

COUNCIL AGENDA SYNOPSIS



-----Initials-----			
Meeting Date	Prepared by	Mayor's review	Council review
06/22/15	BG <i>BG</i>	<i>AMC</i>	<i>W</i>

3.D.	ITEM No.
-------------	-----------------

ITEM INFORMATION

CAS NUMBER:	STAFF SPONSOR: BOB GIBERSON	ORIGINAL AGENDA DATE: 04/14/14														
AGENDA ITEM TITLE Facilities Needs Analysis and Feasibility Study - Phase 4 Funding and Phasing Overview																
<table style="width: 100%; font-size: 10pt;"> <tr> <td>CATEGORY ☒ Discussion</td> <td>☐ Motion</td> <td>☐ Resolution</td> <td>☐ Ordinance</td> <td>☐ Bid Award</td> <td>☐ Public Hearing</td> <td>☐ Other</td> </tr> <tr> <td style="text-align: center;">Mtg Date 06/22/15</td> <td style="text-align: center;">Mtg Date</td> <td style="text-align: center;">Mtg Date</td> <td style="text-align: center;">Mtg Date</td> <td style="text-align: center;">Mtg Date</td> <td style="text-align: center;">Mtg Date</td> <td style="text-align: center;">Mtg Date</td> </tr> </table>			CATEGORY ☒ Discussion	☐ Motion	☐ Resolution	☐ Ordinance	☐ Bid Award	☐ Public Hearing	☐ Other	Mtg Date 06/22/15	Mtg Date	Mtg Date	Mtg Date	Mtg Date	Mtg Date	Mtg Date
CATEGORY ☒ Discussion	☐ Motion	☐ Resolution	☐ Ordinance	☐ Bid Award	☐ Public Hearing	☐ Other										
Mtg Date 06/22/15	Mtg Date	Mtg Date	Mtg Date	Mtg Date	Mtg Date	Mtg Date										
SPONSOR ☐ Council ☐ Mayor ☐ HR ☐ DCD ☐ Finance ☐ Fire ☐ IT ☐ P&R ☐ Police ☒ PW																
SPONSOR'S SUMMARY This Phase 4 presentation will focus on the funding and phasing options for alternative facility capital projects.																
<table style="width: 100%; font-size: 10pt;"> <tr> <td>REVIEWED BY ☐ COW Mtg.</td> <td>☐ CA&P Cmte</td> <td>☐ F&S Cmte</td> <td>☐ Transportation Cmte</td> </tr> <tr> <td>☐ Utilities Cmte</td> <td>☐ Arts Comm.</td> <td>☐ Parks Comm.</td> <td>☐ Planning Comm.</td> </tr> </table>			REVIEWED BY ☐ COW Mtg.	☐ CA&P Cmte	☐ F&S Cmte	☐ Transportation Cmte	☐ Utilities Cmte	☐ Arts Comm.	☐ Parks Comm.	☐ Planning Comm.						
REVIEWED BY ☐ COW Mtg.	☐ CA&P Cmte	☐ F&S Cmte	☐ Transportation Cmte													
☐ Utilities Cmte	☐ Arts Comm.	☐ Parks Comm.	☐ Planning Comm.													
DATE: _____ COMMITTEE CHAIR: _____																
RECOMMENDATIONS: SPONSOR/ADMIN. Public Works COMMITTEE N/A																
COST IMPACT / FUND SOURCE																
EXPENDITURE REQUIRED \$0	AMOUNT BUDGETED \$0	APPROPRIATION REQUIRED \$0														
Fund Source:																
Comments:																
MTG. DATE	RECORD OF COUNCIL ACTION															
06/22/15																
MTG. DATE	ATTACHMENTS															
06/22/15	Informational Memorandum dated 06/19/15, plus attachments															



INFORMATIONAL MEMORANDUM

TO: **Mayor Haggerton
City Council**

FROM: **Bob Giberson, Public Works Director** 

DATE: **June 19, 2015**

SUBJECT: **Facilities Needs Analysis and Feasibility Study
Phase 4 – Funding and Phasing Overview**

ISSUE

Discussion of Phase 4 funding and phasing options.

BACKGROUND

In January 2014, the team presented their facility needs findings from Phase 1. At the April 2014 Phase 2 work session, a summary of council interviews and a summary of current facility conditions was presented.

At the December 2014 work session, City Council agreed on the Phase 3 preferred alternative, including a new Public Safety Building, followed by a new consolidated Public Works campus and retaining the current City Hall building. The existing substandard 6300 building could be disposed of after using it as an interim City Hall during renovation of the current City Hall building.

DISCUSSION

This presentation will focus on the funding and phasing options, how the City's facility needs fit within known capital needs, and to identify potential options for funding facility projects. The team will review and consider: timeline alternatives for implementing recommended capital projects (i.e., slower versus faster); review preliminary project budgets for each capital project; review funding and financing options; and discuss financial implications, risks and impacts to City priorities.

The goal of Phase 4 is to develop a preferred funding and phasing strategy that balances public safety, customer service, timing, and impacts on capital resources, among other considerations.

RECOMMENDATION

For discussion only.

Attachments: **Facilities Financing and Funding Options**



TUKWILA FACILITY NEEDS ASSESSMENT AND FEASIBILITY STUDY

FACILITIES FINANCING AND FUNDING OPTIONS

JUNE 16, 2015

INTRODUCTION

The City of Tukwila is conducting a *Facility Needs Assessment and Feasibility Study* to plan for the long-term sustainability of the City's facilities, optimize organizational efficiencies, and improve public safety. One of the goals of the *Facilities Needs Assessment and Feasibility Study* is to develop a shared understanding of how the City's facility needs fit within broader capital needs over the next 20 years and to identify potential options for funding facility projects in a timely manner. To support the City's facility planning, this document describes the City of Tukwila's fiscal position concerning capital investment, and more specifically, the additional capital investment required to fully fund the two major facility plan options. This document is organized as follows:

- **Section 1: Consideration of Planned Capital Improvements**

This section provides background information and context on the City's planned capital improvements. Any project within the Facilities Plan will need to be considered within the context of the City's currently identified needs. The Capital Improvement Program (CIP) provides context to support a conversation about the relative priority of facility investments compared to other capital needs.

- **Section 2: Consideration of Potential Financing Options and Funding Sources**

This section reviews the City's options for funding and financing. Funding strategies will consider *how* the City will pay for facility investments and financing strategies provide the City options for *when* it will pay for facility investments.

