

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2009-16

Smart Card – Interlocal Agreement

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Executive Committee	2/5/09	Discussion/Possible Action to Recommend Board Approval	Brian McCartan, Chief Financial Officer	(206) 398-5100
Finance Committee	2/5/09	Discussion/Possible Action to Recommend Board Approval	Brian Brooke, Program Manager	(206) 398-5229
Board	2/12/09	Action		

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

Fare Integration – Smart Card

PROPOSED ACTION

Authorizes the chief executive officer to execute a restated and amended interlocal agreement for the Smart Card project with Community Transit, Everett Transit, Kitsap Transit, King County Metro Transit, Pierce Transit, and Washington State Ferries to update the agreement for the operating phase.

KEY FEATURES of PROPOSED ACTION

- The Board originally authorized an interlocal agreement (ILA) for the smart card project with Community Transit, Everett Transit, Kitsap Transit, King County Metro Transit, Pierce Transit, and Washington State Ferries in 2003. This action amends the 2003 agreement to reflect the changes necessary for operation of the smart card program.
- The amended ILA is a 10-year agreement that establishes the terms for operation and management of ORCA system. The agreement details the joint operations, cost sharing, and decision-making processes agreed to by the partner agencies and is administered by a Joint Board comprised of representatives of each participating agency. The primary features of the 2003 agreement remain unchanged. However, the agreement has been updated to reflect the following:
 - The official program name of ORCA (One Regional Card for All);
 - Additional detail about system functionality and processes as they have developed during project design and implementation phases;
 - Expanded descriptions of individual agency responsibilities as participants in the regional program;
 - Establishment and assignment of regional functions to be performed centrally by one or more of the agencies on behalf of the regional partnership;
 - Updated operating budget projections; and
 - Adopted cost sharing and revenue sharing methodologies to apply during system operations.

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. However, the implementation of the ORCA system will apportion ORCA fare revenues based on actual ridership based allocations, which may result in lower or higher fares from current Puget Pass apportionments.

BUDGET and FINANCIAL PLAN DISCUSSION

There are three components to the costs under the ILA:

1) Sound Transit's share of the ORCA Program Regionally-Shared Operating Costs.

The total budget for Regionally-Shared ORCA Operating Costs in 2009 is \$4,128,000. Sound Transit's share of the 2009 ORCA operating costs is \$457,500. The Adopted 2009 Budget includes \$480,000 for Smart Card Operating Expenses. Percentage shares of ORCA Program Regionally-Shared Operating Costs during the first calendar year of operation (2009) is established in proportion to agency estimated ridership numbers, as adjusted to account for ridership that could not use the ORCA fare payment system. This estimated share is used to allocate ORCA Program Regionally-Shared Costs during 2009. The estimated percentage share for Sound Transit in 2009 is 11.1%.

For subsequent operating years, the Joint Board shall adopt the methodology for calculating agency percentage shares of the ORCA Program Regionally-Shared Costs, considering such factors as ridership, transaction volume, and revenue volume.

Initially, these costs will be paid out of the Fare Integration Fund. Once the budget in the fund set aside for this agreement is depleted, these costs will be paid for out of the agency's transit operating budgets.

Certain activities, such as the fiscal agent function, will be fulfilled by Sound Transit staff, but paid through the Regionally-Shared Operating Costs. Such costs are included within the agency staff budget with the reimbursement reflected as a local contribution.

2) Sound Transit's share of the ORCA Program Regionally-Shared Capital Costs.

In addition to ORCA Program Operating Costs, future capital costs including costs of system enhancements, expansions and replacements authorized by the Joint Board will be shared by the partner agencies. Future additional capital costs that are specific to an individual agency will be the responsibility of that agency. The Adopted 2009 Budget includes \$3,971,638 for these capital expenditures to occur in 2009 with a total of \$4,394,945, including funds expended in 2008.

3) Costs for Sound Transit assuming the role of Regional Program Administrator.

Under the ILA, Sound Transit assumes the newly established role of Regional Program Administrator, and contributes the funding of up to four FTEs initially to the operations of the ORCA Program during the operating phase. The ILA assumes that \$289,089 in salaries and benefits costs are paid by Sound Transit in 2009. The Adopted 2009 Budget includes \$287,286 for these staff expenses, which are included in the Transportation Services, Office of Policy Planning and Public Affairs and Finance and Information Technology departments.

