Summary Minutes
System Expansion Committee Meeting
December 12, 2019

Call to order
The meeting was called to order at 1:36 p.m. by Committee Chair, Claudia Balducci, in the Ruth Fisher
Boardroom, 401 South Jackson Street, Seattle, Washington.

Roll call of members

<table>
<thead>
<tr>
<th>Chair</th>
<th>Vice Chair</th>
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<tr>
<td>(P) Claudia Balducci, King County Councilmember</td>
<td>(P) Victoria Woodards, Tacoma Mayor</td>
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<th>Board Members</th>
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<tr>
<td>(A) Nancy Backus, Auburn Mayor</td>
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<td>(P) David Baker, Kenmore Mayor</td>
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<td>(A) Jenny Durkan, Seattle Mayor</td>
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<td>(P) Dave Earling, Edmonds Mayor</td>
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<td>(A) Kent Keel, University Place Mayor</td>
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<td>(P) Dave Upthegrove, King County Councilmember</td>
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Katie Flores, Board Administrator, announced that a quorum of the System Expansion Committee was present at roll call.

Report of the Chair
Committee Chair Balducci approved Boardmembers Woodard’s and Earling’s requests to participate in the meeting via teleconference.

She informed the committee that their meeting packet included the monthly contract report.

She also informed the committee that the meeting agenda was revised to add a presentation on public works delivery methods and use at Sound Transit. There were no objections to this addition.

CEO Report
Chief executive officer Peter M. Rogoff provided the CEO Report.

TIFIA Loan Agreement Signing
Mr. Rogoff informed the committee that Sound Transit was given the signal from the US Department of Transportation that the agency could expect to execute the fourth loan agreement later in December under the TIFIA Master Agreement. The Federal Way TIFIA would fund $629 million of the Federal Way Link Extension. It was the last loan under the Master Credit agreement approved by the Board of Directors in 2016 and updated in 2017.

Sound Transit was the only agency in the country with a master credit agreement, and the agency was the largest TIFIA borrower of any agency. The loans allowed the agency to save on borrowing costs, which insulated it from unexpected economic downturns. Under the life of the four loans in the Master Credit Agreement, it was forecasted that taxpayers would save between $200 million and $300 million compared to the original borrowing cost estimates.
The financial plan which was submitted as part of the TIFIA loan presumed a Full Funding Grant Agreement form the Federal Transit Administration. The fact that the US Department of Transportation approved the loan was a positive indication that the agency would receive the Full Funding Grant Agreement.

**Connect 2020/Downtown Seattle Transit Tunnel Single Tracking**

Mr. Rogoff reminded the committee that Connect 2020 was scheduled to start on January 4, 2020 and run through March 15, 2020. During that time, crews would close one track at a time in all Downtown Seattle stations.

Trains would operate between Angle Lake and Pioneer Square, and separately between UW and Pioneer Square as normal. Riders continuing through Pioneer Square would change trains on the temporary center platform completed in October. Trains would run every 12 minutes at all times, seven days per week.

More than 1,000 Sound Transit staff members were scheduled to spend 5 or more shifts in the field assisting riders, especially downtown and at the SeaTac Airport. These staff ambassadors would be out in stations starting December 16, 2019 and continuing throughout the month. Staff would be onsite at various stations throughout the 12 weeks, but with particular emphasis on the early weeks.

Alerts in stations and onboard trains were previously installed, and a second wave of alerts would be installed in mid-December. Weeks prior to the committee meeting, Sound Transit launched a dedicated website, connect2020.soundtransit.org, that comprehensively described what riders could expect. Riders were encouraged to sign up for email and text message alerts, and Twitter users were able to follow hashtag #Connect2020 for the latest updates.

A multilingual digital campaign began the week following the committee meeting and ran through mid-January. Sound Transit partnered with Seattle Department of Transportation to reach Limited English Proficiency communities in the Rainier Valley. Mr. Rogoff assured the committee that he would regularly update the Board and the Rider Experience and Operations Committee as the project progressed.

**Seattle Office of Housing Transit Oriented Development Funding**

The week prior to the committee meeting, the Seattle Office of Housing awarded $110 million to create over 1,900 units of affordable housing. Awards went to two proposed projects on Sound Transit surplus property.

The city of Seattle awarded $11.9 million to the 361-unit Madison/Boylston project that Plymouth Housing and Bellwether Housing proposed to build on Sound Transit’s First Hill Transit Oriented Development property. The city also awarded $8.5 million to the 125-unit Eldridge Project that will be constructed near the Capitol Hill Station on land the agency is trading with Seattle Central College.

