

Board Retreat

Sound Transit Board of Directors

03/18/2026



Welcome

Retreat agenda

- 10:00 Welcome
- 10:30 Capital program approaches
- 11:45 Afternoon preview
- 12:00 *Lunch*
- 12:45 Small group work: Enterprise workstream opportunities
- 2:15 Debrief, discussion, and next steps
- 3:00 Adjourn



Retreat purpose & outcomes

- Present Board members with **plausible, affordable approaches to deliver the ST3 capital program** and engage in the policy questions and trade-offs surfaced by them.
- In small groups, explore additional **opportunities to save costs and expand financial capacity** across each Enterprise Initiative workstream.
- Receive **feedback from the Board to help advance toward an updated ST3 System Plan** that reflects capital program priorities and additional opportunities to incorporate.



Warm-up and Debrief



***Agency and Enterprise
context***

35 Years of Sound Transit, in 5 Eras

| | | | | |
|------------|--------------------|----------------------|----------------|-----------------|
| Beginnings | Startup & Survival | First Openings & ST2 | Momentum & ST3 | A Changed World |
| 1990-1996 | 1997-2003 | 2004-2010 | 2011-2019 | 2020-2025 |

Key takeaways from Sound Transit history

- We have already made successful generational investments, and our voter-approved system is more than 50% complete today.
- ST's governance structure and financial policies anticipated that capital and operating cost forecasts will always be moving targets and active, ongoing board management of the capital program is required.
- The Board has successfully navigated three major program adjustments and has continued to deliver on voter promises.
- Maintaining momentum is key during program adjustments. Delay is itself a major cost driver.
- Strong partnerships with cities, local communities, and state and federal governments are necessary to define, permit, and fund the regional system.
- Transparency, trust, and collaboration between Board members and ST staff is essential.

Technical Advisory Group (2023)

Outside experts advising on how Sound Transit can improve the speed of project delivery following 2021 Realignment

1. **Trust:** Rebuild trust and clarify the roles and responsibilities of Board and staff.
2. **Capital delivery staff:** Introduce an experienced megaproject capital program executive team.
3. **Decision-making:** Implement procedures that push decision-making down to the lowest level practical and foster an environment that encourages decision-making in general.
4. **Owner of choice:** Align key procedures with industry best practices, eliminating unnecessary steps and associated delays.
5. **Betterments:** Strengthen and enforce an agency betterment policy.
6. **FTA:** Engage the FTA as a delivery partner equally invested in delivering transit to the region.

Capital program cost growth over time



2016 (ST3)

ST3 cost estimates developed for the ballot measure were based on a **parametric method** appropriate for very low level of design.

2021 (Realignment)

Updated costs in 2021 showed substantial cost growth for ST3 projects in design based on increases in **ROW** costs, increases in **construction costs** from design challenges and scope additions, and associated increases in project **soft costs**.
Pre-Covid inflation trends informed 2021 estimates.

2025 (Enterprise)

ST3 cost estimates in 2025 showed continued substantial cost growth from 2021. These increases are primarily due to **historic inflation**, complex project delivery, tariffs, labor shortages, **supply chain disruptions**, added scope, and ROW prices.
The use of bottom-up **cost estimating** methods has captured these project cost increases more accurately.

Historic inflation

Highway construction costs have **surged 71.5%** since the end of 2020, according to FHWA's National Highway Construction Cost Index. In early 2024, costs were rising at an **annualized rate of nearly 10%**, reflecting historic inflation in labor, materials, and supply chains—dramatically impacting project budgets and delivery.

“The price trend for **engineering services increased approximately twice as fast** in the four years following 2020 compared to the four years preceding it.”

