

SOUND TRANSIT BOARD MEETING

Summary Minutes**August 24, 2017**

CALL TO ORDER

The meeting was called to order at 1:38 p.m. by Chair Somers, in the Ruth Fisher Boardroom, 401 South Jackson Street, Seattle, Washington.

ROLL CALL

Chair*(P) Dave Somers, Snohomish County Executive*Vice Chairs*(P) John Marchione, City of Redmond Mayor**(P) Marilyn Strickland, City of Tacoma Mayor*Board Members*(A) Nancy Backus, City of Auburn Mayor**(P) Joe McDermott, King County Council Chair**(P) Claudia Balducci, King County Councilmember**(P) Roger Millar, WSDOT Secretary**(P) Fred Butler, City of Issaquah Mayor**(A) Mary Moss, Lakewood Councilmember**(P) Dow Constantine, King County Executive**(P) Ed Murray, City of Seattle Mayor**(A) Bruce Dammeier, Pierce County Executive**(A) Paul Roberts, Everett Councilmember**(P) Dave Earling, City of Edmonds Mayor**(P) Dave Upthegrove, King County Councilmember**(A) Rob Johnson, Seattle Councilmember**(P) Peter von Reichbauer, King County**(P) Kent Keel, University Place Pro Tem Mayor**Councilmember*

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

REPORT OF THE CHAIR

Board Members Request to Participate via Teleconference

Chair Somers announced that Vice Chair Strickland and Board Member von Reichbauer have asked to participate in the meeting by phone. The Board's Rules and Operating Procedures allow members to attend meetings by teleconference with a two-thirds affirmative vote of those members in attendance.

It was moved by Board Member Earling, seconded by Vice Chair Marchione, and carried by unanimous vote that Vice Chair Strickland and Board Member von Reichbauer be allowed to participate in the Board meeting by telephone.

Transit Development Plan

On August 3, 2017, a public hearing was held to receive public comment on Sound Transit's 2017 to 2022 Transit Development Plan and the 2016 Annual Report. Three members of the public gave comments during the hearing. Comments centered on asking for more information on changes to ORCA, additional notice for public hearings, and improving the transfer environment at the University of Washington station.

Executive Committee Meetings

Chair Somers thanked Board members for their input on Board processes. Over the rest of the year, the Executive Committee will be reviewing feedback and proposed changes to ensure that agency business is efficient.

CHIEF EXECUTIVE OFFICER'S REPORT

Transit Integration Lessons Learned

Peter Rogoff, Chief Executive Officer, apprised the Board that the agency is launching a review into lessons learned and improvements that can be made on transit integration across the regional system. Strong bus connections to light rail, commuter rail, express bus, and future bus rapid transit (BRT) stations will be critical to creating a seamless network of services for riders.

As Sound Transit embarks on ST3, it is important to take stock of the agency's experience integrating with transit partners' to determine if there are ways to strengthen the partnerships, streamline project development, and improve the customer experience. The agency's executive leadership team recently had a meeting with the executive leadership team at Pierce Transit. Sound Transit will be reaching out to all the transit partners to look into transit integration lessons learned and will report the findings to the Board. Progress has already been made while planning projects such as the Lynnwood Link and the Federal Way Link Extensions.

Second Quarter Service Delivery Performance Report

Mr. Rogoff reported that ridership increased by 6.8 percent in the second quarter compared to last year. Link light rail carried 761,000 more passengers than second quarter last year, representing a 14.5 percent increase. This is the first quarter in which Link ridership could be compared with service to the University of Washington in the prior year. Tacoma Link ridership was up 8.4 percent compared to the same period last year.

ST Express ridership was down 0.6 percent. ST Express service was challenged by overcrowding, traffic congestion, and low fuel prices that tend to depress ridership. Despite the closure of the South Bellevue Park-and-Ride and the Overlake Transit Center, routes 550 (Bellevue-Seattle) and 545 (Redmond-Seattle) continue to be Sound Transit's busiest bus routes.

Sounder ridership was up 1.6 percent compared to last year. Sounder operational performance improved compared to the first quarter, but continued to be negatively impacted by freight interference and slower operating speeds due to work being done by BNSF.

