

A low-angle, close-up photograph of a white and teal Sound Transit train. The train is moving from left to right, with its windows and doors visible. The background shows a station platform with a glass and metal roof structure. The overall scene is brightly lit, suggesting daytime.

Organizing for System Expansion

Board Workshop

May 4, 2018

 **SOUNDTRANSIT**

Welcome

Meeting Purpose and Desired Outcomes

Feedback from Board Process Review Sessions

- The Board Chair and CEO completed outreach sessions with board members in 2017 to understand how to improve board engagement on strategic issues facing Sound Transit.
- Today, the board will discuss three major themes that emerged:
 - What is the scope of the workload coming to the board in the next five years?
 - How should the board committees be organized to handle the upcoming workload?
 - Should the board consider rebalancing the workload and funding authorities between the committees and full board?

Facilitator Introduction

Considerations for Five-Year Outlook Presentation

- How will your success be measured by the public?
- How should the board organize itself to facilitate success?
- What is the board's role in implementing the program? What is the CEO's role?
- What is the right balance in decision-making between the board and the CEO?

Governance Model

Board Responsibility	CEO Responsibility
“Own” the Mission	
Establish Policies	
Approve Budgets	
	Implement Policy
	Administer Work Program
	Manage Staff

A low-angle shot of a white and blue Sound Transit train. The train is moving from left to right. The windows are dark, and the train has a teal and blue stripe. The background shows a station platform with a glass roof.

Sound Transit Board of Directors: Five-Year Outlook

Board Workshop
May 4, 2018

 **SOUNDTRANSIT**

Staff Objectives for the Board Process Review



- 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

Goal of the Five-Year Outlook

- Our goal is to help inform the board's decisions on:
 - Board rules and procedures
 - Committee structure
 - Committee leadership
 - Scheduling of the board's work



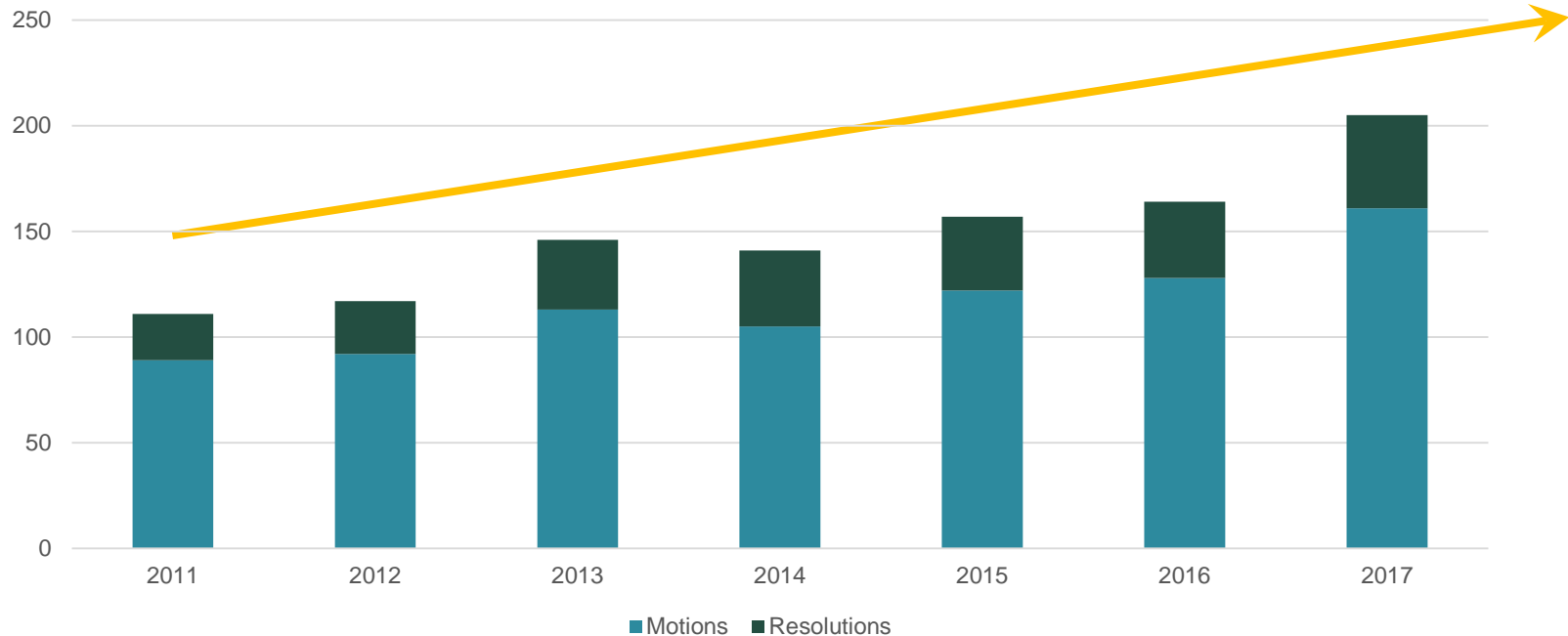
Five-Year Outlook: Five Major Categories



- I. Leadership on project development
- II. Capital project delivery
- III. Operations business model
- IV. New policy directions
- V. Continuing oversight and governance

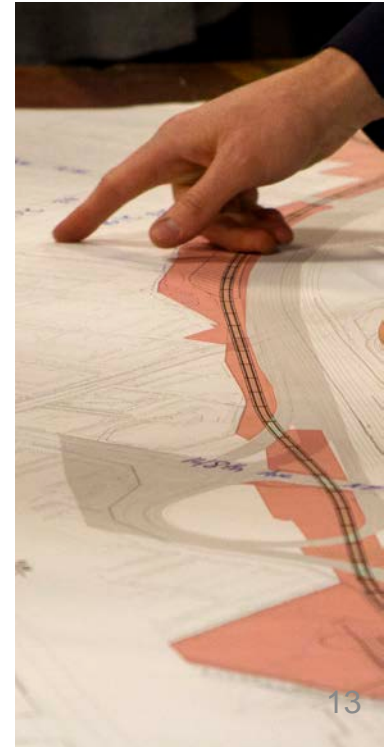
Number of board actions continuing to rise

Number of annual actions (2011-2017)

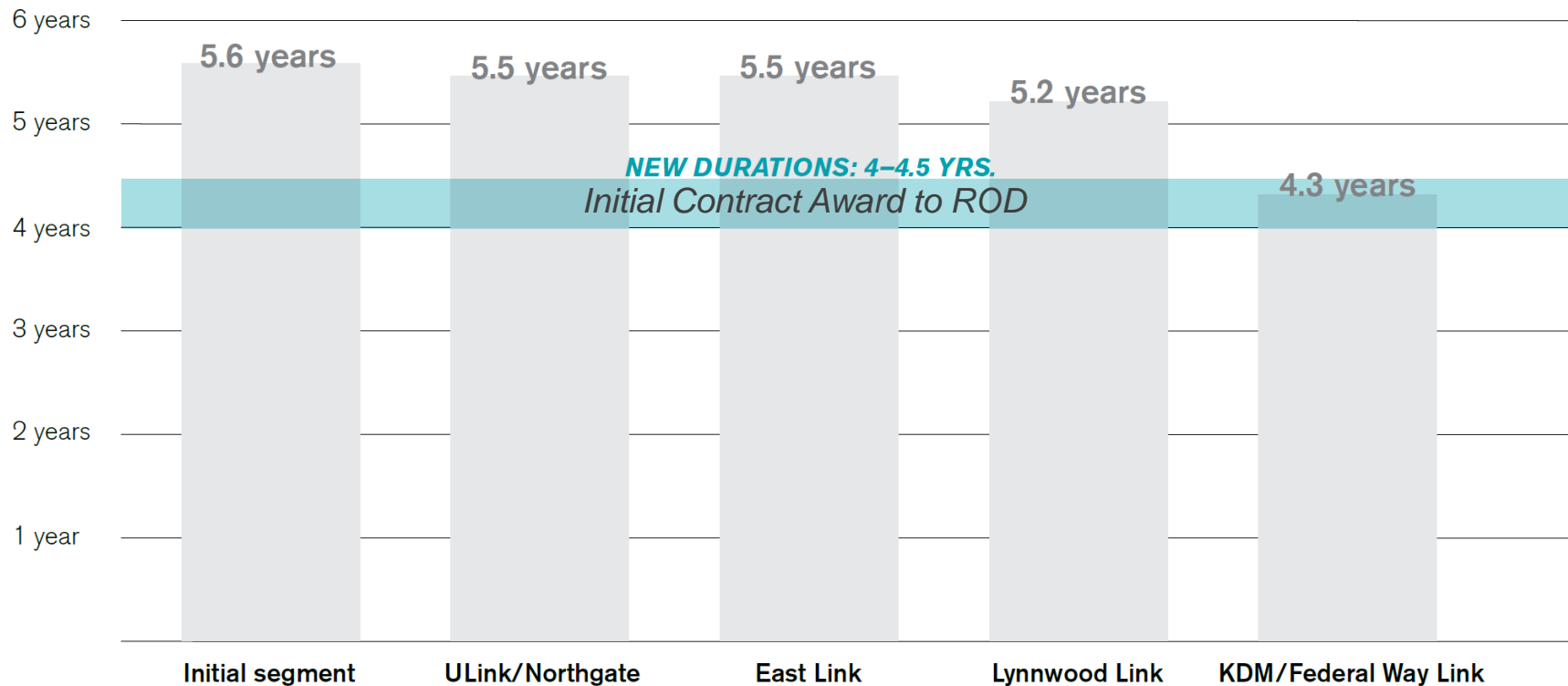


Shorter project delivery times mean more project decisions than ever before

- The System Expansion Implementation Plan seeks to shorten project delivery times.
- Elemental to the agency's success will be:
 - Establishing trust with growing number of municipalities, tribes and stakeholders
 - Driving to a preferred alternative earlier while maintaining project scope discipline
 - Executing partnering agreements and concurrence documents that allow the environmental review and permitting process to be streamlined



ST3 promised voters expedited project timelines



Major project decisions coming to the board faster than ever before

- Board member engagement across subareas will require some knowledge of project details regarding preferred alternatives

2019	2020	2021	2027
I-405 and SR 522 BRT projects – Q1 West Seattle and Ballard Link Extensions – Q2 Tacoma Dome Link Extension – Q2	South Sounder expansion program – Q1	Everett Link Extension – Q3	Tacoma Community College Tacoma Link Extension – Q3

I. Leadership on Project Development

Questions?

