



**Citizens' Year-End 2006**

**Performance Report on Sound Transit**

**January 4, 2007**

*The Sound Transit Citizen Oversight Panel  
is a 15-member volunteer body appointed by the Sound  
Transit Board to oversee and monitor the implementation  
of **Sound Move**.*

*Previous Citizen Oversight Panel reports are available  
upon request and on the Sound Transit website at  
[www.soundtransit.org](http://www.soundtransit.org).*

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*Citizen Oversight Panel  
Union Station  
401 South Jackson Street  
Seattle, WA 98104*



January 4, 2007

Sound Transit Board  
Honorable John Ladenburg, Chair  
Union Station  
401 South Jackson Street  
Seattle, WA 98104

Dear Chair Ladenburg and Board Members:

Sound Transit has made substantive progress in both its capital and operating programs this year. In our Year-End report to you, the Citizen Oversight Panel is pleased to say that Sound Transit had a good year in 2006.

This was the first year Sound Transit could say it was fully underway along the entire light rail line from the Airport to the University District as promised in *Sound Move*. Sounder and REX projects are also progressing and ridership on the existing services is experiencing strong growth.

The Board addressed the subarea equity issue in a positive way this year and COP is pleased to note that subareas are working together in the ST2 process.

While numerous issues have arisen during the year which have delayed projects and caused costs to rise, COP believes project development and construction progress are being managed well and the agency is being open about how it is addressing challenges. As in the past, issues outside of Sound Transit's direct control have affected projects. In 2006, these included a very tight construction market, a four-week concrete supplier strike, skilled labor shortages, and various funding and environmental issues with third parties. COP members are confident in the skills of Sound Transit's management to handle these issues.

We do want to express concern about the agency's loss of several key people in critical functions, notably in project controls. While COP is not observing any significant weaknesses in this area now, members wish to caution against relaxing vigilance and independence in the vital project control function. Especially with a number of key construction contracts exhibiting weak schedule performance, we urge the Board to continue to monitor and ask critical questions of management about project budget and schedule adherence.

COP is highly encouraged by the ST2 efforts to move forward to expand our region's transit investments. We would like to express our strong support for

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getting to a successful ballot in 2007. We do have a concern that many members of the public are not yet well-informed about the ballot parameters. Many will be shocked to learn that both the ST and RTID portions must pass. We are hopeful that Sound Transit will develop a strong plan to present to voters and will mount an effective public education campaign prior to the fall ballot.

Sincerely,

CITIZEN OVERSIGHT PANEL

A handwritten signature in cursive script that reads "Karen Miller".

Karen Miller  
Chair

Cc: Sound Transit Board  
Joni Earl

## Citizens' Year-End 2006

### Performance Report on Sound Transit

#### Introduction

The Sound Transit Citizen Oversight Panel (COP) is a 15-member volunteer body appointed by the Sound Transit Board to oversee and monitor the implementation of *Sound Move*, the voter approved regional transit plan. The Citizen Oversight Panel has prepared regular twice-yearly progress reports since the program's inception. This is the Panel's seventeenth report and covers Sound Transit's performance during 2006.

Last year, in April 2005, the Panel also published *Sound Move Year 8*, a cumulative review of the first eight years of progress in delivering the projects and services in the plan. We identified a number of key lessons in that report and have been monitoring with interest how those lessons are being applied in the planning for ST2, the next phase of regional high capacity transit improvements. A draft ST2 plan is due to be adopted by the Sound Transit Board in January 2007. So while ST2 planning has been a major activity during 2006, this report touches on but does not yet go into great detail about the plan itself. COP will prepare a report on its assessment of the ST2 plan in the first quarter of 2007.

#### Sound Transit Performance in 2006

Sound Transit is now ten years old as an agency. *Sound Move* had envisioned that the program would be completed within 10 years, which of course has not happened. Sounder is about 66% complete, Link 60% and the REX capital program 64%. As COP described in its *Sound Move Year 8* report, a number of circumstances conspired to make the program take longer than planned, many of which were outside the agency's control. Nevertheless, on those factors that are within its control, Sound Transit has heeded the lessons of the past and continues to do an excellent job managing budgets, schedules, relationships and a regional environment fraught with challenges.

