



INFORMATIONAL MEMORANDUM

TO: Finance and Governance

FROM: David Cline, City Administrator
Vicky Carlsen, Finance Director

BY: Brandon Miles, Business Relations Manager

CC: Mayor Ekberg

DATE: March 6, 2023

SUBJECT: Public Works Operations Campus Phase 2, Financing Report (DRAFT)

ISSUE

Follow up on the February 27, 2023 Finance and Governance Committee meeting regarding financing for Public Works Operations Campus, Phase 2. At the meeting the Committee asked staff to provide information on various items. This memo begins the process of creating a consolidated document to address the Committee's questions. The memo below is organized to address the topics staff heard in the Committee meeting. The memo will be updated throughout the Spring to address the items raised by the Committee and new items that might be added as the process continues,

BACKGROUND

I. Overview of the Public Safety Plan and Public Works Phase Operations Campus

The following provides a brief overview of the City's recent investment in public facilities over the last 15 years.

Development of the Public Safety Plan

In 2008 the City completed a comprehensive seismic study of city buildings, which was recently updated in 2022. This report found that several buildings, including fire stations and public works shops, would be unusable after an earthquake. It was this study that was the impetus for the City to begin examining how to invest in upgraded facilities, specifically public safety buildings (fire stations, police, municipal court, emergency management and public works functions).

In 2015, after a two-year process, the City Council was presented a report entitled, "*Investing in Tukwila: Essential Governmental Services Facilities Plan 2015-2040.*" The plan recommended the construction and/or replacement of several public safety buildings, including a new justice center to house police, emergency management and municipal court; the replacement of three fire stations; and a combined public works operations facility. The plan also included recommendations for City Hall and the 6300 building.

This final report was presented to the City Council by the Facilities Committee, made up of community members, councilmembers and staff. This Committee recommended a public safety facilities ballot measure, which results in the City Council adopted "Public Safety Plan" to prioritize:

- the construction of three replacement fire stations,

- a new justice center (police, emergency management and municipal court),
- a consolidated public works shop, and
- a funding plan for 20 years of fire apparatus and equipment.

In November 2016 Tukwila voters approved the public safety plan bond measure with 60.5% approval. Funds from the bond measure were used for the new fire stations, fire equipment and apparatus and the justice center. Separately, funding for the public works facilities would come from a variety of sources, including general fund and utility funds.

In 2018, this financing and expenditure plan was updated with the D-20 Model, adopted by the City Council and discussed further below.

In 2018 the City began to identify and acquire land for the public safety plan, based upon the recommendations of the community Siting Advisory Committee. Existing City owned land was used for two of the new fire stations (51 and 52); the City assembled land on Tukwila International Blvd for the Justice Center; and the City acquired three parcels in the north end of the City for a consolidated public works shop. Public Works Operations Campus Phase 1 (hereinafter "Public Works Phase 1") entailed the construction of the west side of the property and moving the City's fleet and facilities functions from George Long to the new site. Public Works Phase 2 will entail work on the east side of the property and will eventually allow the City to move the street and utilities functions from the Minkler Shops to the site, as well as consolidating other functions currently found on other sites, such as spoils storage, etc.

The Justice Center and Fire Station 51 went operational in 2020 and Fire Station 52 became operational in 2021. The Fleet and Facilities building became operational in 2022 (Public Works Phase 1). In 2022, the City Council authorized the test to fit work for the eastern portion of the Public Works Phase 2 - Operations Campus, which will conclude in March of 2023.

The Public Works Operations Campus is the final project remaining from the Public Safety Plan. Funding for design of the Public Works Operations Campus was adopted in the 2023-2024 Budget and construction costs were included the 2023-2028 Capital Improvement Plan starting in 2025.

Financing the Public Safety Plan- the D-20 Model

In 2018, due to cost escalation from market conditions and initial estimates based on incomplete data, the City created options for the Public Safety Plan. Throughout the first half of 2018, the City Council's Finance Committee, together with staff, deliberated on a variety of financing options (A, B, C1, C2 and D) to support the Public Safety Plan. In June 2018, the City Council adopted their recommendation of option D-20 which directed the:

- Construction of two new fire stations (51 & 52) and the Justice Center
- Dedication of \$30 million for land acquisition, building upgrades and master planning for public works shops
- Fire apparatus and equipment funding for ten years
- Issuance of 20-year bonds
- Use of a variety of financial sources (e.g. Limited Term General Obligation Bonds (LTGO), Fire impact fees, land sales and one-time funds, ongoing REET 1, General Fund.)

