

COUNCIL ACTION FORM

SUBJECT: AMENDMENT TO 2011/12 DIAL-A-RIDE CONTRACT

BACKGROUND:

In June 2010, the City Council approved and signed a five-year contract (including annual renewals) with Heartland Senior Services (HSS) for provision of Dial-A-Ride services. Since that time, two issues have resulted in the need to modify the original contract. First, the Iowa DOT requested changes to the contract to reflect non-financial language clarifications. Second, on August 30, 2011 HSS indicated their desire to end the 2011/12 Dial-A-Ride contract, which was later extended to September 30 and most recently October 30. At that time, there was a belief by HSS that the contract rates did not cover their expenses being incurred.

Since HSS's initial contact in August regarding the 2011/12 contract, several meetings have taken place. The most recent meeting was a result of an independent audit of HSS's Transportation Program completed by the accounting firm of Houston and Seeman. Based on this audit, it was determined that the revenues and expenses generated under the Dial-A-Ride contract during the previous fiscal year ending June 30, 2011, resulted in a "small loss". The 2011/12 contract increases the previous year's rates by 4%.

At that meeting, however, CyRide staff raised concerns with the methodology used to arrive at this conclusion. The method used by the audit firm was based on a cost/passenger basis for all expenses across all transportation contracts. Since the length of trips vary among the three transportation categories used by the auditor (Dial-A-Ride, Iowa City Route and Route), staff felt that a *combination* of cost per passenger for fixed costs and cost per hour/mile for variable costs more accurately reflects the cost under each category and specific contract. Using staff's methodology, the revenues paid HSS exceed the expenses generated by service under the Dial-A-Ride 2010/11 contract and, therefore, would also exceed expenses in the 2011/12 contract with a 4% increase. The auditor agreed that this was a logical way to proceed.

As a result of this discussion, the participants mutually agreed that the only financial change needed in the existing contract between CyRide and HSS for the provision of Dial-A-Ride service, beyond the DOT-required changes, was an adjustment to the fuel surcharge rate. Upon CyRide staff's analysis of revenues and expenses, it was found that the current surcharge was not generating sufficient revenues to account for increases in expenses under the contract when fuel prices rose. The table on the next page shows the current and proposed rates.

Current Contract Fuel Range	% Increase	Proposed Contract Fuel Range	% Increase
\$2.30 - \$2.54	1%	\$2.30 - \$2.49	1%
\$2.55 - \$2.79	2%	\$2.50 - \$2.69	2%
\$2.80 - \$3.04	3%	\$2.70 - \$2.89	3%
\$3.05 - \$3.29	4%	\$2.90 - \$3.09	4%
\$3.30 - \$3.54	5%	\$3.10 - \$3.29	5%
\$3.55 - \$3.79	6%	\$3.30 - \$3.49	6%
\$3.80 - \$4.04	7%	\$3.50 - \$3.69	7%
\$4.05 - \$4.29	8%	\$3.70 - \$3.89	8%
\$4.30 - \$4.54	9%	\$3.90 - \$4.09	9%
\$4.55 +	10%	\$4.10 +	10%

The proposed rate and DOT-required language changes are included in the attached contract amendment. It is proposed that the fuel surcharge rate be retroactively established as of July 1, 2010, since the surcharge did not generate revenues to reimburse HSS for additional expenses resulting from higher fuel prices during that time period. The proposed surcharge would generate \$1,723.48 in additional revenue for the 2010/11 year and an additional \$228.01 for July and August, 2011 above the invoiced costs for 2011/12. Dial-A-Ride expenses are eligible for 80% federal reimbursement through a CyRide contract with the Iowa DOT. CyRide currently has an unspent balance of \$246,000 in this Iowa DOT contract to address this additional expense.

The Transit Board of Trustees approved the contract amendment in two parts. The Iowa DOT changes were approved on July 20, 2011, and the fuel surcharge, retroactive to July 1, 2010, was approved on October 4, 2011. If the contract amendment is approved by the City Council, the HSS Board will need to approve the amendment as well.

Additionally, discussion at a recent meeting indicated a possible desire by HSS to end the current Dial-A-Ride contract at the end of the current fiscal year on June 30, 2012. As a result, staff will prepare a Request for Services proposal for distribution in January 2012 so that a contractor can be selected prior to the end of the HSS current contract and a smooth transition can be made. HIRTA and Boone County Transportation have indicated interest in possibly providing CyRide's Dial-A-Ride service in the future.

ALTERNATIVES:

1. Approve an amendment to the Dial-A-Ride contract to increase the fuel surcharge rate, effective July 1, 2010.
2. Approve an amendment to the Dial-A-Ride contract to increase the fuel surcharge rate, effective July 1, 2011.
3. Direct staff to continue discussions with HSS on the Dial-A-Ride contract.

4. Do not approve a fuel surcharge rate adjustment or contract language changes.

CITY MANAGER'S RECOMMENDATION:

The Heartland Senior Services contract with CyRide has been an effective way to provide Dial-A-Ride services for the community. The current surcharge schedule is not generating sufficient revenue to cover heartland's additional fuel expenses when prices increase, and the proposed adjustment will accurately increase revenue to cover these expenses. CyRide will then be able to continue its contract with Heartland Senior Services through June 30,2012, while all parties (Heartland, CyRide and HIRTA) explore the future of transit services in Story County.

Therefore, the City Manager recommends that the Council accept Alternative #1, thereby approving the fuel surcharge rate adjustment retroactively back to July 1, 2010.

Council should be aware that Heartland is losing a great deal of money in the provision of the total array of transit services provided under its contract for services with the Heart of Iowa Regional Transit Agency (HIRTA). The transportation budget submitted to ASSET, which was the basis for the 2011/12 funding allocations, is well under Heartland's actual cost of operations for fiscal 2010/11. It is likely that ASSET will see a large increase in requested funding for 2012/13, and it is questionable whether funds will be available to meet the increased costs. Heartland may need to examine its future role in providing transportation.