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:
  o What is the scope of the workload coming to the board in the next five years?
  o How should the board committees be organized to handle the upcoming workload?
  o 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

<table>
<thead>
<tr>
<th>Board Responsibility</th>
<th>CEO Responsibility</th>
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<tr>
<td>“Own” the Mission</td>
<td>Implement Policy</td>
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<tr>
<td>Establish Policies</td>
<td>Administer Work Program</td>
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<tr>
<td>Approve Budgets</td>
<td>Manage Staff</td>
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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
I. Leadership on Project Development

Number of board actions continuing to rise

Number of annual actions (2011-2017)

- Motions
- Resolutions
I. Leadership on Project Development

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:
  o Establishing trust with growing number of municipalities, tribes and stakeholders
  o Driving to a preferred alternative earlier while maintaining project scope discipline
  o Executing partnering agreements and concurrence documents that allow the environmental review and permitting process to be streamlined

13
I. Leadership on Project Development

ST3 promised voters expedited project timelines

New Durations: 4–4.5 Yrs.
Initial Contract Award to ROD

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<tr>
<th>Project</th>
<th>Duration (Yrs)</th>
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<tr>
<td>Initial segment</td>
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<td>ULink/Northgate</td>
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<td>East Link</td>
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<td>Lynnwood Link</td>
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<td>KDM/Federal Way Link</td>
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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

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

II. Capital Project Delivery

- 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

<table>
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<tr>
<th>Year</th>
<th>2010</th>
<th>2017</th>
<th>Projected 2040</th>
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<tr>
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<td>75,508</td>
<td>163,000</td>
<td>690,000</td>
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2010 2017 2040
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

III. Operations Business Model

• Future of light rail operations and maintenance contract?
  o Anticipate short-term, multi-year contract extension
  o 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**

<table>
<thead>
<tr>
<th>System</th>
<th>Cost per Hour</th>
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<tbody>
<tr>
<td>Sound Transit Link</td>
<td>$417</td>
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<tr>
<td>Tri-County Metro Trans District of Oregon (TriMet)</td>
<td>$209</td>
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<tr>
<td>Metro Transit (Minneapolis)</td>
<td>$155</td>
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<tr>
<td>Bi-State Development Agency (St Louis METRO)</td>
<td>$300</td>
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<tr>
<td>Denver Regional Transportation District (RTD)</td>
<td>$155</td>
</tr>
<tr>
<td>Santa Clara Valley Transit Auth (San Jose)</td>
<td>$423</td>
</tr>
<tr>
<td>Peer Index</td>
<td>$237</td>
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</tbody>
</table>
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?
3. Operations Business Model

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

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

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?
### IV. New Policy Directions

**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.

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<tbody>
<tr>
<td>✔ Roosevelt</td>
<td>✔ Mount Baker Station</td>
<td>✔ Roosevelt Station – North and South parcels</td>
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<tr>
<td>✔ First Hill</td>
<td>✔ Overlake Village Station</td>
<td>✔ Northgate Station</td>
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<td>✔ Capitol Hill Site D</td>
<td>✔ U District Station</td>
<td>✔ Lynnwood Transit Center</td>
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<td>✔ Pine Street Triangle</td>
<td>✔ Kent-Des Moines Station</td>
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<td>✔ Angle Lake Station</td>
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<td>✔ Operations Maintenance Facility East</td>
<td>✔ Southeast Redmond Station</td>
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<td>✔ Columbia City Station</td>
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<td>✔ Redmond Technology Station</td>
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</table>
IV. New Policy Directions

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

IV. New Policy Directions

- 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?
V. Continuing Oversight and Governance

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

### Central Corridor Projects

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<th>Project</th>
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**KEY:**
- Planning (hatched lines indicate overlap in Planning and Design)
- Final Design (hatched lines indicates Design-Build)
- Construction
- BRT Begins Operation
V. Continuing Oversight and Governance

**North Corridor Projects**
- Northgate Link Extension
- Lynnwood Link Extension
- SR 522 BRT
- Infill Station (NE 130th St)
- Everett Link Extension
- Operations and Maintenance Facility: North
- Sounder North Parking and Access Improvements

**South Corridor Projects**
- Tacoma Trestle
- Hilltop Tacoma Link Extension
- Puyallup and Sumner Station Access Improvements
- Kent and Auburn Station Access Improvements
- Sounder Maintenance Base
- Federal Way Link Extension
- Tacoma Dome Link Extension
- Operations and Maintenance Facility: South
- TCC Tacoma Link Extension
- Sounder South Capital Program
- Dupont Sounder Extension