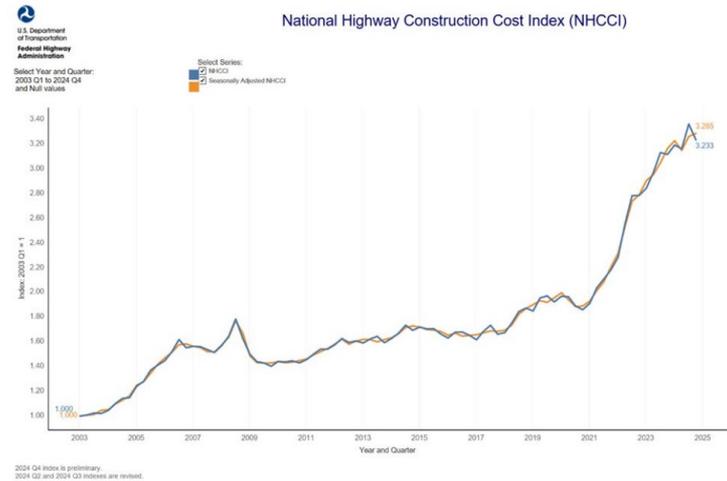


Figure 3: National Highway Construction Cost Index (NHCCI) 2003-2024¹⁵

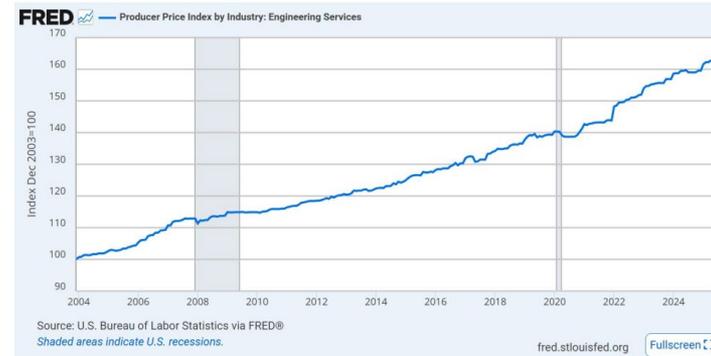


Figure 7: Engineering Services Producer Price Index⁵⁰

***Capital program
approaches***

Section outline

- **Define:** key terms, rules, and expectations
- **Overview:** our program affordability challenge, how we measure and define it, and why we are starting with the capital program
- **Recap:** Board principles to guide the Enterprise Initiative
- **Review:** capital program approaches
- **Summarize:** major takeaways, policy trade-offs, and key considerations to support Board engagement
- **Board discussion and feedback**

Today is about surfacing trade-offs, not choosing among the approaches presented

- We will present three plausible approaches for a revised, affordable capital program; **these are illustrative and serve as a starting point** for today's retreat – but they are not answers
- Each approach reflects different points of emphasis, which allows for **trade-offs and priorities to be surfaced**
- Your role today is to **engage with those trade-offs, identify what priorities and principles should be emphasized, and provide feedback** to guide staff efforts toward an updated ST3 System Plan

Defining terms

- **Enterprise Initiative workstream.** The major components of work to deliver a balanced, affordable ST3 and which are policy & planning, capital delivery, transit operations, and finance.
- **Lever.** A general term referring to specific – or categories of – tools and opportunities that save cost, speed project delivery, or increase financial capacity.
- **Capital program approach.** Starting points toward a revised and affordable capital program and intended to provoke Board engagement on policy trade-offs.
- **Subarea equity.** Board financial policy that requires subarea tax revenues be spent on projects and services that benefit the residents of the subarea where those revenues are generated.
- **Modify.** Incorporating specific capital project cost savings opportunities, including station deferrals and eliminations.
- **Phasing.** Delivering an initial phase of a light rail extension, but deferring construction of the full project.
- **Defer.** Project is maintained in the ST3 program, but no or limited funding is allocated, and the project will advance as funding becomes available.
- **Pre-planning.** The status of a project after voter approval but before the start of formal project development.
- **30% design.** The design milestone associated with the completion of the environmental phase and the “project to be built” Board action, and before the start of final design and right of way acquisition.

Quantifying our affordability challenge

Fall 2025 Long-Range Financial Plan summary

- \$34.5B in cost savings and/or new funding is required to fully fund ST3 program
- This is a ~25% increase above the Fall 2024 Long-Range Financial Plan
- Capital program cost growth is approximately \$22B-\$30B more in year-of-expenditure dollars
- Cost pressures related to transit operations could require approximately \$5B more in year-of-expenditure dollars
- Updated revenue projections (\$2B) and financing improvements (\$2B) included in the fall 2025 Long Range Financial Plan update have increased agency financial capacity by \$4B

\$149B in total year-of-expenditures dollars is projected to be affordable, including \$51B in pre-baselined capital projects.

How we measure program affordability

An affordable ST3 System Plan includes sufficient funding to pay for operations, maintenance, state of good repair, system expansion, and agency administration

The plan relies on our ability to issue debt – at the agency-level – and borrow within the following constraints:

Legal debt capacity

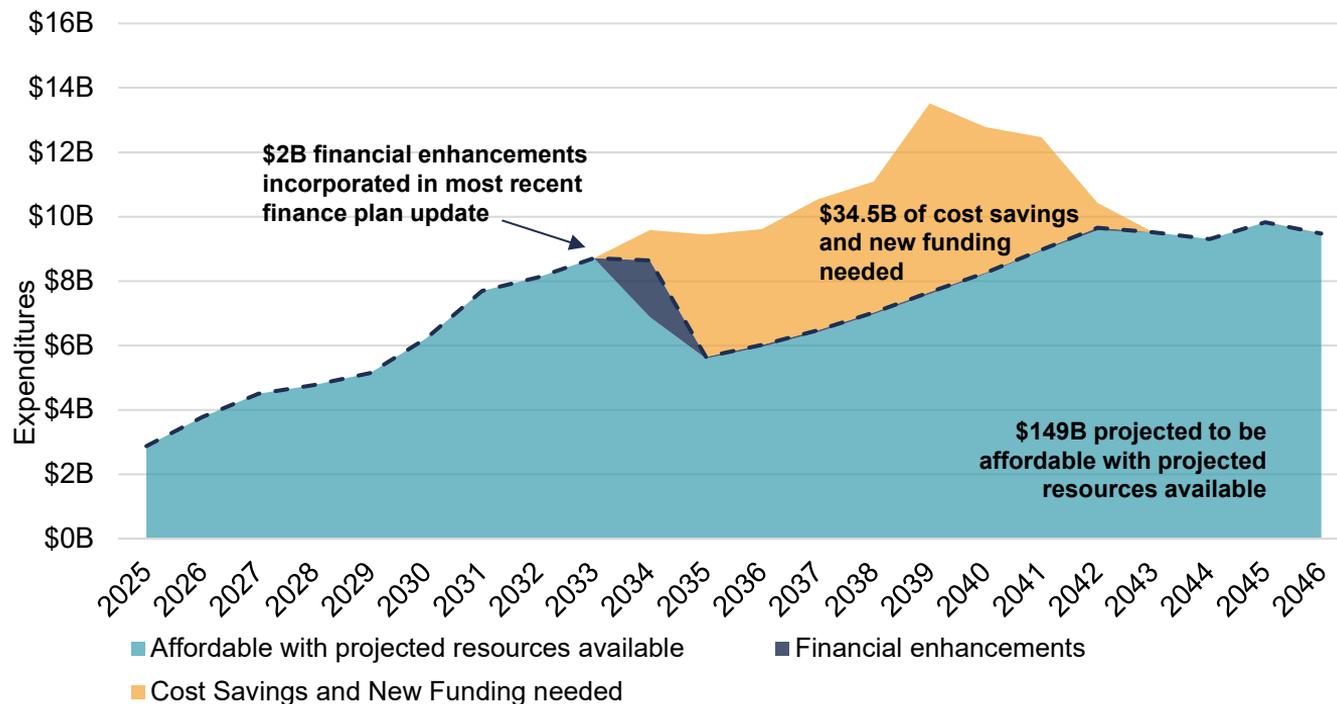
- The agency's ability to issue new debt
- **Constrained by state law** not to exceed 1.5% of assessed value of real property in the Sound Transit taxing district

