



# Summary Minutes

**Board Meeting**  
**May 25, 2023**

## Call to order

The meeting was called to order at 1:32 p.m. by Chair Dow Constantine in a Virtual Meeting via telephone and video conference.

The meeting was recorded and can be found at <https://www.soundtransit.org/get-to-know-us/board-directors/livestream-video>.

## Roll call of members

Chair	Vice Chairs
(P) Dow Constantine, King County Executive	(A) Dave Somers, Snohomish County Executive (P) Kent Keel, City of University Place Councilmember

Board members	
(P) Nancy Backus, City of Auburn Mayor	(P) Joe McDermott, King County Councilmember
(P) David Baker, City of Kenmore Councilmember	(P) Roger Millar, WSDOT Secretary
(P) Claudia Balducci, King County Councilmember	(P) Ed Prince, City of Renton Councilmember
(A) Bruce Dammeier, Pierce County Executive	(P) Kim Roscoe, City of Fife Mayor
(P) Cassie Franklin, City of Everett Mayor	(P) Dave Upthegrove, King County Council Chair
(P) Christine Frizzell, City of Lynnwood Mayor	(P) Peter von Reichbauer, King County Councilmember
(A) Bruce Harrell, City of Seattle Mayor	(P) Kristina Walker, City of Tacoma Deputy Mayor
(A) Debora Juarez, City of Seattle Council President	

Katie Flores, Board Administrator, announced that a quorum of the Board was present at roll call.

## Report of the Chair

### Removal of item 7.A. from the Agenda

Chair Constantine reported that Sound Transit Staff have asked to postpone final consideration of Resolution No. R2023-15, to adopt a Link Light Rail Noise and Vibration Policy, so that additional work engaging with external stakeholder could be completed. He noted that the Executive Committee had already considered and forwarded the action, so the Resolution would be considered at the June Board meeting.

## CEO Report

CEO Timm provided the report.

### Update on Federal Loan Closure

CEO Timm reported that Sound Transit had closed on the three TIFIA loans approved at the April Board meeting, totaling \$327 million with a 3.79% interest rate. These loans will save the Agency approximately \$245 million through 2046 by lowering the cost of debt service compared to what has been modeled in the long-range financial plan

### Update on Reports from May Committee Meetings

CEO Timm highlighted the Fare presentations at both the Executive Committee and Rider Experience & Operations Committee meetings in May. She noted that staff would begin conducting an engagement period to get input from passengers and the public on potential fare changes. This work will culminate in potential Board actions to update the Fare policy and to change Link fares toward the end of the year.

Ms. Timm also recapped presentation regarding potential service levels and project readiness for the East Link Starter Line at the May Rider Experience & Operations Committee and System Expansion Committee meetings, respectively. Staff would be preparing responses to questions posed by Boardmembers and would return to both committees in June.

### Triennial Review Update

CEO Timm reported that the FTA Triennial Review concluded last month with the Sound Transit receiving the report on May 5, 2023. The draft report noted eight deficiencies, of which two have already been addressed by staff in the response to the FTA and will not be carried forward in the final report to be issued on June 9, 2023.

She added that the six remaining deficiencies would require time to resolve as they include developing or updating policies and procedures related to oversight of our transit partners, accommodating ADA passengers when an elevator is out of service, adopting an official policy for the public comment process for major service reductions, obtaining Board approval of a CEO-approved Tacoma Link Substance Abuse Policy, and ensuring compliant paratransit service for Tacoma Link.

### Puyallup Garage Ribbon Cutting

CEO Timm noted that on May 13, the agency formally celebrated the opening of the new Puyallup Station Garage with a ribbon cutting ceremony. Emceed by Vice Chair Keel and attended by local leaders, including Boardmember Roscoe, the wonderful event celebrated the delivery of a long-awaited project for the East Pierce County community. CEO Timm thanked all the staff and partners who successfully worked toward opening the project to the public.

