



# 2021 Citizen Oversight Panel Retreat

February 17, 2021

# 2021 Citizen Oversight Panel Retreat

<b><u>Background Materials on the COP</u></b>	<b><u>Page</u></b>
• Citizen Oversight Panel (COP) Overview	3-4
• Meeting Schedule and Location	5
• 2021 COP Workplan	6-8
• Citizen Oversight Panel Guiding Principles	9-13
• South Transit Ethics Policy	14-33
• Board Action Establishing the COP	34-35
• Board Action Setting COP Terms	36-37
• Sound Transit Organization Chart	38
• Guide to Committees of the Board	39-40
<b><u>Background Materials for CEO Discussion</u></b>	
• Realignment Process and Schedule	41-46
• Asset Management Policy - Resolution No. R2015-32	47-49
• ST3 - Appendix B	50-55

# Citizen Oversight Panel Overview

---

The Sound Transit Board's commitment to public accountability is a significant theme in the policies that frame Sound Move, ST2, and ST3. During the first quarter of 1997, the Sound Transit Board appointed members to the first Citizen Oversight Panel (COP). The provision for and commitment to a COP is contained in the agency's proposed financial policies for Sound Move, ST2, and ST3.

From Sound Move financial policies, May 31, 1996, page B7:

"To insure that the 10-year construction program development and implementation occurs within the framework and intent of these policies, Sound Transit will:

- (a) Conduct an annual comprehensive performance audit through independent audit services;
- (b) Appoint and maintain for the 10-year construction period a COP, charged with an annual review of Sound Transit's performance audit and financial plan, for reporting and recommendations to the Sound Transit Board."

From ST2 financial policies, July 24, 2008, page B-4:

"To ensure that the construction program development and implementation occurs within the framework and intent of these policies, Sound Transit will:

- 1) Conduct an annual independent audit of its financial statements in compliance with state and federal requirements;
- 2) Implement a performance audit program; and
- 3) Appoint and maintain an advisory citizen oversight committee, charged with an annual review of Sound Transit's performance and financial plan, for reporting recommendations to the Board."

From ST3 financial policies, June 2016, page B-4, Public Accountability:

"To ensure that the voter-approved program development and implementation occurs within the framework and intent of these policies, Sound Transit will:

- 1) Conduct an annual independent audit of its financial statements in compliance with state and federal requirements;
- 2) Implement a performance audit program; and
- 3) Appoint and maintain an advisory Citizen Oversight Panel to conduct annual reviews of Sound Transit's performance and financial plan, and submit a report and recommendations to the Board."

## ***Citizen Oversight Panel's mission***

As an independent body, the COP reviews Sound Transit's performance toward achieving its commitments to the public and provides recommendations regarding its performance. The COP's responsibility is to provide the Sound Transit Board and the public with a regular annual report.

## ***Members of the COP***

- Fred Auch
- Scott Lampe, Chair
- Brett Johnson
- Daniel (Dan) Parker
- James Peyton
- Helen Powell
- Lawrence (Larry) Sauvé, Vice Chair
- Joseph Scorcio
- Paul D. Thompson

## ***Areas of Responsibility***

Under the Board motion that established the COP, Motion No. 18, the COP monitors and provides recommendations concerning Sound Transit's performance in meeting its public commitments in the following policy areas:

- Public participation in plan implementation
- Evaluation of project alternatives and recommendations
- Annual capital and operating budgets and plan of finance
- Regional fund management
- Equity, subarea budgets, and financial reporting
- Schedule and budget adherence
- Annual performance review audits

## ***Reports on Sound Transit Performance***

The COP completes annual reports on Sound Transit's performance in meeting its commitments to the public. In May 2005, the COP delivered a Sound Move Year 8 Review and in November 2013, the COP issued a sixteen-year report with a cumulative review of 2005-2013. The COP issued its 2019 Annual Report in June of 2020.

All COP reports and documents can be accessed on the Sound Transit Web site at

<https://www.soundtransit.org/get-to-know-us/documents-reports/accountability>

# Meeting Schedule and Location

---

Citizen Oversight Panel meetings are the first and third Wednesdays of each month from 8:30 to 11 a.m. Additional COP or Citizen Oversight Panel Task Force meetings take place as needed.

*\*\*Please note: Due to the Governor's order, all Citizen Oversight Panel meetings are being held virtually. The virtual meetings are being streamed live via Webex. Information on how to view the Webex stream will be provided on the Sound Transit website no later than 24 hours before the meeting.*

Panel meetings are open to the public and meeting agendas are provided in advance on the Sound Transit website.

<https://www.soundtransit.org/get-to-know-us/news-events/calendar>

## Citizen Oversight Panel 2021 Work Plan

*(Work plan may change due to scheduling conflicts throughout the year.)*

Date	Time	Topics	ST Staff & Visiting Presenters
Jan 6	8:30	COP Discussion	
	9:30	Puyallup Station Parking and Access Improvements Construction Update	Jon Mikhels Project Director Ken Lee, Project Manager
Jan 20	8:30	Environmental Sustainability Management System	Amy Shatzkin, Deputy Director of Sustainability Jamie Brinkley, Senior Sustainability Planner
	9:30	Asset Management Program	Amy Lindblom, Director – Enterprise Asset Management
Feb 3	8:30	Capital Project Cost Estimates	Kimberly Farley – Deputy CEO Don Billen – Executive Director, PEPD
	9:30	Federal Way Link Extension Project Update	Linneth Riley-Hall, Executive Project Director - FWLE
Feb 17	8:30-12pm	COP Retreat	Peter Rogoff –CEO Kent Keel – Board of Directors Chair Desmond Brown – General Counsel
Mar 3	8:30	Parking Management	Russ Arnold, Chief Passenger Experience Officer Alex Krieg, Deputy Director of Access & Integration
	9:30	Light Rail Vehicle Fleet Expansion	Tracy Reed - Deputy Executive Director of Project Management New & Existing Facilities Charles Ng - Deputy Project Director - Vehicles
Mar 17	8:30	Transit Oriented Development Update	Thatcher Imboden - Deputy Director of Transit Oriented Development
	9:30	Point Defiance Bypass Update	David Wright – Chief Safety Officer
Apr 7	8:30	Passenger Experience Office Update	Russ Arnold, Chief Passenger Experience Officer
	9:30	Eastlink Extension & OMF - East Project Update)	Tracy Reed - Deputy Executive Director of Project Management New & Existing Facilities
Apr 21	8:30	Program Realignment	Don Billen - Executive Director of Planning, Environment, and Project Development Ron Lewis – Executive Director of Design, Engineering, and Construction Management Tracy Butler – Chief Financial Officer

**Bold** means it has been placed on staff & presenter's calendars.

			Matt Shelden – Deputy Executive Director-Planning & Integration
	9:30	Kent, Auburn, & Sumner Parking and Access Improvements Project Update	Jon Mikhels – Project Director, New Facilities Chelsea Levy – Director of HCT Corridor Development Melissa Saxe – Project Director – HCT Development
May 5	8:30	Northgate Link Extension Project Update	Don Davis – Executive Project Director - Northgate Rick Capka – Deputy project Director - Northgate
	9:30	Safety Department Update	David Wright – Chief Safety Officer Ken Cummins – Director of Public Safety Robert Taaffe – Director of Employee & Construction Safety
May 19	8:30	System Access / System Access Grants	Alex Krieg – Deputy Director of Access & Integration
	9:30	Revolving Loan Fund for Affordable Housing	Thatcher Imboden – Director of Land Use Planning & Development Edward Butterfield – Senior Project Manager – Transit Oriented Development
Jun 2	8:30	COVID-19 Update & Emergency Preparedness	Mary Cummings – DCEO Brad Blackburn – Deputy Director of Public Safety
	9:30	Quarterly Conversation with CEO Rogoff - <i>Tentative</i>	
Jun 16	8:30-9:30	Program Realignment	Don Billen – Executive Director of Planning, Environment, and Project Development Tracy Butler – Chief Financial Officer Ron Lewis – Executive Director of Design, Engineering, and Construction Management Matt Shelden – Deputy Executive Director-Planning & Integration
Jul 7	8:30	Fare Enforcement Policy Update	Russ Arnold – Chief Passenger Experience Officer
	9:30	Downtown Redmond Link Extension	Tony Raben – Executive Project Director – Downtown Redmond Link Extension
Jul 21	8:30	Lynnwood Link Extension Project Update	Randy Harlow – Executive Project Director – Lynwood Link Extension
	9:30	IT Program Update	Jason Weiss – Chief Technology Officer
Aug 4	8:30	Marketing & Rider Outreach	Tim Healy – Director of Marketing Bruce Gray – Supervisor – Social Media
	9:30	Procurement & Contracts Update	Ted Lucas – Chief Procurement & Contracts Officer
Aug 18	8:30	Grant Program	Lisa Wolterink – Director of Grants & Fares Monica Overby – Deputy Director of Grants
	9:30	Labor Apprenticeship Programs	Leslie Jones – Chief Business & Labor Compliance Officer Chris Elwell - Deputy Director-Project Labor Compliance
Sep 1	8:30	STart Program Update	Barbara Luecke – Manager of Public Art

	<b>9:30</b>	Plans for Northgate Link Start-up	Don Davis – Executive Project Director Suraj Shetty – Executive Director of Operations Julie Marshall – Director of Project Transition Communications Staff - TBD
<b>Sep 15</b>	<b>8:30</b>	Quarterly Conversation with CEO Rogoff - <i>Tentative</i>	
	<b>9:30</b>	Vertical Conveyances/Asset Management Framework Application	John Carini – Deputy Director of Vertical Conveyances Amy Lindblom – Director of Enterprise Asset Management
<b>Oct 6</b>	<b>8:30</b>	Hilltop Tacoma Link Extension Project Update	Madeline Greathouse – Project Director – Hilltop Tacoma Link Extension
	<b>9:30</b>	Tacoma Link Fares	Lisa Wolterink – Director of Fares & Grants Chad Davis – Deputy Director of Fares
<b>Oct 20</b>	<b>8:30</b>	NE 130 <sup>th</sup> Street Infill Station Project Update	Kamuron Gurol – Director of HTC Corridor Development Randy Harlow – Executive Project Director – Lynwood Link Extension
	<b>9:30</b>	Service Plan Update	Matt Sheldon – Deputy Executive Director of Planning and Integration Brian de Place, Director of System Planning Michael Couvrette, Manager of Service Planning
<b>Nov 3</b>	<b>8:30</b>	Operations Performance Information (NTD & Peer Comparisons)	Suraj Shetty - Executive Director of Operations Paul Denison - Deputy Executive Director – Transportation & Maintenance
	<b>9:30</b>	Next Gen Orca Update	Brittany Esdaile – Director of Regional Fare Systems Scott Corbridge – Program Manager – Next Generation ORCA Regional
<b>Nov 17</b>	<b>8:30</b>	2022 Budget & Financial Plan	Tracy Butler - Chief Financial Officer Ryan Fisher, Director of Financial Planning, Analysis, and Budget
	<b>9:30</b>	Internal Audit Presentation	Patrick Johnson, Director of Audit
<b>Dec 1</b>	<b>8:30</b>	Quarterly Conversation with CEO Rogoff - <i>Tentative</i>	
	<b>9:30</b>	PSRC Update	Ben Bakkenta – Director of Regional Planning - PSRC
		Review Letter to Finance and Audit Committee	COP
<b>Dec 15</b>	<b>8:30</b>	Equity & Inclusion presentation	Jonté Robinson, Acting Chief Civil Rights Equity & Inclusion Officer
	<b>9:30</b>	Bus Rapid Transit Update	Bernard van de Kamp – Director of HTC Development Paul Cornish – Project Director HTC Development

**Other potential topics:**

Audit Program Overview – Q2 2021

**Bold** means it has been placed on staff & presenter's calendars.



# Citizen Oversight Panel Guiding Principles

---

(Adopted March 15, 2001, Amended March 17, 2005, Amended November 8, 2007, Amended March 2, 2017)

## Mission

It is the mission of the Citizen Oversight Panel to ensure that Sound Transit meets its commitments to the public by monitoring its performance, reporting to the Board on potential areas for improvement, and evaluating the response in making change. Areas to be monitored will address:

- Sound Transit's adherence to its public commitments;
- The open and timely involvement of citizens in the Sound Transit district in decisions affecting local communities and the district as a whole;
- The process of evaluating project alternatives;
- The capital and operating budgets and finance plans;
- Equity in subarea budgets and reporting;
- Discipline in management of schedules and budgets; and
- Review of agency performance audits.

