

City of Vancouver

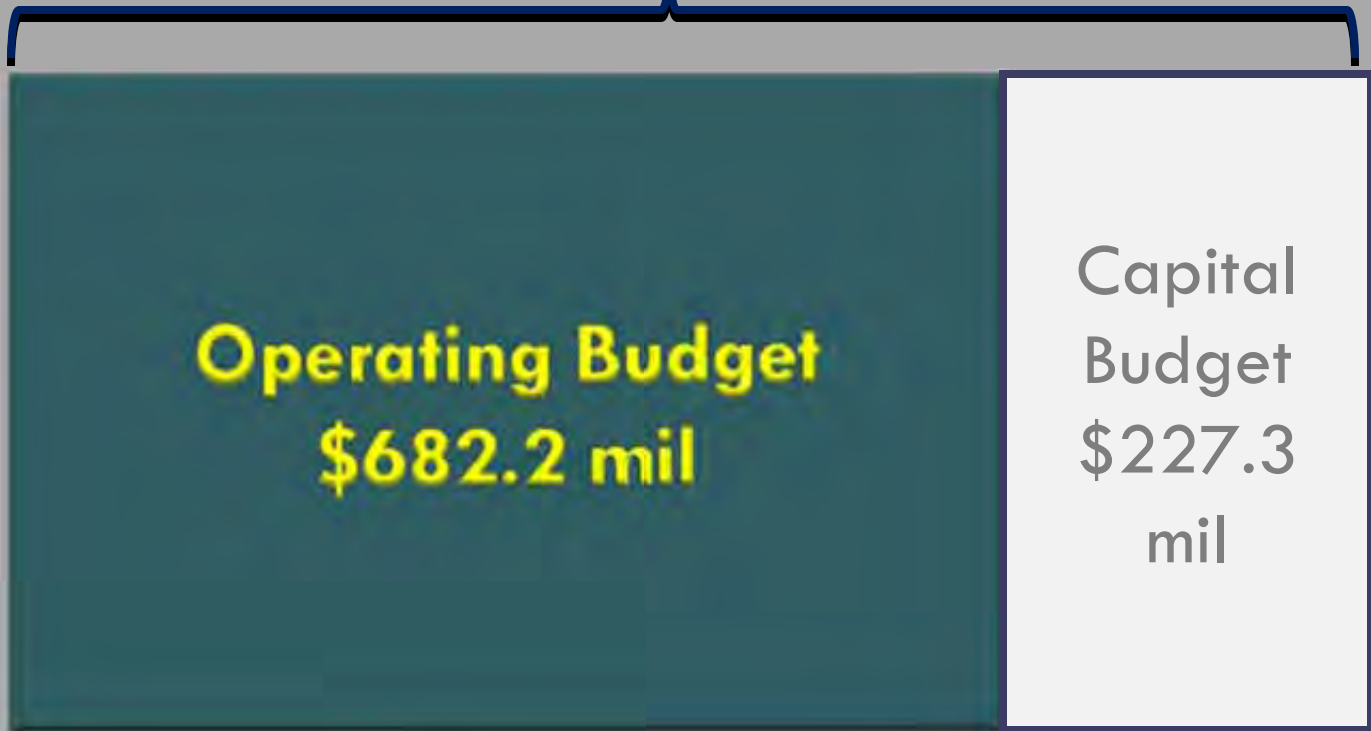
CAPITAL

**Council Retreat
April 30, 2010**

Agenda

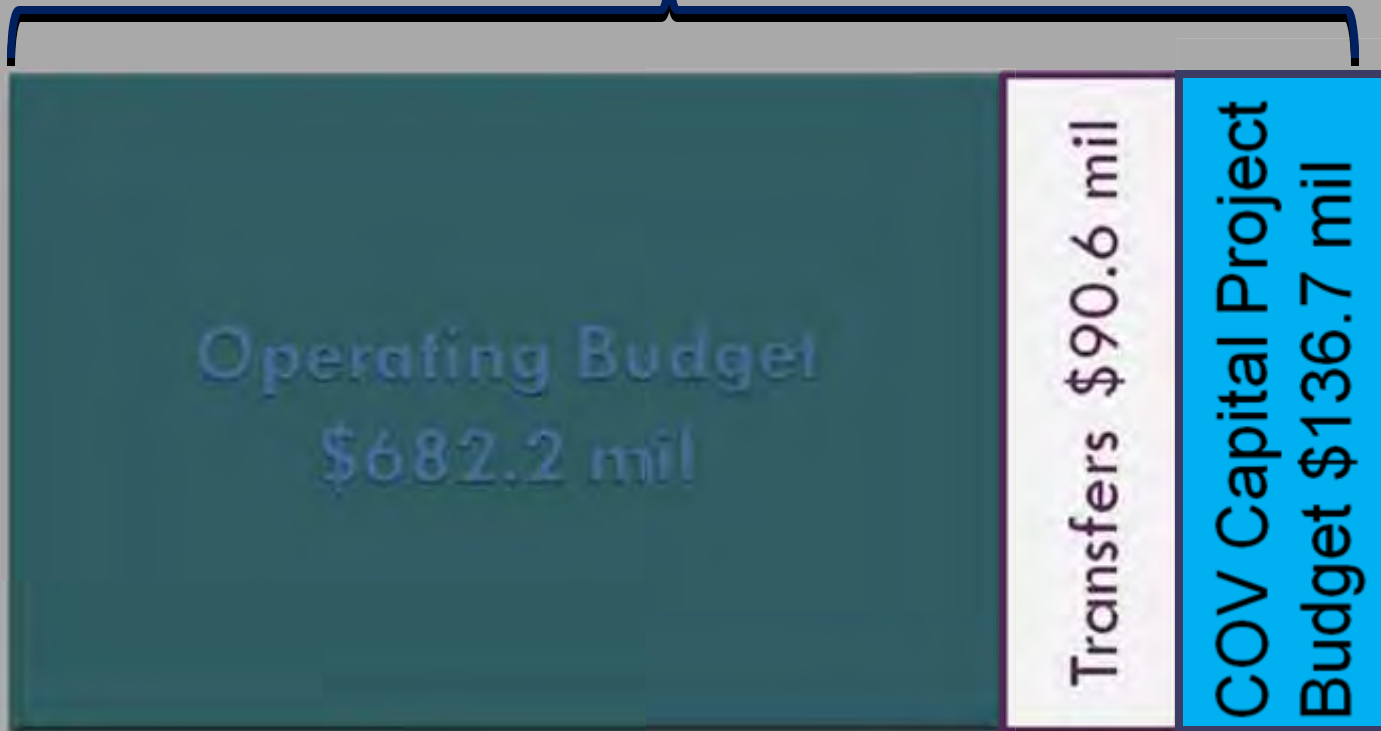
- ⦿ Overview of the COV Capital Budget
- ⦿ Highlights of Capital Budget by Function
 - Utilities
 - Parks
 - Transportation
 - General
- ⦿ Funding Sources, Funding History
- ⦿ Developing Issues
- ⦿ Funding Options

Total City of Vancouver 2009-10 Budget Appropriation \$909.5 million



- Transportation, Parks, Utilities and General Capital Projects Budget
- Funding transfers from funding sources: Special funds (PIF, TIF), operating Utility funds and bonds

