

MEMORANDUM

To: Councilmember Kshama Sawant
From: Dan Eder, Central Staff Deputy Director
Date: September 22, 2016
Subject: North Precinct and Affordable Housing

You requested an evaluation as to whether Real Estate Excise Tax (REET) funding currently proposed for the North Precinct project (Project ID A1PS107 in the Adopted 2016-2021 Capital Improvement Program [CIP]) could be used by the City to fund the development of affordable housing. This memo describes the constraints on the uses of REET funding and outlines an approach that would make REET funding available for affordable housing while satisfying those constraints.

In brief, the City cannot circumvent State law that prevents using REET directly to fund the development of affordable housing. However, the City could amend its financial policies to employ REET as a substitute for other more flexible funding sources and then use those flexible fund sources to pay for affordable housing.

History and Current Funding Plan

The Adopted CIP includes a significant amount of “to be determined” funding to pay for the \$160 million North Precinct project (Attachment A). The original plan was to seek a voter-approved public safety levy. In April 2016, the Mayor announced that he would not propose a public safety levy (Attachment B). Instead, he expected to fund the project (a) using net proceeds from the sale of the Pacific Place Garage and (b) amending the City’s financial policies to allow using REET to pay debt service for the North Precinct project. In August 2016, the Council and the Mayor determined through Resolution 31698 (Attachment C) that the North Precinct project scope and cost estimate could be trimmed to \$149 million.

Consistent with the Mayor’s April announcement, the City Budget Office (CBO) proposed spending approximately \$24 million in available REET on the North Precinct, and CBO also proposed supporting the project with an additional \$100 million in Limited-Term Obligation (LTGO) Bonds. When the Mayor transmits the proposed 2017-2022 CIP, we will know more about his funding proposals for the North Precinct project in light of his September 2016 announcement to delay the project (Attachment D), but it seems a reasonable expectation that REET will continue to play a significant role.

Restrictions on REET Use

The Revised Code of Washington (RCW) restricts uses of REET funding to certain purposes. The City’s financial policies for the Cumulative Reserve Subfund (CRS) also places additional limits on use of REET revenues.

There are two types of REET revenues collected by the City. [RCW: 82.46.010](#) and [RCW 82.46.035](#) require that REET I and II be used only to fund certain types of capital projects

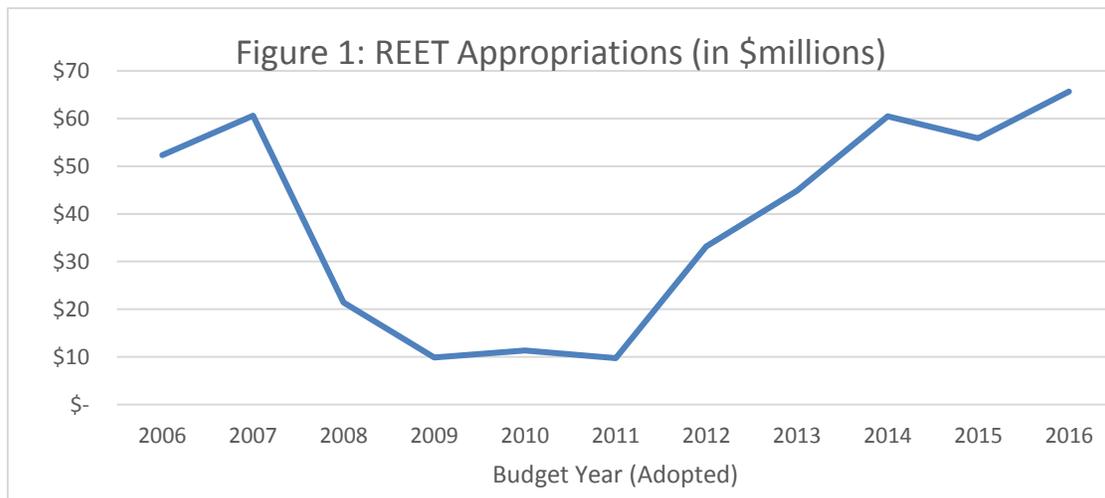
included in the City’s Adopted CIP. As shown below in Table 1, REET I can fund a wider variety of projects than REET II; but neither REET I nor REET II may be used for developing new affordable housing.

Table 1: State Law Restrictions on REET I and REET II

REET I	REET II
Transportation (e.g., roads, sidewalks, street lights, traffic signals)	Transportation (e.g., roads, sidewalks, street lights, traffic signals, bridges)
Utilities (e.g., water and sewer systems)	Utilities (e.g., water and sewer systems)
Parks	Parks
Police & Fire Facilities	
Trails	
Libraries	
Court Facilities	
Housing Relocation Assistance (e.g., certain moving expenses, deposits, utility connection fees)	

Resolution 31083 (Attachment E) currently guides the City’s use of REET revenues. Policy 7 provides that “except for fire facilities projects ... no new debt service for new facilities shall be charged to the Real Estate Excise Tax.” The existing financial policy recognized that REET is not an ideal funding source to pay for long-term commitments such as annual debt service. As shown in Figure 1, REET revenues have risen and fallen dramatically over time with changes in the City’s economic activity. Generally speaking, debt service on LTGO bonds remains constant every year, and the City pledges its “full faith and credit” to pay in full all annual debt service payments.

The Mayor’s previously announced proposal for funding the North Precinct relied on issuing LTGO bonds paid over many years with a relatively volatile funding source (REET) to free up 20 or more years of debt service payments. In the event that that REET revenues fall below the levels needed to pay both debt service and other REET eligible maintenance needs during the bond repayment period, the City would be required to defer required maintenance or cut General Subfund (GSF) expenditures to replace the REET shortfall.



While the City's current financial policies allow REET to be used to pay for fire station debt service, the policies do not allow REET to be used for debt service on the North Precinct project. The Mayor has therefore proposed amendments to the City's current financial policies to allow for the use of REET to pay debt service on all "Public Safety" projects (including but not limited to the North Precinct). The Mayor transmitted a resolution (Attachment F) in August that would allow the City to use REET to pay debt service for the North Precinct project. He justified using REET for this new purpose asserting that "additional resources are now available ... for asset preservation work" (such as Metropolitan Parks District funding and the Move Seattle Levy).

Potential Actions to Fund Affordable Housing

There are multiple, and likely competing, policy objectives and considerations that Council may wish to evaluate before taking any actions. The Council can change the City's CRS financial policies governing the use of REET by adopting a resolution that would have the effect of funding affordable housing by re-directing REET funds to service debt on LTGO bonds previously issued for REET-eligible projects.

This approach is consistent with the Mayor's recently transmitted proposed financial policies legislation, changing only the eligible use from the North Precinct project to a list of other projects already funded with LTGO bonds that the City has already issued in recent years. Using REET funding to pay for debt service on these projects would displace GSF revenues otherwise expected to be used for such debt service; the newly available GSF dollars could then be used for debt service on new LTGO bonds to develop affordable housing. This approach includes some inherent risks, specifically that volatile REET revenues will be lower than needed in some future years; but the risks of relying on REET to free up more flexible funding are not different than the risks of doing so to fund the North Precinct project.

Projects shown in Attachment G appear to be REET-eligible and were funded using LTGO bonds planned to be repaid using GSF revenues.¹ This list contains a large enough amount of REET-eligible LTGO bonds (between \$131 million and \$183 million) that it would enable the City to "wash" all of the anticipated REET funding for the North Precinct and make an equivalent amount of GSF available for affordable housing. Given that some of the LTGO bonds were issued several years ago, it would be prudent to identify a higher dollar amount than the amount of REET funding from the North Precinct project. This will allow for additional flexibility that may be needed for the last few years of debt service on the proposed affordable housing investment when the earliest REET swap for previous LTGO bonds are retired.

The Metropolitan Parks District provides significant funding to the Parks and Recreation Department (Parks), and the Move Seattle Levy similarly funds the Seattle Department of Transportation (SDOT). As a condition for receiving annual tranches of property tax revenues, each of these voter-approved measures requires that the City provide a minimum annual amount of GSF funding. In other words, the City cannot supplant GSF funds for these purposes with the levy proceeds. Attachment G includes projects in both Parks and SDOT, and it will be

¹Central Staff would consult with CBO if this proposal moves forward.

important to ensure that the City does not dip below the minimum thresholds for either of the voter-approved measures.

This approach is consistent with more limited actions in recent budgets. Specifically, green sheet 2-1-A-1 in the 2016 Adopted Budget used approximately \$5.6 million in unanticipated REET to fund a portion of the debt service on REET-eligible projects freeing up GSF for other Council priorities.

Council could also repurpose non-REET funding from the North Precinct project to pay for affordable housing:

1. Use the \$15 million of net GSF revenues from the sale of the Pacific Place Garage for affordable housing rather than the North Precinct project. No change to financial policies would be required. However, IRS restrictions mandate that these funds be spent on an asset owned by the City; and there may be other IRS restrictions.
2. The City acquired approximately \$14 million of land for the North Precinct project. The City could sell this land and use the proceeds to support affordable housing. Staff would need time to review the City's surplus property policies and consult with Law before determining what changes (if any) may be required.

The amount and proportion of the various funding sources to be used for affordable housing would be subject to Council's discretion and further action.

I am happy to develop the necessary resolution or budget actions if you would like to proceed with any or all of these options and have them reviewed by law.

Attachments

- Attachment A – Adopted North Precinct CIP
- Attachment B – Mayor's April 2016 Press Release
- Attachment C – North Precinct Resolution 31698
- Attachment D – Mayor's September 2016 Press Release
- Attachment E – Adopted Financial Policies
- Attachment F – Mayor's Proposed New Financial Policies
- Attachment G – REET Eligible Projects Funded by LTGO Bonds

cc: Kirstan Arestad, Central Staff Executive Director
Ted Virdone, Legislative Aide to Councilmember Sawant

Attachment A – Adopted North Precinct CIP

Finance and Administrative Services

North Precinct

BCL/Program Name:	Public Safety Facilities - Police	BCL/Program Code:	A1PS1
Project Type:	New Facility	Start Date:	Q1/2013
Project ID:	A1PS107	End Date:	Q1/2020
Location:	WAY/N 130th ST/Aurora AVE N		
Neighborhood Plan:	In more than one Plan	Council District:	5
Neighborhood District:	Northwest	Urban Village:	Bitter Lake Village

This project funds the acquisition of a site and the design and construction of a new North Precinct for the Seattle Police Department. This project enhances the public safety services provided by the Seattle Police Department and may include, but is not limited to, site acquisition, and the design and construction of a new facility with an attached multistory parking garage. The new facility may provide, but is not limited to, various support, administrative, and training space for police officers, a community meeting space, and a firing range. Specific funding sources to be determined.

	LTD Actuals	2015 Rev	2016	2017	2018	2019	2020	2021	Total
Revenue Sources									
Real Estate Excise Tax I	392	1,608	0	0	0	0	0	0	2,000
To be determined	0	0	0	80,000	55,000	4,000	0	0	139,000
General Obligation Bonds	4,090	160	0	0	0	0	0	0	4,250
General Obligation Bonds	6,650	0	0	0	0	0	0	0	6,650
Miscellaneous Revenues	2,600	0	0	0	0	0	0	0	2,600
General Obligation Bonds	0	0	4,000	0	0	0	0	0	4,000
Interfund Loan	0	1,500	0	0	0	0	0	0	1,500
Total:	13,732	3,268	4,000	80,000	55,000	4,000	0	0	160,000
Fund Appropriations/Allocations									
Cumulative Reserve Subfund - Real Estate Excise Tax I Subaccount	392	1,608	0	0	0	0	0	0	2,000
2013 Multipurpose LTGO Bond Fund	4,090	160	0	0	0	0	0	0	4,250
2014 Multipurpose LTGO Bond Fund	6,650	0	0	0	0	0	0	0	6,650
Federal Vice Enforcement Forfeiture	2,600	0	0	0	0	0	0	0	2,600
2016 Multipurpose LTGO Bond Fund	0	1,500	4,000	0	0	0	0	0	5,500
Total*:	13,732	3,268	4,000	0	0	0	0	0	21,000

* Funds are appropriated through the Adopted Budget at the Budget Control Level. Amounts shown above are in thousands of dollars.

2016 - 2021 Adopted Capital Improvement Program

Attachment B – Mayor’s April 2016 Press Release



City of Seattle
Edward B. Murray, Mayor

NEWS RELEASE

FROM THE OFFICE OF THE MAYOR

FOR IMMEDIATE RELEASE:

Contact: Jason Kelly, Mayor’s Office Press Secretary, 206.684.8379

Mayor Murray announces funding plan for North Police Precinct

SEATTLE (April 22, 2016) – Mayor Ed Murray today announced the funding strategy for the new [Seattle Police Department North Precinct](#), slated to break ground in 2017 and open for business in 2019. The mayor will propose no new taxes to pay for the project.

“Because of our vibrant local economy and vigorous real estate sales, we can construct our new North Precinct within existing and projected resources,” said Murray. “While we do have other public safety infrastructure projects on the horizon, there is no need to send a public safety levy to the ballot in near future.”

Seattle continues to collect large receipts in the Real Estate Excise Tax (REET) from the sales of residential and commercial properties, which can only be used to pay for City capital projects, including transportation infrastructure, Parks buildings and public safety facilities.

Due to projected ongoing strength of REET receipts, the mayor will not propose a public safety levy in 2016 or 2017.

To date, \$21 million has been appropriated toward the \$160 million precinct project, which will be located at Aurora Avenue North and North 130th Street. The mayor is proposing to fund the remaining \$139 million through a combination of REET receipts, 30-year bonds financed by future REET receipts, and the one-time sale of other City assets.

The new North Precinct will accommodate future growth in the Seattle Police Department and replaces the existing North Precinct facility at 10049 College Way North, which is seriously over-crowded. Expansion at the current site is not possible and

the existing building constructed in 1984 to house 154 staff, is now home to more than 250 personnel. Planning work began on this project in 2013.

In 2015, Seattle collected a record \$73 million through REET on commercial and residential real estate transactions. The City projects that REET collections will continue to remain strong: \$56 million in 2016, \$56 million in 2017, \$60 million in 2018 and \$64 million in 2019. A portion of these revenues will be directed towards the construction of the new North Precinct facility.

“Public safety and community policing are high priorities for Seattle residents,” said Councilmember Debora Juarez. “A new police station will house more officers in a better location, which will help ensure police are available to residents when they call. Safe communities are healthy communities. The proposed financing approach for this facility means we can make a significant investment in our community without asking voters for a new tax increase.”

“With the current North Precinct overcrowded and sitting on a swamp, a new precinct building cannot come soon enough,” said Councilmember Tim Burgess, chair of the Council’s finance committee. “The Council has long pushed to move this project forward as quickly as possible, and I’m pleased that Mayor Murray has developed a solid funding plan to advance construction.”

As part of the City’s effort to respond to homelessness, the City continues to partner with Mary’s Place to provide additional temporary shelter for homeless families within the old PI Bank building at 130th and Stone Way, which currently stands on the site of the new precinct.

1 **Attachment C – North Precinct Resolution 31698**

2

3

CITY OF SEATTLE

4

RESOLUTION _____

5 ..title

6 A RESOLUTION relating to Council direction on budget and other matters related to the North
7 Precinct capital project (A1PS107).

8

9 ..body

10 WHEREAS, the state of Washington assigns to charter cities the obligation to provide a chief
11 law enforcement officer (RCW 35A.12.020), and The City of Seattle Charter Article VI,
12 Section 5 has accordingly charged the Chief of Police with the duty of maintaining the
13 peace and quiet of the City; and

14 WHEREAS, the Seattle Police Department’s North Precinct serves approximately 280,000
15 residents of Seattle, who represent over 40 percent of the City of Seattle’s population,
16 plus students, in-district hospital visitors, workers, local businesses, and customers; all
17 living, working, and recreating in Council Districts 4, 5, and 6; and

18 WHEREAS, of the service calls that the Seattle Police Department receives citywide,
19 approximately 30 percent are received from North Seattle; and

20 WHEREAS, the police officers from the North Precinct respond to a variety of emergencies,
21 including the tragic Café Racer mass shooting in the Roosevelt neighborhood in May
22 2012; and

23 WHEREAS, the existing North Precinct facility opened over thirty years ago in 1984 and was
24 intended to house 154 staff; and

1 WHEREAS, the 1998 Seattle Police Department Long-Range Facilities Plan from the former
2 City of Seattle Executive Services Department noted 18 years ago that the North Precinct
3 facility was at that time already overcrowded by 30 percent; and

4 WHEREAS, the existing North Precinct currently houses 254 staff, which is 65 percent over its
5 designed capacity; and

6 WHEREAS, aspects of the existing North Precinct have been repurposed, such as converting the
7 community room into a locker room, to address overcrowding; and

8 WHEREAS, a 2002 analysis by consulting architects and City staff from the Seattle Police
9 Department, Seattle Public Utilities, and the former Fleets and Facilities Department
10 determined that the existing facility could only accommodate limited expansion at the
11 current site; and

12 WHEREAS, consulting architects provided further predesign studies in 2007 and 2012 updating
13 the space and cost needs related to construction of a new North Precinct facility; and

14 WHEREAS, fire, rescue, and police facilities are essential facilities that are required by the
15 Seattle Building Code to be built to allow first responders to operate during and after a
16 9.0 magnitude earthquake. The North Precinct is the only precinct located north of the
17 Lake Washington Ship Canal and the precinct facility would operate as a stand-alone
18 Precinct Area Command with spaces intended to function in the event of a major
19 citywide disaster; and

20 WHEREAS, the proposed North Precinct facility will play an important role in fulfilling
21 conditions of the federal consent decree entered into by The City of Seattle in 2012, by
22 providing training space to be used by police officers citywide in order to accommodate
23 new training requirements for a more accountable police force and community meeting

1 space that allows police and the community to interact with each other and build
2 relationships; and

3 WHEREAS, as a result of the federal consent decree entered into by The City of Seattle in 2012,
4 the Seattle Police Department conducts five times the amount of training compared to the
5 years preceding the imposition of the federal consent decree; and

6 WHEREAS, the Seattle Police Department shall continue to provide training to its officers at or
7 above the current rate even after The City of Seattle has achieved substantial compliance
8 with the federal consent decree; and

9 WHEREAS, the proposed North Precinct facility design includes space accessible to the public
10 both in the interior and exterior of the facility, including a community meeting space with
11 a large lobby. The exterior public use elements of the facility are designed for public use
12 consistent with the federal consent decree’s statement that “[e]ffective and constitutional
13 policing requires a partnership between the Police Department, its officers, community
14 members, and public officials”; and

15 WHEREAS, the Seattle Police Department is committed to utilizing the City’s Racial Equity
16 Toolkit on the design and programmatic spaces of the building in order to construct a
17 facility that meets the spirit of the federal consent decree’s statement above and promotes
18 community trust and engagement, particularly from communities of color that are
19 disproportionately impacted by policing; and

20 WHEREAS, as indicated in the City’s Memorandum of Understanding entered into with the
21 United States Department of Justice as part of the consent decree, “SPD needs strong
22 community relationships and sustainable dialogue with Seattle’s diverse communities to
23 ensure constitutional and bias-free policing, to closely interact with the community to

1 resolve neighborhood problems, and to increase community confidence in the
2 Department,” all of which are assisted, in part, by the public-space elements of the North
3 Precinct design; and

4 WHEREAS, by unanimous Council action in 2013, land for the North Precinct project was
5 acquired pursuant to Ordinances 124387, 124390, and 124391; and

6 WHEREAS, in 2015, the Council approved a total project cost estimate of \$160.2 million, which
7 included \$14.3 million for land acquisition, \$145.1 million for the construction and
8 design of the facility, and \$800,000 for public art; and

9 WHEREAS, in addition to land acquisition costs, the City has expended approximately \$4.5
10 million through July 2016 in design, consultant, and other costs; and

11 WHEREAS, the Department of Finance and Administrative Services (FAS) and the City Budget
12 Office (CBO) have projected that delay of this project will cost the taxpayers of Seattle
13 approximately \$500,000 per month of delay; and

14 WHEREAS, FAS has indicated that the design of the new North Precinct is at 60 percent design;
15 and

16 WHEREAS, the North Precinct project used an independent third-party cost estimator to
17 independently verify the cost estimates of the General Contractor/Construction Manager.
18 This independent verification work, completed at the end of the design development
19 phase for the North Precinct project, resulted in a value engineered reduction of over \$18
20 million in the scope of the project; and

21 WHEREAS, further value engineering that occurred in 2016 at the request of Councilmembers
22 identified an additional \$11 million in cost savings, leading to a revised total project cost
23 estimate of \$149 million for the North Precinct project; and

1 WHEREAS, it is anticipated that the facility will have a life expectancy of 50 years and meet the
2 operational needs of the Seattle Police Department for many years to come; and

3 WHEREAS, the City is committed to providing the 280,000 residents of North Seattle with an
4 effective and efficient precinct that will accommodate population growth and associated
5 public safety needs of the community over the next 50 years and that is responsive to the
6 needs of all communities, including underrepresented communities, and that is mindful of
7 the cost impact to the City's General Fund; NOW, THEREFORE,

8 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**
9 **MAYOR CONCURRING, THAT:**

10 Section 1. In November 2016, the Council intends to appropriate funding for the North
11 Precinct project and approve a total project cost estimate as part of the 2017-2022 Capital
12 Improvement Program. The Department of Finance and Administrative Services (FAS) shall
13 regularly engage an independent third party cost estimator throughout the design process in order
14 to help ensure that the North Precinct project costs are accurate and reasonable; all independent
15 third party cost estimators shall be selected in consultation with the Council. Specifically, as it
16 did at the end of the design development phase of the project, FAS shall engage an independent
17 third-party cost estimator after the design team completes its 60 percent Construction Documents
18 submittal, in order to verify cost assumptions by the General Contractor/Construction Manager
19 (GC/CM), correct cost models as needed, and align material and labor costs. The GC/CM cost
20 estimate should be within range of the third-party cost estimator's cost estimate and costs must
21 be aligned before the project proceeds. The same cost reconciliation process shall be undertaken
22 when the design team completes its 90 percent Construction Documents submittal, in order to

1 reach the final estimates that will be used to negotiate and set the price for the construction
2 contract with the GC/CM.

3 Section 2. FAS shall, with the assistance of the Seattle Office for Civil Rights,
4 Department of Neighborhoods, and Seattle Police Department, engage in a full Racial Equity
5 Toolkit (RET) analysis of the facility’s design and operations, including the interior and exterior
6 building design for all planned programmatic aspects of the facility, pursuant to the City's Race
7 and Social Justice Initiative (RSJI) and consistent with Council Resolution 31164 (2009), which
8 directed City Departments to use available tools to assist in the elimination of racial and social
9 disparities. In conducting the RET analysis, FAS shall solicit community perspectives from the
10 North Precinct service area’s various demographic groups, including but not limited to
11 historically underrepresented populations, vulnerable populations, those most likely to interact
12 with the police, those historically disproportionately impacted by police action, and those most
13 likely to be victims of crime. FAS shall provide the Gender Equity, Safe Communities and New
14 Americans Committee with a report of its intended community engagement plan. The RET
15 analysis should be completed by October 3, 2016. The results of the RET analysis shall be
16 provided to the Gender Equity, Safe Communities and New Americans Committee upon
17 completion. The results of the RET analysis will help to inform the Council’s decision on what is
18 the appropriate total project cost of the North Precinct project in the 2017-2022 Capital
19 Improvement Program.

20 Section 3. The North Precinct facility is a valuable opportunity to build stronger
21 community-police partnerships through the provision of inviting public spaces that encourage
22 positive police-community interactions. Accordingly, the project design should retain common
23 public areas and community amenities; provided, that the RET analysis described in Section 2

1 may inform the project design and programmatic features of any public space, including review
2 of community priorities for use of those public spaces.

3 Section 4. The design of the new North Precinct facility includes a training facility that
4 will be used by all members of the Seattle Police Department. The training facility is a critical
5 component of ensuring that police officers are properly trained to respond to emergencies, such
6 as the 2012 Café Racer mass shooting, and in constitutional policing, including de-escalation and
7 bias-free policing. Accordingly, the project design should retain training facilities, although
8 completion of basement facilities may be deferred if necessary to remain within budget.

9 Section 5. It is expected that the project will retain the planned construction start date of
10 April 2017. FAS shall, at the earliest point in time, report to the Gender Equity, Safe
11 Communities and New Americans Committee if any delay is anticipated for any reason.

12 Section 6. FAS shall provide regular briefings on project progress for the North Precinct
13 to the Gender Equity, Safe Communities and New Americans Committee. In addition, FAS shall
14 provide written North Precinct Monthly Progress Reports to the City Council; the reports shall
15 include information on the current project status, design and community engagement efforts and
16 outcomes, a detailing of life-to-date expenditures, the most recent total project cost estimate with
17 explanation of any changes since the last report, and budget risk issues.

18 Section 7. The City of Seattle finds itself in the midst of a housing affordability crisis.
19 One of the recommendations made by the Housing Affordability and Livability Advisory
20 Committee was to identify opportunities for City-owned property to be surplus and used either
21 by the Office of Housing or a non-profit housing developer to increase the stock of affordable
22 housing in the City. Accordingly, it is the City Council’s intent to use the current site, or to

1 appropriate all proceeds from the sale of the land or building where the current North Precinct is
2 located if the site is surplus, to further meet the City's affordable housing needs.

3

Attachment D – Mayor’s September 2016 Press Release



City of Seattle
Edward B. Murray, Mayor

NEWS RELEASE

FROM THE OFFICE OF THE MAYOR

FOR IMMEDIATE RELEASE:

Contact: Benton Strong, Mayor’s Office Communications Director, 206.684.8379,
Benton.Strong@seattle.gov
Dana Robinson Slote, Council Communications Director, 206.615.0061,
dana.robinsonslote@seattle.gov

Mayor Murray, Councilmembers Announce Update to North Precinct Plan

SEATTLE (September 15, 2016) – Today, Mayor Ed Murray and Councilmembers Tim Burgess, Debora Juarez and Lorena González announced that the City will review the proposed new North Precinct facility, citing concerns around equity, cost and community needs. The City will follow a recently-passed Council resolution and conduct a Racial Equity Toolkit review of the proposed precinct, and review key design elements that increased the project cost. While the North Precinct serves 40 percent of the city and building a single precinct would save the city money and allow for a central training and community engagement location, other options for serving the area, including the likely more costly route of building multiple precincts, may be considered.

"The building proposed by my predecessor would address a growing need to replace the North Precinct, but clearly the public continues to have concerns about the estimated costs," said Mayor Murray. "While we have had extensive discussions and planning, it is clear we need to reconsider the plan as proposed and ensure we are meeting the needs of the community with what we build. As I have said, if this project inhibits our ability to continue strengthening the relationship between our community and our police, then we would revisit it.

"I remain committed to replacing the aging precinct in North Seattle and am prepared to consider multiple design options, if it is determined that is the best path for the community."

A resolution, co-sponsored by Councilmembers Burgess, Juarez and González and passed by Council last month, called for the RET analysis, and given the length of time for the review, the City will not move forward with implementing the project at this time. Additionally, the time

while the RET process is being completed will be used to review other aspects of the project, including the number of facilities and overall cost.

The City still strongly believes there is a need for a new police facility in North Seattle and remains committed to replacing the current building. The original funding plan for the project included a mix of cash financing and almost \$100 million in bonds. Given that the project will not move forward next year, the 2017 budget will not seek authority for this borrowing. However, approximately \$15 million of the originally identified resources will be set aside in the budget to help address future project costs.

“The current North Precinct police station is a failing facility that needs to be replaced,” said Councilmember Juarez. “The nearly 300,000 residents plus students, hospital visitors, local businesses and customers living, working and recreating in the North End deserve a cost-effective proposal that is responsive to the federal consent decree and guided by the Racial Equity Toolkit. As the representative of District 5, I greatly appreciate the opportunity to slow this down and do it right.”

“We listened. Based on what we have heard from a wide variety of community members, and the Council’s review of the cost projections, we want to take another look at the component parts of the building and even redesign some of them in an effort to lower the cost,” said Councilmember Tim Burgess. “Sometimes it is important to pause and reconsider a decision. That’s what we’re doing here with this project.”

“I continue to believe that the existing North Precinct must be replaced to meet the needs of North Seattle residents and the operational needs of North Precinct officers,” said Councilmember González. However, after reviewing hundreds of pages and hearing from a wide variety of community members, it is clear that we must take a step back from the North Precinct project. This is the only way the City can have a meaningful impact on the design and significantly reduce the cost of a new police precinct. Hitting pause to re-evaluate the costs of this project is the only acceptable path forward if the City is truly committed to using our finite resources responsibly.

“We need to explore establishing an Expert Review Panel that would be charged with fiscal oversight of this project. We also need to explore contracting a project manager with deep experience in delivering complex, public safety facilities and public financing models.

“Since mid-August, I have continued to hear from a variety of community members who continue to express the need for increased police resources in North Seattle but have concerns regarding the cost, design and scope of this proposed precinct. That input, the cost and my growing concerns about the prior lack of project oversight and public process, has lead me to the conclusion that the only responsible next step is to return to the drawing board.”

###

Attachment E – Adopted Financial Policies

Resolution Number: 31083

A RESOLUTION adopting revised financial policies for the Cumulative Reserve Subfund of the General Subfund, and superseding Section 3 of Resolution 30379.

Status: Adopted

Date adopted by Full Council: September 29, 2008

Note: *Amending: Res 30379*

Vote: 9-0

Date introduced/referred to committee: August 18, 2008

Committee: Finance and Budget

Sponsor: GODDEN

Committee Recommendation:

Date of Committee Recommendation:

Committee Vote:

Index Terms: STATING-POLICY, FINANCE, FUNDS, ACCOUNTING

Fiscal Note: [Fiscal Note to Resolution 31083](#)

Electronic Copy: [PDF scan of Resolution No. 31083](#)

Text

WHEREAS, the Mayor and City Council are committed to maintaining high standards of financial management; and

WHEREAS, adopting and periodically updating financial policies are important actions that help to assure consistent and rational financial planning and management; and

WHEREAS, the Cumulative Reserve Subfund is an essential component of the City of Seattle's financial program; and

WHEREAS, the Mayor and City Council have reviewed the financial policies of the Cumulative Reserve Subfund, and wish to update and revise certain parts of those policies; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. The Mayor and City Council hereby supersede Section 3 of Resolution 30379 and adopt the policies on the Cumulative Reserve Subfund of the General Fund, attached hereto as Exhibit A.

Section 2. The Mayor and City Council hereby acknowledge and endorse the following changes to the Cumulative Reserve Subfund of the General Fund policies that were adopted in Resolution 30379:

a) Policy 5c is added regarding the Fleets and Facilities Department's asset preservation financial policies endorsed by Resolution 30812.

b) Policy 6a is added regarding allocation from the Capital Projects Account for asset preservation in City departments other than the Seattle Department of Transportation (SDOT) and the utilities.

c) Policy 6b is added regarding allocation from the Capital Projects Account to SDOT for transportation asset preservation.

d) Policy 6c is added regarding use of Capital Project Account revenues for funding shortfalls in the Fire Facilities and Emergency Response Levy.

e) Policy 6d is added regarding the use of the General Subfund for asset preservation when the Cumulative Reserve Subfund is insufficient and regarding reductions in funding for Policies 6a and 6b when total funding is insufficient.

f) Policy 6e is added regarding annual reports on the budget and estimated need for asset preservation.

g) Policy 7 is added regarding the use of Real Estate Excise Tax revenues for new debt service for most new facilities.

h) Policy 8 is added regarding the use of Real Estate Excise Tax revenues for most future voter-approved programs or levy programs.

i) Policy 9 is added establishing a policy that the highest priority for use of Real Estate Excise Tax revenues above revenue forecast will be enhanced asset preservation

Adopted by the City Council the ____ day of _____, 2006, and signed by me in open session in authentication of its adoption this ____ day of _____, 2006.

_____ President _____ of the City Council

THE MAYOR CONCURRING: _____ Gregory J. Nickels,
Mayor

Filed by me this ____ day of _____, 2006. _____
City Clerk

Exhibit A: Financial Policies for the City of Seattle Cumulative Reserve Subfund of the General Fund

9/24/08 Version #6 ta

EXHIBIT A:

FINANCIAL POLICIES FOR THE CITY OF SEATTLE CUMULATIVE RESERVE SUBFUND OF THE GENERAL FUND

Introduction

The Cumulative Reserve Subfund of the General Fund is comprised of two accounts, the Capital Projects Account and the Revenue Stabilization Account. The Capital Projects Account is used to pay debt service on the City's Capital Facilities Bonds (through 2017) and is the primary resource for asset preservation funding for non-utility departments other than Seattle Department of Transportation. The Revenue Stabilization Account (also called the Rainy Day Fund) is intended to cushion the City from sudden unanticipated shortfalls in revenue due to economic downturns in order to avoid or mitigate mid-year expenditure reductions.

Fund Structure

Policy 1. Subfund Accounts. The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several sub-accounts, and the Revenue Stabilization Account. [Ord 119761]

Policy 2. Capital Projects Account Subaccounts. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. [Ord 120411] The Asset Preservation Subaccount Fleets and Facilities Subaccount [Ord 121642] and Street Vacation Subaccount [Ord 121661] are also subaccounts of the Capital Projects Account. [Updates policy adopted in Resolution 30379, Exhibit C-2.]

Expenditures

Policy 3. Purposes of Subfund. There is hereby established under authority of RCW 35.21.070, as a subfund of the General Fund, a cumulative reserve fund for several different municipal purposes as well as certain specific municipal purposes as follows:

- a) The making of any public improvement, including but not limited to the construction, alteration, renovation or repair of City buildings; the establishment, widening and extending of streets and highways; and the construction and repair of sewers;
- b) Investigations and studies in connection with any public improvement;
- c) The acquisition of real property;
- d) The purchase of supplies, material or equipment as specified in the ordinance making an appropriation therefore;
- e) Civil defense;
- f) The provision of low-income housing;
- g) The provision of reserves for revenue stabilization for future operations;
- h) Short-term loans for capital projects to meet cash-flow requirements, provided that a source of repayment is identified and that a schedule and term of repayment are specified;

- i) The financing of capital projects specified in the capital facilities element of the City's Comprehensive Plan and housing relocation assistance, as authorized by Chapter 82.64 RCW;
- j) The matching of federal or state funds for any of the foregoing or any other municipal purpose the nature of which shall be specified in the appropriating ordinance.

The subfund shall be known as the Cumulative Reserve Subfund. [Ord 117977]

Policy 4 Revenue Stabilization Account expenditures. The Revenue Stabilization Account shall be used for revenue stabilization for future City operations. Expenditures from the Revenue Stabilization Account shall require an ordinance passed by two-thirds vote unless state law requires a higher supermajority vote of the City Council. [Ord 119761]

Policy 5. Capital Projects Account expenditures. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council. [Ord 119761]

a) Real Estate Excise Tax I Subaccount expenditures. The Real Estate Excise Tax I Subaccount shall be expended only for the purposes and capital projects contemplated by RCW 82.46.010. [Ord 119761] RCW 82.46.010 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan and housing relocation assistance, except for (a) revenues pledged to debt retirement prior to April 30, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to April 30, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.010(6) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and/or judicial facilities, river and/or waterway flood control projects (for jurisdictions that had expended funds from this tax prior to June 11, 1992 for such purpose), and housing projects (until December 31, 1995 and only for those jurisdictions that had expended funds from this tax prior to June 11, 1992 for this purpose).

b) Real Estate Excise Tax II Subaccount expenditures. The Real Estate Excise Tax II Subaccount shall be used solely for the purposes and capital projects contemplated by RCW 82.46.035. [Ord 119761] RCW 82.46.035 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan, except for (a) revenues pledged to debt retirement prior to March 1, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to March 1, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.035(5) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.

c) Asset Preservation Subaccount Fleets and Facilities expenditures. Expenditures from the Asset Preservation Subaccount Fleets and Facilities are governed by the financial policies endorsed by Resolution 30812.

d) South Lake Union Property Proceeds Subaccount expenditures. Expenditures from the South Lake Union Property Proceeds Subaccount shall be used for the purposes described in Sections 1 through 6 of Resolution 30334, including transaction costs, the Fairview-Valley Corridor realignment project, legal reserves, affordable housing, and other South Lake Union transportation projects.

e) Street Vacation Subaccount expenditures. Expenditures from the Street Vacation Subaccount shall be dedicated to the acquisition, improvement, and development of public open space or transportation capital projects. [Ord 121661]

f) Unrestricted Subaccount expenditures. Expenditures from the Unrestricted Subaccount shall be for asset preservation, facility improvements that do not expand capacity (though they may expand utilization), and planning and development of new or expanded capital infrastructure.

Policy 6. Capital Projects Account Spending Priorities

a) Beginning in 2009, the City shall estimate the average amount of annual funding required to preserve existing assets owned by City departments other than Transportation and the utilities. Until and unless the City develops a method for estimating this annual target based wholly or in part on actual facility conditions and service requirements, the target shall begin at \$47 million in 2008 and shall be adjusted for the effects of inflation on the buying power of the dollar. Beginning in 2009, an amount of Capital Projects Account revenue at least equal to 65% of the target shall be allocated for asset preservation (formerly known as "major maintenance" as defined by Resolution 30365) for facilities owned by City departments other than Transportation and the utilities. [New Policy]

b) Beginning in 2009, at least \$5 million in Capital Projects Account revenue shall be allocated for asset preservation in the Seattle Department of Transportation. This amount shall be adjusted for the effects of inflation on the buying power of the dollar. [New Policy]

c) Capital Projects Account revenue shall continue to be used in 2009 and subsequent years as it has been since 2007 to pay current year expenses plus debt service on bonds issued to address project funding shortfalls in the neighborhood stations program of the Fire Facilities and Emergency Response Levy. Bonds issued for this purpose shall have final maturities no later than one year after expiration of the Levy. [New Policy]

d) If the Capital Projects Account does not have sufficient funding to meet the requirements of Policy 6a and Policy 6b above and Policy 12 below, the City shall consider the use of General Subfund to eliminate the funding shortfall. With or without the addition of any General Subfund support, if the total available funding remains insufficient for Policy 6a and Policy 6b, funding for these two policies shall be reduced proportionately. [New Policy]

e) Beginning in 2010, the annual adopted budget shall state the difference between (i) the budget for asset preservation for departments other than Transportation and the utilities and (ii) both the annual average amount required for asset preservation defined by Policy 6a (known as the target) and the minimum funding requirement of Policy 6a. In subsequent years the annual adopted budget shall state the cumulative differences since 2010. [New Policy]

Policy 7. Use of Real Estate Excise Tax revenues for future Debt Service. Beginning in 2009 and except for fire facilities projects described in Policy 6c above, no new debt service for new facilities shall be charged to Real Estate Excise Tax revenues. [New Policy]

Policy 8. Use of Real Estate Excise Tax revenues for future Levy matches. Beginning in 2009 and except for transportation projects described in Policy 6b above, the City shall not pass legislation committing Real Estate Excise Tax revenue to partial funding of voter-approved projects or levy programs. [New Policy]

Policy 9. Use of Real Estate Excise Tax revenues above revenue forecast. In keeping with the City's commitment to maintaining its existing infrastructure, the highest priority use for any revenues received above forecast will be enhanced asset preservation. [New Policy]

Revenues/Fund Balances

Policy 10. Revenues to, and fund balance of, the Revenue Stabilization Account. The Revenue Stabilization Account shall be funded by (1) transfers by ordinance, and (2) automatic transfer of tax revenues to the extent described in this section. Upon completion of fiscal year accounting, tax revenues collected during the closed fiscal year which are in excess of the latest revised estimate of tax revenues for that closed fiscal year (as published in the current fiscal year adopted budget) shall automatically be deposited to the Revenue Stabilization Account. Such deposit shall occur at that time the City completes its accounting for the fiscal year. At no time shall the balance of the Revenue Stabilization Account exceed two and one-half (2.5) percent of the amount of tax revenues received by the City during the fiscal year prior to the closed fiscal year. For purposes of this paragraph, the phrase "tax revenues" means all tax revenues deposited into the General Subfund, including but not limited to, tax revenue from the regular property tax levy, business and occupation tax, utility business taxes, admissions tax, leasehold excise tax, gambling taxes, and sales and use taxes. [Ord 119761]

Policy 11. Revenues to, and fund balance of, the Capital Projects Account

a) Revenues into REET I Subaccount. The Real Estate Excise Tax I Subaccount shall be comprised of the first one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]

b) Revenues into REET II Subaccount. The Real Estate Excise Tax II Subaccount shall be comprised of the second one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]

c) Revenues to Asset Preservation Fleets and Facilities Subaccount. The Asset Preservation Fleets and Facilities Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from space rent charges levied by the Fleets and Facilities Department on occupants of the facilities it manages, operates, or maintains, investment earnings attributable to the Subaccount, and other fund sources approved through the City's annual budget process or by other ordinance. [Ord 121642]

d) Revenues to Street Vacation Subaccount. One-half of the revenue received by the City as compensation for areas vacated pursuant to Seattle Municipal Code Section 15.62.090 shall be deposited into the Street Vacation Subaccount. [Ord 121661]

e) Revenues to the South Lake Union Property Proceeds Subaccount. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of certain surplus City property located adjacent to South Lake Union, investment earnings attributable to the Subaccount, and other revenues identified through ordinance. [Ord 120411]

f) Revenues into the Unrestricted Subaccount. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount, transfers of General Fund balances, investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount and the Asset Preservation Subaccount Fleets and Facilities, and other unrestricted contributions to the Cumulative Reserve Subfund. [Ord 120411]

Policy 12. Ending Fund Balance for REET I and REET II Subaccounts. In order to guard against revenue fluctuations, the City intends to maintain at least a total \$5 million ending fund balance for the REET I and REET II subaccounts of the Cumulative Reserve Subfund. [New Policy]

Policy 13. Interest payments on loans. It is the City's general policy that the Cumulative Reserve Subfund charge interest on any loan to an other City fund or subfund. Loans made for a period of more than 90 (ninety) days will be approved by ordinance, and interest charges established via ordinance.

September 24, 2008 ta

Attachment F – Mayor’s Proposed New Financial Policies

Thomas L. Taylor
CBO CRS Financial Policies RES
D1a

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

CITY OF SEATTLE

RESOLUTION _____

..title
A RESOLUTION adopting revised financial policies for the Cumulative Reserve Subfund of the General Subfund by amending Exhibit A of Resolution 31083.

..body
WHEREAS, the Mayor and City Council are committed to maintaining high standards of financial management; and

WHEREAS, adopting and periodically updating financial policies are important actions that help to assure consistent and rational financial planning and management; and

WHEREAS, Resolution 30379 establish financial policies for the General Fund Subfunds including the Cumulative Reserve Subfund; and

WHEREAS, the Cumulative Reserve Subfund is an essential component of the City of Seattle’s financial program; and

WHEREAS, Resolution 30379 was further amended by Resolution 31083 by adding financial policies regarding allocations from the Cumulative Reserve Subfund’s capital project accounts for asset preservation work and the direction on the use of Real Estate Excise Tax revenues for debt service; and

WHEREAS, at the time of the making of Resolution 31083, resources available for asset preservation work for general government departments relied primarily on Real Estate Excise Tax revenues; and

WHEREAS, additional resources are now available to support the City’s need for asset preservation work; and

1 WHEREAS, the Mayor and City Council have reviewed the financial policies for the Cumulative
2 Reserve Subfund, and wish to update and revise certain parts of those policies; NOW,
3 THEREFORE,

4 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**
5 **MAYOR CONCURRING, THAT:**

6 Section 1. The City Council hereby acknowledges and endorses the following changes to
7 the Cumulative Reserve Subfund of the General Fund policies that were adopted as Exhibit A to
8 Resolution 31083, illustrated here as Attachment A:

9 a) Policy 6a is amended regarding the allocation from the Capital Projects Account for
10 asset preservation in City departments other than the Seattle Department of
11 Transportation (SDOT) and the utilities.

12 b) Policy 6c is amended regarding the use of Capital Project Account revenues for paying
13 debt service to include the Police Department's North Precinct facility in addition to
14 funding shortfalls in the Fire Facilities and Emergency Response Levy.

15 c) Policy 7 is amended regarding the use of Real Estate Excise Tax revenues for new debt
16 service to include debt service for the Police Department's North Precinct facility.

17 Section 2. The City Council hereby amends Exhibit A of Resolution 31083 and adopts
18 the financial policies for the Cumulative Reserve Subfund of the General Fund, attached as
19 Attachment B to this resolution.

Attachment FA – Redline Version of Amended Policies

v1

Policy 6. Capital Projects Account Spending Priorities

- a) Beginning in 2009, the City shall estimate the average amount of annual funding required to preserve existing assets owned by City departments other than Transportation and the utilities. Until and unless the City develops a method for estimating this annual target based wholly or in part on actual facility conditions and service requirements, the target shall begin at \$47 million in 2008 and shall be adjusted for the effects of inflation on the buying power of the dollar. Beginning in 2009, a combination of Capital Projects Account revenue and other resources at least equal to 65% of the target shall be allocated for asset preservation (formerly known as "major maintenance" as defined by Resolution 30365) for facilities owned by City departments other than Transportation and the utilities. [Revised Policy]
- c) Capital Projects Account revenue shall continue to be used ~~in 2009 and subsequent years as it has been since 2007~~ to pay current year expenses plus debt service on bonds issued for the Police Department's North Precinct facility and to address project funding shortfalls in the neighborhood stations program of the Fire Facilities and Emergency Response Levy. ~~Bonds issued for this purpose shall have final maturities no later than one year after expiration of the Levy.~~ [Revised Policy]

Policy 7. Use of Real Estate Excise Tax revenues for future Debt Service. Beginning in 2009 and except for ~~fire~~ Public Safety facilities projects described in Policy 6c above, no new debt service for new facilities shall be charged to Real Estate Excise Tax revenues. [Revised Policy]

**FINANCIAL POLICIES FOR THE CITY OF SEATTLE
CUMULATIVE RESERVE SUBFUND OF THE GENERAL FUND**

Introduction

The Cumulative Reserve Subfund of the General Fund is comprised of two accounts, the Capital Projects Account and the Revenue Stabilization Account. The Capital Projects Account is used to pay debt service on the City's Capital Facilities Bonds and is the primary resource for asset preservation funding for non-utility departments other than Seattle Department of Transportation. The Revenue Stabilization Account (also called the Rainy Day Fund) is intended to cushion the City from sudden unanticipated shortfalls in revenue due to economic downturns in order to avoid or mitigate mid-year expenditure reductions.

Fund Structure

Policy 1. Subfund Accounts. The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several sub-accounts, and the Revenue Stabilization Account. [Ord 119761]

Policy 2. Capital Projects Account Subaccounts. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. [Ord 120411] The Asset Preservation Subaccount Fleets and Facilities Subaccount [Ord 121642] and Street Vacation Subaccount [Ord 121661] are also subaccounts of the Capital Projects Account. [Updates policy adopted in Resolution 30379, Exhibit C-2.]

Expenditures

Policy 3. Purposes of Subfund. There is hereby established under authority of RCW 35.21.070, as a subfund of the General Fund, a cumulative reserve fund for several different municipal purposes as well as certain specific municipal purposes as follows:

- a) The making of any public improvement, including but not limited to the construction, alteration, renovation or repair of City buildings; the establishment, widening and extending of streets and highways; and the construction and repair of sewers;
- b) Investigations and studies in connection with any public improvement;
- c) The acquisition of real property;
- d) The purchase of supplies, material or equipment as specified in the ordinance making an appropriation therefore;
- e) Civil defense;

Attachment FB – Cumulative Reserve Subfund Financial Policies

v1

- f) The provision of low-income housing;
- g) The provision of reserves for revenue stabilization for future operations;
- h) Short-term loans for capital projects to meet cash-flow requirements, provided that a source of repayment is identified and that a schedule and term of repayment are specified;
- i) The financing of capital projects specified in the capital facilities element of the City's Comprehensive Plan and housing relocation assistance, as authorized by Chapter 82.64 RCW;
- j) The matching of federal or state funds for any of the foregoing or any other municipal purpose the nature of which shall be specified in the appropriating ordinance.

The subfund shall be known as the Cumulative Reserve Subfund.

[Ord 117977]

Policy 4. Revenue Stabilization Account expenditures. The Revenue Stabilization Account shall be used for revenue stabilization for future City operations. Expenditures from the Revenue Stabilization Account shall require an ordinance passed by two-thirds vote unless state law requires a higher supermajority vote of the City Council. [Ord 119761]

Policy 5. Capital Projects Account expenditures. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council. [Ord 119761]

- a) Real Estate Excise Tax I Subaccount expenditures. The Real Estate Excise Tax I Subaccount shall be expended only for the purposes and capital projects contemplated by RCW 82.46.010. [Ord 119761] RCW 82.46.010 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan and housing relocation assistance, except for (a) revenues pledged to debt retirement prior to April 30, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to April 30, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.010(6) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and/or judicial facilities, river and/or waterway flood control projects (for jurisdictions that had expended funds from this tax prior to June 11, 1992 for such purpose), and housing projects (until December 31, 1995 and only for those jurisdictions that had expended funds from this tax prior to June 11, 1992 for this purpose).

Attachment FB – Cumulative Reserve Subfund Financial Policies

v1

- b) Real Estate Excise Tax II Subaccount expenditures. The Real Estate Excise Tax II Subaccount shall be used solely for the purposes and capital projects contemplated by RCW 82.46.035. [Ord 119761] RCW 82.46.035 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan, except for (a) revenues pledged to debt retirement prior to March 1, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to March 1, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.035(5) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.
- c) Asset Preservation Subaccount Fleets and Facilities expenditures. Expenditures from the Asset Preservation Subaccount Fleets and Facilities are governed by the financial policies endorsed by Resolution 30812.
- d) South Lake Union Property Proceeds Subaccount expenditures. Expenditures from the South Lake Union Property Proceeds Subaccount shall be used for the purposes described in Sections 1 through 6 of Resolution 30334, including transaction costs, the Fairview-Valley Corridor realignment project, legal reserves, affordable housing, and other South Lake Union transportation projects.
- e) Street Vacation Subaccount expenditures. Expenditures from the Street Vacation Subaccount shall be dedicated to the acquisition, improvement, and development of public open space or transportation capital projects. [Ord 121661]
- f) Unrestricted Subaccount expenditures. Expenditures from the Unrestricted Subaccount shall be for asset preservation, facility improvements that do not expand capacity (though they may expand utilization), and planning and development of new or expanded capital infrastructure.

Policy 6. Capital Projects Account Spending Priorities

- a) Beginning in 2009, the City shall estimate the average amount of annual funding required to preserve existing assets owned by City departments other than Transportation and the utilities. Until and unless the City develops a method for estimating this annual target based wholly or in part on actual facility conditions and service requirements, the target shall begin at \$47 million in 2008 and shall be adjusted for the effects of inflation on the buying power of the dollar. Beginning in 2009, a combination of Capital Projects Account revenue and other resources at least equal to 65% of the target shall be allocated for asset preservation (formerly known as "major maintenance" as defined by Resolution 30365) for facilities owned by City departments other than Transportation and the utilities. [Revised Policy]

Attachment FB – Cumulative Reserve Subfund Financial Policies

v1

- b) Beginning in 2009, at least \$5 million in Capital Projects Account revenue shall be allocated for asset preservation in the Seattle Department of Transportation. This amount shall be adjusted for the effects of inflation on the buying power of the dollar. [Res. 31083]
- c) Capital Projects Account revenue shall continue to be used to pay current year expenses plus debt service on bonds issued for the Police Department's North Precinct and to address project funding shortfalls in the neighborhood stations program of the Fire Facilities and Emergency Response Levy. [Revised Policy]
- d) If the Capital Projects Account does not have sufficient funding to meet the requirements of Policy 6a and Policy 6b above and Policy 12 below, the City shall consider the use of General Subfund to eliminate the funding shortfall. With or without the addition of any General Subfund support, if the total available funding remains insufficient for Policy 6a and Policy 6b, funding for these two policies shall be reduced proportionately. [Res. 31083]
- e) Beginning in 2010, the annual adopted budget shall state the difference between (i) the budget for asset preservation for departments other than Transportation and the utilities and (ii) both the annual average amount required for asset preservation defined by Policy 6a (known as the target) and the minimum funding requirement of Policy 6a. In subsequent years the annual adopted budget shall state the cumulative differences since 2010. [Res. 31083]

Policy 7. Use of Real Estate Excise Tax revenues for future Debt Service. Beginning in 2009 and except for public safety facilities projects described in Policy 6c above, no new debt service for new facilities shall be charged to Real Estate Excise Tax revenues. [Revised Policy]

Policy 8. Use of Real Estate Excise Tax revenues for future Levy matches. Beginning in 2009 and except for transportation projects described in Policy 6b above, the City shall not pass legislation committing Real Estate Excise Tax revenue to partial funding of voter-approved projects or levy programs. [Res. 31083]

Policy 9. Use of Real Estate Excise Tax revenues above revenue forecast. In keeping with the City's commitment to maintaining its existing infrastructure, the highest priority use for any revenues received above forecast will be enhanced asset preservation. [Res. 31083]

Revenues/Fund Balances

Policy 10. Revenues to, and fund balance of, the Revenue Stabilization Account. The Revenue Stabilization Account shall be funded by (1) transfers by ordinance, and (2) automatic transfer of tax revenues to the extent described in this section. Upon completion of fiscal year accounting, tax revenues collected during the closed fiscal year which are in excess of the latest revised estimate of tax revenues for that closed fiscal year (as published in the current fiscal year adopted budget) shall automatically be deposited to the Revenue Stabilization Account. Such deposit shall occur at that time the City completes its accounting for the fiscal year. At no time shall the balance of the Revenue Stabilization Account exceed two and one-half (2.5) percent of the amount of tax revenues received by the City during the fiscal year prior to the closed fiscal year.

Attachment FB – Cumulative Reserve Subfund Financial Policies

v1

For purposes of this paragraph, the phrase "tax revenues" means all tax revenues deposited into the General Subfund, including but not limited to, tax revenue from the regular property tax levy, business and occupation tax, utility business taxes, admissions tax, leasehold excise tax, gambling taxes, and sales and use taxes. [Ord 119761]

Policy 11. Revenues to, and fund balance of, the Capital Projects Account

- a) Revenues into REET I Subaccount. The Real Estate Excise Tax I Subaccount shall be comprised of the first one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]
- b) Revenues into REET II Subaccount. The Real Estate Excise Tax II Subaccount shall be comprised of the second one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]
- c) Revenues to Asset Preservation Fleets and Facilities Subaccount. The Asset Preservation Fleets and Facilities Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from space rent charges levied by the Fleets and Facilities Department on occupants of the facilities it manages, operates, or maintains, investment earnings attributable to the Subaccount, and other fund sources approved through the City's annual budget process or by other ordinance. [Ord 121642]
- d) Revenues to Street Vacation Subaccount. One-half of the revenue received by the City as compensation for areas vacated pursuant to Seattle Municipal Code Section 15.62.090 shall be deposited into the Street Vacation Subaccount. [Ord 121661]
- e) Revenues to the South Lake Union Property Proceeds Subaccount. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of certain surplus City property located adjacent to South Lake Union, investment earnings attributable to the Subaccount, and other revenues identified through ordinance. [Ord 120411]
- f) Revenues into the Unrestricted Subaccount. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount, transfers of General Fund balances, investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount and the Asset Preservation Subaccount Fleets and Facilities, and other unrestricted contributions to the Cumulative Reserve Subfund. [Ord 120411]

Policy 12. Ending Fund Balance for REET I and REET II Subaccounts. In order to guard against revenue fluctuations, the City intends to maintain at least a total \$5 million ending fund balance for the REET I and REET II subaccounts of the Cumulative Reserve Subfund. [Res. 31083]

Attachment FB – Cumulative Reserve Subfund Financial Policies

v1

Policy 13. Interest payments on loans. It is the City's general policy that the Cumulative Reserve Subfund charge interest on any loan to another City fund or subfund. Loans made for a period of more than 90 (ninety) days will be approved by ordinance, and interest charges established via ordinance.

Attachment G - REET Eligible Projects Funded by LTGO Bonds

	2012 Ordinance (for 2013 Projects)		2013 Ordinance (for 2014 Projects)		2014 Ordinance (for 2015 Projects)		2015 Ordinance (for 2016 Projects)		Cumulative Amount (\$ in Millions)
	Ordinance 124053		Ordinance 124341		Ordinance 124637		Ordinance 124924		
	Project	Amount	Project	Amount	Project	Amount	Project	Amount	
REET Eligible	South Park Bridge	\$ 10.0	Mercer West	\$ 8.4	Bridge Rehab	\$ 5.1	Pay Stations	\$ 9.0	
	Golf	\$ 7.3	South Park Bridge	\$ 15.0	South Park Bridge	\$ 5.0	Alaskan Way Corridor (GSF)	\$ 5.0	
	Rainier Beach CC	\$ 6.6	North Precinct	\$ 6.6	Fire Facilities	\$ 4.9	Transit Corridors	\$ 1.0	
	Magnison Park Bldg 30	\$ 5.2	Golf	\$ 5.5	Golf	\$ 2.0	Fire Stations	\$ 10.9	
	Fire Facilities	\$ 12.7					Fire Station 5	\$ 2.0	
	North Precinct	\$ 4.2					North Precinct	\$ 5.0	
Subtotal - REET Eligible		\$ 46.0		\$ 35.5		\$ 17.0		\$ 32.9	\$ 131.4
Potential REET Eligible	Police Video Terminals	\$ 4.5	Waterfront ROW	\$ 5.0	Pike Place Market PC 1-N	\$ 28.0	Pike Place Market PC 1-N	\$ 6.0	
			Pike Place Market Refi	\$ 3.0	Alaskan Way Corridor	\$ 4.1			
					CWF Overlook	\$ 1.4			
Subtotal - Potential REET Eligible		\$ 4.5		\$ 8.0		\$ 33.5		\$ 6.0	\$ 52.0
Grand Total		\$ 50.5		\$ 43.5		\$ 50.5		\$ 38.9	\$ 183.4

all figures in \$millions