



**Legislative Department
Seattle City Council
Memorandum**

Date: May 26, 2015
To: Select Committee on Transportation Funding
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Subject: Transportation Levy Proposal (C.B. 118391)

C.B. 118391 would place a \$930 million, nine-year, transportation levy on the November 2015 ballot. This memo is intended to summarize key elements of the proposed *Levy to Move Seattle* and identify potential issues for Council consideration.

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I. Transportation Funding Context

In 2006, the City proposed the Bridging the Gap (BTG) funding package in response to flattening revenues and growing needs for transportation operations and maintenance. The “Gap” referred to the difference between needed revenues and anticipated revenues. BTG included a \$365 million, nine-year, voter-approved levy; a 10% commercial parking tax (imposed by Council and subsequently increased to 12.5% in 2011); and an employee hours tax (imposed by Council and subsequently repealed by Council in 2010).

The BTG levy provided the Seattle Department of Transportation (SDOT) with a stable source of revenues. Excluding bonds, grants, and other one-time and variable revenues, the BTG levy currently accounts for approximately one-quarter of SDOT’s on-going revenues, as shown in Table 1.

The commercial parking tax will remain in effect indefinitely. Much of the revenue from the commercial parking tax is being used to pay debt service on bonds for the Mercer East, S. Spokane St. Viaduct, King Street Station, and projects related to the Alaskan Way Viaduct Replacement.

Table 1: SDOT Revenue Sources in 2015 Budget

Revenue Source	2015 Adopted Budget	% of On-Going Revenues
<i>On-Going Revenues</i>		
Bridging the Gap Levy (expiring)	\$43,700,092	24.0%
General Fund	\$40,576,723	22.3%
Commercial Parking Tax	\$39,022,753	21.4%
Charges for Service	\$29,266,125	16.1%
Motor Vehicle Fuel Tax	\$12,964,909	7.1%
School Zone Cameras	\$8,524,411	4.7%
Seattle Transportation Benefit District (Vehicle License Fee, excl. Prop 1)	\$8,002,427	4.4%
<i>Subtotal</i>	<i>\$182,057,440</i>	<i>100.0%</i>
<i>Variable and One-time Revenues</i>		
Bonds	\$150,333,371	
Grants	\$20,571,961	
Property Sales	\$24,217,045	
Cumulative Reserve Fund	\$30,727,500	
Other Revenues and Transfers	\$1,450,331	
Use of Fund Balance	\$20,008,804	
<i>Subtotal</i>	<i>\$247,309,012</i>	
Total SDOT Revenues	\$429,366,452	

The BTG levy will expire at the end of the year. For 2015, the BTG levy will generate almost \$44 million. This amounts to \$0.302 per \$1,000 assessed value (AV), or an annual bill of \$136 on a \$450,000 home. The total 2015 tax rate (including all State, County, and City levies) is \$9.27 per \$1,000 AV, or a total property tax bill of \$4,172 on a \$450,000 home.

To replace the expiring BTG levy, the Mayor is proposing a \$930 million, nine-year, transportation levy. If passed, the new levy would generate \$95 million in its first year. This amounts to \$0.616 per \$1,000 AV, or an annual bill of \$277 on a \$450,000 home in 2016. The proposal assumes that levy revenues will increase on average 2.1 percent per year; this reflects the State limits on property tax growth and the City's historical and expected growth due to new construction.

II. General Subfund Commitment to Transportation

The proposed legislation establishes an on-going General Subfund (GSF) commitment to funding transportation for the term of the levy. The intent is that the City will not repurpose existing levels of City transportation funding for other non-transportation purposes.

This commitment would require that Council appropriate annually at least \$40 million of GSF revenues for transportation purposes. In the event that Council does not appropriate at least \$40 million to SDOT in any given year, the City would not be able to impose the transportation levy during the following fiscal year. This level of funding is consistent with current GSF spending levels and anticipated on-street parking revenues in the 2015 Budget. The legislation allows for an exception due to economic or financial conditions, as determined by a 3/4 vote of Council.

