



May 1, 2018

Dear Board of Directors:

As you know, Sound Transit is undertaking an ambitious effort to build a transformative mass transit system for the Puget Sound Region. Your involvement in that effort is crucial for maintaining public support and regional equity. My goal as Board Chair is to give the board all the necessary tools to ensure appropriate oversight and maintain positive strategic direction.

To accomplish its mission of building out the voter-approved ST2 and ST3 plans, Sound Transit must reform the way it does business and ensure projects are being built on time and within budget. Sound Transit must also adopt internal reforms to maintain a focus on excellent customer service and project delivery.

On May 4, 2018, from 9:00 a.m. to 3:00 p.m., we will hold a workshop to continue our work of reforming the board's processes, which has been ongoing over the past year. By reforming our processes, we can more effectively oversee the work of Sound Transit.

The board's Executive Committee has received a presentation from CEO Rogoff on the five-year outlook for the agency, and it has concluded that changes must be made to the way the board and its committees conduct business. These changes must be made for the agency to accomplish its mandate.

In early 2017, I asked for a review of the board's procedures and policies. Peter Rogoff and I completed interviews of all board members that year to get an initial understanding of what subject areas were most important to review and what changes board members want to see in their future operations and meetings.

Purpose of the May Board Workshop:

- Review an updated five-year outlook from the CEO. The goal of this discussion is ensuring all board members have a clear understanding of the work ahead, particularly as we discuss changes to board committees and how to balance the board's workload and oversight roles.
- Discuss the board's priorities for oversight.

Expectations:

- Create a shared understanding of the challenges and opportunities facing the agency.

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**Dave Somers**

*Snohomish County Executive*

**VICE CHAIRS**

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*Steilacoom Mayor*

**John Marchione**

*Redmond Mayor*

**BOARD MEMBERS**

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*Auburn Mayor*

**David Baker**

*Kenmore Mayor*

**Claudia Balducci**

*King County Councilmember*

**Dow Constantine**

*King County Executive*

**Bruce Dammeier**

*Pierce County Executive*

**Jenny Durkan**

*Seattle Mayor*

**Dave Earling**

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**Joe McDermott**

*King County Council Chair*

**Roger Millar**

*Washington State Secretary of Transportation*

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*Everett Council President/  
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**Dave Uptegrove**

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**Peter von Reichbauer**

*King County Councilmember*

**Victoria Woodards**

*Tacoma Mayor*

**CHIEF EXECUTIVE OFFICER**


**Peter M. Rogoff**

Desired outcomes:

- Make decisions on changes to the board committee structure.
- Position the board for oversight and guidance in all areas of strategic importance, and improve efficiencies for day-to-day agency business.

I appreciate the time and effort you put into your board responsibilities. As we continue to reform Sound Transit, your leadership will be vital to the success of the agency's mission.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dave Somers', followed by a long horizontal line extending to the right.

Dave Somers  
Board Chair

cc: Peter Rogoff, CEO

**Sound Transit Board Workshop - Organizing for System Expansion**  
**Friday, May 4, 2018**  
**9:00 to 3:00 p.m.**

Holland America Line Room  
World Trade Center  
2200 Alaskan Way  
Seattle, WA

**Dave Somers, Board Chair, Presiding**

9:00 AM	Welcome and Introductions
9:15 AM	Meeting Purpose and Desired Outcomes
9:25 AM	Five-Year Outlook
10:15 AM	Board Committee Responsibilities and Structures
12:00 PM	--Lunch--
1:00 PM	Balance of Board Oversight and Workload
2:30 PM	Next Steps
3:00 PM	Adjourn



## Board Responsibility

## CEO Responsibility

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



# Sound Transit Board of Directors: Five-Year Outlook

## I. Leadership on project development

- Number of board actions continuing to rise
- Shorter project delivery times mean more project decisions than ever before.
- ST3 promised voters expedited project timelines.
- Major project decisions coming to the board faster than ever before

