

**Sound Transit
Finance Committee Summary Minutes**

May 20, 1999

Call to Order

The meeting was called to order at 12:15 by Committee Chair Greg Nickels.

Attendance

(P) Greg Nickels, Chair	(A) Rob McKenna
(P) Mary Gates	(A) Paul Miller
(P) Dave Enslow	(A) Cynthia Sullivan
(P) Ed Hansen	

Report of the Chair

Mr. Nickels asked Ms. Hendrickson, Finance Director, to review the Allocation of Excess Revenues with the Committee.

Ms. Hendrickson stated that the ideas presented were put together for discussion by the board, and not as a policy on excess revenues. She stated that in the original Financial Policy, it was noted that actual revenues would be different from forecasts, and that there would be discrepancies between subareas. Now that there are two years of history on the books, there is a need to act regarding subarea interest.

There then followed a discussion by Mr. Nickels of the three options summarized in the discussion paper, ranging from a liberal point in Option #1 to a more conservative view in Option #2, and ending with the most conservative opinion in Option #3.

Ms. Hendrickson noted that due to the Locally Preferred Alternative (LPA), there are legal constraints that should be explored by the Legal Department. In addition, any monies considered extra in Phase I could be used in Phase II, and subarea borrowing could also be approached.

Mr. Nickels summed up the three options as spend, save or use. Ms. Hendrickson pointed out that the discussion paper was developed as a tool to advise the committee members on how to spend the extra monies projected to come in.

Mr. Nickels asked if the reason the situation is being looked at is because a projection for one subarea is ahead of others.

Ms. Hendrickson agreed, asking committee members to refer to the memo from the Eastside Transportation Partnership (ETP), which explains ETP's position on the criteria for asset reallocation.

Mr. Hansen suggested a flexible approach for the subareas – letting them decide the criteria on their own.

Ms. Hendrickson stated the Board would have to discuss and approve any such criteria.

Ms. Gates voiced her concern with the ETP suggestions and policy outline, noting that “one size does not

fit all”; Sound Transit Policy should come first, then discussion of criteria. Because a certain subarea is exceeding forecasts at the moment does not mean they will continue down the road.

Mr. Nickels then broke down the options offered as follows: Option #1 – considered wide open regarding spending the forecasted revenues; Option #2 – a more reasonable view, with the exception of the time lag of receiving and spending revenues; and Option #3 – seems extra conservative, noting that a contingency plan was already in place.

Mr. Hansen agreed that these were excellent choices and advised looking at a combination of these ideas and both sides – revenue vs. forecast, expenses vs. budget.

Ms. Hendrickson stated that of the 1995 Finance Plan, \$1.2 billion will come from debt, \$2.0 billion will be collected in local taxes, with the federal government hopefully making up the gap.

Mr. Enslow asked for percentages.

Ms. Hendrickson replied with 75% local and federal, and 25% debt-financed.

Mr. Nickels concluded with the statement that he would value Ms. Hendrickson’s recommendation. A possible motion or resolution related to Option #2 with flexibility would be considered, and welcomed her report back in a future meeting.

Finance Director’s Report

Ms. Hendrickson advised the committee that the approximate value of Sound Transit’s portfolio was \$650 million at the end of the 1st quarter of 1999. More than half of this portfolio is with the King County investment pool, which provides the strongest yield. Interest revenue on the portfolio nearly surpassed the 50% mark for all of 1999 interest projections. These returns are due in large part to the current robust economy.

Resolution No. R99-13 – Amending the Adopted 1999 Budget to increase the Kent Station budget for *Sounder* Commuter Rail by \$2,309,760

Mr. Paul Price, Sounder Commuter Rail Director, began the discussion of the resolution by stating that the Kent Station budget had been extremely underfunded. He pointed out that an initial estimate of the need for 150 parking spaces, based on early ridership projections, had risen to three times that amount (450), according to a recent report by Sound Transit consultants. However, sufficient parking will be available at the opening of the transit station.

