

Sustainable Public Works Financing at the Local Level

IACC

October 20, 2015

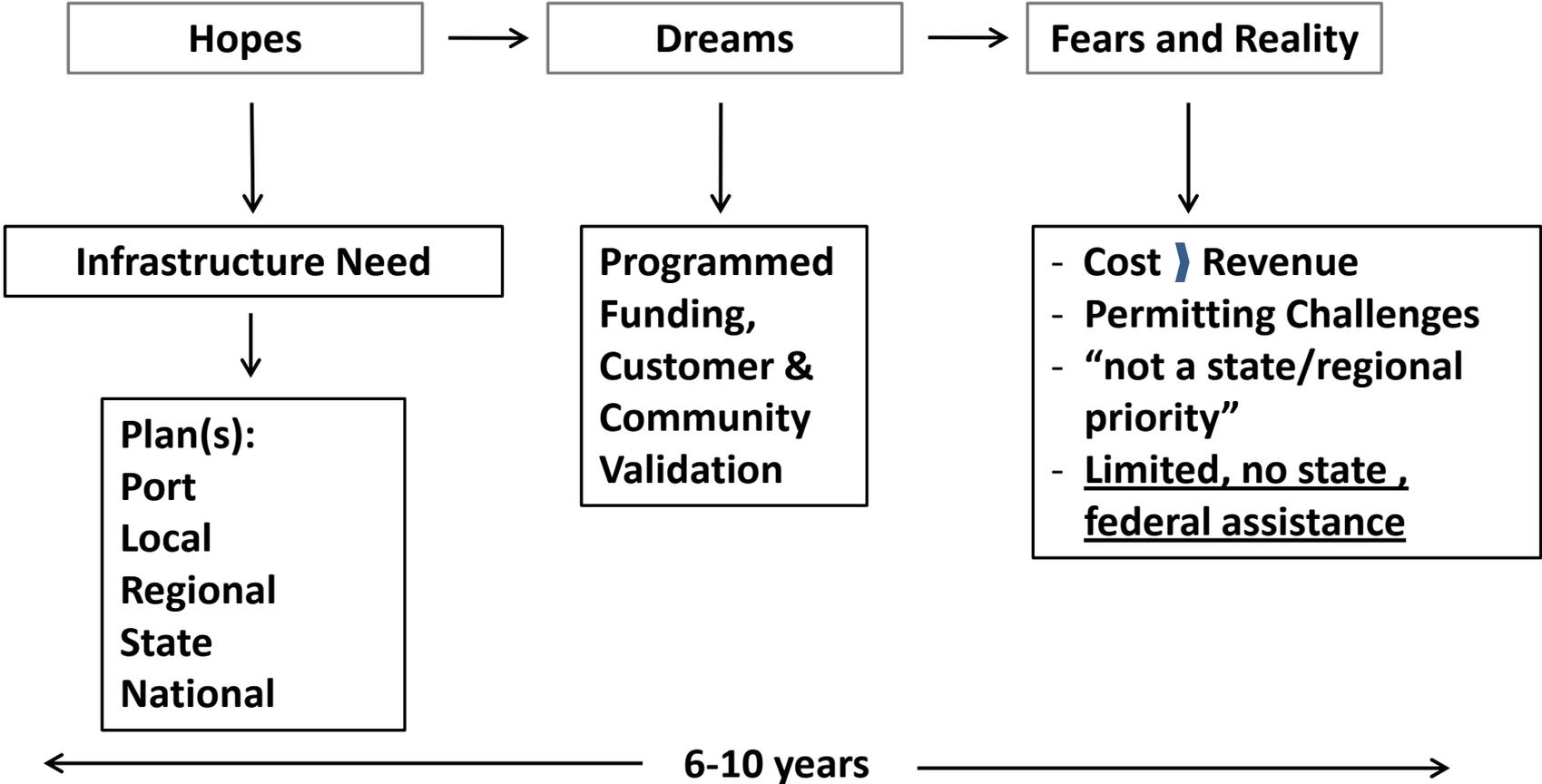
Presented by Ashley Probart

Freight Mobility Strategic Investment Board

Problem Statement(s):

