

2022 Seattle City Council Budget Action

Council Budget Action: Agenda

Tab	Action	Option	Version
SDOT	505	A	001

Budget Action Title: Pass CB 120224 to issue an approximate \$100 million of LTGO bonds in 2022; add \$3.1 million of REET I Capital Fund to SDOT for debt service; add \$1.1 million of REET I Capital Fund and \$100,000 of REET II Capital Fund to SDOT's Structures Major Maintenance (MC-TR-C112) CIP project for design of bridge rehabilitation projects; and add a proviso

Ongoing: No Has Budget Proviso: Yes

Has CIP Amendment: Yes Has Attachment: Yes

Primary Sponsor: Alex Pedersen

Council Members: Lisa Herbold, Debora Juarez, Dan Strauss, Andrew Lewis

Staff Analyst: Calvin Chow

Council Bill or Resolution: CB 120224

Date		Total	LH	TM	KS	AP	DJ	DS	AL	BC	LG
	Yes	0									
	No	0									
	Abstain	0									
	Absent	0									

Summary of Dollar Effect

See the following pages for detailed technical information

	2022 Increase (Decrease)	2023 Increase (Decrease)
General Fund		
General Fund Revenues	\$0	
General Fund Expenditures	\$0	
Net Balance Effect	\$0	
Other Funds		
REET I Capital Fund (30010)		
Revenues	\$0	
Expenditures	\$4,190,000	
Net Balance Effect	\$(4,190,000)	
REET II Capital Fund (30020)		
Expenditures	\$100,000	
Net Balance Effect	\$(100,000)	
2022 Multipurpose LTGO Bond Fund (36900)		
Revenues	\$103,000,000	

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Expenditures	\$3,000,000	
Net Balance Effect	\$100,000,000	
Total Budget Balance Effect	\$95,710,000	

Budget Action Description:

This Council Budget Action would recommend passage of CB 120224, which authorizes the Department of Finance and Administrative Services (FAS) to issue up to \$103 million of 2022 limited tax general obligation (LTGO) bonds. This amount reflects increased principal for \$100 million of capital projects and \$3 million of issuance cost. This amount of LTGO bond authorization is in addition to the authority proposed in CB 120198.

This Council Budget Action would authorize the issuance of LTGO bonds as follows:

- (1) To Be Determined for Seattle Department of Transportation bridge projects, \$100,000,000
- (2) Issuance Costs and Pricing Adjustments from \$3,000,000

Consistent with the assumptions for other Seattle Department of Transportation (SDOT) projects in CB 120198, this Council Budget Action assumes a 4.0 interest rate, a 20-year term, and a three percent cost of issuance. The cost of issuance is added to the \$100 million of principal for capital projects for a total increase of \$103 million in the aggregate principal amount.

This Council Budget Action would add \$3.1 million of Real Estate Excise Tax I (REET I) Fund to SDOT for interest-only debt service in 2022, assuming nine months of interest accruing in the issuing year. If issued at a 4.0 percent interest rate, and with repayment of principal beginning in 2023, the City would be obligated to fund approximately \$7.6 million of debt service annually in future budgets for the duration of the 20-year term. In total, the City would be obligated to repay \$103 million of principal and to pay approximately \$52 million of total interest over the life of the bonds.

The 4.0 percent interest rate is consistent with information provided to the City's Debt Management Policy Advisory Committee in October regarding other 20-year LTGO bonds that were proposed to finance investments included in the 2022 Proposed Budget. However, actual rates on some 20-year bonds issued in the last three years have been significantly lower than 4.0 percent. For example, in the 2021 LTGO Bond sale, FAS secured an effective interest rate of under two percent for tax-exempt 20-year bonds. Assuming a two percent interest rate for the \$103 million in additional bonds would halve the total amount of interest owed on the bonds and significantly lower the City's partial year of debt service in 2022 and full debt service in subsequent years.

The \$3.1 million of REET I for debt service in 2022 is a one-time allocation. Debt service for the remainder of the 20-year term will need to be allocated in future budgets.

This Council Budget Action would add \$3 million of 2022 LTGO Multipurpose Bond Fund to FAS to pay for the issuance costs and pricing adjustments of the LTGO bond issue.

This Council Budget Action anticipates that appropriations and Capital Improvement Program (CIP) project allocations for the Seattle Department of Transportation (SDOT) related to the additional LTGO bonds will be established by future ordinance. This Council Budget Action also anticipates that Exhibit A to CB 120198 will be revised by future ordinance to identify the specific project spending for the LTGO

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bonds. The Council anticipates that this project list may include:

- (1) Bridge Seismic - Phase III, \$61,000,000
- (2) Bridge Rehabilitation and Replacement - Phase II, \$23,500,000
- (3) Magnolia Bridge Replacement Project, \$6,000,000
- (4) Structures Major Maintenance, \$9,500,000

This Council Budget Action would impose the following proviso:

"Of the appropriations in the 2022 budget for the Seattle Department of Transportation's General Expense Budget Summary Level, \$3,090,000 is appropriated solely for debt service on up to \$100 million of limited tax general obligation (LTGO) bonds. Furthermore, none of the money so appropriated may be spent until the Seattle Department of Transportation provides a written report to Council detailing: (1) how much of the \$100 million of authorized LTGO bonds will be issued in 2022; (2) what projects will be funded by the issuance of these bonds; and (3) what appropriations are necessary to support these projects. Council anticipates that SDOT will provide such a written report by March 31, 2022."

In addition, this Council Budget Action would add \$1.1 million of REET I Capital Fund and \$100,000 of REET II Capital Fund to SDOT's Structures Major Maintenance (MC-TR-C112) CIP project. This funding would allow SDOT to advance project development to the 90 percent design stage for the following bridge rehabilitation projects:

- (1) \$300,000 for Spokane Street Swing Bridge Hydraulic Overhaul
- (2) \$900,000 for Spokane Viaduct Rehabilitation

In the event that not all of the \$3.1 million appropriated for debt service on the additional \$100 million of LTGO bonds is not needed in 2022, it is the Council's intent to reappropriate a portion of these funds to advance the University Bridge Structural Rehabilitation project to 90 percent design (\$1.8 million estimated cost).

Completing 90 percent design for these bridges will allow SDOT to pursue construction funding through state and federal grant programs, or for consideration in the development of a future transportation levy proposal.

The impact of this Council Budget Action on the Structures Major Maintenance CIP project is shown in Attachment A.

This Council Budget Action would also direct SDOT to reallocate up to \$5 million of existing resources within the programmatic contingency of the Bridge Seismic Retrofit program to advance both the Ballard Bridge and Fremont Bridge to 30 percent design for seismic retrofits. Completing 30 percent design for these bridges would allow for more accurate project cost estimates for grant applications and financial planning. Seismic retrofit design standards are currently undergoing updates in 2022 and 2023; and it is likely that these changes will influence future design requirements that would need to be incorporated before pursuing milestones beyond 30 percent design.

This Council Budget Action utilizes REET I funds identified in the City Budget Office's November revenue update.

Budget Action Transactions

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#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BSL	Fund	Year	Revenue Amount	Expenditure Amount
1	Issuance cost on LTGO bridge bonds		0	0	FAS - FA000	FAS - BO-FA-DEBTISS-L - Debt Issuance Cost - LTGO	36900 - 2022 Multipurpose LTGO Bond Fund	2022	\$0	\$3,000,000
2	LTGO bridge bond revenue for debt issuance		0	0	FAS - FA000	FAS - BO-FA-DEBTISS-L - Debt Issuance Cost - LTGO	36900 - 2022 Multipurpose LTGO Bond Fund	2022	\$3,000,000	\$0
3	Add funding for Structures Major Maintenance		0	0	SDOT - TR000	SDOT - BC-TR-19001 - Major Maintenance/Replacement	30010 - REET I Capital Fund	2022	\$0	\$1,100,000
4	Debt service payment for 2022		0	0	SDOT - TR000	SDOT - BO-TR-18002 - General Expense	30010 - REET I Capital Fund	2022	\$0	\$3,090,000
5	Add funding for Structures Major Maintenance		0	0	SDOT - TR000	SDOT - BC-TR-19001 - Major Maintenance/Replacement	30020 - REET II Capital Fund	2022	\$0	\$100,000
6	LTGO bridge bond revenue for SDOT bridge projects		0	0	SDOT - TR000	SDOT - BC-TR-19001 - Major Maintenance/Replacement	36900 - 2022 Multipurpose LTGO Bond Fund	2022	\$100,000,000	\$0