

SOUND TRANSIT EXECUTIVE COMMITTEE MEETING

**Summary Minutes
November 2, 2017**

CALL TO ORDER

The meeting was called to order at 10:35 a.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

(A) *Marilyn Strickland, Tacoma Mayor*

(A) *John Marchione, Redmond Mayor*

Boardmembers

(P) *Fred Butler, Issaquah Mayor*

(P) *Dylan Counts, WSDOT Alternate*

(P) *Dow Constantine, King County Executive*

(P) *Paul Roberts, Everett Councilmember*

(P) *Bruce Dammeier, Pierce County Executive*

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

REPORT OF THE CHAIR

Board Members Request to Participate via Teleconference

Chair Somers announced that Board Members Dammeier and Marchione 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 Butler, seconded by Board Member Roberts, and carried by unanimous vote that Board Members Dammeier and Marchione be allowed to participate in the Board meeting by telephone.

Public Hearing Report

Chair Somers noted that before the Executive Committee commenced there was a public hearing, and asked Board Member Butler, who presided, for a report from the hearing. Board Member Butler reported that two individuals provided testimony, and the two were split between favoring and opposing the 2018 proposed budget.

CHIEF EXECUTIVE OFFICER'S REPORT

South Sounder Vehicle Delay – The morning of November 2, 2017, there was an out of service vehicle on the tracks blocking the South Sounder route. This resulted in two cancelled trips, and delayed the travel of South Sounder Passengers. The issue was addressed rapidly, and Pierce County also brought some additional bus service to assist in the service gap.

Ticket Machine Outage – On Saturday, October 28, 2017, ticket vending machines were out of service for about four hours, which delayed travelers heading to the University of Washington Huskies game. The machines were able to accept cash but all credit and debit processing was

down. There has been a thorough reflection of what caused the issue, and in addition to getting the machines back into service within four hours, the problem is unlikely to occur again.

PUBLIC COMMENT

Joe Kunzler
Paul W. Locke
Alex Tsimerman
Teneil Cato

BUSINESS ITEMS

Minutes of the September 7, 2017 Executive Committee Meeting

It was moved by Board Member Roberts, seconded by Board Member Butler, and carried by unanimous vote that the minutes of the September 7, 2017 Executive Committee meeting be approved as presented.

REPORTS TO THE COMMITTEE

2017 Financial Plan

Chair Somers invited Peter Rogoff to introduce the presentation. Mr. Rogoff remarked that the 2018 Budget was kicked off at the October Board Meeting, and reminded the Board members that each of the Committees is reviewing its section of the budget. The largest challenges facing the agency when considering the financial plan are the possible reduction or loss of Federal funding, a change in the collection of the Motor Vehicle Excise Tax, maintaining a disciplined project scope, and accurately predicting inflation and increasing construction costs. The proposed budget will be deliberated and adopted at the December meeting of the full Board.

Brian McCartan, Executive Director of Finance and Information and Technology, and Tracy Butler, Deputy Executive Director of Finance and Information Technology, provided the presentation. The Financial Plan has been integrated to show the overall financial picture of the Sound Move, Sound Transit 2, and Sound Transit 3 plans, and is therefore an overall \$92.4 billion year of expenditure (YOE) dollars. Tax revenue is approximately two thirds of the agency's funding, in addition to bonds, grants, fares, and other sources. Expenditures are divided between the capital program, which is over half of the funds use, operations and maintenance, debt service, and state of good repair (SOGR). As capital projects continue to be brought online, the ratio of operating and maintenance costs versus capital expenses will change.

The plan projects \$61 billion dollars in tax revenue between 2017 and 2041, the end of the capital program. The plan projects near term growth in the revenue, but trends that growth down after 2018, when it is assumed the current economic boom will begin to slow. The key risk to the plan is a recession in the near term, as current economic forecasts do not specify any possible downturns, but it is always a possibility. The strong economy creates a higher projected tax revenue number, but it also causes increased project costs. The growth in budget allotment for Right-of-way costs is currently in the double digits. The financial plan assumes this growth will continue for another couple of years.

Capital spending between now and the end of the capital program is expected to average around \$1.5 billion per year until 2035, at which time construction and spending will slow. Ridership is expected to grow to \$190 million by 2041 when all the lines of travel are open. Bonds will fund 30 percent of the capital program, some of these bonds have already been issued, and more will be issued before 2041. The total amount planned for bonding is \$13.8 billion. There is enough available secured TIFIA loans to fund the program through 2023, there will not be significant new bonding efforts until 2023.