Public-private partnership analysis coming to the board for evaluation of efficacy

- Determine feasibility and efficacy of public-private partnerships (P3s) for ST projects
- Will require board review of costs/benefits on P3s pertaining to:
 - Financing
 - Agency bandwidth
 - Contractor performance, accountability and independence
 - Community acceptance



ST3 includes potential P3 projects



- Potential P3 projects could include:
 - I-405 and SR 522 bus rapid transit
 - ST2 bus base
 - South Kirkland-Issaquah Link
 - Other projects under evaluation

Other capital program considerations coming to the board

- Alternatives to airspace leases with WSDOT?
- Mitigating workforce shortages?
- Promoting local hiring?
- Advancing diversity for the ST and contractor workforces?



Emerging technologies to consider for the future of the regional transit system



- Semi-automated operations for rail?
 - Feasibility of an independent rail segment?
 - Integration with the existing Link system?
- Vehicle automation for bus service and/or connecting services?
- Integrated payment systems?
 - Online parking reservations?
- Enhanced bidirectional customer communication?

II. Capital Project Delivery

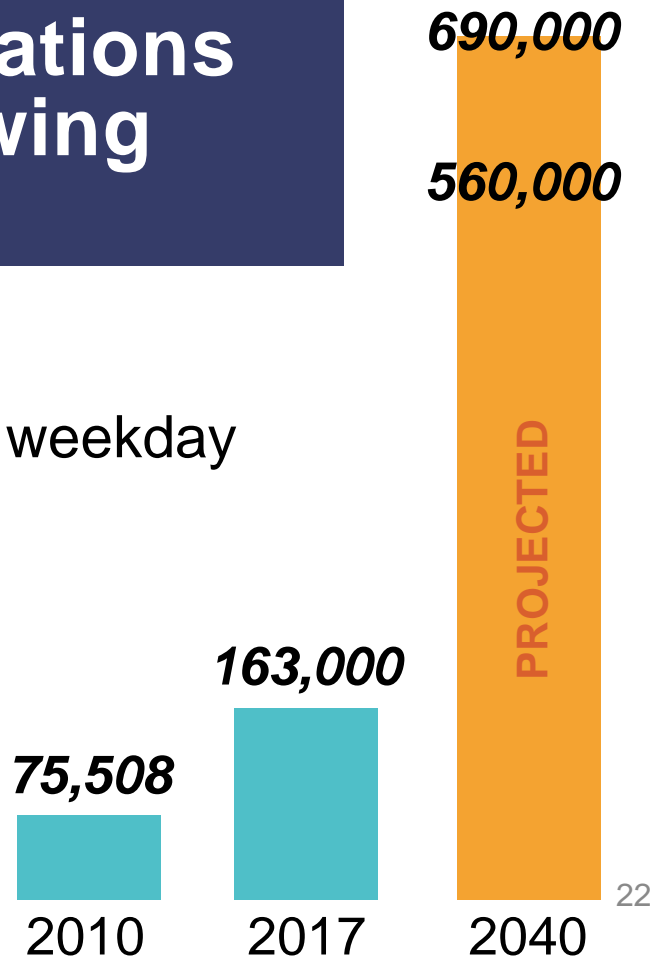
Questions?

III. Operations Business Model

ST will require the right operations business model to meet growing demand



Average weekday ridership



Board direction needed to ensure the long-term sustainability of agency operations

- Who operates and maintains Sound Transit's services?
- At what cost?
- What is ST's ability to maintain quality and protect ST's brand over time through contractors?



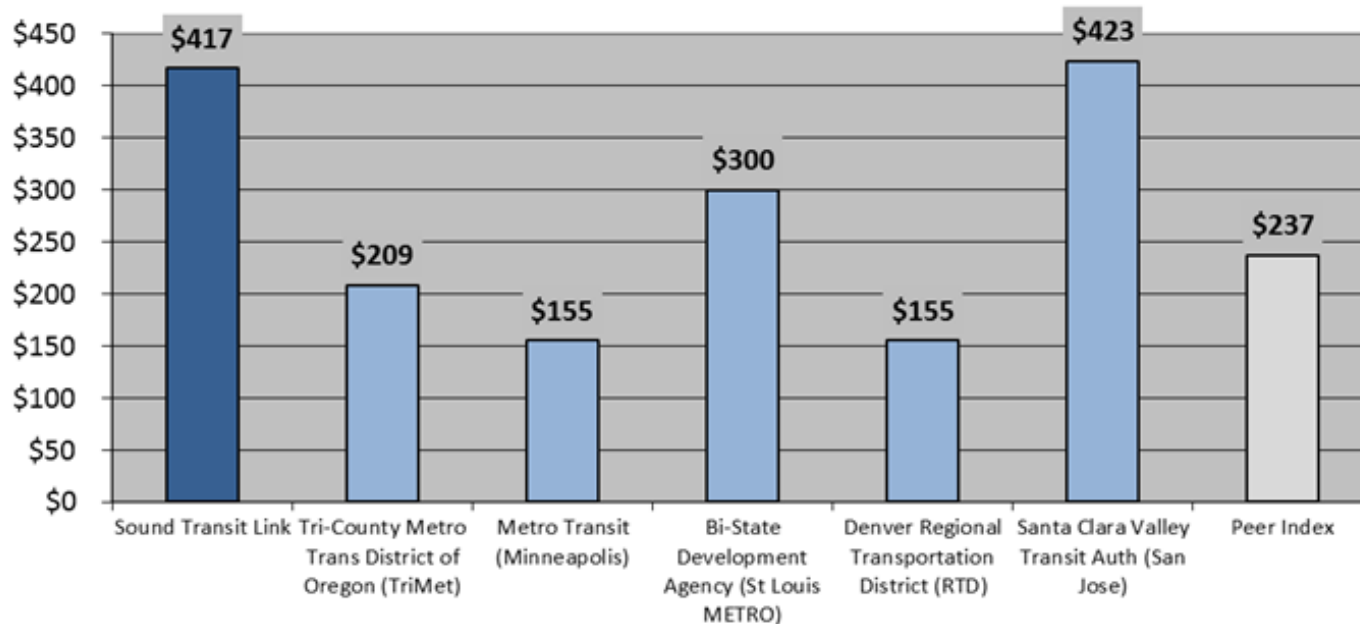
Significant light rail expansion may require a different operations and maintenance model



- Future of light rail operations and maintenance contract?
 - Anticipate short-term, multi-year contract extension
 - Consider long-term options:
 - Opportunities for cost containment?
 - Expansion into Pierce and Snohomish Counties?

Sound Transit Link light rail is one of the highest cost systems in the country

Cost per Revenue Vehicle Hour



Sound Transit ownership of the DSTT comes with implementation questions

- Ownership and maintenance of the Downtown Seattle Transit Tunnel (DSTT)
 - Transition operations and maintenance to ST?
 - Contract for operations and maintenance with KCM?



