



## Summary Minutes

**Board Retreat**  
**February 29, 2024**

### Call to order

The meeting was called to order at 9:04 a.m. by Chair Dow Constantine.

### Roll call of members

Chair	Vice Chairs
(P) Dow Constantine, King County Executive	(P) Dave Somers, Snohomish County Executive (P) Kim Roscoe, City of Fife Mayor

Board members	
(A) Nancy Backus, City of Auburn Mayor	(P) Roger Millar, WSDOT Secretary
(P) Claudia Balducci, King County Councilmember	(P) Ed Prince, City of Renton Council President
(P) Angela Birney, City of Redmond Mayor	(P) Dan Strauss, City of Seattle Councilmember
(P) Bruce Dammeier, Pierce County Executive	(A) Dave Upthegrove, King County Council Chair
(P) Cassie Franklin, City of Everett Mayor	(A) Peter von Reichbauer, King County Councilmember
(P) Christine Frizzell, City of Lynnwood Mayor	(P) Kristina Walker, City of Tacoma Councilmember
(A) Bruce Harrell, City of Seattle Mayor	(P) Girmay Zahiray, King County Council Vice Chair
(P) Jim Kastama, City of Puyallup Mayor	

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

### Welcome and Introductions

Chair Constantine opened the retreat by welcoming those Board members who joined the Board this year. He asked if Board member Kastama would like to say a few words. Board member Kastama introduced himself and highlighted his excitement to join the Sound Transit Board.

Chair Constantine introduced interim CEO Goran Sparrman and Retreat Facilitator Pat Hughes. The purpose of the retreat is for Sound Transit Board members and leadership staff to improve communication, working relationships, and hear about key challenges and opportunities facing the agency. No action would be taken, as today's focus is on conversations and discussions.

Board member Franklin welcomed the Board to Everett and provided some context to the space and its transit history.

Interim CEO Sparrman began by noting his encouragement by the professionalism and dedication of the Board and staff. As Sound Transit continues to build out its Expansion Program and aims to provide as much service as possible every day, there will be challenges ahead, as well as opportunities. The Agency's success is rooted in the Board's confidence in staff and its candor with the public.

CEO Sparrman added that today's retreat is an important step to rebuilding the strong connections needed to delivery the ambitious program. There will be ongoing discussions that build from today's foundation.

Chair Constantine introduced Pat Hughes, the retreat's facilitator. Ms. Hughes defined her role as helping to make conversations as smooth and easy as possible. She also recounted her experience in facilitating workshops and retreats for other public agencies in the Pacific Northwest.

Ms. Hughes asked for each Board member and CEO Sparrman to briefly introduce themselves and articulate their main goal for today. She briefly provided a few spatial references for activities during today's discussions, spoke to the importance of trust, and reviewed the "Working Agreements" handout.

## **Grounding in Sound Transit history and successes**

Using a large timeline, Ms. Hughes walked through Sound Transit's history, recounting significant moments of both challenges and successes over the past several decades. She highlighted that transit discussions struggled in the decades leading up to the formation of Sound Transit.

Ms. Hughes asked for each Board member to write down their first interaction with Sound Transit on provided sticky notes. She then had the Board members form four small groups to discuss these moments and reflect on them. The exercise concluded with each Board member sharing their experience and adding their sticky note to the timeline.

A short break was called before beginning the next discussion.

## **Regionalism discussion**

To begin the regionalism discussion, Ms. Hughes invited Board members Constantine, Somers, Dammeier, and Balducci to share reflections on the importance of regionalism.

Chair Constantine noted that there is an inherent tension between the Board members' roles as local elected officials overseeing a shared 3-county regional system. He stated that his observation is that the Board has become less regionally focused and less collaborative over the past few years. He posed the question "What does regionalism mean to you?" to the Board and how does the Board deliver promises to each Board member's respective and collective voters.