III. Levy Spending Commitments

The proposed authorizing legislation does not include specific spending requirements or thresholds for the proceeds of the levy. This is a change from the BTG levy which limited spending to:

- Not less than 67% for Maintenance.
- Not less than 18% for Bicycle, Pedestrian and Safety Programs.
- No more than 15% for Enhanced Transit Service.
- Not less than \$1.5 million annually for Neighborhood Street Fund projects.

Including spending limitations in the authorizing legislation of a levy establishes legal requirements that would be approved by voters. Any subsequent change would require a vote of the people. Excluding spending limitations allows for more flexibility to adjust to future conditions and emerging needs. In either case, future levy spending would be governed through the City's annual budget process.

To explain the proposed levy spending to the voters, the Executive has included a "Spending Breakdown" as an attachment to the Bill Summary and Fiscal Note. This document lists planned levy investments, anticipated leverage funding, and specific program outcomes. While the Spending Breakdown is not part of the authorizing legislation, and would not be legally binding, we anticipate it will become the primary measure for public accountability. The Executive followed a similar model in tracking and reporting on BTG spending.

IV. Transportation Levy Proposal

The Executive has prepared a more detailed spending plan for the levy proceeds. Table 2 compares the anticipated spending between the last year of the BTG levy (2015 Budget) and the first year of the proposed Levy to Move Seattle (2016 spending plan) by budget control levels. Actual 2016 appropriations would be determined during the annual budget process.

Table 2: Comparison of BTG and Levy to Move Seattle by Budget Control Levels (BCL)

Budget Control Level	(a) BTG Levy (2015)	(b) First Year Levy (2016)	(c) = (b) – (a) Difference
Operations and Maintenance BCLs			
Bridges and Structures	2,371,815	3,019,000	647,184
Mobility-Operations	9,263,179	8,584,100	(679,079)
Urban Forestry	1,521,988	2,050,000	528,012
Department Management	815,745	--	(815,745)
O&M Subtotal	13,972,728	13,653,100	(319,628)
Capital BCLs			
Major Maintenance/Replacement	14,353,474	36,000,000	21,646,526
Mobility-Capital	17,841,553	45,256,000	27,414,447
Major Projects	19,986	--	(19,986)
Capital Subtotal	32,215,012	81,256,000	49,040,988
Total	46,187,740	94,909,100	48,721,359

The proposed 2016 spending plan for the Levy to Move Seattle generally maintains the 2015 BTG levy spending levels for Operations and Maintenance BCLs and increases spending in Capital BCLs by \$49 million.

The Executive's Spending Breakdown is organized by category of program spending under the Mayor's four main themes of Safe City, Affordable City, Interconnected City and Vibrant City. For each category, Table 3 compares the last year of the BTG levy spending (2015) to the anticipated first year (2016) and total nine-year spending of the proposed levy.

Table 3: Anticipated Spending by Category

Levy Category	BTG Levy (2015)	First Year Levy (2016)	Total Levy (2016-2024)	% of Total Levy
Safe City				
Vision Zero	\$5,682,357	\$7,366,000	\$71 million	8%
Pedestrian and Bicycle Safety	\$5,866,899	\$12,050,000	\$110 million	12%
Bridges and Structures	\$2,581,794	\$10,019,000	\$140 million	15%
Affordable City				
Maintain Streets	\$8,771,811	\$27,000,000	\$250 million	27%
Interconnected City				
Corridor Mobility	\$11,539,545	\$24,075,000	\$169 million	18%
Light Rail Partnerships	--	\$3,000,000	\$27 million	3%
Pedestrian and Bicycle	\$2,663,650	\$4,450,000	\$68 million	7%
Vibrant City				
Freight Mobility	--	\$1,500,000	\$39 million	4%
Neighborhood Projects	\$2,797,378	\$2,899,100	\$26 million	3%
Urban Forestry and Drainage	\$1,521,988	\$2,550,000	\$30 million	3%
Other BTG Spending	\$4,762,318	--	--	--
Total	\$46,187,740	\$94,909,100	\$930 million	

Vision Zero is SDOT’s safety campaign to eliminate serious and fatal crashes. This category of spending includes road safety programs, safe routes to schools, and other transportation operation programs (including traffic signals, signs and pavement markings). The proposed levy would add approximately \$1.7 million annually to current BTG levels of funding.

Pedestrian and Bicycle Safety includes sidewalk repair, ADA accessibility, and safety elements of the bicycle master plan. The proposed levy would roughly double current BTG levels of funding for these programs (\$5.9 million to \$12 million annually).

Bridges and Structures funds the seismic reinforcement program, replacement of the Fairview timber bridge, bridge spot improvements, and planning and design for high-priority bridge replacements.

- The levy would allow for additional planning and design work on the Magnolia and Ballard Bridge replacements but would not fund construction.

Maintain Streets funds basic street maintenance, including repaving 180 lane-miles of arterial roadways and spot improvements through the 9-year life of the levy. While Table 3 shows a significant increase from BTG in 2015 to Move Seattle in 2016 (\$8.8 million to \$27 million annually), this does not reflect the total BTG spending levels which front-loaded spending on these paving programs. On average, BTG funded \$20 million a year over the life of the levy.

Corridor Mobility includes \$79 million for seven transit corridor projects, \$13 million for traffic signal timing improvements, \$17 million for Intelligent Transportation System improvements, \$9 million for the Burke-Gilman Trail extension, \$16 million for the Fautleroy Green Boulevard, and \$35 million for other transit corridor improvements.

- Funding for the 7 transit corridor projects is highly leveraged. The spending plan anticipates that the \$79 million of levy funds will leverage \$207 million in federal grants and other revenue sources for these 7 transit corridors.

Light Rail Partnership includes partial funding for a Graham Street light rail station, partial funding for the Northgate Pedestrian Bridge, and funding for Phase 1 of Accessible Mt Baker.

- The funding plan includes \$10 million towards the development of a Graham Street light rail station. Total costs for the Graham Street light rail station are currently unknown, and it is not yet clear whether Sound Transit will agree to build the station. The project may be considered by the Sound Transit Board in the context of a potential Sound Transit 3 funding package.

Pedestrian and Bicycle Improvements include new sidewalks, additional bicycle parking, and other biking and walking investments. This also includes pedestrian improvements that leverage Seattle Public Utilities drainage improvements in Broadview. The proposed levy would roughly double current BTG levels of spending in these programs (\$2.7 million to \$4.5 million annually).

Freight Mobility Improvements includes \$5 million for rebuilding East Marginal Way, \$20 million for grade separation of Lander St, and funds a freight spot improvement program.

- Funding for these freight projects is highly leveraged. The spending plan anticipates that the \$39 million of levy funds will leverage \$170 million in additional state and other revenues to complete these projects.

Neighborhood Projects maintains the current BTG levels of investment for neighborhood projects, including the Neighborhood Street Fund.

Urban Forestry and Drainage increases current BTG levels of spending to add one tree crew, increase tree planting, and partner with Seattle Public Utilities on drainage improvements in South Park.

V. Transportation Needs

The previous BTG levy was developed as a funding measure to address a growing maintenance backlog, estimated at that time to be \$500 million or more. When it developed and implemented the BTG levy, SDOT used available information to determine the cost to bring existing infrastructure to a “good” condition and then compared available funding resources against this theoretical need.

In January 2013, SDOT reported to the Transportation Committee that the maintenance backlog was now more than \$1.8 billion. SDOT reported that the maintenance backlog grew for a number of reasons:

- a) BTG provided funding to create an asset management system, leading to a better understanding of SDOT's assets and needs;
- b) BTG did not fully address the known funding gap; and
- c) the transportation system continued to grow, adding to the on-going maintenance needs.