Debt service coverage ratio

- The agency's ability to repay debt after paying annual operating costs
- **Constrained by Board policy** of 1.5x net revenues over annual debt service costs in any given year

Program affordability over time

- Program affordability challenges occur in part based on our ability to issue debt
- Capital project cost growth, coupled with the timing of those anticipated expenditures, limit our ability to issue debt to finance program delivery
- Solving for this adds a temporal dimension to the problem at hand



System affordability & subarea equity

An affordable ST3 System Plan is affordable at both the overall system level and complies with Board financial policies requiring subarea equity

System affordability

- Measured within the constraints of legal debt capacity and debt service coverage ratio **in any given year**
- If the plan itself is unaffordable, we must solve for affordability at the system level before moving to subarea equity
- All subareas are currently out of balance in addition to the overall plan being unaffordable

Subarea equity

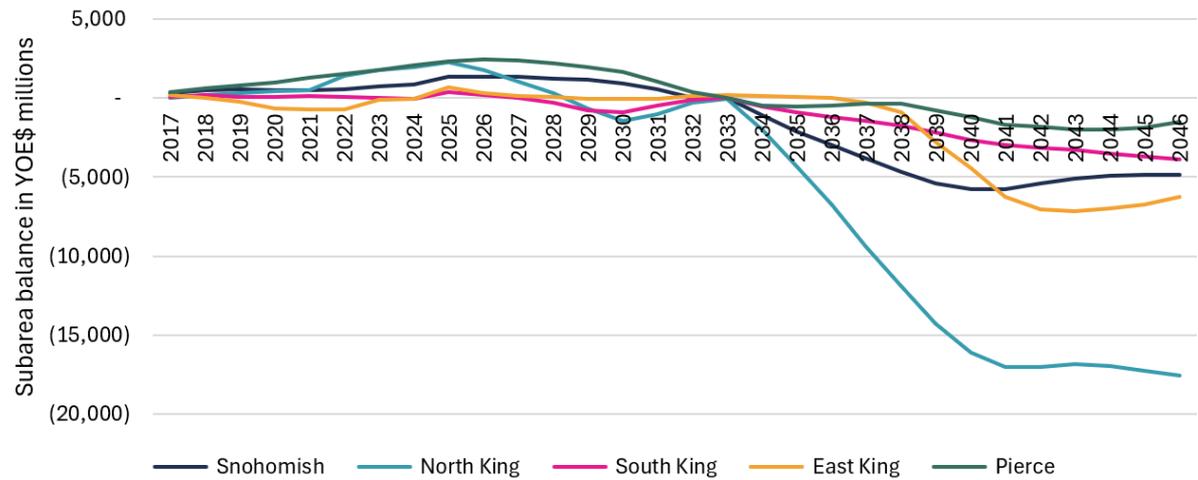
- Measured across **the entire lifespan** of the Long-Range Finance Plan
- Must comply with ST3 financial policies that no subarea's projected expenditures exceed projected revenues by 5%
- Subareas can't fund projects and services that do not benefit the residents and ratepayers within their subarea

The capital program approaches shared today focus on system affordability with follow-on work focused on ensuring compliance with subarea equity

Subarea balances

All subareas enter a deficit during the life of the unconstrained Long-Range Financial Plan and end in a negative balance

Fall 2025 Subarea Balances



Enterprise Initiative workstreams

Policy & planning

- Policy changes (by Sound Transit or others) that save capital and operating costs, speed project delivery, or expand financial capacity
- Updated service assumptions based on modified capital program and ridership projections

Transit operations

- Potential new resiliency investments (e.g., modern signal system, existing tunnel upgrades)
- Revised operating & maintenance and light rail vehicle costs based on updated service assumptions