Vice Chair Somers highlighted that many of the recent actions related to projects have drawn attention to more local issues, such as the specifics on station siting. He spoke to the reality that the regional goals of the agency, like the lives of those in region, don't stop at individual city or county borders. He closed by comparing the Board to a well-knit sports team and that this region is world class.

Board member Dammeier, drawing inspiration from the Land Acknowledgement Statements, compared local jurisdictions to the tribes throughout the region: related but different. He highlighted similarities and connections from across the region as projections of unified strength and stressed that successful regionalism has some leeway for local input. He agreed with Chair Constantine on the feeling of the Board's swing away from regionalism and noted the importance of service for those paying into the system who have not yet seen major infrastructure and service improvements.

Board member Balducci stated that her definition of regionalism, in the context of Sound Transit, is delivering what works best for riders. She noted that other may have different definition and spoke to upcoming difficult decisions on station siting and tensions in subarea equity that will have to be configured to best support individual areas.

Ms. Hughes started a video by Patrick Lencioni about the "First Team" which characterizes the tensions for groups leaders when they lead an individual team and represent said team in a higher-level decision-making group. Similarly, the Board members experience tension between providing for their local communities and prioritizing the regional system. Ms. Hughes asked the Board members to reflect on their definition of regionalism and what it asks of them as Board members. She divided the Board

members into small groups to share and discuss their reflections. The groups were invited to report out on common trends.

Group 1 discussed the how regionalism and the Light Rail spine hold the system together. They also stressed that success in one area is a shared success for all.

Group 2 focused on the long-term benefits for the regional experience and centering riders' needs when there is tension between localism and regionalism.

Group 3 mentioned the importance of being ambassadors of regionalism to their respective communities and working to ensure that residents feel the value of Sound Transit services.

Group 4 shared that they discussed that transportation is a means to support the region's economy, environment, and livelihood. They also stressed that transit infrastructure and services benefit everyone, not just riders.

Ms. Hughes asked if there were any additional insights based on the group's reflections.

Vice Chair Roscoe noted that the Board would benefit from defining a shared view of regionalism to guide their work.

Vice Chair Somers stated it would be good to have constant reminders of regionalism while making decisions.

Board member Prince added that there also needs to be an inherent trust in each board member's individual decisions.

Board member Kastama mentioned that conveying to constituents that Sound Transit's benefits are inherently regional is key to communicating with groups where major projects are not occurring.

Board member Strauss opined that perhaps building out the system's spine to the North and South may have helped cement regionalism and made completing the West Seattle Link Extension and Ballard Link Extension easier.

Board member Franklin said that increasing ridership via access to places without current service is a core point when discussing the regional system.

## **Understanding the finance plan**

Interim CEO Sparrman prefaced that this next session would be the most content-heavy portion of the day. Pivoting to the finance plan, he noted that today's goal is to raise awareness of key financial challenges and opportunities facing the agency. He reiterated that this is just the start of further conversations and there are no actions to be decided today. He introduced Chief Financial Officer John Henry to lead the presentation.

CFO Henry began by celebrating his one-year anniversary with the Agency. He stated that he will be focusing on aspects of the finance plan at a high level to introduce some key topics for further discussions.

Mr. Henry stated that he was tasked with a deep review of the Finance Plan, the assumptions, and its impact on delivery. He noted that, due to the recent economic environment and activities not contemplated in Sound Transit legislation, the plan is facing challenges. These challenges are not insurmountable but require attention and leadership from the Board and Sound Transit to overcome.

Mr. Henry stated that while the plan is complex, it is well designed. Through his position on the CFO Subcommittee at the American Public Transit Association (APTA), he has heard from colleagues that many systems would gladly swap finance plans with Sound Transit. The Sound Transit Finance Plan forecasts all revenues and sources compared to expenditures, identifying when peak spending occurs.

The 2046 end date of the plan accounts for the revenue service of all planned expansion projects. The plan fully funds the completion, operation, and maintenance of the \$148.2 billion program, with \$75.9 billion being the capital program.

