SOUNDTRANSIT

# Summary Minutes

**Executive Committee Meeting**
**March 2, 2023**

## Call to order

The meeting was called to order at 10:34 a.m. by Committee Chair Dow Constantine.

The meeting was available for viewing in person and streamed on:
https://soundtransit.webex.com/soundtransit/j.php?MTID=m29c86a3ca694691d665fdcfe9d9d69b8

## Roll call of members

| Chair | Vice Chair |
|---|---|
| (P) Dow Constantine, King County Executive | (P) Kent Keel, University Place Councilmember<br>(P) Dave Somers, Snohomish County Executive |

| Board Members | |
|---|---|
| (P) Nancy Backus, Auburn Mayor | (P) Cassie Franklin, Everett Mayor |
| (P) Claudia Balducci, King County Councilmember | (P) Bruce Harrell, Seattle Mayor |
| (P) Bruce Dammeier, Pierce County Executive | (A) Roger Millar, WSDOT Secretary |

Katie Flores, Board Administrator, announced that a quorum of the Committee was present at roll call. Board members McDermott and Baker joined the meeting as non-voting members.

## Report of the Chair

Monthly Contract Report

The monthly contract reports were included in members' meeting packets for review.

## CEO Report

CEO Julie Timm provided the CEO report.

Olympia Update –

The next upcoming deadline of session was March 8, 2023, when all bills must be passed out of their committee of origin. CEO Timm noted the Senate Bill 5743, which would fix a technical error regarding Sound Transit's eligibility to compete for Regional Mobility Grants, cleared the Senate unanimously on Wednesday. Other bills to support transit-oriented development and affordable housing continued to actively work their way through the process and would likely clear their next hurdle in the coming days. Sound Transit staff was also awaiting release of the respective transportation budget proposals, which were expected later this month.

## Public comment

Chair Constantine announced that public comment would be accepted via email to meetingcomments@soundtransit.org and would also be accepted in-person and virtually.

The following people provided written public comment:

Peter Struck

The following people provided in-person public comment:

Alex Tsimerman

There were no submissions for virtual public comments.

## Presentation from the Technical Advisory Group

Grace Crunican, Connie Crawford, Eric Goldwyn, Jim Linthicum, Ken Johnsen, Greg Johnson, Roger Natsuhara, and Denis O'Neill, with the Technical Advisory Group (TAG) provided the presentation. Ms. Crunican acknowledged Sound Transit's capital program as one of the three largest in the country; largest in terms of mileage, which meant for rapid growth that the agency was not yet prepared for. In 2024, the anticipated program would be five times the size of what existed in 2016. Ms. Crunican mentioned the availability of federal funds and urged the agency to become contractors' choice. Ms. Crunican also noted timeliness of decisions to encourage savings.

Mr. Goldwyn provided a recap of previous work reviewing relevant documents including, the System Expansion Implementation Plan Triunity recommendations, Eno Center for Transportation's 2021 report, and Associated General Contractors of WA recommendation. A few highlighted key recommendations were around organizational structure and governance, early action, and reporting. Mr. Goldwyn showed a graph of System Expansion estimated annual spending from 2008 to 2047 to prepare the Board on the level of work to be expected in the years to come. Chair Constantine commented on the importance of the internalizing the graph that was presented. Chair Constantine noted on the graph, in reference to 2016, the upcoming work would be increased approximately five times and the agency would need to grow to accommodate that. He mentioned this specific graph would continuously be referenced to provide a clear understanding of the work to come.

Ms. Crunican explained there were six recommendations identified for priority action, the first two were critical. Some recommendations would be led by the Board, others by staff. Recommendations should be implemented without delay and implementation and outcomes should be monitored, with successes recognized and intervention imposed where needed.

Recommendation 1 stemmed from broken trust between the Board and staff, which led to delayed decision-making. The recommendation was to rebuild trust and clarify the roles and responsibilities of the Board and staff. Implementation steps included reviewing and revising Board bylaws and procedures to focus on policy and major programmatic decisions, limiting the type of actions that require Board input and approval, and including staff recommendations on all actions going to the Board. Implementation of Recommendation 2 was necessary for the success of Recommendation 1.