## II. Capital project delivery

- Public-private partnership analysis coming to the board for evaluation of efficacy
  - ST3 includes potential P3 projects.
- Other capital program considerations coming to the board – e.g. alternatives to airspace leases with WSDOT, mitigation of workforce shortages, and promotion of local hiring
- Emerging technologies to consider for the future of the regional transit system – e.g. vehicle automation, integrated payment systems, and enhanced bidirectional customer communication

## III. Operations business model

- ST will require the right operations business model to meet growing demand.
- Board direction needed to ensure the long-term sustainability of agency operations
- Significant light rail expansion may require a different operations and maintenance model.
- Sound Transit Link light rail is one of the highest cost systems in the country.
- Sound Transit ownership of the Downtown Seattle Transit Tunnel comes with implementation questions.
- Changing needs for ST Express bus service, an interim model, when light rail built out
- ST Express bus service costs continually increasing over time

## IV. New policy directions

- Equitable transit oriented development (TOD) is becoming an ongoing board responsibility.
  - TOD transactions will be coming to the board faster than ever before.
- Managing parking to increase availability and reliability of access for transit riders
- Effective system access increasingly important as the system expands
- Advancing sustainability
- Enhanced customer experience strategies will come to the board more often.

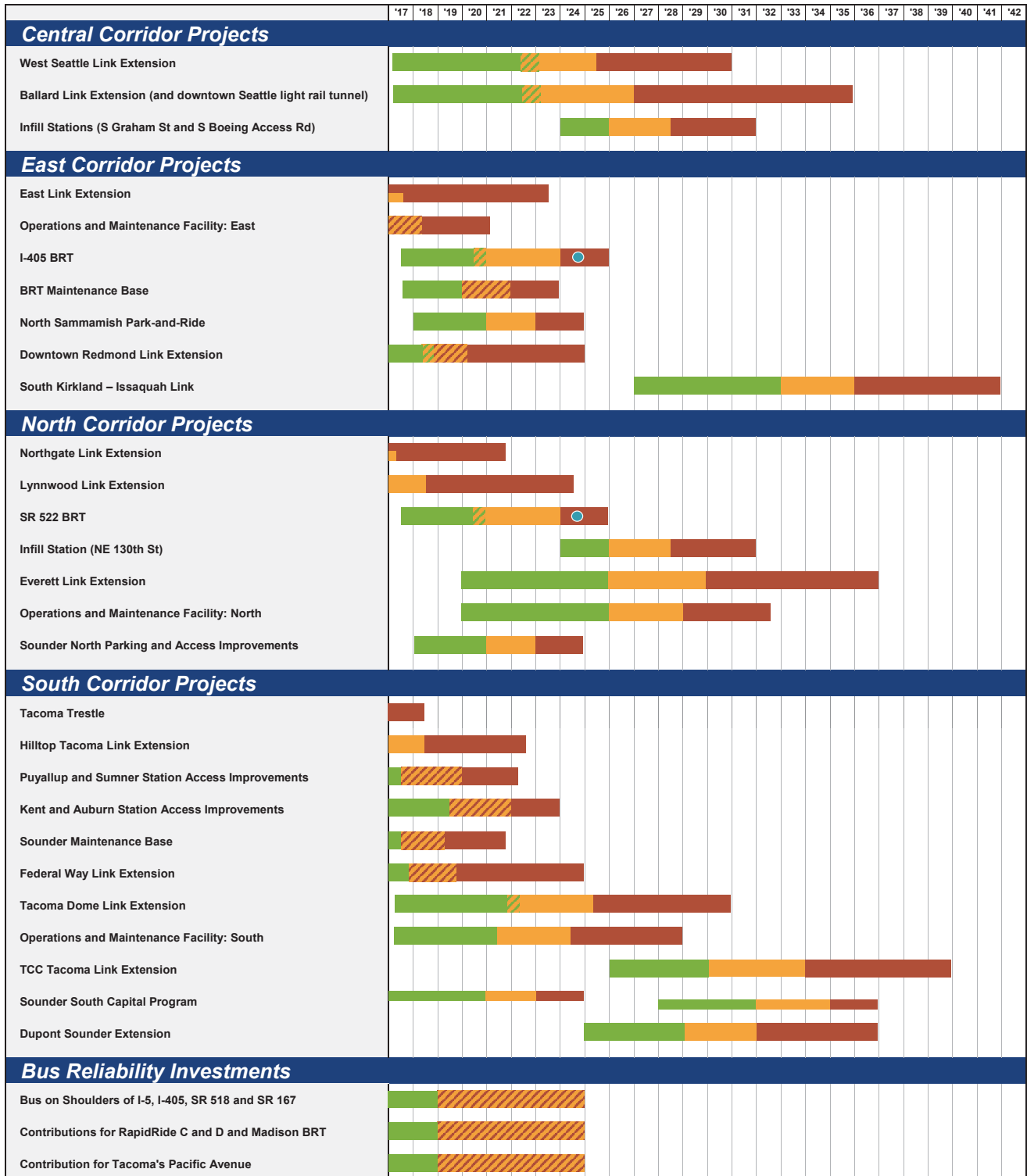
## V. Continuing oversight and governance

