

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NO. R2009-14

Amending the Adopted 2008 ST Express Transit Operations Budget

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	6/18/09	Discussion/Possible Action to Recommend Board Approval	Bonnie Todd, Director of Operations	(206) 398-5367
Board	7/9/09	Action	Michael Perry, Deputy Director of Operations	(206) 398-5388

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)		Budget Amendment	✓
Real Estate		Property Acquisition	

PROJECT NAME

ST Express Transit Operations

PROPOSED ACTION

Amends the Adopted 2008 Budget for ST Express from \$95,079,794 to \$96,679,794.

KEY FEATURES of PROPOSED ACTION

- The ST Express transit operations budget is impacted by year-end reconciliations of actual costs from service partners and other year-end analysis of budget items such as depreciation and amortization.
- ST Express purchased transportation costs were higher than budget due to higher fuel prices, the impacts of operational changes in the Downtown Seattle Transit Tunnel, and higher than planned parts costs from King County Metro.
- As the year progressed, staff monitored the rising fuel prices. On their own, these additional costs could have been covered within the budget through the use of contingency. However, as part of the annual reconciliation process that takes place in April, additional costs were identified that had not been part of the amount that Sound Transit had been paying; including higher than anticipated costs for the Downtown Seattle Transit Tunnel, additional costs for parts and additional depreciation and amortization.
- Now that the final cost for bus operations has been identified, this budget amendment is necessary to enable Sound Transit to pay its year-end obligations to service agreement partners for 2008 actual costs.

BUDGET IMPACT SUMMARY

Action Outside of Adopted Budget:	✓	Comments on Checked Items
This Project		
This Phase		
This Task		
Budget Amendment Required	✓	Requires an amendment to the 2008 transit operations budget

Key Financial Indicators:	✓	Comments on Checked Items
Contingency Funds Required		
Funding required from other parties (other than what is in financial plan)		

Not checked = action is assumed in current Board-adopted budget. No budget action or adjustment to financial plan required.

BUDGET and FINANCIAL PLAN DISCUSSION

The Adopted 2008 ST Express Transit Operations Budget is \$95.1 million. After full reconciliation of actual partner costs as well as the impacts of a thorough review of construction in progress and depreciation, the actual costs for 2008 now total \$96.7 million. Therefore, a budget amendment of \$1.6 million is necessary to enable final payments to the service agreement partners for actual costs.

This action is affordable within the agency’s 2009 financial plan.

BUDGET TABLE

The ST Express transit operations budget would be amended as follows:

Description	Adopted 2008 Budget	Proposed Amendment	Amended 2008 Budget
ST Express Transit Operations	\$95,079,794	\$1,600,000	\$96,679,794

The funding for the proposed amendment would come from underspending in other transit operations modes and unused financial reserves.

SMALL BUSINESS PARTICIPATION

Not applicable to this action.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

This action amends the Adopted 2008 Budget for ST Express bus operations by a total of \$1,600,000 to reflect additional costs resulting from the year-end reconciliation of actual costs for bus operations and maintenance, as well as a review of ST Express depreciation and amortization.

Per the service agreements with each of the partners, Sound Transit pays an amount each month based on 1/12th of the estimated budget, and the payments are reconciled to actual direct costs after partner agencies’ finances are audited through a third party financial audit. By agreement, these reconciliations are to be performed by April 30 of each year. Upon completion of the reconciliation, the partners bill Sound Transit, or remit the difference to Sound Transit.

Upon completing the reconciliations, Sound Transit was found to owe additional payments to the partners as follows:

Community Transit:	\$250,027
King County Metro:	\$2,417,000
Pierce Transit:	\$212,005
Total:	\$2,879,032

While there was a contingency of \$1,578,846 in the 2008 budget, this reconciliation exceeds that amount. The primary cause of the higher costs was related to the cost of diesel fuel. While the budget for fuel for 2008 was \$2.70 per gallon, the actual cost was at an average rate of \$3.25 per gallon. This caused approximately \$1.4 million of the shortfall.

The remaining budget issues were related to higher than anticipated costs for the Downtown Seattle Transit Tunnel as the Seattle Fire Department required two tunnel controllers 24 hours per day, while the budget assumed one, which caused higher costs of approximately \$350,000.

Also, parts costs with King County Metro were higher than budget by approximately \$700,000 as there was an error in the allocation model that understated the budgeted parts costs. This error has been corrected for 2009.

Finally, as part of the review of financial activity during the year-end close process in early 2009, assets related to ST Express that had previously been in construction were determined to be in service and were put onto the balance sheet. In keeping with proper accounting treatment, the depreciation and amortization of these assets were charged to ST Express for the time they were in service in 2008. This is a non-cash transaction which had a negative \$400,000 impact on the ST Express budget.

Prior Board/Committee Actions

Motion/Resolution Number and Date	Summary of Action
R2007-25	Adopting an annual budget for the period from January 1 through December 31, 2008

CONSEQUENCES of DELAY

Adoption of this budget amendment is necessary to make final payments to our transit partners. A delay in approving this action will cause a delay in making those payments.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

SSK 6-12-09

LEGAL REVIEW

JW 6/11/09