

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NO. R2003-06

**Intergovernmental Agreement with King County
for Central Link Operation and Maintenance**

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	05/15/03	Discussion/Possible Action to Recommend	Ahmad Fazel, Link Director	(206) 398-5389
Board	05/22/03	Board Approval Action	Gloria Overgaard, Deputy Director, Regional Express Charles Joseph, Manager Link Operations and Maintenance	(206) 689-4909 (206) 398-5200

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	✓
Sole Source		Amend Existing Contract/Agreement	
Intergovernmental Agreement	✓	Contingency Funds Required	
Purchase/Sale Agreement		Budget Amendment Required	

OBJECTIVE OF ACTION

Execution of an intergovernmental agreement between Sound Transit and King County for the operation and maintenance of Central Link Light Rail.

ACTION

Authorize the Executive Director to execute an intergovernmental agreement between Sound Transit and King County for (1) the operation and maintenance of Central Link Light Rail (including the Downtown Seattle Transit Tunnel) and the provision of complementary paratransit services for a term commencing with passenger service and running for five years (or until December 31, 2015, whichever is earlier) for an estimated amount of \$124.1 million (YOES); and (2) the performance of start-up activities for an estimated amount of \$17.36 million (YOES) in capital funds.

KEY FEATURES

- Fulfills a requirement in the Downtown Seattle Transit Tunnel (DSTT) Agreement effective July 9, 2002, which permits the use of the DSTT for light rail without Sound Transit having to purchase the DSTT if an intergovernmental agreement for operation and maintenance of Central Link between Sound Transit and the County is executed.
- Selects King County as the contractor for Central Link with responsibility for start-up; Central Link train operations; vehicle, system, facilities and right of way maintenance; and customer services.
- Sound Transit retains responsibility for policy; revenue; budget approval and financial control; monitoring King County performance; and direct payment of costs such as utilities, insurance, and parts.
- Requires King County to create a separate Rail Section within its Transit Division.
- Current operation and maintenance (O&M) cost estimates for Central Link are within the range of peer light rail systems and affordable within Sound Transit's long-term financial plan.

- Annual review of the Central Link costs has defined criteria for cost adjustments.
- Compensation for Central Link operation and maintenance is based on an agreed upon staffing plan, scope of work, and a not-to-exceed annual cost. Compensation for the use of the DSTT is based on the agreed upon percentage split in the DSTT Agreement. Compensation for complementary paratransit is based on fifty percent of the ADA required trips in the Central Link service corridor.
- Compensation to King County for the start-up period will be based on actual cost of work needed to be completed prior to the passenger service date. Sound Transit developed a preliminary scope of work, staffing plan and cost estimate that will continue to be refined and amended with King County.

BUDGET IMPACT SUMMARY

Not applicable for this action.

BUDGET

The current estimates for the operating budget for the initial segment of Central Link are contained in the 2003 Financial Plan and are based on estimates of what it would cost for Sound Transit to operate the system. The cost estimate for the first full year of service (2010) is \$31.90 million (2003\$). The cost estimate for the proposed contract with KCM is \$19.79 million (2003\$) which includes \$16.09 million for Central Link; \$2.77 million for the DSTT; and \$.93 million for complementary paratransit. The following table summarizes the major cost elements of the proposed agreement.

<u>Cost Element</u>	<u>2003 Cost (millions)</u>
Central Link:	
KCM	\$ 16.09
ST	<u>7.75</u>
Subtotal Central Link	\$ 23.84
DSTT (includes REX portion)	2.77
Paratransit	0.93
Airport Shuttle	<u>1.46</u>
Subtotal before contingency	\$ 29.00
Contingency (10%)	<u>2.90</u>
 Total of Major Cost Elements	 <u>\$ 31.90</u>
 2003 Financial Plan	 <u>\$ 31.90</u>

The Sound Transit costs for Central Link include utilities, insurance and risk fund, station security and fare enforcement, high-value parts, ticket vending machine operation and maintenance, and administrative costs.

