



2015-2021 Capital Investment Program Plan

Overview and Financial Forecast

Executive Summary:

The 2015-2021 Adopted 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 Adopted CIP for 2015-2021 totals \$512 million and includes the use of 2% 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 Council Priority projects and investments in unmet neighborhood and infrastructure needs.

The CIP plan accomplishes the following

- Advances the Council Priorities with new discrete project funding – total of \$63.6 million
- Strategically uses long-term debt to finance the CIP
- Ensures debt obligations are met, including repayment of the interfund borrowing approved by Council in 2013
- Maintains existing infrastructure in alignment with Council policy
- Provides for transportation and mobility improvements
- Fulfills general government capital responsibilities
- Meets the City contribution per the East Link Memorandum of Understanding (MOU) and advances complementary projects
- Begins addressing the Fire Long Range Facility Plan
- Funds Partnership Projects supporting recreation and culture
- Sets aside placeholders with yet to be determined details and purpose for the Eastside Rail Corridor and Performing Arts and Culture Eastside center
- Keeps the Parks Levy commitment and provide other quality of life amenities
- Provides for neighborhood capital needs
- Prepares and serves as a catalyst for future development, including a new project targeted for competitiveness and collaboration

Adopted Revenue Increase

The 2015-2021 Adopted General CIP includes a first step in making progress toward the most urgent unmet investments with a 2% Councilmanic property tax increase, allowing sales tax to be targeted to address critical and time sensitive infrastructure needs. The new revenue adopted in the 2015-2021 General CIP Budget is a start, yet much is left to be done. The City continues to have a large backlog of unmet capital needs such as neighborhood sidewalks, and long-term infrastructure needs. These needs go far beyond what is addressed within the adopted budget.



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2015-2021 ADOPTED GENERAL CIP:

The Adopted General CIP 2015-2021 is a balanced CIP, with an increase in revenues by 2% banked property tax to add new urgent investments. The Adopted 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.

CIP Projects by Type

Project Type	Total	
	# of Proposals	2015-2021 Amount (\$M)
Debt Service Projects ¹	11	\$147
Ongoing Programs - Maintenance	8	\$97
Discrete Projects and Ongoing – Build New	62	\$269
Total 2015-2021	81	\$512

2015-2021 General CIP Revenue by Source

2015-2021 ADOPTED GENERAL CIP CIP Revenue Forecast Summary (000's)

Revenue Type	2015	2016	Total 2015-2016	2017	2018	2019	2020	2021	Total Budget 2015-2021
Beginning Fund Balance	\$ 0	\$ 31,930	\$ -	\$ 6,508	\$ 0	\$ 1,188	\$ 5,190	\$ 3,582	\$ 48,398
DEBT FINANCING									
Short Term	\$ -	\$ -	\$ -	\$ 1,291	\$ -	\$ -	\$ -	\$ -	\$ 1,291
Long Term	\$ 87,950	\$ -	\$ 87,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000
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)	694	694	1,387	694	694	694	694	694	4,855
MVFT	1,360	1,368	2,729	1,377	1,385	1,393	1,400	1,400	9,683
Subtotal Major Taxes	\$ 40,925	\$ 42,433	\$ 83,358	\$ 43,670	\$ 44,333	\$ 45,822	\$ 47,408	\$ 49,020	\$ 313,610
INTERGOVERNMENTAL									
Federal Grants	6,327	1,899	8,226	3,948	-	-	-	-	12,174
Grants	7,246	8,310	15,556	2,525	-	-	-	-	18,081
Interlocal Contributions	14,985	785	15,769	585	588	588	174	174	17,880
Rents and Leases	30	30	60	30	30	30	30	30	210
Subtotal Intergovernmental	\$ 28,588	\$ 11,024	\$ 39,611	\$ 7,088	\$ 618	\$ 618	\$ 204	\$ 204	\$ 48,345
MISCELLANEOUS REVENUE									
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
Grand Total Revenues	\$ 163,928	\$ 94,601	\$ 226,599	\$ 70,609	\$ 53,071	\$ 56,019	\$ 61,222	\$ 61,395	\$ 512,446
Total Expenditures	\$ 131,998	\$ 88,093	\$ 220,091	\$ 70,609	\$ 51,883	\$ 50,829	\$ 57,640	\$ 61,448	\$ 512,499
Ending Fund Balance	\$ 31,930	\$ 6,508	\$ 6,508	\$ 0	\$ 1,188	\$ 5,190	\$ 3,582	\$ (53)	\$ (53)