Capital delivery

- Cost savings opportunities
- Adjusted phasing and sequencing of project investments
- Potential deferral of some projects
- **Largest share of cost growth and therefore potential cost savings**

Finance

- Updated financial planning assumptions (e.g., federal grant strategy)
- Policy changes and exercising existing available revenue authority
- Potential third-party funding opportunities

Capital delivery cost savings work plan

- Following the Board's directives from Motions Nos. M2024-59 & M2025-36
- **Programmatic opportunities** identified as opportunities across the portfolio of projects
- **Project opportunities** identified as unique opportunities for specific capital projects
- Opportunities will provide benefits to include improving passenger experience and lower operating and maintenance costs in addition to cost savings

Projects Developing Cost Savings Opportunities

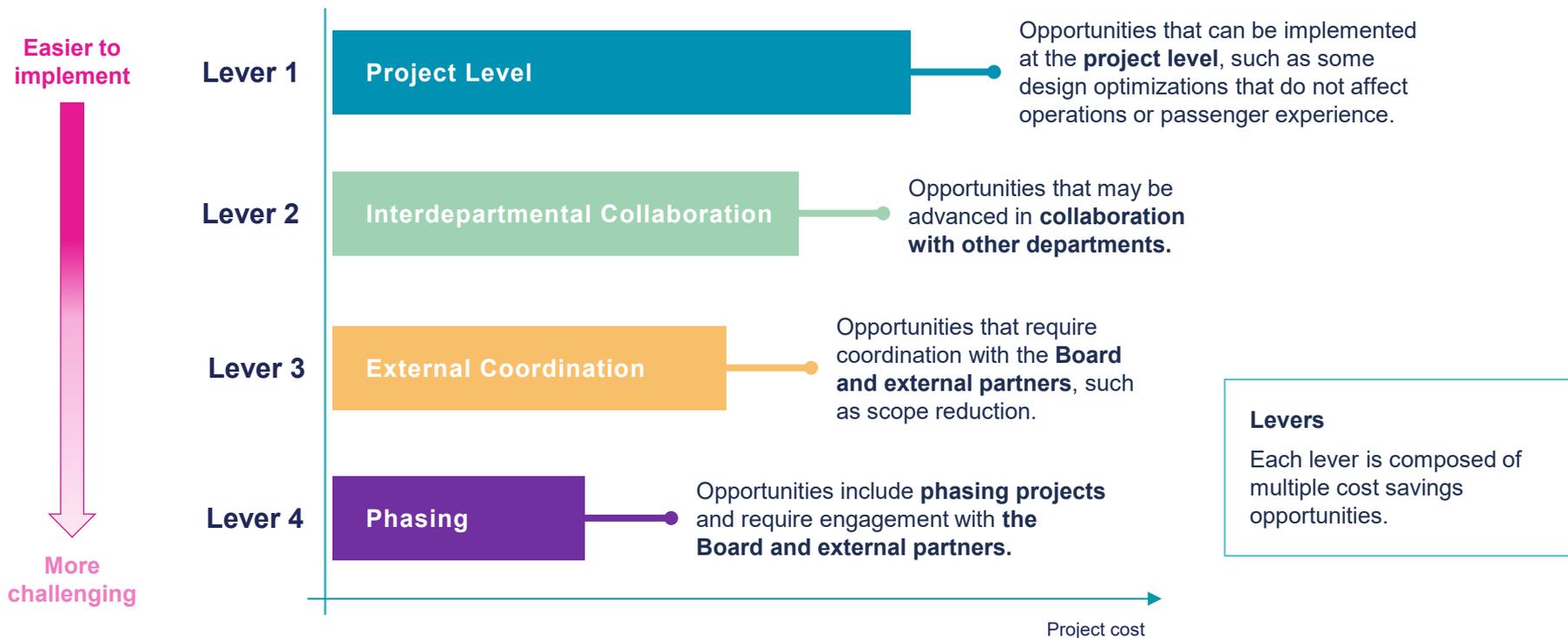
Conceptual Engineering:

- Ballard Link Extension
- Tacoma Dome Link Extension
- Everett Link Extension
- Infill Stations
- Sounder Program
- OMF North

