

## CITY COUNCIL STUDY SESSION ITEM

### **SUBJECT**

Long Range Financial Planning

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### **POLICY ISSUES**

The City Council has been in a sustained review of the structure and continued adequacy of capital funds to meet long-term capital plans over the past several years. The focus of that work is narrowing in on identified gaps between community and Council priorities, and available funding in three specific areas (described more fully in materials presented on May 16 and 23):

- Options to address the need for significant mobility projects supporting growth in the City's BelRed and Downtown areas, including pursuit of a loan through the federal government's TIFIA (Transportation Infrastructure Finance and Innovation) program;
- Funding for projects identified in the 2014 Fire Facilities Plan, including seismic upgrades at existing stations to ensure the ability to provide emergency response after an earthquake, replace aging infrastructure, and build a new fire station to serve the population centers of Downtown and BelRed; and
- Options to accelerate progress to complete a variety of smaller-scale transportation projects that improve neighborhood safety, connectivity and flow for all users of the rights of way (pedestrian, bicycle and vehicles). While existing programs allow the City to fund a small number of projects annually, the back-log of demands is growing.

These efforts address the Council's 2016 priority areas around capital projects and long-range financing:

- Establish a long range financial strategy that includes options that respond to the future operating and capital needs of the City;
- Continue to execute on our transportation capital plans for future growth and mobility of the City, including projects in Downtown, BelRed, Wilburton and other growth areas; and,
- Continue to implement projects in the neighborhoods, with a focus on safety and connectivity with a particular emphasis on sidewalks, crosswalks, and traffic calming.

## **DIRECTION NEEDED FROM COUNCIL**

- Action
- Discussion
- Information

No formal action is being requested tonight, though staff does seek general concurrence with further action to pursue as noted below.

Tonight's presentation continues the conversation from May 16 and May 23 regarding long-range capital needs linked to Council goals and priorities. There are three distinct segments to the tonight's presentations:

1. **Update on the TIFIA Loan** with current status and additional detail about TIFIA requirements including the actions necessary to enter projects into the State Transportation Improvement Program (STIP). Following discussion, staff is requesting direction to return on June 20 with an ordinance amending the budget needed to reflect the necessary funding to allow the city to complete its TIFIA loan process.
2. **Further discussion of the Fire Long Range Facility Plan**, including a more specific plan prioritizing the improvements and suggesting a package of projects for additional public outreach. This outreach is centered on whether the City should address these needs through a voter-approved ballot measure to provide additional funding; and
3. **Response to Councilmember questions regarding future revenue options** (information only – addresses questions originally raised on May 16).

## **BACKGROUND/ANALYSIS**

### **May 16 and May 23, 2016 Meeting Recap**

At the May 16, 2016 Council Study Session, staff provided an update on the long range financial CIP planning work, community and Council priorities, and gaps between those priorities and projected revenues. Conclusions reached include:

- The update to the long range CIP financial plan funding available to address discrete projects (i.e. projects other than debt and ongoing maintenance) remains at approximately \$400 million. The potential projects for the City remain well in excess of that.
- Compilation of themes from historical and recent citizen and business surveys (in no particular order) include traffic congestion/growth, public transportation, public safety, open space/parks, and affordable housing. All of these priorities have existing initiatives that are currently underway, but in some cases, implementation of those initiatives may be at a pace that does not meet community expectations for the pace of improvement and investment in the near term.
- Council requested at a future Council meeting information regarding revenue options, including Councilmanic property tax and historical property tax information.

Staff identified three areas with clear funding gaps where additional investments could allow for accelerated implementation of projects:

- Mobility in BelRed
- Neighborhood Safety and Connectivity
- Fire Facilities

In response, Council on May 23 discussed the three areas and directed next steps to address these gaps, including to continue to pursue a TIFIA loan to address the mobility in BelRed and, separately, to pursue community feedback about proposals for potential new voter-approved

revenue to accelerate capital investments for both the Neighborhood Safety and Connectivity and the Fire Long Range Facilities areas. Attachment A provides the Community Outreach Plan. In addition, the Council was re-grounded in the Fire Facilities Plan, originally discussed with the Council in 2014. That evening, staff committed to return with an update tonight with additional analysis and suggestions prioritizing and scoping the work at each station that was originally suggested in the Fire Facilities Plan. Council was also briefed on example projects that would be addressed in the area of Neighborhood Safety and Connectivity and gave staff direction to include neighborhood congestion in the community outreach, in addition to the neighborhood safety, sidewalk and trail maintenance, new sidewalks/trails, new ITS safety and traffic management projects and new bike facilities.

