



March 22, 2018

Sound Transit Board
The Honorable Dave Somers
401 South Jackson Street
Seattle, WA 98104

Re: Citizen Oversight Panel 2017 Year-End Report

Dear Chair Somers:

This year-end report represents the 21st year that the Citizen Oversight Panel (COP) has reported our current assessment of Sound Transit's performance to the Board and the public. As we have in past reports, we wish to express our appreciation for the candid, high quality presentations and support we receive from Sound Transit staff and the seriousness with which the Board considers our findings.

The COP's authorizing legislation requires it to monitor seven major areas of the Agency's performance:

- Sound Transit's adherence to its public commitments
- The open and timely involvement of citizens in the Sound Transit district in decisions affecting local communities and the district as a whole
- The process of evaluating project alternatives
- The capital and operating budgets and finance plans
- Equity in subarea budgets and reporting
- Discipline in management of schedules and budgets
- Review of Agency performance audits

For 2017, the COP has found the Agency in substantial compliance in all of these areas.

This report will address several of the many accomplishments achieved by the Agency in 2017, as well as topics of concern to the COP.

Major Accomplishments

System Expansion Implementation Plan

The third of Sound Transit's voter approved plans, ST3 is as large in scope as Sound Move and ST2 combined, and the largest public transit project currently

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underway in the country. In response to feedback received during the ST3 public comment process that projects be delivered more quickly, CEO Peter Rogoff led a joint effort with staff, peer agencies, state and local partners and trade organizations to develop a comprehensive plan to reduce the time necessary for all phases of project development. As part of this System Expansion Implementation Plan (SEIP), a new internal organization was created, along with an external approach to stakeholders, local jurisdictions and the planning, design and construction communities to deliver multiple major capital projects simultaneously and within budget.

I-90 Track Bridge

East Link construction is now underway on I-90 for the first ever operation of light rail across a floating bridge. This innovative design concept developed by staff of the Design, Engineering and Construction Management (DECM) department, the WSP design team, and the University of Washington's (UW) Structural Research Lab earned the project a Popular Science award.

Ridership

Third quarter 2017 results show that Sound Transit ridership increased by 12 percent over the same period in 2016, bucking a trend of declining transit ridership in many parts of the country. Light rail ridership is up more than 26 percent, ST Express ridership is up very slightly, and Sounder commuter rail ridership is up 3 percent. Paratransit ridership increased by more than 18 percent, largely in relation to the increased capacity of the expanded Link system.

Public Involvement

The COP is specifically tasked with assessing the Agency's public involvement process, which the Agency performs very well. The public receives early notification of the availability of project information and community participation is actively sought at all steps of project delivery. A variety of communication tools are used to reach diverse communities, including those with limited English proficiency and economic barriers. As actively engaged citizens, COP members attend numerous public meetings and see firsthand the benefits of the Agency's outreach efforts.

Network Security

The COP has previously expressed concern about the robustness and security of the Agency's data network, and recommended that consideration be given to adding information security expertise at the senior management level in order to better protect against cyberattacks and other security breaches that have particularly serious implications for transit agencies. A Chief Information Security Officer with extensive background in the field has been hired and is in the process of assessing and strengthening the Agency's Information Technology and Operational Technology systems. After a series of briefings on the projects now underway, the COP is encouraged that the Agency is taking the steps necessary to address this critical issue.

Areas of Concern

Adequacy and Appropriateness of System Access to Stations

The COP continues to be concerned about access to transit stations and park and ride lots throughout the region, which are at capacity by early morning in most jurisdictions. The \$100 million System Access Program (the Program) fund contained in ST3 is an important step toward the stated goals of increasing transit ridership while ensuring safe and convenient connections to

all modes of service at existing and planned stations. However, in light of rapidly changing economic, technological and political changes, underlying assumptions about the Program, particularly regarding parking, may need to be reevaluated. At the municipal level, a combination of zoning incentives to increase density and support Transit Oriented Development (TOD) could result in higher transit ridership and more residents who are not dependent on the automobile. The proliferation of private on-demand and rideshare services, along with the accelerating pace of autonomous vehicle technology, make it prudent to engage in further study of the trade-offs between parking space and drop off space. As we understand it, the current legislation makes room for some of these kinds of design changes, even if some amount of parking was promised. The COP encourages the Agency to be innovative as it develops the Program and selects its first projects in the months ahead. The COP will monitor the Program as it progresses.

Ridership on Sounder North

At the end of the third quarter, ridership on Sounder North, which comprises about ten percent of all Sounder ridership, had decreased almost ten percent over the same period in 2016, while ridership on Sounder South had increased slightly more than 11 percent. The COP notes that landslide mitigation undertaken in the corridor has reduced wintertime slides and resultant service cancellations. The COP also acknowledges the Agency's long-term investment in Sounder North and the loyalty its riders have for the service. However, the COP remains concerned about the overall relatively low ridership and high cost per rider on the line, and believes that the Agency must continue on a regular basis to evaluate the criteria used to justify the continued existence of Sounder North.