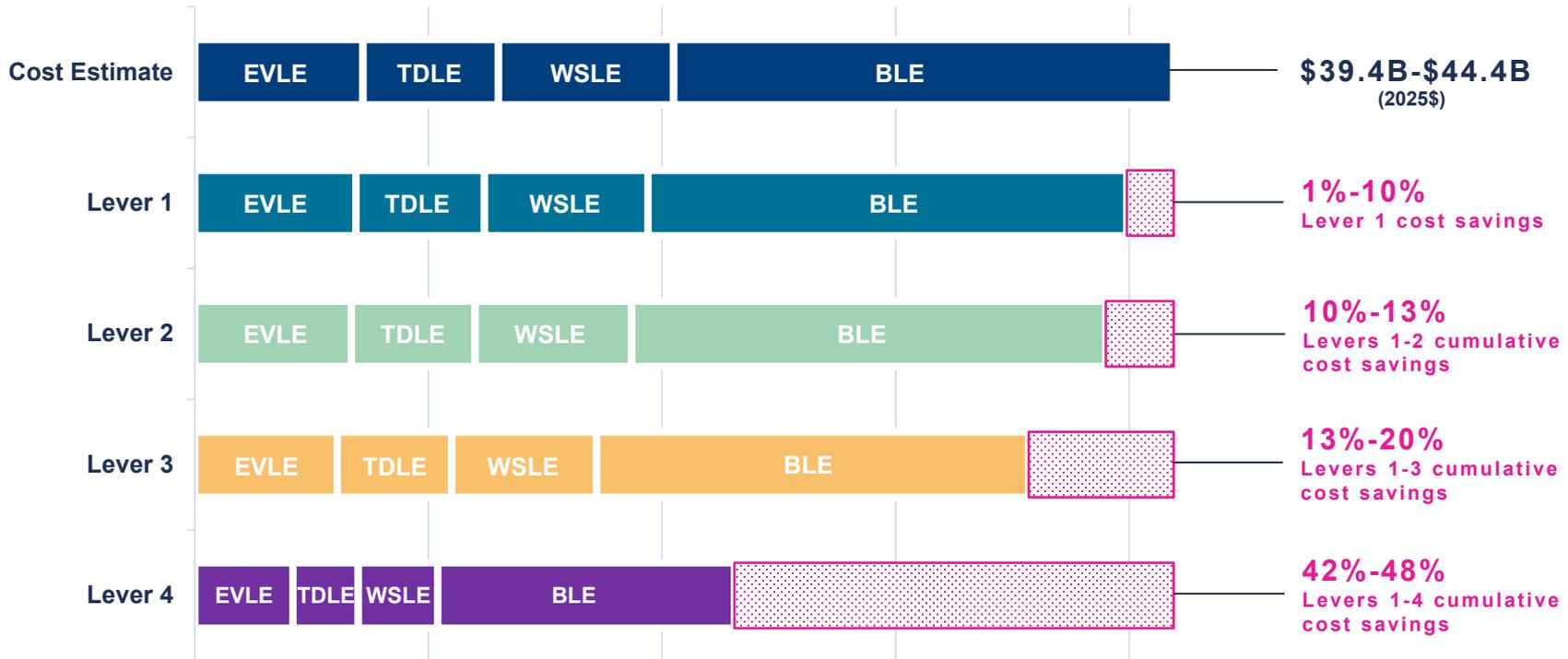
Post-Preliminary Engineering:

- OMF South
- West Seattle Link Extension

Capital delivery cost savings levers



Status update on cost savings for Link projects



■ Represents % cost savings across Link projects per lever

Each lever assumes that all previous lever cost saving opportunities have been implemented



**Voter
approval**



Planning
4-5 years



Design
2-3 years



Construction
5+ years



**Start of
Service**
~6 months

Project milestones

- | | | | | |
|--|--|---|---|---|
| <ul style="list-style-type: none"> • Project in ST3 voter approved initiative | <ul style="list-style-type: none"> • Alternatives analysis • Environmental review • Preliminary design (~30%) • Record of decision | <ul style="list-style-type: none"> • Final design (60% and 90% milestones) • Easements & permitting | <ul style="list-style-type: none"> • Property acquisitions • Construction completion • Systems integration | <ul style="list-style-type: none"> • Simulated service • Safety certification • Start of revenue service |
|--|--|---|---|---|



Voter approval



Planning
4-5 years



Design
2-3 years



Construction
5+ years



Start of Service
~6 months

Pre-planning

- South Kirkland to Issaquah Link
- T Line extension

Alternatives analysis

- Sounder South improvements

Environmental Review / Preliminary Design

- Boeing Access Rd Infill Station
- S Graham St Infill Station
- Ballard Link
- Everett Link
- OMF – North
- Tacoma Dome Link

Final Design

- West Seattle Link – ROD received, 30% complete
- OMF – South

Construction

- Stride BRT
- Pinehurst Station

Simulated service

- Crosslake Connection

Revenue service

- Redmond Link
- Federal Way Link

Principles guiding the Enterprise Initiative

Established by the Board via M2025-36

Advance regional connectivity

- serve our population and job centers
- complete the regional transit spine
- benefit the whole region and achieve the objectives of ST3

Support future growth

- maintain and grow ridership
- align investments with current land use and future growth
- engender broad future support

Prioritize the passenger experience

- prioritize the riders' experience
- maximize connections and ridership
- keep everyone safe
- ensure our system is dependable

Protect public investments with fiscal integrity

- be careful stewards of public resources
- seek cost savings and efficiencies
- maintain strong oversight and accountability
- understand trade-offs

Board-established process elements

To help inform the Board on how to best achieve the planned outcomes of the Enterprise Initiative

- Engage communities through inclusive collaboration
- Build trust through transparent governance
- Drive decisions with data and insight

