



General Government Capital Planning

Presentation to the Government Performance & Finance Committee
March 29, 2012 - City Budget Office

General Fund Implications of Expanding the Capital Program



- ▶ **General Fund debt capacity will expand over the next 6 years**
 - ▶ Will the General Fund be able to afford an expanded capital program?

General Fund Funding Availability:

- ▶ **Currently maintain non-revenue backed, councilmanic debt service at 6% of the General Fund (\$54 million)**
 - ▶ Most of this is covered by other funds
 - ▶ Only \$11.3 million covered by pure General Fund; additional General Fund paid indirectly through rates to FAS and DoIT
 - ▶ Expanding pure General Fund debt service beyond the \$11.3 million puts additional pressure on the General Fund deficits

Paying for the City's General Government Capital Program



Legal Debt Capacity:

City currently has about \$640M in unused legal councilmanic debt capacity. Over the next 6 years, around \$300M of councilmanic debt will be retired. **This is more capacity than the City can utilize without additional revenues or major shifts from operational spending to support debt service.**

Current Councilmanic Debt Service Profile:

2012 Councilmanic Debt Service	
General Tax Backed	\$ 54,170,792
Revenue, BTG, etc.	\$ 38,700,186
Total Councilmanic Debt Service	\$ 92,870,978
General Tax Backed by Fund	
Cumulative Reserve Subfund (incl REET)	\$ 12,176,642
FAS	\$ 24,309,386
General Fund	\$ 11,318,589
DoIT, SPL, SDOT, Parks, Center, Other	\$ 6,366,176
Total General Tax Backed	\$ 54,170,793

Looking Ahead: Upcoming Capital Needs



- ▶ Current budget planning assumes the **General Fund** will support debt service on the following projects:

2013 Projects

Tax Portal Development
South Park Bridge
Gasworks Park Clean-Up

Debt Issue

\$6 million
\$15 million
\$5 million

2014-2015 Projects

Partial Funding For North Precinct

\$80 million

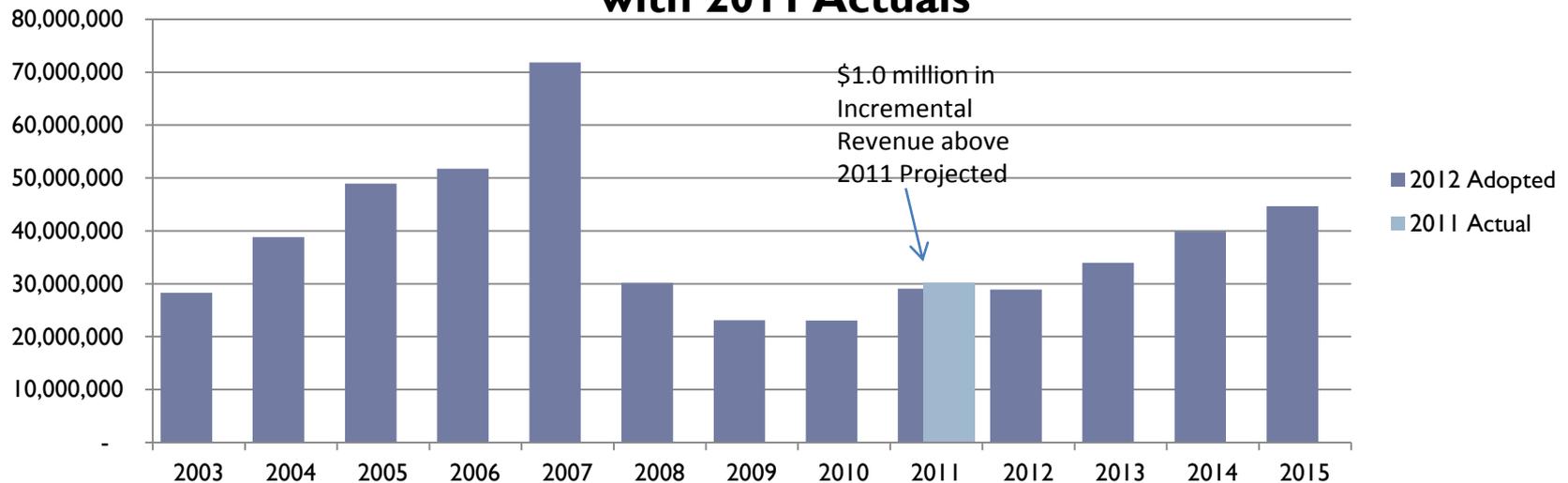
- ▶ Debt service on these projects is about \$10 million per year by 2016. Actual debt service costs will vary depending on terms.
- ▶ Increased debt service costs are partially driving the City's General Fund deficits
 - ▶ Expanding the capital program beyond this absent new revenues will only add to the budget pressures

