

**Sound Transit  
Finance Committee Summary Minutes**

**September 7, 2000**

**Call to Order**

The meeting was called to order at 12:10 p.m. by Committee Chair Greg Nickels.

**Attendance**

|                             |                  |
|-----------------------------|------------------|
| (P) Greg Nickels, Chair     | (P) Ed Hansen    |
| (P) Rob McKenna, Vice Chair | (P) Kevin Phelps |
| (P) Jack Crawford           | (P) Jim White    |
| (P) Ann Kirk Davis          |                  |

Guests: Mary Gates, Dave Enslow

**Report of the Chair**

Mr. Nickels stated that he would hold his comments until after the Citizen Oversight Panel Report.

**Finance Director's Report**

Mr. Hugh Simpson briefed the Committee members on the Quarterly Report and the 2001 Budget process. He stated that the budget process had been ongoing for four months. Mr. Simpson outlined proposed dates for reviewing the budget and holding budget workshops.

**Citizen Oversight Panel Report**

Mr. Reid Shockey, Citizen Oversight Panel (COP) Chair, introduced Art Carter, Vice Chair, and Kathy Elias, consultant to the panel. He advised that he would be concentrating on key elements of the report and encouraged the Committee members to read the full report.

Mr. Shockey advised that the first half of 2000 saw significant progress for Regional Express, Link and Sounder and, overall, Sound Move projects seem relatively on schedule. He commented that if there were a single key issue to highlight, it would be concern that costs are getting out of hand without clear budget discipline--"scope creep." He said this could be defined as the cumulative effect of large and small improvements added to the plan. Staff and the Board have tried hard to please people, but scope changes throughout the region can no longer be sustained. While well intentioned, they are stretching the budget to its limits and maybe beyond.

Mr. Shockey stated that the effects of I-695 on all parts of the program have virtually destroyed one of the premises, which was a financial partnership with other agencies. Local government funding is essentially gone. Sound Move dollars are stretched and Sound Transit must focus on the products promised.

Mr. Shockey emphasized that there is a difference between being over budget and being out of money. He said that the panel looks at trends and points out when something appears to be going toward being over budget at the end of the ten-year cycle of Phase I. However, he said this is not to convey any notion that the dollars are tapped out. He added that in Sound Transit's fourth year of business, this not the case—the project can be brought in on budget in 2006 with proper discipline and restraint.

He stated that there were two other significant problem areas. He said that for over 30 years two-way bus access has been part of the long-term plan for I-90. After significant expenditures of Sound Transit funds for planning and pre-engineering, the Department of Transportation (DOT) appears to have arrived at a situation in which no alternative is considered technologically feasible. The COP finds that to be an unacceptable outcome. The COP urged all parties to use their creativity and problem-solving skills to break through this impasse.

Another problem area is the Northgate extension. The COP found reasons to be concerned about the selection of an alternative alignment. The use of impartial criteria of cost and technical suitability lead to a surface alignment in southeast Seattle. The decision making in the north will be watched with great attention for evidence of the same impartiality. The public's confidence in Sound Transit could be severely undermined and the entire project's future endangered if the Board action on Northgate alignment is viewed as indifferent to issues of equity and technical objectivity. The COP usually avoids commenting on upcoming decisions, but the members felt this issue warranted the raising of a cautionary flag.

On the brighter side, he said the panel would like to report that Link Light Rail is still on schedule, critical negotiations have been concluded, and the full funding grant agreement remains on track for approval this fall. Additional Regional Express service started operating in the spring and new service is planned for the fall. Progress on the local transit centers continues. Sounder is scheduled to begin limited service in a few weeks between Tacoma and Seattle. Sounder continues to face severe schedule and financial challenges, but Tacoma and suburban residents to the south are about to see a significant, tangible product from their tax investment.

As a final note, Mr. Shockey said the panel would like to acknowledge the Board's increased involvement in ongoing progress of Sound Move. Attendance at Board and committee meetings has improved. Several Board members were active participants in some critical negotiation efforts. The creation of a Board task force on the Central Link project is noted as another indication of the Board's increased engagement in the process. The panel noted several accomplishments by staff, including continued progress on its financial and project control system. Also, for the third year in a row, the agency concluded its financial audits with no negative findings.

