SOUNDTRANSIT

Summary Minutes

Executive Committee Meeting
December 7, 2023

Call to order

The meeting was called to order at 3:30 p.m. by Committee Vice Chair Dave Somers and was available for viewing in person and online.

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

Board Members	
(P) Nancy Backus, Auburn Mayor	(A) Cassie Franklin, Everett Mayor
(P) Claudia Balducci, King County Councilmember	(P) Bruce Harrell, Seattle Mayor
(P) Bruce Dammeier, Pierce County Executive	(P) Julie Meredith, WSDOT Secretary Alternate

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

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.

Recent grant award

The State Department of Ecology recently awarded $400,000 to Sound Transit for planning and investigative work to support environmental remediation on Sound Transit-owned property planned for affordable housing and transit-oriented development (TOD). The property was located at 1000 NE 45th Street in Seattle, near the University of Washington. The grant would fund information-gathering and planning efforts needed to facilitate the process of preparing the site for a developer to construct affordable housing. CEO Timm thanked the Department of Ecology and the agency grants team for securing the award and the agency's TOD and environmental teams who would manage implementation of this project.

Moody's Rating update

Last month, Moody's Investor Services affirmed Sound Transit's Aaa rating on its first lien Prior Bonds, as well as the Aa1 rating on the second lien Parity Bonds. The affirmed ratings reflected the strong and robust debt service coverage by pledged revenues, as well as the size and strength of the service area's economy from which the pledged revenue was generated. The Board's realignment efforts and staff's financial stewardship positively impacted the rating and potential future borrowing costs. While the construction industry across the country was facing financial pressures, this rating was a solid indication of ongoing confidence in Sound Transit's fiscal management.

Public comment

Vice Chair Somers 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:

Tina Vlasaty for LISC Puget Sound

The following people provided virtual public comment:

Ginger Kwan
Chris Bendix

There were no in-person public comments received.

Reports to the Committee

Quarterly report from the Board's Technical Advisory Group

Ken Johnsen, Technical Advisory Group (TAG) member, began the report. TAG members Grace Crunican, Roger Natsuhara, Connie Crawford, and Jim Linthicum were also present for the report. Mr. Johnsen reviewed the timeline of activities that had already occurred.

The initial recommendations were presented to the System Expansion Committee at its October 13, 2022 meeting. Those initial recommendations highlighted the discipline needed in maintaining Board and Executive roles and creating a position clearly responsible for overall capital program and accountable to the CEO. The final recommendations were presented at the March 2, 2023 Executive Committee meeting which included rebuilding trust and clarifying roles and responsibilities of Sound Transit Board and staff, introducing an experienced megaproject capital program executive team, implementing procedures that pushed decision-making down to the lowest level practical, aligning key procedures with industry best practices, strengthening and enforcing an agency betterment policy, and engaging the Federal Transit Administration (FTA) as a delivery partner equally invested in delivering transit to the region.

At the April 27, 2023 Board meeting, staff shared their initial response to the TAG recommendations through Board Motion No. M2023-36, which TAG believed did not fully address the original recommendations. The Board unanimously passed Motion No. M2023-36 directing the agency to implement the TAG recommendations. Staff interaction with TAG was at a minimum between the April 2023 Board meeting through October 2023. During that period, the CEO met with TAG to discuss organizational structures and the hiring of the megaproject executive. Around October and November 2023, the agency provided TAG with a workplan for each recommendation and hosted initial meetings with assigned staff teams. During that period, the TAG met with working level staff to discuss recommendations and found those working teams to be productive, however TAG expected the agency would be further along the process by that time. The initial recommendations received in March 2023

listed a four-to-six-month implementation deadline which would land around August 2023, which meant the agency was behind schedule based on those expectations.

TAG also met with Krauthamer & Associates (K & A) firm to discuss the hiring of the megaproject executive, which was expected to take place around Q2 2024, a year after the recommendation was given. Mr. Johnsen described the graph in his presentation that showed the level of spending required of the agency to remain on schedule for project delivery. If that money was not spent, schedules would delay and costs would rise. This was primarily the reason TAG was delivering their recommendations with a high sense of urgency.

Ms. Crawford shared that staff progressions could be streamlined on a greater scale.

Board member Balducci asked whether the discussion with K & A regarding the job duties and requirements for the megaproject director recruitment met the TAG's recommendation. Mr. Johnsen replied that the TAG team felt comfortable with the direction the recruitment was moving in.

Board member Dammeier noted the absence of results for the recommendations and asked if that was indicative the challenge. Ms. Crawford agreed that staff had the correct intentions, however the workplans did not show the expected progress. TAG believed their recommendations were straightforward and were disappointed that the kickoff meetings took place eight months after the recommendations were initially provided. Mr. Johnsen added that certain recommendations were being addressed using inefficient practices. The TAG team believes the capital project executive team would play a crucial role in streamlining efforts.