Recommendation 2 stemmed from Sound Transit 2 projects being behind schedule and Sound Transit 3 already experiencing delays across multiple projects. The recommendation was to introduce an experienced megaproject capital program executive team to augment existing staff. Implementation steps included creating 3 new executive positions: Executive Director of Capital Programs, ST2 Deputy Director, and ST3 Deputy Director, recruiting executives from outside the agency with successful megaprograms transportation experience for the new roles, and vesting the executive team with the authority to make decisions. Implementation of this recommendation was necessary for the successful implementation of all TAG recommendations.

Recommendation 3 stemmed from inefficient project level decision making, commonly taking several months to resolve questions resulting in project delays and increasing fees. The recommendation was to implement procedures that push decision-making down to the lowest level practical and foster an environment that encouraged decision-making. Implementation next steps included modifying

procedures to authorize project decisions at lowest level possible and conducting a training and coaching program to promote staff-level decisions.

Recommendation 4 stemmed from contractors charging Sound Transit a premium to cover the financial risks of unforeseen delays, slow decision making, and administrative burden. The recommendation was to align key procedures with industry best practices and eliminating unnecessary steps and associated delays. Implementation next steps included establishing timeline goals for key procedures, such as invoicing and change order processing, and contract close-out based on industry best practices, revising procedures to meet the goals by eliminating unnecessary steps and parties, and clarifying how procedures were measured and ensure consistency across the program.

Recommendation 5 stemmed from the agency facing increasing costs and schedule delays associated with betterments. The recommendation was to strengthen and enforce an agency betterment policy. Implementation next steps included establishing Sound Transit design standards, such as stations and parking structures, establishing protocols to address requests by Authorities Having Jurisdiction, including cost allocation and schedule constraints, and taking full advantage of the agency's designation as an Essential Public Authority.

Recommendation 6 stemmed from growing Federal Transit Administration (FTA) permitting review times, causing schedule delays and cost increases. The recommendation was to engage the FTA as a delivery partner equally invested in delivering transit to the region. Implementation next steps included engaging with FTA to set reasonable timelines and alternatives to be studied and engaging Congressional delegation to press FTA to prioritize and deploy sufficient resources for the ST program.

Ms. Crunican reviewed key takeaways. Capital program growth had outpaced the agency's ability to deliver. Performance would continue to suffer unless immediate and sustained action was taken. Success would not be possible without organizational and cultural change at all levels.

Recommended next steps included assigning responsibilities and establishing schedules, immediately initiating executive search for new Capital Program Director and ST2 and ST3 Deputy Directors, and reporting on progress monthly at System Expansion Committee meetings.

Chair Constantine acknowledged the guidance this report provides to become successful with agency projects. He asked what kind of mechanisms there were to correctly implement the allocations of responsibilities. Ms. Crawford provided an example, which would be change orders and the dollar figure staff was able to approve. She emphasized benchmarking with other agencies on solving the correct dollar amount to authorize staff with change orders. Mr. Goldwyn recommended setting time constraints for decision making. Chair Constantine recognized the challenges with encouraging staff to feel comfortable with decision making while also encouraging staff to speak up to challenges they foresee.

Chair Constantine asked about accounts payable being a basic process improvement issue in Recommendation 4 and if what's required was to figure out all the steps and investigate where extra time was built in. Ms. Crawford was unsure as the team did not review that detail but explained it was important for contractors to be paid in a timely manner and encouraged staff to investigate minimizing the steps for a quicker and more effective process.

Boardmember Balducci shared her overview of key takeaways from the TAG's recommendations. She expressed understanding of the urgency of a change in culture and empowering staff. She committed, as System Expansion Committee Chair, to work closely with leadership on implementing these recommendations.

Committee Vice Chair Keel thanked the TAG team for their recommendations and specifically mentioned the importance of hiring the Capital Directors to provide expertise on ST3 and to project a path forward.

Boardmember Harrell asked what would come about with these recommendations and if the committee was expected to speak to it on this day or if there would be subsequent opportunities. Chair Constantine replied that opportunities would occur over the next weeks for the Board to discuss the recommendations with TAG's assistance. Boardmember Harrell spoke to Recommendation 1 and noted the challenges in balancing responsibilities within and outside the agency's work. He then spoke to the betterment policy work and noted the scale of decision that would come from the upcoming preferred alternative decision. He looks forward to further conversations prior to making any decisions on a betterment policy.