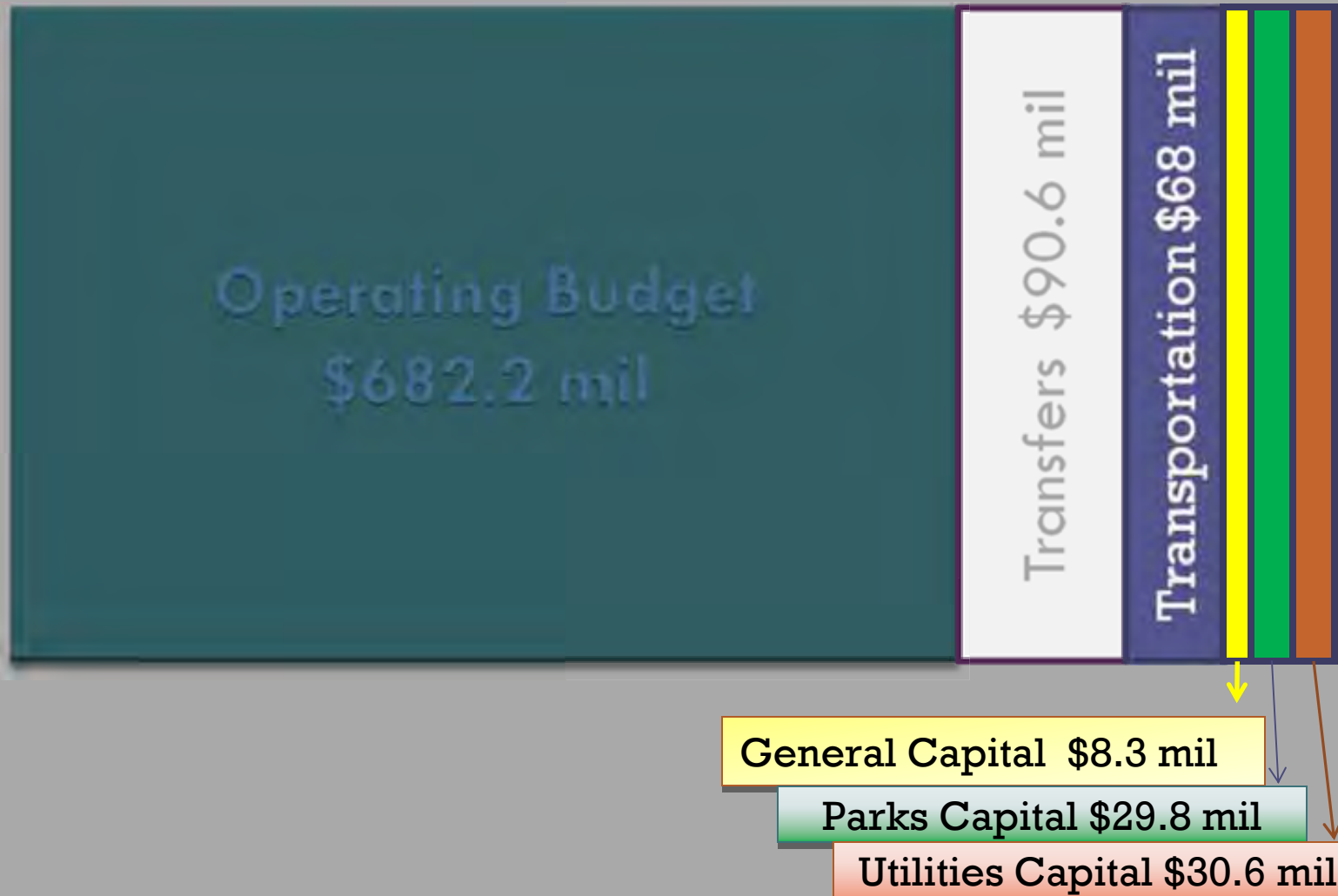
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•Funding Transfers from PIF, TIF, Operating Utilities, Bond funds

Transportation, Utilities, General Capital, Parks Capital

Total City of Vancouver 2009-10 Budget Appropriation \$909.5 million



**Total City of Vancouver 2009-10 Budget Appropriation
\$909.5 million**



Utilities Capital \$30.6 mil

Utilities Capital: Funding Sources

- ◎ Cash
- ◎ Bond dollars (funded through rates on city-owned utilities) and SDCs
- ◎ System Development Charges (dependent on the economy)
- ◎ Loan repayment (SCIP)

Utilities Capital: 2009-2010 Budget

\$30.6 mil

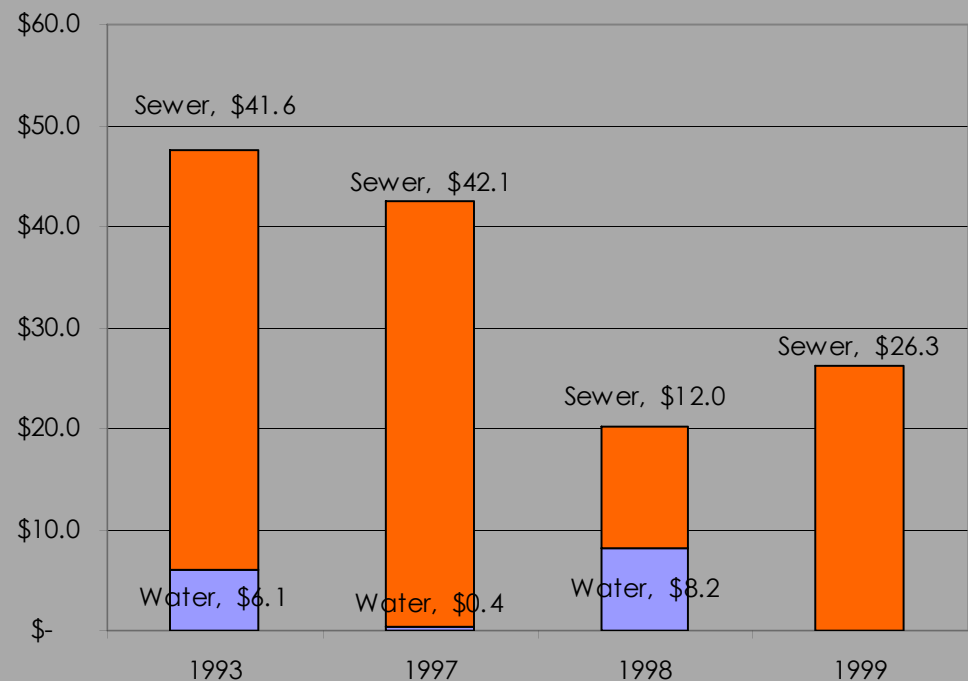
- ◎ **Water Capital** **\$19.7 mil**
 - Water Station 9 improvements \$1.7 mil
 - Ellsworth Water Station \$1.5 mil
 - 97/98th Ave Transmission Main \$1.5 mil
 - SCIP \$7 mil
- ◎ **Sewer Capital** **\$8.6 mil**
 - Industrial Pretreatment Lagoon \$3.1 mil
 - Grant sewer relocation \$1.4 mil
- ◎ **Drainage Capital** **\$3.7 mil**
 - BBC Greenway expansion \$1.1 mil

Utilities Capital: \$136.7 mil in Revenue Bonds, Original Issue

Revenue Bonds: 1993-Present, Original Issue Amount
(Dollars in millions)



Bond Issues: City Utilities by Area
(Dollars in millions)



Utilities Capital: Projects Constructed

⦿ Major Projects Funded with Revenue Bonds:

