



City of Seattle Capital Planning Update

Presentation to the Seattle City Council
July 6, 2010





Capital Project Planning

- ▶ Staff from the Mayor's Office, Budget Office and the Council have been working together since March meeting on a regular basis to identify potential capital needs and review available funding.
- ▶ There isn't enough existing funding to support all of the projects that have been identified. There is sufficient capacity to support some top-priority projects.
- ▶ Other projects will need to be delayed or new revenue sources will need to be identified.
- ▶ This presentation will review funding challenges; identify possible capital projects; and discuss next steps including the development of a Strategic Capital Agenda as called for in Resolution 31203.



Capital Project Funding

- ▶ There is limited funding available for capital projects.
- ▶ Budget projections show \$46 - \$50 million deficits in the City's General Fund for 2011 and 2012 (after accounting for 2010 mid-year reductions).
- ▶ REET I (supports general government, libraries, Seattle Center, fire) does not have enough revenue to support the existing planned projects; spending will need to be reduced by \$4.3 million in 2011 & 2012.
 - ▶ 60% of REET I will be used for debt service in 2010 – 2012
- ▶ REET II (supports parks and transportation) does not have enough revenue to support the existing planned projects; spending will need to be reduced by \$1.9 million in 2011 & 2012.
 - ▶ 35% of REET II will be used for debt service in 2011 and 2012

General Obligation Debt Financing



▶ Limits

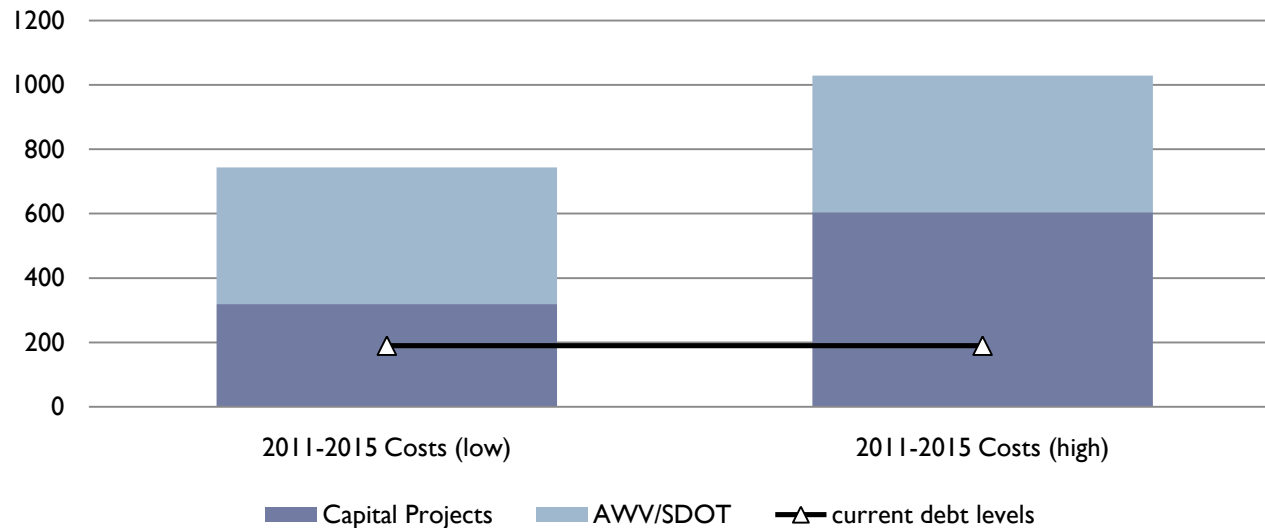
- State Law – based on % of Assessed Value (AV)
 - Policy – By City policy, no more than 7% of GF revenues may be used for debt that is not self-supporting
 - Financial – how much can the City afford
 - Voter support
- ▶ Legal constraints are not the issue. The issue is how much debt service can the City afford to pay out of the General Fund.
- ▶ Currently, about 6% of the City's General Fund is dedicated to debt service. By policy, the City is limited to 7% of the General Fund.
- ▶ If the City were to maintain current levels of non-revenue backed debt, it could issue about \$190 million of new councilmanic debt over the next 5 years.

Major Capital Projects 2011 – 2015



- ▶ The City could issue a total of \$190 million of general gov't debt (i.e. non-revenue backed) over the next 5 years and remain at current levels of debt supported by the General Fund and REET.
- ▶ There are \$319 to \$604 million worth of capital projects that potentially need to be funded over the next 5 years. In addition, unfunded costs for the Waterfront, Seawall, Mercer West, and the Parking Program are estimated at approximately \$424.5 million.
- ▶ These figures don't currently include cost estimates for: Fire Station # 22 (Roanoke); the Magnolia Bridge , Asset Preservation; Seattle Center; Shops; or Magnuson. The Fire Station and the Bridge are not seen as funding needs that will occur in the next 5 years; the remaining items will be the subject of the on-going capital needs assessment.

Estimated Future Capital Spending vs. Current Levels





2011 – 2012 Projects

- ▶ **\$190 million over 5 years is insufficient to support the projects (listed below) the City is likely to start in the 2011 – 2012 Biennium. Additional funding or project delay will be required.**

▶Note: projects like ADA Compliance and Major Maintenance are likely to be funded in part or completely through cash financing rather than debt service; however, they are competing for the same types of capital funding.

