

**MEMORANDUM**

**To:** Members of the Select Budget Committee  
**From:** Calvin Chow, Legislative Analyst, Council Central Staff  
**Date:** October 7, 2016  
**Subject:** Budget Overview: Seattle Department of Transportation / Transportation Operating Fund

This paper highlights a subset of issues in the Seattle Department of Transportation’s (SDOT) 2017 proposed budget for Councilmember discussion in order to identify issues and potential budget actions during Council’s budget deliberations.

**OVERVIEW AND CONTEXT**

Table 1 summarizes SDOT’s expenditures and revenues. Overall, SDOT expenditures decrease by 10% in 2017 and increase by 27% in 2018. This fluctuation is largely driven by capital expenditures, which decrease by 24% in 2017 and increase by 53% in 2018. This reflects less spending in 2017 and 2018 for the Alaskan Way Main Corridor and Elliot Bay Seawall projects in the Major Projects BCL, and significant new spending in 2018 for the Center City Streetcar and Lander Grade Separation projects in the Mobility-Capital BCL.

*Table 1: Budget Overview (in \$1,000’s)*

<b>Expenditures (in 1,000’s)</b>	<b>2016 Adopted</b>	<b>2017 Proposed</b>	<b>Change 2016-2017</b>	<b>2018 Proposed</b>	<b>Change 2017-2018</b>
Mobility-Operations	\$85,463	\$91,846	7%	\$91,324	(1%)
Street Maintenance	\$25,146	\$30,427	21%	\$30,222	(1%)
Bridges & Structures	\$11,576	\$11,760	2%	\$12,021	2%
Engineering Services	\$3,969	\$3,776	(5%)	\$3,810	1%
ROW Management	\$30,355	\$32,726	8%	\$32,515	(1%)
Urban Forestry	\$5,381	\$5,586	4%	\$5,724	2%
Department Management	\$2,867	\$386	(85%)	\$951	146%
General Expense	\$30,364	\$38,466	27%	\$39,816	4%
<b>Total O&amp;M BCL’s</b>	<b>\$195,122</b>	<b>\$214,973</b>	<b>10%</b>	<b>\$216,384</b>	<b>1%</b>
Mobility-Capital	\$87,746	\$82,841	(6%)	\$232,557	181%
Major Maint/Replacement	\$76,575	\$69,282	(10%)	\$75,047	8%
Major Projects	\$131,592	\$73,547	(44%)	\$37,141	(50%)
<b>Total Capital BCL’s</b>	<b>\$295,913</b>	<b>\$225,670</b>	<b>(24%)</b>	<b>\$344,745</b>	<b>53%</b>
<b>Total Expenditures</b>	<b>\$491,035</b>	<b>\$440,644</b>	<b>(10%)</b>	<b>\$561,129</b>	<b>27%</b>
<i>Total FTE’s</i>	<i>844 FTE</i>	<i>883.5 FTE</i>	<i>5%</i>	<i>883.5 FTE</i>	<i>0%</i>

*(Continued on Page 2)*

<b>Revenues (in 1,000's)</b>	<b>2016 Adopted</b>	<b>2017 Proposed</b>	<b>Change 2016-2017</b>	<b>2018 Proposed</b>	<b>Change 2017-2018</b>
General Fund Support	\$44,308	\$46,058	4%	\$44,445	(4%)
School Zone Camera Funds	\$8,568	\$5,994	(30%)	\$4,152	(31%)
Taxes	\$169,939	\$177,034	4%	\$181,926	3%
Bond Proceeds	\$108,066	\$55,296	(49%)	\$42,235	(24%)
Fees	\$29,697	\$31,845	7%	\$32,198	1%
Charges for Service	\$85,183	\$78,906	(7%)	\$70,602	(11%)
Grants	\$19,834	\$11,308	(43%)	\$63,162	459%
Anticipated Grants	\$0	\$0	-	\$81,559	-
Property Sales	\$3,909	\$9,400	140%	\$26,300	180%
Transfers - Other Funds	\$34,885	\$26,632	(24%)	\$14,387	(46%)
Use of Fund Balance	(\$13,355)	(\$1,830)	(86%)	\$162	(109%)
<b>Total Revenues</b>	<b>\$491,035</b>	<b>\$440,644</b>	<b>(10%)</b>	<b>\$561,129</b>	<b>27%</b>

SDOT's operating expenditures will increase 10% in 2017 and 1% in 2018. The increase in 2017 is largely due to an adjustment in Citywide Standard Costs (\$11.4 million), improved traffic incident management (\$1.9 million), additional STBD-funded transit service (\$2.6 million), funding to engage Sound Transit in planning for ST3 (\$1 million), and improvements in SDOT's IT infrastructure (\$2.2 million).

SDOT's capital program drives changes in SDOT's anticipated revenues. Due to lower capital spending in 2017, SDOT intends to issue less debt (i.e., revenue from bond proceeds) in 2017 than in 2016. This accounts for a \$54 million (or 48%) decrease in 2017 bond proceeds compared to 2016. SDOT further anticipates that the 2018 bond sale will be \$13 million less than the 2017 bond sale (a 24% decrease), even though 2018 capital spending is increasing. This 2018 revenue is offset by \$145 million of additional grant revenues, primarily in anticipation of grants for the Center City Streetcar and Lander Grade Separation projects.

The 2017 proposed budget would add 39.5 full-time equivalents (FTE) positions, many of which were approved by Council for Move Seattle after the 2016 Budget was adopted. There are 20 FTE tied to new budget proposals, which will be a focus of further Central Staff review.

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## 1. MOVE SEATTLE IMPLEMENTATION

In November 2015, voters approved the nine-year “Move Seattle” property-tax levy which went into effect in 2016. The levy authorized spending in three core categories: Safe Routes, Maintenance and Repair, and Congestion Relief. Total funding from the levy is capped at \$930 million over the nine years. Language in the levy requires that the City maintain a minimum amount of General Subfund (GSF) support for SDOT. For 2017, this requirement is \$41 million, and the proposed budget provides a GSF contribution of \$46 million.

The proposed budget includes a revised levy spending plan that shifts the timing of project delivery within the nine years of the levy and reflects an updated revenue forecast. The initial spending plan contemplated aggressive spending in the initial years of the levy, which would have required SDOT to advance levy funds with other funds. SDOT revised this spending plan based on further development of project scopes and to balance cash flow. Examples of projects with adjusted timelines include Fautleroy Green Boulevard, Northgate Bike-Pedestrian Bridge, and the Arterial Paving Program.

*Table 2: Move Seattle Spending Plan and Anticipated Revenue (in \$1,000's)*

<b>Spending Plan and Revenue</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>9-Year Total</b>
Baseline Spending Plan (2016 Adopted)	\$94,959	\$110,308	\$139,333	\$929,981
Revised Spending Plan (2017 Proposed)	\$83,312	\$85,846	\$121,359	\$929,742
<b>Change in Spending Plan</b>	<b>(\$11,647)</b>	<b>(\$24,462)</b>	<b>(\$17,974)</b>	<b>(\$239)</b>
Anticipated Revenue (2017 Proposed)	\$94,959	\$96,984	\$99,009	\$930,000
<b>Revenue - Revised Spending</b>	<b>\$11,647</b>	<b>\$11,138</b>	<b>(\$22,350)</b>	<b>\$258</b>

The levy raises \$95 million in 2016, \$97 million in 2017, and \$99 million in 2018. Overall, the revised spending plan defers \$11.6 million of 2016 levy revenues and \$11.1 million of 2017 levy revenues until 2018 and later years. However, within these adjustments, the revised spending plan accelerates spending on sidewalks in 2016 and 2017 (described in item 2 below) and advances the Lander Street Grade Separation project to 2018-2021. Adjustments to the 2016 Budget are included in the 2016 3<sup>rd</sup> Quarter Supplemental Ordinance that accompanies the proposed budget.

SDOT’s revised spending plan for Move Seattle generally maintains the total nine-year contributions as initially proposed with the levy. A revised breakdown of spending by levy category is provided in Table 3.

Table 3: Revised Spending Categories (in \$1,000's)

Category of Spending	2016	2017	2018	9-Year Total
<b>Safe Routes:</b>				
• Vision Zero	\$7,458	\$7,557	\$7,636	\$71,398
• Pedestrian & Bicycle Safety	\$12,050	\$12,080	\$12,111	\$109,582
• Neighborhood Projects	\$2,899	\$254	\$5,783	\$26,261
<b>Safe Routes Total</b>	<b>\$22,407</b>	<b>\$19,890</b>	<b>\$25,529</b>	<b>\$207,241</b>
<b>Maintenance and Repair:</b>				
• Maintain Streets	\$27,315	\$26,815	\$19,892	\$250,000
• Bridges and Structures	\$4,044	\$10,245	\$27,771	\$139,525
• Urban Forestry and Drainage	\$2,550	\$2,591	\$4,133	\$29,997
<b>Maintenance/Repair Total</b>	<b>\$33,909</b>	<b>\$39,651</b>	<b>\$51,795</b>	<b>\$419,522</b>
<b>Congestion Relief:</b>				
• Corridor Mobility	\$14,810	\$11,670	\$30,475	\$169,262
• Light Rail Partnership	\$741	\$1,510	\$679	\$25,000
• Pedestrian & Bicycle Mobility	\$9,445	\$11,625	\$7,880	\$69,690
• Freight Mobility	\$2,000	\$1,500	\$5,000	\$39,000
<b>Congestion Relief Total</b>	<b>\$26,996</b>	<b>\$26,304</b>	<b>\$42,034</b>	<b>\$302,979</b>
<b>Revised Spending Plan (2017 Proposed)</b>	<b>\$83,312</b>	<b>\$85,846</b>	<b>\$121,359</b>	<b>\$929,742</b>

The Move Seattle levy relies heavily on external funding to deliver projects. The Lander Street Grade Separation project constructs a grade separated crossing over railway tracks in SODO. The total project cost is \$142 million. With anticipated grants and City resources for this project, a \$27.5 million funding gap remains. SDOT is working with external partners including the Port of Seattle and Burlington Northern Santa Fe Railway to fully fund the project.

Transit Corridor projects are another category of levy projects that rely heavily on external funding. The revised spending plan includes \$79 million of levy funding for these projects, but relies on \$197 million of currently unsecured funds.

Table 4: Move Seattle Transit Corridor Projects (in \$1,000's)

Corridor	Project Cost	Levy Funds	Other Funds	Unsecured
Madison	\$120,000	\$15,000	\$8,900	\$96,100
Delridge	\$38,000	\$9,500	\$8,000	\$20,500
Rainier/Jackson	\$19,000	\$10,500	\$0	\$8,500
Roosevelt	\$28,000	\$8,500	\$0	\$19,500
Market/45 <sup>th</sup> St	\$30,000	\$9,500	\$3,000	\$17,500
Northgate/Fremont	\$31,000	\$9,500	\$3,000	\$18,500
23 <sup>rd</sup> Ave	\$88,262	\$16,559	\$55,203	\$16,500
<b>Total</b>	<b>\$354,262</b>	<b>\$79,059</b>	<b>\$78,103</b>	<b>\$197,100</b>

The Madison Bus Rapid Transit corridor is the furthest along in pursuing external funds. In February 2016, Council adopted a Locally Preferred Alternative for the project (Resolution 31647) in anticipation of federal grant opportunities (potential Federal Transit Administration (FTA) Small Starts grant of \$61.2 million), and partial funding for the project was included in the Sound Transit 3 proposal on the November ballot.

**Questions**

- Does Council have any concerns with the revised spending plan for Move Seattle?
- Does Council have any additional direction on elements of the Move Seattle levy?

**2. SIDEWALKS AND MULTI-MODAL PLAN IMPLEMENTATION**

As discussed above, the revised spending plan for Move Seattle accelerates funding for new sidewalks in 2016 and 2017. This is a shift in the timing for construction of new sidewalks, but does not change the total amount of levy spending or the total amount of sidewalks constructed with levy funds over the nine years of the levy (\$52 million to construct 150 new blocks of sidewalk). The revised spending plan reduces levy funding for sidewalks in future years (and the corresponding amount of sidewalks delivered) accordingly. Adjustments to the 2016 Budget are included in the 2016 3<sup>rd</sup> Quarter Supplemental Ordinance that accompanies the proposed budget.

In addition to the Move Seattle Funding, anticipated revenues from school zone traffic camera infractions have increased. The 2016 3<sup>rd</sup> Quarter Supplemental Ordinance adds \$3.5 million in 2016 and the proposed budget adds 784,000 in 2017 and \$459,000 in 2018 for sidewalks. Together, the accelerated spending plan will deliver 68 blocks of sidewalks in 2016 and 2017; this represents 26 more blocks of sidewalks than were funded in last year’s Adopted Capital Improvement Program (CIP) for 2016 and 2017.

*Table 5 – Revised Pedestrian Master Plan (PMP) Spending (in \$1,000’s)*

<b>CIP Projects</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>2016-2021 Adopted CIP</b>			
PMP - New Sidewalks	\$9,732	\$0	\$0
PMP - School Safety	\$1,556	\$5,209	\$4,791
Pedestrian Master Plan Implementation	\$6,180	\$12,459	\$12,567
<b>Baseline PMP Spending</b>	<b>\$17,468</b>	<b>\$17,668</b>	<b>\$17,358</b>
<b>2017-2022 Proposed CIP</b>			
PMP - New Sidewalks	\$21,087	\$11,854	\$5,700
PMP - School Safety	\$3,048	\$3,167	\$2,492
Pedestrian Master Plan Implementation	\$7,392	\$8,730	\$7,730
<b>Revised PMP Spending</b>	<b>\$31,527</b>	<b>\$23,751</b>	<b>\$15,922</b>
<b>Change in planned PMP spending</b>	<b>\$14,059</b>	<b>\$6,083</b>	<b>(\$1,436)</b>

To highlight the visibility of the sidewalk program, the proposed CIP consolidates all programmatic funding for new sidewalks within a single CIP project (PMP – New Sidewalks). Sidewalk infrastructure that is delivered as part of a larger capital project (e.g., 23<sup>rd</sup> Ave, Fauntleroy Green Boulevard, Greenwood) continues to be tracked as part of those CIP projects. Previously, most sidewalk funding was dispersed across three separate CIP projects.

Compared to last year’s Adopted CIP, the proposal accelerates approximately \$14 million of sidewalk funding in 2016 and \$6 million in 2017, while reducing funding in 2018 by \$1.4 million. To maintain the nine-year total spending on sidewalks authorized by Move Seattle, the revised spending plan relies on greater reductions in out years of the levy (e.g., a reduction of \$4 million in 2021, compared to last year’s Adopted CIP).

As part of the sidewalk program, SDOT is pursuing a variety of lower-cost sidewalk designs that reduce grading and drainage costs, while improving pedestrian mobility. It is unclear to what extent these new lower-cost sidewalks will be implemented as part of this accelerated program.

The proposed CIP also provides programmatic and project funding for implementing the Bicycle Master Plan (BMP), shown in Table 6. This does not include bicycle infrastructure that will be delivered as part of a larger CIP project (e.g., 23<sup>rd</sup> Ave, Fauntleroy Green Boulevard). Projects that primarily fund bicycle infrastructure (including the Northgate Bike and Pedestrian Bridge) are included here.

*Table 6 – Revised Bicycle Master Plan Spending (in \$1,000’s)*

	2016	2017	2018
<b>2016-2021 Adopted CIP</b>			
Bicycle Master Plan Implementation	\$9,250	\$9,165	\$9,180
Burke-Gilman Trail Extension	\$0	\$0	\$2,000
Cheshiahud Lake Union (Westlake) Trail	\$0	\$0	\$8
Sound Transit North Link Bike and Ped Improvements	\$3,516	\$7,500	\$14,570
<b>Baseline BMP Spending</b>	<b>\$12,766</b>	<b>\$16,665</b>	<b>\$25,758</b>
<b>2017-2022 Proposed CIP</b>			
Bicycle Master Plan Implementation	\$19,310	\$9,165	\$9,180
Burke-Gilman Trail Extension	\$4,908	\$0	\$2,000
Cheshiahud Lake Union (Westlake) Trail	\$4,289	\$0	\$0
Northgate Bridge and Cycle Track	\$4,889	\$4,510	\$679
Northgate Bike and Pedestrian Improvements	\$1,773	\$601	\$227
<b>Revised BMP Spending</b>	<b>\$35,169</b>	<b>\$14,275</b>	<b>\$12,086</b>
<b>Change in planned BMP spending</b>	<b>\$22,403</b>	<b>(\$2,390)</b>	<b>(\$13,672)</b>

Although the Proposed CIP shows a decreases in BMP spending for 2017 and 2018, compared to last year’s Adopted CIP; this is largely due to timing changes on the Northgate Bridge and

Cycle Track (which shifted significant spending into 2019). Baseline spending on the Bicycle Master Plan Implementation project increased for 2016, and remained unchanged for 2017 and 2018. The 2016 increase appears to be deferred 2015 spending carrying forward into 2016.

#### **Questions**

- Does Council agree with the plan to increase 2016 and 2017 funding to accelerate the delivery of sidewalks (and to decelerate delivery of sidewalks in 2018 and the remaining years of the levy)?
- Does Council have any additional direction regarding the delivery of sidewalk projects?
- Does Council have any additional direction regarding the delivery of bicycle projects?

### **3. MANAGING CONSTRUCTION IMPACTS**

SDOT is nearing completion of Phase 1 of the 23<sup>rd</sup> Avenue Corridor Improvements (23<sup>rd</sup> Ave) project, with Phase 2 expected to begin construction in 2017. In recognition of the ongoing impacts to the community, SDOT has programmed an additional \$1.6 million in 2017 specifically to reduce the construction impacts of the 23<sup>rd</sup> Ave project. The additional funds will provide for enhanced construction site clean-up, materials storage, contractor parking, pedestrian detours, and flexibility in construction sequencing to reduce community impacts.

There are legal restrictions on the use of transportation funds to provide for direct mitigation payments. To assist small businesses affected by the 23<sup>rd</sup> Ave project, the City established a \$650,000 business stabilization fund in February 2016. The fund was managed by the Office of Economic Development (OED) and used a combination of one-time Community Development Block Grant funds and New Market Tax Credit fees. The fund capped support at \$25,000 per eligible business and focused on stabilizing micro-businesses (non-franchise, retail/service businesses with 5 or fewer employees) that either served customers from predominantly low- and moderate-income populations, or were owned by business owners with a household income of less than 80% the area median income. To date, the fund has dispersed \$516,000 to 21 micro-businesses. An additional four micro-businesses were eligible to receive deferrals of B&O taxes, utility bills, and other City fees. The proposed budget does not include funding for the business stabilization fund in 2017 or 2018.

Drawing on experience with the 23<sup>rd</sup> Ave project, SDOT proposes to expand its work with the Department of Neighborhoods (DON) and OED to better engage community stakeholders in planning for construction and project delivery for other major transportation projects. To support this program, SDOT will fund 2 FTE in DON and 1 FTE in OED in the proposed budget.

#### **Questions**

- Does the proposed construction mitigation funding for the 23<sup>rd</sup> Ave project establish precedent for similar funding on other SDOT projects? If so, for which types of projects and impacts, and at what level of additional cost?
- Does the business stabilization fund establish precedent for similar funding on other SDOT projects? If so, for what types of projects and impacts, and at what level of additional cost?

- Does Council have any additional direction on the proposed construction mitigation efforts?

#### 4. SEATTLE TRANSPORTATION BENEFIT DISTRICT (STBD) REBATES AND LOW-INCOME FARES

Seattle voters approved the STBD Proposition 1 in November 2014 to purchase additional Metro transit service for routes serving the City of Seattle. The authorizing legislation (STBD Resolution 12) established a \$20 Vehicle License Fee (VLF) Rebate for low-income individuals, and provided up to \$2 million annually to support transit access for low-income riders. Funding for Proposition 1 expires at the end of 2020.

Table 7 – STBD Proposition 1 Budget (in \$1,000's)

Program	2016 Adopted	2017 Proposed	2018 Proposed
VLF Rebate Program	\$1,828	\$711	\$745
ORCA LIFT – Low Income Access	\$1,000	\$1,000	\$1,000
Youth ORCA – Low Income Access	\$1,000	\$1,000	\$1,000
Regional Partnerships	\$1,100	\$2,557	\$1,830
Transit Service Hours	\$39,965	\$41,896	\$44,870
Administration & Planning	\$75	\$921	\$881
<b>Total STBD Proposition 1</b>	<b>\$44,968</b>	<b>\$48,085</b>	<b>50,326</b>

Participation in the VLF rebate program has been weak. The 2016 Adopted Budget included \$1.8 million for the program, assuming that up to 50,000 rebates would be issued. Through June 2016, the City has issued 4,909 rebates. As the rebate program was first offered in June 2015, this reflects a full year of rebate activity. The proposed budget includes \$711,000 in 2017 (based on a projected 5,750 rebates) and \$745,000 for 2018. The remaining funds are redirected towards the purchase of additional transit service.