## Goals and Objectives

The Panel's goal is to act in an oversight capacity to the Sound Transit Board, to comment on and provide feedback on Sound Transit's performance. The Panel acts to ensure that Sound Transit Board policy decisions are made with full consideration of due process, sound technical information and the full range of appropriate perspectives. The Panel at all times seeks to be:

**Knowledgeable.** The Citizen Oversight Panel will seek to achieve and maintain a high degree of understanding and knowledge of Sound Transit's actions and plans in order to fully execute its mission as a monitoring body.

**Representative.** The Citizen Oversight Panel will seek to represent the geographic, demographic and interest perspectives of the Sound Transit district and, in that role, will listen to and reach out to communities of interest whenever possible and relay those community perspectives to the Board.

**Credible.** Panel members commit to maintaining a high degree of credibility and integrity in their role by their actions, speech, and demeanor, including adherence to Sound Transit's ethics policy and full disclosure of any potential conflicts of interest.

## **Governance Principles**

### **Sound Transit Board-Provided Governance Principles**

**Through Motions No. 18 and 2002-87 and an adopted selection process, the Sound Transit Board has provided the following framework for the Panel:**

**Membership.** The Citizen Oversight Panel shall consist of fifteen volunteer members, of whom at least two shall live or work in each of the five Sound Transit district subareas. Panel members shall broadly represent the demographic make-up of the Sound Transit district and shall include as wide an array as possible of skills and experiences necessary to perform its function.

**Qualifications.** Citizen Oversight Panel members must live or work in the Sound Transit district and be registered voters within the district.

**Terms.** Initially, Panel members were appointed for either a two-year or a three-year term with a provision allowing re-appointments up to a maximum of six years. By Motion M2002-87, adopted on July 11, 2002, a four-year term was established for COP members appointed after February 27, 1997 and the beginning date of the term was set as the date of Board appointment. Members were limited to two four-year terms.

**Geographic perspective.** Members will provide a subarea(s) perspective, for the subarea in which he or she lives and/or works, as well as a district-wide perspective whenever issues of the good of the whole may arise.

**Ethics Policy.** All panel members agree to abide by the Sound Transit Board's ethics policy, adopted as Resolution No. 81 on February 27, 1997.

**Vacancies.** Nominations to fill vacancies are made by the Sound Transit Board. Sound Transit Board members will nominate candidates for consideration by Sound Transit Board's Executive Committee. The Executive Committee will provide the Sound Transit Board with a recommendation for Sound Transit Board adoption. When a vacancy arises on the panel, every attempt will be made to fill it with an individual whose skills, experience and demographic characteristics maintain the panel's geographic balance and diversity.

### **Panel-Adopted Governance Principles**

**Officers.** Panel members shall elect a chair and a vice chair (and/or other officers) to serve one-year terms, subject to re-election to additional terms at the will of the panel. The chair's role will be to preside at meetings, to act as the designated spokesperson for the panel and to act as the designated liaison with Sound Transit staff. The vice chair will serve in that capacity in the chair's absence.

**Actions as a Whole.** The Panel shall strive to act as a body in all circumstances, except when a matter comes before the panel that requires more detailed review or more frequent meetings. In such cases, the panel may choose to appoint a smaller task force to study such a matter and report back to the full body.

**Voting.** It is the intent of the Panel that all decisions be reached by consensus whenever possible, consensus being defined as a decision that all members can live with and abide by as the prevailing view. When differences of opinion arise among panel members and consensus is not possible, the panel will vote and the majority will prevail. Minority opinions and discussion of issues on which there are differences will be reflected in the reports and in the minutes of meetings.

## **Operating Principles**

**Open meetings.** The meetings of the Citizen Oversight Panel are open to the public, provided, however, the Chair may close the meeting to the public in the following circumstances:

1. To interview prospective candidates for a staff position for the Citizen Oversight Panel.
2. To evaluate qualifications of an applicant for a staff position for the Citizen Oversight Panel.
3. To discuss, review and approve strategic focus areas and draft evaluation reports of the Citizen Oversight Panel.

At the time the Chair closes the meeting to the public, the Chair shall publicly announce the purpose for excluding the public from the meeting.

**Quorum.** Fifty percent of Panel members must be present to conduct meetings.

**Frequency of meetings.** The Panel shall typically meet twice a month or as often as members feel is necessary to conduct the Panel's business. Every attempt shall be made to set meeting times in advance.

**Participation.** Citizen Oversight Panel members are expected to regularly attend all meetings unless excused by the chair. If a member is frequently absent from meetings or otherwise fails to participate in good faith in the deliberations of the Panel, the Chair will confer with the member and the member may be asked to resign.

**Staffing.** Staffing shall be provided to the Panel by an independent staff person selected by Panel members and retained by Sound Transit. Staffing shall include responsibility for coordinating with the chair, preparing all meeting materials, mailing meeting notices, organizing meeting agendas and presentations, and acting as liaison between the panel and Sound Transit staff and Board. Additionally, the Panel can

request that Sound Transit provide the services of other independent experts as needed.

**Meeting materials.** The individual responsible for staffing the Panel shall maintain a record of all meeting materials provided to the Panel and shall prepare written meeting summaries for the record. Every attempt will be made to mail meeting materials to members in advance.

**Task forces.** The Panel may, at its discretion, form task forces to look into particular issues in greater detail than regular meetings allow. It is the intent of the Panel that such task forces should be ad hoc in nature and not become standing committees. Task forces shall be appointed by the chair and given a specific charge to fulfill within an assigned time frame, after which they disband.

**Communication among Panel members.** Panel members agree to speak openly and frankly among themselves and to maintain at all times the courtesy, respect, and general tone that will foster an atmosphere of dialogue and acknowledgment of diverse views. Panel members will communicate with the Chair, with the staff facilitator or with each other as needed to ensure their views have been fully considered.

**Communications and reports to the Sound Transit board.** Summaries of each meeting of the Citizen Oversight Panel shall be sent to the Sound Transit Board for information. The Panel will make a formal presentation of its findings to the Board annually or more often at the request of the Board or at the Panel's own discretion. The presentation of findings will take the form of observations on Sound Transit's performance in the seven areas within the panel's mission. If performance is found to be inadequate in any area, the Panel will make recommendations for improvement. Formal findings and annual report will be issued by consensus, or if by vote, by two-thirds majority vote of the members present. In addition to the formal presentation of findings, the Panel's chair may ask for time on the Board's meeting agenda at any time to make a report on any matter. Evaluation reports prepared by the Citizen Oversight Panel, whether in a draft or final version, shall not be released to the public prior to the time they are delivered to the Board of Sound Transit.

**Communication with the public.** Inquiries and comments from the public shall be directed to Panel members through Sound Transit. Personal phone numbers and addresses shall not be released to the public unless explicitly permitted by the Panel member in a particular instance. In general, the Panel will not take formal public testimony or conduct formal hearings, although Panel members will seek to be informed of citizen views in their own subarea as well as the district as a whole.

Inquiries from the press about the work of the COP will generally be referred to the chair or vice chair, although Panel members may speak as individuals especially with respect to issues in their subareas. Sound Transit staff may be called on as a resource to assist in developing themes or talking points when formal reports are being issued.

**Public participation.** Panel members are encouraged to participate in Sound Transit and other public meetings and events whenever possible to remain informed of emerging issues and citizen views. Panel members may speak and make public appearances as individual panel members, however, should be careful not to speak on behalf of the Panel unless the Panel has made and released to the public a formal finding and members have been asked to speak to the finding by the chair. In their oversight capacity to the Board, Panel members will not make public statements that have not first been made to the Board.

**Ethics policy and guidelines.** Panel members agree that the appearance of impartiality and objective oversight is critical to its success in meeting its mission. Panel members agree to the following clarifying guidelines to the formal ethics policy:

- Any appearance that a Panel member may be personally or professionally benefited by participation in Panel discussions or actions shall be disclosed. At the request of the Panel Chair, Panel members who may have an appearance of conflict will refrain from participating in Panel discussions or actions. An appearance of conflict or a potential for conflict requiring disclosure includes examples such as the following: a COP member is married to someone or has a relative who is seeking a contract with Sound Transit; a member has a direct contractual relationship with someone who is seeking a contract with Sound Transit; a member is working for an organization that is engaged in direct negotiation with Sound Transit over a permit, a regulatory interpretation, or a contract with Sound Transit, to the extent the member is employed in a position or department having a direct role in the negotiation. When in doubt, Panel members should err on the side of disclosure.
- The following situations constitute an appearance of personal or professional benefit and require the Panel member to recuse himself or herself from COP discussions: the Panel member personally is seeking paid employment or contracts with Sound Transit; is responding to an RFQ or RFP issued by Sound Transit, either directly or as a subcontractor; has been offered or awarded employment or contracts with Sound Transit or one of its contractors; or the Panel member's employer is engaged in the foregoing.
- The following situations constitute an actual conflict of interest and require the Panel member to resign from the COP: the Panel member as an individual or business entity has been notified of selection for employment or for a contract with Sound Transit; or the Panel member's employer is engaged in a contractual relationship with Sound Transit and the Panel member is in a position having a direct role in the performance or oversight of the contract.

# Sound Transit Ethics Policy

---

## **SOUND TRANSIT**

### **RESOLUTION NO. 81-2**

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority revising the Code of Ethics for Board members, officers and employees of the Authority.

