

14598

ATTACHMENT B.

EXHIBIT C "Finance Plan"

7-Party Agreement

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I. Executive Summary	2
II. Regionally Shared Costs: Capital (Phase IV) Cost-sharing Formula	5
III. RFC Project Budget	6
a. Vendor Contract	
b. Other Regionally Shared Project Administration Costs	
IV. Payment Schedules	8
a. Vendor Contract	
b. Other Regionally Shared Project Administration Costs	
V. Project Revenue: Federal Grants, Boeing Donation and ST Appropriation	10
VI. Regional Invoice Payment Procedures	12
VII. Individual Agency Internal Costs to Implement the System	14
VIII. Regionally Shared Cost Estimates: Operating (Phase V)	15
IX. Attachment Summary	17

I. Executive Summary

Finance Plan Purpose: The primary purpose of the Finance Plan, Exhibit C to the Interlocal Agreement, is to summarize the expenses, revenues, cost-sharing assumptions and administrative processes relative to Phase IV "System Design and Implementation" for the Regional Fare Coordination (RFC) Project. In order to implement this project, there will be both regionally shared and individual agency costs.

The Phase V "System Operations" estimated cost assumptions are included, at a summary level, for planning purposes. The Phase V details will be updated by the Joint Board during the project's three year design and implementation phase. Phase V of the vendor contract is a 10-year term, currently anticipated to run from 2006 through 2015.

Finance Plan Duration: The Finance Plan is intended to provide detail for the anticipated 39-month system design and implementation period, i.e. from 2003 through 2006.

Types of Costs: The Finance Plan provides detailed information on the components of the RFC Project Budget. Agencies will also incur additional internal costs necessary to support site-specific system design and installation. For purposes of providing a comprehensive budget picture, these additional internal estimated costs are identified and summarized in this Exhibit. The types of costs described in the Finance Plan are:

- a. **The RFC Project Budget:** The RFC Project Budget includes two cost categories, 1) the Vendor Contract, and 2) all items identified as "Other Project Administrative Costs". These costs are subject to the regional cost sharing formula. The Joint Board must approve changes to the RFC Project Budget, subject to the capital amounts appropriated as set forth in this Exhibit and future appropriations for operations and maintenance.
- b. **Individual Agency Internal Implementation Costs:** These costs vary among the agencies, contingent upon their internal business needs and approach to the system implementation process. The costs are largely for agency staff labor and may be covered by standard operating budgets, or, providing such costs meet the applicable criteria, they may be charged to the agency's share of regional grant funds or other grant funds it has dedicated to the RFC Project. The funding and administration of these internal project implementation budgets are entirely at the discretion of the individual agency.

RFC Project Budget Summary of Expense and Grant Revenues Per Agency: The following table provides a summary of each agency's share of the RFC Project Budget expense and its share of regional grants. Each agency signing the Interlocal Agreement commits to pay an amount up to that specified for it under the "Total RFC Project Budget Estimated Expense" column of the "RFC Project Budget Estimated Expense and Grant Revenues" table directly below. An Agency's actual payment may be less than the amount committed, but shall not exceed the amount below absent an amendment to this Agreement. This obligation will be covered by a combination of grant and local revenues. Details on these costs and grant revenues are found in Sections II, III, and V.

RFC Project Budget Estimated Expense and Grant Revenues			
Agency	Capital Share of Regional Costs	Total RFC Project Budget (Vendor + Other Admin.) Estimated Expense	Total Estimated Share of Grant Revenues
King County Metro	55.15%	\$23,107,184	\$10,487,242
Community Transit	11.56%	\$ 4,966,611	\$ 2,616,690
Sound Transit	10.65%	\$ 4,437,639	\$ 1,545,262
Kitsap Transit	5.88%	\$ 2,511,715	\$ 853,079
Washington State Ferries	5.27%	\$ 2,250,778	\$ 1,764,582
Pierce Transit	8.61%	\$ 3,619,843	\$ 2,399,247
Everett Transit	2.88%	\$ 1,231,241	\$ 517,799
Total *	100%	\$42,125,011	\$20,183,901

* Slight variations due to rounding

Total Project Implementation Estimated Costs: The following table provides a summary of each agency's total estimated project costs which includes its share of RFC Project Budget and its individual internal implementation estimates.

