

CHAPTER 7

PLAN IMPLEMENTATION

7.1 INTRODUCTION

This chapter discusses methods of providing revenue for the stormwater system's operation and maintenance program and capital improvement projects which were recommended in Chapter 6, Capital Improvement Plan.

Funding for the capital improvements listed in Chapter 6 is an essential requirement for the implementation of the recommendations. The financial resources available to the Town for the implementation of stormwater capital improvement projects, other than service charges and connection charges, include grant and loan funds, debt financing, and improvement districts.

7.2 SERVICE CHARGES AND CONNECTION CHARGES

The Town of Friday Harbor formed a stormwater utility in 1993. The utility collects a monthly service charge from existing developed property and collects a connection charge when undeveloped property develops. The utility currently collects \$7.25/month per Equivalent Residential Unit (ERU). The number of rate payers based on ERUs was 2,648 in the year 2005 (Budget Revenue 2005 (\$230,000)/Annual rate per ERU (\$84.44)).

Service charges are the primary means of funding ongoing maintenance programs, repair or replacement of existing systems and administration of the utility. In addition, service charges can be used to repay debt service for loan or bond indebtedness for the utility.

Connection charges provide a mechanism by which owners of property which is developed after January 1, 1994, the effective date of the ordinance establishing the rate structure policy for the Stormwater Management Utility, share in the current cost of constructing drainage improvements. The connection charge is assessed against the property at the time the owners of the property applies for a building, construction or development permit. The Town currently collects a connection charge of \$290 per ERU. The connection charge is based only on the cost of facilities already in place. The Town may wish to consider including the proposed cost for future improvements into the connection charge in order to collect the funds necessary for future growth in the outlying areas of the Town.

All revenue collected through the service and connection charges is deposited in the Stormwater Management Utility Fund. The Utility Fund can pay for the costs of data collection, planning, designing, constructing, acquiring, maintaining, operating, and

improving the drainage utility facilities, whether such facilities are natural, constructed or both, and administering the Utility.

7.3 GRANT AND LOAN FUNDS

Within the State of Washington there are several grant and loan funds available for capital improvements. Among these are the Public Works Trust Fund (PWTF), Centennial Clean Water Fund (CCWF) and the State Revolving Fund (SRF). There are other state and federal agencies that offer funding for wetlands protection and flood control. These include the Flood Control Assistance Account Program (FCAAP) through the Department of Ecology and the Aquatic Lands Enhancement Account (ALEA) through the Department of Natural Resources. None of these programs can be counted on to consistently provide revenue for stormwater improvements and therefore, should be considered secondary avenues of funding. In addition, grant funding is extremely limited. Therefore, loans are the more likely source for outside funding.

7.3.1 PUBLIC WORKS TRUST FUND

The Public Works Trust Fund program is administered by the Department of Community Development. Its purpose is to provide funds for repair, reconstruction, replacement, rehabilitation, or improvement of public works systems including stormwater. To be eligible, the local jurisdiction must adopt the 1/4 percent real estate excise tax and have in place a capital improvement program (CIP) for locally owned roads and bridges, domestic water, and storm sewer systems. The Town meets both of these requirements. The purpose of the CIP is to coordinate improvements from each of the different utility systems. The attractiveness of the PWTF program is its low interest loans. The PWTF program currently offers 20-year maximum term loans, of up to \$10,000,000 per jurisdiction per biennium, project, at interest rates of 0.5 to 2 percent, depending on the level of local participation. For a 10 percent initial local share, the Town would be eligible for a 1 percent loan.

7.3.2 DEPARTMENT OF ECOLOGY WATER QUALITY PROGRAM

The Department of Ecology administers three major funding programs that provide low-interest loans and grants for projects that protect and improve water quality. The three programs are managed as one program with one funding cycle, application form, and offer list.

The three programs are:

- The Centennial Clean Water Fund (CCWF), which provides low-interest loans and grants for wastewater treatment facilities and fund-related activities to reduce nonpoint sources of water pollution.

- The State Revolving Fund (SRF), which provides low-interest loans for wastewater treatment facilities and related activities, or to reduce nonpoint sources of pollution.
- The Section 319 Nonpoint Source Grants Program (Section 319), which provides grants to reduce nonpoint sources of water pollution.

