

CITY COUNCIL STUDY SESSION

Discussion regarding Parks long range financial planning

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DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Staff is seeking direction on the package of capital project categories to be considered in a potential parks voter-approved ballot measure for the November 2022 General Election.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS**Background**

City Council has an adopted 2021-2023 priority to “advance a parks funding strategy, including consideration of new funding sources for operations, maintenance and construction” (High Quality Built and Natural Environment Priority #9).

At the March 7 Council Budget Workshop, staff provided an overview of the Parks Long Range Capital plan and additional potential funding options such as voter-approved initiatives (levy or bond), real estate transactions (sale or swap of City-owned land), voter-approved establishment of a special taxing district for parks (Metropolitan Park District), non-voter approved/Councilmanic bonds, impact fees and other new tax sources. Council directed staff to provide additional information on voter-approved initiatives (levy or bond) with the option to retire the existing levy and park impact fees.

On March 28, Council reviewed the 2022 update to the Parks and Open Space System Plan (POSSP). The POSSP is the primary tool used to guide the long-term growth and development of Bellevue’s parks and open space system. From extensive public engagement, community needs and park system gaps have been identified and are shown in the update of the POSSP. Council provided feedback on the plan update and staff will return to Council in late spring for final adoption.

On April 18, staff briefly reviewed the broad capital categories of potential projects based in the 20-year POSSP update with an estimated cost of between \$500 million to \$1 billion, Parks’ current funding sources are estimated to provide \$300 million, leaving an approximate funding gap of \$580 million. Additional information on voter-approved funding options were presented highlighting the primary differences between regular levy lid lift and excess levy; and further demonstrating potential property tax revenue scenarios based on various levy rates. Council directed staff to continue with information gathering on voter-approved initiatives. Council confirmed the Parks Board role in recommending categories of community priorities based on the extensive public outreach during the POSSP update.

Moreover, the Council supported a park impact fee study for consideration as part of a future budget process.

If Council directs continued research into a potential voter-approved funding option, the timeline for 2022 would be:

Date	Who	What	Status
March 7	Council Study Session	Budget Workshop - Overview of Parks Long Range Capital Plan and parks funding options and received direction to: <ol style="list-style-type: none"> 1. Provide additional information on voter-approved levy (levy lid lift or voted bond) with option to retire the 2008 levy; and 2. Provide additional information on park impact fees. 	Done
March 8	Park Board Meeting	2023-2029 CIP Budget Update - Board confirmed the priority to acquire more open space; develop parks in to serve new populations expected in BelRed and Wilburton; and advance previously approved projects	Done
March 28	Council Study Session	Review of the draft 2022 Parks and Open Space System Plan Update	Done
April 18	Council Study Session	Return to Council with additional information on the voter-approved initiatives with the option to retire the 2008 levy and impact fees and seek direction on: <ol style="list-style-type: none"> 1. Should the City proceed with a voter-approved ballot measure to support Parks capital needs?; 2. What is the Parks Board role in the process?; and 3. Is Council interested in in discussing future park impact fee study for future consideration as part of the regular city budget process? 	Done
April 20	Park Board Meeting	Discuss/confirm community priorities/preferences identified from 2022 Park and Open Space System Plan update process.	Done
May 10	Park Board Meeting	Finalize communication to Council on community priorities/preferences.	Done
June 6	Council Study Session	Staff is seeking direction on the package of capital project categories to be considered in the package for a potential voter-approved ballot measure for the November 2022 general election.	Tonight
June 27	Council Study Session	Staff seek confirmation on the package of capital project categories and direction on the voter-approved funding mechanism for the November 2022 general election.	

July 11 July 18	Council Study Session	Continued discussion regarding capital project categories, and funding mechanism, Staff provides draft ballot language.	
July 25	Council Study Session	Council action required to meet the August 2 election filing deadline. Potential action includes adoption of an ordinance authorizing ballot measure for the November election. If Council authorizes a ballot measure, it also requires a resolution to appoint pro and con committee to prepare statements for the voter's pamphlet.	

