



City of Seattle

Budget and Capital Needs Overview

Presentation to the Citizens Transportation Advisory Committee
February 1, 2011

Budget and Capital Overview



This presentation will cover:

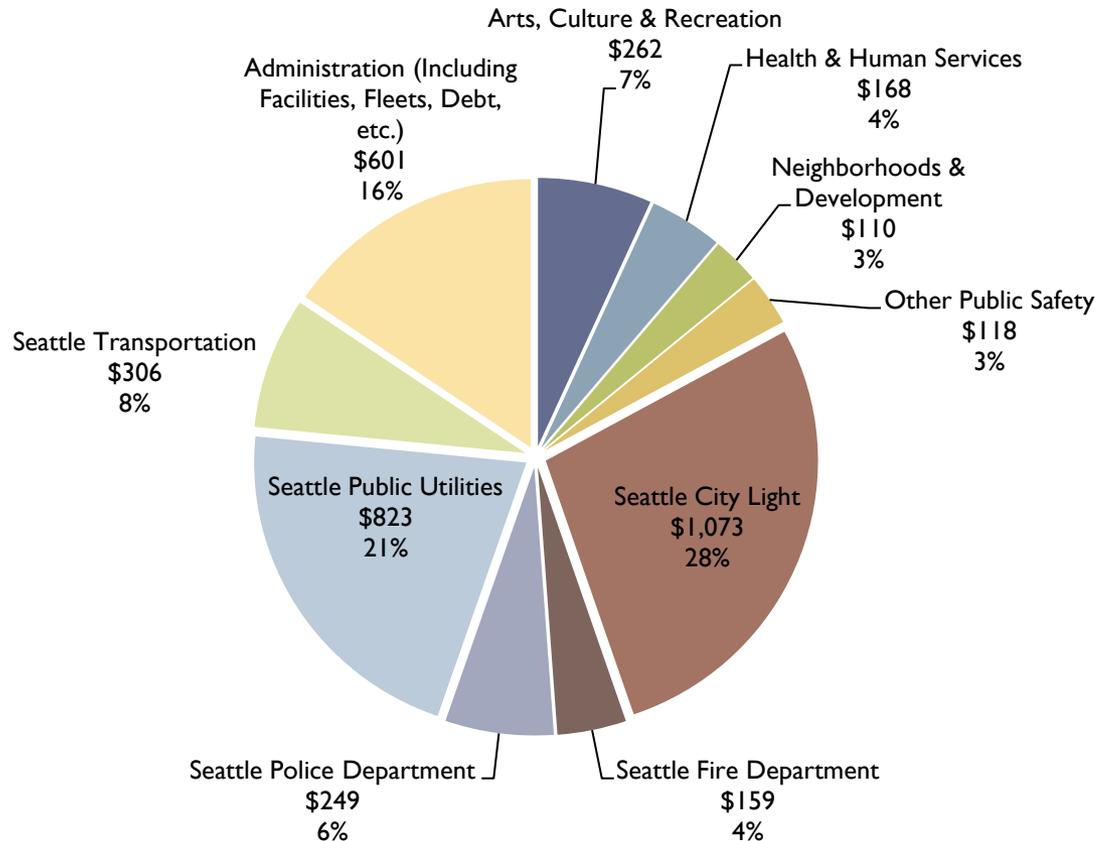
- ▶ Overview of City's 2011 Adopted Budget
- ▶ Challenges ahead for funding capital projects
- ▶ Policy considerations

- ▶ Questions

2011 Adopted Budget: Total



Total 2011 Adopted Budget in \$ millions - \$3.87 billion total



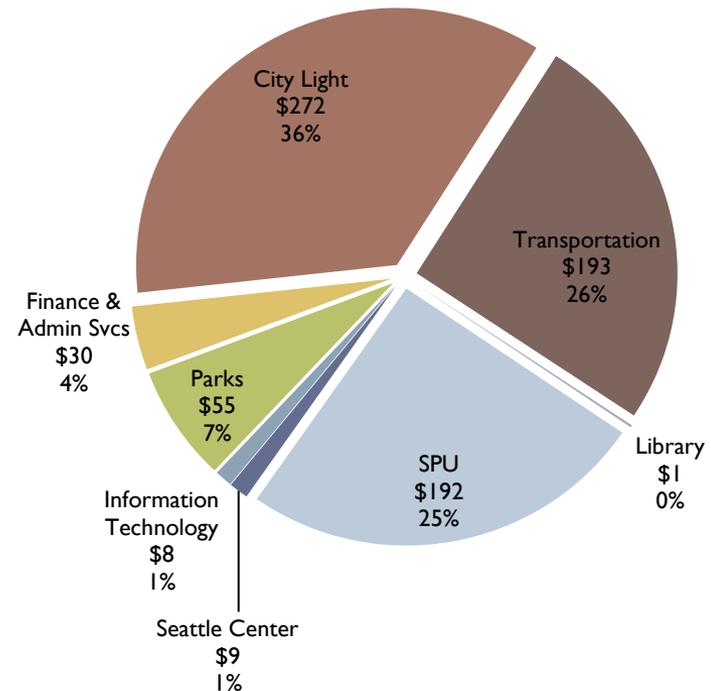
2011 Adopted Budget: Capital



- ▶ 2011-2016 CIP
Total: \$4.2 billion
 - ▶ Utility: 64%
 - ▶ SDOT: 27%
 - ▶ Other: 9%

- ▶ 2011-only CIP Total:
\$761 million

2011 Adopted CIP \$761 million total

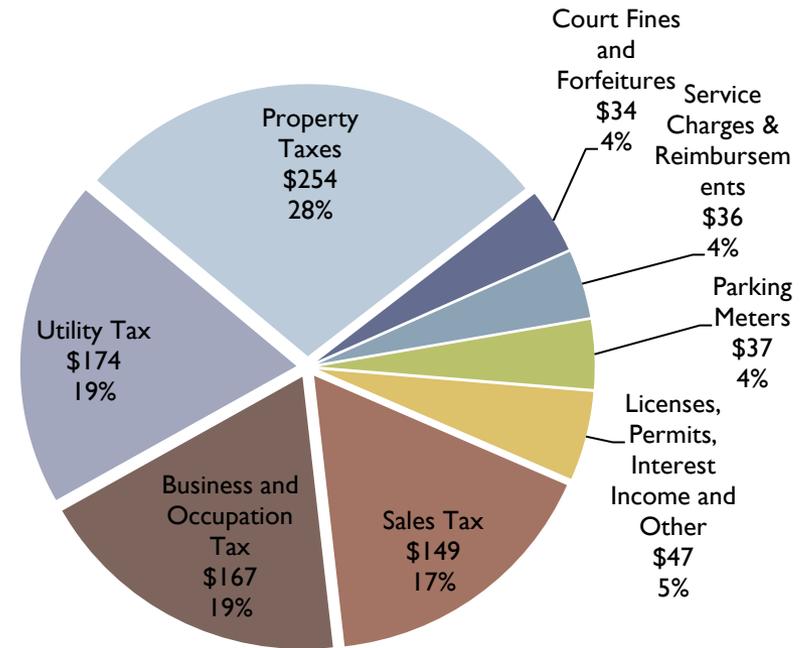
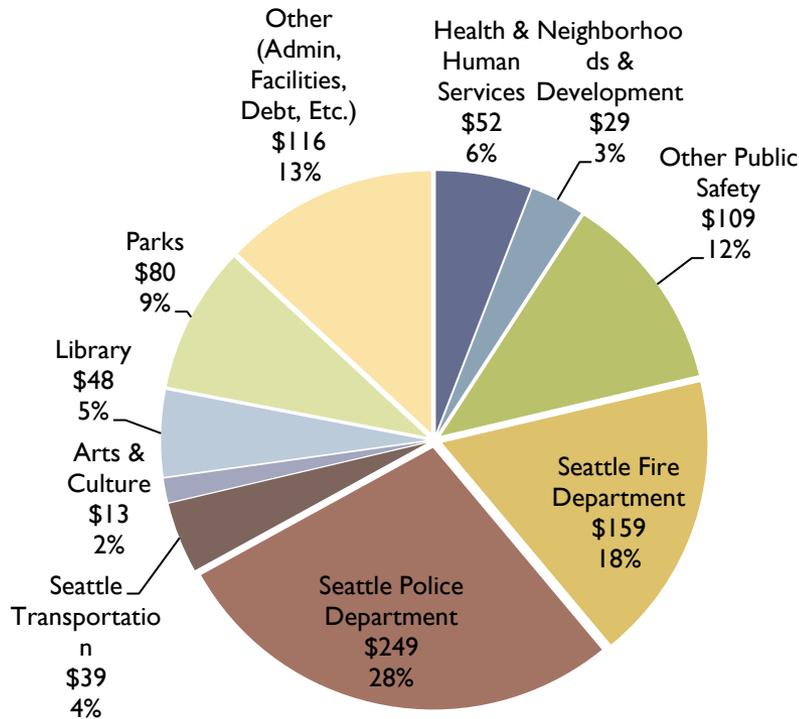


