

SOUND TRANSIT FINANCE COMMITTEE
Summary Minutes
December 3, 2009

Call to Order

The meeting was called to order at 12:13 p.m. by Finance Committee Chair Aaron Reardon in the Ruth Fisher Boardroom, 401 South Jackson Street, Seattle, Washington.

Roll Call

Chair

(P) Aaron Reardon, Snohomish County Executive

Vice Chairs

(P) Fred Butler, Issaquah Deputy Council President

Boardmembers

(P) Mary-Alyce Burleigh, Kirkland Councilmember

(P) Joe Marine, Mukilteo Mayor

(A) Richard Conlin, Seattle Council President

(P) Claudia Thomas, Lakewood Councilmember

(P) Dave Enslow, Sumner Mayor

(P) Pete von Reichbauer, King Co. Councilmember

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

Report of the Chair

Chair Reardon announced that the meeting was scheduled to end at 2:30 because of the number of items on the agenda.

Chief Financial Officer's Report

Chief Financial Officer Brian McCartan announced that the agency was below budget in July and August. The finance plan will be updated in January, the Finance Committee will receive the update, and more information on the stress tests to the finance plan at a future meeting.

Mr. McCartan also commented on the Lease-leaseback transaction with First Hawaiian bank. A tentative agreement has been reached. A term sheet signed by the parties agrees to reducing the transaction by \$7 million, leaving a net exposure of \$9.4 million. The term sheet also extends the amount of time Sound Transit has to find another party to take on the transaction if AIG goes bankrupt. Sound Transit will have to have collateral for the transaction.

Items within Finance Committee Authority for Final Action

Minutes of November 5, 2009 Finance Committee Meeting

It was moved by Boardmember Burleigh, seconded by Boardmember Butler, and carried by the unanimous vote of all members present that the November 5, 2009 minutes be approved as presented.

Motion No. M2009-100 – To 1) execute an agreement with the University of Washington for project-related construction services, betterments, and post-final design change management in the amount of \$2,000,000, with a contingency of \$200,000 for a total authorized agreement amount not to exceed \$2,200,000 and 2) ratify actions taken to authorize the University of Washington to perform certain, limited utility service connection and restoration work at the University of Washington Station site, and 3) approve execution of the first Task Order under this new agreement for that work.

Joe Gildner, University Link Project Director, and Tracy Reed, Project Manager presented the staff report.

Public Comment

None.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Motion No. M2009-100 be approved as presented.

Motion No. M2009-104 – Authorizing the chief executive officer to execute a three-year contract with two one-year options with Aon Risk Services to provide insurance brokerage and consulting services for a total authorized contract amount not to exceed \$1,025,000.

David Grenier, Risk Manager, presented the staff report.

Public Comment

None.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Motion No. M2009-104 be approved as presented.

(Boardmember Enslow arrived at this time).

Motion No. M2009-109 – Authorizing the chief executive officer to execute a three-year agreement with two one-year options to extend with Pierce Transit for operations and maintenance of the Tacoma Dome Station for a total authorized agreement amount not to exceed \$2,784,021.

Sue McKim, Project Manager, presented the staff report.

Public Comment

None.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Motion No. M2009-109 be approved as presented.

Items for Recommendation to the Board

Motion No. M2009-106 – Authorizing the chief executive officer to execute an agreement with King County to provide ST Express bus operations and maintenance services for the period of January 1, 2010, through December 31, 2012, with two additional one-year options to extend.

Motion No. M2009-107 – Authorizing the chief executive officer to execute an agreement with Pierce Transit to provide ST Express bus operations and maintenance services for the period of January 1, 2010, through December 31, 2012, with two one-year options to extend.

Motion No. M2009-108 – Authorizing the chief executive officer to amend the existing ST Express bus operations and maintenance service agreement with Community Transit by extending the term of the agreement through March 31, 2010.

Michael Perry, Deputy Director Transportation Services and David Huffaker, Program Manager, presented the staff report. In response to a question from Boardmember Butler, Mr. Huffaker explained that progress will be tracked by using annual milestones and by reviewing cost estimates in advance. Areas where costs could be allocated based on marginal costs, and areas where cost savings could be achieved will be identified. Mr. Huffaker also noted that this agreement doesn't directly deal with base expansion. Possible base expansion projects are still being discussed with Community Transit and Pierce Transit.

It was moved by Boardmember Butler, seconded by Boardmember Thomas, and carried by the unanimous vote of all members present that Motion No. M2009-106, Motion No. M2009-107, and Motion No. M2009-108 be forwarded to the Board with a do-pass recommendation.

Resolution No. R2009-24 – Adopting a Scope Control Policy and superseding Motion No. M2002-121.

Ric Ilgenfritz, Executive Director and David Beal, ST2 Program Manager, presented the staff report.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Resolution No. R2009-24 be forwarded to the Board with a do-pass recommendation.

Resolution No. R2009-22 – Adopting the 2010 Service Implementation Plan, authorizing the chief executive officer to implement service changes in September 2010 and February 2011, and approving the use of preliminary 2011-2015 service changes for planning and forecasting purposes.

Mike Bergman, Service Planning Program Manager, presented the staff report.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Resolution No. R2009-22 be forwarded to the Board with a do-pass recommendation.

Resolution No. R2009-23 – Adopting an annual budget for the period from January 1 through December 31, 2010.

Pete Rogness, Budget Manager, presented the staff report.

Resolution No. R2009-23 was moved by Boardmember Butler and seconded by Boardmember Burleigh.

Chair Reardon summarized Amendments 1, 2, 3, 4 and 7 in Attachment B (on file with Board Administration) and suggested they be taken as a single action. He asked members if they wanted to act on any of them separately.

It was moved by Boardmember Thomas, seconded by Boardmember Marine, and carried by the unanimous vote of all members present that Amendments 1, 2, 3, 4 and 7 be approved as presented.

Amendment 5 – Staff submitted

Amendment	Increase the Tacoma Link operations budget by \$50,000 to fund overtime. This was inadvertently omitted from the Proposed 2010 Budget.
Budget Impact	Increases the Tacoma Link operations budget by \$50,000.

Mr. Rogness explained that when contingencies for operations were taken out of the Tacoma Link budget, one of the other line items, overtime for operations and maintenance staff was inadvertently removed from the Tacoma Link budget.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Amendment 5 be approved as presented.

Amendment 6 – Staff submitted

Amendment	Increase the Seattle-Auburn Track and Signal project (#110) budget by \$457,000 to reflect final costs to close out the project. This will reduce the project savings of \$28.4 million that was proposed to be defunded from the Sounder program.
Budget Impact	Lifetime budget for the Seattle-Auburn Track and Signal project and the Sounder program increases by \$457,000 from the amount in the Proposed 2010 Budget. See Attachment B-2 for details.

It was moved by Boardmember Butler, seconded by Boardmember Enslow, and carried by the unanimous vote of all members present that Amendment 6 be approved as presented.

Amendment 8 – Staff submitted

Amendment	Add budget for furniture and space planning for added space for staff and co-located consultants by: <ul style="list-style-type: none"> • Transferring \$1,706,000 from future administrative capital budgets to the 2010 budget to fund procurement of furniture for new FTEs and co-located consultants. • Adding \$270,000 to the Central Costs staff operating budget to fund the infrastructure work necessary to provide the additional space, including IT infrastructure, moving costs, and consultants for space planning. • Add \$213,000 to the Central Costs staff operating budget for depreciation related to these expenditures.
Budget Impact	Increases annual administrative capital budget by \$1,706,000 and decreases future administrative capital budgets by a like amount. Increases the Central Costs staff operating budget by \$270,000. Increases the depreciation budget by \$213,000.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Amendment 8 be approved as presented.

Amendment 9 – Staff submitted

Amendment	Increase ST Express Security service budget by \$265,500 resulting from the recent Sound Transit agreement with the City of Federal Way to provide additional coverage at the Federal Way Transit Center and parking garage.
Budget Impact	Increases ST Express Operations budget by \$265,500.

Ms. Earl explained that the amount being requested will provide additional security coverage for one year; the need for additional funding will be evaluated at the end of that period.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Amendment 9 be approved as presented.

Amendment 10 – Staff submitted

Amendment	Increase the Service Delivery budget for Downtown Seattle Transit Tunnel costs.
Budget Impact	Increases the Central Link operations budget by \$2,601,896 and increases the ST Express operations budget by \$1,626,774.

Mr. McCartan explained that additional budget is needed because Sound Transit's share of maintenance costs and debt service costs for the DSTT was inadvertently removed from the budget.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Amendment 10 be approved as presented.

Amendment 11 – Staff submitted

Amendment	Decrease the Service Delivery budget for contingency by \$3,044,202.
Budget Impact	Decreases the Service Delivery Contingency budget from \$4,444,202 to \$1,400,000.

In the past, ST Express, Sounder and Link budgeted contingency separately. This amendment would consolidate contingencies in order to create a budget savings. Mr. McCartan explained that fuel costs and the uncertain costs of operating Link for a full year are both risks; these risks could have a greater budget impact due to the lower amount of contingency. Chair Reardon noted that the culture of cost control needs to be in place in order to keep costs within budget.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Amendment 11 be approved as presented.

Amendment 12 – Staff submitted

Amendment	Increase the 2010 Research & Technology (R&T) budget to: 1- Identify new technologies under development or being rolled out in North America, Asia, and Europe to improve mass transit. 2- Explore technologies currently used in other economic sectors (airlines, trucking or other industries) that can be leveraged in mass transit 3- Draft proposal and schedule for projects to be rolled out under the ST2 R&T program.
Budget Impact	Increases the 2010 Research & Technology operating expense budget from \$50,000 to \$550,000. Funding will come from future years' budget in the program, resulting in no increase to the lifetime budget of \$47 million.

It was moved by Boardmember Butler and seconded by Boardmember Burleigh that Amendment 12 be approved as presented.

Mr. McCartan explained that the Research and Technology program is designed to find technology that improves the transit passenger experience. He also explained that this budget amendment does not represent a change to the lifetime budget; instead it moves budget from later years to 2010 so that projects can begin earlier. The budget is for technology projects that have not been fully implemented yet, including the trip planner program, rider alerts, and “next bus” technology. The investments would be reviewed and brought to the Board so that the Board will review and determine the most promising technology investments. Ms. Earl clarified that a portion of the budget will be used to research technology options that will be presented to the Board.

Chair Reardon asked that more information on the amount needed for the initial research be brought to the December 10, 2009 Board meeting and the amendment considered by the full Board at that time.

Boardmember Butler who made the motion, and Boardmember Burleigh who seconded the motion, agreed to withdraw the motion.

Amendment 13 – Submitted by Boardmember Butler

Amendment	Reduce the salary and benefits accounts in the Sound Transit staff operating budget by \$800,000, directing the CEO to fund this reduction through delayed hiring of new or vacant positions or other savings.
Budget Impact	Reduces the staff budget for salary and benefits from \$49,616,614 to \$48,816,614.

Boardmember Butler clarified that his proposed amendment would also amend Resolution No. R2009-23 by inserting the following as Section 12: “The Board directs the chief executive officer to reduce the 2010 staff operating budget by \$800,000 through delayed hiring to fill new and/or vacant positions and/or other savings.” The \$800,000 amount is the amount that would be saved by a three-month delay in hiring new employees, but this amendment would provide flexibility to the CEO in making hiring decisions while still achieving the budget savings.

It was moved by Boardmember Butler, seconded by Boardmember Burleigh, and carried by the unanimous vote of all members present that Amendment 13 be approved as presented.

Amendment 14 – Submitted by Boardmember Butler

Amendment	Delay hiring the Sustainability Manager position in the Planning, Environmental and Project Development department until 2011.
Budget Impact	Reduces the staff budget for salary and benefits by \$121,000 from \$48,816,614 to \$48,695,614.

It was moved by Boardmember Butler and seconded by Boardmember Burleigh, that Amendment 14 be approved.

Boardmember Butler noted that at a prior meeting Sound Transit staff confirmed that a delay in hiring a sustainability manager would not jeopardize the agency’s ISO 14001 certification, or seriously impact the

sustainability program. Ms. Earl confirmed that the agency's ISO 14001 certification would not be impacted, but more consultant work may be needed to work on sustainability projects, and/or sustainability projects will be delayed.

Committee members were concerned with using more consultant work which may be more expensive, and with delaying aspects of the agency's environmental program. Ms. Earl explained that the sustainability program looks at business practices, field work, and measurements to look at future goals; these areas may be delayed by delaying the hiring of this position. Mr. Igenfritz clarified that this position will also be reviewing future projects for sustainable development and design, and reviewing new state and federal regulations related to sustainability.

The motion to approve Amendment 14 was defeated by the majority vote of all members present, with Boardmember Butler and Boardmember Enslow voting in the minority.

Amendment 15 – Submitted by Boardmember Butler

Amendment	By June 30, 2010, staff will provide the Board with information in order to allow the Board to reexamine the policy of not charging fares for Tacoma Link.
Budget Impact	No impact on the 2010 budget.

It was moved by Boardmember Butler and seconded by Boardmember Marine that Amendment 15 be approved.

Boardmember Butler explained that this amendment would set a date to complete review of the Tacoma Link ride free zone.

Boardmember Thomas proposed the word "not" be removed from the proposed amendment to read:

"By June 30, 2010, staff will provide the Board with information in order to allow the Board to reexamine the policy of charging fares for Tacoma Link."

Boardmember Butler accepted Boardmember Thomas' proposal.

It was carried by the unanimous vote of all members present that Amendment 15 be approved as amended.

It was carried by the unanimous vote of all members present that Resolution No. R2009-23, as amended, be forwarded to the Board with a do-pass recommendation.

Executive Session

At 2:13 p.m., Chair Reardon announced that the Finance Committee would convene an executive session that would last 20 minutes. The executive session is authorized RCW 42.30.110 and the purpose is to consider the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price.

Chair Reardon reconvened the meeting at 2:29 p.m.

Next Meeting:

Thursday, December 17, 2009, 12:00 p.m. to 2:00 p.m., Ruth Fisher Boardroom, 401 South Jackson Street, Seattle WA.

Adjourn

There was no other business; the meeting was adjourned at 2:29 p.m.



Aaron Reardon
Board Chair

ATTEST:



Katie Flores
Board Coordinator