As staff continues to gather information on the voter-approved funding mechanisms including additional public outreach and the option of retiring the 2008 Parks and Natural Areas Levy, we are seeking Council direction on the specific capital project categories to be included in the voter-approved ballot initiative. Solidifying the project list will help determine the magnitude of the capital investment including the maintenance and operating cost component of the facilities; and timeline which will ascertain the cashflow requirement – how much funding is needed for projects in the near term and what can be pushed out further into the future. These will provide an objective framework for analyzing the voter-approved funding option that would best fit the execution of the plan.

Last month, the Parks and Community Services Board (Board) transmitted their recommendations to the City Council regarding the Parks long term strategy (Attachment A). The Board identified the higher level principles for future funding strategy – recommending to:

- include a mix of projects that can be implemented quickly along with phased investments for larger long-term project objectives;
- advance Bellevue's goal in bringing a park or trail within walking distance to residents;
- address impacts of growth by providing open space; and
- provide significant early funding to maximize leveraged partnerships, opportunistic property acquisitions and development.

In addition, the Board offered a series of recommendations related to the focus areas within the POSSP categories.

Also staff will be completing additional public outreach through an *It's Your City* article to inform the community about the Council's consideration of a potential voter-approved ballot measure and to encourage residents to respond to an on-line survey on park system priorities through the Engaging Bellevue app.

The heart of the POSSP is a set of 20-year capital project objectives. These long-term objectives are reviewed and updated approximately every six years. From July 2021 to February 2022, the Parks & Community Services Board and staff conducted extensive community outreach to collect feedback and opinions from Bellevue residents and park users on how the parks and trail systems are currently used and what priorities should be set for future development. The survey showed that top preferences are:

All Respondents

- Trails through natural areas
- Paved or gravel trails

- Beach, waterfront park, or boat launch
- Unstructured play/picnic areas
- Park with display gardens
- Outdoor sports field or sport court
- Swimming pool
- Indoor sports facility or fitness center

The surveys of Bellevue residents completed for the POSSP consistently show that the Bellevue community more generally supports expansion of the park system through projects that:

- Preserve natural areas and add trails
- Add neighborhood parks
- Complete existing parks
- Provide waterfront access

The POSSP was fundamentally developed and updated with an equity lens. The goals included two functions that focus on equity – 1) provide equitable and inclusive access to each and every Bellevue resident to a variety of park facilities including waterfront, play areas, sportsfields and recreation centers; and 2) provide spaces, services and programs that remove disparities in opportunities, power and resources so that everyone can reach their full potential to thrive. Access and Opportunity is one of four concepts applied in the analysis which advances the department’s Diversity Strategic Plan to serve all sectors of the population equitably, providing a variety of active and passive recreation opportunities. Special consideration is given to youth, older adults, individuals with disabilities, households with low incomes and others with special needs. In analyzing the survey results, staff looked at geographic distribution of our park system and overlaid the neighborhood areas, population, race/ethnic background, household income, resident type and utilization to highlight the accessibility deficits in our level of service. In developing the capital project list several criteria were employed including equity factors – Does the project serve diverse communities? Will it be accessible or will it improve access to those populations?

The POSSP identifies a menu of desired capital project needs over the next 20 years (Attachment B). The system plan is not constrained by a budget amount and the projects included far exceed budgeted funds available. The funding strategy in the plan is general and assumes that CIP funding is the foundation for property acquisition, capital construction, renovation, and planning. The POSSP capital focus categories with rough order of magnitude project costs are summarized below and a detailed project list is found in Attachment C.

Categories	Estimated Cost (in Millions)
Open Space, Greenways, Wildlife Corridors & Trails	\$30
Active Recreation Facilities	\$130
Park Facilities	\$157
Urban Park Systems	\$127
Waterfront Access	<u>\$236</u>
Total Estimated Capital Project Costs	\$680
Renovation and Refurbishment	<u>\$200</u>
Projected 20-Year Capital Need	<u><u>\$880</u></u>

Voter-Approved Funding Options

On March 7 Council directed staff to look at regular levy lid lift or excess levy options, including retirement of the existing levy, and park impact fees. Depending on the size of the package, Council has a number of tools available to finance a voter package. While State law limits the amount of voted debt allowed for park and other City purposes, Bellevue currently has no outstanding voted debt and the City's property tax levy remains well below maximum levels allowed in state law.