The plan focuses on debt optimization and projects when and how much debt the agency must issue to complete the program in the current window. Mr. Henry noted that he would cover the two main debt metrics – Debt Capacity and Debt Service Coverage Ratio – on the next few slides. The presentation will also cover the inputs that go into the biannual plan updates.

Mr. Henry noted that tax revenues do not sunset in 2046, and will continue to support infrastructure, State of Good Repair projects, and debt service. He added that the Agency is not looking to issue debt for at least several years and has roughly \$5 billion in cash on hand, so this is key time to discuss opportunities.

Debt Capacity is the agency's ability to issue debt. There is a statutory limit to cap outstanding debt at no more than 1.5% of the total assessed property value in the Sound Transit district. The assessed value at the end of 2023 was \$1.024 trillion, putting the statutory limit at roughly \$15 billion. The Agency has a non-statutory policy goal to retain at least 15% of debt capacity to find favor with credit rating agencies and lenders, as well as to provide financial stability in the event of major economic changes. The plan current calls for the issuance of about \$27 billion over several years. Mr. Henry stated that the pinch point measures when debt capacity will reach its lowest point in the plan, currently at 13.1% in 2042 per the Fall 2023 update. Interim CEO Sparrman reiterated that the 15% goal is set by the Agency and could be adjusted, if the Board desires.

The Net Debt Service Coverage Ratio demonstrated the ability of the Agency to pay back debt and is measured by taking annual revenues minus operating and maintenance expenses, divided by Annual Debt Service. The financial policy included in ST3 states they agency will maintain an average coverage ratio of 2x and annual coverage not to fall below 1.5x, to account for economic hardship and future flexibility. The current pinch point for this metric is 1.62x in 2046. The pinch point is later than for Debt Capacity as debt must first be issued before it can be repaid.

Mr. Henry briefly explained that the two metrics has historically risen and fallen together but are currently diverging as of 2023. Debt Capacity has increased due to higher assessed property values and the timing of cash flows. Debt Service Coverage is being decreased, primarily due to increased operating expenses. The Finance team is working on examining the broad impacts of operating costs.

Since the passage of ST3, the plan has faced higher costs than what was estimated for several reasons, including alignment changes, scope changes, and other costs associated with service delivery. Inflation has put upward pressure on all costs. Mr. Henry walked through three key indices – Consumer Price, Construction Cost, and Right-of-Way – and showed that all continue to trend upward with each update's new forecast. This has also increased risk for contractors, leading to higher bid prices and less appetite from the market.

Mr. Henry noted that Sound Transit is not alone in facing these challenges and provided examples of transportation projects hit with high variances from estimates and very few bids for the work. There is evidence that the economy is slowing, but the impact to megaproject delivery is still unclear.

In addition to the regular updates, Mr. Henry covered some next steps and timelines for continuing these financial discussions to hopefully identify opportunities for the Agency. Interim CEO Sparrman stressed the importance of timely decision making and that the Agency is looking at ways to push back on increasing cost curves.

Board member Balducci asked about the implications of dipping below the non-statutory standards for Debt Capacity and the Debt Coverage Ratio. Mr. Henry responded that he would expect unfavorable

results from the lending market, such as lenders being less likely to buy Sound Transit debt or to loan at higher rates.

Board member Balducci noted that the Agency tends to respond to financial constraints by pushing out project completion dates. Interim CEO Sparrman stated he wishes to challenge that during his tenure.

Chair Constantine asked what difference, if any, is there between the statutory limits and what the market likes to see for these debt metrics. Mr. Henry responded that there could be differences, as markets can respond positively should Sound Transit put together well constructed packages and plans when seeking financing.

Chair Constantine stated that he is growing intolerant of further delays and asked if there are ways to quantify costs of delays. Interim CEO Sparrman responded that there is ongoing work to respond to that Recommendation from the Technical Advisory Group. He also noted that a year delay in a project like the Ballard Link Extension could amount to several hundred million dollars in addition to political and social costs of delaying delivery.

