



April 30, 2021

The Honorable Dow Constantine
The Honorable Jenny Durkan
The Honorable Claudia Balducci
Members -- Sound Transit Board of Directors
401 S. Jackson St
Seattle WA 98104-2826

Dear Board Members Constantine, Durkan, and Balducci:

Thank you for your thoughtful and collaborative letter of April 22 in which you reflect on our current year-long effort to realign the Sound Transit capital program to one that is affordable and offer suggestions on next steps. I appreciate your observation that “*as local leaders, we know that when things get tough, we cannot stop or cut and run; we must find a way to make it happen.*” It is in that spirit that I am responding to your letter– to explain how I believe we are in alignment on a great many of your imperatives and I hope you will see that alignment reflected in the realignment process going forward.

Throughout numerous discussions and Committee meetings about our affordability gap and the legal requirement for realignment, you have heard me advocate for the adoption this July of a “framework for future decision making.” In recent days, I have instructed staff to draft a motion that illustrates what is meant by that phrase. In that regard, your letter is timely and welcome as it provides the opportunity to incorporate your concepts in this draft motion.

A motion that embodies a “framework for further decision making” is one that satisfies the ballot measure’s requirement to complete realignment but does so in a manner that is sufficiently flexible to accommodate new information, while avoiding further delay on near-term project decisions. The new information that will be folded into the affordable plan over time includes critical information on updated project design and costs, efforts to contain costs, possible new federal assistance, and the potential for help from the state level, to name a few categories.

I also anticipate building into this motion a formalized annual financial review of the Board-adopted realignment plan, one that enables the Board -- with the benefit of updated information -- to make possible adjustments to the plan while staying within the legally required confines of a plan that remains affordable. The goal is not to permanently carve a realignment plan into stone this July, but rather to have a framework in place that allows us to be nimble and responsive to emergent information as your letter suggests. The day after we adopt the framework, we will continue to work collaboratively and aggressively to improve upon it.

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Peter M. Rogoff

Your letter rightly points out that “*the Board has not yet taken any steps to try to mitigate or control project cost increases*” – an increasingly large contributor to the affordability gap. As we discussed at last Thursday’s Board meeting, Deputy CEO Farley is preparing a comprehensive work plan to undertake an in-depth review of project costs, including consultations with partners and communities as environmental work advances. Her plan, along with timelines for implementing the process, will be brought to the Board at our May meeting. This effort will inform our annual financial review, including improvements to project schedules as affordability changes over time.

Your letter also proposes that the Board extend and expand the third-party cost review consultant contract to assess and make recommendations on a broader set of cost containment issues. We are very much on the same page on this and I intend to incorporate this action into the draft realignment motion. Per your request, I’ve also asked staff to facilitate a collaborative discussion with City of Seattle and King County staff to discuss additional financial opportunities.

Importantly, completing a flexible realignment plan this July will enable the Board to move forward on a growing list of near-term project actions that will help keep our affordable capital projects moving forward while advancing other projects so they are shovel ready. Without that realignment plan in place, the Board would need to individually and comprehensively consider the benefits of each and every significant near-term decision compared against investments in the rest of the capital program. Allocating funding for each project would need to be carefully evaluated in terms of how the near-term project actions will impact the affordability and schedules for other downstream projects that could have been funded with the relevant subarea’s revenue, debt, and inter-subarea lending capacity.

There are some \$2.4 billion dollars (\$2019) in major baselining actions that are coming due for consideration over the course of the next year, including important investments benefitting every subarea. Completing the flexible realignment framework is the tool that will allow us to decide the manner in which to advance these projects while also understanding how those actions relate to all our priorities. Absent the adoption of that flexible realignment framework, I worry that we could have division among the Board as we aim to move forward with individual projects one-by-one -- especially projects that might benefit just one or two subareas.

There are also financial capacity reasons for taking our realignment action in July. Last year, Vice Chair Constantine put forward a motion (M2020-37) directing the agency to simultaneously seek alternative funding sources while considering a realigned program. While we’ve achieved considerable success to date on that front, that work must continue. Sound Transit benefits from strong credit ratings, and completing realignment to establish an affordable plan is critical to maintaining our high credit ratings, which lead to lower financing costs and greater access to debt in the market. During the Great Recession, our capital program flexibility and Board realignment actions kept our ratings at their current levels.

We also need to be careful to not jeopardize our standing and ability to seek additional federal financing. A delay beyond July could undermine our ability to maximize assistance from the federal government. Sound Transit is the nation’s largest TIFIA borrower, and the agency is already in the due diligence phase with the U.S. Department of Transportation (USDOT) on an application to refinance our TIFIA portfolio while securing an additional TIFIA loan for the Downtown Redmond Link Extension. Together, this opportunity holds the potential for hundreds of millions of dollars in improved capacity depending on interest rates at closing. The USDOT process also involves two near-term reviews by outside consultants to USDOT as to whether our fiscal house is in order.

Completing a flexible realignment plan in July will continue to demonstrate to the market and our federal partners that the Board is acting responsibly, while also creating a tool that will highlight how additional federal assistance could expedite the delivery of priority projects.

In your letter, you point out that the realignment process in 2010 took a total of 20 months and suggest we postpone action until next July. We have known our capital program to be unaffordable for more than a year now, and while our affordability gap is smaller, the plan is still unaffordable and many projects are still paused. Over the course of the last year, we have held two Board workshops on realignment and have had 19 realignment briefings and discussions during Committee and Board meetings. Consistent with the schedule we published last year, there will be several more Board discussions in the next three months as we move forward to an action in July. We should be cognizant that the Board will have a different makeup next year. Acting in July will be a 16-month rather than a 20-month process, but I hope you can agree that keeping to our published schedule is both reasonable and merited given that we will be adopting a much more flexible approach than was adopted in 2010.

Thank you again for your many helpful ideas and suggestions, which will serve to strengthen the draft motion and the agency's work to reduce costs, advance projects and secure additional financial capacity. I look forward to our continued collaboration as you and all other Board members have the opportunity to review the draft motion. Together, I am confident in our ability to fulfill our fiduciary responsibility to adopt an affordable yet flexible plan – one that we can continue to improve on in the months and years ahead.

Sincerely,



Kent Keel
Chair, Sound Transit Board

Cc: Sound Transit Board of Directors
Peter Rogoff, Sound Transit Chief Executive Officer