

SOUND TRANSIT EXECUTIVE COMMITTEE MEETING
Summary Minutes
February 1, 2018

CALL TO ORDER

The meeting was called to order at 11:00 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

(P) *Ron Lucas, Steilacoom Mayor*

(P) *John Marchione, Redmond Mayor*

Boardmembers

(P) *Claudia Balducci, King County Councilmember*

(P) *Dow Constantine, King County Executive*

(P) *Bruce Dammeier, Pierce County Executive*

(A) *Jenny Durkan, Seattle Mayor*

(P) *Patty Rubstello, WSDOT Alternate*

(P) *Paul Roberts, Everett Councilmember*

(A) *Victoria Woodards, Tacoma Mayor*

Katie Flores, Board Administrator, announced that a quorum was not present after the roll call, as two Committee members had stepped out. After the Report of the Chair, it was noted that a quorum was present, as all Committee members had taken their seats.

REPORT OF THE CHAIR

Welcome to new Committee members

Chair Somers welcomed new appointees to the committee, Steilacoom Mayor Ron Lucas, King County Councilmember Claudia Balducci, and Tacoma Mayor Victoria Woodards.

CHIEF EXECUTIVE OFFICER'S REPORT

Project Development Update

The West Seattle Ballard Elected Leadership Group will have their first meeting on February 8, 2018, and there will be outreach sessions for the public on February 13 and February 20, 2018. The Tacoma Dome Link Extension is also starting its outreach process in the coming month.

State Legislative Session Update

Staff work in the State Senate is ongoing to address the issue of the Motor Vehicle Excise Tax that will keep the program funding intact, maintain the project delivery schedule, and find an improved and satisfactory compromise on the depreciation schedule.

Washington DC Trip

Mr. Rogoff announced that he and several staff members from Operations and DECM will be visiting Washington DC to share a plan for the implementation of Positive Train Control (PTC) in cooperation with the Washington State Department of Transportation (WSDOT). In addition, staff will be meeting with legislators about the Lynnwood Link Extension Full Funding Grant Agreement (FFGA) and the

requested funding agreements for the Tacoma Link Extension. It is expected that the 2018 Federal Budget will be released within the month, and then the agency will be evaluation its position in regards to expected federal funding for future projects.

TOD Policy Development Update

Staff is currently working on drafting the updated policy, which will then come to the full Board for a briefing at the March meeting of the full Board, and will be brought to the April 5, 2018 Executive Committee meeting for consideration before being scheduled for consideration for approval at the April Board meeting.

BOARD MEMBER PARTICIPATION BY PHONE

Chair Somers announced that Pierce County Executive Bruce Dammeier, and Seattle Mayor Jenny Durkan, had requested to participate in the meeting via teleconference. Chair Somers asked for a motion to authorize the Board members participation by phone.

It was moved by Board Member Roberts, seconded by Board Member Marchione, and carried by unanimous vote that Board Members Dammeier and Durkan be allowed to participate by phone.

PUBLIC COMMENT

Alex Tsimmerman
Marguerite Richard
Joe Kunzler

BUSINESS ITEMS

Minutes of the December 21, 2017 Executive Committee Meeting

It was moved by Board Member Marchione, seconded by Board Member Roberts, and carried by unanimous vote that the minutes of the December 21, 2017 Executive Committee meeting be approved as presented.

REPORTS TO THE COMMITTEE

Board Approval Thresholds Overview

Chair Somers invited Peter Rogoff to introduce the presentation. Mr. Rogoff commented that the Committee will be getting a presentation on the Board approval thresholds today as the Board Rules Update process moves forward, and decisions are made about the best fit dollar thresholds for each of the Boards Committees, the CEO, and the full Board of Directors.

Mr. Rogoff introduced Katie Flores, Board Administrator, and Ted Lucas, Director of Procurement and Contracts, to provide the overview.

As Sound Transit 3 (ST3) work begins to ramp up, there will a dramatic expansion of the capital program scope. It is a goal of the agency to attain more Board involvement in the development of projects. The newly formed Elected Leadership Groups are kicking off, and as many Board members are already aware, there will be expanded efforts to ensure that Board members are involved in projects not only in their subarea, but outside of it as well.