Senate Oversight Hearing

Mr. Rogoff stated that a Senate Oversight Hearing is expected in the month of September. As has been reported in the media over the course of the past several months, the Senate Law and Justice Committee plans to host a work session to discuss Sound Transit and the development of ST3. This committee is responding to a public request made by Senators Rossi and O'Ban.

Although formal notification of this work session has not been received, September 26, 2017, has been reported as a tentative date. Sound Transit staff have been fully cooperative with the committee staff. Mr. Rogoff will continue to update the Board on the Senate work session.

Chief Passenger Experience Officer

Mr. Rogoff announced that a job announcement has been posted for Chief Customer Experience Officer. This is a new position that will report directly to the CEO. This individual will identify and prioritize opportunities to improve on the customer experience as the agency designs and builds the expansion of the system.

PUBLIC COMMENT

Alex Tsimerman, Stand Up America
Paul W. Locke
Joe Kunzler
Tiniell Cato

CONSENT AGENDA

Minutes of the June 22, 2017, Board Meeting.

Voucher Certification for July 2017.

Motion No. M2017-88: Authorizing the chief executive officer to execute a Transit Way Agreement with the City of Mountlake Terrace to grant Sound Transit non-exclusive use of a light rail transit way within city right-of-way to construct, operate, maintain, and own a light rail transit system for the Lynnwood Link Extension.

Board Member Butler provided an update on Motion No. M2017-88. The Capital Committee approved this motion for recommendation to the Board at its June 8, 2017, meeting. This action would authorize the CEO to execute a Transit Way Agreement with the City of Mountlake Terrace to grant Sound Transit non-exclusive use of a light rail transit way within the city's right-of-way.

At the time that the Capital Committee acted on the motion, the Mountlake Terrace City Council was scheduled to approve the execution of this agreement on June 19, 2017. The council postponed action pending additional information on the workings of the Transit Way Agreement, which is why the action was delayed coming to the full Board. On August 21, 2017, the Mountlake Terrace City Council took final action on the Agreement approving its execution by a vote of 6-1.

It was moved by Board Member Butler, seconded by Board Member McDermott, and carried by unanimous vote that the consent agenda be approved as presented.

BUSINESS ITEMS

Resolution No. R2017-27: Authorizing the chief executive officer to acquire certain real property interests, including acquisition by condemnation to the extent authorized by law, and to reimburse eligible relocation and reestablishment expenses incurred by affected owners and tenants as necessary for the Lynnwood Link Extension.

Board Member Butler stated that the Capital Committee reviewed this action at its August meeting. The action would authorize the acquisition of 11 parcels consisting of full and partial acquisition, temporary construction easements, and/or permanent easements. The parcels are located in the Cities of Seattle, Shoreline, and Mountlake Terrace for the Lynnwood Link Extension.

It was moved by Board Member Butler, seconded by Board Member Earling, and carried by majority vote that Resolution No. R2017-27 be approved as presented.

Resolution No. R2017-29: Authorizing the chief executive officer to acquire certain real property interests, including acquisition by condemnation to the extent authorized by law, and to reimburse eligible relocation and reestablishment expenses incurred by affected owners and tenants as necessary for the Sounder Maintenance Base Project.

Board Member Butler stated that the Capital Committee reviewed this action at its August meeting. The action would authorize the acquisition of one parcel located in the City of Lakewood for the Sounder Maintenance Base project.

It was moved by Board Member Butler, seconded by Board Member Earling, and carried by majority vote that Resolution No. R2017-29 be approved as presented.

Resolution No. R2017-30: Authorizing the chief executive officer to acquire certain real property interests, including acquisition by condemnation to the extent authorized by law, and to reimburse eligible relocation and reestablishment expenses incurred by affected owners and tenants as necessary for the Federal Way Link Extension.

Board Member Butler stated that the Capital Committee reviewed this action at its August meeting. The action would authorize the acquisition of 49 parcels consisting of full and partial acquisition, temporary construction easements, and/or permanent easements. The parcels are located in the Cities of SeaTac, Des Moines, Kent, and Federal Way for the Federal Way Link Extension.

It was moved by Board Member Butler, seconded by Vice Chair Marchione, and carried by unanimous vote that Resolution No. R2017-30 be approved as presented.

