

# CITY OF SEATAC

## TRANSPORTATION MASTER PLAN UPDATE

### Transportation Funding Analysis

Prepared by: Berk Consulting

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## INTRODUCTION

As part of its comprehensive planning process, the City of SeaTac is preparing a Transportation Master Plan to guide its transportation investments and activities. BERK, under the direction of Transpo Group, documented existing and projected transportation revenues and expenditures to determine the feasibility of the City's Capital Transportation Improvement Program (TIP) and evaluate additional sources of funding to increase financial capacity. This analysis will culminate in financial strategies, presented in the Transportation Master Plan, itself, to guide the City's financial planning and impact fee program through 2035.

## METHODOLOGY

This memo presents the data used to evaluate the City of SeaTac's current and future financial position as it relates to transportation funding. The data sources and analysis conducted is described below. All of the fiscal data throughout this memorandum is provided in 2014 dollars (2014\$). This was done by dividing year of estimates (historical actuals and future projections that reflect the expected value of a dollar for those years) by a 2014 Consumer Price Index (CPI) factor. The 2014 CPI factor is 1, with each following years being the previous year's CPI factor times one plus the future inflation assumption.

### Historical Revenues and Expenditures

The data used to summarize historical revenues and expenditures came from WSDOT's County Road and City Street Revenues and Expenditures FY 2004 to 2013 datasets. WSDOT collects this data from counties and cities as part of its annual reporting to the Federal Highway Administration. The data is collected from counties and cities using a standard report that uses the Budgeting, Accounting, and Reporting System (BARS) codes to standardize the data collected among all reporting counties and cities. This standardization, along with the availability of significant longitudinal data, makes this data set excellent for this kind of revenue analysis.

For the purposes of this report, the WSDOT data set was reconciled with the City of SeaTac's transportation budget, to exclude revenues and expenditures that WSDOT considers transportation but that the City considers surface water management. One of the challenges of this reconciliation is that the City of SeaTac transportation budget is fund-specific, whereas the WSDOT dataset is government-wide. Additionally, the WSDOT dataset relied on unaudited figures, whereas the City of SeaTac's budget presents audited actuals. For those reasons, there may be nominal differences between the data provided in this report and the City of SeaTac's audited financial statements.

### Projected Revenues and Expenditures, including Estimated Future Funding Sources

We projected most future revenues and expenditures that the City of SeaTac might expect using the compound annual growth rates imputed from 10-year historical averages. However, a more complex model was used to project commercial parking taxes. This is described in greater detail under the Commercial Parking Tax section starting on page 4.

## CITY OF SEATAC TRANSPORTATION IMPROVEMENT FUNDING SOURCES

The City of SeaTac identifies its long-term transportation needs (2015 to 2035) in the Transportation Master Plan (TMP), which is the background document for the Transportation Element of the City's Comprehensive Plan. Annually, the City prepares its Six-Year Transportation Improvement Program (TIP) which programs funding of transportation improvement projects and programs during that time period based on the estimated revenues during that same six-year time period. (Note: the City has historically prepared an annual Ten-Year TIP. As part of the update of the Transportation Element and preparation of a comprehensive Transportation Master Plan in 2015, the City changed to a Six-Year TIP for programming funding of the near-term priority transportation projects and programs. This is more consistent with the state requirements for an annual Six-Year TIP.) The TIP projects and programs are a subset of the longer-term (2015 to 2035) project list and programs documented in the TMP.

The TIP projects and programs are carried forward into the Six-Year Capital Improvement Plan (CIP). The City funds transportation improvements through the Transportation Capital Improvement Fund and Arterial Street Fund. Each of these funds tracks the City's revenues for transportation projects including the local parking tax, state and federal grants, the state-levied Motor Vehicle Fuel Tax (MVFT), local Vehicle License Fee, locally-collected Transportation Mitigation Impact Fee, and bond proceeds. Funding for transportation improvement projects and programs is appropriated through the City's biennial budget process and document.

### Transportation Improvement Program and Capital Transportation Improvement Programs

Annually, the City Council adopts a Six-Year Transportation Improvement Program (TIP) by resolution (see note above on the City's prior use of a Ten-Year TIP). Proposed amendments and suggested changes to the TIP, gathered from public and staff input throughout the year, are brought to the Planning Commission for review and further input.

The adopted 2015 to 2024 Ten-Year TIP prioritizes the City's transportation projects and outlines expected timeframe, including phasing, and cost of each project. At its June 23, 2015 Study session, the City Council reviewed the Draft 2016-2021 Six-Year Transportation Improvement Program. The TIP identifies funding for annual transportation programs, such as street overlays, neighborhood sidewalk improvements, and commute trip reduction program administration. The TIP also includes projects that would be funded and implemented by other agencies that are important to the City of SeaTac. These projects are documented in the TMP; the Transportation Element also identifies these other agency projects in policies and implementation strategies.

The Six-Year CIP is the tool for programming expected revenues and expenditures related to transportation projects and programs. The City accounts for the majority of its transportation improvement revenues and expenditures in its Transportation Capital Improvement Fund and the Arterial Street Fund. The Arterial Street Fund tracks revenues and expenditures related to the street maintenance program. In addition, the City tracks the receipt and expenditure of other transportation-related funding

in the Transit Planning Fund, the Transportation Bond Fund, the Special Assessment Debt Fund, and the General Fund.

## Transportation Revenue Sources

### Transportation Capital Improvement Fund

The **Transportation Capital Improvement Fund** outlines annual revenue and expenditure expectations related to the majority of the City's planned transportation improvements. Capital Improvement Fund revenues include state and federal grant sources, bond proceeds, and interest income. Other revenues for transportation improvements come from traffic mitigation fees. Revenues fund design and construction of capital improvement projects.

- **State and Federal Grants.** The City has historically secured more than its "fair share" (based on per capita estimate) of transportation grant funding. One example of this is the \$9.3 million in combined Freight Mobility Strategic Investment Board and Transportation Improvement Board grants that the City secured to fund its 28<sup>th</sup>/24<sup>th</sup> Avenue S arterial project. Additionally, the City has secured a Transportation Improvement Board grant of \$6.8 million. The City has been successful in applying for some federal funds, specifically Federal Highway Administration grants. These grants include:
  - **Federal Highway Administration Grants (FHWA).** On a two to three year cycle, the Puget Sound Regional Council (PSRC) receives funds from FHWA to distribute on a competitive basis. The amount and timing of FHWA's distribution is dependent on continuing congressional approval. FHWA programs include Surface Transportation, Congestion Management/Air Quality, and Non-Motorized. Typically the criteria include project relationship to Urban Growth Centers, congestion, safety and mobility improvement and proportion of local match. Having a designated Urban Growth Center has contributed to many competitive grant applications for SeaTac. Highlighted corridors in or near the Urban Center and benefiting from FWHA grants include the International Boulevard, Military Road, S 154<sup>th</sup> St and the Westside Trail.
  - **Commute Trip Reduction Grant.** The City supports its Citywide Commute Trip Reduction program through a Commute Trip Reduction Grant from WSDOT.
  - **Freight Mobility Strategic Investment Board (FMSIB).** As discussed above, the City recently secured a \$2.5 million FMSIB grant to fund its 28th/24th Avenue South arterial project to complete the construction and widening of 28th/24th Avenue South between South 188th Street and South 216th Street.
  - **Transportation Improvement Board (TIB).** The TIB distributes funds through several programs under the Urban Arterial Trust Account and the Transportation Improvement Account. The City has received a \$6.8 million TIB grants for the 28<sup>th</sup>/24<sup>th</sup> Avenue S project. It also received TIB funding for the recent improvements to Military Road S.
- **Charges for Good and Services.** The City charges and assesses several fees to other departments and government agencies. The charges reflected in this analysis are described below. One additional charge, for "other services related to the environment" was netted out of the historical and projected revenues, as it was determined that it actually included revenues dedicated to a surface water management project that the City of SeaTac collaborated with Des Moines and the Port of Seattle on from 2004 to 2008.
  - **Sales of Road Materials.** The City occasionally sells surplus road materials, however these revenues are so infrequent and unpredictable that this revenue source was not included in the future projections.

