

CITY COUNCIL STUDY SESSION

Parks long range financial planning

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DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Staff is seeking 1) approval on the \$85 million proposed Parks ballot proposition; 2) approval on 9-Year Regular Levy Lid Lift funding mechanism with levy rate of \$0.15 per \$1,000 AV for capital improvements plus \$0.05 per \$1000 AV for M&O to fund the proposed Parks package for the November 2022 General Election; and 3) direction to draft the Ordinance and ballot language and return to Council on July 18.

RECOMMENDATION

Approve the \$85 million proposed Park ballot proposition to be funded by a 9-Year Regular Levy Lid Lift at the levy rate of \$0.15 per \$1000 AV for capital improvements plus \$0.05 per \$1000 AV for maintenance and operating costs; and direct staff to draft the Ordinance and ballot language and return to Council on July 18.

BACKGROUND & ANALYSIS

Since March 2022 a succession of Council study sessions have occurred to advance a Parks long term funding strategy to address community needs and park system gaps identified in the Parks and Open Space System Plan (POSSP). Council has continued to direct staff to gather information for a potential ballot proposition for consideration by Bellevue voters at the November 2022 General Election following the timeline in Attachment A. Detailed background on these sessions is found in the March 7, March 28, April 18 and June 6 agenda memos and presentation materials. If Council ultimately decides to place a ballot proposition on the November 2022 General Election ballot, Council action is required by July 25.

Project Categories

At the June 6 meeting, staff presented a list of project categories for inclusion in a potential package for voter consideration. These project categories were informed by the extensive community outreach conducted during the POSSP update, were recommended by the Parks and Community Services Board, and are based on Council priorities. The project categories include:

- Open Space, Greenways, Wildlife Corridors & Trails
- Community Parks (e.g. BBG Wetland Sun Terrace Development)
- Neighborhood Parks (e.g. Eastgate, Factoria)

- Recreation/Community Facilities (e.g. Aquatics, Cross Cultural Ct)
- Waterfront Restoration/Development (e.g. Meydenbauer Bay, Chism Beach)
- BelRed/Wilburton Acquisition/Development
- Emerging Sports, Off Leash Areas
- Retire 2008 Parks Levy
- Maintenance & Operating Costs

Voter-Approved Funding Options

In previous study sessions, staff reviewed three potential voter-approved funding options for Council consideration: 9-Year regular levy lid lift (Bond or Pay-As-You-Go), 20-Year regular levy lid lift (Pay-As-You-Go), or Excess Levy (20 Year Bond). The summary of differences among the options is found in Attachment B. In addition, the following considerations factored in the analysis to develop the recommended package:

- **Affordability** – Continued concerns over increasing inflation and the recent Federal Reserve interest rate increase by 0.75 percent have impacted the levy rate calculations. As expected, the estimated interest rate for future bonds is projected to rise to 4.5 percent (previously estimated at 3 percent). In addition, King County has a proposal for the November 2022 elections to increase the King County Conservation Futures property tax levy from \$0.03 to \$0.06 per \$1000 assessed value (AV) to fund land preservation. Based on these factors and additional research, there is indication of local support for a Bellevue levy rate increase of approximately \$0.15 per \$1000 AV for parks capital improvements. At this rate, the annual revenue of \$12 million would generate cumulative revenues of \$108 million or equivalent to \$85 million in current purchasing dollars, when discounted at 4.5 percent for a 9-Year Regular Levy Lift.
- **Retirement of the 2008 Parks and Natural Areas Levy** – The City's existing Parks levy lid lift has a capital component expiring in 2028 with \$20.4 million future revenues earmarked to fund two pending development projects (Bellevue Airfield Park and Lake Sammamish Neighborhood Park) and an ongoing maintenance component. While including these projects in a potential new measure is possible, this approach poses some legal complexity and limitations in the drafting of the ordinance and ballot language to clearly describe the retirement and replacement of the 2008 capital component but continuing with the assessment of the M&O component. In addition, if the City adds the remaining \$20.4 million in capital funding into the new proposed package, it would increase the proposed levy rate by approximately \$0.04 from \$0.15 to \$0.19 per \$1000 AV, affecting the affordability threshold of the proposed levy.
- **Flexibility and Project timing** – Generally, project timeline would inform the cashflow need but during this time of incredible City growth and inflation, front loading certain projects is crucial to ensure that resources are readily available to finance a potential acquisition, develop new parks to address rapid growth or support a partnership. Preliminary projections show that increased cashflow is needed in the 4th year (2026).

The 2022 proposed Parks package for voter consideration as presented below reflects the following conclusions:

1. To reduce the risk of voter confusion, staff recommends that the 2008 Parks and Natural Areas Levy continue its course with the capital component sunseting in 2028 as planned, and therefore recommended to be excluded in the proposed package.
2. Considering the rapid growth in the City and the dwindling land available for the parks system, the proposed \$85 million package provides a balanced investment in parks acquisition, design, and key development projects over the next decade.
3. Among the funding options, the 9-Year Regular Levy Lid Lift requires a 50 percent + 1 voter approval threshold and allows the greatest flexibility in generating revenues when cashflow is needed, as it can be used to pay for debt service on bonds within 9 years. Staff recommends a 9-Year Regular Levy Lid Lift at the levy rate of \$0.15 per \$1000 AV for park capital improvements plus \$0.05 per \$1000 AV for annual M&O. This would generate approximately \$12 million per year for capital and \$4 million for M&O (\$144 million over 9 years). The approximate cost impact to a household with \$1 million AV is estimated to be \$200 per year or \$17.00 per month.

**Table 1: 2022 Proposed Parks Voter Initiative Package
9-Year Regular Levy Lid Lift (Simple Majority 50%+1)
Interest Rate: 4.5%**

Categories:	(in Millions)	
	Capital	M&O
Open Space, Greenways, Wildlife Corridors & Trails	\$20.0	\$0.4
Community Parks (e.g. BBG Wetland Sun Terrace Phase Devt)	5.0	0.1
Neighborhood Parks (e.g. Eastgate, Factoria)	20.0	0.4
Recreation/Community Facilities (e.g. Aquatics, Cross Cultural Ctr)	10.0	0.1
Waterfront Restoration/Devt (e.g. Meydenbauer Bay, Chism Beach)	10.0	0.4
BelRed/Wilburton Acquisition/Development	10.0	0.4
Emerging Sports, Off Leash Areas	10.0	0.3
Existing Facilities - Maintenance	0.0	2.0
Total	\$85.0	\$4.0
Tax Rate per \$1,000 AV		
	\$0.15	\$0.05
Estimated Annual Cost Per \$1M home	\$150	\$50
Estimated Annual Revenue to the City (in Millions)	\$12.0	\$4.0

Council Direction

Staff is seeking:

- approval of the \$85 million proposed Parks package as shown in Table 1;
- approval of 9-Year Regular Levy Lid Lift funding mechanism with levy rate of \$0.15 per \$1,000 AV for capital improvements plus \$0.05 per \$1000 AV for M&O to fund the proposed Parks package for the November 2022 General Election; and
- direction to draft the Ordinance and ballot language and return to Council on July 18.

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. Approve the \$85 million proposed Park ballot proposition to be funded by a 9-Year Regular Levy Lid Lift at the levy rate of \$0.15 per \$1000 AV for capital improvements plus \$0.05 per \$1000 AV for maintenance and operating costs; and direct staff to draft the Ordinance and ballot language and return to Council on July 18.
2. Provide alternative direction to staff.

ATTACHMENTS

- A. Parks Potential Voter-Approved Funding Options Timeline
- B. Comparison of Voter-Approved Funding Options

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N/A