



TO: Elizabeth A. Pauli, City Manager
FROM: Kurtis D. Kingsolver, P.E., Public Works Director/City Engineer *KDK*
COPY: City Council and City Clerk
SUBJECT: Resolution – First Amendment to Tacoma Link Expansion Funding Agreement –
October 31, 2017
DATE: October 13, 2017

SUMMARY:

A resolution authorizing the First Amendment to Tacoma Link Expansion Funding Agreement, relating to the Joint City and Sound Transit Tacoma Link Extension project for light rail, which established the framework for the City's funding obligation for the Tacoma Link Extension project, altering the City's funding commitment so the City's contribution does not exceed \$47.8 million.

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 Tacoma Link Expansion Funding Agreement (Funding Agreement) established 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. The first amendment to the Funding Agreement, if approved, would alter the City's contribution formula not to exceed \$47.8 million.

BACKGROUND:

The existing Funding Agreement, which was adopted by the City Council on March 21, 2017, by Resolution No. 39682, and heard by the Tacoma Public Utility Board at Study Session and adopted by the Utility Board by Resolution No. U-10916, on March 22, 2017, memorialized the cooperative relationship between Sound Transit and the City and established a Policy Committee, Steering Committee and Technical Advisory Committee to implement project coordination. The previous estimated TLE project cost was \$175 million, and the approved Funding Agreement committed the City to a base funding obligation of \$43.3 million (approximately 25 percent of TLE project costs). The base funding obligation would have increased or decreased by a factor of 4/9th when the 60 percent project cost estimate was completed (completed earlier 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. As part of the 60 percent estimate, Sound Transit and the City worked to reduce cost, but the project estimate still exceeded \$185 million. The Sound Transit Board baselined the project cost at \$217.3 million, which exceeded the Funding Agreement commitments. If the amendment is approved, the City's contribution formula would be altered not to exceed \$47.8 million.

ISSUE:

Projects funded under ST2 require a local contribution. The original TLE project was estimated to cost \$175 million and provide for a 2.4 mile expansion of the Tacoma Link within the City limits. As part of the 60 percent design estimate, the project cost exceeded \$175 million. Sound Transit and City staff worked jointly to reduce costs; however, the project cost still remained above \$185 million. The proposed amendment alters the formula for the City's contribution so that it does not exceed \$47.8 million.



ALTERNATIVES:

The City Council could decline to approve the first amendment to the Funding Agreement. This may result in Sound Transit withdrawing its support for the TLE project or delaying the project until additional funding is available and may still have the same financial impact. 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 First Amendment to Tacoma Link Expansion Funding Agreement, relating to the Joint City and Sound Transit Tacoma Link Extension project for light rail, which established the framework for the City's funding obligation for the Tacoma Link Extension project, altering the City's funding commitment so the City's contribution does not exceed \$47.8 million.

FISCAL IMPACT:

The fiscal impact will begin in the 2019-2020 biennial budget and is estimated to be approximately \$47.8 million. Based upon 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.