- **Traffic Mitigation Fees.** The City assesses and collects transportation impact fees (TIF) on development activity within the City. The City's TIF program was established based on the Growth Management Act (GMA), per RCW 82.02. The City's TIF program was adopted in 1995 at a rate of \$773 per net-new P.M. peak hour trip. This was set much lower than the maximum allowable rate calculated based on relative benefit of growth-related transportation system improvements. In 2002, the rate was increased to \$1,020 per net-new P.M. peak hour trip (SeaTac Municipal Code 11.15). Chapter 11.15 of the City's code states that development activity includes "any construction or expansion of a building or structure that creates additional demand on and/or the need for public facilities." The fee is assessed at the time of building permit application and is due at its issuance. Fees must be expended or encumbered within six years of receipt by the City, unless the City Council determines it is necessary to hold the fees for a longer time. (Note: state law now requires that TIF revenues be used within ten years, not six, but the City code has not been revised.) The code includes provisions that credits be provided against the TIF if a development is required to construct or dedicate land for the construction of system improvements included in the impact fee program, as required by GMA.

The mitigation value is computed in accordance with *Trip Generation Manual*, 9th Edition, Institute of Transportation Engineers. The City's code also allows for independent studies to be submitted and considered by the City in establishing the mitigation value. The resulting mitigation payment and the impact fee is designed to support the project's proportionate share of necessary system improvements to serve new growth and development. Overall, the mitigation fee program represents a minor share of TIP revenues.

## Arterial Street Fund

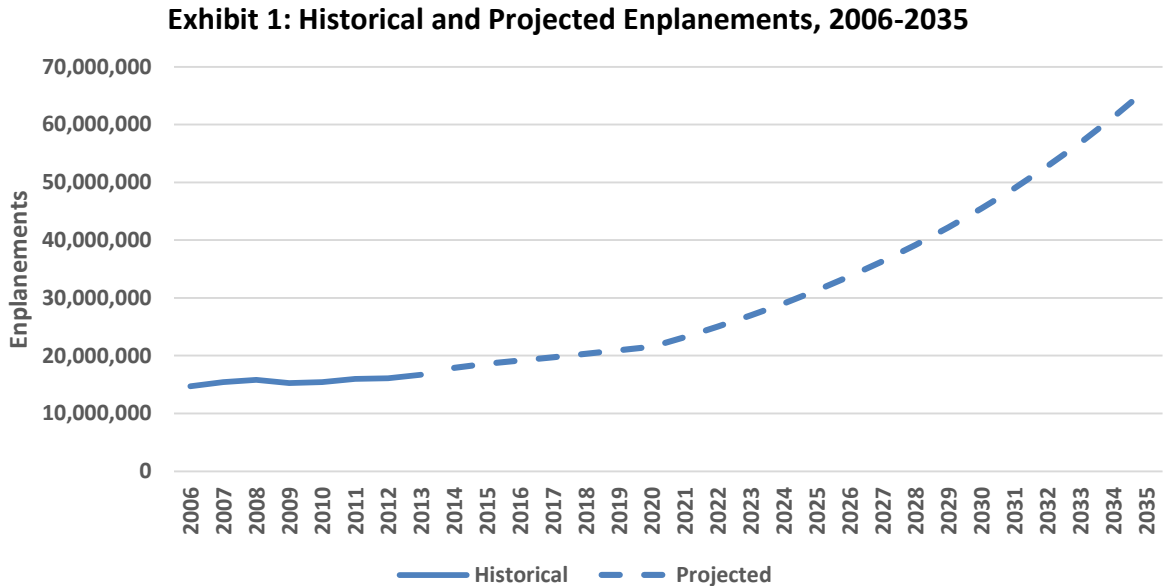
The City's **Arterial Street Fund** is supported primarily by the City's parking tax and is used for capital improvements to the City's streets, including pedestrian improvements. Commercial parking taxes are also used to support preservation, including street overlays. This fund also accounts for the City's highway-restricted portion of receipts and disbursements of the state-levied MVFT revenues. The major source of revenue in the Arterial Street Fund is the local Commercial Parking Tax. Revenues also include Commute Trip Reduction grants from the Department of Transportation.

- **Commercial Parking Tax.** The City of SeaTac levies a special local option transportation tax of \$0.90 per short-term commercial parking transaction and \$3.00 per long-term commercial parking transaction within City limits. This tax applies to commercial, municipal, State of Washington and other governmental entities with parking operations. Revenues are accounted for in the Arterial Street Fund. Parking Tax revenues are used to fund transportation projects identified in the City of SeaTac Transportation Improvement Plan, support system preservation (including street overlays), previously covered debt service for the since retired Transportation Bonds, and for administration of the tax. The tax is collected by parking service operators and remitted to the City each month.

Commercial Parking Tax transaction fees were raised from 2006-10 in concert with the renewal of the City's Interlocal Agreement (ILA) with the Port of Seattle. That ILA also includes some sharing of these revenues between the City and the Port. Appendix C, section 5.4.3 of the amended ILA states, "The parties agree that the parking tax collected by the City shall be applied according to the CIP as shown in the funding plan in the Joint Transportation Study (JTS)." Further, this dictates that 36.9% of the revenues are allocated to the Port to fund South Access, Westside Trail, and the Ring Road project. To this point, 14.9% of the 36.9% have been allocated to the City to manage West Side Trail and Ring Road projects. The City completed its obligation to build the Westside Trail improvement in 2009. The City completed a design report for the North SeaTac Roadways (Ring Road) project in 2008 however there has been no interest by the Port or the City in moving beyond the initial study.

No action has occurred furthering the South Access Expressway project (22% allocation) due to lack of funding of the SR 509 project at the state level. The City and Port subsequently agreed to expend some of the 22% allocation on the 28th/24th Avenue South improvement project, help fund an additional eastbound lane on SR 518 connecting to the North Airport Expressway, and toward constructing a roundabout for the Port’s Cell Phone parking lot relocation. The City estimates that the “22% set aside” will have approximately \$4 million remaining at the end of 2015, immediately before the expiration of the existing Port ILA.

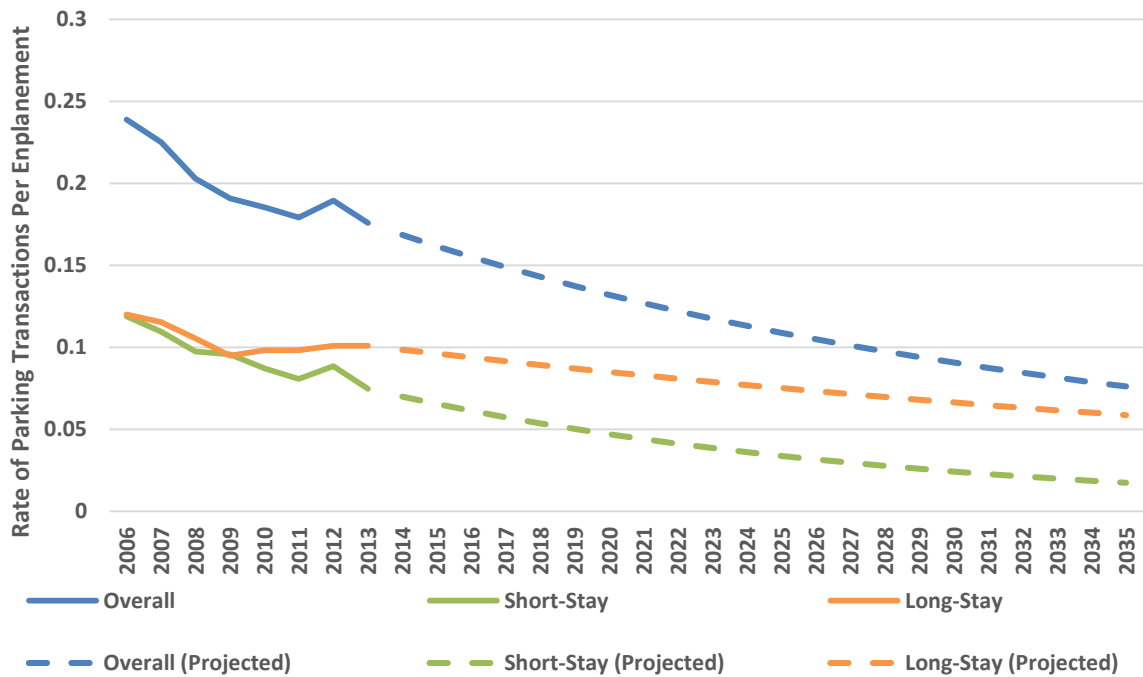
For projection purposes, commercial parking tax revenues were first based on the projected enplanements anticipated by the Port of Seattle. The projections used were linear, and do not account for the potential variation in the air travel market that could occur between now and 2035. For the purposes of this analysis, the Port of Seattle’s budget was used to show projected enplanements for 2014 to 2020. The Port’s 2035 projection of 66 million enplanements was then used to linearly estimate projected enplanements for 2020 to 2034. This is significantly greater growth than was shown during the historical period (2006 to 2013), however that could be explained, in part, by the economic recession which significantly impacted air travel during that period. These trends are shown in Exhibit 1, below.



Source: Port of Seattle, 2015; and BERK Consulting, 2015.

The model then related those enplanements to potential parking transactions, again based on historical trends, and distributed them between short- and long-stay transactions. Historically, there was a demonstrated decrease in the rate of parking transactions overall, with both short- and long-stay transactions decreasing consistently. This is shown in Exhibit 2, below.

**Exhibit 2: Historical and Projected Rate of Parking Transactions per Enplanements, 2006-2035**

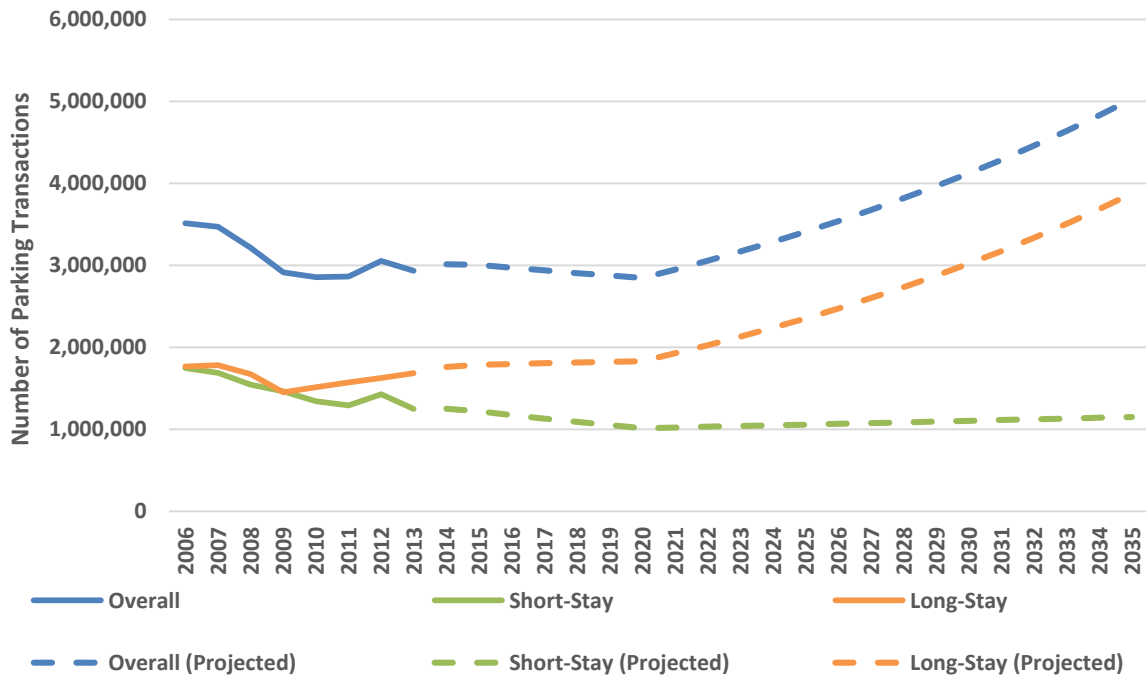


Source: Port of Seattle, 2015; and BERK Consulting, 2015.

This is because, as noted in Chapter 3, the percentage of auto vehicle trips accessing the airport is declining likely due to Link Light Rail, increased bus service, the increased availability of other modes of transportation to and from the airport, and the creation of the cell phone lot, which has further supported diversion of one-time parkers to the pickup lanes. Additionally, following the events of September 11, 2001, air travel declined, resulting in a short-term slowdown in parking tax revenues, which was extended as new airport security rules prevented people from picking travelers up at the gate, diverting people who might have parked to the airport pick-up lanes. This, coupled with the fact that an increased proportion of new enplanements are intra-airport flight transfers, is leading to a declining rate of parking transactions per enplanement. As Link Light Rail continues to be expanded, and other modes of transportation to and from the airport continue to increase their market share, it is expected that these trends will continue.

The projected enplanements and rate of parking transactions were then related to provide estimates on the number of parking transactions that could be expected from 2015 to 2035. This is shown in Exhibit 3.

**Exhibit 3: Historical and Projected Number of Parking Transactions, 2006-2035**



Source: Port of Seattle, 2015; and BERK Consulting, 2015.

A modest increase in both short- and long-term parking transactions was expected based on this analysis.

