

SOUND TRANSIT BOARD MEETING

Summary Minutes

July 26, 2018

CALL TO ORDER

The meeting was called to order at 1:37 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) *Ron Lucas, City of Steilacoom Mayor*

Board Members

(A) *Nancy Backus, City of Auburn Mayor*

(P) *David Baker, City of Kenmore Mayor*

(P) *Claudia Balducci, King County Councilmember*

(P) *Dow Constantine, King County Executive*

(P) *Bruce Dammeier, Pierce County Executive*

(A) *Jenny Durkan, Seattle Mayor*

(P) *Dave Earling, City of Edmonds Mayor*

(P) *Rob Johnson, Seattle Councilmember*

(P) *Kent Keel, City of University Place Mayor*

(P) *Joe McDermott, King County Council Chair*

(A) *Paul Roberts, Everett Councilmember*

(P) *Patty Rubstello, WSDOT Alternate*

(P) *Dave Upthegrove, King County Councilmember*

(P) *Peter von Reichbauer, King County*

Councilmember

(A) *Victoria Woodards, City of Tacoma Mayor*

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

REPORT OF THE CHAIR

Board Member Request to Participate via Teleconference

Chair Somers announced that Vice Chair Marchione 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 Boardmember Balducci, seconded by Boardmember McDermott, and carried by unanimous vote that Vice Chair Marchione be allowed to participate in the Board meeting by telephone.

CHIEF EXECUTIVE OFFICER'S REPORT

Kent Station Shooting

CEO Peter Rogoff reported that there was a fatal use of force by a Sound Transit Police officer that morning at the Sounder Kent station. A Sound Transit assigned King County Sheriff's Deputy was conducting a routine patrol of the Kent Garage. The deputy came across a vehicle that had been reported stolen. While attempting to make an arrest the deputy shot one suspect after seeing him reach for a rifle. The individual was transported to Harborview, where he later died. The deputy was uninjured.

Bellevue Tunnel Event

Mr. Rogoff stated that the Bellevue Tunnel “hole-through” was completed on Friday, July 20, 2018. The tunnel is 1,985 feet in length and 145,000 cubic yards of material were excavated. Atkinson Construction performed the tunneling with the sequential excavation method, which proved effective in reducing construction impacts to arterial roadways.

There were no major issues, claims, or problems with the excavation. Critical utilities were successfully navigated, relocated, and protected, including sensitive utilities such as King County’s 911 service. The tunneling was completed without incident to adjacent structures.

East Link Tour

This past Tuesday, Vice Chair Lucas and Boardmember Balducci joined East Link’s staff for a tour of the construction progress. Special attention was paid to work on the I-90 floating bridge, Downtown Bellevue, and the Spring District. He encouraged all Board members to request a tour of any construction projects.

National Transportation Safety Board Hearing

Mr. Rogoff reported that this week the National Transportation Safety Board (NTSB) conducted hearings in Washington, D.C. on two recent train accidents including the Amtrak tragedy last December in DuPont, Washington.

Sound Transit, Washington State Department of Transportation, Amtrak, and the Federal Railroad Administration testified at the hearing. Staff will keep the Board updated as the investigation proceeds.

Sound Transit Special All Staff Meeting

On July 10, the agency held a special all staff meeting with the entire Sound Transit. Boardmember Balducci served as a speaker at this meeting. Her words on behalf of the Board were encouraging and inspiring to staff.

The Executive Leadership Team rolled out a retooled mission statement “We are connecting more people to more places” and six key values that will guide the agency’s work moving forward, as well as a high-level plan to embed these values into every aspect of work. Kimberly Farley, Deputy CEO, will lead this effort. The values are collaboration, customer focus, inclusion and respect, safety, integrity, and quality. Sharing a commitment to these values enables everyone in the agency, whether they have been at the Sound Transit for 20 months or 20 years, to show up at their best every day and know that their colleagues are doing the same.

Federal Transit Administration Letter

The Federal Transit Administration (FTA) sent out a letter to clarify the rules going forward for federal participation in the capital investment grants program. The letter stated that (1) the FTA may add a screen related to geographic diversity into the allocation of funds, (2) TIFIA funding may be considered as part of the federal funding assessment (although those loans are paid back in full), and (3) they will require agencies to cost out projects with a 65 percent level of certainty that the project can be delivered at that cost, rather than the current 50 percent. Sound Transit and other transit partners are working to understand how the new rules will be applied.

