



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

The Inspector General

Office of Inspector General
Washington, D.C. 20590

July 7, 2003

The Honorable Patty Murray
Ranking Minority Member
Subcommittee on Transportation, Treasury and
General Government
Committee on Appropriations
United States Senate
Washington, DC

Dear Senator Murray:

In response to a June 11, 2002 request from the former Chairman of the House Subcommittee on Transportation and Related Agencies, Committee on Appropriations, enclosed is our report on the Initial Segment of the Seattle Central Link Light Rail Project. The Initial Segment replaces the University Link proposed in 1996 and approved for a \$500 million Full Funding Grant Agreement (FFGA) by the former Secretary of Transportation in January 2001. Our April 4, 2001 report on the University Link disclosed that at the time the project was approved, major changes to the project's tunnel alignment were being discussed, the project's cost exceeded original estimates by \$1 billion, and its revenue operation date had increased by 2 ½ years. We recommended that the project not be funded until Sound Transit identified and disclosed all issues that could materially impact the project's cost, schedule, and scope.

Acting on the report's recommendations the current Secretary of Transportation held funding for the project in abeyance until a number of financial and timing issues were resolved and Congress had time to adequately review the grant agreement. Since that time, Sound Transit has significantly changed its plans for the first section of the light rail system, now called the Initial Segment.

This report addresses the reasonableness of the Initial Segment's cost, schedule, and funding sources, Sound Transit's resolution of safety issues involving bus and train operations in the downtown bus tunnel and the project's compliance with stand-alone segment requirements for the FFGA. We were not requested to evaluate nor are we rendering an opinion on the merits of other transportation alternatives, such as building a monorail, or FTA's criteria for rating the benefits of the Initial Segment.

We also did not assess Sound Transit's plans for future segments of the Central Link Light Rail, as they are not the subject of this FFGA.

We are reporting that Sound Transit has significantly strengthened its proposal for constructing the project's first segment. FTA has also provided strong oversight of Sound Transit's plans for the Initial Segment and has done a good job of examining the project's scope, cost, funding, and schedule. At this time, we find the Initial Segment's cost, schedule and funding representations to be reasonable for a project in the final design stages. Further, Sound Transit has established a contingency for the project that is considered acceptable by industry standards and consistent with contingency funds on other projects, such as the Woodrow Wilson Bridge in Washington, D.C.

Moreover, Sound Transit has adequately addressed the safety issues related to operating buses and trains in the tunnel and has met FTA's requirements for a stand-alone system, even though the Initial Segment stops 1.6 miles short of the Sea-Tac International Airport. However, we believe the airport would be a more logical end point for the segment, thereby increasing the segment's ridership and enhancing the Federal funding justification for the project. We note that Sound Transit and the Port of Seattle have announced an agreement to complete an extension to the airport by 2011—2 years after the Initial Segment is completed.

Although we find the Initial Segment's cost, schedule and funding to be reasonable based on its current stage of development, we identified several risks that will need to be monitored and appropriately addressed as the project proceeds through construction. For example, our experiences with other projects have shown that cost escalation and delays are risks for projects in the design phase that face complex design and construction issues, such as those inherent in the Initial Segment. Key to minimizing these risks will be close monitoring of: remaining right-of-way acquisitions; agreements with the Washington State Department of Transportation and the railroads involving construction of the Tukwila Freeway section; coordination of utility relocations; and environmental mitigation measures arising from tunneling on Beacon Hill. Sound Transit is working to secure the necessary agreements and is identifying tunneling risks by constructing an exploratory test shaft.

We also note that an important revenue source for the project--the 0.3 motor vehicle excise tax pledged to Sound Transit and included in its Finance Plan--was repealed by Initiative 776 in November 2002. The constitutionality of Initiative 776 is currently on appeal to the Washington State Supreme Court. Although considered unlikely by Sound Transit, a court ruling that the Initiative is constitutional could give rise to future litigation over Sound Transit's use of the motor vehicle excise tax, creating uncertainty over the status of this revenue source for the Initial Segment.

However, it is not our place to sort through all of the legal arguments; they are properly before the Supreme Court of Washington and its lower courts.

To protect the taxpayer's interests under these circumstances, we are recommending that Sound Transit's Board of Directors formally agree, in advance of final approval of the FFGA, that: (1) alternative local revenues will promptly be committed to the project if and to the extent that a funding deficit or shortfall is occasioned by the loss of excise tax revenues and related fees, and (2) Sound Transit's Finance Plan will be amended promptly to reflect this commitment and identify alternative revenue source(s) in the event it is determined that motor vehicle excise taxes and related fees are no longer collectible. FTA concurred with the recommendation, stating that it will not execute the FFGA prior to written notification from the Board of its agreement.

As directed by Congress in the Committee Reports accompanying Department of Transportation Appropriations Acts, the Office of Inspector General must "withhold from public distribution for a period of 15 days any final audit or investigative report which was requested by the House or Senate Committees on Appropriations." Therefore, we will not publicly release this report until 15 days after the date of issuance, or unless otherwise made public by either the House or Senate Appropriations Committees.

If I can answer any questions or be of any further assistance, please feel free to contact me at (202) 366-1959, or my Deputy, Todd J. Zinser, at (202) 366-6767.

Sincerely,



Kenneth M. Mead
Inspector General

Enclosure