Capital Delivery Program Update

Board of Directors
9/26/2024

SOUNDTRANSIT

Why we're here

- ST3 Progress
- Construction Environment
- Capital Program Opportunities
- TAG Implementation Update

Voter-approved system

Link light rail 1 2 3 4 T

- Five lines
- 116 miles
- 83 stations

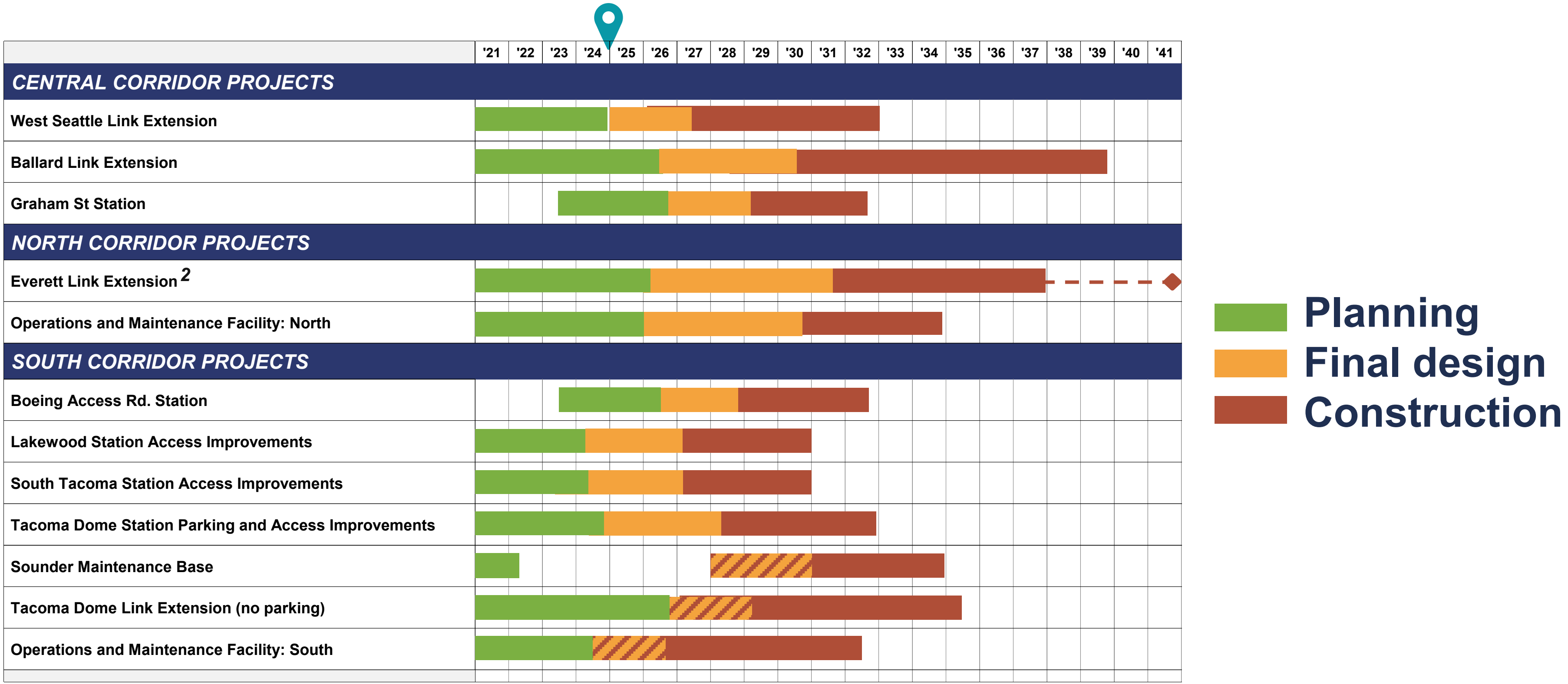
Sounder trains N S

- Two lines
- 91 miles
- 14 stations

Stride bus rapid transit S1 S2 S3

- Three lines
- 45 miles on I-405 and SR 522
- Serving 12 cities and connecting to light rail in Shoreline, Lynnwood, Bellevue, and Tukwila

ST3 project schedules snapshot[1]



Meaningful progress is being made to proceed into the design phase.