1) Major voter-approved funding mechanisms:

- a) A voter-approved levy (regular levy lid lift) can be used for park property acquisition and development, and also for ongoing maintenance and operations needs. A levy lid lift requires simple majority approval (50 percent + one). Since a levy lid lift can be used to pay debt service on bonds for only nine years, this mechanism is more appropriate for financing smaller capital needs (that can be funded with nine-year bonds) or pay as you go project development that can be scheduled throughout the duration of the levy.
- b) Voter-approved bonds (paid from an excess property tax levy) can be used for park capital purposes including property acquisition and development, and are typically repaid over 20 to 40 years through an excess property tax levy. Voted bonds require supermajority approval (60 percent), and require a 40 percent validation against the most recent general election. Bonds are an appropriate financing mechanism for larger voter packages as they spread the cost over more years and produce a lower annual cost per homeowner. Bonds also provide available capital funding once issued, thus providing more immediate construction funding and reducing the risk of capital inflation over the course of project development.

Below is a simple summary of the differences between these voter-approved funding mechanisms. It should be noted that the RCW requirements for voter-approved excess and regular property tax measures are quite complex, and this table highlights the primary differences between these funding mechanisms. The "best" approach is dependent on the overall project mix, the need to accelerate projects, the timing of the election, bond markets, the complexity of the ballot and competing ballot measures, and the overall political environment.

	Regular Levy Lid Lift		Excess Levy
	9-Yr Levy	20-Yr Levy Pay as you Go	Voter-Approved Bonds
Vote Requirement	50% approval	50% approval	60% approval
Voter Validation	No	No	Yes
Revenue Timing v Expenditures	Cash upfront To fund 3 yrs of expenditures, if tax exempt and/or could also have a pay as you component	Pay as you go	Cash upfront One or more series may be issued to fund 3 yrs of expenditures, if tax exempt.
Project Completion	Accelerated	Extended	Accelerated
Financial Risks	Interest rate risk	Inflation Risk	Interest rate risk
Ballot	Option for a single ballot for capital and M&O or separate	Option for a single ballot for capital and M&O or separate	Separate ballots for (1) voter-approved bond and excess levy to fund capital only and (2) levy lid lift to fund M&O. This option requires two voted measures.
Subject to Council Policy Debt Limit	Within 1.0% non-voted LTGO	N/A	Within 1.75% general City voted capacity or additional voted capacity for parks
Subject to Levy Limit	Yes	Yes	No

Retirement of the 2008 Parks and Natural Areas Levy

The capital component of the 2008 Parks and Natural Areas Levy will expire in 2028. The aggregate future revenues of \$20.4 million has been earmarked to fund two pending capital projects - Airfield Park Development and a neighborhood park along Lake Sammamish. As of 2022, the 2008 Parks capital component levy costs \$44.00 per homeowner with average \$1.0 million AV. The early retirement of the capital levy (prior to 2028) would require \$20.4 million to be added into the proposed voter-approved package in order to replace this funding. The early retirement of the capital component of the 2008 Parks and Natural Areas Levy would avoid having overlapping levies until the existing levy retires in 2028.

Voter-approved Funding Scenarios (Strawman Options)

Consistent with the community feedback, Board recommendations and Council priorities, staff created the three sample scenarios that reflect the preferred capital project categories to be included in the potential voter-approved ballot initiative. The required capital investment with the options that include retiring the 2008 Parks and Natural Areas Levy were calculated to provide some perspective on what could be accomplished, how much revenue could be raised, and the cost to taxpayers for each potential funding option. In assessing the options, other considerations should include opportunity cost and purchasing power. The timing of when funding is available is a key consideration during this time of incredible City growth and inflation. If funding is not readily available to finance a potential acquisition or support a partnership, the City's flexibility and speed is limited and we would be forgoing the potential to

advance any one of the project priorities. Further, as discussed above, the purchasing power of the future collections will diminish over time and may not be sufficient to finance the preferred capital project lists as costs will likely increase.

In the scenarios the following assumptions were applied: a) the cost of the 2008 Park and Natural Area Levy capital component is assumed to remain at the 2022 rate of \$44.00 per average \$1 million home value; b) the discount rate used to convert future collections to present value 3 percent interest rate for bond or 5 percent inflation rate for pay-as-you-go option. Finally, all scenarios presented are estimated at this time. The estimated rates and impact will change based on direction on project categories.

Scenario 1

Table 1 shows the first scenario for a nine-year regular levy (levy lid lift that can be used for debt service) with a capital project categories list totaling \$115.4 million and projected \$2.1 million for M&O component. For a nine-year levy at the rate of \$0.22 per \$1,000 AV for capital and M&O, the approximate cost impact to a household with \$1 million AV will be \$220 per year with savings of \$10.00 with the retirement of the 2008 Parks Levy.

Table 1:

Scenario 1: 9-Year Regular Levy (Simple Majority 50%)		
Interest Rate: 3%		
	(in Millions)	
	Without Retirement of 2008 Parks Levy	With Retirement of 2008 Parks Levy
Proposed Project Categories:		
Open Space, Greenways, Wildlife Corridors & Trails	\$20.0	\$20.0
BBG Wetland Sun Terrace Phase Development	5.0	5.0
Neighborhood Parks: Eastgate/Factoria and Ashwood	20.0	20.0
Recreation/Community Facilities	20.0	20.0
Waterfront Restoration/Development	10.0	10.0
BelRed/Wilburton Acquisition/Development	10.0	10.0
Emerging Sports, Off Leash Areas	10.0	10.0
Lake Sammamish/Airfield Park Phase 1 Development ¹	0.0	20.4
Subtotal, Capital	\$95.0	\$115.4
Maintenance & Operating Cost	\$2.1	\$2.1
Tax Rate per \$1,000 AV (Capital + M&O)	\$0.185	\$0.220
Cost Per \$1M HH - 2022 Proposed Package	\$186	\$220
Cost Per \$1M HH - 2008 Parks Levy as of 2022	\$44	\$0
Estimated Impact to HH	\$230	\$220

¹ Remaining projects funded by future collections of 2008 Parks Levy. Additional investment if 2008 Parks levy is retired

Scenario 2

The second scenario assumes a 20-Year Regular Levy (Pay-As-You-Go Levy Lid Lift) with capital project categories list of \$172.4 million plus \$2.5 million in M&O component. This option uses a 5 percent inflation rate to replicate the purchasing power of a 20-year bond (shown in Scenario 3). Since future capital project inflation will likely exceed the estimated 3 percent bond interest rate, it will essentially increase the cost of the same project list to Bellevue taxpayers. At the levy rate of \$0.22 per \$1,000 AV for capital and M&O, the approximate cost impact to a household with \$1 million AV will be \$220 per year, similar to the first scenario.

Table 2:

Scenario 2: 20-Year Regular Levy (Simple Majority 50%)		
Inflation Rate: 5%		
	(in Millions)	
	Without Retirement of 2008 Parks Levy	With Retirement of 2008 Parks Levy
Proposed Project Categories: (★ Different from Scenario 1)		
Open Space, Greenways, Wildlife Corridors & Trails ★	\$25.0	\$25.0
BBG Wetland Sun Terrace Phase Development	5.00	5.00
Neighborhood Parks: Eastgate/Factoria and Ashwood	20.00	20.00
Recreation/Community Facilities ★	25.00	25.00
Waterfront Restoration/Development ★	25.00	25.00
BelRed/Wilburton Acquisition/Development ★	15.00	15.00
Emerging Sports, Off Leash Areas	10.00	10.00
Meydenbauer Bay Phase II/Downtown Development ★	20.00	20.00
Lake Sammamish/Airfield Park Phase 1 Development ²	0.00	27.40
Subtotal, Capital	\$145.0	\$172.4
Maintenance & Operating Cost	\$2.5	\$2.5
Tax Rate per \$1,000 AV (Capital + M&O)	\$0.185	\$0.220
Cost Per \$1M HH - 2022 Proposed Package	\$186	\$220
Cost Per \$1M HH - 2008 Parks Levy as of 2022	\$44	\$0
Estimated Impact to HH	\$230	\$220

² Remaining projects funded by future collections of 2008 Parks Levy (\$20.4M) plus \$7M additional investment.

