

STAFF REPORT

SUBJECT: California Vanpool Authority (CalVans)
Overview and Update

RECOMMENDED ACTION: Discussion

DISCUSSION:

SUMMARY:



In September 2017, the SJCOG Board authorized the executive director to join CalVans and execute a joint powers agreement. CalVans is a transportation agency established in 2012 to provide vanpool services to counties they represent. They are not an exclusive vanpool provider in San Joaquin County, but another option to existing private sector vendors. Their focus and niche has been in the agricultural industry providing vans to farm workers. However, they also provide general vanpool services.

San Joaquin County Supervisor Chuck Winn was interested in expanding options to provide essential services transportation to underserved portions of the county. This report is intended to provide an update in light of recent activity and actions by CalVans members and CalVans as well as an overview for new SJCOG members about CalVans and SJCOG's role. San Joaquin County Supervisor Chuck Winn serves as the board member on behalf of SJCOG.

In March 2020, results of a financial audit for FY 18-19 were shared with board members which triggered discussions and opinions by some CalVans member agencies. Kings County Area Public Transit Agency, Kern Council of Governments and Riverside County Transportation Commission formally expressed concerns or requests to withdraw from CalVans. Some of the common concerns included:

- Financial sustainability and debt
- Reduction in revenue
- Financial transactions conducted without board approval
- Transparency with member agencies
- Frequent cancellations of TAC and board meetings

The letters prompted the creation of an Ad-hoc Finance Committee of member agencies and a CPA to conduct review and 5-year analysis of the agency. CalVans staff has been transparent and provided all requested information regarding finances. A CPA memo and Corrective Action Plan by CalVans' executive director was presented at the board of director's meeting on November 12, 2020. Primary findings from the CPA report are as follows:

1. Authorization for Contracts and Financial Commitments:

Management entered into three separate financing agreements that did not receive authorization or approval from the board of directors. Although the CalVans JPA and policies do not appear to explicitly prohibit management from entering into these types of transactions without prior board of director's authorization, it is not recommended and can affect the governing board's ability to monitor the agency's financial operations and make financial decisions. Additionally, as a joint powers agency, CalVans is limited to the same policies and procedures of its most stringent member. As a result, the recommendation is to implement a policy for "Contracts and Financial Commitments" that would require board of director approval before any contract involving a financial commitment is entered into.

2. Utilization of Grants with Matching Requirements:

The financing commitments appear to have resulted from the agency borrowing to meet grant program matching requirements as well as operating cash flow needs. The recommendation is, in the future, before a grant with matching requirements is accepted and funded, the agency demonstrate the required matching funds available.

3. Deficit in Unrestricted Net Position

CalVans has a deficit unrestricted net position in the amount of \$821,199 as of June 20, 2019; the first fiscal year that the Agency has incurred a deficit net position. Management expects the deficit will be relieved through a combination of future revenues and reduction of expenses. To help monitor and eliminate the deficit, the recommendation is that that management provide to the board of directors more frequent financial review (in addition to the budget monitoring reporting currently done), instead of only reporting the complete agency financial condition to the board on an annual basis.

4. Accounting Policies & Procedures Manual

Although CalVans has various accounting policies and procedures, it is recommended that the agency develop a more formal accounting policies and procedures manual to incorporate the existing policies and procedures, including a policy for "Contracts and Financial Commitments" as mentioned above. Development of a formal manual should include management reviewing existing policies and procedures; eliminating or improving procedures to be more efficient and effective; and possibly adding new policies and procedures as deemed necessary.

A corrective action plan and response by CalVans executive director is attached to this report.

More information may be obtained from the board of director's meeting packet:

https://calvans.org/wpcontent/uploads/cv_pubpdfs/6057/CalVans%20Board%20of%20Directors%20Meeting%20Agenda%20Packet.pdf

SJCOG continues to be a member of the vanpool authority. CalVans provides a valuable service to the communities they serve. The long-term sustainability of the program will depend on the implementation of the corrective action plan and actions of member agencies. SJCOG staff will continue to monitor and evaluate closely in the near term and provide a follow-up report to the SJCOG Board when appropriate.

FISCAL IMPACT:

There is no cost to the member agencies to be part of the joint powers authority. Any debts, liabilities, and obligations shall be the sole responsibility of CalVans and not its officers,

employees, agents or member agencies. Through the dibs program, three vanpool subsidies are provided in the amount of \$400 per van for a total of approximately \$3,600 per year.