This long-range model – D20 - (2018-2039) has been updated several times to reflect changing revenues and expenditures.

1. **All major projects in the D-20 model are now complete as originally anticipated in 2018.** The following is a basic overview of the revenue and expenditures to date in the D-20 Model. The work outlined below includes all land acquisition costs (Justice Center, Fire Station 54, and Public Works Operations Campus) construction to date for Fire Stations 51 and 52, Justice Center and Public Works phase 1 (fleet and facilities); interim improvements on Minkler; and planning and test to fit associated with Public Works Phase2. In addition, the initial planning for the Teen and Senior Center was funded from unused budget leftover from the Justice Center and therefore funded from the D-20 model. The only remaining items are finishing the roof and siding updates for the Public Works Phase 1 and the final payment for the 2022 fire engine, which is expected in 2025.
2. **The D-20 Model accounted for all financial aspects of these projects.** Data incorporated two capital project funds, 305 and 306 as well as all debt service funds and other funds that contributed funding sources (general fund, 301, utility funds). Note, revenues are forecasted to be higher than expenditures due to financing costs.
3. **Other Changes.** Sales Tax Mitigation funds were significantly reduced from 2019 to 2020 due to the loss of ongoing Sales Tax Mitigation payments. Council adopted CARES funding for project costs associated with COVID supply chain delays and added Teen/Senior Center planning from unspent Justice Center budgeted funds. Additional general fund and utility fund payments were adopted in 2022 to continue the public safety plan efforts for the consolidated public works shop.
4. **Assuming a successful annexation vote to the Puget Sound Regional Fire Authority (PSRFA), capital acquisition responsibilities for future fire equipment and apparatus shift to PSRFA in 2025.** A portion of the proceeds from completed land sales (Travelers Choice and HealthPoint) and approved (still pending) George Long sale are currently budgeted to support remaining public safety plan financing requirements as well as Public Works Phases 1 and 2.
5. **Land Sales, originally contemplated in the D-20, are no longer required in their entirety.**
 - a. The updated D-20 model (December, 2022) removes future land sales.
 - b. Future City Council direction will be needed on use of land revenue (e.g. lease or sale) for capital facility planning.

D-20 MODEL FINANCIAL SNAPSHOT 2018-2022				
	Original	Updated	Updated	Updated
	June 2018	Dec 2019	Dec 2020	Dec 2022
EXPENDITURES				
Fund 305: Public Safety Plan	\$ 114,730,235	\$ 122,627,139	\$ 120,510,023	\$ 109,804,786
Justice Center	\$ 68,570,005	\$ 66,864,711	\$ 65,747,697	\$ 65,995,940
Fire Stations	\$ 30,334,435	\$ 39,936,632	\$ 38,936,530	\$ 37,791,730
Fire Equipment/Apparatus/Financing	\$ 15,825,796	\$ 15,825,796	\$ 15,825,796	\$ 6,017,117
Fund 306: City Facilities	\$ 30,000,000	\$ 35,700,000	\$ 36,200,000	\$ 43,150,491
PW Shops Phase I	\$30,000,000	\$35,700,000	\$35,700,000	\$36,405,462
Minkler Improvements			\$500,000	\$500,000
Teen/Senior Center				\$395,030
PW Operations Campus Phase 2				\$5,850,000
TOTAL	\$144,730,235	\$158,327,139	\$156,710,023	\$152,955,277
REVENUES				
Voted Bonds (UTGO)	\$ 77,385,000	\$ 77,997,026	\$ 77,997,026	\$ 77,997,026
Councilmanic Bonds (LTGO)	\$ 40,000,000	\$ 45,500,600	\$ 45,500,600	\$ 45,500,600
Fire Impact Fees (Tukwila South- FS 51)	\$ 4,750,000	\$ 4,750,000	\$ 4,750,000	\$ 4,750,000
Fire Impact Fee- ongoing	\$ 8,517,000	\$ 9,817,000	\$ 9,497,000	\$ 8,244,202
Fund 301 Transfer- REET Funds	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,500,000
Land Sales	\$ 15,038,000	\$ 13,053,090	\$ 13,518,000	\$ 3,014,845
REET 1 - Ongoing Support	\$ 12,813,091	\$ 12,813,091	\$ 12,852,409	\$ 11,000,000
Sales Tax Mitigation		\$ 4,017,425	\$ 665,909	\$ 665,909
Cares Act			\$ 300,000	\$ 497,247
Investment Earning	\$ 707,845	\$ 1,480,824	\$ 1,725,661	\$ 1,626,356
Project Contribution (TeenSenior)				\$ 600,000
Project Contribution (General Fund)	\$ 141,854	\$ 2,991,854	\$ 2,991,854	\$ 5,950,954
Project Contribution (Utility Fund)	\$ 141,854	\$ 3,791,854	\$ 4,291,854	\$ 7,791,854
TOTAL	\$ 162,494,644	\$ 179,212,764	\$ 177,090,313	\$ 171,138,993

Completing the Public Safety Plan – Design and Construction of Public Works Phase 2

The last remaining item in the Public Safety Plan is Public Works Phase 2 Operations Campus in order to move city operations from the Minkler Shops and the Longacres site. The City is still providing critical public works activities at the Minkler Shops under older, inefficient conditions. In addition, as part of the Public Safety Plan the City identified a goal to move all critical facilities out of flood-prone areas and the Minkler Shops is located directly behind a levee that has significant concerns. The Army Corps of Engineers has identified there is a risk of levee failure in the event of a high-water event or earthquake.

Public Works has moved from George Long into Public Works Phase 1. On November 1, 2023 the City takes ownership of the eastside of the property and the Council adopted a lease agreement until March 1, 2025 with the current tenant. The City Council authorized the “test-to-fit” work which developed design options for the entire combined public works site. The “test-to-fit” will provide the City better cost estimates for the final phase of the project.

In March 2023, the “test-to-fit” will be completed and the City Council will be briefed on cost estimates for the full buildout and completion of Public Works Phase 2. The City Council will be asked to move forward with the Public Works Phase 2 design. The 2023-2024 budget includes \$5.85 million for the City to complete the design work and permitting for Public Works Phase 2, with construction anticipated to begin in May of 2025.

II. Public Works Operations Campus, Phase 2 Financing

a. The Next D-20 Model, Public Works Campus Financial Model

The D-20 model was a successful tool the City Council approved to track all expenditures and revenues associated with the construction of the Public Safety Plan. A similar model focused on the Public Works Campus will need to be developed separately from the original D-20 model. The table below is a preliminary overview of the current construction estimates in 2023 dollars, cost escalation, and soft costs.

(\$ millions)	Construction Estimates		
2023 Estimates	Project Related (Soft) Cost	Construction Costs (2023 dollars)	Total:
Estimated Expenditures (2023 values):	\$ 29,352	\$ 46,835	\$ 76,187
January 2026 Escalation ¹¹ :	\$ 0	\$7,678	\$7,678
2026 Adjusted Totals:	\$29,352	\$ 54,513	\$ 83,865
	Sources of Funds		
	Project Related (Soft) Cost	Construction Costs (2023 dollars)	Total:
2023/2024 Adopted Budget			
Utility Funds:	\$ 3,000	N/A	\$ 3,000
Lease Revenue (eastern public works property):	\$ 980	N/A	\$ 980
306 Fund Balance:	\$ 1,964	N/A	\$ 1,964
Total:	\$ 5,944	N/A	\$ 5,944
2025/2026 CIP	Construction Phase (construction and soft costs merged)		
Utility Funds (Bond supported):		\$ 21,750	\$ 21,750
Councilmanic Bonds:		\$ 21,750	\$ 21,750
Lease Revenue (eastern public works parcel):		\$0	\$0
306 Fund Balance:		\$ 10,500	\$ 10,500

¹¹ January 2026 is the midpoint of construction. The current schedule has construction commencing on May 1, 2025.