Mr. Rogoff added that whenever the agency brought Transit Oriented Development transactions to the Board of Directors, it always cited the challenge in ensuring that there would be sufficient financing partners. In this case, the announcement ensured that two of the agency’s projects would be built.

**Roosevelt Station Substantial Completion**

Sound Transit held a media event at Roosevelt Station on Tuesday, December 10 to mark substantial completion of construction at the station.

During their tour of the station and platform, those in attendance saw the tremendous progress that had been made on the project since the groundbreaking on the site seven years prior, and plans for Transit Oriented Development were just beginning.

Work at the station was focused on systems installation, as the Northgate Link Extension opening in 2021 approached.
Public comment
Chair Balducci stated that there were no requests for public comment which complied with Board rules for accepting public comment.

Business items

For Committee final action

October 10, 2019, System Expansion Committee minutes

It was moved by Boardmember Woodards, seconded by Boardmember Baker and carried by unanimous vote that the minutes of the October 10, 2019, System Expansion Committee Meeting be approved as presented.

November 14, 2019, System Expansion Committee minutes

It was moved by Boardmember Woodards, seconded by Boardmember Baker and carried by unanimous vote that the minutes of the November 14, 2019, System Expansion Committee Meeting be approved as presented.

Boardmember Upthegrove joined the meeting at this time.

Motion No. M2019-121: Authorizing the System Expansion portions of the Proposed 2020 Budget and the Transit Improvement Plan that are within the Committee’s purview, to advance to the Finance and Audit Committee.

Ann Sheridan, Budget Director, provided the staff Report. Ms. Sheridan explained that the portions of the budget the Committee would be considering were the System Expansion portions with the exception of the System Expansion – Other. The Annual budget was a total of 2.255 billion. Included in the Transit Improvement Plan were increases to the authorized project allocation of $283 million.

Chair Balducci clarified that the short presentation and lack of questions was a product of the many months the Committee and staff had spent creating and reviewing the Proposed 2020 Budget.

It was moved by Boardmember Baker, seconded by Boardmember Upthegrove, and carried by unanimous vote that Motion No. M2019-121 be approved as presented.

For Recommendation to the Board

Motion No. M2019-122: Authorizing the chief executive officer to increase the contract contingency for the Hilltop Tacoma Link Extension construction contract with Walsh Construction Company II LLC in the amount of $4,300,000 for a new total authorized contract amount not to exceed $118,009,750, contingent upon Board approval of the Proposed 2020 Budget through Resolution No. R2019-30.

Madeline Greathouse, Project Director of the Hilltop Tacoma Link Extension, provided the staff report and project update presentation. Ms. Greathouse reviewed the details of the Hilltop Tacoma Link Extension project, explaining that the alignment was a 2.4 mile extension in Tacoma which was under construction and approximately 45 percent complete. Walsh Construction was responsible for building the seven new platforms, the track work, systems work, civil work, utility relocations, and expansion of the new Operations and Maintenance Facility.

Concurrent with the construction was a vehicle procurement for five new light rail vehicles, which would supplement the existing fleet of three light rail vehicles. Brookfield Equipment Corporation was contracted to design and manufacture vehicles. Preliminary design reviews were nearly complete and final design reviews would follow in early 2020.
The project was 90 percent committed against the baseline project budget and approximately 43 percent of the costs were incurred. Trends indicated that the baseline budget of $217.3 million would require a supplement to address ongoing construction phase challenges.

In May, 2019, staff performed a quantitative risk assessment on the project and concluded there was a 20 percent likelihood of meeting the project budget, but an 80 percent likelihood of meeting the revenue service date. The revenue service date was still determined to be safe according to updated risk assessments. The contingency forecast indicated a trend toward meeting minimum levels by the third quarter of 2019. This was accurate, as that level was reached in September, 2019. Due to this, the project risk and contingency management plan called for the development of a recovery plan.

In October, key stakeholders, including the city of Tacoma, Walsh Construction, Sound Transit, and King County Wastewater staff acting as an objective third party, convened and reviewed the project risks, and developed secondary mitigations and actions steps for implementation. Action steps included bi-weekly check-ins to measure the effectiveness of the mitigations. Follow-up meetings with the City of Tacoma led to productive and cost saving solutions as well.

There was no anticipated change to the revenue service date, but a small extension to the heavy utility work schedule was added to account for the difficulty experienced to that point. Completion of that portion of the project was then scheduled to reach substantial completion in quarter one of 2020. At that time, another quantitative risk assessment would be performed and the estimate at completion would be updated.