BACKGROUND:

CalVans is a joint powers Agency (JPA) that was formed in 2011 to own, operate, and administer a public vanpool transportation system within the territories of the member agencies. Originally established with five members, CalVans has expanded to include a total of 14 members representing 16 counties. The purposes and functions of CalVans include operating vanpool services and related activities, including, but not limited to, obtaining grant funds and borrowing funds for purchasing and leasing vans. Contributions, payments and advances from member agencies are also allowable sources of financing. Through the dibs vanpool program, general vanpools are eligible to apply for a vanpool subsidy. CalVans is not allowed to compete with member agencies for state and federal funding without prior written consent from the member agency.

The debts, liabilities, and obligations shall be the sole responsibility of CalVans and not its officers, employees, agents or member agencies. A member agency may withdraw at any time by filing a written notice of withdrawal 180 days before the actual withdrawal. Board meetings are held monthly at the Hanford Office and a call-in option would be available from the member agency office (SJCOG) as an alternative location.

The vanpool program was started in 2001 by Kings County Area Public Transit Agency to provide commuting services for state correctional officers and farmworkers. The program for state employees was established with the intent that CalVans would recover 100% of the operating costs; and the program for farmworkers was heavily funded by state and federal grants with the goal of establishing a self-sustaining program.

CalVans distinct benefits include:

- National Transit Database (NTD) reporting to increase 5307 Transit Funds for the transit operators in the UZA where the ridership was generated. CalVans does not receive any 5307 funds generated by the NTD ridership.
- Bi-lingual Support
- GPS and vehicle monitoring
- No credit or background check
- Advance notice not required to discontinue a vanpool

Vans by County

County	VP	FL	Total
Fresno	26	29	55
Imperial		27	27
Kern	14	2	16
Kings	33	1	34
Lake		4	4
Madera		1	1
Merced	3	2	5
Monterey		145	145

Napa		1	1
Riverside		17	17
San Benito		5	5
San Joaquin	3	2	5
Santa Barbara		135	135
Santa Clara		3	3
Tehama		1	1
Tulare	47	23	70
Ventura		32	32
Yuma		65	65
	126	495	621

There are five vans in San Joaquin County through CalVans. Three are considered vanpools (VP) and two are farm labor (FL) vans. All three VP vans travel from Lodi, Stanislaus and Sacramento to the Tracy Defense Depot. There is one active (one non-active) farm labor van which travels from Stockton to Linden for Empire Farm Labor Contractor. Through the dibs vanpool program, a subsidy of \$400 per month per van is provided to the three vanpools for approximately \$3,600 total per year.

ATTACHMENTS:

1. CalVans Corrective Action Plan

Prepared by Yvette Davis, Sr. Program Specialist

During the CalVans audit for the fiscal year ended June 30, 2019, and the review of specific financing transactions occurring after June 30, 2019, we identified the following areas that require management and the board of director's attention:

NEEDS IMPROVEMENT: GENERAL

Checklist Item #	Finding	Recommendation	Corrective Action (Transit Agency)	To Be Completed On or Before	Assigned Responsibility	Status
1	AUTHORIZATION FOR CONTRACTS AND FINANCIAL COMMITMENTS	<p>As previously indicated, management entered into three separate financing agreements with Merchants Automotive Group, Inc. that did not receive authorization or approval from the Board of Directors. The financing commitments occurred in February 2018 (36-month term loan in the amount of \$691,204); March 2020 (48-month term loan in the amount of \$1,000,000); and May 2020 (60-month term loan in the amount of \$1,852,870). Although the CalVans JPA and Agency policies do not appear to explicitly prohibit management from entering into these types of transactions without prior Board of Directors authorization, it is not recommended and can affect the governing board's ability to monitor the agency financial operations and make financial decisions.</p> <p>As a result, we recommend implementation of a policy for "Contracts and Financial Commitments" that would require Board of Director approval before any contract involving a financial commitment is entered into. The policy might also include restrictions on allowable financing terms (i.e., limitations for financing of operations; financing in excess of twelve months only allowable for capital asset transactions, etc.).</p>	<p>Executive Director has modified the recommended policy for "Contracts and Financial Commitments" establishing that Board of Director approval is required before any contract involving a financial commitment is entered into. The policy also includes restrictions on allowable financing terms (i.e., limitations for financing of operations; financing in excess of twelve months only allowable for capital asset transactions, etc.).</p> <p>RCTC requests, that for any staff report with a fiscal impact, the inclusion of a standardized fiscal impact section that clearly identifies if it is an activity within the approved budget or not, the current status of the impacted budget line item, and the extent to which it has an impact on member agencies.</p> <p>CalVans will resume the standard practice of bringing items forward to the CalVans Board only after they have been reviewed and vetted by the TAC unless a formal Executive Committee is formed as recommended by the Finance Committee.</p>	11/12/2020	Executive Director	In Progress
2	UTILIZATION OF GRANTS WITH MATCHING REQUIREMENTS	The financing commitments mentioned above appear to have resulted from the Agency borrowing to meet grant program matching requirements as well as operating cash flow needs. We strongly recommend in the future that before a grant with matching requirements is accepted and funded, the Agency have the required matching funds available.	Grant funding with matching requirements will not be entered into, accepted or funded, unless the Agency has the required matching funds available.	11/12/2020	Executive Director	Completed
3	DEFICIT IN UNRESTRICTED NET POSITION	CalVans has a deficit unrestricted net position in the amount of \$821,199 as of June 20, 2019; the first fiscal year that the Agency has incurred a deficit net position. It is expected that the deficit will be relieved through a combination of future revenues and reduction of expenses. To help monitor and eliminate the deficit, we recommend that management provide to the Board of Directors more frequent financial review (in addition to the budget monitoring reporting currently done), instead of only reporting the complete Agency financial condition to the board on an annual basis. This would include presenting summarized statements of net position and revenues & expenses.	To help monitor and eliminate the deficit, management will provide the Board of Directors quarterly financial updates, in addition to the annual budget monitoring. This will include presenting summarized statements of net position and revenues & expenses.	11/12/2020	Executive Director	Ongoing

Checklist Item #	Finding	Recommendation	Corrective Action (Transit Agency)	To Be Completed On or Before	Assigned Responsibility	Status
4	ACCOUNTING POLICIES & PROCEDURES MANUAL	Although CalVans has various accounting policies and procedures, we recommend that the Agency develop a more formal accounting policies and procedures manual to incorporate the existing policies and procedures, including a policy for "Contracts and Financial Commitments" as mentioned above. Development of a formal manual should include management reviewing existing policies and procedures; eliminating or improving procedures to be more efficient and effective; and possibly adding new policies and procedures as deemed necessary.	<ol style="list-style-type: none"> 1. Management to review existing policies and procedures annually 2. Eliminating or improving procedures to be more efficient and effective in all departments 3. Add new policies and procedures as needed 	11/12/2020	Executive Director	Ongoing
5	REDUCTION TO OVERALL BUDGET		<ol style="list-style-type: none"> 1. Overview of Insurance policies and coverages 2. Reduction in overall cost of insurance by reducing unnecessary coverages <p>In an effort to further reduce costs and to align agency spending with the approved FY 20/21 budget the following actions were taken during the first quarter of FY 20/21.</p> <ol style="list-style-type: none"> 1. Personnel reductions of 8 operations employees across all regions 2. Salary, step increase and hiring freeze 3. Demotion of the Transit Coordinator position to Transit Assistant 4. Reverting all staff to December 2019 wages and reduction of wages by an additional 7.25% for all administrative staff 5. Changes took effect in September 2020 and are anticipated to save \$20k per pay-period 	11/12/2020	Executive Director	Ongoing
6	INCREASES TO OVERALL OPERATIONAL REVENUE		<p>In an effort to further reduce costs and to align agency spending with the approved FY 20/21 budget the following actions were taken during the last quarter for FY 19/20 and the first quarter of FY 20/21.</p> <ol style="list-style-type: none"> 1. Impose a Cleaning Fee of \$250 for excessively dirty or trashed vans 2. No longer allow employers to take vehicles to areas not in a CalVans service area. 3. Impose a Minimum Fee for vehicles that are not in service and in driver/employer possession 4. Continue to pay vehicles using recommended schedule vs. early pay off to avoid terminations fees. 	11/12/2020	Executive Director	Ongoing