WHEREAS, the Central Puget Sound Regional Transit Authority ("Sound Transit") has been created for the Pierce, King, and Snohomish County region by action of their respective county councils in accordance with RCW 81.112.030; and

WHEREAS, a code of ethics for the guidance of Board members, officers and employees of Sound Transit is necessary in order to prevent conflicts of interest in public office, to improve the standards of public service and to promote and strengthen the faith and confidence of the citizens in the decision-making and operations of Sound Transit; and

WHEREAS, the Board is authorized by RCW 81.112.060 and RCW 81.112.070 to prescribe the duties and responsibilities of its officers and employees, which include the right to establish guidelines for ethical conduct; and

WHEREAS, the Board originally adopted a code of ethics in 1994 through Resolution 20; and

WHEREAS, the Board adopted a superceding code of ethics in 1997 through Resolution 81; and

WHEREAS, the Board amended Resolution 81 in 2005 through Resolution 81 (Amended); and

WHEREAS, as Sound Move projects are completed, the employees assigned to those projects may for seek other employment opportunities in the private or public sector; and

WHEREAS, in some cases, it will not be cost-effective or practical to hire new employees with the necessary familiarity with the work, technical skill, and institutional knowledge necessary to complete the work on schedule and within the budget; and

WHEREAS, Sound Transit's ability to recruit new employees is currently constrained by (1) the high-demand for skilled professional services in the construction and transportation industries, and (2) an awareness that long-term employment at the agency may depend upon future voter-approval of funding for new transit projects; and

WHEREAS, Sound Transit needs the flexibility to hire former employees or contract with their new employers for the former employee's services; and

WHEREAS, this Resolution also replaces the term "Executive Director" with "Chief Executive Officer" and the acronym "RTA" with "Sound Transit"; and

WHEREAS, the amendment to section 7.A. below is underlined.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority as follows:

Section 1. Purposes for Code of Ethics. In keeping with the policies declared by the State Legislature in enacting codes of ethics for state officers and employees and for municipal officers, it is recognized that high moral and ethical standards among public officials and employees are essential to the conduct of government. A code of ethics for the guidance of Board members, officers and employees of Sound Transit is necessary in order to avoid and prevent conflicts of interest in public office, to improve standards of public service and to promote and strengthen the faith and confidence of the citizens in Sound Transit. Sound Transit Board members, officers and employees are, therefore, obligated to treat their offices and duties as a public trust, using their official powers and duties and the resources of Sound Transit only to advance the public interest. It is expected that Board members, officers and employees of Sound Transit will conduct their public and private actions and financial dealings in a manner that will present no actual or apparent conflict

of interest between the public trust and their private interests. This obligation requires that all Sound Transit Board members, officers and employees devote their best efforts and attention to:

- A. Being independent and impartial in the exercise of their duties and avoiding actions that create even the appearance of using their positions for personal gain or private benefit.
- B. Strengthening public confidence in the integrity of Sound Transit's decisions by demonstrating the highest standards of personal integrity, fairness, honesty and compliance with both the spirit and the letter of the law and this resolution.
- C. Creating a work environment that is free from all forms of unlawful discrimination and harassment.
- D. Managing human and environmental resources for the benefit and enjoyment of both current and future generations.
- E. Conducting the public's business openly and, to the maximum extent consistent with existing law, resolving doubtful cases in favor of public access.
- F. Serving the public with respect, concern, courtesy and responsiveness, recognizing that service to the public is the primary mission of government.
- G. Promoting an environment of public trust free from fraud, abuse of authority and misuse of public property.
- H. Protecting the integrity of the decision making process by recognizing and avoiding conflicts between public duties and private interests and activities.
- I. Respecting and protecting privileged information to which Sound Transit Board members, officers and employees have access in the course of their official duties including, but not limited to, information provided in lawful executive sessions of the Board.

Section 2. Definitions. The following definitions shall apply for purposes of this resolution:

- A. "Board member" means every individual appointed to Sound Transit pursuant to RCW 81.112.040 whether that individual is paid or unpaid.



B. "Business" means any corporation, partnership, sole proprietorship, firm, enterprise, franchise, self-employed individual, consultant, holding company, joint stock company, receivership, trust or any legal entity organized for profit.

C. "Employee" means a person or persons employed on a full-time continuing basis by Sound Transit and, for the purpose of this resolution only, shall include part-time, intermittent or temporary workers. The term shall not include persons engaged or retained pursuant to contract to perform consulting or special technical services.

D. "Gift" means any tender of money, property, services, discount, forgiveness, payment of indebtedness, reimbursements from or payments by persons other than Sound Transit for travel or lodging or anything else of value in return for which legal consideration of equal or greater value is not given and received, excluding:

1. Any contribution under chapter 42.17 RCW (Disclosure - Campaign Finances - Lobbying - Records);

2. Any informational material transferred for the purpose of informing the recipient about matters pertaining to official Sound Transit business, and that is not intended to financially benefit that recipient;

3. Any symbolic presentation not intended to financially benefit the Recipient;

4. Items or things of value not used and that, within thirty days after receipt, are returned to the donor or delivered to a charitable organization without being claimed as a charitable contribution for tax purposes;

5. Items or things of minimal value received in the normal course of private business or social interaction that are not related to Sound Transit public policy decisions or actions, such as seasonal gifts, generally available tickets to entertainment or sporting events and occasional meals. Notwithstanding the above, Board members shall be subject to such limitations or guidelines

on gifts as may be imposed by similar codes of ethics, regulations, resolutions, or ordinances of their respective local governments or state agencies. A Board member, officer or employee of the Sound Transit shall not accept gifts of cash in any amount.

E. "Immediate family" means the husband, wife, son, daughter, father, mother, brother, sister, father-in-law, mother-in-law or any other relative living in the Board member, officer or employee's household.

F. "Interest" means any direct or indirect monetary or material benefit accruing to an Sound Transit Board member, officer or employee as a direct result of contracts or transactions which are or may be the subject of an official act or action by or with Sound Transit, except contracts or transactions which confer similar benefits to all other persons and/or property similarly situated. An employee, officer or Board member shall not be deemed to have an interest in conflict with his or her official duties for purposes of this code if the interest is remote. A "remote interest" means:

1. that of a non-salaried officer of a nonprofit corporation;
2. that of a landlord or tenant of a contracting party;
3. a creditor, debtor or ownership interest of less than one thousand five hundred dollars (\$1,500.00) in a business entity which is a contracting party or as a holder of less than one percent of the shares of a corporation or cooperative which is a contracting party, whichever is less.

G. "Officer" means an individual appointed to serve Sound Transit in an executive capacity or who otherwise is hired, appointed or retained by the Sound Transit to fill an office of special authority or trust for Sound Transit.

Section 3. Improper Use of Public Property. No person, except when acting on behalf of the Sound Transit, shall use or possess any property unless such use is available to the public generally. The use of Sound Transit-owned vehicles after hours and for transportation to a Board member's, officer's or employee's residence shall not be deemed improper under the following circumstances:

A. Board members, officers or employees who are subject to call-out for Sound Transit business; and

B. Board members, officers or employees who are regularly required to work more than a forty-hour work week, without extra compensation, provided such use is authorized by the Chair of the Board or the Chief Executive Officer; and

C. Board members, officers or employees authorized to attend professional and/or work-related meetings, classes, seminars, conferences, testimonials or ceremonies in which the Board member, officer or employee travels out of town on Sound Transit business.

Notwithstanding the foregoing, those Board members, officers and employees who are allowed to use Sound Transit property may do so only for the particular purposes for which authorization is made to advance the interests of Sound Transit.

Section 4. Conflicts of Interest. No Board member, officer or employee of Sound Transit shall engage in any act which is in conflict with the performance of his or her official duties for Sound Transit or knowingly use his or her office or position for personal or immediate family gain or profit. A Board member, officer or employee shall be deemed to have a conflict of interest if the Board member, officer or employee engages in any of the following activities:

A. Solicits or receives any retainer, gift, loan, entertainment, favor or other thing of monetary value from any person or entity if the employee, officer or Board member knows or has reason to know that such person or entity:

1. has or is seeking to advance or obtain contractual or other business or financial relationships with Sound Transit; or
2. conducts operations or activities which are regulated by Sound Transit; or
3. has interests which may be substantially affected by the Board member's, officer's or employee's performance or non-performance of his or her official duties for Sound Transit.

B. Receives or has any financial interest in any sale or lease to Sound Transit of services, materials, equipment or property when such financial interest is received with the prior knowledge that Sound Transit intends to purchase, lease or contract for such services, materials, equipment or property.

C. Participates in his or her capacity as a Board member, officer or employee of Sound Transit in the making of a contract in which he or she has a private pecuniary interest, direct or indirect, or performs in regard to such a contract some function requiring the exercise of discretion on behalf of Sound Transit.

D. Influences Sound Transit's selection of, or its conduct of business with, a corporation, person or firm having business with Sound Transit if the Board member, officer or employee has financial interest in or with the corporation, person or firm.

E. Engages in, accepts private employment from or renders services for private interests when such employment or service is incompatible with the proper discharge of official duties or would tend to impair independence of judgment or action in the performance of official duties for Sound Transit.

F. Appears on behalf of a private person, other than his or herself or an immediate family member or except as a witness under subpoena, before any regulatory governmental agency or court of law in an action or proceeding to which Sound Transit or a Sound Transit member in an official capacity is a party, or accepts a retainer or compensation that is contingent upon a specific action by Sound Transit.

G. Discloses or uses, without legal authorization, confidential information concerning the property or affairs of Sound Transit in such a way as to benefit himself or herself or a member of his or her immediate family with respect to any contract or transaction which is or may be the subject of official action of Sound Transit.

H. Has a financial or personal interest in any legislation, action or decision coming before Sound Transit and participates in discussion with or gives an official opinion to Sound Transit unless: (1) the Board member, officer or employee discloses on the record of Sound Transit the nature and extent of such interest or makes a good faith effort to comply with the disclosure requirement, and procedures in Section 8; and (2) it is confirmed that a conflict of interest does not exist or such interest is determined by Sound Transit to be immaterial.

I. Takes any action in the course of his or her official duties for Sound Transit in regards to providing service to specifically benefit the regulation or development of property or of a private business or enterprise in which the Board member, officer or employee holds an interest in, directly or indirectly, for purposes of personal financial gain, investment or speculation, provided that this prohibition shall not apply to:

1. real property devoted to the personal use or residence of the Board member, officer or employee or a member of the Board member, officer or employee's immediate family;
2. any other interest in real property held by the Board member, officer or employee on the date of enactment of this resolution.

J. Participates in a transaction involving the appointment, termination of appointment, promotion, demotion, discipline, approval of a salary increase or decrease or the supervision of the work of a member of their immediate family or any other person in whom the Board member, officer or employee has a financial interest.

#### Section 5. Political Activities.

- A. Each Sound Transit officer and employee may, on his or her own time:
1. Register and vote in any election.
  2. As an individual, privately and publicly express an opinion on political subjects and candidates.

3. Be a member of a political party and participate in its activities consistent with this resolution.

4. Sign a political nomination or recall petition as an individual.

5. Make a financial contribution to a political party or candidate.

6. Be politically active in connection with constitutional amendments, referenda or issues of a similar character.

7. Display bumper stickers, posters or pamphlets on his or her private property for the endorsement of candidates and issues.

B. Sound Transit officers and employees may not:

1. Use any official authority or influence for the purpose of interfering with or affecting the result of an election, nor solicit or receive funds or contributions from other officers and employees for political purposes.

2. Display campaign materials, pamphlets, and buttons on Sound Transit vehicles or Sound Transit property. Bumper stickers and posters may be displayed on private vehicles parked in officer or employee areas.

3. Use an official Sound Transit title or designate employment with Sound Transit in political advertisements, endorsements or speeches.

4. Participate in activities permitted in subparagraph A. of this section when an officer or employee is on duty, is on Sound Transit property or is wearing a uniform normally identified with Sound Transit.

C. Board members shall foster an environment where Sound Transit officers and employees can provide objective counsel to Sound Transit Board members. Board members shall comply with applicable provisions of state law concerning political activities including, but not limited to, Chapter 42.17 RCW.

