



Resolution No. R2022-03

Budget Amendment for Hilltop Tacoma Link Extension

Meeting:	Date:	Type of action:	Staff contact:
System Expansion Committee Board	02/10/2022 02/24/2022	Recommend to Board Final action	Ron Lewis, DECM Executive Director Madeleine Greathouse, Project Director – Hilltop Tacoma Link Extension

Proposed action

Amends the Adopted 2022 Budget for the Hilltop Tacoma Link Extension to provide funding required to complete the extension to meet the forecast revenue service date by a) increasing the authorized project allocation by \$30,000,000 from \$252,746,000 to \$282,746,000, and b) increasing the adopted 2022 annual project budget by \$30,000,000 from \$36,475,000 to \$66,475,000, partially offset by \$20,700,000 in secure American Rescue Plan federal grant funds.

Key features summary

- Since construction began in late 2018, the project has encountered significant delays which have consumed remaining project float. Key contributing factors include owner-initiated design revisions resulting in change orders, third party coordination requirements, and contractor challenges meeting planned production rates.
- Staff performed a quantitative risk assessment in May 2021 which indicated a high probability of up to seven months delay to the project revenue service date of May 2022 and cost increases as a result. Staff advised the Board in October 2021 of the high probability of delay to the baseline revenue service date and confirmed associated cost impacts.
- Staff performed another quantitative risk assessment in January 2022 which confirmed the previous findings, indicating a high probability the project would exceed the baseline budget and revenue service would be delayed.
- The proposed budget amendment represents a 12 percent increase over the adopted budget and up to ten-month delay to the baseline revenue service date.
- The financial plan includes allocation of \$20,700,000 American Rescue Plan federal grant funds to Hilltop Tacoma Link Extension already secured for the project.
- Should the Board approve this action, Sound Transit will request from the Federal Transit Administration a Single Year Grant Agreement (SYGA) extension to revenue service date. The SYGA currently identifies a September 2022 revenue service date.
- Construction on the Hilltop Tacoma Link Extension is currently 91 percent complete. Remaining work includes completion of station equipment and furnishing installations, roadway restoration, systems, and testing and commissioning. The critical cutover between the existing alignment and extension is scheduled for 3Q 2022.

- Production of the five light rail vehicles is currently 70 percent complete. The first vehicle is scheduled for shipment to Tacoma in early March 2022.
- Increased costs in Administration, Design, and Construction phases are due to:
 - Delay to substantial completion of construction and the start of revenue service attributed to ongoing owner initiated design revisions resulting in change orders, third party coordination requirements, and contractor challenges meeting planned production rates.
 - Additional agency administrative level of effort required to support the project through completion and project closeout activities.
 - Additional design support during construction, which includes systems engineer of record support for testing and commissioning to supplement agency staff.
 - Additional construction management support, which includes schedule and increased inspection support. Agency and consultant support of the project is required through completion of construction and during project closeout phase.
- Increased costs in the Vehicle phase are due to:
 - Settlement of claims regarding unanticipated delays and increased production costs.
 - Extended duration of testing and inspection services due to delay to vehicle delivery schedule.

Background

The Hilltop Tacoma Link Extension is a 2.4 mile extension of light rail from the Theater District in downtown to the Hilltop neighborhood in Tacoma. The extension will travel at-grade, in-street with traffic along Stadium Way, North 1st Street, Division Avenue, and Martin Luther King Jr. Way. The project includes six new stations, relocates the Theater District Station, expands the existing Tacoma Operations and Maintenance Facility (OMF), and provides for additional light rail vehicles.

The current revenue service date is May 2022. With this action, revenue service for the extension is forecast for Q1 2023.

In July 2019, the Sound Transit Board approved Resolution No. R2019-18, authorizing phase budget transfers from Right of Way and Vehicles to Construction in order to fund the construction contract. The presentation at the July 2019 Board of Directors meeting, staff highlighted the challenges of utility relocation as presenting the largest risks from a cost perspective. Staff indicated that additional risk assessments would be necessary to determine confidence levels of project contingency levels.

