

CITY OF LAREDO
CITY COUNCIL WORKSHOP
LAREDO TRANSIT CENTER CONFERENCE ROOM
1301 FARRAGUT STREET
3RD FLOOR WEST
11:00 A.M.

M99 -W-01

M I N U T E S

January 15, 1999

- I. With a quorum present Mayor Elizabeth G. Flores called the meeting to order.
- II. Mayor Elizabeth G. Flores led in the Pledge of Allegiance.
- III. Roll Call

CITY COUNCIL MEMBERS IN ATTENDANCE:

Elizabeth G. Flores,	Mayor
Alfredo Agredano,	Councilmember, District I
John C. Galo,	Councilmember, District III
Joe A. Guerra,	Councilmember, District VI
Mario Alvarado,	Councilmember, District VII
Consuelo "Chelo" Montalvo,	Councilmember, District VIII
Gustavo Guevara, Jr.,	City Secretary
Florencio Pena, III,	City Manager
Jaime L. Flores,	City Attorney

ABSENCES:

Motion to excuse Cm. Bruni, Cw. Moreno and Cm. Valdez.

Moved : Cm. Galo

Second: Cm. Agredano

For: 5

Against: 0

Abstain: 0

Note: Cm. Guerra arrived at 11:35 P.M.

OTHERS ATTENDING:

Adan Castillo, Bus Driver

Jose Ortiz, El Metro Union

Bill Cain, General Chairperson of the Local UTU #1670

Bobby Gutierrez

Robert Garza, El Metro

Joe Aranda, El Metro

Dan Migura, Administrative Services Director

Joe Guerra, Office Manager for El Metro

Viola Sanchez, Public Information Officer for El Metro

Judy Baber, Internal Auditor with the City of Laredo

Gilbert Segovia, El Metro General Manager
John Farrell, ATE/Ryder
Richard Clair, ATE/Ryder Sr. Vice President & General Manager
Keith Selman, City Planner
Laura Ridder, Laredo Morning Times

1. To meet jointly with the Transit Committee of the City of Laredo to review presentation by Ryder/ATE, Inc. in the city requiring its proposal to provide transit management services for the Municipal Transit System, with possible action.

Cm. Alvarado informed the Council that the members of the El Metro Transportation Ad-Hoc Committee are reconvening today as such. On a previous meeting, Ryder/ATE made its presentation, as well as City Staff, on their transit management proposal. Since relevant information was required from both proposals, it was determined to give 10 minutes to each party for their presentation.

Florencio Pena, City Manager, relayed that ATE needed to adjust its proposal by reducing one of the positions and that City Staff needed to address questions pertaining to workers' compensation as well as other matters.

ATE/Ryder Presentation:

Richard Clair, from ATE/Ryder, provided the minutes from the last meeting. He added that the minutes captured valuable points on ATE's performance besides other issues pertaining to El Metro's future. A revised proposal will be submitted to the City in writing.

He talked about issues that need solutions if the existing management company gets dissolved, and amplified the points supporting ATE/Ryder vs. the proposed replacement non-profit corporation.

- a) Notifications to employees and notices to different taxing entities and jurisdictions 60 days prior from the dissolution date.
- b) Unresolved issues pertaining to the legal status of the proposed non-profit replacement corporation.
- c) The change of employer requires real occasion notice act termination of employees.
- d) Workers' Compensation issues.
- e) Termination of the 401K plan since it is specifically for private companies or for profit institutions.

- f) Issues pertaining to the labor contract.
- g) Employees currently on Workers' Compensation or other long-term disability. (Eleven employees will be affected during the time of transition; therefore they will not be covered by the health insurance unless the city waives certain requirements.

Mr. Clair addressed the modification to ATE's proposal by stating that the management job can be done with two people. His recommendation is to leave the current two employees in the management team. The duties of the third position would be absorbed by other TMCL employees.

Cm. Montalvo stated that about two years ago there were many complaints on the management of the Transit System. At that time the issues were discussed with Mr. Farrell. Since City Council didn't see any changes being made, an audit was made on April 1997. She feels that ATE didn't care nor listened to the problems taking place at the Transit Center.

Mr. Clair responded stating that the issues brought up in the April 1997 audit have been resolved or addressed either through the law department or Mr. Pena's department. Regarding the cash handling audit, there was nothing material suggesting holes in the cash operations, or if there was, it was only temporarily and there were reasons for that.

Cw. Montalvo stressed -"It is not our responsibility to let you know what's going on out here in Laredo. It is your responsibility to communicate with your management employees to find out what's going on."

Mr. Clair replied that the 18 or 20 months, in which the contract was under Mr. Smith's responsibility, are not their proudest moments. He emphasized that ATE's proposal has a mechanism which will not only resolve those types of concerns but will prevent them from recurring.

