

Sound Transit Community Oversight Panel Hybrid Meeting Summary

November 13, 2024

COP Members Present: Diana Cambronero Venegas, Paul Thompson, Tom Norcott, Lorenzo Frazier, James Peyton, Linda Dorris, Charlotte Murry, Trevor Reed, Lucas Simons

COP Members Absent: Tina Pierce, Mark Lewington, Donia Zaheri, Scott Lampe, Zak Osborne

Others Present: Adam Montee, Katie Flores, Nancy Thai

2025 Proposed Budget and Long-Range Financial Plan

- Ryan Fisher, Executive Director-Finance
- Stephanie Ball, Director-Financial Planning, Analysis and Budget
- Jenny Stephens, Director-Financial Planning, Analysis and Budget

Staff presented on the 2025 budget, Transit Improvement Plan (TIP), and long-range financial plan. Both the budget and TIP are Board approved, while the long-range financial plan is Board updated. The key takeaways from the 2025 budget and TIP include small growth in capital spending as ST2 projects begin service and projects in planning and Stride ramp up. Operating costs have increased as service has increased. Staff have focused on zero based budgeting this year, budgeting from the ground up. The agency is going through a re-organization to identify inefficiencies and reprioritize spending. Additionally, the agency is drawing down TIFIA loans (federal loans) as planned. Sound Transit had locked in low interest rate loans in 2021, and plans to draw down TIFIA to about 2/3 of the remainder for next year.

Looking at an overview of revenue and sources for fiscal year 2025 (\$4.4 billion total), staff expect an increase of about 4% in tax revenue, which seems about a normal rate as the economy is expected to pick up and rebound next year, and an increase of about 10% in fares as service levels increase (Lynnwood and Starter Line opened in 2024). In contrast, grants are down, as major projects are open or close to opening, and staff also expect investment income to come down a little next year. In uses of funds (\$3.2 billion total), there are increases in uses compared to the 2024 forecast. There is a 29% increase from the 2024 forecast in modal operating expenses after a full year of the 2 Line and Lynnwood as well as opening of Downtown Redmond Extension and the remainder of East Link Extension. There are larger percent changes in service delivery projects, to fund critical state of good repair, enhancement, and administration projects, and also in debt service, as interest begins with TIFIA loan drawdown and a variable rate bond is anticipated to retire.

System expansion projects make up over half of the fiscal year 2025 expenses. There is minimal change in this forecast as ST2 projects are complete, and the agency is expecting more construction on Stride projects. Next year will be a normalized year for the two new stations. Debt service is up, and staff are anticipating retiring a bond. The cost for the 2025 system expansion by all modes is \$1.7B. The total for Link expansion projects is \$1.03 billion with the Ballard Link costing \$271 million (draft EIS and property acquisition), OMF-South costing \$157 million, West-Seattle Link costing \$147 million, Federal Way Link costing \$104 million, and East Link as part of “Other Link” (\$276 million) – with revenue service for the remaining 2 Line. Stride is 32% of the system expansion projects budget at \$557 million. I-405 will complete design, and BRT will have work done in three locations. Sounder is 6% of the budget at \$103 million and Sumner garage will have substantial completion along with mid-points in construction for Kent and Auburn.

Looking at annual trends by mode, there is a decrease in Link system expansion project expenditures in 2025 as stations enter service. The operating budget for Link is expected to increase substantially due to increased revenue hours that drive costs, and is expected to increase again next year. In contrast ST Express and Tacoma Link have fairly stable expected revenue hours. The largest costs in modal operating expenses are from purchased transportation services from partners. Aside from openings, maintenance costs are increasing – for example, deep cleaning for facilities and vehicles and increasing security to improve safety.

Service delivery projects account for 7% of the 2025 budget (\$206 million) and include state of good repair (SOGR). System wide projects make up the largest portion of this budget at 62%, which includes the south warehouse facility to purchase, renovate, and furnish a warehouse-office building to consolidate existing Auburn warehouses. Constructing a second elevator at SeaTac station is an example of an enhancement project. Lastly, Agency Administrative Support under project type, Administrative, funds administrative costs that are mainly allocated to capital projects, such as IT, procurement, non-revenue vehicles, etc.

One member asked about purchased transportation. They are fees paid to operating partners, like King County Metro, and are different from salaries and benefits, which go to Sound Transit FTE.

The Board is ratifying to add budget to the Transit Improvement Plan, specifically adding dollars to West Seattle and Ballard, and a project management tool. The agency has removed staff vacancies, which has resulted in savings, and continues to look at reprioritization. Risks include extensive service openings, which creates more operating budget risk. Opening multiple lines means data is new and coming in and there is uncertainty of what the cost estimates will be in the future. This year's budget process had a condensed timeline for efficiency and to reduce burden on the Board's time. Staff are anticipating Board approval in November.

One member asked about a property tax levy. The levy is required by state to be approved by the Board and helps fund the budget, and is capped at 1%. Sound Transit cannot raise more than what the Board ratifies, otherwise they would have to go out to voters if the agency wanted to increase the levy rate. Another member asked a follow-up around parking and revenue generation. There is no budgeted amount of parking revenue next year, and when exactly to start charging for parking is still under consideration.

A member asked how the 2024 budget has performed and whether there was a mid-year re-forecast. Staff have to report on this next week to the Finance and Audit Committee. Staff report on the budget performance four times a year to the Finance and Audit Committee. Overall, grants and investment income are running a little above, revenue is a little above budget, and expenditures are a little under budget.

Another member asked what the Board asks about when staff present about the budget. Question topics vary and include questions about service disruptions, specific projects, ST3 cost estimates, staff insights on revenue, and ridership.

A member asked about modal operating expenditures and large differences in percentages between salaries, benefits, resourcing, and purchased transportation between the different modes. Certain modes have different levels of effort and different levels of contracting work out. It is similar with cleaning and maintenance where some of this work is done through contracts and some through staff depending on the mode. In short, the business models (contracted or in-house) are different between the modes and for different expense types.

Another member asked what changed this year that the agency is drawing down TIFIA loans. It is to optimize cash. The agency is reimbursing itself for eligible expenses (at a 1.9% interest rate), and there are rules around when the agency can draw it down, within a year of substantial completion (for example, with the Lynnwood station, the clock has begun), and timing worked out to get low interest rates.

Staff consider several inputs for long-range financial planning (long-range planning section of the presentation begins on slide 21 of Presentation – Proposed 2025 Budget 11-13-24 PowerPoint). Fall 2024 plan inputs include updated tax revenue forecast, key planning assumptions, Board-adopted financial policies, inflation, and 2025 expenses. Compared to last year, debt capacity has decreased. Two main measurements are available debt capacity and debt coverage (income the agency has relative to debt plan). This year staff have seen higher forecasted costs in some areas which has caused a net result of increased debt projections. There has been an increase in forecasted capital and operating expenses, thus staff anticipate needing to raise the forecasted debt amount over a 30-year period. Staff are looking at options to get the agency to a better projected financial situation, and are working with the Board on some tools to help. Staff have seen forecasted tax revenues decrease by 3.3% (\$3.5B), driven by sales tax revenue decreased, and a reduction in economy, though do expect some economic rebound next year. The grant revenue forecast did increase by 24%, due to the addition of a railroad grant and increasing forecasted grants later on in the expansion program. Fare projections are relatively unchanged, and included the \$3 flat-rate fare when Lynnwood station opened. Staff may see a more changes in the long-term projections next year as more data is collected. Insurance is projected to increase and be offset with identified savings as part of budgeting processes (e.g., removed vacant FTEs). Staff also updated inflation indices, which impact project costs in plan.

One member asked why the agency does not use national highway construction costs for planning. The agency has an internal construction cost index developed by third party economists that is specific to the Puget Sound region and Sound Transit project components (which can differ from highway components). This index is used to inflate construction costs for projects in planning.

Marketing Division Update

- Tim Healy, Director-Marketing

Staff presented the Sound Transit marketing program with an overview of the program goals and strategies. Marketing mission is “We move people!” The two primary goals are to retain riders and attract new riders and to build brand awareness and reputation. This is done through creative development and connecting with people, using many different channels to get messages out. Marketing handles several functions, including advertising, event marketing, digital marketing, revenue generation, and there is a newer function of business partnerships to help cover some cost for services. Marketing invests in high quality creative intentionally, especially with all the competition out there. Before the pandemic, ridership was increasing by double digits. The advertising budget is \$1.5M and in 2024 generated 54 million impressions and over 204 thousand clicks to trip planning. 2024 brought in \$3 million in revenue from advertising sales. There are currently 503 thousand email subscribers, 91 thousand X (formerly Twitter) followers, 34 thousand Facebook followers, and 15 thousand Instagram followers. Instagram gets the highest level of engagement of the different channels.

Staff conduct before and after online surveys amongst different riders types (frequent, occasional, and non-riders) to measure the effectiveness of campaigns. Staff see a positive response from riders and non-riders to the agency brand. The department’s number one goal is to retain riders and attract new ones. Staff used a two-pronged strategy to support the 2 Line and Lynnwood station openings. One challenge was having a single budget to support the multiple openings. Staff developed creative that played on the

concept of choices, with a theme of “skip the drama of driving” in adverts. Radio and print concepts of this theme, played on Pandora and Spotify.

Staff looked at opportunities to involve communities in station openings with more recent openings. One tactic was to use images of people from the community and recognizable landmarks, applying an equity lens to have images that are representative of the community. Organizations in the community could apply for Sound Transit grants to host events at the openings and the partnerships program also raised money. At the Lynnwood launch, there were about 71 thousand people who rode on opening weekend, with 13 million impressions through advertising. Staff want to use this same model for future station openings, like the downtown Redmond station. There is a company store planned to sell branded merchandise.

Staff are looking at ways to better reach people who use languages other than English, and are also planning around the upcoming 2026 World Cup. Staff are working on a passenger safety campaign launching in the next month or two. There is also an upcoming ridership etiquette campaign to help people ride better together.

A member asked if staff get pulled into addressing negative press from media. Yes, it’s part of brand development. These instances can help inform campaigns to talk about concerns and weaving those into marketing messages.

Another member asked about using different social media platforms other than X (formerly Twitter), like Mastodon or Blue sky, and if staff will be diversifying social media platforms used. Staff shared that some other agencies have cancelled X accounts, but Sound Transit has kept its account to share service alerts. The agency doesn’t engage on the platform now like before. The social media team is small, so it is difficult to try and do more right now. The presenter indicated he would ask his social media staff about the feasibility of diversifying their platforms.

A member appreciated seeing the diversity in imagery and language access and asked what else is being done to increase marketing to diverse audiences and populations that do not use transit system as often. A portion of the \$1.5M budget is dedicated to marketing in different languages. Staff have a goal to launch a separate campaign solely for diverse audiences, with creative designed not just for a general audience, but tailored for more diverse audiences. Staff work with the Equity Office and Office of Civil Rights to review materials so they do not unintentionally cause harm.

A member asked if marketing contracts with outside agencies to support the work. Yes, staff currently work with an ad agency for the past five years. That contract is about \$300K annually, which includes creative development and ad management.

Another member recommended that staff could partner with colleges along the Link route and work with students in marketing-related fields to help develop creative. It could provide an opportunity for those students to gain experience, and students can help spread the word about Sound Transit and share different perspectives. Staff agreed that is a good idea and has a potential opportunity to do that with a connection at University of Washington.

A member asked how Sound Transit’s mix of marketing tools and platforms and budgets compare to other agencies. Sound Transit’s budget is in-line with some other national agencies, like Dallas, and also generous compared to other agencies. Sound Transit board approved the marketing budget and is supportive of its work and value. Marketing tools and platforms have evolved over time, for example, print is not as effective as digital marketing currently.

2025 Service Plan

- Brian de Place, Director-System and Service Planning

Staff presented an overview of the 2025 service plan that was adopted by the Board in October, a status update on restoring service in the south corridor, and service levels for the upcoming Downtown Redmond Link Extension. Due to staffing shortages with Pierce Transit, there was a temporary 10% service reduction on the south corridor ST Express lines (operated by Pierce Transit) in March 2024. Route 590, which provides a key route between Seattle and Tacoma, saw downtown Tacoma stop and half of weekday trips suspended. Staff saw increased levels of crowding on Route 590, especially during morning trips. Route 580 between South Hill and Puyallup was also suspended. These two routes with major service changes would require Board action if the changes were projected to remain for more than one year. Pierce Transit can now restore ST Express service in March 2025. Sound Transit is working to improve passenger experience in what ways it can now to address crowding during morning commute.

Downtown Redmond Link Extension openings in spring 2025. Two new stations running every 10 minutes all-day weekdays, Saturdays, and Sundays with two-car trains. This is expected to meet demands. Board policy requires a Title VI equity analysis when there is a major service change and rail extension opening and FTA requires an additional Service and Fare Equity (SAFE) analysis. These are conducted approximately six months before service begins and help ensure Sound Transit activities do not result in disparate impacts for minority communities or present a disproportionate burden on low-income communities. The Title VI and SAFE analyses for the Redmond extension did not identify disparate impacts or disproportionate burdens, so no mitigations are required.

Staff performed public outreach around the plan to restore ST Express service and stops in the south corridor in August and heard strong support to restore service. Staff heard from riders they were diverting from transit due to crowding.

A member asked what staff are doing now to help relieve crowding on routes in the south corridor that are currently experiencing reduced service since it will take until March 2025 for service restoration to take effect. There are two times for service changes, once in the spring and in the fall, which is one reason service changes can't happen now. Another reason is that Pierce Transit will not be fully resourced until March 2025. However, Sound Transit is making some schedule adjustments now to try and meet demand, like adding shadow buses, as resources allow (it's not something Sound Transit can commit to consistently). Once the restored schedule is confirmed with Pierce Transit, staff can share the schedule publicly, likely around December or January.

Another member asked if there were any planned changes for the express bus on the eastside. Currently no. The 2 Line will be extended to Redmond next spring, but the ST express bus will not be changed until after that. Sound Transit can't restructure express bus routes until the 2 Line crosses the I-90 bridge.

Approval of Annual Performance Audit Topic, Adoption of Previous Meeting Summary, Member Reports

Motion to approve annual performance audit topic letter as drafted and received, seconded, and approved.

Motion to adopt October meeting notes, seconded, and approved.

One member asked if the COP has had the long-range financial plan as a separate presentation in the past, not bundled with the budget presentation. The two presentations together did not seem like it allowed

enough time. The COP will ask for the long-range financial presentation to be presented on its own next time, around the middle of next year.

Another member asked about the agency's budget monitoring process with such a large-scale project. The COP will ask presenters to include an overview of the process in their presentation the next time they come to present.

A member asked if the finance presenters shared that the agency will be able to take on more debt. It seems the presenters said the current projections show the debt service coverage ratio will fall to 1.56 in 2049, close to the current agency policy minimum.

A member remarked they would have liked to see how the marketing department's \$1.5 million budget was spent between different marketing platforms. Another member added that a majority of the budget seemed to be spent on general audiences, rather than targeted audiences.

A member shared their appreciation that agency staff are looking for ways to improve the south corridor service now ahead of the March 2025 service change.

Next Meeting: Wednesday, December 11, 2024, 5:30 – 8:15 PM

- Meeting with Interim CEO Goran Sparrman
- System Access Program Update
- CEO Recruitment Update