In December 2019, as part of the Proposed 2020 Budget, the Board authorized remaining project contingency funds within the project budget be allocated to the project's major construction contract. Staff informed the Board that additional project funding would be required to complete the project and this request would follow in Q2 2020.

In June 2020, the Board authorized an additional \$35,400,000 in project funding required to complete the project. This action followed a quantitative risk assessment in April 2020, which confirmed the need for additional funding of approximately 16 percent over the baseline budget. At that time, the forecast revenue service date remained unchanged as May 2022 and included one month of project schedule float.

In May 2021, project staff performed an additional quantitative risk assessment. The risk model output indicated a low likelihood the project would be delivered by the baseline revenue service date of May 2022 and within the current approved budget of \$252,746,000. Project staff reported these findings to

the System Expansion Committee in October 2021 and advised the committee the project cost and schedule would be confirmed at the January 2022 quantitative risk assessment.

The January 2022 quantitative risk assessment validated previous findings regarding project schedule and cost challenges. Delays beyond the baseline revenue service date are attributable to impacts to activities on the project’s critical path. A majority of these impacts were experienced during the utility relocation phase of the project. Subsequent schedule impacts are associated with the volume of change orders related to design revisions and the contractor’s rate of progressing the work. The delay to the baseline revenue service date results in increased project costs in construction, construction related consultant services, and agency administration costs. The delay to the vehicle delivery schedule requires an extended level of effort for the vehicle inspection and testing consultant.

Project status

Project Identification	Alternatives Identification	Conceptual Engineering/ Draft EIS	Preliminary Engineering/ Final EIS	Final Design	Construction
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Projected completion date for Construction: 4Q 2022

Project scope, schedule and budget summary are located on pages 62 of the December 2021 Agency Progress Report.

Fiscal information

This action increases the baseline budget without adding scope.

The baseline budget for the Hilltop Tacoma Link Extension is \$252,746,000. The action would increase the baseline budget by \$30,000,000 to \$282,746,000 for increased agency administration, construction, final design, construction services, vehicles, system testing and start-up, and administrative costs. Additionally, this action would also increase the annual budget by \$30,000,000 in the agency administration, construction, final design, construction services, vehicles, system testing and start-up phase of project activities.

The estimated cost increase has a small impact on available debt capacity (0.3% decrease in the lowest year); however, this is not considered a material impact to affordability for the Agency, sub-areas, or any other project. The \$30,000,000 in additional funding needed for the project would be largely offset by a \$20,700,000 American Rescue Plan grant funds already secured for the project.

Hilltop Tacoma Link Extension

(In Thousands)

Project Phase	Annual Project Budget			Baseline Budget		
	Adopted 2022 Annual Project Budget	Budget Revision	Revised 2022 Annual Project Budget	Baseline Budget (Current)	Change	Revised Baseline Budget
Agency Administration	\$3,268	\$7,164	\$10,432	\$21,678	\$7,260	\$28,938
Preliminary Engineering		0	0	5,559	0	5,559
Final Design	424	1,955	2,378	14,269	1,955	16,224
Third Party Agreements	359		359	1,466	(70)	1,396
Right of Way	0		0	1,940	(26)	1,914
Construction	20,911	7,872	28,783	156,926	7,872	164,798
Construction Services	1,220	4,469	5,690	12,190	4,469	16,659
Vehicles	8,843	6,315	15,158	33,392	6,315	39,707
System Testing + Startup	1,449	2,225	3,674	5,326	2,225	7,551
Contingency			0			
Total	\$36,475	\$30,000	\$66,475	\$252,746	\$30,000	\$282,746

Notes:

Amounts Are expressed in Year of Expenditure.

For detailed project information, see page 100 in the 2022 Finance Plan and Adopted Budget Book.

Disadvantaged and small business participation

Not applicable to this action.

