

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2009-106

ST Express Bus Service Operations and Maintenance Agreement with King County

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	12/03/09	Discussion/Possible Action to Recommend Board Approval	Bonnie Todd, Director of Operations	(206) 398-5367
Board	12/10/09	Action	Michael Perry, Deputy Director of Operation and Maintenance	(206) 398-5388

Contract/Agreement Type:	<input checked="" type="checkbox"/>	Requested Action:	<input checked="" type="checkbox"/>
Competitive Procurement		Execute New Contract/Agreement	<input checked="" type="checkbox"/>
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)	<input checked="" type="checkbox"/>	Budget Amendment	
Real Estate		Property Acquisition	

PROJECT NAME

ST Express Bus Service Agreement – King County

PROPOSED ACTION

Authorizes the chief executive officer to execute an agreement with King County to provide ST Express bus operations and maintenance services for the period of January 1, 2010, through December 31, 2012, with two additional one-year options to extend.

KEY FEATURES of PROPOSED ACTION

- The scope of services provided by King County includes scheduling, bus operations, service supervision, vehicle maintenance, fuel, training, safety, insurance, risk management, security and administrative functions.
- This agreement fulfills the Transit Operations Task Force recommendation to shift service contracts toward a marginal cost allocation methodology with anticipated savings beginning in 2011.
- The term of this agreement allows for flexibility in changing the ST Express business model should a maintenance base be built in the next three to five years consistent with Transit Operations Task Force recommendations.
- Cost controls and transparency have been enhanced through a full reconciliation of all operations and general administrative contract costs each year.
- Monthly reporting and performance monitoring requirements have been strengthened to increase information flow and establish expanded performance goals.

BUDGET IMPACT SUMMARY

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

BUDGET and FINANCIAL PLAN DISCUSSION

Under the proposed new agreement, compensation would be based on total annual fully-reconciled costs. King County would submit their initial cost estimates by October 31st of each year for service to be provided the following year. Sound Transit would review the estimated cost with King County and establish a final cost by November 30th. King County will provide documentation of cost estimates which will assist in Sound Transit's annual budget review process for subsequent years. All costs would be fully reconciled at year end and Sound Transit would pay King County actual cost for providing the service based on an agreed upon cost allocation methodology.

Based on updated projections of vehicle hours developed by Sound Transit, King County would provide a three-year cost projection on a rolling basis each year. These projections will assist in improving budget predictability and long-range financial planning. The new agreement also specifies a more formal periodic check-in on financial performance two times during each calendar year. This review will help to identify budget risk areas, fleet performance and operational issues and any long-term planning issues that might impact future year costs.

The expenditures under this service agreement are funded through the annual ST Express Transit Operations Budget through the Purchased Transportation line item. Board adoption of the annual Transit Operations Budget authorizes the spending for that year only, based on the negotiated cost estimates provided by King County and the service assumptions provided in the Service Implementation Plan (SIP).

BUDGET TABLE

Not applicable to this action.

SMALL BUSINESS PARTICIPATION

Not applicable to this action.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

As part of the service provision alternatives review, Sound Transit staff examined the growth of cost during the five years of the current service agreement with King County and confirmed that, on average, it was within the growth rate projected in the adopted Service Implementation Plans. King County has delivered high-quality service with average annual rate increases at or only slightly above the Seattle Consumer Price Index.

The new service agreement has enhanced operating performance and financial monitoring through the following new requirements:

- Updated performance standards and system performance reports that are expected to improve management oversight and performance measurement. Customer satisfaction and safety related performance goals were also enhanced.
- Additional Americans with Disabilities Act (ADA), safety and security reporting and processes were added to enhance Sound Transit's ability to oversee and manage these key operational areas.
- A formal periodic financial and operational review process was added to ensure that financial or performance issues with budget implications would be identified prior to the year-end reconciliation. This should ensure that major unanticipated cost increases are identified, communicated and resolved prior to the end of the year.
- The shift to a fully-reconciled cost allocation model will provide greater transparency for understanding Sound Transit costs and will also allow for participation in cost savings initiatives undertaken by King County. In addition, a formal task order process will ensure that any initiatives out of the scope of the

agreement would be formally proposed, mutually agreed to and authorized by Sound Transit prior to any expenses being incurred.

In June 2009, the Sound Transit Board accepted the Transit Operations Task Force recommendation that Sound Transit move toward a marginal cost model in the service agreements. Sound Transit and King County agreed to develop a review process to analyze all direct and indirect costs related to the provision of Sound Transit service. During 2010, the parties will undertake a thorough review of the cost allocation model and the services provided to confirm that costs are being shared equitably. Further, the parties will continue to refine the allocation process with a goal of reducing cost. Sound Transit and King County agree to work toward identifying mutually acceptable initiatives that would yield cost savings for both parties.

The agreement calls for continuation of direct reporting of Sound Transit bus service data to the Federal Transit Administration's National Transit Database. This has increased the visibility of Sound Transit service and provided valuable key performance indicators.

Lastly, a change in how Sound Transit provides bus operations and maintenance services is not practical without development of Sound Transit operations and maintenance facilities. The passage of ST2 provides funding for Sound Transit to invest in such facilities. The term of this agreement is three years with two one-year options to provide flexibility in how service is provided once those new facilities are developed.

Prior Board/Committee Actions

None.

CONSEQUENCES of DELAY

Approval of the ST Express Bus Service Agreement by January 1, 2010 is necessary to ensure the continuation of service.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

SSK 11-23-09

LEGAL REVIEW

JW 11/25/09

SOUND TRANSIT

MOTION NO. M2009-106

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute an agreement with King County to provide ST Express bus operations and maintenance services for the period of January 1, 2010, through December 31, 2012, with two additional one-year options to extend.

Background:

As part of the service provision alternatives review, Sound Transit staff examined the growth of cost during the five years of the current service agreement with King County and confirmed that, on average, it was within the growth rate projected in the adopted Service Implementation Plans. King County has delivered high-quality service with average annual rate increases at or only slightly above the Seattle Consumer Price Index.

The new service agreement has enhanced operating performance and financial monitoring through the following new requirements:

- Updated performance standards and system performance reports that are expected to improve management oversight and performance measurement. Customer satisfaction and safety related performance goals were also enhanced.
- Additional Americans with Disabilities Act (ADA), safety and security reporting and processes were added to enhance Sound Transit's ability to oversee and manage these key operational areas.
- A formal periodic financial and operational review process was added to ensure that financial or performance issues with budget implications would be identified prior to the year-end reconciliation. This should ensure that major unanticipated cost increases are identified, communicated and resolved prior to the end of the year.
- The shift to a fully-reconciled cost allocation model will provide greater transparency for understanding Sound Transit costs and will also allow for participation in cost savings initiatives undertaken by King County. In addition, a formal task order process will ensure that any initiatives out of the scope of the agreement would be formally proposed, mutually agreed to and authorized by Sound Transit prior to any expenses being incurred.

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with two one-year options to provide flexibility in how service is provided once those new facilities are developed.

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 King County to provide ST Express bus operations and maintenance services for the period of January 1, 2010, through December 31, 2012, with two additional one-year options to extend.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 10, 2009.



Greg Nickels
Board Chair

ATTEST:

Marcia Walker
Marcia Walker
Board Administrator