



Legislation Text

File #: 2014-0425, **Version:** 1

AN ORDINANCE amending the revenue fleet replacement sub fund target fund management policy for the public transportation fund; and amending Ordinance 17225, Section 1.

STATEMENT OF FACTS:

1. The Metro transit system is funded mainly by sales tax, and due to the inherently unstable and variable nature of that funding source, the amount of operating funds available from that source varies with the health of the economy. The devastating economic downturn that started in 2008 and the resulting drastic decline in sales tax revenues caused a projected shortfall in the transit division's operating funds of approximately \$1.2 billion for the years 2009 through 2015 compared to long-range expected revenues in the financial plan.
2. Following recommendations from the King County auditor and commencing in 2009, the transit division has undertaken a series of significant actions to address the revenue shortfall, including increasing system-wide operating efficiencies, using one-time reserve funds, eliminating staff positions, reducing capital programs, raising fares, negotiating labor savings with employees, eliminating many lower-performing bus routes and reinvesting service hours in higher-performing routes and generating new revenue, resulting in \$798 million in combined cost savings and revenue enhancements, with a net annual, ongoing positive impact to the division's budget of approximately \$148 million. Although the worst of the Great Recession has passed and sales tax revenue is currently increasing, being \$31 million above projections for 2014 and \$31 million above projections in 2015, the economy has not recovered enough to

generate the sustained sales tax revenues needed to operate the system as it is currently sized and structured.

3. In 2010, the regional transit task force unanimously recommended a comprehensive policy framework for an efficient and effective transit system, balancing productivity with geographic and social equity, resulting in the adoption of the Strategic Plan for Public Transportation 2011-2021 and the King County Metro Service Guidelines. The guidelines were updated in 2013.

4. In 2011, a temporary funding source, the congestion reduction charge, was authorized by the state Legislature and approved by the council in Ordinance 17169. The intent of the congestion reduction charge was to help address transit revenue shortfalls during the severe economic downturn and allow the Metro transit system to continue reducing congestion on some of the state's most crowded highways. The county implemented the congestion reduction charge with the expectation that the state would adopt a comprehensive, long-term package that would address Metro transit shortfalls and other regional and statewide transportation needs. No statewide package was adopted.

5. With the expiration of the congestion reduction charge in June 2014 and the prior drawdown of certain of its reserve funds, the transit division continues to face significant budget challenges.

6. In June 2014, the council unanimously adopted Motion 14149, which called on the executive, in his development of the 2015/2016 budget proposal for transit to: review farebox recovery targets; use the results of an transit industry peer review of the Metro transis system; identify Lean and other process improvement efficiencies; identify standard measures for on-going peer comparison; and consider the results of an audit of fund management and other operational policies;

7. In July 2014, Ordinance 17848, set public transportation service changes for September 2014, which eliminated 151,000 annual transit service hours from the Metro transit system. Ordinance

17848 also directed that an additional 188,000 annual transit service hours be eliminated in February 2015. Ordinance 17848 also created an ad hoc committee on transit reductions to make recommendations to the executive and the council regarding transit service hour reductions for February 2015 after considering revenue forecast information and current transit division finances.

8. Relying on the results of Ordinance 17848 and Motion 14149, the executive transmitted Proposed Ordinance 2014-0394, which proposed both a February 2015 transit service reduction and a balanced 2015-2016 budget that minimizes the need for further service reductions while maintaining reserves at levels consistent with policies.

9. As required by Ordinance 17848, the executive also transmitted report 2014-RPT0126, which contained methods to reduce the need for further transit service reductions, including recommendations from the peer review of the Metro Transit System conducted by the American Public Transportation Association.

10. Section four of the peer review conducted by the American Public Transportation Association contained the following recommendation: "Revenue Fleet Replacement Sub-Fund Target: While the panel acknowledges it did not explore Metro's fleet replacement in depth, the target minimum of 30% of the projected fleet replacement costs for the entire revenue vehicle fleet appears to be high. Most transit agencies utilize federal capital grants to pay for 80% or more of revenue vehicle costs. 80% grant funding implies the need for a 20% local reserve/match. The panel encourages Metro to review its current revenue fleet replacement strategy and sub-fund target to ensure that it is appropriately aligned to Metro's needs and effective industry practices."

11. The enterprise transit financial plan supporting the 2015/2016 executive proposed budget includes a \$70 million revenue fleet replacement subfund in 2015 that is consistent with the

target minimum of thirty percent of the projected fleet replacement costs for the entire revenue vehicle fleet. Reducing the subfund to twenty percent of the projected fleet replacement costs would make available transit funds of more than \$20 million initially and approximately \$5 million per year in subsequent years for transit service and capital expenditures.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Ordinance 17225, Section 1, is hereby amended to read as follows:

The Fund Management Policies for the Public Transportation Fund dated September 29 2014, Attachment A to this ordinance, are hereby approved and shall supersede the Fund Management Policies for the Public Transportation Fund adopted as Attachment A to Ordinance 17225.