Capital projects encountered rising commodity prices, shortages of skilled labor, and a very disruptive four-week concrete supplier strike at the height of the summer construction season, followed by record rains in the fall of the year. Despite these setbacks, construction of major projects is proceeding well and largely within authorized budgets. For the first time, the entire Link light rail line from the Airport to the University District is now an assured project with identified funding (pending approval of a \$750 million federal grant). While stopping short at Husky Stadium rather than getting to 45<sup>th</sup> Street as originally planned, this is a real accomplishment and testimony to careful management and prudent decisions made to proceed in building the system in smaller increments.

Significant external validation of Sound Transit's success is evident in the way the region is embracing extensions of the light rail system to the north, south and east through the ST2 process. Public opinion surveys continue to indicate high favorable opinion of Sound Transit among voters in the region. A welcome development near the end of the year was the Washington State Supreme Court decision in the matter of Initiative 776, allowing the agency to continue to collect the voter-approved motor vehicle excise tax.

Ridership continues to grow at a very healthy clip on Sound Transit's bus and rail services, up 11% for ST Express and 42% for Sounder as of the third quarter of the year. Additional trains will be added in 2007 on both the Tacoma and Everett segments of Sounder to accommodate the growing demand.

### **Agency-Wide Activities**

As major capital projects are being completed and put into service, Sound Transit continues to evaluate and adjust its organizational structure and staffing levels to meet the changing circumstances. In the fourth quarter of 2006 Joni Earl announced a reorganization that consolidated the management team to just five director-level positions, down from ten. Agency staffing has held steady for several years at about 350 full-time equivalent positions and is now forecast to begin declining next year as more and more projects are completed. The longer term staffing plan is dependent on the passage of a November 2007 ST2 and Regional Transportation Investment District (RTID) ballot measure.

In the meantime, the mature stage of the program, the uncertainty about future program authorization, and a competitive job market in the region have led to the resignation of a number of key personnel. This exodus is a matter of concern notwithstanding our respect for the leadership and staff that remain with the agency. While, for the short term, the gaps left in the organization by these departures do not appear to have caused significant disruptions in execution, it may be a real concern for the future. Especially in the vital project control function, COP members urge Sound Transit leadership to ensure that the strength and independence of this function not be compromised. Having a leaner Sound Transit is good for efficiency, but care must be given to assuring the kinds of incentives that will maintain a pipeline of capable, experienced staff for the future.

A very large effort in 2006 has been devoted to planning, outreach and communication related to ST2, the next phase of regional investments. In addition to extensive technical and public outreach efforts, we were pleased to see the Board engaged in addressing some of the major policy issues, such as the interpretation of subarea equity, the corridor-based planning approach, project sequencing and the need for prudent financial assumptions. COP felt the region was generally well served with the project package that was emerging near the end of 2006. COP was especially encouraged at the Board's policy direction affirming a benefit-based interpretation of subarea equity. Chairman Ladenburg has observed that 25% of the people in Pierce County work in King County. That observation underscores the significance and regional nature of the ST2 planning that is underway and emphasizes Sound Transit's mission and the direct benefits of subarea fund pooling to achieve a regional high-capacity transit system.

Nevertheless, COP continued to have concerns about the pressures that were exerted and the intense negotiation that was necessary to limit the demands for local projects. Among other reasons, this was why COP took the unusual step of writing to the Regional Transportation Commission in August to support a new regional governance entity. COP members believe that a truly cohesive and regional perspective for transportation will be needed in the future as population growth increases and as congestion continues to worsen the quality of life for citizens. The highest efficiency and effectiveness in the use of taxpayer funds for capital projects and transit operations will be best served with more authority granted to regional decision making to balance local lobbying.

Two other agency-wide accomplishments COP noted for 2006 were Sound Transit's continuing efforts to measure its performance and to communicate openly about challenges and successes. With its history, now long past, of accountability and communication weaknesses, the agency is properly sensitive to holding itself to a high standard in these areas.

Sound Transit is investing effort and resources into the design of an agency-wide performance measurement system. This yielded a redesigned edition of its transit operations Service Standards and Performance Measures this year. For the first time, Sound Transit is evaluating its route productivity using a cost indicator and is using it to eliminate under-performing routes and add service where demand is highest. Also, the agency unveiled a Lessons Learned program in 2006 that is subjecting its projects to detailed scrutiny and applying lessons system-wide. In its first year, this program yielded case studies in a number of areas and the incorporation of lessons into updated agency program and procedures manuals. COP will continue to monitor progress on this program with interest as members believe it is a vital tool in avoiding repetition of past mistakes.

