



Substitute Resolution No. R2021-05

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority establishing a flexible and accountable framework to implement ST2 and ST3 projects not yet in construction as close as possible to the dates promised to the voters that (1) allows project work to proceed right away within the confines of an affordable financial plan; (2) prioritizes maintaining project schedules through an accountable and transparent process to update the agency's revenue assumptions and financing approach and address cost increases at the project and program level; and (3) positions the agency to react quickly as new information becomes available, particularly on the revenue side, and provides greater oversight for the Board and transparency to the public through oversight mechanisms, including an annual Board program review of updated revenue and cost projections to allow the Board to revisit the realigned capital plan assumptions based on shifts in projected financial capacity and opportunities to expedite projects.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under chapters 81.104 and 81.112 of the Revised Code of Washington (RCW) for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Sound Transit district on November 5, 1996, November 4, 2008, and November 8, 2016, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, the Board finds that the rationale and purpose of the voter-approved plans of 1996, 2008 (ST2) and 2016 (ST3) for mobility, sustainability, equity, and community development have only grown in importance since the voters adopted them; and

WHEREAS, in 2016 voters of the Sound Transit service area in King, Pierce and Snohomish counties approved a \$53.8 billion system expansion, including 62 new miles of light rail with stations serving 37 additional areas for a regional system of 116 miles, creation of a bus rapid transit system on I-405/SR518 and SR522/NE145th, expanded capacity and service of the Sounder south rail line, improved access to stations for bicyclists, pedestrians, drivers, and pick-up and drop-off services, and expanded parking at some stations; and

WHEREAS, the need to decarbonize our transportation system in order to address climate change has only accelerated since the adoption of the voter-approved plans and Sound Transit's voter-approved projects continue to be the most climate-friendly transportation investments in the state; and

WHEREAS, mobility is a key to the continued economic growth of the region; and

WHEREAS, the pandemic has underscored that public transit is an absolute necessity for essential workers, who keep our economy and essential services operational; and

WHEREAS, the ST2 and ST3 Plan improvements are unaffordable due to growth in early cost estimate increases totaling \$12.9 billion that have resulted in an estimated net shortfall of \$6.5 billion, as of July 2021; and

WHEREAS, the ballot measure requires the Board to use legally available funds to implement projects, or portions thereof, that best achieve the plan objectives after consideration of the ST2 and ST3 Plans and financial policies when the Plan improvements, or some portion thereof are unaffordable; and

WHEREAS, the Board adopted Motion No. M2020-36 and Motion No. M2020-37 in June 2020 to establish criteria and pursue new revenue options; and

WHEREAS, the Board adopted in December 2020 a five-year delay to every project not under construction to fulfill the statutory responsibility for a financially constrained Transit Improvement Plan (TIP) to act as a placeholder until the realignment could be studied, reviewed, and completed; and

WHEREAS, ongoing monitoring and reporting on project costs and agency revenues is an essential element of delivering a successful program to the public; and

WHEREAS, since the first projections of revenue reductions due to the coronavirus pandemic, the Board has engaged in over a year of Committee and Board briefings and two realignment workshops; and

WHEREAS, the Board engaged in public and stakeholder engagement and received public input through a variety of means, including from organizations representing communities most affected by institutional and systemic racism; and

WHEREAS, the Board is committed to delivering all of the ST2 and ST3 mobility projects contained as close as possible to the schedule promised in the full voter-approved program in order to best achieve the Plan objectives, including ridership and passenger experience, as quickly as possible in a manner that fulfills the intent of the voter-approved measures; and

WHEREAS, the Board is undertaking program realignment to ensure the continued affordability of the program and provide direction on how to minimize the affordability gap to maintain the Board's commitment to the schedule promised in the ST3 ballot measure and how and when to implement realignment.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that:

Section 1: The Board prioritizes delivering ST3 projects on the estimated timelines in the voter-approved plan, and will work to create the financial capacity to do so by pursuing expanded revenues, financial capacity and cost savings options. The schedule goals for each project are based upon timely delivery, without any delay due to funding.

Section 2: To ensure that funding remains available to complete all voter-approved projects, the Board also establishes a program schedule that is affordable utilizing current financial projections and cost estimates. The affordable schedule establishes tiers of projects to prioritize, fund and manage program work overtime based upon the Board's review of project evaluations using the criteria established in the Ballot Measure (Resolution No. R2016-17) and Motion No. M2020-36. The tiers and currently estimated completion date for each project are depicted in Exhibit A (Affordable Schedule).

