

MOTION NO. M2014-59

Amending the Funding and Cooperative Agreement with the City of Seattle for implementation of the First Hill Streetcar

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Operations and Administration Committee Board	07/17/2014 07/24/2014	Recommend to Board Final Action	Ric Ilgenfritz, Executive Director, PEPD Brian Brooke, Research, Policy and Business Development Manager

PROPOSED ACTION

Authorizes the chief executive officer to amend the Funding and Cooperative Agreement with the City of Seattle for the Implementation of the First Hill Streetcar Connector Project, by changing the method of funding operations and maintenance.

KEY FEATURES SUMMARY

- Amends the agreement between Sound Transit and the City of Seattle for design, construction, operations and maintenance of the First Hill Streetcar (FHSC) connector, which will connect First Hill employment centers to the regional Link light rail system.
- Allows the City of Seattle to retain all fare revenue it collects. Under the existing agreement, the City of Seattle must transfer all collected revenue to Sound Transit.
- Reduces Sound Transit's obligation to fund FHSC operations and maintenance through 2023 from a capped amount of approximately \$58,830,000 (YOE) to a fixed amount of \$48,090,000 (YOE).
- Gives the City of Seattle authority to establish and change fares at its own discretion, in coordination with its broader network of streetcar services.
- Does not affect the \$132,780,000 capital phase of the project.

BACKGROUND

In November 2009, Sound Transit and the City of Seattle entered into an agreement for the City of Seattle to design, build, operate and maintain the First Hill Streetcar Connector Project using funding authorized under Sound Transit 2: A Mass Transit Guide, the Regional Transit System Plan for Central Puget Sound ("ST2"). The purpose of the FHSC is to replace the connection to the regional Link light rail system lost when the First Hill light rail station was deleted from the regional system. The FHSC will directly connect First Hill employment centers to the regional Link light rail system at the International District/Chinatown Station at 5th Avenue South and the Capitol Hill Station at Broadway between Denny Way and John Street.

In July 2013, while planning for the 2014 opening of the FHSC, staff determined that the arrangement in the agreement which provided for Sound Transit to control fares and retain all fare revenue from the FHSC, while the City of Seattle is responsible for operations and fare enforcement, has the potential to create confusion and inefficiency as

- the City of Seattle bears costs of fare collection and enforcement, but receives no benefit, resulting in misalignment of incentives;
- there may be difficulty coordinating streetcar fare changes between governing bodies, as the FHSC will be one line within a broader system of streetcars owned by the City of Seattle;
- revenue allocation will become complicated as the FHSC line itself is extended.

Following negotiations with City of Seattle staff, this amendment was developed to better align the roles and responsibilities related to fare collection on the FHSC by transferring the fare revenue and all fare-related responsibilities, benefits and risks from Sound Transit to the City of Seattle while reducing Sound Transit's cost obligation by an amount commensurate with the risk-adjusted value of the projected fare revenue.

FISCAL INFORMATION

Under the current agreement, Sound Transit's maximum cost obligation for Operations and Maintenance funding is set forth in Exhibit C, which provides multiple schedules varying by the project start date. The schedule closest to the currently projected start date (as early as November 2014) is that for a start date at the beginning of 2015:

Funding and Cooperative Agreement with the City of Seattle for the Implementation of the First Hill Streetcar Connector Project EXHIBIT C - Passenger Service Date of Q1 2015				
	Year	Current agreement ST max payment	Proposed ST fixed payment	Increase (Decrease) in total payments
	2014		\$3,089,925	
	2015	\$5,670,000	\$5,000,000	
	2016	\$5,870,000	\$5,000,000	
	2017	\$6,080,000	\$5,000,000	
	2018	\$6,290,000	\$5,000,000	
	2019	\$6,510,000	\$5,000,000	
	2020	\$6,740,000	\$5,000,000	
	2021	\$6,980,000	\$5,000,000	
	2022	\$7,220,000	\$5,000,000	
	2023	\$7,470,000	\$5,000,000	
	Total (\$YOE)	\$58,830,000	\$48,090,000	\$(10,740,000)
	Total (2014 present value at 4.5% discount rate*)	\$47,040,000	\$39,430,000	\$(7,610,000)

* as established in the agreement

The City of Seattle has provided projections based on their actual cost structure (under their operating agreement with King County Metro) that the full, maximum amount of the available ST funding will be used under the current agreement.

In exchange for this reduction, Sound Transit will give up the fare revenue and allow the City of Seattle to retain it. The value of this fare revenue is very uncertain, with ST estimates ranging from \$8m-\$15m YOE (\$7m - \$12m 2014 present value). The projected value of the fare revenue would be at the lower end of the projected range under the current agreement due to the misalignment of fare enforcement responsibilities. The lower negotiated value also represent the transfer of revenue risk from Sound Transit to the City of Seattle.

The proposed amendment to the agreement's Operations and Maintenance payment schedule has no effect on Sound Transit's fixed contribution payment schedule for First Hill Streetcar capital costs.

PUBLIC INVOLVEMENT

Not applicable to this action.

TIME CONSTRAINTS

A one month delay would not create a significant impact to the project schedule, however, adoption of the agreement amendment in July is targeted for coordinated action by both parties.

ENVIRONMENTAL REVIEW

JI 7/10/2014

LEGAL REVIEW

JW 7/14/2014

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A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to amend the Funding and Cooperative Agreement with the City of Seattle for the Implementation of the First Hill Streetcar Connector Project, by changing the method of funding operations and maintenance.

BACKGROUND:

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Following negotiations with City of Seattle staff, this amendment was developed to better align the roles and responsibilities related to fare collection on the FHSC by transferring the fare revenue and all fare-related responsibilities, benefits and risks from Sound Transit to the City of Seattle while reducing Sound Transit's cost obligation by an amount commensurate with the risk-adjusted value of the projected fare revenue. This action reduces Sound Transit's obligation to fund FHSC operations and maintenance through 2023 from a capped amount of approximately \$58,830,000 (YOE) to a fixed amount of \$48,090,000 (YOE). This action does not affect the \$132,780,000 capital phase of this project.

MOTION:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to amend the Funding and Cooperative Agreement with the City of Seattle for the Implementation of the First Hill Streetcar Connector Project, by changing the method of funding operations and maintenance.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on July 24, 2014.


Dow Constantine
Board Chair

ATTEST:


Marcia Walker
Board Administrator