

SOUND TRANSIT FINANCE COMMITTEE
Summary Minutes
November 5, 2009

Call to Order

The meeting was called to order at 12:10 p.m. by Chair Aaron Reardon in the Ruth Fisher Boardroom, 401 South Jackson Street, Seattle, Washington.

Roll Call

Chair

(P) Aaron Reardon, Snohomish County Executive

Vice Chairs

(P) Fred Butler, Issaquah Deputy Council President

Boardmembers

(P) Mary-Alyce Burleigh, Kirkland Councilmember	(P) Joe Marine, Mukilteo Mayor
(P) Richard Conlin, Seattle Council President	(P) Claudia Thomas, Lakewood Councilmember
(P) Dave Enslow, Sumner Mayor	(A) Pete von Reichbauer, King Co. Councilmember

Katie Flores, Board Coordinator, announced that a quorum of the committee was present at roll call.

Report of the Chair

None.

Chief Financial Officer's Report

Chief Financial Officer Brian McCartan announced that the Lease-leaseback transaction with First Hawaiian Bank might be resolved soon. A proposed transaction will be presented at a future Finance Committee meeting.

Budget Discussion

Transit Improvement Plan – Service Delivery and Agency Administration

David Huffaker, Program Manager, Operations Business presented the Transit Improvement Plan (TIP) for Service Delivery. Operating budgets in the 2010 TIP are six-year budgets. The major capital projects for Service Delivery are the ST Express Fleet program, the ST Express Fleet Replacement program, and the ST2 Fleet Expansion program. Board action will be requested in the near future for the ST Express Fleet Replacement program and ST2 Fleet Expansion program to increase capacity and replace buses that are at the end of their useful life. The Small Works program was increased to include small works under the Central Link Light Rail system.

Two projects were added to the TIP starting in 2010; the Link Operations and Maintenance Facility (OMF) Entrance Improvements project and a Bike Locker program. The Link OMF Entrance Improvements project will provide a security system that will replace a full-time officer. The Bike Lockers program will accept grants from local and state agencies to improve bike lockers at Sound Transit facilities.

Challenges moving forward include defining the scope for maintenance capacity projects, fleet decisions, and technological improvements related to transit systems.

Pete Rogness, Budget Manager presented the TIP for the Agency Administration and System Wide programs and the budget for six years. Agency Administration includes capital and operating budgets; the capital budget includes the non-revenue fleet, office furniture, and computers. He noted areas where the lifetime budgets have been decreased—including insurance, system access, research & technology, ST3 planning, fare integration and administration.

Boardmember Butler requested a review of the STart program policy to determine if the calculation of 1% of project construction costs is appropriate. Joni Earl, CEO, responded that Board Administration is conducting a comprehensive review of all Board policies to identify those that need updated; results of that review will be brought to the Board in the beginning of 2010. The STart program policy will be included.

2010 Agency Administration Budget

Mr. Rogness explained 37 new positions are included in the 2010 Agency Administration. There are 39 new positions identified; two positions from the 2009 Budget are no longer needed and have been removed. Six positions are being added because of changes to base costs. Seventeen positions are being added due to changes to the capital program and will support designing and building light rail to the East, South, and North and represent some functions being brought in-house. Twelve positions are being added because of operations changes and they will support the Agency's increased operations and additional facilities. Four positions are being added based on initiatives, including the Internal Audit, Asset Management, and Environmental and Sustainability programs. Requests for additional positions are evaluated and reviewed by the Directors, Deputy CEO, and CEO.

Agency operating costs and capital expenditures are forecasted around \$1.2 billion a year for the next six years, then around \$1.6 billion dollar a year until major capital projects are completed in the 2021 to 2023 timeframe.

The Proposed Budget includes increases for STart, capital replacement, planning and development including system access, debt service, administrative capital, and regional ORCA support costs which will be reimbursed by the transit agencies.

2010 Financial Plan

The 2010 Financial Plan was developed in the fall to show the affordability of the Proposed 2010 Budget. The financial plan is based on Board adopted financial policies and covers the period from 2009 to 2023. Revenue forecasts, capital cost estimates, six-year cost estimates and long-term inflation forecasts, and planning assumptions feed into the financial plan. The financial plan shows that adequate reserves and cash balances exist. The debt ratio is at 1.4 and all subareas are solvent, although East King and South King are at minimum levels.

The tax revenue estimate in the 2010 Financial Plan is 19.7% below the 2009 Finance Plan tax revenue estimate, but the grant revenue estimated in the 2010 financial plan is 1% more than the 2009 financial plan. Revenue from ridership is up; the average fare per boarding is up slightly. There is a favorable inflation forecast for the 2010 Financial Plan, but the contingency level is lower than last year, which is an area of risk. Capital costs are down, but the agency continues to look for ways to increase efficiency because the program reserves were cut. Mr. McCartan explained that \$3.1 billion in revenue was reduced over the life of the ST2 plan, capital costs were reduced by 2.3% so that the schedule could be maintained. It will be a challenge to build the capital program using the low-end cost estimates. Operating cost estimates are also down over the life of the plan. The minimum debt ratio over the life of the ST2 plan is at the lowest during the middle of the plan in 2021 to 2024.