Board member Zahilay asked for a quick editorialization of Sound Transit's overall financial pictures that could be used as "dinner table discussion." Mr. Henry emphasized that any transit system would swap with Sound Transit as the finance plan is solid and funds capital expansion, State of Good Repair projects, and operations.

Vice Chair Somers asked how farebox recovery factors into the finance plan. Mr. Henry responded that the early finance plan assumed \$9.5 billion in fare recovery but the most recent update in Fall 2023 adjusted these assumptions for post-pandemic trends and the figure is now at \$6 billion. He added that he does not expect it to be able to climb back to the original assumption.

Board member Millar expressed hopefulness in a review of contracting methods to help shift risk away from the agency, specifically mentioning design-build contracts that could have the effect of increasing bid prices as contractors take on more risk. Interim CEO Sparrman responded that there is ongoing work in the Procurements department to improve the process and he hopes that it will uncover more ambitious opportunities. Board member Millar added that perhaps calling a summit of regional owners would help build a coalition to respond to these contracting issues.

Ms. Hughes posed the question of what information would be needed to continue moving the conversation forward. She invited them to write it down and share if they wish.

Board member Kastama indicated interest in having better clarity on the impact of project decisions on ridership levels. Interim CEO Sparrman noted that the post-pandemic trends are still being studied, which is why most of the recent information has been shown as ranges.

Board member Frizzell asked if other revenue sources are likely to take a similar hit as farebox recovery. Mr. Henry responded that tax and fee revenues are robust and secure in the long run.

Chair Constantine asked for information on what other jurisdictions and transit agencies are doing in the same economic environment. Interim CEO Sparrman said that he and John Henry are discussing where outside sources of innovation could be identified.

Board member Birney echoed Board member Kastama's request regarding ridership estimates.

Board member Balducci said it would be helpful to see what other ideas were dismissed in addition to the recommendations brought to the Board to allow for potential opportunity cost evaluations.

Board member Dammeier asked if the assumption is that regional growth is strong and diverse enough to overshadow inflationary pressures. Mr. Henry confirmed that the overall regional economic indicators – people moving to the region, rising property values, and job creation – are strong. Board member Dammeier also flipped the Debt Capacity metric by stating that retaining 15% as the stated policy goal is

also the same as using up to 85% of total debt capacity. He re-iterated the importance of that buffer to show strong finances for potential lending needs. Mr. Henry stated that debt is only issued when cash on hand is insufficient, and that being strategic with debt issuance is key to project timeliness.

Board member Walker stated that she finds it difficult to connect these discussions on the broader financial picture to individual actions taken by the Board. Interim CEO Sparrman said he will commit to strive for high level transparency for articulating financial impacts.

After the discussion, Chair Constantine announced that the Board would recess for lunch. No business conversations would occur until the retreat reconvenes at 1:15pm.

## **Communication: Board and Staff**

When the Board reconvened after lunch, Chair Constantine noted that the next session would focus on the Technical Advisory Group's (TAG) Recommendation 1 about rebuilding trust between the Board and Staff.

Ms. Hughes stated that the number one thing that makes or break organizations is communication, and how understanding and direction are circulated. She briefly reviewed the rough division between the Board and CEO responsibilities. The Board owns the mission, establishes policies, and approves budgets. The CEO is tasked with implementing policy, administering the work program, and managing staff. She also spoke to the complexities of balancing timely, complete, and strategic communications for the Board.

Interim CEO Sparrman stated that communications is common to all challenges. He introduced Chief System Quality Officer Moises Gutierrez as the point of accountability on the TAG recommendations. Mr. Gutierrez stressed that today is a starting point for renewed conversations over the next months, years, and beyond. He committed to working toward simple yet thorough communications. He also noted that in addition to today's conversation on Recommendation 1, there is ongoing internal process improvement to respond to the TAG recommendations.

Board member Kastama stated that the Board's most basic role is to provide leadership, define the mission, and set goals, while holding staff accountable.

