



**Legislative Department
City of Seattle
Memorandum**

Date: February 6, 2015
To: Transportation Committee
From: Calvin Chow & Dan Eder, Council Central Staff

Subject: Transit Service Agreement to Implement STBD Proposition 1 (C.B. 118319)

C.B. 118319 would authorize the SDOT Director to execute an interlocal agreement with King County Metro Transit (Metro) to purchase transit service and implement Seattle Transportation Benefit District (STBD) Proposition 1. This memo is intended to summarize key elements of the agreement and identify potential amendments for Council consideration.

1. Background and Context

On November 4, 2014, Seattle Voters approved STBD Proposition 1, which authorized a one-tenth of one-percent sales and use tax and a sixty-dollar vehicle license fee for the purpose of funding Metro Transit service in Seattle. C.B. 118319 authorizes an agreement under which SDOT will use Proposition 1 revenues to purchase transit service hours through Metro's Community Mobility Contracts Program. The proposed contract runs through December 31, 2017, and it may be extended administratively for another 3 years to coincide with the full term of STBD Proposition 1 funding.

The City Council is also considering companion legislation to amend an existing agreement for the City of Seattle to implement Proposition 1 on behalf of the STBD. Budget actions necessary to implement this legislation will be considered in the quarterly supplemental budget legislation, or potentially as future stand-alone legislation. The STBD Board is scheduled to meet on February 17, 2015 to consider similar legislation for the STBD.

2. Substitute Agreement

In conjunction with King County Council's review of the proposed service agreement, a number of edits have been made to clarify the terms and conditions of the agreement that were not included in the version transmitted by the Executive. Staff recommend that Council amend the legislation with the attached substitute agreement to ensure consistency of legislative review with King County. The remainder of this memo will discuss key elements of the substitute agreement.

Substitute Agreement – Replace Exhibit A in C.B. 118319 with the attached substitute agreement.

3. 2015 Service Proposal

STBD Proposition 1 provides funding for service hours that are consistent with the Seattle Transit Master Plan and Metro's Service Guidelines for routes with more than 80 percent of their stops within City of Seattle limits. During the 2015-2016 budget deliberations, King County Council avoided Metro's previously proposed February 2015 service cuts and restructures, which allows the STBD funding to focus on providing new enhanced service.

The agreement includes SDOT's initial service proposal of approximately 225,000 hours of annualized transit service, to be implemented during Metro's June 2015 and September 2015 planned service changes. The proposed changes are detailed by route in Exhibit A-1 and A-2 of the agreement. For 2015, this additional service is anticipated to cost \$12 million.

The proposed 2015 service would address three main service needs:

a. *Peak Overcrowding*

- Addressing overcrowding is the top priority in Metro's Service Guidelines; the proposal fully funds all overcrowding needs identified in Metro's 2014 Service Guidelines Report (12,000 service hours).
- The proposal also includes an additional 51,000 peak service hours to increase service frequency and passenger capacity beyond that called for by the overcrowding Service Guidelines.
- Together, these service hours account for 29% of SDOT's proposed 2015 service to be funded through the agreement.
- Attachment 1 is a map showing how the proposed peak overcrowding investments would be allocated.

b. *Unreliability*

- Addressing unreliability is the second priority in Metro's Service Guidelines; the proposal fully funds all unreliability needs identified in Metro's 2014 Service Guidelines Report (21,000 service hours).
- The proposed investment will allow existing routes in Seattle to run on schedule more reliably and will address a frequent complaint on existing service.
- These service hours account for 9% of SDOT's proposed 2015 service to be funded through the agreement.
- Attachment 2 is a map showing how the proposed unreliability investments would be allocated.

c. *Expanding the Off-Peak Transit Network*

- Addressing other frequency needs such as expanding the off-peak transit network is the third priority in Metro's Service Guidelines. After addressing overcrowding and unreliability, there is not sufficient Proposition 1 revenue to address all of the other frequency needs in the Service Guidelines.

