CENTRAL WATERFRONT, SEAWALL AND ALASKAN WAY VIADUCT REPLACEMENT PROGRAM COMMITTEE

Elliot Bay Seawall and Basic Waterfront Infrastructure: Project Funding and Financing

May 29, 2012

OUTLINE

- Funding Needed for Elliott Bay Seawall and Basic Waterfront Infrastructure
- Types and Uses of City Debt
- Debt Policies and Practices
- Legal Debt Capacity
- Practical Debt Capacity
- Major Capital Funding Needs
- Potential Funding Approaches
- Seawall Funding

Funding Needed to for Elliott Bay Seawall and Basic Waterfront Infrastructure

Program Element		
Seawall Replacement (including temporary roadway)	$300	million
Restoration of City-Owned Waterfront Piers	$80	million
Property Acquisition (for construction staging and temporary parking replacement)	$15	million
Viaduct Demolition and Construction of Permanent Roadway	$290	million
Subtotal - Costs	**$685**	**million**
Minus Secured Funding		
Flood District	($30)	million
Previous City appropriations	($30)	million
Viaduct Demolition and Construction of Permanent Roadway	($290)	million
Net Funding Needed	**$335**	**million**

- Focus today is on basic infrastructure restoration. Funding for additional waterfront investments to be discussed at an upcoming meeting.
- Seawall Replacement project includes temporary waterfront roadway.
- WSDOT's Alaskan Way Replacement Program includes demolition of Viaduct and rebuild of permanent road.
- Pier restoration includes . . .

Restoration of City-Owned Waterfront Piers

Need: Piers 58 (Waterfront Park) and 62/63 are in a deteriorated condition that creates public safety concerns:

- *Use of Pier 62/63 is already restricted.*
- *There are significant seismic risks with Pier 58.*

Scope: Restoration would include demolition and reconstruction of seismically and structurally sound piers.

Timing: Work done in conjunction with Seawall would minimize disruption along waterfront:

- *Can be implemented as a stand alone project, prior to AWV demolition.*
- *Construction could begin as early as 2015.*

Cost: *Preliminary* estimates show a cost of $80 million for basic restoration of Piers 58 and 62/63.

Benefits:

- *Public safety - address structural deficiencies and seismic risks.*
- *Preserve existing infrastructure.*

Types and Uses of City Debt:

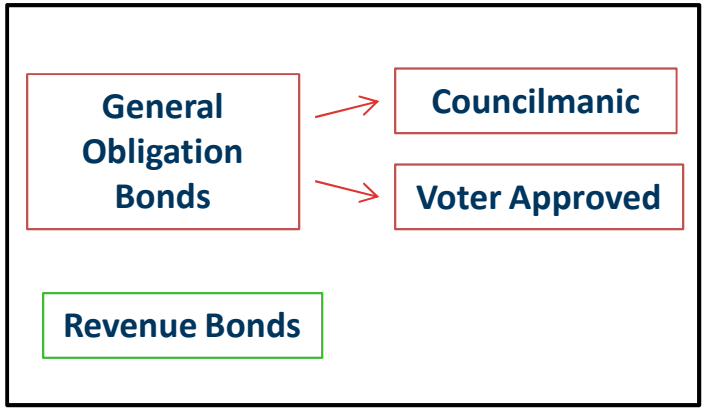
How to fund and finance $335 million of infrastructure?

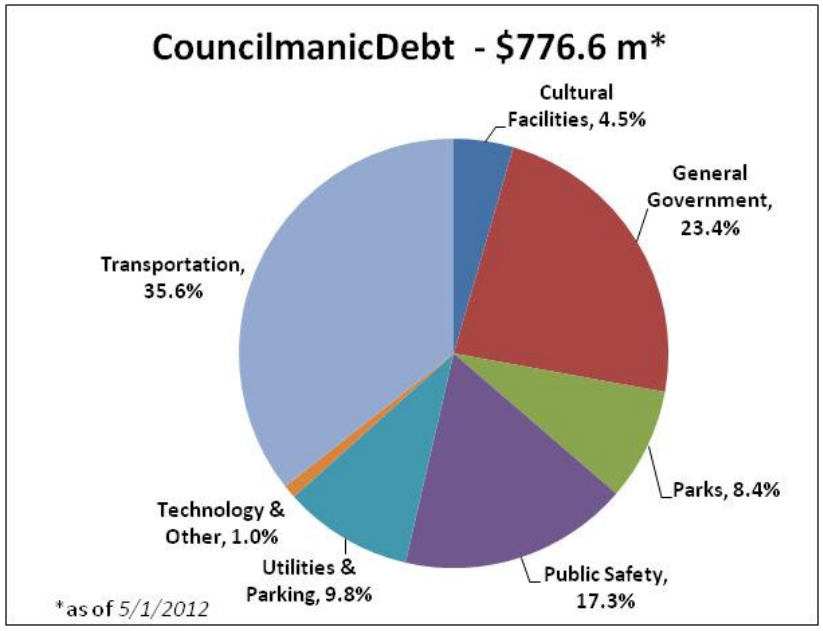
- Two general types of debt used by the City to finance its capital programs are General Obligation Bonds and Revenue Bonds. Revenue bonds are used by the utilities.