Motion No. M2017-94: Authorizing the chief executive officer to approve increases to the not-to-exceed amount of previously approved contracts in an amount limited to and not greater than the recent tax increase as well as any future tax increases. Increases authorized by this action shall remain within the adopted budget, project budgets, or other Board authorization.

Ted Lucas, Director Procurement & Contracts, and Kelly Priestley, Director of Accounting, presented the staff report. The agency's practice has been for the Board to approve contract amounts inclusive of sales tax, regardless of future unpredicted local sales tax increases. There may be instances when during the course of a contract the applicable tax amount may change. When paying a contractor, the current applicable tax rate must be applied.

This action would enable to CEO to increase the not to exceed amount to conform to the amount of the tax increase to make the process more efficient and streamlined for contracts already approved by the Board. With Board approval of this action, staff would include the amount requested for the contract, and request authorization for any applicable taxes. Future staff reports will use the words "plus applicable taxes" for this authorization.

It was moved by Vice Chair Marchione, seconded by Board Member Earling, and carried by unanimous vote that Motion No. M2017-94 be approved as presented.

Resolution No. R2017-28: Amending the Sounder Sound Transit 2 Fleet Expansion project to allow for the procurement of one locomotive and three passenger cars by (a) increasing the authorized project allocation to date by \$17,670,000 from \$49,530,000 to \$67,200,000 (b) increasing the 2017 annual budget by \$3,520,000 from \$3,244,133 to \$6,764,133 and (c) adopting Sounder Fleet Expansion as the new project name.

Resolution No. R2017-28 was moved by Board Member Butler, and seconded by Vice Chair Marchione.

Martin Young, Commuter Rail Manager, and Michael Perry, Deputy Executive Director of Transportation and Maintenance, presented the staff report. This action is to amend the Sound Transit 2 Fleet Expansion project to include funding for additional Sounder vehicles to support ridership increase and to provide adequate fleet coverage. The action would also change the name of the project to Sounder Fleet Expansion in consideration of fleet expansion now and in the future.

Due to the increase in ridership on Sounder's south line, cars have been borrowed from the north line for the south line with nearly all vehicles deployed and leaving few spares. When looking at spare ratios for commuter rail service, the National Transit database includes both locomotives and passenger cars. Sound Transit's current spare ratio is 16 percent; the commuter rail peer average is 24 percent. As a

small fleet, Sound Transit has received support from Amtrak for locomotives via a cross lease. However, Amtrak is purchasing new locomotives that are no longer compatible with Sounder cars.

This amendment would fund the purchase of a used locomotive that would be refurbished to the EPA tier three emissions standard. The action would also fund three new passenger cars enabling the return of two cars to the north line and providing a spare. The purchase will increase the spare ratio to 18 percent.

Chair Somers noted that Resolution No. R2017-28 requires a 2/3 majority vote of the Board, which is 12 members. He called for a roll call vote.

Ayes

Claudia Balducci
Fred Butler
Dow Constantine
Dave Earling
Kent Keel
John Marchione
Joe McDermott

Nays

Roger Millar
Ed Murray
Dave Somers
Marilyn Strickland
Dave Upthegrove
Pete von Reichbauer

It was carried by the unanimous vote of 13 Board members present that Resolution No. R2017-28 be approved as presented.

Motion No. M2017-103: Authorizing the chief executive officer to execute a contract with Moran Industries to rebuild 120 Sounder heating, ventilating, and air conditioning units for a total authorized contract amount not to exceed \$1,437,356.

Martin Young, Commuter Rail Manager, and Michael Perry, Deputy Executive Director of Transportation and Maintenance, presented the staff report. This action would authorize a contract with Moran Industries to rebuild heating, ventilating, and air conditioning (HVAC) units on Sound passenger cab and coach cars.

The HVAC manufacturer recommends rebuilding the units every five to eight years based on use. This would be the second rebuild since the cars were first put into service between 1999 and 2003. The rebuild would cost \$12,000 per unit and would take one month per car.

It was moved by Vice Chair Marchione, seconded by Board Member Earling, and carried by unanimous vote that Motion No. M2017-103 be approved as presented.

Motion No. M2017-104: Approving the submittal of the Transit Development Plan 2017-2022 and 2016 Annual Report to the Washington State Department of Transportation.