Mr. Rogoff introduced the program wide expansion schedule, which shows that the system will be expanding in all subareas and directions at the same time. The challenge will be to maintain the outstanding fiscal controls that the agency has upheld so far, to keep projects on schedule, and to make an effort to balance Board members times and schedules.

There is already a noticeable increase in the amount of actions the Board is asked to consider each year. Over the last six years, there have been increases almost every year, a seven percent annual increase on average. However, in 2017 the Board saw a twenty percent increase over the number of actions in 2016. It was the largest number of annual motions and resolutions of any year since the creation of Sound Transit.

Ted Lucas presented the current dollar threshold amounts, which are as follows:

- The full Board approves transactions at or above \$5,000,000
- The Capital Committee and Operations and Administration Committee may approve transactions (within their areas of delegated responsibility) between \$200,000-\$5,000,000
- The Executive Committee and Audit and Reporting Committee do not take monetary actions
- The CEO may approve transactions up to \$200,000 when the amount is included in the adopted budget or other Board authorization
- The CEO may approve sole-source transactions up to \$100,000 subject to a rigorous process managed by Procurement & Contracts.

The Board reviews and approves annual budgets to authorize project and program dollars spent. At the Audit and Reporting Committee meetings, which are held on a quarterly basis, the Board and the public receive quarterly reports on budget and program performance, but also on all open and active contracts. In addition, there are quarterly reports given for any contract awarded by the CEO, any in excess of \$100,000, or any that are awarded as sole-source contracts.

Staff reviewed peer agencies both locally and nationally to compare Sound Transit's dollar threshold levels with other agencies. Local agencies dollar authority thresholds range from a high of unlimited delegation to the CEO, to a low of \$250,000. Nationally, the dollar authority thresholds range from an unlimited dollar threshold to a low of \$100,000.

Board Member Balducci commented that although the authorized delegation of authority to the Executive Director of King County Metro is unlimited, that is not analogous to the Sound Transit structure wherein the Board is approving Capital project construction, because for King County, the Council does not oversee Capital Projects. In addition, the Metro Capital Program is overseen by the King County Executive, who is an elected official.

Katie Flores then presented analysis and scenarios for changing the delegated authority thresholds for the Board committees and the CEO. She also clarified that changes could be made to the reporting process, either in thresholds of contracts reported or in frequency of reporting.

Currently the committees of the Board have final authority over two percent of actions, while the full Board approves 98 percent of actions. Ms. Flores then presented five scenarios for discussion as possible changes to the thresholds. Ms. Flores presented how these scenarios would impact the numbers of items seen by each committee, and the number of items that would be retained for approval by the full Board.

Board Member Balducci asked why the presentation is addressing only contracts being awarded above \$200,000 dollars, and commented that the level of the presentation is too high for analyzing how business would actually change. Mr. Rogoff commented that the presentation was designed to show changes above the current delegation threshold which is \$200,000. He also clarified that the intent of this presentation is to introduce a menu of options to the Executive Committee, and assess

what the comfort level is for change. He continued that it may be helpful to provide a sense of the content of the contracts at each of these threshold levels, so the committee members can get a sense of what the typical business items are that would be either authorized at a CEO or Committee level as opposed to the full Board.

Board Member Balducci commented that it is clear from the program delivery schedule that a change will have to be made to the way that the Board currently approves contracts, but continued that she is having difficulty with the content of this presentation and does not find it helpful in answering the question of the ideal threshold levels.

Board Member Roberts commented that perhaps the difficulty is caused by the presentation focusing on the quantitative nature of actions, and not on the qualitative content of the contracts, which is sometimes important when considering if an action could be approved by a committee, or the CEO. He also added that there was a situation before the prior Operations and Administration Committee meeting, when the decision to cancel the meeting was left up to him, because there were few actions on the meeting agenda and all of them were fairly ministerial.

