

CITY COUNCIL STUDY SESSION

Discussion of a Transportation Benefit District and the recommended use of potential funding

Andrew Singelakis, Director, 452-6468

Chris Long, Assistant Director, Mobility Operations, 452-6013
Transportation Department

John Resha, Director, 452-2567

Evan Phillips, Budget Manager, 452-2831
Finance and Asset Management

DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Staff are seeking direction from Council to continue the process to form a Transportation Benefit District.

RECOMMENDATION

Direct staff to continue the process to form a Transportation Benefit District.

BACKGROUND & ANALYSIS

The Transportation Department has been operating under a “deferred maintenance” scenario resulting from fiscal year 2021-2022 budget cuts. The beginning of the COVID-19 pandemic had significant impacts on all departments heading into the 2021-2022 budget cycle. The Transportation Department cut its maintenance budget by \$1.7 million in 2021 and \$1.8 million in 2022 to help balance the City’s budget. These cuts continued into fiscal year 2023-2024 due to other competing needs throughout the City. In addition, budget has not been allocated to the department for maintenance of new infrastructure.

Concerns about the impacts from continuing to defer maintenance were raised during the 2023-2024 budget process. Forming a Transportation Benefit District (TBD) was discussed as a potential future solution.

Continuing to defer maintenance and not budgeting for maintenance of new infrastructure will lead to increased maintenance costs in the future caused by failure of sidewalk and pavement infrastructure and increased complexity of vegetation management. The rapid growth of our city is also leading to an increasing backlog for our re-occurring capital programs that seek to address safety, accessibility, connectivity and travel reliability. These challenges should be remedied to ensure the Transportation Department aligns with the Council’s vision for a “clean, high-quality environment and excellent and reliable infrastructure...”

Transportation Department staff has further explored use of a TBD to address maintenance and rapid city growth budget needs. The total budget need for 2024 is \$2 million to restore the lost base budget for Streets and Signals Maintenance and an additional \$1 million to cover maintenance of new infrastructure added in the City.

Under RCW 36.73, legislative authority is provided to a county or city to establish a TBD for an area or the full extent of a county or city to fund transportation improvements. Council can take action to form a TBD and then assume the oversight role of the TBD as a Council. Council also has the authority to approve revenue collection for the TBD through a majority vote as the governing body through any of the following options:

- **Vehicle Fee:** A \$20 annual car tab fee can be collected in the first year. It can be raised to \$40/vehicle/year after two years and up to a maximum of \$50/vehicle/year after the fourth year of the TBD. This has the potential to raise approximately \$5.0 million if raised to the \$50/vehicle/year level.
- **Fee or Charges:** The City could impose fees or charges on the construction of commercial buildings or on land development.
- **Sales Tax:** A sales tax up to 0.1% could be added for the City. This would raise approximately \$10 million per year. An increase of 0.1% would raise Bellevue's sales tax rate to 10.2%. Other cities at or above this rate currently include Auburn, Kirkland, Lake Forest Park, Seattle and Shoreline.

A TBD continues indefinitely until projects are completed (or financing agreements have concluded). In the case of ongoing maintenance and support of re-occurring capital programs, the TBD would likely remain in place indefinitely unless terminated by the Council. The Council must vote to renew the sales tax every 10 years per RCW 82.14.0455. There are approximately 28 cities in King County that have active TBDs.