Remarketing of Variable Rate Bonds

Mr. Rogoff stated that the remarketing of the Sound Transit Variable Rate Bonds closed successfully on July 19, 2018. The agency maintained the same interest rate mode, but was able to obtain better spreads. This new structure will provide more flexibility with the staggered remarketing.

System Expansion Engagement Update

Mr. Rogoff gave a recap of activities happening in the Sound Transit corridors.

- North Corridor: Mr. Rogoff stated that he met with Everett Mayor Cassie Franklin and provided a briefing to the Everett City Council on system expansion and federal funding. Sound Transit also held the last of three public open houses was held in Lynnwood for the Lynnwood Link Extension.
- East Corridor: Sound Transit hosted two public open houses on the I-405 project – one in Kirkland and one in Renton. The agency also hosted a press event to celebrate the tunnel hole through of the Bellevue downtown tunnel for the East Link Extension.
- Central Corridor: In Seattle, fairs and festivals engagement is underway for the West Seattle & Ballard Extensions as well as station area planning charrettes. With feedback from the community, the Stakeholder Advisory Group and Elected Leadership Group have finalized alternatives to study in Level 2, including additional SODO and Chinatown/International District options. Level 2 analysis will include a second round of neighborhood forums and engagement with stakeholders and elected leaders.
- South Corridor: The Tacoma Dome Link Extension project team will host a stakeholder advisory group in late July followed by meetings with the cities in the project corridor in August. Mr. Rogoff stated that he had the opportunity to meet with Kent Mayor Dana Ralph to discuss Sound Transit's projects in the City of Kent and how to collaborate on communications.

Work of Honor Event

This evening, Sound Transit will be partnering with an organization called Work of Honor to host a networking event for approximately 100 service members and spouses, along with over 30 other local and national industry supporters. The mission of the Work of Honor organization is “to create advancement for our Veteran and Military Spouse members in knowledge, capability, and careers by shedding light on the value of their talents within the business community.”

Sound Transit has supported Work of Honor networking and hiring events for several years. The keynote speaker will be Sound Transit's Bus Maintenance Superintendent, Tim Wagner. The event will take place in Union Station's Great Hall.

Motor Vehicle Excise Tax (MVET) Lawsuit

Last month Sound Transit was served with a lawsuit challenging the constitutionality of the law adopted by the Washington State Legislature in 2015 allowing voter consideration of the ST3 ballot measure. The lawsuit challenges Sound Transit's ability to collect the MVET under the same vehicle depreciation schedule that has been in place for two decades under legislation that was extensively debated.

The suit seeks to require the agency to refund previously collected revenues. This week the plaintiffs in the lawsuit sent Sound Transit, as well as local news media outlets, a settlement offer. Sound Transit's general counsel has communicated the settlement proposal to the Board. The agency's response to media inquiries have emphasized that Sound Transit's attorneys have significant doubts that the settlement would be legal since neither partner has the ability to unilaterally declare a law unconstitutional. Moreover, the proposed settlement would lower tax collections below the amounts required to implement voter-approved projects in accordance with the ST3 plan. Sound Transit is confident in the validity of the law and any reduction of the MVET revenues could delay or eliminate transit alternatives.

(Boardmember Dammeier arrived at this time.)

Chair Somers noted that Boardmember Baker would like to participate in the meeting by phone. As mentioned before, 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 Boardmember McDermott, seconded by Boardmember Earling, and carried by unanimous vote that Boardmember Baker be allowed to participate in the Board meeting by telephone.

PUBLIC COMMENT

Paul W. Locke
Alex Tsimerman, Stand Up America
Marguerite Richard
Joe Kunzler
Kelsey Mesher
Idefonso Eustaquio

CONSENT AGENDA

Boardmember Dammeier asked that Motion No. M2018-85 be removed from the Consent Agenda and considered separately.

Minutes of the May 24, 2018, Board of Directors meeting.

Voucher Certification for May 2018 Revised

Voucher Certification for June 2018.

