

## Sound Transit Citizen Oversight Panel Meeting Summary October 31, 2019

**COP Members Present:** Janice Berlin, Sharon Grader, Scott Lampe, Dan Parker, James Peyton, Helen Powell, Bill Roach, Larry Sauvé, Paul Thompson

**COP Members Absent:** Fred Auch, Dan Santon

Others Present: Kathy Albert, members of the public

### Capital Projects

Ron Lewis, Executive Director, Design, Engineering and Construction Management (DECM), gave an update on Sound Transit's major capital projects, including budget, schedule, and project risks.

The Operations and Maintenance Facility - East is 61 percent complete. The project, part of the new Spring District development, is on schedule to open by 2020. The 160,000 square foot, full service facility will accommodate 96 light rail vehicles and is trending well within its project budget of \$449.2 million. Project risks include unanticipated civil and systems contract interface issues, changes in project requirements, and a safety certification delay necessitated by the complexity of the new facility.

The light rail fleet expansion project, which includes 152 new light rail vehicles from manufacturer Siemens, is 26 percent complete after a slow start, and is trending well within its project budget of \$740.7 million. Forty new cars are needed for the opening of the Northgate Link Extension at a pace of three to four vehicles a month in order to stay on schedule. Changes in how inspections have been conducted and an emphasis on teamwork have helped with production. The Agency is pleased with the design of the cars, which are equipped with new features including variable message signage. Project risks include achieving and maintaining the light rail vehicle delivery schedule, maintaining quality workmanship during production, and managing re-work and resource constraints during on-sight vehicle testing.

The Northgate Link Extension project is 87 percent complete, trending well within its project budget of \$1,899.8 million, and on schedule to open for revenue service by September 2021. Estimated cost savings are \$52.4 million. Project risks include systems installation and integration, testing, startup and commissioning, coordination with third parties, including vibration testing at the University of Washington, and additional, necessary late work directives that could impact substantial completion of station contracts.

The Hilltop Tacoma Link Extension project is 42 percent complete and on schedule to open for revenue service by May 2022. Significant challenges have occurred during project construction because of the age and limitations of as built design records. There is currently a 20 percent probability of completing the project within its \$217.3 million budget. Efforts are underway to reduce cost impacts by identifying and managing construction risks. Overall project risks include a tight budget and limited contingency, unidentified subsurface conditions and utility relocations, potential claims regarding contract provisions for work in street right-of-way, increased need for design support, and stakeholder and neighborhood impacts during construction.

The East Link Extension is 66 percent complete, trending well within its project budget of \$3,677.2 million, and on schedule to open for revenue service by June 2023. Project risks include the Connect

2020 tie-in to Central Link, complete installation of track bridges and attachments, maintenance of construction schedules, systems installation and integration, and emerging changes to scope.

The Lynnwood Link Extension is four percent complete and on schedule to open for revenue service by July 2024. Market trends and current estimates are creating pressure on project contingency levels and on the baseline budget of \$2,771.6 million. Assessments of these estimates are underway. Overall project risks for the large and challenging job include long lead procurement of girders and other key resource delays, coordination of interfaces, the potential for civil work to delay systems work, timely permits, utility relocation and right-of-way acquisition, relationships with GC/CM contractors, project culture, a tight budget, and limited contingency.

The Downtown Redmond Link Extension is still in the planning phase, trending well within its project budget of \$1,530.0 million, and on schedule to open for revenue service by December 2024. Project risks include timely completion of right-of-way acquisition and about 500 property relocations, review of design packages by jurisdictional partners, final construction permits, and overall construction market conditions.

The Federal Way Link Extension is proceeding to final design and construction, trending well within its project budget of \$2,451.5 million and on schedule to open for revenue service by December 2024. Project risks include the timely execution of a Full Funding Grant Agreement, review of design packages by four jurisdictional partners, agreement for the Midway Landfill crossing, completion of right-of-way acquisition, property relocations, and third party utility relocations.

Overall, major capital projects are tracking within budgets and proceeding on schedule. Tight budget and cost pressures remain on the Hilltop Tacoma and Lynnwood Link Extensions. Active risk monitoring and mitigation continues on all projects. Safety continues to be a primary concern.