Loans are available for up to 100 percent of eligible project costs. During the 2005 fiscal year award cycle 0- to 5-year term loans had an interest rate of 0.5 percent and 6-to 20-year term loans have an interest rate of 1.5 percent. Grants are available for up to 75 percent of eligible project costs. Examples of eligible projects include watershed planning, water quality monitoring, water quality projects, acquiring wetland habitat for preservation, and public information and education.

7.3.3 FLOOD CONTROL ASSISTANCE ACCOUNT PROGRAM

The Flood Control Assistance Account Program (FCAAP) was established by the state in 1984 to assist local jurisdictions with comprehensive flood planning and maintenance efforts to reduce flood damages. The program is administered through the Department of Ecology in association with the Department of Fish and Wildlife and County engineers. Funding for the program is approximately \$4.0 million each biennium. Operations, maintenance, and capital improvement projects are all eligible for grant assistance as long as the public entity has a certified comprehensive flood control management plan in place. The FCAAP are generally written through the County which means that the projects throughout the County are ranked and compete for the portion of the total FCAAP funds available to the County.

7.3.4 AQUATIC LANDS ENHANCEMENT ACCOUNT

The Aquatic Lands Enhancement Account (ALEA) is used to provide grant-in-aid support for the purchase, improvement, or protection of aquatic lands for public purposes, and for providing and improving access to such lands. Grants are available to cities, towns, counties, ports, or tribes. The project must be associated with state-owned aquatic lands. The maximum grant amount is \$100,000. Applicants must provide a 50 percent match. A storm project which redirects or treats runoff and thus improves state-owned aquatic lands would be an eligible project under this program.

7.4 DEBT FINANCING

Two forms of debt financing are available for capital improvements including general obligation (G.O.) bonds and revenue bonds. G.O. bonds are backed by the "full faith and credit of the Town" and are paid for through property tax levies. These bonds require voter approval before they can be implemented. A less common means of financing capital improvements associated with stormwater projects is through the use of revenue

bonds. The Town, like other municipalities, is capable of issuing tax exempt bonds. The principal and interest of such bonds are repaid from revenue generated from a utility such as a water, sewer or stormwater utility. This type of funding may be offered without voter approval. However, in order to qualify to sell revenue bonds, the Town must establish that its net operating income, gross incomes less expenses, is equal to or greater than its debt coverage factor (typically 1.3-1.4) times the annual principal and interest due for all outstanding bonded indebtedness. Essentially, utility rates have to be set high enough to insure revenue bond repayment.

7.5 DEVELOPER FEES

The Town may require improvements for service to a property within new plats or commercial improvements to be financed by the developer. Alternatively, the Town may offer the developer the opportunity to pay a fee into a fund dedicated to the construction of stormwater facilities. The developer, for example, may be required to construct detention facilities in accordance with Town standards or pay into a fund for construction of an off-site facility to service multiple properties. The alternative approach allows the Town to develop facilities in a planned and cost effective manner. However, several developments are generally required before the Town has available funds to construct a regional facility. The Town has little control over the scheduling of such facilities unless alternative funding sources such as service charge revenues are utilized on a short term basis to fund initial construction and then repaid as developer fees are collected.

7.6 IMPROVEMENT DISTRICTS AND SPECIAL ASSESSMENTS

Levying special assessments on benefited properties have been used throughout the state for stormwater improvements. Projects funded through special assessments must have an identifiable benefit to the properties included in the assessment area, and charges for each parcel must be consistent with the relative benefit to each property. In Washington, municipalities can establish a local improvement district (LID) or utility local improvement district (ULID). These approaches require an assessment against property owners within the district boundaries. In order to establish the district and implement this approach, a minimum percentage of property owners within the proposed district must vote their approval.

The use of LIDs to fund stormwater projects is complicated by the difficulty in quantifying benefits for individual property owners. For water and sewer improvements, the benefit is normally established on the basis of frontage along the improvement. With drainage improvements, however, upstream or hillside properties which may contribute significantly to runoff may actually benefit little from improvements because of their protected location. One result may be to narrowly establish the boundaries of the LID which then may be counterproductive to comprehensive stormwater management. Another problem of LIDs is that they place heavy administrative burdens on Town staff to maintain the improvements in the district.

