

## Sound Transit Expert Review Panel

April 23, 2008

<p>The Honorable Christine Gregoire Governor of the State of Washington Office of the Governor 416 – 14<sup>th</sup> Avenue S.W. P.O. Box 40002 Olympia, WA 98504-0002</p>	<p>Representative Judy Clibborn, Chair House Committee on Transportation 41<sup>st</sup> Legislative District House of Representatives 435 John L. O'Brien Building P.O. Box 40600 Olympia, WA 98504-0600</p>
<p>Ms. Paula Hammond Secretary of Transportation Washington State Department of Transportation 310 Maple Park S.E. P.O. Box 47316 Olympia, WA 98501</p>	<p>Senator Mary Margaret Haugen, Chair Senate Transportation Committee 10<sup>th</sup> Legislative District 305 John A. Cherberg Building Olympia, WA 98504-0410</p>
<p>Joni Earl Chief Executive Officer Sound Transit 401 South Jackson Seattle, WA 98104-2826</p>	<p>Greg Nickels Board Chair Sound Transit 401 South Jackson Seattle, WA 98104-2826</p>

Dear Madams and Sirs:

In September of last year we sent you what we described as our “final” letter. In that letter we summarized our analysis of the work Sound Transit had done to prepare for a November 2007 ballot measure. We provided our conclusions regarding Sound Transit’s compliance with the various requirements in state law for high-capacity transportation systems requesting voter approved funding.

However, with the defeat of the Proposition 1 ballot measure in November, the Sound Transit Expert Review Panel (Panel) has convened again to review the work Sound Transit is currently doing to prepare a package of improvements that would potentially be submitted to voters for the Fall 2008 ballot. State law provides that “...an expert review panel shall ...provide independent technical review for development of any system plan which is to be funded in whole or in part by the imposition of any voter-approved local option funding sources...”

The Panel met on March 7<sup>th</sup> to review the work Sound Transit has completed to prepare for a potential ballot measure in the Fall of 2008. We reviewed the survey and polling data that was completed after the defeat of Proposition 1, the status of Sound Move project construction, the work on the transportation needs assessment, potential projects to include in a new ballot proposal, received a briefing on the upcoming I-90 bridge structural review, and had discussions with the Sound Transit finance staff regarding potential changes to a revised financial plan. This letter provides our comments on the information we were provided at our March meeting.

Panel membership has remained the same as it was at the conclusion of our work in 2007. Having the continuity of our members is most helpful as we engage in another round of review. Attached to this letter is a roster of our members.

## **Summary**

In this letter we will address the following:

- The need to clarify project scopes, including the construction of light rail through downtown Bellevue, before submitting projects for voter approval;
- Our agreement with the proposed approach to a new ST2 financial plan – separating Sound Move and ST2 revenues and expenses;
- Suggestions for financial sensitivity analysis on a draft package of improvements; and
- The relationship between the timing of the work by the I-90 Bridge technical review committee and the Sound Transit Board’s decisions regarding ST2.

## **Clarify Project Scopes with Local Jurisdictions**

In several previous letters to you the Panel has commented on the importance of reaching agreement with local jurisdictions and organizations regarding the scope of work for projects as part of the planning to prepare for a ballot measure. One of the lessons learned from Sound Move was that negotiations with local jurisdictions (including cities, the Burlington Northern Santa Fe Railroad, and the University of Washington) over project scopes often resulted in increased project costs and delays in schedules.

In preparing the first ST2 package for the November 2007 ballot Sound Transit engaged every municipality where ST2 projects were located in discussions about project scopes, including the elements that would, and would not be included in each project. The Panel encouraged Sound Transit to develop initial term sheets for each project. Term sheets were not secured, but Sound Transit did receive letters from most of the jurisdictions where ST2 projects were proposed, confirming the scopes for the projects. This was a significant accomplishment. Now, as Sound Transit is preparing for a potential 2008 ballot measure, the Panel again has several comments about this issue.

First, on March 12, 2008, the City of Bellevue wrote a letter to Chair Nickels outlining their views on the planning for a revised ST2 ballot measure. They expressed strong support for extending the light rail service to downtown Bellevue. They also stated that “...it is essential to Bellevue that the [Sound Transit] Board assume a funding level adequate to support all of

the potential options for light rail...including the tunnel option in downtown Bellevue.” The current scope and budget for the east corridor light rail project is based on an aerial alignment through downtown Bellevue. The estimated cost differential between the aerial alignment and a tunnel is approximately \$490 million in '07 dollars.

Clearly the March 12 letter suggests that there is a difference of opinion about the scope for the light rail project through downtown Bellevue. This could result in delays in design and construction of the project, as negotiations over final scope and funding sources could take a significant amount of time to resolve. The Panel recognizes that other funding sources could be utilized. We have previously suggested that funding options, such as a local improvement district (LID), could be considered in downtown Bellevue for funding a light rail tunnel. However, until the issues around scope and funding are resolved there will be uncertainty about the final project cost and schedule.

Second, as mentioned above, in the Proposition 1 package prepared last year Sound Transit secured letters from most jurisdictions confirming agreement on project scopes. However, as Sound Transit prepares a revised list of projects for consideration by the Board for the 2008 ballot, there are a handful of “new” or altered capital projects included in the draft package reviewed by the Panel on March 7. Several of the large-scale projects included in Proposition 1 (light rail extensions to Tacoma, Lynnwood and from downtown Bellevue to the Overlake Transit Center) have been removed from the draft plan, and replaced with a number of smaller-scale projects. Sound Transit has not secured letters of agreement regarding the project scopes from the jurisdictions where the new projects are located. The Panel suggests that there is an opportunity to secure those letters before final decisions are made about a ballot measure.

In addition, it is the Panel’s understanding that scopes for several of the parking and park-and-ride lot projects include flexibility for meeting customer demand through parking or other transit options. While this flexibility may allow Sound Transit to accommodate changing community needs, it also creates uncertainty about project scopes that could affect cost and schedules during implementation.

The third issue regarding project scope concerns the proposed increases in Sounder rail service as part of the revised ST2 package. At the Panel’s March 7 meeting, Joni Earl was asked about the status of negotiations with BNSF concerning the potential increase in Sounder service. She stated that discussions with BNSF have begun. She also said that Sound Transit will attempt to reach agreement with the railroad on a term sheet prior to making a decision about placing a measure on the November 2008 ballot. She suggested that reaching agreement with BNSF on a term sheet might be a pre-condition of including expansion of Sounder service in the south corridor in the revised ST2 package. The Panel believes this is a prudent approach. During the implementation of Sound Move projects it took much longer than anticipated to negotiate an agreement with BNSF, which extended the schedule by several years and increased the project costs.

In summary, as the Panel has commented before, it is very important to have agreement with local jurisdictions regarding initial project scopes at this stage of planning activity. We understand that the Sound Transit Board is weighing the various pros and cons regarding the timing of a new ST2 ballot measure. We appreciate that there are many factors being considered by the Board. With respect to our “technical” review of the package, the Panel

encourages the Board to make sure that the outstanding issues regarding scopes for the ST2 projects (i.e. agreement with BNSF on Sounder service, resolution of the scope for light rail through downtown Bellevue, and agreement on scopes for any “new” projects) are resolved before placing a measure on the ballot. Otherwise, costs and schedules may vary from the proposal placed on the ballot.

## **Financial Planning**

On March 7<sup>th</sup> the Panel was briefed on Sound Transit’s initial thoughts about revisions to the financial plan for a new ST2 package. The Panel understands that if a decision is made to place a measure on the ballot this year it is Sound Transit’s intent to create a financial model that will separate Sound Move revenues and expenses from the ST2 program. We were also told that the post-election polling and surveys suggested that the public was confused about the size of the package on the ballot last November and that the new financial plan will have a greater emphasis on year of expenditure (YOE) cost estimates to create a clearer explanation of the costs associated with the program.

Panel members were pleased to hear both recommendations from staff and believe that those changes to Sound Transit’s financial planning will create greater clarity and transparency regarding any proposal submitted to the voters. We commented on these issues last year and warned that combining Sound Move and ST2 revenues and expenses, and maintaining a focus on current dollar cost estimates could lead to confusion among the public.

At our March meeting Sound Transit finance staff asked for suggestions regarding the sensitivity analysis that should be completed as part of the planning for a new ST2 package. Panel members understand that sensitivity analysis will be conducted after the Sound Transit Board adopts a draft package of improvements. That draft recommendation would essentially become the “base case” for testing of different financial sensitivities. The timing of that work will enable the Board to consider comments from the public about the draft ST2 package and the sensitivity analysis at the same time.

The Panel suggests there are various elements that should be tested: revenues, expenses, capital costs (higher costs, resulting from more costly projects or time delays) and borrowing costs (higher than expected). The Panel understands that the Sound Transit Citizen Oversight Panel (COP) continues to raise concerns about the agency’s recent experience with higher than expected O&M costs for express bus service and light rail in Tacoma. As a result, we recommend that, Sound Transit develop some sensitivity analyses relating to these O&M costs. Such analysis would, at a minimum, illustrate the potential financial impact on ST2 if it turns out that O&M costs increase at a higher rate than the 5 percent included in the financial plan assumptions.

The factors described above should be tested separately and together. When developing scenarios to test multiple factors the Panel encourages the Sound Transit staff to create combinations that reflect the greatest areas of potential risk. The combinations should include, but not be limited to:

- a. Revenues decline while Expenses (including O&M and borrowing costs) increase
- b. Capital Costs increase while Expenses (including O&M and borrowing costs) increase

These two combinations are suggested as a minimum level of analysis. Panel members look forward to further conversation with Sound Transit staff regarding other combinations of risk factors to test. We would also like to have discussions about the methodology used to conduct the sensitivity analysis before the work begins.

The Panel reviewed Sound Transit's proposed methodology for escalating capital costs from 2006 to 2007 dollars. An escalation factor of 7 percent is being recommended. The methodology examines increases in the cost of various construction materials, from state, regional and national indices. The escalation rates range from a low of 4 percent to a high of 10.7 percent. The Panel concluded that the methodology was sound and the 7 percent escalation factor is prudent.

The Panel has commented in previous letters that Sound Transit has several available sources of revenue to support an ST2 ballot measure. At our March meeting the Panel was told that an area of concern for some members of the Board and some members of the public was that the Proposition 1 measure had a heavy reliance on sales and use tax revenues. The Panel understands that without additional legislative authority Sound Transit is limited in the sources of revenue it can use. However, we would again like to point out that there are several other potential revenue sources that could be used that would reduce the reliance on the sales and use tax as the only locally generated revenue. Specifically, revenues for ST2 projects could include contributions from local governments (such as local improvement districts), and utilization of Sound Transit's other tax sources: sales tax on vehicle rentals and a business tax on the number of employees. Sound Transit has the authority to utilize these revenue sources.

## **Other Issues**

*Study of the I-90 Bridge, Including Stray Current Issues.* The Panel received a briefing on the work Washington State Department of Transportation (WSDOT) and Sound Transit are doing to continue their analysis of constructing light rail across the I-90 floating bridge. We learned that a technical review committee will be created to evaluate previous studies and comment on the analysis to date. The Panel members received the scope of work for the committee last week and understand that they will provide recommendations on several key topics, including the following: design strategies to reduce the potential effects of stray electrical current (produced from the operation of light rail) on the bridge structure; design of the light rail track and power systems; suggestions for any additional analysis needed to determine operational limitations due to storms; assess the impact of proposed measures to reduce the bridge weight on the life span of the bridge; and evaluate the current plans for design of the expansion joints that connect the fixed and floating portions of the bridge. We are particularly interested in the committee's analysis of the potential effect of stray current on the life of the bridge, and the effectiveness of planned mitigation measures.

The Panel commented in its September 2007 letter that we saw nothing in the work to date to suggest that light rail cannot be constructed on the I-90 bridge. However, we encouraged Sound Transit to continue its analysis of light rail operation on the bridge prior to significant expenditure on the project, stating that it is a critical path issue for extending light rail in the east corridor. The creation of a technical review committee and the scope it has been given is a good step toward furthering the analysis of constructing light rail on the I-90 bridge.

The final comment we have about the work of the technical review committee concerns their anticipated schedule. The committee's scope of work states that they will "report/discuss findings and outline draft recommendations" in June. The Sound Transit Board is also scheduled to make a final decision about a revised ST2 package in June. If the committee recommends any major changes in the light rail project design (affecting costs), or significant issues are raised, there is not much time for the Sound Transit Board to consider the committee's recommendations. We would strongly encourage the Sound Transit staff to keep the Board members informed about the committee's work throughout the spring.

## **Information Requests**

Panel members requested additional information on a number of issues at the meeting. The most significant requests include the following. There were a number of questions about the benefits of express-bus service if the buses have to travel in crowded HOV lanes. Panel members requested information about peak-hour travel times in the regional HOV lanes, as compared to the general-purpose lanes. We understand that some information has been provided to the Sound Transit Board since our March 7<sup>th</sup> meeting regarding two segments of the HOV system (I-5 southbound between Everett and Northgate, and I-405 northbound between Bellevue and Lynnwood), but a more complete picture of travel times on the HOV system within the Sound Transit service area would be helpful.

Sound Transit staff will be preparing revised ridership forecasts once the Board adopts a draft package for public comment. Panel members will review that forecast once it is developed.

As always, we would be happy to answer any questions regarding our comments in this letter, or any other topics you may wish to discuss. The Panel intends to meet again prior to the final decision by the Sound Transit Board on a revised ST2 package. We will provide you with additional comments after our next meeting.

Sincerely,



Siim Sööt  
Chair

cc. Expert Review Panel Members  
Senator Ed Murray  
Bob Drewel, Executive Director, Puget Sound Regional Council

## **Expert Review Panel Membership**

### **Darlene Cimino-DeRose - Capital Finance**

Partner at Montague DeRose and Associates an independent financial advisory firm.  
Walnut Creek, California

### **Alan Kiepper - Transit Operations and maintenance**

Retired County Manager Montgomery Co. MD. and Fulton Co. GA. General Manager MARTA, Atlanta; Houston METRO; and President MTA in New York City.  
Annapolis, MD

### **William C. Lorenz, PE - Project Cost Estimating**

Retired Director of Engineering, San Diego Metropolitan Transit Development Board  
La Mesa, California

### **Steve Lundin - Legal and Political Architecture**

Retired Senior Counsel for Washington State House of Representatives, including staff of the Local Government Committee.  
Olympia, Washington

### **Thomas G. Schmitt, PE, RLS - Local Design and Constructability**

President of T & S Diversified, Inc. Former Chief Engineer for Arizona Department of Transportation.  
Glendale, Arizona

### **Dr. Siim Sööt (Chair 6/07 – 12/07) - Ridership Forecasting**

Professor Emeritus University of Illinois, Chicago. Former Head of Department of Geography; Executive Director of the Urban Transportation Center; President of the Illinois Universities Transportation Research Consortium  
Chicago, Illinois

### **Alonzo Wertz - Environmental**

Permits Coordinator for TriMet in Portland Oregon. Member of capital project development team at TriMet.  
Portland, Oregon