BUDGET TABLE

	Adopted 2009 Budget
Smart Card Operating Expense	
OM Interlocal Agreement Smart Card	480,000
Smart Card Capital Expenditures	
Full System Acceptance Milestone	1,856,638
Smart Card Integration	700,000
TVM Integration	215,000
Link Smart Card Equipment	1,200,000
	3,971,638
Smart Card Staff Expense	
Transportation Services	70,798
Office Of Policy and Planning	79,496
Finance & Information Technology	136,992
	287,286
Total	4,738,924

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

King County Metro, Community Transit, Everett Transit, Kitsap Transit, Pierce Transit, and Washington State Ferries along with the Puget Sound Regional Council formally initiated the Smart Card project in 1994. Following Sound Transit's successful vote in 1996, it joined this partnership, as the goals of the project mirrored the "one-ticket ride" described in Sound Move. The project is budgeted within the Fare Integration Program.

The purpose of the Fare Integration Program is to develop a uniform, single-ticket fare system, and integrated fare policy for the region's entire public transit service network. Smart card technology for regional fare collection will replace current Puget Pass fare media with an electronic system capable of holding pass user information such as a prepaid electronic purse (e-purse) or unlimited ride pass, ride history (for determining transfer validity timing and distributing cash payments among transit systems used), rider discount type, etc.

The Smart Card project, official program name ORCA, uses a central financial clearinghouse to reconcile the data and distribute collected revenues among participating transit partners based on actual transactions and pre-established revenue sharing criteria. This replaces the current survey-estimate based system of dividing regional fare revenues.

The ORCA program is governed by an interlocal agreement, adopted by the Sound Transit Board as Motion No. 2003-25, which defines the operational and financial relationships among the participating transit agencies. The Joint Board is charged with direct oversight of the project management team, including authority to make employment decisions on project contract administrator. Most decisions of the Joint Board require unanimous approval by all participants, with each agency holding one vote in the decision-making process.

The amended ILA retains many of the key structures and elements of the original ILA agreement. The agreement is a joint undertaking of the seven agencies, with delegated authority by the governing bodies to a Joint Board made up of directors of the seven agencies. In addition, each agency appoints a "site manager" to represent it in day-to-day development and operation of the system. Each agency retains the right to set its own fares and fare structure.

The major change in the amended ILA is that the original ILA focused on the period for system development, while the new ILA focuses in more detail on the operating phase of the project. As a result, the amended ILA has a much greater level of detail on how the system will be operated once in service and definition of the respective roles of the agencies. The amended ILA also establishes a management structure for ORCA, which includes two primary elements: Operations Administrator (initially King County Metro) and a Regional Program Administrator (initially Sound Transit). The Operations Administrator will provide day-to-day management of the system including management of the contract with ERG. The Regional Program Administrator will provide policy development and coordination, budget and administrative services, customer and public information and other coordination services to the program. The amended ILA establishes roles and responsibilities for a regional call center, regional card distribution, retail accounts, internet access, public disclosure and system security arrangements. The amended ILA also establishes a ridership based formula for allocation of costs.

Under the amended ILA, Sound Transit will continue to act as fiscal agent for the ORCA program. In this role, Sound Transit sets up and maintains all necessary ORCA bank accounts, holds ORCA funds, disburses funds from central ORCA accounts and provides financial and audit reports to the Joint Board. The amended ILA provides strong indemnifications for Sound Transit in this capacity and the costs for fiscal agent services are shared by all agencies.

Prior Board/Committee Actions

Motion/Resolution Number and Date	Summary of Action
M2003-25 April 24, 2003	A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to execute an interlocal agreement regarding the Smart Card project with partner transit agencies, which may include Community Transit, Everett Transit, Kitsap Transit, King County Metro, Pierce Transit, and Washington State Ferries.

CONSEQUENCES of DELAY

The target start up for the regional ORCA system is April 2009. At that time, the amended interlocal agreement among the ORCA partner agencies will need to be in place to serve as the governing document for system operations. A delay in approving the amendments to the agreement will result in continued reliance on existing agreement terms, which provide insufficient detail and direction for full system operation.

PUBLIC INVOLVEMENT

All monthly Joint Board meetings in which the amended terms of this interlocal agreement have been deliberated have been advertised public meetings. On January 9, 2009 the agencies held a public meeting with elected representatives of each agency’s governing board.

ENVIRONMENTAL COMPLIANCE

SK 1-28-2009

LEGAL REVIEW

JB 1/30/09

SOUND TRANSIT

MOTION NO. M2009-16

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a restated and amended interlocal agreement for the Smart Card project with Community Transit, Everett Transit, Kitsap Transit, King County Metro Transit, Pierce Transit, and Washington State Ferries to update the agreement for the operating phase.