¹ Debt Service Projects include: Supplemental CIP Debt Funding, City Hall, M&II LTGO Bond, 2013 LTGO Bond, Interfund Loan, 2015 LTGO Bond, 2015 Levy Lift Bond, Metro Property, Public Works Trust Fund Loan, and Short-Term Borrowing.



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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:

- Reflects \$63.6 million of new discrete Council Priority projects (Spring Blvd Zone 1, NE 6th Light Rail Station Access Improvements, Downtown Park, a portion of Park Planning and Design (Ashwood), Grand Connection/Land Use Wilburton Zoning, Community Connectivity, Neighborhood Enhancement, Hearing Assistance, Performing Arts, Bellevue Way HOV, Partnership Projects, and some park acquisitions),
- Begins progress on the Fire Facility Master Plan (Downtown land purchase for future Fire Station 10, 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...),
- Funds Partnership Projects supporting recreation and culture,
- Sets aside placeholders with yet to be determined details and purpose for the Eastside Rail Corridor and Performing Arts and Culture Eastside center,
- 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.

Strategic Use of Debt

The “2015-2021 General CIP by Source” table on the preceding page depicts the estimated allocation of available CIP resources. As in past CIP budgets, 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, primarily 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—both of these debt issuances are funded



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by existing revenue streams. In addition, another \$10 million is backed by sales tax freed up as a result of using 2% Councilmanic property tax increase, allowing sales tax to be targeted to address critical and time sensitive infrastructure needs (\$10 annually for a \$500,000 home). The actual amount of debt issuances will be determined at issuance—based on cash flow needs and project progress.

Challenges Faced in the 2015-2021 Budget Development

The Adopted Budget grappled with a several challenges facing in this biennial update. Among these challenges were:

- Recosting of the 2013-2019 CIP
The 2015-2021 Adopted General CIP 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 relates to increased construction, right of way, and other costs associated with fulfilling the adopted project scope. Any expansion or change in scope is classified as a new or enhanced project cost.
- Unfunded potential projects
Council has had a significant amount of discussion over the last year about the City’s capital investment strategy, including the gap between the large list of unfunded capital projects and the existing CIP revenue stream. There remains a large unfunded potential projects list throughout the City totaling an estimated \$1.2 billion (2014\$), with the acknowledgement that the list is neither complete nor cost validated beyond the near term. Based on the existing CIP revenue stream, about \$400 million (2014\$) will likely be available over the next 20 years for all discretionary capital projects (i.e. projects other than debt and ongoing maintenance). The Adopted Budget includes a first step in making progress toward the urgent unmet investments with a 2% Councilmanic property tax increase in overall revenues allowing sales tax to be targeted to address capital infrastructure critical and time sensitive needs.
- 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 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 associated with new infrastructure.
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:



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“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 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 Adopted Budget includes \$63.6 million of new discrete Council Priority projects. As a note, there are several projects within the existing CIP that are not reflected in the \$63.6 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 \$100 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 Adopted 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 Hall parking garage and the Metro property. 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.



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Resource Drivers

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

Major Taxes

Taxes (\$313.6 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 major parks development projects to be completed in a phased approach, where appropriate.

Intergovernmental Revenue

Federal and State Grants (\$30.3 million). The forecast includes \$30.3 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 (\$18 million). In addition to the above revenues, the forecast includes a variety of intergovernmental sources, including Sound Transit contributions (\$14.9 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 (\$12.4 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 Adopted 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 (\$10 million). The Adopted Budget includes issuance of \$10 million in 20-year LTGO debt— funded by a 2% of the City's banked property tax capacity (\$10



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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 page shows All Resources by type and provide a breakdown of Tax Revenue by Source.