### 2022 Audited Financial Report

CEO Timm noted that the Agency's Audited Financial Report for 2022 was included in the meeting materials. She added that Sound Transit received a clean audit opinion and no findings. Additionally, the summary of the work performed by the independent auditor, Moss Adams, was included as well. Further details and information will be presented at the July Finance and Audit Committee meeting.

## **Public Comment**

Chair Constantine announced that the Board was accepting public comment via email and verbally through the virtual meeting platform.

The following people provided written public comment to the Board:

Mayor Bruce Harrell on behalf of the City of Seattle  
James Rogers  
Mary Kay McCaw for KWP Inc.  
Jane Zalutsky for the Seattle Center Foundation  
Neha Nariya, Nisha Nariya, and Abby Yawitz  
Amy Chen Lozano  
Joe Kunzler

The following people provided in-person verbal public comment to the Board:



Greg Spotts  
Julie Holland  
Rob Brandenburg  
Paul Evasick  
Joe Kunzler  
Jennifer Manginelli  
Curt Lillibridge  
Ben Byers  
Alex Tsimerman  
Reza Marashi

Ray Coglas  
Kyran Hughes  
Vraj Nariya  
Sandeep Reddy  
Betty Lau  
Brien Chow  
Jared Axelrod  
Lars Erickson  
Dick Harris

The following people provided virtual verbal public comment to the Board:

Jane Zalutsky

## Consent Agenda

Voucher Certification: April 2023

Minutes of the April 27, 2023, Board Meeting

Motion No. M2023-39: Authorizing the chief executive officer to execute an agreement with South Snohomish County Fire and Rescue Regional Fire Authority for Sound Transit to pay an agreed amount of \$601,575 with a 10 percent contingency of \$60,158 for a total not-to-exceed amount of \$661,733 for emergency responder training and equipment needed for the startup and operation of the Lynnwood Link Extension.

Resolution No. R2023-14: (1) Approving the chief executive officer's declaration that portions of three parcels adjacent to the Lynnwood City Center Station are surplus upon completion of Lynnwood Link Extension construction; (2) declaring the TOD site as suitable for development as housing; (3) authorizing staff to offer the TOD site first to qualified entities for affordable housing development; and (4) authorizing staff to offer the TOD site at a discounted land value price to facilitate affordable housing outcomes.

Motion No. M2023-40: Appointing Donia Zaheri to the Community Oversight Panel to serve a term of three years beginning June 1, 2023, and ending May 31, 2026.

**It was moved by Boardmember Baker, seconded by Boardmember McDermott that the Consent Agenda be approved as presented.**

**It was carried by the unanimous vote of the 13 Boardmembers present that the Consent Agenda be approved as presented.**

## Business items

Resolution No. R2023-15: Adopting a Noise and Vibration policy and superseding Motion. No. M2004-08.

Chair Constantine noted that this item has been removed from today's agenda for future consideration by the Board.

Motion No. M2023-41: Ratifying the chief executive officer's finding of the existence of an emergency and ratifying and approving contracts to repair the Westlake Station tunnel.

Voltaire Atienza-Wilkinson, Senior Project Manager, began the staff presentation. He introduced Kerry Pihlstrom, Chief Engineer, and Ted Lucas, Chief Procurement Officer, who are available to assist with questions.

Boardmember Balducci thanked the team for their work and congratulated Mr. Atienza-Wilkinson on his first time presenting to the Board.

Boardmember Millar stated that he had the opportunity to see the work and thanked the team for their efforts to restore service.

**It was moved by Boardmember Baker and seconded by Boardmember Keel that Motion No. Motion No. M2023-41 be approved as presented.**

**Chair Constantine called for a voice vote on Motion No. M2023-41.**

**It was carried by a unanimous vote of the 13 Board that Motion No. M2023-41 be approved as presented.**

Motion No. M2023-42: Authorizing the chief executive officer to increase the contract contingency for the Federal Way Link Extension F200 Design-Build contract with Kiewit Infrastructure West Co. for Structure C as part of a global resolution change order in the amount of \$110,000,000 for a new total authorized contract amount not to exceed \$1,643,497,519.

