



**TO:** Elizabeth A. Pauli, Interim City Manager  
**FROM:** Kurtis D. Kingsolver, P.E., Public Works Director/City Engineer *KDK*  
**COPY:** City Council and City Clerk  
**SUBJECT:** Resolution – Sound Transit Tacoma Link Extension Project Funding Agreement –  
March 21, 2017  
**DATE:** March 10, 2017

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**SUMMARY:**

A resolution authorizing the execution of a Memorandum of Agreement (Funding Agreement) with Sound Transit, relating to the Joint City and Sound Transit Tacoma Link Expansion project for light rail, which establishes the framework for the City's funding obligation for the Tacoma Link Expansion project.

**STRATEGIC POLICY PRIORITY:**

- Ensure all Tacoma residents are valued and have access to resources to meet their needs.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

The Funding Agreement establishes the framework for the City's funding obligation for the Tacoma Link Expansion project for light rail (TLE) project. The TLE project adds 2.4 miles of light rail transportation to the existing Link light rail line. The Funding Agreement leverages use of outside funding sources and in-kind services to reduce the General Fund obligation.

**BACKGROUND:**

In 2008, voters approved Sound Transit 2 (ST2), authorizing substantial extensions of Link light rail throughout the region including the TLE project. ST2 projects require local partner funding participation. In August 2014, the former City Manager and Sound Transit Acting Chief Executive Officer approved a term sheet (Term Sheet) establishing the principles and a framework for negotiation of an agreement (Funding Agreement) pursuant to which the City would fulfill its local partner funding obligations for the TLE project. City and Sound Transit staff have completed negotiation of the Funding Agreement in accordance with the principles and framework set forth in the Term Sheet.

The proposed Funding Agreement memorializes the cooperative relationship between Sound Transit and the City and establishes a Policy Committee, Steering Committee and Technical Advisory Committee to implement project coordination. The current estimated TLE project cost is \$175 million. If approved, this Funding Agreement will commit the City to a base funding obligation of \$43.3 million (approximately 25 percent of TLE project costs). The base funding obligation will increase or decrease by a factor of 4/9<sup>th</sup> when the 60 percent project cost estimate is completed (anticipated to be March or April of this year) and at the close of the project when actual project costs are known. In the event that the 60 percent cost estimate or successful bid exceeds \$185 million, the City and Sound Transit will identify reductions in project scope to reduce the total overall budget to an amount under \$185 million.

The City's funding obligation will be paid in four (4) equal annual installments commencing in the 2019-2020 biennium on January 1, 2019. The annual installments will be calculated based upon the base funding obligation (\$43.3 million) adjusted to add or subtract 4/9<sup>th</sup> any increase or decrease in the project costs estimates when the 60 percent design is completed. Sound Transit will then deduct from that amount the estimated value of the grant agreements, currently equal to \$33 million, and the estimated value of in-kind contributions from the City. The remainder will be divided by four (4) to determine the



amount of each annual installment. Because this project is a public work project, the impacted City utilities will fund the cost of utility relocation work necessitated by this project. At the close of the project, the actual project costs and actual cost of the in-kind utility services will be calculated, which may result in an adjustment, up or down, of the City's total cost obligation.

**ISSUE:**

Projects funded under ST2 require a local contribution. The TLE project is estimated to cost \$175 million and will provide for a 2.4 mile expansion of the Tacoma Link within the City limits. The TLE project will not be funded by Sound Transit in the absence of local participation by the City. Further, Sound Transit will not be able to secure available grant agreements without a binding commitment by the City to a defined contribution. An agreement between the City and Sound Transit is necessary in order for the TLE project to be funded by Sound Transit and its other funding partners. The Funding Agreement was approved by the Sound Transit Capital Committee on March 9, 2017, and will be considered by the Sound Transit Board on March 23, 2017.

**ALTERNATIVES:**

The City Council could decline to approve the Funding Agreement. This would result in Sound Transit withdrawing its support for the TLE project. The City Council could direct staff to negotiate different terms and conditions. This would likely delay the TLE project and result in a loss of grant funding.

**RECOMMENDATION:**

A resolution authorizing the execution of a Memorandum of Agreement (Funding Agreement) with Sound Transit, relating to the Joint City and Sound Transit Tacoma Link Expansion project for light rail, which establishes the framework for the City's funding obligation for the Tacoma Link Expansion project.

**FISCAL IMPACT:**

The fiscal impact will begin in the 2019-2020 biennial budget and is estimated to be in the range of \$43.3 million to \$47.7 million. Based upon an estimated project cost of between \$175 and \$185 million, and the estimated value of available grants, in-kind contributions, and utility work to be paid with utility funds, the total General Fund obligation over the 2019-2020 and 2021-2022 biennial budgets is estimated to be in the range of \$1.1 to \$5.5 million. The overall funding obligation and the portion paid from the General Fund could increase or decrease depending upon the actual costs of the utility work and the actual project costs.