It was moved by Boardmember McDermott, seconded by Boardmember Earling, and carried by unanimous vote that the amended consent agenda be approved as presented.

Motion No. M2018-85: Authorizing the chief executive officer to execute a contract amendment with HNTB Jacobs Trusted Design Partners (a Joint Venture of HNTB Corporation and Jacobs Engineering Group, Inc.), HNTB Corporation, and Jacobs Engineering Group, Inc., to provide civil final design services for the Lynnwood Link Extension in the amount of \$27,878,273, with \$2,100,000 contingency totaling \$29,978,273, for a new total authorized contract amount not to exceed \$103,747,349.

Rod Kempkes, Executive Project Director, and Joe Gildner, Deputy Executive Director – Project Management, provided a summary of the action. The contract with HNTB Jacobs Trusted Design Partners was awarded in 2016 to provide civil final design services. In March 2017, the 60 percent design level plans were submitted for review.

Following the review, staff informed the Board that the project was trending approximately \$500 million higher than the ST2 estimate. The primary cause of the increase was unforeseen and extraordinary market conditions and significant changes in project requirements from third parties. Responding to this trend, staff directed the design work to be paused in order to develop cost reduction ideas, evaluate the idea, and negotiate changes with third parties. The design work was restarted in October 2017 to incorporate the design changes.

The cost savings ideas have delayed the design by 13 months, which has depleted the budget. While the amount of this requested contract amendment is higher than normal, it should be considered as an investment in the design to achieve greater reduction in construction and right-of-way cost.

It was moved by Boardmember Johnson, seconded by Boardmember Earling, and carried by unanimous vote that Motion No. M2018-85 be approved as presented.

FEDERAL WAY LINK EXTENSION REPORT

Dan Abernathy, Executive Project Director; Soraya Lowry, HCT Development Manager; and Allison Dobbins, Director-Corridor Operations, gave a report on the Federal Way Link Extension. The Federal Way Link Extension project will extend light rail 7.8 miles from the existing Angle Lake Station at South 200th Street in the City of SeaTac and travel south to the Federal Way Transit Center.

Project elements include 3 elevated stations; 12-minute travel time from the Federal Way Transit Center to the Angle Lake Station; 36,500 daily riders in 2030; and a revenue service beginning in 2024.

The first station south of the Angle Lake Station will be the Kent/Des Moines Station. The station is elevated and includes a new 500-space parking garage and a connection to Highline College. The next station will be located at the existing Star Lake park-and-ride at Interstate 5 and South 272nd Street. A new parking garage will be constructed to include 1,100 parking spaces. The final station will be elevated and located at the existing Federal Way Transit Center. The station currently has a garage with 1,200 spaces and the project will add a second 400-space garage.

A Record of Decision was received in March 2017 from the FTA and FHWA. This allowed staff to move ahead with right-of-way acquisition, design, and construction activities. The Board has approved all property acquisitions and staff is working on appraisals, offers, and relocations. Staff expects to have all third-party agreements with utilities; the cities of SeaTac, Des Moines, Kent, and Federal Way; and WSDOT completed by the end of 2018. The entry to engineering application should be submitted to FTA very soon. The project allocation to date is \$412 million. The project is scheduled to baseline in August

Since the last Board update, staff has been preparing a new cost estimate while issuing a Request for Qualifications (RFQ) for design build. The cost estimate was completed the end of May and the RFQ was issued in April. Statement of Qualifications have been received from interested teams and three qualified teams have been shortlisted.

The updated cost estimate is \$2.55 billion and reflects an increase very similar to projects in the region. This estimate is \$460 million over the ST2/ST3 estimate of \$2.09 billion. The major cost increases are for right-of-way and construction. Construction costs have increased by 36 percent; right-of-way acquisition and relocations have increased by 45 percent. Staff is working to find ways to lower and/or control costs. The project is adopting the updated criteria and specifications to reflect cost saving ideas from the Lynnwood Link Extension's value engineering efforts.