Linneth Riley-Hall, Executive Project Director for the Federal Way Link Extension project, began the staff presentation. She also introduced Sepehr Sobhani, Deputy Executive Project Director, and Nathan Galer, Project Manager, who will assist with the presentation.

Boardmember Balducci asked if the project team was confident in delivering the project on or under budget. Mr. Sobhani responded that he is confident the project will adhere to the established budget, as the project is roughly 70% complete and the majority of issues are found in the ground. Now that a path forward is identified to continue over the poor soil and most of the outstanding claims are resolved via the global resolution, the team is confident on the way forward in regard to cost and schedule certainty.

Boardmember Balducci asked for the newly established project milestones. Mr. Sobhani answered that the substantial completion milestone for the entire alignment, including Structure C, is Q4 2025, while the portions of the alignment north and south of Structure C maintain the original substantial completion dates of Q3 2024 and Q4 2024, respectively.

Boardmember Balducci recalled a potential conversation about activating a shortened portion of the Federal Way Link Extension north of Structure C, recognizing that is not necessarily a conversation for today's action.

Ron Lewis, Executive Director of Design, Engineering, and Construction Management, made sure to specify that the global resolution change order would effectively prevent claims, noting different terminology to ensure accuracy. He added that claims could still arise from the project, but a vast majority have been bundled into today's action and the subsequent global resolution change order.

Boardmember Roscoe asked if staff could return with information pertaining to lessons learned from the Federal Way Link Extension and Structure C, specifically for land testing. She noted that was a larger question that doesn't need to be addressed at this time. Additionally, Boardmember Roscoe inquired into the potential impact of the six non-addressed items in the global resolution. Mr. Sobhani responded that the six items are newer, and it takes time to evaluate each, so they were excluded from the global resolution. He added that the team feels there is no significant risk exposure to the project schedule and estimated the potential cost as between \$3-5 million for the six items.

Boardmember Frizzell asked if there were any other options besides approval of this action to address the challenges at Structure C. Mr. Sobhani answered that the alternative is to contest each of the items, which increases uncertainty for the project in regard to both schedule and cost. Boardmember Frizzell asked how much of the contingency increase is to cover the long-span bridge design. Mr. Sobhani answered that net value of the Structure C related change is \$72 million.

Chair Constantine thanked the team for the presentation and their work to ensure this work is completed as timely as possible to ensure the continuation of the project.

**It was moved by Boardmember Balducci and seconded by Boardmember Keel that Motion No. M2023-42 be approved as presented.**

**Chair Constantine called for a roll call vote on Motion No. M2023-42.**

<u>Ayes</u>		<u>Nays</u>
Nancy Backus	Joe McDermott	
David Baker	Roger Millar	
Claudia Balducci	Kim Roscoe	
Cassie Franklin	Dave Upthegrove	
Christine Frizzell	Peter von Reichbauer	
Kent Keel	Kristina Walker	
	Dow Constantine	

**It was carried by the unanimous vote of the 13 Board members present that Motion No. M2023-42 be approved as presented.**

Motion No. M2023-43: Authorizing the chief executive officer to increase the contract contingency for the Federal Way Link Extension Design-Build Project Management Services contract with South County Transit Partners to cover an extended duration of services and for additional quality oversight in the amount of \$33,000,000 for a new total authorized contract amount not to exceed \$139,433,313.

**It was moved by Boardmember Balducci and seconded by Boardmember Baker that Motion No. M2023-43 be approved as presented.**

**Chair Constantine called for a roll call vote on Motion No. M2023-43.**

<u>Ayes</u>		<u>Nays</u>
Nancy Backus	Roger Millar	
David Baker	Kim Roscoe	
Claudia Balducci	Dave Upthegrove	
Cassie Franklin	Peter von Reichbauer	
Christine Frizzell	Kristina Walker	
Joe McDermott	Dow Constantine	

**It was carried by a unanimous vote of the 12 Board members that Motion No. M2023-43 be approved as presented.**

## **Reports to the Board**

### Denny Station Status Update

Cathal Ridge, Executive Corridor Director, began the report by stating today's presentation is tied to direction from the March Board action to identify a preferred alternative for the Ballard Link Extension. He added that today's presentation is information only with no action required today.

