

A low-angle shot of a white and teal Sound Transit train. The train is moving from left to right, with its windows reflecting the sky. The teal stripe runs along the side of the train. The background shows a station platform with a glass roof structure.

Board Process Review: Delegated Authority to Board Committees and CEO

Executive Committee
September 6, 2018

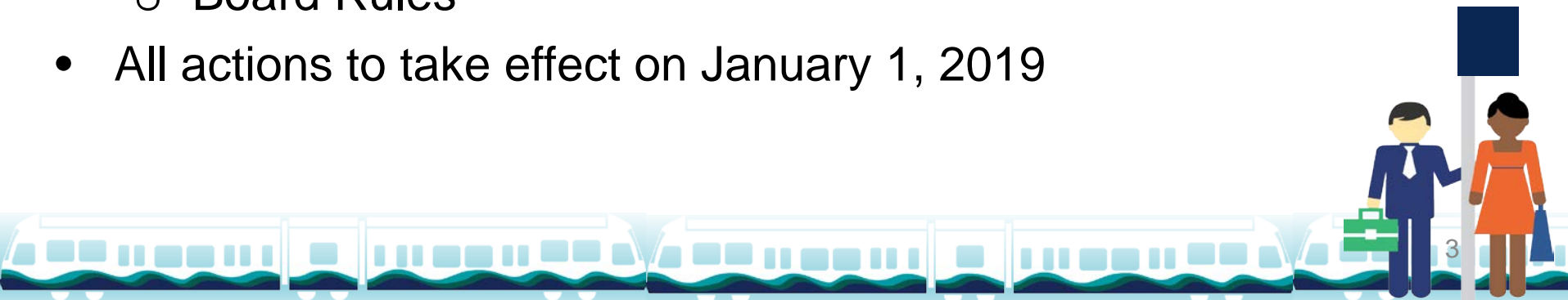
 **SOUNDTRANSIT**

This Presentation

- This presentation is a high-level summary of the proposed update to the Board's delegated authority policy based on the direction provided at the May 2018 Board workshop.
 - Your packets include full details, including a summary table of the proposed changes and a tracked changes version of the Board resolution.

Board Process Review: Timeline

- September actions (Executive Committee and Board)
 - Procurement, Agreements and Delegated Authority Policy (Resolution No. 2018-40)
 - Board Committee Responsibilities (Resolution No. 2018-41)
- October-November Board discussion and actions
 - Board Rules
- All actions to take effect on January 1, 2019



