

**SOUND TRANSIT  
STAFF REPORT**

**RESOLUTION NO. R2009-14**

**Amending the Adopted 2008 ST Express Transit Operations Budget**

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Finance Committee	6/18/09	Discussion/Possible Action to Recommend Board Approval	Bonnie Todd, Director of Operations	(206) 398-5367
Board	7/9/09	Action	<b>Michael Perry, Deputy Director of Operations</b>	(206) 398-5388

<b>Contract/Agreement Type:</b>	✓	<b>Requested Action:</b>	✓
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**

ST Express Transit Operations

**PROPOSED ACTION**

Amends the Adopted 2008 Budget for ST Express from \$95,079,794 to \$96,679,794.

**KEY FEATURES of PROPOSED ACTION**

- The ST Express transit operations budget is impacted by year-end reconciliations of actual costs from service partners and other year-end analysis of budget items such as depreciation and amortization.
- ST Express purchased transportation costs were higher than budget due to higher fuel prices, the impacts of operational changes in the Downtown Seattle Transit Tunnel, and higher than planned parts costs from King County Metro.
- As the year progressed, staff monitored the rising fuel prices. On their own, these additional costs could have been covered within the budget through the use of contingency. However, as part of the annual reconciliation process that takes place in April, additional costs were identified that had not been part of the amount that Sound Transit had been paying; including higher than anticipated costs for the Downtown Seattle Transit Tunnel, additional costs for parts and additional depreciation and amortization.
- Now that the final cost for bus operations has been identified, this budget amendment is necessary to enable Sound Transit to pay its year-end obligations to service agreement partners for 2008 actual costs.

**BUDGET IMPACT SUMMARY**

<b>Action Outside of Adopted Budget:</b>	<b>✓</b>	<b>Comments on Checked Items</b>
This Project		
This Phase		
This Task		
Budget Amendment Required	✓	Requires an amendment to the 2008 transit operations budget

<b>Key Financial Indicators:</b>	<b>✓</b>	<b>Comments on Checked Items</b>
Contingency Funds Required		
Funding required from other parties (other than what is in financial plan)		

Not checked = action is assumed in current Board-adopted budget. No budget action or adjustment to financial plan required.

**BUDGET and FINANCIAL PLAN DISCUSSION**

The Adopted 2008 ST Express Transit Operations Budget is \$95.1 million. After full reconciliation of actual partner costs as well as the impacts of a thorough review of construction in progress and depreciation, the actual costs for 2008 now total \$96.7 million. Therefore, a budget amendment of \$1.6 million is necessary to enable final payments to the service agreement partners for actual costs.

This action is affordable within the agency’s 2009 financial plan.

**BUDGET TABLE**

The ST Express transit operations budget would be amended as follows:

<b>Description</b>	<b>Adopted 2008 Budget</b>	<b>Proposed Amendment</b>	<b>Amended 2008 Budget</b>
ST Express Transit Operations	\$95,079,794	\$1,600,000	\$96,679,794

The funding for the proposed amendment would come from underspending in other transit operations modes and unused financial reserves.

**SMALL BUSINESS PARTICIPATION**

Not applicable to this action.

**PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION**

This action amends the Adopted 2008 Budget for ST Express bus operations by a total of \$1,600,000 to reflect additional costs resulting from the year-end reconciliation of actual costs for bus operations and maintenance, as well as a review of ST Express depreciation and amortization.

Per the service agreements with each of the partners, Sound Transit pays an amount each month based on 1/12<sup>th</sup> of the estimated budget, and the payments are reconciled to actual direct costs after partner agencies’ finances are audited through a third party financial audit. By agreement, these reconciliations are to be performed by April 30 of each year. Upon completion of the reconciliation, the partners bill Sound Transit, or remit the difference to Sound Transit.

Upon completing the reconciliations, Sound Transit was found to owe additional payments to the partners as follows:

Community Transit:	\$250,027
King County Metro:	\$2,417,000
Pierce Transit:	\$212,005
Total:	\$2,879,032

While there was a contingency of \$1,578,846 in the 2008 budget, this reconciliation exceeds that amount. The primary cause of the higher costs was related to the cost of diesel fuel. While the budget for fuel for 2008 was \$2.70 per gallon, the actual cost was at an average rate of \$3.25 per gallon. This caused approximately \$1.4 million of the shortfall.