### **Financial Risk Assessment, 2019 Financial Plan and 2020 Proposed Budget**

Ryan Fisher, Director, Financial Planning and Analysis, Stephanie Ball, Finance Manager, Jenny Stephens, Deputy Director of Budget and Jim Hathaway, Budget Manager, with support from Tracy Butler, Chief Financial Officer, and several other staff members, reported on Sound Transit's Financial Risk Assessment, 2019 Financial Plan, and 2020 Proposed Budget.

Sound Transit has updated its financial risk profile in order to better understand changes in financial risks that have evolved since the adoption of the ST3 plan in November 2016. Risk assessments, unlike stress tests, are purely statistical in outcome. Historical trends, correlations and other factors are used to forecast outcomes. Major variables that might impact the financial plan are also identified. In 2016, WSP was engaged by Sound Transit to conduct a risk assessment, the results of which were presented to the Board and the ST3 Expert Review Panel. In 2019, WSP was again engaged to update the risk assessment, incorporate 2016-2019 actuals, and reflect current market trends.

Results of the assessment show that tax revenues are likely to be higher than projected because of higher than expected actuals in 2017-2018 and a narrower range of inflation projections. Operating costs are also likely to be higher for the same reasons, and are difficult to contain because of the costs of third party service agreements. Capital costs are also projected to be higher than the 2016 forecast based on recent experience with construction prices in the region. Finally, the probability that debt capacity will reach more than 90 percent of the legal limit of 1.5 percent of assessed property value within the Agency's boundaries has increased, particularly from 2029 to 2035.

Overall, expenditures are the largest drivers of future capacity uncertainties. There is an increased risk of reaching financial capacity limits, as well as a likelihood of higher interest costs caused by lower financial capacity and debt coverage ratios. Optimal management of the risks will require scope discipline, containment of growth in operating costs, continuous evaluation of assumptions, and close monitoring of capacity measures to determine whether program adjustments are required.

Key findings from the 2019 financial risk assessment have been factored into the Agency's long range financial plan projections for 2017 – 2041. The higher capital cost forecast is partially offset by the stronger tax revenue forecast; remaining costs will be funded with additional debt. The updated operating budget slows spending growth. While available debt capacity remains largely unchanged from 2018, capacity is more constrained during the peak period of ST3 delivery. Financial plan projections have increased by \$1.7 billion over the past year, while operating projections are down slightly. Projected debt capacity is similar to the 2018 forecast because the slight increase in assessed value growth has been offset by increased borrowing. Overall, there is a \$325 million projected budget reduction through 2041.

The 2020 proposed budget shows \$3.1 billion in sources and uses of funds. Revenues and funding sources total \$2.5 billion. Transit operations equal \$370 million and debt service and other items equal \$177 million. 2020 projects total \$2.5 billion, with non-system expansion of \$232 million. System expansion in all corridors totals \$2.3 billion.

## **Discussion**

COP members appreciated the thorough and candid presentations. Staff were complimented for the detail and transparency of their work, and for their ability to make very complex issues understandable.

The October 3, 2019, COP meeting summary was approved. The October 17, 2019, COP meeting summary was approved as amended.

It was noted that Marie Rogers had resigned from the COP because of a change of work address and the assumption of additional professional responsibilities. Members expressed appreciation for her service.

## **Member Reports**

James Peyton reported that he had attended an event at Highline College that included a very interesting presentation by the director of Sound Transit's STart program.

Larry Sauv  reported that he planned to attend a breakfast meeting of the Downtown Seattle Association at which the topic of Third Avenue street improvements would be addressed.

Sharon Grader reported that she had attended an open house in Edmonds regarding station access. There was a constant stream of people coming in and out of the meeting and concern expressed that the consultant for the project didn't have a good understanding of the Edmonds community. An online open house and survey about the project will be available until November 4.

Helen Powell reported that there is also an online open house available for Lynnwood Link Extension. Helen had recently traveled to Chicago and enjoyed using the excellent transit system there. She had also participated in a conference in Seattle and encouraged attendees to use the local transit system. Those who did so were impressed by the good service and reasonable price.

## **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

## **Outstanding Questions**

- Federal Way Link - TOD-related questions regarding property acquisition and station access
- ORCA – total operating cost for 2018
- BRT – planned use of cost savings identified in preliminary estimates, total estimated ridership both lines
- Information security risk assessment

Next Meeting: Thursday, November 7, 2019, 8:30 – 11:00 AM, Santa Fe Room, Union Station