Public involvement

Not applicable to this section.

Time constraints

A one-month delay would impact the construction phase of the project by limiting ongoing construction contract administration and design support during construction efforts.

Prior Board/Committee actions

Resolution R2020-12: Amended the Adopted 2020 Budget by increasing the Hilltop Tacoma Link Extension baseline budget by \$35,400,000 from \$217,346,000 to \$252,746,000 to provide funding required to complete the project to meet the planned revenue service date.

Resolution No. R2019-18: Transferred \$1,468,120 from the Contingency phase to the Final Design phase of the Adopted 2019 Budget for the Hilltop Tacoma Link Extension, while maintaining the baseline budget of \$217,346,000.

Environmental review – KH 1/28/22

Legal review – JEN 02/08/22



Resolution No. R2022-03

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority amending the Adopted 2022 Budget for the Hilltop Tacoma Link Extension to provide funding required to complete the extension to meet the forecast revenue service date by a) increasing the authorized project allocation by \$30,000,000 from \$252,746,000 to \$282,746,000, and b) increasing the adopted 2022 annual project budget by \$30,000,000 from \$36,475,000 to \$66,475,000, partially offset by \$20,700,000 in secure American Rescue Plan federal grant funds.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under chapters 81.104 and 81.112 of the Revised Code of Washington (RCW) for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Sound Transit district on November 5, 1996, November 4, 2008, and November 8, 2016, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, the Hilltop Tacoma Link Extension is a 2.4-mile extension of light rail from the Theater District in downtown to the Hilltop neighborhood in Tacoma. The extension will travel at-grade, in-street with traffic along Stadium Way, North 1st Street, Division Avenue, and Martin Luther King Jr. Way. The project includes six new stations, relocates the Theater District Station, expands the existing Tacoma Operations and Maintenance Facility (OMF), and provides for additional light rail vehicles; and

WHEREAS, the Sound Transit Board selected the project route, stations, and operations and maintenance facility expansion site on November 19, 2015. In September 2017, the Sound Transit Board established the baseline budget and schedule for the project; and

WHEREAS, the authorized project allocation was increased in 2020 through Resolution No. R2020-12 to increase the contract contingency for the construction contract in order to complete the project and supplement project phase budgets to support agency and consultant staffing levels from the completion of construction through project closeout; and

WHEREAS, staff performed a quantitative risk assessment in May 2021 which indicated a high probability of delay to the project revenue service date of May 2022 and cost increases as a result and staff advised the Board in October 2021 of the high probability of delay to the baseline revenue service date and confirmed associated cost impacts; and

WHEREAS, staff performed another quantitative risk assessment in January 2022 which confirmed the previous findings, indicating a high probability the project would exceed the baseline budget and revenue service would be delayed; and

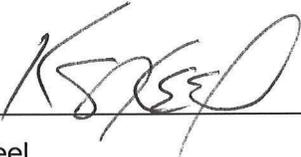
WHEREAS, the increase of project budget is needed to provide funding required to complete the extension to meet the forecast revenue service date of the first quarter of 2023; and

WHEREAS, the project is currently 91 percent complete and remaining work includes completion of station equipment and furnishing installations, roadway restoration, systems, and testing and commissioning; and

WHEREAS, the financial plan includes allocation of \$20,700,000 American Rescue Plan federal grant funds to Hilltop Tacoma Link Extension which would partially offset the increase.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that the Adopted 2022 Budget for the Hilltop Tacoma Link Extension is amended to provide funding required to complete the extension to meet the forecast revenue service date by a) increasing the authorized project allocation by \$30,000,000 from \$252,746,000 to \$282,746,000, and b) increasing the adopted 2022 annual project budget by \$30,000,000 from \$36,475,000 to \$66,475,000, partially offset by \$20,700,000 in secure American Rescue Plan federal grant funds.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on February 24, 2022.



Kent Keel
Board Chair

Attest:



Kathryn Flores
Board Administrator