



Minnesota Regional Transit
Board: Records.

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Mears Park Centre
230 East 5th Street
St. Paul, Minnesota 55101
612/292-8789

REGIONAL TRANSIT BOARD

Monday, March 26, 1990
Mears Park Centre
4:00 p.m.

MEETING NOTICE

At the Regional Transit Board meeting on Monday, March 19, the members agreed to recess the meeting, to be reconvened at the call of the chair, in the event that further action is required regarding the request by Laidlaw Transit that the board reassign certain contract obligations from Medicine Lake Lines Bus Company to Laidlaw. At the meeting on March 19 the board conditioned approval of the reassignment on the provision by Medicine Lake Lines Bus Company of a bond or other financial device to cover costs of determined and estimated audit exceptions. A response to MLL is expected to this issue. Therefore, the meeting will be reconvened at the time and place shown above. No other issues will be discussed at this meeting.

The meeting of the Policy Committee will be held immediately after this meeting of the board.

Michael J. Ehrlichmann
Chair



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Chair

REGIONAL TRANSIT BOARD

ROLL CALL AND ATTENDANCE SHEET

DATE: March 26, 1980

BOARD OR COMMITTEE: Board

Member Name	Present	Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote
			Lay only						
Mike Ehrlichmann	✓								
Doris Caranicas (P)	✓								
John Finley (A&F)	✓								
Ruth Franklin (A&F)	✓								
Ed Kranz (A&F)	✓								
Sandra Hilary (P)	✓								
Terry O'Toole (P)	✓								
Jeff Spartz (Chair-P)	✓								
Norbert Theis (P)	✓								
El Tinklenberg (Chair-A)	✓								
Richard Wedell (A&F)	✓								

Visitors

J. Johnson MCL
M. Le Beau
C. Wansa.
W. Johnson LL

Staff

eh ga ph nf

Handwritten B

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 ROBERT L. HOFFMAN
 JACK F. DALY
 D. KENNETH LINDGREN
 WENDELL R. ANDERSON
 GEPALD H. FRIEDEL
 ALLAN E. MULLIGAN
 ROBERT J. HENNESSEY
 JAMES C. ERICKSON
 EDWARD J. DRISCOLL
 GENE N. FULLER
 DAVID C. SELLERGRIN
 RICHARD J. KEENAN
 JOHN D. FULLMER
 ROBERT E. BOYLE
 FRANK I. HARVEY
 CHARLES S. MODELL
 CHRISTOPHER J. DIETZEN
 JOHN R. BEATTIE
 LINDA H. FISHER
 THOMAS P. STOLTMAN
 STEVEN G. LEVIN
 MICHAEL C. JACKMAN
 JOHN E. DIEHL
 JON S. SWIERZEWSKI
 THOMAS J. FLYNN
 JAMES P. QUINN
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 STEPHEN B. SOLOMON
 PETER K. BECK
 JEROME H. KAHNKE
 SHERRILL R. OMAN
 GERALD L. SECK
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 CHARLES R. WEAVER
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 ANDREW J. MITCHELL

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 MICHAEL B. LE BARON
 FRANCIS E. GIBERSON
 TRACY R. EICHHORN-HICKS *
 AMY DARR GRADY
 CATHERINE BARNETT WILSON *
 JEFFREY C. ANDERSON
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 TIMOTHY J. McMANUS
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 JOHN J. STEFFENHAGEN
 DANIEL W. VOSS
 MARK A. RURIK
 JOHN R. HILL
 JAMES K. MARTIN
 STEVEN P. KATKOV
 THOMAS J. SEYMOUR

March 20, 1990

Mr. James Johnson
 Vice President
 Medicine Lake Lines
 835 Decatur Avenue North
 Golden Valley, Minnesota 55427

Dear Mr. Johnson:

This letter describes the actions taken by the Regional Transit Board on March 19, 1990. At that time, the RTB considered your request to transfer certain contracts from Medicine Lake Bus Company (MLBC) to Laidlaw Transit, Inc. (Laidlaw).

CONTRACTS.

You requested that the RTB approve changes in service provider for transit service under four contracts:

1. Medicine Lake Lines regular route transit;
2. ABC Weekender;
3. University of Minnesota/Route 52; and
4. Plymouth Metro Link.