The FWLE is a design-build delivery project, which gives flexibility in how to prioritize and evaluate the goals during the proposal process. For the Federal Way Link Extension proposal, scoring is structured to prioritize cost savings and cost containment similar to a value engineering process. Work continues with the third-party partners to find ways to reduce scope and contain costs. A risk assessment has been done with the FTA as well as peer reviews with WSDOT, TriMet, Utah Transit Authority, LA Metro, and Amtrak representatives.

Top risks for the project are construction market conditions, property acquisition and relocations, uncertainty at the Federal level about the full funding grant agreement, and timely third-party approvals.

Mr. Rogoff commented on the increase to the cost estimate. The cost drivers are not only construction, but also inflated costs to acquire property. These are precisely the same two factors that caused the increase in cost on the Lynnwood Link Extension.

In the coming months the staff and Board will need to look closely at how the same pressures could come to bear on the rest of the voter-approved capital program over the next 23 years. The agency's work to

update the long-range financial plan will show that these market forces could have impacts across the project delivery ahead. This fall, staff will bring to the Board a discussion of the tools to manage finances to ensure delivery of the entire program within the current delivery schedule for each project.

Sound Transit has the financial strength to withstand increased project costs, or lower than anticipated federal funding or tax revenues, or a recession. A combination of any two or more of these factors would put great stress on the agency's ability to deliver projects on schedule.

Preliminary analysis shows that increased costs are within the capacity of the agency to fund. However, depending on which of the many different economic assumptions used in predicting future costs and revenues, there could be long-term challenges that must be addressed in allocations at the subarea level. The process of updating the long-range financial plans each year involve taking an updated look at the rates the agency's costs and revenue may grow, as well as borrowing costs and bonding capacity. There are more than 30 variables embedded in the model. A small revision to any of these assumptions could cause significant impact to the model and could ripple out over the many years ahead.

While agency tax revenues as a whole are coming in ahead of forecasts, South King County tax revenues have been growing at a slower pace. Last fall, the agency forecasted South King County tax revenues through 2041 and reduced the estimate by \$113 million. This forecast will be revisited while updating the financial plan.

Staff will be developing a recommendation to the Board for adjustments to the long-range financial plan that maintains each subarea's capacity to deliver the program on schedule.

BUSINESS ITEMS

Motion No. M2018-81: Authorizing the chief executive officer to execute up to three stipend agreements with contractors selected to submit proposals for a design-build contract for the Federal Way Link Extension for a total authorized amount not to exceed \$4,500,000.

Dan Abernathy, Executive Project Director, presented the staff report. Honorarium payments in the form of stipends are required by RCW 39.10.330 to finalists submitting responsive proposals that are not awarded the design-build contract. This action provides for execution of up to three stipend agreements with the finalists for the preparation of detailed design-build proposals for the Federal Way Link Extension (FWLE).

A \$1,500,000 stipend would be paid to any finalist that executes the stipend agreement, submits a responsive proposal, and is ultimately not awarded a contract under this procurement. Stipends will not be paid until after contract execution of the procurement. No stipend will be paid to the finalist that is awarded the design-build contract. The selection of the preferred design-build contractor will be based on a "best value" formula that includes technical factors and price.

When a stipend is paid to the team, they will spend about six months developing a price proposal and a technical proposal. One of the benefits of design-build is that once the stipend is paid to the team, any technical cost saving ideas they have come up with will be owned by the agency whether or not they are awarded the contract.

Boardmember Keel asked how negotiations are going with third party utility companies, particularly moving the transmission lines in the area of the alignment. Mr. Abernathy replied that Puget Sound Energy (PSE) owns the power lines. Staff has been working with PSE regularly and have gone over the designs. The agreements are in place to have the transmission lines elevated for the FWLE.

It was moved by Boardmember Dammeier, seconded by Boardmember Keel, and carried by unanimous vote that Motion No. M2018-81 be approved as presented.

Resolution No. R2018-19: Amending the Security Operations Center Video Monitoring Improvements Project by (a) increasing the project allocation to date from \$188,000 to \$241,382 and (b) increasing the 2018 annual budget from \$188,000 to \$241,382 to complete the video monitoring improvements.

Boardmember McDermott stated that the Operations and Administration Committee received a staff presentation on this action on June 7, 2018. This resolution was on the June 28, 2018, agenda, however, lacking a supermajority it was deferred to today's meeting.