This document is an addendum to the *Operating and Capital Funding Situation Assessment (August 19, 2013)*, hereafter referred to as "*Situation Assessment*", which provides additional context on the City's fiscal position.

Subsequent analysis will evaluate the full life cycle costs associated with potential or preferred financing options determined by the City. The analysis will factor in differences in financing costs (including interest rates, bond issuance fees, and management fees) of the finance options and how the options change the impact to the City's annual budget (the effective annual cost to the general fund).

SECTION 1: CONSIDERATION OF PLANNED CAPITAL IMPROVEMENTS

The *Situation Assessment* describes the City's current operating and capital funding situation as well as projected changes. The following provides an update to the capital funding priorities established in the 2013-2018 Six-Year CIP with the 2015-2020 Six-year CIP.

2015-2020 Six-Year Capital Improvement Program Funding

Exhibit 1 summarizes the City of Tukwila's current six-year CIP, as well as capital needs identified beyond the six-year planning period. The City has identified approximately \$41.2 million in capital projects (outside of the facilities improvements) for completion over the next six years and approximately \$217.2 million in total identified capital project needs.

Exhibit 1
Summary of Six-Year Capital Expenditures and Revenues, 2015-2020
(Not including enterprise funds. In millions)

	2015-2020 6-Year Total	6-Year Percent of Total	Beyond 6 Years	Beyond 6 Years Percent of Total	Total Identified Cost	Percent of Total
Capital Expenditures						
Residential Streets	\$4.19	10%	\$5.20	3%	\$9.39	4%
Bridges & Arterial Streets	\$32.50	79%	\$97.04	55%	\$129.54	60%
Parks & Recreation	\$2.40	6%	\$22.77	13%	\$25.17	12%
Facilities	\$2.25	5%	\$34.50	20%	\$36.75	17%
General Improvements	\$1.20	3%	\$0.20	0%	\$1.40	1%
Fire Improvements	-\$1.40	-3%	\$16.34	9%	\$14.94	7%
Total Expenditures	\$41.15	100%	\$176.04	100%	\$217.19	100%
Funding Sources						
City Operating Revenue	\$10.32	25%	\$103.27	59%	\$113.59	52%
Grants	\$15.30	37%	\$12.25	7%	\$27.54	13%
Impact Fees	\$0.88	2%	\$14.81	8%	\$15.70	7%
Loans/Bonds	\$7.85	19%	\$44.77	25%	\$52.62	24%
Mitigation	\$0.28	1%	\$0.00	0%	\$0.28	0%
MVFT	\$0.00	0%	\$0.00	0%	\$0.00	0%
Other	\$6.53	16%	\$0.94	1%	\$7.47	3%
Parking Tax	\$0.00	0%	\$0.00	0%	\$0.00	0%
REET	\$0.00	0%	\$0.00	0%	\$0.00	0%
Total Funding	\$41.15	100%	\$176.04	100%	\$217.19	100%

Source: City of Tukwila, 2015; and BERK, 2015.

Summary of Capital Expenditures

- Transportation projects, including those for residential streets and bridges and arterial streets, comprise the largest portion of total capital needs making up approximately 64% of total identified costs.
- Facilities is the next largest portion, comprising about 17% of total identified costs followed by parks and recreation at 12% of total identified costs.
- General Improvements and Fire Improvements make up a smaller portion of overall capital costs. All major improvements to fire facilities are currently planned to occur beyond the six-year CIP.

Summary of Funding Sources

- The majority of funds planned for all projects in the CIP (52%) come from city operating revenues, which primarily support transportation and parks and recreation projects. Over the long term, city operating revenue allocations for capital improvements may decline as Tukwila is projected to move from having a surplus of operating revenues to a shortfall, as discussed in the *Situation Assessment*.
- Grant revenues are programmed to pay for approximately 13% of capital projects in the long term.
- The City plans to use financing, including loans and bonds, for about 24% of project costs long term.
- “Other” funding sources include donations and contributions, developer contributions, and sale of existing property.

Future Facilities Funding Implications

The analysis of the CIP shows that the City has identified many capital needs beyond what it is able to pay for within the next six years. These additional projects total approximately \$176.0 million, and while funding sources are identified in the CIP, the mix in funding sources between the six-year programmed projects and the longer-term projects shows the uncertainty in the long-term funding picture.

- About 59% of projects beyond six years are estimated to be funded by city operating revenues, compared to 25% for near-term projects. Allocating this much discretionary funding to capital investments will be challenged by an operating shortfall that is projected to start in 2016. With operating costs increasing faster than operating revenues, the general fund budget will be pressed to support general operations.
- The City has reduced reliance on grants (37% for the 2015-2020 CIP, compared to 54% in the 2013-18 CIP). Grants are applied for and awarded on a project-by-project basis, and are most commonly used in transportation and parks and recreation projects. Garnering additional grants to support transportation needs would free up general capital and operating revenues for use on other capital projects.
- The City has previously issued bonds to finance certain capital projects. This limits remaining bond capacity to meet facilities plan needs. Additionally, it means some CIP funding is already supporting debt service. Additional debt service will constrict the City’s ability to make new capital investments going forward.

Facility Plan Costs

Initial facilities funding estimates were developed by Rice Fergus Miller and programmed into two phasing options:

- Option A: a more aggressive and less costly phasing plan, with a total cost of \$98.18 million, not including potential debt service, between 2015 and 2040.
- Option B: a less aggressive but more costly phasing plan, with a cost of \$139.34 million, not including potential debt service, between 2015 and 2040.

These options are shown in Exhibit 2, following.

