



2015-2021 Capital Investment Program Plan

Executive Summary:

The 2015-2021 Preliminary General Capital Investment Program (CIP) plan sets the strategy that allows for continued progress on meeting the City's capital investment needs within a constrained budget. The Preliminary CIP for 2015-2021 totals \$528.5 million and includes the use of 5% increase of the general property tax levy through the use of the City's banked capacity. The increase in revenues provides for additional sales tax in the CIP targeted at investments in unmet neighborhood and infrastructure needs.

The Base CIP plan (prior to the increase in revenue) accomplishes the following

- Advances the Council Priorities with NEW discrete project funding - total of \$49 million
- Ensures debt obligations are met, including repayment of the interfund borrowing approved by Council in 2013
- Maintains existing infrastructure in alignment with Council policy
- Begins addressing the Fire Long Range Facility Plan
- Provides for transportation and mobility improvements
- Meets the City's contribution to the East Link MOU and advances complementary projects
- Keeps the Parks Levy commitment and provide other quality of life amenities
- Provides for neighborhood investments
- Prepares for and serves as a catalyst for future development
- Fulfills general government responsibilities
- Strategically uses long-term debt to finance the CIP

New Revenue/New Investments

In order to accomplish several of the urgent needs throughout the City, this budget proposes to use 5% of the City's banked property tax capacity (\$25 annually for a \$500,000 home) to increase overall revenues by supplementing existing sales tax revenues. The increase will allow us to redirect sales tax to address infrastructure and neighborhood needs. The additional revenue will be targeted at:

- Addressing community connectivity throughout the City - \$2.5 million
- Advancing two neighborhood safety projects - \$9 million
 - Design of the 2nd Phase of West Lake Sammamish Parkway
 - Construction of one side of Newport Way Sidewalk
- Implementing high priority elements of the Downtown Transportation Plan, including enhancing access to the NE 6th Street light rail station - \$5 million
- Opportunity Fund yet to be programed \$8.5M; options include:
 - Partnership Grants with community providers of culture and recreation programs
 - Purchase of portion of the BNSF rail corridor
 - Neighborhood needs such as sidewalks/pedestrian access
 - Other Transportation projects such as Bellevue Way HOV

The final Opportunity projects will be determined through the Council budget deliberation process.



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TOTAL CIP OVERVIEW AND CHANGES SINCE OCTOBER 6:

Similar to the General Fund Forecast, the General CIP Forecast reflects a slow recovery from the recession. The Forecast reflects the City Manager's recommended 2015-2021 General CIP Plan which totals \$528.5 million. Included in this CIP are the Base CIP and the Enhanced CIP which adds \$25 million of new investments backed by an overall increase in new revenue associated with a 5% property tax.

Changes since October 6:

\$25 Million of New Revenue:

Near the beginning of this year, the Council indicated its interest in developing a long-term capital investment strategy. To that end, Council and staff have been engaged in a series of discussions on this topic starting in March of 2014. In response to the discussion and feedback received over the course of those discussions and most recently from the October 6 Budget Workshop, the City Manager is proposing to use 5% of the City's banked property tax capacity (\$25 annually for a \$500,000 home) which supplements existing sales tax revenues, allowing the City to redirect sales tax to address infrastructure and neighborhood needs. The revenue will be targeted at urgent needs throughout the City that cannot be addressed in the Base CIP. The new revenue and associated projects are included in the City Manager's Preliminary CIP. Projects associated are:

- Addressing community connectivity throughout the City - \$2.5 million
- Advancing two neighborhood safety projects - \$9 million
 - Design of the 2nd Phase of West Lake Sammamish Parkway
 - Construction of one side of Newport Way Sidewalk
- Implementing high priority elements of the Downtown Transportation Plan, including enhancing access to the NE 6th Street light rail station - \$5 million
- Opportunity Fund yet to be programed \$8.5M; options include:
 - Partnership Grants with community providers of culture and recreation programs
 - Purchase of portion of the BNSF rail corridor⁴
 - Neighborhood needs such as sidewalks/pedestrian access
 - Other Transportation projects such as Bellevue Way HOV

The final Opportunity projects will be determined through the Council budget deliberation process.

Base CIP:

In response to Council feedback, the City Manager has proposed several changes since October 6.

