

**THIS STAFF REPORT COVERS CALENDAR ITEM NO.: 7.2
FOR THE MEETING OF: October 14, 2010**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Authorize the Executive Director to execute Amendment No. 1 to the Agreement for Human Resources Management between the TJPA and Local Government Services, extending the term for a period of two (2) years.

EXPLANATION:

In October 2007, the TJPA executed an agreement with Local Government Services (LGS) to provide human resources services to the TJPA. The term of the agreement was for three (3) years with an option to extend for two (2) years. The services include providing and administering employee benefits, and processing payroll for the TJPA. LGS, a joint powers authority, provides these employment services for many California public agencies. LGS manages all benefits and insurance contracts, tax filings, and payroll processing. Under this arrangement, agencies like the TJPA do not have to negotiate and maintain separate contracts with each benefit provider, or hire human resources staff. Having LGS negotiate benefits contracts for a pool of public agencies is more cost-effective than TJPA entering into such agreements on its own.

LGS provides these employment services for a negotiated administrative fee. Salaries and benefits are funded by the TJPA on a monthly pass-through basis as invoiced by LGS. TJPA staff has negotiated a reduction in the administrative fee for the proposed two-year extension. The current and proposed fees are shown below:

Employee	ORIGINAL Admin Fee	CURRENT Admin Fee (after annual CPI increases)	Employee	PROPOSED Admin Fee
1 st Employee	\$1,375 per month	\$1,457 per month	Employees 1 through 10	\$750 per month /employee
Employees 2 through 6	\$1,000 per month/employee	\$1,060 per month/employee		
Employees 7 through 11	\$750 per month /employee	\$795 per month /employee		
Each Additional Employee, 12 th employee and thereafter	\$500 per month /employee	\$530 per month /employee	Each Additional Employee, 11 th employee and thereafter	\$500 per month /employee

The amendment also removes the automatic Consumer Price Index-based increase to the fee each year. LGS may request, and TJPA may approve, reasonable cost-of-living adjustments to the fee based on the CPI, but the adjustments will no longer be applied automatically at July 1 each year.

The Agreement currently has a maximum amount of \$500,000 for the Administrative Fee. Amendment No. 1 increases the maximum compensation for the Administrative Fee by \$85,000 to provide sufficient authorized budget for two more years. Salaries and benefits will be paid based on actuals, in amounts not to exceed the amounts approved by the TJPA Board each year in the fiscal year budget.

RECOMMENDATION:

Staff recommends that the Board of Directors authorize Executive Director to execute Amendment No. 1 to the Agreement for Human Resources Management between the TJPA and Local Government Services, extending the term for a period of two (2) years.

ENCLOSURES:

1. Resolution
2. Amendment

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, On October 18, 2007, the TJPA Board of Directors resolved to authorized the award of an Agreement for Human Resources Management, including Administration and Reporting of Benefits and Payroll Services (Agreement) to Local Government Services Authority (LGS); and

WHEREAS, The Agreement expires on October 18, 2010; and

WHEREAS, The Agreement has an option to extend for two additional years; and

WHEREAS, Contracting with LGS for provision of employee benefits and payroll processing services is a cost-effective method for TJPA to handle these services; and

WHEREAS, TJPA staff has negotiated a reduction in the administrative fee for the two-year extension period; now, therefore, be it

RESOLVED, That the TJPA Board of Directors authorizes the Executive Director to execute Amendment No. 1 to the Agreement with LGS for Human Resources Management Services, extending the term for an additional two (2) years.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of October 14, 2010.

Secretary, Transbay Joint Powers Authority

Amendment No. 01
Professional Services Agreement between
the Transbay Joint Powers Authority and Local Government Services

THIS Amendment No. 1 to the Professional Services Agreement to furnish benefits and payroll administration services dated October 18, 2007 (“Agreement”) is entered into as of the _____ day of _____, 2010 in San Francisco, California, by and between **Local Government Services** (“Contractor”), and the **Transbay Joint Powers Authority** (“Authority”).

The TJPA and Contractor desire to extend the term of the Agreement, increase the maximum compensation, and alter the fee structure of the Agreement. The TJPA and Contractor agree to amend the following sections of the Agreement in their entirety to read as follows:

2. Term of the Agreement.

Subject to Section 1, the term of this Agreement shall be for a term of five (5) years from the Effective Date of the Agreement. The Effective Date of the Agreement is October 18, 2007.

5. Compensation

The amount of TJPA’s obligation under this Agreement for Contractor Fees for provision of Services shall not exceed Five Hundred Eighty-Five Thousand dollars (\$585,000). The amount of TJPA’s obligation under this Agreement for salaries and benefits for Contractor staff assigned to TJPA shall be for actual salary and benefit costs, and supported estimates for present-value funding of future benefit obligations, to the extent such costs are included in the annual fiscal year budget approved by the TJPA Board of Directors. The breakdown of the Contractor’s fees appears in Appendix A, Scope of Services and Compensation.

The TJPA may withhold payment to the Contractor in any instance in which the Contractor has failed or refused to satisfy any material obligation provided for under this Agreement.

The TJPA and Contractor also agree to amend Appendix A, as attached hereto.

All other provisions of the Agreement shall remain in full force and effect.