### **TIFIA UPDATE TO ADDRESS THE MOBILITY IN BELRED**

Council adopted a set of 2-year priorities in April 2016 which included “continue to execute on our transportation capital plans for future growth and mobility of the City, including projects in Downtown, BelRed, Wilburton and other growth areas.” The City is currently pursuing a federal low-interest TIFIA loan that would allow the City to accelerate certain projects in the BelRed area, fueling the redevelopment that is anticipated in that area. (See Attachment B for a detailed map.) It is important to note that TIFIA is not grant funding, it is a loan with favorable terms for the City. The City must repay the loan in accordance with the terms of issuance. Staff is currently preparing the first Step with a Letter of Interest, and targeting completion in July 2016. The City anticipates the earliest closing of a TIFIA loan either late this year or early in 2017. There are several off-ramps for Council consideration as the process moves forward. For instance, staff will be back with required debt authorization via ordinance for Council direction during Step 4, the application process.

- Step 1: Project Sponsor submits Letter of Interest on a rolling basis
- Step 2: If requested by DOT, Project Sponsor provides additional information, Preliminary Rating Opinion Letter and \$100,000
- Step 3: Upon invitation, Project Sponsor makes oral presentation to DOT
- Step 4: Upon invitation from DOT, Project Sponsor submits completed application
- Step 5: DOT Notifies Project Sponsor regarding completeness of application no more than 30 days after receipt
- Step 6: DOT staff prepare evaluation and make recommendation to DOT Credit Council
- Step 7: DOT Credit Council provides recommendation to the Secretary who makes final determination
- Step 8: DOT notifies Project Sponsor regarding project approval no more than 60 days after delivery of Notice Regarding Application Completeness
- Step 9: DOT issues Term Sheet, Executes Credit Agreement, and Obligates Funds
- Step 10: DOT disburses funds upon satisfaction of conditions set forth in Credit Agreement

Should the City be successful in obtaining the TIFIA loan, it will allow the City to accelerate completion of a number of capacity projects that are aimed at addressing the needs of growth in the Downtown, BelRed and Wilburton, the City’s major “growth corridor.” These funds, in combination with revenue sources like impact fees on new development, respond to community priorities around congestion relief and new development paying its share of infrastructure needed to support growth. In turn, that infrastructure investment pays off in the form of an increasing contribution to base tax revenues for future operating and other needs.

Additional TIFIA Requirements needed in the near term to complete the Letter of Interest:

As mentioned above, some of the eligibility conditions of the TIFIA program include the requirement that the individual projects constructed with TIFIA proceeds be included within the State Transportation Improvement Program (STIP) and that the project(s) be approved under the National Environmental Policy Act (NEPA). The process to meet each of these TIFIA eligibility conditions have requirements of their own. First, to be included in any state's STIP, the USDOT/FHWA requires that a project or phase of the project must be included within the fiscally constrained TIP of the Metropolitan Planning Organization (Title 23 Code of Federal Regulations (CFR) Part 450). In Bellevue's case this is the Puget Sound Regional Council (PSRC) TIP. The reference to "fiscally constrained" indicates that the project or phase must be fully funded – the phase can include only the design (or PE) phase. Second, to receive federal approval under NEPA, the project or at least one subsequent phase of the project must be fully funded. "Subsequent phase" can mean either the property acquisition or construction (ROW or CN) phases. In order to support the City's application, amendments are needed to the existing CIP, described in more detail below.

124<sup>th</sup> Avenue NE Corridor – NE 8<sup>th</sup> Street to Northup Way

For the 124<sup>th</sup> Avenue NE corridor, the segment between NE Spring Boulevard and NE Ichigo Way are fully funded for PE, ROW and CN and are included within the Regional TIP and STIP. This was enough to secure the federal NEPA approval for the whole corridor between NE 8<sup>th</sup> Street and Northup Way. To have the segments between NE 8<sup>th</sup> Street and NE Spring Boulevard and between NE Ichigo Way and Northup Way included in the Regional TIP and STIP, only the PE phases will need to be fully funded.

Budget Allocation Needed: \$4,491,000

130<sup>th</sup> Avenue NE Corridor – BelRed Road to NE 20<sup>th</sup> Street

For this project both the PE and ROW phases will need to be fully funded to be included in the STIP and to be eligible for NEPA approval.

Budget Allocation Needed: \$2,535,000

NE Spring Boulevard Zone 4 – 130<sup>th</sup> Avenue NE to 132<sup>nd</sup> Avenue NE

The north half of the planned roadway is fully funded for PE, ROW and CN, but the south half is unfunded. In this case new, full funding will be required for the PE phase of the south half, but no additional funding will be required to receive NEPA approval as the north half is already funded.

Budget Allocation Needed: \$1,500,000

NE Spring Boulevard Zone 2 – 120<sup>th</sup> Avenue NE to 124<sup>th</sup> Avenue NE

This project is already included in the STIP due to the federal funding secured for the PE phase of Zones 1 and 2. Since Zone 1 is fully funded for RW and CN, the City was able to secure the NEPA approval for both segments.

Budget Allocation Needed: \$0

The near term funding for these costs will be provided by greater than anticipated 2015 revenues, including impact fees and real estate excise tax. With the exception of the funding needed to progress work to the level necessary for NEPA approval; and, if necessary, to prepare one

project phase for construction within 90 days of loan closing, TIFIA funding will offset the funds requested in 2017. If TIFIA is not secured, timing and expenditures for all of the above projects will need to be reconsidered and the Council will have the opportunity at that point to amend the CIP to reflect only existing funds.

### **Council Discussion**

Staff seeks Council concurrence to pursue the Letter of Interest and to return on June 20 with a CIP budget amendment consistent with the above.

## **FIRE FACILITY PLAN UPDATE**

### **Recap of May 23 Fire Facilities Briefing**

The Fire Department has 10 facilities to maintain with unique and special conditions that are required to operate 24-hours per day in order to provide its core mission of preventing, preparing for and responding to emergencies. See Attachment D for a current list of Fire Department Facilities and their locations. The City originally approached its fire station location and configuration systematically through a strategic plan developed in the late 1970s. At the time of the original 1979 Strategic Plan, the population for the City was 79,903 with the location of major growth areas and population oriented east to west. Since that time the population has grown to 133,992 (150,000+ including the department's contract cities of Beaux Arts, Hunts Point, Medina, Newcastle and Yarrow Point), and the orientation of the City changed to north/south.

In light of these changes, the City initiated an evaluation of current station locations to review their adequacy in light of development and population, as well as an assessment of the condition and stability of all fire facilities. This work was performed by Schreiber Starling & Lane Architects in 2014. Schreiber's report identified several CIP funding needs that address the change in orientation, population and employment growth in downtown, as well as health and life safety issues. As part of the 2015-2016 biennium budget development process, the top three projects included in the plan received partial funding in the 2015-2021 CIP:

1. Rebuilding Fire Station Five (\$12 M);
2. Purchasing property for a new downtown fire station (\$7.5 M); and
3. Partial funding for the expansion of the Public Safety Training Center (\$5.0 M).

### **Update to Fire Facilities Plan Based on Staff Analysis**

There remains over \$100M of projects identified in the Fire Long Range Plan. City staff have recently completed a thorough review of the Plan to prioritize projects and to ensure that the recommendations for each of the facilities are "right sized" and continue to be consistent with the Fire Department's needs. As a result, alternatives are being recommended for some of the facilities that still allow the City meet the goals documented in the Fire Long Range Plan.

The community outreach process for the long range financial planning process will present the community with the revised recommended projects. The table below describes the recommended projects proposed to each of the fire facilities. Some of the smaller projects identified in the Plan will be addressed by the department as part of its ongoing maintenance and upkeep activities. Scope adjustments are annotated on the list.

Projects will be spread throughout the short and long-term planning horizons.

<b>Recommended Project List</b>		
<b>Facility/Location</b>	<b>2014 Plan Recommendation</b>	<b>Revised Recommendation</b>
Station 10 - Downtown	<i>Construction of a new station due to growth in Downtown. Review of siting options underway. Property acquisition was budgeted in the 2015-2021 CIP</i>	<i>Construct a new fire station due to growth in the downtown. Property acquisition is budgeted in the 2015-2021 CIP. Construction and operating costs have not been budgeted</i>
Station 1 – Downtown/West Bellevue	<i>Facility plan called for an extensive remodel of this facility,</i>	<i>Meet current seismic standards and upgrade facility infrastructure</i>
Station 2 – Eastgate/Lake Hills/West Lake Sammamish	<i>Facility plan called for an extensive remodel of this facility,</i>	<i>Meet current seismic standards and upgrade facility infrastructure</i>
Station 3 – Crossroads/NE Bellevue	<i>Facility plan called for an extensive remodel of this facility,</i>	<i>Meet current seismic standards and upgrade facility infrastructure</i>
Station 4 – Factoria/Somerset	<i>Replace as a Task Force Station to allow for redeployment of existing resources. New location required due to existing lot limitations.</i>	<i>Unchanged</i>
Station 5 – NW Bellevue	<i>Replace due to structural deficiencies. Full replacement budgeted in the 2015-2021 CIP.</i>	<i>Unchanged</i>
Station 6 - Spring District/Bridle Trails	<i>Facility plan recommended Station 6 become a Task Force Station. This would have required relocation of the station.</i>	<i>Remodel apparatus bay to allow for relocation of ladder company, seismic improvements and upgrade of facility infrastructure</i>
Station 7 – Wilburton/Woodridge	<i>Facility plan called for an extensive remodel of this facility,</i>	<i>Meet current seismic standards and upgrade facility infrastructure</i>
Station 8 – Eastgate/Cougar Mountain	<i>Facility plan called for an extensive remodel of this facility,</i>	<i>Meet current seismic standards and upgrade facility infrastructure</i>
Station 9 – Newcastle/Newport Hills	<i>Facility plan called for an extensive remodel of this facility,</i>	<i>Meet current seismic standards and upgrade facility infrastructure</i>
Logistics Center Warehouse	<i>Consolidation of reserve apparatus and specialized equipment repair.</i>	<i>Unchanged</i>
Training Center	<i>Improvements to the Training Center have been deferred.</i>	<i>Deferred</i>