Mr. Shockey concluded his comments with a challenge to the Board, staff, and public. Citizens of the three county areas should know that Phase I of the project is making excellent progress and under current projections will be completed on time in 2006. There are financial and other challenges that were unknown when this began. These challenges are manageable, but discipline must be exercised to stay on mission and on budget. Insuring this phase is completed successfully will prepare the region for what comes next beyond the year 2006.

Mr. Nickels thanked the COP for its work and the commitment of the members. He emphasized that the purpose of the provision in Sound Move for an oversight panel was to make sure there was an independent body overseeing the project.

Mr. Shockey summarized by saying that the report was indicating that cost is an issue, scope creep is an issue, the agency is on schedule for a 2006 completion, and there is a good likelihood that the project will come in close to budget. He went on to give a message to the people in the community that there will be a lot of outreach and listening to community concerns by the Sound Transit staff, but that people need to cut the staff some slack and understand that the staff cannot go back and do everything that is being asked of them. Mr. Shockey went on to say that the Sound Transit staff is a great group of people and they are working hard for the community.

### **Discussion Item**

Mr. Simpson introduced Sheila Dezarn, Government Relations Manager, and Leslie Rathbun, Grants Manager.

Ms. Rathbun gave a briefing on grants. She said the results have been very good. The grants are one-third of the way to the 2006 target and are in a good position for the future.

Ms. Dezarn gave a presentation on the Full Funding Grant Agreement (FFGA). She advised that she would go over the full details of the agreement including Sound Transit's obligations, the funding schedule, etc. at the next meeting.

Mr. McKenna asked for clarification on the review process. He stated his concern that the Board will need to make decisions on the FFGA, the Design Build contract, the Financial forecast, and the 2001 Budget all at about the same time. He also mentioned that Board members had not been given very much information on the Design Build bid for the tunnel and stated that he hoped they would be shown the original bid so it can be compared that to the negotiated bid.

Mr. Bob White, Executive Director, stated that all the materials would be available. He added that in the request for proposal (RFP), a set of terms and conditions were produced for the contractor. He said a red-lined version could be given to the Board members that shows the differences between the original terms and conditions versus the terms and conditions being recommended to the Board.

Mr. McKenna stated for the record that the decision not to inform the Board of what the response to the bid has been until after a couple of months of negotiations was not a decision of the Board, but a decision of the Board chair and of the staff, particularly of the Executive Director. For the record, he stated that he felt that was the wrong decision. He stated that he felt this would prevent the Board from doing its job and he objected to the decision.

### **Action Items**

#### **Minutes of July 6 and July 20, 2000, Finance Committee Meetings**

**It was moved by Mr. Crawford, seconded by Mr. Phelps, and carried by the unanimous vote of all members present that the minutes of the July 6 and July 20, 2000, Finance Committee meetings be approved as presented.**

#### **Motion No. M2000-84 – Authorizing the Executive Director to enter into a lease/leaseback contract to lease up to \$61 million in Sounder commuter rail cars and locomotives to Amtrak**

Mr. Eric Mendelshon, Legal Counsel, briefed the Committee members on the motion. He stated that the agreement with Amtrak would allow Sound Transit to lease the rolling stock equipment to Amtrak, thereby keeping title to the equipment. Amtrak will continue to maintain the rolling stock, Sound Transit will sign the agreement with Burlington Northern to run the trains and to maintain the tracks, and the two entities together will provide Sound Transit with service on demand for customers. He explained that Amtrak is doing this not only as a good partner to Sound Transit, but they will benefit from a number of project improvements.

Ms. Davis asked if approval of the Washington State Department of Revenue was still needed.

Mr. Mendelshon stated that a preliminary letter outlining the structure of the transaction has been given to the Department of Revenue and the department has given approval to proceed based on final review of the documents. He said that approval was expected the next week.

Mr. Phelps said he'd be interested in how the monies broke down in terms of subarea equity. He asked whether there was a process that could be taken to modify how the funds would be used and who had done the negotiating on behalf of Sound Transit.

Mr. Mendelshon answered that Paul Price, Sounder Director, negotiated with Amtrak directly and that he would be happy to have Mr. Price discuss the negotiations with Board members.

