

# **King County Metro Transit**

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## **Criteria, Guidelines, and Policy Implications for Transit Service Agreements**

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*Prepared for:*  
**King County Council**

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## **Introduction**

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Ordinance 17941, which adopted the 2015/2016 King County Biennial Budget included proviso (P4), which states:

*Of this appropriation, \$500,000 shall not be expended or encumbered until the executive transmits a report on the criteria, guidelines and policy implications for transit service agreements between King County and cities and other organizations that will provide funding to the county for enhanced transit service and a motion that approves the report and the motion is passed by council. The motion shall reference the subject matter, the proviso's ordinance, ordinance section, and proviso number in both the title and body of the motion.*

This report addresses the requirements of Proviso 4 from Section 113 of Ordinance 17941.

## **Background**

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Partnership programs have been an integral part of Metro's service delivery system. Some examples include Transit Now, school district, and special events partnerships. Faced with constrained resources and a growing need for transit service, in May 2014 the Executive announced the Community Mobility Contracts (CMC) program. The intent of the CMC program is to provide a means to enable cities to purchase transit service above what Metro is currently able to provide. This program is not intended as a permanent solution to the region's transit funding challenges. It is an option for cities and other organizations to restore or enhance transit service in the short term, until more permanent, sustainable Metro funding can be secured.

Since Metro does not presently have the financial capacity to support supplemental service expansion, there are several reasons why cities and other organizations may consider a Community Mobility Contract. Such reasons could include the ability to:

- Preserve service slated for or already cut: Partners can choose to invest in routes that have been or are proposed to be reduced or eliminated.
- Enhance service on underserved corridors: Metro's 2014 service review found that more than 500,000 additional hours of bus service are needed annually to meet current demand throughout the county. Many of the hours are needed to adequately serve underserved corridors that connect important employment and educational centers. Partners could choose to invest in meeting this existing demand.
- Develop service tailored to their unique community needs: Partners could contract for enhanced services such as circulators and shuttles.

Various partnership models will remain an important tool for Metro and partner jurisdictions. As we continue in an era of constrained financial resources, the CMC program allows cities or other organizations to provide the full cost of restoring or enhancing transit service.

## **Policy Basis**

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There is strong county policy support for the Community Mobility Contract program and its resulting transit service agreements between King County and cities or other organizations that provide funding to the county for enhanced transit service. As well, county policy provides guidance with which to establish the criteria and guidelines for implementing the CMC program.

Relevant policies that form the basis of the CMC program, include:

King County Metro Transit Strategic Plan for Public Transportation 2011-2021

Strategies 3.1.1 and 6.3.1 of the King County Metro Transit Strategic Plan for Public Transportation 2011-2021 (Strategic Plan) identify partnerships with local jurisdictions and businesses as a potential source of the revenue necessary to provide transit service in support of a strong, sustainable economy.

GOAL 3: *Economic Growth and Built Environment*, Objective 3.1 *Support a strong diverse and sustainable economy*, Strategy 3.1.1 states:

*Through investments and partnerships with regional organizations, local jurisdictions and the private sector, provide alternatives to driving alone that connect people to jobs, education and other destinations essential to King County's economic vitality.*

*Metro provides a range of services to get people to work, school, and other places they want to go. The backbone of Metro's system is a network of all-day, two-way bus routes between residential, business and other transit activity centers. Metro also provides commuter service to major destinations from many neighborhoods as well as from a network of park-and-ride lots. Metro provides local services to connect people to the larger transportation system. Rideshare services such as commuter vans, and Rideshare Online, as well as community programs such as In Motion, and car-sharing, promote alternative travel options.*

*Metro augments its own investments by developing partnerships with local jurisdictions, other agencies, employers, and institutions to increase public transportation services and improve service effectiveness. Metro enters into agreements with public and private entities to fund new or improved public transportation services, where the partner contribution may be in the form of direct funding or investment that results in transit speed or reliability improvements. Metro also forms partnerships to develop and promote alternative commute programs and to manage parking and traffic to make public transportation more efficient and attractive. Metro works with WSDOT and local cities to provide services that help mitigate the impacts of major construction projects.*

Through the CMC program and its resulting investments in Metro service, Metro can enhance its provision of alternatives to driving alone that connect people to employment, education and training, and related activities in support of a strong, diverse, and sustainable economy.