Total Estimated RFC Project Budget & Internal Agency Implementation Expense			
Agency	Total RFC Project Budget (Vendor + Other Admin.) Estimated Share of Regional Expense	+ Individual Agency Estimated Internal Expense to Implement	= Total Estimated Implementation Expense
King County Metro	\$23,107,184	\$ 2,446,384	\$25,553,568
Community Transit	\$ 4,966,611	\$ 932,640	\$ 5,899,251
Sound Transit	\$ 4,437,639	\$ 593,543	\$ 5,031,182
Kitsap Transit	\$ 2,511,715	\$ 732,375	\$ 3,244,090
Washington State Ferries	\$ 2,250,778	\$ 727,682	\$ 2,978,460
Pierce Transit	\$ 3,619,843	\$ 824,000	\$ 4,443,843
Everett Transit	\$ 1,231,241	\$ 173,040	\$ 1,404,281
Total	\$42,125,011	\$6,429,664	\$48,554,675

Finance Plan Attachments: The document portion of the Finance Plan provides information on a regional summary level. Please see the "Attachments", as noted in each section, for individual agency worksheets. The Attachments are found in the PDF file "Exhibit C Attachments".

II. Regionally Shared Costs: Capital (Phase IV) Cost-sharing Formula

The Capital Phase cost-sharing formula is also applied to regional grant distribution. The formula for distributing RFC Project Budget shared costs and regional grant revenues is determined by the total value of each agency's vendor contract equipment purchases and the vendor equipment installation costs. These costs, and therefore the cost distribution formula, represent each agency's relative system investment. See Sections III and V for detail on the costs to which this formula is applied and the grants subject to this distribution formula.

Attachment 1: The individual agency Vendor Contract costs, which provides the detail on equipment and installation purchases, is found in Attachment 1.

Per the formula described above, the Capital cost-sharing and regional grant distribution is as follows:

Agency	Share of Regional Costs & Grant Revenues
King County Metro	55.15%
Community Transit	11.56%
Sound Transit	10.65%
Kitsap Transit	5.88%
Washington State Ferries	5.27%
Pierce Transit	8.61%
Everett Transit	2.88%
	100%

III. RFC Project Budget (Phase IV) – Estimated Cost Detail

The RFC Project Budget is comprised of two cost categories. These are the Vendor Contract and the “Other Project Administration Costs”. This section details the individual cost items of those two categories and provides the regional total costs, identifies if the cost item is subject to the regional cost-sharing formula and, where appropriate for the administrative costs, provides the cost estimation assumption. The individual agency costs shown in the table below are solely the responsibility of that agency.

a. Vendor Contract: The following table details the Vendor Contract. The Vendor Contract payment terms are “fixed price”.

Attachment 1: The individual agency Vendor Contract costs are found in Attachment 1.

