



June 5, 2019

Fred Auch
Citizen Oversight Panel Chair
17604 SE 60th Street
Bellevue, WA 98006

Dear Mr. Auch:

As Sound Transit's Board Chair, I would like to thank you and the Citizen Oversight Panel (COP) for your 2018 Year-End Report. Your thoughtful engagement and thorough oversight enhance Sound Transit's performance, accountability, and credibility.

Last year was another busy and successful year for Sound Transit as we continued to operate our services, carrying a record 48 million riders, and simultaneously pushed full steam ahead planning and building our major expansions. Construction milestones in 2018 included completing post-tensioning of the I-90 floating bridge, completing downtown Bellevue tunnel excavation, breaking ground on our Operations and Maintenance Facility East, substantially completing Northgate Link tunnel construction, and breaking ground on the Hilltop Tacoma Link Extension.

Additionally, the FTA approved our Lynnwood Link Extension grant, the Board set the Federal Way Link Extension and Lynnwood Link Extension budgets and schedules, the Board approved staff's Equitable TOD policy, we hired for our newly created Chief Customer Experience Officer position, and we adopted a service plan for the new, rail-only downtown tunnel.

The COP's role will become ever more essential as we work toward major milestones over the next five years including opening Link extensions to Northgate in 2021; Hilltop Tacoma in 2022; the Eastside in 2023; and Federal Way, Lynnwood, and Downtown Redmond in 2024.

Below you will find staff responses to areas of concern outlined in the Year-End Report. As always, please feel free to follow up with staff for further details on any of these issues.

1. Social Equity

Sound Transit is committed to embedding equity and inclusion throughout the agency. As outlined in the COP report, a major milestone toward operationalizing equity was the adoption of the Equitable TOD policy in April 2018. In December of 2017, Sound Transit established the office of EEO, Equity & Inclusion to provide strategic direction and build capacity to fully integrate equity and inclusion.

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One of the efforts this office is leading is the creation of an agencywide Equity Steering Committee. The Sound Transit Equity Steering Committee is responsible for ensuring continuing progress toward an inclusive and equitable agency. The Committee will set strategy, provide guidance, and ensure integration of equity principles in their respective business lines. This body will be working on several areas including the development of an equity analysis tool and equity policy.

2. Adequacy and Appropriateness of System Access and Awareness of Emerging Technologies

Thank you for your continued oversight and attention to this issue. Sound Transit engaged a consultant in early 2019 to help prepare an agency System Access Strategic Plan that seeks to address many of the questions and concerns the COP has articulated.

Sound Transit staff has met with the COP's system access task force, and we will continue to keep its members apprised of progress and issues. Staff anticipates having a draft System Access Strategic Plan by early 2020 and will be happy to discuss that work with the COP.

3. Asset Management

Your understanding of our plans to focus on assessing the durability of our system is accurate. Sound Transit has hired three additional staff in 2019 for the asset management team to bring rigor and structure to asset management improvement projects, including efforts that align with your recommendation to develop a quantitative summary of the status, condition, and changes in condition of its infrastructure. These projects include:

- *Total Cost of Ownership Policy & Procedure:* We will develop a procedure and implement a financial analysis approach for material agency decisions that incorporate total life cycle costs, as well as social and environmental considerations where appropriate.
- *Asset Information Management:* We will develop processes to ensure all asset-related decisions are informed by data, so the agency can measure and balance asset performance, cost, and risk.
- *Asset Risk Management:* We will develop an asset risk management framework, which includes (1) identifying critical assets, (2) developing and executing asset risk management processes, (3) aligning strategic, tactical, and operational risks and risk registers, and (4) determining risk mitigation strategies.
- *Strategic Asset Management Plan:* We will publish a Strategic Asset Management Plan, which will describe: (1) the agency's asset management objectives, (2) the approach for developing asset management plans, and (3) the asset management program's role in supporting asset management objectives.
- *Internal Communications:* We will raise awareness, knowledge, and the ability to practice good asset management principles through a combination of training, articles, presentations, and lunch-and-learn sessions.