- SDOT proposes to use Seattle’s Transit Master Plan’s policy guidance to determine which frequency needs should be funded. Including peak and off-peak frequency investments, SDOT’s proposal will fund 23% of the frequency needs identified in Metro’s 2014 Service Guidelines Report.
- The proposal includes 141,000 non-peak service hours to build out the City’s Frequent Transit Network described in the Seattle Transit Master Plan and to move towards 15-minute frequency, all-day service on key routes. These service hours account for 62% of SDOT’s proposed 2015 service to be funded through the agreement.
- Attachment 3 is a map showing how the proposed off-peak investments would be allocated.

4. No Supplanting of Transit Service

Consistent with STBD Proposition 1, the agreement includes language in Section 7 to ensure that City-funded service does not supplant other service that Metro would otherwise provide under Metro’s Service Guidelines. If Metro identifies additional transit funding in the future, Metro will assume responsibility for City-funded routes in priority order under Metro’s Service Guidelines. Of the 225,000 hours proposed for 2015, 72,000 have been identified as addressing one or more priorities in Metro’s Service Guidelines (*i.e.*, overcrowding, reliability, service frequency). The balance of the proposed investments are improvements to routes that are included in the Service Guidelines, but the service improvements go beyond the priority level of investment called for in the Service Guidelines. For instance, Metro’s Service Guidelines call for increasing frequency on Route #5 to 15-minute headways only during the peak hours, but SDOT’s proposal funds 15-minute headways during peak hours as well as during the off-peak hours and weekends.

5. Fleet Costs and Trolley Liability

Under this agreement, Metro will charge the City for the actual operating cost of running additional service. On top of operating costs, Metro will also charge the City for the cost of purchasing additional fleet vehicles necessary to operate the City-purchased service. The additional fleet needs are determined by the amount of City-purchased service scheduled during the peak hours, which is when Metro’s existing fleet is already fully scheduled. The additional fleet costs will be amortized over the expected service life of the vehicle (12 years for diesel-hybrid buses and 15 years for electric trolleys), and the City will pay these annual fleet costs during the course of the contract.

At the end of the contract (in 2020 or earlier), Metro will take responsibility for the remaining costs of the additional diesel-hybrid buses purchased under the agreement. In the event that Metro determines it does not have an on-going need for the electric trolleys purchased under this agreement, then the City will reimburse Metro for the purchase price of the electric trolleys less the annual fleet costs already paid on the vehicles. This approach reflects Metro’s ability to deploy diesel-hybrid buses throughout the King County service area, while electric trolleys can

only be deployed on the Seattle electric trolley bus system. The procedures for identifying and assigning responsibility for fleet costs are detailed in Section 5.3 of the agreement.

To implement the planned 2015 service, Metro anticipates that it will need to purchase 14 additional electric trolley buses. If, at the end of the contract, Metro determines that these electric trolley buses are surplus to Metro’s needs, then the City would pay the outstanding capital cost and would take possession of the surplus electric-trolleys. It is possible that such electric trolley buses could then be sold to another transit system that uses similar technology (e.g., San Francisco or Vancouver, B.C.). If the City was found to be financially responsible for all 14 electric trolley buses when STBD Proposition 1 expires in 2020, the outstanding liability would be approximately \$10 million. This outstanding liability will need to be monitored as part of the on-going budgeting process.

6. Farebox Recovery

To account for customer fare revenues, Section 5.4 of the agreement includes a farebox recovery credit against operating costs based on Metro’s system-wide averages as reported to the National Transit Database by vehicle type for the previous year. For 2015, Exhibit B-1 to the agreement includes a 29% credit against operating costs for diesel-hybrid buses and a 41% credit against operating costs for electric trolley buses. This farebox credit is assumed in the \$12 million cost estimate for the 2015 service.

7. STBD Financial Capacity

Planning level estimates for STBD Proposition 1 revenues and expenditures are shown below in Table 1.