High-risk areas are tax-based revenue growth and operation and maintenance costs. Federal funding, operating revenues, and cost inflation are medium risk, and interest rates are low risk.

Items within Finance Committee Authority for Final Action

Minutes of October 15, 2009 Finance Committee Meeting

It was moved by Boardmember Burleigh, seconded by Boardmember Thomas, and carried by the unanimous vote of all members present that the October 15, 2009 minutes be approved as presented.

Motion No. M2009-85 – Authorizing the chief executive officer to execute a three-year contract with one additional one-year option with HDR to provide on-call architecture and engineering services for a total authorized amount of \$500,000.

Jodi Mitchell, Project Manager, presented the staff report for Motion No. M2009-85 and Motion No. M2009-86. She noted that the on-call services were procured to replace the current on-call contract that is expiring, and will be used on an as needed basis for small projects requiring architectural and engineering services. Eric Beckman, Rail Program Manager noted that architectural services are a small portion of the contract, the majority of the work will be engineering services.

Public Comment

None.

It was moved by Boardmember Butler, seconded by Boardmember Thomas, and carried by the unanimous vote of all members present that Motion No. M2009-85 be approved as presented.

Motion No. M2009-86 – Authorizing the chief executive officer to execute a three-year contract with one additional one-year option with KPFF to provide on-call architecture and engineering services for a total authorized amount of \$500,000.

Public Comment

None.

It was moved by Boardmember Burleigh, seconded by Boardmember Butler, and carried by the unanimous vote of all members present that Motion No. M2009-86 be approved as presented.

Motion No. M2009-94 – Authorizing the chief executive officer to 1) amend the existing lease agreement with The Boeing Company for parking at the temporary Tukwila Station to extend the term of the lease to February 9, 2011, with three additional one-year options, for a total amount not to exceed \$455,000 and 2) ratify the expenditure for real estate taxes.

Nancy Bennett, Property Manager, presented the staff report.

Public Comment

None.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Motion No. M2009-94 be approved as presented.

Motion No. M2009-96 – Authorizing the chief executive officer to execute a contract with Sedia, Inc. to procure materials and assemble passenger seat cushions for Sounder passenger cars for a total contract amount not to exceed \$4,654,203.

Mike Perry, Deputy Director Transportation Services, and Weylin Doyle, Project Manager, presented the staff report. Boardmember Enslow asked if any of the bids were from local companies. Mr. Perry responded that the lowest bidder for procurement of the material and assembly of the seats is not local. The contract to install the seats may provide an opportunity for a local business. Boardmember Enslow asked about the seat fabric; the fabric is the same fabric in place now; the cost is the same as a generic fabric. The new seats will be installed over a five-year period and the transition will be less noticeable with the same fabric.

Boardmember Butler asked about quality control for seats being shipped to Sound Transit from out of state. Mr. Perry responded that Sound Transit will send an employee to review the assembly process and will inspect the seats when they arrive. The seats will use silicone foam that has a 10-year warranty; regular form has a two-year warranty of the regular foam. The warranty begins when the seats are installed.

Public Comment

None.

It was moved by Boardmember Butler, seconded by Boardmember Thomas, and carried by the unanimous vote of all members present that Motion No. M2009-96 be approved as presented.

Items for Recommendation to the Board

Resolution No. R2009-20 – Authorizing the chief executive officer to acquire, dispose, or lease certain real property interests by negotiated purchase, by condemnation (including settlement), by condemnation litigation, or by administrative settlement; and to pay eligible relocation and re-establishment benefits to affected parties as necessary for the Sounder Commuter Rail ST2 Seattle to Tacoma Track & Signal Project.

Jordan Wagner, Legal Counsel, presented the staff report.

It was moved by Boardmember Thomas, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Resolution No. R2009-20 be forwarded to the Board with a do-pass recommendation.

Motion No. M2009-97 – Authorizing the chief executive officer to increase the contingency for the contract with Railworks Track Systems, Inc. to procure and install rail and track switch heater assemblies and control equipment for Central Link, in the amount of \$2,409,281, for a total authorized contract amount not to exceed \$14,674,281.

Ahmad Fazel, Link Light Rail Director, presented the staff report.

It was moved by Boardmember Enslow, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Motion No. M2009-97 be forwarded to the Board with a do-pass recommendation.

Next Meeting:

Thursday, November 19, 2009, 12:30 p.m. to 2:30 p.m., Ruth Fisher Boardroom, 401 South Jackson Street, Seattle WA.

Adjourn

There was no other business; the meeting was adjourned at 1:53 p.m.

ATTEST:

Aaron Reardon
Finance Committee Chair

Katie Flores
Board Coordinator