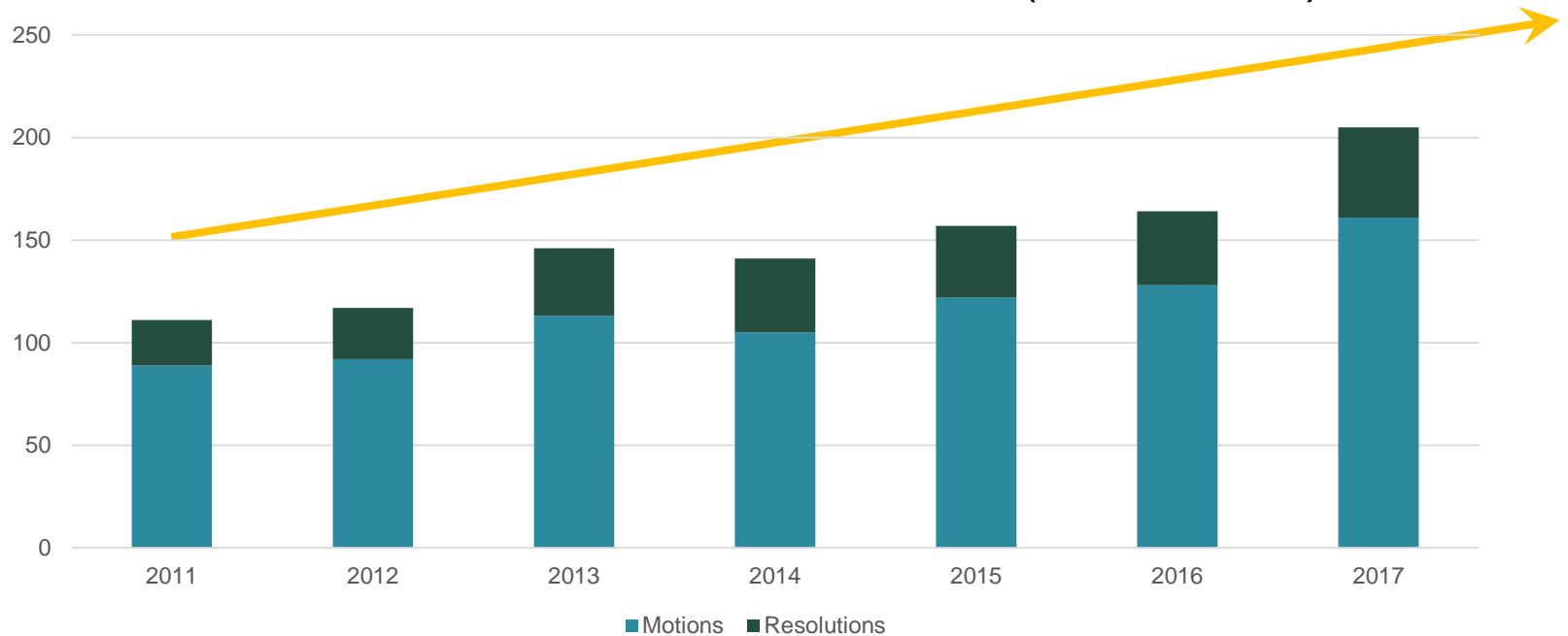
Board Process Review: Objectives



- Optimize the Board’s time on the key issues and challenges facing the agency
- Expand opportunities for the Board to engage in more meaningful and frequent policy discussion
- Enhance Board engagement in the project development process, consistent with the System Expansion Implementation Plan

Board Process Review: Recent Trends

Number of Annual Board Actions (2011-2017)



Board Process Review: Getting Here

- At the May 2018 Board Workshop, the Board discussed how to:
 - Balance approval levels between the Board, Board committees and CEO (delegated authority)
 - Maximize the policy focus and productivity of the Board committees

Board Workshop Direction

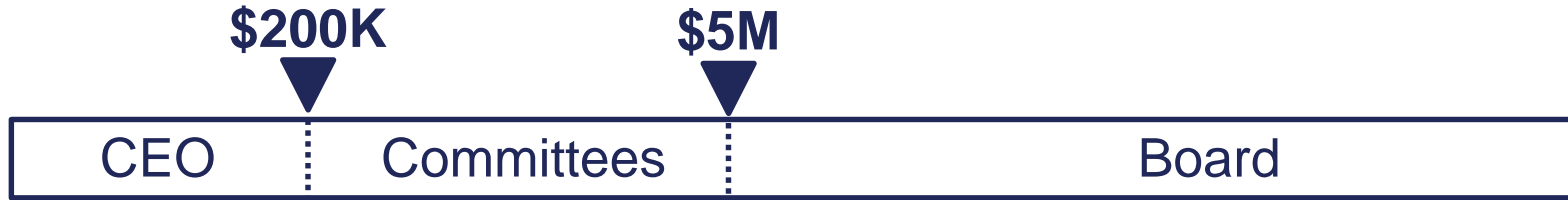
- The Board workshop direction was to:
 - Increase Board committee approval authority to \$50M (currently \$5M) and CEO approval authority to \$5M (currently \$200K)
 - Update the structure, function, and authority of the Board committees

Two CEO Approval Levels for Competitively Procured Contracts (Proposed)