7.7 RECOMMENDED FINANCING METHODS

The CIP projects presented in Chapter 6 are all required to provide adequate stormwater conveyance capacity. Due to the lack of a water quality component in the projects it is unlikely that any of the CIP projects would be awarded CCWF loan or grant funding or SRF loan funding. It is recommended that the projects be funded through a combination of utility rates, and PWTF loans. Where utility rate financing is recommended it is assumed the utility will have previously collected sufficient funds for the project. Table 7-1 lists the CIP projects in order of priority and the estimated construction year and indicates the recommended method of financing. Where appropriate, projects that are expected to be funded by PWTF have been grouped together. Completed projects have been retained in the list but have been noted as being complete.

TABLE 7-1

Capital Improvement Plan Financing

Project No.	Project Description	Year	Costs 2005 Dollars⁽¹⁾	Assumed Financing Method
1.	Malcolm St. to "A" St./East St. to Outfall	--	Completed	N/A
2.	Guard Street to Tucker Avenue	--	Completed	N/A
3.	Larson Street	2007	\$ 472,000	PWTF ⁽²⁾
4.	680/690 Larson Street	2007	\$ 165,000	PWTF ⁽²⁾
5.	Marble Street and Tucker Avenue	2007	\$ 59,000	PWTF ⁽²⁾
6.	Tucker Avenue	2010	\$ 223,000	PWTF ⁽³⁾
7.	Friday Avenue to Outfall	2010	\$ 121,000	PWTF ⁽³⁾
8.	Reed Street	--	Completed	N/A
9.	Linder/Nelson/Franck/"C"/Nichols Street	2012	\$ 397,000	PWTF ⁽⁴⁾
10.	Spring St. – Argyle Ave. to First Ave.	2012	\$ 321,000	PWTF ⁽⁴⁾
11.	West St. Diversion from Second St. to First St.	2015	\$ 73,000	PWTF ⁽⁵⁾
12.	Caines Street Diversion from Spring Street	2015	\$ 70,000	PWTF ⁽⁵⁾
13.	Web St. Diversion from Argyle Av. to "A" St.	Beyond 2015	\$ 191,000	PWTF
14.	Marguerite Place to Guard Street	Beyond 2015	\$ 232,000	PWTF
Total Estimated Project Cost			\$2,324,000	

- (1) April 2005 ENR Index Cost, DDI – 8194.11.
- (2) Apply to PWTF Program Spring 2006. Funds available Spring 2007.
- (3) Apply to PWTF Program Spring 2009. Funds available Spring 2010.
- (4) Apply to PWTF Program Spring 2011. Funds available Spring 2012.
- (5) Apply to PWTF Program Spring 2014. Funds available Spring 2015.

Project No. 1, Drainage Basins No. 1 and 2, Malcolm Street to "A" Street/East Street to outfall was needed to remedy an immediate need. Project was completed 4/99.

Project No. 2, Drainage Basin No. 6, Guard Street to Tucker Avenue was completed in 1998.

Projects No. 3, 4 and 5, Drainage Basin No. 7. The three projects include installation of 24-inch and 36-inch piped drainage system along Larson Street from Carter Avenue to Tucker Avenue, installation of 18-inch piped drainage system from the Village Grove detention pond to Larson Street and replacement of the existing culverts at Tucker Avenue and Marble Street with 15-inch culverts. The financial analysis assumes the projects will be financed through a single PWTF loan.

Projects No. 6 and 7, Drainage Basin No. 7. The projects include replacement of the existing 24-inch drainage pipe with a 36-inch pipe from Friday Avenue to the harbor and replacement of the existing drainage system on Tucker Avenue from Larson Street to Friday Avenue with 36-inch diameter pipe. The financial analysis assumes the projects will be financed through a single PWTF loan and completed in conjunction with road improvements on Larson Street.

Project No. 8, Drainage Basin No. 5, has been completed.

Projects No. 9 and 10, Drainage Basin No. 4. The projects include improvements to the drainage systems of Nelson, Linder and Franck Streets with 12-inch and 18-inch piped systems and replacement of the 15-inch pipe on Spring Street from Argyle Street to First Street with 24-inch and 36-inch pipe. The financial analysis assumes the projects will be financed through a single PWTF loan.