Asset condition, in concert with age-based scoring, serves to obtain the full, expected useful life of our assets and overall State of Good Repair. Sound Transit is currently documenting the processes to consistently assess asset condition across all asset classes, so the agency can have a better understanding of asset health. Asset criticality is also an important input to our State of Good Repair funding prioritization decision making. Therefore, the agency recently completed the first of two workshops to assess asset criticality for all agency asset classes.

4. Ridership on Sounder North

The COP expressed concern about a significant decline in ridership for Sounder North. We hope to ease concerns by noting that the stated 10 percent decline was an inaccurate number. The 2018 decline from 2017 was not 10 percent, but actually 1.3 percent. In turn, 2017's decrease over 2016 was only 0.5 percent.

We share the goal of increasing Sounder North ridership and will continue to look for opportunities.

5. Federal and State Funding Sources

Sound Transit will continue focusing on securing and maintaining revenues that are essential to on-time project and service delivery of our voter-approved projects. The region's federal congressional delegation has been a steadfast ally when it comes to securing critical federal funding. Local stakeholders have also been critical allies advocating for federal funding.

The results are clear. We are encouraged that the Federal Transit Administration executed a major grant for the Lynnwood Link Extension late last year and subsequently authorized our Federal Way Link Extension to enter the engineering phase of the FTA's competitive funding process. In May 2018, the agency executed a grant with the FTA for the Hilltop Tacoma Link Extension, which allows the agency to draw down on the \$75 million Congress appropriated in FY 2016. The Administration's willingness to advance these projects in the Capital Investment Grant program was aided from the strong bicameral and bipartisan support for the program in the Congress.

Concurrent with working to secure execution of the Federal Way Link Extension grant, Sound Transit will also work to close on a low-interest federal loan for the project, the last of four *Transportation Infrastructure Finance and Innovation Act* (TIFIA) loans authorized in 2016 for Sound Transit expansion projects.

If Initiative 976 were enacted, enforced, and feasible to implement, the fiscal impact to Sound Transit would be approximately \$20 billion through the 2041 planned completion of voter-approved projects. The initiative greatly reduces available resources for transit expansions and seeks to require the agency to collect and divert taxes from completing voter-approved projects to retire debt early. To absorb the financial impact (see below discussion), the Sound Transit Board would need to start as early as 2020 to curtail the program by delaying and/or cancelling projects.

Project delays would cause taxpayers to face much higher costs extending significantly beyond 2041. As a point of reference, if all ST3 voter-approved projects including future Sounder expansions and light rail extensions to Everett, Tacoma, West Seattle, Ballard, South Kirkland, and Issaquah were delayed by five years, inflation and increased interest costs would boost the total cost to taxpayers by a forecasted \$26.54 billion. To pay these costs, the Sound Transit Board would have to delay the roll back of taxes by more than a decade, which would extend the full tax collection period to beyond 2060.

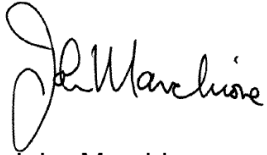
6. Formalized, Early Identification/Evaluation Process for Alignment Options that Could Necessitate Local Funding

Thank you for your comments regarding the requirement for third party funding for any alignment options with scope that exceeds ST3 representative projects.

The Board adopted Resolution No. R2009-24 [attached], the Scope Control Policy, to require and encourage prudent management of project scope, budget, schedule, and quality, and to deliver the regional high-capacity transit system as authorized by the Sound Transit district voters. Resolution No. R2009-24 defines the initial project scope and baseline scope; project mitigation and requests for mitigation beyond what is listed in the final environmental documentation; and requests for betterments, and provides a process for addressing those requests that increase the scope beyond initial or baseline scope.

The cities along the West Seattle and Ballard Link Extension and Tacoma Dome Link Extension alignments have signed partner agreements that acknowledge that third party funding will be required for project scope that extends beyond the representative projects, consistent with Resolution No. R2009-24 and the System Expansion and Implementation Plan.