**TRANSBAY JOINT POWERS
AUTHORITY**

Maria Ayerdi-Kaplan
Executive Director

Transbay Joint Powers Authority
Board of Directors
Resolution No. _____
Adopted: _____
Attest:

Secretary, TJPA Board

LOCAL GOVERNMENT SERVICES

Signature

Printed Name

Tax Identification Number

APPENDIX A
SCOPE OF SERVICES AND COMPENSATION

SCOPE OF SERVICES

Local Government Services (“LGS” or “Contractor”) will provide appropriate staff to execute the TJPA objectives to design, build and operate the new Transbay Transit Center Program (“Program”). The Program includes the development of a new bus and rail station on the site of the current Transbay Terminal in San Francisco that will accommodate transit operators, including MUNI, BART (through an underground pedestrian connection), SamTrans, Golden Gate Transit, Greyhound, AC Transit, WestCat, Caltrain and future High Speed Rail. The Program also includes the extension of Caltrain from its current terminus at 4th and Townsend Street into the new Transbay Transit Center building. LGS will provide Support Services listed below:

- Payroll
- Payroll Reporting
- Benefits Administration
- Human Resources Management Assistance
- Fiscal Year End Audit Schedules and Reports (for the services noted above)

COMPENSATION

1. Fees. The TJPA agrees to pay to LGS the full cost of salaries and benefits for the employees. Salaries are on an annual basis but will be prorated to a bi-monthly basis, as necessary for billing purposes.

LGS and the TJPA acknowledge and agree that compensation paid by the TJPA to LGS under this Agreement is based upon LGS’ costs of providing the services required hereunder, including salaries and benefits of LGS employees. Consequently, the Parties further agree that compensation under this Agreement is intended to include the costs of contributions to any pensions and/or annuities, as well as escrowed funds to meet the terms of LGS employment agreements for which LGS may be obligated for its employees or may otherwise be contractually obligated.

Reimbursement of LGS’ Administrative Cost. The TJPA shall reimburse LGS for LGS overhead, and direct external costs (Administrative Costs). Overhead costs are those expenses necessary to administer this Agreement other than direct salary and benefit costs of the staff assigned below. In recognition of the anticipated staggered starting dates of staff assigned to the TJPA, overhead charges will be staggered per the following schedule of payments. This reimbursement schedule will be adjusted to synchronize with the first day of the month of hiring.

<u>Employee</u>	<u>Administrative Cost Rate</u>
Employees 1 through 10	\$750 per month for each employee
Each Additional Employee, 11 th employee and thereafter	\$500 per month for each employee

These rates are to remain fixed for the remaining contract period, except that requests for reasonable cost of living adjustments will be considered by the TJPA, based upon the San Francisco Bay Area Consumer Price Index for Urban Wage Earners and Clerical Workers.

2. Terms of Payment. LGS shall submit monthly invoices for approval of the TJPA. Invoices including all undisputed amounts are due within forty-five (45) days of receipt. The TJPA may dispute any invoice or portion thereof by providing LGS with a written Notice of Dispute objecting to the nature and amount of the invoice within forty-five (45) days following receipt. Upon LGS' receipt of a Notice of Dispute, LGS and the TJPA shall meet and attempt to resolve the dispute prior to the next monthly invoice cycle. If the dispute cannot be resolved prior to the next monthly invoice cycle, the parties shall proceed to mediation. If the dispute cannot be resolved prior to the next monthly invoice cycle, the parties may agree to mediate the dispute in accordance with procedures to be mutually agreed upon. LGS shall retain its rights to enforce payment as a default under this Agreement as provided in Section 19.
3. Payment Address. All payments due LGS shall be paid to: LGS, in care of McGilloway & Ray Accountancy, 2511 Garden Rd., Suite A-180, Monterey, CA 93940-5381.
4. LGS Salaries. LGS Staff salaries will be adjusted annually, effective December 1, by the San Francisco Bay Area Consumer Price Index for Urban Wage Earners and Clerical Workers. The index change used will be for the 12 months ending October 31.

Merit increases for LGS Staff, except for the Clerk of the Board and the Executive Director, will be recommended to LGS by the TJPA Executive Director. The TJPA Board will recommend merit increases for the Clerk of the Board and the Executive Director.

5. Advance Payment. The Advance Payment clause in the original Agreement between TJPA and LGS, dated November 24, 2003, will continue in full force as follows. LGS shall maintain the \$240,000 that the TJPA has paid to LGS that will serve as a reserve or escrow account to meet the obligations of LGS employment agreements for TJPA staff. This reserve will be expended or used to cover obligations of LGS employment agreements for TJPA staff, and as such will serve as prepaid expense for certain obligations. All other salary and benefit costs and administration and overhead expenditures shall be billed to the TJPA when they are incurred and shall be paid by TJPA within 45 days of receipt. LGS shall provide a full accounting of payroll expenses in itemized form on all invoices submitted to the TJPA and the impact on the \$240,000 reserve balance. Should the reserve balance fall below an amount necessary to cover possible LGS costs for employment agreements with TJPA staff, including administrative and overhead costs, an additional amount shall be billed to and paid by the TJPA for the shortfall. LGS shall maintain reserve or escrow funds in an interest-bearing account. Should any or all of these funds be unspent upon termination and final settlement of this Agreement, LGS shall return those funds less any remaining LGS expenses to the TJPA with interest at the rate earned by LGS on such funds.