- Dramatically increasing volume of contract actions as the agency launches major projects in all subareas
- Financial management – a growing responsibility of the board
  - Potential need to reassess the capital program with loss of federal funding, with loss of MVET funding, and/or due to economic factors
- Mitigating considerable community disruption during construction
- Board direction on how to approach the long-term future for Sound Transit offices
- Board participation in regional plans and projects
- Board composition – requirement to reconstitute the board after the census





# System Expansion project timelines



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



# Ongoing Board Responsibilities

The list below provides a snapshot of the ongoing responsibilities of the Sound Transit Board of Directors.

- Legislative and policy decisions governing the agency
- Adoption of system plans
- Adoption of long-range plans
- Monitoring of overall performance towards achieving voter-approved plans
- Authorization of district annexations
- Modifications to board composition
- Customer satisfaction monitoring
- CEO employment decisions
- Strategic planning decisions for system-wide programs, such as, but not limited to, transit oriented development, parking management programs, system access, and sustainability
- Approval of contracts over \$200,000
- Approval of sole source contracts over \$100,000
- Approval of agreements with government agencies
- Approval of transit oriented development transactions
- Approval of annual budget
- Approval of any budget amendments
- Monitoring of annual budget performance
- Financial plan monitoring
- Oversight of asset liability management (investments and debts)
- Internal and external audit performance monitoring, including Citizen Oversight Panel reports
- Adoption of a multi-year Transit Improvement Plan for capital project expenditures
- Authorization of project allocations as projects move through planning, design and construction
- Selection of preferred alternatives
- Selection of projects to be built
- Adoption of project baseline (scope, schedule and budget)
- Property acquisition decisions
- Station naming decisions
- Monitoring of project scope, schedule and budget
- Declarations of surplus property
- Participation in elected leadership groups for projects
- Service and fleet planning decisions
- Adoption of the Service Implementation Plan
- Adoption of fare rates for agency transit services
- Monitoring of transit operations performance, including ridership and other metrics



# Sound Transit Board Committees

The Board of Directors has established permanent committees to assist in reviewing board motions, resolutions, and staff recommendations, and focus on different areas of agency business.

## **Executive Committee** – From Motion No. M2010-29

- Review the board rules, operating procedures, and governance structure
- Review agency-wide policies and provide recommendations to the board
- Review and monitor the agency's legislative program
- Consider public and government relations and communications strategies
- Review the overall agency budget upon recommendations of other committees
- Review and monitor the agency's financial plan
- Review proposed bond issues
- Evaluate the performance of the chief executive officer (CEO)

The Executive Committee does not have final approval authority; however, existing board policies allow it to act in lieu of the board.