Table 1: STBD Revenues and Expenditures

	<u>2015</u>	<u>2016</u>
<u>Estimated Revenue</u>		
Sales and Use Tax – 0.1%	\$17,228,134	\$23,048,475
Vehicle License Fees – \$60	\$15,258,692	\$23,223,418
Total Revenues	\$32,486,826	\$46,271,893
<u>Estimated Expenditures</u>		
Metro service hours	91,716	225,000
Estimated cost/hour	-\$130.90	-\$136.40
Estimated Metro service cost	-\$12,005,624	-\$30,689,505
VLF rebate administration	-\$4,000,000	-\$4,000,000
Planning/analysis	-\$900,000	-\$922,320
Low-income transit access	-\$2,000,000	-\$2,000,000
Regional Partnerships	-\$3,000,000	-\$3,000,000
Election Costs	-\$756,093	--
Total Expenditures	-\$22,661,717	-\$40,611,825
Unexpended Funds	\$9,825,109	\$5,660,068

Table 1 shows \$9.8 million in unexpended STBD funds in 2015 and nearly \$5.7 million in 2016. These amounts could be higher if some of the planned expenditures (e.g., Regional Partnerships, VLF rebate administration) are slow to ramp up.

The unexpended funds provide a cushion if revenue collections lag or have been overestimated, and provide a reserve against the outstanding financial liability for additional electric trolley buses. Unexpended funds will also allow for additional transit service purchases in 2016 or later years. Revenue and expenditure projections will be refined based on actual performance and will be used to inform the 2016 budget.

8. Future Service Proposals

Section 2.7 of the agreement allows SDOT to propose additional changes with future Metro service change dates (scheduled for March and September of each year, beginning in 2016). Proposed changes are due to Metro 180 days in advance of a service change date, with final acceptance by Metro 135 days in advance of a service change date. This is consistent with Metro's general timeframe for planning, scheduling, and implementation service changes.

For 2016, SDOT is contemplating splitting the C and D RapidRide lines to expand the coverage of service (20,000 to 40,000 service hours, depending on bus routing and layover). Other service needs may be identified in Metro's 2015 Service Guideline Report or as part of service integration planning with Sound Transit University Link operations.

9. Proposed Amendments

A. Reporting Requirements

Future service proposals under this agreement would be administered by SDOT and would not be subject to direct Council approval, although such changes would require subsequent budget action. Staff recommend that SDOT report any new service proposal to Council at the same time such a request is submitted to Metro and to report on Metro's final acceptance of the proposal.

See Proposed Amendment A (Attachment 4).

B. Ratify and Confirm Clause

Metro requires significant lead time to implement the June 2015 service change. Staff recommends amending the legislation to include a ratify-and-confirm clause to expedite timely execution of the agreement.

See Proposed Amendment B (Attachment 5).

10. Highlights of Other Changes Contained in Substitute Agreement

In addition to the issues detailed above, the substitute agreement includes other changes from the version transmitted to City Council. These include adjustments to some administrative provisions, as well as clarifying details and edits. The substitute agreement is consistent with

the version of the agreement under consideration by King County Council. The most significant edits to the version as transmitted to City Council include:

