

Board Retreat

Welcome!

02/29/2024



Land Acknowledgment

Today we would like to start by acknowledging the original inhabitants of this land we are meeting on today.

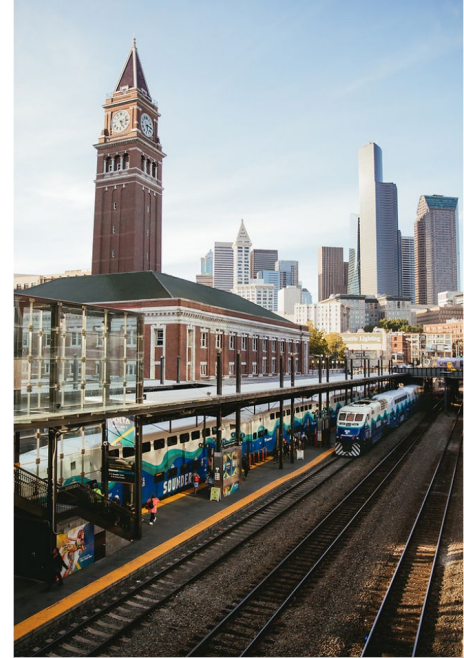
This is the land of the sduhubš people and their successors, the Tulalip Tribes - the Sauk-Suiattle Indian Tribe and the Stillaguamish Tribe of Indians.

Since time immemorial, they have hunted, fished, gathered on, and taken care of these lands and waters. We respect their sovereignty, their right to self-determination and honor their sacred spiritual connection with the land and water.

Retreat Purpose & Outcomes

Purpose

For ST board members and leadership staff to build working relationships, improve communication, and identify key challenges and opportunities facing the agency.



Retreat Purpose & Outcomes

Outcomes

1. *Build relationship* between new and existing Board Members and interim CEO.
2. Recommit to *regionalism* as a core function of the Board and agency.
3. Raise awareness of *key financial challenges and opportunities* facing the agency.
4. Gain shared understanding between board and staff leadership for *transparent, timely, and strategic communication*.
5. Increase *confidence* between Board and ST staff leadership.
6. Identify *key decisions and opportunities* ahead for the agency (tbc in 2024).

Starter Kit for Working Agreements

- Bring your **best self**
- All voices matter: **respect and share** air-time
- **'I Statements'**: **speak** from your own perspective
- Listen to, consider, and **learn from other** perspectives
- **Listen** from an agency-wide view
- Stay on subject; stay on **task**
- **Cell phones** are on silent notification
- Respect **confidentiality** where appropriate
- **Enjoy** the time together

Timeline

Individual Reflection

- 1) When and why did you first engage with Sound Transit?
(year and situation)
- 2) Why do you serve on the board?



Timeline

Small Group Discussion

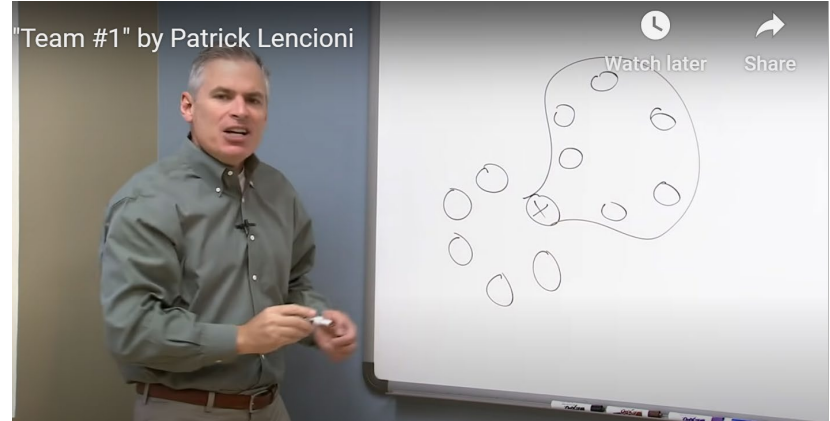
- 1) Share your foundational story and WHY you are on the board with peers.
- 2) If time permits, what else was going on in that time frame?
- 3) Write on a post-it the year and 2-3 keywords about when you first got engaged with ST



Regionalism Discussion

“First Team”

- The team you lead
- The team you’re a member of



Regionalism, continued

Individual Reflection

- 1) What does “regionalism” mean to me?
- 2) What does it ask of us as board members?

