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Capital Facilities Planning Guidebook

Comprehensive Planning under the Growth Management Act

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This guidebook is dedicated to the Memory of Bruce Hunt. Bruce was a planner of exceptional ability, dedication and integrity, who served his community and the state for over 20 years. Bruce's knowledge and experience were critical to the development of the ideas contained in the document. Bruce will be missed by his colleagues at Commerce, his community and his family.
-Bruce Hunt 1954-2014

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INTRODUCTION

Helping Communities Shape their Future

The Growth Management Act (GMA) provides statutory authority for local governments to plan in Washington State (see RCW 36.70A). The process of identifying current capital facility needs, future needs to serve the growth anticipated in the comprehensive plan, and how to fund them, is an important aspect of planning under the GMA.

The capital facilities plan (CFP) includes a six-year capital improvement plan (CIP) which should align with the jurisdiction's budget, and a longer-range (20-year) CFP of capital projects, with estimated costs and proposed methods of financing. The CFP provides for the full implementation of the land use plan by showing how public facilities and services will be provided for in the community, at the population and intensities of development envisioned in the plan, and at adopted levels of service.

This chapter of the guidebook provides an overview of the topic and explains:

- What are capital facilities?
- Why planning for capital facilities and public services is important
- Integrating capital facilities plans with land use, transportation and utilities
- Including public participation
- Dealing with existing services and infrastructure
- Planning for services and infrastructure to serve new growth
- Adopting plans prepared by others
- Fiscal considerations of capital facilities planning

What are Capital Facilities?

Most people have a general idea about what capital facilities are. But the GMA does not specifically define them. The GMA defines public facilities as including "streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, domestic

water systems, storm and sanitary sewer systems, parks and recreational facilities, and schools." It defines public services as including "fire protection and suppression, law enforcement, public health, education, recreation, environmental protection, and other governmental services." The GMA also defines rural governmental services (rural services) and urban governmental services (urban services):

> "Rural governmental services" or "rural services" include those public services and public facilities historically and typically delivered at an intensity usually found in rural areas, and may include domestic water systems, fire and police protection services, transportation and public transit services, and other public utilities associated with rural development and normally not associated with urban areas. Rural services do not include storm or sanitary sewers, except as otherwise authorized by RCW 36.70A.110(4).
>
> "Urban governmental services" or "urban services" include those public services and public facilities at an intensity historically and typically provided in cities, specifically including storm and sanitary sewer systems, domestic water systems, street cleaning services, fire and police protection services, public transit services, and other public utilities associated with urban areas and normally not associated with rural areas.

While these definitions certainly prove useful, they do not define capital facilities specifically. Over the years, the Growth Management Hearings Board (GMHB) has provided additional guidance.

For purposes of conducting the inventory required by RCW 36.70A.070(3)(a), "public facilities" as defined in RCW 36.70A.030(13) are synonymous with "capital facilities owned by public entities." *West Seattle Defense Fund v. City of Seattle, CPSGMHB Case 94-3-0016, FDO April 4, 1995*, as cited in *EWGMHB Case 06-1-0009c, FDO March 12, 2007*.

The board further defined capital facilities as what is required to fulfill the GMA obligation:

> *The Board holds that a Capital Facilities Element (CFE) must include all facilities that meet the definition of public facilities set forth in RCW 36.70A.030(12). All facilities included in the CFE must have a minimum standard [level of service] (LOS) clearly labeled as such (i.e., not "guidelines" or "criteria"), must include an inventory and needs assessment and include or reference the location and capacity of needed, expanded, or new facilities. (RCW 36.70A.070(3)(a), (b) and (c). In addition, a CFE must explicitly state which of the listed public facilities are determined to be "necessary for development" and each of the facilities so designated must have either a "concurrency mechanism" or an "adequacy mechanism" to trigger appropriate reassessment if service falls below the baseline minimum standard. Transportation standards are*

> *the only facilities required to have a concurrency mechanism, although a local government may choose to adopt a concurrency mechanism for other facilities." Jody L. McVittie v. Snohomish County, CPSGMHB Case No. 01-3-0002, FDO, July 25, 2001, as cited in EWGMHB Case 06-1-0009c, FDO March 12, 2007.*

And in Wilma et al v. Stevens County, EWGMHB Case 06-1-0009c, FDO March 12, 2007, the Eastern Board included

> *streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, domestic water systems, storm and sanitary sewer systems, parks and recreational facilities, and schools…fire protections and suppression, law enforcement, public health, education, recreation, environmental protection and other governmental services. (WAC 365-195-200(12) and (13).*

The Washington Administrative Code (WAC) was updated in 2010, after the cases above were determined. WAC 365-196-415 provides guidance as to which capital facilities should be included in the inventory. At a minimum, they should include water systems, sanitary sewer systems, storm water facilities, reclaimed water facilities, schools, parks and recreational facilities, police and fire protection facilities.

Each jurisdiction should define capital facilities and identify which capital facilities and public services are included. Additionally, each jurisdiction should clearly identify which capital facilities and public services are necessary to support development.

Why Plan for Capital Facilities

Capital Facilities Elements are required by state statute for jurisdictions fully planning under the GMA. The specific requirements for the Capital Facility Element are set forth in the GMA. (RCW 36.70A.070)

Even without a specific mandate, planning ahead for capital investments is good management. Capital facilities plans can help your jurisdiction use its limited funding wisely and most efficiently to maximize funding opportunities. By planning ahead to determine what the needs are, jurisdictions can prioritize projects, coordinate related projects, and be ready to apply for loan and grant opportunities. When the comprehensive plans, development regulations, and budgeting policy and decisions

are made in a coordinated and consistent manner, the outcome can be better implementation of the adopted community vision.

> *"One of the best ways to make a future land use plan come true is to use investments in public facilities to reinforce the plan. The community should invest in new roads, sewer and water lines and other facilities where it wants growth to occur. It should refuse to make investments in areas where it does not want growth to occur." (Association of Washington Cities (AWC), 2011)*

Preparing the plan is an investment in the future. A complete and thorough CFP is easier to maintain once you've invested the time in creating it. Per statute, the CFP must include these five key components:

- An inventory of existing capital facilities owned by public entities, showing the locations and capacities of the capital facilities;
- A forecast of the future needs for such capital facilities;
- The proposed locations and capacities of expanded or new capital facilities;
- At least a six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes; and
- A requirement to reassess the land use element if probable funding falls short of meeting existing needs and to ensure that the land use element, capital facilities plan element, and financing plan within the capital facilities plan element are coordinated and consistent. Park and recreation facilities shall be included in the capital facilities plan element.

Capital Facilities and Fiscal Responsibility

Adequacy of urban services is defined as adequacy to meet adopted LOS standards. Providing adequate public facilities is part of the affirmative duty local governments have. For example, each expansion of an Urban Growth Area (UGA) incurs additional costs. Investment in services to these new UGA areas comes at the expense of investments needed to preserve and maintain existing infrastructure. When Counties and Cities consider adding any new land area to a UGA, changes to the county comprehensive plan must be accompanied by an update to the transportation and capital facilities elements to show how the County, Cities, and other service providers will provide the needed facilities. The update must include: the current inventory of

urban services, what urban services will be needed to support the expansion of the UGA, what the costs for urban services are projected to be, and a statement of funding sources to underwrite the costs of providing urban services to the entire UGA and any amended areas, consistent with RCW 36.70A.070(3). The County and Cities' Comprehensive Plans would need to be updated to support changes in land use, housing, transportation, and utilities that would result from expanding the current UGA.

The fiscal analysis must show the generalized costs to meet adopted levels of service, as well as the detail necessary for roads, water, wastewater or storm water service. Without such analysis, there is no record to show how the local government will be able to meet its obligation to provide adequate public facilities consistent with RCW 36.70A.070(3) and RCW 36.70A.110(3).

Capital Facilities and Economic Development

Key factors of economic recovery – good jobs, significant private investment, effective infrastructure and adequate public funding – have an interdependent relationship. Planning for them in an integrated fashion is a powerful strategy for local vitality. Infrastructure planning leads to strategic infrastructure investments that help the community achieve its intended future.

Capital Facilities, Neighborhood Character and Livability

Neighborhood character and livability can certainly be influenced by capital facilities planning. These are often of great importance in UGAs. For example, including street trees in public rights of way can boost neighborhood character, provide separation between motorized and pedestrian travel ways, and reduce urban heat island impacts. Providing for street and pedestrian connectivity, street lighting, crosswalks at key areas such as to schools and parks, providing safe pedestrian and bicycling routes to schools, adding new sidewalks or filling in sidewalk gaps, identifying needed neighborhood school and park sites, and coordinating transit stop distances and amenities with transit provider(s) can all influence character and livability of a community or neighborhood. The amenities affect quality of life as well as capital facilities planning.

Integration of Land Use and Capital Facilities, Connection to the Utilities Element

You may hear the phrase "truth in planning" used when discussing capital facilities. This is because the CFE of the plan is meant to be the reality check in regard to how much it will cost and how it will be paid for in order to implement the vision of the comprehensive plan. The CFE must integrate the land use element with the transportation, utilities, and other plan elements. It is the local jurisdiction's plan for the provision of public facilities and services needed to serve the community over the life of the planning period. To be a successful, integral part of the plan it must be based on projected needs to serve the anticipated growth at the levels of service adopted by the community.

Counties, cities, and towns can meet the capital facilities planning requirements of the GMA in the manner that best meets their needs. In this guidebook we will strive to include examples from jurisdictions of varying sizes, geography, and circumstance. For example, the City of Ellensburg operates its own natural gas and electric utility, therefore it has a combined Capital Facilities and Utilities Element. Ellensburg is one of only three municipalities in the state that provides natural gas service and one of only four that have an electric utility.

It is essential to integrate the CFP with all elements so that budgeting decisions are made consistent with the CFP and the comprehensive plan as required by RCW 36.70A.120. This includes components of other elements, such as the utilities element and facilities and services provided by others (e.g. school districts). Projects and maintenance needs identified in other elements (e.g. utilities, parks and open space) or more detailed functional plans (e.g. water system plans, sewer plans) should all be included in the CFP.

Public Participation

It is important to involve the public in the review and update of the capital facilities plan. Each community may want to include a definition of capital facilities in its plan, provide an overview of the requirements under the GMA for the CFE, and detail the differences between the 6 year capital improvement plan (CIP) and the longer term planning involved as well (funding years 7-20 of the plan). Typically, the six-year capital improvement plan is project specific, while funding of the remaining years seven to twenty of the plan is more area defined.

Educating the public on the role and importance of the CFE will result in a better comprehensive plan overall. Graphics that show the revenue sources and amounts, as well as expenditures, can help inform citizens about the financial specifics of their community. It may serve to influence growth and infrastructure patterns of the community. For example, financial information could be used to compare the cost of providing facilities and services to different densities and intensities of development. Using a decision matrix can make a big difference and help the public see the rationale for decisions that have been made or are being considered.

Jurisdictions can use visual aids to help make funding requirements and decisions more understandable to the public. In the example below, a city shows how property taxes were allocated. Local governments may wish to visually depict how taxes, fees, and other resources are obtained and expended to help the public have a better sense of the obligations and any shortfalls. The City of Olympia uses two graphics in its CFP introduction, designed to help people understand where the money comes from and how it is used.

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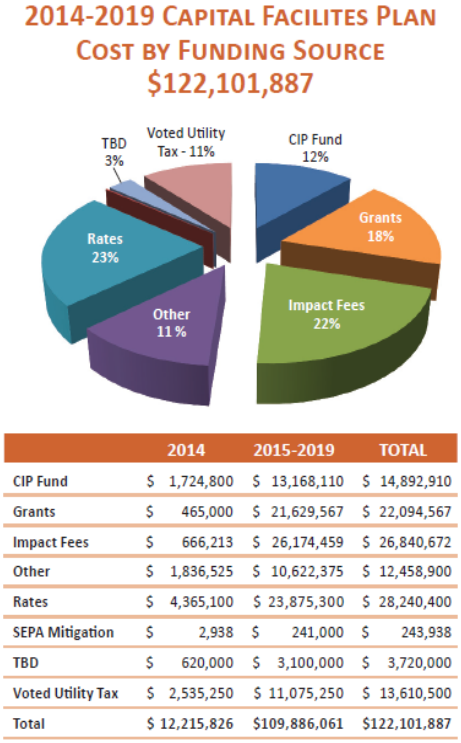

	2014	2015-2019	TOTAL
CIP Fund	$ 1,724,800	$ 13,168,110	$ 14,892,910
Grants	$ 465,000	$ 21,629,567	$ 22,094,567
Impact Fees	$ 666,213	$ 26,174,459	$ 26,840,672
Other	$ 1,836,525	$ 10,622,375	$ 12,458,900
Rates	$ 4,365,100	$ 23,875,300	$ 28,240,400
SEPA Mitigation	$ 2,938	$ 241,000	$ 243,938
TBD	$ 620,000	$ 3,100,000	$ 3,720,000
Voted Utility Tax	$ 2,535,250	$ 11,075,250	$ 13,610,500
Total	$ 12,215,826	$109,886,061	$122,101,887

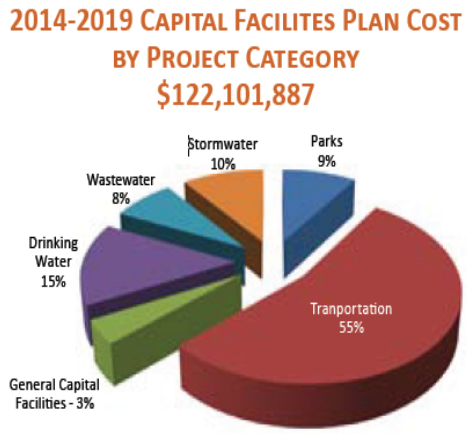

Table 1.1

	2014	2015-2019	TOTAL
Parks	$ 1,908,250	$ 9,610,250	$ 11,518,500
Transportation	$ 3,502,451	$ 63,773,836	$ 67,276,287
General Capital Facilities	$ 411,525	$ 2,069,575	$ 2,481,100
Drinking Water	$ 1,826,800	$ 16,685,900	$ 18,512,700
Wastewater	$ 2,333,700	$ 7,328,500	$ 9,662,200
Stormwater	$ 2,233,100	$ 10,418,000	$ 12,651,100
Total	$ 12,215,826	$ 109,886,061	$ 122,101,887

Graphic 1: Visual aids used in the City of Olympia's Preliminary 2014-2019 Capital Facilities Plan.

Existing Services & Infrastructure

Local governments fully planning under the GMA must include an inventory of existing capital facilities owned by public entities (including those owned by special purpose districts), showing the location and capacities of them.

Some jurisdictions may choose to separate the inventory by category. For example, in its 2012 CFP update[1], Kitsap County inventoried its capital facilities by type (i.e., Public Buildings, Law Enforcement, Fire Protection, Parks and Recreation, Sanitary Sewer, Schools, etc.).

The City of Shoreline[2] is an example of a local government that provides some facilities and services, and contracts with special purpose districts for others. They group facilities and services into those owned or managed by the city and those that are non-city managed facilities and services.

The inventory should include the extent to which facilities have capacity available for future growth. This will also help identify future need if there are gaps between available capacity and the capacity that will be needed to implement the growth anticipated in the comprehensive plan. It is also important to plan for the financial obligations of long term operation and maintenance of existing infrastructure.

[1] See http://www.kitsapgov.com/dcd/community_plan/comp_plan/cfp/final%20cfp/CFP%20Final.pdf
[2] See http://www.cityofshoreline.com/home/showdocument?id=12672

Services & Infrastructure to Serve New Growth

One of the requirements is to include a forecast of future need. Using the assumptions and growth targets in the land use plan, what are the anticipated changes in capital facilities and public services that will be needed? Which existing facilities and services will need to be replaced or enhanced? What new facilities or services will be needed? At the end of the planning period, based on the assumptions and growth targets, all capital facilities and public services should be provided at the adopted levels of service (LOS). For many jurisdictions this will require working closely with special purpose districts to ensure the facilities and services they provide can be expanded or enhanced as needed to implement the comprehensive plan. If the special purpose district cannot meet the new demand, the local government must work to determine how those needs will be met and how they will be financed.

Options to consider may include upsizing infrastructure to serve infill growth versus expansion of development into currently un-served areas. Even with new growth paying for the infrastructure to serve an undeveloped area, in the long term the operation and maintenance costs of the infrastructure may cost more than upsizing the existing infrastructure to serve infill. Local governments must carefully consider the costs, both initially and over the life of the investment, to make sound financial decisions.

The CFE should include the proposed location and capacities of expanded or new capital facilities. Local governments need to have a good idea about the land needed for future investments (e.g., water reservoirs, sewer lift stations, stormwater facilities, parks). Some uses are dependent upon certain geographic features, such as a higher or lower elevation than the surrounding area or in an area that serves as a critical junction between pressure zones. Knowing these needs and making appropriate investments and land use decisions years in advance is often necessary to ensure the facility or service can be provided. Making appropriate decisions in advance may provide a greater degree of property selection options or avoid costly and lengthy purchase or condemnation actions in later years.

Local governments must identify which capital facilities and public services are necessary to support new development. There are likely to be others that will be provided but are not necessary to support new growth. At least those that are necessary to support development need to have an adopted LOS standard, as well as a concurrency or adequacy mechanism. The concurrency or adequacy mechanism is what will be used to ensure the facilities and services necessary for new development are adequate to serve that development. If these facilities or services cannot be provided at the adopted level of service, the local government must reassess its land use element. This reassessment might result in amendments to the land use element, reducing the adopted level of service standards, or securing additional funding. Other options include – but are not limited to:

- reducing demand through demand management strategies,
- reallocating or redirecting planned growth within the jurisdiction or among jurisdictions within the urban growth area to make better use of existing capital facilities,
- phasing growth or adopting other measures to adjust the timing of development until the full range of capital facilities needed for new development are available, or
- revising county-wide population forecasts within the allowable range or revising the county-wide employment forecast.

A jurisdiction cannot determine what it will need in the future for public facilities and services without knowing what levels of service it is to meet.

Adopting other Plans by Reference

All capital and public facilities needed for future growth must be included in the comprehensive plan. These needed facilities may be identified in other comprehensive plan elements, in the jurisdiction's functional plans, or in the plans of other entities that provide services or facilities.

Functional Plans

Often a city or county has a water system plan, sanitary sewer plan, or transportation plan that contains more detail than is needed in the comprehensive plan. However, the detail is necessary to show adequate provisions can be made to provide facilities and plan for long term expenses. Such functional plans are often adopted by reference. Jurisdictions should use care to ensure plans adopted by reference are – and remain – consistent with the comprehensive plan over time. Some functional plans must be updated more frequently than comprehensive plans, so plans should be reviewed regularly for consistency.

Special Purpose Districts or Other Service Providers

Jurisdictions should not rely solely on the assurances of availability from other service providers, whether they are public or private entities. Many jurisdictions have special purpose districts that provide at least some of the capital facilities or public services within their boundaries. When adopting system plans or master plans of special purpose districts, the local government should provide a summary of the information in the capital facilities plan, synthesize the information from each of the various providers, and verify/demonstrate that the actions included in the plans, when taken together, will provide adequate public facilities within the planning horizon. The local government should conclude that the capital facilities element shows that the area will be provided with adequate public facilities. In completing this, it is important to look at any assumptions used in the special purpose district's plan. For example, are their planning timeframes and anticipated population growth and demand consistent with what the city or county is planning for? If there are any gaps, how will they be addressed? Ultimately, it is the local government's responsibility to show that adequate capital facilities and public facilities will be provided.

Fiscal Considerations

The statute requires at least a 6-year plan that will finance capital facilities within projected funding capacities and that clearly identifies sources of public money. However, in reality, each jurisdiction must consider funding issues over the entire life of the plan. While the funding capacities and identification of public funding sources may not be as clear as those required for the six-year plan, a general idea of how capital facilities needed to serve the community - at adopted levels of service and for the anticipated degree of growth - is warranted. This longer term thinking will help communities take steps necessary to fund needed infrastructure. Sometimes the planning or steps needed to secure infrastructure must begin or take place years before development can occur. Knowing what is needed and identifying estimated costs will allow the city or county to appropriately set fees, address rate setting, allow for partnering with special purpose districts, and provide time to research funding options for various projects. It may allow additional time to work with property owners and other stakeholders on the formation of special taxing districts or provide opportunities to collect impact or mitigation fees to pay for a portion of the project.

The GMA requires coordination and consistency within the comprehensive plan. The Capital Facilities Element must be consistent with the land use, transportation, utilities, and other elements of the comprehensive plan. This includes the financing plan to implement the plan.

Potential for annexation should be factored into financial planning. Areas to be annexed may require significant investment for maintenance of roads, infrastructure, or both. Cities and towns should assess the condition of all existing or needed facilities, the timing and need of any upgrades or major maintenance investments, and make provisions to fund them.

There is a direct connection between the expansion of UGAs and capital facilities planning. Whenever a UGA expansion is being considered, the jurisdiction must analyze the area and the ability to serve it with urban services and how that provision of services will be financed. Please see Commerce's, "Urban Growth Area Guidebook: Reviewing, Updating, and Implementing Your Urban Growth Area."

A Tour of the Guidebook

This guidebook is intended to help local government planners complete the review and update of a capital facilities plan prepared under the Washington State GMA. The guidebook will cover requirements under the GMA and provide general information about conducting and updating the inventory, forecasting future needs, meeting current and future needs, developing a meaningful and realistic financing plan, provide tips for smaller jurisdictions, and identify additional considerations for county governments. The guide will also provide information to help implement the CFP by addressing consistency and coordination issues, implementation through decision-making, and reviewing and updating the Capital Facilities Element. The

guidebook will include examples from local governments, resources, and summaries of key hearings board cases.