Section 3: A new annual program review is hereby established for the Board to review shifts in projected financial capacity resulting from updated cost, revenue, and debt capacity projections and the readiness of projects to benefit from such shifts. An Initial Target Schedule for each project is established with Tier 1 and 2 projects programmed without funding delay and Tier 3 and 4 projects programmed per the delayed Affordable Schedule. At the annual program review, staff will present affordable budget estimates for each project in Tier 1 and Tier 2 if they are delivered on the Initial Target

Schedule and the Affordable Schedule. The budget estimates will be the same for any projects where the Initial Target and Affordable Schedules are the same. The budget estimates will account for agency financial capacity, subarea affordability, and required system facilities. The difference between these budget estimates will be identified as each project's affordability gap. The Initial Target project schedules and funding gaps are presented in Exhibit B (Initial Target Schedule.) As the affordability gaps are eliminated for Tier 1 and Tier 2 projects, the gaps on Tier 3 projects will be assessed, and then the gaps on Tier 4 projects while ensuring adequate agency financial capacity and subarea affordability.

Section 4. In order to improve projected financial capacity, reduce project affordability gaps and deliver projects in a timely manner, the chief executive officer is directed to:

- Pursue expanded financial capacity per Motion No. M2020-37 to enable timely delivery of voter-approved plans including, but not limited to, state funds, additional federal funds, reduced borrowing costs through federal and other sources, increased debt capacity, and other new sources such as tax increment financing partnerships; and
- Develop and implement a cost savings work plan, to be overseen by the System Expansion Committee with regular quarterly reports, for projects and programs currently in development which will identify a menu of options to address project level affordability gaps; and
- Identify opportunities to reduce cost and planning delays, including creating an ad-hoc technical advisory group of several outside experts to meet for several months with the mission of looking for all possible ways to accelerate system expansion, highlight schedule risk including current project delivery timelines, and identify opportunities to mitigate risk, streamline third party negotiations, reduce permitting delays and expedite the delivery of said projects; and
- Engage project stakeholders in intensive discussions to address the trade-offs between project scope, schedule, and new financial resources to inform Board decision-making on project schedules; and
- Solicit the engagement of all Board members, as appropriate, to advance the processes cited in this section.

Section 5: Schedule assessments based on available agency projected financial capacity and subarea affordability as well as project readiness will occur during project development to determine if projects can continue to progress on the Initial Target Schedule or if the Affordable Schedule is needed. If the affordability gap is partially reduced, staff will assess whether a completion date between the Initial Target and Affordable Schedules is affordable and achievable.

These schedule assessments will occur before the following milestones:

- the start of preliminary engineering (which for large projects occurs after the Draft Environmental Impact Statement and preferred alternative update); and
- the project to be built decision (which occurs after environmental review is complete); and
- project baselining (which occurs before construction)

The funding likely to be available will inform preliminary engineering design, including contract packaging and phasing options. At the project to be built milestone, a full funding plan must be in place to determine a timeline for final design, rights-of-way (ROW) acquisition, and planned construction that will not impact the ability to deliver other system expansion projects on the Affordable Schedule. At project baselining, all funding must be secured before a project enters full construction.

Section 6: The chief executive officer is further directed to prepare a 2021 TIP and financial plan. The new TIP will replace the five-year delay assumed in the 2020 TIP. Project development and environmental reviews will be adequately funded so as to ensure the opportunity to deliver projects

based on the Initial Target Schedule without impacting the Affordable Schedule. The Schedule assessments described in Section 5 will inform the schedules for final design, ROW acquisition, and construction.

Section 7: To support continued Board oversight and accountability, the CEO is directed to:

- Report biannually to the System Expansion Committee the status of current and anticipated cost drivers; and
- Expand the scope of the independent cost consultant contract to include development of recommended project management practices to enhance scope, change, and cost control and to review the potential cost saving options; and
- Hire an independent consultant to report directly to and assist the Board in reviewing the cost savings work plan and the structure of the new annual program review; and
- Separate from the regular reporting cycle, notify the Board in a timely manner of any information that may materially impact the cost or schedule of projects so that the System Expansion Committee can review that information as part of the committee’s ongoing oversight of projects; and
- In concert with the chief financial officer, report to the Board before each baselining action on the affordability of the project to be baselined and whether such baselining action influences the affordability and delivery timeline for all other projects in the capital program; and
- Routinely inform the Board of Directors on the agency’s adherence to schedule milestones during the planning and design process for all projects, and identify where any delays in these pre-construction processes are likely to trigger a delay in the final delivery date of any project.

Section 8. The Board determines that the projects and priorities identified in Exhibit A and B best achieve the ST2 and ST3 Plan objectives after consideration of the ST2 and ST3 Plan benefits included in Exhibit D, schedule, and subarea resources, and after consideration of financial policies included in Exhibit E.

Section 9. Subarea equity sources and uses of funds included in Exhibit C are hereby updated and available funds are hereby allocated to build those projects identified in Exhibit A and B.

Section 10. The restrictions on project advancement and agreements outlined in a presentation to the Board at the August 27, 2020 meeting and the staff document “The Path Forward”, and implemented by Motion No. M2020-55 and Motion No. M2021-20 are hereby revoked and superseded by this action. The CEO is directed to advance all projects in accordance with the schedule and conditions established by this resolution.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a special meeting thereof held on _____.

Kent Keel
Board Chair

Attest:

Kathryn Flores
Board Administrator