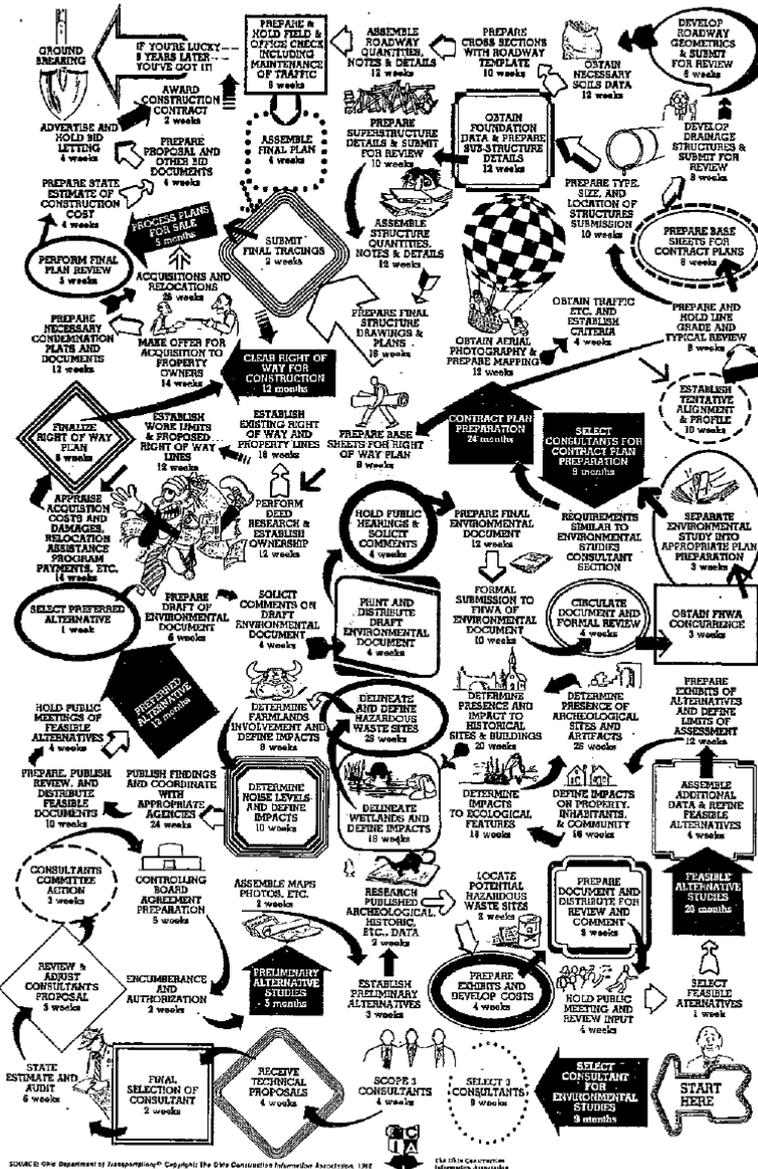
- Local jurisdictions struggle to fund public works projects-especially when the public works budget competes with operating expenses, or other tax proposals...
- Local jurisdictions are expected to fund public works projects that are regional in nature.
- Local jurisdictions “position” their budgets to match state, federal programs, but it may not be the #1 or even #10 local priority.

Sustainable Public Works



SO YOU WANT A HIGHWAY

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SOURCE: Ohio Department of Transportation. Copyright: The Ohio Construction Information Association, 1982. The Ohio Construction Information Association.

Why does it take so long? One group, the Ohio Construction Information Association, sketched out this roadmap to getting a highway project started.

Overview:

- Planning
- Construction methods
- State funding assistance
- Locally initiated revenues

Planning (years) ahead: Determine what you want to fund and why:

- Council wants it?
- Community vision?
- Fundamental investment?
- Private sector partnership opportunity?

Planning (years) ahead: Determine what you want to fund and why.

- Maintenance/Preservation
- Minor Capital
- Major Capital
 - Local?
 - Regional?
 - State?
 - National?

Is it a legacy project?
Is it part of your mission statement?
Is it part of a multi-year vision?

