Board Process Review: Delegated Authority to Board Committees and CEO

Executive Committee
September 6, 2018
• 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.
  o 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)
  o Procurement, Agreements and Delegated Authority Policy (Resolution No. 2018-40)
  o Board Committee Responsibilities (Resolution No. 2018-41)
• October-November Board discussion and actions
  o 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)
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
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
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.
• 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.