Projects No. 11 and 12, Drainage Basin No. 4. The projects include diversion of storm flow from areas with limited capacity to portions of the system with capacity. Projects 11 and 12 include a diversion from Spring Street to Caines Street and from Second Street to First Street. The financial analysis assumes the projects will be financed through a single PWTF loan.

Project No. 13, Drainage Basin No. 4. The project includes diversion of storm flow from areas with limited capacity to portions of the system with capacity. Project No. 13 is a diversion from Argyle Avenue to "A" Street. Project No. 13 is not included in the financial analysis since the project is not anticipated to occur within the next 10 years.

Project No. 14, Drainage Basin No. 6. The project includes the replacement of pipes and ditches along Marguerite Place and at the intersection of Guard and Park Street with 12-inch pipe. Project No. 14 is not included in the financial analysis since the project is not anticipated to occur within the next 10 years.

7.8 PRELIMINARY RATE ANALYSIS

Table 7-2 presents a preliminary rate analysis based on the recommended project financing. The preliminary rate analysis is based on the following assumptions.

1. The rate of growth in the number of ERUs is 1.4 percent per year per the 2002 *Town of Friday Harbor Comprehensive Plan*.
2. Connection charges are collected for the annual increase in ERUs. Connection charges are adjusted annually to the Seattle CPI.
3. The O&M costs increase at 3 percent per year.
4. The utility has a \$50,000 balance at the start of 2005 (2005 budget).
5. The project costs are adjusted for inflation assuming 3 percent increase per year.
6. Project No. 3, 4, and 5, are financed by one loan from PWTF. The Town's match is 10 percent of the total project cost and loan terms are 1 percent interest, 20 year payback.
7. Project No. 5 and 7 are financed by one loan from PWTF. The Town's match is 10 percent of the total project cost and loan terms are 1 percent interest, 20 year payback.
8. Projects No. 9 and 10 are financed by one loan from PWTF. The Town's match is 10 percent of the total project cost and loan terms are 1 percent interest for 20 years pay back.
9. Projects No. 11 and 12 are financed by one loan from PWTF. The Town's match is 10 percent of the total project cost and loan terms are 1 percent interest for 20 years payback.

Low interest loan financing of these projects is not guaranteed. Revenue bond financing will have higher debt service and debt coverage requirements and a resulting higher rate impact. In this analysis, a portion of the Town's revenue is obtained from growth-related revenue sources such as connection fees and increased service rate revenue. If the expected growth does not occur, or if low interest loan financing is not obtained, the Town must find alternate sources of revenue or delay the construction of capital improvements.

Based on these assumed project completion dates and method of financing shown in Table 7-1, it appears the stormwater utility rates would need to be increased to \$8.25/month/ERU in 2006 and \$9.00 in 2007. Annual adjustments per the Seattle CPI would be instituted starting in 2008.

TABLE 7-2

Preliminary Rate Analysis

Year	2005 Budget	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Beginning Balance	\$50,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Revenue												
ERUs	2648	2685	2723	2761	2800	2839	2879	2919	2960	3001	3043	3086
Monthly Service Rate	\$7.25	\$8.25	\$9.00	\$9.18	\$9.36	\$9.55	\$9.74	\$9.94	\$10.14	\$10.34	\$10.54	\$10.76
Total Service Rate	\$230,376	\$265,815	\$294,084	\$304,152	\$314,617	\$325,379	\$336,563	\$348,064	\$360,012	\$372,298	\$385,059	\$398,310
Total Connection Charge	\$3,500	\$10,730	\$11,020	\$11,020	\$11,310	\$11,310	\$11,600	\$11,600	\$11,890	\$11,890	\$12,180	\$12,470
Misc. Revenue	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700
Total Revenue	\$236,576	\$279,245	\$307,804	\$317,872	\$328,627	\$339,389	\$350,863	\$362,364	\$374,602	\$386,888	\$399,939	\$413,480
Expenditures												
Maintenance Supervisor/Town Shop	\$35,125	\$36,179	\$37,264	\$38,382	\$39,533	\$40,720	\$41,941	\$43,199	\$44,495	\$45,830	\$47,205	\$48,621
Administration/Planning	\$27,150	\$27,965	\$28,803	\$29,668	\$30,558	\$31,474	\$32,419	\$33,391	\$34,393	\$35,425	\$36,487	\$37,582
Maintenance	\$48,750	\$50,213	\$51,216.75	\$52,753	\$54,336	\$55,966	\$57,645	\$59,374	\$61,155	\$62,990	\$64,880	\$66,826
Finance/Customer Service	\$33,140	\$34,134	\$35,158	\$36,213	\$37,299	\$38,418	\$39,571	\$40,758	\$41,981	\$43,240	\$44,537	\$45,874
Expenditures & Other Operating	\$5,470	\$5,634	\$5,803	\$5,977	\$6,157	\$6,341	\$6,531	\$6,727	\$6,929	\$7,137	\$7,351	\$7,572
Capital Outlay	\$8,000	\$8,240	\$8,487	\$8,742	\$9,004	\$9,274	\$9,552	\$9,839	\$10,134	\$10,438	\$10,751	\$11,074
Bond Redemption	\$62,700	\$62,700	\$62,700	\$62,700	\$62,700	\$62,700	\$62,700	\$62,700	\$62,700	\$62,700	\$62,700	\$62,700
To Separation Reserve	\$1,450	\$1,450	\$1,450	\$1,450	\$1,450	\$1,450	\$1,450	\$1,450	\$1,450	\$1,450	\$1,450	\$1,450
Subtotal Expenditures	\$221,785	\$226,514	\$230,883	\$235,885	\$241,037	\$246,343	\$251,809	\$257,439	\$263,238	\$269,210	\$275,362	\$281,999
(Revenue - Expenditures)+ Beginning Balance	\$64,791	\$97,731	\$121,921	\$126,987	\$132,590	\$138,046	\$144,054	\$149,925	\$156,364	\$162,678	\$169,577	\$239,481
To Capital Reserve (Maintain \$45,000 Operating)	\$19,791	\$52,731	\$76,921	\$81,987	\$87,590	\$93,046	\$99,054	\$104,925	\$111,364	\$117,678	\$124,577	\$194,481
Operating Balance	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000

TABLE 7-2 – (continued)

Preliminary Rate Analysis

Year	2005 Budget	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital Projects												
Capital Reserve Fund (2% interest)	\$19,791	\$56,598	\$118,331	\$107,656	\$138,596	\$175,968	\$177,923	\$205,739	\$147,235	\$137,631	\$135,708	\$194,482
Public Works Yard Fund	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
Project 3,4,5 - 10% Share			\$73,840									
Project 3,4,5 - Interest & Principal			\$3,325	\$41,650	\$41,300	\$40,950	\$40,600	\$40,250	\$39,900	\$39,550	\$39,200	\$38,850
Project 6 & 7-10% Share						\$39,900						
Project 6 & 7-Interest & Principal						\$1,795	\$22,485	\$22,296	\$22,107	\$21,918	\$21,729	\$21,540
Project 9 & 10 - 10% Share								\$88,060				
Project 9 & 10 - Interest & Principal								\$3,965	\$49,667	\$49,249	\$48,832	\$48,415
Project 11 & 12 - 10% Share											\$19,220	
Project 11 & 12 - Interest and Principal											\$865	\$10,835
Total Capital Improvement Expenditures	\$16,000	\$16,000	\$93,165	\$57,650	\$57,300	\$98,645	\$79,085	\$170,571	\$127,674	\$126,717	\$145,846	\$135,640
Capital Reserve Fund Expenditures	\$16,000	\$16,000	\$93,165	\$57,650	\$57,300	\$98,645	\$79,085	\$170,571	\$127,674	\$126,717	\$135,708	\$135,640
Net Capital Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,138	\$0
Year End Balance Capital Reserve Fund	\$3,791	\$40,598	\$25,166	\$50,006	\$81,296	\$77,323	\$98,838	\$35,168	\$19,561	\$10,914	\$0	\$58,842
Net Utility Fund + Capital Reserve Fund	\$48,791	\$85,598	\$70,166	\$95,006	\$126,296	\$122,323	\$143,838	\$80,168	\$64,561	\$55,914	\$34,862	\$103,842

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