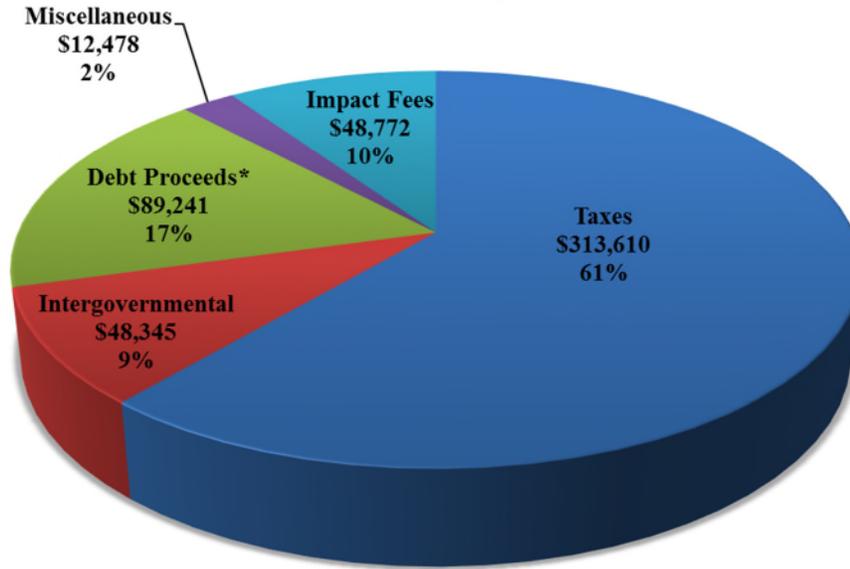


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REVENUE SUMMARY

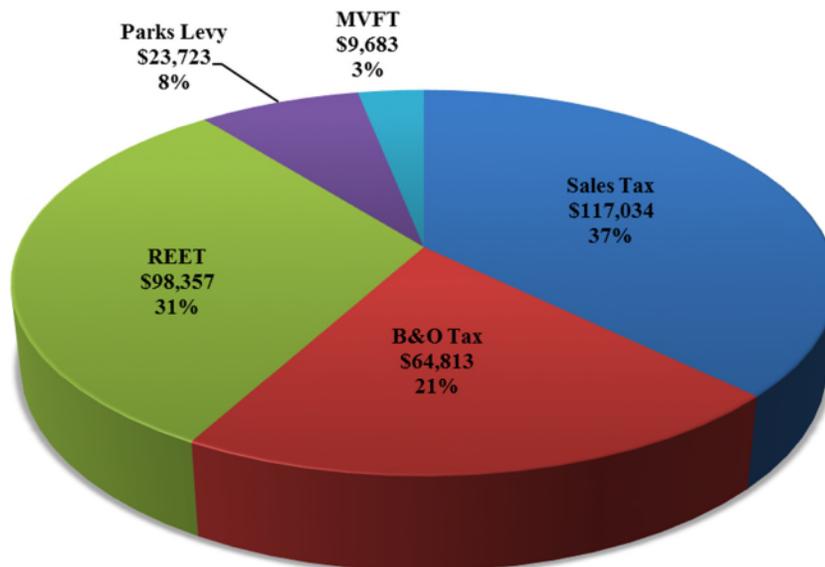
2015-2021 Adopted General CIP Budget All Resources (\$000s)



*Debt Proceeds include 2017 Cash Flow borrowing

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

2015-2021 Adopted 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. (A complete list of funded projects is found in the Cash Flow Modeling section.)

- Discrete Ongoing and Build New Projects make up approximately 52% of the General CIP (\$269 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 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 (\$147 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 the Mobility and Infrastructure Initiative (M&II).

EXPENDITURE SUMMARY

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

