Overview and Initial Issues Identification
SDOT / Transportation Operating Fund

Staff: Calvin Chow, Peter Lindsay, Eric McConaghy, Aly Pennucci
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Table 1: Budget Overview

Expenditures	2015 Adopted	2016 Endorsed	2016 Proposed	Change 2016E-2016P
Mobility-Operations	41,783,145	32,919,588	76,584,260	*133%*
Street Maintenance	25,119,169	26,278,951	25,146,358	*(4%)*
Bridges & Structures	8,808,914	8,042,234	8,557,018	*6%*
Engineering Services	1,461,009	1,492,775	3,968,864	*166%*
ROW Management	24,173,839	18,379,222	30,354,732	*65%*
Urban Forestry	4,816,854	3,431,585	3,331,093	*(3%)*
Department Management	1,861,254	1,463,582	2,867,464	*96%*
General Expense	27,294,309	29,509,594	30,364,047	*3%*
Total O&M BCL's	***135,318,493***	***121,517,531***	***181,173,836***	***49%***
Mobility-Capital	64,888,870	42,017,198	50,279,969	*20%*
Major Maint/Replacement	42,678,798	33,422,000	31,800,000	*(5%)*
Major Projects	186,480,291	145,084,618	131,592,000	*(9%)*
Total Capital BCL's	***294,047,959***	***220,523,816***	***213,671,969***	***(3%)***
Total Expenditures	***429,366,452***	***342,041,347***	***394,845,805***	***15%***
Total FTE's	*794 FTE*	*797 FTE*	*834 FTE*	*5%*

Revenues	2015 Adopted	2016 Endorsed	2016 Proposed	Change 2016E-2016P
General Fund Support	40,576,723	45,167,662	44,288,048	*(2%)*
School Zone Camera Funds	8,524,411	6,217,212	6,989,695	*12%*
Taxes	95,687,754	53,158,345	73,980,010	*39%*
Bond Proceeds	150,333,371	111,922,000	108,066,487	*(3%)*
Fees	8,002,427	7,256,441	29,697,205	*309%*
Charges for Service	29,266,126	28,918,611	85,182,871	*195%*
Grants	20,571,961	66,790,835	19,833,657	*(70%)*
Property Sales	24,217,045	7,850,679	3,909,152	*(50%)*
Transfers - Other Funds	32,177,831	24,236,000	36,853,533	*52%*
Use of Fund Balance	20,008,803	(9,476,438)	(13,954,853)	*(47%)*
Total Revenues	***429,366,452***	***342,041,347***	***394,845,805***	***15%***

Introduction

The Seattle Department of Transportation (SDOT) 2016 Proposed Budget represents a 15% increase from the Endorsed Budget and includes an additional 37 FTEs.

Much of proposed spending increase is due to $44 million in pass-through funding from the Seattle Transportation Benefit District (STBD)'s Proposition 1. This funding was approved by voters in November 2015, but had not been included in the Endorsed Budget. The STBD funding is used to purchase additional transit service from King County Metro and is reflected in the increased expenditures for the Mobility-Operations BCL and increased revenues from Taxes (0.1% Sales Tax) and Fees ($60 Vehicle License Fee). Other significant changes to the 2016 Proposed Budget are discussed in the body of this issue paper.

The 2016 Proposed Budget also includes an additional $40 million for the Elliot Bay Seawall project (discussed in item 2). This increase represents additional project costs that were not anticipated in the Endorsed Budget and would be funded primarily through Commercial Parking Tax (CPT) revenues (via bond issue), Real Estate Excise Tax (REET), and other revenues. For 2016, these increased costs would be offset by deferring funding included in the Endorsed Budget for some work on the Seawall, Alaskan Way, and other Central Waterfront projects due to delays on the WSDOT Alaskan Way Tunnel construction. The deferred work is shown as future (2017 or later) spending in the CIP.

The bulk of the new positions in the Proposed Budget are to support increased Street Use inspections (36 FTEs, $11 million, discussed in item 3). The remaining 1 FTE reflects a transfer of an existing FAS position to SDOT, managing the City's relationship with partner agencies (e.g., Seattle Aquarium, Pike Place Market) on the Central Waterfront project.

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1. Transportation Levy [Chow]

In July 2015, Council approved Ordinance 124796, submitting a 9-year property-tax levy for the November 3, 2015 election. If approved, the transportation levy would raise approximately $95 million in 2016. This potential levy funding is not included in the 2016 Proposed Budget.

