302S	13-10-OMN-B	Ride On Floor Scrubber Replacement	36		
Maint	D1240303S	13-10-OMN-B	Electric Yard Vehicle	2		
Maint	D1240305S	13-10-OMN-B	Interior Exterior Painting	450		
Maint	D1240306S	13-10-OMN-B	Crack Fill Seal Coat & Restrip Asphalt Parking Lot	5,000		
Maint	D1240307S	13-10-OMN-B	Carpet Flooring Replacements	43		
Maint	D1240308S	13-10-OMN-B	Pressure Washer Replacement	273		
Maint	D1240310S	13-10-OMN-B	Scissor Lift Replacement	345		
Maint	D1220601S	13-10-OMN-B	Farebox Replacements	364		
Maint	A1220101S	13-10-OMN-B	40 foot bus replacements	4,570		
Maint	D1421101S	14-04-OMN-B	Non-Revenue Support Vehicles	75		
Maint	B1662002S	16-03-OMN-B	Capitalization of Leases-County	14		
Maint	B1862002S	S18-OMN-002-B	Capitalization of Leases-County	1,865		
Maint	B1962001S	S19-OMN-003-B	Capitalization of Leases-Tires	1,553		
Maint	B1962002S	S19-OMN-003-B	Capitalization of Leases-County	3,400		
Maint	B1962003S	S19-OMN-003-B	Capitalization of Leases-Frequency	24,186		
Maint	B2062001S	S20-OMN-01-B	Tire Lease	5,730		
Maint	B2062002S	S20-OMN-01-B	Comm Lease	4,333		
Maint	D2040301S	S20-OMN-01-B	Facility Projects	1,282,905		
Maint	H1930901S	S20-OMN-01-B	SBTC Fence	17,756		
Planning	C1110101S	11-03-OMN-B	Ontario Transit Center	12,180		
Planning	C0832001S	12-09-OMN-B	Stops & Zones	2		
Planning	C0810101S	12-09-OMN-B	Facilities: Ontario Transit Terminal	53		
Planning	C0910102S	12-09-OMN-B	Ontario Transit Terminal	54,345		
Planning	C0910101S	12-09-OMN-B	Chino Transit Terminal	61,866		
Planning	C0932001S	12-09-OMN-B	Stops & Zones	11		
Planning	C0330301S	12-09-OMN-B	San Bernardino Transit Center (match)	1		
Planning	H0430601S	12-09-OMN-B	Transit Enhancements-Ontario Transcenter	5,087		
Planning	L0530301S	12-09-OMN-B	Chino Transcenter	44,366		
Planning	D12REO01S	12-11-OMN-B	SBX BRT Guidelines	85		
Planning	D12REO05S	12-11-OMN-B	Redlands Shelter Upgrades	3,398		
Planning	D12REO06S	12-11-OMN-B	4th Street Transit Mall Fence	26,007		
Planning	H1330901S	13-04-OMN-B	Transit Enhancements	10,337		
Planning	C101B001S	13-10-OMN-B	Stops & Zones (match)	67		
Planning	H1230901S	13-10-OMN-B	Transit Enhancements	14,908		
Planning	H1430901S	14-04-OMN-B	Transit Enhancements	46,464		
Planning	H1430903S	14-04-OMN-B	Stops & Zones	1,106		
WVC	D0810301S	12-09-OMN-B	Paratransit Expansion/Upgrade	285,446		
			Total STA	**3,393,732**		
IT		S-1205-49	Software Licensing	254		
IT		S-1205-49	Software Licensing	18,614		
IT		S-1304-18	Office Equpment: Printers/Copiers/Cameras	43,822		
Maint		S-1205-50	SBX: Project Delivery and Construction(fr Paratransit Expansion-Mid Valley)	400,557		
Maint		S-1205-50	SCE - Utilities Distribution	4,485		
Maint		S-1205-50	Purchase/Lease of Real Estate	46		
Maint		S-1205-50	Row Cost Estimates Parsons	10		
Maint		S-1205-50	Artwork - Elwood	2		
Maint		S-1205-50	Parsons Change Order 10	1		
Maint		S-1205-50	Parsons Change Order 7A	10		
Maint		S-1205-50	VMF Methane Detection	1		
Maint		S-1205-50	Parsons Change Order 7B	1		
Maint		S-1205-50	Verizon Utilities	5,222		
Maint		S-1205-50	Charter Communications	6		
Maint		S-1205-50	Crable & Associates Enviro Services E St Corridor	11,994		
Maint		S-1205-50	Stanley Security VMF license fee	1		
Maint		S-1205-50	IPMO Salary & Benefits	1,819		
Maint		S-1205-50	ESCI SPCC for VMF	1		
Maint		S-1407-28	2014 sbX LTF	671,777		
Maint		S-1205-49	Service Vehicles: 6 Relief Vehicles (match)	29,200		
Planning		S-1205-50	1% Enhancement (match)	7,900		
WVC		S-1205-49	Facilities: Midvalley Facility (match)	216,058		
WVC		S-1205-49	Mid Valley West Valley Paratransit (match)	155,677		
WVC		S-1304-18	Facilities:Mid Valley Facility	606,094		
WVC		S-1304-18	Facilities:Mid Valley Facility Phase I Construction	100,000		
			Total LTF	**2,273,552**		
			RE-OBLIGATE			
				LTF	**STA**	**TOTAL**
			Maint	1,125,133	1,835,711	2,960,844
			IT	62,690	992,292	1,054,982
			Planning	7,900	280,283	288,183
			West Valley Connector	1,077,829	285,446	1,363,275
			Total	**2,273,552**	**3,393,732**	**5,667,284**