Board Member Dammeier echoed the sentiments of Board Members Roberts and Balducci, commenting that the importance of the Board considering an item could be very dependent on the nature of the contract award and therefore not dependent at all on the amount of the contract. For example, a small change order may warrant more review than a competitively bid contract that amounts to over five million dollars.

Board Member Lucas commented that the threshold of approval for the Executive of an agency of this size would be appropriate to be higher.

Mr. Rogoff thanked the Board Members for all their comments, as this initial presentation served the purpose of getting feedback from this committee that can shape future conversations and inform staff on the best information to present to the full Board at the process review workshop.

Board Member Balducci commented that she would like the agency leadership to consider how to best use the Board's time, and how time is allocated between individual contractual approvals, and how the Board can be used as a programmatic oversight of the entire agency.

Public Private Partnerships

Brian McCartan, Executive Director of Finance and Information Technology, and Matt Sheldon, the Director of Planning and Innovation, provided the presentation. Mr. McCartan announced that after his retirement, taking place before the end of February, Mr. Sheldon will be assuming full responsibility for the agencies work on Public Private Partnerships (P3).

Mr. McCartan began by prefacing that the extremely ambitious capital program that the agency is now starting will come with many risks, and in light of that knowledge, staff has been analyzing opportunities and innovation that can help the agency find new funding sources and efficiencies. Public Private Partnerships are a method to involve a private party in the design, construction, and ultimate long-term operations of a capital project. When you think of the traditional method of design, bid, build, usually work linearly. Sound Transit already combines the design and build steps, to take on a minimal level of risk, and to capture efficiencies as the entity designing the asset is also thinking through optimizing construction. Public Private Partnerships take this already established practice and add in the step of financing, at a number of possible junctures, either at design, construction, only at operations, or fully throughout the entire process.

Mr. McCartan continued that P3's have primarily been used in the past for buildings, however they are gaining traction throughout multiple infrastructure avenues. The United States has been slower to adapt to the use of P3 than European countries or Canada, but there have been examples such as a rail line recently built in Maryland.

Benefits provided from the use of P3 span from capacity to cost savings. If funds are secured before a project is at 30 percent design, Sound Transit can transfer substantial staff work to a third party. In addition, there is a reduction of risk to the agency from a P3, while Sound Transit would still 'own' a project through its environmental phase, much of the project delivery and operations risks can be transferred to a private entity. Cost savings are the most obvious potential benefit, however they should not be the sole motivation for an agency to enter into P3, as most savings are actually acquired once the project enters operations. Financial capacity could be a strong incentive to pursue P3 as the agency moves forward with its capital program and finds its debt limits reaching closer to maximum. Lastly, there is an uncertain but potential availability for Federal partnering through P3, as opposed to traditional federal funding, which the current administration seems less interested in.

Discussion on Citizen Oversight Panel Appointment for North King County and Pierce County

Katie Flores, Board Administrator, reviewed the applicants who expressed interest in filling vacancies on the Citizen Oversight Panel representing North King County and Pierce County.

The process established by the Board starts with review by Board members in the subarea where there is a vacancy. The subarea's recommendations are then shared at the Executive Committee for further discussion. Executive Committee recommendations made at this meeting could be considered by the full Board at the February Board meeting.

There were no recommendations offered. Chair Somers directed staff to present the topic at the February Board meeting.

EXECUTIVE SESSION

At 11:57 a.m. General Council Desmond Brown announced that there would be an executive session, lasting 15 minutes, authorized by RCW 42.30.110 subsection (d) for the review of the performance of a public employee.

At 12:10 p.m. the executive session was extended by 5 minutes.

Chair Somers reconvened the meeting at 12:15 p.m.

OTHER BUSINESS

None.

NEXT MEETING

Thursday, March 1, 2018
10:30 a.m. to 12:00 p.m.
Ruth Fisher Boardroom

ADJOURN

The meeting was adjourned at 12:20 p.m.

ATTEST:



Kathryn Flores
Board Administrator



Dave Somers
Executive Committee Chair

APPROVED on 4/5/2018, PIA