Exhibit 2
Phasing Options A and B
(In millions)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Project Total
Option A																											
Public Safety Facilities	\$ 3.15	\$ 3.24	\$ 10.08	\$ 10.38	\$ 0.06	\$ 0.06	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.80	\$ 0.83	\$ 2.89	\$ 2.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34.47
Public Works	\$ 3.15	\$ 3.24	\$ 10.50	\$ 10.82	\$ 0.06	\$ 0.06	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.89	\$ 2.98	\$ -	\$ -	\$ -	\$ -	\$ 33.70
City Hall	\$ -	\$ -	\$ 0.64	\$ 0.66	\$ 9.40	\$ 9.68	\$ 0.12	\$ 0.12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20.61
Community Supporting Facilities	\$ -	\$ -	\$ -	\$ -	\$ 0.56	\$ 0.58	\$ -	\$ -	\$ 0.63	\$ 0.65	\$ -	\$ -	\$ 0.71	\$ 0.73	\$ -	\$ -	\$ 0.80	\$ 0.83	\$ -	\$ -	\$ 0.90	\$ 0.93	\$ -	\$ -	\$ 1.02	\$ 1.05	\$ 9.40
Total	\$ 6.30	\$ 6.49	\$ 21.22	\$ 21.85	\$ 10.07	\$ 10.38	\$ 0.12	\$ 0.12	\$ 0.63	\$ 0.65	\$ -	\$ -	\$ 0.71	\$ 0.73	\$ -	\$ -	\$ 1.60	\$ 1.65	\$ 2.89	\$ 2.98	\$ 3.79	\$ 3.91	\$ -	\$ -	\$ 1.02	\$ 1.05	\$ 98.18
Option B																											
Public Safety Facilities	\$ -	\$ -	\$ 4.08	\$ 4.21	\$ 9.96	\$ 10.26	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.80	\$ 0.83	\$ 2.89	\$ 2.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.02
Public Works	\$ -	\$ -	\$ 3.34	\$ 3.44	\$ 0.84	\$ 0.87	\$ 10.99	\$ 11.31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.89	\$ 2.98	\$ -	\$ -	\$ -	\$ -	\$ 36.66
City Hall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.84	\$ 0.86	\$ 0.32	\$ 0.33	\$ 4.64	\$ 4.78	\$ 0.29	\$ 0.29	\$ 3.86	\$ 3.97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.29	\$ 0.30	\$ 17.99	\$ 18.53	\$ 57.26
Community Supporting Facilities	\$ -	\$ -	\$ -	\$ -	\$ 0.56	\$ 0.58	\$ -	\$ -	\$ 0.63	\$ 0.65	\$ -	\$ -	\$ 0.71	\$ 0.73	\$ -	\$ -	\$ 0.80	\$ 0.83	\$ -	\$ -	\$ 0.90	\$ 0.93	\$ -	\$ -	\$ 1.02	\$ 1.05	\$ 9.40
Total	\$ -	\$ -	\$ 7.43	\$ 7.65	\$ 11.37	\$ 11.71	\$ 11.82	\$ 12.18	\$ 0.95	\$ 0.98	\$ 4.64	\$ 4.78	\$ 1.00	\$ 1.03	\$ 3.86	\$ 3.97	\$ 1.60	\$ 1.65	\$ 2.89	\$ 2.98	\$ 3.79	\$ 3.91	\$ 0.29	\$ 0.30	\$ 19.01	\$ 19.58	\$ 139.34

Source: City of Tukwila, 2015; Rice Fergus Miller, 2015; and BERK, 2015

Remedying the deficiencies of the City’s current facilities for municipal services will take significant commitment on the part of the City and its residents. Some of the public works facilities (an assumed 50% for the purposes of this analysis) can be paid for with enterprise funds. That portion of the public works facility has been netted out of the subsequent analysis. Even still, both phasing options are likely to require financing a portion of the facility improvements. The impact to the overall budget in a given year includes direct costs of facility projects, financing costs, or a combination of both. **Exhibit 3** presents both phasing options with bonds timed to significant capital needs

