



# KING COUNTY

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

## Signature Report

### Ordinance 19863

**Proposed No.** 2024-0319.2

**Sponsors** Zahilay

1                   AN ORDINANCE adopting 2024 Fund Management  
 2                   Policies for the Public Transportation Fund; and repealing  
 3                   Ordinance 18321, Section 2, and Attachment A to  
 4                   Ordinance 18321.

5                   **STATEMENT OF FACTS:**

6                   1. Adopted transit fund management policies provide a framework to  
 7                   ensure the financial health and viability of the public transportation fund.

8                   2. In July 2016, following recommendations from a staff work group and  
 9                   review by a special committee on transit, the 2016 Fund Management  
 10                  Policies for the Public Transportation Fund were adopted through  
 11                  Ordinance 18321.

12                  3. The 2016 Fund Management Policies for the Public Transportation  
 13                  Fund set general financial practices and a fund structure for the public  
 14                  transportation fund, as well as policies and targets for financial and capital  
 15                  planning, expenditures, revenues, and reserves.

16                  4. King County government has experienced significant operational and  
 17                  fiscal impacts due to the Covid-19 pandemic. Though the impacts have  
 18                  lessened since the height of the pandemic, many remain and are expected  
 19                  to continue beyond the 2023-2024 biennium, including reduced fare  
 20                  revenue for the public transportation fund.

Ordinance 19863

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21           5. In September 2020, the Metro transit department director informed the  
22           council that, during the 2021-2022 biennium, the Metro transit department  
23           anticipated not meeting either the farebox recovery target of thirty percent  
24           of passenger related operating costs or the farebox recovery ratio of at  
25           least twenty-five percent of passenger related operating costs set by the  
26           2016 Fund Management Policies for the Public Transportation Fund. The  
27           council suspended those sections of the fund management policies via  
28           Ordinance 19206.

29           6. In October 2022, the Metro transit department director informed the  
30           council that, during the 2023-2024 biennium, the Metro transit department  
31           anticipated not meeting either the farebox recovery target of thirty percent  
32           of passenger related operating costs or the farebox recovery ratio of at  
33           least twenty-five percent of passenger related operating costs set by the  
34           2016 Fund Management Policies for the Public Transportation Fund. The  
35           council extended the suspension of those sections of the fund management  
36           policies via Ordinance 19531.

37           7. Ridership and fare revenue have increased since the height of the  
38           pandemic but remain below 2019 levels. The Metro transit department's  
39           actual farebox recovery ratio was seven percent in 2021, nine percent in  
40           2022, and the department estimates the ratio will be nine percent for 2023  
41           and 2024.

42           8. The council also adopted fare policy changes to increase transit  
43           accessibility and affordability, including adoption of a free youth transit

Ordinance 19863

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44 fare in 2022, implementing a fully subsidized annual transit pass for low-  
45 income riders who participate in certain social service programs, and  
46 piloting a reduction of the ORCA LIFT fare for low-income riders from  
47 \$1.50 to \$1.00 per ride. Those changes impact the Metro transit  
48 department's farebox recovery by reducing fare revenues from those  
49 categories.

50 9. Ridership and work patterns will continue to shift and change as the  
51 region recovers from the Covid-19 pandemic. The Metro transit  
52 department will continue to monitor how riders use transit to restore and  
53 grow service to meet these changing ridership needs.

54 10. For the 2023-2024 biennium, the Metro transit department updated  
55 fare revenue projections based on data about ridership and fare payment.  
56 In alignment with the department's current financial plan, these  
57 projections assume an increase to the department's adult bus fare in 2025,  
58 followed by periodic increases every three years. Based on those  
59 projections, the department expects its farebox recovery rate to remain  
60 below fifteen percent throughout the next decade. Given that, the  
61 department will not be able to comply with the general financial practices  
62 and farebox recovery ratio sections of the 2016 Fund Management  
63 Policies for the Public Transportation Fund for the foreseeable future. The  
64 department requests an update to the farebox recovery section of the 2016  
65 fund management policies.

66 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

Ordinance 19863

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67            SECTION 1. The following are hereby repealed:

68            A. Ordinance 18321, Section 2; and

69            B. Attachment A to Ordinance 18321.

Ordinance 19863


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70            SECTION 2. The 2024 Fund Management Policies for the Public Transportation  
71 Fund, Attachment A to this ordinance are hereby approved.