In developing the Levy to Move Seattle, SDOT has shifting away from a gap analysis, in favour of a risk-management approach. This approach focuses resources on priority assets and acknowledges that levels of service standards may differ between asset classes. For example, SDOT prioritizes arterial streets over non-arterial streets. SDOT's budget reflects these priorities in funding arterial paving programs with levy proceeds, while non-arterial paving programs are funded using more variable revenue sources (Real Estate Excise Tax).

While this approach may more closely reflect the department's experience in responding to transportation needs over time, it is more difficult to articulate how much of the overall need will be addressed by the proposed levy spending. As an example, SDOT highlighted that bridges and structures accounted for \$1 billion of the maintenance backlog in their 2013 report. The Spending Breakdown identifies \$140 million for bridges and structures to fund seismic retrofits on 16 bridges, replacement of the Fairview timber bridge, and other bridge safety improvements. The Spending Breakdown does not provide any updated information on the total outstanding maintenance need for bridges and structures. Moreover, the Spending Breakdown does not provide guidance on where SDOT would prefer to spend additional resources (if it became available) or on what spending to defer (if the size of the levy was reduced).

Spending in some programs, such as bridge and street maintenance, reflects SDOT staff's professional judgment on the appropriate level of funding. Other capital spending can be evaluated in the context of SDOT's modal plans.

Bicycle Master Plan - The 2015 implementation plan for the Bicycle Master Plan called for an additional \$44 million over 5 years. The levy proposal is generally consistent with this level of spending, and includes \$81 million over 9 years.

Pedestrian Master Plan - The Pedestrian Master Plan identified \$575 million of unmet sidewalk needs throughout the city and called for \$41 million in new sidewalks and \$19 million in sidewalk repair over the 9 years of the BTG levy. The Move Seattle proposal would roughly double the BTG investment at \$113 million of pedestrian improvements over 9 years.

Transit Master Plan - The 2012 Transit Master Plan identified \$824 million of capital needs for 4 high capacity transit (bus rapid transit and rail) corridors, and an additional \$181 million for 12 priority bus corridors. The levy proposal includes \$79 million for 7 multimodal corridors, \$35 million for other transit improvements, and

additional funds for signal timing and other improvements. A direct comparison of funding is difficult, since both the Transit Master Plan and the levy anticipate a significant amount of external funding to deliver these projects.

Freight Master Plan - SDOT is currently developing both the Freight Master Plan and a Freight Access Plan. SDOT has not completed an implementation plan or identified the necessary level of City funding to support these plans. The levy proposal includes \$39 million of freight investments over 9 years for partial funding of Lander grade separation, partial funding for E Marginal Way, and a freight spot improvement program.

VI. Additional Local and Leverage Funding

The Mayor's spending plan anticipates that the \$930 million of levy proceeds will be paired with \$285 million of local City funds and \$564 million of external "leverage" funds (as described below). Local funding levels (such as General Subfund, Real Estate Excise Tax, Commercial Parking Tax, etc.) are assumed to continue at current level of spending.

Local funding decisions will be subject to future budget actions, and leverage funds will be subject to external grant and partnership decisions. Examples of leverage fund sources include federal bridge grants, federal transit grants, the State transportation funding package, and cost-share agreements with Sound Transit. Most programs in the spending plan have some assumed leverage, with the largest proportion of leverage in the transit corridor and freight mobility projects. While the amount of leverage in the spending plan does not represent all available transportation funding opportunities, the Executive has expressed confidence that the City will secure these funds, based on the City's history of securing external funding for similar projects and programs.

VII. Oversight Committee

Similar to the authorizing legislation for the BTG levy, the proposed legislation establishes an Oversight Committee of 16 members. This adds a representative from the Transit Advisory Board (established in 2015). The Oversight Committee would be comprised of:

- City Council Transportation Committee Chair
- City Budget Director
- Five (5) Council-appointed residents
- Five (5) Mayor-appointed residents
- Pedestrian Advisory Board Representative
- Bicycle Advisor Board Representative
- Freight Board Representative
- Transit Advisory Board Representative (new; not in BTG Oversight Committee)

The Oversight Committee is charged with monitoring revenues, expenditures, and program implementation. The Oversight Committee will advise the Mayor and Council on the spending of levy proceeds and the advisability of proposing a future levy when the new levy expires.

