



March 25, 2021

Sound Transit Board
The Honorable Kent Keel, Chair
401 South Jackson Street
Seattle, WA 98104

Re Citizen Oversight Panel 2020 Year-End Report

Dear Chair Keel,

This is the 24th annual year-end report of the Citizen Oversight Panel (COP), which sets forth to the Board and the public our assessment of Sound Transit’s performance during the past, unprecedented year.

Background

Historically, the framework for this report is the COP’s authorizing legislation, which is contained in each of the Agency’s three plans, and requires the COP to monitor seven major areas of Sound Transit’s performance:

- 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

While the Agency’s current realignment program may result in significant changes to future capital projects, the COP has found that in 2020, Sound Transit is in substantial compliance in all of these areas.

COVID-19, Recession and Realignment

As the Board and Agency staff are well aware, the unique circumstances created by the COVID-19 pandemic and related recession have resulted in dramatic impacts to the financial assumptions of ST3. The decline in tax revenues the Agency relies on to fund its expansion program,

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continuingly rising real estate and construction costs, and significantly lower fare earnings, have deeply impacted pre-COVID-19 revenue projections.

At the time of the first virtual Board meeting, in March 2020, ridership had declined 83 percent, farebox recovery was forecast to be down by more than 21 percent on Link and Sounder and 17 percent on ST Express, and Sound Transit's short-term borrowing rate had jumped four percent in one month. The possibility of a recession that would jeopardize the affordability of the ST3 plan was noted. Current estimates show a budget gap of \$11.5 billion due to lower tax revenues and higher capital costs in year of expenditure dollars through 2041, which constitutes an affordability gap of almost 11 percent.

The COP commends the Agency for retaining an independent, third party contractor to provide an independent assessment of Sound Transit's updated cost estimates and underlying methodologies. A report is expected by April 2021, which will be used to inform the realignment process currently underway. Public engagement is expected to take place in the spring, feedback from which will be used to identify priorities for a draft realignment plan that will be considered for final Board action later this year. The COP will be providing its own separate comments on this critically important topic as part of the public involvement process.

Agency Operations

Within days of the governor's March 23, 2020, "Stay Home, Stay Healthy" order, all but a small number of the Agency's staff had begun working from home, as they have continued to do for nearly a year. Board and Committee meetings have taken place virtually since March 2020. The COP's meetings were suspended between March 5 and July 8, 2020, when they were resumed virtually. Throughout this disruptive time, the staff has continued to carry out the Agency's work, assuring that transit operations continue, capital projects remain on schedule, and public meetings occur as planned. The COP commends the CEO, the executive leadership group, and the entire staff for its extraordinary accomplishments over the past year. These efforts include ongoing staff presentations to the COP.

Capital Project Construction

As 2020 began, Sound Transit had engaged every member of its staff to participate in Connect 2020, a unique, 11-week construction project to create Link's first branch line while light rail operations continued at each station. By the time Connect 2020 was successfully completed, the COVID-19 pandemic had already begun to take a drastic human and economic toll on the region.

In spite of these uniquely disruptive events, it is noteworthy that seven major construction projects are fully funded and anticipated to open on schedule in the next four years, adding 40 miles of track and 28 new stations to the regional system.

Transit-Oriented Development (TOD)

The TOD program continues to expand, integrating Sound Transit's capital projects with housing and commercial development. The First Hill project recently completed its real estate closing,

which will provide more than 360 apartments for residents making 30 – 60 percent of area median income. The site also includes more than 4,000 square feet of ground floor retail space. Remnant parcels in the Rainier Valley will be available for affordable homeownership. Non-profit developers have broken ground on more than 250 units of affordable housing at Roosevelt Station, and negotiations have begun on a \$500 million mixed-use project near the Spring District/120th station that will include 500 housing units, office and retail space, and a park.