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CHAPTER 1:

An Overview of GMA Requirements

The Growth Management Act (GMA) provides statutory requirements for local governments in planning for Capital Facilities. In addition, the rules[3] in Washington Administrative Code (WAC) 365-196-415 provide guidance to meet the requirements. Additional direction has been provided by the Growth Management Hearings Boards. This chapter provides an overview of the requirements. Later Chapters provide more detail and helpful information, including applicable WACs, examples, and resources.

Graphic 2: Representation of the major components of capital facilities and public services planning.

[3] See WAC 365-196-415

The Capital Facilities Element

RCW 36.70A.070(3) requires a capital facilities plan element consisting of:

a) An inventory of existing capital facilities owned by public entities, showing the locations and capacities of the capital facilities;

b) A forecast of the future needs for such capital facilities;

c) the proposed locations and capacities of expanded or new capital facilities;

d) At least a six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes; and

e) A requirement to reassess the Land Use Element if probable funding falls short of meeting existing needs and to ensure that the land use element, capital facilities plan element, and financing plan within the capital facilities plan element are coordinated and consistent. Park and recreation facilities shall be included in the capital facilities plan element.

Inventory of existing facilities

Knowing which capital assets are owned by the jurisdiction, what condition they are in and when you need to start thinking about replacing or repairing them is a prudent business practice. It's also a requirement of the GMA. RCW 36.70A.070(3)(a) requires: "…An inventory of existing capital facilities owned by public entities, showing the locations and capacities of the capital facilities…".

The information in the inventory should be updated at least every eight years as part of the periodic update, however, it may be more helpful to update when a new capital facility is added or an old one is replaced.

It is likely that not all publicly owned capital facilities will be owned by one jurisdiction. The inventory will most likely include working with adjacent jurisdictions and special purpose districts. It is important to provide adequate time to gather information needed from other providers. Also, the information will probably be provided in different formats. Some may provide electronic data layers while others may give you an excel spreadsheet or list of facilities and their attributes. Each jurisdiction will need to compile the data and put it into a format that works for them to meet their needs.

There are several examples available for creating your inventory. Growth Management Services has a webpage devoted to the capital facility plan:

www.commerce.wa.gov/cfp which includes a template for an inventory. The Grays Harbor Council of Governments developed a simplified spreadsheet for their customers (see example in Chapter 6).

Forecast of future need: RCW 36.70A.070(3)(b)

In addition to knowing what you already own, the capital facility plan should include any capital assets that are needed to serve existing development and accommodate future growth.

An important aspect of capital facilities planning is a forecast of a fully implemented plan and a determination what will be needed to serve that growth. To determine what is needed, the levels of service (LOS) standards for services and facilities to serve growth must be identified. This should be consistent with the planning horizon and the densities and distribution of growth in the Land Use Element.

In determining the future need, the jurisdiction may include reasonable assumptions about the effect of any identified system management or demand management approaches that will be used to preserve capacity or avoid the need for new facilities. For example, governments that implement a new water reduction program may be able to delay or avoid improvements to add domestic water supply. Likewise, new or expanded reclaimed water systems that could be used to provide irrigation to school grounds, parks, golf courses or other large areas may result in significant reductions in domestic water supply needs that can be factored in to the forecast.

This forecast should include all capital facilities that are planned to be provided within the planning period, including the general locations and anticipated capacity needed. Local governments should divide the needed improvements into two categories – those needed to fix existing deficiencies and those needed to serve new growth.

WAC 365-196-320 covers provision of urban services. For urban growth areas, it is important to note that at a minimum, adequate public facilities in urban areas should include sanitary sewer systems and public water service from a Group A public water system because these services are usually necessary to support urban densities. The services provided must be adequate to allow development at urban densities and serve development at densities consistent with the land use element.

The WAC states that the obligation to provide urban areas with adequate public facilities is not limited to new urban areas. Counties and cities must include in their capital facilities element a plan to provide adequate public facilities to all urban areas, including those existing areas that are developed but do not currently have a full range of urban governmental services or services necessary to support urban densities.

Cities and towns, and counties planning for unincorporated Urban Growth Areas (UGAs), should develop capital facilities plan that will show how the full range of urban governmental services will be provided for the UGA within the planning horizon of the comprehensive plan, including how the improvements will be financed.

Proposed locations and capacity of future facilities: RCW 36.70A.070(c)

Some facilities, such as water storage tanks or sewer lift stations, are dependent on geography for future location. Knowing in advance where these types of facilities will be needed can help the city or county acquire land. Determining future capacity needed for the various facilities provides the city or county with a clear idea of what will be needed and provides more time to meet those needs. For more information, please see Chapter 4 of this guidebook.

At least a six year financial plan–and why you probably need more: RCW 36.70A.070(d)

The Growth Management Act (GMA) requires that the Capital Facilities Element include at least a six year capital facilities plan for financing capital facilities needed within that time frame.

Most jurisdictions are familiar with developing a six year transportation improvement plan (TIP) which is required in order to obtain federal funding through the Washington State Department of Transportation (WSDOT) for transit, roadway, bridge, etc. improvements. The six-year capital improvement plan (CIP) for capital facilities is similar to the TIP. These are the projects that rise to the top in terms of priority and funding availability. The jurisdiction should identify funding sources, both public and private, that can reasonably be anticipated. This may require including revenue estimates that will be provided by others, such as special purpose districts.

> *"To achieve planning goal 12, a capital facilities element should address, over the life of the plan, how the needed public facilities and services will be provided and financed throughout the jurisdiction. This does not need to be as explicit or detailed as the financing plan specifically required by the RCW 36.70A.070(3)(d), but an effective CFP should describe a strategy (or at least an approach) for financing the facilities needed and how it will be able to support the land use plan at the adopted levels of service."*
>
> *Pat Dugan, "The Third Promise of the Growth Management Act" (2007)*

Resources:

Municipal Research Services Center on Capital Facilities Planning

The Association of Washington Cities (AWC) developed a helpful video: "GMA and budget decisions". http://www.youtube.com/watch?v=1lT9koLi_8o

Reassessment of the Land Use Element if probable funding falls short of meeting existing needs: RCW 36.70A.070 (e)

This requirement ensures that the land use element, capital facilities plan element, and financing plan within the capital facilities plan element are coordinated and consistent. Park and recreation facilities shall also be included in the capital facilities plan element.

WAC 365-916-415(2)(d) makes recommendations on how to interpret the RCW:

> (i) Counties and cities must reassess the Land Use Element and other elements of the comprehensive plan if the probable funding falls short of meeting the need for facilities that are determined by a county or city to be necessary for development. Counties and cities should identify a mechanism to periodically evaluate the adequacy of public facilities based on adopted LOS or other objective standards. The evaluation should determine if a combination of existing and funded facilities are adequate to maintain or exceed adopted level of service standards.
>
> (ii) This evaluation must occur, at a minimum, as part of the periodic review and update required in RCW 36.70A.130(1), during the review of urban growth areas required by RCW 36.70A.130(3) and as major changes are made to the Capital Facilities Element.

(iii) If public facilities are inadequate, local governments must address this inadequacy. If the reassessment identifies a lack of adequate public facilities, counties and cities may use a variety of strategies including, but not limited to, the following:

(A) Reducing demand through demand management strategies;

(B) Reducing LOS standards;

(C) Increasing revenue;

(D) Reducing the cost of the needed facilities;

(E) Reallocating or redirecting planned population and employment growth within the jurisdiction or among jurisdictions within the urban growth area to make better use of existing facilities;

(F) Phasing growth or adopting other measures to adjust the timing of development, if public facilities or services are lacking in the short term for a portion of the planning period;

(G) Revising county-wide population forecasts within the allowable range, or revising the county-wide employment forecast.

Existing comprehensive plans should have a policy or policies in place to reassess the plan if probable funding falls short of meeting the need for facilities. This reassessment should at a minimum, occur as part of the periodic review and update.

It is recommended that local governments identify when and how often this reassessment will occur. If public facilities, or the funding for them, are deemed to be inadequate, the local government must address the inadequacies. There are a number of strategies the local government can use, such as:

- Reduce demand through demand management strategies;
- Reduce level of service standards;
- Increase revenue;
- Reduce the cost of the needed facilities;
- Reallocate or redirect planned population and employment growth to areas within the urban growth area that do have available capacity;
- Phase growth or adopt other measures to adjust the timing of development, if public facilities or services are lacking in the short term for a portion of the planning period;

- Revise county-wide population forecasts (e.g. select the medium or low range rather than the high or medium range) or revise countywide employment forecasts.

In the McVittie case (9316c, FDO at 26-27), the Growth Management Hearings Board (GMHB) found that local governments can use various regulatory techniques to avoid situations when funding shortfalls occur in order to reassess and re-evaluate its plan; that it does not automatically require revision of the Land Use Element.

Relationship between the Capital Facilities Element and the Land Use Element: RCW 36.70a.070 (e) … and to ensure that the land use element, capital facilities plan element, and financing plan within the capital facilities plan element are coordinated and consistent. Park and recreation facilities shall be included in the capital facilities plan element.

The land uses and assumed densities/intensities identified in the Land Use Element and Future Land Use Map determine the location and timing of the need for new or expanded facilities. Facilities needed for growth, whether new or expanded, the needs for maintenance and rehabilitation of the existing systems, and the need to address any existing deficiencies, constitutes the demand.

The provision of these facilities can often include facilities and services provided by others (e.g. Fire, Library, or School Districts). Counties and cities have a responsibility to prepare a Capital Facilities Element that meets the requirements of the GMA. However, they don't always have control over the full range of services and facilities provided. To meet their responsibility, cities and counties should not merely rely on the assurances of availability by other providers. When the plans of other providers are adopted by reference, the city or county should:

- Summarize the information in the city or county's comprehensive plan;
- Synthesize the information from the various providers to show that the actions, when taken together, will provide adequate public facilities;
- Conclude that the Capital Facilities Element shows how the area will be provided with adequate public facilities.

> *"One of the best ways to make a future land use plan come true is to use investments in public facilities to reinforce the plan. The community should invest in new roads, sewer and water lines and other facilities where it wants growth to occur. It should refuse to make investments in areas where it does not want growth to occur."*
>
> *Eric Damian Kelly and Barbara Becker,*
> *"Planning: An Introduction to the Comprehensive Plan" (2000)*

In Cederdale Property Owners v Mt. Vernon (02-2-0010), the GMHB stated there are parameters to the City's obligation to see that infrastructure is provided within the urban growth area (UGA). By creating the UGA boundaries that it did, the City, in partnership with the County, committed to public facilities necessary to support the planned development within the UGA.

Implementation in Conformance with Comprehensive Plan

The Capital Facilities Element is meant to demonstrate that the jurisdiction has a realistic plan to provide the needed facilities to serve development at the LOS standards adopted, in order the implement the vision of the comprehensive plan. It should serve as a guide in future financial planning and decision making.

Important factors to consider:

- Counties and cities should identify in the Capital Facilities Element, which types of facilities it considers to be necessary for development.
- Counties and cities should identify facilities as necessary for development if the need for new facilities is reasonably related to the impacts of new development.
- Capital facilities must be identified as necessary for development if a county or city imposes an impact fee as a funding strategy for those facilities.
- In urban areas, all facilities necessary to achieve urban densities must be identified as necessary for development.

Local governments can establish concurrency mechanisms for facilities necessary for development. However, they do not have to establish concurrency for facilities other than transportation. Some facilities may be necessary for development but not subject to concurrency. These types of decisions should be identified and included in the Capital Facilities Element. For capital facilities that are necessary for development, but not subject to concurrency, the city or county should set a minimum level of service standard, or provide some other basis for assessing the

need for new facilities or capacity. It should be the standard the jurisdiction strives to meet as growth occurs. Policies to measure or evaluate the level of service should be adopted. Such review should occur at least every eight years as part of the periodic review and update of urban growth areas, comprehensive plans, and development regulations under RCW 36.70A.130.

Capital Facilities and Periodic Review

Every eight years counties and cities are required to review and update, if necessary, the comprehensive plan and the development regulations that implement it. This includes review of the urban growth area and critical areas ordinances. The purpose of the periodic update is to ensure the plans and regulations are consistent with the GMA and any amendments that have occurred to the Act since the previous update. It is also the time to review the Capital Facilities Element to determine if the county or city is "on track" to meet its provision and financial obligation of providing capital facilities and services.

Administrative Rules

In addition to WAC 365-196-415, at least the following WACs should also be consulted:

- WAC 365-196-305 – County-wide Planning Policies
- WAC 365-196-320 – Providing Urban Services
- WAC 365-196-330 – Phasing Development within the UGA
- WAC 365-196-340 – Lands Useful for Public Purposes
- WAC 365-196-840 – Concurrency
- WAC 365-196-850 – Impact Fees

CHAPTER 2:

Developing and Updating your Inventory

Overview

Developing and updating your inventory is a critical first step in completing the Capital Facilities Element. This chapter includes some examples of tools for tracking inventory data, how to use the information, addressing facilities owned by the city or county preparing the plan as well as those owned by others, and levels of detail needed in the plan.

The Washington Administrative Code (WAC 365-196-415) further recommends the following to comply with the law:

> *(i) Counties and cities should create an inventory of existing capital facilities showing locations and capacities, including the extent to which existing facilities have capacity available for future growth.*
>
> *(ii) Capital facilities involved should include, at a minimum, water systems, sanitary sewer systems, storm water facilities, reclaimed water facilities, schools, parks and recreational facilities, police and fire protection facilities.*
>
> *(iii) Capital facilities that are needed to support other comprehensive plan elements, such as transportation, the parks and recreation or the utilities elements, may be addressed in the capital facility element or in the specific element.*

(iv) Counties and cities should periodically review and update the inventory. At a minimum this review must occur as part of the eight-year[4] periodic update required by RCW 36.70A.130(1). Counties and cities may also maintain this inventory annually in response to changes in the annual capital budget.

Why we conduct an inventory and what we use the information for?

Millions of dollars could potentially be saved or invested elsewhere, by having an updated inventory of capital assets, condition analysis, and a replacement/repair plan. The inventory will also assist a jurisdiction in determining future expansion needs, based on current conditions, capacity and locations. For example, water system data may include location, diameter of pipe, what the pipe is made of, pipe condition, age of pipe, etc. This data is used in several key ways:

- Allows the jurisdiction to know which facilities are owned by the jurisdiction, where they are located, and their capacities
- Identifies when replacement/repair may be needed and potential costs
- Identifies what funding sources could be used for repair/replacement
- Allows each jurisdiction to calculate the capacity needed for full build out of the comprehensive plan to determine what, if any, shortfalls there are in capacity to meet that need (e.g. maintenance and replacement needs, new capacity needs)
- Allows the local government to determine where improvements can be made so the facilities and services needed to support development can be planned for (e.g. location, capacity, funding)
- Provides upfront indication about whether public facilities *may* be historic (i.e. 50 years of age and older) and/or located in archaeologically sensitive lands, thereby facilitating steps to manage and plan accordingly

What analysis is done and what conclusions can be drawn?

When comparing what exists now versus what is needed to serve the projected growth, each local government can develop the list of needed improvements. These improvements include normal maintenance and repair of the existing facilities, replacement of aging infrastructure at the end of its useful life, or identifies facilities of cultural and historic note that merit being sustained for the future, and adding needed capacity. It provides the jurisdiction with a full picture of what the needs are and allows them to estimate the costs of providing the needed facilities and services.

[4] Updated to reference changes in GMA update schedule in RCW 36.70A.130, which was amended in 2012 after the WAC was last updated. GMA updates are now required at least once every eight years, rather than seven.

Counties and cities can then assess how to meet those needs or review options for raising the capital needed to provide them. For instance, it may show that a major new facility will be needed near the end of the planning horizon. The city or county may need to revisit its utility rate setting formula to ensure the rates are set at a level that is adequate to cover the anticipated costs of that new facility. The earlier the jurisdiction is aware of the needs, the more time it has to facilitate funding of the projects.

Alternatively, the data may show that provision of facilities and services to a certain area is more costly than another, or that significant infrastructure improvements are needed in a certain area. There may be opportunities to consolidate projects to gain economy of scale cost savings (e.g. replacing or upsizing water and sewer lines in a portion of an urban growth area, resurfacing the streets and adding stormwater and pedestrian improvements) and then using zoning and implementation techniques to encourage development or infill in that area.

Facilities owned by the jurisdiction

Gathering this data should be easiest for the facilities your jurisdiction owns. Ideally, local governments would want the information and data format to be the same for all types of facilities. This can be a set of uniform mapping layers in a Geographic Information System, or contained in electronic spreadsheets. The data gathering process may include data from different departments (e.g. public works for water, sewer, stormwater, etc.; parks and recreation for parks and community facility structures; and any other departments that own or operate buildings, land, or infrastructure). Some jurisdictions include necessary equipment, usually more expensive items such as pump trucks and fire trucks, if they operate their own fire protection services.

Facilities owned by others-what level of detail to expect

There are numerous special purpose districts to consider. There may be overlapping service boundaries, boundaries that do not match up with urban growth boundaries, no designated service areas, or multiple districts providing similar services. Consider consulting the following districts: water, sewer, stormwater, fire, school, parks, irrigation, library, flood control zone districts, flood control districts, and diking and drainage districts, and any other known districts within your boundaries. Cities will also want to consult with any special purpose districts that provide services (or that could) in the unincorporated portions of their urban growth areas.

Not all special purpose districts will provide the level of detail the city or county may want or need. It may be difficult to obtain the information and it is likely to be provided in different formats.

Tips to get information from other service providers:

- Start early – give them plenty of time. In some cases they may need to gather the information because they don't actually have it.
- Let them know the type of information you want and why.
- If they don't have the information, there may be opportunities to help them gather the data or get it into a format that is most useful to you.
- Offer any assistance you can give. Even sharing the types of data you have can help them organize their data in a way that will be more helpful to you.
- Check to make sure they are using the same population projections and planning horizons.

Additionally, the county or city may want to consider utilizing established relationships between your public works department or other staff and private service providers (e.g. Coordinated Water System Plans). There are many local service provider organizations (i.e. PUDs, Water Purveyors, Fire Districts, etc.) that you can contact and go to their meetings. Opportunities to meet and discuss the needed capital facilities of all facility and service providers is likely time well spent.

How to find information about historic status

Capital facilities may be historic properties and/or may be located in or near areas that have potential for containing archaeological resources. Facilities such as schools, fire stations, and city halls that are over 50 years may be considered historically or architecturally important. Also, treatment plants, utility lines, and recreation areas may be the site of archaeological resources or maybe even burial sites. A good place to start your research is to contact the Washington State Department of Archaeology and Historic Preservation (DAHP). First, check DAHP's WISAARD searchable on-line database (https://fortress.wa.gov/dahp/wisaard/) to see if any buildings and structures in your community have already been inventoried. Since archaeological and cultural resource location information is protected to prevent any disturbance, contact DAHP's Archaeology staff to discuss appropriate next steps for your capital facility planning process. Early identification and planning helps to preserve and protect these fragile resources plus avoids damage or loss and costly delays. Please note that though infrastructure may exist, that fact does not eliminate the need to identify and evaluate the presence of archaeological resources, as the resources may extend beyond the previous project area and could affect a future capital project.

Also, many jurisdictions in Washington, including cities, counties, and tribes support local or tribal historic preservation programs. Many of these programs maintain their own databases or files with records on archaeological and historic properties. Visit

DAHP's website at www.dahp.wa.gov for contact information of local and tribal preservation programs.

What information should be included?

Generally, the inventory data will be used to determine capacity and condition of the existing facilities. Once completed, the county or city should have the data necessary to determine both. Again, this will include information such as diameter of pipe, type of pipe (e.g. PVC, concrete), age, condition, etc. This will inform the jurisdiction of maintenance needs (e.g. an older, leaking concrete pipe that is small in diameter may need to be replaced with a larger PVC pipe to provide better water pressure, conserve water from leaks, and meet current fire flow requirements) and allow for an evaluation of capacity (e.g. is the existing system adequately sized to allow infill development and if so, to what extent? Will a new pump station or treatment facility be needed at some point during the planning horizon and if so, when?).

Where to find this information

Water system plans, general sewer plans, stormwater plans and other system plans can be very helpful in providing information on current facilities – including location, condition and capacity, as well as replacement/repair needs.

A city or county may also benefit from looking at existing insurance coverage for the various facilities. Insurance information should provide the date the system was installed and age of system as well as make, model, etc. In some cases, a city or county may find that some essential facilities are not covered by insurance or that insurance payments are still being made on facilities no longer in use or owned by the local government.

Historical information can be obtained from previous public works directors or system operators, mayors, councilmembers or clerks. Gathering and documenting this information will prevent being left in the dark when the city official or employee who has the most knowledge but didn't write it down, is no longer available.

Analysis, what is evaluated?

Using the inventory data, each county and city can determine the demand it will need to satisfy. "Demand" is made up of:

- Fixing any existing deficiencies
- Meeting operational and maintenance needs
- Supplying facilities and services at adopted Level of Service (LOS) standards for new development
- Replacing systems once their life cycle ends

It is important to identify any existing deficiencies. This may include bringing all areas of the community up to LOS standards for public capital facilities and services. Until the inventory is updated, a city or county may not realize certain areas do not meet adopted LOS standards. Any that do not meet adopted LOS standards should be analyzed to see what is needed to bring them up to current standards, or to lower the LOS, if it's set too high to meet the current financial situation.

Identifying maintenance needs is also important. Any deferred maintenance, or general maintenance needed to extend the life of existing capital facilities should be included. This keeps maintenance projects on the list of projects and ensures costly maintenance projects are planned and budgeted for.