Ordinance 19863 was introduced on 10/1/2024 and passed as amended by the Metropolitan King County Council on 11/19/2024, by the following vote:

Yes: 9 - Balducci, Barón, Dembowski, Dunn, Mosqueda, Perry, Upthegrove, von Reichbauer and Zahilay


KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

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Dave Upthegrove, Chair

ATTEST:

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Melani Hay, Clerk of the Council

APPROVED this \_\_\_\_\_ day of 12/2/2024, \_\_\_\_\_.

Signed by:  
  
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Dow Constantine, County Executive

**Attachments:** A. Fund Management Policies for the Public Transportation Fund, Updated November 19, 2024

## **FUND MANAGEMENT POLICIES FOR THE PUBLIC TRANSPORTATION FUND**

### **I. General Financial Practices**

- A. General Financial Practices** – The fund management policies for the Public Transportation Fund serve to ensure that the Metro Transit Department uses prudent financial planning to meet the policies and priorities of the adopted Strategic Plan for Public Transportation and the King County Metro Service Guidelines. The Metro Transit Department will manage its finances to fund expenditures in the following order: (1) debt service; (2) operation of the current transit system levels,<sup>1</sup> including asset maintenance and replacement; (3) maintenance and replenishment of reserves; (4) new transit service and capital investments necessary to achieve All Day and Peak Network priorities identified by the King County Metro Service Guidelines, and new transit service and capital investments necessary to achieve elements of the long range vision identified in Metro Connects.
- B. Fund Structure** – The Metro Transit Department manages the Public Transportation Fund as an enterprise through five distinct subfunds: Operating, Capital, Bond, Revenue Stabilization, and Revenue Fleet Replacement.
1. The Operating Subfund supports the ongoing operation of Transit services, including but not limited to bus, paratransit, vanpool/vanshare, and various contracted services. It includes direct operating labor and non-labor costs, administrative costs, and indirect and overhead costs.
  2. The Infrastructure Capital Subfund supports capital infrastructure projects, including the planning, design, acquisition, preservation and replacement of infrastructure and other capital items as needed to support Transit operations.
  3. The Bond Subfund supports annual debt service payments for debt-financed Transit assets.
  4. The Revenue Stabilization Subfund holds fund balance to offset impacts of economic downturns.
  5. The Revenue Fleet Capital Subfund supports new and replacement revenue fleet purchases.
- C. Financial Planning** – With each biennial budget, the Metro Transit Department will provide a financial plan and cash flow projection of six years or more, estimating operating expenses and capital requirements of the current system, operating and capital expenses of sustainable system expansion, reserves, and debt service for all of its subfunds. For any operating grants, the financial plan will identify the costs of continuing to operate the service after the grant ends.
- D. Capital Planning** – At a minimum, the Metro Transit Department will maintain a rolling 10-year plan to identify and prioritize needed new facility infrastructure and

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<sup>1</sup> Including passenger loads and reliability investments as prioritized in the King County Metro Service Guidelines.

infrastructure maintenance, preservation, and improvement for transit facilities based on the current transit system level.<sup>2</sup> These prioritized needs will be reflected in the six-year transit capital improvement program.

## II. Expenditure Policies

**Subfund Transfers** – In order to minimize administrative burden for the Public Transportation Fund and reduce the need for interfund borrowing, transfers between the Operating, Infrastructure Capital, Revenue Fleet Capital, and Bond subfunds do not need to be appropriated. However, transfers from the Revenue Stabilization Subfund to any of the other subfunds must be appropriated.

## III. Revenue Policies

**A. Farebox Recovery Ratio** – The Metro Transit Department should recover at least 10 percent and will maintain a target of recovering at least 15 percent of passenger related operating costs from farebox revenues for bus service and shall report annually on its farebox recovery ratio through a publicly available online dashboard. This dashboard, which should be updated by May 31 each year, should include, but not be limited, to:

1. The farebox recovery ratio for the previous calendar year, defined as the percentage of passenger related operating costs recovered from farebox revenues for bus service,
2. Total farebox revenues from bus service received during the previous calendar year,
3. Average weekday and weekend boardings for bus service for the previous calendar year, and
4. The percentage of farebox revenues and boardings attributable to fare cards purchased through ORCA business programs.

**B. Recommending Changes to Farebox Recovery Ratio Requirement** – In the event of significant policy or financial changes, such as new funding sources becoming available that impact fare revenue, Metro will re-evaluate the farebox recovery ratio requirement and may recommend a change. Metro may also re-evaluate the requirement if the farebox recovery ratio is above the 15 percent target for at least two consecutive years.