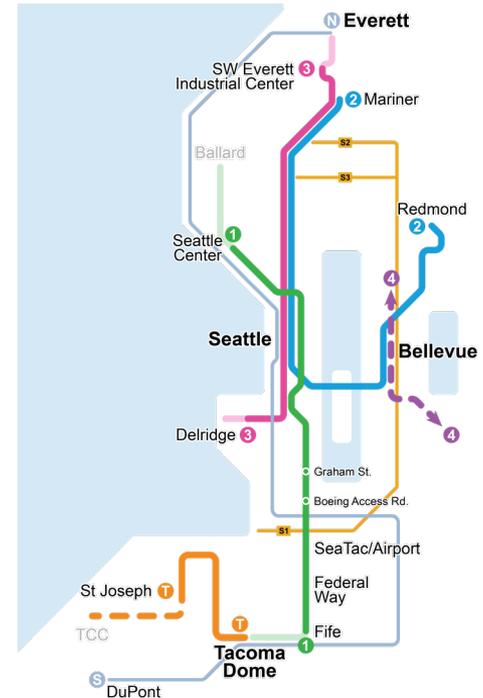
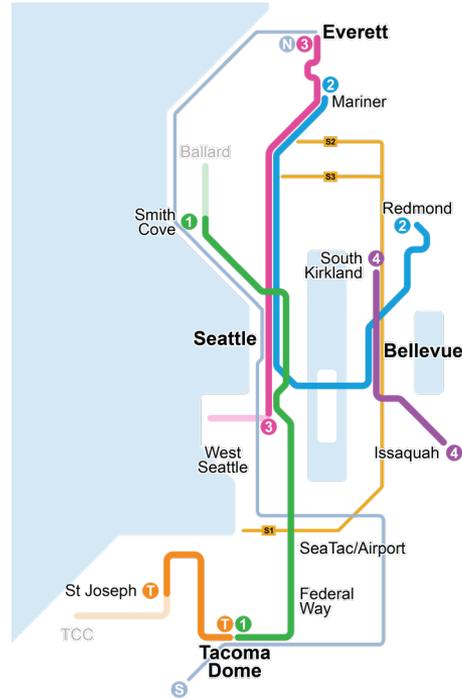
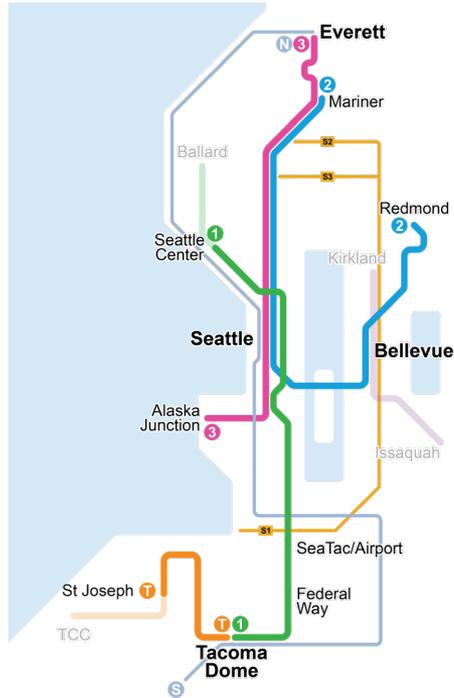
How we developed these approaches

Rules & expectations

- **Ensure meaningful differences:** Approaches should reveal real trade-offs and illustrate policy considerations for Board members
- **Focus on what matters:** Prioritize and vary components that truly move the needle
- **Keep it simple:** Complex approaches collapse under their own weight; clarity is critical
- **Build on existing work:** Leverage cost-savings opportunities as the foundation; supplement with additional technical work
- **Expect a blended outcome:** The eventual ST3 System Plan update put forward to the Board is likely to combine elements from multiple approaches

Three illustrative approaches to surface trade-offs

Solid dashed lines indicate alignments are not confirmed. Light lines indicate deferred projects.



Approach 1

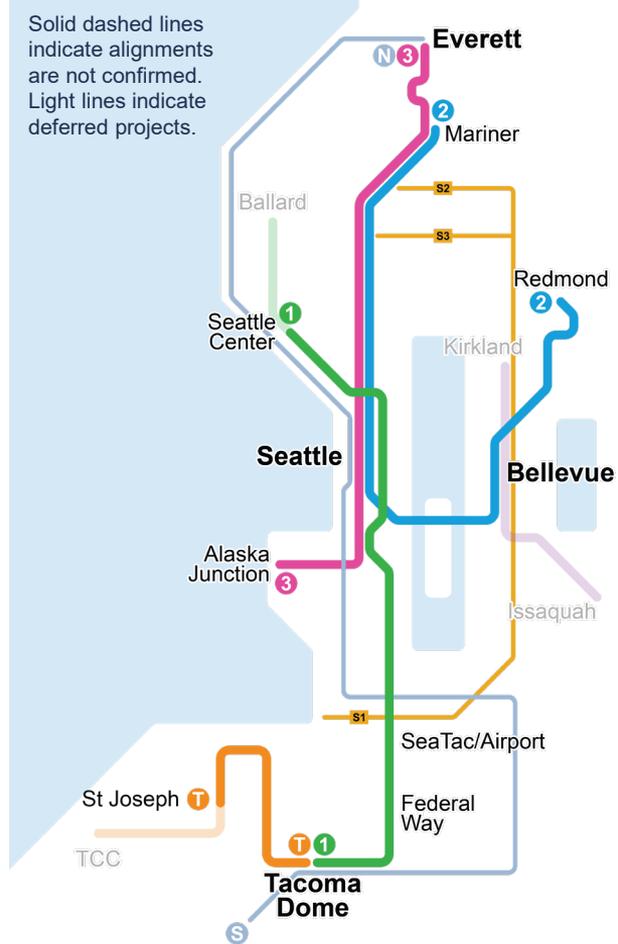
Keep active light rail extension projects moving