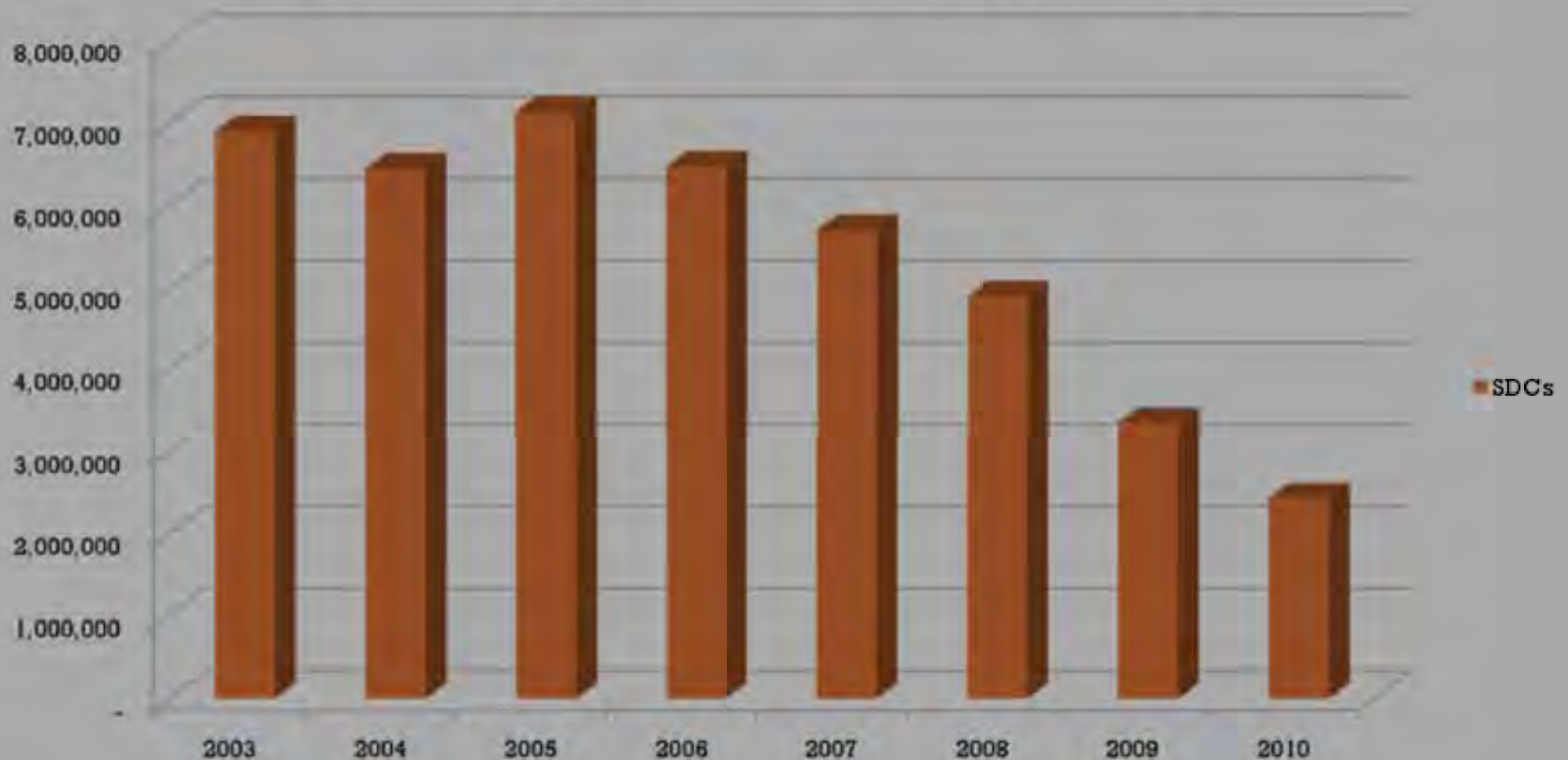
- Westside Treatment Plant \$43.2 mil
- Marine Park Water Reclamation Fac. \$62 mil
- Water Resources Center \$4.6 mil
- General sewer and water infrastructure replacement

⦿ Annual Debt Service \$14.1 mil/year (is built into the rate)

- SDCs (sewer)
- Fee revenue (sewer and water)

System Development Charges

Systems Development Charges: History



Utilities Capital

○ Issues:

- Aging Infrastructure
- The number of new connections is declining
- Needs to be funded on an as-you go basis through the rates

Utilities Capital Needs 2011-16

- ◉ **Water Capital** **\$55.8 mil**
 - **SCIP** **\$16.5 mil**
 - **Preservation and Maintenance of the current infrastructure** **\$39.3 mil**
- ◉ **Sewer Capital** **\$12.6 mil**
 - **Wastewater Treatment** **\$9.9 mil**
 - **Wastewater Collection** **\$2.7 mil**
- ◉ **Surface Water Management** **\$3.2 mil**

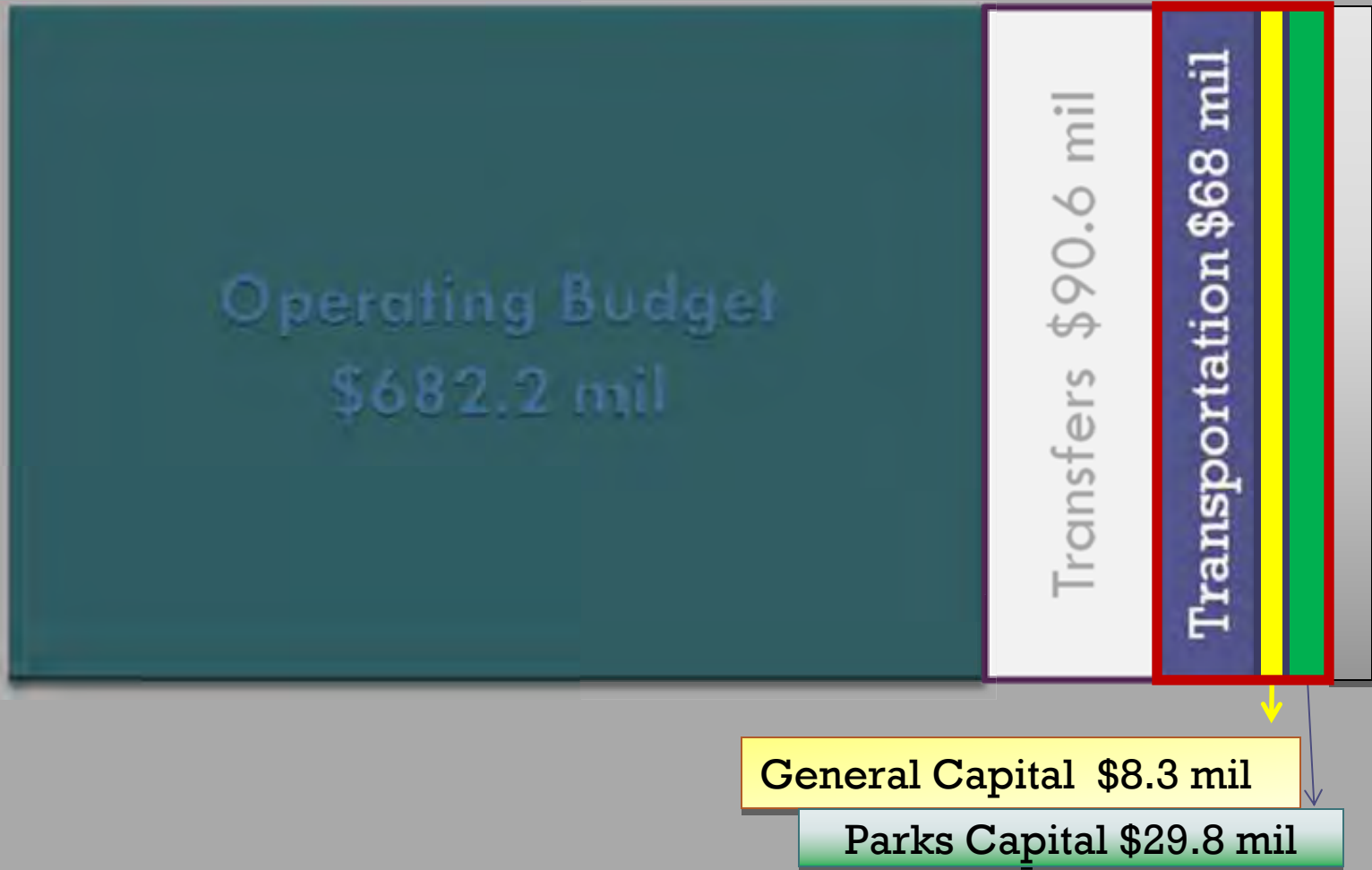
Utilities Capital Funding

◎ Recommendation:

- Fund on an as-you go basis primarily through the appropriately set rates

◎ **UTILITIES CAPITAL IS NOT FUNDED BY THE GENERAL CAPITAL, BUT IS FUNDED THROUGH THE UTILITY RATES OR REVENUE BONDS**

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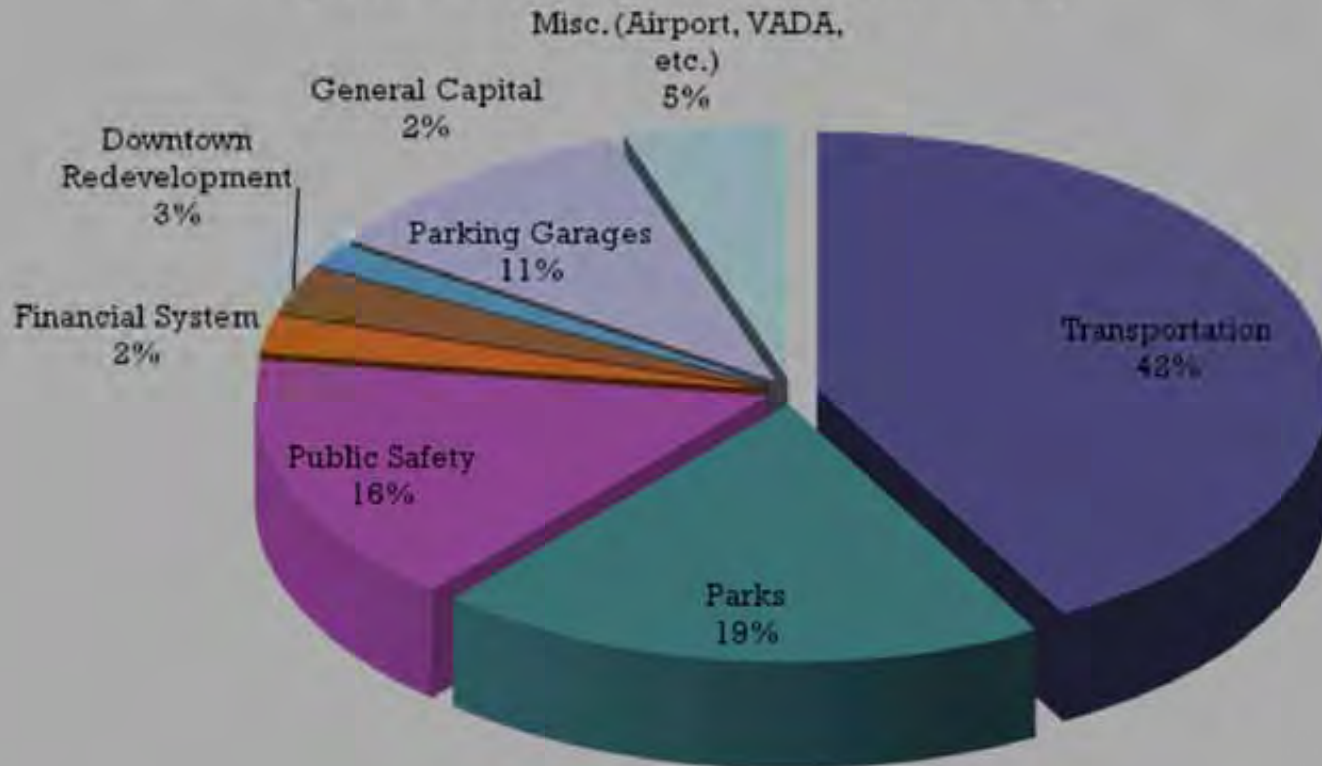


General Sources of Capital Funding

- ◎ Cash
- ◎ Impact Fees
- ◎ Bonds (debt service – funding source needs to be clearly identified)
- ◎ Grants
- ◎ Real Estate Excise Tax (REET)

City of Vancouver GO Debt 1993-2009

**City of Vancouver GO Bonds 1993- 2009 \$149.9 mil
(Outstanding amount ~ \$120 mil)**



Debt Service Sources: General Fund, REET 1, Motor Vehicle Fuel Tax, Business License Surcharge

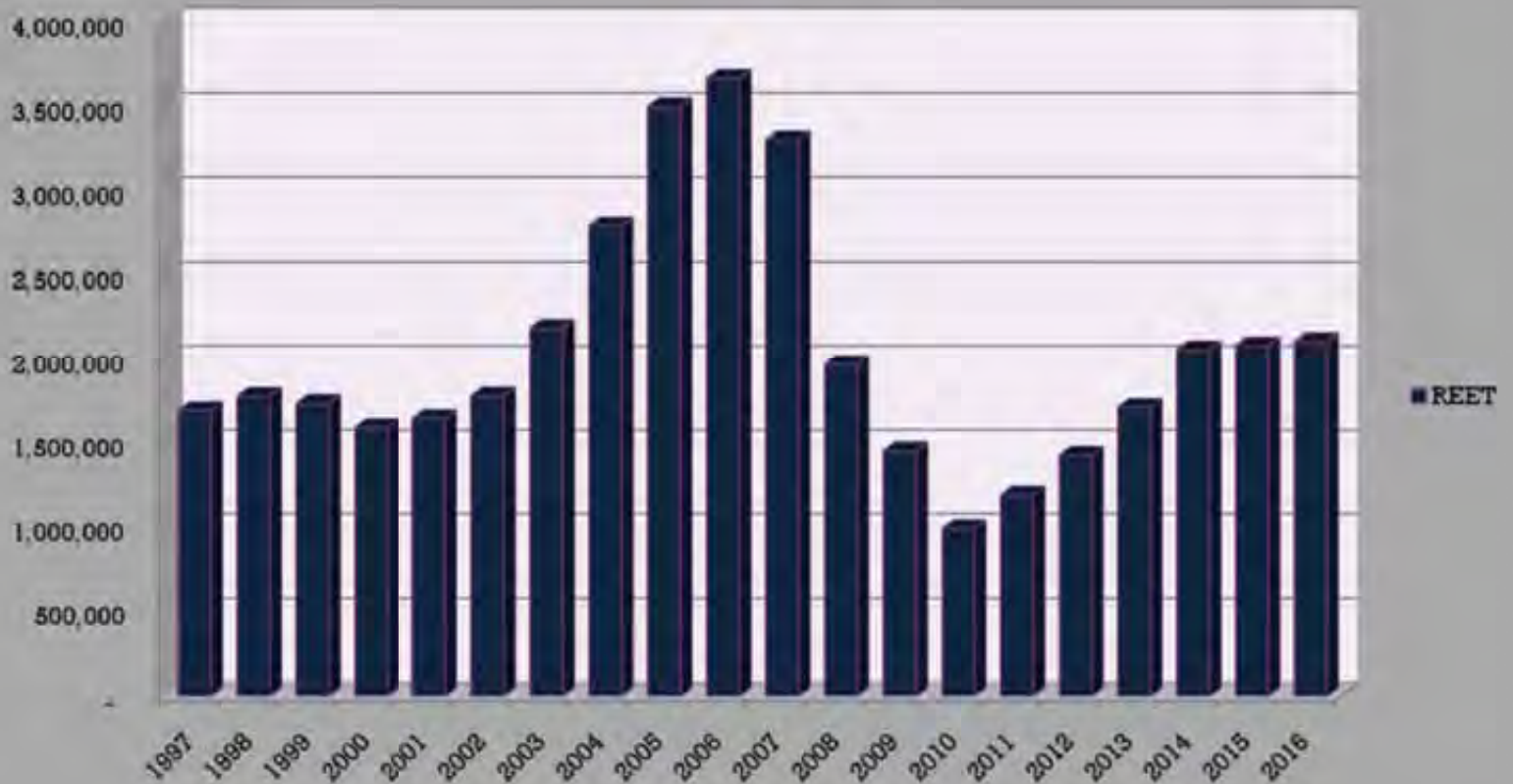
Real Estate Excise Tax (REET)

○ Real Estate Excise Tax (REET)

