



KING COUNTY AUDITOR'S OFFICE

FEBRUARY 25, 2020

Transit Capital Program: Q4 Key Project Status Update

While Transit missed its 2019 capital program spending targets by 26.3 percent, it accomplished more in 2019 than in either year of the previous biennium. One way of assessing whether an agency is making progress on its capital projects is monitoring whether it is spending at the rate it had planned. Transit estimated that it would spend about \$112.9 million in 2019 on capital infrastructure projects such as bus base expansions and planning for battery-electric buses. This one-year spending target was more than Transit spent in the previous biennium altogether, and it reflected an ambitious plan to build the improvements necessary to increase service capacity while also laying the groundwork for bus electrification. In 2019, Transit spent \$83.2 million on capital infrastructure projects, or about 74 percent of what was planned.

Delays on capital infrastructure projects could impact Transit's schedule for addressing current base capacity constraints and implementing battery-electric buses. As we described in our previous 2019 quarterly reports, Transit has identified an urgent need to increase bus base capacity. Transit reports that all seven of its bases are operating beyond optimal capacity and there is no room to add additional buses. As a result, Transit is challenged to meet rising demand at peak travel times and address service quality issues, such as crowded buses or unreliable service. In July 2019, Transit indicated that it currently needs additional space for 183 buses in order to operate efficiently, and projections beyond 2020 indicate that more space will be needed with continued growth in demand. In addition to increasing bus base capacity, Transit is also challenged with constructing the infrastructure necessary to operate the first 40 new battery-electric buses in 2021 as scheduled. Transit missing its 2019 targets indicates that it may not be able to meet its schedule for increasing bus base capacity or implementing the infrastructure necessary for bus electrification. We will continue to monitor and report on Transit's progress on its capital infrastructure projects in 2020.

Summary Data: Performance, Plans, and Capacity to Get Work Done

In 2019, we tracked Transit's progress on its capital program by monitoring how well Transit met its spending targets and whether it hired the staff necessary to manage and implement its expanded capital program. Over the course of 2019, Transit filled 76 percent of the capital project positions it planned to fill and spent almost 74 percent of the \$112.9 million planned for capital infrastructure projects.

EXHIBIT A:

Transit is planning base expansion projects in 2020, 2023, and 2025 to add service capacity. Slower spending could put schedule milestones at risk.





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|---|---|--|
| +59 of 78 new FTEs | 26% below spending target | 183 buses over optimal capacity |
| New capital project positions filled in 2019 | Transit spent \$83.2 M of the \$112.9 M it planned to spend in 2019 | Transit needs to add capacity to service and park at least 183 additional buses for efficient and effective operations. |
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2019-2020 Selection of Capital Project Plans, Targets, and Expenditures

Transit is engaged in numerous projects that are critical for regional mobility, several of which are shown in Exhibit B, below. Two of the projects listed below show slower progress than Transit projected, including the Interim Base Project, which is intended to add base capacity in 2020 and to support battery-electric bus operations in 2021.

EXHIBIT B: Progress on select key capital projects, January-December 2019

| PROJECT | | What Transit planned to get done in 2019 | How much Transit expected to spend in 2019 ¹ | Actual amount spent in 2019 ² | Expenditure status |
|---|--|--|---|--|-------------------------|
|  | INTERIM BASE Construction of temporary 125-bus transit base adjacent to South Base | Design and construction of much of the facility | \$19.17 M | \$12.05 M | 37% below spending plan |
|  | ORCA REPLACEMENT³ Replacement and update to ORCA fare collection system | Staffing costs and vendor contract approvals | \$2.35 M | \$3.41 M | 45% above spending plan |
|  | SOUTH ANNEX BASE Construction of permanent base for 250 buses | Planning, pre-design, and beginning design phase | \$1.08 M | \$1.25 M | 15% above spending plan |
|  | FACILITY MASTER PLAN Develop strategic plan for non-fixed route bases and other facilities | Staffing and consultant contracting | \$135,000 | \$46,668 | 65% below spending plan |

Source: King County Auditor's Office analysis based on Transit's 2019-2020 budget request, Transit's April 2019 expenditure plan, input from Transit personnel, and data from the County's financial system (through December 31, 2019).

Cindy Drake, Principal Management Auditor, conducted this analysis. Please contact Cindy at 206-263-8115 if you have any questions about the issues discussed in this letter.

NON-AUDIT

NON-AUDIT: This letter is not an audit as defined in Generally Accepted Government Auditing Standards, but conforms to office standards for independence, objectivity, and quality.

¹ This is the amount that Transit set in its April 2019 expenditure plan. It does not include projected expenditures for other years.

² This is the amount spent in 2019. It does not include expenditures in other years.

³ This is a capital information technology project and is not classified as a capital infrastructure project.