Link Light Rail Projects

| | |
|-----------------------------------|--|
| West Seattle Extension | Construct to Alaska Junction (without Avalon) |
| Ballard Extension | Complete planning and 30% design on full project, construct to Seattle Center (without South Lake Union) |
| Everett Extension | Construct to Everett Station |
| Tacoma Dome Extension | Construct to Tacoma Dome |
| Graham Infill Station | Complete planning and 30% design; defer |
| Boeing Access Infill Station | Complete planning and 30% design; defer |
| T Line Extension | Defer |
| South Kirkland–Issaquah Extension | Complete planning and 30% design; defer |

Souder South Projects

| | |
|------------------|----------|
| Additional Trips | Maintain |
| DuPont Extension | Defer |



Approach 2

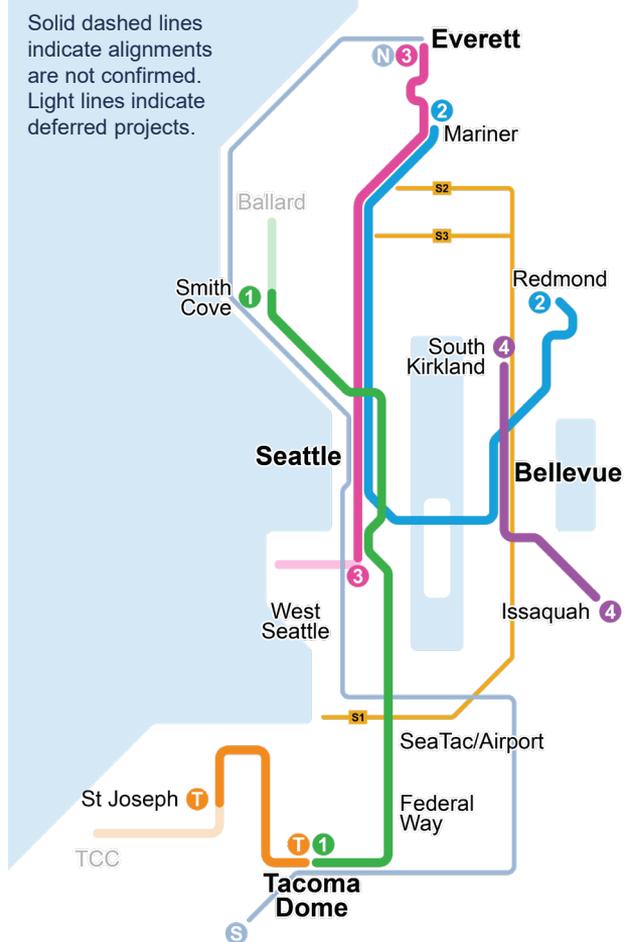
Advance regional connectivity

Link Light Rail Projects

| | |
|-----------------------------------|--|
| West Seattle Extension | Defer final design and construction |
| Ballard Extension | Complete planning and 30% design on full project, construct to Smith Cove (without South Lake Union) |
| Everett Extension | Construct to Everett Station |
| Tacoma Dome Extension | Construct to Tacoma Dome |
| Graham Infill Station | Complete planning and 30% design; defer |
| Boeing Access Infill Station | Complete planning and 30% design; defer |
| T Line Extension | Defer |
| South Kirkland–Issaquah Extension | Construct project |

Souder South Projects

| | |
|------------------|----------|
| Additional Trips | Maintain |
| DuPont Extension | Defer |



Approach 3

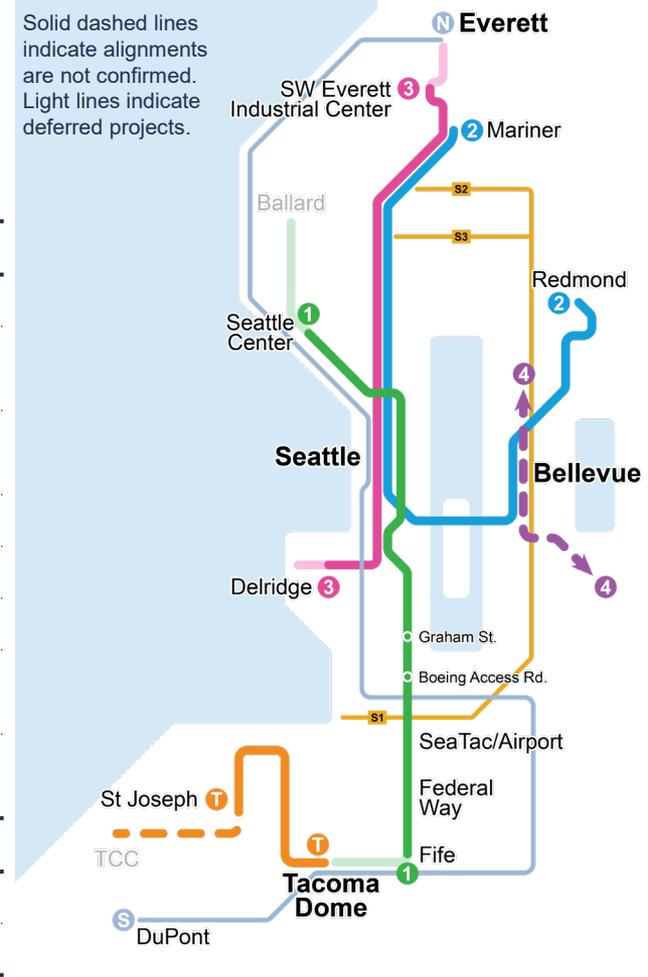
Phase all light rail extension projects to advance other ST3 elements