David Huffaker, Deputy Executive Director Operations and Support Services, and Michael Couvrette, Service Planning Manager, presented the staff report. This action satisfies Washington State requirements to provide an updated Transit Development Plan to the Washington State Department of Transportation (WSDOT) and the Washington State Legislature. The annual report summarizes Sound Transit's major accomplishments during 2016 and the Transit Development Plan (TDP) provides details on planned milestones and activities from 2017 to 2022.

It was moved by Vice Chair Marchione, seconded by Board Member Keel, and carried by unanimous vote that Motion No. M2017-104 be approved as presented.

Motion No. M2017-105: Authorizing the chief executive officer to execute a three-year labor agreement with the International Brotherhood of Electrical Workers Local 46 covering Senior Facilities Specialist and Facilities Specialist employees in the Operations Department.

Julie Honeywell, Chief Human Resources Officer, presented the report. The Operations Department has 15 employees represented by the International Brotherhood of Electrical Workers (IBEW) Local 46. These employees are Senior Facilities Specialists and Facilities Specialists that provide services covering mechanical, electrical, and general maintenance of Sound Transit facilities and stations. After several negotiation sessions, Sound Transit and IBEW agreed on the 2017 to 2019 three-year contract. Members voted unanimously in favor of this contract in July 2017.

It was moved by Board Member Butler, seconded by Vice Chair Marchione, and carried by unanimous vote that Motion No. M2017-105 be approved as presented.

REPORTS TO THE BOARD

Lynnwood Link Expansion Update

Mr. Rogoff commented that there have been significant changes in the contracting and bidding environment in the Puget Sound region. Over the course of its history, Sound Transit has benefited from both an affordable and competitive bidding environment and times when contractors were busy, bids were higher, and labor was in short supply. When the Angle Lake Station was opened, it was almost ten years earlier than expected because the agency was able to take advantage of a great opportunity during a period of the recession and competitive bidding prices. Today, staff will report that the Lynnwood Link Extension and the impact of the current contracting and bidding environment.

Rod Kempkes, Executive Project Director Lynnwood Link Extension; Michelle Ginder, DECM Chief of Staff; and John Weston, Deputy Director Facilities Capital, presented the report. Final design began in April 2016 and is currently at 60 percent design. The project is being delivered through the General Contractor/Construction Manager (GC/CM) method. Currently the design consultants, the two civil GC/CM contractors, and the construction management consultants are co-located with staff.

The top risks for the project are third party approvals with cities, WSDOT, and the Federal Highway Administration; timely right-of-way acquisitions; uncertainty with Federal funding; the construction market conditions; and differing site and underground utility conditions.

Cost estimates for the project have changed over time. In 2005, the ST2 cost estimate was at \$2.4 billion based on year of expenditure dollars (YOES). The preliminary engineering estimate in 2015 was \$2.1 billion (YOES) and re-estimated in 2016 at \$2.4 billion (YOES). The 2017 60 percent design estimate has increased the project costs to \$2.9 billion (YOES). All estimates include the assigned costs for light rail vehicles and the Operations and Maintenance Facility: East. When the Federal Transit Administration (FTA) performed a risk assessment in February 2017, they recommended adding six months additional time to the project, bringing the project completion date to mid-2024.

The major factors contributing to the increased project costs are real estate acquisition and market conditions, construction market conditions, design evolution and scope changes, and GC/CM contracting.

As the project has gone through the design process from 30 to 60 percent, there has been an increase in the number of properties required. Some properties that have been certified and have had the appraisals are coming in 44 percent higher than estimated in 2014. This is 25 percent higher than the price escalation assumed in the estimate. In addition, the relocation is difficult due to limited supply of comparable properties.

Other factors affecting project costs include the saturation of the construction market and labor shortages, and an escalation on material and commodity pricing, which adds increased risk to contractor bids.

Staff described the design evolution and resulting scope changes. Staff has worked with partner agencies to provide better transit integration at the stations. There have been changes in third-party requirements including unanticipated code changes since preliminary design. In particular, there have been code changes for additional drainage, which also results in acquiring more property. There will be approximately 7,000 trees removed for the project. The resulting landscaping costs have gone up \$32 million from what was expected in preliminary engineering.