Vendor Contract – Cost Components and Total Value			
Cost Item Regional Quantity shown in ()	Regional Total Cost Unless Identified Otherwise	Cost Distribution	
		<i>Regionally Shared Cost per Formula</i>	<i>Individual Agency Cost</i>
Equipment :			
<i>Fare Transaction Processors (2379)</i>	\$ 1,967,584		X
<i>Driver Display Units (2207)</i>	\$ 2,789,648		X
<i>Wireless Data Base System (19)</i>	\$ 74,461		X
<i>Wireless Data Bus System (2207)</i>	\$ 1,326,407		X
<i>Data Acquisition Computer (23)</i>	\$ 303,508		X
<i>Back Office Computer (7)</i>	\$ 411,285		X
<i>Sound Transit TVM upgrade kits (34)</i>	\$ 80,750	X	
<i>Customer Service Terminals (33)</i>	\$ 280,071		X
<i>Photo Identification Units (11)</i>	\$ 190,949		X
Equipment Installation	\$ 326,728		X
Fare Cards	\$ 761,006	X	
Integration:			
<i>KCM POS w/ CST</i>	\$ 19,573		X
<i>KCM Laptop CST application</i>	TBD		X
<i>KCM Radio Control Unit Integration</i>	\$ 86,500		X
<i>CT DDU w/multiple on-board functions</i>	\$ 86,783		X
<i>CARM inventory software</i>	\$ 72,319	X	
<i>Back Office Integration</i>	\$ 246,668	X	
Reports	\$ 563,812	X	
Implementation –Phase 1 <i>Thru Revenue Service Beta Test</i>	\$ 11,197,971	X	
Implementation - Phase 2 <i>Thru Full System Acceptance</i>	\$ 1,496,969	X	
Project Management	\$ 8,016,013	X	
Training	\$ 716,375	X	
Total Vendor Contract Cost	\$31,015,380		

b. Other Project Administration Costs: The following table details the “Other Project Administration Costs”. The payment terms for these costs are handled as follows: 1) consultant contracts are fixed price per task with all costs verified, and 2) all other costs are on an expense reimbursement term. Cost estimate assumptions have been reviewed and approved by the Joint Board. All of these costs are shared per the regional cost-sharing formula.

Attachment 2: The individual agency estimated shares of “Other Regional Project Administration Costs” are found in Attachment 2.

Other RFC Project Administration Costs		
Cost Item	Key Assumptions	Est. Reg. Cost
Project Management Team	<ul style="list-style-type: none"> 4 FTE employed by King County Positions: Contract Administrator, Technical Manager, Budget & Contract Control Manager, and Project Assistant 	\$ 1,029,000
Regional Payment Funds Management	<ul style="list-style-type: none"> The Fiscal Agent is to perform this function. The task is to provide a central account into which individual agency payments can be made and a single payment check issued on behalf of the region. 	TBD
Regional Technical Consultant	<ul style="list-style-type: none"> Scope of Work is to provide expert support to agency staff and the Joint Board in the design review process and deliverable acceptance 	\$ 525,000
Sales Tax	<ul style="list-style-type: none"> 100% of the vendor contract is taxable, however there may be exemption for the custom software developed 8.8% tax rate. In actual practice, each agency will pay the applicable tax rate for items delivered to their sites 	\$ 2,662,174
Contingency Fund	<ul style="list-style-type: none"> 20% of the vendor contract value Joint Board review is required for all change orders 	\$ 6,050,395
Dispute Resolution Board	<ul style="list-style-type: none"> Three experts selected jointly by the agencies and vendor Costs shared 50/50 with the vendor DRB to have scheduled briefings and be “on call” to mediate vendor/agency deliverable acceptance/payment disputes 	\$ 122,100
Intellectual Property Software Escrow Account Fees	<ul style="list-style-type: none"> All system source code will be escrowed A contract will be secured with a firm specializing in system software escrow management The most rigorous level of verification and updates will be utilized 	\$ 99,000
Project Evaluation	<ul style="list-style-type: none"> Consultant contract Scope of Work TBD in collaboration with FTA to support its ITS Evaluation work program 	\$ 75,000
Project Marketing	<ul style="list-style-type: none"> Cost of collateral (brochures, radio ads, bus ads, etc.) for the Beta Test and Full System Rollout Plan to be developed by the agency marketing staff 	\$ 300,000
Sound Transit Consultant Fee to Oversee TVM Upgrade	<ul style="list-style-type: none"> TBD 	\$ 27,100
Total		\$ 10,889,769

IV. Payment Schedules

This section describes the assumptions for the RFC Project Budget payment schedules for the Vendor Contract and Other Administration Costs.