Exhibit 3
Phasing Options Total Impact to CIP
(Not including enterprise funds. In millions)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total (2015-2040)	Total (Beyond 2040)	Total
Option A																													
Public Safety Facilities	\$ 3.15	\$ 3.24	\$ 10.08	\$ 10.38	\$ 0.06	\$ 0.06	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.80	\$ 0.83	\$ 2.89	\$ 2.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34.47	\$ -	\$ 34.47
Public Works	\$ 1.58	\$ 1.62	\$ 5.25	\$ 5.41	\$ 0.03	\$ 0.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.44	\$ 1.49	\$ -	\$ -	\$ -	\$ -	\$ 16.85	\$ -	\$ 16.85
City Hall	\$ -	\$ -	\$ 0.64	\$ 0.66	\$ 9.40	\$ 9.68	\$ 0.12	\$ 0.12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20.61	\$ -	\$ 20.61
Community Supporting Facilities	\$ -	\$ -	\$ -	\$ -	\$ 0.56	\$ 0.58	\$ -	\$ -	\$ 0.63	\$ 0.65	\$ -	\$ -	\$ 0.71	\$ 0.73	\$ -	\$ -	\$ 0.80	\$ 0.83	\$ -	\$ -	\$ 0.90	\$ 0.93	\$ -	\$ -	\$ 1.02	\$ 1.05	\$ 9.40	\$ -	\$ 9.40
Option A Total	\$ 4.73	\$ 4.87	\$ 15.97	\$ 16.45	\$ 10.05	\$ 10.35	\$ 0.12	\$ 0.12	\$ 0.63	\$ 0.65	\$ -	\$ -	\$ 0.71	\$ 0.73	\$ -	\$ -	\$ 1.60	\$ 1.65	\$ 2.89	\$ 2.98	\$ 2.35	\$ 2.42	\$ -	\$ -	\$ 1.02	\$ 1.05	\$ 81.33	\$ -	\$ 81.33
Facilities Bonds																													
	\$ 4.73	\$ 4.87	\$ 15.97	\$ 16.45	\$ 10.05	\$ 10.35																							
Total Debt Service	\$ 0.35	\$ 0.71	\$ 1.88	\$ 3.09	\$ 3.83	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.59	\$ 4.24	\$ 3.89	\$ 2.71	\$ 1.50	\$ 0.76	\$ -	\$ 91.82	\$ -	\$ 91.82
Additional Capital Needs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.12	\$ 0.12	\$ 0.63	\$ 0.65	\$ -	\$ -	\$ 0.71	\$ 0.73	\$ -	\$ -	\$ 1.60	\$ 1.65	\$ 2.89	\$ 2.98	\$ 2.35	\$ 2.42	\$ -	\$ -	\$ 1.02	\$ 1.05	\$ 18.94	\$ -	\$ 18.94
Total Impact to CIP	\$ 0.35	\$ 0.71	\$ 1.88	\$ 3.09	\$ 3.83	\$ 4.59	\$ 4.71	\$ 4.71	\$ 5.22	\$ 5.24	\$ 4.59	\$ 4.59	\$ 5.30	\$ 5.33	\$ 4.59	\$ 4.59	\$ 6.20	\$ 6.24	\$ 7.49	\$ 7.57	\$ 6.59	\$ 6.30	\$ 2.71	\$ 1.50	\$ 1.78	\$ 1.05	\$ 110.76	\$ -	\$ 110.76
Offsetting Revenues																													
																											\$ -	\$ -	\$ -
Fiscal Impact of Option A	\$ 0.35	\$ 0.71	\$ 1.88	\$ 3.09	\$ 3.83	\$ 4.59	\$ 4.71	\$ 4.71	\$ 5.22	\$ 5.24	\$ 4.59	\$ 4.59	\$ 5.30	\$ 5.33	\$ 4.59	\$ 4.59	\$ 6.20	\$ 6.24	\$ 7.49	\$ 7.57	\$ 6.59	\$ 6.30	\$ 2.71	\$ 1.50	\$ 1.78	\$ 1.05	\$ 110.76	\$ -	\$ 110.76
Option B																													
Public Safety Facilities	\$ -	\$ -	\$ 4.08	\$ 4.21	\$ 9.96	\$ 10.26	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.80	\$ 0.83	\$ 2.89	\$ 2.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.02	\$ -	\$ 36.02
Public Works	\$ -	\$ -	\$ 1.67	\$ 1.72	\$ 0.42	\$ 0.43	\$ 5.49	\$ 5.66	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.44	\$ 1.49	\$ -	\$ -	\$ -	\$ -	\$ 18.33	\$ -	\$ 18.33
City Hall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.84	\$ 0.86	\$ 0.32	\$ 0.33	\$ 4.64	\$ 4.78	\$ 0.29	\$ 0.29	\$ 3.86	\$ 3.97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.29	\$ 0.30	\$ 17.99	\$ 18.53	\$ 57.26	\$ -	\$ 57.26
Community Supporting Facilities	\$ -	\$ -	\$ -	\$ -	\$ 0.56	\$ 0.58	\$ -	\$ -	\$ 0.63	\$ 0.65	\$ -	\$ -	\$ 0.71	\$ 0.73	\$ -	\$ -	\$ 0.80	\$ 0.83	\$ -	\$ -	\$ 0.90	\$ 0.93	\$ -	\$ -	\$ 1.02	\$ 1.05	\$ 9.40	\$ -	\$ 9.40
Option B Total	\$ -	\$ -	\$ 7.43	\$ 7.65	\$ 11.37	\$ 11.71	\$ 11.82	\$ 12.18	\$ 0.95	\$ 0.98	\$ 4.64	\$ 4.78	\$ 1.00	\$ 1.03	\$ 3.86	\$ 3.97	\$ 1.60	\$ 1.65	\$ 2.89	\$ 2.98	\$ 3.79	\$ 3.91	\$ 0.29	\$ 0.30	\$ 19.01	\$ 19.58	\$ 139.34	\$ -	\$ 139.34
Facilities Bonds																													
			\$ 7.43	\$ 7.65	\$ 11.37	\$ 11.71	\$ 11.82	\$ 12.18																	\$ 19.01	\$ 19.58	\$ -	\$ -	\$ -
Total Debt Service	\$ -	\$ -	\$ 0.42	\$ 0.86	\$ 1.67	\$ 2.49	\$ 2.96	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.44	\$ 3.02	\$ 2.58	\$ 3.17	\$ 3.78	\$ 72.56	\$ 53.02	\$ 125.58
Additional Capital Needs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.95	\$ 0.98	\$ 4.64	\$ 4.78	\$ 1.00	\$ 1.03	\$ 3.86	\$ 3.97	\$ 1.60	\$ 1.65	\$ 2.89	\$ 2.98	\$ 2.35	\$ 2.42	\$ 0.29	\$ 0.30	\$ -	\$ -	\$ 35.68	\$ -	\$ 35.68
Total Impact to CIP	\$ -	\$ -	\$ 0.42	\$ 0.86	\$ 1.67	\$ 2.49	\$ 2.96	\$ 3.44	\$ 4.39	\$ 4.42	\$ 8.08	\$ 8.22	\$ 4.44	\$ 4.47	\$ 7.30	\$ 7.41	\$ 5.04	\$ 5.09	\$ 6.33	\$ 6.42	\$ 5.79	\$ 5.86	\$ 3.30	\$ 2.88	\$ 3.17	\$ 3.78	\$ 108.24	\$ 53.02	\$ 161.26
Offsetting Revenues																													
Fiscal Impact of Option B	\$ -	\$ -	\$ 0.42	\$ 0.86	\$ 1.67	\$ 2.49	\$ 2.96	\$ 3.44	\$ 4.39	\$ 4.42	\$ 8.08	\$ 8.22	\$ 4.44	\$ 4.47	\$ 7.30	\$ 7.41	\$ 5.04	\$ 5.09	\$ 6.33	\$ 6.42	\$ 5.79	\$ 5.86	\$ 3.30	\$ 2.88	\$ 3.17	\$ 3.78	\$ 108.24	\$ 53.02	\$ 161.26

Source: City of Tukwila, 2015; Rice Fergus Miller, 2015; and BERK, 2015.

Notes:

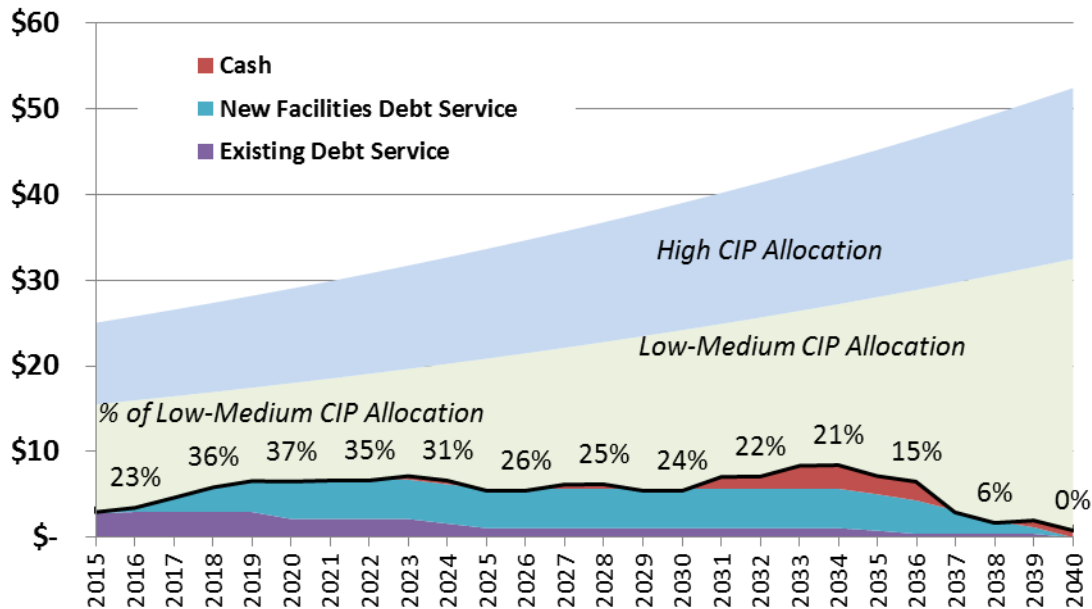
- These phasing options include only 50% of the full costs of the public works facility, as it is expected that enterprise funds will cover 50% of this project, as discussed above.
- Offsetting revenues are revenues or cost savings from organizational and other efficiencies generated through facility improvements.