Small Group Discussion

- 1) Share your responses
- 2) Listen for common items



Understanding the Finance Plan

Board of Directors Retreat

February 29, 2024



Why we are here?

- Ground board members in the mechanics of the agency's Long-Range Financial Plan.
- Share key challenges and opportunities.
- Begin Board and staff engagement on key challenges: starting now through 2025.
- Input from Board members on next steps.

What is the Long-Range Financial Plan?

- Provides a 30-year (2017–2046) model forecasting capital & operating revenues, costs, and debt incurred.
- Identifies when peak spending occurs.
- Monitors agency adherence to laws and agency financial policies.
- Some tax revenue continues beyond the end of the plan in 2046.



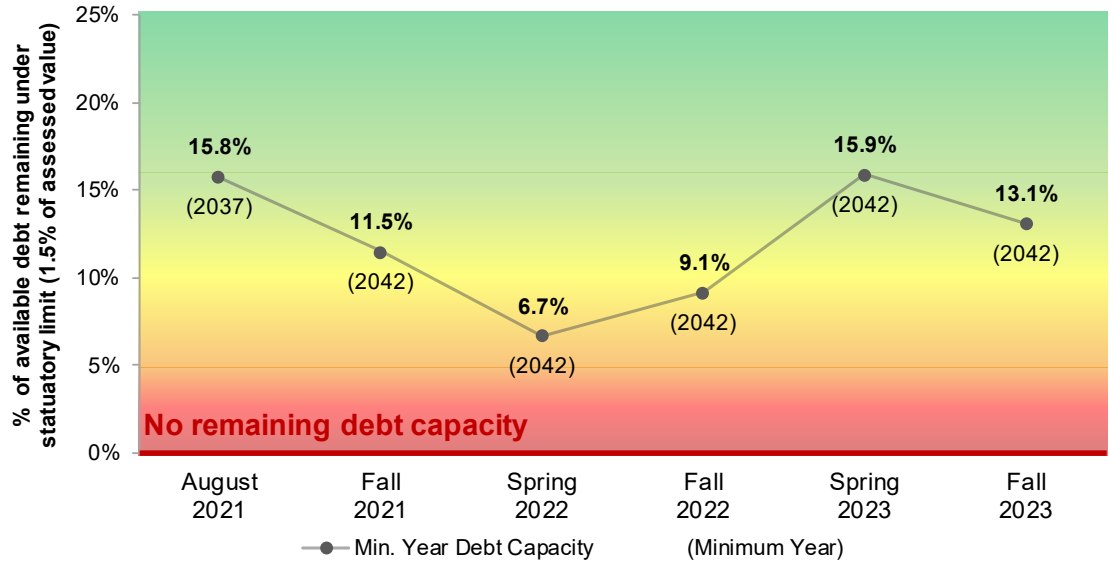
Agency debt capacity over time

Debt capacity: the agency's ability to issue new debt.

Legal limit: total debt is constrained by state law not to exceed 1.5% of the assessed value of real property in the Sound Transit taxing district.

Current Agency goal: retain at or above 15% debt capacity.

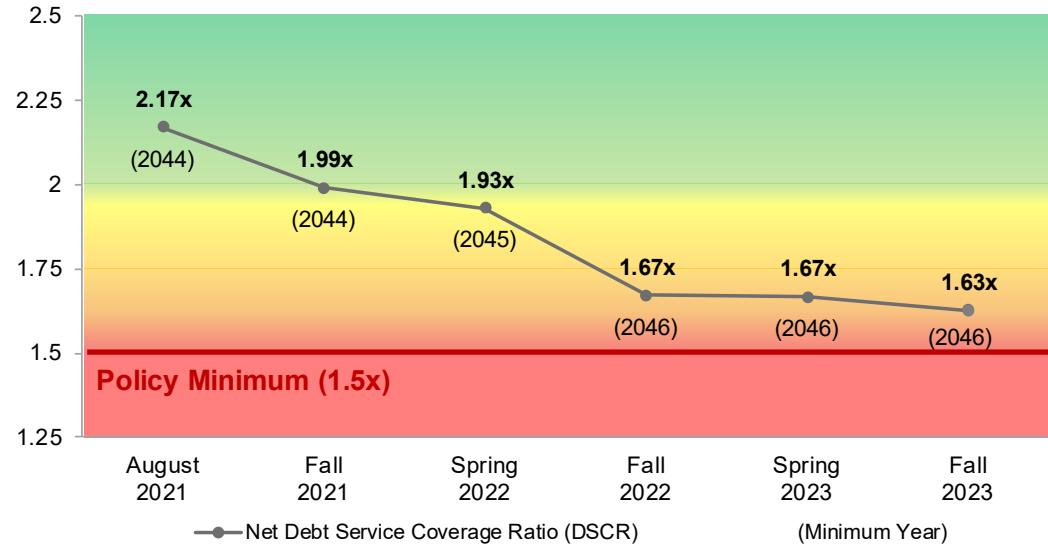
Current trajectory: debt capacity is projected to fall to 13.1% in 2042 ("pinch point").



Agency debt coverage over time

Debt Service Coverage Ratio (DSCR): the agency's ability to repay debt after paying annual operating costs.

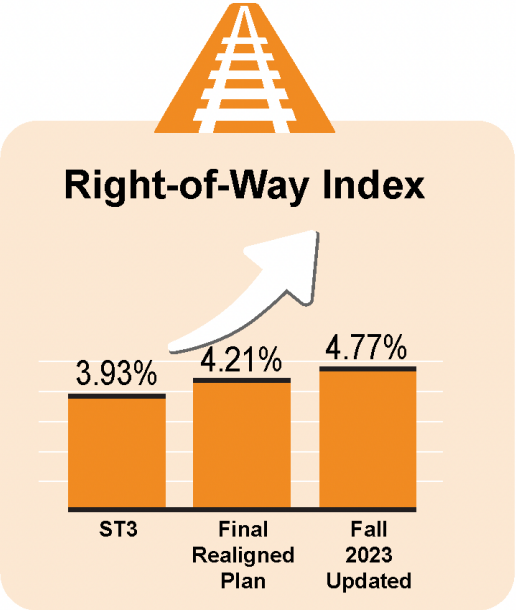
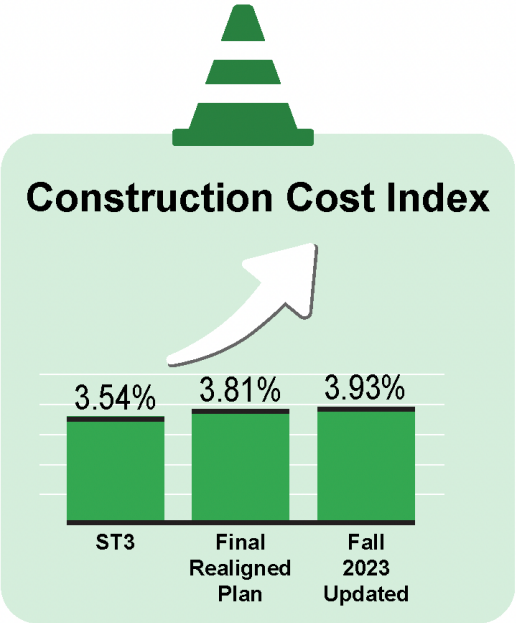
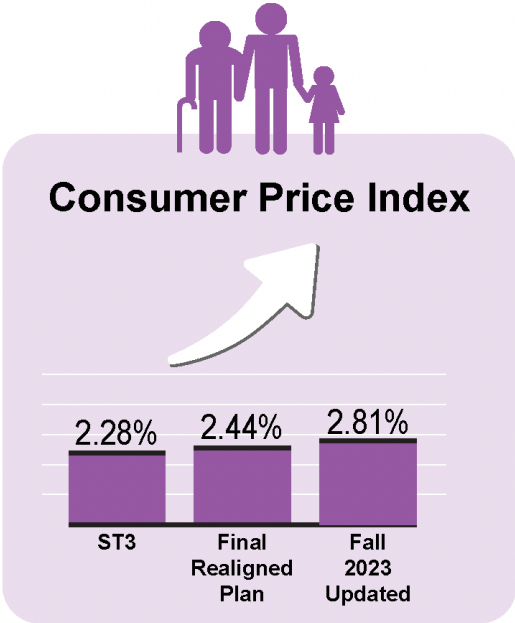
ST3 Financial Policy requires an average debt service coverage ratio of **2.0x** for net revenues over annual debt service costs, and not to fall below **1.5x** in any single year.



Current unmitigated trajectory: DSCR projected to decline to **1.62x** in 2046 (“pinch point”) with Fall 2023 Finance Plan assumptions, very close to the current agency minimum.

Finance Plan changes and pressures

ST3 vs Fall 2023 Finance Plan update



Current construction market conditions

Overview of bidding environment for other agencies

→ Similar conditions for major capital projects on the West Coast. Current construction market conditions result in price increases with less competition.

Agency/Project	Date	Estimate	Bid or Updated Estimate	Var %	# Bids
WSDOT: I-405 Brickyard	2023 (bid)	\$525M	\$767M (bid)	46%	2
Valley Transportation Authority: BART/Silicon Valley Ph. II	2023 (updated estimate)	\$9.31B	\$12.2B (updated estimate)	31%	N/A
California High Speed Rail: Starter	2023 (updated estimate)	\$22.8B	\$35B (updated estimate)	54%	N/A
WSDOT: SR520 Portage Bay	2024 (bid)	\$800M	\$1,370M (bid)	70%	2

Next Steps

- Staff developing a workplan to identify the most pressing financial challenges and tradeoffs facing the agency – Spring/Summer 2024.
- In-depth discussions between Board and Staff Leadership – 2024-2025.
- Board Annual Program Review in Q2 and Fall Budget Process.
- Opportunities available to manage the program → collaboratively develop a balanced financial plan with options.

Key Questions for Board on Next Steps

- What type of information do you need as we bring topics forward?
- What level of detail is helpful?
- Bring additional Board questions to upcoming conversations.

Thank you.

Thank you.



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Board and CEO Responsibilities



Communication

“What” and “When” Challenges

- Timeliness
- Completeness
- Strategic (“just right” amount of info)
- Staff Recommendations



Communication: Requests and Offers

Individual Reflection

- What is a **request** I have to improve timely, transparent, and strategic communication, from my POV?
- What is an **offer** I can make to positively impact timely, transparent, and strategic communication between board and staff?



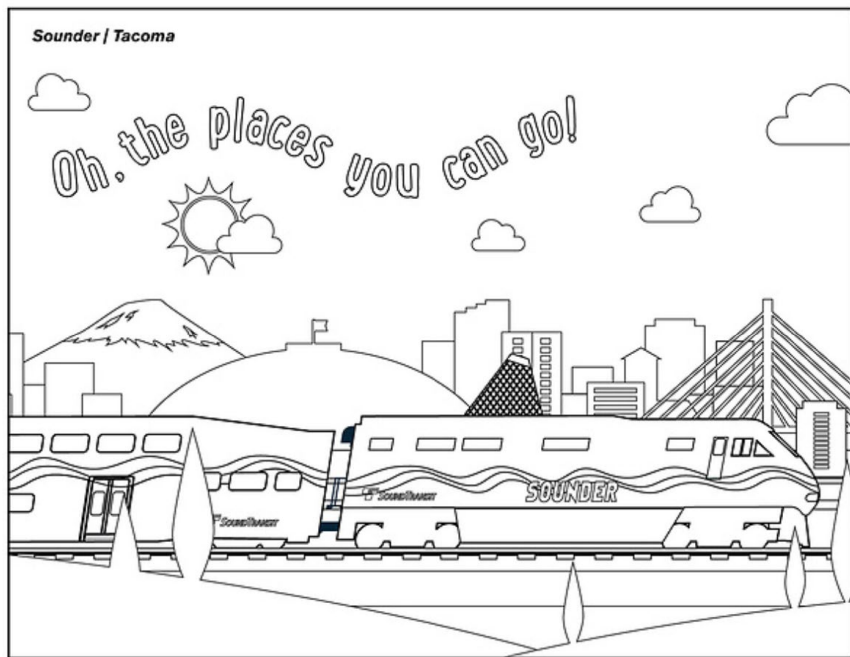
Communication

Small Groups

- Share and discuss requests and offers
- Be listening for specific / actionable ideas you agree on
- Be prepared to share common themes with the whole group



Mission Moments Ahead



- Eastlink – 2 line
- Lynnwood
- West Seattle
- South Lake Union

What are *you* looking forward to?

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