Attachment C

Bonding Considerations

To issue a bond is to borrow money.

Bonds allow cities to borrow money for public projects like roads, bridges, and schools, and repay over time with interest - much like a home loan.

There are two common ways that General Obligation Bonds can be issued.

- Voters can approve bonds. Voter-approved bonds can establish new, dedicated taxing sources to pay for large projects over time and require 60% of voters to vote for the bond measure (commonly called UTGO bonds; Elliott Bay Seawall bonds are an example).
- Council can approve bonds under their authority and fund the debt service through the budget process. This can be accomplished by dedicating funding streams for debt service including but not limited to, Commercial Parking Tax, Gas Tax, or Vehicle License Fees (commonly called LTGO bonds; West Seattle Bridge bonds are an example).

Applying City policy in financing projects using municipal bonds

The City has policies that guide the type of debt we issue, which preserves our creditworthiness and high credit rating. High credit ratings allow us to borrow at the lowest cost possible to Seattle taxpayers. Further resources on City debt policies are linked below:

City Bond Issuance and Debt Service:
https://www.seattle.gov/Documents/Departments/FinanceDepartment/21adoptedbudget/CityBondandDebtSvs.pdf
City Debt Management Policies: http://clerk.ci.seattle.wa.us/search/resolutions/31553

Considerations for Bondable Projects

- **Significant projects benefiting many generations.** Bonding presents opportunities to improve and add to our city's infrastructure for future generations. Bonds have allowed for significant investments in Seattle's infrastructure, including large projects such as the 23rd Ave Corridor, Alaskan Way Main Corridor, Elliott Bay Seawall, King Street Station, Mercer Corridor, and Waterfront Park.
- **Large and urgent funding needs.** The City's largest and most urgent public needs have benefited, and will benefit, from bonding. For example, municipal bonds are in use to fund the West Seattle Bridge rehabilitation - a large, unexpected expense and work must be done quickly to restore travel across the Duwamish and limit the effects on surrounding communities.
- **Projects constructed all at once**. Large, more expensive projects that are constructed all at once and will serve the community for a long time (like fire stations, bridges, and community centers) have also benefited from bonding. For example, Washington State's funding packages for the SR-99 Tunnel and SR-520 Bridge included bond funding.
- **Longer process of planning, design, engagement, and analysis.** Many of the city's transportation assets that last more than 20 years have taken many years to plan, design, and incorporate public engagement and environmental analysis due to size and complexity. These have typically been street, sidewalk, and bridge improvements constructed or rehabilitated primarily with concrete, steel, and other long-lasting materials. Such longer-term planning, design, public engagement, and environmental analysis will need to take place over several years for projects on the $20 Vehicle License Fee Bondable Project List.

- **If the $20 Vehicle License Fee is used to finance $100 million in bonds, it would be paid back over the next 20 years at an estimated cost of $169 million.**
    - Approximately $69 million of this repayment would be spent on fees and interest payments and the VLF would be dedicated to repaying these bonds until 2042.
    - This means that bonding would be used to fund transportation projects in the near-term and Vehicle License Fee revenue collected from Seattle residents would fund debt service payments in the long-term.
    - **These projects would be delivered over 5 years from 2022-2026,** as detailed in Attachment A. These bonds would focus on rehabilitation work for bridges and multimodal safety improvements citywide.