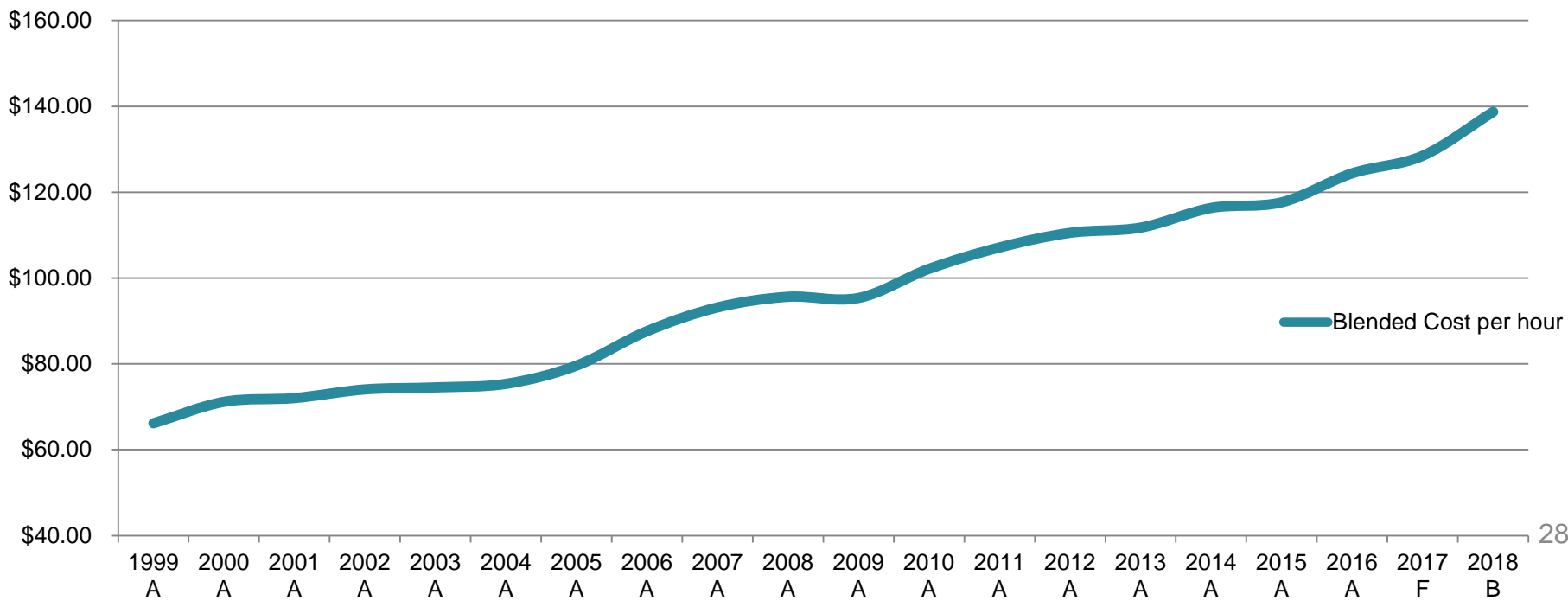
Changing needs for ST Express bus service, an interim mode, when light rail built out

- Trajectory of ST Express bus service
 - How aggressively will ST reduce bus service hours as light rail is expanded?
 - Bus base and bus contracting expansion decisions – pay for partners' bus base expansions or build ST's own capacity?
 - Future business model for ST Express and BRT – continue contracting with existing partners?



ST Express bus service costs continually increasing over time

Blended bus partner cost per hour (without fuel)



III. Operations Business Model

Questions?

Equitable transit oriented development is becoming an ongoing board responsibility

- Board consultation on equitable TOD guidelines
- TOD transactions will continue coming to the board – increasingly outside of the City of Seattle
- Partnering with public housing authorities?
- Opportunities to support community TOD within a half mile of stations?
- Structure, goals and governance of new TOD revolving fund?



TOD transactions will be coming to the board faster than ever before

- Per the recently updated Equitable TOD Policy, a regional plan will strategically capture inventory status and be reported to the board.

2018 Transactions	2018-2019: Pre-development & Potential Offering	>2019 Future Potential Offerings
<ul style="list-style-type: none">✓ Roosevelt✓ First Hill✓ Capitol Hill Site D	<ul style="list-style-type: none">✓ Mount Baker Station✓ Overlake Village Station✓ U District Station✓ Pine Street Triangle✓ Angle Lake Station✓ Operations Maintenance Facility East✓ Columbia City Station✓ Redmond Technology Station	<ul style="list-style-type: none">✓ Roosevelt Station – North and South parcels✓ Northgate Station✓ Lynnwood Transit Center✓ Kent-Des Moines Station✓ Federal Way Transit Center✓ Southeast Redmond Station

Managing parking to increase availability and reliability of access for transit riders

- Paid parking
 - Single-occupancy vehicle permits?
 - When and where? Northgate in 2021?
 - Who sets the rates and how?
 - Integration with ORCA Lift?
- Ensuring parking is used by transit users?
- Treatment of out-of-district park-and-riders?



Effective system access increasingly important as the system expands



- Structure of new ST3 system access fund?
 - Process for allocating the fund?
 - Use of any parking revenue above ST3 assumption?
- Agency's approach to rideshare?

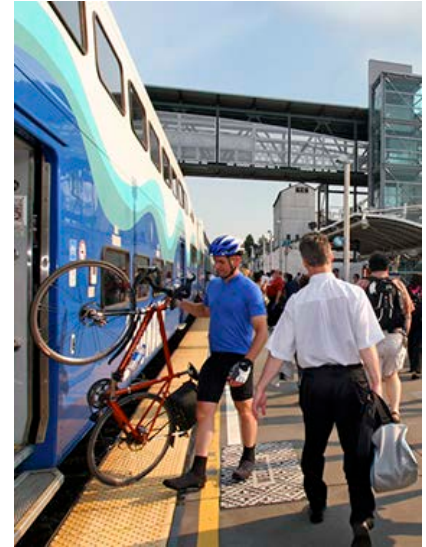
Advancing sustainability

- Evaluate costs, benefits and risks of electric battery technology for ST Express bus and BRT services
- Consider expansion of capacity for double-decker buses?
- Consider opportunities for purchasing electricity to enable light rail to run on 100% “clean, green power”



Enhanced customer experience strategies will come to the board more often

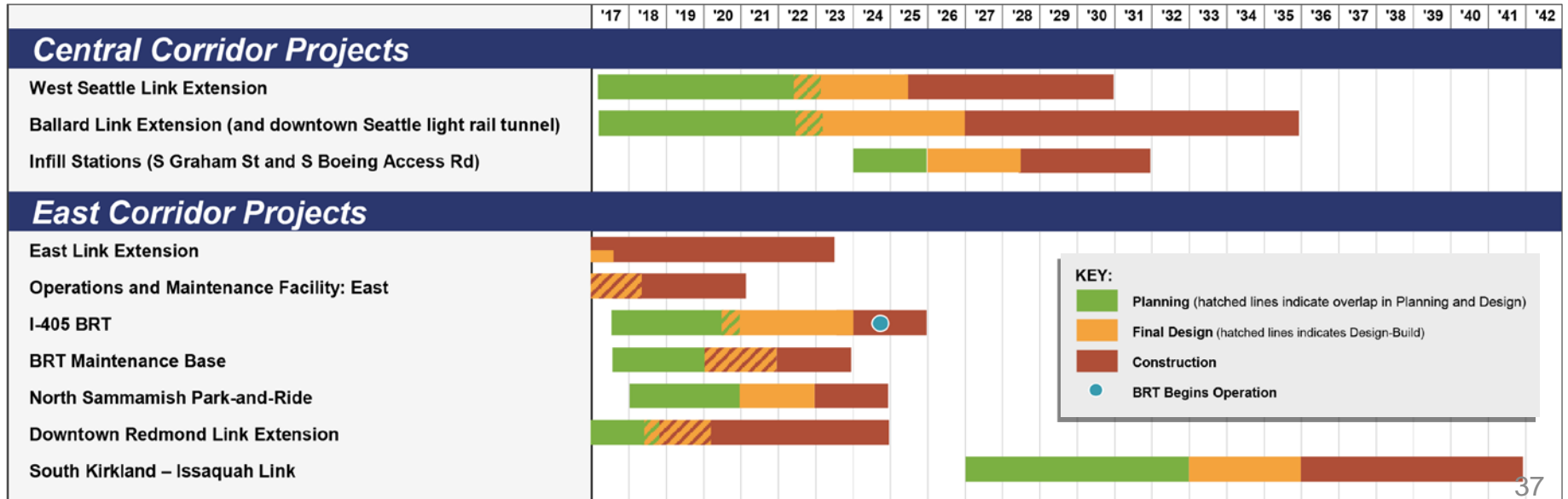
- Pursue simplified fare policy and payment options?
 - Fare collection methods – next gen ORCA
 - Elimination of cash fare payments?
- Establish customer defined performance metrics?
- Replace existing wayfinding with more simplified, intuitive tools?
- Enhance seamless modal integration? How?
- Prohibit bicycles on Link during peak periods? All periods?
- Improve timely, continuous and credible customer communication



IV. New Policy Directions

Questions?