Sound Transit is one of, if not the, most highly rated transit agency for credit ratings. Debt capacity is driven by three factors: net coverage, bond covenants, and legal debt capacity. The key constraint for Sound Transit's plan is the legal debt constraint, as that will be dependent upon the property values in the district and if they continue to rise or begin to fall. The point of highest debt outstanding is forecasted to be 2035, and that will be when the smallest amount of leeway between legal debt constraint and existing debt occurs.

Mr. McCartan then provided a snapshot of the agencies overall fiscal forecast. There will be higher and higher operating cost as more service lines open, along with this there will be increasing SOGR repairs as the ridership grows and capital assets age. Capital expenditure will be at its highest in 2035, and will fall off almost entirely at the completion of the program in 2041. As more bonds are issued, debt maintenance costs will increase as bonds begin to be repaid. After 2041, there will be a large chunk of surplus net revenue, and if the forecast plays out exactly as predicted, the agency would be in a position in 2041 to lower tax collecting methods and to get the revenue amount closet to the cost of operations, SOGR, and debt service.

Board Member Roberts asked for clarification between operations and maintenance costs and SOGR, Mr. McCartan clarified that operations and maintenance encompasses salaries, benefits, the cost of providing the services day-to-day, and SOGR encompasses repairing and rebuilding aging infrastructure and assets, and ensuring the system is operating at peak performance.

Lastly, Mr. McCartan covered areas that the financial policies of the agency provide framework for Board management of the voter-approved program. The capital plan is entirely affordable under the current forecast, but careful monitoring of risk elements will be necessary to deliver the projects as scheduled and within the available bonding capacity. There must be discipline in the delivery of early projects to ensure for capacity to complete later projects, revenues must be managed carefully, and new opportunities such as private/public partnerships and marketplace fairness measures will need to be pursued.

Chair Somers asked about the current projection for right-of-way cost increases, and when that projection lowers. Mr. McCartan replied that currently the 11 percent year over year increase is projected to end in 2019, where it lowers to a more historical value.

Board Member Dammeier asked about the future of the agency past 2041. Mr. Rogoff replied that the construction of new Light rail service beyond the ST2 and ST3 plans is entirely dependent on voter approval. Mr. McCartan added that there is more flexibility in expanding bus service, as voters have approved a 'bus network' but all Light rail expansions would require going back to the ballot.

Board Member Dammeier asked about the ridership numbers which seem to provide inadequate fare revenue. Mr. McCartan clarified that the farebox recovery projections are in line

with current numbers, and they are on par with standards for a transportation agency. The plan also assumes an average amount of fare increases to keep in line with historical fare increases and inflation.

Board Member Roberts commented that he appreciated the measures in place to keep a conservative ratio of debt coverage in place throughout future bonding. He then asked about what measures Sound Transit has in place in the future to not fall behind of SOGR work needed, as you see peer agencies around the country falling behind on their funding once they are through their capital programs. Mr. Rogoff replied that legacy systems that are seen around the country having difficulty with financing repairs are agencies that did not have the luxury of setting aside major funding in advance of their capital programs. Measures were taken in the crafting of ST3 that built SOGR into the cost base, which puts Sound Transit in a very fortunate position heading into the completion of the capital program.

Five Year Workplan

Peter Rogoff, CEO, provided an overview of future challenges and opportunities to introduce questions that need to be answered about where the Board would most like to engage.

This work is related to the updates in progress of the Board rules and procedures, committee structure, committee leadership, scheduling of the Board's work, and appointments to the Board.

There are four main subareas the large issues facing the agency can be categorized within. Mr. Rogoff reviewed each of the main areas.

Leadership on Project Development: Community Engagement

The System Expansion Implementation Plan will seek to shorten project delivery times. This will only be possible through assistance from the Board with driving to a preferred alternative earlier in the alternatives analysis process. In addition, Board leadership will be needed in executing partnering agreements that will allow environmental review and permitting processes to be expedited.

Decisions on Delivery Approaches: Major Capital Projects and Operations Business Model

Decisions about project alignments will be coming to the Board in rapid succession, with several large project alignments being selected within months of each other during some periods. The Board will be asked for assistance with determining the feasibility and efficacy of possible Public/Private Partnerships (P3). Possible benefits to P3s could include financing, community acceptance, agency bandwidth, and contractor performance and management.