Central Staff will prepare a budget amendment (Green Sheet) consistent with the spending plan approved by Ordinance 124796, which Council could adopt if the levy is successful. The levy spending plan assumed 2016 spending under the following categories:

Category of Spending	Anticipated 2016 Spending
Safe Routes:	
• Vision Zero	$7,366,000
• Pedestrian & Bicycle Safety	$12,050,000
• Neighborhood Projects	$2,899,100
Maintenance and Repair:	
• Maintain Streets	$27,000,000
• Bridges and Structures	$10,019,000
• Urban Forestry and Drainage	$2,550,000
Congestion Relief:	
• Corridor Mobility Improvements	$24,075,000
• Light Rail Partnership Improvements	$3,000,000
• Pedestrian and Bicycle Improvements	$4,450,000
• Freight Mobility Improvements	$1,500,000
Total Levy:	**$94,909,100**

If the levy is not successful, no budget amendment is necessary at this time; and Central Staff anticipate that the Executive would propose to reprioritize spending through separate legislation in 2016.

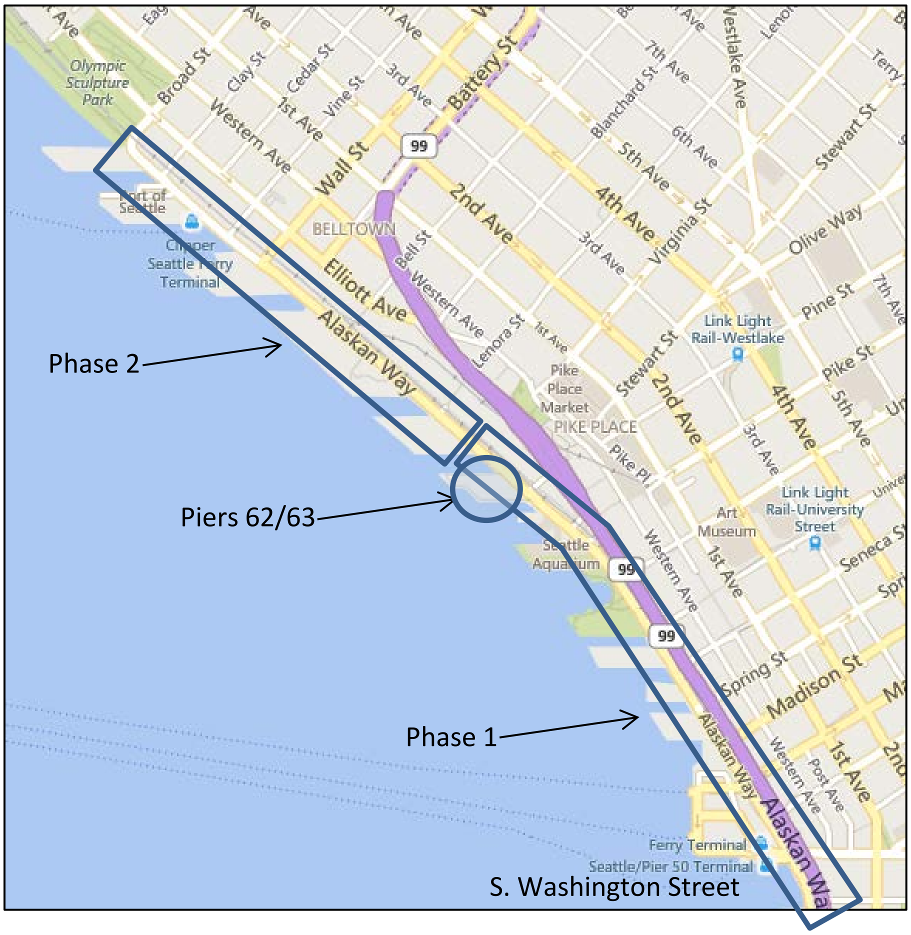
Options:

A. Central Staff will prepare a Green Sheet consistent with Ordinance 124796, for Council consideration in the event the Transportation Levy is approved.

B. No action – defer to future budget legislation after November vote (i.e., new stand-alone legislation or quarterly supplemental budget legislation).

2. Elliott Bay Seawall Project [McConaghy]

The purpose of the first phase of the Elliott Bay Seawall Project (Seawall Project), as provided for in the Proposed CIP, is to construct a replacement seawall along 3,700 feet of Seattle's Waterfront from S. Washington Street to Virginia Street to protect critical infrastructure and utilities while enhancing habitat, providing opportunities for recreation and shoreline access, and strengthening the pier support for Fire Station 5.



The second phase of the Seawall Project will replace the seawall north from Virginia Street to Broad Street. The schedule, budget, and funding for the second phase are yet to be determined. For purposes of this document, "Seawall Project" means the first phase of the project.

In May 2012, the Executive set the budget for the Seawall project at $300M. In July 2012, Council passed Ordinance 123922, submitting to the voters a proposition for the City to issue no more than $290 million of general obligation bonds to be used to pay the "costs related to the design, construction, renovation, improvement and replacement of the Alaskan Way seawall and associated public facilities and infrastructure, including City-owned waterfront piers." The City-owned waterfront piers (Piers) include Waterfront Park and Piers 62/63. The voters approved the Seawall Bond Levy (77% in favor) in November 2012.

In November 2013, construction began on the project. In December 2013, the Executive revised the budget for the seawall replacement to $331M. As part of revising the Seawall budget, the Executive redefined the geographic scope of the project by removing the portion from Pine Street to Virginia Street, as known at the Pier 62/63 Wall, and placing $8.4M for this work in the Waterfront Improvement Program in the 2014-19 CIP.

On August 20, 2015, the SDOT and CBO informed Council of the need for an additional increase to the budget of $71M, for both work already under contract and for work yet-to-be contracted. At this time, SDOT announced the deferral of the completion of the project to 2017.

The City has varied its approach for capturing these costs in Capital Improvement Program (CIP) projects, making direct comparisons of CIP projects challenging. However, the table below shows the Executive's cost estimates for the Seawall and the Piers corresponding to key time for these projects: the vote on the Seawall Bond Levy (2012), the first revision to the Seawall budget (2013), and the second revision to the Seawall budget (2015).

Cost Estimates (in $millions)	***2012***	***2013***	***2015***
Washington to Pine	300.0	330.8	371.8
Pine to Virginia	(included above)	8.4	38.4
Piers	120.0	120.0	88.6
Totals (in $millions)	**420.0**	**459.2**	**498.8**

The Proposed 2016-21 Seawall CIP project would increase appropriations by about $40 million in 2016 and also include an additional planned spending increase in 2017 of about $31 million. The Proposed Budget identifies the following funding sources to pay for the increases:

New Funding (in $millions)	**2016**	**2017**	**Both Years**
Waterfront street parking fees	0.7	1.4	2.1
Bonds backed by CPT	25.0	20.0	45.0
REET	13.1	10.0	23.1
Waterway use fees	0.8	--	0.8
Totals (in $millions)	**39.6**	**31.4**	**71,0**

As part of a "reset" to the Seawall Project, SDOT has redefined the geographic scope of the project to include the replacement of the entire length of the Seawall from S. Washington Street to Virginia Street, the Piers 62/63 Wall. The 2016-21 Proposed CIP would also transfer $8.4 million held for the Piers 62/63 Wall from the Alaskan Way Main Corridor Project CIP (renamed beginning in the 2015-20 CIP from the Waterfront Improvement Program CIP) to the Elliott Bay Seawall Project CIP for 2016.

In 2015, SDOT delayed the third season of seawall construction for one year in order to reassess the cost and project management strategy for this work. SDOT plans to complete the seawall project in 2017. Council Staff are discussing with the Executive improved reporting to the Council about the ongoing construction of the Seawall project. This could be accomplished via the activity of a technical team composed of Council staff and Executive staff.

Options:

A. Accept the Mayor's proposal to add $71 million to the Elliott Bay Seawall Project and the proposed plan for funding the increase.

B. Council may wish to make a Statement of Legislative Intent that specifies aspects and timing of reporting to Council regarding the progress and management of the completion of the Seawall project.

C. Council may wish to impose a proviso on funds intended to pay the costs of the yet-to-be contracted portion of the Seawall project ($38M for the Piers 62/63 Wall from Pine to Virginia) until authorized by future ordinance.

3. Street Use Inspections and Cost Recovery [Chow]

In response to increased development activity, SDOT has relied on emergency staffing in the Street Use Division to handle higher permit and inspection volumes. The Proposed Budget adds $11 million to convert 20 emergency positions into regular positions and add an additional 36 FTE. Funding for all of these positions is recovered through Street Use Permit fees. This level of staffing is based on 2014 permit volumes and staffing levels will be reduced in the future when development activity slows.

With the additional positions, the Proposed Budget includes a total of 37 Street Use inspectors (11 existing positions, 3 of the converted emergency positions, and 23 of the new positions). This level of staffing would reduce the average number of scheduled inspections from more than 16 sites/day down to 6 sites/day. This would allow inspectors to spend more time at active construction sites, better enforce compliance with permit conditions, respond to complaints, and maintain accessibility on adjacent roads and sidewalks.

In addition to staffing levels, SDOT has proposed budget legislation to update the Street Use fee structure and align permit fees with related cost centers. The current fee structure relies on cross-subsidy between different types of Street Use permits and does not fully reflect the differential staffing demands. The proposed fee structure emphasizes hourly fees to encourage high-quality permit applications and incentivize adherence to permit conditions. The cost for issuing a simple permit (such as permission for a moving pod) would be reduced, while more complex projects would anticipate higher fees for permit processing, inspections, and use of the right-of-way.

Overall, the new fee structure is anticipated to raise an additional $8.5 million in 2016. With Council approval, the new fee structure would take effect on March 31, 2016. Fees and charges for issuing permits may only be used to support permit administration and inspection costs. Fees and charges for using the right-of-way may be used to fund projects that mitigate the use of the right-of-way and improve transportation safety and mobility.

To manage staffing levels and respond to changing development cycles, SDOT has proposed budget legislation to adopt principles for developing future budgets. Under this proposal, SDOT would reserve and set aside budget authority (in conjunction with CBO) based on quarterly permit activity forecasts. This approach mirrors DPD's current practice (Resolution 30357) for budgeting permit-related staffing levels.

Options:

A. Approve 36 additional street use inspectors. Pass proposed Street Use Fee Ordinance, Budgeting Resolution.

B. Reduce level of additional staffing for inspectors. Amend Street Use Fee Ordinance based on revised staffing levels.

4. Bike Share Expansion [Chow]

The Bike Share program began operations in fall 2014, with 53 bike stations in the Center City, Capitol Hill, and the University District. The program is owned by Pronto (a non-profit organization) and operated by Motivate (a separate for-profit company, under contract to Pronto). The current system operates at a loss and SDOT has identified $650,000 in the 2016 base budget to subsidize operations of the Bike Share program. SDOT believes that expanding the program is necessary to bring the system to scale and make it financially self-sustaining.

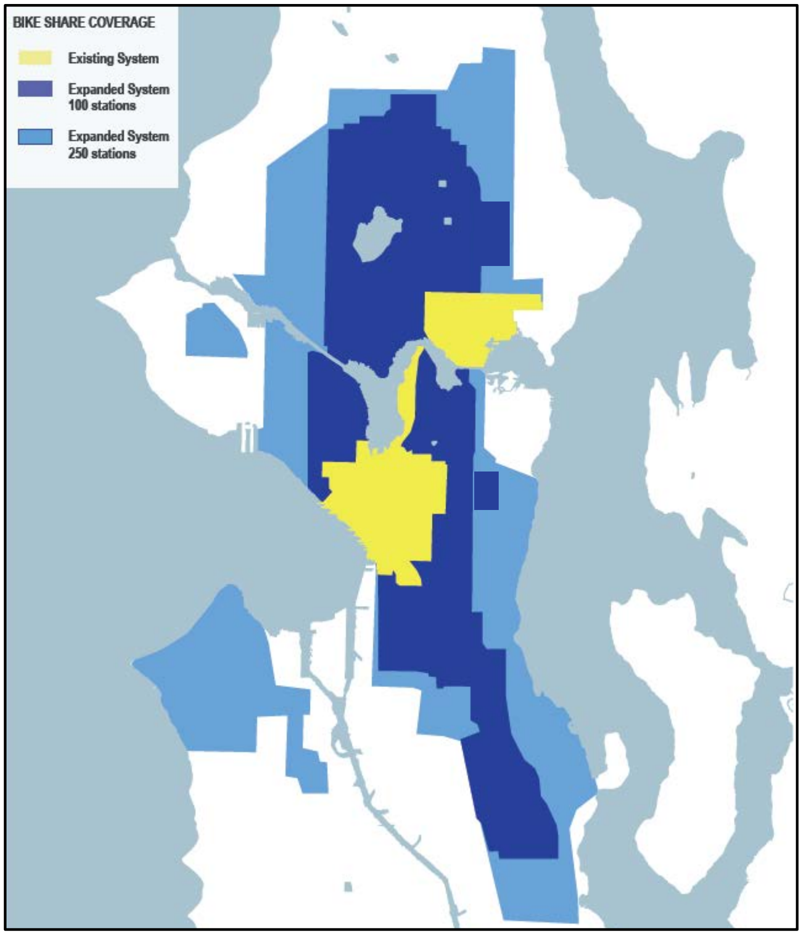
SDOT proposes to take over ownership of the Bike Share program from Pronto and to renegotiate the operating contract with Motivate. City-ownership of the system would follow the model of other large U.S. cities (e.g., Washington D.C., Chicago, Boston, Philadelphia). The proposed City takeover of the program would eliminate $150,000 in annual non-profit overhead costs, though SDOT would own the system.

The Proposed Budget includes $5 million of Street Use fees for expansion of the Bike Share program. SDOT has applied for a federal TIGER grant which would leverage an additional $10 million of federal funds and $3 million of private funds. If the Council approves the proposed $5 million, SDOT and Motivate would expect to enter a new agreement requiring Motivate to accept the on-going financial risk for operating the program for at least 3 years (and longer in the event the system produces sustainable revenues), provided the system is expanded to at least 100 stations total. SDOT anticipates that a new operating contract could be in place by mid-2017.

If the TIGER grant is successful, SDOT proposes a complete rebranding of the system (replacing all of the existing stations) and deploying new electric bicycles (E-Bike) at 250 stations. If the

TIGER grant is unsuccessful, SDOT proposes a smaller 100 station deployment of the E-Bike system or expansion of the existing. The local funding is required match for the TIGER grant.

Proposed Bike Share Expansion



	Current System (yellow)	Expanded System (dark blue)	Expansion + TIGER Grant (dark + light blue)
Ownership	Pronto	City-owned	City-owned
Capital Costs			
SDOT	--	$5,000,000	$5,000,000
TIGER Grant	--	--	$10,000,000
Private Funding	--	--	$3,000,000
City Operating Cost			
2016 O&M	$650,000	$650,000	$650,000
2017 O&M	$650,000	$325,000	$325,000
2018+	$650,000	Self-sustaining	Self-sustaining
System Configuration	53 Pronto Stations (existing system)	135 Pronto Stations; ***or*** 100 E-Bike Stations	250 E-Bike Stations (new brand)

Options:

A. Council may wish to proviso the $5 million of street use funds to be contingent on the receipt of the $10 million TIGER grant.

B. Council may wish to proviso the $5 million of street use funds to be contingent on the Executive providing Council with a detailed spending and implementation plan.

C. Council may wish to redirect some or all of the $5 million of street use funds to other transportation priorities. This would reduce or eliminate the local match available for the $10 million TIGER grant.

D. No action – approve the Executive proposal.

5. Streetcar Expansion [Chow]

SDOT continues to work on the Broadway Street Extension and the Center City Streetcar Connector to expand and connect the existing Seattle Streetcar lines.

The Proposed Budget includes $690,000 for the Broadway Streetcar Extension to complete design work, and to explore formation of a Local Improvement District to fund future construction of the extension.

The Proposed CIP includes new future-year project allocations for the Broadway Streetcar Extension ($25 million, for construction in 2017-2018) and the Center City Streetcar Connector ($105 million, for construction in 2017-2019). SDOT has a $10 million federal grant for the Broadway Streetcar Extension, and SDOT intends to pursue a Federal Transit Administration (FTA) Small Starts grant ($75 million) for the Center City Streetcar. The remaining local funding for construction is shown in the CIP as "To be determined." SDOT will have to identify this funding and seek appropriation authority in a future budget cycle.

Options:

A. Council may wish to proviso the $690,000 for the Broadway Streetcar Extension to be contingent on the Executive providing Council with a detailed spending and implementation plan.

B. Council may wish to redirect some or all of the $690,000 for the Broadway Streetcar Extension to other transportation priorities.