Dramatically increasing volume of contract actions as the agency launches major projects in all five subareas



V. Continuing Oversight and Governance



KEY:

- Planning (hatched lines indicate overlap in Planning and Design)
- Final Design (hatched lines indicates Design-Build)
- Construction
- BRT Begins Operation

Financial management – a growing responsibility of the board

- Monitor shifts in the financial plan
- Ensure capital plan remains affordable in an increasingly dynamic funding environment
- Limited unused financial capacity



Potential need to reassess the capital program with loss of federal funding

- Loss of federal funding
 - Agency finance plan assumes \$8 billion of federal grants
 - Lynnwood Link Extension – \$1.2B
 - Federal Way Link Extension – \$500M
 - Federal support for FFGA program at high risk
 - Next key date: Q3 2018 Lynnwood FFGA

Potential need to reassess the capital program with loss of MVET funding

- Several proposals could significantly reduce MVET revenue collections.
 - HB 2201 financial impact of \$2.3B
 - SB 5893 financial impact of \$12B
 - Initiative 976 financial impact of \$12B
- Next key dates:
 - December 31, 2018: I-976 must have 259,622 signatures to be considered in 2019.
 - Q1 2019 legislative session

Potential need to reassess the capital program due to economic factors

- Potential major recession risk: >\$2B
 - All tax revenues would be negatively impacted.
 - The earlier the recession, the more severe the impact.
- Unabated project cost growth
 - Inflation risk (\$1-4B) due to high costs for real estate and construction
 - Program scope/cost uncertainties (\$1-5B) since much of the system expansion program has yet to be baselined

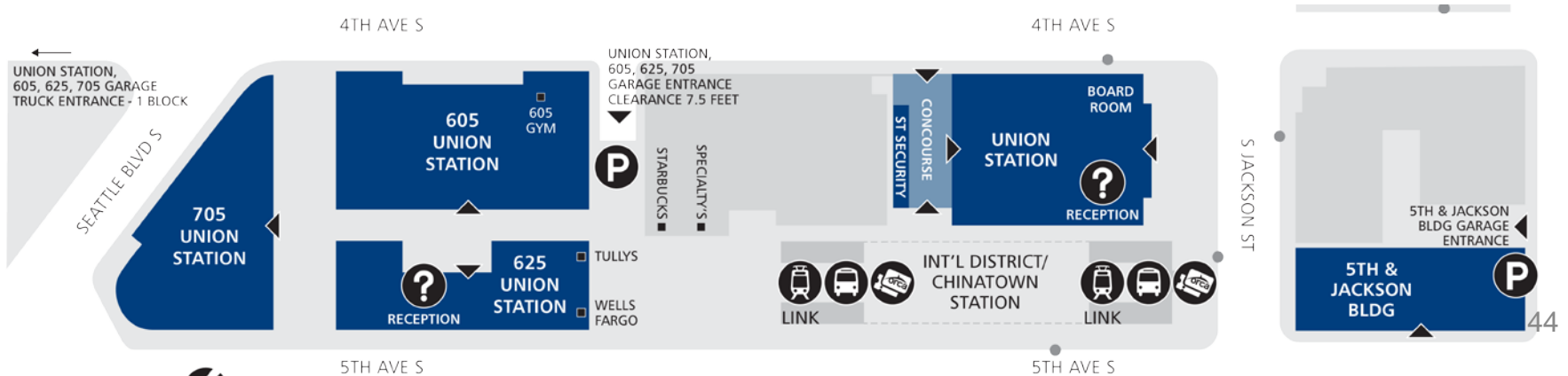
Mitigating considerable community disruption during construction



- Buses leaving the DSTT
- Street and lane closures for multiple projects
- Ten-week operating change to Link spine operations to facilitate East Link construction

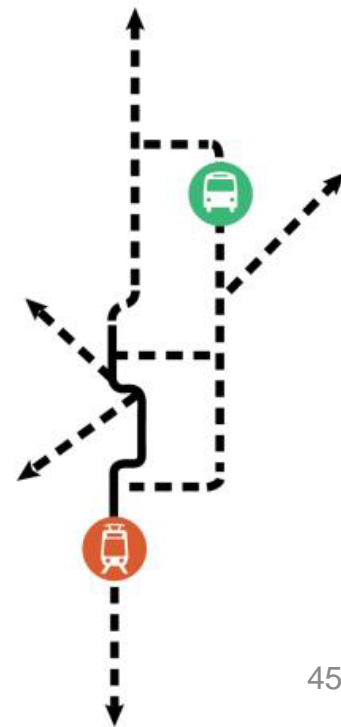
Board direction on how to approach the long-term future for Sound Transit offices

- Should the agency transition to unified administrative office space? Where?
- Targeting the same one-year period (~end of 2023) for lease expirations for ST's administrative office buildings



Board participation in regional plans and projects

- Engagement in PSRC Transportation 2040 and Vision 2050
- Transit integration and coordination with partners' projects
 - E.g. Colman Dock, RapidRide, Swift, Pacific Avenue BRT
- Board composition
 - Requirement to reconstitute the board after the census



IV. Continuing Oversight and Governance

Questions?

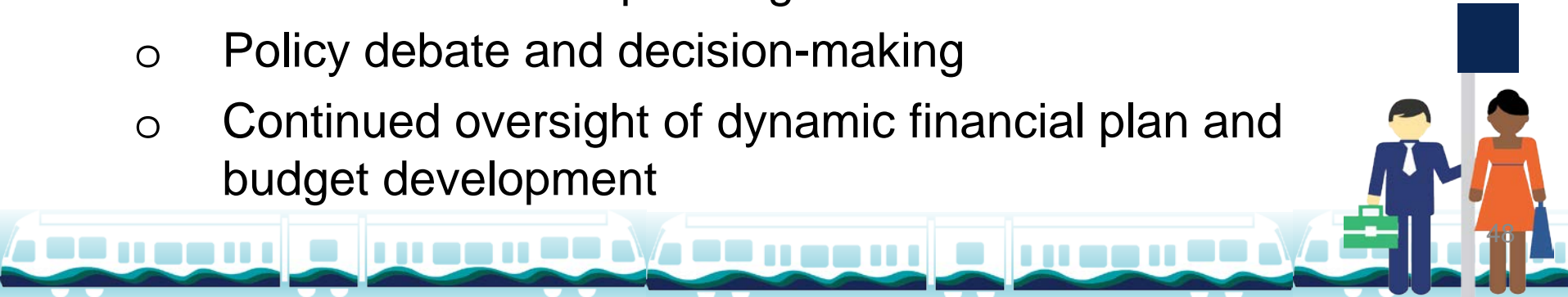


Why Must We Do All This?

- 116 miles of light rail providing a true seamless network throughout the region
- Real BRT connecting residents rapidly to light rail and commuter rail
- Expanded and extended commuter rail to more district commuters
- Residents will enjoy a real choice to avoid congestion that will be far worse than it is today.

Summary of the Next Five Years

- Intensified board engagement needed for:
 - Project development in collaboration with jurisdictions for expedited project timelines
 - Dramatic increase in the number of contract actions
 - Critical decisions on capital delivery approaches
 - Fundamentals of operating business models
 - Policy debate and decision-making
 - Continued oversight of dynamic financial plan and budget development





Break



Board Committee Responsibilities and Structures

Board Workshop
May 4, 2018

 **SOUNDTRANSIT**

Increased Workload Ahead

- Five-year outlook summary
- System expansion project timelines
- Ongoing board responsibilities



Board Member Feedback on Committee Structure

- Comments received during conversations with board members on board committee structure:
 - Restructure committees to focus on strategic issues and build on board member expertise.
 - Look at how to address new subject areas (e.g. transit oriented development), either through changes to committee structures or other options.

Desired Outcome

- Provide direction to staff on a committee structure that will best help the board deliver the expanded board responsibilities over the next five years.

Current Committee Structure

Executive
Committee

(No dollar authority)

Capital
Committee

(\$5 million authority)

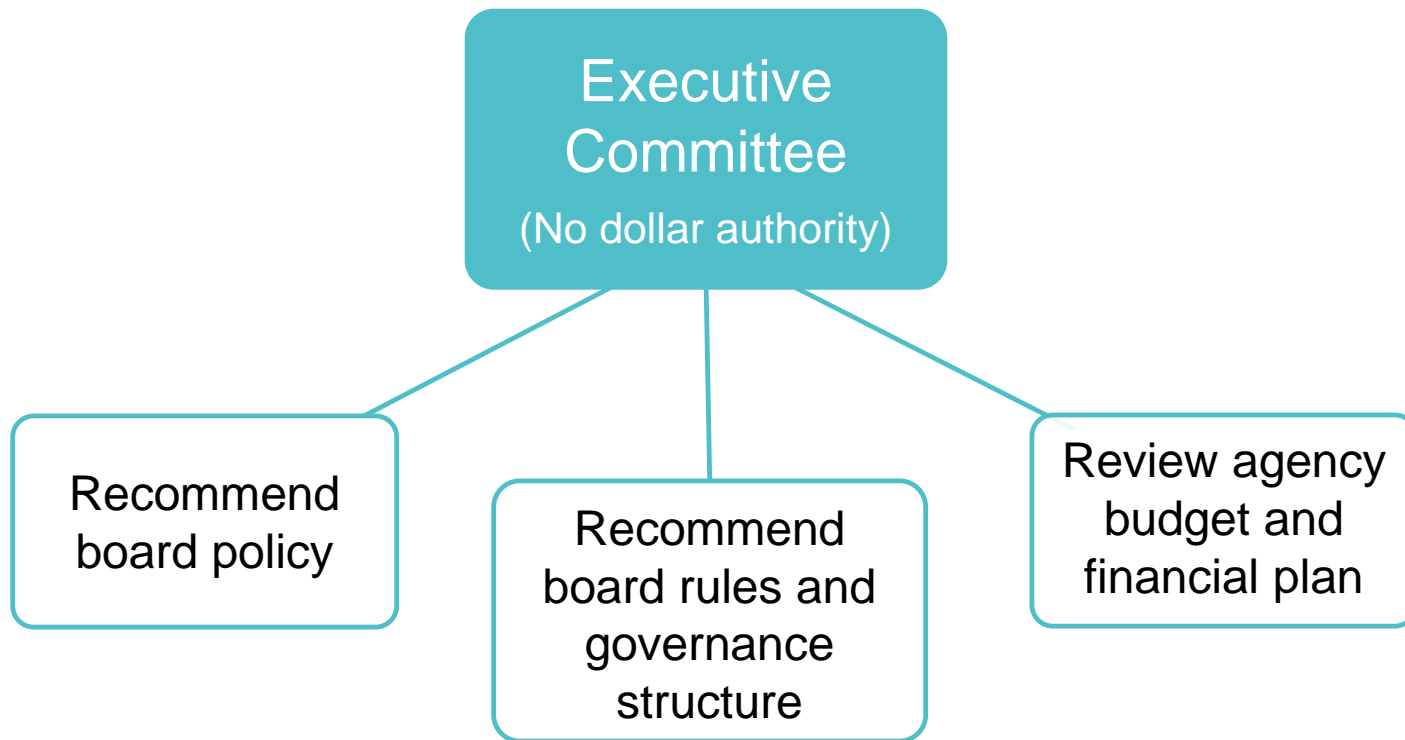
Operations and
Administration
Committee

(\$5 million authority)