Cm. Alvarado challenged Mr. Clair's reply. He stated that when the management concerns were addressed with ATE, Mr. Brown (ATE) offered to have quarterly meetings. But after the first meeting there were not additional meetings. Cm. Alvarado expressed that he's displeased because the quarterly meetings did not take place; and that it had to be because of the City's persistence and assistance to be able to put in place different policies. Cm. Alvarado added that ATE's management failed to come as quickly as Mr. Clair is

trying to imply. He asked Mr. Clair if we were going to get a discount for those 18-20 months. Also, on the last meeting it was requested from Mr. Clair to issue some type of discount in the City's contract because the third position, as outlined in the contract, has not been filled.

Mayor Flores expressed that from what she has heard so far, Mr. Clair needs to re-establish his credibility, and his admittance of the problems in his company for the 18 or 20 months has contributed to the fall. For the sake of the presentation, she encouraged Mr. Clair to focus, for five minutes, on the changes made to correct the fall out.

Note: Cm. Guerra arrived at 11:32 A.M.

Mr. Clair replied -"Some of that fix is to be history in the making." He added that when he met with the Ad-Hoc Committee in December 1998, he suggested that he was getting mixed signals at the policy level. So, he proposed a defined way to receive input from the City through the proposed Transit Committee. He also proposed having a workshop to establish the management structure, the reporting structure, a policy board, a monthly reporting format that goes beyond regular issues, and on top of this, have quarterly formal reviews. Afterwards, he outlined the benefits of ATE's technical support, the service development plan, service extension, and safety issues. Finally he added that a location operations review, in which the regional managers review the policies that should be on place, has been initiated.

City's Proposal Presentation:

Mr. Pena reported that the City Council has a very difficult question on whether to terminate or continue a 23 year relationship with Ryder ATE. He explained that during the 70's, cities were faced with the challenge of operating their own transit systems, consequently the City of Laredo hired a private firm to manage its transit system. However, many of the management concerns from 1976 do not exist today. The City has gained experience in managing a transit system, and can do so if the decision is to no longer utilize a consultant.

On January 20, 1997, an internal audit of the transit system was conducted as a result of concerns addressed by various concilmembers. Following are some of those concerns that serve as an example of the mismanagement and poor judgement

that existed.

- a) The transit system did not reconcile the number of buses in operation for a given transit day to the number of buses prepared for that same transit day.
- b) Concerns with purchasing policies and procedures.
 - The transit management system secured supplies in excess of \$10,000 without securing an annual vendor supply contract from second vendors. The City of Laredo's purchasing policies and procedures were violated. After discussion with the vendor, he indicated that purchases were intentionally spread over a number of invoices in order to avoid our purchasing policies and procedures.
 - Over a four year period, the total amount of purchases were over \$386,000.

Period	\$ Amount
1992-1993	\$ 46,790
1993-1994	\$130,000
1994-1995	\$138,000
1995-1996	\$ 80,000
 - The Transit System should have named, in all invitations for bids, the City of Laredo in order to maximize the opportunities for competitive bids involving the purchases.
 - Regarding maintenance parts and supplies the fleet management system should have been used to identify items or vendors whose purchase volumes were in use of formal bids.
- c) Although the contract provides travel expenses for management people, some expenses were disallowed by the City.
- d) Over a six year period \$224,452 were spent in legal expenditures. Also, the 1996 contract period provided that any outside counsel will require City's approval, and there isn't any record that it was obtained.

(These are the highlights from the January 1997 audit).

Mr. Clair responded by defending ATE's position. He stated that all discrepancies found on the internal audit have been dealt with.

Mr. Pena continued with his presentation. In order to illustrate why he has lost confidence in ATE, he continued highlighting other concerns besides the 1997 audit.

- a) A payroll audit, conducted on September 28, 1998, raised questions regarding the use of compensatory time. One exempt employee was getting comp-time while other exempt employees were not. In another case, a TMCL exempt employee was transferred with over \$18,000 of comp-time accrued.
- b) A pass channeling survey of the GAPI was conducted on December 14, 1998. Numerous discrepancies were found like a non-working video camera, systems not being reconciled on a daily basis.
- c) Finally on January 12, 1999 in a random cash audit it was discovered that they were exceeding the petty cash policy, and in addition they were spending money in lunches and dinners for the ATE management employees. This is not appropriate.

Mayor Flores expressed her interest in learning more on how we can manage the transit system in-house. She stated that this Council is interested in making the right decision on what is the best for the Transit System Employees and what is best for the traveling public. Also, she believes that the employees have a lot to gain from the 401K and wants this issue to be addressed.

