



MEMO

DATE: September 30, 2017

TO: City Councilmember Mike O'Brien, Chair, Sustainability & Transportation Committee

FROM: Andrew Glass Hastings, Director, Transit & Mobility

RE: Center City Streetcar Operations

Introduction

Since 2012 the City of Seattle has been advancing the Center City Connector Streetcar (C3) project to connect the two existing streetcar lines through the heart of Downtown. The project will link key neighborhoods and employment centers, and increase streetcar ridership from approximately 6,000 average daily riders today to an estimated 25,000 average daily riders.

Supported by a \$900,000 Federal Transit Administration (FTA) planning grant, early planning and analysis resulted in City Council approval of the Locally Preferred Alternative in the summer of 2014. In the fall of 2015 the project was submitted for a FTA Small Starts grant requesting \$75 million. In February of 2016 the project was recommended for the requested \$75 million in funding in the President's FY2017 budget. Of this amount, \$50 million has been appropriated. The remaining \$25 million is anticipated in the FY 2018 spending bill. In the fall of 2016 the City Council approved the local match funding to fully fund the project. The 2018 Proposed CIP requests a \$4.9 million increase in local bonds in alignment with current cost estimates. In February of 2017 the FTA granted environmental clearance and the Record of Decision was signed. The streetcar design is in final design and the project will break ground with early utility work in early October.

Section 1 – 6-Year Operating Performance Metrics

Seattle Streetcar System (Including Center City Connector) - Performance Metrics, Future Projections

	2020	2021	2022	2023	2024	2025
Annual Ridership [1]	2,024,000	8,338,880	8,589,046	8,846,718	9,112,119	9,385,483
Farebox Recovery Ratio [2]	56%	56%	56%	56%	56%	56%
Productivity (Riders/Revenue Hour) [3]	70.4	72.5	74.7	76.9	79.2	81.6
Fare Evasion [4]	<6%	<6%	<6%	<5%	<5%	<5%
Reliability (On-Time Performance) [5]	90%	90%	90%	90%	90%	90%

Notes:

- [1] 2020 annual ridership was estimated for 6/29/17 City Council Transportation Committee update; it is 8,096,000. Since Center City Connector will begin operations in September 2020, only three months ridership is forecasted for 2020 in this table. Ridership estimated to increase annually by 3%.
- [2] 2020 farebox recovery estimated for 6/29/17 City Council Transportation Committee update, consistent with the Streetcar System Operating Plan July 2017 submitted for the Center City Connector Small Starts Grant Application.
- [3] Annual revenue hours estimated to be 115,000 consistent with the Center City Connector Small Starts Grant Application. Since Center City Connector will begin operations in September 2020, only three months of revenue service hours used to forecast productivity in 2020.
- [4] June 2017 Draft Semi-Annual Streetcar Report estimates for 2020 to 2022 a less than a 5% fare evasion for SLU streetcar and a less than a 6% fare evasion for FH streetcar.
- [5] June 2017 Draft Semi-Annual Streetcar Report estimates for 2020 SLU streetcar has 90% on-time performance and FH streetcar has 87% on-time performance. Due to planned transit speed and reliability measures planned or underway, good on-time performance is expected for the Center City Connector.

Section 2 – Streetcar Fund Balance

The attached Streetcar Fund is the most recent 6-year streetcar financial plan. The Streetcar Fund shows a projected fund balance of (\$405,677) at the end of 2021. As part of the 2017 budget process, SDOT began paying \$300,000 annually to retire the South Lake Union Streetcar capital loan. Proceeds from surplus property sales will be used to retire the interfund loan for operating the South Lake Union Streetcar and may also be used to retire the capital loan.

Section 3 – Operating Costs and Revenue

- Chart A below compares the ridership and average fare per rider assumptions in the Small Starts Grant Application the FTA to more conservative assumptions. Ridership projections and average fare assumptions generate the operations revenue forecast. The results in the chart were discounted 25% in order to be more conservative.
- Chart B below compares the operating costs and revenue assumptions included in the Small Starts Grant Application to the FTA to hypothetically illustrate operating costs and revenue scenarios.

Operating Costs - The estimated system operating costs were generated as part of the Small Starts Grant Application by combining actual operating costs for the existing South Lake Union and First Hill Streetcar lines and inflating them for the increased revenue service levels of the combined Seattle Streetcar System in 2020.