Board members and their agents shall not solicit funds or in-kind contributions from Sound Transit officers or employees for political purposes except as part of general campaign solicitation made to the general public (e.g., mass mailings) in which (a) the employee or officer is not specifically identified for solicitation, and (b) the board member does not participate in the solicitation and is not informed of the result of the solicitation. Board members shall not accept more than \$250 in campaign contributions from a Sound Transit officer or employee. Restrictions on Board member solicitations are not intended to restrict Sound Transit's officers' and employees' right to engage in the permitted political activities listed in Section 5.A. or otherwise guaranteed by law, including unsolicited financial contributions to support a Board member's political campaign.

Section 6. Conduct of Board Members, Officers and Employees. Board members, officers and employees will conduct themselves according to the following rules of conduct as they pertain to their public service for and on behalf of Sound Transit:

A. Board members, officers and employees shall maintain decorum in meetings and set an example of exemplary conduct when the Board member, officer or employee represents Sound Transit. Board members, officers and employees shall conduct themselves so as not to bring disgrace or embarrassment upon Sound Transit and the member governments and citizens to whom they are responsible.

B. Board members, officers and employees shall always represent that opinions stated are the Board member, officer or employee's own and do not necessarily represent those of Sound Transit unless Sound Transit has voted and passed a resolution or motion that so states or clearly supports the expressed policy.

C. No Board member, officer or employee shall willfully make any false statement, certificate, mark, rating or report or in any manner commit any fraud, conceal any wrongdoing or knowingly withhold information about wrongdoing in connection with employment with Sound Transit or in connection with the work-related conduct of any Sound Transit Board member or employee.

D. Board members, officers and employees shall devote their best efforts and attention to maintaining honest, open and civil communications at all levels of Sound Transit and with the public.

Section 7. Waiting Period for Former Board Members, Officers and Employees. No former Board member, officer or employee shall, during the period of one year after leaving Sound Transit service:

A. Disclose or use any information gained by reason of his or her Sound Transit service or employment for his or her gain or anticipated gain, or for the gain or anticipated gain of any person, unless the information is a matter of public knowledge or is available to the public on request, provided that this section shall not apply to prohibit Sound Transit from employing former officers and employees as consultants during the one-year waiting period in order to continue or complete ongoing work or to perform other related services at a reasonable cost if the chief executive officer determines that (1) it is in the best interest of the agency to have a former officer or employee perform the work using confidential information gained while a Sound Transit employee, (2) the cost is less than or equal to the agency's cost of employing the former officer or employee as a full-time employee, and (3) contracting with the former officer or employee will not provide an unfair competitive advantage to the former employer or other-third party in performing or competing for a competitively procured public contract.

B. Assist any person in proceedings involving an agency with which the former Board member, officer or employee was officially involved on behalf of Sound Transit while a Sound Transit Board member, officer or employee; provided, that this requirement shall not be deemed to limit Board members in representing the interests of their respective local governments or state agencies.

C. Represent any person as an advocate in any matter in which the former Board member, officer or employee was officially involved while a Sound Transit Board member, officer or employee.



The prohibitions of paragraphs B. and C. of this section shall not apply to former Board members, officers and employees acting on behalf of Sound Transit or on behalf of another governmental agency unless such assistance or representation is directly adverse to the interests of Sound Transit.

Section 8. Disclosure. In order to ensure that the personal and financial interests of Board members and officers present no actual or apparent conflicts of interest, the following procedures shall be used to disclose such interests:

A. In the event any legislation or other matter in which a Board member or officer has a personal or financial interest comes before the Sound Transit Board or its standing committees for action or recommendation, the Board member or officer shall promptly disclose the general nature and extent of such interest on the record of the meeting prior to any discussion or vote on the legislation or matter. Such disclosure shall include, but not be limited to, the following information:

1. The name and address of any private business, corporation, firm or enterprise affected by such Sound Transit action of which the Board member or officer is or has been during the preceding twelve (12) months a shareholder, bond holder, secured creditor, partner, joint entrepreneur or sole proprietor, whenever the total value of his or her individual or undivided legal and equitable financial interest therein is and at any time during the preceding twelve (12) months has been in excess of one thousand five hundred dollars (\$1,500.00).

2. The name of any such private business or corporation, firm or enterprise of which such Board member or officer or his or her relatives are or have been during the preceding twelve (12) months the officer, director, partner, attorney, agent, or employee, who, for services rendered during such preceding twelve (12) months or to be rendered in any such capacity, has received or has been promised compensation in excess of one thousand five hundred dollars (\$1,500.00).

3. The office or directorship held by the Board member or officer or his or her spouse in any corporation, partnership, sole proprietorship or like business enterprise, which is proposed to conduct business with Sound Transit or is subject to any regulation or control by Sound Transit and from which the Board member or officer has received compensation or has been promised compensation during the preceding twelve (12) month period in excess of one thousand five hundred dollars (\$1,500.00), or services or any other thing of value in excess of said amount.

4. The address and general description of any and all real property located within Sound Transit boundaries in which the Board member or officer has any interest whatsoever, as owner, purchaser, optionee, optionor, or any other proprietary interest, when a decision by the Board would affect the value, development or use of the property. This subsection shall not apply to the residence home of such Board member or officer.

The foregoing provisions shall not apply to policies of life insurance issued to such Board member or officer or to his or her spouse or to members of his or her family, accounts in any commercial bank, savings and loan association or credit unions, or similar financial institutions subject to regulation by the State of Washington or any other governmental agency having jurisdiction thereover. A Board member may satisfy these provisions by submitting reports of financial affairs filed pursuant to Chapter 42.17 RCW if such reports identify the interest covered by this Section.

B. If a conflict of interest is confirmed, the Board member shall disqualify himself or herself from discussion or voting upon the legislation or matter, and an officer shall refrain from discussion or recommendation concerning the legislation or matter, if discussion or voting thereon would constitute a conflict of interest, or apparent conflict of interest, as described in this section or violate any other governmental law or regulation. Any Board member or officer who is disqualified by reason of such conflict of interest shall, after having made the required disclosure set forth above, remove himself or herself from his or her customary seat during such debate and leave the Board

chambers until such time as the matter at hand, from which such Board member or officer has been disqualified, has been disposed of in the regular course of business. Any action taken by the Board or a committee related to such interest shall be by a vote sufficient for the purpose without counting the vote of the Board member having the interest.

C. If a Board member is uncertain whether he or she may have an actual or apparent conflict of interest concerning any legislation or other matter which is proposed for discussion, action or recommendation by the Sound Transit Board or one of its standing committees, the Board member shall refrain from communicating with other Board members concerning the legislation or matter unless:

1. Such conflict has been disclosed as provided above at a public hearing of the Sound Transit Board or a standing committee and resolved by the chair of the meeting; or
2. Legal counsel of Sound Transit has been advised of the basis for the questioned actual or apparent conflict and has determined that no conflict of interest as defined by this resolution exists which would either require disclosure or deferral of any discussion, action or recommendation.

D. If, during the course of discussion of legislation or other matters by the Sound Transit Board or a standing committee, a Board member or officer concludes that his or her continued participation may constitute an actual or apparent conflict of interest which was previously unanticipated, he or she shall promptly inquire of the chair of the meeting or Sound Transit legal counsel, if in attendance, whether or not disclosure as provided by this section is appropriate or required and proceed as directed by the chair or legal counsel. The discovery and disclosure as provided herein of a previously unanticipated and unintended conflict of interest by a Board member or officer during his or her discussion of legislation or other matters pending before the Board or a standing committee shall not disqualify the Board or committee from subsequently taking an action or making a recommendation.

Section 9. Enforcement. Penalties and Public Disclosure. The following procedure will be implemented by the Executive Committee of Sound Transit when an alleged violation of this resolution occurs:

A. Any person who believes that an employee, officer or Board member of Sound Transit has violated these ethics rules shall submit a written statement of the purported violation to the Board Administrator of Sound Transit. The allegation must set forth specific facts with precision and detail, sufficient for determination of sufficiency by Sound Transit. In addition, the complaint must set forth the specific sections and subsections of this resolution that the facts violate, and the reasons why. Each complaint must be signed by the person or persons submitting it, must state the submitter's correct name, address at which mail may be personally delivered to the submitter, and a telephone number at which the submitter may be contacted.

B. The Board Administrator of Sound Transit shall submit that complaint to Sound Transit's legal counsel for determination of sufficiency of the complaint and shall also forward a copy to members of the Executive Committee for their information. A complaint cannot be sufficient unless it precisely alleges and describes unjustified acts which constitute a prima facie showing of a violation of a specified provision or provisions of this resolution. The purpose of requiring that the complaint be sufficient is to ensure that the complaint is supported by identifiable facts, and to ensure that the complaint is not based on frivolous charges. Legal counsel shall submit a written report with a finding of sufficiency or insufficiency within ten (10) days of receipt of the written complaint to the Executive Committee. The determination shall be final and binding, and no other administrative or other legal appeal is available. If the finding is one of sufficiency of the complaint, then the complaint shall be investigated and reported by the Executive Committee as set forth below. If the purported violation involves a member of the Executive Committee, then the Chair of

the Board shall substitute another member to sit in that member's place for purposes of inquiry into the complaint.

C. The Executive Committee shall review a complaint involving Board members or officers that is determined to be sufficient by legal counsel. The Executive Committee shall come to one of the following conclusions:

1. There is insufficient evidence to conclude that any particular violation has occurred. In this case, the Committee shall keep its records confidential to the extent allowed by state law.

2. There is sufficient evidence to conclude that there may have been a violation, in which case the Committee shall call for full review by the Executive Committee of Sound Transit with the assistance of legal counsel.

D. If the Executive Committee concludes there may have been a violation, the Executive Committee shall conduct such further review as is necessary to determine if a violation occurred and to classify any violation as major or minor. The Executive Committee may discuss such determinations in executive session.

1. If the Executive Committee determines that a minor violation has occurred, it shall pass an appropriate motion of caution, reprimand or censure at a public meeting. The violator shall have the right at a public meeting to provide a response to the determination and to request reconsideration.

2. A major violation shall result in a public hearing by the Board. The Executive Committee shall select one of its members to present its findings at the hearing. The violator shall neither conduct the meeting during the hearing nor shall he or she present the findings. The Executive Committee shall give the accused officer or Board member adequate time to prepare a case and to present the case at the public hearing. Both the Executive Committee and the accused officer or Board member shall present their own cases but they may

be accompanied by counsel during the proceedings. The Executive Committee's presenter and the accused may offer witnesses who shall present their evidence upon oath. After hearing the evidence, the Board shall determine whether there was sufficient evidence to support its determination that a major violation occurred and, if confirmed, may direct a remedy or sanction or may delegate that decision to the Executive Committee.

If the Board determines that a Board member has committed a major violation, they also shall submit their determination to the legislative body that appointed the Board member and to the legal counsel for Sound Transit to determine if there is the basis for any civil action to compel restitution or removal for that violation.

With respect to violations by officers, the Board may direct a remedy or sanction or penalize the officer by suspension, demotion or termination in a manner commensurate with the violation and consistent with applicable law and any employment agreements or may delegate that decision to the Executive Committee.

E. The Executive Committee or the Board, in the conduct of any hearing or proceeding within its power, may make reasonable orders necessary for the protection of individuals who may be incorrectly accused or who may be disproportionately harmed by premature disclosure, provided, however, that no such order shall have the result of precluding any enforcement agency from taking action within its own jurisdiction.