Mr. MartinYoung, Senior Financial Analyst, stated the need for the \$2.9 million increase was due to the purchase of the right-of-way (ROW) for the parking structure currently being planned for the Kent Station. Different variables were discussed, and revisions to the budget were also due to input from committee members who reiterated the need for completion of the parking structure.

Mr. Enslow expressed surprise at the amount of the request.

Mr. Young replied that specific forecasts were not reliable due to variables, especially the need for garage and driveway ROWs.

Mr. Enslow asked if the City of Kent was the driver behind the need for the garage.

Mr. Price replied that funding was diverted from the land purchase. With the recent design and acquisition issues, a budget was more ably developed.

Mr. Enslow stated that he was worried about possible ramifications in the future.

Mr. Price replied that the City of Kent has offered to put up \$4 million of their own money, which shows their commitment to the structure.

Mr. Young stated that if not for the garage request, the budget would have been very close to goal.

Mr. Nickels stated his concern with the budget allocations, and questioned whether the City of Kent really needed another \$5.7 million.

Mr. Young stated they do, and this request would subsidize part of this amount.

Mr. Nickels stated that he was uncomfortable with the amounts.

Mr. Price discussed creative accounting, property procurement, and stressed comfort in the knowledge that the land asset could still be used for parking even if the parking structure is not built.

Mr. Nickels asked of the whereabouts of the projected \$5.7 million for the completion of the parking structure, and flatly stated that full disclosure was needed.

Val Batey, Project Development Manager, stated that an offer was nearing completion with the City of Kent regarding the parking structure.

Following further discussion, Mr. Price recommended to the Committee that staff come back in two weeks with a clearer presentation and proposal.

Ms. Gates suggested supplying a “bare-bones” budget and building from there.

Resolution No. R99-14 – Reallocating \$10 million (1995 dollars) from the East Everett Park and Ride Lot to the Pacific Avenue Overpass project

Mr. Mike Normand, Community Connections Program Manager, discussed the reallocation of \$10 million from the East Everett Park and Ride Lot to the Pacific Avenue overpass. He began with a list of reasons for this request: final design of the overpass was coming due, the Memorandum of Agreement (MOA) signed in 1998 by Sound Transit and the City of Everett, the monetary shortfall identified in this MOA, and the coordination of construction of this project and the Everett Station. At this point, a video presentation commenced, with Mr. Normand defining the history and benefits of the project. He pointed out the initial cost of the overpass was quoted at \$6.1 million in a 1986 study, and thus in 1986 dollars. The most recent survey done by a team of consultants revised this amount to \$10 million in 1995 dollars, factoring in such elements as inflation and revisions. Mr. Normand stressed that key importance of this resolution is coordination of construction of the projects.

Mr. Nickels stated time for this meeting was running out and the resolution would have to be discussed at the next Finance Committee meeting.

Mr. Hansen stated that an alternative to this resolution was an appeal for federal funding for the project that had been withdrawn just that morning. He also stated that the City of Everett supports the movement of dollars from the East Everett Park & Ride Lot to the Pacific Avenue Overpass.

Motion No. M99-32 – Approving a contract change order on contract number RTA/CR 30-97a with MBT Architecture for commuter rail station design services for the Sounder commuter rail station in Kent, by increasing the contract amount by \$47,177 to a total of \$711,921.66, plus \$4,717 in contingency.

Mr. Nickels stated that this item would be held over until the June 3, 1999 Finance Committee meeting.

Adjourn

The meeting was adjourned at 1:30 p.m.

Next Meeting

Thursday, June 3, 1999 from 12:00 to 1:30 p.m. at the King County Council Chambers in the King County Courthouse, 516 Third Avenue, Seattle, Washington.

Recorded by Mike Raines
Board Administration

ATTEST:

Greg Nickels
Finance Committee Chair

Marcia Walker
Board Administrator