



Motion No. M2021-31

Execute a New ST Express Agreement with Pierce Transit for Operations and Maintenance Services

Meeting:	Date:	Type of action:	Staff contact:
Rider Experience and Operations Committee	05/06/2021	Recommend to Board	Suraj Shetty, Executive Director of Operations
Board	05/27/2021	Final action	Robin Braziel, Director, Commuter Rail, Bus and Paratransit Dave Turissini, ST Express Program Manager

Proposed action

Authorizes the chief executive officer to execute an agreement with Pierce Transit for the operation of ST Express Service Operations and Maintenance through December 31, 2025, with an option to extend for two additional one-year periods and authorizes a one-time payment of \$9,135,888 to Pierce Transit for depreciation on assets used to provider ST Express services.

Key features summary

- This agreement continues Sound Transit’s partnership with Pierce Transit for providing ST Express bus service originating in Pierce and King Counties with a scope of services that includes bus operations, service supervision, scheduling, vehicle maintenance and storage, fuel, training, safety, security, insurance, and administrative functions.
- Sound Transit budgets for this expense based on a projected hourly rate provided by Pierce Transit and the number of hours Sound Transit expects to purchase from Pierce Transit. At the end of the year, both agencies reconcile this amount based on the actual pro-rated expenses used to provide ST Express services resulting in a refund to Sound Transit or an invoice for additional costs.
- The current agreement with Pierce Transit was extended through June 30, 2021 to allow time for staff to simultaneously deal with the effects of the pandemic while negotiating term of the new agreement.
- New provisions introduced in this agreement include:
 - The Cost Allocation Model (CAM) was revised to include all future capital asset depreciation bring this agreement into closer alignment with our agreements with King County Metro and Community Transit. This revision has a retroactive effective date of January 1, 2021.
 - In conjunction with the change to the CAM, there is a one-time payment of \$9,135,888 to Pierce Transit for depreciation on assets used to provide ST Express services.
 - Allowing flexibility to adjust service levels to accommodate near and long-term ridership impacts of the COVID-19 crisis.
 - Developing long term service plans that respond to changing ridership demand, capital expansion realignment and fiscal constraints.

- Both parties have agreed that the inclusion of two individual one-year extension options allowing for maximum flexibility to accommodate both agencies' future needs.
- Pierce Transit is expected to approve this agreement on May 10 at their regularly scheduled Board of Director's Meeting.

Background

Pierce Transit has been providing Pierce County-based ST Express bus service since the start of Sound Transit's regional express bus system in 1999. Sound Transit and Pierce Transit entered into the most recent service operations and maintenance agreement, on June 29, 2015, which was extended to December 31, 2019 after two one-year options were exercised. The agreement was then extended by an additional year to December 31, 2020 through Motion No. M2019-85 which was approved by the Sound Transit Board on July 25, 2019.

A final extension to that agreement was approved through Motion No. M2020-41 on July 23, 2020 which extended the current agreement through June 30, 2021.

Both parties were continuously engaged in productive negotiations throughout this process. However, due to demands on staff time to address COVID-19 issues and the need for a better understanding of the near and long-term service and ridership effects on ST Express services, both parties agreed that additional time would be beneficial in arriving at a more informed agreement. The extensions did allow for both parties to carefully craft an agreement which is mutually beneficial.

During negotiations Pierce Transit was concerned about the lack of inclusion of major capital asset depreciation in the Cost Allocation Model. Some small assets such as non-revenue vehicles and minor infrastructure systems were included; however, none of the agency's physical plant was included in the CAM as is with the other partner agreements. Sound Transit recognized this inconsistency and worked together with Pierce Transit to develop a schedule of allowable depreciable capital assets. Both sides were careful to exclude grant funded assets as well as assets that were previously funded by Sound Transit.

The final result was a schedule of asset depreciation expenses between 1999 and 2020 totaling \$9,135,888 based on a proportionate rate which Sound Transit agreed to pay as part of this new agreement.

Starting in 2021, the Cost Allocation Model will include a proportionate depreciation expense which is consistent with other ST Express Intergovernmental Agreements.