## **Operations and Administration Committee** – From Motion No. M2010-31

- Review and monitor operating plans, transit services and customer-facing programs
- Provide oversight, strategic direction and recommendations to the board on fleet and facility plans
- Approve the annual Service Implementation Plan
- Review operating impacts of facility and corridor capital projects
- Review proposed annual transit operations and staff budgets and provide recommendations to the Executive Committee and/or board
- Review and provide recommendations to the Executive Committee and/or board on new and existing operations and administration policies

The board delegates final approval authority to the Operations and Administration Committee for operating and administration transactions above the CEO's level of authority and under \$5,000,000.

## **Capital Committee** – From Motion No. M2010-30

- Review and monitor stages of all capital projects consistent with the transit improvement program
- Provide oversight, strategic direction, and recommendations to the board as required for implementation of the capital program
- Review and provide recommendations to the Executive Committee and/or board on new and existing capital-related policies
- Review scope, schedule, budget, risks, construction activities, and claims
- Review proposed annual capital projects budgets and provide recommendations to the Executive Committee and/or board

The board delegates final approval authority to the Capital Committee for capital program transactions above the CEO's level of authority and under \$5,000,000.

## **Audit and Reporting Committee** – From Resolution No. R2010-19

- Review quarterly financial reports, which cover performance against capital and operating budgets, debt and investment performance and risks, and contract activities including sole source contracts
- Review, monitor, and, if necessary, direct external financial audits, internal audits, performance audits State Auditor's Office compliance audits, and other audits
- Consider the effectiveness of the agency's systems of internal control

This committee also includes a representative from the Citizen Oversight Panel.



## Peer Review of Delegated Authority to CEO for Contract Award

Peer Agency	Agency Head
LA Metro	Unlimited for construction; Up to \$1M for goods and services if IFB procurement method; up to \$500K if RFP procurement method; Up to \$500K for A&E professional services
Washington (DC) Metro Area Transit Authority (WMATA)	Unlimited
Santa Clara Valley Transportation Authority	Up to \$500K
Tri-Met (Portland, Oregon)	Up to \$500K for all except personal services; Up to \$150K for personal services
Chicago Transit Authority (CTA)	Up to \$250K for goods and services; up to \$100K for construction and for sole source contracts
Dallas Area Rapid Transit Authority (BART)	Up to \$250K for contracts for commercial items (virtually all); up to \$100k for non-commercial items
Sound Transit	Up to \$200K for competitive contract awards; up to \$100k for sole source contracts; unlimited for proprietary contracts
Bay Area Rapid Transit (BART)	Up to \$100K to GM
Indianapolis Public Transportation Corp (dba IndyGo)	Up to \$100K
San Diego Metropolitan Transit System (MTS)	Up to \$100K

### Notes:

--The research did not reveal the utilization of committees for final approval to award contracts; it did reveal the discretionary use of consent agendas at the board.