Under the DSTT Agreement, Sound Transit is required to pay the County 40% of the O&M of the common elements of the Downtown Seattle Transit Tunnel. The 40% cost for the operation and maintenance of the DSTT will be split internally between Regional Express and Central Link based on usage. The cost allocation is approximately one-third for Regional Express and two-thirds for Central Link. The paratransit costs are based upon 50% of the required paratransit trips in the Central Link corridor.

Sound Transit has developed a preliminary scope of work and staffing plan for the start-up period. The work to date is preliminary and will be refined in the next 24 months. The estimated budget is \$17.36 million in YOES\$ which is already included in the \$2,070 million Board-approved capital costs for the initial segment.

BUDGET DISCUSSION

Budget Development

Under the Agreement, a five-year cost forecast has been developed to support a Baseline Cost for the Central Link operating plan. Starting in 2004, this baseline cost estimate will be reviewed annually and revised as necessary to reflect changes in the operating plan, inflation, economic costs, technology, and regulations.

Cost Control

Sound Transit will have two primary means of controlling cost growth for Central Link.

1. Sound Transit must approve changes to the annual staff plan for the Rail Section. As labor costs are projected to be 71% of the County's contract to operate Central Link, controlling staffing levels is a key element of cost containment.
2. Sound Transit must approve the annual budget for operating the system. King County is not authorized to exceed the budget without prior approval from Sound Transit.

A substantial body of documentation has been created in the process of developing the baseline cost estimate. This documentation, along with the criteria for changing the cost estimate as part of the annual review process, should limit any cost adjustments to those that are reasonable and necessary to operate the system.

Key Risks

While the Agreement proposes a budget that is within the estimates for a Sound Transit operated system and contains reasonable cost containment controls, there are factors that could impact final cost:

1. The current labor agreements at King County do not address light rail operations. The Agreement specifies that any negotiated labor agreement be separate and distinct from those currently in place and contain distinct work rules and job classifications for the Rail Section. The Rail Section staff will be employees of King County. Thus, the County, not Sound Transit, will be responsible for negotiating any new labor agreements.
2. Under this Agreement, King County will allocate a share of its administrative overhead to light rail operations. The organization units that are allocating cost to Central Link and the method for the cost allocation have been identified in the Agreement. This is the principal means to ensure that the costs allocated to Central Link are reasonable. However, Sound Transit has no direct control over the total costs that are to be allocated.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The proposed action is consistent with the current Board-adopted budget and is affordable within Sound Transit's current long-term financial plan and the financial capacity of the subareas. The North King County subarea and the South King County subarea share

proportional operation and maintenance costs for the use of the tunnel for light rail operations. The East King county subarea will pay proportional operation and maintenance costs for the use of the DSTT by Regional Express. The internal cost split based on tunnel usage will initially be approximately two-thirds for Central Link and one-third for Regional Express when the tunnel reopens after retrofit. If the DSTT reopens for bus use before Central Link is operational as is currently planned, then Sound Transit will pay 17% of the total operation and maintenance costs.

M/W/DBE – SMALL BUSINESS PARTICIPATION

Not applicable for this action.

HISTORY OF PROJECT

Prior Board or Committee Actions and Relevant Board Policies

Motion or Resolution Number	Summary of Action	Date of Action
M2002-65	Executed a Memorandum of Agreement between Sound Transit, King County, and the City of Seattle defining the terms and conditions to permit the joint operations of trains and buses in the Downtown Seattle Transit Tunnel.	6/13/02
M2001-132	Designated Sound Transit as the operator of Tacoma Link Light Rail on an interim basis and directing staff to develop a detailed workplan for operations. Light rail operations of Tacoma Link will not become the foundation for light rail operations of Central Link. Central Link Operations decisions will be determined by the Sound Transit Board in the future. All hiring decisions and potential contracts will reflect this understanding and principle	12/13/01
R2001-16	Selected the initial segment of the Central Link Light Rail Project to be constructed and operated by 2009	11/29/01