2011 Adopted Budget: General Fund



General Fund 2011 Adopted Budget
in \$ millions - \$894 million total

General Fund 2011 Adopted Revenues
in \$ millions - \$897 million total





Challenges: General Fund

- ▶ 2011 Adopted Budget addressed a projected \$67 million shortfall for 2011.
 - ▶ No 'easy' areas to cut in the General Fund moving ahead.
- ▶ General Fund is facing a projected \$6.8 million shortfall over the 2013-2014 biennium, assuming status quo services.
 - ▶ General Fund will face challenges supporting existing service levels over next 4 years.
 - ▶ Unable to support new capital projects or operating programs without cutting deeper.
 - ▶ Unanticipated cost or revenue pressures will make this challenge even bigger.

General Fund Outlook

Amounts in \$ millions	2011 Adopted	2012 Endorsed	2013 Projected	2014 Projected
Beginning Unreserved Fund Balance*	\$0.1	\$2.6	\$0.3	(\$4.6)
Total Revenues	\$897.4	\$923.3	\$955.2	\$990.3
Total Expenditures and Change in Reserves	(\$895.0)	(\$925.6)	(\$960.1)	(\$992.5)
Ending Unreserved Fund Balance	\$2.6	\$0.3	(\$4.6)	(\$6.8)

* Available balance excludes policy reserves



Challenges: Asset Preservation

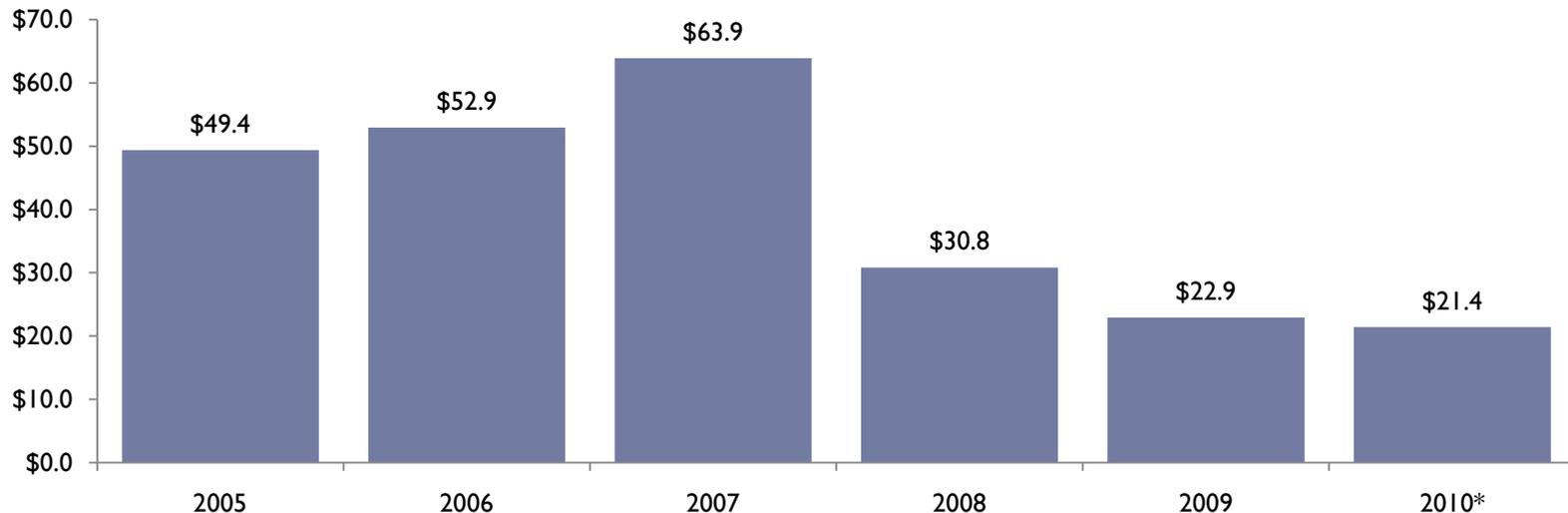
- ▶ The City established as a high priority preserving and maintaining existing capital assets as outlined in Council Resolutions 31083 and 31203.
- ▶ In 2008, the Council adopted an Asset Preservation funding policy and established an annual target for general resource asset preservation spending equal to \$48 million in 2011 dollars for assets owned by the City excluding Transportation and the utilities.
- ▶ Due to weak revenue levels, the City's funding of asset preservation in departments other than SDOT or utilities from general resources averages \$19 million annually over 2011-2012, and \$37 million annually including other resources (voter-approved funds, non-city funds, etc). Additional projects aimed at improving facilities average \$24 million annually over the next 6 years, for departments other than the utilities and SDOT.
- ▶ Funding for Asset Preservation continues to be an ongoing challenge especially in light of current financial constraints.



Challenges: Asset Preservation

- ▶ Major Maintenance & Asset Preservation
 - ▶ Real estate excise taxes (REET) are used to fund city major maintenance projects.
 - ▶ Experienced sharp declines in recent years of 67% from 2007 to 2010.

Real Estate Excise Tax Revenue
in \$ millions



*2010 is preliminary year-end

Challenges: Planned CIP Projects



- ▶ The 2011-2016 Adopted Budget identifies projects the city intends to work on, but also flags where resources have yet to be determined.

- ▶ Example:
 - ▶ SDOT has planned project appropriations totaling \$1.2 billion over 2011-2016.

 - ▶ Of this, over \$300 million of anticipated project spending is supported by revenues that are ‘to-be-determined’.
 - ▶ Alaskan Way Viaduct and Seawall Replacement
 - ▶ South Park Bridge support
 - ▶ Aurora Transit, Pedestrian, and Safety Improvements
 - ▶ Arterial paving program

Challenges: Looming Capital Projects



- ▶ There are also projects which have been identified that are not captured or are only partially captured in the 2011-2016 Adopted CIP. Some projects have cost estimates, others do not.
- ▶ CBO has CIP requests from departments totaling between \$600 million and \$1 billion for which no funding has been identified. These numbers *exclude* needs of the utilities and SDOT. These numbers also exclude those for which no cost estimates are available. (Context: non-utility/non-SDOT 2011-2016 Adopted CIP totals \$390 million)
- ▶ CBO is working to prioritize these projects and identify potential funding timelines and strategies. Clearly not every project can be addressed.
 - ▶ Public Safety
 - ▶ SPD North Precinct (\$150 million), Harbor Patrol, & East Precinct Parking
 - ▶ SFD Headquarters (\$80 million), Station 5 (waterfront - \$12 million), Station 22 (Roanoke)
 - ▶ Street light replacement (up to \$200 million)

Challenges: Looming Capital Projects



- ▶ Seattle Center Master Plan

- ▶ Library
 - ▶ Shops, storage and material maintenance

- ▶ Parks
 - ▶ Magnuson buildings in need of repair
 - ▶ Dexter building in need of major maintenance and repair
 - ▶ Gasworks Parks clean up

- ▶ Finance and Administrative Services
 - ▶ Haller Lake and Charles Street shops
 - ▶ Accounting and other IT systems in need of upgrades

- ▶ Multiple
 - ▶ Compliance with Federal and State law (incl. ADA, EPA, etc.)
 - ▶ Ongoing regular maintenance to keep up with impact of typical use

Challenges: LTGO Debt Policy Limits



▶ Limits

- State Law – based on % of Assessed Value (AV)
- Policy – By City policy, no more than 7% of GF revenues may be used for debt that is not self-supporting
- Financial – how much can the City afford
- Voter support

▶ State legal constraints are generally not the issue. The issue is **how much debt service can the City afford to pay out of general resources.**

▶ The city has prudent and conservative debt policies. Currently, about 6% of the City's General Fund is dedicated to debt service. By City policy, we limit ourselves to 7% of the General Fund for debt that is supported by general resources.

▶ If the City were to maintain current levels of non-revenue backed debt, it could issue about \$275 million of new councilmanic debt between now and 2015. **Any new debt service obligations will put inflexible pressure on the General Fund.**

▶ These policy limits are important and adherence to them has left the City's General Fund in a better position than we may have otherwise experienced as a result of the recent downturn.

Challenges: LTGO Debt Policy Limits



- ▶ City has substantial voter-approved debt capacity, as shown below.
- ▶ Councilmanic (LTGO) debt can be broken into two categories:
 - ▶ LTGO debt supported by general resources (REET or General Fund). This type of debt is restricted by the city's 7% of General Fund policy limitation on annual debt service.
 - ▶ LTGO debt supported by dedicated funding sources which are pledged to pay debt service (as is the case with bonds supported by Bridging The Gap and the 2008 Parks Levy. Approximately \$900 million in unused capacity.
- ▶ The Transportation Benefit District (TBD) has separate statutory authority from the city to issue bonds. A TBD may issue bonds totaling up to 1.5% of assessed value (AV) without voter approval, and up to 5.0% of AV (\$6 billion) with voter approval.

City Statutory Debt Limits and Capacity

Form of Debt	Voter Approval Required	Source of Repayment	Statutory Limitation	Current Limit*	Outstanding 12-31-10*
Unlimited Tax General Obligation Bonds (UTGO)					
Parks & Open Space	Yes	Property Tax	2.5% of AV	\$3.0 Billion	\$0
Utilities	Yes	Property Tax	2.5% of AV	\$3.0 Billion	\$2 Million
General Purposes	Yes	Property Tax	1.0 % of AV**	\$1.2 Billion	\$119 Million
Limited Tax General Obligation Bonds (LTGO)	No	Taxes and Other Revenues	1.5% of AV**	\$1.8 Billion	\$991 Million***
Utility Revenue	No	Utility Revenues	None	None	\$2.9 Billion

* As of 12/31/10, assuming the latest certified assessed value of \$120 billion, issued on January 19, 2011, for taxes payable in 2011.

** The sum of UTGO and LTGO debt for general purposes cannot exceed 2.5% of assessed valuation.

***Includes \$80 million of PDA debt guarantees.



High Level Considerations

- ▶ Some projects are discretionary, many are less so. Insufficient funding exists to tackle them all, and even addressing critical needs will require voter-approved funding.
- ▶ The General Fund and Real Estate Excise Tax funds continue to face significant financial pressure over the next several years. Increased support of capital projects will result in an impact to operations and services currently provided. Many discretionary services have already been scaled back or eliminated as part of balancing the 2010 and 2011 budgets, leaving only very difficult decisions should additional General Fund / REET cuts be needed.
- ▶ This planning is taking place in the context of massive federal and state cuts to programs which will translate into fewer local dollars for important programs. The impact to the city of these external decisions is not yet known, but will be severe.
- ▶ Uncertainty remains about the economy and the speed at which revenues may recover. Changes in inflation may drive costs upwards as well.
- ▶ Longer durations of debt allow for more debt to be issued in the near-term, but capacity is limited in later years. A balance must be maintained.

Questions