Background:

King County Metro, Community Transit, Everett Transit, Kitsap Transit, Pierce Transit, and Washington State Ferries along with the Puget Sound Regional Council formally initiated the Smart Card project in 1994. Following Sound Transit's successful vote in 1996, it joined this partnership, as the goals of the project mirrored the "one-ticket ride" described in Sound Move.

The purpose of the Fare Integration Program is to develop a uniform, single-ticket fare system, and integrated fare policy for the region's entire public transit service network. Smart card technology for regional fare collection will replace current Puget Pass fare media with an electronic system capable of holding pass user information such as a prepaid electronic purse (e-purse) or unlimited ride pass, ride history (for determining transfer validity timing and distributing cash payments among transit systems used), rider discount type, etc.

The Smart Card project, official program name ORCA, uses a central financial clearinghouse to reconcile the data and distribute collected revenues among participating transit partners based on actual transactions and pre-established revenue sharing criteria. This replaces the current survey-estimate based system of dividing regional fare revenues.

The ORCA program is governed by an interlocal agreement, adopted by the Sound Transit Board as Motion No. 2003-25, which defines the operational and financial relationships among the participating transit agencies. The Joint Board is charged with direct oversight of the project management team, including authority to make employment decisions on project contract administrator. Most decisions of the Joint Board require unanimous approval by all participants, with each agency holding one vote in the decision-making process.

The major change in the amended ILA is that the original ILA focused on the period for system development, while the new ILA focuses in more detail on the operating phase of the project. As a result, the amended ILA has a much greater level of detail on how the system will be operated once in service and definition of the respective roles of the agencies. The amended ILA also establishes a management structure for ORCA, which includes two primary elements: Operations Administrator (initially King County Metro) and a Regional Program Administrator (initially Sound Transit). The Operations Administrator will provide day-to-day management of the system including management of the contract with ERG. The Regional Program Administrator will provide policy development and coordination, budget and administrative services, customer and public information and other coordination services to the program. The amended ILA establishes roles and responsibilities for a regional call center, regional card distribution, retail accounts, internet access, public disclosure and system security arrangements. The amended ILA also establishes a ridership based formula for allocation of costs.

The ORCA system also involves use of a central financial clearinghouse to reconcile the data and distribute collected revenues among participating transit partners based on actual transactions and pre-established revenue sharing criteria. This will replace the current survey-estimate based system of dividing regional fare revenues and provide improved accounting for calculating reimbursements from Sound Transit's Fare Integration Fund to partner agencies for intersystem passenger transfers.

Implementation and operation of the ORCA program has been governed by an interlocal agreement (ILA), adopted by the Sound Transit Board under Motion No. M2003-25, which defined the operational and

financial relationships among the participating transit agencies. The agreement has been administered by a Joint Administrative Board comprised of high level representatives of the agencies, including Sound Transit's Chief Executive Officer. The Joint Board has had significant delegated authority under the ILA to affect the project as well as operating and certain financial policies of the partner agencies. Under the restated and amended ILA, the Joint Board has also been charged with direct oversight of the administration and operations of the project, including authority to select and remove the operations agency and the regional program agency. In addition, the Joint Board will have the authority to approve the operations manager, and the regional program administrator.

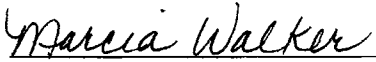
This action amends the 2003 ILA to reflect changes necessary to operate the ORCA system.

Motion:

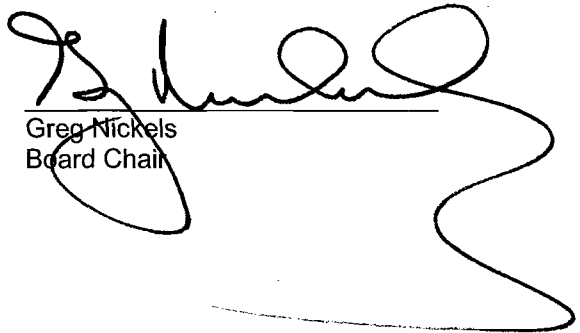
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a restated and amended interlocal agreement for the Smart Card project with Community Transit, Everett Transit, Kitsap Transit, King County Metro Transit, Pierce Transit, and Washington State Ferries to update the agreement for the operating phase.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on February 12, 2009.

ATTEST:



Marcia Walker
Board Administrator



Greg Nickels
Board Chair