

**AMENDMENT NO. 1
TO THE INTERAGENCY AGREEMENT
BETWEEN PIERCE TRANSIT AND SOUND TRANSIT
FOR ST EXPRESS BUS SERVICE OPERATIONS AND MAINTENANCE**

This Amendment No. 1 to the Interagency Agreement between Pierce Transit and Sound Transit for ST Express Bus Service Operation and Maintenance is dated November 27, 2018.

On July 6, 2015, Pierce County Public Transportation Benefit Area Corporation (hereinafter referred to as "Pierce Transit") and Central Puget Sound Regional Transit Authority (hereinafter referred to as "Sound Transit") entered into the ST Express Bus Service Operations and Maintenance Agreement (the "Agreement") to define the operations and maintenance services to be provided by Pierce Transit for the Operations of Sound Transit's Express Bus Services and to address the associated maintenance costs and the basis for allocation of costs to be borne by each Party.

- A. In 2017, Pierce Transit expressed a desire not to agree to an additional option year of 2018 unless Sound Transit agreed to amend the Agreement to capture costs all of Pierce Transit's costs related to Sound Transit's Express Bus Service;
- B. Sound Transit agreed to work with Pierce Transit on amending this Agreement accordingly if Pierce Transit continued to operate under the terms of the Agreement into 2018 and to be compensated retroactively to January 1, 2018 if the Parties negotiated a reimbursement that was greater than the existing reimbursement.
- C. Pierce Transit continued operations through 2018 and Sound Transit and Pierce Transit negotiated a new method of reimbursement in good faith for 2018 and 2019.
- D. The Agreement expires on December 31, 2018 and has a remaining option to extend for one additional year.
- E. The Parties agree to exercise the remaining one-year option and extend the term of the Agreement to December 31, 2019, subject to the amendment of the terms and conditions as set forth below.
- F. This Amendment No. 1 has been authorized by the Parties' respective governing bodies.

NOW, THEREFORE, the Agreement is amended as follows:

- 1. A portion of the **Table of Contents** is hereby replaced as follows:

12.0 FINANCIAL AUTHORIZATION, COMPENSATION AND PAYMENT

- 12.1 Cost Allocation
 - 12.1.1 Cost Allocation Model (CAM)-Annual Rate Development
 - 12.1.2 CAM Documented in Annual Cost Submittal Letter
 - 12.1.3 Change to Costs
- 12.2 Extra Service and Special Service
- 12.3 Catastrophic Event Service
- 12.4 Task Orders
- 12.5 Periodic Review of Financial Performance

- 12.6 Invoices and Payments
 - 12.6.1 Monthly Invoices
 - 12.6.2 Payment
- 12.7 End of Year Requirements and Reconciliation
 - 12.7.1 General
 - 12.7.2 Reconciliation Items
 - 12.7.3 Documentation
 - 12.7.4 Settlement
- 12.8 Taxes and Fees

2. Subsection **3.5 Specialized Training** is replaced with the following:

Sound Transit may require specialized training over-and-above training required to comply with Section 6. The scope and cost of this training will be authorized in accordance with Subsection 12.3.

3. Subsection **9.4.1 Special Service** is replaced with the following:

Special Service is service that is not on a route published in Sound Transit's Ride the Wave Transit Guide or other Sound Transit bus schedule which operates off-route of any publicized service. Pierce Transit, to the extent its resources will allow, will operate Sound Transit buses for Special Service when requested. The services will include buses, operators, and other appropriate personnel. Compensation will be made at the price agreed to under Subsection 12.1.

Sound Transit is not obligated to use Pierce Transit for this purpose and may use other partner or third-party contract for this purpose.

Souder commuter rail backup service (bus bridging) is a type of Special Service. Sound Transit acknowledges that some Specialized Training for Pierce Transit personnel may be necessary to provide bridging service. Sound Transit will pay for the cost of any Specialized Training that Sound Transit agrees is needed in accord with Paragraph 3.5 of this Agreement. For Souder bus bridges, when passengers must be moved from train to bus or bus to train, Sound Transit will be responsible for directing its customers to the bus or train service.

4. Subsection **9.4.2 Extra Service** is replaced with the following:

Extra Service is service that is in addition to regular service and operates on a route published in Sound Transit's Ride the Wave Transit Guide or other Sound Transit bus schedule. Extra Service may be necessary due to non-emergency service disruptions or passenger overloads. Compensation for Extra Service will be made at the Parties' agreed-upon Cost Allocation Model (CAM) rate per hour.

5. Section **12.0 Financial Authorization, Compensation and Payment**, and all of its subsections, are replaced with the following:

12.0 Financial Authorization, Compensation, and Payment

This section sets forth the annual financial authorization process for level of service, the basis and methods for compensation, invoicing, annual close-out reconciliation of costs, and other financial reporting requirements for NTD between Sound Transit and Pierce Transit

Pierce Transit will maintain financial books, records, documents and other evidence directly pertinent to the performance of the work under this agreement in accordance with Generally Accepted Accounting Principles (GAAP).