Audit and
Reporting
Committee

(No dollar authority)

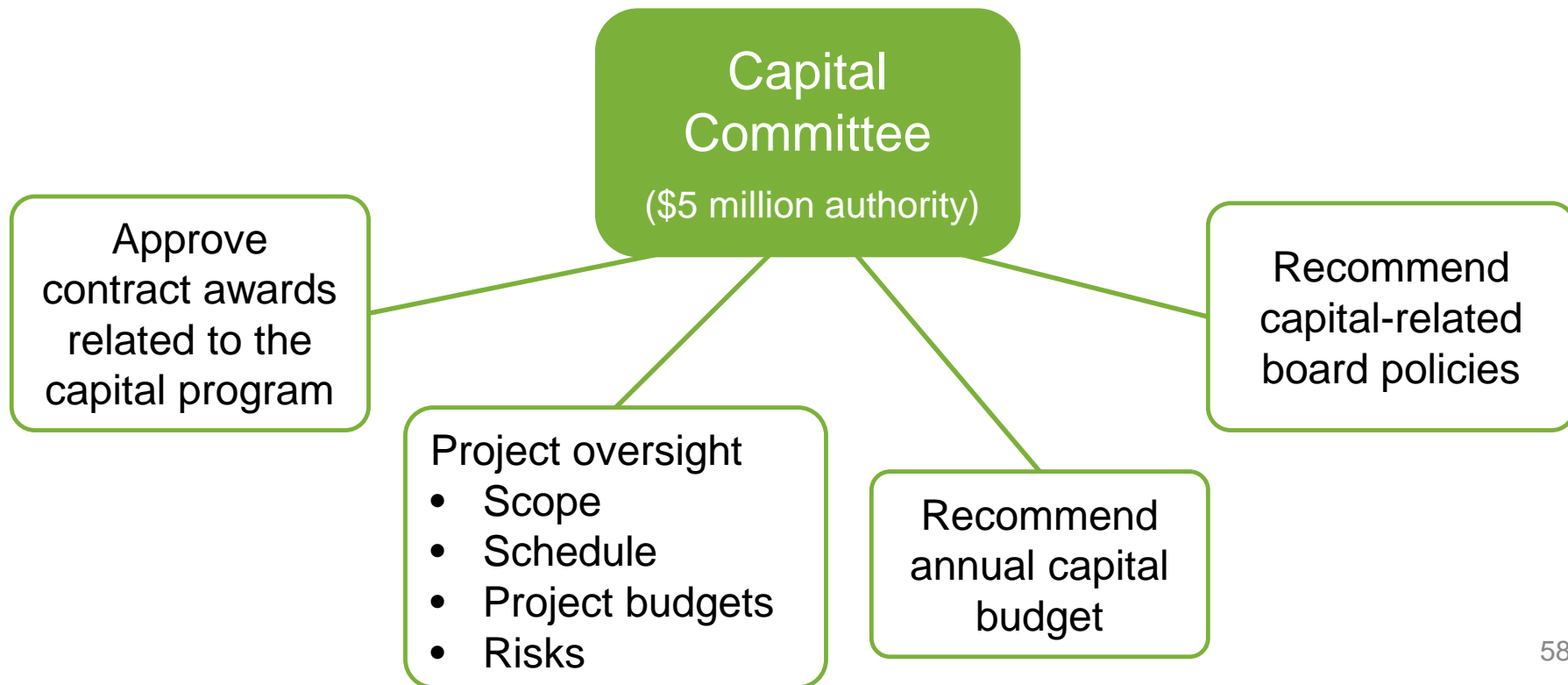
Key Committee Responsibilities – Current



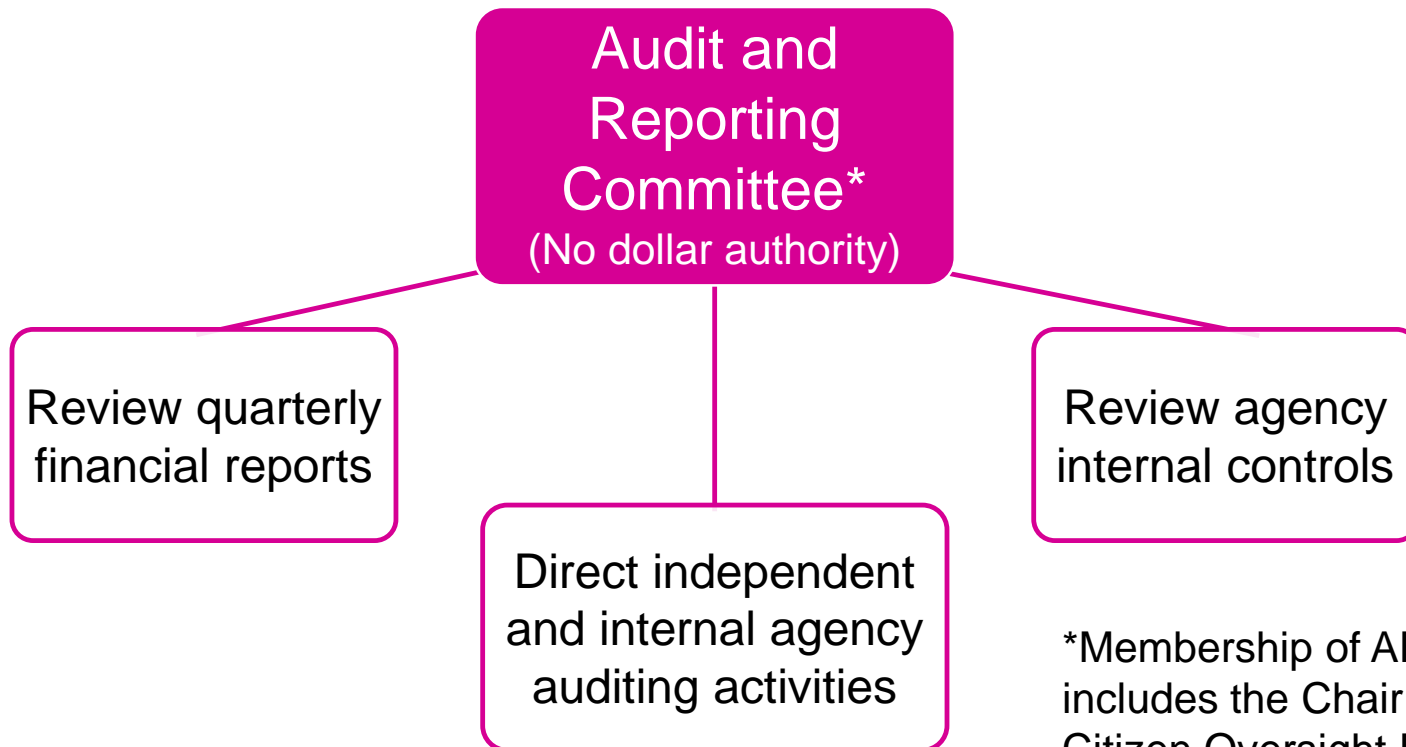
Key Committee Responsibilities – Current