VIII. Spending Breakdown

As previously mentioned, the Executive’s Spending Breakdown is anticipated to be the primary measure of accountability to the public. The anticipated outcomes in the Spending Breakdown reflect the Executive’s goals for program delivery, regardless of revenue source. That is, the stated outcomes are based on all of the combined levy, non-levy, and leverage funds in the Executive’s spending plan. Presenting outcomes in this way could be challenging for tracking and accountability since the availability of local and leverage funds will likely change over the course of the levy. Examples of the funding details and anticipated outcomes shown in the Spending Breakdown help illustrate the challenge.

<i>Example 1: Safe Routes to School</i>	
Levy Funding	\$7 million
Local Funding	\$33 million
Total City Funding	\$40 million
Leverage Funding	\$7 million
Total	\$47 million
<i>Outcome: Complete 9 to 12 projects per year</i>	

Example 1 shows that levy funding is not solely responsible for the stated outcomes of the Safe Routes to Schools program. The completion of 9 to 12 projects per year relies on an additional \$33 million of local funding, which is 4.7 times more than the \$7 million of levy funding, and obscures the true cost of delivering the improvements. Similarly, the \$7 million of leverage funding is not solely attributable to the \$7 million of levy funding. Rather, the planned leverage is based on the anticipated total City funding of \$40 million (local plus levy).

<i>Example 2: Arterial Roadway Maintenance</i>	
Levy Funding	\$235 million
Local Funding	\$16 million
Total City Funding	\$251 million
Leverage Funding	\$19 million
Total	\$269 million
<i>Outcome: Repave up to 180 lane-miles of arterial streets during the 9-year levy</i>	

In contrast, the proposed levy is the primary funding source for other programs. Example 2 shows \$235 million of levy funding for the Arterial Roadway Maintenance program, which accounts for more than 90% of the total \$251 million City funding. Levy investments for this program are more directly responsible for both the stated outcomes and the projected leverage. However, if levy funding were not approved, it is likely that the City would shift other funding to perform a significant amount of arterial paving.

Any significant shift in the availability of local or leverage funds will have a direct impact on program outcomes.

IX. Potential Issues for Council Consideration

1. Size of levy. Council may be interested in exploring a different sized levy.

Option A: Increase the size of the levy.

Option B: Decrease the size of the levy and reduce the planned spending.

Option C: Decrease the size of the levy, provide other transportation revenues, and maintain planned spending.

Option D: No action - accept the size of the Mayor's proposed levy

2. Programs and projects. Council may be interested in different spending priorities and outcomes.

Option A: Amend the spending plan to include different programs and projects.

Option B: Amend the spending plan to provide different funding amounts for the same programs and projects.

Option C: No action - accept the Mayor's proposed spending plan.

3. Spending Commitments. Council may be interested in establishing levy spending requirements in the authorizing legislation.

Option A: Establish minimum or maximum limits for categories of spending (e.g., maintenance; bicycle and pedestrian safety programs; freight mobility; etc.)

Option B: Establish minimum or maximum limits for spending on specific projects (e.g., Graham St Station; Lander grade separation; etc.)

Option C: No action - accept legislation without voter-approved spending requirements.

4. Measuring Performance. Council may wish to establish different measures for public accountability.

Option A: Revise "Spending Breakdown" to reflect the outcomes and leverage attributable solely to levy funding.

Option B: Revise "Spending Breakdown" to include the anticipated local funding.

Option C: No action - accept the Mayor's proposed accountability measures.

5. General Subfund Requirement. Council may wish to modify the requirement to maintain \$40 million of General Subfund spending for transportation purposes.

Option A: Remove General Subfund commitment.

Option B: Replace fixed amount spending commitment with a percentage commitment.

Option C: No action - accept legislation with General Subfund commitment.

6. Other issues of interest to Council?