[1]Source: agency finance plan
[2]Lynnwood to SW Everett delivery date is 2037; SW Everett to Everett Station delivery date is 2041

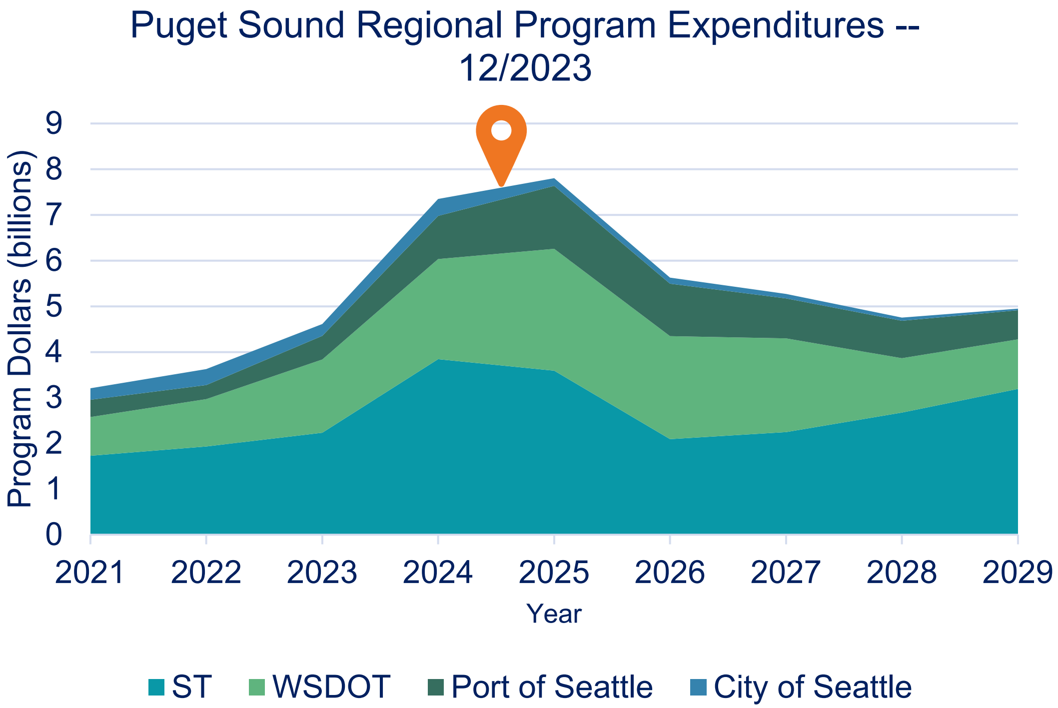
ST3 milestones & accomplishments

- **Stride groundbreaking**
- **RapidRide G** ribbon cutting
- **OMF South** site selected by ST Board, and Federal Record of Decision received
- **Partnering agreements** executed to expedite project delivery for all active ST3 projects
- **NE 130th Infill Station** to open on schedule in 2026
- **WSLE Final EIS** publication this fall
- **BLE preferred alternative** in 2023

ST3 milestones achieved, positive progress to meet future milestones

Puget Sound regional expenditure projections [1]

- Continued strong demand for contractors and high expenditures across multiple agencies.
- High demand will continue to strain the capacity of regional contractor and professional service firms.



Robust investment in infrastructure in the region

[1] *WSDOT August 2024*

National Construction Economic Outlook[1]

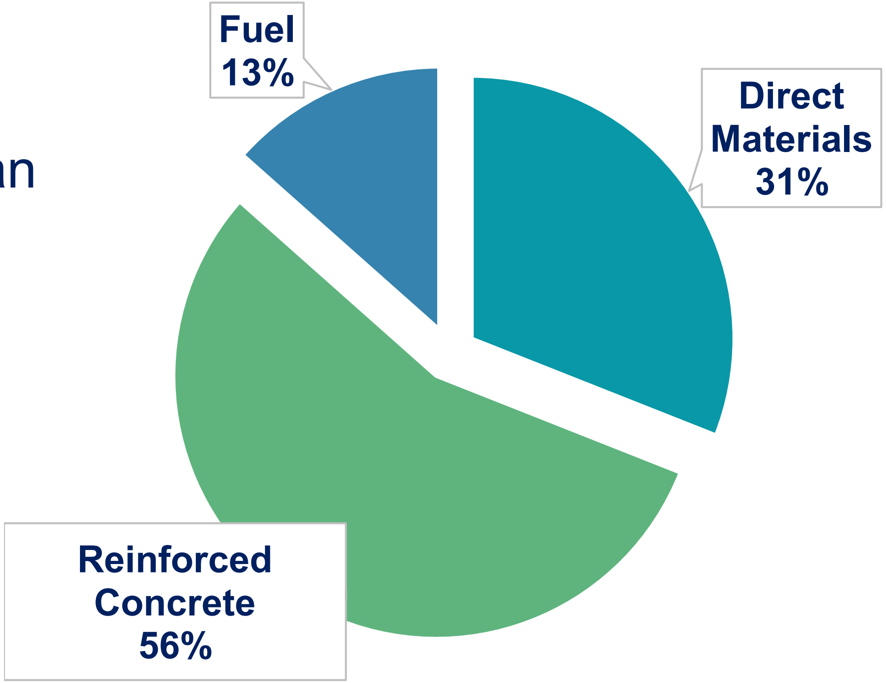
- 2023 monthly transportation spending of $65 billion
- Land spend was an added $33B monthly
- Strong growth in non-residential infrastructure market is putting pressure on prices
- Commodity costs are growing at a moderate pace, but at lower rate than pre-pandemic levels
- Asphalt, cement and concrete show the highest cost increases
- Labor availability is contractors' number one problem and wage premium for construction is high
- Craft labor costs continue to increase at a rate of 5% or more per BLS