Awareness of Emerging Technologies and Their Impacts

Rapidly evolving technologies related to autonomous vehicles and smart device applications could result in disruption in the energy and transportation sectors within the time span of the ST3 program. Sound Transit has an opportunity to take a leadership role in addressing this potential shift in how society chooses to utilize transportation. The COP recommends that the Agency establish a working group charged exclusively with the mission of looking at emerging technologies and evaluating them against the ST3 program to recommend refinements within the design that might best accommodate these potential changes and optimize the return on the major investments being undertaken.

Publicizing of Peer Comparison Data

Data from the National Transit Database (NTD) shows that Sound Transit generally performs well when compared to its peer agencies. The COP believes that members of the public would benefit from hearing more about these favorable comparisons. Additional, in-depth media outreach and marketing could to be used to share this information more broadly.

Other reporting requirements contained in the ST2 and ST3 System Plans imply a set of performance commitments related to cost, revenue, safety, mobility, quality of service, and sustainability. Sound Transit produces a useful quarterly performance report and periodically briefs the COP on performance trends and comparisons to peer agencies through the NTD process discussed above. The COP recommends, and Sound Transit has been considering, the development of a performance dashboard on its web site, a page or two in length, to give a summary of broad system-wide performance status, trends, and targets. This would be suitable for a lay audience and help communicate to the public the agency's commitment to sustaining the desired level of service.

Farebox Policy

Farebox recovery data from Sound Transit's peer group from the NTD indicates that there is very little price elasticity between farebox recovery amounts and farebox recovery percentages. This inelasticity suggests that a moderate increase in fares would not result in any significant loss in ridership, thus increasing net operating income. However, raising fares would likely have a negative impact on economically disadvantaged people, which runs contrary to the principle of subsidizing public transit. Mitigation measures to offset the negative impacts of a fare increase could include outreach to impacted customers to provide information on lower cost service alternatives and outreach overall to ensure that all who qualify are enrolled in the ORCA LIFT program. The COP recommends that the Board explore fare increases and strategies to mitigate their negative impacts to economically disadvantaged riders as a way to increase net operating income.

Asset Management

The ST2 and ST3 System Plans include funding to maintain a state of good repair, acceptable service, and to minimize total lifecycle cost during system build-out and in the long term after completion, in the face of normal aging, deterioration, and hazards. Sound Transit has made a promising start on an asset management program that can grow with its infrastructure as build-out continues. The COP recommends and will continue to monitor the agency's progress in maintaining its asset inventory, periodically measuring and tracking condition and performance, and developing management decision support tools in accordance with the Transit Asset Management Plan.

Reliability of Project Cost Estimates and Funding Sources

Two significant funding sources identified in ST3 are at risk of being reduced or eliminated in the near term. The Washington State House has passed a bill that could reduce the amount of money Sound Transit collects from the Motor Vehicle Excise Tax (MVET) by as much as \$780 million in direct revenue and increase by as much as \$2.3 billion its borrowing costs. The Federal Transit Administration's (FTA) full funding grant agreement (FFGA) program has been eliminated from the Administration's budgets and substantial uncertainty surrounds its future. The Agency had expected \$5 billion from the program. In addition, rapidly rising labor costs, a labor shortage and a regional construction boom have already resulted in a significant cost escalation on the Lynnwood Link extension. The likelihood of a future recession would also negatively impact revenues. Although the COP has no specific recommendations around these issues, they will be subjects we will continue to watch closely.

Full Implementation of Positive Train Control

The Agency and its partners should make full implementation of positive train control on all Sounder locomotives and cab cars, most of which are already equipped with the necessary components, the highest priority for 2018.

Subarea Equity

The COP continues to recommend, as it did during the comment period for the ST3 plan, that the concept of subarea equity be retained, but more broadly defined, as the system becomes more regional and its benefits more fully extend across subareas.

Conclusion

In the year ahead Sound Transit will continue its build out of ST2 projects and accelerate work on ST3. The Agency's ability to deliver the largest transit program in the country on time and budget will depend in part on the number and quality of its staff. The Agency's commitment to continuous process improvement and knowledge transfer has helped attract and maintain a high quality workforce, although competition from the private sector is intense in the region's booming economy.

Uncertainty about state and federal funding sources, labor shortages, and project cost escalation are concerns, as are the traffic impacts of closing the Downtown Seattle Transit Tunnel to buses and opening the Alaska Way Viaduct tunnel.

Finally, the COP once again notes the leadership and vision of the Agency's executive team. CEO Peter Rogoff's response to requests for streamlined ST3 project delivery led to the innovations of the SEIP. Former Executive Director of Finance and Information Technology Brian McCartan helped guide the Agency through the Great Recession and, with his staff, developed the finance plan for ST3. Given the uncertainties about state and local funding and the institutional knowledge lost with Mr. McCartan's departure, the COP's role in monitoring finance plans takes on added importance. The COP interacts frequently with many other members of the Agency's staff and finds them consistently helpful and candid.

Sincerely,

CITIZEN OVERSIGHT PANEL

A handwritten signature in blue ink, appearing to read "Fred Auch". The signature is stylized and includes a large, triangular flourish at the beginning.

Fred Auch,
Chair

c: Peter M. Rogoff, CEO
Citizen Oversight Panel