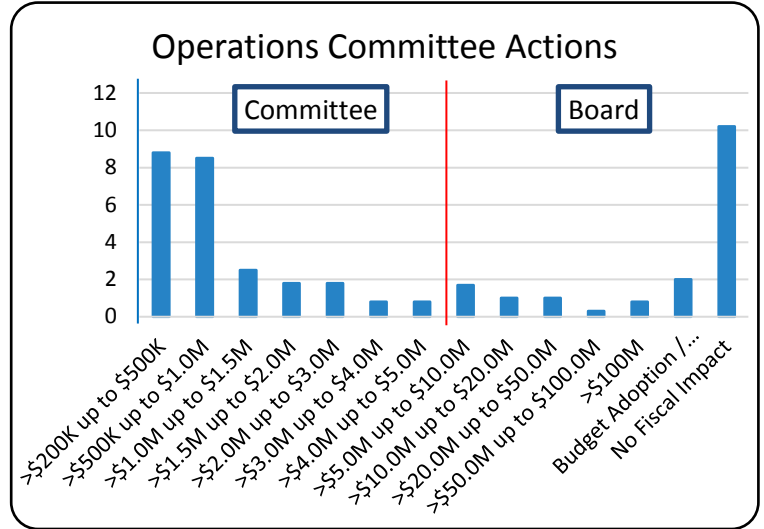
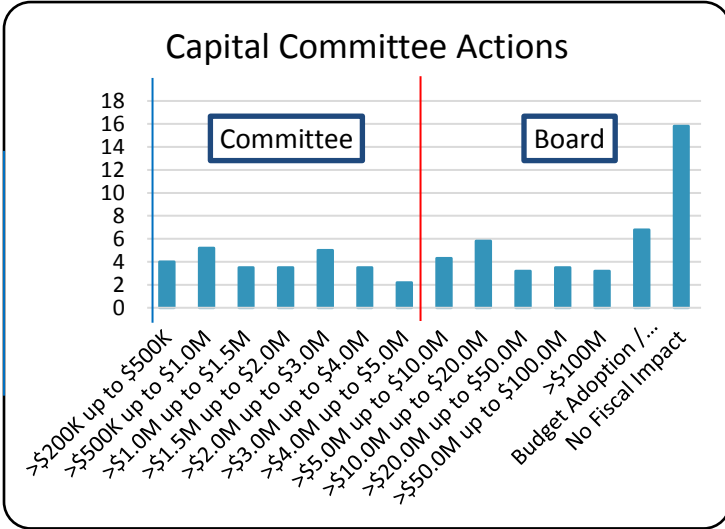
--This information is intended for illustrative purposes and may not represent recent changes or administrative details particular to each agency.



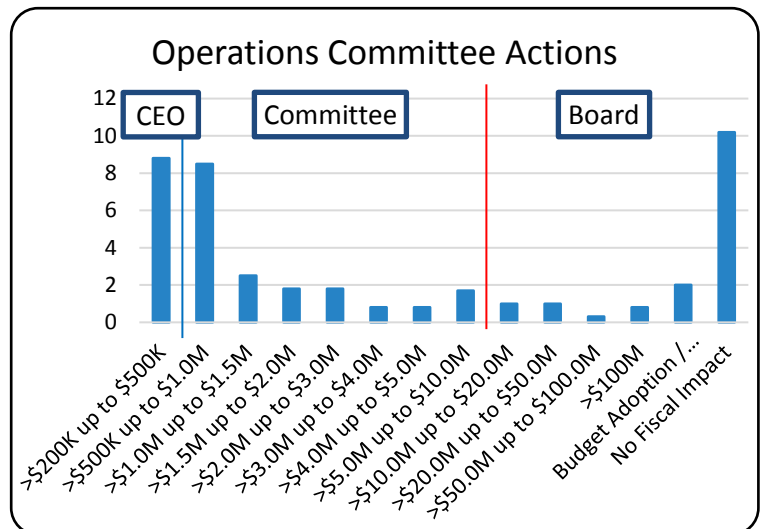
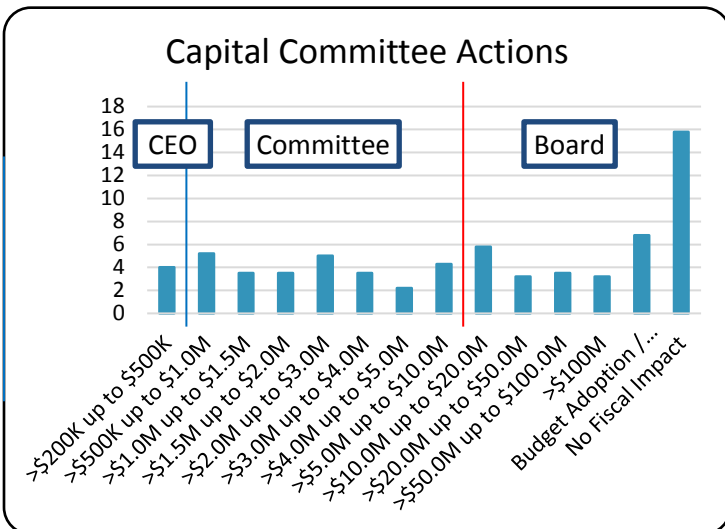