Board member Dammeier referenced the spending levels graph and reiterated that the agency should be prepared to deliver projects efficiently and effectively with a significant change in the approach.

Mr. Johnsen agreed and voiced the importance of simplifying processes.

Mr. Natsuhara added the importance of hiring an executive was for the purpose of having a leader for culture change.

Mr. Linthicum shared two ways to become agency of choice, undisputed pay and to make timely decisions. Ms. Crunican added the nature of becoming the owner of choice to receive many competitive bids and to prevent having contractors search for business elsewhere.

Quarterly report from the Board's Independent Consultant

Dave Peters, Independent Consultant to the Sound Transit Board, provided the report. Mr. Peters reviewed the light rail vehicle (LRV) costs throughout the years. Sound Transit purchased Series 2 LRV for $4.2 million in 2016 and another procurement in 2017 for $4.4 million. In November 2023, the Board approved an $8.1 million budget, which Mr. Peters emphasized was only a budget and not a negotiated figure. Sound Transit would begin searching for the Series 3 procurement of over 240 vehicles and Mr. Peters questioned the agency's ability to afford the fleet required for the ST3 expansion. After reviewing practices of another transit agency, he recommended including an escalation clause in the procurement, which could take risk off the car builders and leaving out the uncertainties of the cost escalations.

When reviewing the 2024 Financial Plan, Mr. Peters acknowledged the cost of three infill stations totaling $620 million and suggested further analyzation on cost drivers. Due to infill stations being standalone projects, he mentioned preparing project alternatives to have on hand in case another stimulus package presents itself. He acknowledged there was over $1 billion in unspent contingency on Link construction projects and found a table that showed budget reductions of $374 million for completed projects, in addition the previously mentioned $1 billion. Staff recommended accelerating project close outs and having construction teams review what was reasonably required to complete projects.

Mr. Peters briefly reviewed the status of his previous recommendations and noted staff was underway or had completed implementation of some. There were two recommendations regarding the embracing of a culture of urgency and establishing an independent megaproject delivery team – both echoed a portion of the TAG recommendations. The megaproject team was recommended with streamline efforts in mind.

Board member Dammeier asked if Mr. Peters has seen a single contractor work across all projects – such as a rail expert overseeing all of rail installation across the whole system. Mr. Peters confirmed that was a delivery method he had witnessed before and noted Sound Transit had experience towards that method with a systems contractor among multiple link extensions for ST2. He did not receive any feedback on preferences with using that method. A system-wide contract had more buying power however when a contractor was working across multiple civil contracts, the coordination became imperative. He also noted the lack of systemwide contractors so that could potentially affect the number of bidders as there would be fewer contractors to satisfy the position. Mr. Peters previously recommended pre-purchased contracts particularly for electrical equipment and the agency could purchase and deliver when needed.

Board member Harrell asked if Mr. Peter's suggestion to create a megaproject delivery team would consist of Sound Transit staff or an external group. Mr. Peters replied he suggested it consist of individuals within the agency under the Sound Transit payroll to create an empowered team striving towards a shared mission.

Status of implementing the Technical Advisory Group recommendations

Moises Gutierrez, Chief System Quality Officer, provided the presentation focusing on recommendations 1 and 2. All other recommendations would be briefed at the System Expansion Committee meeting.

Recommendation 1, rebuilding trust and clarifying roles and responsibilities between the Board and staff, in support of sub action 1.04, was underway. Staff recommendations such as Resolution No. R2023-35 was brought to the Board amending the light rail vehicle fleet expansion project baseline budget, project milestone, and name. Another example included staff seeking direction for recommendation on alternative preferred environmental impact statements for the Everett Link Extension project. In support of sub action 1.05, which spoke to identifying cost and schedule impacts of alternatives coming to the Board, including the cost of a delayed decision, staff brought forward Motion No. M2023-102 which increased contract contingency for follow-on work for the East Link Extension project. Staff continued to improve these practices to support the Board in making timely informed decisions and welcomed feedback on how recommendations are brought forth to the Board.

For recommendation 2, the recruitment of a megaproject executive, Mr. Gutierrez reported applicant interest towards the position. On December 1, 2023, agency staff held a 30-day check-in with the recruitment firm along with all Technical Advisory Group (TAG) members. TAG received confidentiality agreements to review and provide feedback on the candidate packets. Those packets should be delivered to TAG by mid-December 2023. The election process was expected to begin early January 2024. Staff invited the TAG members to attend the 60-day check-in with the recruitment firm in January 2024.

Board member Balducci shared that the TAG recommendations were being tracked by staff per the System Expansion Committee's direction. She noted the feedback received from the TAG at this meeting aligned with her review and concerns, but the provided report provided a different viewpoint. She referenced recommendation 1 was listed as Need Board Guidance and was concerned with how that was not further along in the process. For recommendation 2, she believed was on path but took more time than necessary to reach the current status which ultimately was delaying the remaining processes. She emphasized the need to create urgency around these recommendations.

