

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to the Seattle Streetcar; authorizing an agreement with King County for operations and maintenance of the Seattle Streetcar, superseding and replacing that certain interlocal agreement for Seattle streetcar operations and maintenance dated August 20, 2007 and authorized by Ordinance 122424; and ratifying and confirming certain prior acts.

Summary of the Legislation:

This legislation authorizes execution of an interlocal agreement with King County for operation and maintenance of the Seattle Streetcar by the County’s Metro Transit Division (proposed agreement). The proposed agreement would supersede and replace an interlocal agreement dated August 20, 2007 and authorized by Ordinance 122424 (current agreement).

The proposed agreement would establish a uniform framework governing the roles and responsibilities of the City and the County regarding the operation and maintenance of the Seattle Streetcar and each of its Lines following construction. This includes defining how the City will compensate the County for its operations and maintenance work associated with the South Lake Union Line and First Hill Line. The proposed agreement specifies defined, capped annual contributions the County will make to operation and maintenance of the South Lake Union line, whereas the County’s contribution is defined on a percentage basis under the current agreement.

The proposed agreement would take effect on January 1, 2015 for the South Lake Union Line, and upon execution for the First Hill Line. It would expire on December 31, 2019.

Background:

The County currently operates and maintains the City’s streetcars for the South Lake Union Line under an agreement dated August 20, 2007 and authorized by Ordinance 122424 (current agreement). Negotiation of the current agreement was authorized during the planning phase of the South Lake Union Line, by Ordinance 121850. The current agreement expires on December 31, 2014.

The County contributes to the cost of operating and maintaining the South Lake Union Line as part of a decision to reallocate 16,800 service hours within the West Subarea as part of service

changes associated with the start of Link Light Rail operations in 2009. Under the current agreement, the County retains fare revenues and pays 75% of the operating costs net of fare revenues, while the City pays the remaining 25% of net operating costs. The City also pays for extra service, major maintenance/replacement, and accident repairs. Under the new, proposed agreement the County would make a defined, capped annual contribution to operation and maintenance of the South Lake Union Line, and the City would retain fare revenues.

In April 2012, the City of Seattle began construction of a second modern streetcar line, the First Hill Line. The ST2 Plan included funding for the First Hill Line, which links First Hill employment centers to the light rail system via connections on Capitol Hill and in the International District. Ordinance 123118 authorized an interlocal agreement with Sound Transit for the implementation of the project. This interlocal agreement with Sound Transit authorized Sound Transit funding for operations and maintenance of the First Hill Line, up to a maximum of \$5.2 million per year (in 2007 dollars). At that time, the City anticipated entering into an agreement with the County to perform the operations and maintenance of the First Hill Line once it was constructed. The proposed agreement includes provisions for the County to operate and maintain the First Hill Line, and for the City to reimburse the County for 100% of eligible costs as defined by the agreement.

There are additional streetcar lines and extensions currently in project development, including the proposed Center City Connector and Broadway Extension. The proposed agreement allows for future streetcar lines to be added to the agreement, subject to authorization by ordinances enacted by the City and the County Council.

Please check one of the following:

This legislation has financial implications.

Appropriations:

Appropriations Notes:

This legislation does not directly appropriate funds.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2014 Revenue	2015 Revenue
STR-OPER 10810	Seattle Streetcar	Intergovernmental		1,350,000
TOTAL				

Revenue/Reimbursement Notes:

Please see "other implications" below.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position Notes:

N/A

Do positions sunset in the future?

N/A

Spending/Cash Flow:

Spending/Cash Flow Notes:

N/A

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

Yes, this legislation authorizes an agreement with King County Metro which would have financial implications. The proposed agreement would obligate the City to reimburse the County for operating and maintaining the South Lake Union and First Hill streetcar lines. The implications are consistent with the City's 2014 budget appropriations, as well as with forecasted expenditures prepared in support of the 2014 budget process.

The City's 2014 budget appropriates \$5,736,611 for South Lake Union and First Hill streetcar operations in 2014 (Streetcar Operations Budget Control Level). The proposed agreement is consistent with this 2014 budget appropriation. Given the current start-up schedule for First Hill Streetcar operations, 2014 operating costs are not expected to exceed \$3,000,000, and the balance of the appropriation authority will be allowed to expire at the end of the fiscal year.

The proposed agreement would expire on December 31, 2019. Budget appropriations needed for years 2015 through 2019 will be made through future annual budget processes.

Note that for administrative simplicity, King County Metro's financial contributions to operations and maintenance of the South Lake Union streetcar line, as defined in the proposed agreement, as well as fare revenue collected using ORCA fare collection on both the South Lake Union and First Hill lines, are retained by King County Metro and credited against payments due from the City.

The proposed agreement defines the following annual, capped financial contributions from King County Metro for operations and maintenance of the South Lake Union Line:

<u>Year</u>	<u>KC Metro Contribution</u>
2015	1,350,000
2016	

	1,400,000
2017	1,450,000
2018	1,500,000
2019	1,550,000

b) What is the financial cost of not implementing the legislation?