Each of these services is performed under a separate contractual arrangement between the Regional Transit Board and either MLBC directly or the prime contractor for which MLBC performs the transit service.

Regular Route Service. The RTB and MLBC have a contract for regular route service to be provided during the period ending March 31, 1990. This contract provides for a subsidy of auditable expenses and may not

OF COUNSEL
 JOSEPH GITIS
 RICHARD A. NORDBY
 DAVID J. PEAT
 * ALSO ADMITTED IN WISCONSIN

LARKIN, HOFFMAN, DALY & LINDGREN, LTD.

Mr. James Johnson
March 20, 1990
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be assigned unless the RTB consents. This contract also contains authority for the RTB to withhold payments to MLBC in the event that action is necessary in order to satisfy outstanding financial obligations for reimbursement of overpaid subsidy as determined by subsequent audits.

ABC Weekender. RTB and MLBC have a direct contract for MLBC to provide the ABC Weekender service in Anoka County. The service to be provided under this contract was to be provided by MLBC until March 31, 1990; however, that expiration date was extended to June 30, 1990, subject to certain contingencies.

University of Minnesota Route 52. The RTB has a contract with the University of Minnesota (U of M) pursuant to which the U of M is granted a subsidy to pay for transit service on Route 52. The subcontractor serving Route 52 is to be approved by the RTB. The RTB has approved the U of M subcontract with MLBC and has now been requested to approve a subsequent subcontract with Laidlaw.

Plymouth Metro Link. RTB presently has a subsidy contract with the City of Plymouth to provide Plymouth Metro Link transit service. The agreement between RTB and the City of Plymouth provides for a grant of funding to the City of Plymouth which the City is to use to contract for transit services. The City has previously, with the approval of the RTB, contracted with the MLBC to provide this service. The City has recently awarded this service to the Metropolitan Transit Commission, effective April 1, 1990.

REQUEST FOR ASSIGNMENT.

Laidlaw and MLBC have requested the RTB approve the assignment of the Regular Route Service and ABC Weekender contracts and substitution of provider for the Route 52 service. This apparently would be done as part of Laidlaw's acquisition of MLBC. Laidlaw has clearly stated it is only acquiring certain assets of MLBC and none of the liabilities. This could create a problem for RTB if it approves the situation that puts MLBC in a position whereby MLBC is unable to satisfy its audit obligations to RTB.

FINANCIAL ASSURANCE FOR AUDIT.

Under all of its contracts, RTB reserves the right (and is required by law) to audit the transit service provided. Because the contract reimburses expenses, the audit is necessary to document those expenses and determine the final amount of subsidy. Medicine Lake Lines transit services has been audited for the last half of 1986 and all of 1987. The period July 1, 1984 through June 30, 1986 and the years

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Mr. James Johnson
March 20, 1990
Page 3

1988 and 1989 have not been audited. The audit results of the audit of the western suburbs regular route transit service for the period July 1986 through December 1987 cited overpayment to MLBC of approximately \$543,000 in transit subsidies. If the audit of the rest of the unaudited period since July 1984 contains similar results, the total potential liability of MLBC for Regional Transit Board Audit exceptions would exceed \$2,000,000.

RTB ACTION.

Upon recommendation of its staff and after thorough review and discussion of the matter by the administration and finance committee of the RTB, a conditional approval of assignments and/or substitution of subcontractors was approved. The RTB action makes approval of the substitution conditioned on MLBC taking acceptable action with respect to financial assurance for satisfaction of audit claims described above. The RTB directions to staff allow flexibility to MLBC in presenting financial assurance.

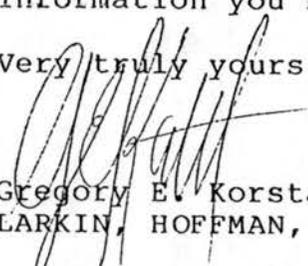
The specific action by the RTB is to authorize the executive director to amend transit service agreements contingent on Medicine Lake Lines securing a bond or such other security as may be sufficient to cover MLBC's potential liability for RTB audit exceptions. The specific contracts for which Laidlaw Transit would be substituted for Medicine Lake Lines are:

1. As subcontractor for the regular route service in the western suburbs through March 31, 1990. MLBC would continue to be the prime contractor for this service.
2. As contractor for the ABC Weekender service through July 31, 1990, in amount not to exceed \$21,400.
3. As subcontractor for the University of Minnesota/Route 52 service.