F. Any sufficient complaints regarding Sound Transit employees shall be referred to the Chief Executive Officer, who shall investigate the complaint and take appropriate action. All actions related to complaints about Sound Transit employees shall be in accordance with any Board approved personnel policies and procedures and applicable employment contracts and shall be reported to the Executive Committee.

#### Section 10. Procurements.

A. Sound Transit intends to conduct its procurements for work and for professional services with integrity, fairness and openness. Sound Transit Board members, officers and employees involved in Sound Transit procurements, shall not act or fail to act in any way which compromises the fairness of Sound Transit procurements or which creates actual or apparent conflicts of interest. Board members, officers and employees are expected to use good judgment and to act in accordance with Sound Transit policies, applicable law and the best interests of Sound Transit. The contract administrator for each procurement shall be the focal point for receiving and responding to communications from the public, potential bidders or proposers and other government staff and Board members concerning the procurement unless otherwise approved by the Chief Executive Officer.

B. Sound Transit Board members, officers and employees directly involved in a Sound Transit procurement process promptly shall identify any past or current personal, financial or business relationship with any firm, or principals associated with a firm, which submit bids or proposals to Sound Transit. Disclosure shall be made to the contract administrator for the procurement who will review the issue with the Chief Executive Officer. Determination of the appropriate response, if any, shall be made by the Chief Executive Officer with advice of legal counsel.

C. In the event Board members receive information or requests for information from the public, potential bidders or proposers or other government staff concerning a competitively bid contract or a professional services procurement, the Board member may:

1. Accept the information or inquiry and provide such information as may be available to the Board member or response; or
2. Decline to discuss the information or to respond to the inquiry or complaint and instead refer the matter to the Chief Executive Officer.

D. Once a request for bids, request for qualifications or request for proposals is issued by Sound Transit, Board members, officers and employees are encouraged to decline meetings or informational exchanges with potential bidders or proposers. Requests for meetings or information should be referred to the contract administrator for the procurement.


E. If the information or an inquiry received by a Board member, officer or employee indicates there may have been a violation of applicable laws, regulations, Board policies or administrative procedures, the Board member should promptly refer such complaint, information or inquiry to the Chair for response and officers or employees should consult with the Chief Executive Officer. The Chair may direct the issue to the Chief Executive Officer and/or legal counsel for response.

Section 11. Compliance with Law. Board members, officers and employees of Sound Transit shall comply with all laws and regulations applicable to their service to or employment by Sound Transit.


Section 12. Implementation. The Chief Executive Officer is authorized to adopt additional regulations and guidelines for Sound Transit employees and officers as he or she deems necessary to implement the provisions and policies of this resolution. Inquiries concerning actual or apparent conflicts of interest or the interpretation of the provisions of this resolution or applicable laws shall be directed to the Sound Transit's legal counsel.



ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on February 14, 2008.

  
Greg Nickels  
Board Chair

ATTEST:

  
Marcia Walker  
Board Administrator

# **Board Action Establishing the COP**

---

## **REGIONAL TRANSIT AUTHORITY**

### **MOTION NO. 18**

A MOTION of the Board of the Regional Transit Authority of Pierce, King and Snohomish counties committing to the timely establishment of a citizen oversight panel.

WHEREAS, on May 31, 1996, the Board of the Regional Transit Authority adopted Sound Move, the Ten-Year Regional Transit System Plan; and

WHEREAS, the RTA Board's commitment to public accountability is a predominant theme in the principles and policies described in the plan; and

WHEREAS, the plan includes a specific commitment of the RTA Board to appoint a citizen oversight panel to monitor RTA performance in carrying out its ten-year commitments; and

WHEREAS, the plan includes the RTA's commitment to provide the resources and support necessary to involve the public at all levels of planning; and

WHEREAS, the creation of a citizen oversight panel is not intended to delegate any of the RTA Board's legislative powers or policy responsibilities or to replace other planned public involvement processes; and

WHEREAS, the RTA Board is developing a comprehensive program to involve citizens in regional, subarea and community issues and projects;

WHEREAS, the implementation of the Ten-Year Plan is contingent upon and has received voter approval of a ballot proposal on the November 5, 1996 election;

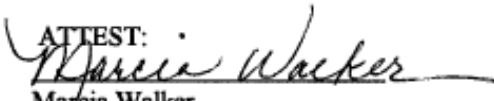
NOW, THEREFORE BE IT MOVED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSIT AUTHORITY AS FOLLOWS:


1. The RTA Board reiterates its commitment to assuring public accountability in the exercise of its authorities in carrying out the commitments of the ten-year plan, including effective citizen involvement in major capital investments.
2. The RTA Board will begin immediately to define and implement a process for establishing and appointing the citizen oversight panel. The RTA Board commits to having the panel in place by the end of February 1997.
3. The RTA Board will consult with community leaders in defining the specific mission, responsibilities and composition of the citizen oversight panel and in developing an overall citizen participation program.

4. In general terms (to be further defined by the RTA Board), the citizen oversight panel will be an independent body, charged to review RTA performance against its commitments to the public to deliver the services and facilities in Sound Move on time and within budget. The citizen oversight panel will report to the RTA Board.
5. The citizen oversight panel will monitor and provide recommendations concerning the RTA's performance in meeting its public commitments in the following policy areas:
  - Public participation in plan implementation
  - Evaluation of project alternatives and recommendations
  - Annual capital and operating budget and plan of finance
  - Regional fund management
  - Equity, subarea budgets and financial reporting
  - Schedule and budget adherence
  - Annual performance review audits
6. Appointments to the citizen oversight panel may be for rotational terms of two to three years. Appointments will include a minimum of two persons from each of the five geographic subareas in the RTA District and representation from a variety of interests.
7. The RTA Board will provide an annual budget to support the citizen oversight panel, including planning and facilitation for panel meetings

PASSED by the Board of the Regional Transit Authority for the Pierce, King and Snohomish region at a regular meeting thereof held on the 6th day of December, 1996.

ATTEST:

  
Marcia Walker  
Board Administrator

  
Bob Drewel  
Chair of the Board

# Board Action Setting COP Terms

---

## SOUND TRANSIT

### MOTION NO. M2002-87

A motion of the Central Puget Sound Regional Transit Authority regarding the terms of Citizen Oversight Panel members.

#### **Background:**

Citizen Oversight Panel (COP) members were originally appointed to two terms and were limited to six-years of service. Of the original 15 members, half agreed to serve an initial two-year term and half a three-year term to allow for staggered appointments. Four of the original members have now served two terms totaling five years; the remaining three original members will have served their two terms effective the end of March 2003, which would leave the COP with the prospect of losing a core group of highly experienced and knowledgeable members.

Further, the record of Board actions on new COP member appointments is unclear with respect to whether members are appointed to fill the unexpired terms of the members whose vacancy is being filled or whether each newly appointed member begins a new term.

At a May 2002 retreat, the COP discussed this extensively and has the following recommendation for the Sound Transit Board:

- Establish COP members' term length as four years, beginning on the date the member is appointed by the Sound Transit Board.
- Establish the beginning date of the term for COP members appointed after February 27, 1997 as the date they were appointed by the Board.
- Extend the second terms of the original COP members (who are currently serving on COP as of the date this motion is acted upon by the Board) to four years.
- Maintain the two-term limit on COP service.
- Allow members whose terms have expired to continue to serve until a successor is appointed.

The new term dates for current COP members shall be:

<u>COP Member</u>	<u>Date Appointed</u>	<u>First Term Expiration Date</u>	<u>Second Term Expiration Date</u>
Fred Hart	02/27/97	03/31/99	03/31/03
Dave Osaki	02/27/97	03/31/99	03/31/03
Reid Shockey	02/27/97	03/31/99	03/31/03
Steve Goldblatt	02/27/97	03/31/99	03/31/03
Art Carter	02/27/97	03/31/00	03/31/04
Tom Luthy	02/27/97	03/31/00	03/31/04
Virginia Gunby	02/27/97	03/31/00	03/31/04
Al Stipe	12/11/97	12/11/01	12/11/05
Bertha Eades	12/10/98	12/10/02	
Larry Shannon	03/25/99	03/25/03	
Ray Gould	08/10/00	08/10/04	
Stephen Wamback	04/26/01	04/26/05	
Rea Hagen	10/25/01	10/25/05	
Phil Yin	11/29/01	11/29/05	
Darrell Chapman	03/14/02	03/14/06	

**Motion:**

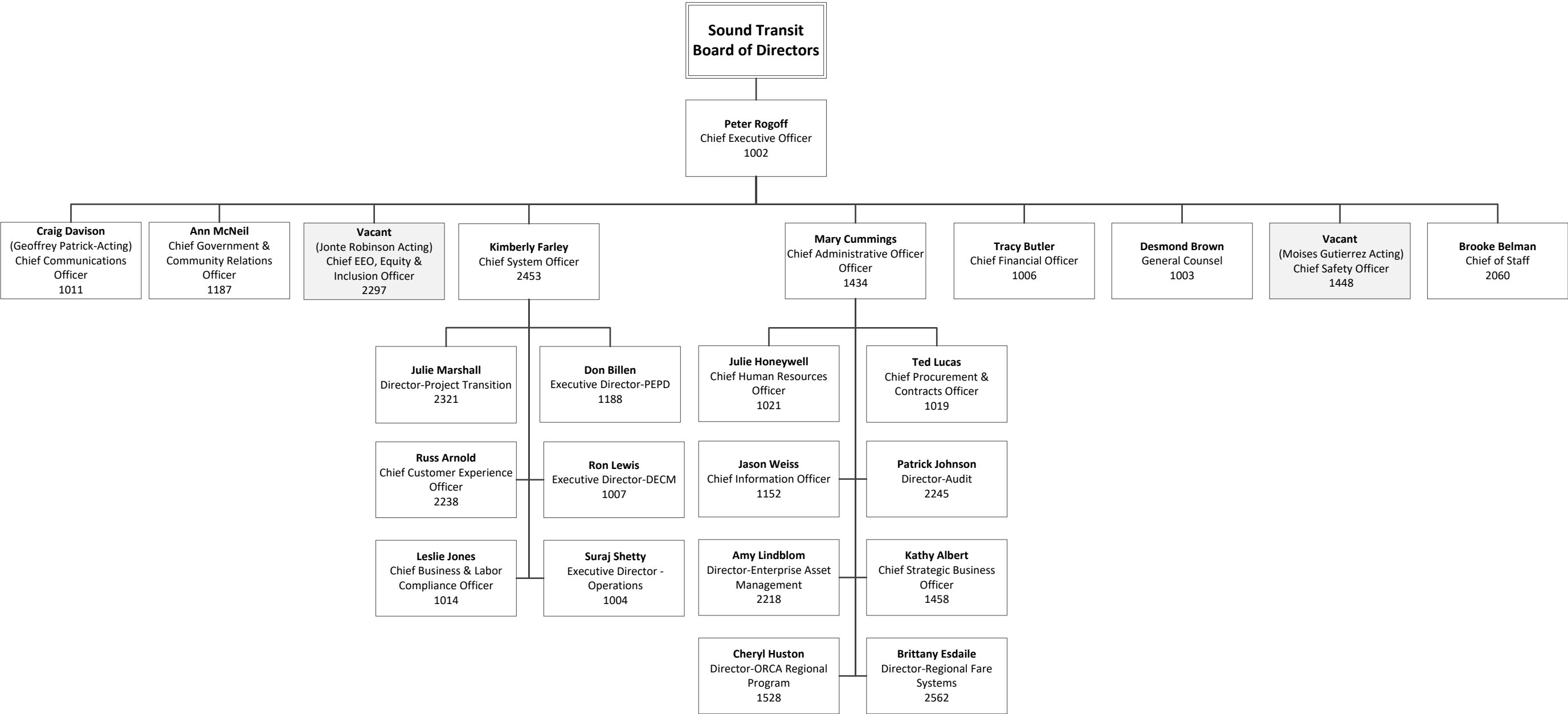
It is hereby moved by the Central Puget Sound Regional Transit Authority Board to accept the recommendations of the Citizen Oversight Panel regarding members' terms.