Planning (years) ahead:

- Develop a problem statement
- Write a Project Description and its components:
 - Local
 - Regional
 - State, Federal
- Collect baseline data
- Document, document....

Construction methods:

Minor construction:

- Small works roster

Major construction:

- Design-Bid-Build
- Design-Build (DB)
- General Contractor-Construction
Manager (GC-CM)

} \$10M +
and special
expertise

Financing Tools- State



"I spend most of my time fund-raising."

Financing Tools- State

Identify the program(s) or revenues that meet your objective

Low \$

High \$

High Success

Low Success

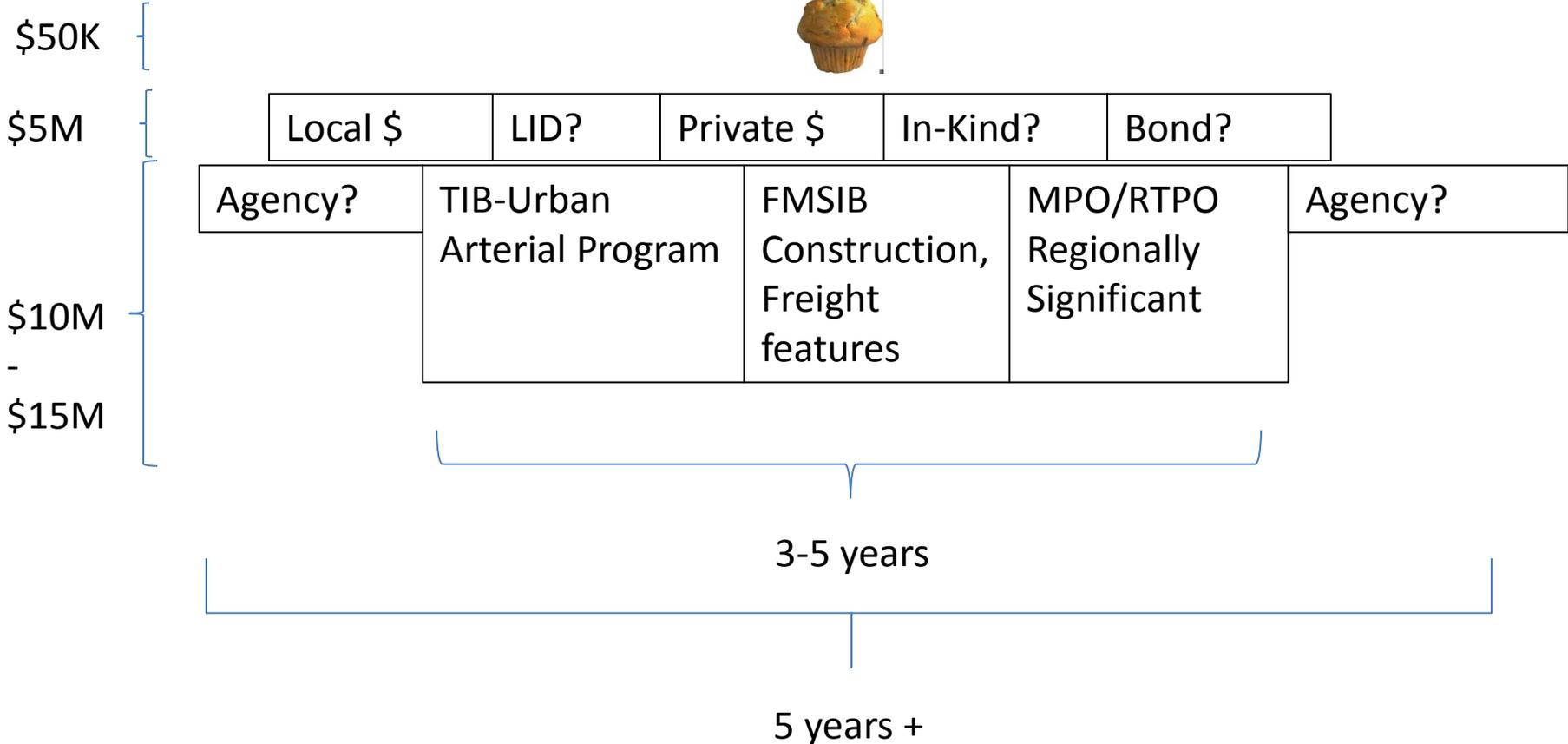
<p>Impact fees</p> <p>Partner Contributions</p> <p>REET</p>	<p>Transportation Benefit Districts</p> <p>TIB</p>
<p>Local Bond</p> <p>Private Sector \$</p>	<p>State Grants</p> <p>Local Bond</p> <p>State Capital/Transp Budget</p> <p>PWAA</p> <p>TIGER</p>