And ultimately, each county and city must identify what new capacity is needed to meet the new demand anticipated in the land use element of the plan. This includes accommodating new population growth as well as employment growth and other economic development.

Finally, every system has a life cycle and knowing where a system is in its life cycle can help a jurisdiction set aside funding for replacement of facilities such as a waste water treatment plant, roadway, water supply system, and other vital facilities.

Once this is obtained, the county or city can use its LOS standards to determine what is needed for each type of facility. Compiling the demands from existing deficiencies, maintenance, and anticipated for new growth provides a robust picture of the needed facilities and services.

Examples

- The City of Tacoma includes a detailed inventory in its capital facilities plan. The "Inventory of Public Facilities" is separated into the following categories: Community Development; Municipal Facilities and Services; Parks, Recreation & Cultural Facilities; Transportation Facilities; and, Utilities and Services.
- Kitsap County includes an overview, inventory of existing facilities, Level of Service capacity analysis, and list of capital projects and funding for each type of capital facility they address.

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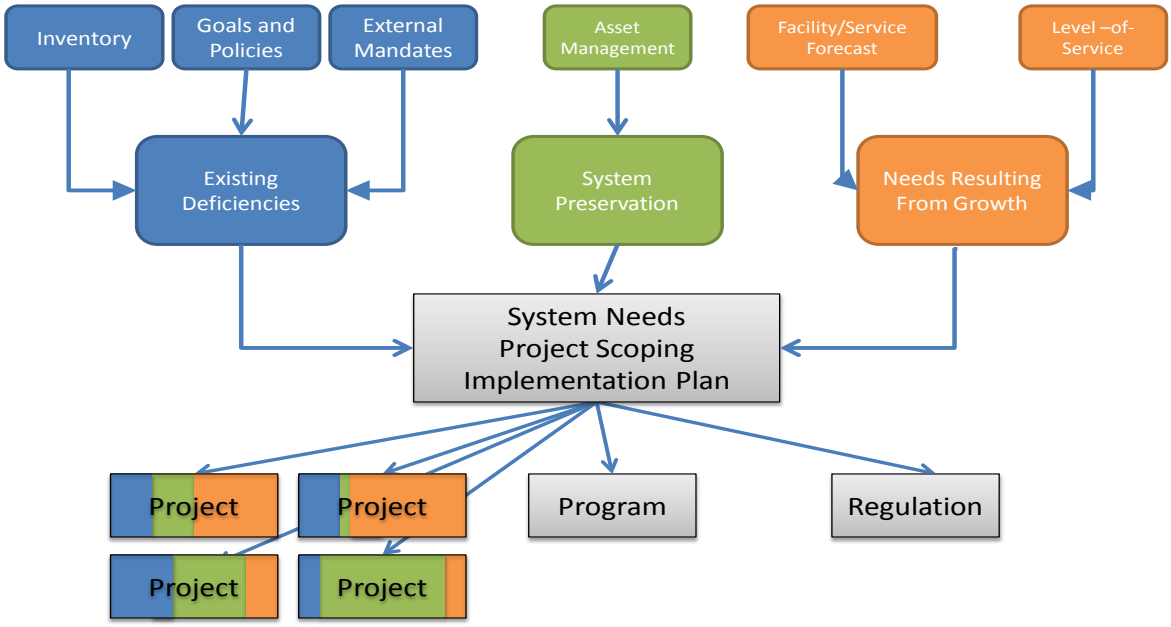
CHAPTER 3:

Forecast of Future Needs

Forecasting future need sounds easy enough in concept. But what steps need to be included? This chapter considers the major components of estimating what the future need will be in order to be consistent with the Land Use Element and other chapters of the comprehensive plan.



Graphic 3: Classification of Future Needs

With the full picture from the inventory, along with identification of needs through the planning horizon and an estimate of those costs, jurisdictions can then use information flowing from visioning, through planning to implementation, budgeting, and project development to evaluate success in providing capital facilities and services over time. On an on-going basis the information can be used back through review and evaluation into visioning and the planning process.

WAC 365-916-415 (2)(b) recommends the following:

i. Counties and cities should forecast needs for capital facilities during the planning period, based on the levels of service or planning assumptions selected and consistent with the growth, densities and distribution of growth anticipated in the Land Use Element. The forecast should include reasonable assumptions about the effect of any identified system management or demand management approaches to preserve capacity or avoid the need for new facilities.

ii. The Capital Facilities Element should identify all capital facilities that are planned to be provided within the planning period, including general location and capacity.
   A. Counties and cities should identify those improvements that are necessary to address existing deficiencies or to preserve the ability to maintain existing capacity.

   B. Counties and cities should identify those improvements that are necessary for development.

   C. Counties and cities may identify any other improvements desired to raise levels of services above locally adopted minimum standards, to enhance the quality of life in the community or meet other community needs not related to growth such as administrative offices, courts or jail facilities. Counties and cities are not required to set level of service standards for facilities that are not necessary for development. Because these facilities are not necessary for development, the failure to fund these facilities as planned would not require a reassessment of the land use element if funding falls short as required by RCW 36.70A.070 (3)(e).

Developing Demand Forecasts from the Land Use Element

A local government cannot determine what it will need in the future for public facilities and services without knowing what levels of service (LOS) it has to meet.[5] If the existing plan includes adopted LOS standards, these standards should then be applied to additional population and employment growth anticipated. If the existing plan does not include adopted LOS standards, consult other sources, such as in functional plans. Ideally, the Capital Facilities Element defines capital facilities and services, identifies which ones are necessary to support development, and clearly states the adopted LOS or other planning assumptions for those necessary to support development.

Kitsap County's Final Capital Facilities Plan Update[6], dated August 2012, is a good example of a county documenting its current inventory, its level of service capacity analysis, and its capital projects and funding. In the plan the county provides the analysis for public buildings, fire protection, law enforcement, parks and recreation, sanitary sewer, schools, solid waste, stormwater, transportation, and water. The plan forecasts revenues by source and identifies the assumptions used in the plan.

To help set LOS standards and forecast need, consult resources from other agencies. For example, the Washington State Department of Health has guidance related to Safe Drinking Water. These resources help identify any requirements of related potential funding sources. A careful review allows local governments to address applicable requirements in the planning work, potentially streamlining funding and construction work later.

Agencies with guidance or funding resources:
Department of Health – Drinking Water
Department of Ecology – Water, Water Quality, Wastewater Treatment, Stormwater
Recreation and Conservation Office - Recreation and Conservation Office
Public Works Board – Financial Assistance Options
Public Works Board – Technical Assistance Services
Community Economic Revitalization Board – CERB Core Programs
Department of Commerce - Community Development Block Grant

Developing and Using Levels of Service

Using an adopted LOS standard or other planning assumptions is the key to determining what improvements will be needed and ensuring that the level of facilities and services the public expects will be provided and funded.

[5] See Wilma et al v Stevens County, Case No. 06-1-0009c, FDO, page 23.
[6] See http://www.kitsapgov.com/dcd/community_plan/comp_plan/cfp/final%20cfp/CFP%20Final.pdf

How to use LOS

A Level of Service Standard (LOS) is a locally-determined level, adopted in the comprehensive plan, that informs the public, developers, and decision-makers about the quality or quantity of a facility or service that will be maintained as growth occurs. An example may be based on quantity, such as a certain amount of park acres per 1,000 persons of population. Alternatively, it may be qualitative, such as a level of transportation delay (traffic congestion) that is deemed acceptable in commercial areas or residential neighborhoods. Some jurisdictions have also selected measurement to ensure consistent access to facilities across geographic areas, such as having a park (neighborhood, community, or regional) within a certain distance of every residence within the urban growth area. Ultimately LOS is a tool to evaluate the provision of services and facilities.

For example, Thurston County sets its LOS for parks at 3.5 acres of park lands per 1,000 persons of resident population. Its plan states:

> "It requires an understanding of current conditions relative to future needs, an assessment of various types of capital facilities that could be provided, analysis to identify the most effective and efficient facilities to support the needed service, and addressing how the facilities will be financed."[7]

Based on the adopted parks LOS and projected population growth, the county determined it will need 878 acres of park lands by the year 2017. Having 288 acres currently, the county notes it will need an increase of 590 acres of park lands to meet its LOS by 2017.

LOS is used for the types of facilities and services a community determines are necessary to support development. Counties and cities are not required to set LOS standards for facilities that are not necessary for development.[8] Counties and cities should forecast needs for capital facilities during the planning period based on the LOS or other planning assumptions, consistent with the growth, densities, and distribution of growth anticipated in the land use element.

How to address tribal or private facilities (schools, parks, etc.) for their contributions

Addressing tribally-owned or privately-owned facilities, such as private schools or parks or tribal infrastructure, and how they contribute to meeting the LOS of the local government, may be of importance to certain jurisdictions. When that is the

[7] See http://www.co.thurston.wa.us/planning/cap-facilities-plan/docs/capital-facilities-plan-2013-2018-final.pdf, page 6-2
[8] See WAC 365-196-415(2)(b)(ii)(C)

case, the facilities and services should be factored in to the jurisdiction's inventory as well. In such cases it will be important to identify the assumptions used in calculating LOS. The GMA only requires capital facilities planning for publically owned facilities. However, local governments may choose to document how or if these other facilities were factored in to the LOS adopted. It would be important information to disclose as some private facilities could be sold or modified to the extent that changes to the LOS or Capital Facilities Plan may be needed by the county or city.

Thurston County notes that "parklands to be acquired will be focused on meeting specific needs for the types of park facilities, not met by other jurisdictions and/or the private sector."

Identifying unserved or under-served areas

Part of identifying and forecasting future needs is planning to correct any existing deficiencies or problems. This may include areas of weakness within an existing system for an area that does not achieve the adopted LOS. These could be areas that need improvements to address stormwater, domestic water, or other type of infrastructure. Something to keep in mind is obtaining the LOS for all areas; unserved or under-served areas should be brought up to the minimum standard enjoyed by the rest of the community. This can demonstrate equity between neighborhoods but can also serve as a tool to document and demonstrate how all portions of the community will be brought up to current standards. It is also important to check existing capacity levels to determine how much more growth can be supported until major replacement or upgrade improvements to the infrastructure are needed. If an area has excess capacity, that additional capacity can be a strong incentive for infill or revitalization as well as being a good financial decision for the jurisdiction. However, this can also work in the reverse, where a facility is sized to meet future estimated growth. If the growth does not occur, the facility may not be able to function optimally, for example.

Identifying deficiencies could also include improvements to existing developed areas that don't meet current LOS standards, such as for fire flow, sidewalks, neighborhood parks, or emergency services (e.g. fire station or police substations). It can be especially challenging to provide infrastructure at LOS standards across large geographic boundaries. Local governments should strive for such and seek to bring underserved areas up to LOS standards.

The City of Olympia's CFP includes a Location Detail Report that lists capital facilities projects by the geographic areas within the city. This provides information to citizens and council members about the projects occurring city-wide and how many projects are located in distinct areas of the city.

The City of Goldendale applied for and received grant money in 2009 through the state Community Development Block Grant (CDBG) Program to replace and upgrade infrastructure, bring streets and pedestrian crossing up to current standards, and address stormwater issues for a portion of the city that met certain income criteria. Although funded through a competitive grant, they also used local funds to leverage CDBG funding to bring several blocks up to current standards and make system improvements to the water and sewer infrastructure.

In a similar effort, the City of Walla Walla was awarded a 2011 CDBG General Purpose Grant to help replace a deteriorated roadway, add sidewalks and provide fire protection services to a neighborhood. Major components of the project included replacing approximately 3,600 feet of roadway and sidewalk and installing five fire hydrants in conjunction with a larger project to replace sewer and water mains in the neighborhood.

The City of Kennewick puts its financial reports on the city's website so citizens can see the current financial condition of the City's sewer, water, and other urban services. Information is provided in both a layman's report (called the popular annual financial report) and a detailed accountant-style report (called the financial report).

Determining what is necessary for development

Population and employment growth as well as fiscal constraints can impact provision of facilities and services. It is important to identify in the comprehensive plan which facilities and services the county or city deems as necessary to support development. These are the facilities and services that will need an adopted LOS and could be subject to locally adopted concurrency provisions.[9] It is important to note that transportation facilities are subject to concurrency requirements, while for other facilities it is optional to have currency requirements. For more information regarding transportation planning under the GMA, including currency, please see Commerce's Guidebook "Your Community's Transportation System: A Guide to Reviewing, Updating and Implementing Your Transportation Element."

In some cases a jurisdiction may know capacity needs to be expanded for certain facilities, but may not know how much expansion is needed. In such cases additional study will be necessary. In order to determine what is needed, the county or city may want to set aside funding for an analysis or needs study.

Determining which facilities are needed to support growth includes anticipating need created from the goals and policies included in the rest of the comprehensive plan such as new population growth and housing targets, patterns of development, need

[9] Concurrency provisions are only required for certain transportation facilities (see RCW 36.70A.070(b)) but are allowed for other capital facilities and services.

for additional stormwater infrastructure, and on-going operation and maintenance of new or assumed facilities (such as infrastructure in an area recently annexed or proposed to be annexed).

If a jurisdiction directs the majority of growth to urban growth areas, and facilitates strong infill development and redevelopment patterns, that jurisdiction will have significantly different facility and service needs than a jurisdiction that has an urban growth area with several or large undeveloped and unserved vacant lands to be developed at lower densities in a wider footprint.

Some of how growth causes the increased need for capital facilities and public services is related to the increase in the number of people (population and employment growth). Some of it is related to expansion of the footprint of the urban area (geographic growth). This distinction is central to managing infrastructure costs.

In the December 2012 report, Smart Growth and Economic Success: Benefits for Real Estate Developers, Investors, Businesses and Local Governments, the EPA states:

> Extensive research has found that compact development patterns, higher density, mixed uses, and other characteristics of smart growth development can reduce the costs of providing public infrastructure and delivering services.[10]

The Halifax Regional Municipality prepared a preliminary report on Settlement Pattern & Form, including a service cost analysis for seven different settlement patterns. The development patterns included rural, suburban, and urban densities. For each of these settlement patterns they estimated costs for services such as roads, curbs and sidewalks[11], solid waste, libraries, parks, police, fire, school bussing, governance, transit, water, and stormwater. Such an exercise can demonstrate the costs associated between various growth scenarios. In their analysis, the estimated costs for provision of the services considered varied between $5,240 (rural, low density) to $1,416 (urban, high density) per household.

Once the capital facilities inventory is complete and the adopted LOS for the facilities and services necessary to support development have been set, analysis can begin on determining which facility and service improvements will be needed to support growth. This may be as simple as determining how many more acres of park lands will be needed to meet your adopted LOS. For example, if your LOS is to have five

[10] Smart Growth and Economic Success: Benefits for Real Estate Developers, Investors, Businesses and Local Governments, pg. 4.
[11] Provision of curbs and sidewalks was not included for the rural categories.

acres of parks per 1,000 persons of population, you can divide the projected population at the end of the 20-year planning horizon by 1,000 and then multiply by five to determine how many acres of park will be needed. Next, subtract the number of existing acres in parks. The result is how many additional acres of parks are needed to meet the adopted LOS. If your LOS for parks is more specific with a certain percentage of that park acreage for passive recreational purposes or a certain percentage to meet regional park needs, then further analysis will be required to ensure you are meeting your LOS for specific types of parks.

In Table 1 of Skagit County's 2014-2019 Capital Facilities Plan, the county clearly identifies LOS standards and services necessary to support development. The county provides for an urban level of service to accommodate its non-municipal urban growth area of Bayview Ridge.

The City of Tacoma has an adopted LOS for water[12] of 442 gallons per day per Equivalent Residential Unit (ERU) and/or as contained in Tacoma Water's current Washington State Department of Health approved water system plan. The plan states:

> "An ERU is a unit of measure used to express the amount of water consumed by a typical residential customer of the Water Division during the 4-day peak period. The LOS is determined by multiplying the Water Division's actual residential customer 4-day peak factor of 2.01 times the actual average daily residential water consumption. The 4-day peak water demands drive the new water system facility requirements for meeting new customer growth. The 4-day peak (maximum) is defined as: The average use per day of the four highest consecutive days of water use in the summer months."

Tacoma has concurrency standards for water. In the Capital Facilities Program the City includes, for each capital facility, the major changes from the previous program, a summary of the services provided and the service area, background information, and a list of maintenance projects, and an analysis of Level of Service standards. They also list capital improvement projects and the anticipated costs. Each project identifies the funding source as well.

The analysis should identify any projected LOS shortfall. Additional facilities or services may be needed or the LOS must be lowered. Both options have implications that should be part of the discussion and decision-making process.

Jurisdictions need to not only have a good stakeholder group in the process to identify the current inventory, condition, and capacity of infrastructure – but also to

[12] See http://cms.cityoftacoma.org/finance/budget/2013-2014/CFPprogram.pdf

determine what is needed for 20-years of potential growth. This group needs to have the city or county Chief Financial Officer (CFO) or equivalent staff person, to provide the financial plan to pay for the infrastructure. It is advisable to have the CFP managed by the city or county CFO or equivalent staff person in order to ensure the CFP is updated and linked to the jurisdiction's budget. The right stakeholders and financial staff management of the CFP will provide the decision makers current data to make sensible land use decisions.

When estimating or projecting costs for facilities and services over the life of the plan it is critical to include costs associated with:

- Long term operation and maintenance of the existing systems, including repairs and replacement if needed during the planning horizon;
- Improvements necessary to support new growth (capacity expansion, new facilities, etc.)
- Improvements needed to address existing deficiencies

The costs of maintenance and system preservation for both the existing systems and additions to those systems should be factored into the long terms costs. These should be included in a forecast of future needs. It is especially critical to assess if there major future system preservation needs and to make sure that, if the system is growing as new facilities are built, the plan accounts for the maintenance needed for new facilities.

Another consideration when calculating cost of future improvements is potential changes in materials, location, or type of construction that may be used to mitigate risk. Certain areas may be more susceptible to impacts due to increased storm intensity, storm surge, sea level rise, or other impacts as a result of our changing climate. More information about infrastructure and the built environment, and increasing the resiliency of these systems, is available in Preparing for a Changing Climate: Washington State's Integrated Climate Response Strategy.

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CHAPTER 4:

Meeting Current and Future Needs

A city or county is responsible to provide capital facilities and public services at the level of service standards adopted. Therefore, the city or county must meet the needs of current residents but also plan for accommodating the future need based on projected population and employment growth. Chapter three reviewed methods to forecast future needs. This chapter will cover methods to determine what investments will be needed to ensure future needs can be met, and what opportunities there are now to plan for or minimize those costs.

Overview: Using Land Use and Capital Facilities Analysis Together

Identifying proposed locations and capacity of future facilities is a requirement of RCW 36.70A.070(3)(c). The land use element shows the location and intensity of future growth patterns, as well as the total amount of new growth the plan assumes. Both the amount and location of growth will drive the need for new facility investments.

As noted earlier, some facilities are constrained in future placement due to geographical necessity. Knowing in advance where these types of facilities will be needed can help the city or county acquire land. Determining future capacity needed for the various facilities provides the city or county with a clearer idea of what type and how much capacity will be needed and also provides more time to meet the financial obligation that comes with those future capital facility needs.

Managing Capital Facilities Costs with your Land Use Element

Because the location, in addition to the amount, of new growth can drive the need for investments, the capital facilities needs analysis is an important tool for showing the financial consequences of different growth strategies. Identifying projects before the community has made irrevocable land use commitments can avoid making unnecessary investments and assure the adopted growth strategy is affordable.

In 2009 the City of East Wenatchee had identified the need to expand the urban growth area (UGA) in order to meet projected population growth. However, there were concerns over the ability to provide and pay for the needed urban services and facilities. In 2012 the City obtained a competitive grant to prepare a combined capital facilities plan, consolidating information from several special purpose districts and Douglas County. The major limiting factor impacting the ability to obtain urban densities within portions of the UGA related primarily to the provision of water and sanitary sewer (predominantly sewer). The approach was to compile and map the existing infrastructure of the various providers, as well as planned improvements, in order to see where the gaps existed. A new land capacity analysis was completed for this project using the 2012 Medium Series OFM Population Projection (previously the high series had been used) resulting in a smaller UGA expansion being considered. Ultimately, a preferred alternative was developed from public workshops, land use map amendments, the combined capital facilities plan, and draft text amendments to the comprehensive plan. The City now has a smaller UGA expansion planned - and a phasing plan that will allow for provision of urban services and facilities from a multitude of service providers sequenced to accommodate growth within its UGA.

The City of Marysville recently updated the Capital Facilities Element of its comprehensive plan. The City worked with its major city departments to review the capital projects necessary to support the Land Use Element. This review included transportation, water, sewer, stormwater, recreation, and city facility needs coupled with a review of financing for each project. The city also updated its inventory of city owned property as part of the CFP project to ensure that a comprehensive review of assets occurred. The city designed and developed a database for the purpose of maintaining the updated CFP, which will be utilized by staff in each of the departments involved. The database incorporates a decision matrix tool to help decision makers evaluate the priorities of the respective capital projects. The database is designed for tracking expenditures and identifying shortfalls so that project needs may be clearly understood by decision makers.

Three Drivers of Capital Facilities Need

There are three main drivers that make up need. The first is **operating and maintaining existing facilities**, including planning for long-term costs such as replacement. Careful consideration of reserve contributions and the long-term financial viability of maintaining the infrastructure are important. For facilities paid for with user rates (such as water and sewer), an analysis of user rates is recommended to ensure users are paying their fair share of operation and maintenance costs.

Addressing any existing deficiencies is also a driver of need. Any facilities or services that are not provided at the adopted level of service standard must be brought up to standard. Consider what is needed to bring an area, facility, or service up to standard. Deficiencies may also stem from the need to upgrade existing facilities to meet current regulatory or safety standards. Stormwater standards, Americans with Disabilities Act standards, flood proofing, or seismic safety standards are examples of newer requirements that could require redesign or upgrades as existing facilities are replaced.

Another possible impact to meeting current and future need is the potential for increased or stricter regulatory requirements, specifically for water and sewer. These unknowns are by their very nature difficult to anticipate or plan for. However, cities and counties should ensure any new requirements are factored in to functional plans and comprehensive plans as they are updated. An example is the recent changes to water quality standards to protect shellfish and other marine life in Puget Sound.

The third driver of need is **new growth**. Residential, commercial, industrial, and public lands have varying needs for capital facilities and public services. New growth can require upsizing of existing infrastructure, extension of services into undeveloped lands, or require costly improvements to bring services to an area that is currently below adopted level of service LOS.

Allowed densities (both minimums and maximums) can influence the cost to serve population. Estimates for commercial and industrial intensity should be considered as well. For example, provision of adequate fire flow can be different based on the type of use (retail, manufacturing, distribution) or tenant (restaurant, high pile storage). Or allowing structures to exceed a certain building height may result in the need to purchase a ladder truck to fight potential fires.

New growth drives demand for capital facilities through the amount of growth, its location and its timing. Your community will need some facilities to accommodate the forecasted growth regardless of where in the community the growth occurs. Water and sewer plant capacity is typically about the same per capita without regard

to the location of growth. However, the need for other facilities may change considerably depending on where in your community growth occurs. Development on new land becomes particularly expensive outside of a currently served drainage basin.

Each city and county should account for these needs while also keeping in mind that the new population becomes future rate payers. The rate structure should be reconsidered periodically to ensure it can accommodate needed operation and maintenance including repairs and replacement. Assumptions should be conservative – relying on an ambitious amount of growth to help fund infrastructure can be difficult to address if it does not occur, especially if it results in the need for significant rate increases for the users.

Developing project lists from needs

Developing the list of projects for all of the capital facilities generally comes from the more specialized functional plans (Water System Plans; General Sewer Plans; Transportation or Transit Plans; Parks, Recreation, and Open Space Plans; etc.). Improvements or projects for public services may come from other sources too. For example, a city or county may have conducted a space needs analysis study to consolidate multiple administration buildings into one location or to add more space at certain existing facilities to accommodate changed circumstances. Or a city or county may have an adopted Level of Service standard in place for the number of police officers or square footage of library space per every 1,000 residents and it is time to accommodate the growth that has occurred.

Individual projects from a functional plan will usually address new capacity, existing deficiencies and system preservation to one degree or another. When considering projects, it is important to ensure they factor in both capacity to meet existing demand, and capacity for new growth. The added cost to increase capacity is lowest when existing facilities already need replacement. For example, adding capacity at a cost of $100,000 may appear the least expensive option to meet current needs – and an additional $50,000 expense later to meet future growth demand. However, if anticipated growth is considered at the same time, there may be an option that is better financially which allows for a one time expenditure of $120,000 in the present for an alternative that will meet both current and future needs.

A critical component of capital facilities planning is to compile cost estimates of needed projects and services. Cost estimates are for the entire planning horizon, not just for the 6-year CIP. The level of detail will not be the same as what is necessary for the CIP, especially for the last few years of the plan, but cities and counties – and

the special purpose districts that provided services necessary to support development – must have a general idea of what is needed to fully implement the vision of the comprehensive plan, how much it will cost, and how those improvements will be funded. A 6-year CIP is project specific, while the remaining balance of the 20-year CFP has cost estimates for services by area.

Ultimately, all of the needed capital facility improvements should be included and planned for simultaneously so the overall need is known and so that priorities and funding realities can be accommodated. A consolidated list of needs also helps identify opportunities to combine projects more efficiently. The goal is to use the information on total needs to allow decision making that meets current needs and puts the city or county in the best position possible to meet its future needs as well.

Funding to cover all desired projects and improvements is not usually readily available. Priorities and choices must be made. To help balance these issues, the City of Redmond adopted a "Vision Blueprint" which is a long term Capital Investment Strategy (CIS). It serves as a hybrid document, linking both planning and budgeting for capital facilities. The CIS *"… extends the City's capital planning program in showing what needs to happen to get the City where it wants to be – and what it will cost….It can be thought of as a strategy of identifying how the long range plan can be supported with adequate facilities."* The CIS includes a list of identified capital projects and programs needed to implement the comprehensive plan, estimated costs, and anticipated strategic actions. The CIS also groups projects into near-, mid-, and long-term. Uncertainty about costs and funding increases further out in the time line, however the first six years is consistent with the City's budget and adopted CIP. The strategy serves to help the city meet its current needs while making longer term decisions in a manner that keeps them on track to implement the vision of the comprehensive plan over the life of the plan.

Alternatives to new facilities

New facilities don't necessarily have to be built to accommodate new growth. Cities and counties can consider the following options – either in lieu of new facilities or as a measure to delay the need for the new facility:

Demand Management – Consider options to reduce or manage demand such as tiered rate structures for water use (e.g. a flat rate for a certain amount of water but beyond which the rate increases), limiting outdoor watering during summer/drier months (e.g. odd numbered addresses water on certain days of the week, even numbered addresses on others).

Revised level of service – Cities and counties may revise the level of service standard for certain areas or services. For example, it is common to have a lower LOS for transportation in downtowns or large commercial areas than in residential neighborhoods. Some jurisdictions may not have revisited the original levels of service standards set. It is wise to look at LOS standards in light of current fiscal realities. Adopted LOS standards should be realistic and achievable over the life of the plan. Considering revisions to adopted levels of service is an excellent opportunity to collaborate with the public to discuss costs of services and what the public is willing to pay for them.

Land Use Revisions – In some instances it may be appropriate to modify land use designations, zoning districts, or development regulations. Some cities have portions of the UGA that are not currently served by sanitary sewer. Generally in these situations the jurisdiction has standards requiring that any division of land in the area must be done in such a way as to demonstrate future development ability at anticipated densities once sewer is available. However, in these instances the city should have a plan in place for when the full range of urban services will be provided and how they will be financed.

Alternatively, if there are areas with additional capacity available, cities may decide to allow more intense development there to take advantage of the "extra" capacity of the existing infrastructure.

Potential for conservation measures – Closely linked to demand management, conservation measures can also be used in some cases. For example, cities or counties may offer free water conservation kits to its customers, or even offer to install the devices for them, if water capacity is needed.

Partnering/Connecting to another system (water or sewer); phasing – In some cases it may be possible to partner with other service providers or connect to other systems. Phasing is also an option, to preclude the need to "leap frog" undeveloped or under-developed areas in order to serve land beyond it.

One such partnership is the LOTT Clean Water Alliance (LOTT). LOTT serves the cities of Lacey, Olympia, and Tumwater as well as Thurston County. The partnership came about to address regional water treatment needs. LOTT has programs addressing water conservation, reclaimed water, and pretreatment.

Project Selection and Prioritization

Project selection and prioritization are often done at the budgeting phase. It is important to identify which projects are most critical or when done in a timely

manner will prevent a more significant investment being needed later. Functional plans often prioritize projects for the system the plan was designed for. Ideally, each city or county will have a process to:

- consolidate all of the identified needs from the variety of functional plans,
- review the consolidated list of projects, programs, etc. to determine that these projects, when completed, will provide facilities and services at the adopted LOS for the projected population,
- identify when the various projects will be needed
- identify projects that can be grouped together to gain economies of scale (e.g. replacing water lines before or when street improvements are made)
- develop policies to guide decision-makers so the adopted budgets implement the comprehensive plan over the planning horizon of the plan

The perils of ignoring system preservation

System preservation may be one of the most cost effective means of providing services. When assuming ownership of new facilities, cities and counties should plan for the longer term operation and maintenance needs, including repairs and ultimately replacement. While "greenfield" development may look attractive because the developers usually pay for the new roads or streets and other infrastructure, those facilities are then usually deeded over to a local government. Eventually those systems will need maintenance, upgrades, repairs, and replacement.

Deferred maintenance can save some money in years of significant financial constraint however, that deferred maintenance usually comes at a higher cost later on. Deferring needed maintenance can also reduce the lifespan of the investment.

Coulee City received significant financial assistance from the Public Works Trust Fund to repair leaking mains and install water meters in order to be able to create a use-based rate structure. The City was running out of capacity and realized old water mains were a big part of the loss - but that overuse by residents was also a factor.

Ideally rate structures should be set at a level that covers both operating costs as well as maintenance and system preservation. The starting point is to identify the scope and timing of system preservation investments, in addition to new capacity. Measures to maintain pavement, pipes, pumps, reservoirs, and other long term investments will help ensure those improvements are maximized throughout their useful life.

Asset Management

The International Infrastructure Manual defines the goal of asset management as, "meeting a required level of service in the most cost effective way through the planning, acquisition, operation, maintenance, rehabilitation and disposal of assets to provide for present and future customers." The core components of asset management line up well with comprehensive planning and budgeting under the Growth Management Act, including planning to meet future need. There are programs and software that address asset management. And some asset management work focuses on certain systems, such as the Federal Highway Administration's (FHWA) guidance for transportation systems. Here are just a few resources that may be useful:

New York State Department of Environmental Conservation
- Handbook on Wastewater Management for Local Representatives (see Chapter 2)

Rural Community Assistance Partnership
- Five things you can do to improve your utility's financial health
- The Basics of Financial Management for Small-Community Utilities

Rural Community Assistance Corporation Asset Management Tool

Checking in with other Comprehensive Plan Elements

Once the projects and estimated costs are known, it is a good time to look back to the desired future land use map and elements of the comprehensive plan. Before adopting the proposal, consider if it is realistic. Will the City or County be able to afford what is being proposed? If a community is proposing to grow into its obligations, is the level of new growth realistic? Will the city or county be able to meet these obligations if they are adopted? If not, it is necessary to consider other growth alternatives. There may be other options that make better use of the existing infrastructure.

CHAPTER 5:

Financing Plan

Overview: Why a Financing Plan?

Planning ahead is good management. Capital facilities plans can help a jurisdiction use its limited funding wisely and most efficiently to maximize funding opportunities. By planning ahead to determine needs, cities and counties can prioritize projects, coordinate related projects, and be better positioned for funding opportunities.

The Growth Management Act (GMA) requires that budgeting decisions be consistent with the comprehensive plan, which makes sense when working to implement the vision for how and where the community will grow over time. The GMA also requires that jurisdictions plan ahead for the next 20 years. In terms of the length of time it takes for some projects to become fully realized, this is not an unreasonable planning horizon for capital facilities. In addition to looking long-term at how your land use plan will be implemented through your capital facility plan, the GMA also requires that you develop a shorter-term capital improvement plan (CIP) for at least a six-year planning horizon. This shorter term horizon allows you to hone in on those projects that may realistically be completed (or initiated) within the next six years.

While the GMA requires that a six-year financing plan be adopted and realistic, it does not diminish the local government's responsibility to develop a financing plan that looks over the life of the plan.

The language in *WAC 365-916-415(2)(c) Financing Plan*, provides some guidance:

> i. *The capital facilities element should include creation of at least a six-year capital facilities plan for financing capital facilities needed within that time frame. Counties and cities should forecast projected funding capacities based on revenues available under existing laws and ordinances, followed by the identification of sources of public or private funds for which there is reasonable assurance of availability. Where the services and capital facilities are provided by other entities, these other providers should provide financial information as well. If the funding strategy relies on new or previously untapped sources of revenue, the capital facilities element should include an estimate of new funding that will be supplied. Adoption of the development regulations or other actions to secure these funding sources should be included in the implementation strategy.*
>
> ii. *The six-year plan should be updated at least biennially so financial planning remains sufficiently ahead of the present for concurrency to be evaluated. Such an update of the capital facilities element may be integrated with the county's or city's annual budget process for capital facilities.*

Many planners do not spend much of their time in the finance and budgeting aspects of capital facilities and public services. But is it a critical implementation tool for bringing the comprehensive plan to life. In "Capital Improvement Plans and Budgets," Vicki Elmer of the University of California at Berkeley's Department of City and Regional Planning, sums up why capital budgeting and finance should be important for planners:

> *"Capital budgeting and finance should be important for planners because of the impact these expenditures have on issues close to the heart of the profession: community and economic development, environmental planning and the urban form. In addition, the capital budget can be a more powerful tool than zoning to implement the comprehensive land use plan for the local jurisdiction. Many planners involved with permitting individual projects also may need to insure that off-site capital facilities needed by the project will be available. Finally, the planner may be the lead staff person for the development of an individual capital facility, such as a new city hall, a low income housing project, or a downtown revitalization plan.*
>
> *Yet frequently the capital budgeting process is dominated by engineers or the finance department, with little involvement from the planners and the planning commission. In other instances, long term capital investments are planned and*

financed for the jurisdiction by special purpose districts or other agencies that are not part of the municipal or county government, such as those that are responsible for schools, airports, water, sewers and some transportation facilities. Capital investment decisions may be made based on technical assumptions that are inconsistent with community values and local land use plans. The local capital improvement plan and budget, however, are strategic tools that can be used to coordinate decision making within and between jurisdictions and to insure that capital investments promote community goals and objectives."

Six-Year Capital Improvement Plan

The 6-year Capital Improvement Plan (CIP) is a significant component of the Financing Plan. It includes a list of projects, when they will begin, how much they will cost, and how they will be funded.

Commerce has a Capital Facilities Planning Tool designed to help jurisdictions analyze their capital facility needs and prepare the 6-year CIP. The basic steps are:

- Determine which revenues will pay for the capital facility needs. This is one of the hardest parts – but a critical feature - of developing your Capital Facilities Plan. Cities and counties are all struggling for revenue these days, especially the smallest jurisdictions.
- Plan for revenue as well as costs. A plan that identifies projects and then labels the funding source as "other" is a plan that will not likely be implemented. Similarly, it is important to understand that not all projects will be funded with grants. Use of local funding such as utility fees and capital reserves is also necessary and should be considered before looking for alternative funding sources. Doing so will show potential funders that your community is dedicated enough to commit local resources to the project.
- Prioritize capital facility projects. Most jurisdictions find that they do not have enough money to cover all of the costs they've identified for capital facility needs. Before finalizing the Capital Facilities Plan, it is important to prioritize the projects and be sure that those deemed most important are the ones proposed for funding.
- Determine when capital facility projects will occur. The timing of capital projects is a complex mix of factors, including when the project is needed (and why), its priority relative to other projects, when funds are available, and the phasing needed to implement the project. The timing of every project must be considered relative to the jurisdiction's ability to fund it –

and financing should be planned to accommodate natural phases of work. Engineering often occurs a year or so ahead of construction. Public involvement is needed throughout most capital projects.

Local governments have a fair amount of leeway for making decisions within the 6-year CIP. In the McVittie IV case, the Hearings Board concluded:

> "The choice of what is funded during a six-year financing plan cycle is a discretionary choice of the County….So long as the needs identified in the CFE are reflected in the capital improvement program, the scheduling of their implementation, including the delay of projects to later years, is a discretionary choice of the County. However, the County should be mindful that those needs identified in the 20-year Plan (CFE), ultimately must be addressed (funded and implemented) at some point during the original 20-year life of the Plan." [McVittie IV, 0306c, FDO, at 14-15]

Keep in mind that local governments do have the option of modifying the Capital Facilities Element to reflect changes in conditions or circumstance, to delete or add projects in light of current conditions, as part of the periodic update under the GMA. For example, a capital need may have been identified in a CFE 20 years ago, but growth has been slower in a particular community than was anticipated. The local government is still obligated to build a facility but should address any delays in the subsequent plan updates, including updating the assumptions and timeframes. Additionally, urban growth area (UGA) boundaries sometimes change. Over a 20-year period, actual growth often does not exactly match growth projections. Given this fact, it is reasonable to assume that actual capital facility needs will not exactly match previously projected capital facility needs over longer periods of time. Therefore, updates to the plan need to clearly identify any changes in the development and timing of capital facility improvements. All of this work should be done in a transparent manner with input from the public and any stakeholders. Ideally, all improvements will occur within the life of the plan.

Financing Plan Questions to Consider in Capital Facilities Element

There are several considerations in the development of a financing plan. Below are five questions and responses regarding long term financing of capital facilities:

1. ***Are revenue projections required for years 7-20?***

To fulfill part (e) of RCW 36.70A.070(3), it is necessary to do at least the level of revenue projections necessary to demonstrate that "probable funding" does not fall short of meeting projected needs and that the CFP and Land Use Element are consistent.[13] More detail on how to do this analysis is in WAC 365-196-415, especially (2)(d), (3), (4) and (5). This WAC should be read together with WAC 365-196-320. Revenue projections for years 7-20 should be included in the jurisdiction's assessment of its ability to provide capital facilities planned for within the planning horizon.

The level of detail and specificity will not be as accurate as is needed for the six-year capital facility plan but there does need to be demonstration that the jurisdiction is aware of the anticipated costs associated with the proposed plan and how they will be financed. Both the cost estimates and the estimates of anticipated resources will be generalizations which will enable an assessment of how realistic the plan is with regard to supporting planned levels of service and growth.

Years 7-20 of capital facilities plans can be more **area** specific (i.e. what larger infrastructure is needed for say new or expanded urban growth areas) and more general in overall costs and revenue sources using per capita, per acre, per mile, per square foot, or some other unit of metric that is based on local adopted levels of services and service costs in order to put a realist price tag on the **area**. These more general estimates can also lead to a strategy for planning to align future capital facility capacity and land uses. For example, new public facilities often result in encouraging development; and a new development can contribute to the provision for the new capital facilities.

2. *Are expenditure projections required for years 7-20?*

Yes, it is necessary to project the needed facilities per part (b) and (c) of the statute above, and in order to fulfill part (e) it is also necessary to include projected expenditures for these needed facilities. These can be reasonable estimates, much along the lines of what is already done for water system plans, general sewer plans, and park and recreation plans required by other agencies.

Along with planning for the costs of capital facilities, growth will also result in changes to operating costs. A jurisdiction should have a good idea of needed operation and maintenance costs and the costs of any new improvements needed, as well as the general timing of needed improvements. This will allow

[13] "Probable funding" will almost always be less than the projected needs, which is the nature of budgeting. Resolving this dilemma is also the nature of budgeting and why a strong connection needs to exist between the comprehensive plan and the capital facilities plan.

the jurisdiction to plan for adequate funding sources, reassessment of rates, impact or mitigation fee rates, etc. It can also help the local government seek alternative funding sources, such as state or federal grants, as well as allow for time to coordinate improvements with any special purpose districts.

3. ***Must there be adequate projected revenues to meet projected expenses for years 7-20?***

The Growth Management Hearings Board (GMHB) has consistently read RCW 36.70A.070(3)(e) to require that the estimates for revenues meet the estimated expenses for the 20-year planning period, or a reassessment of the land use plan would be required. As the UGA guidebook points out, this analysis and reassessment, if needed, should be done *before* a UGA is adopted or re-affirmed during the GMA periodic update, in order to support that UGA decision. WAC 365-196-415(2)(d) and 365-196-320(4) provide more detailed guidance on conducting this analysis and reassessment – many options are available to address a situation where initial projected revenue falls short of initial estimated expenses.

Jurisdictions do not necessarily need to demonstrate adequate projected revenues to cover every capital facility need in years 7-20, however any gaps in funding should be discussed as well as options that might be taken to overcome the gap(s). This discussion could then lead to the policy to reassess the Land Use Element if funding falls short of meeting the need for facilities that are determined to be necessary for development. WAC 365-196-415(d) provides examples of reassessment options.

Estimates used for funding sources for years 7 – 20 should be reasonable based on current conditions. They can include a combination of existing (or planned) taxes, impact fees, hookup charges, monthly rates, public sources, and others based on a realistic number of future rate payers (population) and other sources, to pay back the infrastructure investments. If bonds are anticipated, a debt repayment source should also be part of the defined financial plan.

4. ***Does the CFP need to clearly identify sources of public money for years 7-20? If so, is this to the same level of detail as in the six-year financing plan?***

RCW 36.70A.070(3)(d) requires at least a six-year financing plan which must clearly identify sources of funding. This could have a financing plan for a longer period of time (theoretically, all the way up to a 20-year plan). However, this statute implies the 20-year plan is not required to go to the level of detail of listing all sources of public money. It remains required under part (e), though, to do a 20-year analysis of capital facilities needs and "probable funding".

5. ***Besides the time periods addressed, what is the difference between the 6-year financing plan required by RCW 36.70A.070(3) and the 20-year funding plan opined by the Growth Boards?***

In addition to not requiring listing specific sources of public money as described in #4 above, the 20-year plan does not require the identification of specific projects, or their timing for construction, to be specifically identified. It is generally sufficient to estimate total expenditures needed for the projected needs for additional capital facilities, and total probable revenues to meet those expenses, without assigning specific revenues to each project. An approach utilizing the types of investments needed to address anticipated service levels gaps, along with estimates of likely sources to provide for those capital investments might be a good start if more detailed information for years 7-20 is not available.

However, where revenue sources are limited by law or policy to be spent only on certain types of facilities, care should be taken to address those requirements in the analysis of projected revenues.

Identifying Revenue Sources

Cities and counties need to identify the revenue sources that will be used to finance the capital facilities and public services. This includes the type of revenue sources (e.g. property tax, sales and use tax) and the amounts, and timing, of revenue expected. The revenue projections will be less precise in the later years of the planning horizon as the degree of certainty declines. Fiscal policies should be factored in as well, such as adopted policies about rate setting or growth in population and therefore the future rate payer base.[14]

A conversation about long term costs in light of the anticipated revenues is needed as there is almost always a gap that is a shortfall in needed funding. It is important to get the right stakeholders at the table and to identify what is expected of team members. For example planners, public works staff, police and fire, parks and recreation, and the finance staff should all be involved. This list should include staff for the departments with facilities or services that have been deemed necessary to support development.

Local governments have access to guidance on rate-setting and asset management, which may prove helpful. The Washington State Department of Health (DOH) has guidance for drinking water. DOH even has guidance for small systems that are not

[14] Fiscal policies are a great place to align the elected policy direction with the requirements of the GMA and the direction to staff.

growing (Small Water System Management Program Guide). DOH encourages use of the Environmental Protection Agency's (EPAs) Asset Management: A Handbook for Small Water Systems guide. Additionally, EPA has a webpage dedicated to Asset Management for water systems.

Using currently untapped revenue sources

When considering a previously untapped source of revenue, the jurisdiction will need to estimate the amount of revenue it will generate, or its capacity. Total revenue in the most basic terms is the tax rate times the tax base. This generates the annual revenue as a set of recurring payments. Starting with this simple formula as a basis, the revenue model can begin including other policy considerations and complicating factors.

The taxable base of the revenue source can be subject to considerable volatility. For example, utility taxes can yield a relatively stable revenue stream because demand is not as volatile (such as a tax on electric utility or solid waste revenues). Utility revenues on the telecommunications sector, on the other hand, illustrate how a tax base can evolve over time. Other taxes rely on a more volatile tax base. Changes in the national or local economy can have a significant impact on the total revenue generated by taxes. Sales tax and real estate excise tax experienced dramatic increases during the past economic boom only to crash during the housing crisis. Volatility in the business cycle can be compounded because several different sources of revenue are usually affected by economic swings and tend to rise and fall together.

Generally a new tax or fee will cause the total amount of the taxable item sold to fall by a certain amount. Elasticity is an economic term that refers to the way that increases or decreases in price affect the demand for the product. This reduction in demand will mean that the revenue generated by the new tax will be less than it would if demand remained the same as it was before the tax. The amount of potential revenue lost due to reduction in demand is difficult to estimate - and it varies based on the item on which a tax is imposed and the initial starting price. However, it may be important to take the elasticity issue into account when estimating revenues.

The tax rate may be set as a percentage of the sales, or as a fixed amount per unit sold. Sales tax, utility tax, or real estate excise tax is an example of a tax as a percentage of sales. A vehicle license fee or the gas tax is a tax rate as a fixed amount per unit sold. The difference in revenue potential over time from these different ways to structure rates can be significant. If the tax rate is set as a fixed

amount per unit, the purchasing power of that fixed amount will erode over time due to inflation. This is true of the gas tax. Regular increases in the tax rate will be needed to maintain its relative capacity. A tax rate as a percentage of the sales price will rise and fall with the price of the taxable item and more easily retain its purchasing power.

Economic Forecasting

A community's economy will generally rise and fall with the swings in the national business cycle, but each community experiences its own economic fortunes as well. A community or region may be growing rapidly, remain relatively stable, or be in decline. The comprehensive plan includes a 20-year population forecast that should form the basis for forecasts of future revenue and forecasts of future need. Each community sets its own 20-year growth target based on the population projections from the state's Office of Financial Management and the policies and process adopted in the Countywide Planning Policies.

It can be tempting to adopt a bullish growth forecast hoping that a community can grow into its existing obligations, while also keeping up with the demands for new facilities that come with this growth. Forecasts are risk management tools that help people understand and manage factors that are significant for making decisions, but beyond direct control. Every five years the OFM forecast for each county includes a high range, a low range, and a medium or "most likely" forecast. The further from the medium range the forecast goes, the more risk, either high-side or low-side, a jurisdiction chooses to accept. If you choose a low end estimate, the risk is greater that at the next periodic review, you will need to revise the plan to catch back up with the faster rate of growth. If you choose on the high end, the risk is greater that you over commit to new facilities and new obligations you ultimately do not need and cannot afford. The following are strategies you can use to help manage risks.

Conduct a sensitivity test of your assumptions. A first step is to identify how much changes in the core assumptions in the plan affect the ultimate outcome. This will identify which assumptions need close attention. If changes in variables outside of your assumptions do not significantly affect the future financial position, there is less need to pay close attention to them. If changes in variables have a significant effect, these are the key assumptions that need to be watched closely and managed aggressively (and that you may want to take extra care in setting in the first place).

One option is to adopt an adaptive management strategy. Adaptive management is a process of identifying key performance indicators and monitoring them over time. The capital facilities element requirements in the GMA require communities to

periodically review their plan and, if funding is falling short, to reassess the land use element to maintain balance. This is a form of adaptive management and is one of the core functions of the periodic review. It assures that the community can use its land use tools to manage the demand for new capital facilities. We recommend using the budget process for this periodic review – it is a great time to "tune up" the capital facilities element of the budget.

Favor Reversible Decisions. Major capital facilities have a long lead time. Water and sewer plant capacity is very expensive. Land use decisions, especially those that affect patterns of property development and ownership, are essentially permanent and can outlast the physical infrastructure. A strong development-phasing strategy provides a way to prevent creating obligations to provide services before the financial feasibility of service provision is assured. Development phasing can enable incremental improvements that allow the projects to pace growth more directly, and potentially avoid overbuilding sooner than needed to accommodate growth.

Implementation Plan

Once there is an identified source of revenue in the financing plan, you will need to understand how you would implement collections of the new source of revenue. Although you do not need to adopt ordinances needed to tap revenue concurrent with your capital improvement plan, newly identified revenue sources do need to be within your statutory authority and you should develop an implementation plan to obtain this new revenue source. An implementation plan should address what ordinances or legislation will be necessary to authorize the revenue source, whether a public vote is needed, the timing of new revenue availability and any necessary additional technical documentation or program development. The implementation plan can then fold into the departmental work program so the community devotes the effort needed from each department to tap this source of revenue.

For example, there are a few ways to potentially increase water system income without raising rates. These include:

- Conduct an Audit:
    - Fix any errors in records
    - Check operation of meters
    - Bill all metered connections (no unmetered connections)
    - Repair/replace old meters
    - Preform leak detection
    - Prevent water theft
- Revise System Policies:

    - Increase connect/disconnect charges
    - Increase late payment charges
    - Enforce strict cutoff policies
    - Let your money make money (use interest bearing accounts, invest reserves)
    - Charge for extra services
    - Review your revenue base for changes in policy (e.g. free service to a special customer class or group for reasons that may no longer be relevant)
- Reduce Expenses:
    - Upgrade billing system
    - Preform and respond to an energy audit
    - Buy in bulk (cooperatively with another entity, when possible)
    - Regionalize service provision (e.g. regional fire authorities)

Types of Revenue

Although local governments have many different sources of revenue, they can be broken into a few general classes of revenue. Each class of revenue has common strengths and weaknesses. Things to consider for each revenue source include:

Capacity: the amount of revenue it can raise.

Flexibility: the variety of different projects it can be used for.

Predictability: how dependable the source is over time, considering the amount of control the community has over the source and its sensitivity to political and economic uncertainty.

Technical Difficulty: The amount of technical work needed to establish and maintain the revenue source including both initial setup and ongoing monitoring procedures.

General Taxes

General taxes are the most common revenue source for capital facilities. General taxes in Washington include the property tax, sales tax, utility tax, and real estate excise tax. It also includes some vehicle licensing fees. General taxes have high capacity, are flexible, and do not require their own ongoing monitoring procedures. However, they are also the source of funding for other municipal activities. Many of

them, especially the property tax, are also in a state of structural decline. Changes in technology, the national economy and state tax law make it unlikely that these revenue sources will keep pace with inflation, even as the economy improves. Consequently, many communities are struggling to find replacement sources of revenue.

User Fees and Rates

User fees are fees paid by consumers of a publicly provided good or service in exchange for the service a public facility provides. They include everything from the utility bill for sewer and water to the green fees paid at a municipal golf course.

Impact Fees and other Mitigation

The GMA allows local governments fully planning under the Act to collect impact fees. These fees can be used to help pay for facilities to serve new growth. GMA impact fees are fees required as a condition of development approval to pay for the public facilities needed to serve the development. Local governments can impose impact fees on applicants seeking approval for construction, expansion, or land use changes that create additional demand for public facilities.[15] The legislature does not allow local governments to fully recover the cost of system improvements from new development. Instead, impact fees must be balanced by other sources of public funds. The legislature also specified impact fees can only be imposed for the proportionate share of the costs of system improvements reasonably related to and reasonably beneficial to the new development.[16]

GMA impact fees differ significantly from previously existing funding mechanisms to address development impacts. Unlike mitigation payments under the State Environmental Policy Act or transportation impact fees assessed under the Local Transportation Act, GMA impact fees are not required to be calculated "by making individualized assessments of the new development's direct impact on each improvement planned in a service area."[17] So instead of being limited to collecting funds for project improvements planned and designed to provide service for a particular development project,[18] local governments can assess fees for area-wide system improvements within the community at large.[19] WSDOT provides a good discussion on impact fees and other mitigation fees in its guidance, "The GMA Concurrency Goal and the State Transportation System." One item of note is that there are limitations on how long impact fees can be retained by the government to provide for the related improvements – and sometimes it can take time to secure

[15] RCW 82.02.090(1)
[16] RCW 82.02.050(3)
[17] The City of Olympia v. John Drebick et al., 75270-2, Supreme Court of Washington (January 19, 2006).
[18] RCW 82.02.090(6)
[19] RCW 82.02.090(9)

other sources. Be careful to set up a tracking mechanism to monitor your use and holding of these impact fees so you can conform to these limitations.

Debt and Reserves

Debt and Capital Reserves are both ways to move expenditures forward or backward in time, but they are not separate sources of revenue. Reserves accumulate from a revenue source. Debt requires a revenue source to service the loan plus interest. Either case still requires a revenue stream.

Communities have multiple funding sources available for capital facilities. However, many available funding sources come with limitations or strings attached. Some grant or loan programs cannot be used to pay for new growth. Impact fees, SEPA mitigation, and other developer contributions can only be used for improvements related to the impacts of the project. Creating a financing package for an individual project of any size will often involve more than one funding source. Packaging the funding may be the most complicated part of some projects.

Funding sources also bring their own tracking and project management requirements. State or federal funding may come with requirements related to environmental review, prevailing wages, or contracting. Developer contributions may come with limitations on when the funds must be spent or what elements of the project may be included.

Rate Setting

For some services, such as provision of drinking water or treatment of wastewater, user rates are used to cover costs. Ideally rates pay for all of the costs – including operating and maintaining the system, replacing equipment, paying back debt, and adding new capacity (facilities) when needed. It is essential for the rates to be set so that they recover the full costs of the system. The revenues should meet or exceed the expenses generated by the system. That way a portion of the revenue can be placed into a reserve account for future improvements and unexpected emergencies.

Rates can also be used to encourage conservation. For example, some jurisdictions have a set rate for a certain amount of water but when a customer's use exceeds that amount, the price per unit increases.

The Rural Community Assistance Partnership has guidance to assist local governments with rate setting. Information is available from their Popular RCAP Resources for Small Communities webpage.

Formulate Great Rates: The Guide to Conducting a Rate Study for a Water System

Formulate Great Rates: A self-guided training to setting rates

The Basics of Financial Management for Small-community Utilities

While many of the asset management or rate setting examples provided above are specific to a certain type of infrastructure, the concepts are generally transferrable to other facilities and services.

Financing Policies Regarding Capital Facilities

It may be useful to identify financing policies regarding capital facilities in writing to provide guidance to decision-makers over time but also to inform citizens of the general methods that will be used when making choices about when and how capital facilities will be budgeted. For example, each functional plan will likely identify the projects needed for the system the plan addresses (e.g. Water System Plans will include a list of system preservation and capacity improvements needed over the planning horizon). If the projects are not prioritized in the functional plan, how will that be done in the Capital Improvement Plan? How will the projects that don't have a specific funding source be funded? What criteria will be used to prioritize projects? Will transportation projects take precedence over parks projects?

One challenge is that when the city or county considers its budget, the projects often get thrown together into a single pot. True, some funds are only dedicated for expenditures within a functional area, like rate-payer utilities. But for general funds (transportation; parks; civic buildings), and certain examples of utilities partnering with general funds (stormwater improvements / public open space), everything is up for grabs, competing for limited resources. How does a city or county compare the project that ranked highest in the Parks category (based on Parks' LOS) with a project that ranked highest in the transportation category? It's comparing apples to oranges, but when there are limited dollars available to fund all priority items, this is exactly what the elected body is challenged with in adopting the budget.

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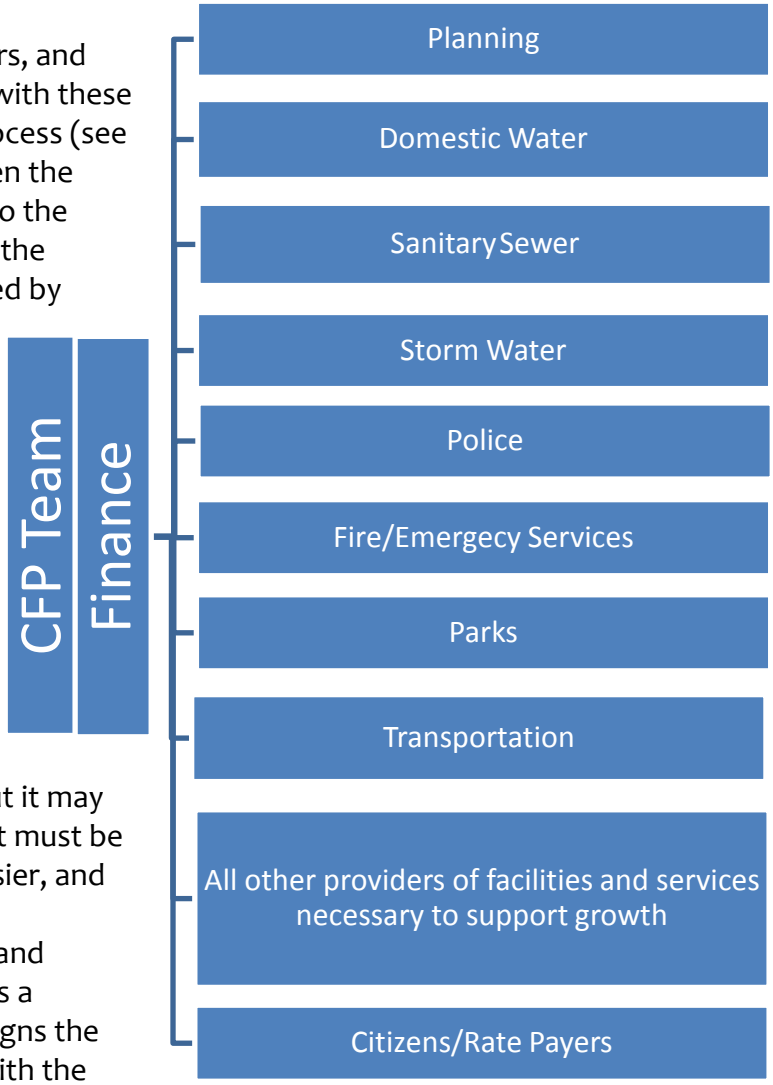
CFP Team



It is helpful for planners, engineers, and finance teams to start wrestling with these questions in the CFP planning process (see graphic). One benefit is that when the proposed budget works its way to the elected officials' desks it has had the benefit of being thoroughly vetted by subject matter experts across disciplines. It is even better if those experts have had those conversations knowing that it's not just about what projects are best for *their* subject matter, but which ones are best for the city/county as a whole over the life of the plan. It can be a difficult conversation because it asks people to step outside their area of interest and expertise. But it may make it so the hard decisions that must be made at budget time become easier, and ensure that they are the optimal investments in light of all facility and service needs. Ideally the result is a community-wide strategy that aligns the comprehensive plan strategies with the financing plan that is clear and gains support from the political leaders as well as the community.

There are other reasons this is important as well. For example the political implications for a plan that is underfunded can be significant. Elected officials may have even greater difficulty in identifying additional revenues to fund the plan at a later date. Residents may then be resentful of any new taxes needed to fund the work if they were under the impression that such decisions had already been considered and adequately funded at a lower (but in reality unrealistic) rate. Additionally, an opportunity for an economic development opportunity may be delayed or lost if adequate plans and funding sources for needed facilities and services are not adequately identified and agreed upon upfront.

Scenario Planning and Fiscal Implication Models

Developing a clear understanding of the short- and long-term fiscal implications of development choices is important. The US EPA's Smart Growth Program explores the development and use of scenario planning and fiscal impact modeling, investigating the use of analytical tools to explain fiscal costs (including local infrastructure capital and operations and maintenance costs and revenues). Fiscal impact modeling is becoming more common as local governments work to assess financial implications of land use and growth patterns.

The models can help local governments identify both short and long term implications of land use decisions – both at the plan and project scale. Models can be used to help analyze and select future growth alternatives. More detailed analyses can be conducted to identify long term costs associated with a specific alternative. This may include both the broader economic impacts to the community as well as the fiscal impacts to the city or county for the provision of services.

Additional Resources

Municipal Research Services

- Capital Facilities: http://www.mrsc.org/subjects/planning/capfacilities.aspx
- Financing: https://www.mrsc.org/subjects/finance/finance.aspx
- A Revenue Guide for Washington Counties: http://www.mrsc.org/publications/countyrg10.pdf
- A Revenue Guide for Washington Cities and Towns:
- https://www.mrsc.org/publications/rgcity2009.pdf

Association of Washington Cities

- GMA and Budget Decisions video: http://www.youtube.com/watch?feature=player_embedded&v=1lT9koLi_8o
- Budgeting for Cities and Towns in Washington State:
- http://www.awcnet.org/Portals/0/Documents/Publications/budgetworkbook10web.pdf
- Forming Successful Partnerships - A Guide for Local Government: http://www.awcnet.org/Portals/0/Documents/Publications/budgetworkbook10web.pdf

Washington State Association of Counties - http://wacounties.org/wsac/index.php

Infrastructure Assistance Coordinating Council (IACC) - www.infrafunding.wa.gov

- Infrastructure Assistance Searchable Database: http://www.infrafunding.wa.gov/iadatabase.html

The Government Finance Officers Association (GFOA) has identified Best Practices for Economic Development and Capital Facilities. These are an excellent summary of opportunities to better link planning and budgeting. Some of the topics covered are:

- Building Resiliency into Capital Planning (2008)
- Capital Asset Assessment, Maintenance, and Replacement Policy (2007 and 2010)
- Capital Project Monitoring and Reporting (2007)
- Development of Capital Planning Policies (2011)
- Establishing an Effective Grants Policy (Budget and CEDCP) (2013) new
- Evaluating Data and Financial Assumptions in Development Proposals (2011)
- Incorporating a Capital Project Budget in the Budget Process (2007)
- Incorporating Environmentally Responsible Practices in the Capital Improvement Program (2010)
- Linking Economic Development and Capital Planning Strategies (2011)
- Multi-Year Capital Planning (2006)
- Presentation of the Capital Budget in Operating Budget Document (2008)
- Role of the Finance Director in Capital Asset Management (2011)
- The Role of Master Plans in Capital Improvement Planning (2008)
- Use of Technology in Capital Planning and Management (2011)
- Web Site Presentation of Official Financial Documents (2009)

CHAPTER 6:

Smaller Jurisdictions

Overview

This chapter speaks to communities that have limited budgets and staff and focuses on the requirements for a Capital Facility Plan (CFP). Helpful examples are provided.

When introducing the concept of a CFP to the commission or council, staff, or public it may be helpful to share that the CFP has several purposes:

- It's a requirement for communities that are fully-planning under the Growth Management Act (GMA).
- Several funding agencies require it and others will give additional points for it in the application process for grants or loans.
- It guides the implementation of the community's comprehensive plan.
- It provides a framework for decision makers about what to buy, when to buy, how to pay for it.
- It provides a mechanism to help prioritize capital projects and match projects with the local budget and funding options.
- It provides transparency for purchasing decisions to the public.
- It provides for the orderly replacement of capital assets, and
- It helps AVOID SURPRISES.

What must be included?

RCW 36.70A.070 requires a capital facilities plan element consisting of:

a) An inventory of existing capital facilities owned by public entities, showing the locations and capacities of the capital facilities;

b) A forecast of the future needs for such capital facilities;

c) The proposed locations and capacities of expanded or new capital facilities;

d) At least a six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes; and

e) A requirement to reassess the land use element if probable funding falls short of meeting existing needs and to ensure that the land use element, capital facilities plan element, and financing plan within the capital facilities plan element are coordinated and consistent. Park and recreation facilities shall be included in the capital facilities plan element.

Inventory of existing capital facilities, showing the locations and capacities

The first step in developing an inventory is to determine what should be included.

The RCW's are not specific about what constitutes a "capital facility" (please see the Introduction section for more detail). However, the following public facilities and services are mentioned in several sections of the RCWs, WACs and the REET 2 statute[20]:

- Streets, highways & sidewalks
- Bridges
- Street and road lighting systems
- Traffic signals
- Water systems
- Sewer systems
- Stormwater systems
- Solid waste systems
- Schools
- Parks facilities and equipment
- Fire protection and suppression
- Law enforcement

Some additional facilities you might want to consider include:

- Bikeways & pedestrian paths
- Rolling stock (vehicles)
- Electric systems
- Public Buildings

[20] RCW 36.70A.030(13), Subsection (5) of the REET 2 statute, RCW 82.46.035, WAC 365-195-210

- Airports
- Computers
- Equipment – generators, heating, ventilation & air conditioning systems (HVAC)

> *In addition to including facilities owned by public entities, if there are private companies that provide a public service within your jurisdiction, such as garbage and recycling,* ***you will need to include them as well.***

Commerce recommends that each jurisdiction defines capital facilities and clearly identifies which capital facilities and public services are necessary to support development. Those that are necessary to support development should have an identified level of service (LOS) standard so forecasts of needs can be determined.