Mr. Ridge noted that there are some additional elements of the identified preferred alternative dependent on third party funding.

Mr. Ridge explained that the Federal Transit Administration gave approval for the separation of the Environmental Review process for the West Seattle Link Extension and Ballard Link Extension projects. Originally, the two project were on a concurrent environmental review path. Since the identification of the preferred alternative for the Ballard Link Extension prompted additional environmental, the West Seattle

Link Extension will proceed into the Final Environmental Impact Statement while the Ballard Link Extension will require supplemental work to the Draft Environmental impact Statement.

Mr. Ridge briefly recapped the information for the Denny Station options from the March Board meeting, noting the cost and schedule risks associated with the Denny/Terry station option. He added that since March, staff have held over 20 technical work sessions, focused on topics such as utilities, constructability, construction schedule, roadway closures, and cost. For the Denny/Terry option, the main focus was to assess the work around the long-haul fiber infrastructure and carrier hotel. For the Denny/Westlake option, discussions examined potential refinements to the station location to reduce effects to Westlake Avenue. These refinements include shifting the station north to allow traffic to be maintained on Westlake Avenue during construction or shifting the station west onto private property to avoid Westlake Avenue. He noted the refinement to shift the station west is relatively new, so the report covers only what is already known about the refinement. Mr. Ridge then walked through the options and the potential refinements.

For the Denny/Westlake option studied in the DEIS and currently the preferred alternative, he highlighted the 4-year traffic impact to Westlake Avenue and the utility challenges posed by fiber, sewer, and electrical infrastructure. He added that this station option does provide convenient transfers to transit along Westlake Avenue.

For the Denny/Terry option previously studied, he noted that traffic on Westlake Avenue would not be directly impacted by construction. He added this option still provided access to transit lines on Westlake Avenue, while also providing access to both sides of Denny Way with minimal impacts to projected ridership. However, Mr. Ridge stressed the impacts of necessary fiber relocation from Terry Avenue and additional work on Harrison Street.

For the Denny/Westlake shifted North refinement, Mr. Ridge noted that it does mostly follow the originally studied Denny/Westlake option but the station itself would be shifted slightly north on to private property, which would require additional acquisition. Doing so would not fully close Westlake Avenue but would require reducing the number of lanes accessible to cars and buses, while closing the road to the streetcar. He added this option would avoid the fiber work at Lenora Street and required less extensive utility work on Westlake Avenue. Mr. Ridge also noted an estimated \$170 million cost, primarily associated with the required property acquisitions, as well as an extended construction timeframe to safely maintain the traffic on Westlake Avenue.

For the Denny/Westlake shifted West refinement, Mr. Ridge explained that this option would likely require a consolidation of the Denny and South Lake Union stations due to the alignment geometry and proximity of those potential stations. He noted that since this refinement is still in early stages, more work is needed to examine the ridership and passenger experience impacts, while the refinement should help to solve known utility challenges. He elaborated that the consolidated station would substantially avoid utilities on Westlake Avenue and Harrison Street, while keeping Westlake Avenue substantially open to cars, buses, and the streetcar during construction. In line with the consolidation of the two stations, this could result in cost savings of \$440 million and offer a shorter construction timeline.

In terms of next steps, Mr. Ridge stated that additional work is needed to develop the “Shifted North” and “Shifted West” Denny/Westlake station options, specifically to analyze joint development opportunities and assess ridership and transit integration solutions. He added that staff hopes to return in July with more information and potentially a Board action.

Boardmember Keel asked what schedule implications would come from continuing to develop the refinement options. Mr. Ridge noted that since the Board identified a preferred alternative in March, work is progressing; however, changing the preferred alternative would pose schedule risk if that decision were further delayed beyond July. Boardmember Keel asked if the decision could be made in June. Mr.

Ridge replied that he does not believe the full information, especially for the Shifted West refinement, would be ready for a June decision.