- **The Conceptual Design for the Grand Connection** has been scoped to include planning needed for updating the **land use plan for the Wilburton Commercial Area.**
- **SCATS** (Intelligent Transportation Project) has been funded with a modest, one year reduction in the Overlay program.



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- In addition, the City Manager has programmed the available \$36 million of resources available in the later years of the CIP (2020-2021) which results from issuing \$60 million in long-term debt to address cash flow needs. (See Strategic Use of Debt discussion below in this memo for further information.) The programmed funding provides the resources to:
 - Begin the **Fire Facility Long Range Plan**,
 - **West Lake Sammamish Phase II**,
 - **Spring Blvd 130th to 132nd Westbound** and
 - Complete the remainder of **Spring Blvd Zone 1** that was not funded in the initial base CIP.

Strategic Use of Debt

The seven-year summary table on the following page depicts the estimated allocation of available CIP resources. As in past CIPs, expenditures are higher than revenues in earlier years, with the reverse in later years; this is often referred to as “frontloading”. Frontloading provides the City with several significant benefits including:

- Delivering CIP projects and realizing their benefits earlier than otherwise possible,
- Taking advantage of low-interest rate environment,
- Providing local economic stimulus,
- Timing of infrastructure delivery to meet the needs of new development, and
- For this CIP, synchronizing City investments with East Link construction as appropriate.

The CIP is balanced through a strategic use of long-term debt, partially funded through the existing CIP revenue stream. The total long-term debt modeled includes: \$60 million for the base CIP projects, \$18 million for the Metro Property (shown in previous modeling)—both of these debt issuances are funded by existing revenue streams. In addition, another \$25 million is backed by sales tax freed up as a result of using 5% of the City’s banked property tax capacity (\$25 annually for a \$500,000 home) in the operating budget and addresses infrastructure and neighborhood needs. The current amount of Councilmanic debt capacity as of July 31, 2014 is \$139 million. The actual amount of debt issuances will be determined at issuance—based on cash flow needs and project progress.

On October 6, staff presented to Council options on how to finance the base CIP. It was noted that while the CIP is a balanced seven-year spending plan with adequate revenues to cover expenditures over its seven-year period, the projected timing of expenditures outpaces the timing of revenues received. At the time, Council supported the use long-term debt in the Preliminary Budget. The long-term debt modeling provided \$36 million in un-programmed funding in 2020-2021. As part of the Preliminary CIP, the City Manager proposes that those resources fund a portion of the **Fire Facility Long Range Plan, West Lake Sammamish Phase II, a Spring Blvd 130th to 132nd Westbound and the remainder of Spring Blvd Zone 1**—projects that were not funded in the initial base CIP.

The following 2015-2021 CIP **Project Type** and **Revenue by Source** tables are based on the issuance of \$103 million of long-term debt.



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Project Type	Total	
	# of Proposals	2015-2021 Amount (\$M)
Debt Service Projects ¹	10	\$155
Ongoing Programs - Maintenance	8	\$95
Discrete Projects and Ongoing –Build New	60	\$279
Total 2015-2021	78	\$529

2015-2021 General CIP Revenue by Source

2015-21 General CIP Preliminary Budget Expressed in YOE (\$000)	2015	2016	Total 2015-2016	2017	2018	2019	2020	2021	Total 2015-2021 CIP
Revenue Type									
Beginning Fund Balance	\$ 0	\$ 35,940		\$ 11,393	\$ (280)	\$ 1,995	\$ 5,747	\$ 3,890	\$ 58,685
Short-term Cash Flow Borrowing Needed	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -
2015 20 Year Debt Issue	\$ 60,000	\$ -	60,000	\$ -	\$ -	\$ -	\$ -	\$ -	60,000
2015 Levy Lift Debt Issue	\$ 25,000	\$ -	25,000	\$ -	\$ -	\$ -	\$ -	\$ -	25,000
New Bond Proceeds - Metro Property	\$ 17,950	\$ -	17,950	\$ -	\$ -	\$ -	\$ -	\$ -	17,950
MAJOR TAXES									
Sales Tax	13,611	14,519	28,130	15,304	16,064	16,810	17,550	18,321	112,179
B&O Tax	8,085	8,452	16,537	8,846	9,246	9,645	10,054	10,485	64,813
REET	13,786	14,011	27,797	14,060	13,556	13,892	14,322	14,730	98,357
Parks Levy	3,389	3,389	6,778	3,389	3,389	3,389	3,389	3,389	23,723
2015 Levy Revenue (New Sales Tax Contribution)	1,734	1,734	3,468	1,734	1,734	1,734	1,734	1,734	12,138
MVFT	1,360	1,368	2,729	1,377	1,385	1,393	1,400	1,400	9,683
Subtotal Major Taxes	\$ 41,965	\$ 43,473	85,438	\$ 44,710	\$ 45,374	\$ 46,862	\$ 48,449	\$ 50,060	\$ 320,893
INTERGOVERNMENTAL									
Total Intergovernmental	\$ 27,588	\$ 9,099	36,686	\$ 5,163	\$ 618	\$ 618	\$ 204	\$ 204	\$ 43,495
MISCELLANEOUS									
Developer Contributions	-	-	-	-	-	-	-	-	-
Contributions from Other City Funds	713	566	1,280	581	552	604	402	350	3,768
Private Contributions	1,350	1,500	2,850	660	-	-	-	-	3,510
Miscellaneous Revenue	15	1	15	-	-	-	-	-	15
Sale of Fixed Assets	-	-	-	3,455	-	-	-	-	3,455
Investment Interest	247	247	494	247	247	247	247	247	1,730
Transportation Impact Fees	4,140	6,900	11,040	7,110	7,320	7,540	7,770	7,992	48,772
Subtotal Miscellaneous	\$ 6,465	\$ 9,215	15,679	\$ 12,053	\$ 8,119	\$ 8,391	\$ 8,419	\$ 8,589	\$ 61,250
Grant Total Revenues	\$ 178,968	\$ 97,726	276,694	\$ 73,319	\$ 53,831	\$ 57,866	\$ 62,819	\$ 62,743	\$ 528,588
Expenditures including Debt	\$ 143,028	\$ 86,333	229,361	\$ 73,599	\$ 51,836	\$ 52,119	\$ 58,930	\$ 62,738	\$ 528,583
Ending Fund Balance	\$ 35,940	\$ 11,393	47,333	(280)	\$ 1,995	\$ 5,747	\$ 3,890	\$ 5	5

Attached to this memo are the City Manager “waterfall” and “7-Year CIP” which both include the \$25 million of new revenue and investments. Council Priority projects are noted with a blue “X” on the “waterfall”.

PRELIMINARY GENERAL CIP:

This transmittal summarizes the City Manager’s Preliminary General CIP 2015-2021, proposing a balanced CIP, with an increase in revenues by 5% banked property tax to add new urgent investments.

The Preliminary Budget strategy allows for continued progress on meeting the City’s Capital Investment needs and proposes additional revenue to further the City’s infrastructure and neighborhood investments. The existing and new projects proposed for funding in the 2015-2021 CIP fall into several themes, with some projects falling into more than one category:

¹ Debt Service Projects include: Supplemental CIP Debt Funding, City Hall, M&II LTGO Bond, 2013 LTGO Bond, Interfund Loan, 2015 20 Year LTGO Bond, 2015 Levy Lift Bond, Metro Property, Public Works Trust Fund Loan



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- Reflects \$49 million of new discrete Council Priority projects (Spring Blvd Zone 1, NE 6th Light Rail Station Access Improvements, Downtown Park Gateway, a portion of Park Planning and Design (Ashwood), Grand Connection/Land Use Wilburton Zoning, Community Connectivity, Neighborhood Enhancement, Hearing Assistance, and some park acquisitions),
- Begins progress on the Fire Long Range Facility needs (Downtown land purchase for future downtown fire station, rebuild of Station 5 (Clyde Hill) and begins progress on the training center improvements),
- Addresses the timing of projects that allow for cost savings in connection with the implementation of light rail (East Link Commitments, 124th, 120th, NE Spring Blvd Zone 1, etc.),
- Maintains existing infrastructure in alignment with Council policy (e.g. maintenance and renovation programs, overlay, technology updates),
- Provides for transportation and mobility projects (e.g. NE 4th, 120th, Pedestrian and Bicycle Access Improvements, SCATs adaptive signal system, etc...),
- Keeps the Parks Levy commitments and provides other quality of life amenities (park development, public art, enhanced urban boulevards),
- Provides for neighborhood needs (Lakemont Boulevard, Neighborhood Sidewalks, Newport Way Sidewalk, West Lake Sammamish Phase II),
- Prepares for and serves as a catalyst for future development,
- Fulfill general government responsibilities (relocation of courts, establish a reserve for future technology application replacement),
- Ensures debt obligations are met, including repayment of the interfund borrowing approved by Council in 2013.

While this strategy allows continued progress on many important initiatives, the City continues to face a large list of unfunded potential projects. Since the beginning of this year, Council indicated its interest in developing a long-term capital investment strategy. The Council and staff have been engaged in a series of discussions on this topic since March. The Preliminary Budget includes the first step in making progress toward the urgent unmet investments. Attached is the October 6 memo which includes summaries of the previous “strawman” developed by staff for the total project list that has been considered by Council.

The City Manager’s Preliminary Budget grappled with a several challenges facing in this biennial update. Among these challenges were:

- Recosting of the 2013-2019 CIP
The 2015-2021 includes \$9 million of recosting Total Project Costs (total costs over the life of the project) from 2013-2014 Mid-Bi plus all Council approved amendments through September. Recosting accounts for changes in costs related to increased construction, right of way, and other costs associated for fulfilling the adopted project scope. Any expansion or change in scope is classified as a new or enhanced project cost. In addition, the 2015-2021 includes two additional years for ongoing programs such as overlay and renovation and refurbishment which is an increase of \$63 million over 2013-2019.



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- Unfunded Potential Projects
There remains a large unfunded potential projects list throughout the City. At the March 24 Budget Workshop, Council and staff started to engage in a long-term investment strategy. At that time, staff provided a list of potential capital projects collected from all departments, using a 20-year timeframe. The potential projects through 2035 totaled over \$1.2 billion, though staff acknowledged that the dollar figures had not been validated beyond the near term and the list was not complete. This list would be even larger with inclusion of the recently developed fire facilities plan. At the March Budget Workshop staff also presented a 20- year revenue forecast. Based on the existing CIP revenue stream, about \$400 million (\$2014) will likely be available over the next 20 years for all discretionary CIP projects (i.e. projects other than debt and ongoing maintenance). The new revenue proposed in the Preliminary 2015-2021 Budget starts progress, yet much is left undone. At the October 6th Budget Workshop, Council provided feedback to continue the long-range discussion in 2015, and to continue discussions in 2015 with regard to a potential voted measure.
- Adequacy of major infrastructure maintenance
In the 2011-2017 CIP process, ongoing program budgets (e.g. Overlay Program, etc.) were reduced by about 30%. In the 2013-2019 CIP, additional analysis was completed and \$300,000 per year in Transportation Major Maintenance program funding was restored (2013\$). The Preliminary Budget 2015-2021 CIP continues the same level of ongoing maintenance programs as in the 2013-2019 CIP, with the exception of PW-M-19 (Transportation Major Maintenance Program) which includes a temporary annual lift of \$400,000/year for 2015 to 2017 to bring three specific traffic signals along 148th Avenue up to current standards, thereby mitigating system reliability and traffic safety concerns.
- Minor Maintenance and Operations (M&O) costs as new infrastructure is completed
While major maintenance and renovation projects are contained within the CIP, minor maintenance is funded through the operating funds. Financial Policy IX.H implemented during the development of the 2011-2017 CIP provides:

“Proposals for CIP project funding shall include the estimated future M&O cost, to provide full cost disclosure. Such M&O costs anticipated to be incurred in the upcoming biennium should be included in operating budget proposals for funding consideration. As of 2011, funding for existing CIP M&O is provided by a distribution of the City’s Sales Tax revenue, split between 75 percent General Fund and 25 percent CIP. The dollar amount for CIP M&O is adjusted upward each year by the anticipated Consumer Price Index for all Urban Consumers (CPI-U) after first making any necessary adjustments (e.g., partial vs full-year costs) and eliminating any one-time items. The distribution amounts should be reviewed periodically by Council for reasonableness and potential adjustment.” (Source: Financial Policy)

This policy provides adequate funding for minor maintenance on existing infrastructure. However, the concern continues that as the City builds new infrastructure, there is not a mechanism to ensure additional M&O funding for these future facilities. Over time, this



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will place increasing pressure on the operating budget. This CIP does not address this issue, but simply raises it as a concern.

- Furthering the Council Priorities both for new projects and existing policy direction

The recently adopted Council Priorities provide foundational policy direction received during development of the 2015-2021 CIP. The Preliminary Budget includes \$49 million of new discrete Council Priority Projects as noted with a blue “X” on the Preliminary Budget “Waterfall”. As a note, there are several projects within the existing CIP that are not reflected in the \$49 million including Completing the Downtown Circle, purchasing the Metro Property, and completion of Phase I of Meydenbauer. If all Council Priority projects were totaled in the CIP it would exceed \$90 million in the 2015-2021 CIP.

- East Link MOU and the complementary projects

The East Link MOU adopted by the Council in November 2011 commits the City to an “upfront” contribution of \$100 million to Sound Transit. The Preliminary budget assumes continued implementation of the MOU, as well as specific additional complementary projects. The NE 6th Street station alignment modification results in additional impacts to the City parking garage and the Metro site. The City has not committed to contributing the value of those additional impacts as part of the “upfront” or other City contribution. As a result, this CIP, and particularly the budget for the employee parking garage expansion project G-86 assumes that Sound Transit will compensate the City for these additional impacts.

Resource Drivers:

The following section discusses the major resource drivers for the 2015-2021 General CIP Preliminary Budget.

Major Taxes

Taxes (\$320.8 million). The General CIP tax revenue base of sales, business and occupation (B&O), parks levy, real estate excise taxes (REET), and motor vehicle fuel tax (MVFT) represent 61% of total funding, which are still feeling the impacts of the recent recession. However, both sales and B&O revenue streams are growing again, albeit at a moderate pace. In addition, the voter-approved parks levy continues to supplement City and external funds, allowing completing major parks development projects to be completed in a phased approach, where appropriate.

Intergovernmental Revenue

Federal and State Grants (\$25.4 million). The Forecast includes \$25.4 million in federal and state grants. Following past practice of conservatism in forecasting grant revenues, only those grants that have already been awarded or are highly likely to be awarded are included in the projection.

Interlocal Contributions (\$17.8 million). In addition to the above revenues, the Forecast includes a variety of intergovernmental sources, including Sound Transit contributions (\$14.9



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million, King County contributions (\$2.1 million), and Point Communities contributions (\$0.9 million).

The Intergovernmental Revenue Forecast also contains revenue from Rents and Leases (\$0.2 million).

Miscellaneous Revenue

Impact Fees (\$48.7 million). The current impact fee rate of \$3,000 in 2014 will increase to \$5,000 in 2016, with annual increases thereafter, as determined by the Washington State Department of Transportation Construction Cost Index. Impact fees are projected to provide \$48.7 million of revenue to this CIP. Trip projections are based on the Puget Sound Regional Council's growth forecast.

Other Revenues (\$9 million). In addition to the above revenue sources, the Forecast includes a variety of miscellaneous sources, including private contributions (\$3.5 million), sale of fixed assets (\$3.4 million), enterprise and other City fund contributions (\$3.7 million), and investment interest (\$1.7 million).

Debt Financing

2015 Limited Tax General Obligation (LTGO) Bonds (\$60 million). The Preliminary Budget includes \$60 million of LTGO bond proceeds to fund a portion of the City's critical long-term projects. The bonds are repaid over 20 years through the existing CIP revenues stream, with no new taxes.

2015 Levy Lift LTGO Bonds (\$25 million). The Preliminary Budget includes issuance of \$25 million in 20-year LTGO debt—funded by a 5% of the City's banked property tax capacity (\$25 annually for a \$500,000 home) to increase overall revenues by supplementing existing sales tax revenues. The increase will allow us to redirect sales tax to address infrastructure and neighborhood needs.