Attachment 3: A detailed 39-month schedule with individual agency cash flow assumptions for both the Vendor Contract and Other Project Administration Costs is found in Attachment 3.

a. Vendor Contract: Key payment assumptions for the Vendor Contract are as follows:

- The Vendor Contract is fixed price.
- Relative to payment points, the Contract provides for:
 - **Project Management:** Monthly Project management payments, providing the total value of payments made does not exceed the predetermined payment caps. In the event payment exceeds a cap; the payment will be withheld until such time as it can be released per Contract terms.
 - **Payment Caps:** Two payment caps are in place, i.e. the total payments made cannot exceed: 1) 50% of the total contract value at the Beta Test Acceptance Milestone, and 2) 60% of the total contract value prior to Full System Acceptance at the point where all King County Metro equipment is installed and satisfactorily tested.
 - **Milestone Payments:** Six milestone payments are defined which provide for the successful completion of numerous deliverables. These milestones are:
 1. Schedule Acceptance
 2. Design Acceptance
 3. Beta Test Readiness
 4. Beta Test Acceptance
 5. Equipment Installation Completed & Tested for King County
 6. Full System Acceptance

b. Other RFC Project Administrative Costs: The following table describes the anticipated payment assumptions for these costs.

Attachment 3: A detailed 39-month schedule with individual agency cash flow assumptions can be found in Attachment 3.

Cost Item	Key Payment Assumptions
Project Management Team	<ul style="list-style-type: none"> • Paid quarterly direct to King County per actual costs incurred
Regional Payment Funds Management	<ul style="list-style-type: none"> • TBD by Sound Transit (a.k.a. "the Fiscal Agent")
Regional Technical Consultant	<ul style="list-style-type: none"> • Paid monthly or as invoiced by the consultant. TBD if the Fiscal Agent central payments account will be used to streamline the process • Contract terms are fixed price, not to exceed limits per task
Sales Tax	<ul style="list-style-type: none"> • Each agency will pay, as applicable costs are incurred, per Vendor Contract payment milestone invoices.
Contingency Fund	<ul style="list-style-type: none"> • Each agency commits to fund its share of the overall project contingency fund budget and to have those funds available when required per authorized Project Budget changes. • Fund to be accessed only for approved change orders • Every effort will be made to negotiate change order payment terms that are consistent with the established six Contract Payment Milestones.
Dispute Resolution Board (DRB)	<ul style="list-style-type: none"> • The DRB is convened, at a regular schedule determined by the Joint Board, for Project updates. These costs will be billed to include an hourly fee and travel expense. • The DRB will also be convened on an as needed basis to mediate disputes. These costs will be billed as incurred.
Intellectual Property Software Escrow Account Fees	<ul style="list-style-type: none"> • The most rigorous level of software verification and updates will be utilized • Payment terms will be per the account provider contract (not yet awarded). It is anticipated this will be a quarterly fee, based on the services provided, to commence with the Design Acceptance Milestone. • TBD if the Fiscal Agent central payments account will be used to streamline the process
Project Evaluation Consultant	<ul style="list-style-type: none"> • Payment terms will be per the consultant contract (not yet awarded). Most likely to be fixed price, not exceed limits per task, paid monthly, or as invoiced by the consultant. • TBD if the Fiscal Agent central payments account will be used to streamline the process
Project Marketing	<ul style="list-style-type: none"> • The Marketing Plan, which will detail the services and/or materials to be subject to regional billing, is yet to be developed by the agency marketing staff • Marketing activity is anticipated Pre-Beta Test and at revenue service roll-out • Payment terms will be per the provider contract
Sound Transit Consultant Fee to Oversee TVM Upgrade	<ul style="list-style-type: none"> • Payment term TBD by Sound Transit

V. Project Revenue: Regional Grants, Donation and Appropriation

This section summarizes the grant and other regional revenues awarded to the project, the revenue distribution formula and a sample Federal grant match strategy. The Project has received 12 Federal Grants, a donation from The Boeing Company (via the City of Everett Traffic Mitigation Fund) and an appropriation from the Sound Transit Technology Fund. A summary of these grants and their match requirement is shown in the table below.