Background

Sound Transit had been negotiating with the Federal Transit Administration (FTA) for an amendment to its full funding grant agreement (FFGA) that would commit Federal New Starts funds for the current definition of the Central Link light rail project. Sound Transit redefined the initial segment and determined that joint bus/rail operations would occur in the DSTT. As a condition of amending the FFGA, the FTA required Sound Transit to establish an agreement with King County regarding the use of the tunnel. The DSTT Agreement dated July 9, 2002 provides for the use of the DSTT for light rail purposes, provided King County is chosen to operate and maintain the light rail system. The DSTT also defined the cost sharing arrangement for the use of the tunnel in that instance. However, if Sound Transit and King County did not execute an agreement for the operation and maintenance of Central Link by March 31, 2003 (or by an agreed upon extension), the DSTT Agreement provides that the parties would have to initiate negotiations for the purchase of the DSTT by Sound Transit. The parties agreed to extend the execution deadline to June 2, 2003.

Sound Transit staff negotiated the O&M Agreement with a focus on the following goals: retaining policy-setting functions, retaining cost and budgetary control, establishing accountability of both parties, establishing a Sound Transit identity for Central Link, and retaining an option to terminate the Agreement. Sound Transit also developed an engineer's cost estimate incorporating peer agencies' information and used it to compare King County's costs for Central Link. The King County costs are within the engineer's estimate.

The Agreement reflects the goals listed above as follows:

- establishes an owner/contractor relationship;
- includes performance standards;
- requires a not-to-exceed budget;
- requires Sound Transit's approval on any changes to the staffing plan or annual cost;
- requires the development of an apprenticeship program ;
- provides for Sound Transit identity exemplified by the separate Rail Section housed in the Central Link Operations and Maintenance Facility;
- budget based on new and incremental costs for the County; and
- provides for a hybrid approach to security using both commissioned officers and contracted security.

ALTERNATIVES

Purchase the DSTT and self-operate Central Link or begin a procurement process for an operator other than King County.

CONSEQUENCES OF DELAY

Delaying action on this resolution could potentially impact the timing of the Federal Transit Administration Full Funding Grant Agreement for Central Link. Further, if the County did not agree to an extension of time to execute this Agreement, Sound Transit and the County would be required to commence negotiation for the purchase of the DSTT by Sound Transit.

REGIONAL PARTNERSHIP AND COOPERATION

Sound Transit was able to negotiate this agreement in a relatively short time because of the commitment of King County staff to this effort. Additionally, the Federal Transit Administration provided an expedited review and suggestions that were incorporated into the final document.

PUBLIC INVOLVEMENT

Not applicable for this action.

LEGAL REVIEW

JDW 05/12/03

SOUND TRANSIT

RESOLUTION NO. R2003-06

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to execute an intergovernmental agreement with King County for (1) the operation and maintenance of Central Link Light Rail (including the Downtown Seattle Transit Tunnel) and the provision of complementary paratransit services for a term commencing with passenger service and running for five years (or until December 31, 2015, whichever is earlier) for an estimated amount of \$124.1 million (YOES\$); and (2) the performance of start-up activities for an estimated amount of \$17.36 million (YOES\$) in capital funds.

WHEREAS, a Regional Transit Authority, hereinafter referred to as Sound Transit, has been created for the Pierce, King, and Snohomish County region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, on November 5, 1996, at a general election held within the Central Puget Sound Regional Transit Authority district, the voters approved local funding for Sound Move, the ten-year plan for high capacity transit in the Central Puget Sound Region; and

WHEREAS, Sound Move includes an electric light rail component to serve the core of the regional transit system; and

WHEREAS, the Sound Transit Board selected the initial segment of the Central Link Light Rail Project to be constructed and operated by adoption of Resolution No. R2001-16 on November 29, 2001; and