Sincerely,

A handwritten signature in black ink, appearing to read "John Marchione". The signature is fluid and cursive, with a large initial "J" and "M".

John Marchione
Sound Transit Board Chair

c: Sound Transit Board of Directors
Peter M. Rogoff, CEO
Kathy Albert, Chief Strategic Business Officer
Katie Flores, Board Administrator

**SOUND TRANSIT
RESOLUTION NO. R2009-24 - Attachment A**

SCOPE CONTROL POLICY

Sound Transit's mission is to plan, build, and operate regional transit systems and services to improve mobility for central Puget Sound. Sound Transit is committed to wisely managing public funds while fulfilling the mission. It is the policy of the Sound Transit Board to develop cost-effective transportation projects by maximizing transit benefits, minimizing total project costs, including life-cycle operations and maintenance (O&M) costs, and partnering with local jurisdictions and other parties.

It is the Board's intent that the remaining Sound Move projects and the Sound Transit 2 System Plan are developed with cost control, ridership, and operational efficiency as the primary objectives. Additionally, it is the policy of the Board to require and encourage prudent management of project scope, budget, schedule, and quality; and to deliver the regional high-capacity transit system as authorized by the Sound Transit district voters.

Throughout the life cycle of a project, Sound Transit receives requests from other parties to enhance projects beyond the initial scope. Board approval is required to expand or enhance project scope once Sound Transit project scopes, schedules and budgets are adopted or otherwise established. Nothing in this policy is to be construed as sanctioning the expansion of project scope or the addition of betterments simply because funding is available within project or subarea budgets.

This policy guides Sound Transit's approach to projects at all stages of the project development life cycle. It enables Sound Transit to respond in a consistent and appropriate manner to scope enhancement requests by prioritizing development of the regional high-capacity transit program within and below budget over those requests. Application and adherence to this policy is not limited to projects for which a scope conflict or budget challenge has been identified.

1. Initial Scope

The initial project scope is defined by:

- a. The "project templates" that supported the ST2 planning process.
- b. The project purpose, intent, and budget as described in Sound Move and ST2.

2. Project Development

The project development phase begins by:

- a. writing a Purpose and Need Statement that describes in specific terms the reasons for and objectives of a project,
- b. identifying project alternatives that respond to the initial scope or Purpose and Need Statement and that are within the project lifetime budget as most recently adopted by Board action,
- c. assessing environmental impacts and potential mitigation measures for the alternatives, and
- d. beginning engineering and design.

The assumptions and measurement methods for analyzing project benefits and impacts will be shared with Sound Transit's partners to foster the broadest understanding and agreement possible on project impacts.

3. Mitigation

- a. Sound Transit will responsibly and reasonably mitigate significant, adverse environmental project impacts consistent with the National and State Environmental Policy Acts (NEPA/SEPA) and other applicable federal, state, and local regulations. Mitigation must respond to specific, significant adverse environmental impacts clearly identified in the NEPA/SEPA document for the project and will be attributable to such impacts.

- b. The analysis of project impacts and associated mitigating measures are summarized in a final environmental document, the primary instrument in informing Sound Transit's decisions about mitigation.
- c. Once the project environmental process is complete, requests for mitigation beyond what is listed in the final environmental documentation, will only be considered if they meet the following criteria:
 - 1. must be based on policies, plans, rules or regulations formally designated under NEPA/SEPA and in effect at the time when the environmental determination was issued,
 - 2. must be capable of being accomplished and within Sound Transit's authority to implement,
 - 3. must be directly related to and proportionate to the impacts directly caused by the project,
 - 4. must not delay the implementation of the project,
 - 5. must be cost-effective in light of the project budget, the severity of the impact, and the anticipated reduction in impact due to the mitigation,
 - 6. must be reasonable, and
 - 7. must be consistent with federal, state, and local regulations.
- d. Board approval is required to mitigate measures beyond those included in the project's final environmental documentation.

4. Concurrency

The Growth Management Act and Sound Transit's enabling legislation encourage compact, livable communities and urban centers, to be connected with high-capacity transportation services.