Boardmember McDermott asked what additional information would be needed for the full evaluation of the Shift West refinement. Mr. Ridge re-iterated the importance of assess the impacts to ridership, transit integrations, and passenger experience prior to asking the Board to potentially decide to change the Preferred Alternative. Boardmember McDermott inquired if this would include studying who is being served by potential consolidation of the stations. Mr. Ridge affirmed that is part of the analysis.

Boardmember Balducci thanked the team for the additional engagement efforts with stakeholders and noted that the shift away from the Terry station option seems to have been solidified through the past few months. She also reiterated the importance of studying who is served by the potential refinements, especially for the consolidated Shifted West option.

Boardmember Balducci, in referencing some of the public comment received today, asked what it would take to look at shifting the South Lake Union station on Harrison Street should the Shifted West option be evaluated as a good outcome. Mr. Ridge answered that it would take additional time and resources to do so.

Boardmember Balducci also asked for a fuller discussion of the trade-off and system impacts with the potential station options when staff return in July for the status report and potential action. She also inquired about the separation of the Environmental Review process. Mr. Ridge explained that the nature of the refinements along the West Seattle Link Extension did not rise to the level of needing to provide a supplement DEIS for that project. For the Ballard Link Extension, Mr. Ridge noted new concepts in the CID and the Republican West alternative in Seattle Center, to name a few, prompted the need for a supplemental DEIS. Boardmember Balducci asked for a follow-up with staff to learn more.

#### Everett Link Extension Summary of Scoping Comments

Eric Widstrand, High-Capacity Transit Corridor Director for the Everett Link Extension (EVLE) and Operations and Maintenance Facility North (OMF-N), began the report by noting this would be a condensed version of the presentation provided to the System Expansion Committee earlier this month. He noted that today's presentation would look at the recommendations from the Community Advisory Group (CAG), Elected Leadership Group (ELG), and Sound Transit staff.

Mr. Widstrand noted that the Everett Link Extension is planned to cover 16 miles with 6 stations (plus one provisional station), with a target schedule of 2037 and an affordable schedule that completes most of the line by 2037 with the portion from SW Everett Industrial Center to Everett Station completed by 2041. The project also includes the Operations & Maintenance Facility North (OMF-N), which is scheduled to be complete in 2034.

Mr. Widstrand summarized the engagement efforts from the SEPA scoping period, virtual and in-person meetings, and correspondence. He noted that the team held 3 virtual meetings with 127 attendees, an in-person meeting with 1,600+ attendees, and received approximately 1,200 communications. He then walked through the sections of the project, and their potential alignment and station alternatives.

In the West Alderwood segment, there are two alignment options and three station options (B, D, and F). Stations options D and F share a potential alignment. The CAG recommended to removed station option B from study, and the ELG supported the decision with the caveat of continuing study if needed to maintain alternatives. Both the CAG and ELG identified station option D as preferred and recommended continued study of station option F. Sound Transit staff intends to recommend continuing to study station option B in the DEIS.

In the Ash Way segment, there are two alignment options, each with one station alternative (A and D). Station option A and its alignment would run along the West of I-5, while station option D would run

along the East of I-5. The CAG recommended continuing to study option A and identifying option D as the preferred. The ELG recommended to continue studying both options, without identifying a preferred alternative.

In the Mariner segment, there are three alignment options, each with one station option (A, B, and D). The CAG recommended to remove option A from further study, identify option B as preferred, and continue to study option D. The ELG concurred with the recommendation for option A but recommended to continue study of options B and D without identifying a preferred alternative.

For the SR99/Airport Road segment, Mr. Widstrand noted this is the Provisional station which will be equally considered during the planning phase, but funding is not secured to construct the station at this time. There are two alignment options, each with one station option (A and B). Option A runs along the northeast side of SR 99 and option B runs along the southwest side of SR99. The CAG recommended option A as the preferred and to continue studying option B. The ELG recommended to continue study of both options, without identifying a preferred alternative.