**C. Fare Parity** – It is the intent of the Metro Transit Department to achieve parity between its Access fare and off-peak adult fare over time. Parity will be measured by dividing the access fare by the off-peak adult fare for any given year. The Access fare will achieve full parity when the ratio of the Access fare to the off-peak adult fare is one to one.

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<sup>2</sup> The current Transit system level includes consistency with Federal Transit Authority Moving Ahead for Progress in the 21<sup>st</sup> Century requirements (MAP-21 Section 20019 / 49 U.S.C. Section 5326).

#### IV. Reserves/Subfunds Purposes and Targets

##### A. Recession, Risk, and Cash Flow Reserves

1. To mitigate the risks associated with a moderate-level economic recession,<sup>3</sup> to fund unforeseen changes in operating expenditures, and to provide for cash flow needs, the Metro Transit Department shall maintain Recession, Risk, and Cash Flow Reserves, as described below, equivalent to 45 percent of the forecast total annual enterprise fund sales tax revenue. These reserves shall be distributed as follows:
  - a. **Operating Risk/Cash Flow Reserve** – To maintain sufficient funds for cash flow requirements, to fund unforeseen emergency operating expenses, and to mitigate unanticipated revenue losses, the Metro Transit Department will maintain minimum cash balances in the Operating Subfund equal to 15 percent of the Recession, Risk, and Cash Flow Reserves. For purposes of mitigating recessionary economic conditions, these reserve monies will be the last Recession Risk Reserve monies used and the first priority for reserve replenishment.
  - b. **Revenue Stabilization Subfund** – To maintain sufficient funds for operating and associated capital expenses associated with mitigating recessionary economic conditions, the Metro Transit Department will maintain a Revenue Stabilization Subfund with a balance equal to 85 percent of the Recession, Risk and Cash Flow Reserves. Monies in the Revenue Stabilization Subfund may only be accessed through enactment of an appropriation ordinance.
2. Use of a portion of the Revenue Stabilization Subfund balance may be requested by the County Executive through submittal of an appropriation ordinance when the forecasted year-over-year sales tax base growth falls below the June-to-June Seattle CPI-W growth rate for two consecutive forecasts (as adopted by the King County Forecast Council).
3. If the year-over-year real sales tax base (i.e., sales tax base adjusted for June-to-June Seattle CPI-W) decreases by more than five percent in any one year or more than 10 percent as a cumulative value over two or more years, then any Executive request to use a portion of the Revenue Stabilization Subfund shall be accompanied by a proposal to implement one or more of the following: operating service reductions, capital project delays or cancellations, cost saving efficiencies or indirect cost reductions, revenue generation options, or other mitigating actions.

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<sup>3</sup> These Fund Management Policies were developed using actual financial performance experience during the 2001 recession, which is referred to as a moderate-level economic recession for these Fund Management Policies.



4. The Executive and Council should use no more than 50 percent of the Recession Risk Reserves in any one year.
5. After use, the Recession Risk Reserves should begin to be replenished within two years of when the sales tax base growth from the prior year exceeds the June-to-June Seattle CPI-W value for 2 consecutive forecasts (as adopted by the King County Forecast Council). The Recession Risk Reserves fund balance shortfalls should be replenished on average 20 percent per year, such that the Recession Risk Reserves are replenished to the target level within five years.

**B. Revenue Fleet Replacement Reserve** – To smooth large expenditure fluctuations associated with fleet replacement purchases, the Metro Transit Department will maintain a Revenue Fleet Replacement Reserve in the Revenue Fleet Capital Subfund with the following characteristics:

1. This reserve will be funded by consistent biennial contributions (incorporating an inflation factor) of sales tax and projected grant revenue in order to fund a 20-year fleet replacement plan.
2. Short term (five-year or less) debt may be used to mitigate peaks in fleet purchases when fleet purchase costs exceed the sum of the current Transit resource contribution plus projected grant revenue<sup>4</sup>.
3. The Revenue Fleet Replacement Reserve balance shall never be less than zero nor exceed \$250 million in 2016 dollars adjusted for the value of the fleet.
4. The contribution levels will be reviewed biennially and adjusted to achieve these policy characteristics.

**C. Bond Subfund Reserve** – The Metro Transit Department shall maintain a Bond Subfund fund balance sufficient to meet the obligations of the Transit Department's bond requirements.

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<sup>4</sup> In general, short term debt shall be planned for years when the fleet purchase costs are more than twice the current Transit resource contribution.

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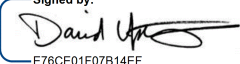
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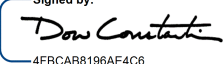
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