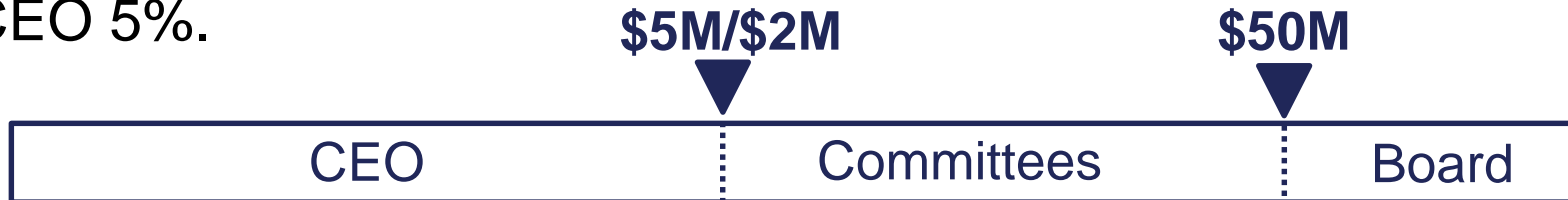
- **\$5M approval authority delegated to the CEO** for construction contracts and architectural and engineering services contracts
- **\$2M approval authority delegated to the CEO** for materials, technology, and other services contracts
- **\$50M approval authority to the Board committees**
- Balances workload between the Board, committees, and the CEO

Impact of New Approval Levels: Dollars

- Currently, the Board approves 95% of the annual procurement dollars, the committees approve 4%, and the CEO approves 1%.

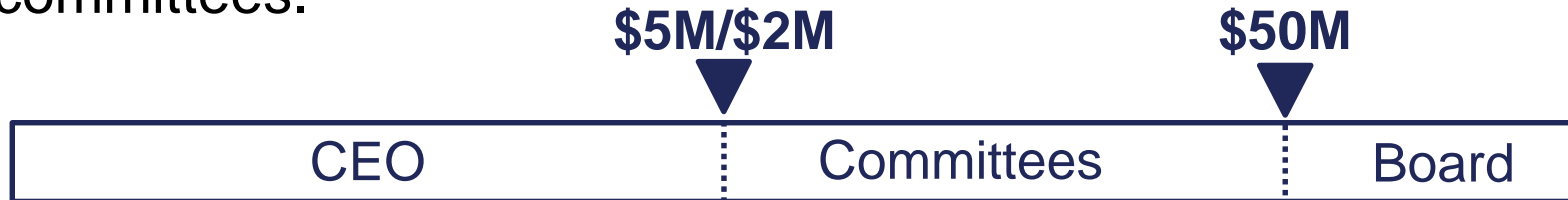


- Under the new levels, the Board would approve 82% of the annual procurement dollars, the committees would approve 13%, and the CEO 5%.



Impact of New Approval Levels: Actions

- **Full Board (approval level above \$50M):** Annual actions would decrease by 17% (18 fewer actions).
- **Board committees (approval level \$5M to \$50M):** Annual actions would decrease by 57% (42 fewer actions).
- **CEO (approval level below \$5M/\$2M*):** Annual actions would increase by those no longer approved by the full Board or committees.



*Depending on contract type

Board Workshop Direction: Elevate Certain Unique Contracts for Board or Committee Approval

- Any contract that establishes or modifies a Board policy must be approved by the Board regardless of dollar value.
- The CEO must bring to the full Board or committee:
 - Any contract not included in a current budget authorization
 - Any contract with a term exceeding 15 years including options
 - Any construction contract with a proposed price that exceeds Sound Transit's cost estimate by 20% or more

Other Existing Areas of CEO Delegated Authority

- The policy update also revises delegated authority levels and parameters for sole source contracts, proprietary contracts, agreements, real property agreements, grants, and other areas of Board delegation to the CEO.

Board Workshop Direction: Provide Even Greater Transparency on CEO Approvals

- Currently, the Board receives a quarterly report of CEO contract awards.
- Under the new direction, the Board will receive a monthly report of CEO-approved competitive, sole source, and proprietary contracts including contract modifications.
- The Board will also receive an annual report on the integrity and performance of the agency's procurement and contracts program.

Board Workshop Direction: Maintain Strong Controls for Accountability

- The CEO must regularly inform and consult the Board about business transactions, policies, and issues of significance.
- Board approval is required when the CEO may have a conflict of interest, pursuant to the ST Code of Ethics.
- The CEO and agency staff are working to align internal controls and processes with the Board's new approval levels to ensure continued transparency and effectiveness.



Questions?



SOUNDTRANSIT
RIDE THE WAVE