# Approval Level Examples

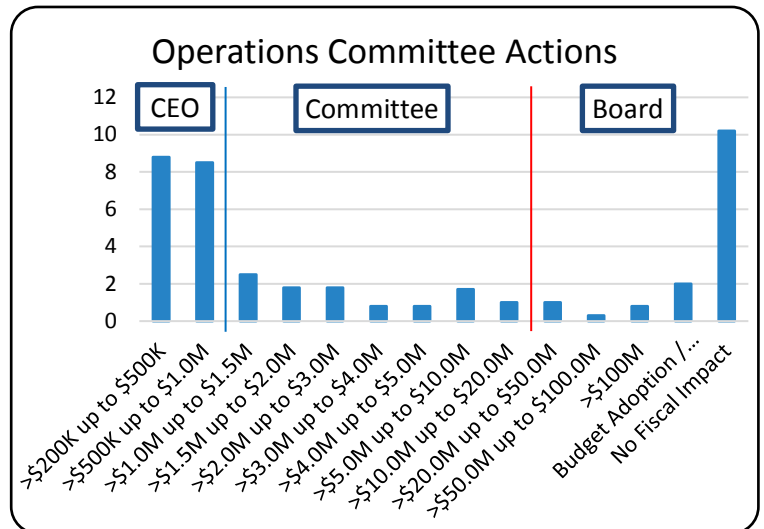
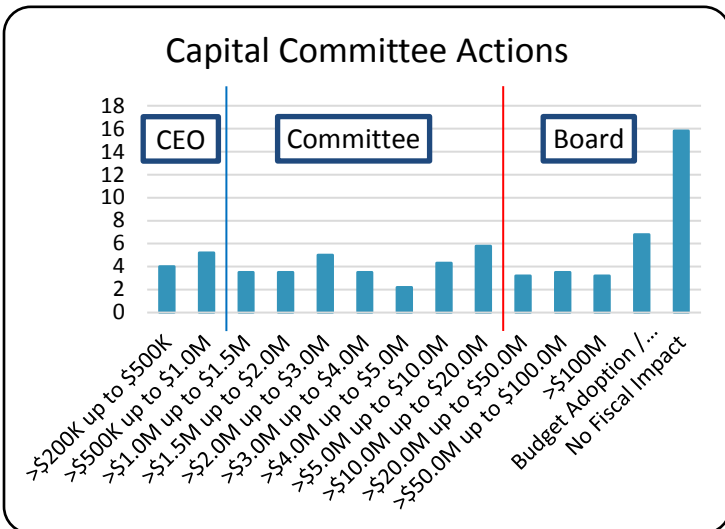
**Current** – Committees at \$5 million; CEO at \$200K