Scenario 3

The third scenario assumes an Excess Levy and similar capital project categories list as Scenario 2 of totaling \$172.4 million plus \$2.5 million in M&O component (the M&O component would be funded with a levy lid lift). If approved, this approach would allow the City to issue 20-year Park Bonds with a total value of up to \$172M. If the entire amount could be executed in one issuance at today’s interest rates, for example, the estimated cost per homeowner is \$183 per year, including a levy rate of \$0.15 per \$1,000 AV for capital plus \$0.033 per \$1,000 AV for M&O, and savings of \$20 per year if the 2008 Parks Levy was retired. In reality, Park Bonds will need to be issued to fund blocks of projects that can be realistically completed in 3-year increments, with potentially multiple bond issuances over time. Thus, the cost of repaying multiple 20-year Park Bonds will be spread over a longer period of time and result in lower initial cost per homeowner impacts than presented in the simple example provided. Under this option, the Excess Levy and the M&O Levy would be two different packages for voters.

Table 3:

Scenario 3: 20-Year Bond (Excess Levy, Supermajority 60%)		
Interest Rate: 3%		
	(in Millions)	
	Without Retirement of 2008 Parks Levy	With Retirement of 2008 Parks Levy
Proposed Project Categories: (★Different from Scenario 1)		
Open Space, Greenways, Wildlife Corridors & Trails ★	\$25.0	\$25.0
BBG Wetland Sun Terrace Phase Development	5.0	5.0
Neighborhood Parks: Eastgate/Factoria and Ashwood	20.0	20.0
Recreation/Community Facilities ★	25.0	25.0
Waterfront Restoration/Development ★	25.0	25.0
BelRed/Wilburton Acquisition/Development ★	15.0	15.0
Emerging Sports, Off Leash Areas	10.0	10.0
Meydenbauer Bay Phase II/Downtown Development ★	20.0	20.0
Lake Sammamish/Airfield Park Phase 1 Development ²	0.0	27.4
Subtotal, Capital	\$145.0	\$172.4
Maintenance & Operating Cost	\$2.5	\$2.5
Tax Rate per \$1,000 AV (Capital + M&O)	\$0.16	\$0.18
Cost Per \$1M HH - 2022 Proposed Packge	\$159	\$183
Cost Per \$1M HH - 2008 Parks Levy as of 2022	\$44	\$0
Estimated Impact to HH	\$203	\$183

² Remaining projects funded by future collections of 2008 Parks Levy (\$20.4M) plus \$7M additional investment.

From an annual taxpayer cost perspective, between the 20-Yr Excess Levy and 20-Yr Pay-As-You-Go Regular Levy, the 20-Yr Excess levy capital inflation factor would cost a \$1M home an additional 12 percent or \$25 per year (for 20 years) for the same capital project package.

Council Direction

Staff is seeking direction on the package of capital project categories to be considered in a potential parks voter-approved ballot measure for the November 2022 General Election.

Next Steps

Based on direction received, staff will:

- Formulate a levy rate or range of levy rates based on the estimated the total capital investment including the maintenance and operating cost component; and project timing.
- Prepare responses to additional questions on the voter-approved funding scenarios and return to Council on June 27.
- Complete additional public outreach through an on-line 'Engaging Bellevue' survey.

Council action is required by July 25 if a voter-approved measure is desired for the November general election ballot.

POLICY & FISCAL IMPACTS

Policy Impact

2021-23 City Council Vision and Priorities

Council directed priorities focused on seven strategic target areas, one of which is High Quality Built and Natural Environment that describes Bellevue's abundance of parks and natural open space. Known as a "city in a park," our park system is one of the best in the nation. Bellevue parks provide ample opportunities for all, including forested trails, neighborhood and regional parks, a regional aquatics center and community gathering places. Discussion regarding the Parks long range financial planning promotes priority no. 9 - Advance a park funding strategy, including consideration of new funding sources for operations, maintenance and capital.

Fiscal Impact

There is no fiscal impact associated with the discussion of the Parks long range financial planning.

OPTIONS

1. Provide direction on the package of capital project categories to be considered in a potential parks voter-approved ballot measure for the November 2022 General Election.
2. Provide alternative direction to staff.

ATTACHMENTS

- A. Parks & Community Services Board memorandum to City Council dated May 10
- B. Parks and Open Space System Plan Update 2022 Draft – Recommended Capital Project List
- C. Capital Projects List with Order of Magnitude 2022 Cost Estimates

AVAILABLE IN COUNCIL LIBRARY

N/A