



INFORMATIONAL MEMORANDUM

TO: **Finance Committee**

FROM: **Rachel Bianchi**

CC: **Mayor Ekberg**

DATE: **January 30, 2018**

SUBJECT: **Financing the Public Safety Plan**

ISSUE

Due to market conditions and cost escalation, the City has a significant gap in the Public Safety Plan budget. The Finance Committee has been tasked with reviewing options and identifying potential recommendations for the full Council to consider later this spring. The Justice Center will also finish Schematic Design this spring and will provide for better understanding of the costs associated with that project. Merging these timelines will provide the necessary information for the City Council to provide direction on the next steps on the Public Safety Plan.

BACKGROUND

Process:

Due to the gravity and complexity of this issue, staff worked with the Committee Chair to identify the following schedule for covering the various information associated with tackling the funding gap:

February 6, 2018 Finance Committee:

- Project costs as known
- Overview of voter-approved bonds
- Debt capacity and term
- Fire Impact Fees
- Land sales and other one-time funds
- REET 1

February 20, 2018 Finance Committee:

- New revenue options

March 6, 2018 Finance Committee:

- General fund and operations
- CIP prioritization

March 20, 2018 Finance Committee:

- Review project schedule

Staff proposes that the Committee review the information presented and provide direction to staff at each meeting as to which options are of interest to the council. Staff will then use the intervening time to build an iterative financial model that can be reviewed and added to at subsequent meetings. For instance, if the Committee is interested in dedicating land sales to filling the gap, this would be a tool we would build into the model and bring back to show you the implications as to how that tool – along with others agreed to by the committee – would work together to fill the gap. By the end of this process, the goal is to have a collaboratively built model to inform the full Council and any final decisions.

Staff has provided its recommendations after each tool to inform the Council of its position.

Project costs as known:

Before we discuss tools for filling the gap, it is important that everyone has the same understanding of the current known project costs.

Below are the current budget estimates for the Public Safety Plan projects. Fire Station 51 has completed the schematic design phase, allowing for more certainty on the estimates associated with the fire stations. However, the estimate for the Justice Center is carrying many significant costs, such as budget allotted for site preparation and the Public Works facility estimate is the most extreme, assuming none of the buildings on the current site could be reused. The Justice Center will be done with Schematic Design in May and at that point there will be more certainty on the budget estimate. The Public Works facility will not hit that stage until toward the end of this year.

Public Safety Plan Project Cost Estimates as of January, 2018 (in millions)

Project	Initial Budget	Updated	Gap
Fire Station 51	\$11,446	\$12,509	\$1,063
Fire Station 52	\$5,657	\$17,652	\$11,995 ¹
Fire Station 53	\$7,329	\$14,753	\$7,424
Justice Center	\$28,629	\$68,536	\$39,907
Public Works Facility	\$29,493	\$63,270	\$33,777
Total Gap for Projects			\$94,166
Utility Fund Gap Obligation for PW			(\$16,888)
Total Unfunded Gap			\$77,278

The cash flow spreadsheet for the projects, on the current schedule, is attached.

Voter-Approved Bonds:

The voters approved a \$77.4 million bond measure in November 2016. In December 2016, \$36.7 million, of these bonds were issued. Based on the cash flow analysis provided by SOJ in December 2017, the remainder of the bond authorization, or \$40.6 million, will be needed in 2018 and 2019 to fund property purchases and construction costs. The recommendation is to issue the bonds in the fall of 2018 so the debt service can be included with the 2019 property tax assessments.

Debt Capacity and LTGO Bonding:

In order to address the Public Safety Plan funding gap, it is likely that the City would need to issue additional bonds, this time councilmanic ones.

State law limits the amount of debt the City can carry. For councilmanic/limited tax general obligation (LTGO) debt, the City is limited to 1.5% of taxable assessed valuation. Total debt (including voted and non-voted debt) is limited to 2.5% of assessed valuation. As of December 31, 2017, the City had capacity for an additional \$59 million in councilmanic debt. This number will increase as assessed valuation goes up and existing debt is paid off, providing the City additional capacity in the out years.

¹ The headquarters station was moved from Fire Station 51 to Fire Station 52 during the siting phase, technically flipping the budgets for Stations 51 and 52, hence the relatively small gap for 51 and huge one for 52.

Bonds are normally issued for a 20-year term. However, debt payments can be spread over the useful life of the underlying asset. In the case of structures such as the Justice Center and the Fire Stations, the debt payback period could be increased to 30 years since the life of the structures will be 30 or more years. A longer payback period translates into lower annual debt service payments, albeit over a longer period of time.

Staff recommendation: Use LTGO bonds to cover the Public Safety Plan gap in a manner that allows for some cushion in the event of an economic downturn; leverage the fact that some existing debt drops off in 2020 and 2024 freeing up additional capacity to pay back the bonds.