**Example A** – Committees at \$10 million; CEO at \$500K

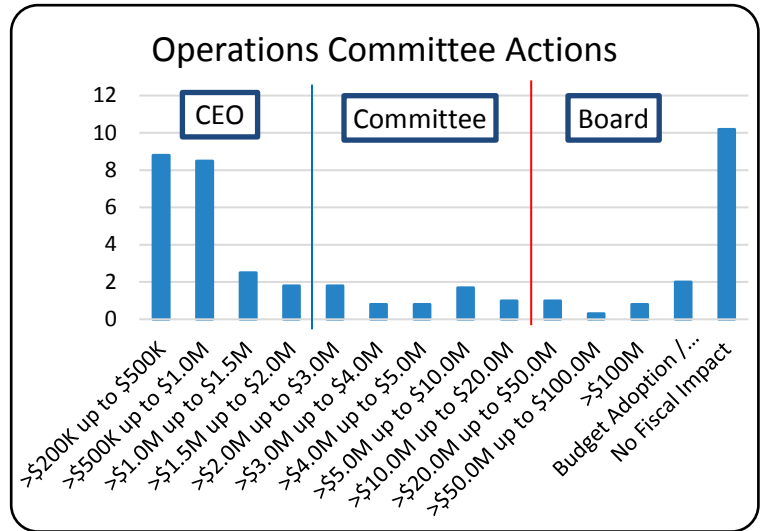


**Example B** – Committees at \$20 million; CEO at \$1 million

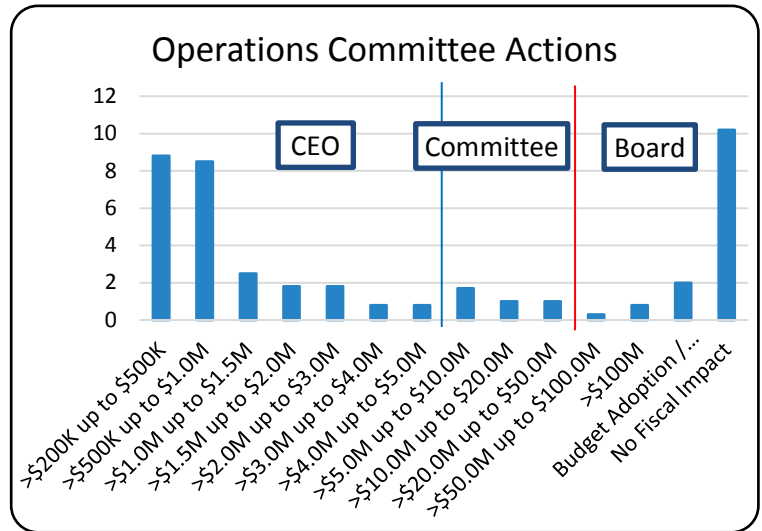
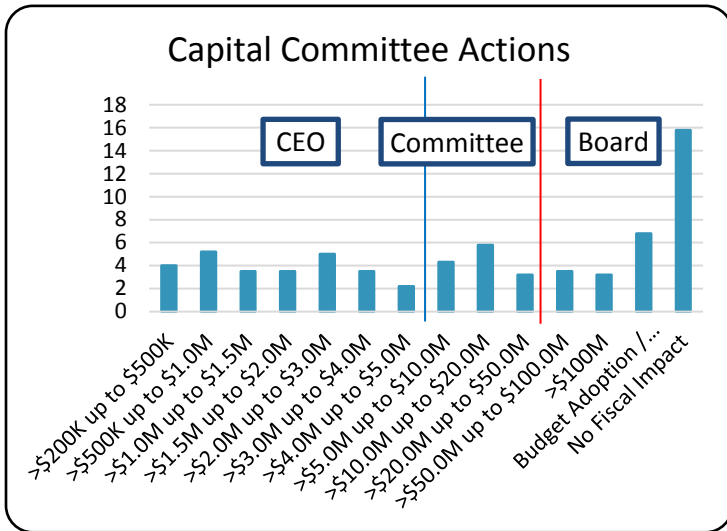


# Approval Level Examples

**Example C** – Committees at \$20 million; CEO at \$2 million



**Example D** – Committees at \$50 million; CEO at \$5 million



# Reports and Publications provided to the Board

In addition to meeting materials, Sound Transit publishes a variety of reports and publications on ridership, system planning, financial reports, and capital projects under construction. Below is a list of reports produced and distributed to the board throughout the year.

## Monthly Reports

### Link Progress Report

This report summarizes significant events that occurred for Link light rail projects during the reporting period including information concerning active contracts, current schedule and cost forecasts. This report is provided monthly, except for months when the information is included in the quarterly Agency Progress Report.

### Service Performance Report

The Service Performance Report includes monthly ridership data for all Sound Transit modes and tracks ridership trends over the prior year. It also includes parking utilization data, fare evasion, service mode performance against 12 performance objectives on a monthly basis, and annual trends.

## Quarterly Reports

### Agency Progress Report

The Agency Progress Report summarizes significant events that occurred during the reporting period and provides information concerning active contracts, including current schedule and cost forecasts for capital projects.

### Quarterly Performance Report

The Quarterly Performance Report includes quarterly data for all Sound Transit modes and tracks ridership trends over the prior year. The report also includes boarding information by route and a number of other performance measures.