**It was moved by Mr. McKenna, seconded by Mr. White, and carried by the unanimous vote of all members present that Motion No. M2000-84 be forwarded to the Board with a do-pass recommendation.**

Motion No. M2000-78 – Authorizing the Executive Director to execute a contract amendment with artist Fernanda D’Agostino to fabricate artwork for the Tacoma Link Light Rail system in the amount of \$219,300 with a contingency of \$20,000 for a total authorized contract amendment amount of \$239,300. The original contract amount of \$57,000, plus the total contract amendment amount of \$239,300, will result in a new total authorized amount not to exceed \$296,300

Mr. Carol Valenta, Public Art Manager, briefed the Finance Committee members on the motion.

**It was moved by Ms. Davis, seconded by Mr. Phelps, and carried by the unanimous vote of all members present that Motion No. M2000-78 be approved as presented.**

Motion No. M2000-79 – Authorizing the Executive Director to execute a contract with BOAS for archaeological services associated with construction of the Central Link Light Rail project for a contract amount of \$1,275,000 and a 10% contingency of \$127,500, for a total authorized amount not to exceed \$1,402,500

Mr. Paul Bay, Link Light Rail Director, gave an overview of Motion No. M2000-79 to the Committee members.

Ms. Davis questioned whether the services were an option or a Federal requirement.

Mr. Bay replied that this was a Federal requirement that is imposed as a result of the final environmental impact statement and the record of decision and the resulting agreement with these agencies to permit the project.

**It was moved by Mr. Crawford, seconded by Mr. Phelps, and carried by the unanimous vote of all members present that Motion No. M2000-79 be approved as presented.**

Motion No. M2000-81 – Authorizing the Executive Director to execute an agreement with King County granting Sound Transit the right to use a portion of the Convention Place Station (CPS) as a staging area for the Link Light Rail tunnel construction contractor. The agreement requires Sound Transit to pay King County to procure and perform construction services for modifications to the CPS and the 9<sup>th</sup> Avenue and Olive Way intersection, and modifications to the trolley overhead system within the CPS at a total cost not to exceed \$1,765,000. It also requires Sound Transit to pay for King County staff to coordinate bus and truck operations during the time Sound Transit is using the staging area (March 2001 through September 2004) at a cost not to exceed \$300,000 per year, for a total estimated cost of \$1,100,000

**It was moved by Ms. Davis, seconded by Mr. Phelps, and carried by the unanimous vote of all members present that Motion No. M2000-81 be approved as presented.**

Mr. Nickels stated that the Committee would consider Motion No. M2000-76 as Mayor Mosher of Bellevue was present and wanted to speak to the motion. Mr. Nickels explained that Motion No. M2000-76 and Motion No. M2000-77 both dealt with cost overruns. He stated that he would like additional information on both of the motions, therefore the Committee members would be briefed on the motions, but action would not be taken.

Motion No. M2000-76 – Approving allocating unanticipated east King County revenues in the 2001 Budget to provide \$30.5 million (YOES) to cover 1999 and 2000 Service Implementation Plans (SIPs), Regional Express Bus needs, and the \$10 million to the I-405 at Bellevue Direct Access Project

Mr. Brian O'Sullivan, Project Manager, and Ms. Agnes Govern, Regional Express Director, gave an overview of the motion.

Ms. Govern provided information on the Bellevue Direct Access project. She stated that a significant milestone was reached in the spring when an access report was submitted to the Federal Highway Administration. This signaled concurrence among the partners on a variety of design issues that have been debated over the last couple of years. As a result, there is now a more complete scope schedule and budget information on the project. There are significant changes from the earlier conceptual project information that was included in Sound Move based on the 1996 draft environmental impact statement. New safety and operational enhancements, changes in environmental regulations, managing traffic disruptions in downtown Bellevue have resulted in a significantly expanded project and a longer construction period than was envisioned five years ago. The original budget, based on the 1996 work was \$110 million. The current estimated cost of the project is now \$164 million. Based on current revenue projections, the partnership, which includes the City of Bellevue, Sound Transit, and the Washington State Department of Transportation, anticipates a funding shortfall of \$27 million. The partners are working together to fill the gap. Staff has discussed with the Eastside Transportation Partnership (ETP) the programming of unanticipated Sound Transit revenues in East King County. One method being used to minimize the shortfall is to manage the cash flow so that funding that is indexed to inflation is spent in later years. This leaves a funding shortfall in the near term. The current staff recommendation includes \$10 million from unanticipated revenues. The City of Bellevue has also informed ETP that the city will be seeking an additional \$8 million from unanticipated revenues. In addition, the City of Bellevue is requesting additional funds from their own city budget process from their City Council as well as looking for additional grant, state, and federal funding.

