

Budget Policy Update

Board

11/19/2020

Why we are here

- Address questions and concerns from the August Board meeting on the proposed Budget Policy updates
- Respond to Board's request to streamline processes and use Board's time more productively.
- Request Board's adoption of modest updates to Budget Policy.

Summary of key Budget Policy updates

- I. Authorize CEO to transfer budget not more than \$1M between phases of the same project, excluding system expansion contingency phase.
 - Example – Wheel Truing Machine request of \$157.00
- II. Align Transit Improvement Plan (TIP) with industry standards.
- III. Minor administrative cleanup to increase clarity.

Key Budget Policy Update I: Authorize CEO to transfer budget (under \$1M) between phases of the same project.

- Board maintains control of budget, project allocation, and use of contingency.
- More productive use of Board time.

Approves	Board	CEO
All budgets	√	
Transfers of system expansion contingency phase budget	√	
Transfers of phase budget <u>over \$1M</u>	√	
Transfers of phase budget <u>not more than \$1M</u> , within same project's authorized allocation		√

Criteria for CEO authorized phase budget transfers

- **CEO may approve project phase budget transfers if it meets all criteria as follows:**
 - Project is within Board authorized project allocations.
 - Project type is within annual budget adopted by the Board.
 - Transfers between phases are not more than \$1 million per project, within fiscal year.
- **Board maintains control of system expansion project contingency use and phase transfer greater than \$1M.**

Phase transfers mainly needed for non-system expansion projects

- Projects typically characterized with relatively small costs, shorter duration, and impacting operations.
- Resource flexibility in early phases needed for these type of projects, with limited certainty to allocate among phases.
- Facilities and light rail miles will nearly triple by 2024, non system expansion projects will grow as system expands and ages.

2018 phase transfers: past examples requiring Board action

Hilltop Tacoma Link would have still gone to Board under proposed change.

Project Name	Project Type	Description	Amount \$
APPROVED IN 2018			
Hilltop Tacoma Link Extension	System Expansion	Transferred surplus phase budgets within baseline budget.	\$1,685,000
Downtown Seattle and Regional Mobility Improvement Project	Enhancement	Phase budgets were based on preliminary assumptions; limited certainty for individual phases.	\$55,893

2019 phase transfers: past examples requiring Board action

Project Name	Project Type	Description	Amount \$
APPROVED IN 2019			
Operations and Maintenance Facility Light Rail Vehicle Lift	Enhancement	Realigned phase budgets due to change in installer in 2018.	\$204,578
Bike Parking Program	Enhancement	Administrative adjustment to shift budget from capital to expense project phase.	\$487,667
Downtown Seattle and Regional Mobility Improvement Project	Enhancement	Realigned phase budgets based on design needs.	\$157,000

2020 upcoming phase transfer needs under existing policy

Resource flexibility needed for non-system expansion projects.

Project Name	Project Type	Description	Amount \$
FOR APPROVAL IF BUDGET POLICY IS NOT APPROVED IN 2020			
Sounder Maintenance Base	System Expansion	Shifting phase budgets to reflect realignment efforts.	\$110,000
DSTT Capital Improvements	State of Good Repair	Administrative adjustment to shift property title reports to ROW.	\$9,129
Wheel Truing Machine	State of Good Repair	Phase budgets were based on preliminary assumptions; no engineering staff time was anticipated, but 2 hours needed.	\$157
Kinkisharyo LRV System Upgrade	State of Good Repair	Phase budgets were based on preliminary assumptions; limited certainty for individual phases.	\$16,000
Puget Sound Emergency Radio Network	State of Good Repair	To separate preliminary engineering from final design which had previously been budgeted together.	\$30,000

2020 upcoming phase transfer needs under existing policy (continued)

Resource flexibility needed for non-system expansion projects.

Project Name	Project Type	Description	Amount \$
FOR APPROVAL IF BUDGET POLICY IS NOT APPROVED IN 2020			
SeaTac Airport Wrong Door	Enhancement	To separate final design from construction which had previously been budgeted together.	\$42,047
OMF Link Control Center Upgrades	Enhancement	Phase budgets were based on preliminary assumptions; limited certainty for individual phases.	\$40,552
OMF Renovations	Enhancement	Phase budgets were based on preliminary assumptions; limited certainty for individual phases.	\$10,000
OMF Expanded Parking	Enhancement	Phase budgets were based on preliminary assumptions; limited certainty for individual phases.	\$21,956
OMF Light Rail Vehicle Lift	Enhancement	Phase budgets were based on preliminary assumptions; limited certainty for individual phases.	\$99,762

Key Budget Policy Update II. Streamline Transit Improvement Plan (TIP) to conform to industry standards.

- TIP now includes only authorized project allocations for active projects.
- Long-term operating expense and reserve forecasts will no longer be in TIP. They are currently and will continue to be included in the published Long Range Financial Plan.

Key Budget Policy Update III: Administrative Clean Up to Enhance Clarity

Current Budget Policy	After Update
(Project) Amendment: A change to an authorized project allocation to date, typically due to a cost overrun or underrun.	Additional clarity: An increase in an authorized project as part of baseline creation does not constitute an amendment. (Still a Board action, however.)
Authorized project allocations to date	Authorized project allocations
Donations	Contributions to other governments
Revenue and other financing sources and budget appropriations	Adopted annual budget and TIP

Thank you.



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