### Quarterly Financial Report

This quarterly report summarizes Sound Transit's year to date financial performance for revenues, operations, and projects versus the annual budget.

### Quarterly Contract Reports

This quarterly report includes all contracts issued by the CEO over \$100,000, sole source contracts issued by the CEO that exceed \$10,000, and all open contracts over \$100,000.

### Condemnation Process Report

This report includes properties being acquired by Sound Transit that are currently in condemnation proceedings. The report notifies the board about the properties authorized for acquisition that require condemnation in order to implement the regional transit system. The vast majority of acquisitions filed for condemnation reach a settlement prior to the court date.

## Annual Reports

### Service Implementation Plan

The annual Service Implementation Plan (SIP) guides the delivery of ST Express bus, Sounder commuter rail and Link light rail services. The plan describes service and revisions proposed for the upcoming budget year,

together with preliminary proposals and financial estimates for the subsequent five-year period. This plan is reviewed by the Operations and Administration Committee and approved by the board every year.

#### Transit Development Plan

Sound Transit is required to prepare a six-year Transit Development Plan and annual report to provide updated information to the Washington State Department of Transportation (WSDOT) on the development of the various transit components undertaken by Sound Transit. WSDOT uses these documents to prepare an annual report for the Washington State Legislature. The plan is reviewed by the Operations and Administration Committee and approved by the board every year.

#### Financial Plan

The Financial Plan is the agency's long-term plan updated annually to validate and confirm the adequacy of funding available to construct, operate and maintain the projects and programs in voter-approved system plans.

#### Annual Budget

The Sound Transit annual budget includes annual budgets for all operating and project costs, revenues and other financing sources, donations to other governments, and debt service. The proposed budget is reviewed by the board beginning in September, with board adoption scheduled by the end of the year.

#### Annual Transit Improvement Plan

The Transit Improvement Plan (TIP) provides projected capital and operating expenditures for the construction and operation of the transit system. The document includes annual forecasts for operating expenses and phase-level budget information for capital projects for the upcoming six years. Only board-authorized project allocations to date are included. If the board has not approved a baseline budget for a capital project, only allocations for authorized phases are included in the TIP. The TIP is adopted by the board as part of the annual budget adoption resolution.

#### Annual Report

This report summarizes Sound Transit's achievement of milestones, financial and operating highlights, and financial statements.

#### Fare Revenue Report

This report covers Sound Transit fare revenues to inform management and the board on fare revenue in the prior year and whether adjustments are recommended to maintain farebox recovery policies.

#### State Auditor's Office Accountability Audit

The Accountability Audit is performed by the State Auditor's Office to assess whether Sound Transit complied with state laws and regulations and its own policies and procedures. The audit is conducted by the State Auditor's Office.

#### Audit of Sound Transit's Financial Statements

This report covers the annual audit of the prior year's financial statements to determine compliance with generally accepted accounting principles. The audit is conducted by an independent auditor contracted by Sound Transit.

#### Single Audit

This report covers the annual audit of Sound Transit as a recipient of over \$500,000 in federal grant dollars. This audit is conducted by an independent auditor contracted by Sound Transit.

### Subarea Equity Report and Annual Subarea Equity Report for the 15-Year Period

These reports document the annual examination of Sound Transit's compliance with its subarea equity policies. The reports are prepared by an independent auditor contracted by Sound Transit.

### Performance Audits

Audits are performed by an independent auditor contracted by Sound Transit following the selection of an audit topic by the Audit and Reporting Committee. Performance audits are performed on an annual basis, except in years where the State Auditor's Office conducts a performance audit on Sound Transit.

### Sustainability Progress Report

This annual report covers agency progress towards the multi-year Sustainability Plan adopted by the board. The report shows progress on short-term and long-term sustainability goals set in the plan based on established metrics.

### Citizen Oversight Panel (COP) Year-End Report

The COP conducts an annual review of Sound Transit's performance in the seven areas within the panel's mission—adherence to public commitments; the open and timely involvement of citizens; 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; and review of agency performance audits.