Fiscal information

The funding level for the proposed agreement is presented for approval annually through the Board budget review process. The cost of services provided under this agreement is recognized as part of Purchased Transportation within the annual ST Express operating budget. The 2021 Purchased Transportation budget total \$191,177,043*, within that amount, \$51,140,144 is budgeted for Pierce Transit. Estimated costs from this agreement, including the one-time payment of \$9,135,888 for past depreciation with Pierce Transit are within the board-approved budget authority for 2021.

Funding for future years under this agreement will be included in the annual budget development process based on negotiated estimated costs in conformance with the proposed agreement as provided by Pierce Transit and the service assumptions provided in the Service Implementation Plan for that year.

**The ST Express purchased transportation service budget can be found on page 26 of 2021 Adopted Budget book.*

Disadvantaged and small business participation

Not applicable to this action.

Public involvement

Not applicable to this action

Time constraints

A one-month delay would not negatively affect this project. However, the existing agreement will expire on July 1, 2021.

Prior Board/Committee actions

Motion No. M2020-41: Authorized the chief executive officer to execute an amendment to extend the ST Express Service Operations and Maintenance Agreement with Pierce Transit for six months through June 30, 2021.

Motion No. M2019-85: Authorized the chief executive officer to execute an amendment to extend the ST Express Service Operations and Maintenance Agreement between Pierce Transit and Sound Transit for one year through December 31, 2020.

Motion No. M2015-55: Authorized the chief executive officer to execute an agreement with Pierce Transit to provide ST Express bus operations and maintenance services for the period of July 1, 2015, through December 31, 2017, with two additional one-year options to extend.

Environmental review – KH 4/22/21

Legal review – DB 5/3/2021



Motion No. M2021-31

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute an agreement with Pierce Transit for the operation of ST Express Service Operations and Maintenance through December 31, 2025, with an option to extend for two additional one-year periods and authorizes a one-time payment of \$9,135,888 to Pierce Transit for depreciation on assets used to provider ST Express services.

Background

Pierce Transit has been providing Pierce County-based ST Express bus service since the start of Sound Transit's regional express bus system in 1999. Sound Transit and Pierce Transit entered into the most recent service operations and maintenance agreement, on June 29, 2015, which was extended to December 31, 2019 after two one-year options were exercised. The agreement was then extended by an additional year to December 31, 2020 through Motion No. M2019-85 which was approved by the Sound Transit Board on July 25, 2019.

A final extension to that agreement was approved through Motion No. M2020-41 on July 23, 2020 which extended the current agreement through June 30, 2021.

Both parties were continuously engaged in productive negotiations throughout this process. However, due to demands on staff time to address COVID-19 issues and the need for a better understanding of the near and long-term service and ridership effects on ST Express services, both parties agreed that additional time would be beneficial in arriving at a more informed agreement. The extensions did allow for both parties to carefully craft an agreement which is mutually beneficial.

During negotiations Pierce Transit was concerned about the lack of inclusion of major capital asset depreciation in the Cost Allocation Model (CAM). Some small assets such as non-revenue vehicles and minor infrastructure systems were included; however, none of the agency's physical plant was included in the CAM as is with the other partner agreements. Sound Transit recognized this inconsistency and worked together with Pierce Transit to develop a schedule of allowable depreciable capital assets. Both sides were careful to exclude grant funded assets as well as assets that were previously funded by Sound Transit.

The final result was a schedule of asset depreciation expenses between 1999 and 2020 totaling \$9,135,887.32 based on a proportionate rate which Sound Transit agreed to pay as part of this new agreement.

Starting in 2021, the Cost Allocation Model will include a proportionate depreciation expense which is consistent with our other ST Express Intergovernmental Agreements. Additionally, the agreement added new provisions which include:

- Allowing flexibility to adjust service levels to accommodate near and long-term ridership impacts of the COVID-19 crisis.
- Developing long term service plans that respond to changing ridership demand, capital expansion realignment and fiscal constraints.

Both parties have agreed that the inclusion of two individual one-year extension options allowing for maximum flexibility to accommodate both agencies' future needs.

Pierce Transit is expected to approve this agreement on May 10 at their regularly scheduled Board of Director's Meeting.

Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute an agreement with Pierce Transit for the operation of ST Express Service Operations and Maintenance through December 31, 2025, with an option to extend for two additional one-year periods and authorizes a one-time payment of \$9,135,888 to Pierce Transit for depreciation on assets used to provider ST Express services.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on _____.

Kent Keel
Board Chair

Attest:

Kathryn Flores
Board Administrator