This approval is also contingent on MLBC meeting all of its obligations to provide transit service through March 31, 1990.

We have been directed to work with you in getting these matters resolved. Please give me or RTB staff a call if there is any other information you need.

Very truly yours,


Gregory E. Korstad, for
LARKIN, HOFFMAN, DALY & LINDGREN, Ltd.

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GEK:FW4s

REGIONAL TRANSIT BOARD

Mears Park Centre
230 East Fifth Street, St. Paul, Minnesota 55101
612/292-8789

Haulout 3/26
A

DATE: March 26, 1990
TO: Regional Transit Board
FROM: Edward Kouneski, Manager of Programs
SUBJECT: Contract Services Operated by Medicine Lake Lines

SUMMARY

This memorandum presents staff recommendations for Board approval concerning the contract services currently operated by Medicine Lake Lines (MLL) Bus Company.

BACKGROUND

On March 16, 1990, the RTB conditionally approved the substitution of Laidlaw Transportation, Inc. as follows:

1. As subcontractor for the Metrolink service in Plymouth, pending a decision by the city council.
2. As subcontractor to MLL for the regular route service in the western suburbs through March 31, 1990.
3. As subcontractor for the University of Minnesota Route 52 service.
4. As contractor for the ABC Weekender service through July 31, 1990.

The board also conditionally approved Laidlaw as contractor for the western suburb regular route service under a new hourly rate agreement effective April 1, 1990 through March 31, 1991.

One of the conditions imposed by the board is that MLL obtain a bond or provide some other form of security to cover outstanding audit obligations. To date, MLL has not responded. Another condition is the completion of the sale of assets to Laidlaw from MLL in order for Laidlaw to have vehicles to operate the service.

On March 23, 1990, the RTB received a press release announcing that MLL had filed for bankruptcy, and that it intends to proceed with the sale of certain assets to Laidlaw while operating current services as scheduled.

DISCUSSION

Plymouth Metrolink

On March 16, 1990, the Plymouth city council selected the Metropolitan Transit Commission (MTC), with Morley Bus Company, to operate Plymouth Metrolink service

effective April 1, 1990 for a one-year period. Plymouth will solicit competitive proposals for operation of the service beginning April 1991.

Western Suburb Regular Route

The current RTB contract with MLL to serve the western suburban communities of Golden Valley, New Hope, and Crystal expires March 31, 1990. The RTB is not obligated to renew this contract with MLL. Our plan has been to competitively bid the service this year in conjunction with the Plymouth Metrolink service, for a start date of April 1, 1991.

MLL previously indicated that it would operate the service only with an hourly rate service agreement. MLL proposed a price of \$58.00 per hour, which is nearly 20 percent less than the cost of the current contract and is approximately 10 percent lower than the MTC's marginal cost to provide the same service. Laidlaw agreed to operate the service at the same rate MLL proposed, if it were to acquire the associated assets.

Given MLL's bankruptcy filing, the RTB has no assurance that MLL will be able to perform the service for the duration of the contract. The sale of assets to Laidlaw now cannot be accomplished without court approval. It is our understanding that Laidlaw currently does not have vehicles available to operate the service. Therefore, staff recommends that the contract be awarded to the MTC.

University of Minnesota Route 52

The University of Minnesota currently holds a contract with MLL to perform service through June 30, 1991. The University has prepared a consent agreement to be executed with Laidlaw and MLL that ensures no change in the levels of service and expense. Staff recommends that the board approve the University's request to assign this contract to Laidlaw, contingent on court approval and execution of the consent agreement.

ABC Weekender

The existing RTB contract with MLL to operate ABC Weekender service expires June 30, 1990. MLL can assume this contract with court approval but has not yet informed the RTB of its intentions. RTB staff has had discussions with Morley Bus Company, which is prepared to operate the service at the existing hourly rate.

RTB staff recommends that MLL be notified to state its intentions in writing and that the contract be extended through July 31, 1990 to coincide with the new start date for the Anoka County dial-a-ride service. This action will not require a budget amendment.

ACTIONS REQUESTED

That the Regional Transit Board:

1. Support the Plymouth city council's decision to select the Metropolitan Transit Commission, with Morley Bus Company, to operate Plymouth Metrolink service effective April 1, 1990 through March 31, 1991.