The action would amend the budget for the Security Operations Center Video Monitoring Improvements Project by increasing the allocation to date and the corresponding 2018 budget of the project to complete the work. This work is being funded by a Department of Homeland Security (DHS) grant, which will cover the entire cost of the project.

It was moved by Board Member McDermott, seconded by Board Member Dammeier, and carried by 12 affirmative votes that Resolution No. R2018-19 be approved as presented.

Resolution No. R2018-25: (1) Authorizing budget phase transfers within the Tacoma Link Extension project from the Vehicle and Right-of-Way Phases to the Construction Phase to fund the construction contract and (2) adopting Hilltop Tacoma Link Extension as the new project name.

Boardmember Balducci stated that the Capital Committee reviewed Resolution No. R2018-25 at the last capital committee and recommended its approval. The bids for construction came in higher than estimated for this project. This action transfers budget from the Vehicle Phase's unallocated contingency and surplus from the Right-of-Way Administration Phase to the Construction Phase.

The Committee asked staff why they determined that there is money available from these two phases. Staff stated that they reviewed and felt there is sufficient allocated contract contingency in the vehicle phase, and the right-of-way phase has surplus money due to the decreased number of property acquisitions. This action provides the best path forward for awarding the construction contract within the approved baseline budget and preserves the project contingency.

The action also adopts Hilltop Tacoma Link Extension as the new project name to eliminate confusion between the Tacoma Link Extension and the Tacoma Dome Extension projects.

(Boardmember Constantine arrived at this time.)

It was moved by Boardmember Balducci, seconded by Boardmember Johnson, and carried by 12 affirmative votes that Resolution No. R2018-25 be approved as presented.

Resolution No. R2018-22: Selecting the project to be built for the Sounder Maintenance Base in Lakewood, Washington, maintaining Sounder Maintenance Base as the project name, and superseding Resolution No. R2016-12.

Boardmember Balducci stated that the Capital Committee reviewed Resolution No. R2018-22 at the last capital committee and recommended its approval. Staff advised the committee that following the ST3 vote in 2016, an analysis was completed to determine if the footprint for the maintenance facility needed to be expanded to meet Sounder needs. It was determined that the building needed to be increased in size to accommodate future Sounder expansion.

Boardmember Balducci asked Melissa Saxe, Sounder South Project Development Director, Jon Mihkels, Project Director, and Allison Dobbins, Director-Corridor Operations, to provide a presentation to the Board on this action. The action would amend the project description for the Sounder Maintenance Base to be built. The site location will remain in Lakewood, Washington, on Sound Transit right-of-way.

The voter approved ST2 plan included a maintenance base for Sounder vehicles. With the passage of ST3, the project team took the opportunity to do additional analysis to determine if the facility size would accommodate future Sounder expansion. It was determined that with the expanded ST3 fleet, a larger facility would be required.

The project recently completed conceptual engineering and the additional environmental documentation was updated for a larger footprint. The facility will increase from 40,000 sq. ft. to 60,000 sq. ft. There will be ten repair bays, additional yard tracks to make movements within the facility, and other improvements.

It was moved by Board Member Balducci, seconded by Board Member Johnson, and carried by unanimous vote that Resolution No. R2018-22 be approved as presented.

Motion No. M2018-87: Authorizing the chief executive officer to execute a contract with Walsh Construction Company II, LLC to construct the Tacoma Link Extension in the amount of \$108,295,000, with a 5% contingency of \$5,414,750, for a total authorized contract amount not to exceed \$113,709,750 and contingent on Board approval of Resolution No. R2018-25 authorizing budget phase transfers to fund the construction contract.

Boardmember Balducci stated that this action is to approve the contract to construct the Hilltop Tacoma Link Extension. The work includes all civil, systems, and architectural work. Five bids were received and the lowest responsive bidder exceeded the engineer's estimate. Staff discussed the bid with Walsh Construction Company and they stated that the electrical work is in high demand and is reflected in the subcontractor bids received for this type of specialty work.

It was moved by Boardmember Balducci, seconded by Boardmember Johnson, and carried by unanimous vote that Motion No. M2018-87 be approved as presented.

Resolution No. R2018-26: 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.

