

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the Seattle Streetcar; authorizing execution of a new interlocal agreement with King County for operation and maintenance of the Seattle Streetcar system; and ratifying and confirming certain prior acts.

Summary and background of the Legislation:

The South Lake Union and First Hill Streetcar lines are owned by the City of Seattle and operated by King County Metro (Metro). This partnership, including respective roles and responsibilities, funding commitments, and estimated revenues and expenses is detailed in the 2014 Amended and Restated Interlocal Agreement (ILA) between the City of Seattle and King County regarding the Seattle Streetcar that was authorized by Ordinance 124478. The ILA is scheduled to expire at the end of 2019, and over the past year, SDOT streetcar operations staff worked with King County Metro (Metro) streetcar operations to develop a new ILA.

While the 2014 ILA covered operations and maintenance, and startup and activation activities for the then-developing First Hill Streetcar project, the new ILA is intended to serve as a more streamlined version of the 2014 ILA. The new ILA focuses solely on operations and maintenance of the First Hill and South Lake Union streetcar lines and is able to incorporate future extensions of the system, including the Center City Connector, via amendment. If the Center City Connector project moves forward, project-specific activities such as startup and rail activation services from Metro will be handled via separate agreements.

The new ILA will take effect upon execution, which is anticipated to occur before the end of 2019, and expire on December 31, 2024, a term of five years. The City may extend the term for up to two additional five-year periods. These five-year extensions are automatic unless the City provides notice to the County 12 months prior to expiration that it does not intend to extend the agreement.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes ___x___ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes ___x___ No

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

Yes, this legislation authorizes an agreement with King County Metro that would have financial implications.

The new ILA clarifies the budget and invoicing process with the County to reduce the magnitude of year-end reconciliations under the existing ILA, calling for the City and County to agree on annual budget projections for operating expenses and ORCA revenues based on historical actuals, rather than a schedule of estimated costs and revenues as outlined in the current ILA. These projections will serve as the basis for both agencies' respective budget processes and as the basis for monthly invoicing throughout the year. Budgeted/invoiced costs and revenues will be reconciled to actuals at the end of each year. The intent is to identify and attempt to account for any major changes to operating needs on an annual basis and reduce the magnitude of year-end reconciliations.

The County remains responsible under the new ILA for collecting streetcar ORCA revenues. The streetcar does not have a separate ORCA affiliate agreement but is included in the ORCA system as a separate County mode. This arrangement reduces administrative costs that the City would incur if the streetcar was an independent ORCA affiliate. The new ILA provides the City with rights to dispute and audit the amount of ORCA revenue collected by the County and credited to the City, as well as County operations and maintenance costs charged to the City.

The new ILA maintains the County's annual \$1.55 million contribution to SLU operations throughout the initial five-year term. This County Contribution escalates at a rate of 3% annually throughout the initial five-year term. The County Contribution originated as a contribution to South Lake Union Streetcar operations in light of the relatively low amount of transit service in the South Lake Union neighborhood at the time the SLU line began service. Since then, as the SLU neighborhood has grown, so has the amount of transit service and the County has expressed a desire to end the County Contribution. If the term of the ILA is extended after the initial five-year term, the City and County may negotiate an extension to the County Contribution. If no agreement can be reached, the County Contribution will ramp down, decreasing to 50% of the Year 5 contribution for the next three years, then to zero (in what would be Year 9 of the new ILA) thereafter. However, as the County Contribution goes to zero, two mechanisms will begin to apply which introduce a new revenue stream to streetcar operations and impose a cap on certain direct costs as a partial offset.

First, the County will begin to apply federal grant revenue generated by the streetcar and currently collected by the County as a credit against County costs. The County serves as the reporting entity for streetcar to the National Transit Database (NTD). As such, Federal Formula Grant Revenue provided through Federal Transit Administration (FTA) programs and derived from streetcar data are allocated to the County. These funds are eligible to be used for streetcar maintenance activities.

Currently, they are collected by the County and utilized for eligible activities throughout the County transit system. Streetcar-related formula grant funds collected by the County are estimated to total approximately \$200,000 annually. Once the County Contribution has gone to zero in the ramp down scenario described above, the County will apply these Federal Formula Grant funds as a credit toward streetcar operations costs invoiced to the City. This allocation is not currently occurring in lieu of the \$1.55 million County Contribution.

In addition, a cap on certain indirect County costs associated with the County's general government functions will apply as the County Contribution goes to zero. Under the new ILA, in addition to Direct Costs (direct labor and non-labor costs within Metro's streetcar divisions), Direct Project Costs (direct labor and non-labor costs charged to streetcar outside of Metro's streetcar division), County O&M costs ("Baseline Cost") include Indirect Costs. These Indirect Costs are comprised of overhead and other costs allocated to streetcar via the County's Cost Allocation Model (CAM). Certain indirect cost pools related to County General Government functions will be capped under this mechanism, similar to the cap included in the new LINK Light Rail ILA recently approved by the County Council. This cap is estimated to produce savings of approximately \$130,000 annually.

The proposed agreement would expire on December 31, 2024. Budget appropriations needed for years 2020 through 2024 will be made through future annual budget processes. Note that for administrative simplicity, King County Metro's financial contributions to operations and maintenance of the South Lake Union streetcar line, as defined in the proposed agreement, as well as fare revenue collected using ORCA fare collection on both the South Lake Union and First Hill lines, are retained by King County Metro and credited against payments due from the City; however, invoices sent by Metro to the City will show the full costs incurred and full revenues collected.

Is there financial cost or other impacts of *not* implementing the legislation?

Without this legislation, SDOT will not have the resources to continue operations of the First Hill and South Lake Union streetcar lines beyond December 31, 2019. Benefits anticipated by Local Improvement District (LID) ratepayers as a result of the LID assessment for the South Lake Union streetcar line would be put on hold and the City would be in violation of commitments made to Sound Transit as well as city and regional voters in 2008.

4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?**
No

- b. Is a public hearing required for this legislation?**
No

- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**
No

- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No

- e. Does this legislation affect a piece of property?**

No

- f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

The new ILA will allow Seattle's existing Streetcar system to continue to provide dependable access for people from less expensive parts of the region to reliably connect from regional bus and rail networks to large employment centers on First Hill and South Lake Union, regional health care institutions like Swedish Hospital and Seattle Cancer Care Alliance, and educational opportunities at Seattle University and Seattle Central College.

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

N/A

List attachments/exhibits below: