

Date of Hearing: June 7, 2023

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

SB 304 (Laird) – As Amended March 20, 2023

**SENATE VOTE:** 37-0

**SUBJECT:** Monterey-Salinas Transit District: public contracting.

**SUMMARY:** Changes requirements for the purchase of services, supplies, equipment and materials by the Monterey-Salinas Transit District (MST). Specifically, **this bill:**

- 1) Increases the bid threshold for MST to award contracts for the purchases of supplies, equipment, and materials, from \$100,000 to \$150,000, and makes conforming changes.
- 2) Increases the threshold that requires MST to obtain a minimum of three quotations for the purchase of supplies, equipment, or materials costing less than \$150,000, from \$2,500 to \$10,000, as specified.
- 3) Includes the purchase of services in the thresholds specified above, until January 1, 2030, and specifies that “services” shall not include construction of public projects, as defined, or architectural, landscape architectural, engineering, environmental, land surveying, or construction project management services.
- 4) Provides that, if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to existing law governing state mandated local costs.

**EXISTING LAW:**

- 1) Creates MST to include all of the County of Monterey, with specified powers and duties related to public transit service.
- 2) Requires public agencies to obtain competitively bid contracts for construction projects, and contracts for supplies, equipment, and materials above a specified cost threshold. This amount varies depending on the public agency and whether it is a city, county, special district, or school, and other variables.
- 3) Requires MST to award contracts for the purchase of supplies, equipment, and materials in excess of \$100,000 to the lowest responsible bidder, or to the responsible bidder that provides the best value, as provided.
- 4) Requires MST to obtain a minimum of three quotations, as provided, that permit prices and terms to be compared, whenever the expected expenditure required for the purchase of supplies, equipment, or materials exceeds \$2,500 but does not exceed \$100,000.

**FISCAL EFFECT:** According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

**COMMENTS:**

- 1) **Bill Summary.** This bill increases, from \$100,000 to \$150,000, the dollar amount that requires MST to purchase supplies, equipment, and materials through a formal bid process. This bill also increases, from \$2,500 to \$10,000, the dollar amount that requires MST to obtain a minimum of three quotations for the purchase of supplies, equipment, or materials that are expected to cost less than \$150,000 and are, therefore, not subject to formal bidding procedures.

This bill also includes the purchase of services in the contracting requirements outlined above. However, the purchase of services does not include the construction of public projects or architectural, landscape architectural, engineering, environmental, land surveying, or construction project management services. The inclusion of services sunsets on January 1, 2030.

This bill is sponsored by MST.

- 2) **Author's Statement.** According to the author, "Existing law authorizes the Monterey-Salinas Transit District (MST) to streamline purchasing agreements for projects under \$100,000. This threshold has not been updated since 2010, and rising costs from inflation have complicated and delayed MST projects. Senate Bill 304 updates MST's expedited procurement threshold from \$100,000 to \$150,000 to reflect rising costs, and to align with the Federal Transit Administration's established limit. This ensures MST can continue completing small projects efficiently while maintaining the best use of public funds."
- 3) **Background.** MST was created by AB 644 (Caballero), Chapter 460, Statutes of 2009, and officially formed July 1, 2010. The district succeeded the Monterey-Salinas Transit Joint Powers Agency, which formed in 1981 when the City of Salinas joined the Monterey Peninsula Transit Joint Powers Agency (originally formed in 1972).

MST consists of the cities of Carmel, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Pacific Grove, Salinas, Sand City, Seaside, Soledad and Monterey County. A board of directors with a representative from each member jurisdiction governs the agency and appoints the general manager.

MST provides fixed route bus service on 34 routes to nearly 450,000 people in Monterey County. They operate 130 buses covering 159 square miles. MST also provides paratransit service through the MST Rides program for people who have a disability that prevents them from using MST's regular fixed route bus service.

- 4) **Policy Consideration and Committee Amendment.** MST's contract thresholds have not been updated for more than a decade. Most of the increases contained in this bill are consistent with an inflationary adjustment. However, the increase in the dollar amount that requires MST to obtain at least three quotations for purchases under the formal bid threshold – from \$2,500 to \$10,000 – is much higher than an inflationary adjustment would be. The Committee may wish to change this threshold to \$5,000 (instead of \$10,000).

