MEMORANDUM

To: Kurt Triplett, City Manager
From: Kyle Butler, Sr. Operations & Financial Analyst
Kathy Brown, Public Works Director
Date: June 22, 2017
Subject: Advance Construction funding for 124th Avenue NE Roadway

RECOMMENDATION:

City Council to provide feedback to staff on the planned use of “Advance Construction” funding to begin design work on the 124th Avenue NE Roadway & Intersection CIP projects.

BACKGROUND DISCUSSION:

There are two City of Kirkland design-only projects along 124th Avenue NE (Attachment A) that have been approved by the Puget Sound Regional Council for Statewide Transportation Improvement Program (STIP) funding:

- Roadway improvements along 124th Avenue NE, between NE 116th and NE 120th Streets, and
- Intersection improvements for the north leg of the intersection at 124th Avenue NE and NE 124th Street.

Although both project scopes are for design only, the projects are eligible for “Advance Construction,” a term used by the Federal Highway Administration (FHWA). Advance Construction is an optional funding tool that is available for projects that are eligible for Federal funds as part of the STIP. This tool allows the City to incur costs on a project and submit that amount later for Federal reimbursement, if the approved project has appropriated Federal funding. The Puget Sound Regional Council (PSRC) administers the fund eligibility process for the STIP project list, while the Washington State Department of Transportation (WSDOT) administers the disbursement and reimbursement of Federal STIP funds. PSRC has confirmed that Kirkland’s 124th Ave NE roadway and intersection design projects are on its approved 2017-2020 FHWA Funding list for the STIP. A total of $1,378,500 has been allocated to the 124th Ave NE design projects. PSRC approval of these projects on the 2017-2020 project list makes these projects eligible for Advance Construction. If the City decides to pursue Advance Construction it would identify local funds to use for work now and notify PSRC and WSDOT of the intent to use the Advance Construction tool. WSDOT would then work with the FHWA to gain authorization for the projects to use Advance Construction. Once authorized, the City can begin
work using local funds, and if/when 2018 Federal funds become available WSDOT will notify the City that it can begin submitting for reimbursements, which could occur as early as October 2017 for the Federal fiscal year 2018, but is dependent on the 2018 Federal budget process.

There are several reasons staff finds it most prudent to use the Advance Construction funding tool to begin design of the 124th Avenue NE roadway and intersection projects:

- The projects are vitally important to the rapid development in the Totem Lake area, so much so that staff would recommend doing these projects even if grant funding were not forthcoming.
- The projects have already been approved by PSRC with funding availability pending Federal approval.
- It will soon be known whether or not Federal funding is available; reimbursements could occur as soon as October.
- Between now and availability of Federal funding, there is little time to spend significant amounts on design; therefore, the risk to the City is limited (it is estimated that roughly $30,000 could be spent between now and October) while there is great benefit for beginning the consultant selection process as soon as possible.

It is important to note that Advance Construction carries both benefits and risks for the City. The primary benefit is that work can begin sooner which helps mitigate future cost escalation throughout the life of the project. The risks are 1) that Federal funds may not be available in a sufficient amount to fund all projects on PSRC’s 2018 STIP eligibility list due to a potential Federal budget cut, or 2) infrastructure funds are not available due to a delay in the Federal budget process. PSRC staff has analyzed the risk and they are reasonably confident that the 2018 STIP program for the Puget Sound region will receive its full programed amount of $51 million in the 2018 Federal budget. As previously noted, Kirkland staff would recommend proceeding with design of these projects, even in federal grant funding does not materialize. If no funding became available, staff would return to Council with CIP funding options for these projects in 2018.

The table below summarizes the approved STIP funding allocations for the two projects on 124th Avenue NE.

<table>
<thead>
<tr>
<th>2018 Advance Construction Eligible Projects</th>
<th>Project Funding</th>
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<tbody>
<tr>
<td>Project #</td>
<td>Project Title</td>
</tr>
<tr>
<td>ST 0059 101</td>
<td>124th Ave NE Roadway Improvements (North Section) Design</td>
</tr>
<tr>
<td>TR 0091 101</td>
<td>NE 124th St/124th Ave NE Intersection Improvements Design</td>
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<td><strong>Total:</strong></td>
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Funding Notes:

- An administrative letter electing to use Advance Construction is necessary in order to proceed with consultant selection, since it maps out a funding plan to pay for the work while the grant obligation is pending.
- Staff proposes that Advance Construction will identify General Capital Contingency funds to backfill STIP funds as interim funding until the STIP funds are available and obligated.
- Impact fees make up the City’s local match portion of the projects and will be spent in proportion to the funding plan above, with General Capital Contingency being spent in place of STIP funds until they are reimbursed.

Next Steps:

Unless provided different guidance from City Council, staff plans to use monies in the General Capital Contingency to pay for planning and design work for the 124th Avenue NE Roadway and the NE 124th Street/124th Avenue NE Intersection projects and seek reimbursement once grant funding is appropriated by the Federal government. As all General Capital Contingency funds are entirely housed in the General Capital Projects fund, a portion would need to be transferred to the Transportation Capital Fund to allow access for interim Transportation project expenses. This approach would serve the dual purposes of providing short term bridge financing for the anticipated federal grants while also redistributing the capital contingency monies to the transportation program, which constitutes the largest portion of the 2017-2022 CIP.

The projects will be managed following all Federal grant tracking rules in order to submit expenses for reimbursement when WSDOT notifies the City that 2018 Federal funds have been obligated to the projects, which could be as early as October 2017.

Attachment A – Vicinity Map
124th Ave NE Roadway Improvement & NE 124th Street/124th Ave NE/ Totem Lake Blvd Intersection Improvements

- Totem Lake Mall Redevelopment
- Evergreen Medical Center
- Planned for Mixed-Use Development
- Totem Lake Blvd
- Cross Kirkland Corridor
- NE 124th St
- KE 124
- NE 116th St
- NE 120th St
- 124th Ave NE
- NE 124th St
- Slater Ave NE
- 530
- 520
- 500
- 250
- 0

- Urban Center Boundary
- Cross Kirkland Corridor
- Project Location
- Freeway
- Park & Ride
- Transit Center

Kirkland Received Grant for Intersection Improvements at 116th & 124th

Recently Developed Mixed Use

Sidewalk Improvements on 124th Ave NE South of NE 116th St Planned for 2018 Construction

Intersection Improvement

124th Ave NE – Proposed

Regional STP Project Map
Kirkland Public Works Department
March 11, 2016
Stephen Padua, AICP

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