The revised recommendations allow for the critical goals to be achieved in regard to improved deployment of resources and needed seismic upgrades. Reconfigured scope will achieve Ladder Company redistribution to a North/South configuration as suggested in the 2014 Fire Long Range Facilities Plan. It will allow for a North/South Battalion Commander, with the North End Battalion Commander based at the new Fire Station 10. This will be an improvement over the existing Fire Station 1 location and serve the North-End satisfactorily. The South-End Battalion Commander would be located as planned at the new Factoria Task Force Station.

The capital costs associated with this revised plan have been reduced by shifting priorities from major renovations to seismic upgrades and critical infrastructure improvements. Operational costs (staffing/equipment) are not included in this estimate. These operational costs would be for staffing a new Engine 10, including thirteen (13) FTEs to staff three 24-hour per day positions (estimated at \$1.7 million startup/\$2.5 million ongoing) and for a second Battalion Commander for the South end of the city, including nine FTEs to staff two 24-hour per day positions (estimated at \$0.6 million startup/\$2.3 million ongoing). Start-up costs include staff hiring, initial training as well as apparatus and equipment. These additional operating costs are not included in the General Fund forecast and, barring a shift in the economic environment when the station is completed, the City will require either increased revenue or reduced expenditures beyond the current forecast assumptions.

Deferring improvements to the Training Center will allow time for a potential regional and /or grant funded solution to be developed with our partners in the East Metro Training Group (Redmond, Mercer Island, Kirkland, Northshore, Shoreline, Bothell and Woodinville).

Additional discussions with the Council, as well as community outreach (Attachment A), are planned in June and July to help inform the scope of those investments needed to fulfill the community's expectations and City obligations to provide continuous, high-quality emergency response.

#### **Response to Council questions regarding revenue options – Information only**

On May 16, Council requested several clarifications of the use of property tax including how much is the City's Councilmanic banked capacity, how can it be used, and what is the history of property tax rates in Bellevue. This is provided for information only. Attachment E provides the details requested.

In general, the City currently has approximately \$8.6 million in Councilmanic banked capacity or approximately 20 cents annually of property tax rate capacity. As a reminder, there are several needs on the horizon for Council consideration both in the general CIP and the general operating funds.

- The update to the long range CIP financial plan funding available to address discrete projects (i.e. projects other than debt and ongoing maintenance) remains at approximately \$400 million. The potential projects for the City remain well in excess of that. This has been the discussion of Council for the May 16 and May 23 Council Study Sessions.
- In addition, on March 28, Council reviewed the 6-year Financial Forecast for the General Operating Fund. At that time, the 2017-2021 General Fund forecasted moderate but consistent growth throughout the forecast period. Near term, years 2017 and 2018, revenues are forecasted to be greater than expenditures. Yet, based on best information at this time, revenues in 2019-2022 are currently forecasted to be less than expenditures. The two primary drivers of the expenditure growth are known items (1) LEOFF 1 medical health benefits, historically funded with reserves set aside for this purpose in the mid-1990's, convert to "pay as you go" with full effect (approximately \$2.3M annually) starting in 2019; and (2) annexation sales tax mitigation of approximately \$1m/year expires in 2022.

The March 28 forecast assumed no increase in property taxes, nor did it assume any growth in FTEs or other operating costs from new not yet built facilities. If the forecast continues to reflect expenditures greater than revenues in the out years, the City will need to face choices of service level reductions and/or increase revenues.

**ATTACHMENT**

Attachment A: Public Outreach and Engagement Plan (from May 23)

Attachment B: Map of BelRed Area Transportation Projects

Attachment C: Bellevue Fire Facilities Master Plan Executive Summary

Attachment D: List of Bellevue Fire Department Facilities

Attachment E: Information on Property Tax

Attachment F: Property Tax Levy Comparison 2011 vs. 2016

Attachment G: May 23, 2016 Agenda Memo