Key Committee Responsibilities – Current



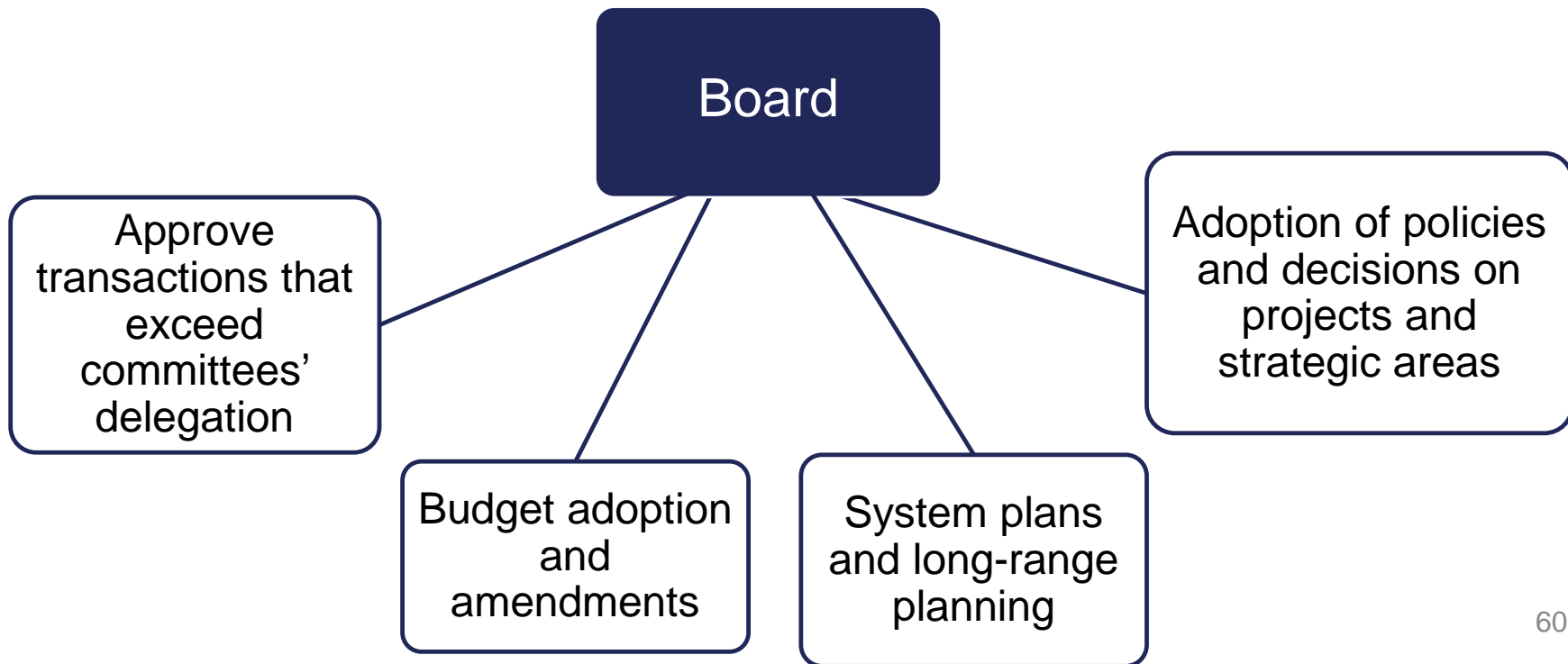
Key Committee Responsibilities – Current



*Membership of ARC includes the Chair of the Citizen Oversight Panel

Key Board Responsibilities – Current

Responsibilities not delegated by the board:



Challenges

- Topic areas not currently assigned:
 - TOD and related surplus property declarations
 - Systemwide programs like the System Access Fund and Innovation Fund
- Unbalanced workload and fragmented oversight
 - Varied workload among committees
 - Decentralized financial oversight
 - Overlapping committee subject areas, such as Capital Committee review of operations-related capital projects

Discussion on Committee Structure

- What does the perfect committee structure accomplish?
- At the end of discussion, how will you know it's the right solution?

Lunch



Balance of Board Oversight and Workload

Board Workshop

May 4, 2018

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Feedback on Board Oversight and Workload

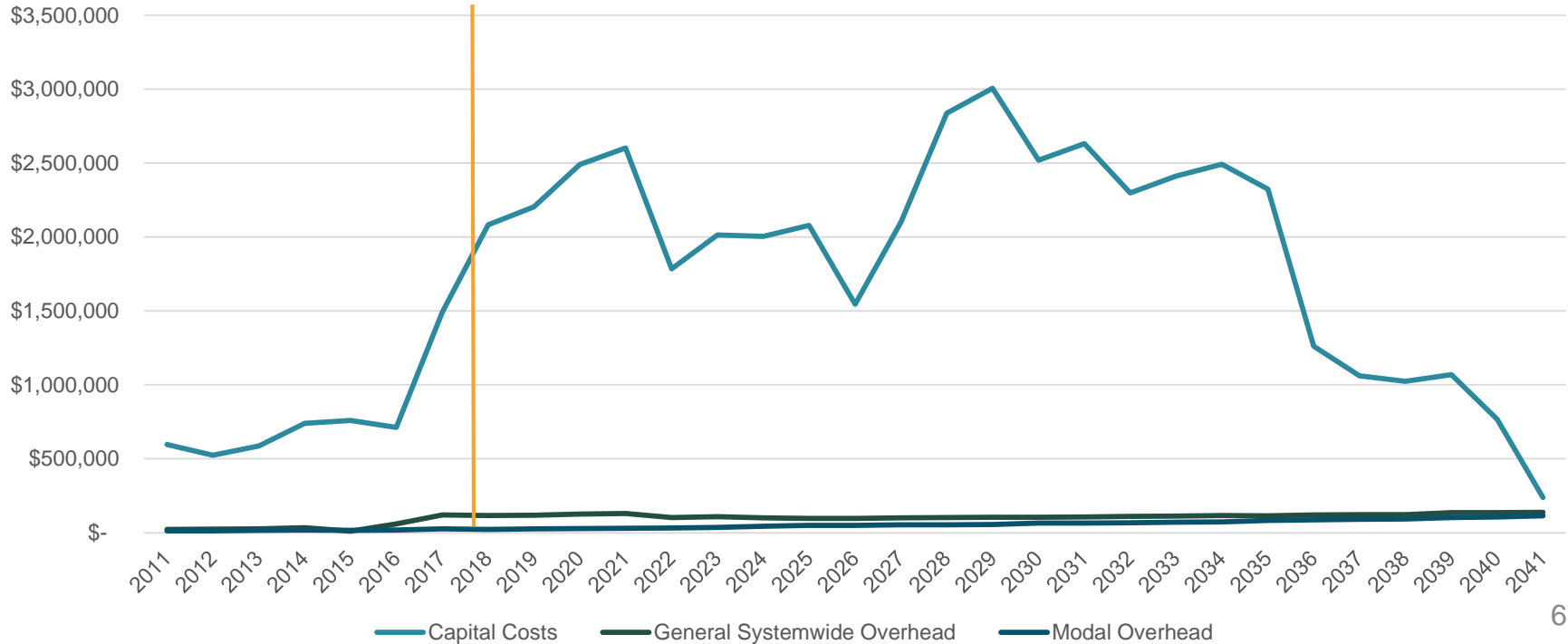
- Comments received during conversations with board members on board oversight and workload:
 - Provide more opportunities for board engagement on strategic issues.
 - Consider increasing approval levels.

Desired Outcome

- Provide direction to staff on a balance of board vs. CEO authority/actions that will be most efficient in delivering the expanded board responsibilities over the next five years.

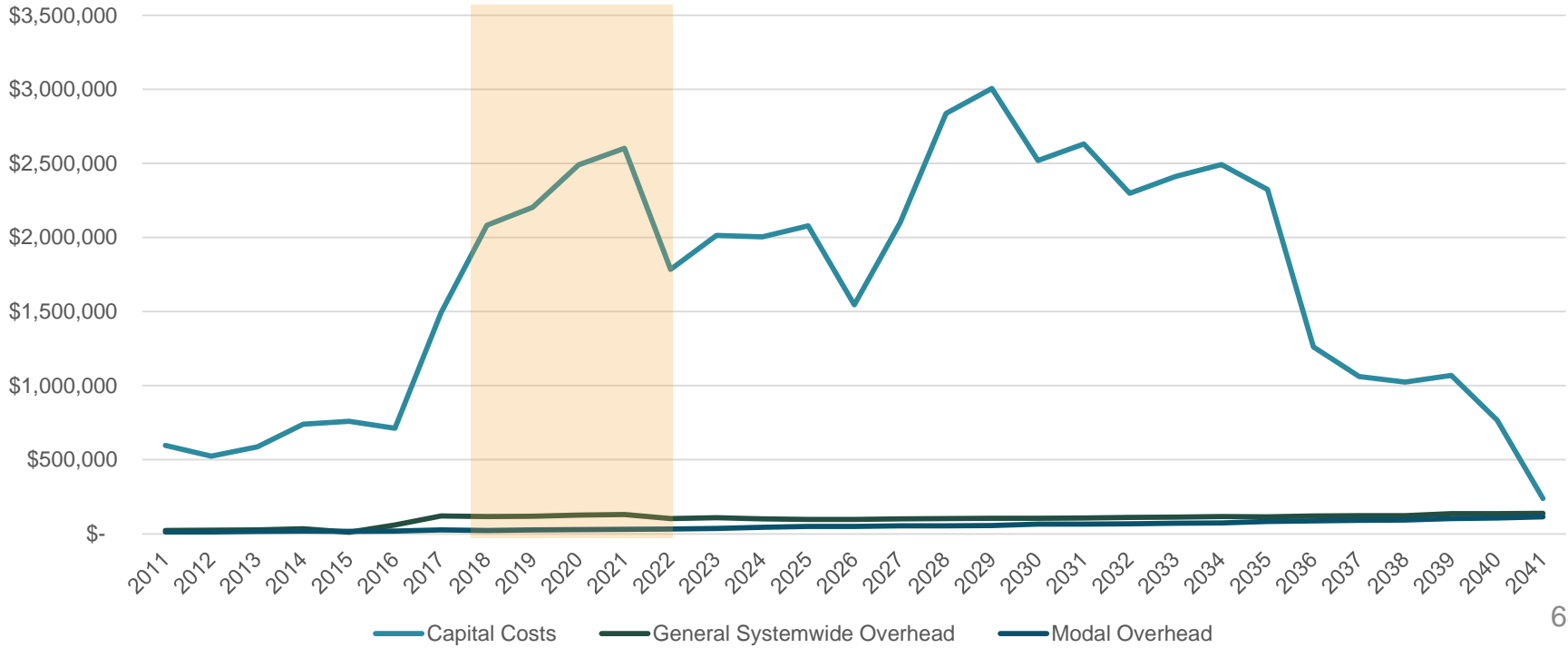
Future Expectations – Expenditures

Capital and Operations Costs 2011-2041 (\$000)