[1] *US Construction Outlook,* Associated General Contractors, August 2024

Construction material costs

Downtown Bellevue to Spring District[1]

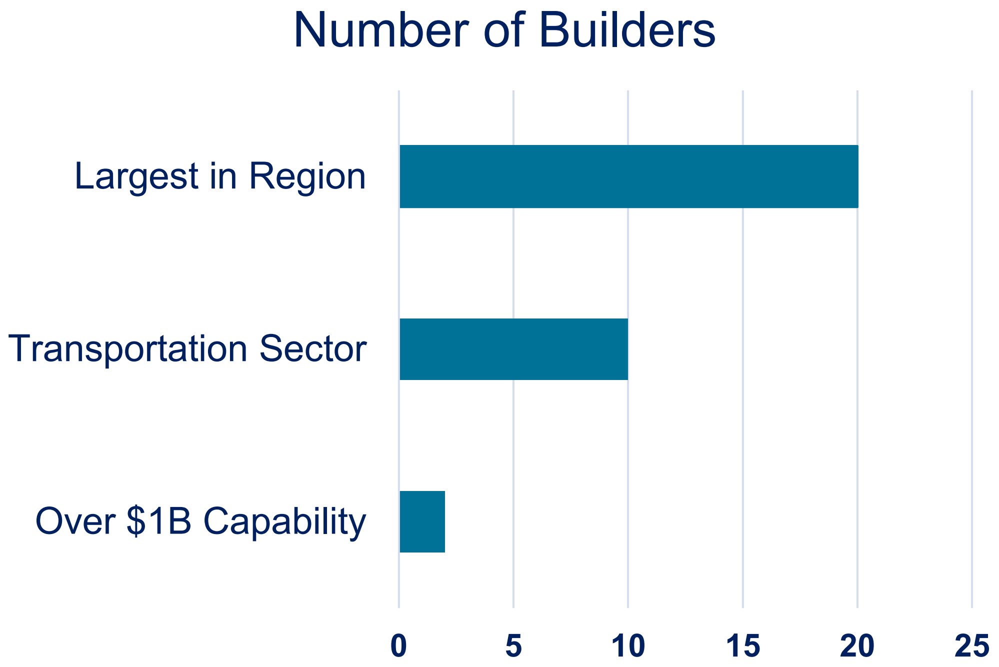
Reinforced concrete was more than half of all material costs.



[1] *1.9 miles of light rail including a tunnel, elevated track, bridge, and four stations*

Mega-builder market – Pacific Northwest[1]

- Limited number of large builders that are working in the transportation sector.
- Limited number of large builders that can support scope at $1B+ alone.
- Attract builders to support ST3.
- Grow builder capacity.



[1] *Engineering News Record*

Board Annual Program Report preview

- Majority are pre-baselined projects early in design development.
- Focus on forecast metrics that reflect market pressures to create program and project strategies.
- Report to be published in fall.