Mr. Nickels asked what the basis was for the recommendation for \$10 million.

Ms. Govern replied that consultation with the ETP started prior to having firm cost figures. She stated that she didn't want to lose faith with the ETP in terms of changing the number, and she was aware that the City of Bellevue was going to come in requesting additional funds as well.

Mr. Crawford brought the Committee members' attention to an amendment on yellow paper. He stated that he is a member of the ETP and has visited each of the transit centers on the Eastside, spoken with the elected and staff personnel involved in the transit centers. Bellevue will be central to all of the transportation on the 405 corridor as well as 522, 520, and I-90. It is essential that the city be prepared to receive all of the traffic. Therefore, when the time is appropriate, he would make an amendment to the motion for an additional \$8 million.

Bellevue's Mayor Mosher made a few comments. He noted that the request was for a significant increase, but requirements had changed including retrofitting of the freeway. Even after considerable efforts have been made, there is a \$27 million shortfall—therefore an additional \$8 million is being requested from Sound Transit, an additional \$5 million (for a total of \$11 million) from the City, and an additional \$4 million in Washington State grants.

Mr. Nickels advised that the motion would come back to the Finance Committee at the next meeting.

Motion No. M2000-82 – Authorizing the Executive Director to execute contracts with the firms and legal services to add additional attorneys to the on-call roster to provide general legal services, eminent domain legal services, and lease leverage advisor legal services, for a total amount not to exceed the approved Fiscal Year 2000 budget amount of \$4,612,000 for legal services

Ms. Mandie Barnes Lyle, Legal Counsel, gave a briefing on Motion No. M2000-82.

**It was moved by Mr. Hansen, seconded by Ms. Davis, and carried by the unanimous vote of all members present that Motion No. M2000-82 be approved as presented.**

Motion No. M2000-77 – Reallocating a total of \$18.6 million (1995\$) from the I-5 at 320th, I-5 at 272nd, and Star Lake / Other Federal Way Park-and-Ride Lot Improvements Projects to the Federal Way Transit Center / City Center Project to cover a funding shortfall in that project. This action will also rename three of these projects to better reflect current project scopes

Ms. Govern explained that the motion was a request to move money from three projects to cover a funding shortfall in the fourth. She stated that this would allow Sound Transit to deliver on the commitments made in Sound Move consistent with the Board adopted Financial Policies.

Following discussion, Mr. Nickels stated that Motion No. M2000-77 would come back to the Finance Committee in two weeks for action.

Motion No. M2000-80 – Authorizing the Executive Director to execute a contract with CH2M HILL for civil engineering final design services associated with the Central Link Light Rail project at-grade segments in the Rainier Valley along Martin Luther King Jr. Way South from South Walden Street to South Boeing Access Road. The action establishes a contract amount of \$6,065,949 with a 10% contingency of \$606,595 for a total authorized amount not to exceed \$6,672,544

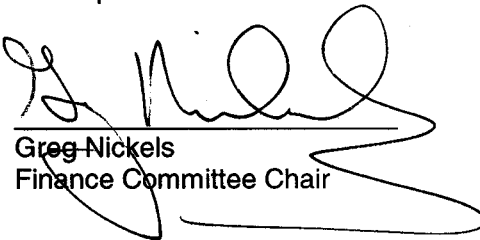
**It was moved by Mr. Crawford, seconded by Mr. Hansen, and carried by the unanimous vote of all members present that Motion No. M2000-80 be approved as presented.**

**Next Meeting**

Thursday, September 21, 2000, from 12:00 to 2:00 p.m. in the Union Station Board Room, 401 South Jackson Street, Seattle, Washington.

**Adjourn**

As there was no other business, the meeting was adjourned at 12:35 p.m.



Greg Nickels  
Finance Committee Chair

ATTEST:

Marcia Walker  
Marcia Walker  
Board Administrator