12.1 Cost Allocation

12.1.1 Cost Allocation Model (CAM)-Annual Rate Development

a. Cost Allocation Model Definition

The Cost Allocation Model (CAM) allocates costs for all ST Express bus service and for other Pierce Transit services. The amounts billed to Sound Transit do not represent a time and materials calculation of cost; rather, the CAM annual rate represents blended costs that are allocated in a way to apportion costs and minimize the administrative time to manage the cost allocation process. The CAM results in a set hourly rate for all Pierce Transit-provided services.

b. Estimated CAM Approval Process

Annually, both Sound Transit and Pierce Transit will review and agree upon, in writing, the CAM used to allocate costs to Sound Transit for the following year. The annual CAM approval may be made by the Executive Director, Operations of Sound Transit and the CEO of Pierce Transit, and the CAM will be documented on a Cost Submittal Letter, which need not be approved by the Parties' respective governing boards.

Should it be determined that a change in the CAM methodology is needed, for any reason, both Parties must agree to the changes in writing. Any change must be documented using the same methodology herein including an explanation regarding the rationale for the change. Examples of changes to the CAM are restructure or reorganization of budgetary units or a change in services provided. If the Parties do not agree to changes to the CAM methodology by the timelines established in Section 12.1.2, the rates established using the currently agreed-upon CAM methodology will

be used until agreement is reached. Differences in rate will be reconciled in the year end reconciliation process provided in Section 12.8.

12.1.2 CAM Documented in Annual Cost Submittal Letter

No later than October 31, Pierce Transit will provide its proposed CAM for the upcoming year. Sound Transit will review and provide comments to Pierce Transit on the proposed CAM by November 10. The Parties will agree by December 15 upon an estimated CAM rate per hour for the upcoming year at which point Sound Transit will provide a Cost Submittal Letter to be countersigned by Pierce Transit. The schedule is in **Exhibit G3: Financial Data Submissions**.

The pricing template format is substantially that of the NTD Form F 30 and these expense objects and functions will be consistent with the NTD definitions. See **Exhibit G1: Rate Setting** attached. The costs used to develop the pricing template will be generated using the estimated budget for Pierce Transit, operating statistics for both agencies, and the CAM as described in Section 12.1.1 above.

12.1.3 Change to Costs

Either Party may propose a change to the CAM during the year, but the Parties may effect changes only by mutual agreement in writing.

In the event that Sound Transit increases or decreases planned levels of service by more than 10% within a given year, the Parties may agree to renegotiate the basis for compensation or any other term or condition of this agreement.

12.2 Extra Service and Special Service

Section 9.4 Short Term, Additional Service describes the operational aspects of Extra and Special Service. The rate for Extra Service and Special Service will be the annual rate determined by the CAM after reconciliation. See, **Exhibit G1: Rate Setting**.

12.3 Catastrophic Event Service

The cost for Catastrophic Events Services shall be subject to the CAM annual rate determined in reconciliation. Sound Transit will pay for all costs of the emergency. Pierce Transit will identify the total cost of the emergency and will bill separately from all other expenses.

12.4 Task Orders

Sound Transit may request Pierce Transit to perform tasks beyond the scope specifically provided in this agreement. In addition, Pierce Transit may suggest initiatives that may benefit Sound Transit. Pierce Transit will decide how the work will be performed.

Sound Transit will use a proposed Task Order (**Exhibit O: ST Express Bus Operations Task Order**) to provide a written scope to Pierce Transit. Work assigned by task order will typically not be subject to the CAM annual rate, and Sound Transit encourages Pierce Transit to review the initiative in detail and develop a cost estimate to perform the work (parts, labor, travel, lodging, materials, etc.). The cost of such work will be initially determined by Pierce Transit and provided in written format by modifying the proposed Task Order with additional documentation when available. Sound Transit is not obligated to award this work to Pierce Transit.

In each Task Order, Sound Transit will set a percent or dollar amount that the actual costs may vary from the estimate without further action. Pierce Transit will notify Sound Transit's Bus Operations Manager if the cost of work increases beyond the percent or dollar amount, Pierce Transit must secure Sound Transit's Bus Operation Manager's pre-authorization and written approval to proceed with the work.

Compensation for additional work that is deemed an operation expense (as noted in the Task Order) will be added to the monthly invoice as a separate line item. Compensation for additional work which is deemed a capital expense will be invoiced separately. Documentation of work accomplished, and actual costs must be provided.

Costs paid through Task Orders will be removed from the cost allocation model.

12.5 Periodic Review of Financial Performance

The Parties will meet two times during the year to review the budget versus actual performance of Pierce Transit. These meetings will take place no earlier than May and as part of the annual negotiation process in November. The purpose of these meetings will be to identify any issues that might have a budget impact on the current year, or for future annual planning.

