

Key Findings on RTC Autonomy (From a Review of Earlier Studies and Recent Research)

June 2005

Introduction

The RTC has had an administrative relationship with the County of Santa Cruz since its inception in 1972. Over the last 15 years, that relationship has changed incrementally, with the RTC establishing its own offices, its separate budget and work program, and its own computer system, to name a few. The RTC has opted to continue to use services provided by the County including services for personnel management and employee relations, accounting, payroll and other payments, and legal services.

Starting in 2001, the RTC through its Budget and Administration/Personnel Committee began studying whether to separate from the remaining key County-provided services and thus establish itself as a completely independent governmental entity. The RTC conducted a survey of regional transportation planning agencies (RTPAs) which found that almost every RTPA had fully separated from its County. After their separations, many RTPAs continue to contract with their County or City governments for ancillary services such as legal services through County Counsel or fleet services. They also continue to have state-mandated relationships with their county's Auditor-Controller for deposit and payout of the Transportation Development Act (TDA) fund and the State Transit Assistance (STA) fund.

For the RTC, a number of reports on separation have been prepared, including the "Costs of Administrative Options for the RTC Establishing Itself as an Autonomous Governmental Employer" which was presented to the Commission in 2002. At that time, the move to autonomy was put on hold in order to focus staff resources on high priority planning projects.

Complete separation of the RTC from the County's personnel and other administrative services is a policy decision that can be made either by the RTC or the County Board of Supervisors, or jointly. The Memorandum of Understanding (MOU) between the RTC and the County for administrative services provides for a one-year notice to terminate the agreement by either party. The County Board of Supervisors exercised this option at its March 2, 2005 meeting, and notified the RTC of its intent to terminate the MOU effective March 1, 2006. At roughly the same time, the RTC's Budget and Administration/Personnel Committee decided to inform the full Commission of its interest in pursuing autonomy.

1. Overall Costs and Benefits

Previous studies have shown that following one-time start-up expenses, the ongoing costs of operating the RTC as a completely autonomous entity are anticipated to be roughly equivalent to those incurred during the RTC's affiliation with the County.

However, there are many benefits to establishing autonomy beyond purely financial ones. Almost all Regional Transportation Planning Agencies (RTPAs) throughout the state have already established themselves as autonomous government entities. Among the primary reasons for this structure are to:

- eliminate the perception of conflict of interest
- reduce high overhead costs,
- provide more efficient, direct management of operations, and/or
- give the RTPA Board direct control over staffing.

RTC autonomy can be expected to bring about similar improvements to the local transportation planning environment. For the RTC, the following reasons are applicable:

- give the RTPA Board direct control over staffing including the hiring and direction of the Executive Director,
- provide more efficient, direct management of operations, and
- clarify liability protections.

2. Overall Timing

July 1, 2006 is the recommended appropriate date for achieving complete autonomy for RTC. This target date should allow enough time for the CalPERS Contract to be established (see #3). July 1st is the start of a new fiscal year, which avoids the work and confusion of converting budgets and financial systems mid-year (see #4). There are more than 40 tasks required for complete autonomy. The 13 months until July 1, 2006 is sufficient time to achieve all the necessary steps as long as work is begun right away. Some tasks may be completed earlier than July 2006 if there is an advantage to the RTC and there is adequate staff time or consultant time.

3. CalPERS Contract

It has been the experience of other agencies that arranging for a contract with California Public Employees Retirement System could take in excess of one year. CalPERS staff has stated that it can "take as long as a year." The first step is to request a "valuation," or actuarial, study of the RTC's staff. RTC staff has been directed by the Budget and Administration/ Personnel Committee to submit an application to PERS for an actuarial study.

4. Integrated Fiscal Management System

The opportunity exists to develop a well integrated fiscal management system which will cover accounting, budgeting, grants management, claims and payroll tasks.

As an initial step, RTC staff is working with the Auditor-Controller's Office to discuss the accounting and fiscal reporting options available to independent agencies and to identify relatively small scale improvements to work towards an integrated fiscal management system. Larger scale changes may be recommended at a later date.

5. Human Resources and Employee Relations

Consulting assistance will likely be required for the development of human resource and employee relations policies, procedures and agreements. Assistance to develop personnel policies and procedures, job classifications, descriptions, salary schedules is also anticipated. Proper notification of existing employee bargaining units and appropriate consultation with the Commission's employees and bargaining units needs to begin in the near future. The RTC needs to work with the County Administrative Officer and the County Personnel Department for all communications with the Union while RTC employees are County employees. Consulting services will be needed to assist the RTC with negotiating Memoranda of Understanding with bargaining units and/or employee representatives. This aspect of the change may take a significant amount of time. Funds have been included in the proposed budget for human resources and employee relations assistance. With RTC approval, a consultant will be hired to assist staff with various tasks related to this functional area.

6. Cost of the Change and Ongoing Costs

The 2002 Cost Report on Autonomy identified \$28,000 in one-time costs and ongoing costs of approximately \$80,000 annually. An update of these figures in 2003 showed that the ongoing cost of staying with the County is roughly equal to the ongoing cost of the RTC becoming completely independent. These figures will need to be revisited as more refined research towards autonomy is conducted. Given current staff vacancies and other high priority projects, staff proposes a preliminary budget of \$100,000 for the transition. These figures will need to be updated as we continue with the process.

7. Funding the Change

In previous studies of the steps and implications of becoming an autonomous agency completed in 2002 and 2003, \$50,000 was set aside for one-time costs, consulting assistance and other aspects of making the conversion. Those funds were later reallocated to higher priority projects. Commission Reserves are appropriate funds to be utilized for this project. The approved May 2006 amendment to the FY05-06 budget and work program provides \$100,000 in Commission Reserve funding for this project. Fortunately, unanticipated funds are available which free up Commission Reserve funds to cover the one-time costs for this project. Any unspent funds will be returned to the Commission Reserve fund after the transition is complete.

8. Staff Resources

As the result of the previous studies and subsequent Commission review, it was determined that the RTC staff should be augmented by a half-time administrative

support person to assist with on-going personnel and fiscal management tasks after the transition is completed. Given the volume of tasks required to accomplish autonomy, it may make sense to add this position mid-year during FY05-06. Another idea to supplement existing staff resources is the addition of a temporary, part-time Analyst to assist with the workload for this project.

10. County Overhead

The County charges overhead costs to departments two years after they have been incurred. This means that for two years after the RTC becomes autonomous, the Commission will have to budget for and pay County overhead charges. The amount varies from year to year. The overhead charge for this year is \$76,000.