APPROVED by the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on July 11, 2002.

  
 Ron Sims  
 Board Chair

**ATTEST:**

  
 Marcia Walker  
 Board Administrator



Signatures for approval of all Sound Transit Organizational Charts:

Staffing Count

TOTAL: 24

Chief Human Resources Officer

(Date)

Chief Executive Officer

(Date)

## Guide to Committees of the Board

The Sound Transit Board has delegated some of its work to committees established by the Board. The Board's procurement policy, Resolution No. R2018-40, outlines the delegation established by the Board. See the Guide to Board Approval Levels for more information on Board delegation. The committee responsibilities and names were updated in September 2018 through Resolution No. R2018-41 and are effective January 1, 2019.

### Executive Committee

As set by Resolution No. R2018-41, the Executive Committee carries out responsibilities such as reviewing:

- The Board's rules, operating procedures and governance structure.
- Policies and providing recommendations to the Board.
- The state legislative agenda, government relations strategies and related transactions.
- Strategies and transactions for systemwide programs, such as system access, innovation, sustainability, transit oriented development and surplus property, and providing recommendations to the Board.
- Proposed annual budgets for systemwide programs and providing recommendations to the Finance and Audit Committee and/or Board.
- Contract reports related to systemwide programs.
- The performance of the chief executive officer (CEO).

The Board delegates final approval authority to the Executive Committee for transactions related to its responsibilities above the CEO's approval level and within the amounts established in the Procurement, Agreements and Delegated Authority Policy or other Board authorization.

The Executive Committee is also able to act in lieu of the Sound Transit Board in an emergency or special circumstance, subject to ratification by the Board.

### Rider Experience and Operations Committee

As set by Resolution No. R2018-41, the Rider Experience and Operations Committee carries out responsibilities such as reviewing:

- Activities and communications affecting the rider experience.
- Operating plans, transit services and business models.
- System enhancement and state of good repair projects consistent with the transit improvement plan.
- Strategies for maintenance, fleet and facility plans and providing recommendations to the Board.
- Administrative programs that support agency operations.
- Proposed annual budgets for system enhancement projects, state of good repair projects and agency operations and providing recommendations to the Finance and Audit Committee and/or Board.
- Contract reports related to agency operations and administration.

The Board delegates final approval authority to the Rider Experience and Operations Committee for transactions related to its responsibilities above the CEO's approval level and within the amounts established in the Procurement, Agreements and Delegated Authority Policy or other Board authorization.

### **System Expansion Committee**

As set by Resolution No. R2018-41, the System Expansion Committee carries out responsibilities such as reviewing:

- Progress of system expansion projects consistent with the transit improvement plan.
- Strategies for project development and delivery and providing recommendations to the Board.
- Scope, schedule, budget, risks, construction activities, external engagement and claims for system expansion projects.
- Proposed annual system expansion project budgets and providing recommendations to the Finance and Audit Committee and/or Board.
- Contract reports related to system expansion.

The Board delegates final approval authority to the System Expansion Committee for transactions related to its responsibilities above the CEO's approval level and within the amounts established in the Procurement, Agreements and Delegated Authority Policy or other Board authorization.

### **Finance and Audit Committee**

As set by Resolution No. R2018-41, the Finance and Audit Committee serves as a recommending body to the Board of Directors and carries out responsibilities such as reviewing:

- The agency's financial plan and compliance with voter-approved financial policies.
- Financial statements including any significant accounting or reporting issues or complex or unusual transactions.
- Performance against capital and operating budgets.
- Strategy for the agency's asset liability management and monitoring investment and debt performance and risks.
- The approach for developing the annual budget.
- The proposed annual budget upon recommendations from other committees.
- The agency's risk management efforts.
- Scopes, approaches and results of external and internal audits and monitoring the agency's response to audit findings.
- Internal audit plans and selecting the annual performance audit topic.

The agency's internal audit director also has direct access to and communication with the chair of this committee.



# BOARD REALIGNMENT PROCESS & SCHEDULE

11/18/20

## Introduction

The COVID 19 pandemic is hitting Sound Transit hard. Ridership plummeted and financial forecasts have rendered a significant portion of the capital program unaffordable within voter approved timeframes. At the same time the local construction and real estate market remain strong with the cost increases that impacted recently baselined projects, such as Lynnwood and Federal Way Link, likely to also impact ST3 projects at an equal or even greater rate. When the voter approved plans become unaffordable, the Board must respond by identifying what set of investments will best meet the objectives of the plans and still be affordable. In June 2020, Sound Transit developed the Path Forward for the Capital Program Realignment. This established July 2021 as the target for completing the realignment process and provided a framework to make measured progress on near-term actions.

In September, the Board designated nine projects for near-term unpausing actions to go before the System Expansion Committee. In taking this action the Board emphasized that these and all capital projects not currently under construction will need to be considered as part of the realignment process.

This briefing paper outlines a process and schedule for the Board to work toward a July 2021 realignment plan, utilizing the direction adopted by the Board in July 2020 through Motion Nos. M2020-36 and M2020-37.

## Realignment Process

Motion No. M2020-36 adopted realignment criteria to help inform the Board on how to best achieve the objectives of the Sound Transit 2 and Sound Transit 3 plans when making upcoming realignment decisions. They include “ridership potential”, “socio-economic equity”, “connecting centers”, “tenure”, “outside funding”, “completing the spine”, “advancing logically beyond the spine”, and “phasing compatibility.” Motion No. M2020-37 directed staff to develop and present the Board with realignment scenarios utilizing current financial forecasts, as well as less dire alternative scenarios, that could result through, among other things, increased state and/or federal funding, third party funding, and/or an increase in the agency’s debt capacity.

The Puget Sound region is the economic engine of the state and high capacity transit is a vital element of the region’s economic recovery and future growth. Every effort should be taken to minimize the need to slow or cancel any aspect of the voter-approved ST2 and ST3 programs. To that end, the staff will kick off the realignment process by apprising the Board of the potential for new revenue and fiscal opportunities called for in Motion No. M2020-37. Following this discussion the Board will develop a realignment plan which utilizes these financial tools to keep as close as possible to the current schedule and scope for system expansion consistent with the Board’s adopted criteria. Additionally, the Board will develop a back-up realignment plan which would be utilized in the event that new revenue and/or fiscal capacity is not realized.

This fall staff will meet with Board members to provide further background on factors that will influence the realignment. Staff will review the requirements for realignment, the prospects for increased state and federal support, and all of the realignment tools available to the Board.

## BOARD REALIGNMENT PROCESS & SCHEDULE

11/18/20

After the December Board meeting staff will provide members with a briefing book that lists all of the projects and programs which are not yet baselined and will thus be included in realignment discussions. The briefing book will restate all of the realignment tools available to the Board, evaluate Sound Transit 2 and Sound Transit 3 projects against each of the eight criteria adopted by the Board in Motion No. M2020-36, and provide updated cost estimates for the projects currently in development. This content will be reviewed in detail during a Board workshop to be scheduled in January.

In Q1 2021, after receiving the project assessments, the Board will provide direction to staff to develop for Board review two basic approaches to realignment. The first approach will rely upon new revenue and/or fiscal capacity to minimize impacts to the voter approved system expansion plans. The second approach will rely upon the other realignment tools available to the Board to identify which set of project and program investments will best meet the objectives of the voter approved plans and still be affordable.

Both approaches to realignment will consider how expansion plans may be modified to best achieve the overall plan objectives consistent with the anticipated revenue, project costs and budget and schedule guidance provided by the board.

The first approach to realignment will rely principally upon the financial resources identified in Motion No. M2020-37:

1. New federal funding
  - a. Staff will identify potential sources of federal funding and the likelihood or uncertainty associated with those sources
2. New state funding
  - a. Staff will identify potential sources of state funding and the likelihood or uncertainty associated with those sources
3. Increased fiscal capacity
  - a. Staff will identify tools such as increased debt capacity and the requirements to utilize those tools

In the event that new financial resources are not secured, the second approach to realignment will, consistent with the Board's adopted criteria, utilize the following tools to ensure affordability based on the agency's most recent financial plan update:

1. Delay the delivery of projects to various extents to maintain plan affordability
  - o Projects could be delayed in their entirety as required to maintain plan affordability
2. Deliver projects in phases
  - o Staff will identify options for what portions of a project could be affordable within budget limits of an initial phase and what portions of scope could be delayed to a later phase
  - o Choices for phasing could include implementing light rail extensions in segments; opening the three bus rapid transit lines over several years rather than simultaneously; spreading the ST2 and ST3 Sounder improvements over a longer period of time; and deferring some parking and access elements for some or all HCT extensions

## BOARD REALIGNMENT PROCESS & SCHEDULE

11/18/20

3. Reduce project scopes
  - The Board also has the option to reduce the scope of projects if that would better meet plan objectives than utilizing the other tools described here.
4. Suspend or delete projects
  - Consistent with the Sound Transit 2 and Sound Transit 3 plans, the Board retains the option to suspend or delete projects if it deems that would best achieve the objectives of the plans.

This second plan will enable the Board to establish which projects should proceed, even if new financial resources are not achieved, in order to best meet the objectives of the voter approach plans.

Also in Q1 2021, staff will engage the Board in discussions about how to engage with the public in April so the Board's realignment decisions can be guided by public input. During public engagement, the public could be asked for their input on trade-offs between new financial resources versus project scope and schedule, through review of either alternative approaches or a draft plan. As outlined below, we anticipate public engagement in April following Board discussions in Q1 of 2021.

For the first approach to realignment and consistent with Motion No. M2020-37, following the compilation and presentation of public input, staff will work with Board leadership to develop a financial scenario that could include, but not be limited to, increases in state funding, third party funding, federal funding and/or debt capacity. This plan will allow the Board to identify projects that will be delivered more quickly and/or with their full scope as economic conditions improve and/or alternative funding sources or increased debt capacity materialize.

For the second approach and consistent with Motion No. M2020-36, staff will also work with Board leadership on developing a financially constrained realignment plan that utilizes a combination of the tools at the Board's disposal (including, but not limited to project delay, phasing, reducing project scope, suspension, cancellation) to rebalance the agency financial plan. The plan will utilize the best available projections of revenue and costs available at that time. We anticipate the plan establishing budget targets for the initial and subsequent phase of each project. Even when a project is anticipated to be phased, the Board may choose to evaluate the full project in environmental review in order to maintain readiness for a variety of revenue outcomes.

The schedule outlined below envisions the Board leadership proposing final realignment plans to the full Board in June 2021 for discussion. Beginning in July 2021 the Board could then consider revisions to those plans and possible adoption. Adoption in the summer of 2021 will align with 2022 budget planning.