**CITY OF TUKWILA FACILITY NEEDS ASSESSMENT AND FEASIBILITY STUDY
FACILITIES FUNDING OPTIONS**

To provide a sense of scale, we compared these phasing options to the City of Tukwila's CIP allocation over the next 25 years if each annual allocation matched one half of the 2013-2014 biennium as a high estimate, and one half of the 2015-2016 biennium as a low-medium estimate. It is notable that the 2013-2014 CIP allocation is considered a high estimate because of the large number of grants. The availability of grants in general, and the share of revenues they represent to Tukwila, is expected to decline over the next several years. This is explored in more detail in the *Situation Assessment*.

The result of this analysis shows that Option B (\$186.9 million) is significantly more expensive than Option A (\$134.2 million) in the long-term. Additionally, Option B requires significant debt service (\$51.1 million) after 2040.

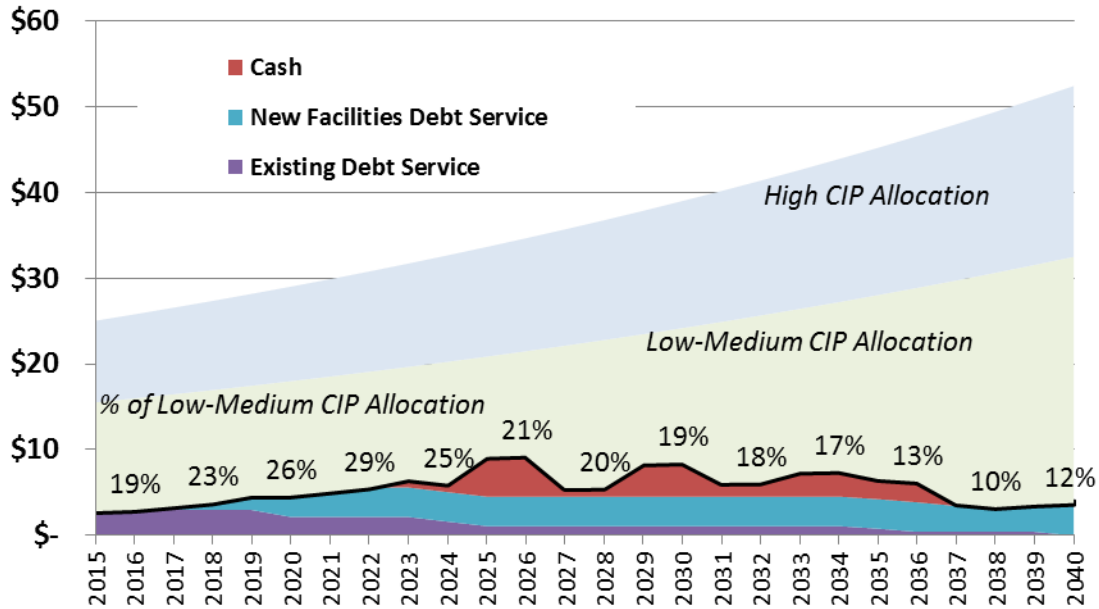
Exhibit 4
Review of Facilities Phasing Option A Fiscal Impacts and Debt Service Compared to Previous Capital Expenditures Budgets, 2015-2040
(Not including enterprise funds. In millions)



Source: City of Tukwila, 2015; Rice Fergus Miller, 2015; and BERK, 2015.

- Option A, the more expedient, but less expensive facilities option would require a 20-year commitment of 11% of the City of Tukwila's CIP based on the high CIP allocation or 19% based on the low-medium allocation.
- This facilities phasing option would have a significant fiscal impact on the CIP. Between the 2015 and 2036, as much as 27% (in 2023 based on the high CIP allocation) or 39% (in 2019 based on the low-medium CIP allocation) of the City of Tukwila's CIP would be dedicated to this facilities plan. After the 2036, the fiscal impact would be significantly smaller: less than 10% of either allocation annually.
- Given the magnitude of some of the individual facility investments, both phasing options would likely require significant use of debt financing. Total debt service (existing debt service and debt service from these facilities projects) over the 20-year plan would be between 13% of the City of Tukwila's CIP based on the high CIP allocation or 22% based on the low-medium allocation.

Exhibit 5
Review of Facilities Phasing Option B Fiscal Impacts and Debt Service Compared to Previous Capital Expenditures Budgets, 2015-2040
(Not including enterprise funds. In millions)



Source: City of Tukwila, 2015; Rice Fergus Miller, 2015; and BERK, 2015.

- Option B, the more slowly paced, but more costly facilities option would require a 20-year commitment of on average 11% of the City of Tukwila's CIP based on the high CIP allocation or 23% based on the low-medium allocation. It would also require a commitment of additional commitment of CIP dollars past the period of this phasing plan, until 2059.
- Like Option A, this facilities phasing option would have a significant fiscal impact on the CIP. Between the 2015-16 and 2035-36 biennia, as much as 24% (in 2026 based on the high CIP allocation) or 39% (in 2025 based on the low-medium CIP allocation) of the City of Tukwila's CIP would be dedicated to this facilities plan.
- Both options require significant financing. Total debt service (existing debt service and debt service from these facilities projects) over the 20-year plan would be between 11% of the City of Tukwila's CIP based on the high CIP allocation or 19% based on the low-medium allocation.
- Unlike Option A, the bond commitments enabling this facilities plan would continue for 19 years after 2040. An additional \$53.0 million would be spent on this facilities plan across those years.

SECTION 2: CONSIDERATION OF POTENTIAL FINANCING AND FUNDING SOURCES

Given the current deficiencies in the City's municipal service facilities, the City may opt to secure funds using debt to invest in facilities improvements, which will be paid back over time. This debt option would allow the City to improve its facilities at a rate that could not be supported by operating surpluses alone, and allow the City to make facilities investments without delaying investment in the other capital needs identified in its CIP. There are a number of debt options available to the City; this section describes three of the most common for municipal facility investments in Washington State.

