



**Council Budget Study Session
General Capital Investment Program (CIP) Plan
2011-2017 Financial Forecast
September 27, 2010**

Executive Summary:

- *The 2011-2017 General CIP Forecast is a balanced seven-year forecast totaling \$353.3 million*
- *The tax base has been “reset” based on the impact of the recession and current projections*
- *Merges the Mobility and Infrastructure Initiative (M&I) with the base CIP. As a result, the forecast assumes that \$16.3 million of general taxes are used to fund M&I projects*
- *Does not include any new taxes, but does introduce other resources such as Local Revitalization Funding (LRF), Local Improvement District (LID) and long-term debt, all of which support M&I projects and is consistent with the M&I Finance Plan*

Overview and Forecast Results:

Similar to the General Fund forecast, the General Capital Investment Program (CIP) forecast reflects a slow recovery from the recession. Sales, business and occupation (B&O) and real estate excise taxes (REET) provide significant tax streams (72% of total funding) to support the General CIP. The base of these economically sensitive revenues was substantially eroded by the recession. The Forecast builds upon a “resetting” of the base, including 2010 tax revenue collections and calculates the future outlook based on anticipated current economic projections.

The Forecast reflects the City Manager’s recommended 2011-2017 General CIP Plan which totals \$353.3 million. Table 1 on the following page illustrates the estimated timing and availability of 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 as quickly as feasibly possible
- Taking advantage of low costs of construction
- Taking advantage of low-interest rate environment
- Providing local economic stimulus during the economic downturns.

Therefore, the Forecast takes into account historical spending levels (approximately 70-75%) and assumes that cash flow borrowing will be used during the seven year period with interest costs projected to total approximately \$5.3 million.



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**Table 1
2011-2017 General CIP Forecast
\$000**

| | 2011 Forecast | 2012 Forecast | 2013 Forecast | 2014 Forecast | 2015 Forecast | 2016 Forecast | 2017 Forecast | Total |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Resources | | | | | | | | |
| Beginning Fund Balance | (\$17,327) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$17,327) |
| Taxes (Sales, B&O, REET) | 26,928 | 30,518 | 33,528 | 36,787 | 39,331 | 41,723 | 44,001 | 252,815 |
| Parks Levy | 6,166 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 26,500 |
| Intergovernmental | 6,278 | 16,830 | 6,705 | 1,462 | 1,460 | 1,458 | 1,455 | 35,648 |
| Miscellaneous | 23,129 | 2,647 | 4,066 | 4,486 | 5,076 | 7,902 | 8,318 | 55,624 |
| Total Resources | \$45,175 | \$53,383 | \$47,688 | \$46,124 | \$49,256 | \$54,471 | \$57,163 | \$353,260 |
| Expenditures | | | | | | | | |
| Base CIP | | | | | | | | |
| Base General CIP | \$36,792 | \$41,297 | \$32,304 | \$27,419 | 26,214 | \$26,674 | \$27,187 | \$217,887 |
| Park Levy & Match | 8,000 | 6,700 | 9,200 | 7,500 | 8,900 | 200 | - | 40,500 |
| Cash Flow Interest | 280 | 630 | 1,140 | 1,330 | 1,200 | 420 | 279 | 5,279 |
| Total Base CIP | \$45,072 | \$48,627 | \$42,644 | \$36,249 | \$36,314 | \$27,294 | \$27,466 | \$263,665 |
| M&I | 33,235 | 18,323 | 9,167 | 5,167 | 5,767 | 8,767 | 9,167 | 89,595 |
| Total Expenditures | \$78,307 | \$66,950 | \$51,811 | \$41,416 | \$42,081 | \$36,061 | \$36,633 | \$353,260 |

The Forecast merges the revenues and expenditures for the base CIP and the Mobility & Infrastructure Initiative (M&I). As a result, the forecast assumes that \$16.3 million of general taxes are used to fund M&I projects as illustrated in Table 2 below.

Table 2

| Type | 2011-2017 CIP (\$000) | | |
|--------------------------|-----------------------|-------------------|------------|
| | Base CIP | M&I | Total |
| Resources | \$279,988 | \$73,272 | \$353,260 |
| Expenditures | 263,665 | 89,595 | 353,260 |
| Surplus (Deficit) | \$16,323 | (\$16,323) | \$0 |



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The current Forecast reflects an increase of \$3.2 million compared to preliminary amounts presented to Council at their August 4 Workshop. Table 3 below summarizes the changes.