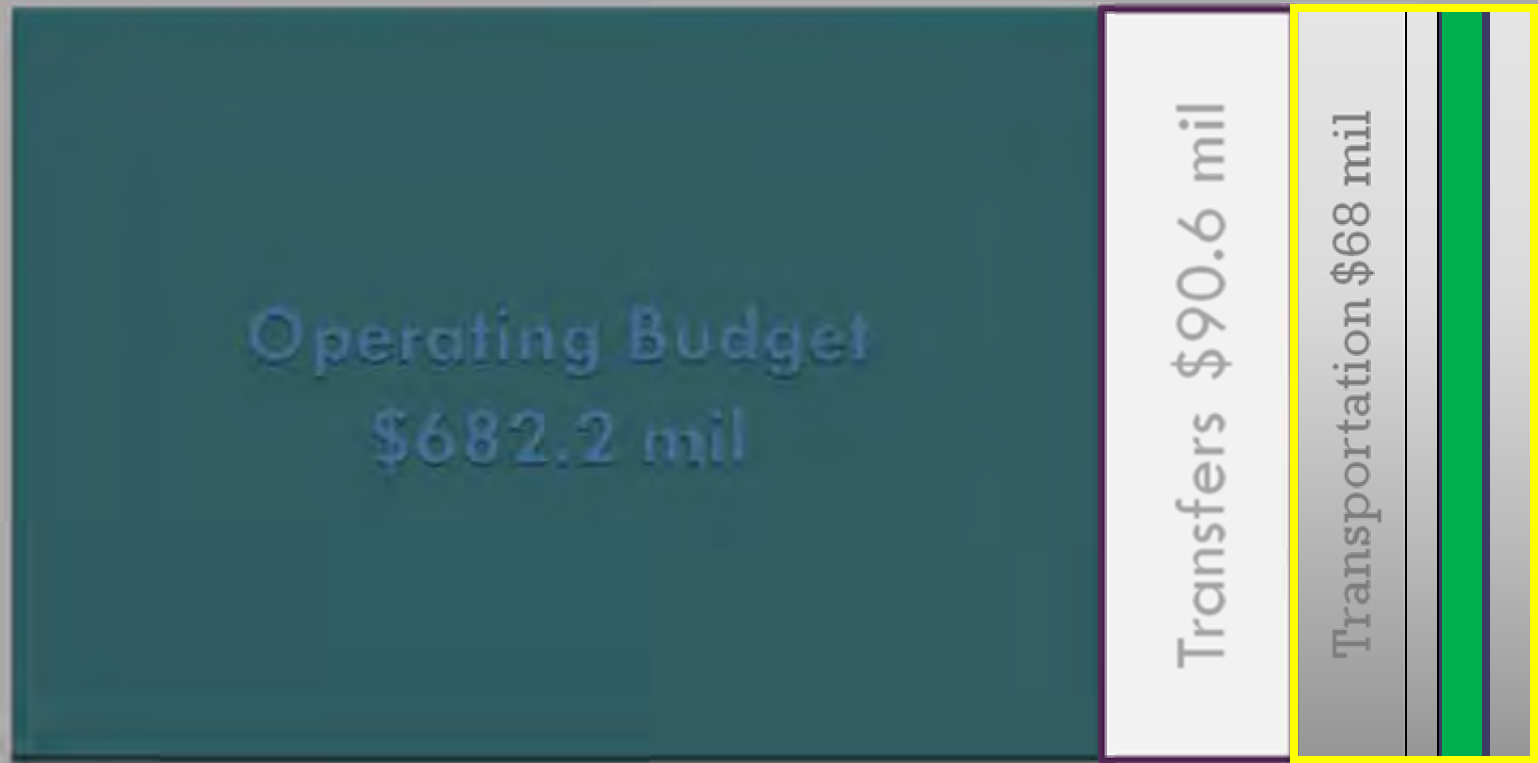
- Two 0.25% tax paid by the seller in property transactions (residential, commercial, industrial, raw land)
- **CITY REET I** (First 0.25 of 1% of the sales price)
 - NTSA - 6% (\$0.13 mil. max)
 - Debt Service - 68% FCC & MCC (\$1.5 mil.)
 - Waterfront- 20% (\$0.45 mil max)
 - Parks- Remaining up to \$250K max
- **CITY REET II** (Second 0.25 of 1% of the sales price)
 - Transportation (Pavement Management) - 100%

REET: History and Forecast

Real Estate Excise Tax: History and Forecast



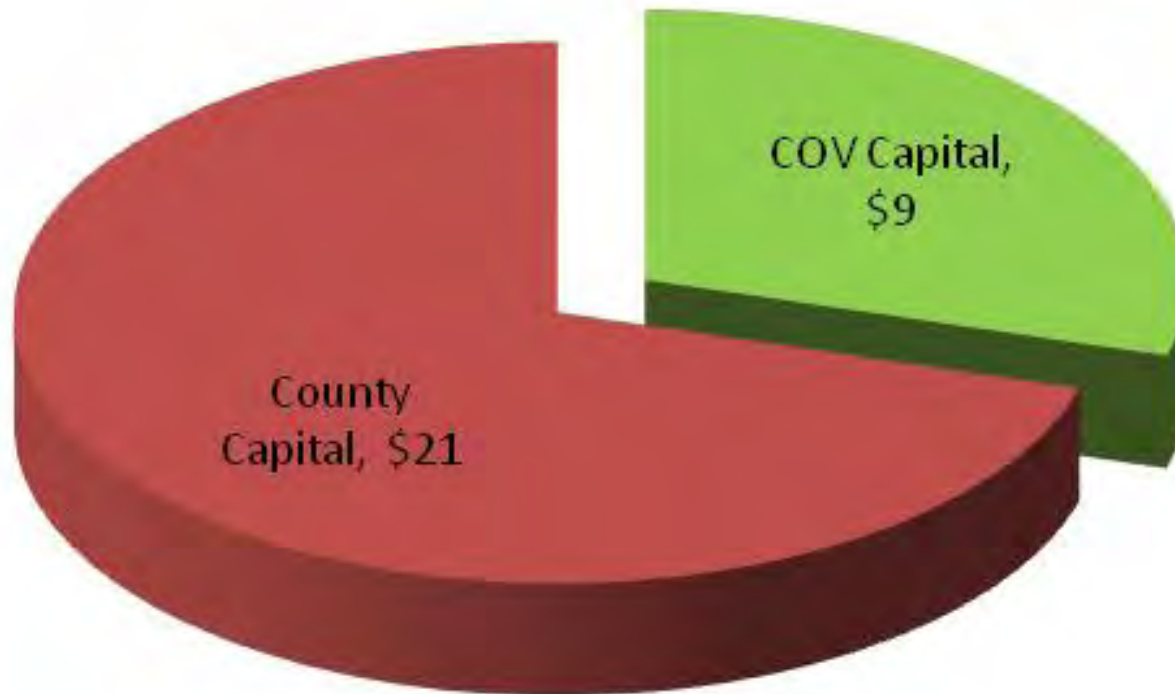
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Parks Capital \$29.8 mil

Parks Capital: 2009-10 Budget

\$29.8 million



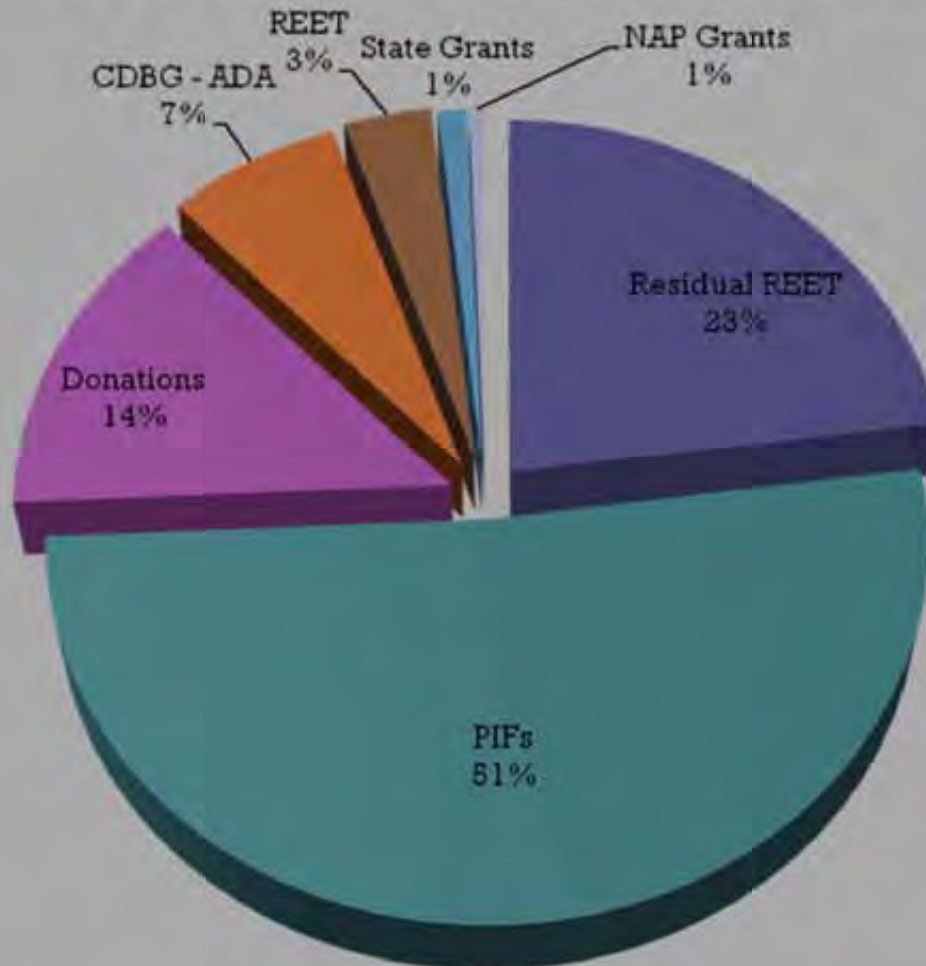
Note: Dollars are in millions

COV Parks Capital: Funding Sources

- ◎ Parks Impact Fees
 - Acquisition
 - Development
- ◎ Residual REET – remaining cash \$0.5 mil
- ◎ CDBG grant (\$0.3 mil, every other year for ADA-related modifications)
- ◎ State Grants
- ◎ Bonds (supported by REET 1): \$21.2 mil for Firstenburg CC and \$8.6 mil for Marshal CC remodel

COV Parks Capital: Funding Sources

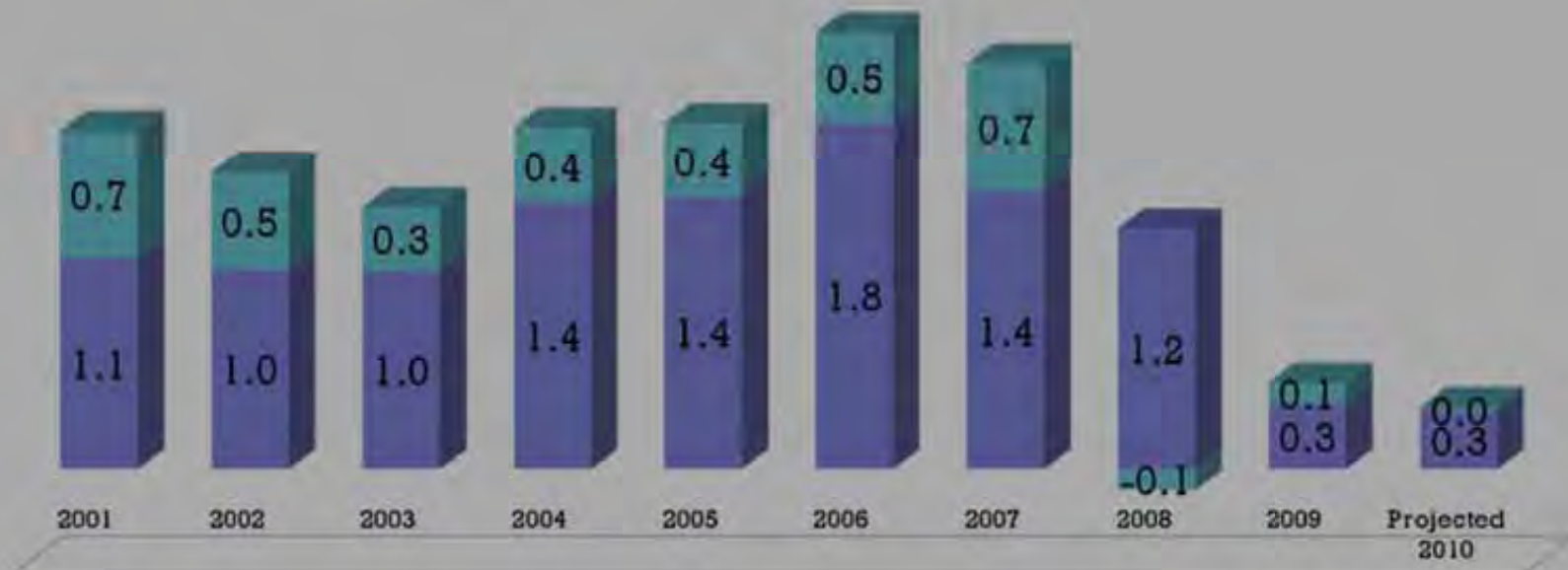
Current Funding of COV Capital Program \$9 million



Parks: PIFs

Parks Impact Fee Collections 2001-2010

■ PIF Acquisitions ■ PIF Development



- Limitations: have to be spent within 6 yrs from collection within the district collected
- Current policies require local match currently use residual REET

Parks Capital: Issues for 2011- future

- Have some dollars to acquire land, but minimal to develop and maintain
- Residual REET is largely spent (\$0.5 m balance at the end of 2010)
- Donations are specific and non-reliable
- REET 1 is below expectations – not sufficient to provide additional funding in the nearest future
- Additional issue to consider:
 - GF currently provides support for existing parks – no capacity to maintain/expand

Parks Capital: Funding Need

- ◉ **To maintain current park Comp. Plan standards** **\$60.5 mil**
 - Neighborhood, community and regional park land acquisition **\$23.5 mil**
 - Development dollars **\$37 mil**

(Estimated \$6.6 mil/year funding gap in local funding to support the program above, or \$40 mil in total)
- ◉ **Available estimated cash at the end of 2010**
 - Acquisition \$8 mil (split between six city districts)
 - Development \$0.6 mil (split b/w districts)

Parks Capital: Potential Funding

◎ TWO MAJOR OPTIONS

- Voted funding options presented by formation of an MPD, or other special purpose districts
- General Voted Bonds
- Levy Lid Lift

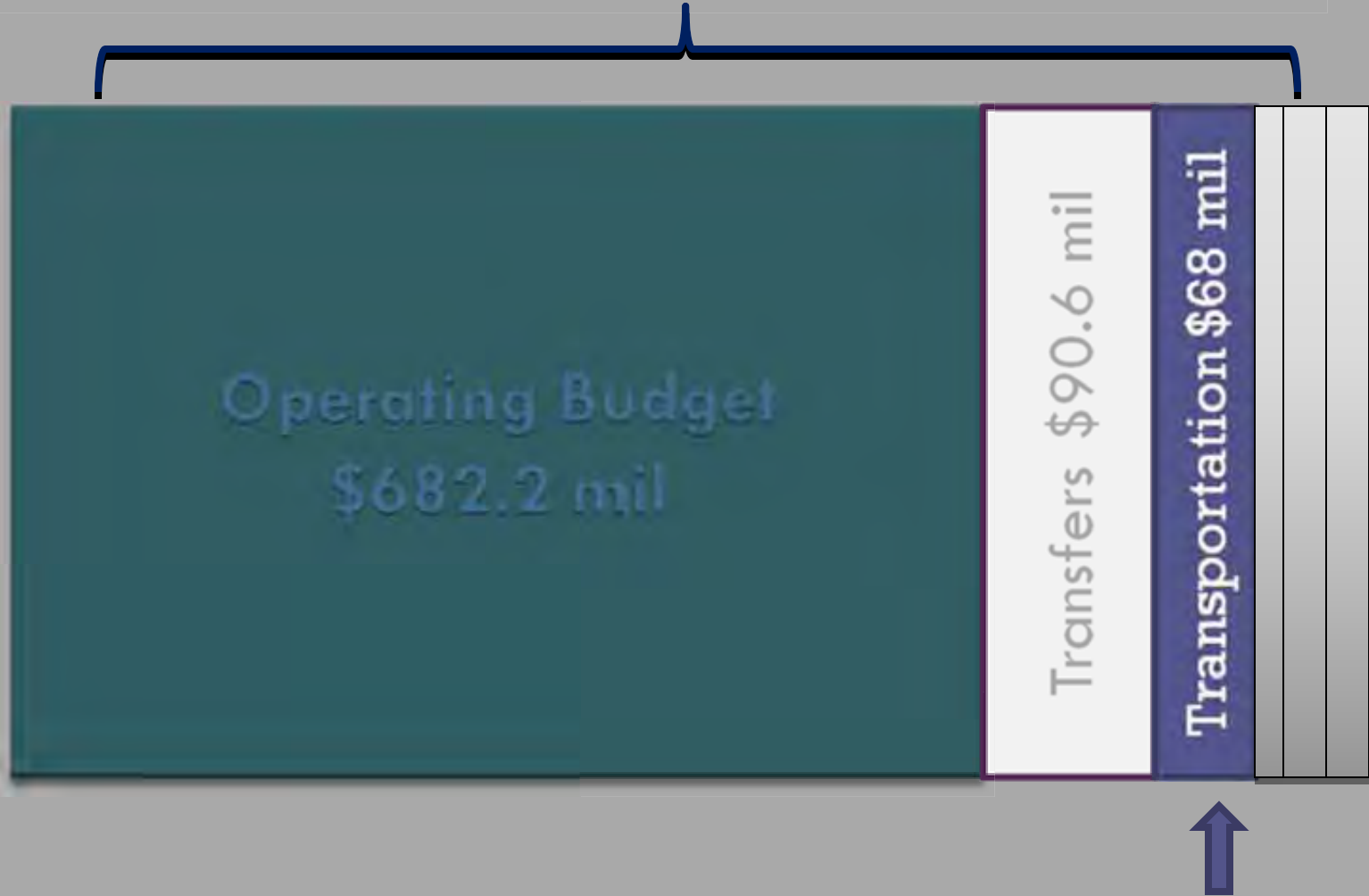
Parks Capital Program Issues

◎ **LACK OF SUFFICIENT RESOURCES TO COMPLY WITH CITY PARKS CAPITAL STANDARDS**

- City REET
 - Significant declining revenue
 - No new revenue for parks and recreation capital
 - **No new parks projected after 2009**
 - **Insufficient REET to meet debt service on Firstenburg and Marshall in 2011-2013**
- PIFs
 - Significant declining revenue
 - Aggressive acquisition program underway
 - **Approaching zero balance for park development**
 - **No local match**
- Grants
 - Increasingly competitive Statewide
 - Reduced appropriations
 - Concerns regarding unprecedented Legislative actions
 - **No local match dollars**

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Transportation Capital: Funding Sources

◎ Bonds

- Supported by the General Fund
- Supported by the Business License Surcharge
- Supported by the Motor Vehicle Fuel Tax

◎ State and Federal Grants

◎ Transportation Impact Fees

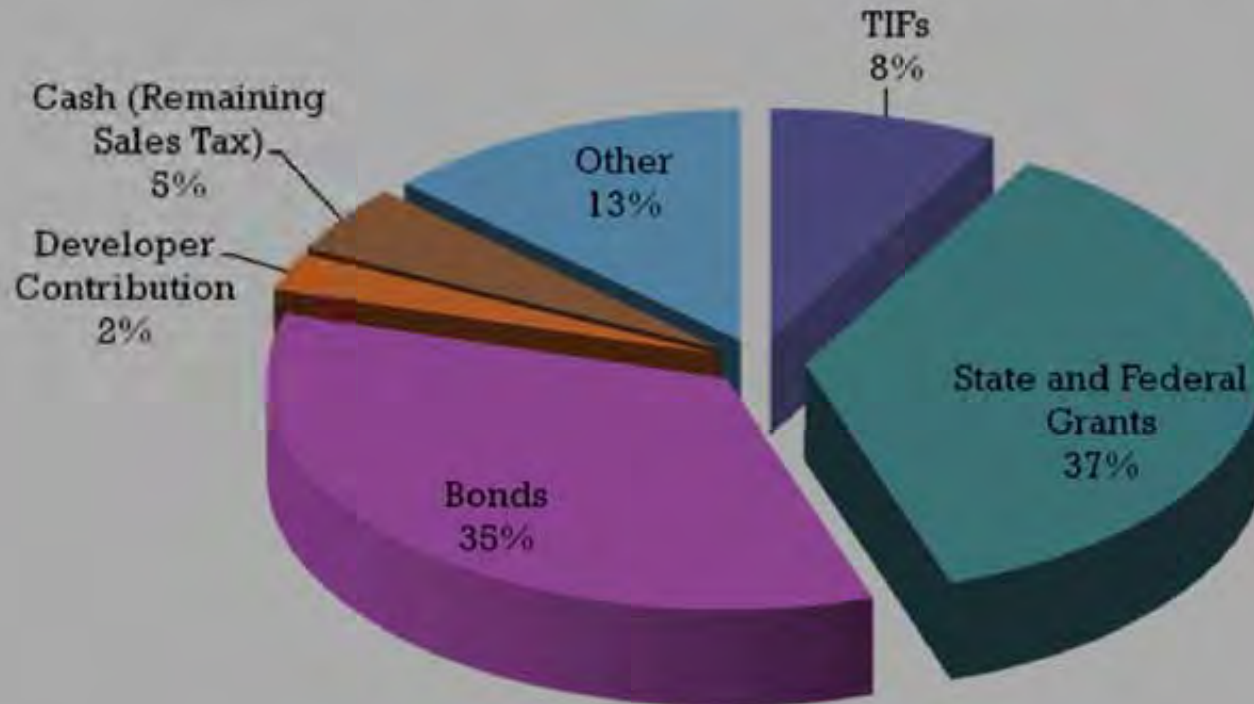
◎ REET (NTSA program)

◎ CDBG

◎ Developers Contributions

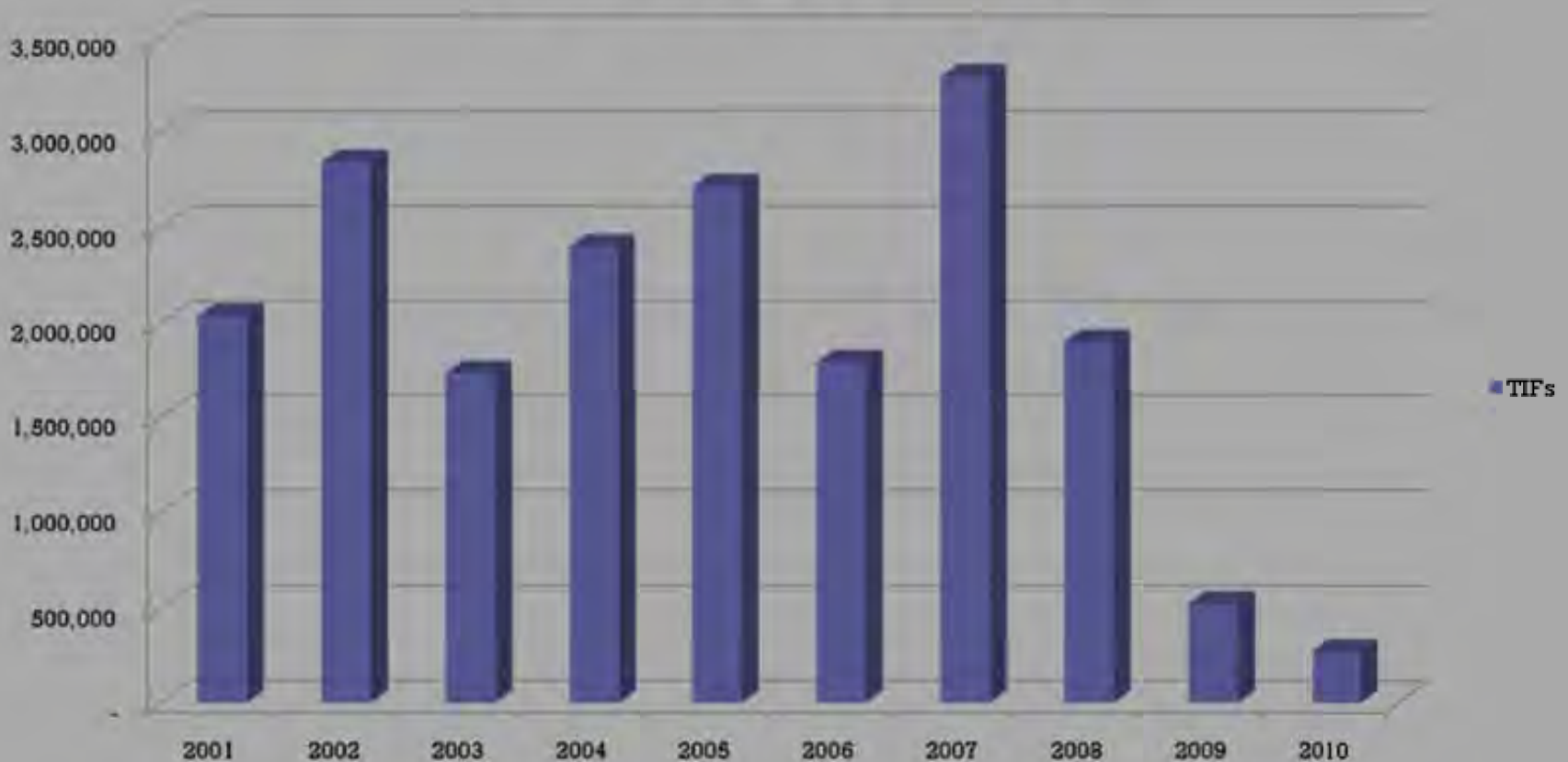
Transportation Funding

2009-10 Transportation Capital Funding



Traffic Impact Fees History

Traffic Impact Fees History



Major Transportation Capital Projects in the 2009-10

- ◉ Waterfront Access \$21.1 mil
- ◉ 138th Ave 28th to 49th \$14 mil
- ◉ 18th St. I-205 to 138th Ave \$9.6 mil
- ◉ 164th St. \$3 mil