EXAMPLE

Financing Tools- State

Identify the program(s) that meet your objective

Discussion Example



State Agency Funding Sources:

- Community Economic Revitalization Board
- Public Works Assistance Account
- Transportation Improvement Board
- Freight Mobility Strategic Investment Board
- WSDOT-Highways and Local Programs
- Recreation and Conservation Office (WWRP – Parks and Trails)
- Ecology Water Quality Financial Assistance
- Washington State Department of Health-DWSRF
- State Capital Budget (Bonds)

Locally initiated revenues:



"We're encouraging people to become involved in their own rescue."

Locally initiated revenues:

Public outreach plan (By governing body or voter approved):

- Clear purpose
- Transparency/accountability
 - Citizen advisory committee (short term)
 - Annual report
 - Material change policy
 - Sunset?

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Revenue Source: Levy Lid Lift - increase in property taxes above the allowed 1% annual increase (up to statutory maximum rate of \$3.375 per thousand for most cities)

How it is imposed: Council initiated and voter-approved by simple majority

How it can be used:

- **Option 1** (RCW 84.55.050(1)) - For any purpose, permanent or for a specified period of time. The “lift” happens in the first year with 1% increases allowed in subsequent years. If used for debt service on bonds must expire in nine years.
- **Option 2** (RCW 84.55.050(2)) – For a “limited purpose” as specified in the ballot title. The lift can occur in steps over six-years. Can be permanent (rate after 6 years establishes the new base). New funds may not supplant existing funds used for the stated “limited purpose.”

Who has used it:

- Auburn – To maintain and improve street systems*
- Duvall, Redmond, Bremerton, Mercer Island, Bellevue, Sammamish, Seattle, Shoreline – Parks
- South Prairie, Washougal, Redmond, Eatonville, Woodway, Mountlake Terrace, Olympia, Milton, Stanwood, Tumwater – Public Safety

Pros/Cons:

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Revenue Source: Local Improvement District (RCW 35.43-RCW 35.56)

How it is imposed:

Complex process to establish LID, secure interim financing, construct projects, determine individual property assessments, sell bonds, etc. The formation of an LID can be initiated through two distinct methods:

- resolution of intention method which allows the legislative body of a municipality to initiate an LID
- petition method which allows property owners to petition to initiate an LID.

How it can be used: To finance construction of local improvements that are *appurtenant to and beneficial to specific land*. Funds are collected through a special assessment on subject properties and used to pay off bonds.

Who has used it (recent examples):

Tacoma (more than 94 LIDs since 1999) – street lighting, sewers, water, residential street paving w/storm sewer & gutters

City of Kent: Has successfully used LIDs for funding street projects, including matching state funds.

Bainbridge Island: South Island Sewer Project (extended sewer to four neighborhoods and one elementary school)

Pros/Cons:

For more info see: <http://www.mrsc.org/subjects/pubworks/lidpg.aspx>

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Revenue Source: Impact Fees—A fee city or counties charge to developers to pay for providing new public facilities, or improve existing public facilities due to new development:

- Growth Management Act (RCW 82.02)
- State Environmental Policy Act (RCW 43.21)
- Local Transportation Act (RCW 39.92)
- Transportation Benefit Districts (RCW 36.73)

How it is imposed:

- GMA- Local ordinance, based on a “rational approach”
- SEPA- Local ordinance, “environmental check list”
- Local Transportation Act- Local ordinance, based on a transportation plan, specified list of capital projects
- Transportation Benefit Districts (TBDs)

How it can be used (and check for “double dipping!”):