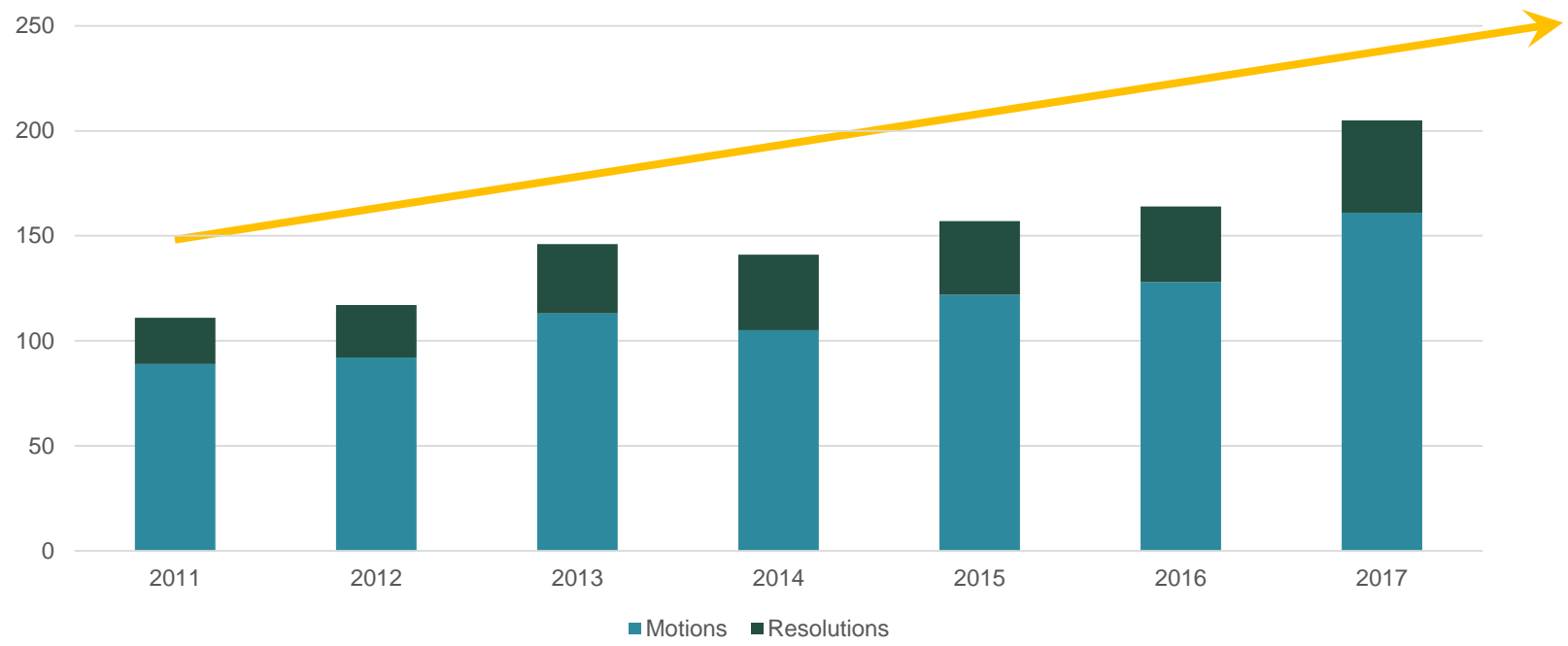
Future Expectations – Expenditures

Capital and Operations Costs 2018-2022 (\$000)



Recent Trends in Annual Board Actions

Number of Annual Actions (2011-2017)

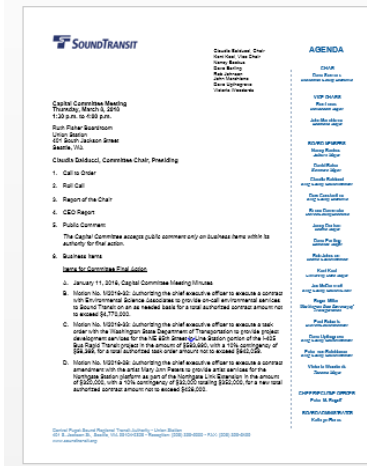
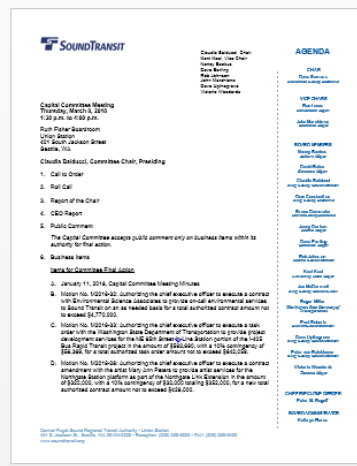


Recent Trends in Annual Board Actions

- Number of agenda items increasing
- For example, average Capital Committee agenda:

2011
Average of 4
items per agenda
(high of 7)

2017
Average of 8
items per agenda
(high of 12)



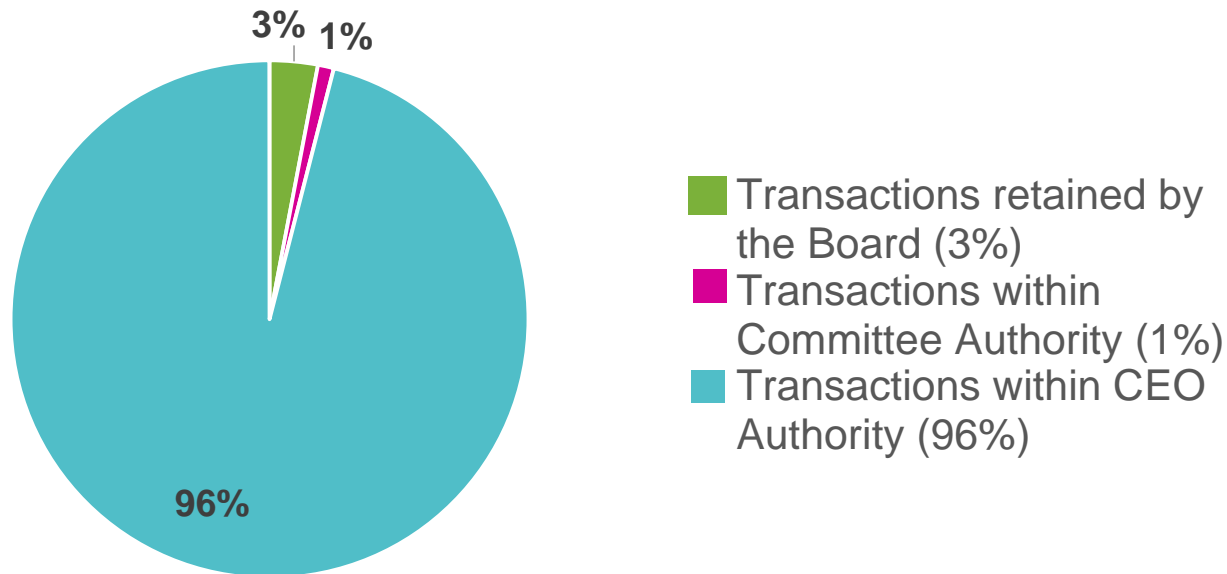
Existing Delegations

- Existing board policy establishes approval levels for a variety of actions.
- Based on your feedback, today, we are focusing on approval levels for **contract awards**.



Current Distribution of Annual Transactions

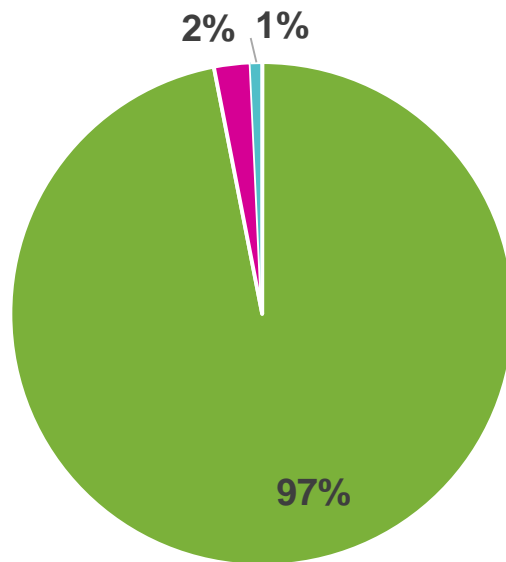
Percent of Annual Transactions



The board oversees 3% of the annual procurement actions.