Total:	\$ 54,000	\$ 54,000
Total Additional Funds Needed in 2026:		\$ 23,921
Possible Additional Sources of Revenue	<ul style="list-style-type: none"> • Enterprise Funds²: Councilmanic Bonds (General Fund) • Land Sales Revenue (One Time) • Land Lease Revenue (Ongoing, support debt service) • Sales Tax Credit Back to Project (One Time) • Permit Fee Credit Back to Project (One Time) • Grants (One-Time): Federal and/or State Appropriations • Decant Facility Capital Contribution (Ongoing or onetime) • REET Funds 	

b. Bond Capacity

Information to be added.

c. Construction Delay Costs

Construction is currently anticipated to begin on May 1, 2025, shortly after the existing tenant's lease expires. Current estimates are that for every month in delay the project's construction costs would increase approximately \$300,000 per month.

d. Phasing of the Project

A question came up at the February 27 Finance and Governance Committee meeting regarding a previously discussed phase 3 of the project. This comment seemed to be related to cost management and reducing the scope of the current project.

In 2019 the City Council authorized SHKS Architects to do site design planning for the public works shop site. A copy of the conceptual site design planning, including a three-phased total project is shown in the attachment provided. That proposed phasing would have resulted in the City demolishing and moving out of the Fleet and Facilities building. However, the City Council directed staff not to pursue the three phase plan and to instead plan around the Fleet and Facilities building remaining in its current location. The City Council also provided additional funds to improve the seismic status of the building to be one that can be useable after an earthquake.

Staff has taken this direction from Council and the project does not currently include a third phase and assumes the Fleet and Facility building will remain for the useful life of the building. Staff is working with the SOJ and Miller Hayashi to understand what, if any possible staging might be possible to the current Phase 2 program. However, most of the significant cost items will need to be completed early in the project. There might be some initial cost deferrals for the delaying construction of the proposed decant facility, but these would be cost deferrals and could result in added costs since construction costs would likely continue to rise.

² Upon completion of the project, the city will true up all costs associated with Public Works Operation's Campus.

III. List of City Facilities

Name	Year Built	Seismic Risk	Risk Assessment	Estimated Value	Recent Improvements	Can be surplus?	Other?
			<i>Information to be added.</i>				

IV. Monetization of Surplus City Properties

The City has been exploring possible ways to monetize (sale or lease) several city properties that could be surplus.

Property Name	Status	Estimated Value
Travelers Choice (already sold)	<i>Information to be added.</i>	<i>Information to be added.</i>
HealthPoint (already sold)	<i>Information to be added.</i>	<i>Information to be added.</i>
George Long (proceeds currently dedicated. ½ to repay debt service and ½ for PW Shops soft costs)	<i>Information to be added.</i>	<i>Information to be added.</i>
Newporter	<i>Information to be added.</i>	<i>Information to be added.</i>
Old Fire Station 51	<i>Information to be added.</i>	<i>Information to be added.</i>
Old Fire Station 52 (one parcel that includes old city hall and Hazelnut Park; deed restricted; can't be sold. Would revert back to the Tukwila School District if not in community use).	<i>Information to be added.</i>	<i>Information to be added.</i>
Old Fire Station 53 (Allentown)	<i>Information to be added.</i>	<i>Information to be added.</i>
Longacres	<i>Information to be added.</i>	<i>Information to be added.</i>

6300 Building	<i>Information to be added.</i>	<i>Information to be added.</i>
Minkler Shops	<i>Information to be added.</i>	<i>Information to be added.</i>

V. Intergenerational (Teen/Senior) Center Update

Information to be added.

VI. Minkler Shops and Levee Issues

Information to be added.

VII. Public Works Phase 2 Specific Questions

- a. Can Public Works Phase 2 Be Done in Stages?
- b. Can spoils be located somewhere else doing design and construction phase?
- c. Other

DISCUSSION

Information to be added.

FINANCIAL IMPACT

Information to be added.

RECOMMENDATION

This is intended to be a dynamic memo to be updated throughout spring to present a comprehensive report to the full City Council.

ATTACHMENTS

- SHKS Architects Phasing Outline