

IBA Review of the FY 2018-2022 Five-Year Capital Infrastructure Planning Outlook

IBA Report 17-05

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Independent Budget Analyst



Review of the FY 2018-2022 CIP Outlook

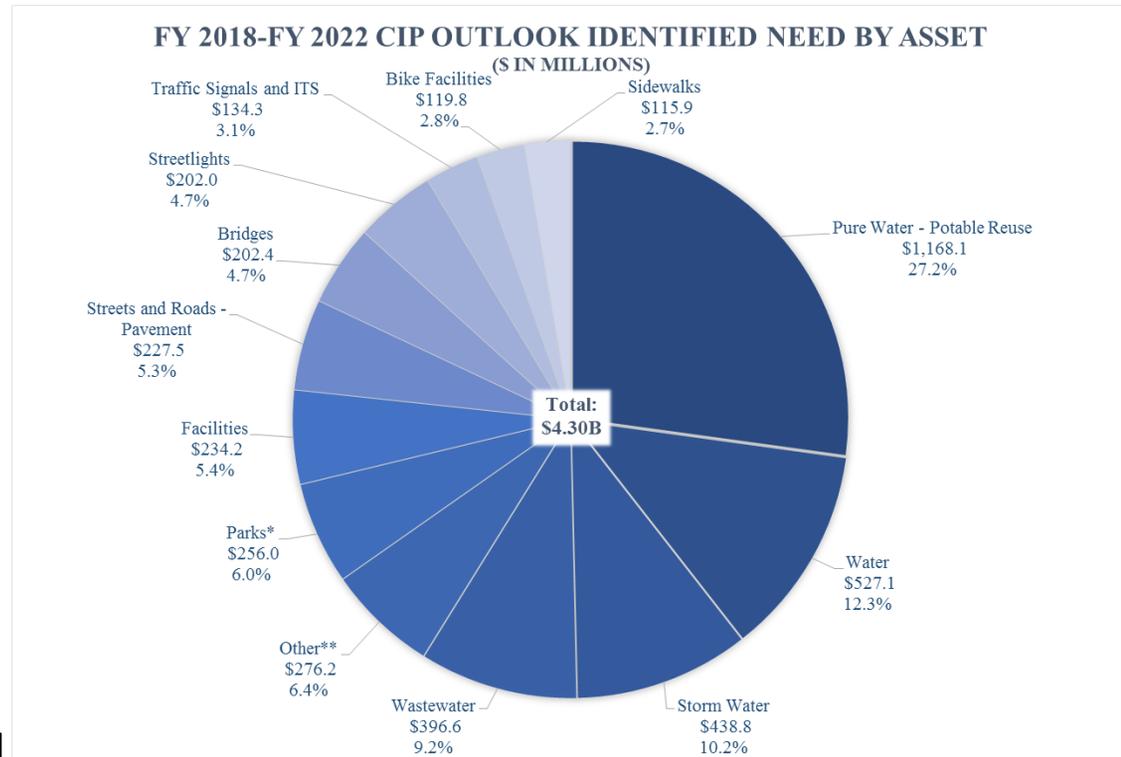
- Our report was released on February 9th. It provides:
 - A high level overview of the CIP Outlook:
 - Funding Needs, Sources, and Gap
 - Highlights of Specific Asset-Classes
 - A discussion of additional key factors that could impact future CIP Outlooks
 - I AM Program Implementation, Community Input Processes, Potential Future Needs and Resources
- Additional Considerations
 - Monitoring CIP Progress
 - Council Input in Financing and CIP Priorities

Overview of CIP Outlook

- This is the 3rd Annual CIP Outlook Public Works has produced.
- CIP Outlook includes projections of capital needs over a five-year period for 23 different asset classes.
 - Total Needs in Outlook are \$4.30 Billion
- CIP Outlook includes projections of funding sources for those needs over the five-year period.
 - Total Funding Available in Outlook is \$3.03 Billion
- Both Capital Needs and Available Funding have increased from last year's Outlook.
 - FY 2018-22 CIP Outlook shows a funding gap of \$1.27 Billion

