



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND, WA**

**AB 4325
July 7, 2008
Regular Business**

PARKS BALLOT MEASURE- PROJECT SELECTION AND FUNDING	Proposed Council Action: Direct staff to prepare an ordinance to place parks ballot measures on the November 4 th General Election ballot.
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DEPARTMENT OF	Parks and Recreation (Peter M. Mayer) & CORE (Joy Johnston))
COUNCIL LIAISON	Jim Pearman Steve Litzow Dan Grausz
EXHIBITS	<ol style="list-style-type: none"> 1. Park project and cost summary 2. Parks Measure Survey results - project prioritization 3. Updated capital and O&M analysis 4. Reduction "Tool Kit" and Sample Packages 5. Northwest Center Mary Wayte Pool capital and O&M options
APPROVED BY CITY MANAGER	<i>Rich Conrad 7-3-08</i>

AMOUNT OF EXPENDITURE	\$	n/a
AMOUNT BUDGETED	\$	n/a
APPROPRIATION REQUIRED	\$	n/a

SUMMARY

As directed by City Council, a Citizen’s Stakeholder Committee has been meeting since December 2007 to develop a list of park projects and services that could be funded through a levy lid lift and/or bond levy. At the June 21, 2008 Mini-Planning Session, Council reviewed and discussed recommendations of the Stakeholder Committee which were originally presented on May 19, 2008 (AB 4308). Council also discussed financing strategies and tax impacts to Mercer Island residents.

Consensus was reached to set an upper limit of \$12 million for the capital projects portion of the package, which is approximately \$2.5 million less than the Stakeholder Committee recommendation. Council also set an overall net tax increase upper limit of \$100 per average home. This net increase comes after the sunseting of the prior Luther Burbank Park levy (\$53.68) and a 20-year old City Hall levy (\$59.39) resulting in a true tax increase of approximately \$215. Finally, Council agreed to discuss funding for the Mary Wayte swimming pool for possible inclusion in the ballot measure.

REVISED FUNDING ANALYSIS

Based on Council direction, Finance Director Chip Corder recalculated capital and O&M funding, shown in Exhibit 3. Assuming a \$12 million total amount to finance capital projects, and in order to meet the goal of a maximum net tax increase of \$100 per average home, the annual levy lid lift amount as recommended by the Stakeholder Committee would need to be reduced by approximately \$390,000.

RECOMMENDED PROCESS & NEXT STEPS

In order to assist Council in determining which projects and services to include in the ballot measure, staff identified a "Tool Kit" and developed four sample packages that meet Council's direction. Council may choose one of these packages or design their own.

Each package has been set at a net tax impact amount of less than \$100 per average home which allows for a cushion to accommodate additional expenses related to staffing including vehicles and technical supplies. This amount is estimated to be approximately \$5 per average home, though staff will need to further refine the estimate.

After Council reaches consensus on the ballot measure package, members of the Stakeholder Committee will have an opportunity to provide feedback. An ordinance will then be drafted for Council's consideration at the August 4 council meeting. The last day to file a resolution with King County Elections for the November 4th General Election is August 12th.

RECOMMENDATION

Parks and Recreation Director and Communications Coordinator

MOVE TO: Direct staff to prepare an ordinance to place parks ballot measures on the November 4th General Election ballot for the August 4, 2008.

Park Project and Cost Summary

July 7, 2008

<u>Stakeholder Committee Recommendation</u>	<u>Capital Projects</u>	<u>Annual Total Tax Levy</u>	<u>Tax Impact on \$1.0 Million Home</u>
Annual Debt Service		\$ 873,077	\$ 110.27
Luther Burbank Pk. Shoreline Restoration	\$ 4,066,000		
S. Mercer Playfields Turf & Lighting	\$ 3,545,000		
Island Crest Park - Turf Infields	\$ 977,000		
LB Waterfront Improvements	\$ 788,000		
LB Playground	\$ 433,000		
Engstrom Open Space Trail	\$ 236,000		
Small Dog Off-leash Area	\$ 316,000		
LB Swim Beach Improvements	\$ 788,000		
LB North Wetland	\$ 788,000		
Trail Enhancements	\$ 323,000		
Island Crest Pak South Field Turf	\$ 709,000		
LB Trail Connections	\$ 788,000		
Alt. Funding - Swim Beach Improvements	\$ 788,000		
<i>sub-total</i>	\$ 14,545,000		
Luther Burbank Pk O&M		\$ 370,000	\$ 46.73
Open Space/Vegetation Mgmt.		\$ 65,000	\$ 8.21
Pioneer Pk Forest Management		\$ 77,000	\$ 9.73
Forest Steward		\$ 35,000	\$ 4.42
Capital Project O&M		\$ 155,000	\$ 19.58
School Facility Scheduling		\$ 43,000	\$ 5.43
School Athletic Field Maintenance		\$ 120,000	\$ 15.16
Other School-related Pk & Rec Activities		\$ 300,000	\$ 37.89
Total Tax Amount		\$ 2,038,077	\$ 257.42
Annual property tax on \$1.0 million home			\$ 257.42