Construction remained to be primarily utility work. Some track work was underway along with the Operations and Maintenance Facility. The construction was occurring in the city of Tacoma's right-of-way, directly in front of many businesses, homes, and institutions, so the project team had many opportunities to hear from and work with the community. The team increased efforts at community outreach. One example was the Loyal to the Local program which utilized social media to send notices that local businesses were still open during construction. The team also maintained its “Coffee with the Contractor” drop-in meetings. In the summer, the Hilltop Street Festival in Mid-August took place directly within the construction area, but Walsh Construction mitigated five blocks of the work in order to accommodate it. The team also took steps to accommodate MultiCare Tacoma General Hospital’s employee picnic, which took place directly adjacent to the construction zone.

Safety was a key challenge, as the work occurred in high-traffic areas just feet away from moving vehicles. A new challenge was Walsh Construction’s performance to its commitments in regards to workforce utilization and disadvantaged business enterprises. In the summer of 2019, Walsh Construction struggled with meeting its commitments regarding apprenticeship, women, and people of color. Wash Construction itself met two of its three goals, however its subcontractors did not. The same was true for disadvantaged business enterprises. Walsh proactively engaged sub-contractors which would meet the requirements to perform the remaining work, and engaged with local labor unions to bolster efforts drive apprenticeship, women, and people of color to the project. Competition with projects in King County, which boasted higher prevailing wage rates, was a serious concern regarding that effort.

Mr. Rogoff added that Leslie Jones, chief business and labor compliance officer, had met with Walsh Construction to develop a mitigation plan to address the issue. The agency rarely ever fell short of its goals in this respect, so the team would be working closely with the contractor to correct it and get back on track.

Boardmember Woodards expressed gratitude to the team in accommodating the two large events over the summer. She shared concerns regarding Walsh Construction’s failure to meet its workforce utilization and disadvantaged business enterprises goals, but made it clear she was confident in staff's efforts to correct it.
Boardmember Earling requested a projected timeline of reports to the Board of Directors regarding progress made on the performance problem. Mr. Rogoff informed the Committee that this would be available at the December Board of Directors Meeting.

Boardmember Balducci asked how the workforce utilization and disadvantaged business enterprises target percentage was calculated. Ms. Greathouse informed the committee that the calculation was an aggregate over the course of the project. Ron Lewis, executive director of design, engineering, and construction management, added that the figure was being tracked on a monthly basis through invoices. That allowed staff to identify concerning trends and communicate with the contractor. Mr. Rogoff advised that Leslie Jones would provide a brief presentation to the Board at its next meeting detailing how the data is measured and the steps the agency would take when performance is not meeting its goals.

Ms. Greathouse continued with the staff report for Motion No. M2019-122. The action was driven by challenges in relocating utilities, which was approximately 60 percent complete but was a major cost driver during the project. Reasons include differing site conditions such as incorrectly located or unknown utilities. The contract contingency would increase from five percent to almost nine percent of the total contract price. Current trends indicated the potential need for additional funding. The team expected to return to the Committee and Board of Directors in 2020 following the completion of the heavy civil construction. Some secondary mitigation steps in the recovery plan included a more deliberate potholing plan, providing design resolution before the work, and collaboration with the city of Tacoma to define the roadway restoration performance criteria and the Walsh Construction’s ability to meet them.

Boardmember Balducci asked how long staff expected the requested contingency funds to last and what, if any, future requests for contingencies were anticipated. Ms. Greathouse explained that the many unknowns made the question difficult to answer. Based on experience gained from the project to date, Ms. Greathouse estimated that the requested contingency funds would last approximately eight months. Future requests were difficult to anticipate until construction was complete and a risk assessment could be completed. Ron Lewis added that the team was working closely with the finance department to ensure that upon completion of the updated risk assessment, a more accurate understanding of the financial position would be provided to the Committee and the Board of Directors.

It was moved by Boardmember Woodards, seconded by Boardmember Baker, and carried by unanimous vote that Motion No. M2019-122 be forwarded to the Board with a do pass recommendation.

Reports to the committee

Presentation on Public Works Delivery Methods and Use at Sound Transit

Joe Gildner, Deputy Executive Director of Project Management, Nick Datz, Procurement and Contracts Department Technical Advisor, and Mike Bell, Senior Executive Director of the East Link Extension provided the report.