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Medicine Lake Lines

March 26, 1990

Page 3

2. Authorize the executive director to enter into contract with the Metropolitan Transit Commission for regular route service in the western suburbs effective April 1, 1990 through March 31, 1991 in an amount not to exceed \$850,324. *cut*
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3. Approve the assignment of the University of Minnesota Route 52 service to Laidlaw Transportation, Inc. contingent on court approval and execution of a consent agreement among the University, Laidlaw, and Medicine Lake Lines that ensures no change in levels of service or expenses.
4. Request that Medicine Lake Lines state in writing its intentions to assume the ABC Weekender contract, at the existing hourly rate, and to proceed to get court approval; and authorize the executive director to amend the contract term to expire July 31, 1990.

Ex C

PRESS RELEASE

SPECIAL TO: (Name of Paper)
FROM: Medicine Lake Bus Company
DATE: March 23, 1990

(Golden Valley, MN) Medicine Lake Bus Company, a provider of regular route bus transportation and charter bus services in the Minneapolis-St. Paul metropolitan area, filed for relief under Chapter 11 of the United States Bankruptcy Code on March 22, 1990. At the time of filing, the Medicine Lake Bus Company's balance sheet showed over \$4,000,000 of assets and over \$4,000,000 of liabilities. Over the past several months, the Company was in the process of negotiating a potential sale of its equipment and contracts to a purchaser who would continue operation of the routes. Delays caused by the inability to obtain approval for assignment of the contracts from several local governmental bodies motivated the Chapter 11 filing. The Company does intend to consummate the proposed sale through its Chapter 11 reorganization.

Medicine Lake Bus Company will continue to run its buses on schedule during the course of the Chapter 11 case. The Company is using its best efforts to insure that there will be no interruption of services to its customers.

02711



EXE

METROPOLITAN TRANSIT COMMISSION
560-6th Avenue North, Minneapolis, Minnesota 55411-4398 612/349-7400

March 22, 1990

Mike Ehrlichmann, Chairman
Regional Transit Board
Mears Park Centre Bldg.
230 E. Fifth Street
St. Paul, MN 55101

Dear Mr. Ehrlichmann:

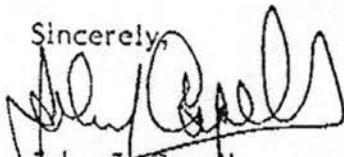
It is my understanding there is uncertainty as to the provision of transit services currently operated by Medicine Lake Lines.

This letter is to assure you that effective as early as Tuesday, March 27, the MTC is capable of assuming the operation of these services. This will require extraordinary efforts by MTC employees, and I know they will rise to the occasion. I have talked to several nearby associated transit systems, and there are additional transit buses available if needed with a simple telephone call. We understand the service impacted may include Golden Valley/New Hope/Crystal, University of Minnesota Route 52, City of Plymouth, and ABC weekender service.

MTC is dedicated to providing quality transit service that meets the needs of our metropolitan area riders. We are ready to work with the RTB to assume any existing MLL services so that all riders may be assured the service they rely on will be provided.

Please let me know as soon as possible how we may assist you.

Sincerely,



John J. Capell
Chief Administrator

JJC:sle

cc: Carole Faricy, Chair
Bev Auld
Jerry Olson



UNIVERSITY OF MINNESOTA
TWIN CITIES

Support Services and Operations
Room 210
2818 Como Avenue S.E.
Minneapolis, Minnesota 55414
(612) 625-5878

ED

March 23, 1990

Regional Transit Board
230 East Fifth Street
St. Paul, MN 55101

RE: Route 52 Transit Service

Dear Members of the Board:

For your information, the University has submitted the attached Consent Agreement to Laidlaw Transit, Inc. and Medicine Lake Bus Company. Upon execution of the Consent Agreement, the University will be satisfied that Laidlaw can fully perform Medicine Lake's obligations under the terms of Route 52 Commuter Bus Service Agreement dated July 24, 1989. The University is assured that there will be no change in the level of service, expense or duration of the Agreement.