Table 3

| Revenue Changes | 2011-2017 Amount (\$000) | | | Explanation |
|-------------------------------------|--------------------------|-------------------|---------------------|---|
| | Current Forecast | August 4 Workshop | Change (+ increase) | |
| Beginning Fund Balance | (\$17,327) | (\$16,600) | (\$727) | 2010 revenues and expenditures updated |
| Taxes (Sales, B&O, REET) | 252,815 | 247,380 | 5,435 | sales tax increase offset slightly by real estate excise decrease |
| Parks Levy | 26,500 | 23,723 | 2,777 | match levy proceeds to project timing (total remains the same) |
| Intergovernmental | 35,648 | 35,407 | 241 | change to state-shared motor vehicle fuel tax |
| Miscellaneous | | | | |
| LID Proceeds | 10,200 | 6,000 | 4,200 | reflect Council directed Wilburton Connections LID (9/20/10 Regular Session) |
| Public Works Trust Fund (PWTF) Loan | - | 10,000 | (10,000) | loan not approved by the State (related elimination of debt service expenditures) |
| LTGO Bonds | 12,000 | 10,000 | 2,000 | match bond proceeds to project timing (total remains the same) |
| Other Miscellaneous | 33,424 | 34,109 | (685) | updated transfer from General Fund |
| Total Revenue | \$353,260 | \$350,019 | \$3,241 | |

| Expenditure Changes | 2011-2017 Amount (\$000) | | | Explanation |
|------------------------------|--------------------------|-------------------|---------------------|--|
| | Current Forecast | August 4 Workshop | Change (+ increase) | |
| NE 4th Street Extension | \$36,658 | \$35,918 | \$740 | update timing of project (total project costs remain the same) |
| 120th Avenue NE Stage 1 | 7,180 | 6,080 | 1,100 | update timing of project (total project costs remain the same) |
| Electrical Reliability Study | 250 | - | 250 | update timing of project (total project costs remain the same) |
| Council Contingency | 25,000 | 22,278 | 2,722 | update amount of available resources |
| M&I PWTF Loan Debt Service | - | 1,300 | (1,300) | loan not approved by the State (related elimination of PWTF revenue) |
| M&I LTGO Debt Service | 6,069 | 6,300 | (231) | updated amounts |
| Cash Flow Borrowing Interest | 5,279 | 5,243 | 36 | updated amount |
| Other Projects | 272,825 | 272,900 | (75) | slight decreases to Street Overlays and ITS Master Plan Implementation Program |
| Total Expenditure | \$353,260 | \$350,019 | \$3,241 | |



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Resource Drivers:

The following section discusses the major resource drivers for the 2011-2017 General CIP Forecast.

Taxes (\$252.8 million). The General CIP tax revenue base of sales, business and occupation (B&O) and real estate excise taxes (REET), which represent 72% of total funding, were significantly eroded by the recent recession. The reduction in the tax revenue base impacts Bellevue's tax collections through the forecast period by "resetting" or lowering the starting point for growth. Taxes are projected to grow an average of 9% through the forecast period mainly due to anticipated improvements in consumer spending and a strengthening housing market consistent with assumptions in the General Fund forecast.

Highlights:

- *Tax base will take several years to recover*
- *Modest revenue growth is expected*
- *Local Revitalization Funding (LRF), Local Improvement District Funding (LID) and long-term debt are included in the forecast*

Parks Levy (\$26.5 million). The forecast includes \$26.5 million in proceeds from the 2008 Parks & Natural Areas Levy. The Levy continues the practice of using voter-approved tax measures to supplement available City CIP funds and external funding sources, and to build projects in phases.

Intergovernmental Revenue Category Major Drivers

Federal and State Grants (\$17.2 million). The forecast includes \$17.2 million in federal and state transportation 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.

Local Revitalization Funding (\$7.0 million) Bellevue was awarded Local Revitalization Funding (LRF) in late 2009 under the state's program to support the NE 4th Street project (part of the M&I). This program authorizes cities and counties to create "revitalization areas" and allows certain increases in local sales and use tax revenues and local property tax revenues generated from within the revitalization area, additional funds from other local public sources, and a state contribution to be used for payment of bonds issued for financing local public improvements within the revitalization area. The state's contribution is provided through a new local sales and use tax that is credited against the state sales and use tax.

Miscellaneous Revenue Category Major Drivers

Impact Fees (\$29.8 million). The forecast includes \$29.8 million of impact fees based on the rates adopted by Council in 2009. The current rate of \$2,000 per trip is scheduled to increase to \$3,000 in 2013 and \$5,000 in 2016, with annual increases thereafter determined by the Washington State Department of Transportation Construction Cost Index. Projections are based on the Puget Sound Regional Council's growth forecast and modified downward to reflect a slow economic recovery. These revenues were identified as a primary funding mechanism for the M&I Finance Plan.

Local Improvement District (LID) Funding (\$10.2 million). The forecast includes \$10.2 million of LID funding associated with the Wilburton Connections LID to fund a portion of the NE 4th Street Extension and 120th Avenue NE Improvements (Segment 1) projects (part of the M&I). Council adopted



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Resolution No. 8141 on September 20, 2010 declaring the intent to consider formation of the LID assuming an assessment of special benefit ratio of 75%.

2010 Limited Tax General Obligation (LTGO) Bonds (\$12 million). The forecast includes \$12.0 million of LTGO bond proceeds to fund a portion of costs for projects included in the M&I. The bonds will be supported by the 2009 3% property tax levy increase adopted by Council.

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Expenditure Drivers:

The following section discusses the major expenditure drivers for the 2011-2017 General CIP Forecast.

The Forecast balances expenditures to the projected available resources for the 2011-2017 forecast

Highlights:

- *Ongoing programs reduced significantly*
- *Discrete projects partial funding*
- *Includes some funding for Parks Levy and Mobility & Infrastructure Initiative projects*

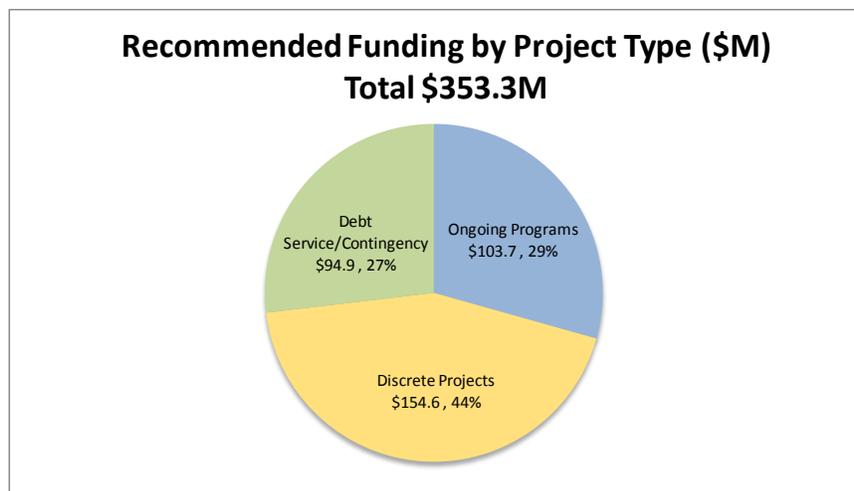
Expenditures represent projects that staff considered the highest priority, critical and time-sensitive capital needs. Projects included generally focus on maintaining current infrastructure, preparing for future development consistent with major land use plans (e.g., Bel-Red, Pedestrian Corridor), and leveraging funds from outside agencies.

As part of the Budget One process, a number of ongoing programs were significantly scaled back, while the scope and cost of some discrete projects were reduced to reflect a phased funding approach, enabling more projects to be partially funded. This approach allows for

some progress to be made on projects, as well as maintaining their competitiveness for additional city or outside funds that may become available in the future.

The CIP continues to fund a mix of discrete projects, ongoing programs and debt service support.

- Discrete projects make up approximately 44% of the General CIP (\$154.6 million) with funding focused on projects from the Parks Levy package and Mobility & Infrastructure Initiative (M&I).
- Ongoing programs make up approximately 29% of the General CIP (\$103.7 million) with programs such as those addressing public art and neighborhoods, as well as, major renovation programs like street overlays and major renovation of parks and fire facilities.
- Debt service support and a Council Contingency make up the remaining 27% of the General CIP (\$94.9 million). Funding for debt service support is related to past capital investments, such as the City Hall facility and projects from the Supplemental CIP and M&I. A Council Contingency is also included in the 2011-2017 General CIP totaling \$25.0 million for Council allocation to other capital needs.





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2008 Parks & Natural Areas Levy. The Forecast includes a \$40.5 million Parks Levy program, of which \$26.5 million is funded from Parks Levy proceeds and the remaining \$14.0 million from City tax revenues. The program focuses on park development projects that can be completed within available levy proceeds and limiting the use of City matching funds. The City's matching funds are focused on Parks and Open Space Acquisition and the two Challenge Grant projects (Youth Theater and Bellevue Botanical Garden). Table 4 below summarizes the recommendation.

Table 4

| Parks Levy Projects in 2011-2017 CIP Plan | \$000 | | | | Funding Scope |
|--|------------------|------------------|------------------------|-----------------|----------------------|
| | Total | Total | Funding Sources | | |
| | 2011-2012 | 2011-2017 | Levy | City \$ | |
| Parks and Open Space Acquisition | \$4,000 | \$7,000 | \$0 | \$7,000 | Acquisitions |
| Bellevue Airfield Park Development | 700 | 1,500 | 1,500 | | Planning/Design |
| Surrey Downs Park Development | 1,000 | 7,000 | 7,000 | | Completes project |
| Lewis Creek Park Picnic Area Development | 2,000 | 2,000 | 2,000 | | Completes project |
| Downtown Park Development | - | 5,000 | 5,000 | | Phased development |
| Bellevue Botanical Garden Development | 4,500 | 5,500 | 2,000 | 3,500 | Phased development |
| New Youth Theater in Cross Roads Park | - | 5,500 | 2,000 | 3,500 | Completes project |
| Neighborhood Park Development - Bridle Trails and Lake Sammamish | 500 | 5,000 | 5,000 | | Completes project |
| Nature Trail Expansion | 2,000 | 2,000 | 2,000 | | Completes project |
| Total Parks Levy Projects in 2011-2017 CIP Plan | \$14,700 | \$40,500 | \$26,500 | \$14,000 | |



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Mobility & Infrastructure Initiative (M&I). The Forecast includes \$89.6 million of funding for the M&I. It assumes that \$16.3 million of general taxes are used to fund these costs (see table on page 2). The funding focuses on a phased approach to project implementation, with a mix of partial and full funding of seven M&I projects, primarily focused on arterial streets. Table 5 below includes the projects recommended for funding.

Table 5

| M&I Projects in 2011-2017 CIP Plan | \$000 | | | | Funding Scope |
|---|----------------|-----------------|-----------------|-------------------------|-------------------------------------|
| | Pre-2011 | 2011-2012 | Total 2011-2017 | Total Funding thru 2017 | |
| NE 4th Street Extension 116th to 120th Avenues | \$1,742 | \$33,058 | \$36,658 | \$38,400 | Funds full cost based on 30% design |
| 120th Avenue NE Improvements (Stage 1) - NE 4th to NE 8th Street | 1,920 | 7,180 | 7,180 | 9,100 | Funds full cost based on 60% design |
| 120th Avenue NE Improvements (Stages 2 & 3) - NE 8th to Northup Way | 690 | 2,530 | 2,530 | 3,220 | Funds 100% design only |
| NE 6th Street Extension | 420 | 580 | 580 | 1,000 | Funds pre-design only |
| NE 15th Street Multi-Modal Corridor (Stage 1)/116th Avenue at NE 12th Street to 124th Avenue NE | 760 | 5,050 | 32,350 | 33,110 | Funds 60% design and partial ROW |
| 124th Avenue NE - Proposed NE 15th/16th Street Extension to Northup Way | - | 1,000 | 1,800 | 1,800 | Funds 60% design |
| ITS Master Plan Implementation Program | - | 426 | 2,425 | 2,425 | Phased implementation |
| LTGO Debt Service | - | 1,734 | 6,072 | 6,072 | \$867K/yr beginning in 2011 |
| Total M&I Projects in 2011-2017 CIP Plan | \$5,532 | \$51,558 | \$89,595 | \$95,127 | |

City Hall Debt Service Costs. The Forecast includes \$49.0 million in debt service costs (\$7.0 million annually) for the 2004 and 2006 LTGO Bonds sold to acquire and construct the City's current City Hall. These costs are funded with sales tax revenues as directed by the City Hall Comprehensive Financing Plan. Previously these costs and supporting revenues were directly accounted for in the Debt Service Fund, but are now reflected in the CIP for transparency purposes.

Cash Flow Interest. 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". Therefore, the Forecast takes into account historically spending levels and assumes that cash flow borrowing will be used during the seven year period with interest costs projected to total approximately \$5.3 million. Borrowing is projected to peak at approximately \$35.0 million during 2011-2017 which includes the current estimated balance of the existing line of credit.