Ms. Hughes asked the Board members to reflect on what they request and can offer in terms of improving communications and relations between the Board and staff. She asked for the board members to pair up and reflect on that question in the context of the finance plan presentation from before the lunch break.

Following the discussion in pairs, Ms. Hughes again broke up the Board into groups to continue the discussion.

Group 1 requested that presentations are structured more as conversations and that meeting time is better managed. They offered being open to the CEO and staff pushing back on encroaching Board activities, engaging with topics when presented instead of hearing it and taking it to provide feedback later.

Group 2 requested openness and flexibility to new ideas, sharing information as soon as possible and briefing Board members on issues prior to revealing them publicly. They offered to hold staff accountable with grace. Board member Dammeier suggested taking some additional risks even though some may not pay off. Board member Balducci posed that keeping decision-making and constituent concerns distinct in their roles as board members. Vice Chair Roscoe stated that board member needs to allow staff the time to provide complete and accurate information, even if the time of distribution is different from individual desired timelines. Board member Franklin asked for constituent concerns received by Sound Transit be shared with the respective board members.

Group 3 requested better insight into points of contact within the agency, general timelines of when information can be provided in response to questions/requests, development of a regular cadence for information, and more information on what impacts, and who they may affect, stem from decisions. They committed to understanding when a particular request may take longer due to the level of effort needed to reply, to not postpone decisions, and to being open to staff refocusing discussions when the Board gets sidetracked.

Group 4 requested more information to help explain the impacts of decisions to their communities, staff recommendations to aid in decision-making, and incremental dashboard presentations. They offered to engage more thoroughly with presentations and engage with staff through the CEO.

CEO Sparrman and Andrew Austin, Acting Executive Director of Government & Community Relations (GCR), suggested that including both of them on requests to staff could strike balance between reaching out to the best point of contact and ensuring agency leadership is aware of the request. Board member Balducci suggested bringing smaller requests to the respective subarea GCR lead. CEO Sparrman committed to developing a standard practice.

Board member Birney asked about the structure of the subarea meetings and suggest improvements to make those more conversational. Chair Constantine and Mr. Austin responded that, similar to many agency practices, the subarea briefings have been developed over time.

Board member Franklin added that the subarea briefings provided the safest space to ask the smaller questions, but it is hard to formulate those questions when they are first hearing new information.

Board member Balducci stated that having a briefing on jaw-dropping information prior to the public meetings would be good for board members so they can reflect and develop questions/requests.

Board member Millar suggested highlighting upcoming key decisions at the Board meetings.

Vice Chair Roscoe added that it is rare that any subarea briefing exclusively include information from the respective subarea, so there is information from around the district that is brought up.

Mr. Gutierrez said he would take these discussions and work on developing an action plan.

## **Key mission moments ahead**

CEO Sparrman thanked the Board for their engagement during today's retreat and briefly highlighted upcoming moments in the regional mission, including two Link light rail openings this year.

Ms. Hughes asked the Board members to write down what they are most excited for this year in terms of Sound Transit. The Board members each shared their reflection, with many listing the Light Rail openings, the hiring of the megaproject Deputy CEO, and continuing project work.

## **Summary**

Chair Constantine thanked everyone for the work discussed during the retreat. He stated his two goals for the year were to bring on an interim CEO and develop a high-functioning Board, both of which are needed to address the upcoming challenges and opportunities. In closing, Chair Constantine reinforced the commitment to benefiting the entire region and that future discussions would be built from today's foundations.

## **Next meeting**

The next regular Board meeting would be held on March 28, 2024, 1:30 p.m. to 4:00 p.m. in the Ruth Fisher Board Room and as a virtual meeting via WebEx.

## Adjourn

The meeting adjourned at 2:58 p.m.



Dow Constantine  
Board Chair

ATTEST:



Kathryn Flores  
Board Administrator

APPROVED on March 28, 2024, AJM.