Sincerely,

Neil Bakkenist
Assistant Vice President, Support Services and Operations

NB: jc

Enc.

c: Theresa Robinson

CONSENT AGREEMENT

DATE: _____

PARTIES: REGENTS OF THE UNIVERSITY OF MINNESOTA
("University")

LAIDLAW TRANSIT, INC.
("Laidlaw")

MEDICINE LAKE BUS COMPANY
("Medicine Lake")

RECITALS:

A. The University and Medicine Lake are parties to that certain Route 52 Commuter Bus Service Agreement dated July 24, 1989 (the "Route 52 Agreement").

B. Medicine Lake desires to assign its interest in the Route 52 Agreement to Laidlaw and Laidlaw desires to assume Medicine Lake's obligations thereunder (the "Transfer").

C. Pursuant to Section VII, Medicine Lake cannot assign its obligations under the Route 52 Agreement unless it has first secured the prior approval of the University.

D. The University has agreed to consent to the assignment pursuant to the terms and conditions contained herein.

AGREEMENT:

In consideration of the foregoing recited facts and the following mutual promises, the parties agree as follows:

Section 1. Representations and Warranties of Laidlaw. As an inducement to the University to enter into this Consent, Laidlaw hereby warrants and represents that the following statements are true and correct as of the date hereof and shall be true and correct throughout the term of the Route 52 Agreement:

A. Laidlaw is a duly organized and validly existing Minnesota corporation, in good standing under the laws of the State of Minnesota.

- B. This Agreement has been duly authorized, executed and delivered by Laidlaw; constitutes the legal, valid and binding obligation of Laidlaw; and the execution and delivery of this Agreement and consummation of the Transfer will not result in a violation of any provision of or in a default under, any indenture, mortgage, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which Laidlaw is a party or by which its property is bound.
- C. There is no material action, proceeding or investigation pending or threatened against Laidlaw at law or in equity or by or before any federal, state or local government authority or agency which would affect the Transfer or Laidlaw's obligations under this Agreement.
- D. Pursuant to a valid, binding and written agreement with Medicine Lake, Laidlaw has agreed to assume and fully perform all of Medicine Lake's duties and obligations under the Route 52 Agreement.

Section 2. Representations and Warranties of Medicine Lake. As an inducement to the University to enter into this Consent, Medicine Lake hereby warrants and represents that the following statements are true and correct as of the date hereof and shall be true and correct throughout the term of the Route 52 Agreement.

- A. Pursuant to a valid, binding and written agreement with Laidlaw, Medicine Lake has agreed to assign to Laidlaw all of Medicine Lake's duties and obligations under the Route 52 Agreement.
- B. This Agreement has been duly authorized, executed and delivered by Medicine Lake; constitutes legal, valid and binding obligation of Medicine Lake; and the execution and delivery of this Agreement and consummation of the Transfer will not result in a violation of any provision of or in a default under, any indenture, mortgage, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which Medicine Lake is a party or by which its property is bound.
- C. There is no action, proceeding or investigation pending or threatened against Medicine Lake at law or in equity or by or before any federal, state or local government authority or agency which would affect Medicine Lake's ability to fully assign its interest in the Route 52 Agreement to Laidlaw.

Section 3. Release. Medicine Lake hereby releases and forever discharges the University, its Regents, officers, employees and agents of and from any and all manner of action or actions, suits, claims, damages, judgments, levies and executions, whether known or unknown, fixed, contingent, direct or indirect, arising out of or relating to the Route 52 Agreement.

Section 4. Insurance. Laidlaw agrees to comply with all insurance requirements under Section XII of the Route 52 Agreement and to provide the University with a copy of its insurance policy evidencing the required coverage contemporaneously with its delivery of this Agreement to the University.

Section 5. Consent. Upon the University's receipt of the following, the University consents to the assignment of the Route 52 Agreement by Medicine Lake to Laidlaw on March 13, 1990, or within sixty (60) days thereafter:

- A. Satisfactory evidence indicating Laidlaw's compliance with Section 4, above; and
- B. A consent in form identical to that attached as Exhibit "A" duly executed by the Regional Transit Board.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

LIDLAW TRANSIT, INC.

By _____

Its _____

MEDICINE LAKE BUS COMPANY

By _____

Its _____

RECOMMENDED TO:

REGENTS OF THE UNIVERSITY OF MINNESOTA

By _____
Neil J. Bakkenist, Assistant Provost
Support Services and Operations

APPROVED BY:

REGENTS OF THE UNIVERSITY OF MINNESOTA

By _____

Carol N. Campbell
Controller and Treasurer