

July 17, 2017

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Ordinance 1) amending the 2017-2018 General Capital Investment Program (CIP) Fund to increase the appropriation by \$45,134,950 for the project appropriation for implementing the Transportation Infrastructure Finance and Innovations Act (TIFIA) loan and 2018 administrative costs; 2) amending the 2017-2023 CIP Plan by a) modifying the scope of five existing projects from design only to full project implementation (CIP Plan Nos. PW-R-169, PW-R-170, PW-R-173, PW-R-174, PW-R-191); b) increasing the 7-year project budgets by a total of \$99,600,000; and c) increasing G-101 7-year project budget by \$100,000 for TIFIA administrative and debt issue costs for 2018; 3) increasing the 2017-2018 General Fund appropriation by \$454,500 to provide expenditure authority for an increase in TIFIA project specific services; and 4) authorizing execution of any necessary funding agreements and supplements with the Washington State Department of Transportation (WSDOT) to administer the TIFIA funds.

FISCAL IMPACT

On June 9 the City and the United States Department of Transportation (USDOT) closed a TIFIA limited tax general obligation bond with a principle amount up to \$120,000,000 (including capitalized interest) per Ordinance 6352 to accelerate certain projects in the BelRed area (see map below in Background section). Debt service is deferred until 2024 with all interest accruing before first debt service payment to be capitalized. Interest is locked in at 2.86 percent for the life the bond. Debt service payment in 2024 is estimated at \$5.2 million and will be included in the 2019-2025 General Capital Investment Program (CIP) Plan update.

This Ordinance makes necessary budget adjustments to implement the appropriation authority to fund full project implementation for five projects that are funded by the TIFIA loan for the BelRed Street Network and needed budget adjustments for administrative, debt issue, and reporting costs.

Project Implementation:

The 2017-2018 General CIP Fund appropriation will be increased by \$45,034,950; and the 2017-2023 General CIP Plan will be amended to modify the scope of five existing projects from design only to full project implementation, which requires an increase to the total project budget for the five projects totaling \$99,600,000.

General Capital Investment Program Fund		2017-2018 Budget			Total Project Budget		
CIP Plan No.	Description	Adopted Budget Available	Amendment	New Amended Budget	Adopted Budget	Amendment	New Amended Budget
PW-R-169	124th Avenue NE - NE 12th Street to NE Spring Boulevard	\$1,683,335	\$7,332,315	\$9,015,650	\$3,364,685	\$16,720,315	\$20,085,000
PW-R-170	130th Avenue NE - BelRed Road to NE 20th Street	\$2,465,675	\$5,546,685	\$8,012,360	\$2,788,916	\$20,090,685	\$22,879,601
PW-R-173	NE Spring Boulevard (Zone 2) - 120th to 124th Avenue NE	\$1,883,367	\$18,180,950	\$20,064,317	\$3,400,618	\$22,622,000	\$26,022,618
PW-R-174	NE Spring Boulevard - 130th to 132nd Avenue NE	\$1,421,085	\$3,211,000	\$4,632,085	\$4,896,963	\$11,089,000	\$15,985,963
PW-R-191	124th Avenue NE - Ichigo Way to Northup Way	\$2,541,871	\$10,764,000	\$13,305,871	\$2,560,000	\$29,078,000	\$31,638,000
Total		\$9,995,333	\$45,034,950	\$55,030,283	\$17,011,182	\$99,600,000	\$116,611,182

Adopted Budget Available = 2017-2018 Adopted Budget + Carryforwards + Amendments to date

Administrative and Debt Issue Costs in the CIP:

Under the TIFIA loan agreement, the City must provide an annual credit rating by two rating agencies. The cost for a credit rating is approximately \$50,000 each. This action provides appropriation authority in General CIP plan No. G-101 for 2018 at total cost of \$100,000. This is funded by anticipated over collection in general taxes in the CIP. It is staff's current understanding that the cost for annual updates will reduce in the future. Therefore if future additional authority is needed, it will be addressed in the 2019-2025 CIP development process.

Administrative and Project Needed Operating Costs:

The TIFIA loan is a reimbursable loan (e.g. the City spends on projects, and TIFIA reimburses through loan draws). Under the terms of the agreement, the City is required to submit quarterly reimbursement requests, as well as quarterly reporting, compliance reporting, updated financial plans, and monitoring of projects. This action increases general fund appropriation by \$299,000 (combined Finance (\$151,000) and Transportation (\$148,000)) for TIFIA project monitoring and reporting for half of 2017 and all of 2018 to be paid for by anticipated general fund revenues in excess of expenditures in 2017 and 2018. This will allow for ramp up, building, and streamlining of quarterly processes and reporting. Future costs, if needed, will be addressed in the 2019-2020 operating budget.

In addition, included in the CIP project costs are costs for real property acquisition. Although the actual construction of the TIFIA projects are staggered over a six-year time period, the property acquisition for all of the projects (more than fifty parcels) is scheduled to be compressed into the first three years. The addition of a limited term Real Property Agent is needed to ensure the property rights are secured within the proposed timelines and budgets. The limited term employee cost is \$155,500 for the biennium and is fully funded by transfers from the CIP. This is a technical budget amendment to ensure that the costs are appropriately budgeted within the correct funds.

STAFF CONTACTS

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Finance Department

Nora Johnson, Director, 452-4167

Civic Services Department

POLICY CONSIDERATION

Council Priorities:

- 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.

Transportation Infrastructure Finance and Innovations Act (TIFIA) Direct Loan (Ordinance 6352):

- TIFIA purpose is to leverage limited Federal resources and stimulate capital market investment in transportation infrastructure by providing credit assistance in the form of direct loans, loan guarantees, and standby lines of credit (rather than grants) to projects of national or regional significance. The City pursued and closed a TIFIA limited tax general obligation bond with a principle up to a \$120,000,000 (including capitalized interest) per Ordinance 6352 on June 9 that will enable the City to accelerate certain projects in the BelRed area. These funds, in combination with revenue sources like impact fees on new development, respond to community priorities and build infrastructure to alleviate congestion. In turn, the infrastructure investment pays off in the form of an increasing contribution to base tax revenues for future operating and other needs.

Comprehensive Plan:

- Policy TR-26 – directs that the City, “Increase system connectivity for all modes by providing for roadway, pedestrian, and bicycling connections in newly developing and redeveloping areas.”
- Policy TR-131 – directs that the City, “Seek state and federal funds for transportation capital, maintenance, and operations.”

BACKGROUND

The Council approved Ordinance 6352 authorizing the issuance of a limited tax general obligation bond with the USDOT to accelerate construction of mobility projects in the BelRed area.

Bellevue’s BelRed neighborhood—a unique 900-acre swath of land positioned squarely between Microsoft’s global headquarters in Redmond and Bellevue’s Central Business District (“CBD”)—is one of the Northwest’s largest urban revitalization projects. The BelRed plan, adopted by the Bellevue City Council in 2009, envisions new transit oriented communities where jobs, housing and recreation are linked through a multi-modal transportation system. This system will provide convenient access and short travel times within and outside the corridor for drivers, transit riders, vanpools and access vans, bicyclists and pedestrians, while minimizing spillover traffic impacts on adjoining neighborhoods. The Sound Transit East Link light rail extension—anticipated to open for service in 2023—will serve as the corridor transit spine, with three stations planned in the heart of the neighborhood.



On June 9 the City closed a TIFIA limited tax general obligation bond with a principle amount of \$99,600,000 in project proceeds and up to \$20,400,000 in capitalized interest. At a closing interest rate of 2.86 percent, the low-interest tax limited general obligation bond provides more favorable terms than traditional bonds. The closing terms provided the City with a full deferral to pay debt service until 2024; 2 years post project substantial completion. Interest that accrues prior to the first debt service payment will be capitalized. In addition, the terms allow for a phased disbursement, with no change in interest rate. The City will draw loan disbursement in conjunction with spending. The loan can be prepaid at any time with no penalty. The City is required under the loan terms to quarterly reporting including updated financial plans, construction project updates, and compliance reporting. TIFIA requires a 66 percent City match which has been fully programmed into the existing CIP. The bond will mature in either December of 2056 or 35 years post substantial completion, whichever is earlier.

