



Citizens' Year-End 2001

Performance Report on Sound Transit

January 17, 2002

*The Sound Transit Citizen Oversight Panel
is a 15-member volunteer body appointed by the Sound Transit Board to
oversee and monitor the implementation of **Sound Move**.*

*Previous Citizen Oversight Panel reports are available upon request and
on the Sound Transit website at www.soundtransit.org.
Brief biographical summaries of COP members are provided in the
attachment to this report.*

*Panel members welcome comments and input to their work and may be
contacted by calling Kristine Roston at Sound Transit at 206-398-5095, by
email at rostonk@soundtransit.org or by writing to:*

*Citizen Oversight Panel
Union Station
401 South Jackson Street
Seattle, WA 98104*



CHAIR

Arlington (Art) Carter, Jr.

January 17, 2002

VICE CHAIR

Larry Shannon

Sound Transit Board
Honorable Ron Sims, Chair
Union Station
401 South Jackson Street
Seattle, WA 98104

Bertha Eades

Steve Goldblatt

Dear Chair Sims and Board Members:

Ray Gould

The Citizen Oversight Panel is submitting to you its Year-End 2001 Performance Report. Panel members believe that, at year-end, progress was being made in overcoming the agency's past problems. While not all of the necessary improvements are in place, the agency is working on issues of fiscal discipline, project management and project controls, and public communications.

Virginia Gunby

Rea L. Hagan

Accomplishments. First, we wish to highlight a number of specific accomplishments that we are pleased to report. A new management discipline is evident under Executive Director Joni Earl's leadership. We have observed a new and higher degree of rigor in budgets and schedules. We were especially happy to note that the Central Link program once again has a defined project in place. Sounder and Express Bus service has been validated through increasing ridership and high customer satisfaction. These accomplishments are real and noteworthy, but we also have two areas of caution.

Fred Hart

Tom Luthy

Keep the Regional Focus. Sound Transit is entering a new phase of the *Sound Move* program with several new Board members and a new Board Chair. This creates an opportunity for the Board to re-exert the regional mission of the agency. COP challenges the Board to overcome the continuing concerns about the role of the Board by demonstrating an ability to keep the focus on the regional nature of the Sound Transit program. We again urge the Board to engage as a policy-making body in setting clear priorities on how to proceed if dollars fall short. Special attention should also be paid to ensuring that regional benefits come first in the upcoming agreements with third parties.

David Osaki

Reid Shockey

Al Stipe

Stephen C. Wamback

Manage and Monitor Execution. Each Sound Transit line of business is working in a constrained funding environment. One subarea, Pierce, now has a known shortfall in anticipated revenues. Link and Regional Express are entering

Phillip TK Yin

into their next phase when numerous projects will be in construction. Monitoring, fiscal discipline, project control and management will be essential. We look forward to the appointment of new Sounder and Link directors to fill the vacancies in those departments. We believe the necessary management and systems are coming into place and we urge that the agency's leadership continue to provide strong oversight and emphasize accountability throughout the organization. The Panel will continue to look for projects to be completed on time and on budget.

COP believes that keeping faith with the *Sound Move* plan is crucial for the region and members are concerned about the recent filing of Initiative 776. I-776 would repeal the regionally voter-approved motor vehicle excise taxes that support 20% of the Sound Transit program.

In preparing this year-end performance report, we have sought the views of the public, of stakeholder groups and of local agencies. We have brought the various perspectives of our members to our deliberations and have reached consensus on the findings and themes in this report.

We welcome all citizen and agency comments that are addressed to us.

Sincerely,

CITIZEN OVERSIGHT PANEL

A handwritten signature in black ink, appearing to read "Arlington W. Carter Jr.", written in a cursive style.

Arlington W. (Art) Carter Jr.
Chair

Citizens' Year-End 2001

Performance Report on Sound Transit

Introduction

The Sound Transit Citizen Oversight Panel (COP) is a 15-member volunteer body appointed by the Sound Transit Board to oversee and monitor the implementation of *Sound Move*, the voter approved regional transit plan. This is the Panel's tenth semi-annual report and covers Sound Transit's performance during the second half of the year 2001.

Summary of Sound Transit Performance

Sound Transit is five years old. It has reached the half-way mark of what was originally envisioned to be a ten-year plan. Much has occurred that was not anticipated. Almost all of the *Sound Move* budgets and schedules turned out to be significantly underestimated. Implementation of a regional plan proved harder and more contentious than was expected. Management failures and poor communication precipitated a crisis that significantly reduced the confidence of the public and nearly cost the agency the participation of funding partners.

Today, however, viewing the year-end of 2001, the Panel finds that much has been accomplished and Sound Transit appears to be on an upward path again. COP members credit Board Chair Dave Earling and Executive Director Joni Earl with having led the organization through its most difficult period with strong commitment and purpose. Today, commuter rail and express bus services carry tens of thousands of riders a day, comfortably and reliably. Numerous capital projects are either in construction or nearing the construction stage. Years of planning, public outreach, design, environmental review and permitting processes will soon result in tangible improvements and additions to transportation capacity. While the original ten-year plan has had to be extended by three years, this five-year point is nevertheless a time to take stock of Sound Transit's accomplishments and resolve again to focus on its regional mission and on delivering on the plan's commitments.

The three main themes of this year-end report are, thus, accomplishments, keeping the regional focus and executing the plan.

1. Accomplishments

In reviewing the year 2001, COP members saw a number of accomplishments and successes that it wanted to highlight. First and foremost was Executive Director Earl's leadership, which has introduced a new management discipline into the organization. Professionalism has never been

higher and accountability to mission and goals appears to be real for the first time. A sense of Sound Transit as a dedicated team pulling together with optimism and cohesion is apparent. There is evidence that internal disputes are being resolved; that staff are being intensively supported with training and morale-building efforts; and that the organizational culture is undergoing a shift toward rigor and pragmatism in delivering projects.

The improving confidence in the Central Link program is the clearest evidence of change at Sound Transit. While it is still too early to say that Link will be built as planned, there is a renewed belief among stakeholders and advocates of light rail, including this Panel, that there is a good chance it will. The adoption of the new initial segment from Convention Place to South 154th Street was a concession to the reality of higher costs and lowered expectations. The new budget and schedule were an admission that the original estimates were unrealistic, yet brought a welcome degree of renewed confidence that the numbers had been thoroughly scrutinized. Sound Transit is vigorously pursuing the needed planning to extend Link north and to the airport, as was promised in *Sound Move*. We noted that the agency recently responded to COP's request to highlight the criteria to be used in the selection of a new preferred alternative for the north corridor. Public credibility is not fully restored, but the foundation for future success of the Link program appears to have been laid.

In Tacoma, light rail is under construction. Tracks are being laid and the maintenance facility is nearly completed. Sound Transit's early commitment to using small and diverse businesses was tested and met when the agency rejected the low bidder on the construction contract and prevailed despite a bid protest.

Souder commuter rail and Regional Express bus services are showing increasing ridership and high customer satisfaction. On the capital project side, Souder and Regional Express face real funding constraints and ongoing management challenges. However, newly developed project budgets and schedules carry higher levels of confidence. Risks are being assessed and documented for the Board and public.

COP members saw real improvements in the 2002 budget and finance plan. We noted a new level of forthrightness and clarity in describing cost trends and the reasons for cost increases. We applauded the shift to year-of-expenditure dollars. In Regional Express, we were impressed to see capital budget risks openly addressed by the proposal to create a new program reserve for unanticipated cost increases. Subarea borrowing was highlighted for the first time. While the revised November revenue forecast was cause for concern about some parts of the Sound Transit program, the Panel felt generally good about the strengthened and proactive fiscal management that was demonstrated.

COP also noted the increased attention being paid to identifying and analyzing policy issues in Board briefings. Board members have been clear in requiring fuller information prior to decisions. The Board has also exhibited a renewed commitment to strong oversight. While the resolution of Sound Transit's problems is not yet in place, the agency seemed slowly but surely to be emerging from its past missteps.

2. Keep the Regional Focus

Sound Transit is entering a new phase of the *Sound Move* program with several new Board members and a new Board Chair. This creates an opportunity for the Board to re-exert the regional mission of the agency. Concerns exist about the role of the Board and its ability to provide effective oversight and policy direction for a regional program. This Panel has acknowledged on a number of previous occasions the challenges posed by a federated Board comprised of local elected officials. Some observers have been more cynical; a legislative proposal has even called for replacing the current Board structure with a directly representative Board. To address these challenges, COP believes that the Board must, through its deliberations, decision-making and negotiation processes, demonstrate its ability to keep the focus on the regional nature of the Sound Transit program.

COP members believe that special attention should be paid to several areas. We urge the Board again to engage as a policy-making body in setting clear priorities on how to proceed if dollars fall short. The recently updated revenue forecast projected that the Pierce County subarea will have over \$30 million less than was anticipated and budgeted. Staff are preparing to engage the Board in a discussion of options for dealing with this shortfall. COP intends to watch this process carefully. We expect that a public discussion of policy guidelines and priorities for managing shortfalls will be held as part of this process.

As it embarks on upcoming negotiations and approvals, the Board must ensure that region-wide transportation benefits come first and that agreements with such third parties as King County, Tukwila, Mukilteo and BNSF do not overwhelm the budgets for the *Sound Move*-promised program. We urge the Board to assume a strengthened role not only as fiscal watchdog but also as an outspoken public advocate of a regional transit plan with limited resources.

COP urges the Board to stay focused on the long-term goal: a regional high capacity transit system that links major population and job centers. It must continue to be the goal to achieve the full *Sound Move* program, including the 21-mile light rail line from the airport to the University District and beyond. A regional focus and strong Board discipline and oversight will be needed to get there.

3. Manage and Monitor Execution

Delivering the promised plan will also require a full range of organizational and individual execution skills, an area in which Sound Transit has been weak. Each Sound Transit line of business continues, now more than ever, to work in a constrained funding environment. One subarea, Pierce, has a known shortfall in anticipated revenues. Link and Regional Express are entering into their next, more complicated phase when numerous projects will be in construction. We look forward to the appointment of new directors to fill the Sounder and Link vacancies and to bring management stability to these lines of business.

Monitoring, reporting, project control and management are essential. Executing the myriad tasks well and efficiently will be challenging in any case. We believe the necessary management and

systems are being implemented and we urge the agency's leadership to continue to provide discipline and strong controls and to emphasize accountability throughout the organization.

COP has observed recent instances that lead us to believe that management discipline, while stronger, has further improvements to make. For example we attributed the scope expansion and rising costs at the Everett station to staff failures to anticipate routine requirements and poor communication with third parties. The Panel will continue to look for projects to be completed on time and on budget.

On the other hand, we have seen evidence of a new fiscal restraint and new staff and Board efforts to evaluate and control expenditures. Express Bus operating rates were successfully renegotiated to manage annual increases. Staff have terminated several consultant contracts when agreement could not be reached on billing rates and budgets. The Board has sent back at least one contract without approval due to excessive cost increases. Staff have been reevaluating funding levels originally allocated to the Research and Technology Fund and to the fare integration system and are poised to recommend reduced spending to the Board. Finally, COP members were pleased to note that the agency has agreed with COP's recommendation to separate the financial and performance audit functions to avoid potential conflicts of interest and improve the credibility of the audits.

We urge Sound Transit to anticipate actions that might need to be taken if any of the current cost estimates or revenue assumptions again prove to be wrong. We will monitor this issue closely in the coming months.

Recap and Update of Previous Issues of Concern

Sounder Service. COP has commented on the continuing uncertainty about when service will be added to the Tacoma-Seattle segment and when it will begin on the other promised segments (Lakewood-Tacoma and Everett-Seattle). We have stated in prior messages that target service dates are behind schedule. Delays in implementing Sounder service are accumulating and costs are escalating. We are happy to note that our message about increasing the level of urgency has been heard and the Executive Director has traveled to Texas to meet with BNSF executives. We look forward to progress in this area.

Financial Plan. In recent reports, COP expressed concern about the degree of risk in the Sound Transit long-term financial plan and about the lack of clarity in some assumptions that were made. Together with the Finance Plan Peer Review Panel, COP was pleased to note that the updated plan is much improved. The federal funding assumptions are much more realistic, the contingencies and project reserves are restored to appropriate levels, and assumptions for revenue growth, investment yields and inflation are adjusted to the most recent economic conditions.

Project Management and Project Control. We are encourage to note that the agency is on track to finalize and coordinate the systems and reporting tools used to manage costs and schedules, at the project, department and agency levels. We look forward to seeing the promised demonstration of the new tools and the reports they will produce.

Relationships. One year ago, COP reported on the state of Sound Transit's relationships with the federal and state governments and with some members of the regional community. Today, the situation is somewhat improved. A new, proactive and wider ranging outreach strategy has shown improvement in the relations with the Congressional delegation and with local elected officials. The \$500 million in federal funds for Central Link, while not yet secured, appears to be on track for reauthorization by Congress later this year. Joni Earl has exhibited leadership in her dealings with Washington DC and her reorganized communications and government relations department has provided strong support.

Other relationships still need work. Some stakeholders contacted by COP have described working relationships with Sound Transit staff as productive. But we also heard concerns from local governments over poor communication by Sound Transit staff concerning station budgets, design processes, permitting requirements and other expectations. Without clear communication and agreements between Sound Transit and local governments, project costs and scope cannot be controlled. We are also concerned about state-level relationships, especially in light of the recently filed Initiative 776.

Attachment

Who is the Citizen Oversight Panel?

In the regional transit plan known as *Sound Move*, adopted by voters in November 1996, the Sound Transit Board promised to be held to the highest standards of public accountability. As part of that promise, the Board committed to appointing a Citizen Oversight Panel charged with monitoring performance and reporting regularly on potential areas for improvement.

The Board specified that the Citizen Oversight Panel should consist of fifteen volunteer members, of whom at least two should live or work in each of the five Sound Transit subareas. Panel members were to broadly represent the demographic make-up of the Sound Transit district and to include a wide array of skills and experiences necessary to perform its function.

COP met for the first time in April 1997 and has met every month since then. Steve Goldblatt served as the Panel's first chair from 1997 to 1999. In April 1999, the Panel elected Reid Shockley as its chair and re-elected him to a second term as chair in 2000. Art Carter was elected as chair in October 2001. The Panel has agreed to a set of operating principles, including:

- Panel members agree to abide by the Sound Transit Board's ethics policy and to avoid even the appearance of conflicts of interest.
- Citizen Oversight Panel meetings are open to the public.
- Members agree to provide both a subarea perspective, for the subarea they represent, as well as a district-wide perspective whenever issues of the whole region arise.

The Citizen Oversight Panel is independent of Sound Transit management. While accepting logistical support from the Sound Transit staff and reporting to the Board, the Panel has selected its own independent, contract staff person who is paid by Sound Transit. The Panel believes that an independent, arms-length status best ensures the fulfillment of its mission to monitor and report to the Sound Transit Board and regional constituency.

Citizen Oversight Panel Mission

It is the mission of the Citizen Oversight Panel to ensure that Sound Transit succeeds in meeting its commitments to the public by monitoring its performance, reporting to the Board on potential areas for improvement, and evaluating the response in making change. Areas to be monitored will address:

- Sound Transit's adherence to its public commitments;
- the open and timely involvement of citizens in the Sound Transit district in decisions affecting local communities and the district as a whole;
- the process of evaluating project alternatives;
- the capital and operating budgets and finance plans;
- management of the regional fund;
- equity in subarea budgets and reporting;
- discipline in management of schedules and budgets; and

- review of annual performance audits.

The Citizen Oversight Panel feels its responsibility extends to highlighting accomplishments as well as criticisms and areas for improvement at any given time. The Panel's work on behalf of the citizenry of the urbanized Central Puget Sound region is intended to help ensure the success of the plans and investments in improving regional transit through vigilance, continuous feedback and constructive suggestions.

The Process Used to Prepare the Performance Evaluation

The Citizen Oversight Panel meets once or twice a month to conduct its business, receive briefings on Sound Transit's efforts, and prepare reports on Sound Transit's performance. COP members attempt to focus on their mission of reviewing performance and to avoid digressions into the Board's domain of setting policy and representing citizens or the staff's domain of running the agency. COP operates as a body of knowledgeable citizens, not as ombudsmen, technical specialists or auditors.

To meet these objectives, the Panel retained the services of an independent staff person to help conduct outside research, prepare independent briefings and reports, act as liaison with Sound Transit staff and facilitate meetings as needed. The Panel uses three major sources of information in conducting its reviews:

- The Panel uses Sound Transit staff and resources to understand day-to-day operations of the agency. Sound Transit staff make regular presentations to the Panel and members are mailed all materials prepared for the Sound Transit Board, including motions and resolutions, briefing papers, budgets and financial reports, and other documents.
- Second, the Panel members conduct independent research by attending Board meetings, community meetings, and by maintaining a set of contacts to stay actively attuned to citizen views in their subareas and throughout the district. As part of the current review, Panel members conducted interviews with selected local groups and governments identified below.
- Third, the Panel uses the resources of other independent experts and specialists to study specific issues that may arise. During this evaluation period, COP did not employ any outside experts.

The complete evaluation process this period involved staff briefings, review of agency materials by Panel members, personal contacts by members with a variety of constituencies, and a group evaluation in which COP members evaluated Sound Transit on key issues.

As part of this evaluation, COP members conducted in-person meetings or telephone interviews with representatives of: the City of Auburn, the City of Everett, the City of Federal Way, the City of Mukilteo, the City of Tukwila, the City of Seattle, King County Executive staff and the Burlington Northern Santa Fe Railroad. These groups were selected based on the level of Sound Transit activity in their area and their interest in sharing their views with the Panel.

Sound Transit Citizen Oversight Panel

Arlington W. (Art) Carter Jr. Mr. Carter is the retired Vice President of Facilities and Capital Investments at The Boeing Company. Mr. Carter was with Boeing since 1961 in a career that included management positions with the Rail Dynamics Laboratory, the Air Launched Antisatellite program and including general management of the Defense and Space Group. An electrical engineer by training and a resident of Seattle, Mr. Carter has served on numerous community boards. He was selected 1990 Black Engineer of the Year by a national selection committee. He is the current chair of COP.

Bertha Eades. Ms. Eades recently completed eight and a half years of service on the City of Redmond Planning Commission. She is a long-standing member of the League of Women Voters of Lake Washington East where she has served as president and in many other Board positions. She currently serves on the TransLake Study Advisory Committee, the Redmond Bicycle and Pedestrian Advisory Committee and also served on the Redmond Trails Committee and the Metro Citizen Water Quality Advisory Committee as well as numerous issue study groups at the local and King County levels.

Steven M. Goldblatt. Mr. Goldblatt is associate professor and former chairman of the Department of Construction Management and former associate dean of the College of Architecture and Urban Planning at the University of Washington. He has mediated and arbitrated many construction disputes and has served on a number of construction dispute review boards in Washington. He holds degrees in engineering and law, served as COP's first chair, 1997-99, and resides in Seattle.

Ramon J. Gould. Mr. Gould, a resident of Edmonds, is the retired facilities manager for Scott Paper Company. He served two terms on the Edmonds City Council and seven years as a Snohomish County Planning Commissioner. His community service activities have also included trustee of Edmonds and Everett Community Colleges, board member of the Stevens Hospital Foundation and involvement with 1000 Friends of Washington, Puget Sound Waterways and Lynnwood and Alderwood Rotary Clubs. Mr. Gould has a master's degree in mechanical engineering.

Virginia Gunby. Ms. Gunby is a retired King County Council staff person and former member of the Washington State Highway/Transportation Commission. Her recent activities as citizen activist include the TransLake Study Advisory Committee, 1000 Friends of Washington (past board president), Municipal League of King County (Sound Transit Ballot Measure Committee), the League of Women Voters of Seattle, the I-90 (Two-Way) Transit Coalition and the WSDOT TPEAC Pilot Projects Subcommittee.

Rea L. Hagan. Ms. Hagan, a resident of Tacoma, has over 20 years of experience in highway engineering and construction in the public sector. She relocated to the Puget Sound region from Illinois recently and is currently an office engineer with Harris and Associates. She has extensive knowledge of federal regulations, contract administration and monitoring and public

policy analysis. Ms. Hagan has a Masters in Public Administration and certification in project management from the University of Washington.

Frederick M. Hart. Mr. Hart is the owner of La Tienda Folk Art Gallery in the University District and a resident of Seattle. He has been a board member with the University District Chamber of Commerce and was active as its Land Use and Transportation Committee chair from 1990 to 1995. Mr. Hart has also represented the U-District business community on the TransLake Study Advisory Committee, the Seattle Transportation Committee, the Neighborhood Business Council and the City-University Citizen Advisory Committee.

Thomas M. Luthy. Mr. Luthy is the retired Senior Vice President, Wood Products, with Weyerhaeuser. Mr. Luthy lives in Bellevue and, until recently, worked in Federal Way. He holds master's degrees in mechanical engineering and in business administration and held senior management positions with Weyerhaeuser since 1978.

David Osaki. Mr. Osaki resides in Federal Way and works at the City of Auburn as a planner. For a number of years he commuted to his job with a major employer in Bellevue where he was responsible for reviewing and commenting on local comprehensive plans for South King and Pierce County cities. Mr. Osaki's community involvement includes past service on the Puyallup Planning Commission and Puyallup Housing Authority Board and current service on the Federal Way Planning Commission.

Larry E. Shannon. Mr. Shannon retired in 1993 after 25 years with the U.S. Army Corps of Engineers, where he held the position of Chief of Design and Project Management. He has extensive engineering and management expertise on large public works facilities and is familiar with public works regulations, policy development and fund control. He was recognized as Government Engineer of the Year in 1993 by the Puget Sound Engineers Council. Mr. Shannon is a resident of Bellevue and is the past Chair of the Bellevue Transportation Commission.

Reid Shockey. Mr. Shockey, an Everett resident since 1970, is the former Community Development Director for the City of Everett and has owned his own land use and planning consulting firm since 1980. He is a past president of the Everett Chamber of Commerce and past board chair of the Providence General Medical Center. He is chair of the Snohomish County Economic Development Council and is past president of the Snohomish County Committee for Improved Transportation. He served as COP's second chair, 1999-2001.

Al Stipe. Mr. Stipe, a resident of Federal Way, is a retired financial consultant for Merrill Lynch with a specialization in conservative money management and an emphasis on tax-free bonds. He also served as a lieutenant colonel in the Air Force. Mr. Stipe has been a community activist in Federal Way with several city council campaigns and with the planning of the final Sound Transit proposal that was presented to the public.

Stephen C. Wamback. Mr. Wamback manages Solid Waste and Environmental Education programs for the Pierce County Department of Public Works and Utilities and has ten years of experience in policy development, financial management and community involvement. He has both managed public outreach processes and participated in them as a citizen activist. While

serving on the Olympia Planning Commission, he led a successful effort to open the capital facilities planning process to more public involvement. His volunteer interests also include civil rights and environmental issues. Mr. Wambach has a Masters in Public Administration from Columbia University and resides in Tacoma.

Phillip TK Yin. Mr. Yin, a resident of Seattle, is Director-Investments at CIBC Oppenheimer, where he manages equity, fixed income and hedge fund portfolios for individual and corporate clients. Mr. Yin was previously a Vice President with Painewebber. He earned a BA in Finance & Marketing from the University of Washington and completed an executive management program at Harvard University. Mr. Yin's other activities include daily appearances on KCPQ 13 to broadcast economic reports and fundraising for the American Cancer Society.

Former Panel Members

Bruce Agnew. Edmonds, served 1997-1999.

Anoop Batra. Federal Way, served 1997.

Diane Carlson. Tacoma, served 1997-1999.

Allan B. Darr. Everett, served 1997-2001.

Claudia B. Ellsworth. Tacoma, served 1999-2001.

Michael A. (Tony) Hudson. Tacoma, served 1998-2000.

Terry Lukens. Bellevue, served 1997-1999.

Kristi A. Mandt. Seattle, served 1997-2001.

Katherine Rose. Tacoma, served 1997-98.

Stephanie Weber. Kirkland, served 1997-98.