Finally, these projected short- and long-stay transactions were multiplied by current commercial parking rates to estimate overall projected commercial parking tax revenues. It is important to note that this also significantly affected the Commercial Parking Tax revenues expected by the City. This is because SeaTac’s flat rates for this tax have not increased since 2010. These rates are eroding annually based on the declining purchasing power of the dollar

This is demonstrated by the historical data, which shows that from 2006 to 2010, commercial parking tax revenues increased due to increases in the parking tax rates. However, from 2010 to 2012, revenues were fairly flat as erosion of the rates negated any increases in parking transactions. Parking revenues increased by 6% in 2013 and 7.5% in 2014, which denotes a significant increase in parking transactions, as the value of the tax rate continued to erode.

- **Motor Vehicle Fuel Tax (Highways).** This tax, statutorily authorized by Chapter 82.36 RCW, funds both annual maintenance projects and, to a lesser degree, capacity enhancement projects. Revenues are used to fund administrative, construction, reconstruction, maintenance and repair costs to highways and major arterials. WSDOT allocates a small portion of MVFT funds to cities and counties through an allocation formula.
- **Miscellaneous Revenues.** Miscellaneous revenues contribute minimal resources annually to the Arterial Street Fund. These revenues are from sources which vary from year to year, but can include:
  - Investment Interest
  - Other Interest Earnings
  - Rentals, Leases, etc.
  - Judgments and Settlements
  - Other Miscellaneous Revenues

- **Other Financing Sources.** Other financing sources contribute minimal resources annually to the Arterial Street Fund. These revenues are also highly volatile and unpredictable.
  - **Proceeds from Sales of Capital Assets.** The City occasionally sells City assets, the revenues from which are included in this revenue category. In the near term (2015 to 2020) the City expects to sell \$5.4 million in assets to fund the South 152<sup>nd</sup> Street reconstruction project. Since this magnitude of asset sale revenue represents an anomaly, and is not an assured revenue source, it is not included in the projection of future revenues from other financing sources.
  - **Insurance Recoveries.** The City infrequently receives recoveries for losses it experiences. These revenues are so infrequent and unpredictable that this revenue source was not included in the future projections.
- **Motor Vehicle Fuel Tax (City Streets).** This tax funds both annual maintenance projects and, to a lesser degree, capacity enhancement projects. Revenues are used to fund administrative, construction, reconstruction, maintenance, and repair costs to city streets. WSDOT allocates a small portion of MVFT funds to cities and counties through an allocation formula.

### General Fund

Additionally, some transportation revenues are allocated from the City's **General Fund**. These include:

- **Operating Transfers – In.** This revenue source was only recorded in 2010, 2011, and 2013, and included transfer from fund 102 to fund 307 and transfers to the municipal CIP for sidewalk construction. Operating transfers are a near-term solution to balancing the budget, and are used as a stopgap to fill shortfalls in annual and biennial budgets. There is no intent for Operating Transfers – In to be neither a long-term revenue source nor a solution to the transportation capital improvement budget.



## Historical Transportation Revenues

The City of SeaTac's Transportation Revenues by source are shown in Exhibit 1 below.

**Exhibit 4: City of SeaTac Transportation Revenues, FY 2004 to 2013 (2014\$)**

Revenue	Notes	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Taxes</b>		\$ 5,028,971	\$ 4,536,568	\$ 5,775,520	\$ 6,060,922	\$ 6,327,192	\$ 5,942,855	\$ 6,405,974	\$ 6,297,591	\$ 6,394,948	\$ 6,351,463
Commercial Parking Tax		\$ 5,028,971	\$ 4,536,568	\$ 5,775,520	\$ 6,060,922	\$ 6,327,192	\$ 5,942,855	\$ 6,405,974	\$ 6,297,591	\$ 6,394,948	\$ 6,351,463
<b>Street and Curb Permits</b>		\$ -	\$ 1,237	\$ 816,277	\$ 574	\$ 275	\$ -	\$ -	\$ 266	\$ -	\$ -
<b>Federal Grants - Indirect</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,590,295	\$ -	\$ 4,038
<b>Federal Highway Administration Grants (Direct or Indirect)</b>		\$ 795,325	\$ 433,730	\$ 109,637	\$ 520,616	\$ 810,749	\$ -	\$ -	\$ -	\$ -	\$ -
<b>State Grants</b>		\$ 1,535,644	\$ 4,957,450	\$ 608,492	\$ 2,279,992	\$ 261,203	\$ 818,679	\$ 185,831	\$ 1,252,450	\$ 1,402,764	\$ 86,188
Commuter Trip Reduction Program		\$ 18,320	\$ 53,373	\$ 16,828	\$ 62,809	\$ 35,270	\$ 44,956	\$ 29,143	\$ 14,191	\$ 43,990	\$ 28,975
Urban Arterial Board Grants		\$ 14,476	\$ -	\$ -	\$ 1,619,638	\$ 225,933	\$ 692,689	\$ 63,772	\$ -	\$ -	\$ -
Transportation Improvement Board Grants		\$ 1,502,848	\$ 4,904,077	\$ 591,664	\$ 597,545	\$ -	\$ 81,034	\$ 92,915	\$ 1,238,258	\$ 1,358,774	\$ 57,213
<b>Motor Vehicle Fuel Tax - City Streets and Arterial Streets</b>		\$ 657,355	\$ 663,954	\$ 696,897	\$ 701,895	\$ 644,064	\$ 612,934	\$ 614,376	\$ 690,255	\$ 574,609	\$ 579,272
<b>Interlocal Grants, Impact Payments, and In-Lieu Taxes</b>	*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,626	\$ 49,036	\$ -	\$ -	\$ 545,457
<b>Road and Street Construction Services and Other Charges for Goods and Services</b>		\$ 1,329	\$ 200,789	\$ 596,589	\$ 119,184	\$ 196,725	\$ 247,861	\$ 237,119	\$ 111,012	\$ 2,009	\$ 58,750
Road/Street Maintenance Repair Charges		\$ 1,329	\$ 1,206	\$ 936	\$ 896	\$ 1,266	\$ 641	\$ -	\$ 415	\$ 363	\$ 256
Sales of Road Materials		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,646	\$ 10,242
GMA Impact Fees		\$ -	\$ 199,583	\$ 595,652	\$ 118,289	\$ 195,459	\$ 247,220	\$ 237,119	\$ 110,597	\$ -	\$ 48,252
<b>Miscellaneous Revenue</b>		\$ 326,785	\$ 261,833	\$ 529,067	\$ 719,637	\$ 499,403	\$ 169,033	\$ 486,607	\$ 132,476	\$ 56,144	\$ 79,052
Investment Interest	**	\$ 103,216	\$ 248,170	\$ 516,233	\$ 704,194	\$ 442,830	\$ 168,038	\$ 10,796	\$ 106,800	\$ 30,671	\$ 15,674
Other Interest Earnings		\$ 7,104	\$ 4,737	\$ 8,395	\$ 4,039	\$ -	\$ 995	\$ -	\$ -	\$ -	\$ -
Rentals, Leases, etc.		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,711	\$ 7,340	\$ 7,158	\$ 7,073
Judgements and Settlements		\$ 216,466	\$ 8,926	\$ 4,152	\$ 7,113	\$ 2,328	\$ -	\$ 1,848	\$ 17,432	\$ 16,158	\$ 384
Other Miscellaneous Revenues	*	\$ -	\$ -	\$ 286	\$ 4,291	\$ 54,245	\$ -	\$ 469,253	\$ 904	\$ 2,156	\$ 55,921
<b>Other Financing Sources</b>		\$ -	\$ -	\$ -	\$ 854	\$ 712,884	\$ -	\$ -	\$ 9,172	\$ -	\$ 43,205
Proceeds from Sale of Capital Assets		\$ -	\$ -	\$ -	\$ 854	\$ 712,884	\$ -	\$ -	\$ 9,172	\$ -	\$ -
Insurance Recoveries	*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,205
<b>Operating Transfers-In</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,155,225	\$ 1,125,090	\$ 1,097,286	\$ 1,084,113
Transfer from Fund 102	* & ***	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,835	\$ 159,561	\$ 155,618	\$ 153,750
Municipal CIP for Sidewalk Construction	* & ***	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 991,390	\$ 965,528	\$ 941,668	\$ 930,363
<b>Subtotal (Total Included in Projections; excludes everything denoted by *)</b>		\$ 8,364,646	\$ 11,981,508	\$ 13,317,231	\$ 10,397,955	\$ 8,685,091	\$ 7,791,362	\$ 7,460,654	\$ 10,075,311	\$ 8,450,876	\$ 7,092,599
<b>Total</b>		\$ 8,364,646	\$ 11,982,745	\$ 14,133,794	\$ 10,403,674	\$ 9,452,496	\$ 7,888,988	\$ 9,134,168	\$ 11,210,742	\$ 9,551,964	\$ 8,831,538

Source: WSDOT County Road and City Street Revenues and Expenditures FY 2004 to 2013 datasets, 2015; City of SeaTac, 2015; and BERK Consulting, 2015.

Notes:

- \* One-time revenues that will not be included in projections.
- \*\* 75% transportation included (other 25% funds SWM).
- \*\*\* Approximate distribution of operating transfers-in based on 2013 actuals.

Over the last ten years, the City of SeaTac's transportation revenues have varied widely due to the economy. In 2004, 2005, and 2006, we saw pre-recession highs due to high development. In the following three years, we saw recession lows. However, in the past four years, transportation revenues seem to have stabilized.

Historically, parking tax revenues and grants have made up the majority of revenues for projects in the TIP. However, annual contributions by revenue source vary year to year. The commercial parking tax is generally about 40 to 80% of the City of SeaTac's transportation revenues.

## TRANSPORTATION EXPENDITURES

### Transportation Expenditures

Construction costs account for the majority of the City of SeaTac's total transportation spending. However, the City also has significant operational costs related to maintenance, operations, and administration, which account for the majority of its regular expenditures. We have broken down transportation expenditures to show all activities for which the City of SeaTac had expenditures between 2004 and 2013, to describe what activities occur under each category.

- **Construction (Management and Overlays).** Salaries and benefits for fund 307 and capital projects through fund 307 to improve safety, capacity, mobility, and access. For the purposes of this analysis, we have isolated management and overlays as expenditures and capital investments outside of the capital project list.
- **Maintenance.** Routine and ongoing activities to ensure facility utility, e.g. snow and ice control.
- **General Administration.** General administration covers public works transportation administration and support.
- **Operations.** Operations accounts for engineering and planning services that support transportation capital projects in SeaTac.
- **Additional Entries Affecting Fund Balance.** This expenditures line documents additional entries that affect the fund balance, specifically overhead transportation expenses, which include overall expenses from other departments that support transportation.

## HISTORICAL TRANSPORTATION EXPENDITURES

Exhibit 2 provides a historical summary of the City of SeaTac's transportation expenditures.

**Exhibit 5: City of SeaTac Transportation Expenditures, 2014-13 (2014\$)**

Expenditures	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Construction (Management and Overlays)</b>	\$ 784,523	\$ 980,853	\$ 92,708	\$ 2,977,431	\$ 1,100,299	\$ 4,178,373	\$ 265,674	\$ 815,572	\$ 1,024,906	\$ 1,465,500
<b>Maintenance</b>	\$ 1,079,099	\$ 1,079,403	\$ 1,402,613	\$ 1,384,547	\$ 1,943,936	\$ 1,567,906	\$ 1,851,314	\$ 1,150,856	\$ 570,152	\$ 1,691,440
<i>Roadway</i>	\$ 623,639	\$ 699,549	\$ 945,235	\$ 940,277	\$ 1,485,515	\$ 1,067,499	\$ 1,196,635	\$ 480,644	\$ -	\$ 1,139,837
<i>Street Lighting</i>	\$ 183,902	\$ 157,379	\$ 168,894	\$ 168,118	\$ 165,732	\$ 178,210	\$ 185,839	\$ 196,859	\$ 226,677	\$ 229,605
<i>Traffic Control Devices</i>	\$ 261,460	\$ 215,973	\$ 281,754	\$ 269,460	\$ 262,758	\$ 311,312	\$ 375,796	\$ 450,323	\$ 303,294	\$ 289,788
<i>Snow and Ice Control</i>	\$ 10,097	\$ 6,502	\$ 6,730	\$ 6,691	\$ 29,931	\$ 10,884	\$ 93,043	\$ 23,030	\$ 40,182	\$ 32,210
<b>General Administration</b>	\$ 770,083	\$ 774,047	\$ 974,493	\$ 1,415,993	\$ 1,170,194	\$ 1,139,910	\$ 813,335	\$ 989,874	\$ 1,570,267	\$ 140,984
<i>General Services</i>	\$ 770,083	\$ 774,047	\$ 974,493	\$ 1,415,993	\$ 1,170,194	\$ 1,139,910	\$ 813,335	\$ 989,874	\$ 1,570,267	\$ 140,984
<b>Operations</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,489
<i>Engineering</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,489
<b>Other Street Related Expenditures</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,436
<i>Other Street Related Expenditures</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,436
<b>Additional Entries Affecting Fund Balance</b>	\$ 502,326	\$ 488,526	\$ 471,112	\$ 453,513	\$ 435,223	\$ 432,702	\$ 431,433	\$ 420,178	\$ 409,795	\$ 404,875
<i>Overhead Transportation Expense</i>	\$ 502,326	\$ 488,526	\$ 471,112	\$ 453,513	\$ 435,223	\$ 432,702	\$ 431,433	\$ 420,178	\$ 409,795	\$ 404,875
<b>Total</b>	\$ 3,136,031	\$ 3,322,829	\$ 2,940,926	\$ 6,231,483	\$ 4,649,652	\$ 7,318,891	\$ 3,361,756	\$ 3,376,480	\$ 3,575,120	\$ 3,986,723

Source: WSDOT County Road and City Street Revenues and Expenditures FY 2004 to 2013 datasets, 2015; City of SeaTac, 2015; and BERK Consulting, 2015

## FINANCIAL CAPACITY ANALYSIS

We assessed the City of SeaTac’s future financial capacity under existing conditions. We used 2014 dollars for all analysis, because this makes it easier to compare available revenues to today’s capital costs and provide a realistic estimate of what capital projects could be accomplished with available funding.

### Future Revenues

The City of SeaTac’s Transportation Revenues by source are shown in Exhibit 1, above. For the revenue analysis, these revenues were rolled up to broader categories. Below, we have identified what is included in each of the revenue categories projected in that exhibit.

Revenues projected	What’s included:
<b>State and Federal Grants</b>	<ul style="list-style-type: none"> <li>• Federal Grants – Indirect</li> <li>• Federal Highway Administration Grants</li> <li>• State Grants (Urban Arterial Board, TIB, FMSIB, Commute Trip Reduction, and other state grants)</li> </ul>
<b>MVFT</b>	<ul style="list-style-type: none"> <li>• Motor Vehicle Fuel Tax – City Streets and Arterials (Highways)</li> </ul>
<b>Commercial Parking Tax</b>	<ul style="list-style-type: none"> <li>• 63.1%, 14.9%, and 22% Shares of Commercial Parking Tax</li> </ul>
<b>GMA Impact Fees</b>	<ul style="list-style-type: none"> <li>• GMA Transportation Impact Fees per RCW 82.02</li> </ul>
<b>Other Charges for Goods and Services</b>	<ul style="list-style-type: none"> <li>• Road/Street Maintenance Repair Charges</li> </ul>
<b>Other Local Sources</b>	<ul style="list-style-type: none"> <li>• Street and Curb Permits</li> <li>• Interlocal Grants, Impact Payments, and In-Lieu Taxes</li> <li>• Road and Street Construction Services and Other Intergovernmental Services</li> <li>• Miscellaneous Revenues               <ul style="list-style-type: none"> <li>○ Investment Interest</li> <li>○ Other interest Earnings</li> <li>○ Rentals, leases, etc.</li> <li>○ Judgments and Settlements</li> <li>○ Other Miscellaneous Revenues</li> </ul> </li> </ul>

Projections for the City of SeaTac’s transportation revenues for the next 21 years are shown in Exhibit 6.

**Exhibit 6: City of SeaTac Projected Revenues under Existing Conditions, 2015-35 (2014\$)**

	2015-2020	2021-2026	12-Year Total	2027-2035	21-Year Total
<b>Revenues under Current Policies</b>					
State and Federal Grants	\$ 12,400,000	\$ 14,900,000	\$ 27,300,000	\$ 28,100,000	\$ 55,400,000
MVFT	\$ 3,800,000	\$ 3,470,000	\$ 7,270,000	\$ 4,630,000	\$ 11,900,000
Commercial Parking Tax (63.1% Share)	\$ 22,400,000	\$ 22,440,000	\$ 44,840,000	\$ 39,360,000	\$ 84,200,000
Commercial Parking Tax (14.9% Share)	\$ 5,300,000	\$ 5,300,000	\$ 10,600,000	\$ 9,290,000	\$ 19,890,000
GMA Impact Fees	\$ 300,000	\$ 310,000	\$ 610,000	\$ 480,000	\$ 1,090,000
Other Local Sources	\$ 2,900,000	\$ 3,450,000	\$ 6,350,000	\$ 5,700,000	\$ 12,050,000
<b>Subtotal (Revenues under Current Policies)</b>	<b>\$ 47,100,000</b>	<b>\$ 49,870,000</b>	<b>\$ 96,970,000</b>	<b>\$ 87,560,000</b>	<b>\$ 184,530,000</b>
<b>New Revenues from Policy Changes</b>					
Commercial Parking Tax (22% Share)	\$ 7,800,000	\$ 7,820,000	\$ 15,620,000	\$ 13,720,000	\$ 29,340,000
Commercial Parking Tax, Increase from Indexing to Inflation (on top of 100% share)	\$ 6,720,000	\$ 13,660,000	\$ 20,380,000	\$ 41,860,000	\$ 62,240,000
Transportation Benefit District MVET (\$20)	\$ 3,800,000	\$ 4,560,000	\$ 8,360,000	\$ 8,610,000	\$ 16,970,000
Transportation Benefit District SUT (0.02%)	\$ 1,440,000	\$ 1,730,000	\$ 3,170,000	\$ 3,270,000	\$ 6,440,000
<b>Subtotal (New Revenues from Policy Changes)</b>	<b>\$ 19,760,000</b>	<b>\$ 27,770,000</b>	<b>\$ 47,530,000</b>	<b>\$ 67,460,000</b>	<b>\$ 114,990,000</b>
<b>TOTAL REVENUES</b>	<b>\$ 66,860,000</b>	<b>\$ 77,640,000</b>	<b>\$ 144,500,000</b>	<b>\$ 155,020,000</b>	<b>\$ 299,520,000</b>

Source: WSDOT County Road and City Street Revenues and Expenditures FY 2004 to 2013 datasets, 2015; BERK Consulting, 2015.

Notes: Impact fees were projected under existing rates and conditions, including historical rates of development. If higher rates of development were to occur in SeaTac in the future, impact fee revenues would increase under existing rates. This would also need to be updated if new impact fee rates are adopted, as this would increase impact fee revenues.

The subtotal *Revenues under Current Policies* in Exhibit 6 shows estimated revenues the City of SeaTac might receive over a 21-year period (2015 to 2035). We have also identified a few sources of revenue the City could receive if it adopts policy changes during this same window: These include:

- Additional Commercial Parking Tax Revenues (22% Share).** Currently the City of SeaTac’s ILA with the Port of Seattle dictates that commercial parking taxes collected by the City of SeaTac will be shared with the Port of Seattle. One portion of these revenues is projected as part of current policy revenue and is not reflected in this 22%. An additional 22% has been allocated to the Port for South Access. As the South Access project has not begun, the ILA may be revised. This change in policy could increase the City’s Commercial Parking Tax revenues by over \$29 million over the next 21 years.
- Additional Commercial Parking Tax Revenues Due to Indexing Parking Tax Rates to Inflation (on top of 100% share).** Currently, the City of SeaTac’s parking transaction rates are not updated on a regular schedule. SeaTac’s flat rates for this tax have not changed since 2010. Because the rate is not increased on a regular schedule, nor indexed to inflation, the revenues are eroding annually based on the declining value of the dollar. Similarly, the transaction rates are eroding for consumers. To correct for this, the City of SeaTac could raise its transaction rates in 2015 to the CPI adjusted value with equal purchasing power to the 2010 rates. This would raise short term parking transaction rates to \$1.01 and long-term rates to \$3.36. The City could also index these rates to inflation and annually update them on that basis. For illustrative purposes, the resulting tax rates are presented in Exhibit 7, below.

**Exhibit 7: City of SeaTac Commercial Parking Tax Rates in Actuals  
if Indexed to 2010 Rates by Inflation, 2015-35**

	Short-stay Transaction		Long-stay Transaction	
<b>2010</b>	<b>\$</b>	<b>0.90</b>	<b>\$</b>	<b>3.00</b>
2015	\$	1.01	\$	3.36
2016	\$	1.03	\$	3.44
2017	\$	1.06	\$	3.53
2018	\$	1.09	\$	3.62
2019	\$	1.11	\$	3.71
2020	\$	1.14	\$	3.80
2021	\$	1.17	\$	3.89
2022	\$	1.20	\$	3.99
2023	\$	1.23	\$	4.09
2024	\$	1.26	\$	4.19
2025	\$	1.29	\$	4.30
2026	\$	1.32	\$	4.41
2027	\$	1.36	\$	4.52
2028	\$	1.39	\$	4.63
2029	\$	1.42	\$	4.75
2030	\$	1.46	\$	4.86
2031	\$	1.50	\$	4.99
2032	\$	1.53	\$	5.11
2033	\$	1.57	\$	5.24
2034	\$	1.61	\$	5.37
2035	\$	1.65	\$	5.50

Source: City of SeaTac, 2015; and BERK Consulting, 2015.

- **Transportation Benefit District (TBD).** As per Chapter 36.73 RCW, cities can create a transportation benefit district through their legislative authority. These TBDs can include other counties, cities, port districts, or transit districts through ILAs. TBDs do not have to include the entire jurisdiction of the establishing entity. A TBD is an independent taxing district that can impose fees to fund transportation improvements. These taxes are not restricted to capital construction projects, but can also be used for maintenance and preservation. Likewise, they are unrestricted against non-motorized projects.
  - **\$20 Motor Vehicle Excise Tax (MVET) levied via a Transportation Benefit District.** One tax that can be imposed by a TBD is a Motor Vehicle Excise Tax (MVET) of up to \$100, with a public vote (36.73.075 RCW). A \$20 MVET can be imposed without a vote of the people. The City of SeaTac is exploring the option of levying this \$20 MVET on its entire jurisdiction via a TBD.
  - **0.02% Sales and Use Tax (SUT) levied via a Transportation Benefit District.** Another tax that can be imposed by a TBD is a Sales and Use Tax (SUT) of up to 0.02% (36.73.075 RCW). The City of SeaTac c explore the option of levying a 0.02% SUT on its entire jurisdiction via a TBD.

All four of these new revenues have been included in Exhibit 6, as a subtotal and additive to existing revenues, to demonstrate how they might impact the City’s financial capacity for transportation capital projects over the 21-year window (2015-35).

Higher impact fees are another way the City may realistically generate additional revenues. We have not yet modeled the additional revenues that may be available based on increased impact fees (rather the impact fee revenue shown was projected based on existing rates and conditions), however this can be easily updated once new impact fee rates are identified. For example, the 2035 travel projections assume approximately 12,000 additional PM peak hour trips. This reflects significant growth in the designated Urban Center. Assuming the current rate of \$1,020 per new PM peak hour trip would result in \$12 million in TIF revenues, compared to the \$1 million shown in Exhibit 3.

### Future Expenditures

For the purposes of accurately projecting SeaTac’s future transportation expenditures and capital investments outside of the capital project list (i.e., overlays), expenditures were projected by the aggregated expenditure categories bolded in **Exhibit 5**. Additionally, the categories of administration, operations, and other street related expenditures were combined to one larger category (Administration, Operations, and Other). No projected expenditures for debt service have been developed, as the City has retired all transportation bond measures and is not currently planning to finance transportation capital expenditures through bonds at this time. Exhibit 8, below, shows projected transportation expenditures and capital investments outside of the capital project list (i.e., overlays) for the City of SeaTac for the next 21 years (2015-35).

**Exhibit 8: City of SeaTac Projected Expenses, 2015-35 (2014\$)**

	2015-2020	2021-2026	12-Year Total	2027-2035	21-Year Total
<b>Expenditures under Current Policies</b>					
Construction (Management and Overlays)	\$ 9,500,000	\$ 11,410,000	\$ 20,910,000	\$ 21,530,000	\$ 42,440,000
Maintenance	\$ 9,540,000	\$ 11,450,000	\$ 20,990,000	\$ 21,610,000	\$ 42,600,000
Administration, Operations, and Other	\$ 10,080,000	\$ 12,100,000	\$ 22,180,000	\$ 22,840,000	\$ 45,020,000
<b>Subtotal (Expenditures under Current Policies)</b>	<b>\$ 29,120,000</b>	<b>\$ 34,960,000</b>	<b>\$ 64,080,000</b>	<b>\$ 65,980,000</b>	<b>\$ 130,060,000</b>
<b>Baseline Annual Spending for Overlays (total of \$750,000 per year)</b>	<b>\$ 4,500,000</b>	<b>\$ 4,500,000</b>	<b>\$ 9,000,000</b>	<b>\$ 6,750,000</b>	<b>\$ 15,750,000</b>
New Investment to Maintain Score of 73 (total of \$875,000 per year)	\$ 820,000	\$ 950,000	\$ 1,770,000	\$ 1,720,000	\$ 3,490,000
Additional New Investment to Increase from Score of 73 to 75 (total of \$1,000,000 per year)	\$ 820,000	\$ 950,000	\$ 1,770,000	\$ 1,720,000	\$ 3,490,000
Additional New Investment to Increase from Score of 75 to 78 (total of \$1,250,000 per year)	\$ 1,640,000	\$ 1,900,000	\$ 3,540,000	\$ 3,430,000	\$ 6,970,000
<b>Subtotal (New Expenditures for Consideration)</b>	<b>\$ 3,280,000</b>	<b>\$ 3,800,000</b>	<b>\$ 7,080,000</b>	<b>\$ 6,870,000</b>	<b>\$ 13,950,000</b>
<b>TOTAL EXPENDITURES WITH NEW EXPENDITURES FOR CONSIDERATION</b>	<b>\$ 32,400,000</b>	<b>\$ 38,760,000</b>	<b>\$ 71,160,000</b>	<b>\$ 72,850,000</b>	<b>\$ 144,010,000</b>

Source: WSDOT County Road and City Street Revenues and Expenditures FY 2004 to 2013 datasets, 2015; BERK Consulting, 2015.

The Subtotal (Expenditures under Current Policies) in Exhibit 4, above, provides estimated expenditures that the City of SeaTac might expect over a 21-year period (2015-35). In addition to this, we have identified an area where the City of SeaTac may consider increasing its transportation expenses: Overlays.

In 2013, the City of SeaTac commissioned a study of its pavement management program. This study, the *2013 Pavement Management Analysis Report*, was completed by Infrastructure Management Services. The study identified that there was need for \$750,000 to \$1,200,000 a year in pavement management. The City of SeaTac’s baseline for overlays expenses is considered to be \$750,000, the bottom of that range, for the purposes of this analysis. It is assumed that this investment will allow the City to maintain a pavement management score of 71. The City has identified that it would consider increasing its pavement management funding to support an increase in its pavement management score. To support that, we have included new investment necessary to maintain its pavement management score of 73, and additional additive amounts to increase its score to 75 and 78.

## Financial Capacity for Transportation-Related Capital Investments

To ascertain the City’s financial capacity for transportation capital investment, we compared the projected existing and potential transportation revenues identified in Exhibit 6 with the projected expenditures in Exhibit 8. This is shown in Exhibit 9, below.

**Exhibit 9: City of SeaTac Projected Funding Availability for Transportation Project List, 2015-35 (2014\$)**

	2015-2020	2021-2026	12-Year Total	2027-2035	21-Year Total
Revenues under Current Policies	\$ 47,100,000	\$ 49,870,000	\$ 96,970,000	\$ 87,560,000	\$ 184,530,000
Expenditures	\$ 29,120,000	\$ 34,960,000	\$ 64,080,000	\$ 65,980,000	\$ 130,060,000
<b>Existing Funds Available for Capital Investment</b>	<b>\$ 17,980,000</b>	<b>\$ 14,910,000</b>	<b>\$ 32,890,000</b>	<b>\$ 21,580,000</b>	<b>\$ 54,470,000</b>
New Revenues from Policy Changes	\$ 19,760,000	\$ 27,770,000	\$ 47,530,000	\$ 67,460,000	\$ 114,990,000
<b>Funds Available for Capital Investment with New Revenues from Policy Changes</b>	<b>\$ 37,740,000</b>	<b>\$ 42,680,000</b>	<b>\$ 80,420,000</b>	<b>\$ 89,040,000</b>	<b>\$ 169,460,000</b>
<b>Potential New Expenditures for Consideration</b>					
New Investment to Maintain Score of 73 (total of \$875,000 per year)	\$ 820,000	\$ 950,000	\$ 1,770,000	\$ 1,720,000	\$ 3,490,000
Additional New Investment to Increase to Score of 75 (total of \$1,000,000 per year)	\$ 820,000	\$ 950,000	\$ 1,770,000	\$ 1,720,000	\$ 3,490,000
Additional New Investment to Increase to Score of 78 (total of \$1,250,000 per year)	\$ 1,640,000	\$ 1,900,000	\$ 3,540,000	\$ 3,430,000	\$ 6,970,000
<b>Funds Available for Capital Investment with All New Expenditures</b>	<b>\$ 34,460,000</b>	<b>\$ 38,880,000</b>	<b>\$ 73,340,000</b>	<b>\$ 82,170,000</b>	<b>\$ 155,510,000</b>

Source: WSDOT County Road and City Street Revenues and Expenditures FY 2004 to 2013 datasets, 2015; BERK Consulting, 2015.

Two levels of financial capacity have been identified in this analysis:

- 1. Existing Funds Available for Capital Investment.** This capacity level was identified by subtracting projected expenditures from existing revenues, showing the funds available for transportation capital projects under a continuation of current policies.
- 2. Funds Available for Capital Investment with New Revenues from Policy Changes.** This capacity level was identified by adding the additional potential revenues to the existing funds available for transportation capital projects on the project list. This provides a net picture of the funds that might be available for transportation capital projects if the City of SeaTac retained an additional 22% of the commercial parking tax it collects and collected a \$20 MVET throughout the City via a TBD, in addition to current revenue collections.

It is important to note that some of SeaTac’s transportation revenues are restricted to certain uses. Some examples include:

- State and Federal Grant revenues are restricted to capital projects, usually based on the type of grant.
- GMA Transportation Impact Fees are restricted to growth-related, system transportation projects that benefit the developments they are paid by.

Because revenues are available from unrestricted funds, and funds are fungible enough between operating and capital expenses, this financial capacity analysis accurately represents funding available for transportation capital investments.

- 3. Funds Available for Project List with All New Investment.** This capacity level was identified by adding the additional potential new expenditures for consideration. This provides a net picture of the funds that might be available for transportation capital projects on the project list if the City of SeaTac increased its budget for pavement overlays to increase its pavement management score.



## OTHER TRANSPORTATION FUNDING OPPORTUNITIES

As part of this financial capacity analysis, we explored several other transportation funding opportunities. These include:

- **Increase Commercial Parking Tax revenues by changing commercial parking tax structure.** A city has jurisdiction to enact a tax on commercial parking (either the business, based on gross proceeds or number of stalls, or directly on the customer, as in an admissions tax) within their jurisdiction, as statutorily authorized in 82.80.030 RCW. No maximum rate is set.

*Currently SeaTac levies a flat tax of \$0.90 for each short-stay parking transaction and a flat tax of \$3.00 for each long-stay parking transaction. The City could increase these revenues by changing the way it administers this tax (levying it on a per-stall basis or changing to a rate based tax), or by increasing the transaction fees charged. These funds could be used for the arterial and collector projects identified in the TMP, or could help supplement funding of neighborhood non-motorized improvements, or ongoing preservation and maintenance programs. All of these elements of the transportation needs are impacted by traffic to/from the Airport and City.*

- **Levy a Business and Occupation (B&O) Tax.** A B&O tax is levied on businesses operating in or with a physical presence in the city, as described in Chapter 82.04 RCW. The tax can be levied three ways:
  - Percentage of gross business income (GBI)
  - Per employee tax
  - Per square foot tax

*SeaTac does not currently levy a B&O Tax. The City could likely generate significant funds by levying such a tax, however, this may be politically challenging. The magnitude of potential funding that could be generated by a B&O Tax varies based on the tax rate and how the tax is levied, so it cannot be estimated at this time. At this time the City has determined not to pursue a B&O tax to help fund transportation or other City needs.*

- **Develop additional Local Improvement Districts (LIDs).** LIDs allow cities to carry out public improvements, including transportation improvements, through mechanisms that assess those costs to benefitted property owners, as described in Chapter 52.50 RCW.

*SeaTac has already formed one such LID, for funding 28th Avenue South, Phase I. The LID partially funds the road improvements in that project. The City could develop further LIDs to fund additional projects. These will be on a case-by-case basis and cannot be readily projected.*

- **Earmark additional Real Estate Excise Tax (REET) 1 funds to transportation.** All cities and counties may levy a 0.25% real estate tax on all sales of real estate, as authorized by 82.46.010 RCW. Cities and counties with a population of 5,000 or more that are planning under GMA must spend the first quarter percent of their real estate excise tax receipts solely on capital projects that are listed in the capital facilities plan element of their comprehensive plan. From June 30, 2012 until December 31, 2016, a city or county may use REET 1 revenues for operations and maintenance (O&M) of existing capital projects. The maximum amount of REET 1 that may be spent on O&M is the greater of \$100,000 or 35% of the available funds, not to exceed \$1 million per year.

*Currently SeaTac's REET 1 funds flow through the General Municipal Capital Fund and are earmarked for parks and recreation projects and would not likely be used for transportation improvements. However, some of the recreation funding may help fund trails or other non-motorized transportation projects, which serve multiple purposes in the overall City priorities.*

- **Earmark additional Real Estate Excise Tax (REET) 2 funds to transportation.** Cities and counties planning under the Growth Management Act have the authority to levy a second 0.25% tax on real estate sales, as authorized by 82.46.035 RCW. Revenues from this tax must be used for financing capital projects specified in a capital facilities plan element of a comprehensive plan. Acquisition of land for parks is not a permitted use of REET 2 receipts. From June 30, 2012 until December 31, 2016, a city or county may use REET 2 revenues for operations and maintenance (O&M) of existing capital projects. The maximum amount of REET 2 that may be spent on O&M is the greater of \$100,000 or 35 percent of the available funds, not to exceed \$1 million per year.

*Currently SeaTac's REET 2 funds flow through the General Municipal Capital Fund and are earmarked for parks and recreation projects. As noted for REET1 funds, these funds will not likely be directed toward funding transportation projects.*