- GMA:
 - public streets and roads;
 - publicly owned parks, open space, and recreation facilities;
 - school facilities; and
 - fire protection facilities
- SEPA: mitigate conditions relating to a project’s impacts.
- Local Transportation Act: transportation improvements...on developments...”reasonable off-site transportation improvements
- TBDs-Commercial and industrial development

Who has used it:

- GMA-most jurisdictions planning under GMA (replaced Local Transportation Act)
- SEPA-most jurisdictions
- Local Transportation Act (Lacey)
- TBD’s-none

Pros/Cons:

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Revenue Source: Utility Tax - B&O tax levied upon utility providers, public and private. Eligible utilities are water, sewer, stormwater, gas, telephone, cable TV, steam. (RCW 35.21.870)

Note: The tax is often itemized on customers' bills but the tax is legally levied on the utility not the customer.

How it is imposed: Council action (subject to referendum) for a rate of up to 6% on electric, gas and telephone (no limit on water, sewer, stormwater). Higher rates can be imposed upon voter approval.

How it can be used: For any legitimate government purpose. Some cities have dedicated voter approved portion to specific uses.

Who has used it:

- Olympia uses 3% voter-approved portion of utility tax for sidewalks and parks.
- Cheney raised their rates from 6% to 10.75% and dedicated the increase for parks and recreation purposes. In 2012 their voters approved another 4% increase for street improvements. *The vote was 75.81% in favor of the increase.*

Pros/Cons:

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Revenue Source: Real Estate Excise Tax – levied on all sales of real estate. State = 1.28%, cities, counties up to 0.5% if planning under GMA, 0.25% if not. (REET 1 = 0.25%, REET 2 = 0.25%)

How it is imposed:

Council action

How it can be used:

- Original purpose: See chart.
- O&M through 2016

NEW in 2015:

- REET I Revenues: capital maintenance, with limits
- REET II Revenues:
 - capital maintenance, with limits
 - Planning, maintenance, etc. of REET I capital, with some limits

(Think maintenance as funds for labor/materials that preserve, prevent decline or extend life of a capital project)

Who has used it:

REET 1: 278 cities/39 counties

REET 2: 165 cities/21 counties

(Five changes in 2015)

Pros/Cons:

<http://www.mrsc.org/subjects/finance/reetweb.aspx>

Real Estate Excise Tax (REET) allowable expenditures

Project types	REET I Authorized for all cities/counties*	REET 2 Authorized for GMA planning cities/counties only*
Streets, roadways, highways	Yes	Yes
Sidewalks	Yes	Yes
Street lighting	Yes	Yes
Traffic signals	Yes	Yes
Bridges	Yes	Yes
Domestic water systems	Yes	Yes
Stormwater and sanitary sewer	Yes	Yes
Parks	Yes	Yes (no land acquisition)
Recreational facilities	Yes	No
Law enforcement facilities	Yes	No
Fire protection facilities	Yes	No
Trails	Yes	No
Libraries	Yes	No
Administrative or judicial facilities	Yes	No

*Restrictions for capital investments: Under REET I, the requirement that projects fit within the eligible project types AND be listed in the capital facilities plan element of their comprehensive plan applies only to cities fully planning under GMA with a population over 5,000. Under REET 2, the requirement applies to cities of all sizes.

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Revenue Source: Retail Sales and Use Tax (aka Sales Tax)

How it is imposed: Council action, some optional sales taxes require voter approval. The maximum rate for cities without special sales taxes is 0.85%.

How it can be used: General sales taxes may be used for any government purpose. Special sales taxes are restricted in use (e.g.. criminal justice, public safety, TBDs)

Who has used it:

- Almost all cities have imposed the 0.85%
- TBDs: 19 cities have imposed the up to 0.2% sales tax (RCW 36.73)
- Criminal justice 0.001 sales tax- 32 counties (RCW 82.14.340)
- Public safety 0.003 sales tax examples: Walla Walla, Spokane, Yakima (RCW 82.14.450)

Pros/Cons:

Sustainable Public Works

Revenue Source: Business and Occupation Tax (RCW 35.21.710)- taxes levied as a percentage rate on the gross receipts of a business (less some deductions)

How it is imposed:

- Cities can impose a maximum rate of 0.2 percent on business activities that are measured by gross receipts or gross incomes. (There are some grandfathering clauses, and there are referendum provisions)
- City may increase the tax rate above maximums if voter approved (RCW 35.21.711)
- Model Ordinance!