▶Costs below are the total project cost and would be spread out over a multi-year period.

Dept.	Project (in \$1,000,000)	Est. Cost		Proj.	Proj.	Proj.	Proj.	Proj.
		- Low	- High	Exp. 2011	Exp. 2012	Exp. 2013	Exp. 2014	Exp. 2015
Multiple	ADA Compliance	10.0	50.0	10.0	10.0	10.0	10.0	10.0
FAS	Facility Energy Retrofits	6.2	6.2	6.2				
FAS/Fire	Fire Levy Shortfall	22.7	22.7	8.8	13.9			
FAS/SPD	North Precinct	137.0	152.0		22.0	43.3	43.3	43.3
Multiple	Major Maintenance							
Parks	Rainier Beach Community Center	20.0	20.0	6.6	11.0			
SDOT	Linden Ave. N.	6.0	7.0	3.5	3.5			
Subtotal		201.9	257.9	35.1	60.4	53.3	53.3	53.3

2013 – 2015 Capital Projects



- ▶ If the City maintains current funding levels, there would only be \$190 million of new capital funding available over the next 5 years – not enough to support all of these projects. Voter approved funding for some share of these projects may be required.

Dept.	Project (in \$1,000,000)	Est. Cost	Est. Cost
		Low	High
City Light	Streetlight Infrastructure Replacement	10.0	200.0
Center	Seattle Center		
County	South Park Bridge	15.0	15.0
FAS	Shops - Charles St. & Haller Lake		
FAS/Fire	SFD Headquarters/FMO	75.0	85.0
FAS/Fire	Fire Station # 5 (Waterfront)	11.4	12.6
FAS/SPD	SPD Harbor Patrol	1.0	29.0
Parks	Gasworks Clean-Up (Parks)	5.0	5.0
Parks	Magnuson		
SDOT	Magnolia Bridge		
Subtotal		117.4	346.6
Grand Total		319.3	604.4

Dept.	Project (in \$1,000,000)	Rev. Source	Est. Cost
SDOT	Waterfront - funding gap (city)	LID (proposed)	121.8
SDOT	Central Seawall (funding gap)	Bond (proposed)	235.1
SDOT	Mercer West (funding gap)	CPT (proposed)	57.2
SDOT	Parking program	CPT (proposed)	10.4
Subtotal			424.5



Considerations

- ▶ Timing on when the City will have specific cost detail for its ADA compliance obligations is uncertain. The magnitude is also uncertain but is likely to be very significant. Much of this work will not be debt-eligible and may have to be funded on a pay-as-you-go basis.
- ▶ The numbers presented *exclude* costs for many potential projects, including additional major maintenance funding, Seattle Center, Charles St and Haller Lake shops, Magnuson, and Magnolia Bridge.
- ▶ Longer durations of debt allow for more debt to be issued in the near-term, but capacity is limited in later years. A balance must be maintained.
- ▶ Without additional funding, some projects will need to be delayed (streetlight replacement? SFD headquarters?).



Asset Preservation

- ▶ The Mayor agrees with the Council that preserving and maintaining existing Capital Assets is a high priority as outlined in Council Resolutions 31083 and 31203.
- ▶ In 2008, the Council adopted an Asset Preservation funding policy established an annual target for asset preservation spending equal to \$44 million in 2010 dollars for assets owned by the City excluding Transportation and the utilities.
- ▶ Due to the economic downturn, insufficient revenues were available to meet this target in the 2010 Adopted Budget; \$28 million was included for asset preservation for parks, libraries, civic buildings and Seattle Center.
- ▶ As part of the development of the Proposed Budget, CBO is working with departments to gather information on:
 - ▶ Current level of funding for asset preservation;
 - ▶ What types of maintenance work is not occurring due to lack of funding;
 - ▶ How much funding departments would need to adequately maintain their capital plant on an ongoing basis.
- ▶ Funding for Asset Preservation continues to be an ongoing challenge especially in light of current financial constraints.



Next Steps

- ▶ Consistent with Council Resolution 31203, over the next 8 – 10 months the Executive will develop a proposed Strategic Capital Agenda which will:
 - ▶ outline the most important capital issues facing the City over the next six years;
 - ▶ explore options for financing; and
 - ▶ describe possible capital projects that may be submitted to the voters for funding.
- ▶ The Capital Agenda will be limited to non-utility capital projects including transportation, libraries, public safety, parks and recreation, cultural facilities, and City office buildings and shops.
 - ▶ Will continue to evaluate which projects are likely candidates for debt service, and which are not (i.e. parking programs, and major maintenance will require funding but likely not debt financing)



Conclusion

- ▶ The estimated cost of capital projects that are likely to come online over the next 5 years far exceeds the amount of existing funding available.
- ▶ Additional funding sources will be needed in the near term in order to address critical capital needs (even excluding the AWWSRP).
- ▶ The Executive's proposal for Seawall funding is consistent with this finding, as would other proposals that do not rely on the General Fund or REET for funding.
- ▶ Specific Executive funding recommendations for other capital spending will be transmitted at the end of September with the Proposed 2011-2016 CIP Budget.
- ▶ Executive staff will continue to work with council staff over this time as additional information is available and options are refined.

Questions