Past Council Actions:

Staff submitted to TIFIA the Letter of Application on August 3, 2016, and after regular and active discussions with USDOT regarding the City's creditworthiness, project details, and document negotiation, on June 9, the city executed the loan under the TIFIA.

Council has taken several actions over the past year to continue to move the TIFIA loan forward, including:

- On June 20, 2016 adopting necessary CIP-specific discrete budget amendments to fund phases of projects identified for TIFIA funding. This ensured compliance with TIFIA eligibility.
- On October 3, 2016 adopting necessary budget amendments to prepare and pay for the anticipated administrative costs of obtaining a TIFIA loan.
- On January 17, 2017 directing staff to continue to pursue and return with a bond ordinance to finalize the loan.

- On April 17, 2017 approving Ordinance 6352 providing for the issuance of a limited tax general obligation bond of the City in a maximum principal amount of \$120 million (excluding capitalized interest), to evidence the City's obligations under a TIFIA loan agreement with the USDOT; authorizing execution of the loan agreement and providing for the disposition of the proceeds of the loan, the delivery of the bond to the USDOT, and the payment of costs of issuance of the bond; and delegating the authority to approve the final terms of the bond.

The Stewardship and Oversight Agreement (S&O Agreement), Exhibit F to the TIFIA Loan Agreement, between the Federal Highway Administration (FHWA) Washington Division and the WSDOT, documents the roles and responsibilities of both agencies with respect to project approvals and the methods of oversight that will be used to deliver on the TIFIA federal aid program. To support the WSDOT's oversight responsibilities, a Local Agency Agreement between the City and WSDOT may be needed for each project to ensure that the federal funds are spent in accordance with all applicable state and federal laws and regulations.

EFFECTIVE DATE

If approved, this Ordinance becomes effective on July 27, 2017.

OPTIONS

1. Approve the Ordinance 1) amending the 2017-2018 General Capital Investment Program (CIP) Fund to increase the appropriation by \$45,134,950 for the project appropriation for implementing the Transportation Infrastructure Finance and Innovations Act (TIFIA) loan and 2018 administrative costs; 2) amending the 2017-2023 CIP Plan by a) modifying the scope of five existing projects from design only to full project implementation (CIP Plan Nos. PW-R-169, PW-R-170, PW-R-173, PW-R-174, PW-R-191); b) increasing the 7-year project budgets by a total of \$99,600,000; and c) increasing G-101 7-year project budget by \$100,000 for TIFIA administrative and debt issue costs for 2018; 3) increasing the 2017-2018 General Fund appropriation by \$454,500 to provide expenditure authority for an increase in TIFIA project specific services; and 4) authorizing execution of any necessary funding agreements and supplements with the Washington State Department of Transportation (WSDOT) to administer the TIFIA funds.
2. Do not approve the Ordinance and provide alternative direction to staff.

RECOMMENDATION

Option 1

MOTION

Move to approve Ordinance No. 6362 1) amending the 2017-2018 General Capital Investment Program (CIP) Fund to increase the appropriation by \$45,134,950 for the project appropriation for implementing the Transportation Infrastructure Finance and Innovations Act (TIFIA) loan and 2018 administrative costs; 2) amending the 2017-2023 CIP Plan by a) modifying the scope of five existing projects from design only to full project implementation (CIP Plan Nos. PW-R-169, PW-R-170, PW-R-173, PW-R-174, PW-R-191); b) increasing the 7-year project budgets by a total of \$99,600,000; and c) increasing G-101 7-year project budget by \$100,000 for TIFIA administrative and debt issue costs for 2018; 3) increasing the 2017-2018 General Fund appropriation by \$454,500 to provide expenditure authority for an increase in TIFIA project specific services; and 4) authorizing execution of any necessary funding agreements and supplements with the Washington State Department of Transportation (WSDOT) to administer the TIFIA funds.

ATTACHMENTS

- A. Vicinity Map
 - B. CIP Project Description (PW-R-169)
 - C. CIP Project Description (PW-R-170)
 - D. CIP Project Description (PW-R-173)
 - E. CIP Project Description (PW-R-174)
 - F. CIP Project Description (PW-R-191)
- Proposed Ordinance No. 6362

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

Draft Example Local Agency Agreement