How it can be used: General purposes

Who has used it:

- Forty one cities <http://www.awcnet.org/Portals/0/Documents/Legislative/bandotax/botaxrates.pdf>
- Forty-two by 2016

Pros/Cons:

Sustainable Public Works

Revenue Source: Transportation Benefit Districts - is a special purpose district* or quasi-municipal corporations with independent taxing authority (RCW 36.73):

- Up to \$100 vehicle license fee
- Up to 0.2% sales and use tax
- Property taxes- a one year excess levy, or an excess levy for capital purposes
- Vehicle tolls

How it is imposed:

Voter approval:

- 0.2 sales tax (may exceed 10 years if bonded)
- Property taxes
- Vehicle license fee (first \$50 is optional vote)

Councilmanic:

- Commercial/Industrial impact fees
- Up to \$20 vehicle license fee...
- Up to \$40 vehicle license fee **IF** \$20 has been in effect 24 months....**(2015)**
- Up to \$50 vehicle license fee **IF** \$40 has been in effect 24 months.... **(2015)**
 - Higher than \$40 councilmanic fee may be subject to referendum...

How it can be used: For transportation improvements identified in state, regional, county, city transportation plans

Who has used it:

- 75 have formed a TBD.
 - 46 have used \$20 councilmanic vehicle fee (eleven with populations under 5,000, several more under 10,000)
 - 19 are using sales tax
 - 10 have created TBD, but have not advanced a revenue option
 - 2 are from “original” authority
- At least two have sunset, and one has been repealed

Pros/Cons:

*Not subject to SEPA

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Revenue Source: Local Option Capital Asset Lending (LOCAL) program (RCW 39.94)

LOCAL, as part of the state program, pools funding needs into larger offerings of securities and access to the public bond markets. This low cost financing/interest mechanism is based on the state agency lease and financing program. (\$17.M issued in 2014)

Who is eligible: Municipalities that can levy property tax

How it is implemented:

- Apply to State Treasurer
- Requires determination of credit:
 - Provide a General Obligation Pledge:
 - Ability to prepay the debt; and
 - Available non-voted debt capacity

How it can be used:

- Finance equipment
- Finance real estate

Who has used it:

- Cities, counties, fire districts, etc.

Pros/Cons:

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 LOCAL Representative
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Report date: 09/16/2015

Recent LOCAL Lease/Purchase Interest Rates

All financing costs are included in Interest Rates... there are no additional financing costs.

Equipment Only

<i>Term</i>	<i>3/19/14</i>	<i>8/28/14</i>	<i>3/24/15</i>	<i>9/24/15</i>
3 years	0.71		1.00	1.02
4 years		0.92	1.18	
5 years	1.18	1.17	1.36	1.46
6 years		1.39		
7 years		1.60		
8 years			1.83	
9 years	2.15			
10 years		2.13	2.09	2.38
12 years			2.32	2.70
13 years		2.60		

These historic rates do not indicate what future issue rates will be. Actual interest rates are determined by the competitive bids received on the date of sale.

Maximum term is determined by OFM's Useful Life Table at:
<http://www.ofm.wa.gov/policy/30.50.htm>

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Revenue Source: Sales and use tax for public facilities in rural counties (0.09% credited against state sales tax, for counties with a population density of less than 100 persons per square mile or a county smaller than 225 square miles)

How it is imposed: By action of county legislative authority

How it can be used: To finance public facilities serving economic development purposes in rural counties and for personnel in economic development offices.

Public facilities are “bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, earth stabilization, storm sewer facilities, railroads, electrical facilities, natural gas facilities, research, testing, training, and incubation facilities in innovation partnership zones... buildings, structures, telecommunications infrastructure, transportation infrastructure, or commercial infrastructure, and port facilities in the state of Washington.”

Who has used it: Most eligible counties

Pros/Cons:

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Not all ideas are popular...