- 5) **Previous Legislation.** AB 2015 (Cooley, Chapter 182, Statutes of 2022) – Made various changes to the Sacramento Regional Transit District (SacRT) Act, including increasing certain bid thresholds.

AB 1833 (Ward, Chapter 100, Statutes of 2022) – Made changes to various bidding thresholds for the San Diego Metropolitan Transit System (MTS), the North County Transit District (NCTD), and the San Diego Association of Governments (SANDAG).

SB 333 (Eggman, Chapter 217, Statutes of 2021) – Increased the bid threshold for San Joaquin Regional Transit District’s (RTD) purchase of supplies, equipment and materials, from \$50,000 to \$75,000, and allowed the district to award a contract to the responsible bidder who submits a proposal that provides the best value to the district

AB 2711 (Eggman, 2020) – Was similar to SB 333. This bill was held in the Assembly Local Government Committee.

AB 1089 (Stone, Chapter 107, Statutes of 2019) – Increased the bid threshold for the purchase of supplies, equipment, and materials by the Santa Cruz Metropolitan Transit District and allowed the use of best value for these contracts, and altered appointments and reimbursements for the district’s board of directors.

AB 3177 (Chavez, Chapter 544, Statues of 2018) – Made various changes to certain bidding requirements for the NCTD, as specified.

AB 2030 (Mullin, Chapter 143, Statutes of 2016) – Changed specified bidding requirements for BART and the San Mateo County Transit District, including bid threshold increases for the purchase of supplies, equipment, and materials.

AB 644 (Caballero, Chapter 460, Statutes of 2009) – Enacted the Monterey-Salinas Transit District Act which dissolved the Monterey-Salinas Transit Joint Powers Agency and created the Monterey-Salinas Transit District within Monterey County to succeed to the rights, powers, duties, and obligations of the agency. The bill also created a board of directors to govern the district. The bill established thresholds for MST to award contracts for the purchase of supplies, equipment, and materials in excess of \$100,000 to the lowest responsible bidder, or to the responsible bidder that provides the best value.

- 6) **Arguments in Support.** The Monterey-Salinas Transit District, sponsor of this measure, writes, “Under Section 106057 of the Public Utilities Code, MST is currently required to purchase all supplies, equipment, and materials by contract, let to the lowest responsible bidder, or by best value, through a formal solicitation when the expenditure required exceeds \$100,000. This threshold allows small, routine purchases under the \$100,000 threshold to be carried out expeditiously without the necessity of going through a formal bid process, allowing MST to conserve time and resources. Over the last decade, the costs for supplies, equipment, and materials have risen significantly while MST’s procurement limits have remained constant. This means that minor repairs, projects or supply purchases (such as bus parts and facilities equipment) increasingly exceed the limits, requiring a lengthy formal bid process, adding more time and requiring more resources to conduct routine procurements. Additionally, MST has seen certain small services engagements, for things like a consultant

to prepare a zero-emission bus transition plan, subjected to lengthy procurements that slow responsiveness and present operating challenges.

“This bill would increase, from \$100,000 to \$150,000, the point at which purchases of supplies, equipment, and materials are subjected to a formal bid process. This threshold is in-line with Federal Transit Administration (FTA) procurement standards and mirrors similar provisions in other transit districts’ procurement statutes. The bill’s revised threshold also keeps pace with inflationary adjustments, tracking closely with CPI over the last 12 years. This bill also raises the requirement for MST to obtain at least three quotations on smaller purchases to anything exceeding \$10,000 (up from the current level of \$2,500). Finally, the bill would subject the procurement of any “services” obtained valued at less than \$150,000 to the streamlined process. We firmly believe that modernizing MST’s procurement practices will provide parity with its federal partners, while achieving time and cost savings.”

7) **Arguments in Opposition.** None on file.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

Monterey-Salinas Transit District [SPONSOR]  
City of Gonzales  
City of Marina  
City of Monterey  
City of Salinas  
King City  
Monterey County Board of Supervisors  
Transportation Agency for Monterey County

##### **Opposition**

None on file

**Analysis Prepared by:** Angela Mapp / L. GOV. / (916) 319-3958