


AGENDA: June 29, 2006

TO: Transportation Policy Workshop

FROM: Tegan Speiser, Senior Transportation Planner 

REGARDING: RTC Autonomy - Update on Establishing the Santa Cruz County Regional Transportation Commission as an Autonomous Public Agency

RECOMMENDATIONS

Staff recommends that the Regional Transportation Commission (RTC):

1. Accept this status report on the RTC Autonomy Project, including an updated work plan and timeline (Attachment 1);
 2. Accept updated RTC autonomy cost estimates for FY06-07 (Attachment 8);
 3. Approve establishing a membership in the California Public Employees' Retirement System to provide retirement benefits to RTC employees as outlined in Attachment 2, 3 and 4 and direct staff to return in August and September with the required contract resolutions to establish the RTC's membership in the CalPERS retirement program including offering the required survivor benefit;
 4. Approve continuing to contract with the County of Santa Cruz for the following employee benefits: dental, vision, life insurance, long term disability, employee assistance program and participation in the County's deferred compensation program;
 5. Approve resolutions authorizing the RTC to join the Special District Risk Management Association (SDRMA) JPA and participate in the SDRMA workers compensation insurance pool program (Attachment 6) and to apply to the Director of Industrial Relations to self-insure workers compensation liabilities (Attachment 7);
 6. Approve establishing an account with a private rental car company to replace the use of County fleet vehicles for travel to meetings out of the area and continue to purchase fuel and maintenance services through the County's fleet operations division;
 7. Approve continuing to have all Commission funds managed and invested by the County Treasurer-Tax Collector in keeping with current arrangements; and
 8. Approve establishing an account with the state's CalCard credit card program.
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BACKGROUND

The Commission approved establishing the RTC as an autonomous governmental entity in June 2005 and, at that time, authorized the Budget and Administration/Personnel Committee to direct staff and consultants in the implementation of autonomy tasks. A Work Plan and Timeline for the project was approved and is being updated and reviewed with the Budget and Administration/Personnel Committee monthly. The current target date for ending the RTC's administrative relationship with the County is October 1, 2006, as approved by the Budget and Administration/Personnel Committee and the RTC.

11-1

DISCUSSION

Today's report presents a series of recommendations related to RTC autonomy for consideration. These recommendations were reviewed at the Budget and Administration/Personnel Committee on June 8th, however no official action was taken at that meeting since a quorum was not present. (See meeting notes on today's Consent Agenda.) The recommendations regarding the CalPERS retirement program were approved at the Committee's April 13th meeting.

An updated work plan and timeline that reflects progress on RTC autonomy project tasks is provided as Attachment 1. As outlined in the work plan, a summary of significant post autonomy costs is provided today as Attachment 8. This cost report will continue to be updated as new information becomes available.

Post Autonomy Operations Costs

In June 2002, the RTC's consultant, Bob Scott, prepared the *Report on Costs of Administrative Options for the SCCRTC Establishing Itself as an Autonomous Governmental Employer*. The report noted that separation was desirable to the RTC from the perspectives of efficiency, direct control, and elimination of any perception of a conflict of interest and concluded that in the short term, it would be more costly for the RTC to be autonomous, but that in the long term costs would equalize.

A cost update in June 2003, showed that due to significant fluctuation in County overhead costs from year to year, and CalPERS no longer waiving employer contributions to the retirement system, it could be costlier to stay with the County than to separate. When autonomy cost estimates were refined further in September 2003, a half-time personnel clerk was added along with \$6,000 for insurance costs, making the total cost to separate from the County approximately equal to staying with the County.

Attachment 8 is a revised breakdown of significant post-autonomy operations costs for FY06-07 based on the most recent information available. (The table is not yet complete because some cost information is pending from the County or from insurance quotes.) As more complete cost information becomes available, staff will revise the table with updated information.