In the SW Everett Industrial Center segment, there is one alignment option with three station options (A, B, and C). The CAG noted mixed support for all three options; the ELG recommended identifying option A as the preferred, continuing study of option B, and removing option C from study, unless needed for additional alternatives. Sound Transit staff will recommend continuing studying option C in the DEIS.

In the SR 526/Evergreen segment, there are five station options on four alignment alternatives. Station options A, D, and E have unique alignments, while station options B and C share an alignment alternative. The CAG recommended to continue study of station options B, D, & E, to remove station option C from further study, and offered mixed recommendations for option A. The ELG recommended to remove station options C & D from further study and to continue studying options A, B, and E, with either B or E as the preferred alternative as both are south of SR-526.

In the I-5/Broadway segment, there are two alignment alternatives without a planned station. The alignments either run along I-5 or Broadway. The CAG recommended to continue study of the Broadway alignment and to identify the I-5 alignment as preferred. The ELG affirmed the CAG's recommendations.

In the Everett Station segment, there are three alignment alternatives, each with a station option (A, C, and D). The CAG recommended to remove option A from further study, continue study of option C, and identify station option D on the C alignment as the preferred. The ELG recommended to continue study of option A with revisions and to identify both option C and station option D on the C alignment as preferred alternatives.

For the OMF-N, there are four site options (B1, B2, C, and D) along the SR99/Airport Road, SW Everett Industrial Center, and SR526/Evergreen segments. Sound Transit has offered to study a hybrid B1-B2 site. The CAG recommended further study of the B1-B2 hybrid, E, and F sites. The ELG affirmed the recommendations.

Mr. Widstrand stated that staff intend to bring a motion to identify the alternatives for study in the Draft Environmental Impact Statement to the System Expansion Committee and Board of Directors meetings in June.

Boardmember Franklin asked for staff to draft the motion to align with the ELG recommendations for the preferred alternative, where there are any identified, as well as the staff recommendations for further study.

Boardmember Frizzell thanked the project team for their engagement efforts with the CAG, ELG, and community members.

Boardmember Keel stated that his tour of the alignment was greatly appreciated. He inquired into which segments would have preferred alternatives identified in the motion drafted for consideration next

month. Mr. Widstrand stated that preferred alternatives are identified in the West Alderwood, SW Everett Industrial Center, SR526/Evergreen Way, I-5, and Downtown Everett segments. Boardmember Keel asked for clarification around potentially identifying a preferred alternative for the OMF-N site.

Don Billen, Executive Director for Planning, Environmental, and Project Development, noted that the motion drafted for consideration next month will include the ELG recommendations, with some recommendations from Sound Transit staff to continue study of some alternatives. Boardmember Franklin affirmed Mr. Billen's summary of her request. She also stressed the importance of the manufacturing community in Snohomish County and avoiding displacement as much as possible.

CEO Julie Timm noted that at this time, Sound Transit staff are following the recommendation of the ELG to present alternatives for the Sound Transit Board to potentially identify as preferred.

### Annual Program Review

Moises Gutierrez, Chief System Quality Officer, began the presentation and introduced John Henry, Chief Financial Officer, and Eric Beckman, Executive Director of the Portfolio Services Office, as additional presenters for this report. He noted the Annual Program Review stemmed out of the Realignment Resolution, and this is the second edition of the report.

Mr. Gutierrez noted that the 2021 Realignment Resolution directed staff to prepare an annual report to speak to the agency's overall financial health and the affordability of the system expansion program. The report includes the performance of the portfolio of projects and reports changes in costs and schedules. He noted this year's report spans from April 2022 to April 2023.

In highlighting the key takeaways of the report, Mr. Gutierrez noted that the Affordable Schedules for system expansion projects remains affordable, while the Target Schedules remain unaffordable. Additionally, Debt Capacity was a risk to the program's affordability last year. While Sound Transit ability to issue det has increased, its ability to pay back debt has not improved. He added that increases due to inflation are slowing, but operations and maintenance costs continue to rise. He noted that Mr. Henry and Mr. Beckman would provide further details in their portions of the presentation.