Forward looking reporting is a catalyst for early actions and strategies

Projects in Planning	Finance Plan (MAR24) 2024$ in millions	Cost Trend	Comment
Ballard Link Extension	11,552	▲	
Boeing Access Road Infill Station	268	▲	
DuPont Sounder Extension	478	■	
Everett Link Extension	6,143	▲	
Everett Link Extension Parking	154	■	
Graham Street Infill Station	122	▲	
Lakewood Station Access Improvements	56	◆	Baselined
North Corridor Maintenance of Way	60	■	Target Value Design
Operations & Maintenance Facility North	1,585	■	Target Value Design
Operations & Maintenance Facility South	1,821	■	Target Value Design
Series 3 Light Rail Vehicles	2,059	▲	
Sounder South Capacity Expansion	1,391	■	
South Tacoma Station Access Improvements	57	◆	Baselined
Tacoma Dome Link Extension	4,414	▲	
Tacoma Dome Link Extension Parking	151	■	
Tacoma Dome Station Access & Parking Improvements	19	▲	
West Seattle Link Extension	4,110	▲	

National headwinds and ST opportunities

High
- Scope control
- Risk Allocation
- Indirect costs (e.g., professional services)

Medium
- Market Conditions
- Third Party Coordination (e.g., capacity)
- Unforeseen conditions

Low
- Cost escalation (high labor & material costs)

ST Opportunity Range

ST has improved tools and approaches to leverage opportunities.

High Range Opportunities

High

- Scope control
- Risk Allocation
- Indirect costs (e.g., professional services)

- Offsite construction – maximize opportunities to construct portions of scope offsite
- Align indirect costs – align rates and scope to need, reduce scope duplication
- Strategies to reduce OH costs – example: Owner controlled insurance program
- Collaborative delivery – leverage early contractor engagement
- Bundling strategy/add alternate work – set scope and dollar amounts per contract to attract industry and incentivize performance
- Target value design – Design and build to budget

ST is implementing strategies and seeing early positive indicators of performance

Mid-Range Opportunities

Medium

- Market Conditions (contractor capacity and competition)
- Third Party Coordination (permitting and betterments)
- Unforeseen conditions

- Betterments – new policy
- Permitting – strategies to streamline construction timeline
- Third party MOUs – early engagement, clear expedited escalation, decision maker clarity
- Station infrastructure cost share – P3 opportunities/TOD opportunities
- Rally Industry – Outreach, workshops, RFIs, incorporate their input, AGC best practices, prompt payment
- Higher investment in gathering site conditions – Early geotech and site condition assessment using new technologies

ST is engaging industry and partners to establish joint goals for success

Low Range Opportunities

Low

- Cost escalation (high labor & material costs)

- Modularity/consistent kit of parts approach – Repeated elements (site adapt, prefab)
- Early procurement – ST purchased material (buy things early, buy in volume)
- Vendor agreements / contracts with economic price adjustment, fixed unit cost pricing

ST is applying opportunities across the program to respond to market conditions

Project Development Process

Planning (Concept/Schematic Design)

- Alternatives Development
- Publish the Draft EIS and Final EIS
- Advance to 30% design on the Preferred Alternative
- Identify detailed cost saving opportunities early and invest in site investigation

PROJECT TO BE BUILT

FUNDING REQUEST: Design

Design (Design Development and Construction Documents)

- Implement array of opportunities and value engineering
- Assess financial capacity and leverage tools

- Design advances
- Establish project baseline at 60 - 80% design

FUNDING REQUEST: Construction

Construction

Opportunities are highly leveraged during the design phase

TAG Recommendation Progress

Enduring initiative progress institutionalizing TAG recommendations

Initiative	TAG 1 Rebuild trust and clarify the roles for ST Board and staff.	TAG 2 Introduce an experienced megaproject capital program executive team.	TAG 3 Implement procedures that push decision-making down to the lowest	TAG 4 Align key procedures with industry best practices,	TAG 5 Strengthen and enforce an agency betterment policy.	TAG 6 Engage the Federal Transit Administration (FTA) as a delivery partner
Project Management Information System (PMIS)	• Maturity Assessment completed • Solution partner evaluation in progress • Portfolio cost management process improvements in progress					
Project Change Management	• Cost Estimating Summit – 15 companies, consistent estimating approach					
Procurement & Contracting	• Progressive Design Build – Training and templates • Contract Scope Alignment – Vertical vs Civil, Dollar Thresholds • Industry RFIs – 15 Companies responded on OMFS • AGC Best Practices Committees • ACEC Partnership and Working Groups • Outreach and Industry events (over 10 planned to the end of the year) • Professional Services procurement strategy – Templates and Outreach					
Organizational Restructure	• New Executive Directors and Reorganization to integrated capital delivery department					
Betterments and Scope Control	• WSLE Workshop – 22 Companies providing input					
Partnerships	• Partnering with the City of Seattle • Partnering with other owners on procurement timing, new initiatives, aligning approach					

"I'm optimistic that there will be plenty of work to go around and that affords us the ability to see one another as collaborators vs. competitors."

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Thank you.

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