Transportation Funding: Issues

- ◎ **NO ON-GOING funding sources**
 - Bonds used in the past to defer the issue into the future
- ◎ High reliance on development-generated revenues
- ◎ No local dollars to serve as match for federal/state grants that require a match

Transportation Capital: Issues

- ◎ Very minimal new capital program beyond projects funded in 2010
 - ADA modifications funded by CDBG (\$300 thousand on every alternating year)
- ◎ Focus on maintaining the existing infrastructure
- ◎ Elements of the current transportation system will reach their capacity:
 - Moratorium on new development in certain corridors
 - Change in current concurrency policies, including down-zoning or reductions in the levels of service

Transportation Capital: Need

- ⦿ Annual minimal on-going funding need is estimated to be between \$15-20 million per year

Transportation Capital – Proposed Development (GMA)

- Cities Must Adopt Level of Service (LOS) Standards on Arterial Streets
- Based Upon Adopted LOS, Development Can Be Approved If Sufficient Capacity Exists
- Transportation Impact Fees Can Only Fund Additional Capacity, Not Capacity Deficiencies

Transportation Capital

◎ Funding Options:

- Council authority:

- \$20/car license fee, estimated to generate \$2.8 mil
- Bonds (debt service- funding source has to be defined)

- Voted:

- Voted Bonds
- Funding Options if a Transportation Benefits District is created (Voted)
 - Up to \$100/car license fee, estimated to generate \$14 mil
 - Voted 0.2% Sales Tax, estimated to generate \$4.8 mil
 - Other: property tax, tolls

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General Capital \$8.3 mil

General Capital Funding

- ⦿ **Bonds (Supported by General Fund)**
 - West Precinct
 - Evidence Center
 - Fire Station 810
 - Vancouver Center parking garage
 - East Precinct
- ⦿ **Existing Cash**
 - East Precinct (a significant portion)

General Capital: Needs

- ⦿ **Emergency Facilities – 6 old facilities**
 - Seismic Upgrades or Replacement
- ⦿ **Major Maintenance of the aging existing City facilities**
 - Maintenance has been deferred over the past 10 years: City Hall, Esther Short, Tennis Center
 - Newer facilities with high utilization rates show signs of wear and tear and will need repairs - Firstenburg

General Capital Need 2011-16

- ◎ **Emergency Facilities**
 - Seismic Upgrade of 5 Fire Stations \$9 mil
 - OR
 - Replace the 5 Fire Stations \$27 mil
 - ◎ **Operations Center repairs** \$1.1 mil
 - ◎ **Administrative Facilities** \$2 mil
 - ◎ **Parks Community Centers** \$2 mil
 - ◎ **Various smaller facilities** \$2 mil
- (parks gazebos, restrooms, piers, Slocum, Historic Museum)

General Capital: Issues & Funding Options

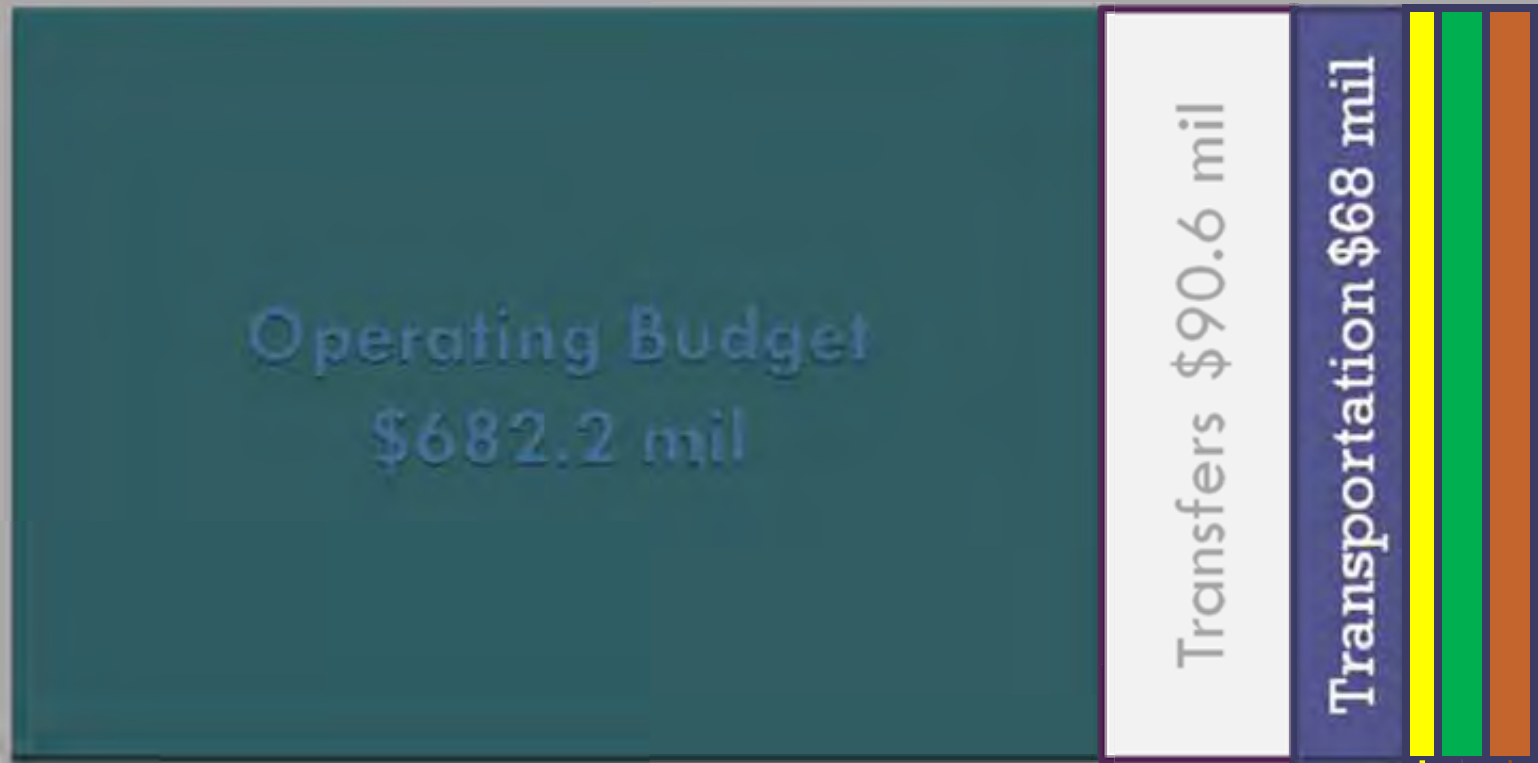
○ Issues

- No existing funding source
- Increased deferred maintenance

○ Potential funding options:

- Levy Lid Lift
- Voted Bonds

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General Capital \$8.3 mil

Parks Capital \$29.8 mil

Utilities Capital \$30.6 mil

COV Capital Summary

- ◎ COV Capital program has been reliant on:
 - Development revenues that have drastically declined in 2008-09
 - Bonds
- ◎ Major Maintenance has been deferred over the past 10 years, issues have been developing that will need to be addressed

Capital Major Issues

- ◎ **No Transportation Program** beyond finishing up the projects funded in 2009-10 with bonds – **sense of urgency**
 - No match dollars for grants
 - Minimal TIF, MVFT revenue
- ◎ **Minimal Parks Capital Program**
 - Residual REET is spent
 - PIF acquisition dollars, but NO dollars to develop and maintain parks
- ◎ **No Current Resources to resolve issues with existing facilities**

Implications for the Operating Budget

- ⦿ In absence of a capital program, staff will be laid off
- ⦿ Maintenance dollars are limited and not increasing with the increase in capital assets
- ⦿ Operating dollars are used to support debt service, making the budget less flexible to deal with budget shortfalls
- ⦿ Operating lease payments on facilities are too high – need to look for opportunities to reduce these into the future

Questions?