Current Distribution of Annual Dollars

Percent of Annual Dollars

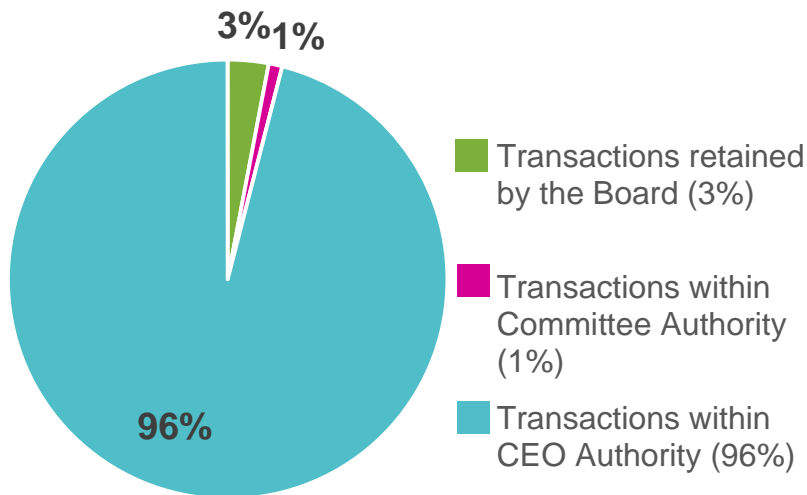


- Dollars retained by the Board (97%)
- Dollars within Committee Authority (2%)
- Dollars within CEO Authority (1%)

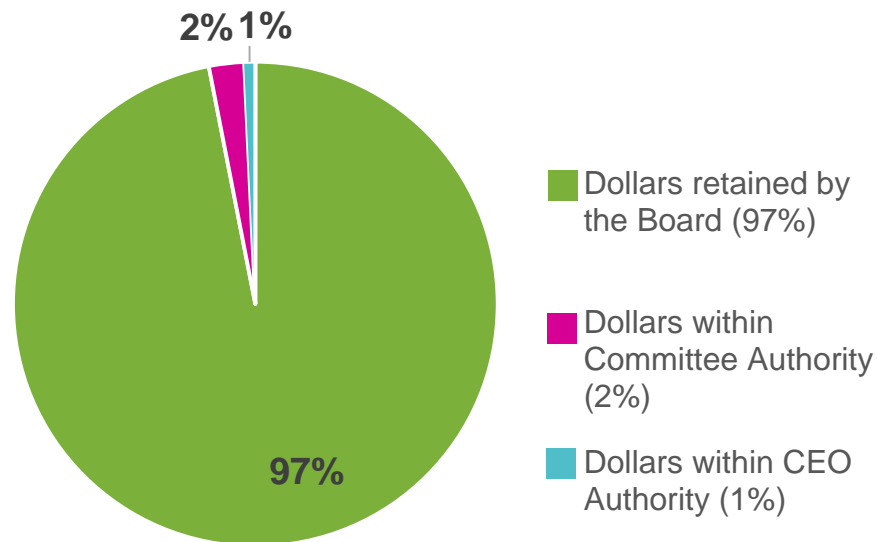
The board controls 97% of the annual procurement dollars.

Comparing Annual Transactions and Dollars

Percent of Annual Transactions



Percent of Annual Dollars



The board oversees 3% of the actions and 97% of the dollars.

Approval Levels Peer Review

- Peer analysis indicates that transit agencies rely on quantitative (dollar) levels.
- Some agencies set more than one approval level based on:
 - The contract type, for example, goods and services, construction, or professional services
 - The procurement method, for example, Invitation for Bid (sealed bid) and Request for Proposals (weighted evaluation), sole source

Approval Levels Peer Review (Continued)

- Delegations to CEOs or general managers range from a low of \$100,000 to a high of unlimited value, with several of them at \$500,000 (see handout).
- CEOs or general managers may elevate any particular approval within their dollar authority as appropriate on a case-to-case basis.

Challenges

- With expanded board responsibilities over the next five years:
 - The quantity of agenda items will minimize time for strategic discussion.
 - The quantity of board decisions needed at existing approval levels will, at times, exceed the amount of available meeting time.

Discussion on Approval Levels



Example A

- Committee delegation increased to \$10 million; CEO delegation increased to \$500K
 - **Decreases** the number of annual actions approved by the Board by 9%, or around 13 actions.
 - **Decreases** the number of annual actions delegated to the committees by 6%, or around 4 actions.



Example A

- Board controls 94% of the annual procurement dollars.
- Committee controls 5% of the annual procurement dollars.
- Examples of contract types under \$500K: maintenance and repair contracts, professional services, equipment and supplies



Example B

- Committee delegation increased to \$20 million; CEO delegation increased to \$1 million
 - **Decreases** the number of annual actions approved by the Board by 18%, or around 27 actions.
 - **Decreases** the number of annual actions delegated to the committees by 9%, or around 6 actions.



Example B

- Board controls 90% of the annual procurement dollars.
- Committee controls 9% of the annual procurement dollars.
- Examples of contract types under \$1 million: maintenance and repair contracts, professional services, small engineering services contracts



Example C

- Committee delegation increased to \$20 million; CEO delegation increased to \$2 million
 - **Decreases** the number of annual actions approved by the Board by 18%, or around 27 actions.
 - **Decreases** the number of annual actions delegated to the committees by 30%, or around 18 actions.



Example C

- Board controls 89% of the annual procurement dollars.
- Committee controls 9% of the annual procurement dollars.
- Examples of contract types under \$2 million: professional services, small engineering services contracts, small construction and construction management contracts



Example D

- Committee delegation increased to \$50 million; CEO delegation increased to \$5 million
 - **Decreases** the number of annual actions approved by the Board by 24%, or around 35 actions.
 - **Decreases** the number of annual actions delegated to the committees by 43%, or around 26 actions.



Example D

- Board controls 82% of the annual procurement dollars.
- Committee controls 15% of the annual procurement dollars.
- Examples of contract types under \$5 million: professional services, small engineering services contracts, small construction and construction management contracts, small service vehicle procurements



Categorical Approach to Approval Levels

- Some peer agencies set different approval levels based on contract type or procurement method.
- Sound Transit currently has different approval levels for:
 - Sole source contracts
 - Proprietary contracts
- The board could consider a categorical approach with more than one approval level, or exceptions or exclusions to the approval levels.

Discussion on Board Oversight and Workload



A low-angle, upward-looking photograph of a white and teal Sound Transit train. The train is moving from left to right across the frame. The teal stripe is prominent, and the windows are visible. The background shows a glass and steel structure, likely a station or transit center, under a bright sky.

Board Communications

Board Workshop
May 4, 2018

 **SOUNDTRANSIT**

Board Member Feedback on Communications

- Comments received during conversations with board members on communication:
 - Provide more opportunities for communication between board members
 - Provide opportunities for outside perspective

Desired Outcome for Communications

- Ensure the board has the information needed at the right time to address the work ahead

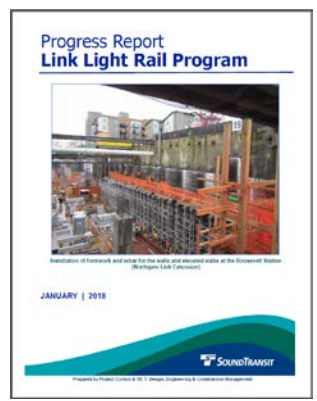
Current Reports and Publications

- 40 meeting packets / 205 staff reports
- A variety of reports and publications are also distributed to the board every year. (See handout)

2 Monthly Reports

5 Quarterly Reports

14 Annual Reports



Sound Transit Operations
March 2018 Service Performance Report

Ridership

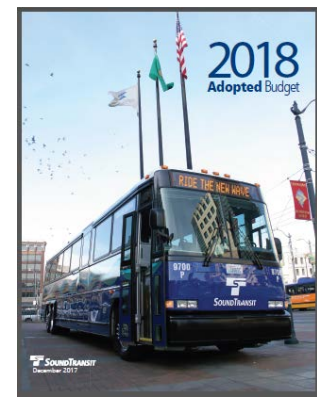
Line	Year-to-Date to Date				YTD %	YTD %
	2017	2018	2018	2018		
Light Rail	1,000,000	1,000,000	1,000,000	1,000,000	100%	100%
Bus Rapid Transit	1,000,000	1,000,000	1,000,000	1,000,000	100%	100%
Sounder	1,000,000	1,000,000	1,000,000	1,000,000	100%	100%
Other	1,000,000	1,000,000	1,000,000	1,000,000	100%	100%
Total	4,000,000	4,000,000	4,000,000	4,000,000	100%	100%

Monthly Ridership

Month	2017	2018	2018	2018
Jan	1,000,000	1,000,000	1,000,000	1,000,000
Feb	1,000,000	1,000,000	1,000,000	1,000,000
Mar	1,000,000	1,000,000	1,000,000	1,000,000

Monthly Ridership by Line

Line	2017	2018	2018	2018
Light Rail	1,000,000	1,000,000	1,000,000	1,000,000
Bus Rapid Transit	1,000,000	1,000,000	1,000,000	1,000,000
Sounder	1,000,000	1,000,000	1,000,000	1,000,000
Other	1,000,000	1,000,000	1,000,000	1,000,000



Discussion on Board Communications

- What information is important to the board and/or needed for decision-making?
- How could existing reports or publications be changed to better meet your needs?
- How can the board process and accomplishments be better communicated with the public?
- What types of opportunities would you like for outside perspective?

Next Steps