*GOAL 6: Financial Stewardship, Objective 6.3: Seek to establish a sustainable funding structure to support short and long-term public transportation needs, Strategy 6.3.1: Secure long-term sustainable funding, states:*

*Even with efficiency measures, Metro's resources must increase over time to meet growing customer demand. New, sustainable funding sources are crucial to ensure that Metro can support existing transit service and plan for future growth. Metro is exploring several potential revenue sources that would improve Metro's funding situation. Among these potential sources are fares, grants, advertising, and partnerships with local jurisdictions and businesses. Metro prioritizes funding sources that enable sustained operation over time and one-time revenue sources that allow implementation of a particular project or program. Metro will also pursue new revenue sources through state legislation, including sources that are currently authorized and those that may require new legislation. Metro must establish a stable revenue source or program that allows for system growth and keeps pace with changes in regional growth and employment.*

While the CMC program transit service agreements are not, in and of themselves, intended to provide long-term, sustainable funding, the CMC program is an important piece of a long-term funding strategy. The CMC program creates a *bridge* to enable cities and other entities to restore or enhance transit service in the short term, while the County continues to seek permanent, sustainable revenue solutions. The CMC program can be a way for jurisdictions or other entities to maintain or expand services that are beyond Metro's current financial capacity to provide. The program also allows jurisdictions to tailor their investments should they choose to invest in services outside of Metro's Service Guidelines. The program provides options for participating jurisdictions to meet their diverse mobility needs.

The Strategic Plan includes Metro's Service Guidelines to provide guidance on where service hours should be invested (or reduced when necessary). An annual report is required to analyze Metro services using the Service Guidelines, with the most recent report noting:

*The 2014 Service Guidelines report found an estimated need of approximately 547,350 annual bus service hours to meet Metro's service quality objectives and target service levels. These needs represent an increase of about 16 percent above the size of the system in spring 2014. This level of investment is necessary to provide reliable services with adequate transit capacity to destinations throughout King County.*

The CMC program, through its resulting transit service agreements, provides a mechanism to deliver additional bus service hours that could be used to address the overcrowding, reliability, and/or frequency needs identified by the Service Guidelines.

King County Code

Title 28 – Metropolitan Functions --28.94 Public Transit, Section 28.94.020 *Transit routes and classes of service* (A,B.1), states:

*The director shall implement the system of public transit routes and services described in this section.*

*A. Regular routes shall include numbered routes and descriptions therefor as established and revised from time to time by the council. The regular routes, including implementation dates, shall be described in a document called "Public Transit Regular Routes." The director shall ensure that said routes shall be operated and implemented except as otherwise provided in this section.*

*B. Changes to regular routes shall be subject to approval by the council except as specifically provided in this section.*

*1. The director is authorized to approve and implement the following changes of established routes and schedules and to update the "Public Transit Regular Routes" document accordingly:*

*a. any single change or cumulative changes in a service schedule that affect the established weekly service hours for a route by twenty-five percent or less;*

*b. any change in route location that does not move the location of any route stop by more than one half mile; and*

*c. any changes in route numbers.*

In implementing and administering the CMC program, Metro will comply with the foregoing King County Code requirements.

Fund Management Policies for the Public Transportation Fund

In 2011, Fund Management Policies for the public transportation fund were adopted by the Council through Ordinance 17225. Section II, Subsection C of that ordinance states:

*Expense Reimbursement –Any transit program services performed for other public or private organizations will recover all direct and indirect costs of the program, unless otherwise authorized by ordinance.*

Consistent with fund management policy directives, any transit service agreement under the CMC program will require that the entity contracting with Metro pay for all direct and indirect costs incurred by Metro in providing the contracted service. More information is provided below on this and other criteria and/or guidelines that will be used to administer the program.

## Criteria

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While other Metro partnership programs have varying administrative and operational requirements, the CMC program includes the following criteria:

- The partner must pay Metro for the full cost of providing the contract service.
- CMC partnerships can be used to augment existing Metro services.
- CMC partnerships can be used to backfill prior service cuts.
- CMC partnerships can create new mobility options in communities (as does the Alternative Services Program which also envisions partnerships to enhance community mobility).
- Contracts cannot come at the expense of other cities or the regional allocation of service.

## Guidelines

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The CMC program is guided by contracting and partnering guidelines which will be reflected in the transit service agreement contract language between King County Metro and the jurisdiction/entity buying service (the "Purchasing Entity"). Some of the key management, planning, and financial guidelines are noted below:

### MANAGEMENT, PLANNING, AND MARKETING

- Metro will retain responsibility for scheduling, managing and operating any service funded by the Purchasing Entity under the applicable transit service agreement. The final determination on the modification, addition or reduction of any service is Metro's.
- Metro will manage contract-funded service in accordance with its regular procedures and that all transit services provided under these contracts will be open to the general public.
- Should Metro restructure service, or make changes to multiple routes within an area, the Purchasing Entity and Metro will work together to identify replacement investments on the resulting service network for any investments made through the applicable transit service agreement. Metro may consider a service restructure for a variety of reasons in accordance with the Service Guidelines.
- Metro would agree that the Purchasing Entity's purchase of service hours under a transit service agreement would not supplant other service needs on routes partially or completely operating within the Purchasing Entity's jurisdiction that Metro would otherwise provide in accordance with the Service Guidelines.
- In measuring the performance of a bus route that is wholly or partially funded by a Purchasing Entity, Metro will report on performance measures with no separate reporting of "Metro hours performance" and "Purchasing Entity hours performance."
- For the CMC services provided, Metro will continue to follow its standard procedures for developing and distributing full service marketing and communications information to the public through its existing tools and activities. If the Purchasing Entity determines that there is



an additional communication need related to its contracted service, it must agree to coordinate that effort with Metro.