- Two types of General Obligation bonds are Councilmanic bonds and Voter-Approved bonds.

- Interest and principal on Councilmanic bonds are paid from general government revenues. Some of this debt is "self-supported", in that it is supported by internally dedicated resources (e.g. commercial parking taxes or BTG levy).

- Interest and principal on Voter-Approved bonds are paid from an increase in property tax revenues. This approach provides both a financing mechanism and a direct funding source.





Debt Policies and Practices

- City debt policies and practices have been intentionally conservative and sustainable.
  - *General government CIP largely financed on pay-as-you-go basis.*
  - *Modest debt burden.*
  - *Modest share of revenues dedicated to debt service (~6% of General Fund).*
  - *Rapid amortization (repayment of debt).*
- The City has issued an average of only $66 million of new Councilmanic bonds per year since 2005.
- Together with a strong local economy, these conservative policies and practices translate into high bond ratings and low cost of borrowing - "AAA" rating and effective interest rate of less than 3% on last Councilmanic debt issue.
- Note that at $335 million the scale of the Seawall and related infrastructure is *well* beyond recent Councilmanic debt issuances.

Annual Councilmanic Bond Issues:

Issue	Amount ($M)
2005	58.1
2006	22.7
2007	36.4
2008	85.0
2009	95.5
2010	86.8
2011	79.2

Understanding the City's Legal Debt Capacity

- Legal debt capacity is tied to the City's total assessed value (AV).
- Separate limits for Councilmanic and Voter-Approved debt.
- Significant legal capacity exists for both Councilmanic and Voter-Approved debt. And capacity will increase as AV grows.

	Councilmanic	Voter-Approved for General Purposes
Percent Limit	1.5%	1.0%
Dollar Limit ($ million)	$1,763	$1,175
Less Current Debt and Other Obligations	($911)	($108)
Less Emergency Reserve ($ million)	($212)	N/A
Available Capacity ($ million)	**$640**	**$1,067**

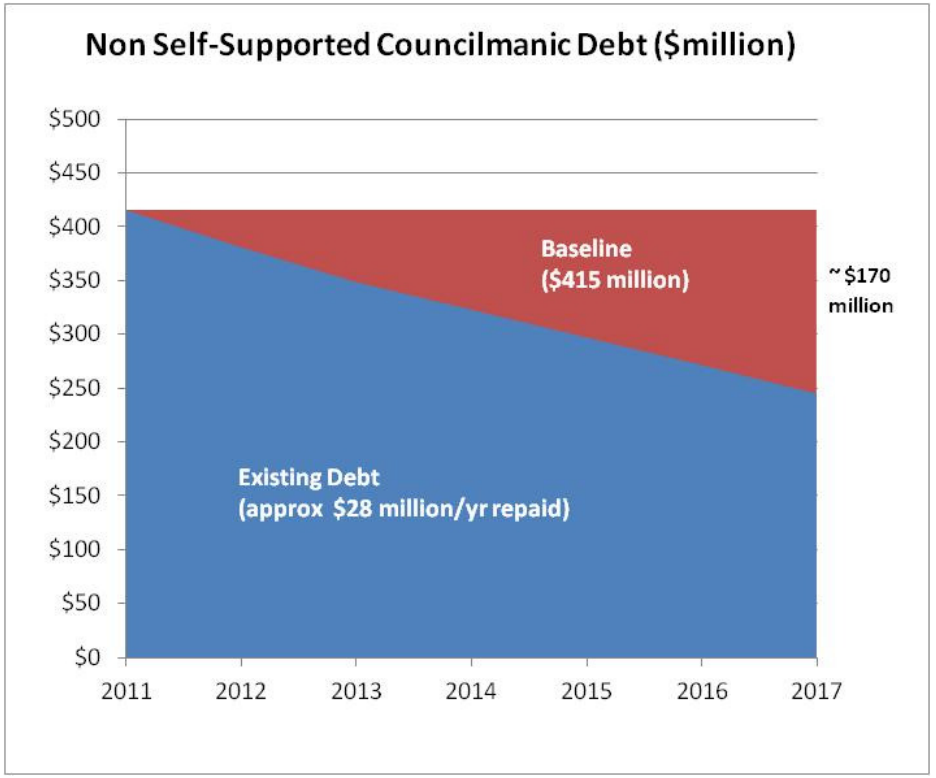
- But effective or practical capacity depends on ability to repay the debt:

– *For Voter-Approved debt, ability to repay is tied to voters' willingness to support additional property tax levy (60% approval required).*

– *For Councilmanic debt, ability to repay is tied to availability of General Fund resources.*

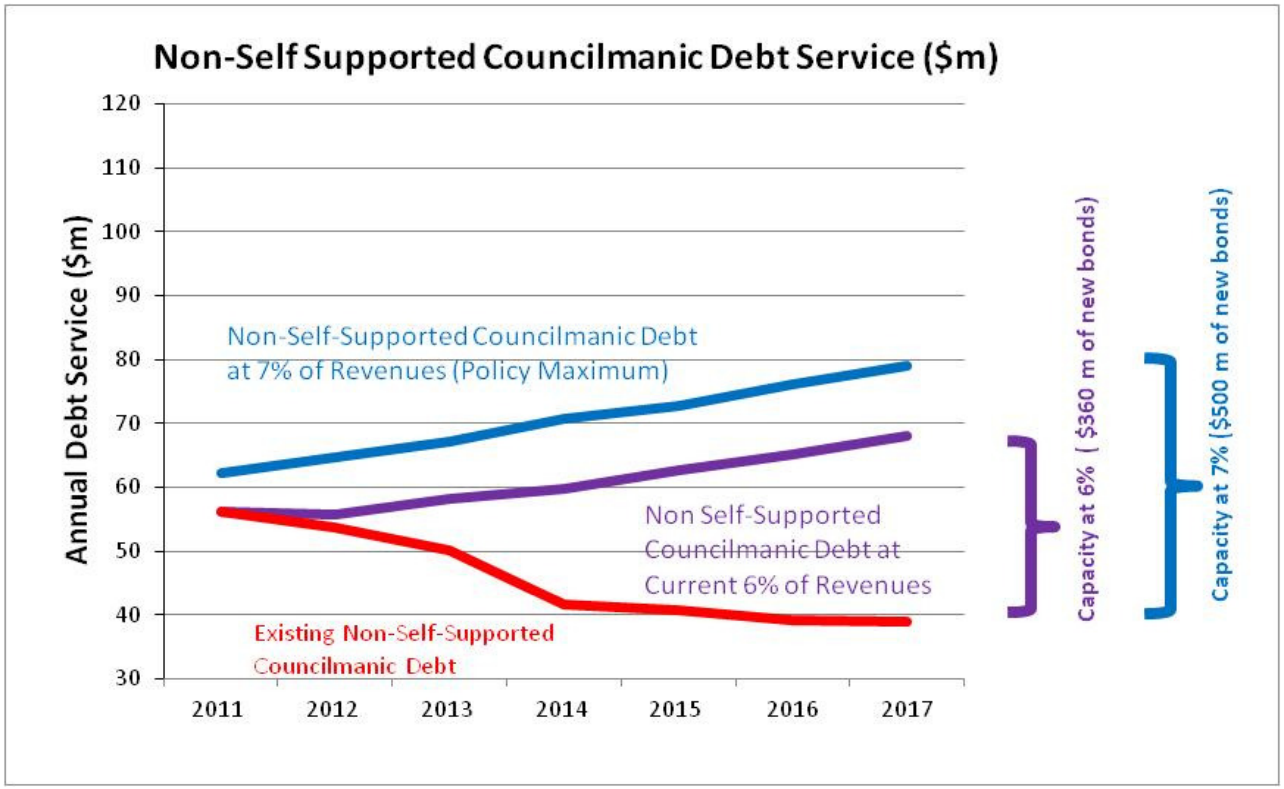
Practical Debt Capacity
How Much Additional Debt Can General Fund Support in the Near-Term?