Priorities

	Lowest Priority	Highest Priority	Percent "7"
	1.00 2.00 3.00 4.00 5.00 6.00 7.00		
Q22. Restore & protect shoreline at LBP		4.9	27%
Q25. Restore the health of Pioneer Park		4.7	24%
Q34. Drainage, irrigation at Elem Schools		4.6	20%
Q31. Improve LBP swim area		4.6	21%
Q28. Replace playground at LBP		4.5	22%
Q32. Complete LBP boardwalk & expand wetland		4.5	22%
Q35. Renovate beaches at Groveland & Clarke		4.3	16%
Q36. Trail connecting upper and lower LBP		4.1	14%
Q27. Improvements to LBP waterfront		4.1	13%
Q23. New shoreline access and habitat at LBP		4.0	14%
Q37. Foster connections btw Town Center & LBP		4.0	17%
Q29. Trail at Engstrom Open Space		3.9	12%
Q26. Repairs & upgrades to Ellis Pond Trail		3.8	9%
Q38. Gallagher Hill connecting to SE 40th St.		3.8	13%
Q33. Connecting S-wood Heights to Gallagher Hill		3.6	11%
Q24. Artificial turf & new lighting at existing fields		3.6	13%
Q30. New small dog off-leash area		3.2	11%

Voters are asked about specific package components. The section serves two purposes, 1) to understand the popularity of individual components, 2) to provide detail about what is in the package. Descriptions are shortened to fit.

The intensity for these items is weak; only a quarter (27%) select 7 (highest) for the top item. Put another way, voters generally support the Parks & Rec measure as a whole, and are not dramatically inspired by any individual item.

Proposed MI Parks Ballot Measure Capital and O&M Funding Analysis

Capital Funding Assumptions

\$12.0M total amount to finance (limitation per Council direction)

Capital projects will take 9 years to complete; expenditures (plus inflation) will be evenly spread over 9 year period

4% annual inflation

98% property tax collection rate

3 separate bond issues required due to arbitrage restrictions

Council Preferred Capital Funding Option

	Issue G.O. Bonds (3 Final Maturities)
Financing Mechanism	Voted Bond Levy
Term	Dec 2008 issue: 20 yrs Dec 2011 issue: 20 yrs Dec 2014 issue: 20 yrs
Net Interest Rate	Dec 2008 issue: 4.88% Dec 2011 issue: 5.53% Dec 2014 issue: 5.63%
Final Year of Levy and/or Debt Service	2034
Total Principal	\$12,000,000
Total Interest	\$7,441,000
Total Debt Service	\$19,441,000
Average Annual Levy \$	\$747,731
Total Levy \$	\$19,441,000 (collected over 26 yrs)
Annual Property Tax Impact on \$1.0M Home	\$94.44
Total Property Tax Impact on \$1.0M Home	\$2,455.44 (paid over 26 yrs)

O&M Funding Assumptions

\$939,272 annual O&M cost in 2008 dollars

Includes replacement O&M funding for Luther Burbank Park levy (which expires at end of 2009)

Permanent levy lid lift is only viable funding option

Ignored ramp up of O&M costs to \$939,272 as capital projects are completed

Annual property tax impact via levy lid lift on \$1.0M home = \$118.63

Total & Net Annual Property Tax Impact on \$1.0M Home

	Issue G.O. Bonds (3 Final Maturities)
Annual Capital Levy \$	\$94.44
Annual O&M Levy \$	\$118.63
Total Annual Levy \$	\$213.07
Less MIDA Levy Lid Lift	(\$53.68)
Less LB Levy Lid Lift	(\$59.39)
Net Annual Levy \$	\$100.00

Bond & Levy Reductions - Goals, Tools, Options

Council Consensus - Mini-Planning Session - 6/16/08

- * Reduce Bond Issue Total from \$14.5 million to \$12.0 million
- * Reduce net increase in property taxes on \$1.0 million home to \$100/yr or less.

Net Effect & Goal - Reduce total annual tax increase by approx. \$390,000/yr or more.

Tool Kit for Bond & Levy Reductions

- 1. Reduce Debt Service on capital improvements**
\$2.5 million reduction in capital = \$125,000 reduction in annual debt service
- 2. Reduce annual O&M on new capital improvements**
\$2.5 million reduction in capital = \$27,000 reduction in annual O&M
- 3. Reduce annual "O&M Projects"**
 - a. Pioneer Pk Open Space & Vegetation Mgmt - \$77,000/yr + \$65,000/yr
 - b. Forest Steward .5 FTE - \$35,000/yr
- 4. Reduce Luther Burbank O&M levy replacement - up to \$370,000/yr**
- 5. Reduce Schools Financing Component - up to \$463,000/yr.**

Parks Levy Reduction "Tool Kit" and Sample Packages

July 7, 2008

Stakeholder Committee Recommendations -- \$14.5 million bond issue & \$ 1.16 mill./yr O&M Levy

Total annual tax increase for bond issue debt service and O&M lev \$ 2,037,723

Total annual tax increase on \$1.0M home for debt service and O&M =	\$ 257.42
Less "sunsetting" of Luther Burbank 6-yr levy =	\$ (59.39)
Less "sunsetting" of MIDA City Hall levy =	\$ (53.68)
Net annual property tax on \$1.0M home =	\$ 144.35

Survey Priorities	Capital Projects Changes	Annual Total Tax Reduction	Tax Impact on \$1.0 Million Home
Annual Debt Service Reductions		\$ (125,000)	\$ (15.79)
Reduce So. Mercer New Field #5 & Field #3	\$ (2,550,000)		
Add Mary Wayte Pool - Capital*	\$ 50,000		
<i>sub-total</i>	<i>\$ (2,500,000)</i>		
Reduce Annual O&M on Capital Proj's		\$ (27,000)	\$ (3.41)
Reduce Schools Financing		\$ (310,000)	\$ (39.15)
Total Tax Reduction		\$ (462,000)	\$ (58.35)
<i>* MW Pool capital was added per Council direction for illustration purposes.</i>			
Net annual property tax on \$1.0 million home		\$ 86.00	

Stakeholder Priorities	Capital Projects Changes	Annual Total Tax Reduction	Tax Impact on \$1.0 Million Home
Annual Debt Service Reductions		\$ (125,000)	\$ (15.79)
Elim Swim Beach Improvements	\$ (788,000)		
Elim. Luther Burbank Connections	\$ (788,000)		
Elim. Island Crest Pk Field Turf	\$ (709,000)		
Elim. Engstrom Open Space Impvmts.	\$ (236,000)		
Reduce Trail Enhancements	\$ (29,000)		
Add Mary Wayte Pool - Capital*	\$ 50,000		
<i>sub-total</i>	<i>\$ (2,500,000)</i>		
Reduce Annual O&M on Capital Proj's		\$ (27,000)	\$ (3.41)
Reduce Schools Financing		\$ (300,000)	\$ (37.89)
Total Tax Reduction		\$ (452,000)	\$ (57.09)
<i>* MW Pool capital was added per Council direction for illustration purposes.</i>			
Net annual property tax on \$1.0 million home		\$ 87.26	

Parks Director	Capital Projects Changes	Annual Total Tax Reduction	Tax Impact on \$1.0 Million Home
Annual Debt Service Reductions		\$ (125,000)	\$ (15.79)
Elim. Isl. Crest Pk North Infield Turf	\$ (490,000)		
Reduce LB Waterfront Improvements	\$ (373,000)		
Elim. Small Dog Off-leash Area	\$ (316,000)		
Elim. Trail Enhancements	\$ (323,000)		
Reduce LB Trail Connections	\$ (260,000)		
Elim. Swim Beach Improvements	\$ (788,000)		
Add Mary Wayte Pool - Capital*	\$ 50,000		
<i>sub-total</i>	<i>\$ (2,500,000)</i>		
Reduce Annual O&M on Capital Proj's		\$ (27,000)	\$ (3.41)
Elim. Forest Steward		\$ (35,000)	\$ (4.42)
Reduce Schools Financing		\$ (250,000)	\$ (31.58)
Add Luther Burbank Minor Capital Impr		\$ 50,000	\$ 6.32
Total Tax Reduction		\$ (387,000)	\$ (48.88)
<i>* MW Pool capital was added per Council direction for illustration purposes.</i>			
Net annual property tax on \$1.0 million home		\$ 95.47	

Parks/Schools Package	Capital Projects Changes	Annual Total Tax Reduction	Tax Impact on \$1.0 Million Home
Annual Debt Service Reductions		\$ (125,000)	\$ (15.79)
Elim. Luther Burbank North Wetlands	\$ (788,000)		
Elim. Island Crest Park So. Field Turf	\$ (709,000)		
Elim. Small Dog Off-leash Area	\$ (316,000)		
Elim. Trail Enhancements	\$ (323,000)		
Reduce Swim Beach Improvements	\$ (414,000)		
Add Mary Wayte Pool - Capital*	\$ 50,000		
<i>sub-total</i>	<i>\$ (2,500,000)</i>		
Reduce Annual O&M on Capital Proj's		\$ (27,000)	\$ (3.41)
Reduce Luther Burbank O&M		\$ (140,000)	\$ (17.68)
Reduce Open Space Veg Mgmt Levy		\$ (65,000)	\$ (8.21)
Elim. Forest Steward		\$ (35,000)	\$ (4.42)
Total Tax Reduction		\$ (392,000)	\$ (49.51)
<i>* MW Pool capital was added per Council direction for illustration purposes.</i>			
Net annual property tax on \$1.0 million home		\$ 94.84	



NORTHWEST CENTER

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Northwest Center Funding Proposal
Mercer Island City Council
Submitted June, 7 2008

Dear Mercer Island City Council Members,

Please find this proposal for consideration in your upcoming funding cycle. This proposal requests a one time funding in the amount of \$50,000 as part of an ongoing two-year capital project with the purpose of renovating the Mary Wayte swimming pool located on Mercer Island. The total funding goal for this project is \$150,000, to be raised by March 2009.

The pools, located in Bothell, Mercer Island and Redmond, were given to Northwest Center by King County in 2003. The county had decided at that time that they could not continue to operate the pools, due to the consistent financial loss they incurred. The Pools would either need to be given away or closed. Northwest Center agreed to take over ownership of these three pools at that time.

Despite success in turning around the economic viability of the Mary Wayte Pool, Northwest Center does not have the ability on its own to pay for the major renovations now required at the facilities. Expensive components such as liner, ventilation system and boiler simply wear out over the “life-span” of a swimming pool. The county, intending to discontinue their operation of the pools, left a backlog of such major projects.

Without the funding for these renovations, which is the reason for this capital project, we would be faced with closing the pools in the future. We truly hope and intend to avoid that outcome. It is with this hope that we respectfully ask for your support.

We appreciate the vital contributions The City of Mercer Island has made to Northwest Center and the Community in the past five years. Our passion to provide and expand services to the Mercer Island community remains as strong as ever. We hope that you will once again show your support for the community.



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This campaign will be an opportunity for Northwest Center to connect with many new supporters. For thousands of people who use the pool, this creates a vested interest, potentially opening a door to much greater involvement with Northwest Center. The long-term benefit of this relationship-building is limitless for the continued success of the Mary Wayte Pool.

Project Budget

Pool Liner	\$100,000
Renovate Locker Rooms	\$25,000
Upgrade Ventilation/Boiler system	\$25,000
Total	\$150,000

Funds Received

King County Matching Grant	\$25,000
Northwest Center	\$10,000
Individual donors	\$9,000
Total	\$44,000

Funding Plan

City of Mercer Island	\$50,000
Grants	\$20,000
Private donations	\$36,000
Remaining Fundraising Total	\$106,000

Northwest Center capital projects completed to date is \$ 160,000.



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Evaluation

One year after completion of capital renovations, in addition to providing an update of funding progress for this campaign, NWC will evaluate and measure the following to show the positive effects your contribution has had in pursuit of our goals:

- **Pool Customers:** NWC projects that improvements to pool facilities will result in a more appealing venue, and that this will result in as much as a 10% increase in total usage.
- **Longevity:** As it stands now, the Mary Wayte Pool located on Mercer Island will need to be closed in the future due to facility degradation. With new and upgraded equipment in place, such as liner, ventilation and boiler upgrade, the pool will be effectively “renewed” for at least 10 additional years.
- **Decreased costs:** Upgrade of antiquated Ventilation and Boiler system with modern, high-efficiency equipment will lower related recurring costs by as much as 15%.

Measuring each of these outcomes will give NWC an accurate benchmark for how this project has enhanced pursuit of the operating goals. Increasing customer usage, cutting costs and extending the life span of the pool all go directly toward boosting the revenue stream and ensuring the existence of that revenue stream for years to come, continue be a viable asset to the Mercer Island Community.

Sincerely,

Ty Taylor
Vice President