WHEREAS, the Sound Transit Board adopted Motion No. M2001-132 on December 13, 2001, designating Sound Transit as the operator of Tacoma Link Light Rail on an interim basis and specifying that light rail operations of Tacoma Link would not become the foundation for light rail operations of Central Link; and

WHEREAS, RCW 81.112.070 provides that a regional transit authority may contract with a county for the operation of high capacity transportation system facilities; and

WHEREAS, King County (the County) owns and operates the Downtown Seattle Transit Tunnel (DSTT), which opened for service in 1990; and

WHEREAS, the DSTT provides additional capacity for buses and was originally planned to accommodate the downtown segment of a future rail system; and

WHEREAS, the Sound Transit Board adopted Motion No. M2002-65 on June 13, 2002, authorizing the Executive Director to execute a Memorandum of Agreement among Sound Transit, King County, and the City of Seattle defining the terms and conditions to permit the joint operations of light rail trains and buses in the Downtown Seattle Transit Tunnel (DSTT Agreement); and

WHEREAS, the DSTT Agreement provides that if the County and Sound Transit do not execute an agreement for the operation and maintenance of Central Link by March 31, 2003, Sound Transit and the County would be required to commence negotiations for the purchase of the DSTT by Sound Transit; and

WHEREAS, the County and Sound Transit have agreed to extend that execution date to June 2, 2003; and

WHEREAS, the DSTT Agreement also provides that the operation and maintenance agreement would require, among other things, that Sound Transit retain ultimate responsibility for policy setting, annual budgeting, cost control, service levels, system identity, and standards of operation and maintenance; and

WHEREAS, Sound Transit staff and King County staff have negotiated in good faith a final intergovernmental agreement for the operation and maintenance of Central Link (O&M Agreement) for consideration by their respective legislative bodies; and

WHEREAS, in accordance with the O&M Agreement, Sound Transit retains, among other responsibilities, the following for Central Link:

- a. policy setting for Central Link Light Rail operation and maintenance;

- b. financial control and management oversight through the approval of King County staffing levels, scope of work, and adjustment of the compensation;
- c. fare policy, collection, and equipment maintenance;
- d. design and management of the Central Link security program;
- e. most of the equipment procurement;
- f. coordination with utilities;
- g. engineering and design of capital improvements; and
- h. testing, safety certification, public education, and system commissioning during the start-up; and

WHEREAS, the O&M Agreement defines how Sound Transit will compensate the County for work during start-up, revenue service, as well as for paratransit and use of the DSTT; and

WHEREAS, Sound Transit will pay the County for its costs during start-up based upon a scope of work and staffing plan with a currently estimated cost of \$17,364,000 (YOES), which is included in the Sound Transit Board-approved capital costs for the Central Link initial segment;

WHEREAS, Sound Transit will pay the County for its work for the operation and maintenance of Central Link based upon a baseline cost that may be adjusted by Sound Transit annually; and

WHEREAS, Sound Transit will initially pay the County for 40% of the cost for operation and maintenance of the common elements of the DSTT; and


WHEREAS, Sound Transit will pay an agreed-upon cost to the County for 50% of the total paratransit required trips in the Central Link corridor; and

WHEREAS, the estimated total cost for the three components, Central Link, DSTT and paratransit, during the five-year operating period is \$124,100,000 (YOES); and

WHEREAS, King County brings its considerable expertise in the administration, operation, and maintenance of public transportation services to the operations of light rail.


NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that the Executive Director is authorized to execute an intergovernmental agreement with King County for (1) the operation and maintenance of Central Link Light Rail (including the Downtown Seattle Transit Tunnel) and the provision of complementary paratransit services for a term commencing with passenger service and running for five years (or until December 31, 2015, whichever is earlier) for an estimated amount of \$124.1 million (YOES\$); and (2) the performance of start-up activities for an estimated amount of \$17.36 million (YOES\$) in capital funds.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 22, 2003.



Ron Sims
Board Chair

ATTEST:



Marcia Walker
Board Administrator