**Bus Reliability Investments**
- Bus on Shoulders of I-5, I-405, SR 518 and SR 167
- Contributions for RapidRide C and D and Madison BRT
- Contribution for Tacoma's Pacific Avenue

**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
V. Continuing Oversight and Governance

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

• Loss of federal funding
  o Agency finance plan assumes $8 billion of federal grants
    ▪ Lynnwood Link Extension – $1.2B
    ▪ Federal Way Link Extension – $500M
  o Federal support for FFGA program at high risk
  o 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.
  o HB 2201 financial impact of $2.3B
  o SB 5893 financial impact of $12B
  o Initiative 976 financial impact of $12B

• Next key dates:
  o December 31, 2018: I-976 must have 259,622 signatures to be considered in 2019.
  o Q1 2019 legislative session
Potential need to reassess the capital program due to economic factors

V. Continuing Oversight and Governance

- 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
V. Continuing Oversight and Governance

Board participation in regional plans and projects

• Engagement in PSRC Transportation 2040 and Vision 2050

• Transit integration and coordination with partners’ projects
  o E.g. Colman Dock, RapidRide, Swift, Pacific Avenue BRT

• Board composition
  o Requirement to reconstitute the board after the census
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:
  o Project development in collaboration with jurisdictions for expedited project timelines
  o Dramatic increase in the number of contract actions
  o Critical decisions on capital delivery approaches
  o Fundamentals of operating business models
  o Policy debate and decision-making
  o Continued oversight of dynamic financial plan and budget development
Break
Board Committee Responsibilities and Structures

Board Workshop
May 4, 2018
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

Executive Committee
(No dollar authority)

- Recommend board policy
- Recommend board rules and governance structure
- Review agency budget and financial plan
Key Committee Responsibilities – Current

Operations and Administration Committee
($5 million authority)

- Approve contract awards related to operations and agency admin.
- Recommend service-related board policy (e.g. fare policy)
- Recommend service and fleet plans
- Recommend annual operations and staff budgets
Project oversight
- Scope
- Schedule
- Project budgets
- Risks

Approve contract awards related to the capital program

Recommend capital-related board policies

Recommend annual capital budget

Capital Committee
($5 million authority)
Key Committee Responsibilities – Current

Audit and Reporting Committee* (No dollar authority)

- Review quarterly financial reports
- Direct independent and internal agency auditing activities
- Review agency internal controls

*Membership of ARC includes the Chair of the Citizen Oversight Panel
Responsibilities not delegated by the board:

- Approve transactions that exceed committees’ delegation
- Budget adoption and amendments
- System plans and long-range planning
- Adoption of policies and decisions on projects and strategic areas
Challenges

• Topic areas not currently assigned:
  o TOD and related surplus property declarations
  o Systemwide programs like the System Access Fund and Innovation Fund

• Unbalanced workload and fragmented oversight
  o Varied workload among committees
  o Decentralized financial oversight
  o 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
Feedback on Board Oversight and Workload

• Comments received during conversations with board members on board oversight and workload:
  o Provide more opportunities for board engagement on strategic issues.
  o 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)

- **Motions**
- **Resolutions**
Recent Trends in Annual Board Actions

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

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<tr>
<th>Year</th>
<th>Average</th>
<th>High</th>
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<td>2011</td>
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<td>2017</td>
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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.
The board oversees 3% of the annual procurement actions.
The board controls 97% of the annual procurement dollars.
Comparing Annual Transactions and 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
• 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:
  o The quantity of agenda items will minimize time for strategic discussion.
  o The quantity of board decisions needed at existing approval levels will, at times, exceed the amount of available meeting time.
Discussion on Approval Levels

- CEO: $200K
- Committee: $5M
- Board

Diagram showing approval levels with $200K and $5M thresholds.
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.
• Committee delegation increased to $20 million; CEO delegation increased to $1 million
  o **Decreases** the number of annual actions approved by the Board by 18%, or around 27 actions.
  o **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
  
  o **Decreases** the number of annual actions approved by the Board by 18%, or around 27 actions.
  
  o **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.

<table>
<thead>
<tr>
<th>CEO</th>
<th>Committee</th>
<th>Board</th>
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<td>$5M</td>
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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

- CEO
- Committee
- Board

$5M

$50M
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

- CEO: $200K
- Committee: $5M
- Board
Board Communications

Board Workshop
May 4, 2018
Board Member Feedback on Communications

• Comments received during conversations with board members on communication:
  o Provide more opportunities for communication between board members
  o 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
• 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