Beyond the financing and funding of these projects, the City always has the option to reprioritize its CIP to eliminate projects and free up CIP funding capacity for these facilities projects. The City's CIP is already strategically prioritized, as there are millions of dollars more of infrastructure projects identified than can be feasibly funded over the next six years.

FINANCE OPTIONS

Limited Tax General Obligation (LTGO) Bonds – (Non-voted)

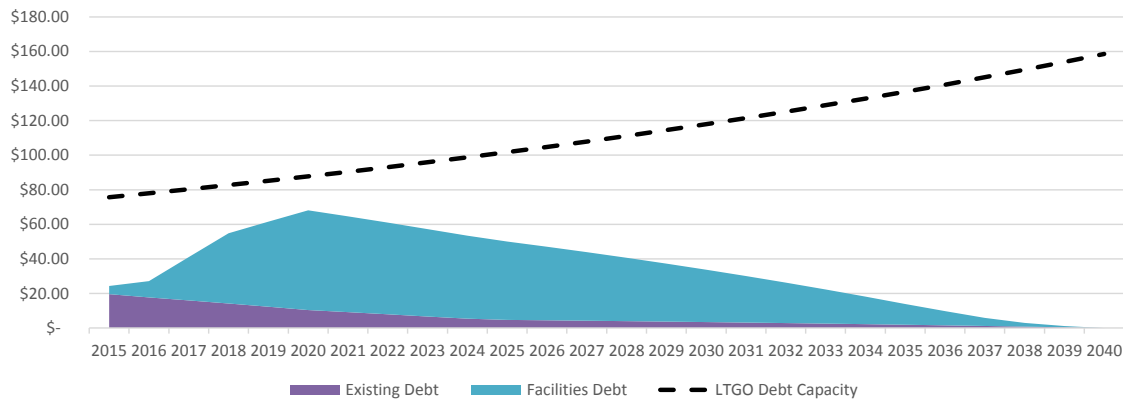
Limited tax general obligation bonds (LTGO), also referred to in Washington State as "councilmanic" bonds, do not require voter approval and are payable from the issuer's general fund and other legally available revenue sources. LTGO bonds can be used for any purpose, but funding for debt service must be made available from existing revenue sources. Tukwila has debt policies that govern the use of this debt, and there are constitutional and statutory limits on a municipality's authority to incur non-voted debt. Tukwila's debt policies are documented in "City of Tukwila Debt Policy," which was passed via councilmanic resolution (Resolution No. 1840) in September 2014. The state constitution limits non-voted municipal indebtedness to an amount not to exceed 1.5% of the actual assessed valuation within the City.

City Credit Ratings

An additional consideration related to taking on additional bond debt, is that the City's credit rating is affected by many factors including the amount of debt capacity utilized. We can't estimate how a specific bond issuance will affect the City's credit rating, however, it is a factor to consider in the amount of debt issued to support this facilities plan.

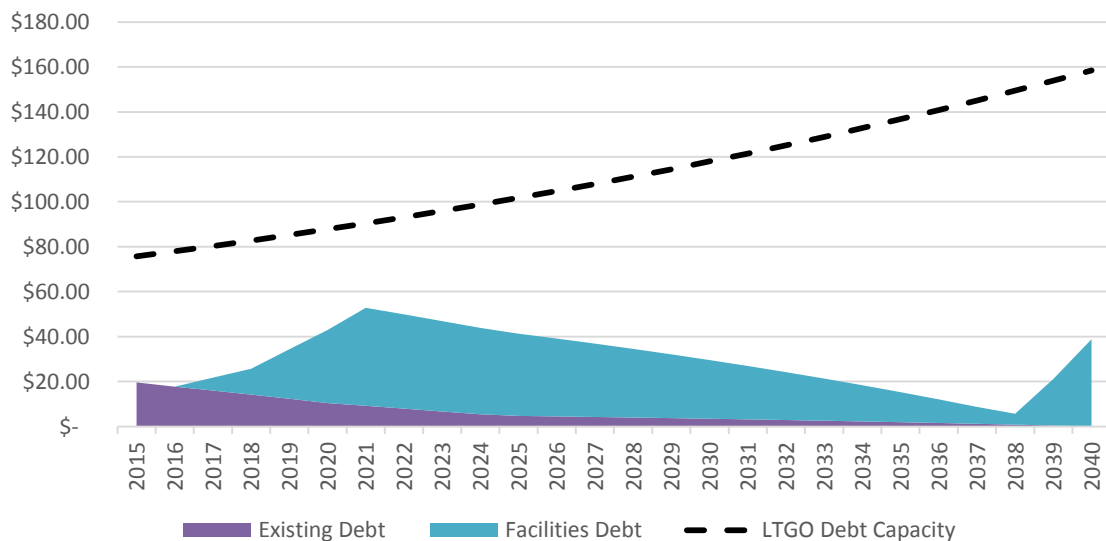
Tukwila currently has \$32.4 million in non-voter approved debt outstanding and has a significant debt issuance capacity for LTGO debt. The remaining debt capacity as of May 2015 for LTGO Bond Debt was \$41.1 million.

Exhibit 6
Review of Existing Debt and Facilities Phasing Option A LTGO Debt Demand Compared to Total LTGO Debt Capacity, 2015-2040
(Not including enterprise funds. In millions)



Source: City of Tukwila, 2015; Rice Fergus Miller, 2015; and BERK, 2015.

Exhibit 6
Review of Existing Debt and Facilities Phasing Option B LTGO Debt Demand Compared to Total LTGO Debt Capacity, 2015-2040
(Not including enterprise funds. In millions)



Source: City of Tukwila, 2015; Rice Fergus Miller, 2015; and BERK, 2015.

Based on the overall CIP needs, a conceptual bond financing plan was developed for both phasing options which found that both options could be completed within existing LTGO debt capacity. However, as LTGO bonds are merely one financing option, it is still prudent of the City to consider additional financing options as part of its facilities phasing plan.

Considerations:

- One of the benefits of LTGO bonds is that they can be passed by councilmanic ordinance.
- LTGO bond capacity is substantial, but limited. Currently, the City of Tukwila has \$41.4 million in LTGO bond capacity. This may be enough to fully support either facilities option, however, given the flexible nature of LTGO debt is an important tool for the City's ability to react to unexpected expenses. Deploying too much of the City'
- Since bonds are debt, the added costs of interest will increase project costs long term.