Mr. Pena replied that the 401K was implemented by his insistence when he came on as a City Manager. There isn't a higher priority than to ensure that the employees of El Metro have comparable benefits as city employees, since they currently don't. It appears there is a good possibility, after El Metro becomes a non-profitable part of the City, that the employees may be able to join in the City's insurance program. Although this may provide an increased benefit to the employees, it will be subject to negotiation of the contract.

Mayor Flores reiterated that she wants to know what can happen instead of what may happen. She wants to be sure that

Council knows, going in, what the employees are going to gain, keep, make better. Whatever it is, she wants to be positive that this Council knows that for sure.

Mr. Pena replied that in terms of the union contract it will stay exactly as it is. In terms of the non-union employees, some research has been made on the 401K program, but it may require additional research. In terms of the salaries of non-union, they will remain the same. Other fringe benefits such as health insurance will remain the same, possibly better. At the present time, we don't foresee any changes in benefits or salaries.

Dan Migura, Administrative Services Director, explained that the trustee of the 401K plan was contacted in order to determine how to handle it. The trustee informed there were three options.

Option 1- Stop the plan and roll it over to an IRA.
Option 2- Rename the Plan with the new entity
Option 3- Merge it into another 401K.

In conclusion, there will not be any negative consequences because all these things can be established.

Mr. Clair reiterated that 401K plans are for private companies. The public non-private or the private non-profit is ineligible for 401K.

Mr. Pena informed that as of April 1, 1999 all TMCL's positions will not be impacted. There are no plans to degrade or eliminate any position. All TMCL employees will become part of El Metro, Inc.

There was discussion regarding the presentations and whether ATE/Ryder would be able to re-establish their credibility.

Cm. Galo stated for the record that the reason we are here, this late hour into the negotiations, is because Mr. Pena failed to do his job. When Council gave him a directive to go out and seek RFP's, he went behind Council's back and tried to set up this City's corporation instead of going out for bids. Then Cm. Galo commended the Ad-hoc Committee for their job, but wished there would have been other bidders. He also added that there isn't a great confidence level with the City's procedures since nobody informed him about the City Manager seeking information on the non-profit corporation.

Mr. Pena replied there are two issues here: 1) managing the transit system and 2) being able to do it in-house without an outside consultant. He added that when the motion was made he was influenced by the Council Committee's interest on the possibility of doing it in-house. So the question was whether it was possible and feasible to do it in-house; therefore it was the first decision he had to make.

Cm. Galo voiced his personal opinion. He would like to extend ATE's contract for 3 or 6 months because he believes that the City's proposal doesn't have everything packaged together.

Jaime Flores, City Attorney, stated that the collective bargaining agreement expires on March 20, 1999, which is basically around the corner. Logistically, it represents a problem because regardless of which proposal Council considers, it is late. His personal point of view is to provide a 90 day extension to ATE. In this way ATE will have an opportunity to demonstrate its improvements to Council, and Cm. Galo's request to extend ATE's contract would be served.

Mr. Pena outlined the benefits that the City will have if it manages the transit system. There will be more direct control and more direct lines of communication, besides saving \$100,000.

Cm. Galo expressed that City Council's objective should not be direct control but what's best for El Metro and what's best for the Union. Also there is a need for better management performance.

Cm. Alvarado stated that performance is the reason why we want to do something different. He added that his argument, all along, is that we are paying a managing firm with expertise and knowledge to do the job, and we are not getting good performance from them.

Mayor Flores added that since most concerns have been aired out, a decision needs to be made on which is the best proposal. She manifested that Mr. Clair didn't convince her with his proposal. On the other hand, thinks that Mr. Pena needs to polish his proposal. Furthermore, she suggested to him to get someone from his staff to act as the Lead Manager that will make the presentation to Council on behalf of the City's RFP; so that Mr. Pena will give his recommendations

on both contracts.

There was discussion on issues pertaining to the City's proposal.

Cw. Montalvo, acting as a member of the Ad Hoc Committee made a motion to go with the City's proposal and Cm. Agredano seconded her.

In conclusion, the Ad-Hoc Committee's recommendation for City Council is to go with the City's proposal.

Motion to adjourn.

Moved : Cm. Guerra

Second: Cm. Galo

For: 5

Against: 0

Abstain: 0

I HEREBY CERTIFY THAT THE ABOVE MINUTES CONTAINED IN PAGES 01 TO 09 ARE TRUE, COMPLETE, AND CORRECT PROCEEDINGS OF THE CITY COUNCIL WORKSHOP HELD ON THE 15TH DAY OF JANUARY, 1999. A CERTIFIED COPY IS ON FILE AT THE CITY SECRETARY'S OFFICE.


GUSTAVO GUEVARA, JR.
CITY SECRETARY

Minutes approved on: February 22, 1999