The updated cost chart does not include the expense of a half-time personnel clerk. In the fall, the RTC approved staff recommendations to add a half-time Transportation Planning Technician to help with the RTC workload. The cost for this position is already included in the budgets for the current fiscal year and next fiscal year. Nor does the chart include the costs of the new administrative services officer position, because on-going salary savings from a vacant transportation planner position were used to fund the new administrative staff. One-time costs, such as the cost for the RTC's consultant on autonomy, Ellen Aldridge, are also not included in the table.

Coordination with County

RTC staff has been working closely with staff from various County Departments to coordinate the transition to autonomy and to clarify details about services for which the RTC will contract with the County in the initial post-autonomy period. No specific agreement will be required for some of these post autonomy services. Others will require a Commission resolution or a

Memorandum of Understanding outlining the arrangement. Staff will bring these to the RTC for consideration.

Several working meetings have been held with the Auditor-Controller and her staff to iron out the details of contracting for payroll services, check writing services, and other accounting services after autonomy. While some pricing information is already available, other services that the RTC has utilized in the past (and has requested to continue in the future) the Auditor's Office does not currently provide to other special districts. For these "new" services, such as encumbering funds, a fee schedule needs to be established by the Auditor-Controller. There may also be some one-time set up and/or programming costs incurred to meet the RTC's reporting requirements. Based on data received to date, reasonable estimates for accounting and payroll services have been included in the autonomy cost report (Attachment 8).

Staff has also had very productive meetings with County Personnel and Risk Management staff about a variety of issues including employee benefits, insurance and risk management. Most recently, County staff has helped the RTC evaluate price and policy provisions associated with insurance quotations.

Policy Development

At its June 1st meeting, the RTC approved the staff, consultant, County Counsel, and Budget and Administration/Personnel Committee recommendation to have the draft HR Policies and Employee/Employer Resolution reviewed by an independent legal counsel specializing in this area. These draft documents have been reviewed by the Budget and Administration/Personnel Committee and are currently being reviewed by Art Hartinger of the law firm Meyer Nave. When the legal review is complete, these policies will be one of the key subjects of a meet and confer session with the two employee bargaining units: SEIU Local 415 and the Mid Management Association.

The RTC's post-autonomy Administrative and Fiscal Policies are being developed and are scheduled for review by the Budget and Administration/Personnel Committee at its August meeting.

CalPERS Retirement

At the April 13, 2006 meeting of the Budget and Administration/Personnel (B&A/P) Committee, CalPERS Associate Pension Actuary David Clement reported the results of the CalPERS Actuarial Valuation Study conducted for the RTC (Attachments 2, 3 and 4). The study results showed that the RTC will pay slightly less (approximately \$6,000) than it would have paid as part of the County of Santa Cruz. With the absence of the RTC, the County will pay a slightly higher fee. The "merger of a function" method was used to establish that the assets and liabilities relating to the RTC would be transferred from the County's CalPERS account to the RTC when a new membership is established for the Commission. Like other small agencies, the RTC will participate in a risk pool of other employers with fewer than 100 employees that offer their employees the CalPERS retirement benefit of 2% at 55. The RTC will be offering the same optional benefits as provided through the County with the addition of a few benefits that are mandatory to all agencies participating in the risk pool.

At its April meeting, the B&A/P Committee directed staff to take the next step to initiate a membership in the CalPERS retirement program which is to establish a schedule for adoption of

required resolutions for admittance to CalPERS and conducting an employee election. The schedule has been established.

When the RTC first establishes its membership in the CalPERS retirement program, the agency will not participate in Social Security until an employee election takes place. This election, which can take between 12-18 months to conduct and certify, cannot be held until after the RTC's CalPERS retirement membership is active. CalPERS employers who are not covered by Social Security (such as will be the case for the RTC at least initially) are required to offer their employees one of two mandatory 1959 Survivor Benefits with a monthly contribution required by both the employee and employer. This benefit will be discussed with the bargaining units in an upcoming meet and confer session and staff will return with a recommendation to the Commission at its August meeting.

Staff recommends that the Commission direct staff to return in August and September with the required contract resolutions to establish the RTC's membership in the CalPERS retirement program including a recommendation regarding the required survivor benefit.