Attachment 4: A detailed description of the grant revenue shown below and the individual agency shares can be found in Attachment 4.

Regional Project Revenue Summary			
Grant/Source	Match % Requirement	Total Award	Total Match Requirement
Federal Section 5307 7 Individual Grants	20%	\$ 9,575,958	\$2,393,990
CMAQ 3 Individual Grants	13.5%	\$ 2,686,000	\$ 419,202
ITS Earmarks 5288 2 Individual Grants	50%	\$ 4,421,941	\$ 4,421,941
Boeing Donation	N/A	\$ 500,000	0
ST Technology Fund	N/A	\$ 3,000,000	0
Total		\$20,183,899	\$7,235,133

Regional Grant Distribution Formula: Regional grant revenues are distributed to the agencies per the same formula used to determine the regionally shared cost distribution. The table below shows the distribution percentages.

Agency	Share of Regional Costs & Grant Revenues
King County Metro	55.15%
Community Transit	11.56%
Sound Transit	10.65%
Kitsap Transit	5.88%
Washington State Ferries	5.27%
Pierce Transit	8.61%
Everett Transit	2.88%
	100%

Individual Agency Grants: Agencies may supplement their share of regional grant revenues with grants that they have secured individually for purposes of implementing this project.

Grant Distribution Strategy: The following describes the anticipated strategy for accessing regional revenues.

- **Federal Grants:** All federal grants will be distributed to the individual agencies at the time of contract award. It is the individual agency responsibility to complete the appropriate Federal processes to encumber these funds. At the point of contract award, each agency assumes the full grant management responsibility for its funds.
- **Boeing Donation:** The details of the Boeing funds distribution funds are yet to be finalized. Per the original agreement with the City of Everett, the funds were to be paid on achievement of the Beta Test Acceptance and Full System Acceptance Milestones. However, The Boeing Company has recently indicated that it prefers to make the donation to the agencies at the point of contract award.
- **Sound Transit Technology Fund Appropriation:** Sound Transit has indicated that it prefers to provide its appropriation at the point of invoice payment. As described in Section VI "Regional Payment Administrative Procedures", the Fiscal Agent will provide the regional account into which individual agency payments are made, so that the regional partners can issue a single check for vendor or other invoice payment. In order to access its Sound Transit funds, an agency would advise Sound Transit that it will make a payment to the regional account "short" the amount due. The balance of the payment is to be drawn by the Fiscal Agent from the agency share of the Technology Fund appropriation.

Federal Grant Match Strategy: For budget planning purposes, the agencies have adopted a grant match strategy which utilizes maximum allowable "grant to grant" match potential, i.e. the use of federal grants to match other grants, prior to utilizing other regional revenues or local funds. However, in actual practice, each agency may use whatever match funding strategy it desires to meet its Federal match and Regional Project payment obligations.