The 2016 Adopted Budget included \$2 million to support transit access for low-income riders, and the proposed budget maintains this level of funding for 2017 and 2018. Of the 2016 funding, \$1 million was directed towards increasing enrollment in the ORCA LIFT program and \$1 million was directed towards a Youth ORCA pass program through Seattle Public Schools. As of June 30, 2016, 18,596 Seattle residents were enrolled in the program.

The proposed budget directs \$350,000 from the ORCA LIFT program to replace GSF support for the Downtown Circulator in 2017. The City agreed to fund the Downtown Circulator when the decision was made to discontinue the Downtown Free Ride Zone in 2012. The service is open to the public, but is intended to serve low-income populations and those needing access to health and human service centers in the downtown area. The service operates from Monday to Friday, 7:30 a.m. to 4:30 p.m. In 2015, the service provided 82,547 rides and cost \$318,684. The City's current funding agreement with King County Metro is effective through the end of 2017. The proposed budget includes continued funding for the Downtown Circulator in 2018.



The proposed budget maintains \$1 million in 2017 and \$1 million in 2018 for the Youth ORCA program. Rollout of the program has been slow. During the 2015-2016 school year, Seattle Public Schools issued 300 of the 2,500 allocated Youth ORCA cards. For the 2016-2017 school year, SDOT has directed the distribution of cards to students. Within the first month, SDOT issued 1,100 Youth ORCA cards and intends to issue 3,000 for the school year.

#### **Questions**

- Is the proposed budget for the VLF Rebate program sufficient?
- Should STBD funds support the Downtown Circulator?
- Does Council have any additional direction on the VLF Rebate, ORCA LIFT, and Youth ORCA programs?

### **5. BIKE SHARE EXPANSION**

In March 2016, SDOT acquired the existing Pronto bike share system for \$1.4 million, utilizing a portion of funds set aside for bike share expansion (Ordinance 125011). Following this acquisition, SDOT issued a Request for Proposals to expand the bike share system and has selected a preferred vendor (Bewegen) for this contract.

Bewegen has proposed decommissioning the existing system and implementing a new, all-electric pedal-assist bike share system in 2017, including 1,200 bicycles and 100 stations for \$5 million. Bewegen's proposal includes a capital contribution of approximately 25% of the initial capital costs for the new system. Under the proposed financial model, Bewegen would assume full responsibility for ongoing operations and would contribute 50% of operational profits towards future capital expansion. SDOT anticipates that the City will receive monetary value from selling the existing system, but does not have an estimate of the future revenue.

The proposed budget reserves \$4.7 million for bike share expansion in 2017, but does not authorize SDOT to expend these funds. This funding includes \$3.55 million for bike share expansion currently under proviso, \$600,000 of Commercial Parking Tax balance, \$397,000 of Congestion Mitigation and Air Quality (CMAQ) grants, and a \$144,000 Ride Share tax credit. SDOT continues to negotiate contract terms to refine the Bewegen proposal, and intends to seek Council approval to execute the contract in December 2016 or early 2017.

SDOT projects an operating loss on the existing bike share system of \$340,000 through the end of 2016. The proposed budget appropriates \$600,000 of street use revenue for bike share operations in 2017 and \$600,000 for 2018.

#### **Questions**

- Should SDOT reserve capital funds for bike share expansion consistent with the proposed budget?
- Should SDOT reserve operating funds for bike share operations in 2017 and 2018 consistent with the proposed budget?