Mr. Datz explained the three methods for Sound Transit’s capital program. He began with the design-bid-build delivery method. This method consists of two contracts, one with the designer and the other with the general contractor and no relationship exists between the two. The method is a low-bid procurement in which the design package is distributed and bidders submit their lowest price for the work. The process is linear, as no phases overlap. The owner controls the design in this case, which means they also own the design risk. The owner also makes all decisions instead of other methods in which the designer and contractor may communicate in some way. Mr. Datz highlighted that Sound Transit had begun to select a delivery method earlier in its planning and programming phase than in the past, which saves costs and helps tailor the design to the delivery method.
An alternative delivery method, and the second of three which Sound Transit uses, is the General Contractor/Construction Manager structure. This method and the Design/Build method are not available to all public bodies. To do so requires approval from Washington State’s Project Review Committee. Sound Transit currently holds certifications for both general contractor/construction manager and design build procurement methods. The certifications marked an important step in the evolution of the agency’s use of the delivery methods, demonstrating to the public that Sound Transit has the knowledge and expertise to deliver the projects using the methods.

The General Contractor/Construction Manager method includes three contracts, a contract with the designer, a pre-construction contract, and a construction contract with the general contractor. In this method, the designer and general contractor can communicate on a limited basis during pre-construction. The method allows for contractor input during design which creates a potential for reducing project risks. The owner still controls the design and therefore owns the design risk. The contract in this method is negotiated and will be a not-to-exceed amount. Contractors are selected earlier in this method as well, in order to engage them around the 30 percent completion period of the design process. Construction costs are able to be established and even some construction work can begin before the design is completed.

The Design Build procurement method is a different structure altogether. In this method, there is one contract with the design build entity. The method is a qualification-based approach, but is considered to provide the best value, because the full contract price is provided up front when proposals for the project are received. The process is integrated where many specialty contractors can be engaged and brought into the design process early, which can help avoid problems which would be discovered later in the process with any other method. Unlike other methods, the design-builder owns the design risk. The final design phase does not have a set completion date, so construction can begin earlier in the design process.

Mr. Bell explained that one of the first considerations staff makes when deciding which delivery method to use is schedule of the project. Type of work is also a major consideration. Some work may be highly complex and require a best value selection while other work may be best suited to a low-bid. Community and jurisdictional commitments or permits may be a factor in some work which requires selection of specific delivery methods. The make-up of the team drives the decision occasionally, as some management styles suit particular delivery methods. The state of the construction market could affect a decision in respect to the price of goods and services.

In practice, design-bid-build is an optimal choice when commitments to a community or jurisdiction control the design. Those constraints may dictate a very unique and specific design, and contractor input may not be needed. The method provides an opportunity for entry into the market for new contractors. A contractor which may be new to Washington and does not have a robust design-build portfolio would not be likely to win a contract under other methods, but design-bid-build allows them to compete. Mr. Gildner added that tunnel work contracts for the University Link Extension, East Link Extension, and Northgate Link Extension all used the design-bid-build method because of the risk profile of the type of work.

The General Contractor/Construction Manager method, in practice, provides value in that a contractor is involved in the design process. They can provide input which may compress schedule or offer an approach or special equipment which could reduce cost. Over time and completion of contracts in this category, staff learned that the agency must be the facilitators of the relationship between the designer and the contractor. Trade Packaging strategy is a factor in this method and can be critical to the contract. Mr. Gildner added that some national and regional contractors offer certain specialties which can be taken advantage of through use of the General Contractor/Construction Manager method. This
was done in many underground stations in the University Link and Northgate Link Extensions.

In practice benefits of the design build method could include taking advantage of the design builder’s proprietary means and methods informing the design itself. An important factor to consider is that the owner defers the design. The market is a key consideration in selecting this method as well, as the availability of design builders may be low, decreasing the pool of available bidders. An example of the value of the design bid procurement is the Redmond Technology Station, in which the design build bidder submitted an alternate design specification which allowed for significantly more transit oriented development. That would not have occurred with different procurement methods. Mr. Gildner added that as Sound Transit gained more experience with design build procurement, it began to integrate more complexity into contracts, increasing their scope. Federal Way Link Extension was an example, as civil facilities work and systems work were combined into a single contract for the first time.

Mr. Gildner highlighted the large portfolio of projects the agency oversees. He explained that the agency as a whole has structured itself so that timely decision making can occur. He acknowledged the Federal Transit Administration which provided guidelines and oversight of the agency’s capacity and capability to deliver its portfolio.

**Executive session**

None.

**Other business**

None.

**Next meeting**

Thursday, January 9, 2020
1:30 to 4:00 p.m.
Ruth Fisher Boardroom

**Adjourn**

The meeting adjourned at 3:02 p.m.

Claudia Balducci
System Expansion Committee Chair

**ATTEST:**

Kathryn Flores
Board Administrator

APPROVED on January 9, 2020, AM