Overall, the Agency is seeing the project costs are trending higher and schedules are trending longer. He highlighted the Ballard Link Extension and Tacoma Dome Link Extension projects as examples of shifting project scope contributing to extended schedules. Mr. Gutierrez stated that the 2037 Target Schedule for the Ballard Link Extension is no longer achievable, and the project has been aligned to the Affordable Schedule for a 2039 delivery. This also includes a shift for the affordable schedule for the CID to Smith Cove segment. The Tacoma Dome Link Extension has also been readjusted to a 2035 project delivery date. Moreover, Mr. Gutierrez shared that updated cost estimates for the Stride Bus Rapid Transit Program are coming in higher than expected and is currently trending above the estimates assumed in the long-range financial plan. Staff would be briefing the Board in June on the baselining information before return in July with an action.

Mr. Gutierrez noted that despite these impacts, the overall program remains on the Affordable Schedule, and that staff will proceed with caution and work closely with the Board as new challenge and opportunities are learned. He turned the presentation over to John Henry for the finance portion of the report.

Mr. Henry stated that the financial plan, aligned with the Affordable Schedule, remains affordable under current debt constraints. He reiterated that the Target Schedule remains unaffordable at this time.

In comparison to Fall 2022, Mr. Henry stated that projected capital expenditures have increased by \$472 million due to the changes in the alternatives for study for the Tacoma Dome Link Extension and the impact of inflation from the adjustment of in-service dates for the Tacoma Dome and Ballard Link Extensions. He also noted that these increases were somewhat offset by decreases to the inflation

forecasts. Additionally, operating costs are also forecasted to increase by \$516 million due to a combination of additional staffing needs for service expansion and enhanced service activities, along with higher labor market cost assumptions. Delays to project in-service dates offset some of the increase. Mr. Henry also noted a projected decrease in tax revenues of \$626 million, primarily due to lower MVET revenues. Also, farebox revenue continues to be a challenge.

In regard to debt capacity, Mr. Henry stated that our ability to issues debt has increased. However, the net debt service ratio, or the ability to pay back debt, has not improved and will face continued pressure due to declining fare revenue forecasts in conjunction with rising capital and operating costs.

Mr. Henry reminded the Board that Sound Transit is subject to several types of debt constraints, the first of which is set by state law and limited debt issuance to 1.5% of assessed value within the Sound Transit district. This is the debt capacity. Using a graphic, he showed the improvement in Sound Transit's debt capacity since Fall of 2022. He added that this trend may not continue as rising interest rates may lead to lower real estate values. Before moving to the next slide, Mr. Henry noted that the Debt Capacity and Debt Coverage Ratio has historically trended in the same direction. This year, however, the agency is seeing a divergence between the two metrics.

One the next slide, Mr. Henry discussed the Net Debt Service Coverage Ratio which measures the ability of the agency to pay back debt after accounting for operating costs. Per Sound Transit policy, the agency must have 1.5x the amount of revenues needed to pay for debt service in any given year, after factoring in operating costs. He noted that since August of 2021, the ratio has been trending downward toward the policy minimum, driven by increases in projected bond issuances, increased inflation, lower fare revenue forecasts, and increase project and operating costs.

Mr. Henry noted that as a result of the additional studies requests, the Ballard Link Extension project would be unable to advance to the Target Schedule as identified in Realignment. Because of this change, the agency must reassess the total agency affordability gap under the Target Schedule program and how it is apportioned to the project. Staff intend to return in the fall with an update. Mr. Henry introduced Mr. Beckman to talk about cost drivers.

Mr. Beckman explained that current cost drivers are defined as the combination of external forces from the economy and industry that are prevalent now, and how those forces are affecting project costs estimates. He noted that since the last report on cost drivers six months ago, inflation has slowed but still remains high. Moreover, construction costs remain high but are not increasing as dramatically as in 2022. He stated that while some new cost estimates are similar to what is assumed in the finance plan, scope changes – like those for the Tacoma Dome Link Extension and Ballard Link Extension – bring risk to staying within the Finance Plan. Mr. Beckman noted that staff continuously pursue thoughtful and innovative approaches to identify and mitigate risks. He also added that real estate costs remain high, but higher interest rates and other market factors may begin to cool property values. Staff are closely monitoring changes so mitigation measures, such as early or protective acquisitions may be considered by the Board.