Boardmember Dammeier appreciated the in-depth research from the TAG and agreed with their assessment. He noted his summary of Recommendation 1 to direct the Board to their specific roles and attempt to avoid interfering with details that staff can manage. He agreed with the need to hire Capital Program Executive Directors. He appreciated TAG communicating the scope and magnitude of change that was needing to be considered and the importance of empowering staff to deliver the projects. He looks forward to implementing these recommendations as he believed it would be the key to reducing the significant budget overruns, reducing the significant schedule delays, and getting the system that was promised to voters.

Committee Vice Chair Somers thanked TAG for their presentation and agreed with most recommendations aside from broken trust between staff and the Board members. He agreed with the importance of understanding roles and responsibilities for what's appropriate for the Board and the agency. He noted the Executive Committee should take a leadership role in assisting with tracking the process of these recommendations and how they were being implemented.

Boardmember Baker shared appreciation for the TAG for their presentation.

CEO Timm thanked TAG for their work preparing the recommendations. The recommendations were a culmination of nearly a year's work to examine how the agency delivered on its mission to delivery light rail to the region and how the agency could deliver commitments faster. CEO Timm noted their recommendations would be taken into consideration and a management response would be developed and presented in April 2023.

## Business items

Items for Final Committee Action

December 8, 2022, Executive Committee meeting minutes

**It was moved by Boardmember Balducci, seconded by Boardmember Backus, and carried by consent of all Board members present that the minutes of the December 8, 2022 Executive Committee meeting be approved as presented.**

Items for Recommendation to the Board

Resolution No. R2023-07: 1) Approving the chief executive officer's declaration that certain real property acquired for the Federal Way Link Extension Light Rail project is surplus and is no longer needed for a transit purpose and 2) confirming that the terms of the 2018 agreement with the Washington State Department of Transportation have been met to complete the transfer of these properties to the Washington State Department of Transportation.

Faith Roland, Director of Real Property, provided the presentation.

Boardmember Backus announced that no comments were received at the public hearing held on March 2, 2023.

**Resolution No. R2023-07 was moved by Boardmember Backus and seconded by Boardmember Balducci.**

Chair Constantine called for a roll call vote.

| Ayes | Nays |
|---|---|
| Nancy Backus | |
| Claudia Balducci | |
| Bruce Dammeier | |
| Cassie Franklin | |
| Bruce Harrell | |
| Kent Keel | |
| Dave Somers | |
| Dow Constantine | |

**It was carried by unanimous vote of eight committee members present that Resolution No. R2023-07 be forwarded to the Board with a do-pass recommendation.**

Motion No. M2023-16: Adopting performance goals and objectives for Julie E. Timm, Sound Transit chief executive officer.

Chair Constantine noted that as established by the CEO's employment agreement, the Board, in consultation with the CEO, needed to establish objectives for 2023. Chair Constantine announced the proposed objectives and the consideration of an action forward them to the full Board would be discussed at the meeting.

**Motion No. M2023-16 was moved by Committee Vice Chair Keel and seconded by Boardmember Balducci.**

Committee Vice Chair Keel highlighted two goals that were included, that were also previously mentioned in today's TAG presentation. The first was the hiring of the Executive Directors of the Capital Programs and the second was developing a work plan and tracking progress.

Boardmember Dammeier appreciated Committee Vice Chair Keel's acknowledgement of those goals already being included in the CEO's performance goal following the TAG's recommendation presentation.

Chair Constantine called for a roll call vote.

| Ayes | Nays |
|---|---|
| Nancy Backus | |
| Claudia Balducci | |
| Bruce Dammeier | |
| Cassie Franklin | |
| Bruce Harrell | |
| Kent Keel | |
| Dave Somers | |
| Dow Constantine | |

**It was carried by unanimous vote of eight committee members present that Motion No. M2023-16 be forwarded to the Board with a do-pass recommendation.**

## Reports to the Committee

TOD Revolving Loan Fund

Thatcher Imboden, Director of Land Use, Planning, and Development, and Rennie Elliott, Senior Project Manager for Transit Oriented Development (TOD), provided the informational update and request of feedback in advance of a future request to approve key business terms for the contribution of revolving loan fund dollars. Mr. Imboden reviewed the project timeline. In 2015, the State statute required Sound Transit to contribute $20 million to a revolving loan fund. In 2019, Sound Transit engaged in strategy development with the Local Initiatives Support Corporation. In 2020, the original recommendation was to create a new leveraged fund outside the typical funding paradigm. In 2023, its current recommendation was to contribute to existing revolving loan funds. Revolving Loan Fund impacts included high displacement risk, complex affordable housing with Sound Transit not owning land at all stations, and the need for acquisition funds for developers.

