

Chapter 8: Capital Facilities Element





CHAPTER 8: CAPITAL FACILITIES ELEMENT



INTRODUCTION

The Capital Facilities Element is used to guide public decision on the use of capital funds in Lake Stevens. It will also indirectly guide private development decisions by providing a strategy of planned public capital expenditures which affects the timing and scale of development. Strategic provision of capital infrastructure also helps to mitigate the impacts of growth.

Capital facilities planning requires ongoing communication and cooperation between various disciplines, including engineering, finance, and planning. The Comprehensive Plan is the common basis relied upon by these disciplines, and is intended to provide a realistic and achievable plan. It also requires close communication between the many service providers in Lake Stevens to ensure a coordination of capital improvements and effective use of taxpayer and rate payer dollars.

The Capital Facilities Element promotes effectiveness and efficiency by requiring the City to plan in advance for capital improvements rather than relying on a mechanism with a shorter horizon such as the annual budget. Long range financial planning presents the opportunity to schedule projects so that the various steps in development logically follow one another, with regard to relative urgency, economic desirability, and community benefit. In addition, the identification of funding sources results in the prioritization of needs, and allows the trade off between projects to be evaluated.

Municipal Revenues

Lake Stevens faces continuing fiscal challenges common to most cities. These are driven in large part by increased costs of doing business, increased service requirements mandated by legislation, and restriction or elimination of certain tax revenue streams as a result of prior voter initiatives.

A diverse mix of municipal revenue sources is important, including property taxes, utility taxes, sales taxes and others. Fiscal diversity, like economic diversity, limits risk of over-reliance on a single revenue source. Lake Stevens' General Fund, which supports citizen services and the operations of the City government itself, is heavily dependent on tax revenues, and especially property tax and sales and use taxes, for its funding. Property taxes account for 25% of General Fund revenues, and sales and use taxes account for 28%. Other sources are utility, business and operations (B&O), and other



taxes; licenses and permits; intergovernmental transfers; charges for services; and other minor revenue sources.

Potential New Revenue Sources

Long-term economic sustainability for the City of Lake Stevens requires one or more of the following: increased local jobs, increased municipal revenues derived from business and industry, use of additional land to support community develop, and retain current jobs and revenue sources. Increasing municipal revenues from commercial sources is generally seen as one of the few ways that cities can improve their fiscal situation, recognizing the perception that housing and residents increase demands for services. Cities frequently look toward business attraction and creation to increase local revenues from utility taxes and sales taxes.

Taxes and Fees

There are limited additional sources of revenue that the City could use to meet its fiscal needs. These potential taxes and fees increase the cost of doing business, or creating development, in the City, and therefore may not be the solution to Lake Stevens' projected fiscal deficit with annexation.

- B&O taxes could potentially generate more revenue; however, the increased cost of doing business can also be a deterrent to businesses considering locating in the City, if competing areas charge lower or no B&O tax.
- Impact mitigation fees from new development could be used as a means of funding portions of parks or traffic capital projects.

Land Use Planning Considerations

All land uses generate fiscal impacts on the City by changing revenue collections and the cost of providing services. Costs stem from impacts on City capital facilities and services as well as internal City operations. Revenues come from collection of taxes and fees.

Land use planning can incorporate several considerations related to the City's fiscal position: the anticipated revenues from new development; necessary infrastructure investments and on-going expenses to support future uses; and the current and future market feasibility of each use type.

Diversity of land uses is an important consideration. For example, multifamily housing can play a necessary and critical role in supporting local retail and other businesses by providing housing that workers can afford (keeping the cost of labor and prices down at local retail). Growth in population or business activity creates increased local demand for goods or services, by introducing new consumers or producers. New property



generates property tax revenues, while consumer spending by additional residents and businesses generates sales tax revenues. Similarly, attracting or growing businesses that draw traffic and spending from elsewhere in the region increases local economic activity and revenue.

Infrastructure investments must also be considered in land use planning. While such investments can be costly to build and support over time, those costs may be outweighed by the increase in property values and spillover effects that such investments can lead to.

Inventory and Analysis

Capital Facilities Program

This Capital Facilities Element is concerned with needed improvements which are of relatively large scale, are generally non-recurring high cost, and may require multi-year financing. The list of improvements focuses on major projects, leaving smaller improvements (less than \$10,000) to be addressed in the annual budget.

The Capital Facilities Program within this element is a six-year financing plan for capital expenditures to be incurred on a year by year basis. It is based on priority improvements taking into account, the forecasted revenue over the next six years from various sources. The six-year plan uses the long range 2025 Plan as a key factor in setting these priorities.

It sets forth priorities for capital projects which the jurisdiction plans to undertake and presents estimates of the resources needed to finance them. The first year of the Capital Facilities Program will be converted to the annual capital budget, while the remaining five-year program will provide for long term planning. Only the expenditures and appropriations in the annual budget represent financial commitments.

Definition of Capital Improvement

For the purposes of capital facility planning, “capital improvements” are major projects, activities, or maintenance, costing over \$10,000, requiring the expenditure of public funds over and above annual operating expenses. They have a life expectancy of more than ten years and result in an addition to the City's fixed assets and/or extend the life of the existing capital infrastructure. The cost estimates may include design, engineering efforts, permitting, environmental analysis, land acquisition, construction, major maintenance, site improvements, energy conservation projects, landscaping, initial furnishings, and equipment. Capital improvements do not include equipment or the City's rolling stock, nor does it include the capital expenditures of private or non-public organizations.



Projection of Capital Facility Needs

Identified Needs

All public facility needs have been identified in the other elements of this Plan. Through the process of developing this Capital Facilities Element the financial feasibility of the other elements has been ensured. The other Plan elements describe the location and capacity of any facilities available through December 31, 2011, and analyze the need for increased capacity from 2006- 2011. The capital improvements needed to satisfy future and existing substandard development and maintain adopted level of service standards are identified and listed in Tables 8.1 and 8.2.

Tables 8.1 and 8.2 provide a brief description of each of the capital improvement projects with an estimate of the total project costs. The year indicates when the projects must be completed in order to maintain the adopted level of service standards for the respective facilities. Capital improvement projects have been identified for transportation, parks and recreation, government, and stormwater drainage facility improvements. Facilities for wastewater, potable water, fire protection, schools, and solid waste are contained in district and agency plans, coordinated with, but independent of the City's Comprehensive Plan.



**Table 8-1 – Schedule of Funded Improvements, 2006 – 2011 Subject Project
Funding Source Cost Year**

Subject	Project	Funding Source	Cost	Year
Streets	Street & Sidewalk Construction 20th - Centennial Trail	CDBG/REET	\$350,000	2007
Storm	Lundeen Creek Reroute	County/REET	\$700,000	2006/ 2008
Storm	Culvert Replacement 18th Street	Street fund/ developer contrib.	\$100,000	2008
Storm	Culvert Replacement 20th Street	Street fund/ developer contrib.	\$250,000	2008
Streets	Sidewalks to Mt. Pilchuck Elementary and North Creek Middle School	DOT/ Developer contributions	\$1,500,000	2009
Streets	Street & Sidewalk Construction 16th, 18th & 127th	CDBG/REET/ developer contrib.	\$1,000,000	2009
Sidewalks	Sidewalk Construction 116th & 117th	Street fund/ developer contrib.	\$4,000,000	2010
Public Facilities	City Hall/ Civic Center	Bond Issue	\$20,000,000	2010
Public Facilities	Public Works Yard/Shop	Bond Issue/REET	\$1,000,000	2010



Table 8-2 – Unfunded Improvements

Subject	Project	Cost (Thousands)	Potential/Proposed Funding Source
Parks	Athletic Park (Land)	\$1,100	P&R District
Parks	Resource Park (Land)	\$528	P&R District
Parks	Trails	\$320	P&R District
Parks	Support Facility	\$500	P&R District
Parks	Community Center	\$1,200	P&R District
Parks	Basketball, uncovered	\$855	P&R District
Parks	Basketball, covered	\$1,200	P&R District
Parks	Volleyball	\$15	P&R District
Parks	Tennis, lighted	\$685	P&R District
Parks	Tennis, unlighted	\$190	P&R District
Parks	Football	\$1,205	P&R District
Parks	Soccer	\$250	P&R District
Parks	Baseball/Softball	\$7,265	P&R District
Parks	Jogging	\$0	P&R District
Parks	Picnic	\$460	P&R District
Parks	Swimming Beach	\$750	P&R District
Parks	Fishing	\$0	P&R District
Parks	Boat Launch	\$500	P&R District
Parks	Camping, Vehicle	\$0	P&R District
Parks	Camping, Tent	\$0	P&R District
Parks	Walking, Park	\$140	P&R District
Parks	Horseback Riding	\$15	P&R District
Storm	Walker Hill Road ditch rocking	\$5	Storm Fund
Storm	East Lakeshore	\$500	Storm Fund
Storm	Hartford Drive	\$200	Storm Fund
Storm	Walker Hill & Grade Road	\$400	Storm Fund
Storm	Drainage - Grade Road Culvert	\$200	Storm Fund
Storm	North Lakeshore	\$300	Storm Fund
Storm	Bio Swale - Industrial District	\$750	Storm Fund
Storm	Lundeen Creek - Various Improvements	\$100,000	Storm Fund

Prioritization of Capital Facilities

The capital improvement needs listed in Tables 8.1 and 8.2 were developed by the City staff based on community-wide input and the other elements of this 2006 Comprehensive Plan. The following criteria were applied informally in developing the final listing of proposed projects.

- Economic Considerations: Potential for Financing, Impact on Future Operating Budgets, Timeliness of Opportunity, Benefit to Economy and Tax Base



- Service Considerations: Safety, Health, and Welfare Factors, Environmental Impact, Affect on Quality of Service
- Feasibility Considerations: Legal Mandates, Citizen Support, Staff Availability
- Consistency Considerations: Goals and Objectives in Other Elements of this Plan, Linkage to Other Planned Projects, Plans of Other Jurisdictions, County-Wide Planning Policies

Cost estimates in this element are presented in 2006 dollars and were derived from various federal and state documents, published cost estimates, records of past expenditures, and information from private contractors.

Future Needs and Alternatives

Current Revenue Sources

The largest single source of non-restricted revenue for the City is the *ad valorem* property tax, which generally accounts for 10 to 18% of City revenue. The City's assessment for this tax is usually set at the maximum rate. Table 8.3 depicts the distribution of revenue sources for the City.

Table 8-3 – Source of Existing City Resources, Average 2003 – 2007

Source	Percentage of total Resources
Non -revenue	19%
Other Taxes	17%
Property Tax	14%
Sales Tax	12%
Interfund Transfers/Loans	12%
Charges for Services	11%
Other Intergovernmental	6%
Licenses/Permits	4%
Miscellaneous	3%
Fines and Forfeiture	2%
Grants	0%
TOTAL	100%

Financial Resources

To ensure that the City is using the most effective means of collecting revenue, the City inventoried the various sources of funding currently available. Financial regulations and



available mechanisms are subject to change, furthermore, changing market conditions influence the City's choice of financial mechanism. Therefore, City should periodically review the impact and appropriateness of their financing system. The following list of sources includes all major financial resources available and is not limited to those sources which are currently in use or will be used in the six-year schedule of improvements.

Debt Financing

Short-Term Borrowing: The high cost of many capital improvements requires local governments to occasionally use short-term financing through local banks.

Revenue Bonds: These bonds are financed by those benefiting from the capital improvement. The debt is retired using charges collected from the users of public facilities such as sewer systems and electrical power plants. Interest rates tend to be higher than for general obligation bonds, and issuance of the bonds may be approved without the voter referendum.

Industrial Revenue Bonds: Bonds issued by a local government, but actually assume by companies or industries that use the revenue for construction of plants or facilities. The attractiveness of these bonds to industry is they carry comparatively low interest rates due to their tax-exempt status. The advantage to the jurisdiction is the private sector is responsible for retirement of the debt.

General Obligation Bonds: Bonds backed by the value of the property within the jurisdiction. Voter-approved bonds increase property tax rate and dedicate the increased revenue to repay bondholders. Councilmanic bonds do not increase taxes and are repaid with general revenues. Revenue may be used for new capital facilities, or maintenance and operations at existing facilities. This debt should be used for projects that benefit City as a whole. The City's projected assessed value and both nonvoted and voted debt capacities are detailed on Table 8.4.

Local Multi-Purposes Levies

Ad Valorem Property Taxes: Tax rate in mills (1/10 cent per dollars of taxable value). The maximum rate is \$3.60 per \$1,000 assessed valuation. The City is prohibited from raising its levy more than 1% of the previous year's amount levied before adjustments new construction and annexation. A temporary or permanent access levy may be assessed with voter approval. Revenue may be used for new capital facilities, or maintenance and operations at existing facilities.



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Local Single Purpose Levies

Emergency Medical Services Tax: The EMS tax is a property tax levy of \$0.50 for emergency medical services. Revenue may be used for new capital facilities, or maintenance and operations at existing facilities.

Motor Vehicle Fuel Tax: This tax is paid by gasoline distributors and distributed by the Department of Licensing. Revenues must be spent for highway (City streets, county roads, and state highways) construction, maintenance, or operation; policing of local roads; or related activities.

Local Option Fuel Tax: This is a countywide voter approved tax equivalent to 10% of Statewide Motor Vehicle Fuel Tax and a special fuel tax of 2.3 cents per gallon. Revenue is distributed to the City on a weighed per capita basis. Revenues must be spent for highway (City streets, county roads and state highways) construction, maintenance, or operation; policing of local roads; or highway related activities.

Local Non-Levy Financing Mechanisms

Reserve Funds: Revenue that is accumulated in advance and earmarked for capital improvements. Sources of funds can be surplus revenues, funds in depreciation reserves, or funds resulting from the sale of capital assets.

Fines, Forfeitures, and Charges for Services: This includes various administrative fees and user charges for services and facilities operated by the jurisdiction. Examples are franchise fees, sales of public documents, property appraisal fees, fines, forfeitures, licenses, permits, income received as interest from various funds, sale of public property, rental income, and all private contributions to the jurisdiction. Revenue from these sources may be restricted in use.

User Fees, Program Fees and Tipping Fees: Fees or charges for using park and recreational facilities, solid waste disposal facilities, sewer services, water services, surface water drainage facilities. Fee may be based on measure of usage, a flat rate, or design features. Revenues may be used for new capital facilities, or maintenance and operations at existing facilities.

Street Utility Charge: Fee up to 50% of actual costs of street construction, maintenance, and operations charged to businesses and households. The tax requires local referendum. The fee charged to businesses is based on the number of employees and cannot exceed \$2.00 per employee per month. Owners or occupants of residential property are charged a fee per household that cannot exceed \$2.00 per month. Both



businesses and households must be charged. Revenue may be used for activities such as street lighting, traffic control devices, sidewalks, curbs, gutters, parking facilities, and drainage facilities.

Special Assessment District: District created to service entities completely or partially outside of the jurisdiction. Special assessments are levied against those who directly benefit from the new service or facility. This includes Local Improvement Districts, Road Improvement Districts, Utility Improvement Districts, and the collection of development fees. Funds must be used solely to finance the purpose for which the special assessment district was created.

Special Purpose District: District created to provide a specified service. Often the district will encompass more than one jurisdiction. Includes districts for fire facilities, hospitals, libraries, metropolitan parks, airports, ferries, parks and recreation facilities, cultural arts, stadiums and convention centers, sewers, water flood controls, irrigation, and cemeteries. Voter approval required for airport, parks and recreation and cultural arts, stadium and convention districts. District has authority to impose levies or charges.

Funds must be used solely to finance the purpose for which the special purpose district was created.

Lease Agreements: Agreement allowing the procurement of a capital facility through lease payments to the owner of the facility. Several lease packaging methods can be used. Under the lease-purchase method the capital facility is built by the private sector and leased back to the local government. At the end of the lease, the facility may be turned over to the municipality without any future payment. At that point, the lease payments will have paid the construction cost plus interest.

Privatization: Privatization is generally defined as the provision of a public service by the private sector. Many arrangements are possible under this method ranging from a totally private venture to systems of public/private arrangements, including industrial revenue bonds.

Impact Fees: These fees are paid by new development based upon its impact to the delivery of services. Impact fees must be used for capital facilities needed by growth, not for current deficiencies in levels of service, and cannot be used for operating expenses. These fees must be equitably allocated to the specific entities which will directly benefit from the capital improvement, and the assessment levied must fairly reflect the true costs of these improvements. Impact fees may be imposed for public streets and roads, publicly owned parks, open space, and recreational facilities, school facilities, and fire protection facilities (in jurisdictions that are not part of a fire district).



Storm Drainage Utility Charge: Utility district created to specifically provide storm and drainage management, maintenance, and operation. Fees would be levied against properties receiving benefit of storm water management.

State Grants and Loans

Community Development Block Grant (CDBG): Grant funds available for public facilities, economic development, housing, and infrastructure projects which benefit low and moderate income households. Grants distributed by the Department of Community Development primarily to applicants who indicate prior commitment to project. Revenue restricted in type of project and may not be used for maintenance and operations.

Community Economic Revitalization Board: Low-interest loans (rate fluctuates with State bond rate) and occasional grants to finance infrastructure projects for a specific private sector development. Funding is available only for projects which will result in specific private developments or expansions in manufacturing and businesses that support the trading of goods and services outside of the State's borders. Projects must create or retain jobs. Funds are distributed by the Department of Trade and Economic Development primarily to applicants who indicate prior commitment to project. Revenue restricted in type of project and may not be used for maintenance and operations.

Public Works Trust Fund (PWTF): Low interest loans to finance capital facility construction, public works emergency planning, and capital improvement planning. To apply for the loans the City must have a capital facilities plan in place and must be levying the original 1/4 real estate excise tax. Funds are distributed by the Department of Community Development. Loans for construction projects require matching funds generated only from local revenues or state shared entitlement revenues. PWTF revenues may be used to finance new capital facilities, or maintenance and operations at existing facilities.

Federal Project Grants (LWCF): Federal monies are available for the acquisition and construction of outdoor park facilities from the National Park Service's (NPS) Land and Water Conservation Fund (LWCF). The grants are administered by the Washington State Interagency Committee for Outdoor Recreation (IAC).

NPS grants usually do not exceed \$150,000 per project and must be matched on an equal basis by the local jurisdiction. The IAC assigns each project application a priority on a competitive statewide basis according to each jurisdiction's need, population benefit, natural resource enhancements and a number of other factors. In the past few years, project awards have become extremely competitive as the federal government has significantly reduced the amount of federal monies available under the NPS program. The state has increased contributions to the program over the last few years



using a variety of special funds, but the overall program could be severely affected by pending federal deficit-cutting legislation.

Applicants must submit a detailed comprehensive park and recreation plan to be eligible for NPS funding. The plan must demonstrate facility need, and prove that the City's project proposal will adequately satisfy local park and recreation needs and interests. This Comprehensive Plan functions as the City's detailed park and recreation plan for such grant purposes (See Chapter 5).

State Project Grants (ALEA): Washington State created a number of new programs in recent years for park and recreation development purposes using special state revenue programs. Recently enacted programs include the 1985 Aquatic Lands Enhancement Act (ALEA) using revenues obtained by the Washington Department of Natural Resources from the lease of state owned tidal lands. The ALEA program is administered by the IAC for the development of shoreline related trail improvements and may be applied for the full cost of the proposal.

Urban Arterial Trust Account (UATA): Revenue available for projects to alleviate and prevent traffic congestion. Entitlement funds are distributed by the State Transportation Improvement Board (STIB) subject to UATA guidelines and with a 20% local matching requirement. Revenue may be used for capital facility projects to alleviate roads that are structurally deficient, congested with traffic, or have accident problems.

Transportation Improvement Account: Revenue available for projects to alleviate and prevent traffic congestion caused by economic development or growth. Entitlement funds are distributed by the State Transportation Improvement Board with a 20% local match requirement. For cities with a population of less than 500 the entitlement requires only a 5% local match. Revenue may be used for capital facility projects that are multi-modal and involve more than one agency.

Centennial Clean Water Fund: Grants and loans for the design, acquisition, construction, and improvement of Water Pollution Control Facilities, and related activities to meet state and federal water pollution control requirements. Grants and loans distributed by the Department of Ecology with a 50-25% matching share. Use of funds limited to planning, design, and construction of Water Pollution Control Facilities, storm water management, ground water protection, and related projects.

Water Pollution Control State Revolving Fund: Low interest loans and loan guarantees for water pollution control projects. Loans distributed by the Department of Ecology. Applicant must show water quality need, have a facility plan for treatment works, and show a dedicated source of funding for repayment.



Federal Grants and Loans

Federal Aid Bridge Replacement Program: Funds available with a 20% local matching requirement for replacement of structurally deficient or obsolete bridges. Funds are distributed by the Washington State Department of Transportation on a statewide priority basis. Therefore, the bridge must be on the State of Washington Inventory of Bridges.

Federal Aid Urban System: Revenue available for construction and reconstruction improvements to arterial and collector roads that are planned for by an MPO and the Federal Highway Administration. Funds may also be used for non-highway public mass transit projects. Funds are distributed by the Washington State Department of Transportation with a 16.87% local match requirement.

Federal Aid Safety Programs: Revenue available for improvements at specific locations which constitute a danger to vehicles or pedestrians as shown by frequency of accidents. Funds are distributed by Washington State Department of Transportation from a statewide priority formula and with a 10% local match requirement.

Federal Aid Emergency Relief: Revenue available for restoration of roads and bridges on the federal aid system which are damaged by extraordinary natural disasters or catastrophic failures. Local agency declares an emergency and notifies Division of Emergency Management (WSDOT), upon approval entitlement funds are available with a 16.87% local matching requirement.

Farmers Home Administration Water Project Support: Funding through grants, loans, and loan guarantees for water projects serving rural residents. Funds must be used for capital facilities construction and related costs or projects which serve rural residents in cities of less than 10,000 people. Funds distributed by the Federal Farmers Home Administration with a 45% to 25% local matching requirement.

Department of Health Water Systems Support: Grants for upgrading existing water systems, ensuring effective management, and achieving maximum conservation of safe drinking water. Grants distributed by the State Department of Health through intergovernmental review and with a 60%, local match requirement.

Intermodal Surface Transportation Efficiency Act (ISTEA): ISTEA (referred to as "ice tea") provides funding to the State for transportation oriented projects. Several federal programs were combined to create one umbrella program. Separate areas of funding are made available through Washington State Department of Transportation (WSDOT) or the Puget Sound Regional Council (PSRC) focusing on motor vehicles, bicycles, pedestrians, carpooling, HOV lanes, commuter trains, bridges, highway safety, environmental, and



"enhancement" projects. Grants are generally awarded on a competitive basis within the County, Puget Sound region, or the State.

Capital Facility Strategies

In order to realistically project available revenues and expected expenditures on capital facilities, the City must consider all current policies that influence decisions about the funding mechanisms as well as policies affecting the City's obligation for public facilities. The most relevant of these are described below. These policies along with the goals and policies articulated in the other elements were the basis for the development of various funding scenarios. Any variations from the current policies in the development of the six-year Capital Facilities Program were incorporated into the goals and policies of the Comprehensive Plan.

Mechanism to Provide Capital Facilities

Increase Local Government Appropriations: The City will investigate the impact of increasing current taxing rates, and will actively seek new revenue sources. In addition, on an annual basis the City will review the implications of the current tax system as a whole.

Analysis of Debt Capacity: Generally, Washington State law permits a City to ensure a general obligation bonded debt equal to 1.5 percent of its property valuation without voter approval. By a 60% majority vote of its citizens, a City may assume an additional general obligation bonded debt of 1%, bringing the total for general purposes up to 2.5% of the value of taxable property. The value of taxable property is defined by law as being equal to 100% of the value of assessed valuation. For the purpose of supplying municipally-owned electric, water, or sewer service and with voter approval, a City may incur another general obligation bonded debt equal to 2.5% of the value of taxable property. With voter approval, cities may also incur an additional general obligation bonded debt equal to 2.5% of the value of taxable property for parks and open space. Thus, under State law, the maximum general obligation bonded debt which a City may incur cannot exceed 7.5% of the assessed property valuation.

Municipal revenue bonds are not subject to a limitation on the maximum amount of debt which can be incurred. These bonds have no effect on the City's tax revenues because they are repaid from revenues derived from the sale of service.

The City of Lake Stevens has used general obligation bonds and municipal revenue bonds very infrequently. Therefore, under state debt limitations, it has ample debt capacity to issue bonds for new capital improvement projects. However, the City does



not currently have policies in place regarding the acceptable level of debt and how that debt will be measured.

Table 8-5 – Limitation of Indebtedness

I. Indebtedness for General Purposes Without a Voice of the People			
Councilmanic: Legal Limit 1.5% of taxable property	Capacity	Less Outstanding	Remaining Debt Capacity
1.5% times 1,932,453,762 equals	28,986,806	2,944,834	26,041,972
II. Indebtedness for General Purposes With a 3/5 Vote of the People			
Councilmanic: Legal Limit 2.5% of taxable property	Capacity	Less Outstanding	Remaining Debt Capacity
2.5% times 1,932,453,762 equals	48,311,344	0	48,311,344
I & II. Total Indebtedness for General Purposes			
Councilmanic: Legal Limit 2.5% of taxable property	Capacity	Less Outstanding	Remaining Debt Capacity
2.5% times 1,932,453,762 equals	48,311,344	2,944,834	45,366,510
III. Indebtedness for City Utility Purposes With a 3/5 Vote of the People			
Councilmanic: Legal Limit 2.5% of taxable property	Capacity	Less Outstanding	Remaining Debt Capacity
2.5% times 1,932,453,762 equals	48,311,344	0	48,311,344
IV. Indebtedness for Open Space and Park Facilities With a 3/5 Vote of the People			
Councilmanic: Legal Limit 2.5% of taxable property	Capacity	Less Outstanding	Remaining Debt Capacity
2.5% times 1,932,453,762 equals	48,311,344	0	48,311,344
TOTAL	7.50%	Total Capacity	Total Less Outstanding Remaining Debt Capacity
		144,934,032	2,944,834 141,989,198



The 'pay as you go' financing method is easy to administer and may be appropriate, because the City of Lake Stevens is experiencing slow growth and future tax receipts may be uncertain. However, the City will consider using 'pay as you use' financing if a significant level of growth occurs. This will shift some of the cost for capital facilities to future users, and the effects of inflation will allow the City to repay the debt in "cheaper" dollars.

User Charges and Connection Fees: User charges are designed to recoup the costs of public facilities or services by charging those who benefit from such services. As a tool for affecting the pace and pattern of development, user fees may be designed to vary for the quantity and location of the service provided. Thus, charges could be greater for providing services further distances from urban areas.

Mandatory Dedications or Fees in Lieu of: The jurisdiction may require, as a condition of plat approval, that subdivision developers dedicate a certain portion of the land in the development to be used for public purposes, such as roads, parks, or schools. Dedication may be made to the local government or to a private group. When a subdivision is too small or because of topographical conditions a land dedication cannot reasonably be required, the jurisdiction may require the developer to pay an equivalent fee in lieu of dedication.

The provision of public services through subdivision dedications not only makes it more feasible to serve the subdivision, but may make it more feasible to provide public facilities and services to adjacent areas. This tool may be used to direct growth into certain areas.

Negotiated Agreement: Agreement whereby a developer studies impact of development and proposes mitigation for and City's approval. These agreements rely on the expertise of the developer to assess the impacts and costs of development. Such agreements are enforceable by the jurisdiction. The negotiated agreement will require lower administrative and enforcement costs than impact fees.

Impact Fees: Impact fees may be particularly useful for a small community that is facing rapid growth and with existing residents desiring to minimize the impacts to the existing levels of service.

Obligation to Provide Capital Facilities

Coordination with Other Public Service Providers: Local goals and policies as described in the other Comprehensive Plan elements are used to guide the location and timing of development. However, many local decisions are influenced by state agencies, special management districts, and utilities that provide public facilities within the City of Lake Stevens. The planned capacity of public facilities operated by other jurisdictions



must be considered when making development decisions. Coordination with other entities is essential not only for the location and timing of public services, but also in the financing of such services.

Table 8-6 – Revenue Projections Affecting Capital Improvements (Thousands)

Funds	2006	2007	2008	2009	2010	2011
General Fund	3,100	5,185	6,845	6,339	6,362	6,516
Total General	3,100	5,185	6,845	6,339	6,362	6,516
Street Fund	850	1,080	1,155	1,229	1,253	1,278
Tot. Transp.	850	1,080	1,155	1,229	1,253	1,278
Storm Water						
Mgmt. Fund	250	540	558	529	590	597
Tot. Proprietary	250	540	558	529	590	597
CIP-Develop. Contribution	118	305	111	5	5	5
REET 1 & 2	380	450	495	450	450	450
Tot. Cap. Proj.	498	755	606	455	455	455
Grand Totals	4,698	7,560	9,164	8,552	8,660	8,846

The City's plan for working with the natural gas, electric, and telecommunication providers is detailed in the Utilities Element. This Plan includes policies for sharing information and a procedure for negotiating agreements for provision of new services in a timely manner.

Other public service providers such as school districts and private water providers are not addressed in the Utilities Element, however, the City's policy is to exchange information with these entities and to provide them with the assistance they need to ensure that public services are available and that the quality of the service is maintained.



Level of Service Standards: Level of service standards are an indicator of the extent or quality of service provided by a facility that are related to the operational characteristics of the facility. They are a summary of existing or desired public service conditions. The process of establishing level of service standards requires the City to make quality of service decisions explicit. The types of public services for which the City has adopted level of service standards will be improved to accommodate the impacts of development and maintain existing service in a timely manner with new development.

Level of service standards will influence the timing and location of development, by clarifying which locations have excess capacity that may easily support new development, and by delaying new development until it is feasible to provide the needed public facilities. In addition, to avoid over extending public facilities, the provision of public services may be phased over time to ensure that new development and projected public revenues keep pace with public planning. The City has adopted a level of service standard for six public services. These standards are identified in Chapter 5.

Concurrency Management System Ordinance: The City adopted a concurrency implementation ordinance which contains procedures for reviewing proposed development within the City based on the available capacity of public facilities coupled with the adopted Level of Service standard for them.

Methods for Addressing Shortfalls

The City will not be able to finance all proposed capital facility projects, therefore, it has clearly identified the options available for addressing shortfalls and how these options will be exercised. The City evaluates capital facility projects on an individual basis rather than a system wide basis. This method involved lower administrative costs and can be employed in a timely manner. However, this method will not maximize the capital available for the system as a whole. In deciding how to address a particular shortfall the City will balance the equity and efficiency considerations associated with each of these options.

When the City identifies a potential shortfall, the City has addressed it by increasing revenue, decreasing level of service, decreasing the cost of the facility and or decrease the demand for the facility.



Six-Year Capital Facilities Plan

Financial Assumptions

The following assumptions about future operating conditions in the local government and market conditions were used in the development of the six-year Capital Facilities Program:

- The City will maintain its current fund accounting system to handle its financial affairs.
- The cost of running the local government will continue to increase due to inflation and other factors, while revenues will decrease.
- New revenue sources, including new taxes, may be necessary to maintain and improve City services and facilities.
- Significant capital investment is needed to maintain, repair, and rehabilitate the City's aging infrastructure and to accommodate future growth.
- Public investment in capital facilities is the primary tool of local government to support and encourage economic growth.
- A comprehensive approach to review, consider, and evaluate capital funding requests is needed to aid decision-makers and citizenry in understanding the capital needs of the City.

In accordance with the existing accounting system financial transactions are recorded in individual "fund" accounts. Capital improvements will be financed through the following funds:

- General Fund
- Capital Improvement Fund (projects funded by bonds)
- Transportation Improvement Fund
- Enterprise Fund (user fees and connection fees)
- Public Buildings, Facilities, and Properties Fund

Projected Revenues

Projected Tax Base

The City's tax base was projected to increase at a 10% annual rate of growth for the adjusted taxable value of property (including new construction). The assessment ratio is projected to remain stable at 100%. This is important to the overall fiscal health of the City; however, capital improvements are also funded through non-tax resources.



Revenue By Fund

General Fund: This is the basic operating fund for the City, however, historically a number of capital improvements have been financed through this fund. Ad valorem tax yields were projected using the current tax rate and the projected 10% annual rate of growth for the City's assessed valuation. The General Fund will be generally be allocated 72% of the annual tax yield from ad valorem property taxes.

Transportation Funds: Expenditures from these funds include direct annual outlays for capital improvement projects as well as the operating expenditures of the Street Fund. The revenues in this fund represent total receipts from state and local gas taxes. The projection estimates are based on state projections for gasoline consumption, current state gas tax revenue sharing methodologies, and continued utilization of local option gas taxes at current levels. This fund also includes state and federal grant monies dedicated to transportation improvements.

Capital Improvement Funds: These revenues are committed to annual debt service and capital projects. The revenues in this fund represent continued capture of the real estate excise tax revenues necessary to meet annual debt service obligations on outstanding general obligation bonds.

Enterprise Fund: The revenue in this fund is used for the annual capital, debt service and operating expenditures for services that are operated and financed similar to private business enterprises. The projected revenues depend upon income from user charges, bond issues, state or federal grants, and carry-over reserves.

Table 8.6 indicates the expected revenue available to the City to finance capital improvements and related operation and maintenance costs for the years 2006 – 2011.

Revenue amounts projected are based on past trends.

Plan Implementation and Monitoring

Projected Expenditures

For the purpose of this fiscal assessment, projected capital expenditures have been aggregated to include:

- The direct cost of scheduled capital improvement projects presently underway;
- Capital improvement debt service expenditures for outstanding and planned bond issues; and
- The direct cost of capital improvements in Table 8.1.



These expenditures represent additional costs to maintain adopted level of service standards under projected growth conditions.

The Six-Year Schedule of Funded Improvements (Table 8.2) is the mechanism by which the City can stage the timing, location, projected cost, and revenue sources for the capital improvements identified for implementation in the other Comprehensive Plan Elements. The Six-Year Schedule of Funded Improvements is economically feasible within the target revenues discussed in the preceding sections of this element entitled Inventory and Analysis.

Table 8.1 lists the capital improvement project by facility type and provides estimates of project costs by year. The distribution among years matches the years in which capital improvement work is planned in order to achieve or maintain the adopted Level of Service standards and measurable objectives for various public facilities.

The capital improvement projects listed in Table 8.1 are not inclusive of all anticipated capital improvements as assessed by City departments for the six year planning period.

Projects which exceed available target revenues are included in Table 8.2: Schedule of Unfunded Improvements. As additional revenues become available, these projects will be incorporated for implementation. Top priority is generally given to projects which correct existing deficiencies, followed by those required for facility replacement, and those needed for future growth.

Monitoring and Evaluation

Monitoring and evaluation are essential in ensuring the effectiveness of the Capital Facilities Plan Element. This element will be regularly reviewed and amended to verify that fiscal resources are available to provide public facilities needed to support adopted LOS standards and measurable objectives. The review will reevaluate the following considerations in order to determine their continued appropriateness:

1. Any needed changes to costs, revenue sources, acceptance of dedicated facilities, or the date of construction of any facility enumerated in the element.
2. The Capital Facilities Element's continued consistency with the other elements and its support of the Land Use Element.
3. The priority assignment for addressing public facility deficiencies.
4. The City's progress in reducing or eliminating deficiencies.
5. The criteria used to prioritize capital improvement projects.



6. The City's effectiveness in maintaining the adopted LOS standards and achieving measurable objectives.
7. The City's effectiveness in reviewing the impacts of plans and programs of state agencies that provide public facilities with the City's jurisdiction.
8. The effectiveness of impact fees and dedications for assessing the degree to which new development pays for its impacts.
9. The impacts of special districts and any regional facility and service provision upon the City's ability to maintain its adopted LOS standards or to achieve its measurable objectives.
10. Success of securing grants or private funds to finance capital improvements.
11. Capital improvements needed for the latter part of the planning period, for update of the Six-Year Schedule of Improvements.
12. Concurrency status.

Analysis of Infrastructure

Capacity of Infrastructure

City Hall Facilities/Senior Center/ Library Building: The facilities for public administration are currently inadequate and the City is in the process of seeking a solution in concert with the redevelopment of the historic downtown. Improvements would include relocating City offices outside of the lake front park area. The City has secured grant funding to relocate the Senior Center out of the downtown park and into Eagle Ridge Park. The Library Board is currently in the process of site selection to build a larger library in the City limits.

Water System: The quality of the water provided by the P.U.D. is good and the service meets present needs, with each household using approximately 300 gallons of water per day. Relying on standards developed for previous water supply plans, the City has decided to adopt 100 gallons of water per capita per day as a level of service standard.

Provision of water to future development not only depends on capacity, but also on design considerations. The P.U.D. anticipates having enough capacity to serve the projected population, however the costs of providing this service will vary significantly due to design. The P.U.D. will also need to carefully consider the impact of very large industrial developments.



Wastewater Disposal Facilities: The City of Lake Stevens and the Lake Stevens Sewer District have a combined sewer system currently operated by the Sewer District. The District and City are currently in design phase for a new wastewater treatment plant to serve the larger population in the City and urban growth area and to replace the existing plant which is currently located in the flood plain.

There are few homes still on septic within the City, and most of these do not pose a health threat. If such a threat becomes imminent, City ordinance does allow the City to mandate that a home with a failing septic system and within 300 feet of a sewer line be hooked up to the system. Most new homes being built are on the sewer system, as the minimum parcel size of a septic system is being used is 12,500 square feet.

Solid Waste Disposal: The County anticipates that it will have adequate landfill capacity during this planning period, especially since most jurisdictions have or are initiating a curbside recycling program. The City has a mandatory garbage and recycling program.

Medical and Emergency Facilities: The City is adequately served by Everett General/Providence Hospitals. EMS services are provided by Fire Prevention District No.8.

Police and Fire Protection: The provision of safe, commercial, and industrial areas improves the quality of life for current residents, and makes the City more attractive for new residents and businesses. The City's current ratio of police officers to residents is 1:500.

Public Education Facilities: To meet the demand generated by the growth, the Lake Stevens School Districts' capital facilities plan calls for acquisition of land for a new high school and elementary school and construction of two new elementary schools and middle school in that time frame.

Library: Current library space is inadequate. The City is currently working with Sno-Isle Regional Library and the citizens to form a Capital Facilities Area and have a ballot issue to build a new library within the City limits.

Transportation Facilities: Various types of land uses will need different types of transportation, and will place different demands on the transportation system. Residential areas need access to centers of employment; commercial and industrial enterprises need access to supplier and consumer markets; and transportation corridors are often used to extend public services and utilities. This plan projects future transportation needs according to the Land Use Plan.



Parks: The City currently exceeds its' adopted level of service. However, at public meetings there has been continued and sustained testimony of the need for athletic fields and a skate park. The City in coordination with civic groups, citizens and public agencies is pursuing avenues to build the skate park.

GOALS AND POLICIES

GOAL 8.1 PROVIDE PUBLIC FACILITIES IN A MANNER WHICH PROTECTS INVESTMENTS IN, AND MAXIMIZES USE OF, EXISTING FACILITIES AND PROMOTES ORDERLY COMPACT URBAN GROWTH.

Policies

- 8.1.1 Capital improvements shall be provided to correct existing deficiencies, to replace worn out or obsolete facilities and to accommodate desired future growth.
- 8.1.2 Capital improvement projects identified for implementation in this Plan and at a cost of at least \$10,000 shall be included in the Six-Year Schedule of Improvement. Capital improvements with cost of less than \$10,000 should be reviewed for inclusion in the six-year Capital Improvement Program and the annual capital budget.
- 8.1.3 Proposed capital improvement projects shall be evaluated and prioritized in consideration of the following criteria:
 - a. Need exists to correct existing deficiencies, replace facilities, or to provide for growth;
 - b. Elimination of public hazards;
 - c. Elimination of capacity deficits;
 - d. Financial feasibility;
 - e. Site needs based on projected growth patterns;
 - f. Environmental impacts;
 - g. New development and redevelopment;
 - h. Plans of state agencies; and
 - i. Local budget impact including costs for operation and maintenance.

GOAL 8.2 DEVELOPMENT SHALL BEAR ITS' FAIR SHARE OF COSTS OF PROVIDING PUBLIC FACILITIES AT THE ADOPTED LEVELS OF SERVICE.

Policies

- 8.2.1 Transportation and park impact fees shall be sufficient to pay the fair share of improvement costs necessitated by new development.



8.2.2 Appropriate funding mechanisms for developments' contribution of a fair share of other public facility improvements [such as recreation, drainage and solid waste] will be considered for implementation as the City develops them.

GOAL 8.3 PROVIDE NEEDED CAPITAL IMPROVEMENTS TO MAINTAIN ADOPTED LEVELS OF SERVICE.

Policies

8.3.1 The City shall continue to adopt an annual capital budget and a six-year capital improvement program as part of its budgeting process.

8.3.2 Debt shall be managed so that City general obligation debt will not exceed debt limitations set by state law and the City's ability to pay. There are no limits placed on revenue bonds other than the ability to pay.

8.3.3 Efforts shall be made to secure grants or private funds whenever available to finance the provision of capital improvements.

8.3.4 Fiscal policies to direct expenditures for capital improvements will be consistent with other Comprehensive Plan Elements.

GOAL 8.4 COORDINATE LAND USE DECISIONS AND FINANCIAL RESOURCES WITH A SCHEDULE OF CAPITAL IMPROVEMENTS TO MEET ADOPTED LEVEL OF SERVICE STANDARDS, MEASURABLE OBJECTIVES.

Policies

8.4.1 Certain public facilities and services needed to support development shall be available concurrent with the development. The City shall adopt a three part concurrency program in which failure to achieve the adopted Level of Service (LOS) will result in halting approval of new development until such time funding for the necessary facilities to achieve the desired LOS is in place. Facilities subject to concurrency requirements shall include transportation, parks, and sanitary sewer. The City will consider in the future the feasibility of implementing concurrency for stormwater and potable water.

8.4.2 The City will support and encourage the joint development and use of cultural and community facilities with other governmental or community organizations in areas of mutual concern and benefit.

8.4.3 The City will emphasize capital improvement projects which promote the conservation, preservation or revitalization of commercial, industrial, and residential areas in Lake Stevens.

8.4.4 Proposed Plan amendments and request for new development or redevelopment



shall be evaluated according to the following guidelines as to whether the proposed action would:

- a. Contribute to a condition of public hazards;
- b. Exacerbate any existing condition of public facility capacity deficits;
- c. Generate public facility demands that exceed capacity increase planning in the Six-Year Schedule of Improvements;
- d. Conform to future land uses as shown on the future land use map of the Land Use Element;
- e. Accommodate public facility demands based upon adopted LOS standards and attempts meet specified measurable objectives, when public facilities are developer-provided;
- f. Demonstrate financial feasibility, subject to this element, when public facilities are provided, in part or whole, by the City; and
- g. Affect state agencies' facilities plans and siting of essential public facilities.

8.4.5 Continue to update prioritizations on Table 8.6 as needs are identified; and move projects/facilities to from Table 8.5 to 8.6 as funding becomes available.