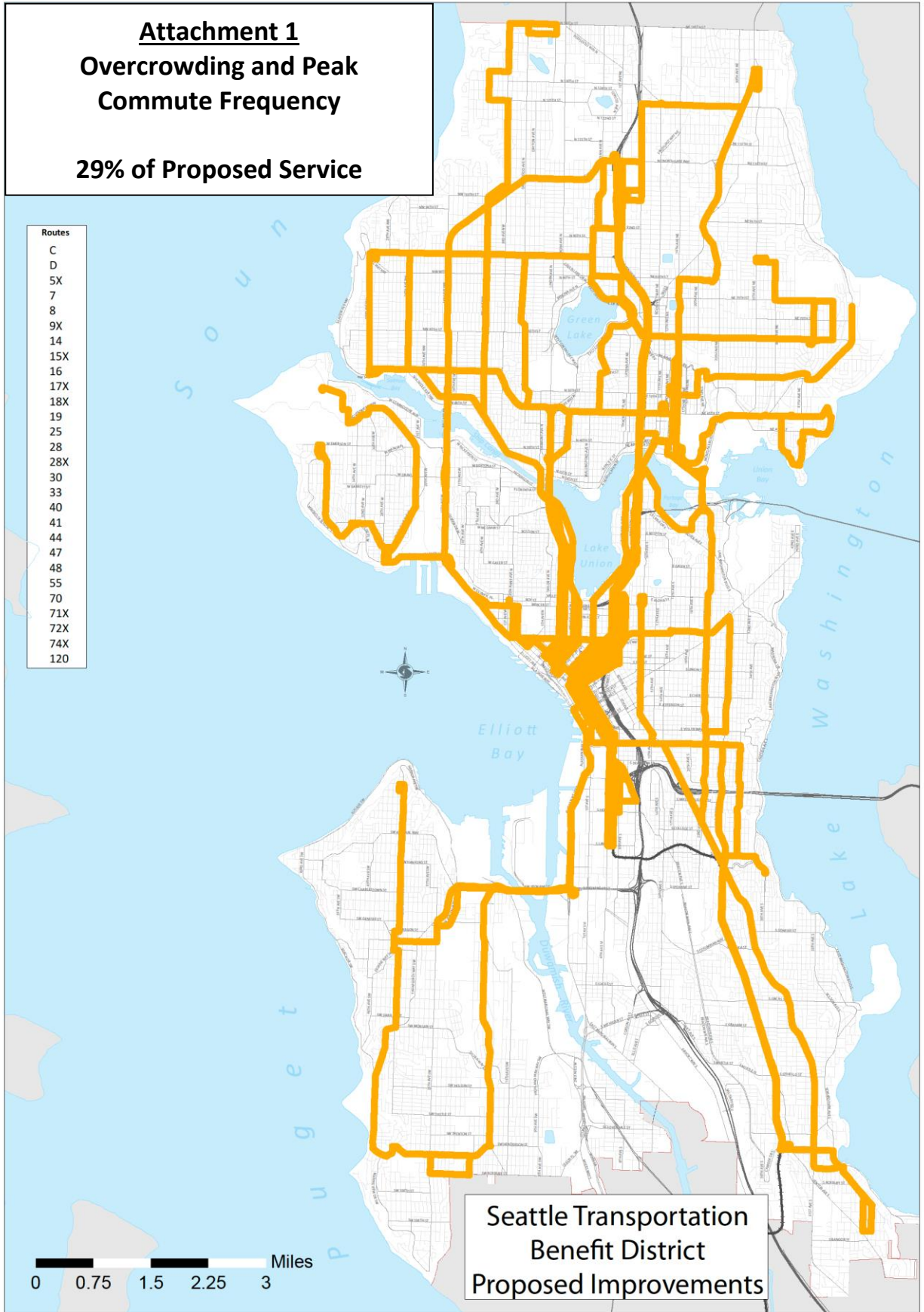
- New language in Section 6.1 to establish quarterly invoicing dates, as requested by SDOT.
- Included final 2015 rates in Exhibit B-1. These rates are consistent with SDOT's projections.
- Reference to anticipated fleet requirements in Exhibit A-1 and A-2.