A Leveraged Fund was previously explored with assistance from agency TOD sites outside traditional funding paradigm. Lessons learned included developer enthusiasm for innovation waning, $80 million being too small to move the needle for A-Z funding, funds would be revolving too slowly, and low-cost acquisition and predevelopment capital being urgent needs.

The current recommendation was to direct investment into existing fund. Sound Transit would contribute $20 million into one or more funds: acquisition capital for non-agency TOD and potential for some predevelopment funds. Developers support and use these tools.

The benefits of using an existing fund for Sound Transit and Affordable Housing including anti-displacement strategy, addressing high-priority needs, existing infrastructures in place, strengthening agency partnerships, and expediting deployment. Risks included partnership risk, in which trust and collaboration were key, and investment risk, borne by fund operator with lending and real estate risk.

An acquisition and predevelopment loan was for affordable housing developers to acquire land for affordable housing near Sound Transit station areas. These loan programs offer flexible underwriting and low cost of capital. Based on historical loans, staff anticipate the ability to participate with over 10 projects at any one time revolving over many years.

Acquisition eligible uses included securing land, land, transfer costs/fees, broker fees, consultant reports/studies, financing costs, legal costs, and closing costs. Predevelopment eligible uses included feasibility reports, environmental studies, consultant reports/studies, architecture and engineering, community engagement, permits/entitlement, financing costs, and legal costs.

Next steps included developing key business terms to partner with funds, identify fund products and parameters, and draft terms, then seeking Board approval in Fall 2023.

Chair Constantine acknowledged the meetings time constraints and noted the committee members received a draft 2023 Executive Committee work plan in their materials packet and requested the Committee to review in their own time.

Boardmember Balducci noted the suggestion to combine existing efforts and leverage resources.

Boardmember Harrell asked about loans parameters and or thresholds. Ms. Elliott replied that this was a revolving loan fund and explained the benefits of having an acquisition style revolving loan fund was that the period was about 3 to 8 years for each loan so the funds would revolve in perpetuity, if the agency was able to reach that in negotiations with fund partners. Boardmember Harrell asked if these revolving funds were housed using a community-based fund or kept in house. Ms. Elliott responded that staff recommendation was to contribute the $20 million to Washington Housing Commission Land Acquisition Program and the Ready Fund and they would roll it into their programs and keep it revolving.

Presentation on Fares Structure and Fare Policy

Due to time constraints, Alex Krieg, Director of Access, Integration, and Station Area Planning provided an abbreviated presentation. Mr. Krieg introduced some of the major policy topics staff would be addressing at the Executive Committee meetings and the full Board meetings. Policy topics included fare policy, fare structure, and farebox recovery targets as well as the next steps for the parking management program. Mr. Krieg reviewed the existing fare structures within Board policy, distance-based and zone-based fare structures. He shared the distance-based fare structure fare table followed by considerations for both distance-based and flat fare. He reviewed the Farebox recovery targets and reminded the committee that the farebox recovery ratio was the percentage of operating expenses made up by passenger fares. The purpose of staff bringing this to attention to the Board was that the agency was out of compliance with the Board adopted fare policy. Link, Sounder, and ST Express were all below policy farebox recovery percentages. Existing conditions and policy considerations reviews were required to move forward with a parking management policy. Staff would return at the next committee meeting to provide an in-depth presentation on all three topics followed by public and passenger engagement beginning Summer 2023 and returning to the Board in Fall 2023 or Winter 2024 for potential Board actions.

Review 2023 Executive Committee work plan

Chair Constantine mentioned earlier in the meeting that due to time constraints, he requested committee members to review the work plan in their own time.

## Executive Session – None

## Other business – None

## Next meeting

Thursday, April 6, 2023
10:30 a.m. to 12:00 p.m.
Ruth Fisher Boardroom and Virtually via WebEx

## Adjourn

The meeting was adjourned at 12:06 p.m.

Dow Constantine
Executive Committee Chair

ATTEST:
Kathryn Flores
Board Administrator

APPROVED on April 6, 2023, JG