

SOUND TRANSIT OPERATIONS AND ADMINISTRATION COMMITTEE MEETING
Summary Minutes
November 6, 2014

CALL TO ORDER

The meeting was called to order at 1:12 p.m. by Chair Paul Roberts, in the Ruth Fisher Boardroom, 401 South Jackson Street, Seattle, Washington.

ROLL CALL

Chair

(P) Paul Roberts, Everett Councilmember

Vice Chair

(P) John Marchione, Redmond Mayor

Boardmembers

(P) Dave Earling, Edmonds Mayor

(P) Dave Enslow, Sumner Mayor

(P) Mary Moss, Lakewood Councilmember

(A) Dave Upthegrove, King County Councilmember

(A) Pete von Reichbauer, King County Councilmember

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

Boardmember Dave Earling asked to participate in today's meeting by phone. The Board Rules and Operating Procedures allow members to attend meetings by teleconference with a two-thirds affirmative vote of those members in attendance.

It was moved by Committee Chair Roberts seconded by Committee Vice Chair Marchione, and carried by the unanimous vote of four members present that Boardmember Earling be allowed to participate in the Operations and Administration Committee meeting by telephone.

REPORT OF THE CHAIR

Committee Chair Roberts reported that there two public hearings were held today to receive public comments on the 2015 Service Implementation Plan (SIP) and the proposed 2015 budget. Four public comments were received, two on each issue.

Today Pete Rogness, Director of Budget and Financial Planning, will present a briefing on arbitrage liability related to Sound Transit's tax-exempt bonds.

DEPUTY CEO REPORT

Arbitrage Liability Related to Sound Transit's Tax Exempt Bonds

Pete Rogness, Director of Budget and Financial Planning, presented the report. Sound Transit issued three series of tax-exempt bonds in September 2009 as a part of the agency's normal debt issuance process. The Internal Revenue Service (IRS) requirements require that the interest earned and interest paid on the bond be calculated on or before the fifth anniversary of all such bonds. If investment income on the bond exceeds the interest paid, the buyer must remit 90% of that difference to the IRS. The investment earnings on the September 2009 Sound Transit tax-exempt bonds exceeded the amount of interest earned on the bonds; as a result, Sound Transit must pay the IRS \$397,267 on or before November 28, 2014.

Reports to the Committee

Ridership and Operations Report

Bonnie Todd, Executive Director of Operations, presented the September 2014 Ridership and Operations report.

Total Sound Transit ridership saw strong growth during September, increasing by 13.6% over September 2013. ST Express met targets for both September and Year To Date (YTD) ridership. September ridership was up by 10.5% over September 2013, and YTD ridership was up 6.5% over 2013.

Sounder Commuter Rail ridership increased by 9.1% over August 2013, especially in commuter ridership on the South Line, which set a new record with over 13,000 average weekday boardings. However, the overall Sounder ridership continues to fall short of YTD goals for on time performance and percentage of scheduled trips operated, largely due to construction work at Tukwila and mudslides earlier in the year. Special trains provided transportation to the Washington State Fair in Puyallup on September 13 and 20.

Tacoma Link ridership showed an increase of 11.5% from September 2013. September ridership YTD is 10% lower than 2013, continuing a trend of decreasing ridership due to businesses leaving the area, and from an overall decrease in the number of events held at the Tacoma Dome. However, weekend ridership increased because of events held at the Tacoma Convention Center, Tacoma Dome, and Broadway Center.

Central Link met all performance targets for the month of September, and YTD. Ridership continued a strong, steady upward trend with an increase of 15.9% for September. There were several events during the month, which contributed to a few weekdays with over 40,000 riders. The September YTD ridership is up 15.6% over that of 2013.

Report on the 2015 Service Implementation Plan

Mike Bergman presented the report on the 2015 Service Implementation Plan (SIP) draft. The 2015 SIP contains a comprehensive look at the service and operations of Sound Transit. This includes information on 2015 service change proposals, fleet plans and service performance information for bus and Rail routes, information on the 2016-2020 financial plan, preliminary service proposals, and ridership and revenue forecasts.

The proposed 2015 SIP contains a proposal for replacing the Pierce Transit Sounder connector service with a new ST Express Route, connecting Lakewood Station to Puyallup Station. ST Express Route 580 would use existing park-and-rides and improve upon the current Connector service that is partially funded by Sound Transit. The changes to King County Metro and Sound Transit bus services, and the development of an integrated bus-rail plan for the opening of University Link would require careful interagency coordination. ST Express Route 580 would increase service capacity, decrease Puyallup overcrowding, improve the route travel time, and would provide connections between jurisdictions and between Sound Transit regional rail services.

2015 BUDGET: PROPOSED SERVICE DELIVERY AND AGENCY ADMINISTRATION BUDGETS AND POTENTIAL AMENDMENTS

Pete Rogness presented the 2015 Budget Amendment requests. The proposed 2015 budget totals \$1.2 billion and is divided into three categories: service delivery, project delivery (which will be discussed on a later date), and agency administration.

The proposed 2015 service delivery budget total is \$228 million, or 20%, of the total Agency budget. It includes the service delivery budgets for Tacoma Link and Central Link Light Rail, Sounder Commuter Rail, and ST Express. The Tacoma Link budget is 0.5% over 2014, driven by the addition of one Tacoma Link operator position. The Central Link budget is down 1.1% from 2014, and the ST Express budget is up by 1.1%. Sounder budget is up 1.3%, which is driven primarily by the cost of providing transportation support for the US Open Championship at Chambers Bay, in June 2015. The USGA will reimburse Sound Transit for all costs, and the reimbursement will be considered revenue.

The proposed 2015 agency administration budget for is \$169.9 million, or 11% of the total Agency budget. The donation budget is \$5 million, or 3% of the agency administration budget. The net department budget is million, or 33%. The agency administration budget is made up of three categories: donations to other governments, debt service, and net departments. The donation budget of \$5 million supports donating the First Hill streetcar operations to the City of Seattle. The proposed 2015 debt service budget is \$108 million.

Three categories make up the Net Departments budget of \$56.8 million, or 33% of the agency budget. A portion of the \$107 million departmental budget is offset by the other categories: overhead allocations to service delivery of \$18.3 million, and direct charges to project delivery \$32 million. The departmental budget of \$107 million is 8.9% over the 2014 level, driven primarily by the addition of 25 new Agency positions.

Mr. Rogness reviewed two potential budget amendment requests.

Transit Operations – Revenue Increase: Sound Transit's updated ridership forecast has impacted revenue projections for 2015. The increased ridership totals will increase projected fare revenue for Link Light Rail by \$568,000, Sounder by \$315,000 and ST Express by \$718,200 for a total increase of \$1,601,200 in fare revenues. Revenue forecasts reflect the estimates of the Service Implementation Plan (SIP) which is revised annually and published after the proposed budget is presented to the Board. There is a risk that ridership estimates may fall short which would affect the total collected revenue for fares.

Rail Operations Insurance Program: The Rail Operations Insurance Program (ROIP) covers the insurance premiums for Sound Transit's Commuter Rail train operations and Light Rail operations (Sounder, Tacoma Link, and Central Link). The insurance premium costs of this program are distributed by formula to the modes referenced above – Central Link \$106,239, Tacoma Link \$13,775 and Sounder \$52,172 for a total of \$172,186. The initial request was calculated based on early ridership projections. The ridership estimates contained in the Service Implementation Plan were increased in October based on updated information. When new ridership growth was applied to the insurance premium formula, the result was an increase to the ROIP insurance program cost. The budget and schedule risks of this amendment request are low.

Mike Harbour, Acting CEO noted that with the opening of University Link and Angle Lake Station in 2016, there will be more security costs. These increases will affect the 2015 budget because of the need to hire and train security in 2015. An amendment to the budget for 2015 related to security may be brought in the future.

PUBLIC COMMENT

None.

BUSINESS ITEMS

Items for Committee Final Action

Motion No. M2014-81: Authorizing the chief executive officer to execute a contract amendment with Dell, Inc. to provide technology hardware and hardware maintenance services in the amount of \$80,000, for a total authorized contract amount not to exceed \$980,000.

Carol Thompson, Information Technology Operations Director, gave the staff presentation. This contract includes sufficient funds to cover the rest of 2014 to procure workstations for employees and co-located consultants needing new hardware, to replace expiring workstations, and to procure new hardware for additional FTE and on-site consultant positions in early 2015. This contract also includes funds for maintenance renewals on server hardware required to support approved technology projects.

It was moved by Boardmember Moss, seconded by Committee Vice Chair Marchione, and carried by unanimous vote that Motion No. M2014-81 be approved as presented.

Items for Recommendation to the Board

Resolution No. R2014-28: (1) Selecting an option to set fare rates for the low income adult fare category, and (2) superseding the fare rates established in Resolution No. R2007-06, Resolution No. R2010-11, and Resolution No. R2013-24 with the rates established in Addendum A.

Brian Brooke, Research Policy and Development Director, presented the staff report. This action presents four options for the Sound Transit Board regarding implementation of a low-income fare for adults: (1) No change at this time for a low income fare; (2) Implement low income fare on Link Light Rail only; (3)

Implement low income fare on Link Light Rail and in-county ST Express bus service; or (4) Implement low income fare on all Link Light Rail, ST Express bus, and Sounder services.

Committee Chair Roberts pointed out that Option 2 maintains fare coordination on the modes with the most Sound Transit and King County Metro overlap, and avoids complications of coordinating the program outside of King County. Additionally, it relies on the King County Metro network to determine card eligibility and certification, with no added administrative costs to Sound Transit, and it adopts the Link Light Rail general fare increase forecast.

It was moved by Boardmember Enslow, seconded by Committee Vice Chair Marchione, and carried by majority vote that Resolution No. R2014-28 be forwarded to the Board with a do-pass recommendation with Option 2 selected as preferred option. Boardmember Enslow voted in the minority.

Resolution No. R2014-29: (1) Authorizing the chief executive officer to establish a trust (the "Trust") under Section 115 of the Internal Revenue Code of 1986, as amended (the "Code") to be used solely for the payment of health and welfare benefit costs incurred by Sound Transit as authorized by Board-adopted budgets, and (2) authorizing the chief executive officer to appoint a third party trustee/custodian to hold Trust assets and a third party plan administrator to administer the Trust, and (3) authorizing the chief executive officer to deposit into the Trust an amount equal to the savings achieved by the agency's health reimbursement account (the "HRA") and use the Trust funds to pay future benefit costs, and (4) authorizing the chief executive officer to deposit into the Trust all or a portion of any budgeted HRA funds that have not been expended in fiscal years.

Kitty Wold, Total Rewards Manager, presented the staff report. Trust assets of approximately \$1.5 million will be used to mitigate the effect of future increases in health and welfare benefit costs on the agency. The Trust will provide a framework to prefund and manage the agency's overall benefit costs over the long term, provide better monitoring of health care costs, and allow the agency to make better decisions on the provision of health care benefits to employees. The Trust will enable the agency to reduce or stabilize the cost of future health care benefit increases provided to Sound Transit employees by paying health and welfare costs out of the prefunded assets of the Trust.

It was moved by Committee Vice Chair Marchione, seconded by Boardmember Moss, and carried by unanimous vote that Resolution No. R2014-29 be forwarded to the Board with a do-pass recommendation.

Motion No. M2014-82: Authorizing the chief executive officer to extend the existing interagency service agreement with King County Metro through June 30, 2015.

Dave Turissini, Business Operations Manager, and David Huffaker, Operations Business Manager and Acting Director of Facilities and Asset Control, presented the staff report.

The current interagency agreement with King County Metro for operation and maintenance of ST Express bus service will expire on December 31, 2014. This action would authorize the chief executive officer to execute an amendment to the current agreement extending it through June 30, 2015. All other current agreement terms and conditions will remain the same. Due to competing projects and limited staff resources to complete the agreement before December 31, 2014, a six-month extension is needed.

It was moved by Committee Vice Chair Marchione, seconded by Boardmember Moss, and carried by unanimous vote that Motion No. M2014-82 be approved as presented.

Motion No. M2014-83: Authorizing the chief executive officer to extend the existing interagency service agreement with Pierce Transit through June 30, 2015.

Dave Turissini, Business Operations Manager, and David Huffaker, Operations Business Manager and Acting Director of Facilities and Asset Control, presented the staff report. The current interagency agreement with Pierce Transit for the operation and maintenance of ST Express bus service will expire on December 31, 2014. All other current agreement terms and conditions will remain the same. Due to competing projects and limited staff resources to complete the agreement before December 31, 2014, a six-month extension is needed.

It was moved by Committee Vice Chair Marchione, seconded by Boardmember Moss, and carried by unanimous vote that Motion No. M2014-83 be forwarded to the Board with a do pass recommendation.

EXECUTIVE SESSION

None.

OTHER BUSINESS

None.

NEXT MEETING

Thursday, December 4, 2014
1:00 p.m. to 3:00 p.m.
Ruth Fisher Boardroom

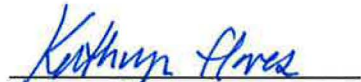
ADJOURN

The meeting was adjourned at 2:15 p.m.



Paul Roberts
Operations and Administration Committee Chair

ATTEST:



Kathryn Flores
Acting Board Administrator

APPROVED on February 5, 2015, KWF