63-20 Financing

63-20 is a method of obtaining tax-exempt financing that allows public bonds to be used to construct public facilities if they are secured by a lease agreement. A nonprofit corporation issues tax-exempt debt on behalf of a political subdivision for the purpose of financing facilities. Generally, these bonds require a credit-worthy private developer that is willing to enter into a lease to support the bond offering. The nonprofit corporation also manages and operates the building over the lease term. The facility is transferred to the government entity once the debt is retired. The tenant is required to be either a governmental entity or a charitable organization. A minimum 90% of the space must be occupied by the governmental entity, as specified by "private use" requirements.

63-20 financed bonds have a higher interest rate and issuance fees due to the perceived higher level of risk compared to the general obligation bond, which has the full backing of the governmental jurisdiction. 63-20 financed bonds also have a small asset management fee associated with them.

Benefits of 63-20 financing include the ability to realize construction cost savings through using a general contractor/construction manager (GC/CM) project delivery process compared to the design-bid-build model typically used for government facilities construction. Under this project delivery method, the general contractor guarantees a fixed price for the work and takes on the additional construction risk of subcontracting the project work. In addition, the contractor provides specialized project management, scheduling, budgeting, and other advice early on and throughout the project design process, which can result in a more efficient construction process and less costly project. This project delivery process is especially advantageous for unique or complex projects where governmental agencies may not have experience. The cost savings are not guaranteed, and they vary by project depending on the situation. Lastly, 63-20 bonds do not count towards a jurisdiction's debt limit, which is advantageous for jurisdictions with limited or no debt capacity.

Considerations:

63-20 bonds may make sense when private sector involvement in developing a governmental facility is likely to provide significant benefits compared to a traditional public approach. These benefits may be most apparent for facilities that:

- Are time-sensitive, requiring for example an expedited schedule.

- Are cost-sensitive or require price certainty for annual budgeting or other purposes (that is, requiring a shift of all or a portion of the risk of project cost overruns from the governmental entity to the nonprofit issuer and its private development team).
- Otherwise require specialized development skills, knowledge or approaches.
- The obligation to pay rent is not a debt of the agency for the purposes of constitutional and statutory limitations on state debt. 63-20 bonds offer an option when the agency already carries the debt allowed by statutory regulation.

FUNDING SOURCES

Unlimited Tax General Obligation (UTGO) Bonds – (Voted)

UTGO bonds are both a financing and funding source as their issuance includes the levy of an additional tax to repay them. These bonds require 60% voter approval and may only be used for capital purposes. When residents of a city vote for a bond issue, they are being asked to approve: (a) the issuance of a fixed amount of general obligation bonds and (b) the levy of an additional tax to repay the bonds, unlimited as to rate or amount. Once voter approval is obtained, a municipal corporation is still restricted by constitutional and statutory debt limits with these bonds. The statutory debt limits on this type of debt is 2.5% of the assessed value of property inclusive of any LTGO (non-voted) debt.

The City currently has \$32.4 million (2015\$) in non-voter approved debt outstanding applicable to its UTGO debt. Debt Capacity as of May 2015 for UTGO Bond Debt is \$90.1 million (2015\$). This is not directly additive to LTGO debt capacity. Only \$49 million (2015\$) in UTGO bond capacity would be available if LTGO debt capacity was reached.

Considerations:

- To approve UTGO bonds, an election must be held and the measure must be approved by at least 60%. Thus, these bonds would be most effective for discrete projects, for instance the public safety facility.
- The City has bond capacity and can choose to use it for facilities. Given the magnitude of the facility needs, it may be both practical and necessary to use UTGO capacity for some or all of the early project needs, which would also allow the City to keep CIP funds available for other later projects.
- Since bonds are debt, the added costs of interest will increase project costs long term.

Enterprise Funds

A portion of the Public Works Building included in this facilities plan supports enterprise programs (water, sewer, and surface water maintenance). These utility services are operated like a private business where fees are set at a level that allows the City to meet both its operating and capital needs through user charges. Enterprise programs may raise their rates (user charges) to increase funding for capital needs. If the City were to consider this option, a portion of the Public Works Building could be funded from utility revenues, reducing the impact on the non-utility CIP.

Considerations:

- The City will need to determine how much of the Public Works Building and Shop is related to the City's utility operations.
- The potential impact on utility rates would need to be evaluated if this alternative is pursued.

Surplus Property

While a review of current property and market value was not conducted as part of this study, the City of Tukwila may have property that would be suitable to surplus and sell to help fund facility investments.

New and Additional Taxes

Transportation Benefit District Levied Taxes

As per Chapter 36.73 RCW, cities can create a transportation benefit district (TBD) through their legislative authority. A TBD is an independent taxing district that can impose fees to fund transportation improvements. These taxes are not restricted to capital construction projects and can be used for maintenance and preservation on road and non-motorized projects. TBDs can include other counties, cities, port districts, or transit districts through inter-local agreements. TBDs do not have to include the entire jurisdiction of the establishing entity. The two taxation options TBDs are authorized to levy include:

- **Up to a \$100 Motor Vehicle Excise Tax (MVET) levied via a TBD.** One tax that can be imposed by a TBD is an up to a \$100 MVET (36.73.075 RCW). A \$20 MVET can be imposed without a vote of the people. The City of Tukwila could consider exploring the policy option of levying this \$20 MVET on its entire jurisdiction via a TBD. However, a small population base means that this is unlikely to generate significant revenues. In 2014, this option would have generated \$0.2 million in additional revenues.
- **Up to a 0.02% Sales and Use Tax (SUT) levied via a TBD.** Another tax that can be imposed by a TBD is an up to a 0.02% SUT (36.73.075 RCW). Due to the City of Tukwila's robust taxable retail sales base, an additional SUT levied via a TBD could be a useful tool to generate additional sales tax revenues. In 2014 alone, this option would have generated \$3.9 million in additional SUT revenues.

Considerations:

- Revenues generated by a TBD can only be used for transportation purposes, however, as 64% of the costs identified in the CIP are for transportation projects, it is expected that these funds could replace existing general funds supported transportation projects.
- Development of a TBD requires two stages of councilmanic action: (1) development of the authorizing ordinance, and (2) an ordinance to levy the tax desired. This means that this strategy is unlikely to provide funding in the first two years of this facilities plan.
- Long term, a TBD could generate significant revenues to support this facilities plan.