C. No action – approve the Executive proposal.

6. Streetcar Reporting Requirements [Chow]

In approving the construction of the South Lake Union Streetcar (Ordinance 122424), Council imposed specific reporting requirements based on the project's May 2007 financial plan. While these comparisons were useful during startup of South Lake Union Streetcar operations; they do not reflect current expectations of the streetcar system, including the anticipated startup of First Hill Streetcar operations, current operating agreements (King County Metro and Sound Transit), and current system projections.

Central Staff recommend that Council consider changes to Ordinance 122424 that would tie Streetcar reporting requirements to projections used to develop the annual budget. Revised reporting requirements would include performance metrics (e.g., ridership, productivity, fare evasion, reliability) and financial metrics (e.g., costs, revenues, farebox recovery, sponsorships, interfund loan). Central Staff have worked with SDOT and Law on a revised reporting proposal.

Options:

A. Consider budget legislation to revise Streetcar reporting requirements.

B. No action.

7. West Seattle Bridge Corridor [Chow/Lindsay]

Over the past year SDOT, working with Council stakeholders and SPD, developed a priority investment plan for the West Seattle Bridge corridor formalizing ideas to address operational deficiencies on one of Seattle's most heavily traveled and congested transportation routes. Although a few improvements are already underway, there are elements of the plan that were not included in the Mayor's proposed budget.

Many of the unfunded investments involve changes to intelligent transportation infrastructure in the corridor such as adaptive signal timing and better dynamic messaging at east-west railroad crossings or further study of operational changes to critical structures like the West Seattle Bridge. Based on SDOT's investment plan, estimates for short-term implementation of the ITS improvements are about $500,000 whereas the West Seattle Bridge operations feasibility study would require about $200,000 of additional funding. Taken together, these improvements aim to improve facility performance for all modes.

Options:

A. Council may wish to add funding for implementation of ITS improvements at east-west rail crossings ($500,000) and the development of an operations feasibility study for the West Seattle Bridge ($200,000).

B. No action.

8. Status of Impact Fee Assessment [Pennucci]

In the 2015 Budget, Council approved $300,000 to evaluate the potential of using impact fees for a variety of purposes (transportation, parks and recreation, schools, and fire facilities) and to develop an impact fee proposal. The Executive presented Council with an initial SLI response in April 2015 and has developed a work plan that focuses primarily on developing an impact fee proposal for transportation and parks. The Department of Planning and Development (DPD) has been leading this effort and is also continuing discussions with Seattle Public Schools on the concept of school impact fees. DPD has hired a consultant to develop a proposal by Summer 2016.

Options:

A. Council may wish to make a Statement of Legislative Intent to explore other options with the development of an impact fee proposal.

B. No action.

9. Other Items That May Not Warrant Analysis as "Issues" [Chow]

a. LTGO Bonds

The proposed Bond Ordinance includes $70 million of 2016 Limited Term General Obligation (LTGO) bonds for SDOT projects. This represents a $36 million increase in anticipated bond proceeds from the 2016 Endorsed Budget, which is primarily due to the increase Seawall costs (discussed in item 3) and the decision to purchase, rather than own, parking pay stations (discussed in item 11b below). The projects rely on the General Fund and future Commercial Parking Tax (CPT) revenue to service the debt. The proposed SDOT projects are:

Project	2016 Capital	Funding Source
Parking Pay Stations	$9,086,000	General Fund
Alaskan Way Corridor	$5,000,000	General Fund
	$13,721,000	CPT (2.5%)
Seawall	$25,000,000	CPT (10%)
	$8,413,000	CPT (2.5%)
23rd Ave Corridor	$7,927,487	CPT (10%)
Transit Corridor	$973,000	CPT (10%)
SDOT Total:	***$70,120,487***	

In past years, SDOT carried significant amounts of unused bond proceeds from year to year, which was of concern to Council. SDOT has reduced this balance in recent budgets and projects to have $5.6M in unspent bond proceeds by year-end 2015.

	2011	2012	2013	2014	2015
SDOT Cumulative Unused LTGO Bond Proceeds	$111.8M	$63.6M	$24.4M	$9.6M	$5.6M (projected)

b. Pay Station purchases

The Proposed Budget would increase 2016 spending for the Parking Pay Station project by $4 million. The decision to own, rather than lease, the new pay stations was discussed with Council when Council lifted a budget proviso (Ordinance 124589) on the project. The project is financed through the proposed bond ordinance. Future year CIP spending for the project has been eliminated to reflect the decision not to lease (previously budgeted at $4.7 million per year).