### Realignment Schedule

#### November: Brief Realignment Schedule and Background

---

Briefing Circuit: review and discuss the Board realignment process and schedule.

## BOARD REALIGNMENT PROCESS & SCHEDULE

### 11/18/20

#### **December: Prepare for January Launch**

---

Briefing Circuit: prepare the Board for the information that will be provided in a briefing book following the December Board meeting.

12/17 Finance & Audit Committee: financial update

Board Chair: following the December Board meeting, the Chair will distribute a briefing book with project evaluation results and a schedule for a January Board workshop to review them. This timing allows Board members to review, digest and formulate questions for January briefings and the workshop without distracting from 2020 year-end actions like budget adoption.

#### **January: Review Project Evaluation**

---

Briefing Circuit: discuss project evaluation results and answer questions; tools available to the Board, clarification on what project and program elements are subject to realignment; legal principles and subarea finances to provide common grounding for the 2021 realignment process and decisions.

01/07 Executive Committee: financial update; project cost updates.

January Workshop: review requirements for realignment; review financial updates including subarea finances; review new financial resource tools; review project evaluation results from the Board-adopted criteria with board members and answer questions; provide current project cost estimates; discuss tools to realign the plan; provide direction to staff to develop two approaches to realignment utilizing the new financial resources and other tools available to the Board.

#### **February: Discuss Realignment Approaches**

---

Briefing Circuit: follow-up on questions from the workshop; discuss alternative approaches developed based on the workshop and their affordability; gather feedback about what else Board members want staff to work on.

02/04 Executive Committee: review financial update; preview work on approaches emerging from the Board workshop.

02/25 Board: review financial update; discuss approaches developed based on the Board workshop.

## BOARD REALIGNMENT PROCESS & SCHEDULE

### 11/18/20

#### **March: Define Realignment Approaches for Public Feedback**

---

Briefing Circuit: discuss public engagement approach and questions to pose to the public – for instance, how to frame the trade-offs between new financial resources versus changes to system expansion plans.

03/04 Executive Committee: review financial update; discuss public engagement plans.

03/18 Finance & Audit Committee: review financial update

03/25 Board: review financial update; direct staff on how to engage with the public, and which questions to pose; review outreach plan.

#### **April: Engage the Public**

---

Briefing Circuit: review final financial and cost forecasts to be used as the basis of the realignment plans; continue discussing Board member questions and interests as we await public input.

04/01 Executive Committee: review final financial and cost update, to be used as the basis of the realignment plans; and outreach update.

04/22 Board: review final financial and cost forecasts to be used as the basis of the realignment plans; and outreach update.

#### **May: Discuss the Realignment Plan**

---

Briefing Circuit: discuss public engagement results; continue discussing Board member questions and interests.

05/06 Executive Committee: discuss public engagement results; discuss Board priorities for draft realignment plan.

05/27 Board: discuss public engagement results; discuss priorities for draft realignment plans.

#### **June: Develop Realignment Plans**

---

Briefing Circuit: discuss draft Board leadership proposal; identify board member interests and requirements for the financially constrained realigned plan as well as the revenue assumptions for the alternative plan including increased federal/state resources.

06/03 Executive Committee: Board leadership outlines what they have heard as priorities and requirements for realigned plans (but does not yet present plan).

06/24 Board: present and discuss Board leadership proposal for realignment plans; identify potential refinements; direct staff to prepare final plans/action for Board consideration in July.

## BOARD REALIGNMENT PROCESS & SCHEDULE

### 11/18/20

#### **July: Take Realignment Action**

---

Briefing Circuit: review and discuss final plans/action; identify potential adjustments or amendments.

07/01 Executive Committee: review final plans/action; recommend final plans/action to Board.

07/08 System Expansion Committee: discuss Executive Committee final plans recommendation

07/15 Finance & Audit Committee: review financial analysis for final plans

07/22 Board: review and discuss final plans/action recommended by Executive Committee; adopt final plans/action.

**RESOLUTION NO. R2015-32**  
**Asset Management Policy**

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority adopting the Asset Management Policy and superseding Resolution No. R2007-26.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under RCW Chapters 81.104 and 81.112 for the Pierce, King and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Central Puget Sound Regional Transit Authority district on November 5, 1996, and November 4, 2008, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, in implementing the voter-approved Sound Move and Sound Transit 2 plans, the agency has built over \$4 billion in fixed assets to provide ongoing public transit services to the citizens of the region; and

WHEREAS, the Federal Transit Administration (FTA) requires transit agencies maintain their assets in a state of good repair; and

WHEREAS, regular maintenance of agency capital assets lengthens the useful lives of agency capital assets; and

WHEREAS, a planned, funded capital replacement and maintenance program ensures that the regional transit system is retained in good working condition to the benefit of current and future users of the system; and

WHEREAS, the Board adopted Resolution No. R2007-26 to establish a capital replacement reserve within the agency's financial systems and records.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that the Asset Management Policy is adopted as follows and Resolution No. R2007-26 is superseded.

**1.0 Scope**

- 1.1 Establishes policy for agency enterprise asset management and funding necessary to keep agency assets in a state of good repair.

**2.0 Definitions**

- 2.1 Replaceable assets: Assets recorded within the agency's fixed asset system with useful life less than 50 years.

### **3.0 Policy**

- 3.1 Sound Transit invests in, maintains and manages its physical assets and infrastructure to ensure safe, quality, cost-effective and sustainable ongoing provision of regional high-capacity transit services to the citizens of the Central Puget Sound.
  - 3.1.1 The agency operates and maintains its assets in a state of good repair that meets or exceeds the FTA's state of good repair and other regulatory requirements, as well as environmental, safety and customer service standards.
  - 3.1.2 The agency maintains a comprehensive asset management program and plan to ensure that these goals are achieved.
- 3.2 The CEO will include in the annual Transit Improvement Plan a State of Good Repair Forecast (SGRF) of the total amount, by year for a rolling 40-year period, required for lifecycle maintenance and capital replacement to maintain all agency replaceable assets in a state of good repair.
  - 3.2.1 The agency's Board-adopted Transit Improvement Plan will include the first six years of funding for the SGRF within the capital replacement and maintenance program.
  - 3.2.2 Beginning in 2023, the forecasted and funded annual amounts in the Transit Improvement Plan (TIP) will not on average fall below the greater of \$50 million annually or two percent of the agency's estimated replaceable asset value for that year.
  - 3.2.3 The agency's long-term financial plan will include the full 40-year SGRF.
  - 3.2.4 The agency must use funds legally available for this purpose to fully fund the SGRF before funding expenditures for new capital facilities or expanded service.
- 3.3 The agency shall maintain a minimum \$300 million capital replacement reserve (CRR) to fund unexpected capital replacement requirements. The CRR may only be used for a Board-declared emergency only to fund unexpected capital replacement and maintenance requirements not already funded within the Transit Improvement Plan, in accordance with the SGRF, or to smooth large annual capital replacement expenditures to reduce net financing costs.
  - 3.3.1 The Board must approve the agency's use of the CRR by a two-thirds majority vote.
  - 3.3.2 If funds are drawn from the CRR, the agency must replenish the CRR with funds legally available for this purpose within a five-year period, or as soon thereafter as consistent with the voter-approved systems plans, to its prior level or a higher revised level adopted by the Board at the time that the CRR is drawn.
  - 3.3.3 The agency retains interest earnings on the CRR within the CRR account.
  - 3.3.4 The CRR is designated as internally restricted within the agency's financial statements, consistent with generally accepted accounting principles. The CRR is maintained and invested in accounts separate from other agency funds.
- 3.4 The CEO conducts an independent assessment of the adequacy of the SGRF at least once every five years.
- 3.5 Any change to this policy must be adopted by a two-thirds majority of the Board.



#### 4.0 References

- 4.1 R72-1 Financial Policy
- 4.2 R2002-08 Budget Policy
- 4.3 R2004-14 and R2009-07 Asset Liability Management Policy
- 4.4 R1999-17 Allocation of Excess Revenues Policy

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 17, 2015.



Dow Constantine  
Board Chair

ATTEST:



Kathryn Flores  
Board Administrator

# SOUND TRANSIT 3

June 2016

## APPENDIX B

Financial Policies



## SOUND TRANSIT FINANCIAL POLICIES



The Sound Transit Board may amend these Financial Policies from time to time; the most current version of the Financial Policies is available at [soundtransit.org](https://www.soundtransit.org)

### Purpose

The Sound Transit Board (the Board) adopted an initial framework for the financing of Sound Move and Sound Transit 2 (ST2), by setting local tax rates, focusing on minimizing the cost of capital, requiring conservative projections for federal and state funding, defining equity and adopting the subarea equity principle to guide how projects are funded in the five subareas. These Financial Policies reflect the Board's policy intent for implementing the financial framework for completing Sound Move, ST2, Sound Transit 3 (ST3), and subsequent system plans, and for providing the tools to the Board to appropriately manage toward and respond to future conditions.

### Legal Responsibilities

In adopting these Financial Policies, the Board recognizes certain legal responsibilities. Existing state law grants all legislative and policy authority to the Board and does not allow the Board to abrogate, transfer or delegate such authority to other agencies or to the five subareas within the Sound Transit District. Consequently, all funds collected by or provided to Sound Transit, including local tax revenues, federal and other government grants, bond and loan proceeds, fare box revenues, interest earnings, and private development revenues, may be disbursed only with approval of the Board. Priorities for disbursements will be determined within Sound Transit's annual budgetary process, which by law requires two-thirds affirmative vote of the Board.

Similarly, the Board recognizes that bonds issued and loans incurred by Sound Transit will be secured by a pledge of repayment through revenues including local taxes. When bonds are issued or loans secured, Sound Transit will enter a binding contract with its bondholders and lenders that requires first lien claim against pledged revenues for repayment and for maintenance and operation of the transit facilities and services funded by the bonds. Stated differently, bondholders and lenders will have a legal priority to Sound Transit's local tax revenues to repay the bonds and operate and maintain the transit system, notwithstanding any commitment or policy that no subarea will pay another subarea's debt. These Financial Policies reflect Sound Transit's commitment to subarea equity while maintaining the flexibility necessary to manage the financing of the System Plan on a consolidated basis and within legal constraints.

### Equity

#### ► Definition of equity

Equity will be defined as utilizing local tax revenues for projects and services that provide transportation benefits to the residents and businesses in each of the subareas generally in proportion to the level of revenues each subarea generates. Subareas may fund projects or services located outside of the geographic subarea when the project substantially benefits the residents and businesses of the funding subarea. The Financial Plan for Sound Transit activities addresses this equity principle by providing a financial plan for each of the five Sound Transit subareas, comprised of the subarea's share of local taxes, debt capacity, farebox proceeds and an assumption for federal funding. The five subareas are defined as Snohomish County, North King County/Seattle, East King County, South King County and Pierce County. While the Financing Plan will be managed by the Board on a consolidated basis, the Board will report annually on individual subarea performance.

The Board agrees, therefore, that the facilities, projects and services identified in all voter-approved system plans represent a reasonable definition of equity.