Fire Impact Fees:

Fire impact fees are charged on residential and commercial development to pay for the impact of growth on fire facilities. Fire impact fees, on average, have yielded \$120K over the past 9 years, excluding the \$500K fire impact fee deposit received in 2017 through the Tukwila South Development Agreement. The City has not increased its fire impacts fees in more than a decade, and there is additional capacity in these fees to support the new fire stations. The update of the fire and park impact fees is scheduled to be presented to the Finance Committee in March, 2018. Should the Council adopt the new impact fees, staff estimates that they would generate between \$200,000 and \$400,000 per year that could be used to pay off LTGO bonds. An additional \$1.5 million in fire impact fees exist today that will be dedicated to the fire station projects.

Staff recommendation: Dedicate current and future Fire Impact Fees to the Fire Stations.

Land Sales and other one-time funds:

The City owns a variety of land that could be sold with the proceeds being dedicated to the Public Safety Plan. Staff estimates there is approximately \$15 million in proceeds that could be available to fill the gap. Potential land sales include:

- Newporter site
- Tukwila Village Phases 1, 2 and 3
- Longacres site
- Old Fire Station 53 site
- Current Fire Station 51
- Current Fire Station 52
- Current Fire Station 54
- George Long Shops
- Minkler Shops

Additionally, the City currently has \$3 million in the 301 fund for parks acquisition from REET 1. The Council recently gave the authority for REET 1 to be used for the Public Safety Plan and this funding could be dedicated to the public safety plan in a one-time manner similar to the land sales.

Staff recommendation: Dedicate land sales identified above and the \$3 million in the 301 fund to the Public Safety Plan.

Ongoing REET 1:

The City also has the opportunity to dedicate REET 1 funding to the Public Safety Plan moving forward. Given historical REET 1 accruals, staff believes that approximately \$500,000 per year could be dedicated to the Public Safety Plan gap.

Staff recommendation: Dedicate ongoing REET 1 to the Public Safety Plan; funds above \$500,000 per year would go to parks acquisition.

RECOMMENDATION

Staff is seeking committee interest in the various tools presented today. At the next Committee meeting there will be a full discussion of the various potential new revenue tools the Committee may want to employ to fill the funding gap. Subsequent to that meeting, the Committee will also discuss any potential general fund obligations that could be used for the gap. This direction will allow staff to build a model based on the Council's priorities and Administration recommendations. Finally, a discussion on the project schedule and potential cost implications of accelerating/delaying projects, can be placed into the model to understand the cash flow and facility ramifications.