12.6 Invoices and Payments

12.6.1 Monthly Invoices

Pierce Transit will invoice monthly using the format attached as **Exhibit G2: Monthly Invoice Summary**, after having submitted the Monthly Report (Section 6.5.1).

a. Standard Invoice

Monthly, Sound Transit will be invoiced for one twelfth the estimated CAM annual rate for the current year.

b. Additional Invoices

- Special and Extra Service will be reported monthly, separately from all other expenses and from each other. The invoice process for those services will be agreed upon in writing by both Parties. Pierce Transit will provide documentation as to the service provided, revenue hours and miles driven, and passengers carried.
- Sounder Backup service will be identified separately from other Special Service. The invoice process will be the same as the Special and Extra Service process above. Pierce Transit will provide documentation as to the service provided, revenue hours and miles driven, and passengers carried.
- Catastrophic Event Service will be billed separately from all other expenses.
- Task Orders will be invoiced separately from all other expenses as provided in section 12.4 and will also be supported with complete documentation.

12.6.2 Payment

Upon submission of a properly supported and complete invoice, Sound Transit will pay invoices within 30 days of receipt. The standard invoice will be considered complete only when all monthly information is provided as required (Section 6.5.1.). Incomplete invoices will not be processed for payment.

Pierce Transit will send the invoice to:
Accounts Payable
Central Puget Sound Regional Transit Authority
401 South Jackson Street
Seattle, Washington 98104 2826

If Sound Transit disputes the charges, documentation, or the completeness of the invoice, Sound Transit will notice such objections to Pierce Transit

in writing within 20 days after receipt of the completed invoice. Disputes must be reconciled and if changes are necessary, a new invoice will be issued along with documentation canceling the original invoice. Disputes will be subject to the dispute resolution procedures as set forth in this agreement. Notwithstanding this paragraph, Sound Transit's right to dispute changes during reconciliation or audit is not prejudiced.

12.7 End of Year Requirements and Reconciliation

12.7.1 General

The Parties will submit a list of billings for the year by service and will complete the compilation of all service and other operating data reported to NTD no later than February 28. Pierce Transit and Sound Transit will also complete a preliminary financial annual reconciliation of all reported NTD data no later than March 31 for each Party to be able to submit their data on or before April 30 of each year for the prior year's costs. Furthermore, all financial information is to be prepared on an accrual basis to be included as part of the year-end reporting close and mutually agreed upon with adequate supporting documentation no later than March 31.

12.7.2 Reconciliation Items

Any additional reconciling items that are identified after March 31 but prior to the completion of each agency's financial audit (unless material to the financial statements of either one or both Parties) will be reflected in the next fiscal period. Sound Transit's Executive Director of Finance, or her designee and the Finance Manager of Pierce Transit respectively will review such determinations on a case-by-case basis and reach agreement on the disposition of the matter.

12.7.3 Documentation

Pierce Transit will provide its trial balance and operating statistics for the previous calendar year. Any changes in division components due to reorganizations, or changes in rules applied to the divisions, will be identified by Pierce Transit. Both Parties must concur with the change in writing. Any division allocation that cannot be substantiated in this manner must be revised to meet the agreed-upon methodology.

12.7.4 Settlement

Total cost per the agreed-upon CAM will be compared to the total actual payments and will result in a reconciling amount. The settlement of the annual reconciliation will be made by separate invoice.

12.8 Taxes and Fees

Pierce Transit is responsible for the correct application of tax exemptions, deductions, payment and invoicing of federal, state, and local taxes on services provided under this agreement. Sound Transit will reimburse Pierce Transit for taxes associated with the provision of Sound Transit service.

In the event of a tax dispute requested by Sound Transit, Sound Transit will defend, indemnify and hold harmless Pierce Transit from and against any liability if taxes are not paid as instructed by Sound Transit.

6. Paragraph **18.10 Amendments and Modifications** is hereby replaced as follows:

Modifications or amendments of this agreement are only valid if they are in writing and signed by authorized representatives of the Parties.

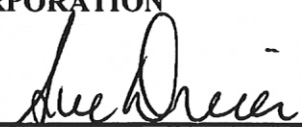


The agreed-upon terms of any additional work including, but not limited to, scope and compensation, will be in the form of Task Order (described in Section 12.5 and **Exhibit O: ST Express Bus Operations Task Order**), an addendum, or modification to this agreement.

Amendments to the policies outlined in this agreement are subject to the approval of the Parties' respective Boards. Amendments and revisions to Exhibits may be authorized by Sound Transit's Executive Director of Operations or designee and by Pierce Transit's Executive Director of Service Delivery and Support or designee.

7. Exhibits G1 and G2 of the Agreement are hereby replaced with the revised Exhibits attached hereto.
8. This Amendment to the Agreement and all attached amended Exhibits will be retroactively applied with an effective date of January 1, 2018.

All other conditions of the Agreement remain unchanged during this extended term.

The Parties have executed Amendment No. 1 to the ST Express Bus Service Operations and Maintenance Agreement as of the day and year set forth below their signatures.

PIERCE COUNTY PUBLIC TRANSPORTATION BENEFIT AREA CORPORATION 	CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY 
Sue Dreier Chief Executive Officer Date: 11/24/18	Peter Rogoff Chief Executive Officer Date: 11/27/18
	Approved as to form:  Sound Transit Legal Counsel