To help determine what projects to include in the capital facility plan, jurisdictions should decide on a dollar amount or other criteria such as:

- Anything that has a life cycle cost
- Everything that has a life cycle cost and is over $500 - $25,000
- A structure, improvement, piece of equipment, or other major asset having a useful life greater than two – five years
- Capital facilities owned by the local jurisdiction which cannot be paid for out of general fund revenues

You may not know what to include until you start preparing your inventory and determine the age of certain facilities and when they may need to be substantially repaired, expanded, or replaced. The inventory form for existing capital facilities might be organized with the Facility Name/Designation on the left axis and the following columns across the top:

- Project Name
- Location
- Date Acquired
- Capacity
- Present Condition
- Estimated Present Value
- Improvements/Projects Needed
- Year(s) Improvements/Projects Needed
- Estimated Cost

- Insurance Policy Coverage?

If this information isn't readily available, you may need to ask staff, councilmembers, planning commissioners, or county or district councilmembers or commissioners to help gather the information. The most likely sources are individual system plans (sewer, water), previous comprehensive plans, and insurance policies.

It's important to give each project a "name" which will be the same throughout the life of the project. For locations, if there is not a street address, use GIS coordinates. For Date Acquired, check the insurance policy for the facility. Capacity refers to how much water a reservoir will hold, or the service level of a local street, which may be included in the 6-year transportation improvement plan (TIP).

For estimated present value, you may need to check with a supplier or with your engineer. For condition, improvements/projects needed, year needed and estimated cost, ask the Public Works staff about the life cycle costs of the facilities and projected routine maintenance and replacement costs over the 20-year planning period of this plan. Some examples of life cycle costs include:

- Pavement is designed to last 15 to 25 years.
- Curbs are designed to last 25 to 35 years.
- Bridges are designed to last 35 to 50 years.
- Water mains can last up to 50 years.
- Mechanical equipment is designed to last 10 to 15 years.
- Ditches can last forever.
- Street right of way should last forever.
- Eliminate excess right of way. Lowers maintenance costs and liability.
- Life cycle of sewage lagoons depends upon type of system, effluent make-up, climate, etc.

Some of this information can be found in the insurance policy for the capital facility. However, there may not be an insurance policy for a particular facility, or research may show insurance for equipment no longer owned. Facility plans (also known as functional plans) such as sewer and water plans will also provide useful information.

A forecast of future needs

Once the inventory is known, take a look at the different elements of the comprehensive plan (housing, parks, economic development, land use, etc.) and identify what capital facilities will be needed to implement the plan over the next 20 years. For example, if the Land Use Element has a policy that states any

development within the city's urban growth area that is annexed to the city will receive city services you will need to ensure that services will be provided.

The following is an example of a future needs matrix for parks & trails for a small community in Grays Harbor County (Grays Harbor Council of Governments):

Step 2: Future Needs - Parks & Trails

Facility Name/ Description	Location	Capacity	Present Condition	Improvements Required	Project Needed	Year or Priority	Cost Est.
Milo Schneider Park	832 Ocean Shores Blvd	.71 ac		fence, lighting, picnic furn., play equip., misc.	any/all improve-ments	5	85,000
Limpet Park	Limpet and Copalis Dr.						
Skate Park	Minard Ave.		new in 2010				
North End Grand Canal Park	J.K. Lewis/Pt. Brown			new dock, picnic facilities			
Emerson Park	Bass Ave./W. Court L			new vinyl surface for tennis court			
North Bay Park	Duck Lake Dr./ Chance	7.1 ac		fields, fence, lighting, restrooms, shelter, seating	any/all improve-ments	1	1,129,000
Chinook Park	Duck Lake Drive	1 ac		parking, restrooms, utilities, lighting, water access	any/all improve-ments	4	206,000
Pt. Brown Pathway	Pt. Brown Ave.			complete city loop of sidewalk/bike pathways	same; can stage	3	Transp.
Ocean Shores Blvd. Pathways	Ocean Shores Blvd.			complete city loop of sidewalk/bike pathways	same; can stage	3	Transp.
Chance a la Mer Pathway	E. Chance from P.O.			bike/ped pathways, Post Office to N. Bay Pk	can do in stages	3	Transp.

Source: Gray's Harbor Council of Governments

Now review the planning policies and see if there are capital facilities that need to be coordinated in order to prepare for future growth. During the last GMA update, the county-wide planning policies should have been adopted by reference as a part of the comprehensive plan. You may need to contact county staff to find out if those

policies that pertain to land use and capital facilities have been updated. If for example, the school district(s) within your jurisdiction have opted in to allow school impact fees be collected on new development, check with their plans to make sure the capital facility plans include or adopt the school district plans (refer to RCW Chapter 20.75 School Facility Impact Fees).

Also, solicit input from the different city/county Departments (especially Public Works, Parks and Treasurer's office) as to future needs that may not be included in the current comprehensive plan, or that need to be updated and included in the six-year capital improvement plan. Do the same coordination with any Special Purpose Districts and/or Tribes that provide services within the urban growth boundary.

Check with the public – there may be capital facility needs that haven't been identified in any planning document but which are important to your constituents. Once you've gathered this information, add these future needs to your inventory and include capacities and locations.

Provide at least a six-year plan that will finance such capital facilities.

The 20-year capital facilities plan must include a six-year financing plan that will start on the year the CFP is adopted or updated. This is often referred to as the "Capital Improvement Plan or CIP".

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Here's an example of a six-year plan for Parks and Trails (taken from Grays Harbor COG example):

Capital Facilities Planning

Step 3: Cost/Funding Sources - Parks & Trails

Cost/Funding Sources	2012	2013	2014	2015	2016	2017	6 Year Total		20 Year Total
Cost (in thousands)									
North Bay Park		$ 1,129					$ 1,129		$ 1,129
Damon Point Access Area						$ 140	$ 140		$ 140
Chinook Park				$ 206			$ 206		$ 206
Milo Schneider Park					$ 85		$ 85		$ 85
Wastewater Trtmt Plant Access			$ 400				$ 400		$ 400
S. End Beach Access							$ -		$ -
Emerson Park							$ -		$ -
No. End Grand Canal Park			$ 33				$ 33		$ 33
So. End Grand Canal Park						$ 25	$ 25		$ 25
Funding Sources									
GF General Fund (C)	$ 125	$ 126	$ 103	$ 100	$ 130	$ 151	$ 735		$ 735
Capital Fund -REET (C)	$ 50	$ 50	$ 79	$ 57	$ 27	$ 30	$ 293		$ 293
GO General Obligation Bonds							$ -		$ -
OD Other Debt Proceeds							$ -		$ -
GL Public/Private Grants/Loans (A)		$ 173	$ 20	$ 100		$ 329	$ 622		$ 622
SF SEPA Impact Fees							$ -		$ -
LN Loans (USDA, PWTF, etc.)							$ -		$ -
LV Park Levy							$ -		$ -
UN Unknown							$ -		$ -
PR Program Funds							$ -		$

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Summary									
Costs	$ -	$ 1,129	$ 433	$ 206	$ 85	$ 165	$ 2,018		$ 2,018
Funding Sources	$ 175	$ 349	$ 202	$ 257	$ 157	$ 510	$ 1,650		1,650
Balance	$175	$(780)	$(231)	$51	$72	$345	$ (368)		$ (368)

Source: Grays Harbor Council of Governments

This format can be used for sewer, water, roads, bridges, and so on. To be most useful, the CIP should be updated annually or biennially to align with the jurisdiction's budget cycle.

As of the date of this Guidance, there are discussions about the need to capture and continually update capital needs data statewide and for specific funding information to be included so that the data is realistic, rather than a "wish list". In order to do that, you will need to identify specific sources of state and federal funding resources as well as local funds that could be used. You might want to consider using the terms: Committed (C), Anticipated (A), and Unknown (U) to describe your funding sources, committed being those that are "in-hand" or having an award letter from the agency. Anticipated are those funds that you have applied for or are planning on applying for, and unknown would be unidentified resources.

This information will likely be asked of you within the next year or two so adding these parameters to your capital improvement plan now is good planning.

A requirement to reassess the land use element if probable funding falls short.

There is a requirement to reassess the Land Use Element if probable funding falls short of meeting existing needs and to ensure that the land use element, capital facilities element, and financing plan within the capital facilities plan element are coordinated and consistent. If funding falls short of what is needed to provide capital facilities at the adopted levels, a local government must reassess the land use element. If projected costs of extending services to a previously planned development, for example, are too costly and would be unsustainable in the long-term, the land use element must be reassessed in relation to that development. At

the same time, funding possibilities and levels of service might also be reassessed and appropriate action taken to ensure consistency (please see WAC 365-195-312(2)(f) for more guidance).

During the recent economic downturn, there was an increase in the number of housing foreclosures which had a big impact on many small town property tax revenues. And the Public Works Assistance Account funds were diverted from infrastructure funding to fund schools, which may continue for several years. The Community Development Block Grant funding was reduced at the Federal level which resulted in fewer grants for small rural communities nation-wide. Some projects that had been planned for did not occur. When these types of state and/or federal conditions happen, jurisdictions need to either develop alternative sources of funding (i.e. bonding, setting higher rates, finding adequate volunteer labor, etc.), or reduce their expectations and adjust budgets accordingly.

The requirement to ensure consistency between the various elements in a comprehensive plan and with the financing plan or capital improvement plan ensures that plan policies and projects will be implemented in a coordinated manner.

Using a Decision Matrix to help prioritize funding commitments

Having a funding prioritization process in-place will help guide future funding decisions and provide transparency to the public. If the council, commissioners and/or public wants to know why a new pump for the sewage treatment plant was funded over a new water reservoir, the decision matrix will show the funding and prioritization of projects.

The decision matrix can include as many fields as needed. The City of Waterville in their 2006 Comprehensive Plan used a 5 point rating system**:**

DECISION CHECKLIST

Key/Rating	Criteria	Explanation
Life, Health & Safety **5**	Is the proposed improvement needed to protect public health, safety and welfare?	This criterion should be considered one of the most important since one of the basic functions of government is to protect the public health, safety and welfare.

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DECISION CHECKLIST

Key/Rating	Criteria	Explanation
Legal Mandate **5**	Is the proposed improvement required to comply with a legal mandate?	Compliance with legal mandates is often a prerequisite to obtaining state or federal funding assistance needed for utility improvements and failure to comply can result in severe penalties to the Town.
Tax Base **4**	Does the proposed improvement contribute to or directly improve the community's tax base?	It is important to judge a proposed improvement's impact on the local tax base. For example, an improvement which extends water service to an area outside the corporate limits in most circumstances does little to improve the Town's tax base while upgrading services to an area within the corporate limits that would allow for more commercial or industrial development would.
Funding Available **4**	Is funding available?	It is important to separate improvements that have an identifiable and available source of funding from those that require applications for funding, bond issues or other financing mechanisms that may or may not be approved. For example, an improvement which could be directly budgeted out of the Town Current Expense or General Fund would rate higher than one which required a lengthy grant or loan application and approval process.
Revenue Generation **4**	Is the proposed improvement part of a service that generates revenue?	Improvements to revenue-generating utilities (water and wastewater) are better able to pay for themselves or at least generate matching dollars for loans/grants.
Maintenance **4**	Does the proposed improvement have a clearly identified source of revenue for ongoing maintenance and operation?	It is important to provide an opportunity to incorporate a project's long term maintenance needs into the prioritization process. A project with high maintenance costs and no identified funding source for maintenance would rate low, while a project with a clear source of maintenance funds would rate high.

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DECISION CHECKLIST

Key/Rating	Criteria	Explanation
Cost Effective Service **4**	Will the proposed improvement result in cost effective service delivery?	There should be some consideration of the proposed improvement's long term impact on the Town's financial situation. For example, an improvement which corrects an existing maintenance problem or a project which results in an improvement with low maintenance requirements should rate better than an improvement which does not correct an existing maintenance or will result in higher maintenance costs.
Coordination **4**	Is the proposed improvement a part of another project?	This criterion gives projects that, considered alone would not rate well, a chance to be given a higher priority because it is part of another improvement. For example a street is scheduled for an overlay and there are water and/or sewer lines under the street that are not planned to be upgraded for several more years. These water and/or sewer lines should be upgraded prior to the street overlay and thus become part of that project
Partnership **3**	Does the proposed improvement create opportunities for public/private partnerships, intergovernmental cooperation or further existing commitments to private or public parties.	Improvements that involve other private or public entities are important. For example, a developer is extending a Town water main to serve a new private development in an area that is presently undeserved. The partnership in this instance could be that the Town would participate in increasing the size of the line over that required for the new development as a means of improving service to existing customers.
Consistency **3**	Is the proposed improvement consistent with the elements of the comprehensive plan, including the goals and policies of the capital facilities element?	Planned improvements, particularly utility upgrades and expansions, must be consistent with the comprehensive plan. The issue of consistency also comes into play if the Town seeks outside funding for all or parts of planned improvements.
Level of Service **3**	Will the proposed improvement enhance the provision of that service for existing residents?	This criterion is used to determine a project's impact on the current residents of Waterville.

DECISION CHECKLIST

Key/Rating	Criteria	Explanation
Forecast Demand **2**	Is the proposed improvement needed to help meet forecasted demand?	This criterion is used to determine a project's impact on forecasted demand.

Source: City of Waterville

The City of Olympia developed a prioritization process which included 28 fields, all weighted differently depending upon whether it was a regulatory requirement or not. Capital Facility Projects were listed in rows and the decision criteria were listed across the top in an excel spreadsheet. Each decision item was weighted according to the importance assigned to each value. After filling out the excel spreadsheet, it would calculate the number of points assigned to each project and thereby prioritize which projects should get funded first. To view the full matrix, go to: www.commerce.wa.gov/cfp and look for CFP templates.

Resources for developing capital facility plans

Growth Management Services at the Department of Commerce has a website devoted to capital facility planning which includes downloadable tools that you can use in developing your plan. At www.commerce.wa.gov/cfp, there are templates for:

- Capital Facility Inventory
- Project Costs Workbook
- Comprehensive Policies Matrix
- Decision Matrix
- Project Proposal form

There are a number of resources on asset management, how to determine financing for your projects, rate setting and other funding opportunities. Links to those resources include the following (however this is not an exhaustive list):

- The Rural Community Assistance Corporation (RCAC) helps small water and wastewater systems complete rate studies and they have on-line tools that are very useful at: http://www.rcac.org/washington.
- Consider mutual aid networks for small water systems sharing one certified operator or a group of public works managers jointly purchasing chemicals or renting equipment.
- The Municipal Research and Services Center (MRSC) has a multitude of research, local examples and legal resources on capital facility planning.

Go to: *www.mrsc.org*, click on "subjects" then "planning" and choose capital facilities planning from the menu.

- The Infrastructure Assistance Coordinating Council (IACC) website has several resources, including a summary of funding options for sewer and water projects as well as links to training resources on infrastructure issues at: www.infrafunding.wa.gov.
- There are a number of resources on sustainability or green building ideas which can reduce on-going energy costs significantly:
    - The U.S. Green Building Council Web site: *www.usgbc.org*.
    - The Washington State Department of Enterprise Services has information about Energy Performance Contracting, Energy Life Cycle Cost Analysis, Green Building & LEED and other topics along this line at: *http://des.wa.gov/services/facilities/Energy/Pages/default.aspx*.
    - The City of Seattle's Sustainability website: *www.ci.seattle.wa.us/environment*
    - Municipal Research and Services website on Green Communities and Building Design: *www.mrsc.org/Subjects/Planning/GreenBuild.aspx*.
    - Puget Sound Partnership Web Site has information about stormwater and low-impact development: *http://www.psp.wa.gov/stormwater.php*.

Good Examples

A Small City Capital Facilities Plan Case Study – City of Westport:
http://www.newpartners.org/2010/docs/presentations/friday/np10_gibb.pdf

City of Oak Harbor Capital Improvements Plan 2013-2018:
http://www.oakharbor.org/uploads/documents/6176adopted_capital_improvements_plan_2013_2018.pdf

City of Walla Walla Capital Facilities Element –
http://www.wwjcda.org/vertical/sites/%7BA99EFDD8-2880-46D9-8872-33C0125E020B%7D/uploads/%7B4801DFAA-EF9C-46B6-AF14-CB478B106025%7D.PDF

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CHAPTER 7:

County Considerations

Working with Other Service Providers

Counties often work with multiple special purpose districts for the provision of services. Additionally, counties are often the coordinators of regional facilities or services. Counties usually have good relationships with those providers and in general, all parties are working toward the same or similar goals. Perhaps one of the biggest challenges of planning for facilities and services to serve new growth is coordinating the planning of multiple special purpose districts so the long-term plans of the service providers also meets the planning needs of the county. For example, are the various special purpose districts using the same 20-year planning horizon the county uses? Are they using the same population projection? Are the assumptions used in their plans consistent with the county-wide planning policies and the assumptions of the jurisdictions they serve?

Reaching out early to all special purpose districts and/or Tribes that provide facilities or services within the county is important. Strategies to line up timeframes, planning horizons, and making provisions to share data can become quite helpful later in the process. Additionally, by thinking through the data needs in advance, each agency may be able to provide their data in a format and manner that will be most helpful to the county. Coordination between the county and special purpose districts may also assist the districts in developing capital facility plans that are consistent with the county's comprehensive plan.

Urban service providers in unincorporated UGAs

Some counties have designated Urban Growth Areas (UGAs) that are not associated with an incorporated city or town. These unincorporated UGAs require the same level of planning as those associated with cities. This requires counties to assure that plans are developed for the full range of urban services needed to serve the anticipated growth, including sanitary sewer. Coordination with the special purpose districts that provide services is a critical component in this process. Some examples of unincorporated UGAs include Belfair, Carlsborg, Silverdale, Birch Bay, Manson, Peshastin, and Spokane's North Metro.

It is assumed that unincorporated UGAs will be allocated population growth to plan for, as well as future provision of the full range of urban services. Unincorporated UGAs that do not already have a full range of urban services are expected to be provided with those services at some point during the 20-year planning horizon. Generally, sanitary sewer and storm sewer are the most expensive urban services to provide. If there is not a special purpose district in place, such as a port district or sewer district, the county is ultimately responsible to provide urban services within the UGA. In order to make a sewer (or other) system financially viable, the county may need to develop or update functional plans, identify the necessary projects, estimate costs of providing those services and develop a financial plan to pay for the urban services. Given the potential rate base in relation to the likely costs, this can become quite challenging. Counties should work closely with state agencies such as the Department of Health and the Department of Ecology to develop the appropriate plans and look for potential funding sources. The public will need to be informed of their anticipated costs and likely increasing rates.

Extension of urban services

Under the GMA urban levels of service (LOS) must primarily be limited to areas planned for urban levels of development. This is generally limited to UGAs and, in some instances, areas that have been designated as "limited areas of more intense rural development" (LAMIRD). This is to carry out the GMA policy of directing urban LOS to urban areas, and providing rural LOS in rural areas. The GMA requires that fully planning counties shall designate UGAs "within which urban growth shall be encouraged and *outside of which growth can occur only if it is not urban in nature.*" RCW 36.70A.110(1).

The GMA at RCW 36.70A.110(4) states that "In general, it is not appropriate that *urban governmental services* be extended to or expanded in rural areas except in those limited circumstances shown to be necessary to protect basic public health and

safety and the environment and when such services are financially supportable at rural densities and do not permit urban development."

There may be situations when a county is asked to make an exception and provide urban services, such as sewer outside of an UGA. The ability to extend urban services into rural areas is limited and may be dependent on a determination of an environmental or public health and safety emergency. Counties should ensure that policies within the comprehensive plan are in place to address emergencies or limited exceptions and to ensure that rural character is protected.

WAC 365-196-425 provides guidance on the provision of services in rural areas. Urban governmental services that pass through rural areas when connecting urban areas do not constitute an extension of urban services into a rural area provided those public services are not provided in the rural area. Sanitary sewer service may be provided only if it:

(i) Is necessary to protect basic public health and safety and the environment;

(ii) Is financially supportable at rural densities; and

(iii) Does not permit urban development.

The definition of "rural services" at RCW 36.70A.030(17) states that "Rural services do not include storm or sanitary sewers, except as otherwise authorized by RCW 36.70A.110(4)."

Note that the exceptions allowed for public health and safety and the environment are for *limited* circumstances. Under current case law, the only exception is where there is a documented health or safety emergency for which the only viable option of addressing the emergency is extension of sewer. In such a circumstance, the county needs to have adopted specific policies and regulations to limit the sewer service to what is necessary to resolve the emergency. Expansion to rural areas might be appropriate if necessary to solve an existing environmental problem, but not to prevent a future problem. In *Cooper Point Association, et al., v. Thurston County*; Final Decision and Order (WWGMHB 00-2-0003, July 26, 2000) the Board found that the extension of a sewer line to rural area with an aging community sewer plant was not necessary as required by GMA – because existing users of the rural system were not yet experiencing problems that threaten public health and the environment.[21] And in CPSGMHB 03-3-0017, the County's amendment that authorized sewer extension to

[21] Thurston *County v. Cooper Point Ass'n.* The Washington State Supreme Court affirmed the Board's determination that the County's proposal to extend a sewer line from an urban treatment plant to rural Cooper Point is subject to and violates the development restrictions imposed by RCW 36.70A.110(4).

churches adjacent to UGAs was determined to go beyond the limited exceptions allowed in the in GMA.

Alternatively, there may be instances where one UGA is relatively close to another UGA. It may make sense for these two jurisdictions to share certain facilities and services. In these cases the county should have strong land use policies in the Rural Element and rural zoning to ensure any sewer lines are not used as a reason to provide urban levels of development in rural areas or UGA expansions that are not justified by land capacity needs.

Another consideration is preserving capacity needed for areas within designated UGAs. For example, in one case a city and the county, which were concerned about the ability of the water district to provide domestic water to the UGA at full build out, had to work cooperatively with the water district to ensure it did not commit a large amount of water to an area outside of the UGA but within the water district's service boundary, if it would have thwarted the district's ability to provide domestic water inside the UGA. Because of a good working relationship between the city, county, and water district and years of cooperatively working toward implementation of the comprehensive plan, the parties were able to reach agreement among themselves.

Regional services and a regional CFP could be something enabled by county-wide planning policies and would be most helpful for unincorporated UGAs where the county may only provide a few urban services and is dependent on an adjacent city or cities to provide others (e.g. sewer and/or water services). A county may look to its cities to provide urban services to unincorporated UGAs if proximate, enabled in the countywide planning policies, and through an interlocal agreement.

RCW 36.70A.210(3) lists the required countywide planning policies as follows:

A countywide planning policy shall at a minimum, address the following:

a) Policies to implement RCW 36.70A.110;
b) Policies for promotion of contiguous and orderly development **and provision of urban services to such development**;
c) **Policies for siting public capital facilities of a countywide or statewide nature**, including transportation facilities of statewide significance as defined in RCW 47.06.140;
d) Policies for countywide transportation facilities and strategies;
e) Policies that consider the need for affordable housing, such as housing for all economic segments of the population and parameters for its distribution;
f) Policies for joint county and city planning within urban growth areas;

g) Policies for countywide economic development and employment, which must include consideration of the future development of commercial and industrial facilities; and
h) An analysis of the fiscal impact.

Urban Growth Area Expansions

Every analysis of an UGA expansion must be accompanied by a capital facilities plan, documenting that urban facilities and services can be provided at the adopted LOS and that there is a financial plan in place to do so. The CFP analysis must be part of the proposal itself, not conducted afterward, and must be complete for all urban services.

Additional Growth Management Hearings Board cases

Several important Growth Management Hearings Board (GMHB) cases underscore the need to have up-to-date CFPs to support the initial designation and subsequent updates of UGAs. For more specific guidance regarding UGAs and the relationship to CFPs, please see Growth Management Service's Urban Growth Area Guidebook. This topic has several related Hearings Board cases for consideration and guidance. Please review Chapter 1, Urban Growth Areas and Urban Services, of the guidebook for a summary of hearings board cases on the subject (pages 20 – 24).

Summaries from GMHB Digests

Because non-municipal UGAs may allow an extension of urban growth to areas that do not already have a governmental structure for the provision of urban LOS, it is important to have a plan for the provision of urban services to the entire non-municipal UGA. If this cannot be done, the boundaries of the non-municipal UGA are likely too large. Irondale Community Action Neighbors, et al. v. Jefferson County, WWGMHB Case No. 04-2-0022 (FDO, May 31, 2005) and Irondale Community Action Neighbors v. Jefferson County, WWGMHB Case No. 03-2-0010 (Compliance Order, 5-31-05).

A county cannot be found in compliance with its urban growth boundaries when data are still being collected on water capacity and where the final UGA line should be drawn. Klein v. San Juan County, 02-2-0008 – Lopez Island Urban Growth Area (FDO, 10-14-02).

The fact that water and sewer facilities are provided by non-county serving agencies does not relieve the county of including the budgets and/or plans in its analysis of the proper location of an UGA. A designated UGA without any updated or adequate inventory, estimate of current and future needs or adoption of methodologies to finance such needs for infrastructure does not comply with the GMA, nor did the county properly address urban facilities and services through an analysis of capital facilities planning. Durland v. San Juan County 00-2-0062c (FDO, 5-7-01).

Continued incremental movement of an UGA boundary that promotes sprawl and inefficient use of tax money did not comply, and also substantially interfered, with the goals of the GMA. Achen v. Clark County 95-2-0067 (RO 11-20-96).

RCW 36.70A.110(4) does not prohibit the extension of urban LOS from one UGA to another, nor does it prohibit the crossing of rural or resource lands to extend those services. OBCT v. Lewis County, WWGMHB Case No. 04-2-0041c (FDO, 5-13-05).

Compliance with the Act is achieved where a county develops LOS standards for rural and for urban water services and precludes extension of urban services into rural areas. Evergreen v. Skagit County 00-2-0046c (FDO, 2-6-01).

Under the provisions of RCW 36.70A.110(4), which relates to prohibiting urban governmental services in rural areas except in limited circumstances, the phrase "basic public health and safety and the environment" involves two components. "Basic public health and safety" involves a component that encompasses a variety of protections for human well-being. "The environment" relates to protections that are directly beneficial to flora and fauna, but usually only indirectly beneficial to human well-being. Cooper Point v. Thurston County 00-2-0003 (FDO, 7-26-00).

Additional Hearings Board cases to consider include:

- Miotke et al v. Spokane County (05-1-0007)
- Wilma v. Stevens County (06-1-0009c)
- Panesko v. Benton County (07-1-0002)

Additional Considerations

City Requested UGA Expansions

When considering UGA expansion requests by a city, the county should work closely with the city. Ultimately the county is responsible to ensure the land capacity analysis, capital facilities plan, and funding plan supports the proposed UGA boundary and are adequate under the GMA.[22] If a city contacts the county to discuss a potential UGA expansion, the city and county should work cooperatively to jointly prepare the land capacity analysis and coordinate capital facilities planning, including the funding plan, and the review of any alternatives. If the city prepared work prior to making the UGA expansion request, the county must review the city's material, analyze it for county concurrence, and - if the county does agree - then adopt the pertinent materials by reference or otherwise integrate it into the county's CFP. Even if the county reaches the same conclusion as the city, the record must show the county's work and decision making process.

A board discussion of this issue is included in the first decision in the Kittitas County Conservation et al v. Kittitas County case, in Issue 14 of Case No. 07-1-0004c.[23]

Using Growth to Pay Debt

Don't rely entirely on anticipated growth to pay back the debt to serve growth. What if the growth doesn't happen? In some cases, jurisdictions count on growth to pay back debt. This can be a slippery financial slope. If the growth does not occur, the full amount of the debt may not get paid, and the local government and existing rate payers are left to foot the bill. This type of debt financing can result in big increases in rates to the existing customers and in money planned for other uses being diverted to cover the debt on growth that didn't happen. If growth estimates are used to identify how a debt will be repaid, the numbers used should be realistic *and* conservative.

For example, the City of Vancouver has a process to assess how the City will allocate funds to pay for urban services. A discussion of Vancouver's process is outlined in the Local Examples section in Chapter 2 of the Urban Growth Area Guidebook.

[22] See Urban Growth Area Guidebook

[23] This case included many issues and was later consolidated with another case and heard before the Washington State Supreme Court. For the more information on the outcome of the consolidated cases please see http://www.mrsc.org/mc/courts/slip/841870MAJ.htm

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CHAPTER 8:

Consistency and Coordination

The GMA calls for consistency among all elements in the comprehensive plan.[24] It also requires that implementing development regulations be consistent with the comprehensive plan. These are often referred to as the "Internal Consistency" provisions. GMA also calls for consistency with adjacent jurisdictions, which is referred to as "External Consistency." Perhaps the most significant consistency requirement in the GMA is that capital budget decisions be consistent with the comprehensive plan.[25]

Graphic 4: Representation of Internal Consistency under the GMA.

[24] See 36.70A.070
[25] RCW 36.70A.120

To achieve consistency of the comprehensive plan and budget, the Capital Facilities Element plays a crucial role. Budget decisions must be consistent with and implement the comprehensive plan – and the capital facilities plan must be consistent with the comprehensive plan.

Graphic 5: Factors to consider in order to achieve internal consistency

Internal Consistency

WAC 365-196-415(3) provides guidance on the relationship between the capital facilities element and the land use element. It provides several recommendations for meeting this requirement:

a) *Providing adequate public facilities is a component of the affirmative duty created by the act for counties and cities to accommodate the growth that is*

selected and allocated, to provide sufficient capacity of land suitable for development, and to permit urban densities.

b) *The needs for capital facilities should be dictated by the land use element. The future land use map designates sufficient land use densities and intensities to accommodate the population and employment that is selected and allocated. The land uses and assumed densities identified in the land use element determine the location and timing of the need for new or expanded facilities.*

c) *A capital facilities element includes the new and expanded facilities necessary for growth over the twenty-year life of the comprehensive plan. Facilities needed for new growth, combined with needs for maintenance and rehabilitation of the existing systems and the need to address existing deficiencies constitutes the capital facilities demand.*

Achieving consistency requires that all facilities and services over the life of the plan be considered, as discussed in Chapter 4. It includes infrastructure, public buildings, facilities, and services, parks and open space, transportation and utilities. There may also be economic development projects, programs, or improvements that should be included. The budget decisions of the 6-year capital improvement plan and the adopted budget must be consistent.

Working with and involving all the capital facilities and services providers and stakeholders in the planning process will ensure consistency between all elements of the comprehensive plan. Once that is accomplished the budget proposals can more accurately reflect the current needs as well as keep the jurisdiction better prepared to address future needs.

External Consistency & Coordination

Early and regular coordination with adjacent jurisdictions and special purpose districts that provide services in your jurisdiction is invaluable. Over time this relationship can help all parties. Ideally, all parties should strive for the same outcome – the implementation of the comprehensive plan.

Coordination is key so that all stakeholders understand the patterns and intensities of growth planned within the planning horizon. When stakeholders work together they can share data and support each other. Of course, special purpose districts are not specifically required to plan under the GMA or to align their vision/plan with that of the comprehensive plan. However, special purpose districts may provide needed facilities or services and should be part of the overall planning process.

In the event that a service boundary for one or more of the special purpose districts does not cover the entire urban growth area, the city or county must demonstrate how those capital facilities and services that are deemed necessary to support growth will be provided and how they will be funded.

WAC 365-196-415(4) discusses the relationship to plans of other service providers or plans adopted by reference:

> *A county or city should not meet their responsibility to prepare a capital facilities element by relying only on assurances of availability from other service providers. When system plans or master plans from other service providers are adopted by reference, counties and cities should do the following:*
>
> *a) Summarize this information within the capital facilities element;*
>
> *b) Synthesize the information from the various providers to show that the actions, taken together, provide adequate public facilities; and*
>
> *c) Conclude that the capital facilities element shows how the area will be provided with adequate public facilities.*

Whatcom County has developed a process that coordinates county planning with the fire districts. The process generally includes:

1. Preliminary Draft CFP - Meetings of a fire district representative (typically the chief or assistant chief), the county fire marshal and county planner to develop a preliminary draft CFP. The district provides the inventory of existing buildings and apparatus, financial information, and future capital projects. The County provides information related to GMA requirements, level of service (LOS) standards, and growth management plans. Each time this work occurs, the county staff works with the district staff to find ways to improve the format and spreadsheets that were used in the last plan.

2. Draft CFP - A work group meets to transform the preliminary draft CFP into a draft that is ready for review by the fire district commissioners. This larger work group, has varied in composition, but may include:

   a) The fire district chief or assistant chief;

   b) An elected official from the fire district;

   c) The county fire marshal;

   d) A county planner;

e) A city representative, if the district serves the city or the adjacent UGA;

f) A port representative, when the district also serves an airport;

g) A tribal representative, when the district serves tribal lands;

h) A developer representative;

i) A community representative.

3. Fire District Approval - Approval of the CFP by the fire district commissioners.

4. Planning Commission – Recommendations by the county planning commission.

5. County Approval - Adoption of an ordinance by the county council incorporating information from the CFP into the county comprehensive plan.

The process has worked well so far for Whatcom County. The county has found that it also helps develop relationships between the county and the fire districts that are mutually beneficial.

Intergovernmental Coordination

Many cities and counties partner with each other and special purpose districts to provide joint use facilities. Examples include partnerships with school districts to use gyms and playfields for recreational programs, developing regional partnerships to address wastewater issues, or sharing staff with an adjacent jurisdiction for project review or building inspections. In some cases several jurisdictions may share professional staff through a Council of Governments, such as the Yakima Valley Conference of Governments which is made up of fifteen jurisdictions in Yakima County.

Examples of Intergovernmental Coordination

Walla Walla County and the City of Walla Walla have partnered to provide a joint planning agency to process planning applications and building permits.

The City of Monroe makes use of joint or shared facilities when it makes the most sense for them. They have a process in place to analyze the cost-benefit of shared facilities versus separate facilities.

City of Bonney Lake, in partnership with the Sumner School District, shares school facilities to help meet their parks and recreation needs. Additionally, the city has an agreement with the City of Sumner to use Sumner's wastewater treatment facility.

As discussed in an earlier chapter, the Cities of Lacey, Olympia, Tumwater, and Thurston County (LOTT) have entered into a partnership for shared sewage treatment facilities in Thurston County.

When a local project is not on a state project list

What can a city or county do when a desired project is not on a state agency's project list? In one case, a city had an intersection improvement planned for Main Street where it intersected a state highway. Although WSDOT was not opposed to the improvements, WSDOT did not have any state funding allocated for the project. The city was able to fund the improvements, in large part, due to a fee-in-lieu-of mitigation agreement for transportation impacts resulting from a large development that was proposed at the corner of the intersection. The public was satisfied because they saw the roadway improvements occurring at the same time as the private development took place.

In other instances, a city or county may need to note in their comprehensive plan or functional plan that a project is planned for by the city or county, but is not currently included on the state agency's project list. If this approach is used, the city or county should include discussion of why the project is included locally but not at the state level, and any work the city or county will do in collaboration with the state agency or agencies involved, other stakeholders, and the public to address the issue. The city or county should also include a discussion of how the improvement(s) will be financed.

Projects identified for funding by others

If a project is on a state list will it really get funded? How can a city or county maintain a partnership commitment and accountability for the project with the state agencies? State agencies often have requirements to prepare plans, identify and prioritize projects, and seek funding to implement them. However, in order to proceed they must obtain funding by the legislature or grants from federal agencies. It isn't always a given that any one project identified in a state agency plan will actually be funded and constructed. However, state agencies work closely with their stakeholders and elected officials to implement their plans as best they can. For some projects, such as transportation projects, having the project identified as a

priority in a local plan, a priority in a regional plan, and identified in WSDOT's plan, will certainly help keep the project at forefront during the project selection processes.

Long term funding packages, like "the nickel package" approved in 2003, can include multiple projects to be completed over time. This package included highway improvements, highway preservation, state ferry improvements, freight mobility projects, and multimodal improvements. The nickel package consisted of 158 projects across the state totaling 3.9 billion dollars, primarily funded by a 10-year, five cent increase in the gas tax. In this example, the projects were identified and a funding source was provided.

Maintaining a partnership with the state agencies involved in any needed improvements is prudent. Staff can have on-going conversations about funding and stay informed of any potential changes in funding or timing. Setbacks in funding or timing may necessitate the need to modify the comprehensive plan, 6-year capital improvement plan, or the Capital Facilities Plan if specific projects and funding have been identified for years 7 to 20.

Identified Needs without Identified Funding

What can a jurisdiction do for an identified need that does not have an identified funding source, such as adding a holding cell at the police station or bringing non-ADA-compliant facilities up to current standards? Projects that do not have an identified funding stream must generally be paid for out of general funds or through successfully obtaining grants or loans. If the improvements must occur over a large enough area, such as adding sidewalks, stormwater improvements, and building ADA-compliant crosswalks in a certain area, there may be opportunities to create a local improvement district to pay for improvements. Often a combination of fund types are sought, such as general funds and grant funds from 2-3 different sources. Low interest loans may be an option for certain improvements.

One Eastern Washington County identified a deficiency in their transportation plan, citing numerous deficient school bus turnarounds on some of its older rural roads. To help address the problem, the county plans to fund 2-3 turnaround improvements per year, prioritizing those roads that are not likely to be extended or connected to another road. At this rate, it will take the county several years to correct the deficiency. However, they are addressing the problem to the best of their ability, in balance with other obligations.

CHAPTER 9:

Implementation

There are 6 major steps involved in developing a Capital Facility Plan, as discussed in previous chapters:

1. Determine assets
2. Determine future needs
3. Determine costs
4. Identify revenues
5. Prioritize projects for funding
6. Develop plan

Implementing the capital facilities plan (CFP) takes place through numerous decisions and actions over the life of the plan. Which projects and funding sources are included in the 6-year capital improvement plan is a large component of implementation, but it is only one of many decisions related to the development of a community's infrastructure. Your community's decisions about infrastructure and public works are one of the most powerful tools to implement the comprehensive plan. Those decisions must be consistent with other elements of the comprehensive plan.[26]

The adopted budget is also a significant implementation tool and should reflect projects that are identified for funding in the six-year capital improvement plan (CIP). Additionally, County-wide Planning Policies can provide recommendations or even interlocal agreements for capital facilities shared by jurisdictions or in joint planning areas (see RCW 36.70A.210).

It takes deliberate effort to implement policies from the comprehensive plan. There are several policies, practices, and actions that can drive a county or city toward its goals – or hold it back from achieving them. This chapter is designed to help

[26] RCW 36.70A.120

communities turn goals and policies of the comprehensive plan and other policy oriented documents into reality.

As the CIP is developed, there are some key decisions or actions to help implement the comprehensive plan and Capital Facilities Element. These may specifically include:

- Project selection (see more on this in the section below)and programming (which projects should be built first)
- Project Scoping and Design specification (which design features to include in the project), including scoping of major reconstruction projects
- Policies governing project finance
- Design standards – often large portions of the infrastructure is constructed by others and then deeded to the jurisdiction – make sure you know what you are getting and that you get what you want
- Environmental Review and local project review
- Concurrency and level of service review, development phasing
- Onsite sewer systems in urban areas
- Setting service area boundaries
    - Water Service
    - Sewer Service
    - Fire and EMS

Using the Comprehensive Plan for Project Decisions

Each county and city planning under the Growth Management Act (GMA) must perform its activities and make capital budget decisions in conformance with its comprehensive plan (RCW 36.70A.120). Each local government can develop criteria to use when prioritizing all of the various needs. These criteria can help the local government balance policy and fiscal constraints during the project scoping and prioritization process. Some jurisdictions prioritize projects within functional plans (e.g. all identified sewer projects are identified and prioritized within the general sewer plan). However, at some point, it becomes critical that all projects for all facilities and services be viewed in their entirety.

Projects that are to be paid for through the general fund that are included in the CFP, should be prioritized, which may pit parks projects against library or transportation projects. Local governments may wish to develop policies or procedures to ensure the limited funds are spread out across the various types of projects over time to ensure all projects, facilities, and services can be implemented as envisioned in the comprehensive plan, rather than the majority of funds being spent on one or two

types of infrastructure at the expense of the others over time. There should be policy guidance to help decision-makers aware of these choices in the context of the comprehensive plan vision as well as making choices between parks and recreation projects versus sidewalks and other types of projects. Goals and policies in the comprehensive plan can provide guidance related to growth and development patterns, bringing an underserved area up to a level of service standard, or provide phasing guidance to help decision-makers time the sequence of providing services. Municipal Research Services Center (MRSC) provides financial and budget policies from several local governments at: https://www.mrsc.org/subjects/finance/finpolpg.aspx.

Identifying Projects

As discussed in earlier chapters, it is important to understand the complete set of projects that will be needed to serve the anticipated growth envisioned in the comprehensive plan. This list of needs and projects will provide a better understanding of needed improvements, costs, and funding sources that can be used or will be needed to meet those needs.

In its CFP, the City of Lacey includes projects from seven "separate but coordinated comprehensive planning documents" that when combined, will enable the city to meet its adopted levels of service for capital facilities to implement the comprehensive plan. Some of the City of Lacey's other planning documents include functional plans for sewer, parks, water, stormwater, and transportation. Each section of the CFP includes a narrative, an LOS analysis, a project summary sheet for each project identified as needed (including funding and expenditures for each category), an inventory map, a project location map, and information sheets for each project that include project funding sources and expenditures (by year for the first 6-years). Projects that are needed within the 20-year period are included, although funding sources are not always specifically noted. The project description and justification help elected officials and the public understand the basis for all of the projects.

Listing all projects vs. listing them for grants/loans

Jurisdictions often inquire about what to include in the 6-year CIP. The Growth Management Hearings Board has provided several interpretations regarding this issue. One question often asked is; *should all projects that need outside funding be listed to help with eligibility for grants and loans even if they may not be funded within the six-year timeframe?* Is it important to list the specific funding source rather than

listing "loan" or "grant" even if a source has not been identified? These can be tough issues to address. The 6-year CIP is meant to include all projects that will be built or initiated in that 6-year timeframe, including the estimated cost and funding source. The project can be listed and shown to be financed through a grant and/or loan. If that occurs, the jurisdiction should follow through and apply for the grant or loan. If the jurisdiction is not successful in obtaining the grant or loan, the project can be delayed or a different funding source identified in the next update to the 6–year CIP. However, the jurisdiction will need to proceed cautiously as citizens expect the project to begin in the near future.

Project Selection and Prioritization

Each county or city will eventually need to select projects that are needed (or desired) and determine how to prioritize them. In some cases, the needed projects are prioritized in the functional plan for a system (e.g. water system plan, general sewer plan). At some point, all of the projects will be considered for budgeting – bringing all projects that do not have a specific funding source to compete for limited general funds. The jurisdiction will need to weigh these projects against each other and prioritize them. Prioritization policies will ensure decisions are in line with implementing the vision of the comprehensive plan and fulfill the commitments of the comprehensive plan over time.

The City of Olympia developed a Policy Decision Matrix which included 28 criteria which were weighted in order of importance to help prioritize individual projects. The criteria with the most points involved projects with regulatory orders or satisfied recommended actions or regulations by government agencies. The lowest points involved the use of innovative solutions or impacts of not being funded on other projects or programs. Each project was evaluated with this criteria, and in the end, points were totaled to demonstrate which projects scored the highest and should be included in the capital facility plan and budget. This was also an effective tool to demonstrate to the City Council and the public, the decisions that helped inform the budgetary process. To view the Policy Decision Matrix, go to: http://www.commerce.wa.gov/Services/localgovernment/GrowthManagement/Capital-Facilities/Capital-Facilities-Planning-Tool/Pages/default.aspx, download the planning tool templates, and click on the "Decision Matrix".

In another example, the City of Eugene, Oregon includes a "Reader's Guide" section in their 2014-2019 Capital Improvement Program. A graphic shows the planning steps associated with the plan development and adoption process. The City drafts its project list based on available resources, citywide project coordination, and funding

constraints. The combined outcome of this work results in the city's project selection and prioritization for capital improvements.

Hearings Board Cases Related to Funding Sources

RCW 36.70A.070(3)(d) requires that a CFE clearly identify funding sources. A generalized list of funding sources did not comply with such a requirement. However, use of other sections of the CP which are incorporated by reference and are sufficiently specific documents does comply with the GMA. TRG v. Oak Harbor 96-2-0002 (FDO, 7-16-96)

When a jurisdiction that owns and/or operates a specified capital facility cooperates with the county and discloses information pertaining to location or financing (RCW 36.70A.070(3)(c-d)), the county may include such information in its CFE. Indeed, aside from being sound growth management and public policy, it may be a necessary prerequisite to access a new funding source – e.g., impact fees. [Bremerton/Port Gamble, 95-3-0039/97-3-0024c, 9/8/97 Order, at 39.]

Petitioners argue that [RCW 36.70A.070(6)(a)(iv)] requirement (A) - analysis of funding capability to judge needs against probable funding resources –entails more than simple identification of funding sources and projected dollar amounts for each source [...but...] must address "the range of revenue reasonably expected, the assumptions and variables for the projected sums and the level of certainty for the projections." According to the Guideline [WAC 365-196-430(2)(k)(iv)], "analysis of funding capability" means determination of revenues "reasonably expected" based on existing sources and "a realistic estimate" of any new funding source. Many jurisdictions, including Kirkland, undoubtedly undertake a much more sophisticated financial forecast and risk assessment in their annual CFP reviews, but the Board does not find that the GMA requires the Comprehensive Plan transportation element to contain ranges, assumptions and variables, and levels of certainty for transportation funding sources. Finding of Compliance Case No. 09-3-0007c and FDO Case No. 10-3-0012 (Feb. 2, 2011), pgs. 21-23.

Generalized statements in the [Capital Facilities and Utilities Element of the Comprehensive Plan] of what capital facilities the County has presently and may need in the future does not clearly identify what is needed to support the incorporated cities, let alone the new unincorporated UGAs, nor how much these public facilities and services will cost and sources of public money needed for such purposes. Wilma v. Stevens County, EWGMHB Case No. 06-1-0009c, FDO, at 25 (March 12, 2007).

The GMA, under RCW 36.70A.070(3), requires a capital facilities plan element in the City or County's Comprehensive Plan. The Legislature recognized that planning is forward looking, so mandated at a minimum a six-year Capital Facilities Element (CFE), to ensure financing of projected capital facilities and sources of public money were clearly identified. They also required a forecast of future needs for such capital facilities. The County has a six-year CFP, for the period of 2000-2006. McHugh, et al. v. Spokane County, et al., EWGMHB Case No. 05-1-0004, FDO (Dec. 16, 2005).

The GMA, under RCW 36.70A.070(3), requires a capital facilities plan element in the City or County's Comprehensive Plan. The Legislature recognized that planning is forward looking, so mandated at a minimum a six-year Capital Facilities Element (CFE), to ensure financing of projected capital facilities and sources of public money were clearly identified. They also required a forecast of future needs for such capital facilities. Roberts/Taylor v. Benton County and Benton County Board of Commissioners, et al., EWGMHB Case No. 05-1-0003, FDO, (Sept. 20, 2005).

The GMA, under RCW 36.70A.070(3), requires a capital facilities plan element in a city or county's comprehensive plan. The legislature recognized that planning is forward looking, so mandated at a minimum a six-year capital facilities element to ensure financing or projected capital facilities and sources of public money are clearly identified. They also required a forecast of future needs for such capital facilities. The County has a six-year CFP for the period of 2000-2006, which hasn't been updated since its adoption, with the exception of its law enforcement element. Moitke/Neighborhood Alliance of Spokane v. Spokane County, et al, EWGMHB Case No. 05-1-0007, FDO, (Feb. 14, 2006).

[Six-year financing plan] RCW 36.70A.070(3) requires that sources of public funds with a reasonable assurance of availability within the six-year period be clearly identified. … [the City] does this by showing that there will be revenue available, generated by sales taxes and real estate excise taxes, as a result of development within the expanded UGA. It does not matter that such revenue may go into the general fund, because the City can take into consideration the source of the funds when budgeting expenditures from the general fund for capital facilities. The purpose of RCW 36.70A.070(3)(d) is to make sure that there are sufficient sources of funding available to the City or County. Using this planning information, the City and County have the discretion to determine which funding sources to use and how much of each source to use. Panesko v. Benton County, EWGMHB Case No. 07-1-0002, FDO, at 24 (internal citations omitted) (July 27, 2007).

RCW 36.70A.070(3) requires that sources of public funds with a reasonable assurance of availability within the six-year period be clearly identified… [the Records shows]

that there will be revenue available, generated by sales taxes and real estate excise taxes, as a result of development within the expanded UGA. It does not matter that such revenue may go into the general fund because the City can take into consideration the source of the funds when budgeting expenditures from the general fund for capital facilities. The purpose of RCW 36.70A.070(3)(d) is to make sure that there are sufficient sources of funding available to the City or County. Using this planning information, the City and County have the discretion to determine which funding sources to use and how much of each source to use... there is no GMA requirement that the capital facilities plan include documentation or commitment from developers for developer contributions… If the developers are unwilling or unable to pay their portion through SEPA mitigation, impact fees, utility fees, etc., within the six-year planning period, the City will not have to "pony up more", ... Rather, the projected development simply will not occur. Roberts/Taylor v. Benton County, EWGMHB Case No. 05-1-0003, Compliance Order, at 29 (internal citations omitted) (April 4, 2007).

On-Site Sewage Systems in Urban Growth Areas

There may be limited situations when it may be appropriate to allow on-site sewage systems in UGAs (e.g. when difficult due to topography challenges, or as an interim solution until sanitary system hook up can occur). Some jurisdictions address this by requiring all new development to connect to sanitary sewer and then note any specific exceptions. Unique circumstances may allow for approval of on-site systems upon certain findings as part of the permitting process. If this situation is applicable in your jurisdiction, it would be wise to identify how and when such exemptions or exceptions will be allowed. Also, if sanitary sewer does become available to the lots in the future, there should be policies and requirements in place to specify when connection to the system will be required (e.g. when an on-site system fails, needs to be replaced, or when within a specified distance of a sanitary sewer). Precautions should be taken to ensure development that is not connected to sanitary sewer will not preclude further development at urban densities once sanitary sewer service is present.

It is important to consider implications of allowing on-site systems that may arise. For example, if several on-site systems are permitted in an area, it may become less and less financially feasible for a sanitary sewer connection to be made as the pool of potential rate-payers for the extension is reduced.

WAC 365-196-320(1)(f) provides guidance regarding the use of on-site sewer systems in urban growth areas, acknowledging that it may be appropriate in limited situations when there is no negative effect on basic public health, safety, and the environment.

Additionally, when used, on-site systems in urban growth areas should not preclude development at urban densities.

Allowing on-site sewer systems in an urban growth area may be appropriate in the following, limited circumstances:

- Use of on-site sewer systems as a transitional strategy where there is a development phasing plan in place (see WAC 365-195-330); or
- To serve isolated pockets of urban land difficult to serve due to terrain, presence of critical areas, or where the benefit of providing an urban level of service is cost-prohibitive; or
- Where on-site systems are the best available technology for the circumstances and are designed to serve urban densities.

Capital Facilities and Development Review

Planning upfront for capital facilities can increase certainty and predictability for citizens and developers. Knowing what is needed and where and when facilities will be available, can streamline permitting. It can help reviewing departments, special purpose districts, and outside agencies determine what improvements or conditions of approval are appropriate to request during project review. Having the appropriate capital facility plans and development regulations in place can also help justify the improvements and be referenced cited in staff reports as well as adopting resolutions or ordinances by elected officials.

Providing Sufficient Capacity

One important aspect of permitting is the determination that sufficient capacity exists in order to serve the new development being proposed. If not, what will be needed to bridge that gap and who should pay for those improvements? Ultimately, the jurisdiction is required to ensure facilities and services can be provided at the adopted level of service. Developers cannot be required to pay for existing deficiencies.

Concurrency

If approval of a development would result in impacts that result in a facility falling below the adopted level of service, the jurisdiction must deny the development if mitigation to preserve the LOS cannot be achieved. This is the concurrency

requirement. It is required for transportation facilities and optional for capital facilities and public services. Under the GMA, concurrency can be achieved within six years of the development being approved. Any funds collected from developers by the jurisdiction to help fund these improvements must be spent within six years or returned to the developer.

Jurisdictions may adopt a concurrency mechanism for other public facilities that are deemed necessary for development (see WAC 365-196-840(2)). These other facilities may include parks and recreational facilities, sanitary sewer systems, stormwater facilities, and schools. The Municipal Research and Services Center (MRSC) maintains an excellent webpage devoted to concurrency, including summaries of two court cases and key cases from the Growth Management Hearings Board.

Development Phasing

Phasing development can be a useful tool in the timing of infrastructure. Jurisdictions may need more development to occur in a certain area first before expanding into a different area (e.g. an area that is farther from services than the infill area). This can help maximize use of existing infrastructure, increase the number of ratepayers to help pay for infrastructure, utilize new grant and/or funding sources, and delay the need for costly upgrades or new facilities until the timing of development, infrastructure, and funding can be synchronized.

Development Standards

Development standards can also be an implementation tool. Some urban jurisdictions have "to and through" requirements for new development. Such standards require developers to extend rights-of-way and utility lines to the edge of the property being developed. This allows the adjacent property owner the ability to continue the improvements when they decide to develop. Certain considerations that should be made by the jurisdiction include allowing for and facilitating latecomer's agreements, when the jurisdiction may want to pay for the facility to be "upsized" to allow for optimal provision of service at full build out, and other growth related questions that may arise. Careful consideration of planned growth and the facilities that are needed can put the jurisdiction in a better position to meet the needs of developers, future developers and residents of the area, and the city as a whole.

Project Integration

Local governments can save significant resources by integrating projects. For example, if a jurisdiction integrates the projects for roads or streets with stormwater and utility projects, significant money can be saved by combining the projects - or at least phasing them so that one project's work (or a portion of it) does not have to be torn up a year or two later to allow another project to take place. There can be "missed opportunities" and increased costs when system integration does not occur.

Developer Improvements

Local governments typically require developers to install the infrastructure needed to serve the proposed development. These improvements are usually required to be constructed to the local government's pre-identified standards, inspected, ultimately approved, and deeded to the local government for long term ownership and maintenance. This can be a significant way for some capital facilities to be built or improved.

In order for this to occur, the local government should have clear policy and development regulation language to make clear what will be required. Additionally, local governments will need to ensure the required improvements are roughly proportionate to the impacts of the development. When questions arise, the local government staff should work with the City Attorney or County Prosecuting Attorney to ensure conditions of approval are legally defensible. Some important cases to be aware of include:

Benchmark Land Co. v. City of Battle Ground, 94 Wn. App. 537 (1999) - Road improvements as condition of plat approval

> *A preliminary plat application is not "approved" until the local legislative body giving its approval enters a written decision that includes findings of fact and conclusions of law as required by RCW 58.17.100. An oral decision is not binding. Also, a local ordinance generally requiring subdivision developers to improve the streets fronting their proposed developments as a standard regulation of new subdivisions does not absolve the local jurisdiction of its duty to conduct a site-specific inquiry into whether and to what extent a proposed subdivision will impact an adjoining street before it may condition preliminary plat approval of the subdivision on the developer's making specified street improvements.*

Sparks v. Douglas County, 127 Wn.2d 901 (1995) - subdivision dedication roughly proportional

The court determined that a nexus existed between the requirement of short plat approval of a dedication of rights-of-way for road improvements and the county's interest in the promotion of road safety. The court also determined that the exactions demanded by the county were roughly proportional to the impact of the proposed development under Dolan v. City of Tigard because they were the result of an individualized analysis conducted by the county.

Luxembourg Group v. Snohomish County, 76 Wn. App. 502, *review denied*, 127 Wn.2d 1005 (1995) - stub road access dedication is taking

The county denied a subdivision application because the applicant would not agree to dedicate a stub road access to a landlocked neighboring property as a condition for approval. The court determined that the dedication requirement would not remedy any problem caused by the applicant's proposed subdivision. The court held that a dedication requirement that would not remedy any problem caused by the subdivision effects an unconstitutional taking of property without compensation.

Burton v. Clark County, 91 Wn. App. 505 (1998), *review denied*, 137 Wn.2d 1015 (1999) - road requirement lacks rough proportionality

A requirement that a developer build a road across his property that would eventually connect with a road to be built in the future on adjacent property was invalidated as a takings. The county's requirement lacked "rough proportionality" to the nature and extent of the impact of the proposed development.

Cradduck v. Yakima County, 166 Wn. App. 435 (2012) - flood management ordinance upheld

Under its flood management ordinance, the county did not permit the plaintiff to replace a mobile home on a lot within her mobile home park located in a designated floodway. Although the trial court rejected the plaintiff's regulatory takings claim, it granted her substantive due process claim. The court of appeals reversed the trial court's substantive due process holding, concluding that the county flood management ordinance and the statute under which it was adopted (ch. 86.16 RCW) support legitimate public purposes, use means that are reasonably necessary to achieve those purposes, and are not unduly oppressive on the landowner.

Additional Resources:

- Washington State Attorney General - Regulatory Takings, Advisory Memorandum: " Avoiding Unconstitutional Takings of Private Property " (2006).
- Municipal Research Services Center - http://www.mrsc.org/subjects/legal/takings.aspx

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CHAPTER 10:

Review, Update and Evaluate the Capital Facilities Element

Jurisdictions should develop Capital Facility Plan (CFP) benchmarks and a monitoring system to provide feedback on whether or not the jurisdiction is achieving its policies for Level of Service (LOS), finance, and capital projects to serve its adopted land use plan. Such feedback will help a jurisdiction adjust policies in either the CFP, financial plan, or the land use plan in order to improve consistency and achieve the desired outcomes envisioned in the comprehensive plan.

Overview: The Role of the Update

The periodic update, which occurs at least every 8 years under current statute (RCW 36.70A.130(5)), is a time to bring the comprehensive plan and implementing development regulations – including the critical areas ordinance – up to current standards. It is also an opportunity to reassess the vision and progress toward achieving the vision a community has determined for itself. Some general questions that should be raised include:

- Were our assumptions correct?
- Are we doing what we said we would do?
- Is it turning out as we had hoped?
- If not, why? What should be done to make the outcome better?
- What policy adjustments can be made if needed?
- Is our financial plan adequate to meet infrastructure expectations?
- Are levels of service standards consistent with our infrastructure needs and ability to pay for infrastructure?

- Do we need to make changes to the land use plan if we are falling behind in funding infrastructure?

Depending on the answers to those questions, more specific questions can be raised and discussed publicly. It is important to include the public in these questions and throughout the update process.

Basic Steps in the Periodic Review

As far as capital facilities and public services go, the basic requirements of the update process include:

- Update inventory
- Assess progress on implementation
- Update the forecast and identify any new needs
- Assess your findings
    - Are we keeping up with growth?
    - Are we falling behind in maintenance?
    - Are we making progress on our other plans?
    - Can we provide our urban areas with the services needed?
    - Are the assumptions used still valid?
    - Are the assumptions and timeframes of functional plans (sewer, water, stormwater, etc.) – especially those of other entities – consistent with the comprehensive plan?
- Update the implementation plan

This must be done in light of any new population figures, changes in growth patterns, annexations or new incorporations, or changes to the urban growth boundary. If the jurisdiction has assumed any special purpose districts, if new special purpose districts have formed, or if the local situation has changed due to new information, policies, or changes in LOS standards, the factors must be updated and addressed in the revised CFP. The update must address any changes in statute since the previous update as well. Changes to the Growth Management Act, such as the provision to promote physical activity, may result in changes to the comprehensive plan and that may impact the Capital Facilities Element.[27]

The review and assessment may show that the jurisdiction is on track to achieve its vision, it may show a potential gap in one aspect of services, or it may highlight the need to improve the level of operation and maintenance to certain facilities. Or it

[27] Growth Management Services publishes a document titled "Growth Management Act and Related Laws" annually. For the latest version visit: http://www.commerce.wa.gov/Services/localgovernment/GrowthManagement/Pages/LawsRules.aspx

may show that a certain geographic area has fallen below adopted LOS and strategies need to be developed to bring it back up to standard.

The importance of the update is that it provides a process by which the review occurs, involving all stakeholders and special purpose districts as well as the public. It is an excellent opportunity to educate newly elected officials about the importance of long term planning for growth and the needed infrastructure to serve that growth. It is also a time to communicate with the public about the costs of the existing systems and what will be needed to implement the land use and related plans. These discussions can often lead to a willingness to accept higher densities or different growth patterns so that limited infrastructure funding can be maximized to serve a greater number of people at a lower cost.

CHAPTER 11:

Conclusions

Capital facilities planning, financing, and budgeting are significant steps in achieving the vision of the comprehensive plan. Investing in infrastructure can be a significant indication of where a community encourages growth. This guidebook has addressed the specific requirements of capital facilities planning under the Growth Management Act, including references to the Washington Administrative Code, Growth Management Hearings Board cases, and through providing examples of how local governments are addressing the issues. We conclude the guidebook with a few additional thoughts:

Think Like a Business

Some aspects of capital facilities, especially provision of domestic water and sanitary sewer, lend themselves to running them like a business. Strategic planning for long time operation of the systems is critical. What actions can be taken to maximize the return on investment? Which operation and maintenance programs will provide the best return? Are the rates set at a level that adequately funds the system over time, including reserve requirements, regular operation and maintenance, repairs, and eventual replacement?

Be a Good Fiscal Steward

Local governments have a responsibility to be good stewards of resources, including the infrastructure and the financial responsibilities to own and operate it. Work closely with the public, elected officials, and stakeholders to ensure the systems are cared for in the public interest. Keep long term needs in mind during the day-to-day operations. Ensure elected officials keep long term needs in mind during the

development of the 6-year capital facilities plan (CFP) and budgeting process. Work regularly with the finance staff to track investments and long term needs.

Leave a Quality Legacy

Perhaps people don't think about capital facilities when they think of leaving a quality legacy. But ensuring a jurisdiction can meet the adopted level of service with a growing population – and position itself to pay for the needed systems – is no small feat. This commitment is truly essential for full implementation of a community's comprehensive plan and vision. Below are some of the key strategies that can help a community leave a quality legacy:

- Invest where you want new growth to occur.
- Understand how the growth pattern selected affects the investments that will be needed.
- Remember that new residences will not increase the tax base significantly but will increase the need to provide services for years to come. Select growth and development patterns that allow for efficient and effective provision of public services.
- Understand that infrastructure built by others, but then deeded to the city or county, has short term and long term costs – for maintenance and operation, and eventually will need significant repair, then replacement. Make sure your jurisdiction has a financial plan to support these infrastructure expenditures.
- Before expanding urban growth areas, consider alternatives and the costs of each, prepare the CFP to show funding needed and sources to cover the alternatives - and refer to the urban growth area guidebook. Use this information to have candid and collaborative conversations with the public, other service providers, and elected officials.
- Work collaboratively with all service providers - using the same population forecasts, timeframes, assumptions - and the future land use map in the comprehensive plan. This will help ensure all parties are working toward the same outcomes.

Various growth patterns and intensity of development have different infrastructure needs, and therefore costs. Understanding the financial aspects of the growth patterns being considered can have a direct outcome of the alternative selected. In "Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development," Smart Growth America found:

1. In general, smart growth development costs one-third less for upfront infrastructure.

2. Smart growth development saves an average of 10 percent on ongoing delivery of services.
3. Smart growth development generates 10 times more tax revenue per acre than conventional suburban development.

> *Many municipalities have found that a smart growth approach would improve their financial bottom line. Whether by saving money on upfront infrastructure; reducing the cost of ongoing services like fire, police and ambulance; or by generating greater tax revenues in years to come, community after community has found that smart growth development would benefit their overall financial health.*
>
> *Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development*

Patterns of development can also have a significant impact on the amount of energy and greenhouse gas emissions resulting from growth. Balancing community values with costs needed to implement them can certainly lead to a quality legacy.