ATTACHMENT

Public Safety Plan Cash Flow



**City of Tukwila - Facilities Plan
Conceptual Cash Flow Plan
YOY \$ (in thousands)**

based on Budget updates through January 30, 2018

Category	YOY \$ (x\$1K)	2016				2017				2018				2019				2020				2021	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Construction Costs	\$35,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,267	\$ 6,044	\$ 7,822	\$ 8,178	\$ 6,400	\$ 2,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Acquisition	\$14,269	\$ 36	\$ 1,346	\$ 12,387	\$ -	\$ 400	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Soft Costs	\$17,090	\$ 85	\$ 449	\$ 854	\$ 854	\$ 1,196	\$ 1,709	\$ 1,709	\$ 1,709	\$ 1,709	\$ 1,709	\$ 1,709	\$ 1,709	\$ 1,709	\$ 1,709	\$ 833	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$66,913	\$ 85	\$ 2,201	\$13,241	\$ 854	\$ 1,596	\$ 7,553	\$ 9,531	\$ 1,809	\$ 5,976	\$ 7,753	\$ 9,531	\$ 9,887	\$ 8,109	\$ 4,553	\$ 833	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Justice Center																							
Construction Costs	\$8,005	\$ -	\$ -	\$ -	\$ -	\$ 80	\$ 1,201	\$ 1,601	\$ 2,001	\$ 1,761	\$ 1,121	\$ 240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Acquisition	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Soft Costs	\$4,503	\$ 23	\$ 185	\$ 225	\$ 360	\$ 540	\$ 540	\$ 540	\$ 540	\$ 540	\$ 450	\$ 378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$12,508	\$ 23	\$ 185	\$ 225	\$ 360	\$ 620	\$ 1,741	\$ 2,141	\$ 2,542	\$ 2,302	\$ 1,571	\$ 618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Station 51																							
Construction Costs	\$11,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Acquisition	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Soft Costs	\$6,355	\$ 32	\$ 238	\$ 127	\$ 177	\$ 318	\$ 318	\$ 318	\$ 508	\$ 508	\$ 635	\$ 635	\$ 635	\$ 635	\$ 635	\$ 635	\$ 3460	\$ 4,024	\$ 3,460	\$ 2,104	\$ 931	\$ -	\$ -
TOTAL	\$17,652	\$ 32	\$ 238	\$ 127	\$ 318	\$ 318	\$ 626	\$ 636	\$ 1,016	\$ 1,016	\$ 1,253	\$ 1,253	\$ 1,271	\$ 1,271	\$ 1,271	\$ 1,271	\$ 3,460	\$ 4,024	\$ 3,460	\$ 2,104	\$ 931	\$ -	\$ -
Fire Station 52																							
Construction Costs	\$11,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Acquisition	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Soft Costs	\$6,355	\$ 32	\$ 238	\$ 127	\$ 177	\$ 318	\$ 318	\$ 318	\$ 508	\$ 508	\$ 635	\$ 635	\$ 635	\$ 635	\$ 635	\$ 635	\$ 3460	\$ 4,024	\$ 3,460	\$ 2,104	\$ 931	\$ -	\$ -
TOTAL	\$17,652	\$ 32	\$ 238	\$ 127	\$ 318	\$ 318	\$ 626	\$ 636	\$ 1,016	\$ 1,016	\$ 1,253	\$ 1,253	\$ 1,271	\$ 1,271	\$ 1,271	\$ 1,271	\$ 3,460	\$ 4,024	\$ 3,460	\$ 2,104	\$ 931	\$ -	\$ -
Fire Station 54																							
Construction Costs	\$8,896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Acquisition	\$854	\$ 0	\$ 854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Soft Costs	\$5,004	\$ 25	\$ 98	\$ 100	\$ 250	\$ 250	\$ 250	\$ 250	\$ 400	\$ 400	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 378	\$ -	\$ -
TOTAL	\$14,753	\$ 25	\$ 98	\$ 100	\$ 250	\$ 250	\$ 250	\$ 250	\$ 400	\$ 400	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 378	\$ -	\$ -
City Shops (PW5 Site - w/Surface Parking)																							
Construction Costs	\$31,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Acquisition	\$16,277	\$ 24	\$ 34	\$ 69	\$ 34	\$16,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Soft Costs	\$15,548	\$ 279	\$ 777	\$ 777	\$ 777	\$ 777	\$ 777	\$ 777	\$ 777	\$ 777	\$ 933	\$ 1,555	\$ 1,555	\$ 1,554	\$ 1,555	\$ 1,555	\$ 1,555	\$ 1,555	\$ 1,555	\$ 1,555	\$ 1,042	\$ 857	
TOTAL	\$63,393	\$ 303	\$ 812	\$ 846	\$ 812	\$16,893	\$ 777	\$ 777	\$ 777	\$ 777	\$ 933	\$ 2,502	\$ 2,502	\$ 2,502	\$ 2,502	\$ 2,502	\$ 2,502	\$ 2,502	\$ 2,502	\$ 2,502	\$ 1,042	\$ 857	
City Shops (PW5 Site - w/Surface Parking - assume reuse of existing building)																							
Construction Costs	\$19,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Acquisition	\$16,277	\$ 24	\$ 34	\$ 69	\$ 34	\$16,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Soft Costs	\$9,418	\$ 279	\$ 777	\$ 777	\$ 777	\$ 777	\$ 777	\$ 777	\$ 777	\$ 777	\$ 942	\$ 942	\$ 942	\$ 942	\$ 942	\$ 942	\$ 942	\$ 942	\$ 942	\$ 942	\$ 631	\$ 408	
TOTAL	\$44,817	\$ 303	\$ 812	\$ 846	\$ 812	\$16,587	\$ 777	\$ 777	\$ 777	\$ 777	\$ 942	\$ 2,854	\$ 2,854	\$ 2,854	\$ 2,854	\$ 2,854	\$ 2,854	\$ 2,854	\$ 2,854	\$ 2,854	\$ 2,543	\$ 2,321	
RANGE OF PROJECT COSTS (LOW-HIGH)																							
TOTAL PROJECT COSTS	YOY \$ (x\$1K)	\$ 165	\$ 1,310	\$ 3,967	\$14,233	\$ 2,288	\$19,372	\$ 4,930	\$ 9,497	\$11,996	\$16,226	\$21,452	\$19,729	\$15,504	\$ 9,360	\$ 4,296	\$ 2,321	\$ 156,644	\$ 175,220	\$ 175,220	\$ 156,644	\$ 4,296	\$ 2,321
LOW	YOY \$ (x\$1K)	\$ 165	\$ 1,310	\$ 4,273	\$14,539	\$ 2,594	\$19,678	\$ 5,236	\$ 9,803	\$12,364	\$15,874	\$23,932	\$22,208	\$18,606	\$ 12,462	\$ 8,161	\$ 4,014	\$ 156,644	\$ 175,220	\$ 175,220	\$ 156,644	\$ 4,296	\$ 2,321
HIGH	YOY \$ (x\$1K)	\$ 165	\$ 1,310	\$ 4,273	\$14,539	\$ 2,594	\$19,678	\$ 5,236	\$ 9,803	\$12,364	\$15,874	\$23,932	\$22,208	\$18,606	\$ 12,462	\$ 8,161	\$ 4,014	\$ 156,644	\$ 175,220	\$ 175,220	\$ 156,644	\$ 4,296	\$ 2,321