

Highlights

Why We Did This Audit

The city has a large stake in this project's success and is working with multiple partners to fund and operate KC Streetcar. The city issued bonds to pay for this system and has committed ongoing resources to its successful operation.

The city, as a recipient of federal funds, is required to ensure compliance with Federal Transit Administration regulations during the life of the project.

Our work focused on evaluating whether the tri-party agreement governing KC Streetcar protects the city's interests in KC Streetcar.

Background

The city is constructing an approximately \$100 million, 2 mile streetcar system from the River Market to Union Station. The city received \$37 million in grants from the FTA for the construction of the system and acquisition of vehicles. KC Streetcar is expected to begin operating in early 2016.

The city entered into a tri-party agreement with a voter approved transportation development district and a city-created non-profit, the Kansas City Streetcar Authority, Inc. that details the funding, design, construction, and ongoing operations and maintenance of the system.

For more information, contact the City Auditor's Office at 816-513-3300 or auditor@kcmo.org.

To view the complete report, go to kcmo.gov/cityauditor and click on Search Audit Reports.

PERFORMANCE AUDIT

Public Private Partnership: KC Streetcar

What We Found

The Federal Transit Administration (FTA) considers Kansas City Streetcar Authority, Inc. (KCSA) a no-bid third party contractor because it was appointed, rather than selected through a competitive process, to its roles within the tri-party agreement. FTA's current interpretation of the city's relationship with KCSA makes the city ineligible for operational grants on the KC Streetcar starter line. Because a local funding mechanism exists for operations, the city has not used and does not plan to apply for FTA operational grants on the KC Streetcar starter line and thus is not in conflict with any current FTA grant agreements.

However, KCSA's planned role as the city's agent to procure revenue contracts and receive and expend funds from those contracts could potentially risk conflicting with FTA grant agreements. The FTA requires recipients of revenue contracts or entities who will expend funds generated from FTA assisted assets (like the streetcar) to be procured through a competitive process. FTA could consider this a conflict with grant regulations because they view KCSA as a no-bid third party.

The tri-party agreement includes many recommended practices for public private partnerships such as identifying relevant regulations, recognizing project risks, requiring a strategic plan, public agency control and ownership, and clearly defined roles and responsibilities.

The tri-party agreement does not include some recommended practices that would better protect the city's interest. City management does not have a process to conduct periodic assessments of the public private partnership with KC Streetcar. The streetcar budget is not clearly presented in the city's annual budget. Streetcar revenues are planned to be deposited into KCSA's accounts instead of city accounts. The tri-party agreement does not identify key performance indicators to monitor KC Streetcar's accomplishment of goals and objectives.

What We Recommend

Our recommendations are directed towards:

- Reducing the city's risk of potentially conflicting with FTA grant agreements.
- Incorporating recommended practices to periodically assess the public private partnership, make the budget process clearer, improve the city's ability to account for its revenues, and monitor KC Streetcar performance.

Management agreed with the recommendations. Management also reported they have initiated actions to reduce the risks of conflicting with FTA grant agreements and ensure streetcar revenue is deposited into city accounts.