

SENATE BILL REPORT

SB 5534

As Reported By Senate Committee On:
Transportation, February 15, 2005

Title: An act relating to city monorail transportation authorities.

Brief Description: Clarifying city monorail transportation authority.

Sponsors: Senators Poulsen, Swecker, Kohl-Welles, Weinstein, Prentice, Kline, Esser, Fairley, Oke and Benson.

Brief History:

Committee Activity: Transportation: 2/1/05, 2/2/05, 2/15/05 [DPS].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5534 be substituted therefor, and the substitute bill do pass.

Signed by Senators Haugen, Chair; Jacobsen, Vice Chair; Poulsen, Vice Chair; Swecker, Ranking Minority Member; Benson, Eide, Esser, Oke, Spanel and Weinstein.

Staff: Kimberly Johnson (786-7346)

Background: The 2002 Legislature authorized certain cities to create, with voter approval, a city transportation authority (CTA) to develop and operate a public monorail transportation system. The enabling legislation provided that a governing body of the monorail authority be established and required that a majority of the governing body could not consist of officers of any single city government. The enabling legislation provided CTAs with condemnation authority, but did not specify procedures regarding how the power was to be exercised.

In November 2002 the voters of Seattle created a CTA and approved a plan to develop a 14 mile long first phase of a monorail system. The primary funding source for the approved monorail system is a 1.4 percent motor vehicle excise tax (MVET) imposed on motor vehicles owned by Seattle residents when vehicles are relicensed. The value of a vehicle, for the purposes of the MVET, is determined by a depreciation schedule.

The Washington Constitution limits the term of state indebtedness to 30 years. The Constitution limits municipal corporation debt to 1.5 percent of the taxable property within the municipal corporation, but is silent on the length of the term of indebtedness. State statutes limit general obligation bonds of local governments to 40 years. In practice, generally the term of indebtedness for publicly issued bonds is 30 years or less.

Summary of Substitute Bill: A CTA must exercise the power of eminent domain in the same manner, and by the same procedures, as provided by law for cities of the first class.

Before a CTA may issue bonds, the governing board must be composed entirely of members appointed by the legislative body of the city in which the CTA is located.

Persons traveling on a monorail must pay the fare established by the authority. The following civil infractions are created: (1) failure to pay or attempting to evade payment of the required fare; (2) failure to display proof of payment when requested to do so by a person designated to monitor fare payment; and (3) failure to leave the monorail or station when requested to do so by a person designated to monitor fare payment.

A CTA may adopt by resolution a schedule of fines and penalties for the civil infractions listed above; however, the fine may not exceed those imposed for class 1 civil infraction.

The authority to levy and collect a tax or fee may not be withdrawn, so long as the revenue from the tax or fee is pledged to meet an obligation of a contract.

The maximum term of bond issued by a local government is 40 years.

In order to obtain or renew a vehicle license, an applicant must satisfy all special motor vehicle excise tax obligations. If Department of Licensing (DOL), or its agent or subagent, has information indicating that a vehicle registered at an address outside any taxing district may be owned by a person whose primary residence address is in a taxing district, then the renewal may be processed only if the applicant: (1) presents evidence to DOL, or its agents or subagents, that the applicant's primary residence is not in the taxing district; (2) pays the applicable MVET for the registration year and files a change of address; or (3) establishes an exemption from providing the primary residence address.

Prior to submitting a proposal to the voters for a new monorail line, the proposed design and financing plan must be reviewed by an expert review panel. The panel must consist of experts, which may include members in the fields of engineering, finance, planning, economics, transit operations, and law. The panel will be appointed by the chairs of the transportation committees of the Legislature, the executive of the city in which a CTA is located, and the secretary of transportation.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: This act contains an emergency clause and takes effect immediately.

Testimony For: Most of the provisions are housekeeping items. We are asking for flexibility in terms of our financing arrangements. There are some unique things about the monorail project that make the amendments we are asking for useful.

We are asking for the ability to extend the maximum maturity of the borrowing so that we can get greater flexibility when we go to the markets. If we can extend the maximum time of the borrowing we think we can get a lower interest rate and save the tax payers money. The possibility of extending the debt will allow for more flexibility in negotiating a better rate.

The agreement reached by the Building Owners & Managers Association, the Association of Washington Businesses, DOL, the Attorney General's office, and the Seattle Popular

Monorail Authority (SPMA) concerning clarifying that the monorail MVET is not applicable to Seattle businesses that operate vehicles outside Seattle should be added to the bill's housekeeping provisions.

Testimony Against: Typically, the further you go out in term the more you are going to pay. The state typically issues debt for 25 years. 120 percent of the life of the asset is not a time period that the State Treasurer's Office is comfortable with. The longer the term of the debt, the longer that tax base is unavailable for other transportation needs. The SPMA Board does not have the financial experience necessary to make the complex finance decisions necessary to complete this project. The voters of Seattle were promised a conventional financing plan.

The manufacturer's base suggested retail price (MSRP) does not accurately reflect the true value of a vehicle and as a consequence Seattle residents end up paying more than they should. The use of the depreciation schedule and MSRP is essentially the same as levying a tax at a higher rate than was approved under the enabling petition.

The state is being asked to endorse a risky financing arrangement. This is not a clarifying or housekeeping bill. The assumption that the monorail will break even, when no transit agency in the nation operates without a subsidy, is worrisome. The monorail is taking more land than the agency needs.

Who Testified: PRO: Tom Parker, Seattle Popular Monorail Authority; Anne Levinson; Deputy Director Seattle Popular Monorail Authority; Jonathon Buchter, Chief Financial Officer Seattle Popular Monorail Authority. CONCERNS: Mike Murphy, Washington State Treasurer; Irena Pilchowski on behalf of Howard Anderson, Building Owners & Managers Association; Tom McBride, Association of Washington Businesses; David Foster, City of Seattle.

CON: Christina Tapia, Nickerson & Associates; Peter Malishka, Nickerson & Associates; Richard Borkowski; Krista Camenzind, On Track; Geof Logan; John Fujii.