

Responses to O&A Committee Proposed 2017 Budget Questions

November 2016

(1) What is Farebox Recovery by Mode? (Butler)

Farebox Recovery by Mode	Policy Minimum	2016	2017	% Change
Link	40.0%*	28.4%	37.6%	34.4%
Sounder	23.0%	25.3%	26.7%	5.5%
ST Express	20.0%	28.8%	28.5%	-1.0%
Tacoma Link	N/A	N/A	N/A	

*Link minimum at maturity

(2) Do we have data that shows the shift from one mode of travel to another? (McCarthy)

Routes on I-5 N (510,511,512,513) and I-5 S (590,592,594) have seen modest ridership declines while both Sounder lines have continued to add riders. That is not definitive proof that riders are shifting to rail, but it could be that some riders are shifting to Sounder in response to bus overcrowding and highway congestion.

(3) Why the increase in insurance costs and what cost containment strategies are we using to reduce or minimize the cost increase to the agency? (Marchione)

- a. Cost Increases: Several factors are impacting insurance premiums including ridership numbers, mandated higher levels of liability coverage, and additions to Sounder rolling stock (9 new cab cars), higher liability coverage for property and rolling stock, and the addition of the U Link and S 200th Link extensions into revenue service.
- b. Cost Containment: A variety of measures are being undertaken to reduce risk including educating underwriters about current safe guards in place and when appropriate, transferring or sharing risk with contractors and third parties. Further details are provided in Appendix A.

(4) Summarize the agreement with Amtrak regarding the access to rail improvements, the reimbursement of cost to maintain the rail segment as well as the potential for penalties for impacts on arrival times. (McCarthy/Butler)

On April 24, 2014 the Board approved Motion M2014-21 authorizing the CEO to execute a Service Outcomes Agreement with WSDOT and Amtrak. It included both a performance incentive and a construction and maintenance agreement to fund construction on Sound Transit owned rail corridor. This funded construction on the Point Defiance By-Pass project. The Amtrak reimbursement agreement is a follow on to a \$32M investment in a rail infrastructure upgrade between Nisqually to Freighthouse Square. The Service Outcomes Agreement identifies reimbursement in three ways:

- a. Fixed - \$300,000 annual commitment
- b. Variable - Fixed train mile commitment at \$2.50 a train mile, which is dependent on the number of runs that occur annually.
- c. Incentive/Penalty - Rewards for on time traversing of the ST Rail and penalties for delays.

The estimated cost to maintain the rail segment in a state of good repair is \$642,000 annually. Current estimates place the projected reimbursements from all parts of the agreement at \$733,000. Further details are provided in Appendix B.

(5) Provide a department variance analysis comparing the 2016 department budgets to the 2017 proposed budgets.

See Appendix C.

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(6) With the addition of Angle Lake station, what changes have been made to re-deploy ST Express service to take connect to Link? (McCarthy)

Service Planning is evaluating opportunities for integration of bus routes at Angle Lake Station. ST Express Route 574 from Lakewood currently connects with Link at SeaTac Station. Modifying Route 574 to serve the station will be explored in the near future. Serving the station would mean exiting I-5 sooner at S 200th instead of S 188th. Due to the current WSDOT construction around the S 200th and Military Road to improve access to I-5, Sound Transit deferred making the potential routing change when the station opened. As WSDOT completes the construction of the project in 2017, Sound Transit will engage stakeholders and the public in the area to review the benefits of the potential change to Route 574.

For U Link, changes have already been implemented to improve connections between King County Metro bus service, ST Express, and Link. With the opening of U Link in March 2016, King County Metro implemented significant changes to its bus network in an effort to increase access to reliable, fast, and frequent Link light rail service. By leveraging the new Link service, King County Metro now provides more frequent transit service to communities in northeast Seattle.

For Sound Transit, a new peak only bidirectional ST Express service on the busiest portion of the SR-520 corridor, between Overlake and the University of Washington Station, was added to provide connections with Link. The new Route 541, implemented in spring 2016, provides additional capacity along the corridor and new connection opportunities to Link. Additionally, new midday service was added to Route 542 (Redmond-U District) providing connection options to Link in the midday. Overall, the new service has increased ridership in the corridor and relieved crowding while providing improved connections.

(7) Why is bus ridership down? (Multiple)

The forecast for 2016 ridership has been updated since the production of the Proposed 2017 Budget and bus ridership is now forecast to increase by about 1%. The ridership projections are based on modeling historical ridership and other economic factors and are updated quarterly. Projections for continued low gas prices are believed to be contributing to the slow growth in ST Express ridership.