REET as a Funding Source for Capital Investments



- ▶ REET is the primary source of funding for the City's major maintenance efforts, but also is used on a limited basis to pay debt service on major capital investments

2012 Adopted REET Revenue with 2011 Actuals



REET as a Funding Source for Capital Investments



- ▶ REET supports about \$11 million of councilmanic debt service, primarily costs related to the Fire Levy
 - ▶ As these costs wind down (planning for additional Fire Facilities issuances over 2013-2015), additional REET will be available.
 - ▶ By 2017, current planning anticipates REET debt service to fall to \$7 - \$8 million.

- ▶ Aside from this, current REET policies preclude the use of REET to support future debt obligations
 - ▶ May need to re-evaluate this policy
 - ▶ Would need to weigh this against sizable major maintenance needs
 - ▶ Dedicating a volatile revenue source to a fixed cost is another consideration

Looking Ahead: Project Funding Needs



- ▶ The City has needs for a number of major capital investments which we don't currently have a funding source, including:

▶ Seawall (<i>unfunded portion</i>)	~\$250M
▶ Streetlight Replacement	~\$200M
▶ North Precinct and Harbor Patrol	~\$140M
▶ Waterfront (e.g. Piers 62/63)	~\$100M
▶ Fire Stations 5 and 22	~\$25M

Most costs above are preliminary

General Fund assumed to fund part of the North Precinct project in current financial planning

- ▶ **Over \$700M in projects identified above.**
 - ▶ Exceeds current debt capacity profile of \$350 million.
 - ▶ And, without a revenue source would grow General Fund debt service pressures

Looking Ahead: Project Funding Needs



- ▶ **Sample of Other Capital Projects with Funding Needs**
 - ▶ ADA Projects
 - ▶ FAS Shops
 - ▶ Seattle Center Master Plan
 - ▶ West Mercer Corridor Project
 - ▶ Transportation modal plans (examples: sidewalks, light rail, Magnolia Bridge)

- ▶ **Other major IT projects may or may not require councilmanic debt financing, but will drive General Fund costs. (B&O Portal, FinMAP, HRIS, SLIM, etc.)**

Where Will Funding Come From?



- ▶ General Fund is ultimately the backstop to fund priority public safety projects, but relying significantly on the General Fund for these projects will increase debt service and result in the need to make operating reductions.
 - ▶ Anything that grows the General Fund debt service obligation beyond currently planned levels (as described on slide 4) adds to outyear deficits and potentially requires reductions.
- ▶ Some projects have the potential to utilize private funding or other specialized funding sources, such as Local Improvement Districts (LID).
- ▶ Potential for voter-approved taxes to fund some of these projects, including bond levies and levy lid lifts.
- ▶ May require a re-evaluation of the policy precluding the use of REET for future debt obligations

Sample of Potential Funding Options



<u>Funding Need</u>	<u>Funding Option</u>	<u>Timing</u>
Seawall (unfunded portion)	Excess Levy/LID	2012
South Park Bridge	General Fund	2013
Transportation	Renewal of BTG	2015
Waterfront	Voter Approved Levy/GF	
Streetlight Replacement	Public Safety Levy/REET/GF	
North Precinct and Harbor Patrol	Public Safety Levy/GF	
Fire Stations 5 and 22	Public Safety Levy	
Rainier Beach Community Center	General Fund	2013
Magnuson Park Building 30	General Fund	2013
Parks Major Maintenance	Parks Levy	2014
Other Major Maintenance	REET	
ADA Projects	REET	
FAS Shops	Utility Rates/GF/REET	