The design provisions to minimize construction disruption will require temporary noise walls, temporary traffic control, and temporary parking.

The initial cost of GC/CM contracting is 5–10 percent high than Design-Bid-Build (DBB) contracting. The benefits of GC/CM include having the contractor on-board and involved in the design from the beginning so that when the project gets into construction, the change orders are typically reduced.

Sound Transit is addressing the cost increases through working with designers and the GC/CM contractor in an effort to come up with cost saving options and to identify and properly allocate risk for pricing. Staff is working with jurisdictions to look at efficient ways to meet their requirements. In addition, the agency has brought in peers from Dallas and Portland transit agencies who have had similar experiences to get their input and to take advantage of their expertise.

Mr. Rogoff noted that there continues to be uncertainty with the Federal funding for the project. In 2016, the FTA admitted the Lynnwood Link Extension into the engineering phase and committed to a Federal share of \$1.174 billion. In 2017, the new Administration zeroed out the funding and stated they would not be signing any new full funding grant agreements (FFGAs) for new transit projects anywhere in the country. The House and Senate have been seeking to reverse this policy. In the appropriations bill for 2017, the delegation was able to secure \$100 million as a first down payment for the Lynnwood Link Extension. The bill for 2018 that passed the House committee has zero; the Senate committee bill has \$437 million for projects that will be coming into FFGAs in 2018. If the Lynnwood Link Extension receives an FFGA, it will not be until well into 2018. The agency is only able to bill construction costs against the Federal government once there is an FFGA; construction contracts cannot be signed until the FFGA is in hand.

Board Member Keel asked for additional information on the design scope changes that increased the costs. Mr. Kempkes responded that city codes were adopted that were unexpected and had to be included in the design. These included street improvements and drainage. Staff is working with the cities to reduce some of the costs.

Board Member Keel asked about staff's comment that the GC/CM cost are higher than DBB, but that the GC/CM costs will go down. Mr. Kempkes stated that by having the GC/CM fully engaged in the process, they are able to understand all the details of the project to make the design better. When using a DBB contract, typically the contractor has less time to fully understand the project and put in their bid, which can cause change orders during construction.

Mr. Rogoff stated that Sound Transit expects the GC/CM contractors to be instrumental in the value engineering effort. The fact that they know the project well enables them to provide good information on how to reduce some costs.

Vice Chair Marchione stated that while GC/CM contracting is more expensive upfront, it is more predictable with fewer change orders compared to a DBB.

Board Member Butler asked if other ST2 projects that are not baselined have been reevaluated with the current cost of construction and real estate to get an idea of how they are trending. Ahmad Fazel, Executive Director DECM, replied that staff has been looking at the estimated project costs. Staff is monitoring the impact of the market conditions and the impact to other projects.

Board Member Millar stated that this concern is not unique to Sound Transit. WSDOT is also experiencing cost escalation around the region. This is a sign of a strong economy, along with high housing prices and traffic congestion. Most of the money that comes into the agencies goes back out to the private sector where it is subject to the laws of supply and demand. What is happening now, with a strong private market and not a lot of supply in terms of contractors, they can be selective. This news will attract more people to this market and construction. The supply of contractors and labor will adjust and prices will adjust accordingly. If there is an upside, it is the creation of opportunities for business, opportunities for the disadvantaged communities, and opportunities for people looking to get into construction. He encouraged staff to continue to track what is going on, communicate and be transparent, and act accordingly.

Chair Somers stated his appreciate to the staff for the presentation and for being transparent about the project. The original estimates were done in 2005 when market conditions were different. The storm water requirements have affected all transportation projects and urban building. A number of changes have occurred over that period of time that could not be anticipated.

OTHER BUSINESS

None.

NEXT MEETING

Friday, September 28, 2017
1:30 to 4:00 p.m.
Ruth Fisher Boardroom

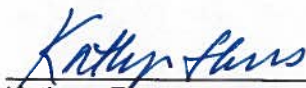
ADJOURN

The meeting adjourned at 3:03 p.m.



Dave Somers
Board Chair

ATTEST:



Kathryn Flores
Board Administrator

APPROVED on September 28, 2017, JE