

Officials terminate contract with South Shore bus provider

By Kathryn Reed



MV Transportation is being told to hand over the keys to the South Shore transit operation and to cease operating BlueGo as of noon June 20.

A letter from South Tahoe Areas Transit Authority attorney Michael McLaughlin dated May 28 to MV Transportation says STATA is terminating the three-year contract that was signed June 5, 2009.

The Fairfield-based company took over on an emergency basis when ATM abruptly left. Then it came on board to operate the bus and trolley system with the long-term contract.

Financial issues have plagued the relationship from the get-go. STATA took an \$800,000 loan from MV last year that it was supposed to start to pay back July 1. The loan is for five years.

Nikki Frenney of MV says STATA owes \$1.2 million dating to August for services rendered.

Stacy Dingman, board member and spokeswoman for STATA, says STATA this year has written checks to MV for \$1.2 million, including a \$500,000 payment in April.

Monthly costs fluctuate based on hours of service combined with fixed costs. Dingman did not have those figures.

The attorney's letter says, "Please be assured that STATA has every intention of working with MV toward a mutually-agreeable repayment plan to satisfy its obligations to MV; however, STATA's present financial condition provides no opportunity for it to obtain a letter of credit or any other security for the debt, as requested in MV's May 21, 2010, letter."

The exact amount owed is in dispute and is off by about a quarter million dollars.

MV last month had threatened to suspend service if the financial situation did not improve, but it did not expect the contract to be terminated.

"Like any business we cannot continue to operate and not be paid. We are paying drivers and servicing the buses," Frenney said. "They are doing business without having the ability to pay for the service."

STATA's stance is there is no way bus service on the South Shore is going to be interrupted.

To keep things rolling, TRC Consultants, which was brought in early this year, will operate the bus system when MV's obligations cease. TRC and LSC, another transportation consultant, are working to get the system solvent, Dingman said.

"They have already found opportunities that will ensure improvements," Dingman said of TRC. She said TRC has had complete access to the books so officials know what they are getting into.

As for being able to pay TRC, Dingman said the money would come from grants that had not been previously secured, cost-savings TRC has proposed and "doing things smarter all the way around."

Cash flow has long been a problem for STATA. The agency gets

grants, funding from California, Nevada, the federal government, and money from the member partners. Dingman said bankruptcy is not an option that is being considered.

If the wheels on the buses don't keep going round and round, it's possible STATA would have to pay back some of the money it has received.

Federal Transit Administration officials at the San Francisco office did not return a call.

Dingman said the contract with TRC had not been signed as of Tuesday afternoon. It will be for no more than one year, as is allowed in an emergency situation.

Changes to routes will need to go through public hearings. In South Lake Tahoe the City Council must sign off on them. Dingman has said those changes are coming. It's a matter of when, not if.