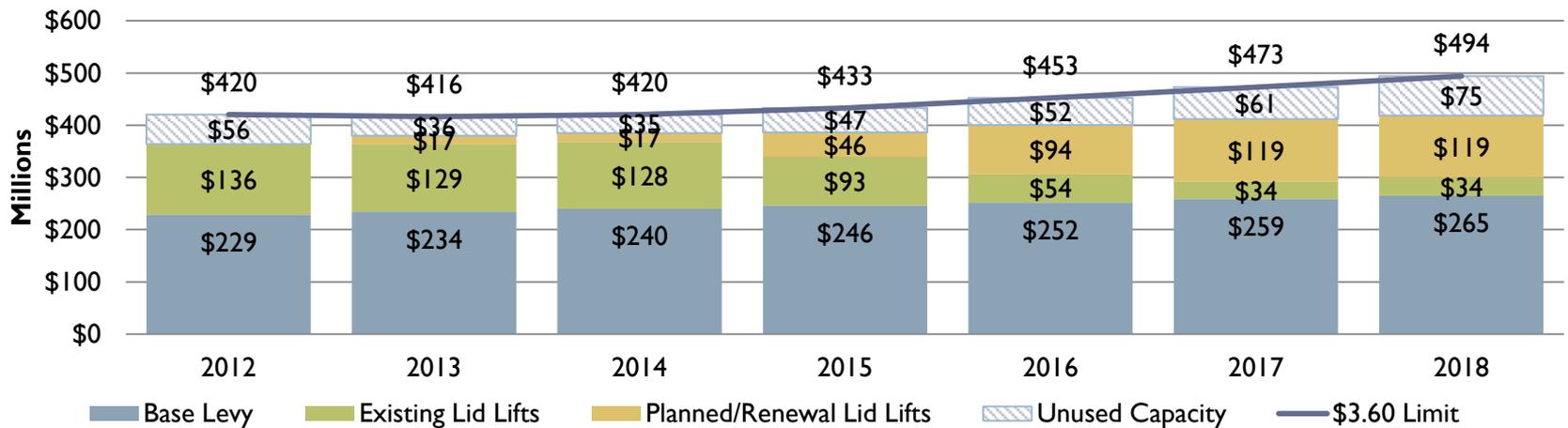


City Regular Levy Capacity



- ▶ Current forecasts for regular levy capacity:
 - ▶ About \$35M per year in 2014, growing to \$61M per year by 2017 (*renewals assumed with 20% increase*).
 - ▶ Capacity will depend on AV growth.
 - ▶ The projections below assume AV growth of -1.0%, +1.0%, +3.0%, +4.5% in 2013-2016 respectively.

Seattle's Regular Levy Capacity



City Regular Levy Capacity



- ▶ Ability to fund capital projects with levy lid lifts is dependant on the City's levy capacity; excess levies not counted against these limits
- ▶ Potential Public Safety Levy size would depend on projects included, but could fall in the range of \$20M-\$30M annually. This, and the approach to renewals, will depend on AV growth experienced.
- ▶ Conclusion: there is sufficient lid lift capacity for planned levies, but not significantly more than that. This may change up or down as we get future information on AV growth.



Potential Timing of Votes

- ▶ Potential schedule for major tax votes that may go before Seattle voters based on current information. This is a sample timeline only.

	Special Election	August Primary	November General
2012		KC Juvenile Justice Center Library	KCAFIS <i>Potential Seawall Measure?</i>
2013	Schools Operating & Capital	KC Parks Operating / Capital	KC EMS <i>Potential Public Safety Levy?</i>
2014		KC Emergency Radio System (Timing uncertain)	<i>Seattle Parks (Maintenance/Operating?)</i>
2015			BTG
2016	Schools Operating ?		Low Income Housing

Questions?

