

MOTION NO. M2018-138
Amend ST Express Agreement with Pierce Transit for Operations and Maintenance Services

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Operations and Administration	11/1/2018	Recommend to Board	Bonnie Todd, Executive Director of Operations
Board	11/15/2018	Final Action	Brian de Place, Director Business Service, Service Planning and Customer Service

PROPOSED ACTION

Authorizes the chief executive officer to execute an amendment to an agreement between Pierce Transit and Sound Transit for ST Express Bus Service Operations and Maintenance.

KEY FEATURES SUMMARY

- In 2015 Sound Transit entered into a three-year agreement, with two one-year options, with Pierce Transit to operate and maintain ST Express service originating in Pierce and South King Counties.
- In 2017 prior to exercising the 2018 option year, Pierce Transit indicated that they wished to renegotiate the terms of the agreement due to an increase in overhead costs.
- The negotiated amendment eliminates a 10.5 percent cap on administrative overhead costs and a marginal cost allocation for four ST Express routes added between 2010 and 2013.
- The amended agreement will result in a simplified Cost Allocation Model more consistent with Sound Transit's operation and maintenance agreements with King County Metro and Community Transit. The amendment will be retroactive to January 1, 2018.

BACKGROUND

Pierce Transit operates 13 ST Express routes using 129 Sound Transit buses. The buses are stored, maintained and operated from Pierce Transit's Lakewood base. Pierce Transit has been providing a portion of Sound Transit's ST Express bus service since the start of the regional express bus program in 1999.

The 2015 agreement with Pierce Transit has two unique cost allocation mechanisms that stem from the 2008-2010 recession; one is a 10.5 percent overhead cap and the other a marginal rate (with no overhead) for four routes.

In earlier agreements with Pierce Transit, overhead costs were allocated proportionally based on service levels of Sound Transit to Pierce Transit buses. However, during and following the recession, Pierce Transit made significant service cuts to their bus operations without commensurate decreases in their overhead. Due to the significant reduction in Pierce Transit service, Sound Transit would have received a much larger portion of the overhead costs even though Sound Transit service levels remained constant during this period. Instead the parties agreed to an overhead cap.

Pierce Transit also agreed to a marginal rate to operate three routes that were previously operated by King County Metro. The routes were transferred as a cost-saving measure and due to base capacity constraints at King County Metro. The route transfers were approved by the board in 2010 (M2010-100) and 2013 (M2013-36).

In 2012, the Board approved Resolution No. R2012-10, adding ST Express Route 596 to replace the discontinued Pierce Transit Route 496 between Bonney Lake and Sumner. Pierce Transit also agreed to operate the new Sound Transit route at the marginal rate.

Pierce Transit service levels for fixed route have recovered since the recession and, as a result, Pierce Transit requested a revised cost allocation model to capture the overhead costs related to operating ST Express services.

Sound Transit and Pierce Transit staff worked together in late 2017 and through the first half of 2018 to develop a new cost allocation model that results in overhead costs that are in line with Sound Transit's other partners on a per platform hour basis. During this time, Pierce Transit agreed to continue service at 2017 rates with the understanding that if a new cost allocation model was agreed upon, then the new negotiated rates would apply retroactively to the beginning of 2018.

FISCAL INFORMATION

The proposed action will be funded from the Purchased Transportation Services category within the Operations Department's annual operating budget. The Purchased Transportation category budget is \$177,101,470, of which a total of \$1,649,312 will be spent on this action and is within budget authority.

Operations (in thousands)

Cost Category	2018 Annual Operating Budget ¹	YTD Actuals ²	This Action (Current Year Impact Only)	YTD Actuals Plus Action (Current Year Only)	Remaining Annual Operating Budget
Salaries and Benefits	\$22,533	\$14,624	\$	\$14,624	\$7,909
Services	67,957	43,780		43,780	24,177
Materials and Supplies	11,663	8,148		8,148	3,515
Utilities	5,632	4,171		4,171	1,461
Insurance		32		32	-32
Taxes	2,868	2,269		2,269	599
Purchased Transportation Services	177,101	131,868	1,649	133,517	43,584
Miscellaneous	480	291		291	189
Leases and Rentals	9,140	6,740		6,740	2,401
Total Annual Operating Budget	\$297,374	\$211,921	\$1,649	\$213,570	\$83,803

Pierce County	Board Approved Agreement Value	This Action	Proposed Revised Board Approved Agreement Value
Agreement Amount - Total	\$48,720	\$1,649	\$50,370

Notes:

¹2018 Annual Operating Budget is located on page 29 of the 2018 Adopted Budget book.

²YTD Actuals as of September 30, 2018

³Spending to Date as of September 30, 2018.

SMALL BUSINESS/DBE PARTICIPATION, APPRENTICESHIP UTILIZATION, AND TITLE VI COMPLIANCE

Not applicable to this action.

TIME CONSTRAINTS

A one-month delay in this action would not create a hardship to Pierce Transit, however, it would delay reimbursement of 2018 prorated overhead expenses.

PRIOR BOARD/COMMITTEE ACTIONS

Motion No. M2015-055: 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.

Motion No. M2013-36: Transferred the operation and maintenance of ST Express bus route 560 from King County Metro to Pierce Transit, effective September 28, 2013.

Resolution No. R2012-10: (1) Amended the Adopted 2012 ST Express Transit Operations budget from \$102,308,773 to \$102,561,773 to fund the operation of ST Express Route 596, (2) amended the Adopted 2012 Service Implementation Plan to create ST Express route 596 to replace Pierce Transit's Route 496 between Bonney Lake Park-and-Ride lot and Sumner Sounder Station, and (3) authorized the chief executive officer to amend the Operations and Maintenance Agreement with Pierce Transit to operate ST Express Route 596.

Motion No. M2010-100: Transferred operation and maintenance of ST Express bus Routes 566 and 577 from King County Metro to Pierce Transit starting February 5, 2011.

ENVIRONMENTAL REVIEW

KH 10/24/18

LEGAL REVIEW

JW 10/26/18

MOTION NO. M2018-138

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute an amendment to an agreement between Pierce Transit and Sound Transit for ST Express Bus Service Operations and Maintenance.

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MOTION:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer to execute an amendment to an agreement between Pierce Transit and Sound Transit for ST Express Bus Service Operations and Maintenance.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on November 15, 2018.



Dave Somers
Board Chair

ATTEST:



Kathryn Flores
Board Administrator