It is the policy of Sound Transit that:

- a. high-capacity transit facilities be regarded and treated as a needed response and solution to growth management concurrency regulations and
- b. high-capacity transit facilities are not typical development subject to additional concurrency requirements.

5. Baseline Scope

- a. Baseline scope is defined by Sound Transit's project decision after the completion of environmental review.
- b. The baseline scope will form the basis for project scope and mitigating measures from that point forward.
- c. Decisions on scope, mitigating measures, and budget throughout the project life cycle will be documented, consistent with Sound Transit's Phase Gate practices, and will be reflected in the annually adopted Transit Improvement Plan.
- d. Board approval of a project's baseline scope, schedule, and budget is required to be consistent with Sound Transit's Phase Gate practices. All subsequent engineering design, permitting activity, and implementation will take the baseline scope, schedule, and budget as a frame of reference.

6. Responding to Requests for Project Betterments

- a. Betterments are defined as project elements that were not clearly:
 - 1. included in the initial project scope,
 - 2. necessary in the normal course of completing the initial project scope,
 - 3. included in the project definition, or
 - 4. among the mitigation measures indicated in the final environmental documentation for a project.
- b. Throughout the project implementation process, Sound Transit's partners may identify opportunities for enhancements to project scope that have benefit to them, and they may express a willingness to fund such betterments. Motion No. M2004-111 outlines a process for amending contract expenditures, by up to \$500,000, in order to accomplish betterments funded by other public agencies. Sound Transit will make every attempt to integrate such enhancements into the project's design if, in doing so, there is not a negative impact to the project's scope, schedule, and budget, and if the betterment leads to higher transit ridership and greater project-level cost effectiveness.
- c. Both capital and on-going operating costs will be considered in the assessment of proposals. Before Sound Transit implements any partner-identified scope enhancements that will increase the O&M

costs of a project or facility, the parties must enter into a formal agreement that commits the partner to pay the increased O&M costs for a period equal to the useful life of the facility.

- d. The requesting partner will reimburse Sound Transit for any increase in administrative costs resulting from the incorporation of betterments. Sound Transit requires that an appropriate proportionate share of prior project development costs, such as environmental review and design, be reimbursed
- e. If Sound Transit determines there is a potential risk to the project schedule and/or budget associated with the partner's request for a betterment, the parties must enter into a written agreement identifying the risks. Sound Transit's partner will be financially liable for any increased costs to mitigate the risks and for any impact to the schedule or budget resulting from the inclusion of the betterments. This written agreement must be executed prior to the initiation of project construction.
- f. Sound Transit's Reimbursement Policy, adopted by separate Resolution, will apply if a partner is currently unable to fund costs of betterment requests.
- g. If Sound Transit's partner requests betterments, but declines financial responsibility, Sound Transit will examine the proposal and determine whether Sound Transit has any legal or other obligation to provide the betterment at Sound Transit expense. Sound Transit will then recommend whether to commence a mediation process, or whether to take all necessary steps to have the matter resolved by third parties.
- h. With the authority delegated by the Board, the chief executive officer may determine whether revisions to project scope are necessary and appropriate.
- i. Sound Transit will not accept financial responsibility for a betterment requested by other parties simply because project costs may be trending below the baseline budget.
- j. Approval by a two-thirds affirmative vote of the Board is required to use project savings, defined as any difference between the projected final costs and the project budget, to fund any portion of project betterments that are for the benefit of any other party, public or private.
- k. If, as a result of the process in (g) above, Sound Transit is directed by a third party to incorporate betterments into the baseline scope and such incorporation results in projected costs exceeding the baseline budget, Sound Transit must undertake an analysis to demonstrate to the Board that Sound Transit is authorized to finance the enhancement and that sufficient financial capacity is available within the appropriate subarea to cover the increased costs. Approval by a two-thirds affirmative vote of the Board is required to add enhanced scope to the project's budget.
- l. Sound Transit-obtained federal funds cannot be used to finance betterments.