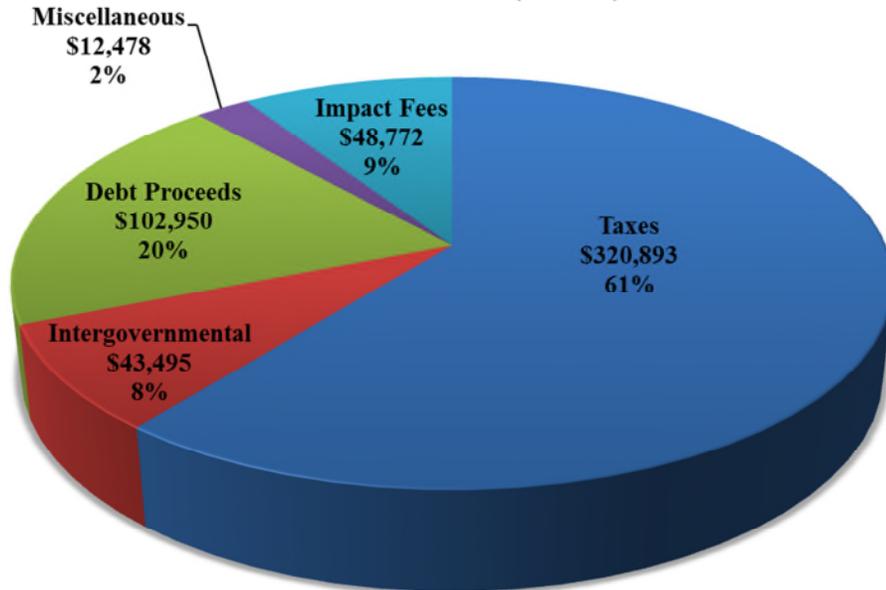
Metro Property Bond (\$17.9 million): The Forecast includes \$17.9 million of LTGO bond proceeds to fund the acquisition of property required by the MOU for the Sound Transit Downtown Light Rail Station.

The following charts show All Resources by type and provide a breakdown of Tax Revenue by Source.

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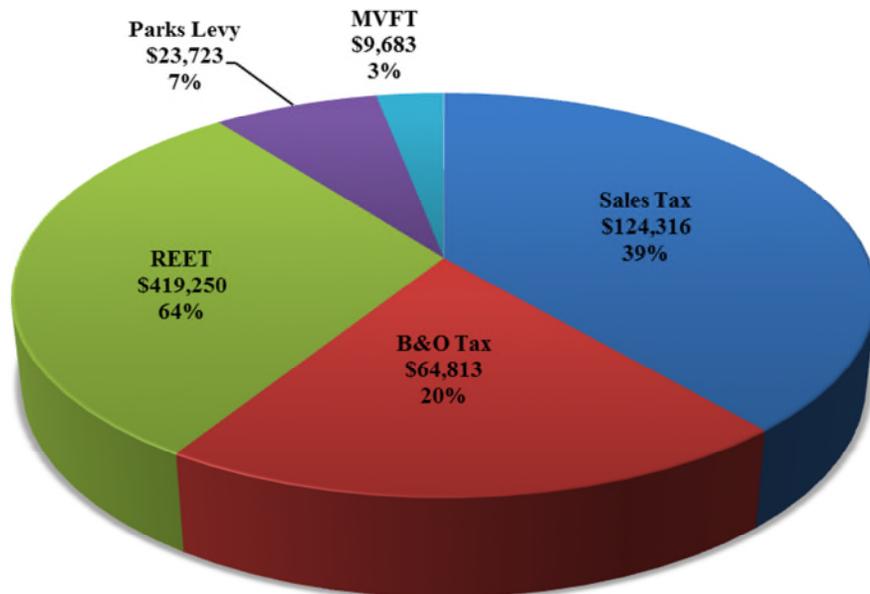
REVENUE SUMMARY

2015-2021 Preliminary General CIP Budget All Resources (\$000s)



The 61% tax revenue is further broken down by source in the following chart.

2015-2021 Preliminary General CIP Budget Tax Revenue by Source (\$000s)





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Expenditure Drivers:

The following chart illustrates the mix of Discrete Ongoing and Build New Projects, Ongoing Maintenance Programs and Debt Service. Full project lists of funded and unfunded projects are found on both the “waterfall” and “7-Year CIP” which both include the \$25 million of new revenue and investments. Council Priority projects are noted with a blue “x” on the “waterfall”.

- Discrete Ongoing and Build New Projects make up approximately 52% of the General CIP (\$276 million) with funding focused on projects from the East Link MOU and related Transportation projects, Parks and Neighborhood projects, Fire Facility projects, as well as other needs throughout the City.
- Ongoing Maintenance Programs make up approximately 19% of the General CIP (\$97.2 million) with major maintenance programs like street overlays and major renovation of parks and fire facilities, as well as those addressing neighborhood needs like traffic safety and sidewalks and quality of life projects like public art.
- Debt Service makes up the remaining 29% of the General CIP (\$155.2 million). Debt Service is related to new long-term project obligations, new MOU obligations (Metro Property) as well as past capital investments, such as the City Hall facility and projects from the Supplemental CIP and M&II.

EXPENDITURE SUMMARY

2015-2021 Preliminary General CIP Budget Recommended Funding by Project Type (\$000s)