There will need to be Board deliberation and decisions made around several other large issues including managing the agency's relationships with the Washington State Department of Transportation (WSDOT), mitigating workforce shortages, promoting local hiring, and advancing and prioritizing diversity for the Sound Transit workforce.

Decisions involving the operations business model will include who is operating Sound Transit services, which has historically been heavily contracted, but as the service grows much larger, there will need to be a reevaluation of this practice. In addition, this discussion will include questions surrounding how closely Sound Transit can manage its brand and customer service delivery when its customer facing operations are completed by consultants.

Ridership is expected to increase on a very steep curve as service begins to open in rapid succession covering a much larger swath of the service area, and the agency will need to be in a position to manage that service increase. There will also be the transition of management of the Downtown Seattle Transit Tunnel, and a discussion about the management and operations of that resource.

Beyond essential operations questions in the near term, there will be opportunities for the agency to consider related to automation of services to shorten headways. The potential of automated service would bring about significant positives and negatives that would need in depth analysis from the Board.

As more light rail enters operations, there will be discussions surrounding existing ST express bus service. Questions include whether demand for bus service will fall as light rail is expanded, and whether both systems will remain at capacity and face crowding issues.

Upcoming Policy Decisions and Direction

The Board will need to update the Transit Oriented Development (TOD) policy before May 2018. Transactions for TOD will be coming to Board at an increasing frequency, and very soon more and more of these projects will be outside the City of Seattle. There will be opportunities to partner with local public housing authorities.

There will be Board direction needed on the issue of paid parking and parking permitting, specifically on the cost and percent utilization of paid parking in existing facilities, and the parking allotted for single occupancy versus carpool drivers, among others.

Further future policy questions include issues with the System Access Fund as it currently exists, how to divide those resources, developing a process for subarea equity, and determining the agency's approach to ridesharing. They also include sustainability issues including battery operated vehicles, the acquisition and possible change to double-decker vehicles, and reviewing opportunities for our electricity needs and how to keep operations within sustainability goals.

Continuing Oversight and Governance Functions

The largest challenge approaching the Board in terms of routine functions is the volume of actions and contract approvals that will be occurring. The number of Board actions will be increasing quickly, at the same time as all the previous issues are needing attention and management.

Routine Board governance also includes management of the financial plan that was just discussed in great detail, and the management of the capital program as it moves forward, especially with the possibility of an event that will significantly change the forecast. There is also the issue of all required partner integration work, cooperation with the Puget Sound Regional Council (PSRC), the management of the physical location of the agency as it grows and how to create better efficacy, revisiting the Board composition and make-up, all things that are thought of as routine, but are incredibly important and essential to the agencies continued operations.

Mr. Rogoff ended with a summary of the construction impacts to the community that will be causing significant disruption to the community, and will undoubtedly create a large amount of community feedback among the constituents of the Board members.

Chair Somers commented that it will be important when there are new Board members in January to have this discussion again, and to onboard new members as quickly and as thoroughly as possible so they can hit the ground running.

Board Member Roberts commented that this presentation really got to the scope of the agency's work that is approaching, and it immediately brought to mind the importance of coordination and outreach work with the jurisdictions.

Citizen Oversight Panel Appointment

Katie Flores, Board Administrator, provided the staff report. Ms. Flores stated that the COP is a 15 member advisory committee made up of community members that was established by the Sound Move ballot measure, and was renewed in ST2 and ST3. She also explained that there are currently three vacancies on the Citizen Oversight Panel (COP) one in South King County, North King County, and Pierce County.

Chair Somers noted that there is a letter included in the Board Member's packets from Board Members Uptegrove and von Reichbauer recommending James Peyton be selected for the COP to represent South King County. Dr. James Peyton is a faculty member at Highline College. Dr. Peyton has experience working with Sound Transit, he served on a stakeholder group for the Kent-Des Moines Station in the past.

It was moved by Board Member Roberts, seconded by Board Member Butler, and carried unanimously to recommend that the Board consider the appointment of Dr. James Peyton for a four year term as a member of the Citizen Oversight Panel.

EXECUTIVE SESSION

None.

OTHER BUSINESS

None.

NEXT MEETING

Thursday, December 7, 2017
10:30 a.m. to 12:00 p.m.
Ruth Fisher Boardroom

ADJOURN

The meeting was adjourned at 12:02 p.m.



Dave Somers
Executive Committee Chair

ATTEST:



Kathryn Flores
Board Administrator

APPROVED on 12/21/2017, PIA