

FISCAL NOTE FOR NON-CAPITAL PROJECTS

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Legislation Title:

AN ORDINANCE relating to the Seattle Monorail; authorizing the Director of the Seattle Center to execute a concession agreement granting Seattle Monorail Services the right to operate and maintain the Monorail system for ten years, with an additional ten year extension by mutual agreement; authorizing the Director to enter into project agreements for Monorail capital improvements and major maintenance projects as provided for in the agreement; authorizing the Director to establish Monorail fares within the limitations provided in the agreement; and ratifying and confirming certain prior acts.

Summary of the Legislation:

This legislation authorizes execution of a ten year concession agreement with Seattle Monorail Services (SMS) for operation, maintenance, marketing, and administration of the Monorail System. The legislation also authorizes the Seattle Center Director to enter into capital improvement and major maintenance project agreements with SMS and establishes Monorail fare limits, within which the fares may be adjusted, subject to approval by the Seattle Center Director.

Background:

The Seattle Center Monorail provides a public transportation link between downtown Seattle and Seattle Center, carrying more than two million passengers annually. The Monorail system includes two trains, two stations, and the elevated guideways and supports on which the trains travel. The Monorail was originally constructed for the 1962 Seattle World's Fair. The original Monorail route and downtown station was modified for the construction of Westlake Center, and in 1987 the City and Westlake Center Associates Limited Partnership entered into a fifty year Monorail Operating and Easement Agreement under which the City utilizes the Westlake Center Monorail station for a fee.

Prior to 1994 Seattle Center operated the Monorail and hired Metro to perform the maintenance functions for the Monorail system. In 1993, Seattle Center issued a request for proposals for a concessionaire to maintain and operate the Monorail. Seattle Monorail Services (SMS) was selected as the concessionaire, and in May 1994 the City Council passed Ordinance 117123 authorizing execution of the Monorail Concession Agreement with SMS. SMS began operating the Monorail system in June 1994. During their tenure as concessionaire, SMS implemented a number of service improvements, increased hours of operation, managed, in conjunction with Seattle Center, an extensive renovation of the Monorail trains, and maintained a positive

financial return for both SMS and the City. That agreement expires December 31, 2014.

In October 2013, Seattle Center issued a Request for Proposals (RFP) for operation and maintenance of the Seattle Monorail and subsequently received three responses. The RFP Review Panel conducted an extensive analysis of the proposals, interviewed all three respondent teams, and in the end unanimously recommended to the Seattle Center Director the selection of SMS as the preferred provider.

Terms of Proposed Monorail Concession Agreement:

Term:

The agreement term is ten years, with an option to extend for one additional 10-year term on the same terms and conditions upon the mutual agreement of the concessionaire and the Director.

City Revenue:

Concession Fee - The City receives the greater of 2/3 of net operating income with a minimum guarantee of \$550,000 per year. SMS retains the remaining 1/3 of net operating income.

City Management Fee - Seattle Center contract administration costs of up to \$30,000 per year (increased annually by the CPI) will be reimbursed based on actual time and expenses.

City Services Fund - Seattle Center receives \$60,000 per year as reimbursement for maintenance of the Seattle Center Monorail Station and Station Annex performed by Seattle Center staff.

Reserve Funds:

Irrevocable Reserve Account – The Concessionaire will hold 7.5% of Monorail ridership revenues in an Irrevocable Reserve Account (IRA) to fund mutually agreed upon capital improvements to the Monorail System. The funds may be used as the local match for Federal Transit Administration (FTA) grants for capital improvements and major maintenance for the Monorail System. In the final year of the term, any uncommitted funds in the IRA may be used to pay operating expenses.

Irrevocable Marketing Account - A reserve account of 0.6% of ridership revenues or \$25,000 per year, whichever is greater, will go into an Irrevocable Marketing Account (IMA) reserve account to be used for mutually agreed upon joint Monorail – Seattle Center marketing initiatives. At the end of the term, any uncommitted funds in the account will be paid to Seattle Center.

SMS Revenue:

Management Fee - SMS receives a management fee of 5% of total revenues.

Net Operating Income - SMS retains 1/3 of net operating income.

Operations, Ordinary Maintenance, Major Maintenance and Capital Projects:

Operations and Ordinary Maintenance - SMS is responsible for all operating and ordinary maintenance activities for the Monorail System, except that the City, consistent with the City's labor agreements, is responsible for performing maintenance (including mechanical, structural,

painting, electrical, and plumbing work) on the Seattle Center Station and Annex. SMS will use the City Services fund to reimburse the City for this work.