Fare Revenue – Fare revenue is the revenue generated from the average fare paid by each trip on the streetcar multiplied by the number of boardings. Several factors were used in the assumptions generating the fare revenue estimates. The ridership totals used do not include special events such as trips generated by sporting events at CenturyLink Field. The peak fare assumption for operations in 2020 is \$2.75 per trip, which is higher than the current \$2.25 per trip fare, but is a reasonable assumption in light of the King County Metro proposal to create a \$2.75 flat fare for bus trips and the Monorail ORCA integration assumption of \$2.75 per trip on the Monorail. The average fare per trip was estimated at \$1.49, which is 54% of the \$2.75 fare ([1] in Chart A). In contrast 54% is a lower ratio than the current King County Metro average fare per trip. The annual revenue generated by multiplying estimated ridership by the estimated average fare paid was then discounted by 25% to create a more conservative fare revenue estimate ([2] in Chart A).

CHART A: Total Seattle Streetcar System Ridership and Budgeted Fare Revenue (2020 with Visitors)

	Small Starts Application	Lower Average Fare Per Rider	Lower Ridership and Average Fare Per Rider
Projected Ridership (Weekday)	25,700	25,700	20,000
Projected Ridership (Weekend)	14,020	14,020	11,000
Annual Weekdays	255	255	255
Annual Weekend/Holidays	110	110	110
Annual Weekday Ridership	6,553,500	6,553,500	5,100,000
Annual Weekend/Holiday Ridership	1,542,200	1,542,200	1,210,000
Annual Ridership	8,096,000	8,096,000	6,310,000
2019 Peak Hour Fare Assumption	2.75	2.25	2.25
Average Fare Per Rider [1]	\$1.49	\$1.22	\$1.22
Annual Revenue	\$12,022,560	\$9,877,120	\$7,698,200
Sensitivity Range [2]	25%	25%	25%
Budgeted Fare Revenue	\$9,016,920	\$7,407,840	\$5,773,650

CHART B: Projected Annual Operating Costs and Revenues for Seattle Streetcar System with Center City Connector in 2020

	Small Starts Application	Sensitivity Test 1 (High Revenue)	Sensitivity Test 2 (Medium Revenue)	Sensitivity Test 3 (Low Revenue)
Estimated Operating Costs [2]	\$16,060,000	\$16,060,000	\$16,060,000	\$16,060,000
Projected Revenue Sources	\$17,146,920	\$17,021,920	\$15,412,840	\$13,778,650
Budgeted Fare Revenue [3]	\$9,016,920	\$9,016,920	\$7,407,840	\$5,773,650
FTA 5307 [4]	\$600,000	\$400,000	\$400,000	\$400,000
Sponsorship Revenues [5]	\$980,000	\$810,000	\$810,000	\$810,000
Metro Interlocal (SLU) [6]	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000
Sound Transit Interlocal (First Hill) [7]	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Amazon.com Contribution (SLU) [8]	N/A	\$245,000	\$245,000	\$245,000
Net Revenue (Revenues - Costs)	\$1,086,920	\$961,920	(\$647,160)	(\$2,281,350)
Number of Vehicles	17	17	17	17
Farebox Recovery %	56%	56%	46%	36%
Assumptions		-25,000 daily riders -Lower FTA 5307 -Lower Sponsorship	-25,000 daily riders -Lower FTA 5307 -Lower Sponsorship -Lower avg fare per rider (\$1.22 vs \$1.49)	-20,000 daily riders -Lower FTA 5307 -Lower Sponsorship -Lower avg fare per rider (\$1.22 vs \$1.49)

Notes:

- [2] Based on actual King County Metro 2015 O&M Budgets for South Lake Union Streetcar and First Hill Streetcar, scaled up to projected peak operations with the Center City Connector. The proposed Small Starts project would operate as part of the overall streetcar system; costs for the Small Starts project are the incremental costs.
- [3] Fare revenues for the Center City Connector are budgeted at 75% of the estimated level. Fare assumptions include a \$2.75 adult one-way fare in 2020 and a \$1.49 average fare except where noted \$2.25 adult one-way fare (current one-ways streetcar fare) and \$1.22 average fare.
- [4] In original Small Starts Application, no changes were assumed from the City's minimum floor allocation and the City's internal allocation between Monorail and Streetcar. Revised revenue assumptions use more conservative \$400,000, which is approximately expected revenue in 2018 when allocation is shared with First Hill Streetcar.
- [5] Original Small Starts App assumed half of vehicles were available for sponsorship and included sponsored stations on SLU and FHS and Amazon.com contribution to SLU. Revised budgeted sponsorship revenue assumes making 9 of the streetcar vehicles available for sponsorship, and does not include any station sponsorships.
- [6] King County Metro contribution to South Lake Union Streetcar operating costs. The current agreement is effective through 2019, subject to extension.
- [7] Sound Transit contribution to First Hill Streetcar operating costs. The current agreement is effective through 2023, subject to extension.
- [8] Amazon.com contribution to SLU operations (included in Sponsorship Revenue in original Small Starts Application)

Future Operating Revenue – Sensitivity tests 2 and 3 in the chart above generate revenues that do not completely cover the projected operating costs. While these scenarios are not anticipated, if these were to occur SDOT would work with the Executive to identify needed revenues to support operations. Some possible additional revenue sources could include increased sponsorship and increased fares.

Section 4 – FTA Funding

On May 5 of this year Congress approved and the President signed a FY2017 appropriations bill to fund the government through the remainder of the fiscal year. The bill includes \$50 million for the Center City Connector Streetcar project. This appropriation allowed SDOT to submit the Small Starts Grant Application (SSGA) package to the FTA on September 15. The grant application is for the full \$75 million. Under the current schedule, the SSGA will be signed by the FTA and SDOT in late November. Once the grant is signed the current \$50 million becomes available for the project.

SDOT is confident the additional \$25 million in federal funding will be appropriated by Congress as part of the FY2018 spending bill. Appropriations bills in both the House and Senate include funding levels sufficient to fund the \$25 million, and include language directing the FTA to fulfill partially funded grant agreements as a first priority.

While it may take Congress some time to pass an FY2018 spending bill, the additional \$25 million is not needed to help fund the project until 2019 based on the current schedule.

If the full \$75 million is not appropriated by Congress, SDOT will identify alternative funding sources to complete the project on schedule.

Streetcar Fund (10800)*

	2016	2017	2017	2018	2019	2020	2021
Amounts in \$1,000s	Actual	Adopted	Revised	Proposed	Projected	Projected	Projected
Beginning Fund Balance	(3,188)	(2,934)	(3,192)	(3,173)	(2,381)	(1,484)	(617)
Accounting Adjustments	0	0	0	0	0	0	0
<i>Revised Beginning Fund Balance</i>	(3,188)	(2,934)	(3,192)	(3,173)	(2,381)	(1,484)	(617)
Revenues							
Farebox - South Lake Union **	142	106	106	150	155	160	164
Farebox - First Hill**	81	121	121	125	128	132	136
FTA Funds - South Lake Union	54	365	365	172	172	172	172
FTA Funds - First Hill	0	0	0	258	258	258	258
Donations and Service Contributions - South Lake Union	212	221	221	229	237	245	254
Other Contributions - First Hill	511						
Earnings and Losses - First Hill	33						
Sponsorship - South Lake Union	301	243	243	317	325	333	341
Sponsorship - First Hill	127	150	150	200	250	300	325
Lease - South Lake Union	89	34	34	0	0	0	0
Sound Transit - First Hill	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<i>Total Revenues***</i>	6,551	6,239	6,239	6,452	6,526	6,600	6,651
Expenditures							
South Lake Union Streetcar Operations and Maintenance	(1,021)	(745)	(745)	(745)	(726)	(723)	(722)
First Hill Streetcar Operations and Maintenance	(5,534)	(5,475)	(5,475)	(4,915)	(4,903)	(5,009)	(5,118)
<i>Total Expenditures</i>	(6,554)	(6,220)	(6,220)	(5,660)	(5,629)	(5,732)	(5,839)
<i>Ending Fund Balance</i>	(3,192)	(2,915)	(3,173)	(2,381)	(1,484)	(617)	194
Reserves							
Reserves against fund balance	0	(100)	(100)	(600)	(600)	(600)	(600)
<i>Total Reserves</i>	0	(100)	(100)	(600)	(600)	(600)	(600)
<i>Ending Unreserved Fund Balance</i>	(3,192)	(3,015)	(3,273)	(2,981)	(2,084)	(1,217)	(406)