



**COMMISSION
AGENDA MEMORANDUM**

Item No.

8d

ACTION ITEM

Date of Meeting

May 22, 2018

DATE: May 15, 2018

TO: Stephen P. Metruck, Executive Director

FROM: Eric ffitich, Manager, State Government Relations
Geraldine Poor, Manager, Regional Transportation

SUBJECT: Memorandum of Understanding with Washington State Department of Transportation regarding the Puget Sound Gateway Program

ACTION REQUESTED

Request Commission authorization for the Executive Director to sign a Memorandum of Understanding (MOU) in substantially the form attached with the Washington State Department of Transportation (WSDOT) and other Local Agency Partners to formally outline the plan and schedule for local entities providing matching funds for the construction of the Puget Sound Gateway Program.

EXECUTIVE SUMMARY

The MOU with WSDOT formally puts the Commission on record as pledging up to a \$30 million contribution to the Puget Sound Gateway Program. The Port's finance department has this in the Plan of Finance as seven equal payments, set to begin in 2023. The \$30 million contribution is equal to the amount the Port of Tacoma will pledge to the Program through the MOU. The MOU document has been reviewed by the Port's finance and legal departments.

In July 2015, the Washington State Legislature and Governor Inslee acted to fund the Gateway Program through the Connecting Washington revenue package. The Gateway Program is comprised of two projects: the State Route 167 Completion Project and the State Route 509 Completion Project. These projects provide essential connections to the ports of Tacoma and Seattle and will help ensure people and goods move more reliably through the Puget Sound region.

The funding package for the Puget Sound Gateway Program totals \$1.875 billion, and includes the following sources: gas taxes, tolls, local contributions, and potential federal and state grants. The local match component requires the local agency partners that are served by, or benefit from, the two roadways to secure funding to leverage state program investments.

In 2017, the Washington State Legislature included language in the transportation budget for the 2017-2019 biennium directing WSDOT to develop an MOU with local jurisdictions that

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formally outlines the plan and schedule for the local funding contribution toward the Gateway Program. As currently drafted, the MOU includes the state, Port of Seattle and Port of Tacoma, both King County and Pierce County and 13 local agency partner cities.

The Port of Seattle has participated in the Puget Sound Gateway Program Executive Committee, where Commissioner Creighton was the initial representative, followed by Commissioner Steinbrueck, the current representative. Generally, the completion of SR 509 and the inclusion of the Puget Sound Gateway Program in the 2015 Connecting Washington package have been priorities for the Port of Seattle. In 2017, Commissioner Creighton and then-Commission President Albro discussed with their colleagues on the Commission the proposed Port of Seattle contribution of \$30 million to the Program, and received informal concurrence though not accompanied by official Commission action.

As such, authorizing the Executive Director to sign this MOU would be the first official action the Port would take to pledge financial support to the Gateway Program. However, the action will not officially obligate the Port funds. As with past transportation funding participation, Port funds would be obligated through an Interlocal Agreement between solely the Port of Seattle and WSDOT. That Interlocal Agreement is anticipated closer to the two stages of funding need in 2023 and 2025. WSDOT would develop such interlocal agreements with each of the Local Agency Partners.

JUSTIFICATION

The Port of Seattle and the Northwest Seaport Alliance consider the completion of the Gateway to be critical to a vital freight corridor that supports the movement of goods to and from our seaport facilities and our Seattle-Tacoma International Airport. The program provides direct freight links between our facilities and key distribution centers, and also improves regional mobility for goods that arrive in the Puget Sound from Eastern Washington and states along the US supply chain's northern tier that are bound for international destinations.

In addition to the economic benefits of improved freight mobility, any upgrades to the transportation network in the congested Puget Sound region have significant community benefits as well. Communities in South King County, around the SR 509 corridor, have seen the challenging impacts of passenger and cargo growth through the airport and in the region as a whole. Upgrading the transportation network that serves their community, is another important reason the Port has supports the Gateway Program.

WSDOT's consultants have prepared a "Benefits Assessment" for each of the project partners, including the Port of Seattle. The Port has assisted in the review and development and that document will be included in the Interlocal Agreement to provide justification of the Port's investment.

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Schedule

According to the Washington State Legislature, the local match requirement comes due beginning in 2023. The MOU calls for the initial Port contribution of \$15 million “expected in 2023-2025.” The second payment of \$15 million is anticipated on or after 2025, according to the language in the MOU.

Annual Budget Status and Source of Funds

The \$30 million Port contribution is currently written into the Port’s Plan of Finance. It is separated into seven equal installments, and scheduled to begin in the year 2023. The funding source for this agreement would be the tax levy or general obligation bonds.

The 2023-2029 timeframe for the Port contribution is based on the timeline put forward by the Washington State Legislature in their 2017-2019 transportation budget. That budget requires the local match for the Gateway Program to be received by the Department of Transportation beginning in the 2023 budget year.

ADDITIONAL BACKGROUND

State and regional grants-focused strategy: Following the passage of the budget language in the 2017 legislative session calling on WSDOT to develop an MOU with local funding partners, WSDOT hired a consultant team to help determine how local municipalities could develop funding to meet the local match requirement.

This team is leading the effort to secure grant funding through various sources – Puget Sound Regional Council FHWA funds; Freight Mobility Strategic Investment Board; and Transportation Improvement Board – by which local entities could meet the state matching requirement. They have identified “nexus projects,” distinct program components of the Gateway program that would be good candidates for grants, and have begun helping local jurisdictions apply.

The Port has provided letters of support to grant applicants, and appeared as requested alongside WSDOT in a grant application presentation to the PSRC review committee.

Federal grant strategy: WSDOT has applied through the federal INFRA program for federal grand funding, submitted in November 2017. Award announcements are anticipated in June 2018, and WSDOT believes Puget Sound Gateway has a strong and highly competitive application. However, if this is not successful, there are additional rounds of BUILD or TIGER rounds to apply again. Both the Port of Seattle and NWSA provided a letter of support with the INFRA grant application.

ATTACHMENTS TO THIS REQUEST

- (1) Draft Memorandum of Understanding document
- (2) Presentation slides

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 22, 2017 – The Commission convened a roundtable on “Increased Travel to and from the Airport over the next 20 years” which included a briefing from WSDOT Puget Sound Gateway Program Administrator Craig Stone on the Gateway Program.

January 27, 2015 – The Commission was briefed on state, local, and federal priorities for the upcoming year. That briefing named “Advocacy for transportation funding to complete SR-509 and SR-167” as a key issue.

March 5, 2013 – The Commission authorized staff to “continue to advocate for Port interests as the 2013 Washington Legislature considers proposals for necessary investments in transportation.” That included a recommendation from staff that the Port continue to advocate for state funding for the completion of State Route 509.