Updated Annual Boardings by Mode 2015-2017

	2015 Actual	2016 Estimated	2017 Budgeted
ST Express	18,312,624	18,470,000	18,680,000

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Appendix A: Insurance Cost Containment Measures

Sound Transit Risk Management Division (RMD) implements numerous Insurance Cost Containment Measures to control Insurance Costs paid by Sound Transit. These containment measures are categorized as Strategy, Program Structure, Education/Submissions, and Risk Transfer. Containment measures include:

STRATEGY:

- Long Range Strategy meetings held with Agency Operations Insurance Program (AOIP) / Rail Operations Insurance Program (ROIP) brokers to discuss Sound Transit's growth in insurance premium rating factors (Property - Statement of Values, Ridership, etc.), to determine cost containment options.
- Analyze & determine appropriate Limits and Retentions.
- Provide presentations to various underwriters showcasing Sound Transit's history and future growth, increasing carrier interest.
- Market AOIP/ROIP insurance coverages to numerous carriers, creating competition.
- Facilitate in depth one-on-one discussions/F2F meetings with underwriters.
 - Enhance underwriters comfort when insuring Sound Transit risk & exposure.
 - Answer questions.
 - Give details on Sound Transit safeguards.
- Build long term relationships with carriers.
 - Leverage past premiums received by carriers vs. claim payments made to justify lower future insurance cost.
 - Leverage premiums paid by brokers other clients to individual carriers.

PROGRAM STRUCTURE:

- Perform Cost / Benefit Analysis to optimize best Program Structure for Sound Transit.
- Continually look at Alternative Program Structure options to determine appropriate future path for Sound Transit Insurance coverage.
- Increase deductible/Self Insurance Retentions (SIRs) to reduce claim frequency and insurance premium costs.
- Request/Receive proposals for Multi Year policies, when available, to maximize insurance cost.

EDUCATION/SUBMISSIONS:

- Provide detailed & comprehensive insurance submissions reflecting Sound Transit's building standards, newness, safeguards and claims history.

RISK TRANSFER: (Reduce Exposure to Sound Transit)

- Eliminate potential Risk & Exposure to Sound Transit by contractually transferring responsibility to contractors/vendors insurance carriers working on Sound Transit's behalf.
 - Set minimum insurance coverage/limit requirements on all contractors/vendors working on Sound Transit's behalf (Requirements incorporated into contract).
 - Notice to Proceed (NTP) not given until Certificate of Insurance (COI) and required Endorsements received and reviewed by Risk Management.
 - Indemnification Language incorporated into contract.

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Appendix B: Key Points on Amtrak Service Outcome Agreement

Basic Structure

- Amtrak/WSDOT will operate on the ST owned Lakeview Subdivision (6 WSDOT Cascades, 1 Amtrak Coast Starlight) trains daily, between Nisqually (MP 21.3) and TR Junction (MP 0.7).
- Amtrak/WSDOT has contributed \$32m toward capital improvements on the Lakewood Subdivision.
- The whole corridor can be considered “single tracked” with two sections of sidings, a) between Bridgeport Way (MP x) and S. 66th Street (MP y) and between D Street (MP 1.99) and Portland Ave (MP 1.0).
- Agreement is for 20 years
- Agreement was approved by the ST Board with M2014-21 in April of 2014

Cost Methodology

- Structure - There are three main areas of reimbursement under the proposed methodology
 - Amtrak agrees to pay ST a fixed monthly figure of \$25k per month (= \$300k/yr)
 - Incremental and Other Maintenance (fixed) at \$2.50 per train mile
 - Incentives/Penalties at a range of figures between
 - +\$2.66 per train mile for 400 minutes or less per 10,000 train miles
 - -9.12 per mile for 2,471 minutes or more per 10,000 train miles –
 - Above rates are as of 1/1/15 and are cost adjusted based on the AAR Quarterly Index of Charge-out Prices and Wage Rates (Table C) West
- Fixed Cost Recovery – The current estimate of fixed cost recovery about 75%. The balance of costs (25% and profit are expected from the expected incentive revenue.
- Incentives/Penalties – Sound Transit is likely to earn incentives on average, which could be as much as \$98k per year (if delay minutes average less than 400 min. per 10k mi. No one really know what to expect, but we currently believe this figure will be positive and help with cost recovery.
- Recovery of Nisqually Line – the methodology is oriented toward recovery of the est. \$642k Nisqually corridor costs, with 114% recovery or \$91k of profit, beyond costs incurred on the corridor shared by Amtrak.

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Appendix C: Proposed 2017 Operating Budget Summary of Changes

Proposed 2017 Operating Budget Summary of Changes by Area of Impact

(in thousands)