Employee Benefit Programs

ANCILLARY BENEFITS

In keeping with the guidance provided by the Budget and Administration/Personnel Committee to "keep it simple", **staff recommends that the RTC continue to contract with the County of Santa Cruz for the following employee benefits: dental, vision, life insurance, long term disability and an employee assistance program.** The administrative fee for continuing to receive these benefits through the County is \$300/employee/year or \$5,100 for all RTC employees. Excluding this administrative fee, the premiums to provide these benefits are identical to those currently paid by the RTC and its employees. This employee benefit arrangement is currently used by the 911 Comm Center, LAFCO and the Law Library. **Staff also recommends that the RTC continue to offer its employees the opportunity to participate in the County's deferred compensation program with ICMA.** The annual administrative fee for this program is \$50/participating employee/year. Currently 6 RTC employees participate in the County's deferred compensation program. These administrative costs are included in the updated costs report (Attachment 8.)

HEALTH INSURANCE

A presentation, discussion and recommendations on this issue are included in a separate item on today's agenda.

Workers Compensation Insurance

The RTC is currently covered for workers' compensation by the County of Santa Cruz which is self insured for the first \$500,000 in claims. The County carries excess insurance to cover claims that exceed that amount. By contrast, the RTC is seeking a primary workers compensation policy that provides coverage from the first dollar, with secondary coverage in the event that there is an exceedingly large claim.

Two quotations for workers' compensation insurance, one from the Special Districts Risk Management Association (SDRMA) and one from the California State Association of Counties' California Public Entity Insurance Authority (CSAC-CPEIA) through insurance broker Driver Alliant Insurance Services were secured. While the coverage and administration provisions of the two policies are very similar, they varied significantly in price. The SDRMA quoted a premium and association membership cost of \$10,500 annually and the CSAC-CPEIA quote was more than \$50,000 almost \$8,000 of which were various broker and administrative fees.

SDRMA is a Joint Powers Authority (JPA) pool of special districts and public agencies in California established to self insure losses, purchase excess insurance and provide administrative services for a joint workers' compensation insurance program. The program has three tiers: 1) a primary policy which provides agency members coverage from \$0 up to \$250,000 in claims which are paid by the SDRMA pool (\$0 deductible for member agencies); 2) excess insurance for the pool provided through CSAC-CPEIA for all losses exceeding \$250,000; and 3) CSAC-CPEIA has a self-insured retention limit of \$4,750,000 and has purchased excess coverage from their annually adjusted retention limit up to \$150,000,000 for all the public entities that it ensures including cities, counties and the SDRMA. Attachment 5 provides a summary of the SDRMA workers' compensation insurance quote and policy.

To participate in the SDRMA program, the RTC will need to adopt resolutions authorizing the execution of a joint powers agreement with the SDRMA, participation in the SDRMA workers' compensation program (Attachment 6) and application to the California State Director of Industrial Relations to participate in an insurance pool that is self-insured for workers' compensation liabilities (Attachment 7) as part of the JPA. A commitment to participate in the SDRMA workers compensation program for three years is required.

Both the Transportation Agency of Monterey County (TAMC) and the Santa Cruz Consolidated Emergency Communications Center (the 911 Comm Center) are insured for workers' compensation insurance through the SDRMA program and speak highly of their experience with the SDRMA policy, organization and 3rd party administrators used for this program. After reviewing the proposals, RTC staff, consultant and the County Risk Manager concur that the SDRMA pool is the preferred workers' compensation program for the RTC. **Staff recommends that the Commission approve participating in the Workers' Compensation Program offered by the SDRMA JPA (Attachment 5) and adopt the required resolutions (Attachments 6 and 7).**

Fleet Services

Currently, the RTC utilizes the County's Fleet Operations services in two ways: "car rental" for work travel and fueling and maintenance for the RTC's Compresses Natural Gas (CNG) van.