- Distinguishing – self-supporting and non-self supporting debt:
  - *"Self-Supported" Councilmanic Debt: Some of the City's Councilmanic debt is supported by project-specific revenues, such as the debt issued for BTG projects, Pike Place Market (levy), Aquarium (piers), Pacific Place Garage, and utility shares of Seattle Municipal Tower.*
  - *"Non-Self-Supported" Councilmanic Debt: This debt rest is supported by general government revenues.*



- The City has approximately $415 million of non-self-supported Councilmanic debt outstanding and repays about $28 million annually.
- The City will repay about just over $170 million of this debt over the next 6 years and could issue this amount of new debt without altering its debt burden.
- However, this approach to debt capacity neglects consideration of potential revenue growth . . .

Practical Capacity for "Non-Self-Supported" Councilmanic Debt



- If the General Fund growth returns to an average rate of 4% per year *and* debt service is maintained at the current of the General Fund, as much as $360 million of new non-self-supporting Councilmanic debt could be issued over the next 6 years.
- This would require the City maintain 6% of General Fund for debt service. Taking on more debt, resulting in a ratio above 6%, would require cutting other costs. Note that this also assumes continued use of REET to back Councilmanic debt.
- However, much of this capacity would not be available until after 2015. Timing is critical because Seawall must be completed by 2016 to keep overall program on schedule.
- And the Seawall is not the only capital need that City must address . . .

Major Unfunded Capital Needs

- Specific Project Needs
  - *Seawall/Piers/Property Acquisition* *~$335M*
  - *Additional Waterfront Investments* *TBD*
  - *South Park Bridge* *~$15M*
  - *Magnuson Park Building 30* *~$5M*
  - *North Precinct* *~$100M*
  - *Harbor Patrol* *~$40M*
  - *Fire Station 5 and Other Fire Dept capital needs* *~$25M*
  - *Streetlight Replacement (multi-year plan)* *~$200M*

  These are generally preliminary cost estimates

- Longer Term Investments
  - *Transportation Infrastructure – maintenance and enhancements*
  - *Parks major maintenance*
  - *ADA Improvements*
  - *City's shop facilities*
  - *Seattle Center*

Conclusion:

Capacity exists within the General Fund to support only a portion of these capital needs. Additional funding is needed from other sources.

Potential Funding Approaches

Capital Need	Potential Funding Approaches
Seawall and Piers – basic infrastructure	Voter-Approved Bond/General Fund
Waterfront – additional investments	LID*/Philanthropy/Addtl. City Funding
South Park Bridge	General Fund
Magnuson Park Building 30	General Fund
North Precinct and Harbor Patrol	Future Levy/General Fund
Fire Station 5 and Other Fire Dept capital needs	Future Levy/ General Fund
Streetlight Replacement	REET/General Fund
Transportation	Renewal of BTG
Parks Major Maintenance	Parks Levy Renewal
ADA Improvements	REET
City's Shop Facilities	Utility Rates/General Fund/REET
Seattle Center	TBD

* LID to be paid by property owners that benefit from Waterfront improvements.

Funding for Seawall and Basic Waterfront Infrastructure: Property Tax Impacts

Potential Funding for Seawall and Basic Waterfront Infrastructure			
Voter Approved Funding	$240	-	$335
General Fund or Other Sources	$95	-	$0
Total	**$335 Million**		

- This proposal anticipates that debt financing is supported by a mix of voter-approved funding and General Fund or other resources.

Why a Voter-Approved Bond and Not a Voter-Approved Levy?

- A 30-year bond provides a mechanism for future residents to bear costs of this major, long-term infrastructure investment.
- Annual cost for 30-year bond is lower than for a 9-year levy. (These costs assume a 5% interest rate on debt.)

Bond Amount	Annual Cost per Median Household ($361K) 30-Year Bond	9-Year Levy
$240 Million	$48	$104
$335 Million	$68	$145

- Bond requires 60% voter-approval.