Reliability of State and Federal Funding Sources

The COP believes adequate future governmental funding will be a key component in addressing projected program shortfalls. Immediate financial impacts of the pandemic and recession were somewhat mitigated by Sound Transit's receipt of \$166.3 million from the CARES Act. The Agency continues to pursue potential, additional federal relief funding. In October 2020, the Washington State Supreme Court ruled that Initiative I-976 is unconstitutional, thereby allowing the Agency to continue collecting Motor Vehicle Excise Tax fees that were originally estimated to generate about \$20 billion over the life of ST3. Finally, very preliminary messaging from the U.S. Department of Transportation indicates support for a major transportation bill that could facilitate much-needed infrastructure investment across the country.

Asset Management

The COP is pleased to see continued progress in development of Sound Transit's asset management program, which has been in place since 2016 and fully compliant with the Federal Transit Administration's (FTA) transit asset management requirements since 2018. In 2019, Sound Transit created a four phase plan to develop and apply best practices to asset management across the Agency.

The FTA estimates that 40 percent of buses and 23 percent of rail cars across the U.S. are in marginal or poor condition, resulting in a \$98 billion backlog of deferred maintenance and replacement, and creating significant risks to public safety. As a result, transit operators are required by the FTA to create transit asset management plans that include an asset inventory, a condition assessment, and a prioritized list of investments to improve the state of good repair of their assets. The COP looks forward to seeing Sound Transit's plan, when approved, posted on its website, where permanent metrics shared with the public would help preserve long term goals and document developing trends.

Safety

Amtrak trains recently began testing runs on the Point Defiance Bypass for the first time since the deadly crash of Amtrak Cascades train 501 in December 2017. The Washington State Department of Transportation, Amtrak and Sound Transit, have implemented numerous safety improvements recommended by the National Transportation Safety Board that will reduce the risk of future derailments. In addition, Sound Transit has reorganized its safety and quality assurance departments, and recently appointed its first chief safety officer. The COP commends these steps and will continue to monitor the progress being made to enhance the safety of every service mode.

Equity and Inclusion

Sound Transit's commitment to social and racial equity and inclusion are core Agency values. Ongoing initiatives include equitable transit-oriented development, a pre-apprenticeship program through the Labor Relations office that includes three to five years of on-the-job and classroom training for careers in the construction industry, and robust contracting goals for the utilization of apprentices, workers of color, and women.

In addition, the Office of Civil Rights, Equity & Inclusion has developed two draft equity tools that are currently in pilot phase. The racial equity tool is designed to integrate an explicit consideration of racial equity in decision-making related to projects, policies, programs and practices while the equitable engagement tool is designed to integrate an explicit consideration of equity and inclusion into Sound Transit's community outreach and engagement efforts. A full implementation plan is in development and will be rolled out by end of 2021.

Fare Policy and Enforcement

A fare enforcement pilot project has been adopted by the Board and will be implemented in coming months. Fare enforcement officers will be replaced by fare engagement ambassadors trained in conflict de-escalation and implicit bias. The ambassadors will focus on providing information about fare payment options to those riders who don't pay fares and will issue warnings instead of tickets. The pilot will result in an updated fare enforcement policy aimed at improving riding conditions, especially for people of color, those with disabilities, and those with low or no incomes, the latter of whom are particularly vulnerable to financial hardships and criminal penalties when charged with fare evasion. The COP commends the effort to address this very challenging issue, while also noting the importance of fares as a component of the Agency's financial capacity to provide ongoing, equitable transportation throughout the region.

Conclusion

The events of the past year have created unique challenges for all. The necessary realignment work ahead will require difficult decisions affecting many constituents. However, through the exceptional work of the Agency's leadership and staff, train and bus operations have continued, along with essential business functions. Capital projects already in construction remain on schedule, and all but one remains on budget. More than 2,000 construction workers are building 40 miles of new light rail tracks and dozens of stations that will facilitate the region's mobility and economic recovery in the years ahead.

Sincerely,

CITIZEN OVERSIGHT PANEL



Scott Lampe,
Citizen Oversight Panel Chair