### Implementation Policy

#### ► Subarea reporting

- 1 | The Financial Plan will provide projections for each of the five subareas, comprised of the subarea's projected share of local taxes, use of debt, farebox proceeds, other revenue and an assumption for federal funding and related expenditures.
- 2 | Local taxes will be allocated for subarea reporting based on actual tax receipts collected by subarea and within the Sound Transit District. The annual Financial Plan will incorporate updated forecasts based on these actual receipts. A portion of local taxes from each subarea will be allocated to fund system-wide costs as identified by the Board.
- 3 | For subarea reporting purposes, government funding that is received for a specific project or service will be allocated to subarea(s) on a basis consistent with the allocation of costs for the project or service, unless the Board takes action to allocate the funds to other subareas as it deems in the best interest of Sound Transit after consideration of the funding needs to complete, enhance or extend the system plan.

For subarea reporting purposes, government funding that is agency-wide or general in scope will be allocated by the Board as it deems in the best interest of Sound Transit after consideration of the funding needs to complete, enhance or extend the system plan.

- 4 | Miscellaneous revenues, such as those generated through private-public partnerships, advertising and terminal concessions will be allocated for subarea reporting based on subarea investment in the facility and/or service from which the revenue is generated.
- 5 | Debt will be allocated for subarea reporting based on a subarea's share of total long-term bonding requirements or as otherwise directed by the Board as deemed in the best interest of Sound Transit.
- 6 | Subarea expenditures will be allocated for subarea reporting based on facilities and services to be provided, their projected costs and project contingencies, associated operating costs, debt service, reserves for debt service, operations and maintenance and capital replacement. The allocation of expenditures for reporting purposes for facilities and services that cross subarea boundaries will be made by the Board to ensure safe and efficient maintenance and operation of the system-wide facilities and services after due consideration to subarea benefits and priorities.

## ► Monitoring function

- 1 | Sound Transit will establish a system that on an annual basis reports subarea revenues and expenditures. This monitoring and reporting function will be incorporated into Sound Transit's financial cycle. The Board may at its discretion conduct an independent assessment of the consistency of subarea reporting with Board policy guidance.
- 2 | Sound Transit will appoint an advisory Citizen Oversight Panel to monitor Sound Transit performance under these policies (see Public Accountability below).

## ► Adjustments to subarea projects & services

- 1 | Subarea capital projects and transit services will be evaluated and adjusted annually as a part of the Board's consideration and adoption of an annual budget, which requires a two-thirds affirmative vote of the Board. Adjustments to subarea capital projects and services can include additional priority projects and/or services within that subarea should funding be available.

This adjustment process recognizes that some fluctuation in revenues and expenditures against forecasts will occur.

- 2 | For those cases in which a subarea's actual and projected expenditures exceed its actual and projected revenues and funding sources by five percent or greater, and/or where unforeseen circumstances occur that would result in an inability to substantially complete projects within such subarea's plan, the Board must take one or more of the following actions:
  - Correct the shortfall through use of such subarea's uncommitted funds and/or bond capacity available to the subarea; and/or
  - Scale back the subarea plan or projects within the plan to match a revised budget; and/or
  - Extend the time period of completion of the subarea plan; and/or
  - Seek legislative authorization and voter approval for additional resources.
- 3 | For those cases in which a subarea's actual and projected revenue to be collected until the system plan is completed will exceed its actual and projected expenditures by five percent or greater, and/or where unforeseen circumstances occur that would result in the subarea's ability to fund additional projects and services not identified in the system plan, then Sound Transit may use such surplus funds to complete, extend or enhance the system plan to provide transportation benefits for the subarea's residents or businesses as determined by the Board. Contributions from other parties, including the state, local governments and private sector can be programmed by the Board to complete, extend or enhance the System Plan, consistent with agreements with the other party.

## System-wide Expenditures

The Board will fund such system-wide expenditures as necessary to maintain and plan for an integrated regional transit system consistent with voter-approved system plans. Such system-wide expenditures will include fare administration, technology and innovation programs, system access, transit-oriented development, future phase planning and agency administration, system-wide transit assets and other such expenditures as determined by the Board to be appropriate. Properties authorized for purchase by the Board to preserve required right-of-way will be funded as a system-wide cost until such time as the right-of-way is utilized by a subarea(s), at which time the cost

will be allocated to the subarea(s) consistent with Board approved allocation. System-wide expenditures, not funded by dedicated system-wide agency interest earnings, revenues or other specific funding sources, will be funded by subareas proportional to the subarea's share of total local tax revenues, population, benefits received, or on another basis as deemed appropriate by the Board.

## Debt Management

### ► Legal definition of Sound Transit debt financing capacity

Sound Transit's enabling legislation defines Sound Transit's capacity for issuing general obligation debt at one and one-half percent of the value of the taxable property within the boundaries of the Sound Transit District (and with approval of three-fifths of voters voting within the Sound Transit District, up to five percent of the value of the taxable property within the district's boundaries). There is no dollar limit for revenue indebtedness.

### ► Debt service coverage requirements

The Board recognizes that its bondholders and lenders will hold first claim against revenues pledged as repayment for outstanding bonds and loans based on the flow of funds. However, Sound Transit's debt financing capacity will be calculated on a more conservative basis, by evaluating all revenues and deducting total operating expenses for net revenues available for debt service.

For long-term planning purposes, Sound Transit agency debt service coverage ratio policy will be set at an average coverage ratio of 2.0x for net revenues over annual debt service costs, not to fall below 1.5x in any single year. However, as voter-approved plans are implemented, prudent changes to coverage ratios may be made by the Board as appropriate. Before issuing bonds, Sound Transit will establish the appropriate debt service coverage ratio to incorporate into the bond covenants for the specific bond issuance.

### ► Uses of debt financing

- 1 | The ST3 Plan will be financed through a variety of mechanisms, including without limitation: direct expenditure of tax revenues; operating revenues and other receipts; state, federal and local government grants; private donations; tax backed and non-tax backed debt issuance by Sound Transit or associated or subsidiary entities; by cooperating public or private entities; leases; public private partnerships or other contractual arrangement.

- 2 | Debt financing for capital projects covers two distinct types of borrowing, the first related to long-term debt financing, and the second related to short-term debt financing.
- 3 | Short-term debt financing (with terms of 10 years or less) is expected to be used primarily to bridge the gap between the necessary timing of expenditures and the anticipated receipt of revenues.
- 4 | The use of long-term financing (with terms of more than 10 years) is expected to be limited to capital and related costs for portions of the program that have a useful life in excess of the term of the debt. Long-term financing should be preserved for those aspects of the program for which other sources of funds are not likely to be available.

### ► Allocation of Sound Transit debt

- 1 | For reporting purposes, the amount of long-term debt financing used to benefit each of the subareas will be based on each subarea's ability to repay debt after covering operating costs. For internal reporting purposes, the Board may determine appropriate internal debt service limits by subarea.
- 2 | While the above policy prescribes the use of debt financing for subarea reporting, the Board will manage the agency's debt capacity on a consolidated basis to maximize resources between subareas.

## Priorities For Expenditures

The Board will adopt expense budgets for transit operations and agency administration and maintain a multi-year capital improvement plan. A two-thirds affirmative vote of the Board is required for budget adoption. Sound Transit will establish guidelines for its budgeting process and criteria to establish priorities for expenditures.

## Financial Management & Procurement

Sound Transit will maintain policies for debt and investment management, asset management, fares and operating expenses and grants management to effectively manage voter-approved revenues and efficiently operate the regional public transit system.

Sound Transit will evaluate alternative procurement methods for capital projects. Such methods will be implemented when they are calculated to result in schedule or cost savings, favorable risk transfer, or more effective project management and are consistent with best practices in procurement and strong control systems.



## Asset Management

Sound Transit will invest in, maintain, and manage its physical assets and infrastructure to ensure safe, cost effective and sustainable ongoing provision of regional high-capacity transit services to the citizens of the Puget Sound region. The agency will operate and maintain its assets in a state of good repair that meets or exceeds all federal and other regulatory requirements. The Board will maintain capital replacement and maintenance reserves and annual budgetary amounts sufficient to fully fund the system in a state of good repair. Sufficient funds will be set aside within the agency's long-term financial plan to meet these obligations, and their funding will have precedence over other agency expenditures.

## Public Accountability

To ensure that the voter-approved program development and implementation occurs within the framework and intent of these policies, Sound Transit will:

- 1 | Conduct an annual independent audit of its financial statements in compliance with state and federal requirements;
- 2 | Implement a performance audit program; and
- 3 | Appoint and maintain an advisory Citizen Oversight Panel to conduct annual reviews of Sound Transit's performance and financial plan, and submit a report and recommendations to the Board.

## Future Phases

### ► Voter approval requirement

The Board recognizes that the voter-approved taxes are intended to be used to implement the System Plan and to provide permanent funding for future operations, maintenance, capital replacement and debt service ("permanent operations") for voter-approved programs and services. The Board has the authority to fund these future costs through a continuation of the local taxes authorized by the voters. However, as a part of its commitment to public accountability, the Board pledges that the local taxes will be rolled back to the level required for permanent operations and debt service after the voter-approved ST3, Sound Transit 2 and Sound Move plans are completed and implemented. The rollback procedure is contained in the Tax Rate Rollback section. The Board further pledges that, after the voter-approved ST3, Sound Transit 2, and Sound Move plans are completed and implemented, any additional capital programs that would

continue local taxes at tax rates higher than necessary for permanent operations will require approval by a vote of those citizens within the Sound Transit district.

### ► Tax rate rollback

When the voter-approved capital projects in ST3, ST2 and Sound Move are completed and implemented, the Board will initiate two steps to roll back the rate of one or more of the taxes collected by Sound Transit.

- 1 | First, Sound Transit will initiate an accelerated pay-off schedule for any outstanding bonds whose retirement will not otherwise impair the ability to collect tax revenue and complete ST3, ST2 or Sound Move, or impair contractual obligations and bond covenants. Sound Transit will implement a tax rollback to a level necessary to pay the accelerated schedule for debt service on outstanding bonds, system operations and maintenance, fare administration, capital replacement and ongoing system-wide costs and reserves.
- 2 | After all debt is retired, Sound Transit will implement a tax rollback to a level necessary to pay for permanent operations, including, system operations and maintenance, fare administration, capital replacement and ongoing system-wide costs and reserves.

### ► Financial policies review

These Financial Policies may be amended from time to time as the Board deems necessary to implement and complete the System Plan. These policies, as they may be amended, will apply to future capital programs. The Financial Policies will be reviewed before submittal of a future capital program to the Sound Transit district voters.

### ► Financial policy content

The policies in this document together with Appendix A (Sources and Uses of Funds) to the ST3 Regional Transit System Plan constitute the financial plan for the ST3 Regional Transit System Plan, Sound Move and ST2.\* The documents are available online at [soundtransit.org](http://soundtransit.org), at Sound Transit's offices at 401 S. Jackson St., Seattle, Washington 98104 or by mail on request.

- \* **As adopted May 31, 1996** (Resolution No. 72)  
**As amended April 13, 2006** (Resolution No. 72-1)  
**As amended May 24, 2007** (Resolution No. R2007-05)  
**As amended July 24, 2008** (Resolution No. R2008-10)  
**As amended June 23, 2016** (Resolution No. R2016-16)<sup>†</sup>

<sup>†</sup>Resolution No. R2016-16 provides that these amended Financial Policies take effect upon the earlier of either the approval of local funding by the voters at an election, or upon Board adoption of these amended Financial Policies by separate resolution.

**SOUNDTRANSIT3.ORG**