The RTC currently owns a seven year old CNG van. The van was used primarily in conjunction with the RTC's traffic monitoring program, but also for delivering materials to events and bicycle parking hardware to participating businesses, and occasionally for staff to carpool to meetings and events. Given the limited number of local facilities where CNG fuel can currently be obtained, **staff recommends that the RTC continue to purchase fuel and maintenance services through the County's fleet services department.** County General Services and Fleet Operations staff are amenable to continuing this arrangement.

Since the County has indicated that it does not provide fleet vehicles to non-county operations, this service will no longer be available for Commission use after autonomy. Therefore, **RTC staff recommends that the Commission establish an account with a private rental car company to replace the use of County fleet vehicles.** Preliminary research indicates that while the cost for rental cars will be somewhat higher than use of County fleet vehicles, there is not likely to be a significant increase in overall costs since RTC employees often prefer to use their own vehicles for work-related travel and be reimbursed for mileage instead of using fleet vehicles. Establishing a contract with a rental car company will allow the RTC to continue to offer employees the option to use a "company" rental car rather than an employee's personal vehicle. The requirements for using rental cars will be included in the RTC's Administrative and Fiscal Policies Manual.

Funds Management

While only some of the Commission's funds require management by the County Treasurer-Tax Collector, all RTC funds are currently managed and invested by the County Treasurer. **Staff recommends that the RTC approve continuing to have all of the Commission's funds managed and invested by the County Treasurer-Tax Collector.** The administrative cost of these services is distributed across all of the public entities whose funds are entrusted to the Treasurer-Tax Collector's Office. Essentially there will be no change in the amount or the assessment method for fees charged for investment and management services (fees are directly deducted from the earnings made on the funds).

CalCard

The County (and the RTC) currently participates in the state's CalCard VISA credit card program which is available to local governments and public agencies through US Bank I.M.P.A.C. The major benefits of this program are: no fees (with the exception of late payment penalties); card coding to set spending limits and restrict the types of commodities purchased; and computer remote access to data and reports. After autonomy the RTC will no longer be able to participate in the County's CalCard program. Therefore, **staff recommends that the Commission approve contracting with US Bank to establish an account for the RTC with the state's CalCard VISA credit card program.**

Upcoming Meet and Confer with Bargaining Units

As planned, labor relations consultant Ellen Aldridge and RTC management will hold the first meet and confer sessions with employee bargaining units regarding the following post-autonomy topics: 1) the Draft Employee/Employer Relations Resolution and Draft Human Resource Policies; 2) surveying employees regarding their interest in continuing to participate in social security and in alternate benefits if employees elect not to re-enroll in social security and 3) employee MOUs. These meetings will be held after the legal review of the HR/employee relations policies is complete.

SUMMARY

An updated work plan and timeline provides a progress report on RTC autonomy. Staff recommendations on post-autonomy arrangements for employee benefit programs, retirement, workers compensation insurance, vehicle use and maintenance, funds management, and a credit card program were provided. A presentation by a representative from CalPERS Health Benefits Program will be provided at today's meeting (see separate agenda item). Coordination

meetings with various County departments continue. Meet and confer sessions with employee bargaining units will be held in the near future upon completion of the legal review of human resource and labor relations policies. Staff has provided a report estimating the RTC's significant post-autonomy costs for FY06-07 as a separate agenda item for today's meeting.

Attachments

1. Updated RTC Autonomy Work Plan and Timeline
2. Oral Report by CalPERS on the RTC's Actuarial Valuation Study Results (Excerpts from April 2006 Budget Committee Minutes)
3. Summary of CalPERS Retirement Program Actuarial Valuation for the RTC
4. CalPERS Contract Summary of Retirement Benefits to be Offered
5. Summary of SDRMA Workers Compensation Policy
6. Resolution re: Joint Powers Agreement with SDRMA and Participation in the SDRMA Workers Compensation Program
7. Resolution re: Approval to Self Insure Workers Compensation Liabilities
8. Autonomy Costs Update - Estimates for FY 06-07

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