Attachment 1
Overcrowding and Peak
Commute Frequency

29% of Proposed Service

Routes

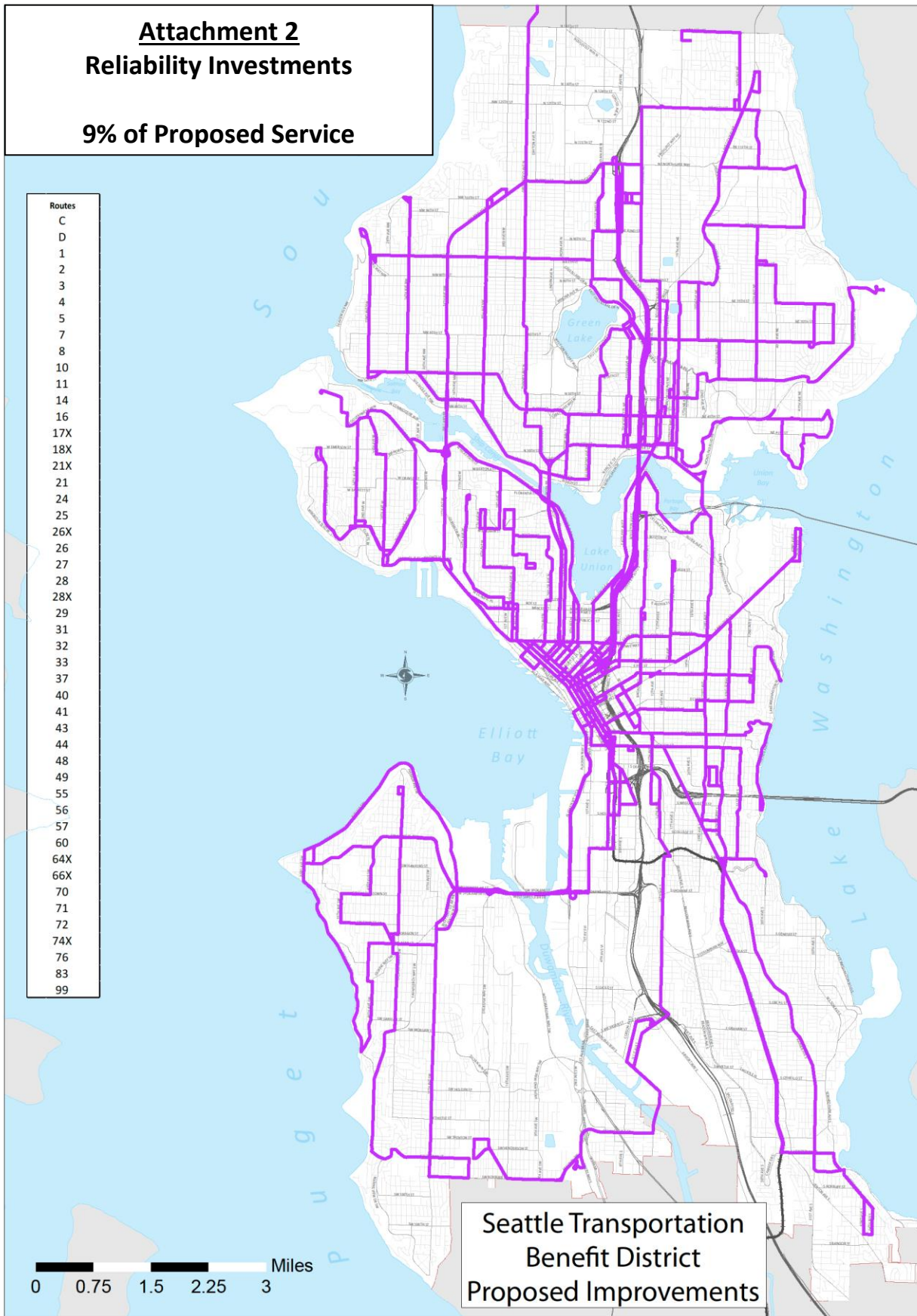
- C
- D
- 5X
- 7
- 8
- 9X
- 14
- 15X
- 16
- 17X
- 18X
- 19
- 25
- 28
- 28X
- 30
- 33
- 40
- 41
- 44
- 47
- 48
- 55
- 70
- 71X
- 72X
- 74X
- 120