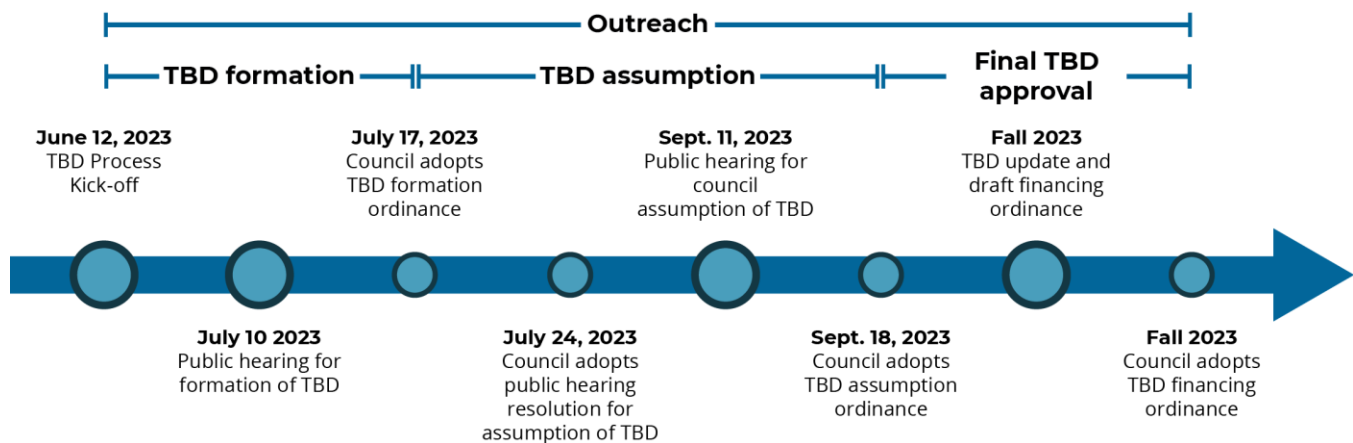
The TBD concept that will be presented by staff will focus on funding maintenance first. This will include restoring the lost maintenance budget, covering the cost for the expansion of maintenance as new infrastructure is added and expanding our street sweeping program to meet the needs of our rapidly growing bicycle facility network while continuing to meet our service levels for neighborhoods and arterials.

Staff recommends that sales tax be used as the funding source and that the full 0.1% be applied. Revenue generated beyond the need for maintenance would be used to support our on-going capital investments programs to improve safety and accessibility, expand and upgrade our multimodal transportation infrastructure and to continue the optimal performance of our infrastructure over time. RCW 36.73.020 identifies the criteria to be used when selecting transportation improvements to be funded with a TBD. The staff proposal for this funding is consistent with many of these criteria.

The allocation of TBD revenue to maintenance and capital programs will be determined through the biennial budget process. The maintenance portion is anticipated to grow over time as new infrastructure is added in the City. Per RCW 36.73.160, the City will be required to produce an annual report that describes how the revenue has been allocated and a summary of completed and upcoming projects.

Creating a TBD is a multi-step process that begins with the formation of the TBD. The complete process is shown in the graphic below. The larger circles represent presentations that will be made to Council throughout the process. The smaller circles are milestones that will be completed through consent. Attachment A provides the draft code language for a new TBD specific chapter that will be

added to the Revenue and Finance Code.



POLICY & FISCAL IMPACTS

Policy Impact

Creation of a TBD supports multiple Transportation policies, including TR-55 – “maintain and enhance safety for all users of the roadway network,” and TR-56 – “ensure that maintenance of the existing transportation system be given priority consideration.”

Creation of a TBD would also support Council’s “High-Quality Built and Natural Environment” strategic target area vision for “a clean, high-quality environment and excellent and reliable infrastructure that supports our vibrant and growing city.”

Lastly, Section XI.I “Preserve Existing Capital Infrastructure Before Building New Facilities” of the *Comprehensive Financial Management Policies* states “it is the city’s policy to ensure that adequate resources are allocated to preserve the city’s existing infrastructure before targeting resources to build new facilities that also have operating and maintenance obligations. This policy addresses the need to protect the city’s historical investment in capital facilities and to avoid embarking on a facility enhancement program, which when coupled with the existing facilities requirements, the city cannot afford to adequately maintain.”

Fiscal Impact

Budget for Streets and Signals Maintenance was reduced in the fiscal year 2021-2022 budget by \$1.7 million and \$1.8 million, respectively, to address COVID pandemic impacts. This budget cut was continued in the 2023-2024 fiscal year budget due to competing needs in the City. Creation of a TBD will allow the City to restore the base maintenance budget (\$2.0 million in 2024) and address maintenance needs for new infrastructure added in the City (\$1.0 million in 2024). It can also provide funding to support our rapidly growing city through investment in on-going capital investments programs to improve safety, expand and upgrade our multimodal transportation infrastructure and to continue the optimal performance of our infrastructure over time. Staff will return to Council after formation of the

TBD and adoption of the TBD financing ordinance with a 2024 Budget amendment ordinance to reflect the appropriation for the first year of funding.

OPTIONS

1. Direct staff to continue the process to form a Transportation Benefit District.
2. Provide alternative direction to staff.

ATTACHMENTS

A. Draft Bellevue City Code Chapter 4.22 – Transportation Benefit District.

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N/A