Boardmember Balducci stated that this action authorizes the acquisition of seven parcels – one full and six partial acquisitions. Residential relocations activities are anticipated on one parcel; business relocations are not anticipated with this action.

The committee noted that there have been many actions to acquire property for the Lynnwood Link Extension. Kevin Workman, Director of Real Property, advised the Capital Committee that there are only one or two remaining properties to acquire. The parcels are located in the cities of Seattle, Shoreline, Mountlake Terrace, and Lynnwood.

It was moved by Boardmember Balducci, seconded by Boardmember Earling, and carried by unanimous vote that Resolution No. R2018-26 be approved as presented.

Resolution No. R2018-27: (1) Expanding Sound Transit's parking permit program, (2) establishing performance goals for the parking permit program, (3) authorizing the CEO to establish and adjust permit rates and make permits available in compliance with the program performance and permit price parameters established by the Board, and (4) superseding Motion No. M2015-83.

Boardmember McDermott stated that the Operations and Administration Committee received a staff presentation on this action at its July meeting. This action sets program parameters and performance goals for an updated parking permit program. The action also delegates authority to the CEO to establish and adjust prices for permits offered under the program and adjust other program variables – all within the parameters established in the action. He asked staff to give a brief presentation.

Kevin Shively, Senior Transportation Planner, stated that with this action, the Board would proceed to the next step in its committee to effective management of the parking facilities. This action would offer a new reserved parking service that improves reliability of access for transit riders and provides a new travel choice for commuters who currently cannot access the system.

Many of the Sound Transit lots fill up early in the morning, which limits access to commuters who travel later in the morning. The agency currently has a carpool parking program that requires at least two people to regularly carpool together and have ORCA cards. This action would add a single occupancy permit option and limits the permit parking area to no more than 50 percent of the available parking.

It was moved by Boardmember McDermott, seconded by Boardmember Johnson, and carried by unanimous vote that Resolution No. R2018-27 be approved as presented.

Resolution No. R2018-28: Revising and amending Sound Transit's legal boundary description to include annexations to the cities of Everett and Renton.

Mike Strong, GIS Administrator, presented the staff report. State law regarding annexation changed in 2010, and as a result, when a city inside the Regional Transit Authority (RTA) annexes an area outside the RTA boundary, the newly annexed area annexes to both the city and the RTA. The last update to the legal description was in 2016. There are two updates since that time. One is in the City of Everett to municipal property only and the second is to the City of Renton, which contains two parcels and two residences.

It was moved by Boardmember Johnson, seconded by Boardmember Earling, and carried by unanimous vote that Resolution No. R2018-28 be approved as presented.

Resolution No. R2018-23: Adopting a Budget Policy and superseding Resolution No. R2002-08.

Ann Sheridan, Budget Director, stated that the last update to the budget policy was in 2002. This action would revise the policy to focus on improving transparency for the Board and public while streamlining budget development, monitoring, and control processes.

The major changes in the proposed policy are:

- (1) The ability to carry forward annual project budgets allowing the CEO to rebalance budgets between a prior year and the budget year. It also allows rebalancing of budgets between project cost phases of the same project. This would occur in January after the year-end books have closed. Transfers from the contingency phase to other project cost phases would continue to require Board approval.
- (2) The proposed policy included the revised budget terminology, which has already been incorporated into current budget documents and Board actions.

- (3) The proposed budget would be approved within 60 days of the year-end rather than 90 days in the existing policy.
- (4) The CEO is permitted to transfer budget between departments without Board approval as long as the annual operating expenses do not exceed the total amount appropriated.
- (5) As in the exiting Budget policy, all spending requires both budget authority and a valid procurement method. The Board must approve all annual budget appropriations, increases to authorized project allocation, and amendments. The annual budget for a project cost phase may be exceeded if there is sufficient authorized project allocation in that phase.
- (6) The new policy specifies the level of detail for budgeted items to be included in the proposed budget and the proposed transit improvement plan (TIP).

It was moved by Boardmember Johnson, seconded by Boardmember Earling, and carried by unanimous vote that Resolution No. R2018-23 be approved as presented.