## FINANCIAL

- The Purchasing Entity will be required to compensate Metro based on the fully allocated hourly rates specified for all platform service hours (i.e., the number of hours a bus is in operation, including revenue time, layover time and deadhead time) operated. Rates for each year will be based on Metro's adopted budget for that year and differentiated by fleet type. Fully allocated costs include the cost of fuel, maintenance, driver wages, service supervision, infrastructure maintenance, revenue collection, scheduling, rider information, data analysis, and administrative and management costs. Some agreements, such as those with Sound Transit, have incorporated an hourly rate that excludes certain costs that would not vary with the existence or non-existence of the particular transit service agreement, such as King County Department of Transportation Director's office expenses and the Metro General Manager's office expenses. These costs should be included in future agreements' fully allocated hourly rates.<sup>1</sup>
- The service hour pricing approach is consistent with the approach used in Metro's agreements with Sound Transit over the past several years.
- The service hours for each route specified in transit service agreements will be estimates only. The Purchasing Entity will be charged for the service hours as scheduled by Metro.
- In addition to the hourly operating costs, the Purchasing Entity will be required to compensate Metro for its bus fleet costs based on the number of coaches required to operate AM and PM peak hours for the services to be purchased.
- Due to their unique characteristics and lack of interchangeability within the overall Metro fleet, RapidRide buses and electric trolley buses would require special terms dealing with fleet-based costs.
- The Purchasing Entity will receive a fare revenue credit towards their service costs based on the farebox recovery ratio for motor buses and/or trolley buses (as applicable).
- Performance of any work undertaken by Metro under a transit service agreement beyond the County's current appropriation year will be conditional upon the appropriation by the King County Council of sufficient funds to support the service provided.

## Other Partnerships

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As previously mentioned, in addition to the CMC initiative, Metro has engaged in other service partnerships in recent years. Each partnership program has been developed to address unique objectives. Service funded through Transit Now partnerships are one component of the Transit Now package of improvements approved by voters in 2006. The Transit Now partnership program includes

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<sup>1</sup>This is not intended to reopen existing agreements.

two types of partnerships: 1) Direct Financial Partnerships, where partners pay a portion of the cost to implement service improvements, and 2) Speed and Reliability partnerships, where partners are awarded service hours in exchange for making capital investments or traffic operations changes to improve transit speed and reliability.

Metro also has annual contracts with school districts for their purchase of transit service during the school year. The school districts purchase service on designated routes in areas of their communities that lack the existing Metro service to transport students to/from high school. In addition to serving student transportation needs, these contract services are open to the general public.

In addition, several organizations purchase service from Metro for large special events to address the traffic impacts on communities and neighborhoods and reduce traffic congestion. Organizations such as the Seattle Seahawks, University of Washington Huskies, Seafair, and the Seattle Sounders contract with Metro to operate special shuttle services from various park-and-ride lots to the event venues. This service is established through annual contracts and Metro recovers its full cost of providing such service.

King County and the Washington State Department of Transportation (WSDOT) have an existing agreement for Metro to provide enhanced transit services for construction mitigation of the Alaskan Way Viaduct Replacement Project. Metro also recovers its full cost of providing this enhanced transit service.

## **Policy Implications**

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In addition to the policy basis, criteria, and guidelines described above, there are a several policy implications that will be addressed as the CMC program moves forward. These issues include:

- **Contracting Duration:** CMC contracts are, by definition, of limited duration and not intended to be long-term funding mechanisms. How will CMC-funded service be reduced when its contract duration (and funding) comes to an end (assuming there is not sufficient Metro financial capacity to sustain those services that are supportable under the Service Guidelines)?
- **Adherence to Service Guidelines:** Under the CMC program, a jurisdiction may opt to contract for service investments that are outside of Metro's Service Guidelines. Should the Guidelines be revised to acknowledge these investments?
- **Supplantation and relationship to Service Guidelines:** When additional funding is available, investments into the system will be made according to the Service Guidelines. How will Metro appropriately credit jurisdictions for their investment in those routes?
- **Capital Assets:** In order to incorporate expanded service hours into the Metro system, additional capital assets may need to be secured. These investments may include bus fleet, fare equipment, facilities, etc. How and when will those assets be acquired? What will be the

Purchasing Entity's share of the cost of those assets, particularly when the useful life of those assets extends beyond the duration of the service contract?

- ***Preserving the Regional Transit System:*** King County remains committed to investing and growing transit service throughout the county. The CMC program is one tool jurisdictions have to address transit needs in a fiscally constrained environment. How will the region secure a long-term and sustainable funding source for transit beyond what the CMC can address?

These and other policy issues, and the relevant approaches to addressing them, will be reviewed with the King County Council as appropriate.