Change Description	Amount	Dept	Notes	Budget Page #
Adopted 2016 Budget	\$362,547			
Change Due to Increase In Transit Operations				
Link	2,289	OPS	Full year of U Link and S 200th Link operations	P25
ST Express	6,174	OPS	32,428 additional bus platform hours	P25
Sounder	1,777	OPS	2 mid-day additional Sounder trips 4Q 2017 and annualize a trip added in Q4 2016	P25
Subtotal	10,240			
Other Operational Changes				
Sounder Vehicle Maintenance	1,140	OPS	Support 70 vehicles (8 more than previous year)	P25
Sounder Maintenance of Way	425	OPS	Additional MOW at Nisqually and additional 11 track miles at Point Defiance Pass	P25
Link Traction Power & Spare Parts	1,103	OPS	Due to annualizing the U Link and S 200th Link extensions	P25
Security Services	2,951	OPS	Primarily due to annualizing services for link extensions	P25
Facilities Maintenance	273	OPS	Additional Stations	P25
Downtown Seattle Transit Tunnel	1,500	OPS	ST share increased from 64% to 70%	P25
Staffing	3,403	OPS	Includes 13 new positions, station utilities, taxes & engineering and technical consulting services	P25
Parking Permit Program	565	OPS	Initial Phase of managed parking at ST garages	P25
Increased Liability Coverage	1,100	FIT	Increased insurance premiums	P21
Fees and Shared Costs	784	FIT	Increased fare collection costs and DOR fees for higher ridership and increased OCRA porportional share	P21
Subtotal	13,244			
Change to support expanding ST2 Capital Program				
Increased Support Demand	1,190	DECM	Significant expenditures increases in Services, Utilities, and Taxes for acquired and expected-to-be acquired properties	P12
New FTEs	2,479	DECM	15 new DECM FTEs	P12
New FTEs	964	EXEC-SQA	10 new Safety and Quality Assurance FTEs	P19
New FTEs	514	PEPD	2 new FTEs to support TOD and Environmental demands	P26
On call services	277	EXEC - SQA	Contracted project support	P19
IT Support	770	FIT	2 new IT staff for support and HW/SW in support of consultants	P21
ROW Support	160	Legal	1 FTE Real estate acquisition support	P23
Subtotal	6,354			
Changes in Administrative Budgets				
New FTEs	1,582	EXEC	9 new EXEC FTE approved (SBD&LC, HR, GCR, IA and P&C)	P19
Knowledge Transfer	850	EXEC - HR	Supports Capital, Ops and Agencywide	P19
Comprehensive Operations Analysis	553	OPS	Identify strengths and opportunities for transit service improvement.	P25
Increased Staffing FIT	322	FIT	3 FTEs	P21
CEO Contingency	200	EXEC - CEO	Increased from \$300K to \$500K for unforeseen needs.	P19
CPI Program	190	EXEC - CEO	Program is begin expanded from \$310K in 2016 to \$500K for 2017.	P19
ST University	154	EXEC - HR	Increased from \$271K in 2016 to \$425K in 2017.	P19
Subtotal	3,852			
Total Proposed 2017 Changes	\$33,689			
Proposed 2017 Budget	\$396,236			

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2017 New Position Requests

Department	Operations	ST2 Program	Admin	New Positions
DECM		15		15
Executive		10	9	19
FIT		2	3	5
Legal		1		1
Operations	13			13
PEPD		2		2
Totals	13	30	12	55

Proposed 2017 Operating Budget Summary of Changes by Department

(in thousands)

Department	2016 Budget	2017 Budget	Budget \$ Change	Budget % Change	Description of Change	Budget Page #
Communications & External Affairs	\$8,014	\$6,848	(\$1,166)	(14.5%)	CEA's 2017 budget request decreased by \$1.2 million reflecting a strategic change in advertising and market research from systemwide demand generation to geo-targeting specific routes and services and a greater emphasis on customer care.	P 14
Design, Engineering & Construction Management	40,639	44,333	3,694	9.1%	\$2.6M is due to 15 new FTEs cost and incremental salary increase. Additionally the cost for property management services has increased to to include services, utilities and taxes for acquired and expected to be acquired properties.	P 12
Executive	19,091	23,489	4,398	23.0%	Executive Department - \$2.5M for 19 new FTEs in support of a growing capital program. *Safety & Quality Assurance - 10 FTEs plus \$300K added for on call contracting for safety and quality assurance. *Procurement & Contracts - 5 FTEs. *Small Business Development & Labor Compliance - 1 FTE. *Human Resources - 1 FTE plus \$1M increase in agency wide training for knowledge transfer implementation throughout the agency. Implementation is expected to span 3 years. *Internal Audit - 1 FTE. *CEO's Office - \$190K on the acceleration of the CPI program and \$200K increase in CEO contingency (CEO) for unforeseen budgetary requests. *Government & Community Relations - 1 FTE. □	P 19
Finance & Information Technology	42,760	46,362	3,601	8.4%	Budget is up \$1.2M due to 5 new positions, higher fees to DOL and DOR and higher fare collection costs as well as an increase in our proportional share of ORCA expenses. Insurance costs up by \$1.1M as a result of increases in ridership, service vehicles and ST facilities.	P 21
Legal	3,368	3,660	292	8.7%	One new Senior Attorney position added in 2017, increases salary and benefits by \$160K.	P 23
Operations	241,345	263,701	22,356	9.3%	13 new positions will be added. *ST Express will add 32K platform hours. *Sounder adds two more round trips between Seattle and Lakewood on the south line and annualize the trip added in Q4 2016. *Link will operate the new extension services for the full year. Other increases include an increase in facilities maintenance costs and a higher share of the Downtown Seattle Transit Tunnel costs as buses are moved out. □	P 25
Planning, Environment & Project Development	7,329	7,843	514	7.0%	2 new FTEs to support increases in TOD & Environmental activities.	P 22
Total Department Budgets	\$362,547	\$396,236	\$33,689	9.3%		