Finally, COP noted with encouragement that Sound Transit now regularly and openly publishes information on major issues related to its projects, including budget and schedule variances, and challenges and risks that are affecting progress. Especially in this year before going to the voters again in 2007, Sound Transit's communication efforts with its Board and the public are open, comprehensive and focused on ensuring that there will be no last-minute surprises. Citizens deserve no less from all of our governmental agencies.

## **Management and Delivery of the Capital Program**

The delivery of Sound Transit's capital program has been characterized by various obstacles in the regional environment and strong efforts by Sound Transit to manage in this context. The planning and design stages of a number of projects continue to be held back by funding shortfalls on projects whose scope has expanded, by delays in other regional projects that must precede Sound Transit's projects and by ongoing right-of-way, environmental and permitting issues with third parties. As COP noted in its *Sound Move Year 8* report last year, the capital program has been beset from its beginning by challenges of working in a regional context on projects that were initially poorly defined and had often inadequate budgets. These challenges have not gone away.

Once under construction, projects have been mostly smooth with only a few areas of concern in 2006, many of which affected all of the construction business in the region, not just Sound Transit. Given this difficult environment, most projects have done well in staying within adopted budgets. Schedule slippage has been an unfortunate impact with a number of projects, although the most closely watched project, Central Link, is still on target to begin service in July 2009.

## **Link Light Rail**

Schedules have slipped on several Central Link contracts, including the Pine Street Tunnel, the Forest Street Operations & Maintenance Base, the Beacon Hill Tunnel, and the Martin Luther King Jr. Way and Tukwila segments. Sound Transit leadership and construction management staff appear to be managing these construction issues closely, but contractor performance has not kept pace with published schedules. Productivity has been slower than planned especially with the sequential excavation mining of the Beacon Hill underground station and the transverse shafts, the paving in the Rainier Valley, and the span erection in Tukwila. Several contracts have had to go into contingency funds and one has exceeded its contract contingency and gone into the unallocated project contingency.

The project delays have had an especially onerous impact on residents and small businesses in the Rainier Valley. MLK Way has been torn up and difficult to travel for many months longer than was anticipated. A number of small businesses have exhausted their mitigation and business interruption payments while the already slow paving progress was affected first by the concrete strike in August and then by cold and rainy weather in the fall. Staff reported in October that a second crew was being brought to the task and that the pace of work was picking up. As of year-end, paving had reached about 50% completion and track laying had begun. This correction is welcome but belated. COP members observed that contractor performance on this segment has been weak since the beginning and Sound Transit should have dealt with it sooner and more strongly. This should be a major lesson learned for the agency.

At least two contracts have experienced unanticipated circumstances and higher costs that the contractors are trying to claim from Sound Transit. One has resulted in the filing of a lawsuit. COP is concerned about the magnitude of pending claims and urges the agency to continue to be candid about the risks associated with possible future settlements of these claims.

These events are not unanticipated and COP members remind everyone that construction is a messy business and that is why contingencies and reserves have been provided for. Sound Transit management continues to believe that Initial Segment service will begin in July 2009 as scheduled.

While construction is proceeding on the Initial Segment, Airport Link and University Link also made good progress in 2006. Airport Link broke ground and the very complex coordination requiring traffic revisions on the airport access drives is going smoothly. Sound Transit management reports that the working relationship with the Port of Seattle is among the best the agency has experienced.

On University Link, planning and engineering are also making excellent progress. The Board adopted implementation of U-Link in June. The Federal Transit Administration has granted final design authority and given the project its highest rating. A big disappointment on this project is the failure to reach agreement in 2006 as anticipated with the University of Washington which continues to be one of Sound Transit's most difficult partnerships.

## **Sounder**

On the Everett-Seattle Sounder commuter rail segment, Sound Transit is responsible for regulatory permits, environmental mitigation, and the construction of stations and a layover facility to store trains. The permits for easements 3 and 4 have been certified, however schedule and budget have been affected by property acquisition issues with Burlington Northern Sante Fe Railroad (BNSF). The Everett, Mukilteo and Edmonds stations are all at schedule and budget risk due to complex coordination issues. Mukilteo and Edmonds in particular are experiencing extended planning with local communities and their long-term plans for waterfront development, including new Washington State Ferry terminals. The station projects are being phased to allow train service to operate while future improvements await funding.