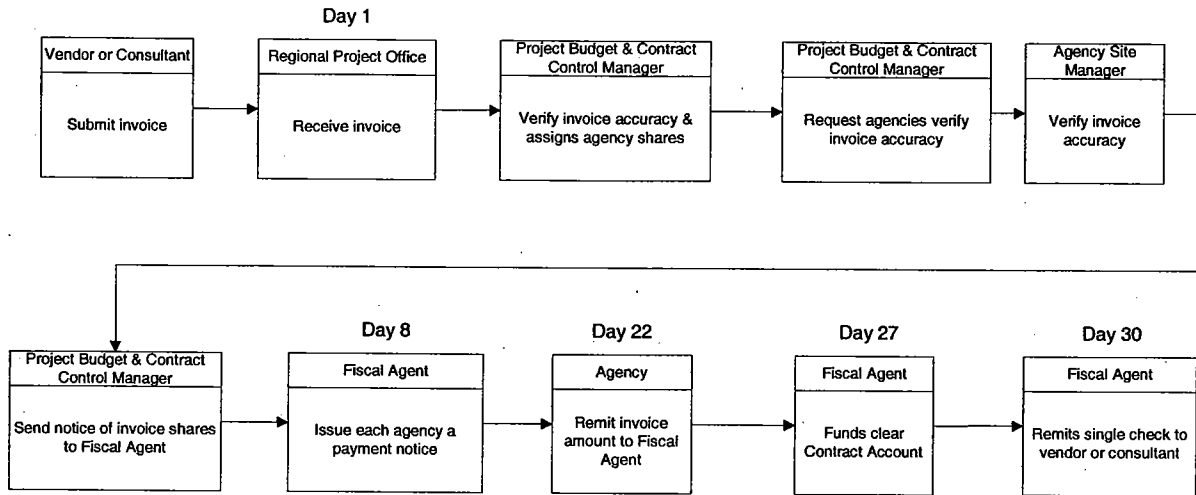
VI. Regional Invoice Payment Procedures

The administrative process for the payment of most regionally shared invoices will be jointly administered by the Project Team and the Fiscal Agent. The primary staff involved is the Budget and Contract Control Manager and the Fiscal Agent personnel. This joint administration is necessary because of the complexities of paying a single invoice, when the revenue to make that payment is generated from contributions of multiple agencies.

The Fiscal Agent Central Payments Account: Central to this process, is a single regional account that will be established and managed by the Fiscal Agent. Agencies will pay into this account their share of regional invoices and the Fiscal Agent will issue a single check payment on behalf of the region. The Vendor Contract provides for 30-day invoice payment terms. The payment process is described in the bullets and graphic below:

- An invoice is submitted to the Project Team Office
- The Budget and Contract Control Manager (BCCM) verifies the invoice accuracy and assigns agency shares, or full costs, if attributable to a single agency.
- The BCCM forwards the draft invoice to the individual Agency Site Manager to request invoice confirmation and/or corrections.
- Per the agency-verified invoice, the BCCM forwards to the Fiscal Agent the invoice detail per each agency share.
- The Fiscal Agent issues each agency a payment notice
- Each agency remits its payment share to the Fiscal Agent. The payment amount is deposited into the central payments account.
- The Fiscal Agent remits single check payment to the vendor or other invoicing party

Payment Administrative Procedures



VII. Individual Agency Internal Costs to Implement the System

Each agency will incur costs, in addition to the shared costs addressed in the RFC Project Budget, which are necessary to ensure internal agency coordination with the regional process and efficient system implementation. These internal costs will vary among the agencies and are contingent upon the complexity of its system implementation, business needs and integration strategies. The primary source of these costs is agency staff labor to support the system design review, contract deliverable acceptance, marketing and customer information and equipment installation process. In order to provide a comprehensive estimate of the project implementation costs, the agencies have adopted consistent cost generation categories and completed a cost estimation exercise.

Attachment 5: Individual agency detail on these internal agency costs can be found in Attachment 5.

A summary list of the regionally consistent categories established for planning purposes is shown below.

- Site Manager, i.e. the individual agency Project Manager and central point of contact
- Technical staff labor to review business processes and contract deliverables
- Technical staff labor to develop system interfaces – this category is necessary only for those agencies with custom interface requirements
- Finance staff labor to review business processes and contract deliverables
- Customer Service staff labor to review business processes and contract deliverables
- Legal Counsel, as needed
- Staff training to operate all aspects of the system
- Labor and materials for site preparation for facilities requiring new equipment installation
- Labor for equipment installation
- Marketing staff labor to develop public information and customer “card conversion” plans
- Purchase of a Driver Display Unit “tool kit” – this category is necessary only for those agencies who may wish to develop new custom applications for the Driver Display Unit
- Travel expense for staff to provide oversight during equipment testing and/or to inspect the system operations center
- Communication network fees

VIII. Regionally Shared Operating Cost Estimates: Operating (Phase V)

This section provides general information on the system operating services currently anticipated for 2006 through 2014. The Joint Board, as part of its work program, will develop the Phase V System Administration Plan. This plan will include at a minimum the regional staff necessary to support system operations oversight and other business details.