Anticipated cost drivers are those that staff expect encountering more than six months from now that could impact the agency's portfolio in the future. Mr. Beckman stated that analysis showed that anticipated cost drivers are shifting and higher than planned for operations and maintenance costs as conditions resolve, the system expands, and emerging/evolving needs are identified. He highlighted increased resources for operations and maintenance of the system as key cost drivers that will be reflected in updates to the Finance Plan.

Mr. Beckman now pivoted to discussing the performance of the portfolio of projects undertaken by the Agency. Beginning with projects in planning, Mr. Beckman noted that some pre-baselined projects are experiencing increased costs and schedules due to a few major factors, including changes to scope late in the planning process, complex and lengthy negotiations with partner agencies and jurisdictions,

lengthened environmental review processes for new alternatives, and limited resources that constrain the agency's federal partner's ability to review.

Shifting to projects in construction, Mr. Beckman noted that projects have experienced quality and building challenges. Additionally, staff are preparing for multiple extension opening that will require activation resources for training, testing, and commissioning. He noted that the volume of work that will be delivered will double the current system in the next years, which will put a strain on the agency's resources and those of Sound Transit's partners. Mr. Beckman noted that mitigation measures continue to implement for East Link, and the Board will continue to receive updates on those efforts. He concluded by saying that Sound Transit is applying lessons learned from the Northgate Extension opening to properly prepare for revenue service. Mr. Beckman turned the presentation back over to Mr. Gutierrez.

Mr. Gutierrez noted that there is a lot of work as part of regular business to manage the program. Before concluding, he reiterated that the expansion program remains on the affordable schedule, staff is working to mitigate challenges and continues to expect challenges in the future, the Board will need to weigh-in to ensure successful delivery of the program and service, and that staff will continue to look at broader opportunities identified in the Technical Advisory Group report.

Chair Constantine noted that the meeting had reached its scheduled end time but that the Board still needs to enter an Executive Session. He asked if there are any immediate questions for staff and asked for Boardmembers to take the information with them to pose questions off-line or at the next meeting.

Boardmember Balducci supported the plan to have additional discussion at the next meeting.

### **Executive Session to discuss litigation to which the Agency is, or is likely to become, a party as authorized under RCW 42.30.110(1)(i)**

Chair Constantine advised that the Board was going into executive session to discuss litigation in which the agency is, or is likely, to become a party. He introduced Desmond Brown, Sound Transit General Counsel, who explained that the Board was allowed to enter into executive session under RCW 42.30.110(1)(i) to discuss the risks of a proposed action in which a public discussion would have adverse legal or financial consequence to the agency.

Chair Constantine explained that the Board would be in executive session for 15 minutes. The executive session began at 4:14 p.m. and was scheduled to end at 4:29 p.m.

At 4:29 p.m., the executive session was extended by 15 minutes to end at 4:44 p.m.

At 4:44 p.m., the executive session was extended by 10 minutes to end at 4:54 p.m.

At 4:54 p.m., the executive session was extended by 10 minutes to end at 5:04 p.m.

The executive session ended at 5:04 p.m. At 5:06 p.m., Vice Chair Keel called the meeting back to order.

**Other business** - None.

### **Next meeting**

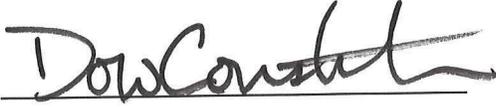
The next regular Board meeting would be held on June 22, 2023, 1:30 to 4:00 p.m. in the Ruth Fisher Board Room and as a virtual meeting via WebEx.

### **Adjourn**

The meeting adjourned at 5:07 p.m.

**Adjourn**

The meeting adjourned at 5:07 p.m.



Dow Constantine  
Board Chair

ATTEST:



Kathryn Flores  
Board Administrator

APPROVED on June 22, 2023, AJM.