On the Tacoma-Seattle Sounder segment, track and signal improvements have been delayed by the City of Tacoma's D Street Overpass project and the Tukwila station is affected by adjacent projects of third parties. One project that continues to be troubling is the Reservation Junction Connector which despite two previous remediation efforts experienced unanticipated settling in its earthen embankment at Bay Street. What began as a project with a \$9.1 million lifetime budget is now estimated at \$19.9 million due to a variety of errors in soils analysis, design and management.

On the Tacoma-Lakewood segment, a major redesign and planning process is underway by Sound Transit, with the City of Tacoma and the community, evaluating the feasibility of grade-separated options between D and M Streets in Tacoma. Scope, schedule and budget are at high risk on this segment and continue to be a major concern for COP. The agency must find a way to balance extraordinary expectations raised recently by some in the community with a long term solution that meets Sound Transit's service commitment and is both affordable and can be constructed in the near term. Sound Transit should not be the sole funding partner in this effort. The City of Tacoma is key to finding a regional solution for the Sounder extension on this segment. The City needs to acknowledge its role and responsibility in making the D-M Street segment feasible and in enabling the regional connection to Lakewood in a timely manner.

The Lakewood and South Tacoma Stations are progressing and are scheduled to begin construction in the first part of 2007, only slightly behind schedule. The 7-mile long Lakeview Subdivision track and signal improvement project is also nearing its scheduled construction begin in May 2007.

## **Regional Express**

The Regional Express program consists of 44 projects, of which 22 are in service. Fourteen projects are either in construction or were recently completed. The same issues that have plagued Link and Sounder projects this past year affected REX: increasing construction costs, the four-week concrete supplier strike, funding shortfalls due to expanded scopes and a variety of third-party planning, permitting and design issues. Nevertheless, Sound Transit successfully opened five major REX projects this year.

Implementation of three major freeway-related projects is on hold pending funding from other entities: the Renton HOV Access project, the Star Lake Freeway Station and the third stage of the I-90 Two-Way Transit project.

Eight projects are being implemented by third parties with capped contributions from Sound Transit. These projects are all in various stages of design under the lead of the Cities of Everett, Bothell, Kenmore, Redmond, Kirkland and Renton as well as Evergreen Health Care and King County Metro.

Five major projects were under construction at year-end under Sound Transit management. The South Everett Freeway Station and Canyon Park Freeway Station projects are reported to be progressing smoothly. Three projects, Totem Lake Freeway Station, Mercer Island Park and Ride, and Issaquah Transit Center, have experienced a variety of cost and schedule impacts due to the concrete strike and other issues. Overall, COP noted that Sound Transit continues to learn lessons from its past experiences and to become increasingly skilled in managing these complex projects.

## **Transit Operations**

Transit services offered by Sound Transit made very positive gains in 2006. Ridership grew substantially on Sounder commuter rail and on ST Express bus. As of the third quarter, boardings on ST Express bus were up 11% over the previous year and on Sounder commuter rail up a phenomenal 42% (with the help of added trains).

COP was also pleased to note that with the release of the new Service Standards and Performance Measures, 2006 Edition, Sound Transit has begun to measure productivity in an increasingly rigorous manner. Measurement now includes the cost per boarding on individual routes as a performance indicator, and for the first time, published route-level productivity ratings are used to adjust service levels.

We have reported repeatedly on the high costs of Sound Transit's service. As of third quarter 2006, the cost per boarding is \$6.39 for ST Express bus and \$13.90 for Sounder commuter rail. These and other operating statistics show a positive trend line over the previous year as the cost per boarding is declining and boardings per trip are rising. These figures represent pure operating costs and do not include the costs of capital investments made.

Sound Transit has been working hard for several years to manage its operating costs and to hold the annual increases in check. Its long-term goal as expressed in its Service Implementation Plan and in its ST2 assumptions is a 5% baseline annual increase in hourly costs of bus service. That rate of cost growth will be difficult to achieve, and in the 2007 budget, the total cost increase is 7.6% per full Sound Transit platform hour.

The good news this year was that the negotiations for the 2007 hourly cost of purchased transportation with King County Metro, the single largest provider and the most expensive one, was held to 4.4% at \$109.19. The hourly cost with Pierce Transit will grow at 4.0% to \$97.49 and with Community Transit at 7.3% to \$84.33.

One area of concern COP noted was the schedule slippage of the Smart Card regional fare integration project and the rising cost of all of its contracts. This element of regional transit will be a huge benefit to transit users when it is implemented and the project delays are frustrating.