Regional Cost-sharing Formula: The regional cost-sharing formula for the operating phase of the project has been determined, for planning purposes, by each agency's share of regional ridership projected for the year 2005. This formula will be updated per National Transit Data Base reports prior to commencing full system operations. WSF may adjust ridership projections to include both vehicles and passengers (currently, only passengers are included in its estimates). The updated formula will be applied to, at a minimum, the first year of system operations. At such point as the Joint Board determines the system is operating at "steady state", the cost-sharing formula will be determined by each agencies actual share of smart card transactions processed by the system. The Joint Board will determine the annual schedule by which the cost-sharing formula for the next year will be reviewed and adopted.

Per the preliminary 2005 projected ridership formula described above, the Operating cost-sharing formula is as follows:

Agency	Share of Regional Costs
King County Metro	70.7%
Sound Transit	7.6%
Community Transit	5.9%
Washington State Ferries	2.8%
Kitsap Transit	2.6%
Pierce Transit	9.1%
Everett Transit	1.4%
	100%

Regional Operating Services: The regionally consistent system operation services will be provided by the vendor contract and King County Metro. See Exhibit E for a detailed description of the King County operating services.

Vendor Contract Regional System Operating Services	
1.	Equipment and Software Maintenance
2.	Customer Service
3.	Institutional Program Support
4.	Fare Card Management
5.	Card Procurement (from Manufacturer) and Distribution (to King County)
6.	Clearinghouse Services
7.	Financial Management
8.	Network Management
9.	Third Party Revalue Network Technical Support
King County Metro Regional System Operating Services	
1.	Card Procurement (centralized order processing to the vendor)
2.	Local Card Warehousing and Distribution (to the agencies and accounts)
3.	New Card Order Fulfillment
4.	(TBD) Institutional Account Administrative Support

Operating Costs: The following table provides the estimated 10-year total annual operating costs for both the Vendor Contract and King County Metro regional services. The primary factors which determine the operating cost estimates are ridership and the rate at which customers transition from physical cash fare payment to pre-payment via the smart card electronic cash or pass.

Attachment 6: Individual agency 10-year operating fixed and variable cost estimates, per each service, can be found in Attachment 6.

Preliminary Estimated Operating Cost Summary		
Agency	% Share	10-year Operating Cost Estimate Total
King County Metro	70.7%	\$ 22,783,521
Sound Transit	7.6%	\$ 2,684,942
Community Transit	5.9%	\$ 2,008,003
Washington State Ferries	2.8%	\$ 939,969
Kitsap Transit	2.6%	\$ 932,482
Pierce Transit	9.1%	\$ 2,975,338
Everett Transit	1.4%	\$ 494,607
Total *	100%	\$32,818,862
* Slight variations due to rounding		

IX. Attachment Summary

The following Attachments can be found in the PDF File "Exhibit C Attachments". Please note that all Attachment pages are legal size. From the Acrobat Reader menu bar, you can check the paper size by selecting 1) file, and then 2) page setup.

<u>Attachment No.</u>	<u>Description</u>
1	Vendor Contract Costs
2	Regional Project Budget Cost Summary
3	Estimated Payment Cash Flow Assumptions for Vendor Contract and Other RFC Project Administration Costs
4	Grant Revenue Summary and Individual Agency Shares
5	Individual Agency Internal Implementation Cost Estimates
6	Estimated Individual Agency Operating Costs and Assumptions