



March 31, 2022

Alex Pedersen, Councilmember  
Seattle City Hall  
600 Fourth Avenue, Second Floor  
Seattle, WA 98104

Dear Councilmember Pedersen:

The Seattle Department of Transportation (SDOT) shares your interest in maintaining the City's bridges and other transportation infrastructure and is committed to aggressively pursuing that goal in a fiscally responsible manner. We appreciate the opportunity to consider a bonding strategy. And while we do not believe now is the right time to issue bonds for this work, we have recommended next steps for a strategic funding approach to help accomplish our shared goals.


As you may know, we currently have a Roadway Structures Business Practice Upgrade (BPU) underway, which will comprehensively update the inventory of bridge needs and develop a long-term plan for maintenance, major rehabilitation, and capital replacement. We have funding for dedicated staff and consulting resources to support this effort, which we expect to complete by late 2023. This important and necessary work will serve as a guide to help us prioritize bridge investments.

Additionally, by preserving the option to issue bonds later, we allow for the inclusion of new federal infrastructure funding opportunities as part of a strategic plan for addressing priorities identified by our current work.

The attached **Response to Council Budget Action SDOT-505-A re: LTGO bonds** provides additional information about our recommended next steps in a strategic funding approach.

In closing, I'd like to thank you for your prioritizing the safety of our city's transportation infrastructure. You have been a zealous advocate for safeguarding our community's bridges, and your efforts have been instrumental in moving these planning efforts forward. We look forward to our continued partnership with you as we strive to support the roadways that connect Seattle's neighborhoods.

Sincerely,

  
Kristen Simpson (Mar 31, 2022 17:44 PDT)

Kristen Simpson  
Interim Director

cc:

Bruce Harrell, Mayor  
Monisha Harrell, Senior Deputy Mayor  
Adiam Emery, Chief Equity Officer

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## Response to Council Budget Action SDOT-505-A re: LTGO bonds

The 2022 Budget appropriates funding for the City of Seattle to pay the initial year of debt service on the issuance of up to \$100 million in limited tax general obligation (LTGO) bonds to pay for capital investments in the City's bridge infrastructure through Council Budget Action (CBA) [SDOT-505-002-2022](#). Ordinance 126480 adopted by Council in November 2021 authorized the sale of bonds for a set of transportation projects "to be determined". The CBA also directed the Seattle Department of Transportation (SDOT) to provide a report to Council by March 31, 2022, describing how the Executive would use the bond proceeds before spending funds that have been allocated to pay for debt service.

### Recommendation:

Since the passage of the 2022 Budget, SDOT staff have reviewed the CBA and considered what options are available given:

- The current pipeline of ready bridge projects and the time needed to prepare them,
  - The timing of strategic bridge investment planning efforts currently underway, and
  - The legal and administrative challenges for issuing bonds in 2022.
- Based on these considerations, SDOT's recommendation for programming bond investments in bridges is to not issue bonds at this time. Instead, use SDOT's bridge investment and maintenance planning process – the SDOT Roadway Structures Business Practice Upgrade (BPU), scheduled for completion in late 2023 – to guide future capital investment decisions. This could include bonding strategies, federal grant applications, and the development of a potential ballot measure that could consist of a major bridge capital rehabilitation program.

An additional constraint on issuing bonds is that funding for ongoing debt service payments would need to be identified in future budgets to support this investment. The CBA provided funding for the first year of interest payments on a potential \$100 million bond issuance (\$3.1 million budgeted) which could be used for bridge and other capital work in 2022. Due to existing commitments for SDOT's capital funding sources, SDOT and the City Budget Office (CBO) have not been able to identify additional resources for these costs without significant cuts to current programming, including Move Seattle Levy commitments. Future budget processes and the potential for a Move Seattle Levy replacement funding package will provide opportunities to incorporate bridge spending proposals in a Citywide balancing of priorities through a fiscally responsible approach.

The Move Seattle Levy expiration in 2024 also provides an opportunity, in upcoming years, to have a broad community conversation about future transportation needs, priorities, and a comprehensive and stable transportation funding strategy. SDOT is currently engaged in developing a new integrated transportation plan, the Seattle Transportation Plan, that will shape the City's transportation priorities for the next 20 years. Planning efforts are also underway for addressing the upcoming expiration of the Move Seattle Levy with a funding package that may include new levy initiatives, as well as other potential funding strategies. The Roadway Structures BPU findings will be a key part of developing these plans for bridge maintenance investments for decades to come and will provide a roadmap for the bridge needs to include in the future funding package proposal and grant strategies.

## **SDOT's Bridge Stewardship – 2022 Work in Progress**

The 2022 SDOT Budget includes funding for dedicated staff and consulting resources to support the BPU effort. This will inform a strategic approach to bridge asset maintenance, repair, and improvement. The BPU process started in 2019 and is responsive to the City Auditor's recommendations from 2020 ([September 2020 Bridge Maintenance Audit by the Office of City Auditor](#)). The 2022 budget includes \$1.9 million for enhanced staffing and consultant resources for the BPU, which is scheduled to be completed in late 2023 and will include recommendations for maintenance and investment in Seattle's bridges through analysis of component-level condition data, estimating useful bridge life, and evaluating lifecycle cost data. A [presentation about Roadway Structures and the BPU](#) was shared with the Transportation and Utilities Committee in April 2021.

With the BPU effort underway, SDOT is still developing a long-term bridge repair/replacement capital program that will serve as a long-range guide for capital planning and delivery. In the meantime, SDOT's capital delivery teams are designing and building over \$166.9 million in bridge capital investments that are currently in progress – including the following capital appropriations in 2022:

- West Seattle Bridge Rehabilitation (\$102.7 million)
- Bridge Seismic (\$37.2 million)
  - Including design work for Ballard and Fremont bridge seismic retrofits (\$4.85 million)
- Bridge rehabilitation and Replacement (\$8.7 million)
- Bridge Rehabilitation and Replacement Phase II (\$8.1 million)
  - Includes 4<sup>th</sup> Over Argo rehabilitation (\$6.6 million)
- Structures Major Maintenance (\$6.5 million)
  - Includes movable bridge component repairs on Spokane Street Low Bridge and the Ship Canal Bridges and repairs to the Spokane Street Viaduct
  - Design work for Spokane Street Swing Bridge Hydraulic Overhaul and Spokane Viaduct Rehabilitation (\$1.1 million, added via CBA SDOT-505)
- Bridge Painting (\$2.7 million)
- Bridge Load Rating (\$0.95 million)

These projects are funded through various funding sources, including \$66.5 million in bonds, \$51.1 million in grants, \$41.2 million from the Move Seattle Levy, \$10.5 million in Real Estate Excise Taxes (REET), and \$3.9 million in other local funding sources. An additional \$3.1 million in REET funds initially programmed for debt service in 2022 per CBA SDOT-505 may be reprogrammed to start design work on the University Bridge North Pier rehabilitation.

The current mix of funding for bridge capital programming serves as a good indicator of how future needs may be met through various funding tools, including bonding, grants, levies, and local revenue streams to maintain these assets.

### **Bridge Capital Funding Strategy**

The recommended approach could utilize a mix of funding sources, including local funds, federal grants, and bond issuances, to support the implementation of increased bridge investments built on the recommendations of the BPU. Several key factors need to be considered when developing a capital investment program:

- SDOT's capital process is delivery oriented, which means that capital projects typically begin design work after both design and construction funding has been identified and planned in the Department's 6-Year Capital Improvement Program (CIP). Incorporating the option of bond funding alongside other funding streams will allow SDOT the flexibility in capital planning to secure strong funding plans for bridge capital projects, which is especially critical for successful grant applications as we work to pair the BPU's identified priorities with available funding opportunities.
- Timing of potential debt issuance in future years will allow SDOT to align the planning for this package with the City's budget process and bond issuance schedule and meet all bond and legislative requirements, including the City's Charter (Article IV, Section XXI) and City adopted Debt Management Policies ([Resolution 31553](#)). Article IV, Section XXI of the City Charter states that the City Council shall create no debt or obligation of any kind against the City except by ordinance specifying the amount and object of such expenditure. The City has developed and adopted its Debt Management Policies. It maintains the Debt Management Policy Advisory Committee (DMPAC) as part of its due diligence to ensure that general obligation borrowing satisfies the City's Charter provisions.
- Strategies for bond issuance may include breaking up the bond issuance into multiple years, which will allow SDOT to match the timing of issuance more closely to the spending of the bond proceeds. This reduces unnecessary debt service costs and meets a key principle of the City's Debt Policies to limit the amount of general obligation borrowing to an amount that can be reasonably expected to be spent by the projected date of the next bond issuance.

We look forward to working with the City Council to deliver a thoughtful and strategic bridge project package that serves our city and the region for generations to come.