The minimum operating hours remain unchanged. The current operating hours are Monday through Friday, 7:30 a.m. to 11:00 p.m. and Saturday and Sunday, 8:30 a.m. to 11:00 p.m. During the winter months the Monorail closes at 9 p.m. Sunday through Thursday, except when increased service hours are needed to support events. The hours can be modified with approval from the Seattle Center Director.

Major Maintenance and Capital Improvements – The City and SMS jointly develop a rolling five-year Capital and Major Maintenance Program (CMMP) plan to identify, sequence and prioritize current and future capital improvement and major maintenance projects for the Monorail System. For each project, the plan will identify the proposed funding source(s), contracting method, scope, budget, and schedule.

For each CMMP project to be carried out, Seattle Center and SMS will execute a separate Project Agreement detailing the project scope, schedule, budget, contracting method and all project-related requirements, including requirements for federally funded projects. Projects may be managed by the City or SMS. SMS will be reimbursed at cost for any project management services they provide, without any additional fees or overhead charges.

The Seattle Center Monorail receives Federal Transit Administration (FTA) funding for major maintenance and capital improvements. FTA funds require a 20% local match. As noted above, it is anticipated that the Irrevocable Renewal Account (IRA) will be a funding source for the local match.

Other Revenue Sources:

SMS has the right, subject to the Director's approval, to solicit and procure advertising and sponsorship agreements, and provide vending and concession services on the Monorail platform. Any revenues earned from these sources is included in total revenues.

Fares and Fare Adjustments:

No fare increases are proposed at this time. The current one-way fares, which went into effect November 1, 2011, are \$2.25 for adults, with a \$1.00 reduced rate for youth ages 5-12, seniors, persons with disabilities, Medicare card holders, and active duty US military. Children 4 and under ride free. Over the term of the agreement fare increases may be proposed by SMS, subject to the approval of the Seattle Center Director, up to a maximum of \$4.00 one-way for regular fares and \$2.00 one-way for discounted fares. Any fare increases above these amounts require Seattle City Council approval. It is intended that fares will generally keep pace with inflation.

COMPARISON OF PRIOR AND PROPOSED MONORAIL AGREEMENTS

Agreement Term	1994 Agreement	2015 Proposed Agreement
Length of Agreement	5 years with 3-5 year Concessionaire options	10 years with a possible 10 year extension by mutual agreement
City Concession Fee	50% of Net Operating Income, Minimum Guarantee of \$299,051	66.67% of Net Operating Income, Minimum Guarantee of \$550,000
City Management Fee	None	Up to \$30,000/year
Reimbursement of City Services	None	\$60,000/year
Capital Improvements Fund (IRA)	5% of Ridership Revenues, up to \$150,000/year	7.5% of Ridership Revenues, no cap
Marketing Fund (IMA)	None	0.6% of Ridership Revenues or \$25,000 whichever is greater
SMS Management Fee	7% of revenues	5% of revenues
Operations & Ordinary Maintenance	SMS Responsibility	SMS Responsibility
Capital and Major Maintenance Projects	If SMS manages project, SMS reimbursed at cost	If SMS manages project, SMS reimbursed at cost
Fares	SMS sets fare, subject to Seattle Center Director approval within City Council established limits	SMS sets fare, subject to Seattle Center Director approval with City Council established limits

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2014 Appropriation	2015 Anticipated Appropriation
N/A				
TOTAL				

Appropriations Notes:

This legislation does not authorize an appropriation.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2014 Revenue	2015 Revenue
SCOF/S11410	Seattle Center			\$900,000
TOTAL				

Revenue/Reimbursement Notes:

This legislation does not include an appropriation. The 2015 and 2016 Proposed Seattle Center budgets include Monorail revenue of \$900,000 each year.

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

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2014 Positions	2014 FTE	2015 Positions*	2015 FTE*
N/A							
TOTAL							

Position Notes:

This legislation does not create or abrogate positions.

Do positions sunset in the future?

N/A

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2014 Expenditures	2015 Anticipated Expenditures
N/A				
TOTAL				

Spending/Cash Flow Notes:

Not applicable.

Other Implications:

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

The long-term implications include regular, recurring revenue for Seattle Center while preserving the valuable transportation service provided by the Seattle Center Monorail.

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

If this legislation is not approved, an alternative Seattle Monorail operator will need to be solicited. In the interim, per the terms of their current agreement, SMS could continue to operate the Monorail for the City for a fee.

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

No, but the Seattle Department of Transportation in regards to FTA funding and the department of Finance and Administrative Services in regards to the Capital and Major Maintenance Program (CMMP) plan have an interest in the proposed Monorail Concession Agreement.

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

The City could operate the Monorail and assume full responsibility for all maintenance, operations, marketing, capital improvements, and administration. This would require significant additional resources and staff.

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:

None

List attachments to the fiscal note below: