



Summary Minutes

Board Workshop on Program Realignment January 21, 2021

Call to order

The meeting was called to order at 1:03 p.m. by Board Chair Kent Keel in a Virtual Meeting via telephone and video conference.

Chair Keel welcomed Julie Meredith, the new Assistant Secretary of Urban Mobility & Access, to the meeting and to her new role as WSDOT Secretary Alternate on the Board. He thanked outgoing Alternate Patty Rubstello for her service and wished her well in her new position as Assistant Secretary of Washington State Ferries.

Finally, Chair Keel informed the Board that he met with the Committee chairs to work to optimize public comment at the regular Sound Transit Board and Committee meetings. He noted that he received feedback from the committee chairs and will be sending out proposed updates to all Board members for their review Friday, January 22, 2021. He asked that Board members review the proposed updates carefully so updates to the Board rules can be considered at the January Board meeting.

Roll call of members

Chair	Vice Chairs
(P) Kent Keel, City of University Place Councilmember	(P) Dow Constantine, King County Executive (P) Paul Roberts, Everett Councilmember

Board members	
(P) Nancy Backus, City of Auburn Mayor	(P) Ed Prince, City of Renton Councilmember
(P) David Baker, City of Kenmore Mayor	(P) Kim Roscoe, City of Fife Mayor
(P) Claudia Balducci, King County Council Chair	(P) Nicola Smith, Lynnwood Mayor
(P) Bruce Dammeier, Pierce County Executive	(P) Dave Somers, Snohomish County Executive
(P) Jenny Durkan, Seattle Mayor	(P) Dave Upthegrove, King County Councilmember
(P) Debora Juarez, Seattle Councilmember	(P) Peter von Reichbauer, King County Councilmember
(A) Joe McDermott, King County Council Vice Chair	(P) Victoria Woodards, City of Tacoma Mayor
(P) Roger Millar, Washington State Secretary of Transportation	

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

Purpose

(Boardmember Upthegrove arrived at this time).

Chair Keel explained that the Board Workshop is part of the Capital Program realignment process, and that the independent contractor reviewing the agency's cost estimates would meet with the Board at the January Board meeting. He explained that while staff would provide briefings, he hoped for robust

discussion among the members. He also mentioned that the workshop is purely discussion and there will be no final decision made.

Review: Two approaches for realignment

Chair Keel called on Vice Chairs Roberts and Constantine to speak to the two approaches for realignment.

Plan-required approach

Vice Chair Roberts explained that the ST3 plan required the Board to take action if the plan became unaffordable. When the Board began to address the impacts of the COVID-19 crisis, it passed Motion No. M2020-36, identifying eight criteria to help inform efforts to best achieve the goals of the voter approved plans when making realignment decisions.

Using those criteria, staff evaluated each project subject to realignment and would present those results later in the workshop. He advised that the ST3 plan was the Board's "North Star" guiding decisions on how much of the plan could be delivered and how a realigned plan would best achieve the stated goals. The amended plan would need to rely on legally available resources and reasonable assumptions about the financial plan.

Expanded Capacity approach, consistent with Motion No. M2020-37

Vice Chair Constantine explained that ST3 was a bold plan which would connect the region with high capacity transit and give citizens mobility options, making the region more sustainable and equitable for generations. The Board approved a second motion in the summer of 2020, Motion No. M2020-37, proposed by Vice Chair Constantine, which directed staff to identify and secure new financial resources to expand the agency's financial capacity.

New opportunities both federally and at the state level were possible, and it was important to take advantage of those.

Chair Keel called for discussion on the two approaches.

Boardmember Durkan argued that both approaches should be considered. She said that transit was needed to make a strong and equitable economy, and the voter approved plan needed to be completed. She felt it was important to understand the financial limitations, but with a new administration in place, increased funding was a real possibility. She wanted to take a bold approach for the region.

Boardmember Backus agreed with Boardmember Durkan's comments that both approaches needed to be considered.

Boardmember Dammeier acknowledged that there was much uncertainty in the world with COVID-19 and economic matters. He spoke for the need to complete the spine and offer service to residents that didn't yet have light rail. He argued for thinking broadly across the region, and expanding partner agency services as well with additional funding.

Boardmember Balducci agreed that the promise of transit to the people of the region needed to be delivered. She wanted to learn from the lessons of 2008 and 2009 and didn't want to cut programs like system access funds in favor of link expansion projects. She acknowledged that the Board may need to pay for projects over time.

Boardmember Somers agreed that all were dedicated to delivering what was approved to the voters. He advised that the Board should be aware of costs outside of its control, such as real estate costs and storm water management, and consider and leverage costs in its control. He also wanted to take advantage potential funding opportunities and warned that projects further out were more at risk for compounding cost effects.

Background for Board realignment decisions under plan-required approach

Chair Keel asked staff to walk the Board through requirements of each approach to help facilitate Board discussion.

Plan requirements

Desmond Brown, General Counsel, reviewed the legal requirements for program realignment, which were outlined in the ST3 ballot measure.

Resolution No. R2016-17 provides the Board authority to address issues with plan unaffordability. The ST3 Plan provides that the Board must use the legally available funds to construct projects or portions of projects contained in the ST3 plan, that the Board deems, in its discretion, to best meet the transit objectives of the plan. The Board must determine the transit benefits provided by each project, as defined in the plan, and consider all the projects before making decisions.

The Board must also determine how to apply the financial policies including how much each project benefits a subarea. The plan provides flexibility for how to address funding shortfalls in each subarea or for the agency as a whole. If there is a funding shortfall, the project timeframe can be extended to collect additional taxes, or projects can be scaled back, or suspended, or the agency can seek additional revenue. Currently Sound Transit has maximized its revenues except for the rental car tax, which could be increased by an action of the Board. An increase to the property tax would require additional authority from the state legislature and a public vote. Mr. Brown reviewed subarea requirements noting that funds cannot be transferred between subareas without a benefit to that subarea.

Financial situation

Tracy Butler, Chief Financial Officer, outlined the agency's financial situation. She explained that current forecasts rendered the plan unaffordable. Insufficient funds to pay for expenditures starting in 2029 based on current project schedules and budgets. The total expenditures exceed available funds yielding an affordability gap projected to be \$11.5 billion, or 11 percent of the remaining program through 2041.

Ms. Butler reviewed the major projection updates resulted in that affordability gap: tax revenue projections, which decreased by \$6.1 billion; capital cost estimates, which increased by \$12.3 billion; grant assumptions, which increased by \$3.2 billion; and additionally assumed debt, which increased by \$2.9 billion.

Chair Keel stated that it's very sobering seeing this information.

Tools

Don Billen, Executive Director of Planning Environment and Project Development, outlined the tools available to the Board without additional votes of the public or actions by another legislative body. Increasing the rental car tax, adjusting fares, and fees were also available for revenue tools. The tools available on the expenditures side included project delays, phased project delivery, reduced project scopes, and suspension or deletion of projects.

Chair Keel called for discussion around preferred use of revenue tools.

Boardmember Roscoe voiced concern about increasing the rental car tax, as it may damage an already hurting tourism industry.

Boardmember Backus asked for an incremental increase forecast for the rental tax. Ms. Butler advised that the maximizing the tax would raise \$74 million over the course of the plan.

Boardmember Balducci expressed concern about discussing preferred taxes when the Board is so early in the realignment process. Chair Keel advised that no decisions were being made, and this was a discussion to outline the direction which staff should use to provide additional information and direction to the Board in future discussions.

Boardmember Millar encouraged staff to look at other potential tax revenue sources such as taxes on ride share services, which would require authority from the legislature.

Boardmember Durkan agreed with Boardmember Balducci's comments and offered the opinion that Staff needed to do more work and provide more financial information for the Board to make decisions.

Boardmember Somers asked for detailed information on all of the tools available to the Board.

Boardmember Dammeier offered that sales tax information was not complete or accurate, that cost reductions were needed, and that grant capacity could be increased in the future.

Vice Chair Roberts explained that now was the time to look at creative and potential legislative issues, and that some items were very time sensitive and needed to be looked at systematically.

CEO Rogoff reviewed the comments received so far, and noted that the path forward in the realignment process included much staff work to help inform future decisions in the summer.

Background for Board realignment decisions under the expanded capacity approach

CEO Rogoff, reviewed potential expanded funding capacity, beginning at the state level. Sound Transit organized the opportunities into two buckets: state funding and other tools that would need action by the State Legislature.

He reminded the Board that in 2015, when granting Sound Transit the revenue authority for the ST3, the State Legislature imposed a prohibition against the agency receiving grant money funded through the state transportation budget. However, Sound Transit is not prohibited from receiving a direct appropriation from the Legislature. These funds could be used for the agency's operating system or building capital. Washington State has made very limited investments in public transit, with modest grant funding available for capital expenses, operations have been left to local transit authorities. The State did make an exception after the 2008 Recession when transit operating dollars were provided for a biennium to help offset the loss in sales tax revenue that all transits agencies are almost exclusively dependent upon.

State revenues have also been hit hard by the pandemic, so the Legislature is having to tackle their own revenue shortfalls. Right now, the Legislature is just starting work on the next transportation package. Earlier this week, House Transportation Committee Chair, Jake Fey, announced plans for a transportation revenue proposal that will be introduced this legislative session. His proposal is funded by an increase in the gas tax and creates a carbon fee that together would generate an estimated \$25.8 billion over 16 years to fund maintenance and preservation for the state's transportation system, road projects, and fish passage barrier removal.

The proposal by Representative Fey more than doubles the state's minimal investment in transit capital spending to \$5 billion over 16 years with a new biennium average of about \$600 million. Sound Transit is not currently eligible for those dollars, CEO Rogoff flagged for Representative Fey that Sound Transit would want to work with him, given the Board's direction to seek new revenue options. Senate Transportation Chair, Steve Hobbs and Vice Chair, Rebecca Saldana, are also working on packages. Senator Hobbs has been developing a Forward Washington transportation package for the last two legislative sessions, and Senator Saldana is developing an Evergreen Transportation Package that focuses on investments in green transportation projects and will rely heavily on carbon pricing to generate revenue. Both have multi-modal components, and it's not clear how much is set aside for transit or whether Sound Transit would be eligible.

Other ideas for state funding could be seeking exemption from state sales tax on the purchase of Sound Transit rolling stock or on construction. These exemptions would draw funds directly out of the State's General Fund, making them a challenge in light of the state's own fiscal circumstance. Another idea is to seek a waiver on the federal share of the cost of WSDOT right of way. Right now, Sound Transit pays

fair market value for the use of WSDOT right of way, the federal share of which is typically 85-90 percent of the cost. The state's portion of the ROW – that remaining 10-15 percent - is protected under the 18th Amendment which limits the use of gas tax dollars to a highway purpose. Currently, Sound Transit and WSDOT account for right of way uses through a Land Bank Agreement, whereby Sound Transit gets credit for improvements Sound Transit makes to the highway system – like those Direct Access ramps made in Sound Move. Sound Transit uses credits to offset the cost of WSDOT right of way for projects like Lynnwood and Federal Way. Finally, the Legislature adopted a budget proviso a few years ago that requires Sound Transit to pay fair market value, a provision that effectively blocks the state from waiving the federal share.

CEO Rogoff noted that the State Legislature has given Sound Transit taxing authority within district boundaries, but the agency does not have land use authority. The local elected jurisdictions hold their land use authority close, as shown in earlier examples of how land use requirements have added costs to the projects.

The agency has been very successful at the federal level. Sound Transit's Finance Plan includes a federal funding assumption of 17 percent, which is up slightly from the 16 percent assumed in the ST3 finance plan. The most significant federal source has been the FTA's Capital Investment Grant (CIG) program, and the agency has secured four CIG Grants. Sound Transit will continue to be competitive in the CIG program. Sound Transit is the largest TIFIA borrower in the country, and Sound Transit recently submitted materials for additional TIFIA support. Sound Transit's proposal that is now pending before the Build America Bureau would simultaneously expand the scope of the East Link TIFIA loan to include Downtown Redmond, while refinancing the agency's entire TIFIA portfolio.

To date, Congress has passed two COVID relief packages both of which included funding for public transit. In the first package called the CARES Act, Sound Transit received \$166 million. The second package, Sound Transit could receive approximately \$180 million, assuming the CARES distribution formula. The Biden Administration has already released its proposal for a third federal COVID relief package, with another \$20 billion for public transit.

Sound Transit has been aggressively promoting a provision that the House passed last year in HR 2, which was a massive COVID relief measure. While HR 2 was not taken up in the Senate, it included a provision that would have increased our federal share for our FFGA projects. As the Biden Team gets started and the new Congress, there could be some opportunities. The current surface transportation authorization expires at the end of September this year, so the Congress could take up that legislation. There has also been talk about an infrastructure package. The Biden Administration is building a Transportation Team with considerable experience.

Sound Transit has a track record of receiving third party funding for scope betterments. Given the importance of Sound Transit system expansion to economic growth in the region there may also be opportunities to obtain third party funding to help keep projects on schedule. These contributions could range from partnerships that reduce Sound Transit cost to direct funding or delivery of scope by cities or private entities.

The Board could ask voters in the Sound Transit District to increase the agency's indebtedness from 1.5 percent of the assessed property value within the District to as much as 5 percent of the assessed value. This ballot measure would need to pass by 60 percent of the voters.

Vice Chair Roberts advised that municipalities could speed up and proactively approve permits. CEO Rogoff explained that WSDOT had permitting authority that Sound Transit did not, and in many cases, Sound Transit would be required to bring a location above the previous conditions, which add costs.

Boardmember Millar asked if current federal loans could be converted to grants by the federal government, for example if the loan met certain federal goals. He also asked the agency to look for joint development options to potentially develop a station with a third party developer.

Boardmember Dammeier stated he is in a listening mode and he is excited to hear the information on the next topic.

Boardmember Backus stated her appreciation for Chair Keel's leadership at the workshop.

Chair Keel considered skipping the review of project evaluations. CEO Rogoff stated that the project evaluations presentation may be an opportunity to answer Board member questions on how the Board-identified criteria is applied to the projects.

Review Project Evaluations

Mr. Billen reviewed the eight criteria approved by the Board through Motion No. M2020-36 in June 2020. Alex Krieg, Deputy Director of Access and Integration reviewed project results against each criterion. For ridership potential, Sound Transit's ridership model was used to forecast the ridership a project would serve. The Downtown Tunnel and Ballard Link had forecasted ridership above 45,000 daily riders. Remaining corridor projects largely fell between ranges of 5,000-45,000 daily riders, other projects had less than 5,000 riders because they add ridership to existing projects.

Boardmember Dammeier asked why the middle ridership potential category, between 5,000 and 45,000, was so wide. Mr. Krieg explained that in looking at the potential ridership numbers, natural breakpoints in the forecasts informed the categories.

Mr. Krieg reviewed the Socio-Economic Equity criteria which looked at community demographic data to determine specific population groups that lived within one mile of the station areas. Those specific population groups included Black and Indigenous populations, non-Black, non-Indigenous populations of color, limited English proficiency populations, low income populations, very low income seniors and populations with a disability. Mr. Krieg reviewed the projects that received high and medium-high ratings which indicated project areas with higher proportion of the specific population groups than the district-wide average, and those with medium or low ratings which indicated a lower proportion compared to the district-wide average.

Boardmember Dammeier asked about challenges around the socioeconomic equity methodology. Mr. Krieg explained that the criterion was difficult and had many challenges. CEO Rogoff advised that one of the central challenges to transit agencies was having demographic data for individual lines, and therefore impacts of line-based decisions, and the challenges with getting demographic data on riders versus the population located near transit services.

Boardmember Juarez voiced concern about the data gathered and methodology used for the socioeconomic equity criterion, especially in light of shifting demographics and the desire to provide new transit services to specific populations.

Boardmember Backus voiced concern about the fact that demographic data for the socio-economic criterion was only gathered for a one-mile radius and stated that a larger radius may be more appropriate. She asked that Boardmembers have input in the methodologies for criteria.

Boardmember Dammeier asked that the methodology for that criterion be updated to ensure that opposite effects than intended not occur, including gentrification.

Boardmember Balducci voiced similar concerns to those raised, and asked that Board members receive more detail on the analysis for the criterion methodology. She also noted the importance of connecting different locations in the region, specifically areas with these specific communities. CEO Rogoff responded that the data could be provided for further review by Board members.

Mr. Krieg reviewed the connecting centers, tenure, outside funding and completing the HCT spine criterion. The outside funding criterion evaluated federal and state funding opportunities to fund a portion of project costs. Mr. Krieg noted that Everett Link and Tacoma Dome Link complete the spine. The new downtown tunnel needed to support the increased capacity of the light rail system is not considered as

part of completing the spine because there is already an existing tunnel that serves the stations areas that are part of the spine through downtown Seattle. Finally, Mr. Krieg reviewed the advancing logically beyond the spine and phasing compatibility criterion results.

Boardmember Smith asked if a tool could be developed which would allow Boardmembers to change project statuses and see the outputs. CEO Rogoff advised that the various inputs for any given project, and the program as a whole were so numerous that it would be very difficult to develop a simple tool that gave accurate information in an easily viewable way. He stated that staff could respond to Board member requests for modeling scenarios.

Chair Keel requested that staff bring options on how to bring members of the public along during this journey. CEO Rogoff noted that public input is built into the schedule and staff will seek additional Board input on how to engage the public.

Boardmember Juarez agreed that project evaluation should inform realignment decision making and requested a type of modeling or formula to generally evaluate criteria. CEO Rogoff provided an example of rating criteria used to determine which projects qualify for federal grant dollars. He noted that there are some flaws with the methodology but that something similar could be provided to Board members.

Next steps

CEO Rogoff reviewed the various suggestions and requests posed by Board members throughout the workshop.

Chair Keel advised that a lot of additional discussion and engagement would be needed in the months to come. He agreed with past statements that both realignment approaches were necessary, and the challenge would lie in bridging them. He advised that minutes for the workshop would be distributed to the Board shortly after the meeting.

Next Board Meeting

Thursday, January 28, 2021
1:30 p.m. to 4:00 p.m.
Virtually via WebEx

Adjourn

The meeting adjourned at 3:53 p.m.



Paul Roberts
Board Vice Chair

ATTEST:



Kathryn Flores
Board Administrator

APPROVED on February 25, 2021, TW.