Overview of CIP Outlook - Needs

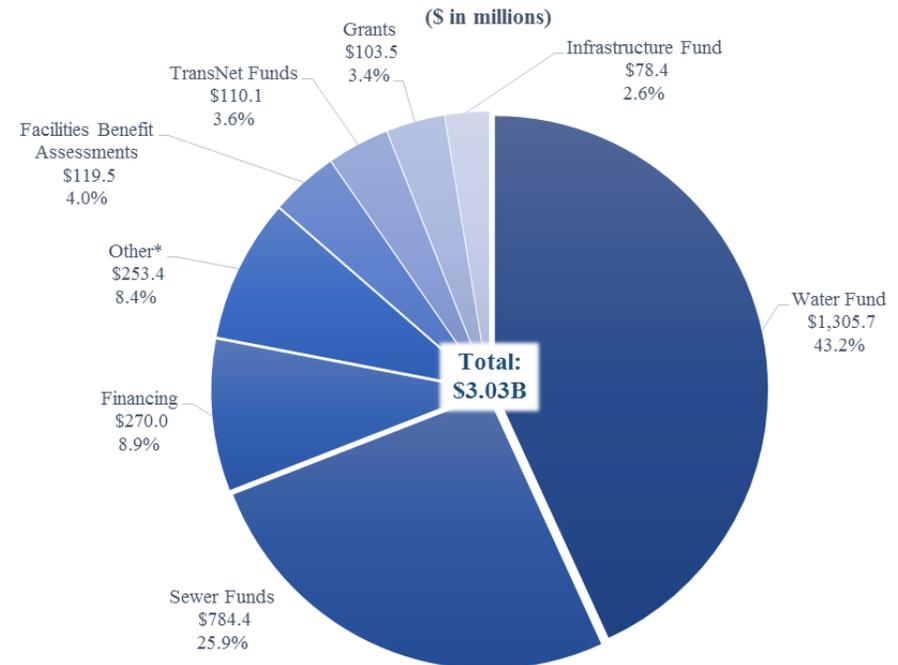
- Total Needs in Outlook are \$4.30 Billion
 - Over half of needs (\$2.20 Billion) are for Non-General Fund assets
 - Most of these needs (\$2.09 Billion) are for Public Utilities
 - Needs of General-Fund supported assets are \$2.09 billion.



Overview of CIP Outlook - Funding

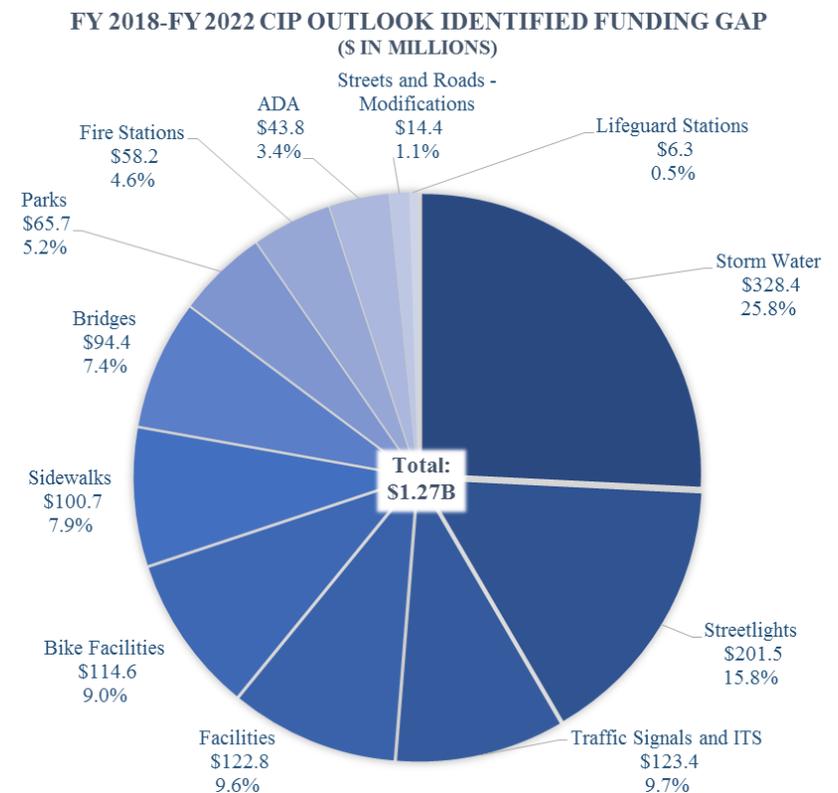
- Total Funding available is \$3.03 Billion.
 - \$2.09 billion comes from PUD Enterprise Fund Revenue.
 - Many other sources (TransNet, FBA Fees, Grants, etc) have restrictions on uses.
 - \$270.0 million in Financing is from the next three anticipated DC Bonds