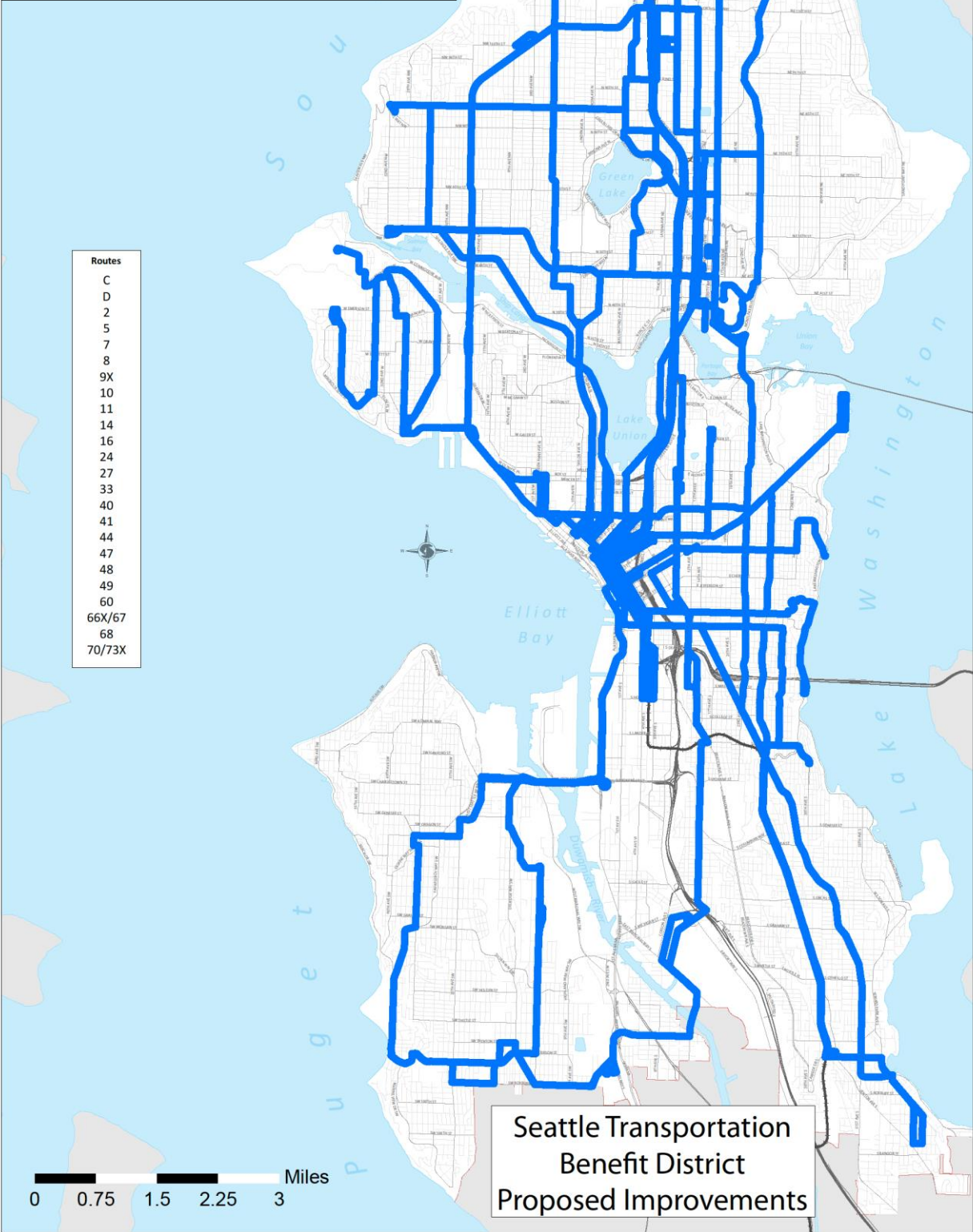
Seattle Transportation
Benefit District
Proposed Improvements

**Attachment 2
Reliability Investments**

9% of Proposed Service



Attachment 3
Non-Peak Frequency
62% of Proposed Service



Attachment 4

Proposed Amendment A to Council Bill 118319

Sponsor: Rasmussen

Requiring SDOT to report future transit service proposals to Council

The proposed Council Bill authorizes SDOT to enter into an agreement with King County Metro to purchase transit service necessary to implement STBD Proposition 1. The agreement allows for future service changes during Metro's annual March and September service change dates. Future service proposals would be administered by SDOT and would not be subject to direct Council approval, although such changes would require subsequent budget action.

The proposed amendment would require SDOT to report all future service change proposals to Council's Transportation Committee at the same time such a request is made to King County Metro, and to report the final agreed upon service change to be implemented.

The proposed amendment would add a new Section 2 to Council Bill 118319 as follows:

Section 2. SDOT will report to the Council's Transportation Committee all future service change proposals contemplated under section 2.7 of the interlocal agreement. SDOT will report the initial service change proposal at the same time such a proposal is submitted to King County Metro, and will report on King County Metro's subsequent acceptance or revisions to the proposal.

Existing Section 2 would be renumbered.

Attachment 5

Proposed Amendment B to Council Bill 118319

Sponsor: Rasmussen

Adding a ratify and confirm clause

The proposed Council Bill authorizes SDOT to enter into an agreement with King County Metro to purchase transit service necessary to implement STBD Proposition 1. The lead time necessary to implement King County Metro's June 2015 service change requires timely execution of the interlocal agreement. The proposed amendment would add a ratify and confirm clause to the Council Bill.

The proposed amendment would add a new Section 3 to Council Bill 118319 as follows:

Section 3. Ratify and Confirm. Any act consistent with the authority of this ordinance taken after its passage and prior to its effective date is ratified and confirmed.

Existing Section 3 would be renumbered.