

SOUND TRANSIT EXECUTIVE COMMITTEE MEETING
Summary Minutes
March 4, 2010

Call to Order

The meeting was called to order at 10:38 a.m. by 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

(P) Claudia Thomas, Lakewood Councilmember

(P) Dow Constantine, King County Executive

(P) David Enslow, Sumner Mayor

(A) Paula Hammond, WSDOT Secretary

(P) Pat McCarthy, Pierce County Executive

(P) Mike McGinn, Seattle Mayor

(P) Julia Patterson, King County Council Chair

Board Administrator Marcia Walker announced that a quorum of the committee was present at roll call.

Report of the Chair

Chair Reardon announced that Joni Earl, CEO, was in Washington, D.C. at a sustainability conference, and teaching a class at the Kennedy School of Government at Harvard. Ron Tober, Deputy CEO attended the meeting in Ms. Earl's place.

The Sound Transit Board is operating under the new committee structure adopted by the Board on February 25, 2010. Under the new committee structure, the Executive Committee's responsibilities include reviewing the Board rules, operating procedures, and governance structure; reviewing agency-wide policies and providing recommendations to the Board; reviewing and monitoring the legislative program; considering public and government relations and communications strategies; reviewing the overall Agency budget upon recommendations of other committees; reviewing and monitoring the Agency's financial plan; reviewing proposed bond issues; and evaluating the performance of the CEO.

Chief Executive Officer's Report

New Agenda Format

Mr. Tober described a new agenda format. Action items have been separated into business items and policy items. Within business items, actions will be delineated into routine items and non-routine items. Routine items will include meeting minutes and straight-forward contracts or acquisitions. A contract award going as a routine item would have to be a low bid contract, could not be sole source, and would have to be within the Board-adopted budget, and could not establish or revise Board established policy. Routine items will use a simplified staff report, and in place of a detailed staff presentation, the CEO, Deputy CEO or a department executive director will give a brief outline of the action. Non-routine actions will be presented with a detailed staff report and presentation.

Legislative Update

The legislative session is set to adjourn in a week. Sound Transit is pursuing three pieces of legislation based on the Board adopted legislative agenda. On March 3, 2010, the Washington State House of Representatives approved a bill that clarifies Sound Transit's status as essential public facilities. That bill is

now cleared for the Governor's signature and will help streamline negotiations and discussions with partner jurisdictions.

A bill that would provide for automatic RTA inclusion when a city within the RTA annexes new territory passed the House last week, and is now waiting to be signed by the Governor. This bill was pursued jointly with the Department of Revenue.

The final bill of Sound Transit's Board adopted legislative agenda would add Sound Transit to the State's Capital Projects Advisory Review Board. This bill is now pending on the Senate calendar. This bill would need to pass the Senate by March 5, 2010 to remain alive.

Sound Transit is also working to retain \$14 million of unspent Regional Mobility Grant Funds that the House and Senate budgets diverted to ferries. Sound Transit supported an amendment to the House budget that restored the funding and provided \$5 million for Sound Transit bus service in Snohomish County. The next step is to restore that money in the Senate budget.

During the legislative interim, Sound Transit may be involved in several studies. The House budget includes \$350,000 for a Joint Transportation Committee panel and study on transit. Sound Transit is named as a member of that panel, which will develop a blueprint for future state investments in transit, as well as discuss performance and accountability measures. The Senate passed a bill that requires a work group, including Sound Transit, to look at transit connectivity in the 520/UW corridor.

CFO Report

Brian McCartan, CFO, gave an update on Sound Transit revenues. In 2009, Sound Transit collected \$511 million from motor vehicle excise tax, sales tax, and car rental tax. The actual 2009 revenues are approximately 10% below the revenue forecast for the budget. The August 2009 forecast predicted Sound Transit would collect \$512 million in tax revenues; Sound Transit's revenue shortfall has not increased significantly since the August forecast. The economy will need to recover or the revenue-budget gap will grow.

Boardmember Patterson asked if the current revenue shortfall was accounted for in ST2. Mr. McCartan responded that ST2 included substantial contingencies and an additional 15% as a project reserve. Some Sound Move projects have required using that 15% reserve, therefore, the project reserve for ST2 is essentially gone.

Boardmember McGinn asked for clarification on cost reduction steps taken to implement ST2. Mr. McCartan stated that the agency forecasts a 20% revenue loss and capital costs have been reduced by 15%. Sound Transit has cut administrative costs, forecasts lower inflation rates, made adjustments to assumed operating costs, and used some financial contingencies to fill the gap. He explained that there are two major forms of contingency, capital cost contingency and financial plan contingency. The remaining capital contingency is estimated around 30%, while the financial plan contingency is down from 50% to 30%.

Boardmember Patterson requested an in-depth budget briefing and Vice Chair Butler suggested having the briefing at a future Executive Committee meeting. Chair Reardon announced that Mr. McCartan will prepare a budget briefing for the Executive Committee and stated it may also be provided to the full Board.

Phase/Gate

Mr. McCartan presented Sound Transit's Phase/Gate process. At the 2009 Board retreat, Boardmembers expressed interest in having greater project control and focusing on policy decisions as opposed to only approving transactions. In response to those retreat discussions, Sound Transit examined ways to involve Boardmembers with the internal Phase/Gate process.

Phase/Gate is a well established process for management review and coordination of capital projects widely used in the private sector. Phase/Gate standardizes capital project lifecycle management, establishes

minimum project deliverables, improves communication between agency departments, and aligns with the budget process.

Within Phase/Gate, a project has several gates, or milestones, to pass through during its lifecycle. Internally, staff will ensure resources are aligned, risks are reviewed, and key deliverables are met before a project passes through a gate. The Board will make the key business decisions for projects at the gates to guarantee a project is meeting the Board's goals for the project.

A project begins at Gate 1 - Project Identification. A proposed project will be presented to the Board with a lifetime cost estimate, and the Board will be asked if engineering work should begin on the project. If the Board approves, then the project will be funded through preliminary engineering.

Project alternatives are identified at Gate 2. If the Board approves the alternatives presented, the project continues to move forward.

The locally preferred alternative is identified at Gate 3. If the Board approves, no budget is released at Gate 3, but the project continues moving forward.

At Gate 4, a project enters into final design. Staff will present the project scope to the Board. If the Board approves, funding will be provided for final design and right of way acquisition.

Project baseline occurs at Gate 5. At this point, a project's scope, budget, and schedule are set. With Board approval, the remaining project budget is released and the project begins construction.

There are several internal gates that will not be brought for Board approval. The next Board involvement is at Gate 8, project closeout. Sound Transit needs to update policies, determine exactly how to incorporate Phase/Gate into Board and Committee actions.

Mr. McCartan stated that a project's schedule is in flux throughout the Phase/Gate process, until Gate 5 when the project is baselined. Project scope evolves through baseline. The baseline decision is made when scope is set, around 30% design. If scope is not set, a project cannot be baselined, so in some cases, baselining could occur as late as at 60% design

Mr. Tober stated that submitting a Final Environmental Impact Statement defines scope, and is one of the key drivers of a project's timeline. Ric Ilgenfritz, Planning, Environment, and Project Development (PEPD) executive director provided an example of a light rail alignment. The environmental process and the 30% design stage will be completed at the same time, followed by completion of the EIS and record of decision. The project is then handed over to Design, Engineering, and Construction Management (DECM). DECM would begin value engineering to make sure the best possible scope is defined. The final design process would then begin, and scope would be locked down. For different projects, the extent of completed design will vary. When the Board baselined the Link Initial Segment in 2001, various portions of that project were at different stages of the design process, some under 30%, however, on the whole, there was enough information to baseline the project.

Chair Reardon clarified that Phase/Gate allows the Board to evaluate projects throughout a project's lifecycle, increasing the Board's accountability with respect to a project's scope, schedule, and budget. The advantage of the Phase/Gate process for the Board is to see a project evolve and to examine the cost/benefit analysis at each step for scope, schedule, and budget.

Business Items

Routine Items

Minutes from the February 4, 2010 Executive Committee meeting

It was moved by Vice Chair Butler, seconded by Boardmember Patterson, and carried by the unanimous vote of all members present that the consent agenda be approved as presented.

Non-Routine Items

Resolution No. R2010-05 – Amend Resolution 32 which adopted the agency's 401(a) and 457(b) employee retirement plans, create a retirement plans committee, delegate oversight and management responsibilities for the employee retirement plans to the chief executive officer and the retirement plans committee, indemnify the Sound Transit Board, officers and employees to the extent they are making decisions or acting as fiduciaries of the retirement plans, and authorize the purchase of fiduciary insurance

Brian McCartan, CFO, presented the staff report.

It was moved by Boardmember McCarthy, seconded by Vice Chair Thomas, and carried by the unanimous vote of all members present that Resolution No. R2010-05 be forwarded to the Board with a do-pass recommendation.

Motion No. M2010-32 – Authorize the chief executive officer to execute an agreement with Community Transit to provide ST Express bus operations and maintenance services for the period of April 1, 2010, through March 31, 2013, with two additional one-year options to extend

Chair Reardon announced there was a correction to Motion No. M2010-32. The proposed action had the wrong date for the term of the agreement. Michael Perry, Director of Transportation and Maintenance, and David Huffaker, Business Manager, presented the staff report.

It was moved by Vice Chair Butler, seconded by Vice Chair Thomas, and carried by the unanimous vote of all members present that Motion No. M2010-32 be forwarded to the Board with a do-pass recommendation.

Other Business

Chair Reardon announced that he will work with Brian McCartan to develop a detailed budget presentation for a future Executive Committee meeting.

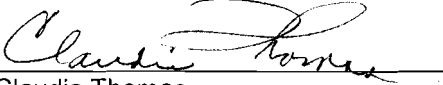
Next Meeting

Thursday, April 1, 2010
10:30 a.m. to 12:00 p.m.
Ruth Fisher Boardroom

Adjourn

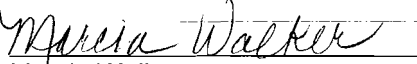
The meeting was adjourned at 11:37 a.m.

APPROVED on April 1, 2010.



Claudia Thomas
Executive Committee Vice Chair

ATTEST:



Marcia Walker
Board Administrator