Link Light Rail Projects

| | |
|-----------------------------------|--|
| West Seattle Extension | Complete planning and 30% design on full project; construct to Delridge |
| Ballard Extension | Complete planning and 30% design on full project; construct to Seattle Center (without South Lake Union) |
| Everett Extension | Complete planning and 30% design on full project; construct to SW Everett Industrial Center |
| Tacoma Dome Extension | Complete planning and 30% design on full project; construct to Fife |
| Graham Infill Station | Complete construction |
| Boeing Access Infill Station | Complete construction |
| T Line Extension | Complete planning and 30% design on full project; construct initial phase |
| South Kirkland–Issaquah Extension | Complete planning and 30% design on full project; construct initial phase |

Souder South Projects

| | |
|------------------|----------|
| Additional Trips | Maintain |
| DuPont Extension | Maintain |



| Board Principles | ST3 Baseline | Approach 1 | Approach 2 | Approach 3 |
|---|-------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| Advance Regional Connectivity | | | | |
| Spine completion | Yes (Everett to Tac. Dome) | Yes (Everett to Tac. Dome) | Yes (Everett to Tac. Dome) | No (SW Everett Ind. to Fife) |
| Regional centers served by rail | +6 | +3 | +3 | +2 |
| Support Future Growth | | | | |
| Daily Sound Transit rail boardings | 630,000 | 550,000 (87% baseline) | 550,000 (87% baseline) | 540,000 (86% baseline) |
| Population & jobs with access to rail | +430,000 | +280,000 (66% baseline) | +310,000 (72% baseline) | 300,000 (70% baseline) |
| Zero-vehicle households with access to rail | +13,000 | +9,100 (71% baseline) | +8,800 (68% baseline) | 8,800 (68% baseline) |
| Passenger Experience | | | | |
| Regional travel time reduction | High | Medium | Medium | Low |
| Fiscal Integrity | | | | |
| Program competitiveness | <i>Not applicable</i> | High | Medium | Low |
| Project readiness | <i>Not applicable</i> | High | Low | Medium |

Discussion

Questions or comments

- What feedback do you have on the policy trade-offs between these approaches?
- Do you have any questions for staff on the material presented?
- Do you have any feedback on the approaches themselves?
- Is there anything else you'd like to share?

Afternoon preview

Purpose of our next activity

- Engage on opportunities to save costs or increase financial capacity by each Enterprise Initiative workstream
- Identify any additional information required to support Board direction and decision-making
- Determine the most promising opportunities staff should pursue and incorporate into a proposed update to the ST3 System Plan

Enterprise Initiative workstream levers

Policy & planning

- Policy changes (by Sound Transit or others) that save capital and operating costs, speed project delivery, or expand financial capacity
- Updated service assumptions based on modified capital program and ridership projections

Transit operations

- Potential new resiliency investments (e.g., modern signal system, existing tunnel upgrades)
- Revised operating & maintenance and light rail vehicle costs based on updated service assumptions

Capital delivery

- Cost savings opportunities
- Adjusted phasing and sequencing of project investments
- Updated cost allocations for shared/systemwide assets
- Potential deferral of some projects

Finance

- Updated financial planning assumptions (e.g., federal grant strategy)
- Policy changes and exercising existing available revenue authority
- Potential third-party funding opportunities

Round robin instructions

- We have assigned you to small groups and each group will visit all four Enterprise Initiative workstream tables
- There are four 20-minute rounds for you to engage at each table
- Staff subject matter experts will briefly summarize key opportunities and prompt small group discussion – but your input is the important content
- Be prepared to discuss in our main session after:
 - » The most promising opportunities that you think staff should pursue or incorporate
 - » Your thoughts on how these opportunities inform a modified capital program approach
 - » Additional information needed to inform your understanding and eventual decision-making

Small group assignments

Group 1

- Board Chair Somers
- Board member Wilson
- Board member George
- Board member Fain

Group 2

- Board member Walker
- Board member Zahilay
- Board member Franklin
- Board member Meredith
- Board member von Reichbauer

Group 3

- Board member Birney
- Vice Chair Mello
- Board member Mosqueda
- Board member Parshall

Group 4

- Board member McLeod
- Vice Chair Balducci
- Board member Roscoe
- Board member Strauss

Conclusion

Debrief & discussion

- **What are your key takeaways by Enterprise Initiative workstream?**
- **What do you see as the most promising opportunities for staff to incorporate into an updated ST3 system plan?**
- **How do these opportunities inform your perspective from the capital program approaches discussed this morning?**
- **What else would you like to share to inform next steps?**

Thank you.



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