Resolution No. R2018-24: Adopting an Asset Liability Management Policy and superseding Resolution Nos. R2004-14, R2005-17, and R2009-07.

Jessica Jaeger, Acting Treasurer, presented the staff report. The Asset Liability Management Policy (ALM) was adopted in 2004, with revisions in 2005 and 2009. This action would update the ALM policy and its components to stay current with the market and regulatory environment, align practices and process with the current objectives, as well as reflect changes related to ST2 and ST3.

The policy is used to manage the agency's cash and investments, and debt and payment obligations on a consolidated basis to reduce net cost of capital, minimize risk, and goal of capital preservation. The management principles are covered in one larger ALM policy with three distinct sections: Investment Policy, Debt Management Policy, and Swap Policy.

It was moved by Boardmember Johnson, seconded by Boardmember McDermott, and carried by unanimous vote that Resolution No. R2018-24 be approved as presented.

REPORTS TO THE BOARD

Committee and Chief Executive Officer Approval Authority Presentation

Ted Lucas, Director of Procurements and Contracts, presented the proposed committee and CEO approval authority levels. At the May 2018 Board workshop, the Board discussed revising delegation of approval levels to optimize the Board's time on key issues and challenges. The workshop direction was to increase Board committee approval authority to \$50 million and CEO approval authority to \$5 million.

Sole source contract awards would give the CEO authority up to \$150,000 and committees up to \$50 million. For proprietary contracts awards, there would be no change to the existing full delegation to the CEO; however, the conditions for use of this contract type would be strengthened and added to this category would be subscription contracts. Under the new direction, the Board will receive a monthly report of the CEO's transactions.

Any contract that establishes or modifies a Board policy must be approved by the Board regardless of the dollar amount. The CEO may not execute any contract not included in a current budget authorization, any contract with a term exceeding 15 years including options, or any construction contract with a proposed price that exceeds the Sound Transit's cost estimate by 20 percent or more.

Boardmember Johnson commented asked how staff arrived at the 20 percent figure and why it is specific to the construction contract element and does not include all contract types. His understanding

was that the industry practice is that the best estimate is intended to be about a 10 percent range. Mr. Lucas responded that the intent was to have an internal check of 10 percent so if it was a small contract, regardless of the dollar amount, it would require the CEO's approval. If it was more than 20 percent over, it would require Board approval. He will provide further information on why staff limited this to construction contracts at a later date.

Mr. Lucas stated that for interlocal agreements with government, rail entities, and nonprofits, the approval limits would be the same as for procurement. Real property agreements would stay the same as it is currently by keeping committee approval level at \$5 million, but would increase the CEO approval level from \$200,000 to \$500,000, unless a term exceeds 10 years. Grants are currently covered in two resolutions, which would be rolled into the single consolidated delegation of authority policy.

Categories that have already been delegated to the CEO will not change. These include routine expenses of government relocation agreements with public and private utilities; legal services, claims, settlements and judgements; employee compensation and benefit programs and retirement plans; and agreements for reimbursable services to others.

Staff is proposing slight changes to a few categories. Preliminary project planning for system expansion projects by increasing the CEO's approval level from \$200,000 to \$500,000; allowing the CEO to use approved contingency for any type of contract; for emergencies, increasing Board ratification threshold from \$100,000 to \$150,000; increasing CEO's approval level to write off uncollectible debts from \$200,000 to \$5 million; and allowing the CEO to authorize contract modifications for betterments on any type of contract within the existing \$500,000 limit.

Next steps include: (1) coming to the Board in September with actions for the Procurement, Agreements, and Delegated Authority Policy and for Board Committee responsibilities and (2) in October and November, discussion and actions with the Board on Board Rules. The Board process review is scheduled to be completed by the end of 2018.

Real Property Task Force Presentation

Chair Somers advised that the Real Property Task Force presentation would be postponed to a future Board meeting.

OTHER BUSINESS

None

NEXT MEETING

Thursday, July 26, 2018
1:30 p.m. to 4:00 p.m.
Ruth Fisher Boardroom

ADJOURN

The meeting adjourned at 4:12 p.m.



Dave Somers
Board Chair

ATTEST:



Kathryn Flores
Board Administrator

APPROVED on September 27, 2018, JE