Levy Lid Lift

As per RCW 84.55.050, the only way for Washington cities without banked capacity to increase its property taxes by more than one percent is to do a levy lid lift. This occurs when taxing jurisdictions with a tax rate less than their statutory maximum rate ask voters to increase their

tax rate to an amount equal to or less than the statutory maximum rate, effectively lifting the lid on the levy rate.

Considerations:

- Levy lid lifts are authorized through public vote, which requires a simple majority to pass. It is unknown whether there is political will to pass such a vote for facilities projects in Tukwila.

Offsetting Cost Savings

It is possible that these new facilities would create both organizational and physical (energy, water, and maintenance) efficiencies. However, these facilities will also allow for increased use and be significantly larger than previous facilities, which may negate any efficiency gains. For that reason, and for the sake of providing conservative estimates, offsetting revenues to support these projects were not identified.

Considerations:

- Offsetting revenues due to organizational and physical efficiencies allowed by these new facilities are possible, but not necessarily probable, as the new buildings will be larger and their systems will be more sophisticated. For that reason, potential offsets were considered net neutral to Tukwila's budget overall.

NEXT STEPS

Several options for financing and funding facilities have been presented in the preceding pages. It is clear that there is the necessary debt and funding capacity to make these projects feasible. One next step may include modeling a few financing and funding packages from the options presented to represent potential discrete funding packages for each option. To do this, a clear picture of which financing and funding options, under what constraints, are palatable to the City of Tukwila needs to be established.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
Public Safety Facilities																											
Police Department, Courts, (1/2) Information Technology, City Emergency Operations Center																											
Square Footage Req' (2015):																											
Square Footage Req' (2040):																											
Land Area Required:																											
Public Safety Building																											
Adopt Capital Improvement Plan																											
Public Engagement and Community Outreach																											
Property Search & Acquisition																											
Design and Preparation of Construction Plans																											
Construction (46,000 sf)																											
Move-in!																											
Police Precinct																											
Evaluate Needs for South Central Precinct																											
Public Engagement and Community Outreach																											
Property Search & Acquisition																											
Design and Preparation of Construction Plans																											
Construction (8,000 sf)																											
Move-in!																											
Anticipated Outlay (in \$Million): *																											
Public Works																											
City shops, repair, and maintenance facilities (replacement and consolidation of both George Long and Minkler Shops)																											
Square Footage Req' (2015):																											
Square Footage Req' (2040):																											
Land Area Required:																											
City Shops Facility																											
Adopt Capital Improvement Plan																											
Public Engagement and Community Outreach																											
Property Search & Acquisition																											
Design and Preparation of Construction Plans																											
Construction (62,000 sf)																											
Move-in!																											
Surplus George Long and Minkler Shops																											
Facility Addition																											
Public Engagement and Community Outreach																											
Design and Preparation of Construction Plans																											
Construction (10,000 sf)																											
Move-in!																											
Anticipated Outlay (in \$Million): *																											
City Hall																											
DCD, Finance, Human Resources, (1/2) Information Technology, Mayor's Office, Council, Public Works (Admin), Parks and Recreation (Admin)																											
Square Footage Req' (2015):																											
Square Footage Req' (2040):																											
Existing City Hall Building																											
Police and Courts relocate to new Public Safety Bldg																											
Reconfigure Lower Floor vacated by Police																											
Existing 6300 Building																											
Police relocate to new Public Safety Bldg																											
Minor renovation/reconfiguration to accommodate City Services																											
Interim Improvements to 6300 Building																											
Design and Preparation of Construction Plans																											
City Services vacated from 6300 Building																											
Construction (Seismic Upgrades only; 25,000 sf)																											
Move-in!																											
City Hall Seismic Upgrade																											
Design and Preparation of Construction Plans																											
City Services vacated from City Hall																											
Construction (Seismic Upgrades only; 25,000 sf)																											
Move-in!																											
City Hall Renovation & Expansion																											
Design and Preparation of Construction Plans																											
City Services vacated from City Hall and 6300 Building																											
Construction (25,000 sf renovation; 20,000 sf addition)																											
6300 Building demolished and parking built in its place																											
Move-in!																											
Anticipated Outlay (in \$Million): *																											
Community Supporting Facilities																											
Cultural and Community Centers, Park Restrooms and Shelters, Golf Course Associated Structures, Houses, Former Water District Facilities																											
Square Footage Req' (2015):																											
Square Footage Req' (2040):																											
Adopt Capital Improvement Plan																											
Design and permitting for improvements and upgrades																											
Capital Improvements																											
Anticipated Outlay (in \$Million): *																											
* All estimates reflect a 2015 Cost Basis.																											

City of Tukwila Capital Facilities Planning
Implementation Plan
April 22, 2015

			Public Safety		City Shops		City Hall Renovation & Addition (Option A)	Interim Improvements			City Hall Renovation & Addition (Option B)
			Facility	Police Precinct	City Shops	City Shops Addition		Reconfigure City Hall & 6300 Bldg (Option B)	to 6300 Bldg to extend life of the building (Option B)	City Hall Seismic & Safety Improvements (Option B)	
			45,500	8,000	63,000	10,000	20,000				20,000
New Construction Square Feet:											
New Construction (Civic, Public):	\$300 /sf										
New Construction (Shop, Utilitarian):	\$225 /sf										
Renovation/Remodel Square Footage:											
Major Renovation:	\$250 /sf										
Minor Renovation:	\$150 /sf										
Minor Reconfiguration:	\$50 /sf										
Building Construction											
Washington State Sales Tax	@ 9.5%	\$	13,650,000	\$	2,400,000	\$	14,175,000	\$	2,250,000	\$	12,250,000
Architect & Engineering	@ 10.0%	\$	1,296,750	\$	228,000	\$	1,346,625	\$	213,750	\$	1,163,750
Other Professional Services	@ 5.0%	\$	1,365,000	\$	240,000	\$	1,417,500	\$	225,000	\$	1,225,000
Permits, Fees, Other Expenses	@ 3.0%	\$	682,500	\$	120,000	\$	708,750	\$	112,500	\$	612,500
Relocating to Interim Facilities	@ 5.0%	\$	409,500	\$	72,000	\$	425,250	\$	67,500	\$	367,500
Contingencies	@ 15.0%	\$	-	\$	-	\$	-	\$	-	\$	612,500
Land Acquisition	@	\$	2,047,500	\$	360,000	\$	2,126,250	\$	337,500	\$	1,837,500
		\$	6,000,000	\$	1,000,000	\$	6,000,000	\$	-	\$	-
Totals		\$	25,451,250	\$	4,420,000	\$	26,199,375	\$	3,206,250	\$	18,068,750