FY 2018-FY2022 CIP OUTLOOK TOTAL PROJECTED FUNDING
BY SOURCE



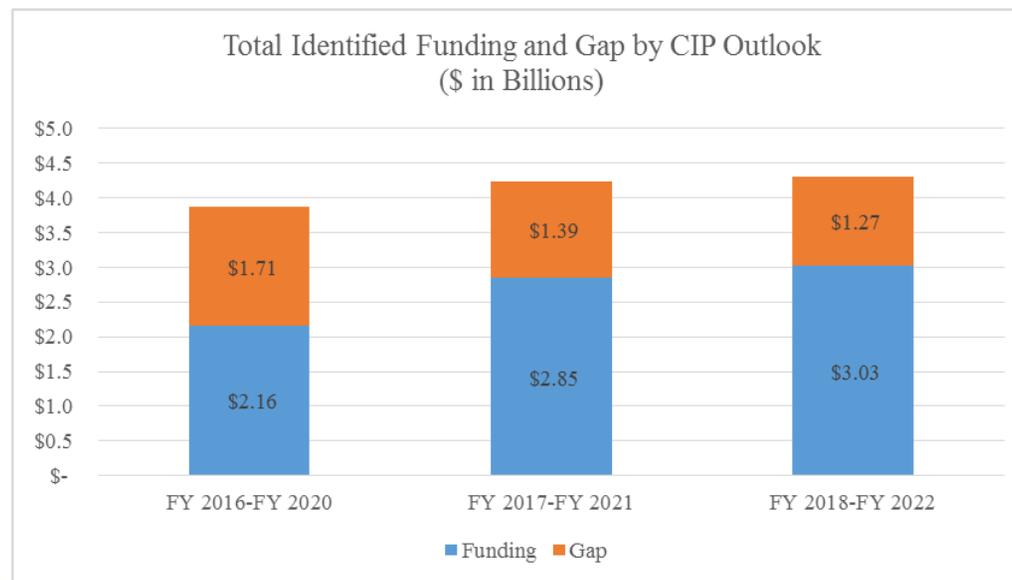
Overview of CIP Outlook – Funding Gap

- This leaves a Funding Gap of \$1.27 Billion
 - The Funding Gap exists almost entirely in General-Fund supported asset classes.
 - Most significant funding gaps are for Storm Water (\$328.4 million), Streetlights (\$201.5 million), and Traffic Signals (\$123.4 million)



Overview of CIP Outlook – Funding Gap

- The \$1.27 Billion gap is lower than the gap in the last two CIP Outlooks.
- The decrease in the gap is due to increases in available revenues, not decreases in needs. Needs have also grown over the past two CIP Outlooks.



Overview of CIP Outlook – Additional Notes

- Facilities Needs in CIP Outlook (\$234.2 million) are based on staff capacity, and not actual facility needs/service levels.
 - Recently completed facilities condition assessments show a total need of \$829 million.
- Repairs for existing facilities among all asset-owning departments are included in ‘Facilities’ section of CIP Outlook, not department sections.
 - Asset-Owning Department sections of needs only reflect needs for *new* facilities.
- CIP Outlook assumes \$270 million in future DC bonds/Commercial Paper will be split among street repaving (46.8%), facilities (26.6%) and storm water needs (26.6%).
 - Actual allocations of future DC bonds/Commercial Paper will require Council Input.

Potential Impacts on Future Outlooks

- **Additional Community Input**
 - Before next year's CIP Outlook, Public Works plans to engage Community Planner's Committee to receive additional input and community infrastructure priorities.
- **I AM Project**
 - I AM Project will be go live in early FY 2018, and enhance infrastructure planning and project coordination and schedules.
- **Department Asset Management Plans**
 - Plans will address long-term facility needs for Police, Fire-Rescue, Library, Parks & Recreation, Fleet, and Public Works, and will impact CIP Outlook needs.
- **New Needs and Revenues**
 - Mayor's Proposal for increased TOT revenue to pay for Convention Center Expansion, Streets, and Homeless Programs.
- **Potentially Shifting Capital Priorities**
 - In lean budget years, capital projects that do not increase operating costs may take priority.

Council Input on CIP Priorities

- Council continues to have an important roles in monitoring CIP progress and setting CIP priorities.
 - Monitoring Progress through reviewing condition assessments, service level standards, and performance measures.
- Council provides input on developing list of expenditures for future DC Bonds and Commercial Paper.
 - Commercial Paper borrowing program will come to Council later in 2017, after existing funds are exhausted.
- Council provides capital priorities in response to call-memos for DIF, TransNet, and CDBG funds.
- Council holds hearings on the CIP during the budget process, and approves the City's annual budget, which includes the City's CIP Budget.

Conclusion/Recommendations

- The CIP Outlook is a valuable tool, and serves as a guide that helps the City make decisions regarding its capital needs and priorities.
- Our report includes 5 recommendations:
 - Future CIP Outlooks should include the total capital needs for Facilities based on adopted service levels over their five-year periods, instead of only the work staff has the capacity to complete.
 - The process for including Council input in funding priorities for future DC Bonds and Commercial Paper issuances should be clarified
 - Council should receive an update when appropriate regarding the impacts to the CIP Outlook of the Mayor's proposal to increase TOT for Convention Center Expansion, Street Repaving, and Homeless Services.
 - Future CIP Outlooks should consider including initial year operating costs of new facilities that come on line to help Council identify which capital expenses lead to on-going long-term expenses.
 - Council should continue to be involved in setting service level standards for infrastructure beyond those service levels set for streets and facilities.