Without this legislation, SDOT will not have the resources to begin operation of the First Hill streetcar line in 2014 or to continued operation of the South Lake Union streetcar line beyond December 31, 2014. Benefits anticipated by Local Improvement District (LID) ratepayers as a result of the LID assessment for the South Lake Union streetcar line would be put on hold.

c) Does this legislation affect any departments besides the originating department?

No.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

No reasonable alternatives consistent with the Council's prior financial policy guidance regarding operation of the South lake Union streetcar have been identified.

e) Is a public hearing required for this legislation?

No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No.

h) Other Issues:

No.

List attachments to the fiscal note below:

Attachment A: SLU Operating Revenues & Expenses

Attachment B: FHS Operating Revenues & Expenses

Streetcar Operations Agreement Fiscal Note-Attachment A, SLU Operating Revenues & Expenses						
	Proposed New Streetcar Agreement					
	2014	2015	2016	2017	2018	2019
Ridership and Fares						
Annual Ridership	778,620	805,870	842,130	880,030	875,800	897,695
Metro Peak Hour Fare	2.5	2.75	2.75	2.75	3	3
Average Fare Per Rider	1.11	1.13	1.17	1.17	1.28	1.28
Metro Revenue & Expenses						
Operating Expenses	2,537,510					
Farebox Recovery (Passes/Cash)	767,268					
Revenue						
Metro Defined Contribution		1,350,000	1,400,000	1,450,000	1,500,000	1,550,000
Farebox Recovery (ORCA)		846,606	919,958	964,254	1,046,520	1,074,436
Farebox Recovery (Paystations & Daypasses)	\$97,000	\$99,910	\$102,907	\$105,995	\$109,174	\$112,450
FTA 5307/5309 Funds (Projected Year of Expenditure)	\$236,083	\$315,000	\$345,000	\$375,000	\$550,000	\$600,000
FTA Funds --Capital Improvements	\$155,721					
FTA ARRA Funds						
Sponsorship Revenues	\$442,750	\$228,638	\$235,497	\$242,562	\$249,838	\$257,334
318 Fairview Lease	\$67,500	\$90,000	\$67,500			
Amazon Service Contributions		\$154,000	\$160,000	\$166,000	\$173,000	\$180,000
Subtotal Revenue	\$931,554	\$3,084,153	\$3,230,862	\$3,303,810	\$3,628,533	\$3,774,219
Expenses						
Metro Operating Expenditures	\$678,366	\$2,700,000	\$2,780,000	\$2,860,000	\$2,950,000	\$3,040,000
FTA-Funded improvements	\$194,651					
Other Major Maintenance	\$50,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
City Direct Expenditures	\$78,000	\$150,000	\$156,000	\$162,240	\$168,730	\$175,479
Subtotal Expenses	\$1,001,017	\$2,925,000	\$3,011,000	\$3,097,240	\$3,193,730	\$3,290,479
Streetcar Fund Cash Balance						
Beginning Fund Balance	(\$3,603,446)	(\$3,678,366)	(\$3,530,009)	(\$3,320,407)	(\$3,123,489)	(\$2,697,404)
Interest Expense (Earnings)	(\$5,457)	(\$10,796)	(\$10,260)	(\$9,651)	(\$8,718)	(\$7,367)
Operating Result (Revenues - Expenditures)	(\$69,463)	\$159,153	\$219,862	\$206,570	\$434,803	\$483,740
Accruals to Cash Adjustment	(\$0)	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	(\$3,678,366)	(\$3,530,009)	(\$3,320,407)	(\$3,123,489)	(\$2,697,404)	(\$2,221,030)

Note: for administrative simplicity, King County Metro's financial contributions to operations and maintenance of the South Lake Union streetcar line, as defined in the proposed agreement, as well as fare revenue collected using ORCA fare collection on the South Lake Union line, are retained by King County Metro and credited against payments due from the City.

Note: The interfund loan for South Lake Union operations allows a maximum outstanding balance of 3,650,000. The balance is expected to be exceeded in 2014, before falling below the limit again in 2015. If it appears that the balance will be exceeded for more than 90 days, this will require separate legislative action.

Streetcar Operations Agreement Fiscal Note-Attachment B, FHS Operating Revenues & Expenditures						
	2014	2015	2016	2017	2018	2019
Operating Revenue						
Interlocal Funds (from Sound Transit)	3,000,000	4,970,000	5,130,000	5,290,000	4,740,000	4,880,000
Sponsorship Revenues	50,000	260,000	270,000	370,000	380,000	390,000
Total Revenues	3,050,000	5,230,000	5,400,000	5,660,000	5,120,000	5,270,000
Operating Expenses						
Interlocal Payments (to Metro)	2,540,000	4,100,000	4,210,000	4,330,000	3,740,000	3,850,000
City Direct Expenditures & Contingency	460,000	850,000	880,000	910,000	940,000	970,000
Total Expenses	3,000,000	4,950,000	5,090,000	5,240,000	4,680,000	4,820,000
Net	50,000	280,000	310,000	420,000	440,000	450,000
<p>Note: Fare revenues are legally retained by Sound Transit; simplifying transaction credits fare revenue against payments from Sound Transit to City and from City to Metro.</p>						