The remaining budget issues were related to higher than anticipated costs for the Downtown Seattle Transit Tunnel as the Seattle Fire Department required two tunnel controllers 24 hours per day, while the budget assumed one, which caused higher costs of approximately \$350,000.

Also, parts costs with King County Metro were higher than budget by approximately \$700,000 as there was an error in the allocation model that understated the budgeted parts costs. This error has been corrected for 2009.

Finally, as part of the review of financial activity during the year-end close process in early 2009, assets related to ST Express that had previously been in construction were determined to be in service and were put onto the balance sheet. In keeping with proper accounting treatment, the depreciation and amortization of these assets were charged to ST Express for the time they were in service in 2008. This is a non-cash transaction which had a negative \$400,000 impact on the ST Express budget.

**Prior Board/Committee Actions**

<b>Motion/Resolution Number and Date</b>	<b>Summary of Action</b>
R2007-25	Adopting an annual budget for the period from January 1 through December 31, 2008

**CONSEQUENCES of DELAY**

Adoption of this budget amendment is necessary to make final payments to our transit partners. A delay in approving this action will cause a delay in making those payments.

**PUBLIC INVOLVEMENT**

Not applicable to this action.

**ENVIRONMENTAL COMPLIANCE**

SSK 6-12-09

**LEGAL REVIEW**

JW 6/11/09

**SOUND TRANSIT**

**RESOLUTION NO. R2009-14**

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority amending the Adopted 2008 Budget for ST Express from \$95,079,794 to \$96,679,794.

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

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Central Puget Sound Regional Transit Authority district on November 5, 1996 and November 8, 2008, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, the Sound Transit Board has adopted financial policies to govern the financing and implementation of the regional transit system and to specify budgetary guidelines for providing subarea equity in accomplishing the same; and

WHEREAS, by Resolution No. R2002-08 the Sound Transit Board adopted revised budget policies; and

WHEREAS, Sound Transit has contracted with King County Metro, Community Transit and Pierce Transit to provide bus operations services in the Sound Transit operation area; and

WHEREAS, the service agreements provide for a full reconciliation of actual direct operating costs incurred by the partners on behalf of Sound Transit in the process of operating the service as per the service agreements; and

WHEREAS, by Resolution No. R2007-25, the Sound Transit Board adopted the 2008 budget by a two-thirds affirmative vote of the entire membership; and

WHEREAS, the Adopted 2008 budget for ST Express bus transit operations was in the amount of \$95,079,794; and

WHEREAS, the 2008 reconciliation would cause Sound Transit to exceed its Adopted 2008 transit operations budget for ST Express bus service by \$1,600,000; and

WHEREAS, this budget amendment is consistent with and affordable under Sound Transit financial policies and consistent with Sound Transit budget policies; and

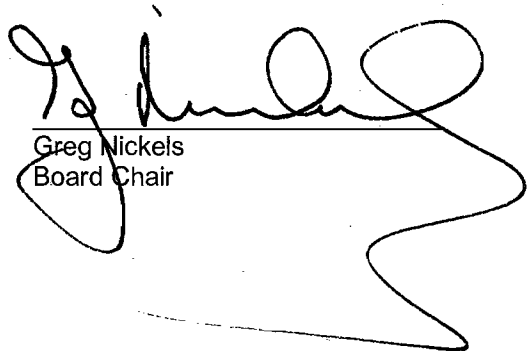
WHEREAS, Board adoption of the 2008 Budget and subsequent amendments are deemed major decisions of the Board and therefore require a two-thirds affirmative vote of the entire membership of the Board.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority to revise the Adopted 2008 Budget for ST Express transit operations as follows: the 2008 annual budget is revised to \$96,679,794 to provide funding to settle the annual direct cost reconciliations with Sound Transit operating partners for 2008.

ADOPTED by an affirmative vote of two-thirds of the entire Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on July 9, 2009.

ATTEST:

  
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Marcia Walker  
Board Administrator

  
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Greg Nickels  
Board Chair