

## **Sound Transit Citizen Oversight Panel Meeting Summary October 17, 2019**

**COP Members Present:** Fred Auch, Janice Berlin, Sharon Grader, James Peyton, Dan Santon, Larry Sauvé,

**COP Members Absent:** Scott Lampe, Dan Parker, Helen Powell, Bill Roach, Marie Rogers, Paul Thompson

Others Present: Kathy Albert, members of the public

### **Agency Advertising and Marketing Plan**

Tim Healy, Marketing and Creative Services Director, and Kathryn van Sanden, Marketing Supervisor, gave an overview of Sound Transit's advertising and marketing plans. Marketing is a multi-functioned division of the Communications and External Affairs Department that includes advertising, sports partnerships, event marketing, digital marketing, visual design and video production. The marketing plan is based on the Agency's business objectives, the most fundamental of which is to attract and retain riders. The advertising budget, which has remained at \$1.3 million per year for the last six years, is less than 0.37 percent of the annual transit operating budget. Annual advertising sales revenue is about \$1.7 million.

In the spring of 2019, Sound Transit conducted an online survey of frequent, occasional, and non-riders to evaluate differences in awareness and perception of the Agency's services. Overall, about 47 percent of the 735 survey respondents were aware of Sound Transit, while about 37 percent were aware of Link. Sound Transit's favorability rating in comparison to other transit providers in the region was second only to Washington State Ferries. Sound Transit was considered "a reliable form of transportation" by many responders. Frequent riders were more likely to use Sound Transit for at least a portion of their commutes, while occasional riders were more special event-focused. Key reasons cited by many people for not using transit were lack of awareness that the service exists or uncertainty about how to use it.

The survey results were used to help establish goals based on the Agency's business objectives. The first goal, to retain current riders and attract new ones, will be facilitated by an annual advertising campaign, a transit to the game campaign, and a campaign to raise awareness of Connect 2020. The second goal, to preserve and enhance Sound Transit's reputation and support for public transit, will be supported through professional sports partnerships and a progress and value campaign.

### **External Reporting: Financial, Subarea and 2018 Audit Report**

Brent Mecham, Deputy Director, Accounting and Finance, with support from Tracy Butler, Chief Financial Officer, and several other staff members, reported on the Agency's 2018 audited financial statements and 2018 Subarea Equity Report.

The 2018 financial statements were the first to be audited by the Agency's new auditors, Moss Adams. There were no audit findings and no changes in accounting policies. There were several new accounting pronouncements, the most impactful of which requires the inclusion of leases on balance sheets in 2020. Implementation of this new requirement, the most significant accounting change in decades, is underway around the world.

A summary of the audit results shows that spending on capital projects was \$1.5 billion, a 1.4 percent increase over the previous year primarily due to continuing construction on three Link extensions and the Operations and Maintenance Facility East. Passenger fare revenue was \$96 million, a 6.3 percent increase due primarily to Business Passport contract renewals and Link light rail expansion, which facilitated ridership growth of 1.4 million rides. Operating expenses, before depreciation and amortization, were \$334.1 million, a 15.5 percent increase due to higher provider costs, and the full year impact of 2017 capacity expansion on Sounder, Link and ST Express.

Sound Transit had total assets of \$13.1 billion and total liabilities of \$2.8 billion. Capital assets, net of depreciation, were \$10.4 billion. Capital costs were slightly higher in 2018 due to increased construction spending primarily on three Link extensions. Overall, revenues exceeded expenses by \$1,684.4 million, a 30.4 percent increase over the previous year primarily due to the full year impact of voter approved taxes and a strong regional economy. The Agency is currently collecting more than it spends, and expects to do so for another year or so, when the pace of construction is projected to exceed cash collections. Planning is underway to address the cash to spending balance when it comes.

The 2018 Subarea Equity Report was prepared consistent with Sound Transit's enabling legislation, which established a system that reports annually on revenues and expenditures in the Agency's five service subareas. Review of the Report is a major component of the Citizen Oversight Panel's work. Subarea reports are prepared consistent with the Financial Plan using a modified cash basis and presented, based on subarea drivers and rules, in the *Schedule of Sources and Uses of Funds by Subarea*. Total sources for 2018 were up \$584 million over the previous year, primarily due to a full year of ST3 tax revenue increases. Revenues increased in each subarea. Total capital outlays were up nine percent over the previous year as construction continued primarily on three Link extensions. Operating and maintenance costs increased 14 percent overall from the previous year, including a 22 percent increase in Link for primarily for purchased transportation, security, and overhead. Operating costs increase with every system expansion.

## **Discussion**

COP members expressed appreciation for both presentations. There was concern about whether the current advertising and marketing plans focus on current ridership without addressing questions of social equity. Members complimented the staff's ability to make the complex financial reporting discussion understandable. It was noted that the COP has previously recommended that the concept of subarea equity be less stringently applied as the system expands and benefits become more regional.

Approval of the October 3, 2019, COP meeting summary was deferred until the October 31, 2019, meeting for lack of a quorum.

## **Member Reports**

James Peyton reported that he'd attended a Sound Transit meeting in the Kent/West Hill community at which the question of parking came up. Community members noted the need for more parking. Agency staff noted the comments but didn't engage in further discussion of the complex issue, which seemed like a missed opportunity.

Dan Santon reported that King County Metro is part of a consortium for zero emission fleets. Analysis shows that if future infrastructure needs are considered in the initial facility design, as opposed to right-sizing components now and up-sizing later, up to 98 percent of overall costs can be saved.

Sharon Grader reported that an online open house to accept public comment regarding parking and access improvements at the Edmonds and Mukilteo Sounder stations will be available through November 4. Two in person open houses are also scheduled. Sharon will attend the in person open house on October 29, 2019.

Jan Berlin reported that she would participate in the Edmonds and Mukilteo Sounder stations online open house.

### **2019 Focus Areas**

- Adequacy and appropriateness of system access to stations
- Ridership on Sounder North
- Social equity
- Awareness of emerging technologies and their impacts
- Labor costs and labor supply
- Publicizing of peer comparison data
- Asset management
- Reliability and availability of federal, state, local and third party funding sources
- Customer experience focus that includes the entire region and all of the transit agencies within it
- Customer experience metrics that focus more specifically on the customer experience

Next Meeting: October 31, 2019, 8:30 – 11:00 AM, Santa Fe Room, Union Station