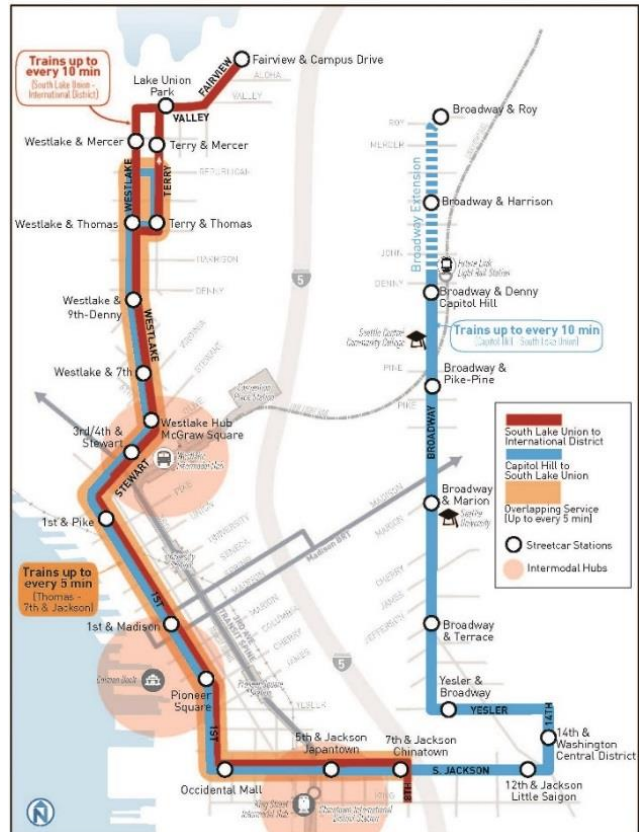
## 6. CENTER CITY STREETCAR

The Center City Connector streetcar project would connect the South Lake Union Streetcar line and the First Hill Streetcar lines to downtown Seattle. The completed system would operate as a unified streetcar system with overlapping service (i.e., more frequent service) in downtown and a significant portion of South Lake Union.

Figure 1 – Existing Streetcar Alignment



Figure 2 – Center City Connector Operating Plan



The project would construct 1.2 miles of streetcar track (primarily in exclusive transit right-of-way on 1<sup>st</sup> Avenue) and purchase up to 10 additional streetcars. SDOT estimates the project will generate an additional 20,100 daily streetcar riders on the system once the new Center City segment is constructed, for a total system ridership of 24,100 daily riders. SDOT anticipates completing the Center City Connector by 2020.

The total cost estimate for the project in the proposed CIP is \$151.6 million, which is a 35% increase from the previous year's Adopted CIP (\$112.4 million). SDOT has applied for a \$75 million FTA Small Starts grant, which would largely meet the \$82 million "to be determined" funding gap identified in the proposed CIP. The \$75 million FTA grant was included in the President's budget and is awaiting Congressional approval.

SDOT anticipates annual operating costs for the system will be \$15.5 million, but SDOT has not yet developed a financial plan for operating the system. The existing South Lake Union and First Hill streetcars are supported by fares, vehicle and station sponsorships, contributions from large property owners, funding agreements with King County and Sound Transit, and GSF support (via interfund loan). The current agreement with King County provides approximately \$1.5 million/year and expires at the end of 2019. The current agreement with Sound Transit provides approximately \$5 million/year and expires at the end of 2023.

In 2007, Council authorized a \$6 million interfund loan to SDOT to support construction of the South Lake Union Streetcar through 2009. Subsequently, Council has extended the term of the loan by ordinance and required SDOT to make a minimum annual payments of \$300,000 if the loan was not fully repaid by the end of 2016. SDOT currently projects an outstanding construction loan balance of \$5 million. The proposed budget includes annual payments of \$300,000 in 2017 and 2018, using commercial parking tax revenues. SDOT intends to repay the balance of the loan with future property sale proceeds (i.e., the Copiers NW property).

Council also authorized a \$2.2 million interfund loan to the Streetcar Fund in 2007 to support South Lake Union Streetcar operations through 2018. In 2009, Council increased the operating loan amount to \$3.65 million (Ordinance 123102), but did not extend the term of the loan. It appears that the proposed budget does not repay the loan by the end of 2018. The interfund loan is effectuated by carrying a negative cash position in the Streetcar Fund. The proposed budget shows the Streetcar Fund with a negative balance of \$2.3 million by the end of 2018.

### **Questions**

- How should the City proceed with the project, given the lack of a long-term operating financial plan and the remaining capital funding gap?
- How will SDOT repay the Streetcar Operating Interfund Loan?
- With the Center City Streetcar as an example of capital project decisions responding to external funding considerations, should Council approval be a prerequisite before SDOT applies for grants to support large capital projects?

### **NEXT STEPS: BUDGET DELIBERATIONS**

Council will continue with issue identification during Budget Deliberations scheduled for October 17-19. Central Staff are available to assist in Councilmember's review of the proposed budget.

cc: Kirstan Arestad, Central Staff Executive Director  
Dan Eder, Deputy Director