Business items

Items for Final Committee Action

November 2, 2023, Executive Committee meeting minutes

It was moved by Board member Balducci, seconded by Committee Vice Chair Keel and carried by the unanimous vote of all Board members present that the minutes of the November 2, 2023 Executive Committee meeting be approved as presented.

Motion No. M2023-106: Recommending that the portions of the Proposed 2024 Budget and Transit Improvement Plan reviewed by the Executive Committee be forwarded by the Finance and Audit Committee to the Board with a do-pass recommendation.

John Henry, Chief Financial Officer, and Ryan Fisher, Deputy Executive Director of Financial Planning, Analysis and Budget provided the presentation.

Committee Vice Chair Keel asked whether staff had a response to address concerns from the TAG and Dave Peters regarding speed of projects and payments. CFO Henry replied staff was working on a response and currently was looking at a prompt pay initiative to have vendors switch from receiving check payments to virtual card payments. As for debt payments and paying out vendors for work that had occurred, project teams and other staff were currently investigating that issue.

It was moved by Committee Vice Chair Keel, seconded by Board member Dammeier and carried by the unanimous vote of all committee members present that Motion No. M2023-106 be approved as presented.

Resolution No. R2023-38: Approving the chief executive officer's declaration that one parcel as part of the Kent Des Moines station is surplus and available for disposition or redevelopment upon completion of Federal Way Link Extension construction.

Mara D'Angelo, Deputy Director of Transit Oriented Development, and Heather Burns, Senior Project Manager of Transit Oriented Development, provided the presentation for this action item and the following, Motion No. M2023-107.

Resolution No. R2023-38 was moved by Board member Balducci, seconded by Committee Vice Chair Keel.

Board member Dammeier asked if the surplus declaration applied only to the north site. Ms. D'Angelo replied that the previous action to approve the offering strategy of all the other parcels were declared surplus at that time and this parcel was pending acquisition. This action would surplus the remaining parcels.

Board member Balducci asked if staff had thoughts on the difference in experiences of responses for the request for proposals (RFP). Ms. D'Angelo shared that when both sites were offered simultaneously, the offering strategies were staggered with the intention of closing the north site first to allow proposers who weren't initially successful with the north site to subsequently apply for the south site proposal. The north site closed first, and the agency received an all-affordable proposal. Because the development agreement for Federal Way Link Extension pointed to a mix income outcome across both sites, staff amended the south site RFP subsequently to require a market rate outcome. For that reason, and because market rate housing was a more difficult product to deliver at the moment due to interest rates and current market rate development, the agency was not successful in receiving the market rate outcome on the south site. Staff was working on an offering strategy to achieve the better outcome. Board member Balducci shared her opinion on having the Board's support towards approving more affordable housing.

It was and carried by the unanimous vote of all committee members present that Resolution No. R2023-38 be approved as presented.

Items for Recommendation to the Board

Motion No. M2023-107: (1) Approving the key business terms of a real estate purchase and sale agreement with Mercy Housing Northwest for the sale of surplus property adjacent to Kent Des Moines Station for the creation of a mixed-use project comprised primarily of affordable housing; and (2) delegating to the chief executive officer the authority to execute and subsequently amend as necessary the real estate purchase and sale agreement and related covenants, conditions, and easements for the TOD project, all subject to the Board-approved key business terms.

It was moved by Board member Balducci, seconded by Committee Vice Chair Keel and carried by the unanimous vote of all committee members present that Motion No. M2023-107 be forwarded to the Board with a do-pass recommendation.

Executive Session to review the performance of a public employee as authorized under RCW 42.30.110 (1)(g)

Desmond Brown, Sound Transit General Counsel, explained the Board was allowed to enter into executive session under RCW 42.30.110(1)(g) to review the performance of a public employee.

Committee Vice Chair Somers informed that the committee would be in executive session for 25 minutes. The executive session was called to order at 4:54 p.m.

At 5:19 p.m., the executive session was extended by 10 minutes to end at 5:29 p.m.

The executive session ended at 5:29 p.m. and Committee Vice Chair Somers called the meeting back to order.

Business items (Continued)

Motion No. M2023-108: Approving a performance award for Julie E. Timm, Sound Transit chief executive officer.

Committee Vice Chair Somers announced a quorum of the committee was no longer present therefor this action would take place at a later time.

Other business – None

Next meeting

Thursday, January 18, 2023
10:30 a.m. to 12 p.m.
Ruth Fisher Boardroom and Virtually via WebEx

Adjourn

The meeting was adjourned at 5:30 p.m.

Dow Constantine
Executive Committee Chair

ATTEST:

Kathryn Flores
Board Administrator

APPROVED on February 1, 2024, JG