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Ideas to consider:

Hoquiam Residential Sidewalk Partnership Program – City crews perform the work if the homeowner pays for the materials. Between 2008 and 2010, over 100 homeowners participated. More than a linear mile of sidewalks were replaced.

<http://www.awcnet.org/apps/ma/projects/2010Hoquiam.pdf>

http://www.awcnet.org/portals/0/images/cityvision/2010/Cityvision_NovDec2010.swf

“BROT”- Bellevue Redmond Overlake Transportation Study: Addresses transportation consequences of land use within an area that overlaps both jurisdictions.

Transportation Improvement Board:

- LED Program (pending) -- pay or defray initial capital cost of LED light program

Hotel/Motel Tax- enables funding of tourism related facilities and events.

Public Facilities Districts- currently closed to new entrants....but

Financing Tools- Attachments

Questions?

Contact information:

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Financing Tools- Attachments

Real Estate Excise Tax Rates (Continued)

Effective April 1, 2015

<u>Code</u>	<u>Local Rate</u>	<u>Comb. Rate</u>	<u>Code</u>	<u>Local Rate</u>	<u>Comb. Rate</u>	<u>Code</u>	<u>Local Rate</u>	<u>Comb. Rate</u>
PEND OREILLE			(Cont'd)			WHATCOM		
2601 Cusick	0.25%	1.53%	SNOHOMISH			3701 Bellingham	0.50%	1.78%
2602 Ione	0.25%	1.53%	3106 Gold Bar	0.50%	1.78%	3702 Blaine	0.50%	1.78%
2603 Metaline	0.00%	1.28%	3108 Granite Falls	0.50%	1.78%	3703 Everett	0.50%	1.78%
2604 Metaline Falls	0.25%	1.53%	3109 Lake Stevens	0.50%	1.78%	3704 Ferndale	0.50%	1.78%
2605 Newport	0.50%	1.78%	3110 Lynnwood	0.50%	1.78%	3705 Lynden	0.50%	1.78%
2600 Unincorp	0.25%	1.53%	3111 Marysville	0.50%	1.78%	3706 Nooksack	0.50%	1.78%
PERCE			3119 Mill Creek	0.50%	1.78%	3707 Sumas	0.50%	1.78%
2724 Auburn/Perce	0.50%	1.78%	3112 Monroe	0.50%	1.78%	3700 Unincorp	0.50%	1.78%
2701 Bonney Lake	0.50%	1.78%	3113 Mountlake Terrace	0.50%	1.78%	WHITMAN		
2702 Buckley	0.50%	1.78%	3114 Mukilteo	0.50%	1.78%	3801 Albion	0.25%	1.53%
2703 Carbonado	0.50%	1.78%	3115 Snohomish (city)	0.50%	1.78%	3802 Colfax	0.25%	1.53%
2704 Du Pont	0.50%	1.78%	3116 Stanwood	0.50%	1.78%	3803 Colton	0.25%	1.53%
2705 Eatonville	0.25%	1.53%	3117 Sultan	0.50%	1.78%	3804 Endicott	0.25%	1.53%
2720 Edgewood	0.50%	1.78%	3118 Woodway	0.50%	1.78%	3805 Farmington	0.25%	1.53%
2706 Fife	0.50%	1.78%	3100 Unincorp	0.50%	1.78%	3806 Garfield	0.25%	1.53%
2707 Firecrest	0.50%	1.78%	SPOKANE			3807 La Crosse	0.25%	1.53%
2708 Gig Harbor	0.50%	1.78%	3201 Airway Heights	0.50%	1.78%	3808 Lamont	0.00%	1.28%
2721 Lakewood	0.50%	1.78%	3202 Cheney	0.50%	1.78%	3809 Malden	0.25%	1.53%
2709 Milton/Perce	0.50%	1.78%	3203 Deer Park	0.50%	1.78%	3810 Oakesdale	0.25%	1.53%
2710 Orting	0.50%	1.78%	3204 Fairfield	0.00%	1.28%	3811 Palouse	0.25%	1.53%
2723 Pacific/Perce	0.50%	1.78%	3205 Latah	0.00%	1.28%	3812 Pullman	0.25%	1.53%
2711 Puyallup	0.50%	1.78%	3212 Liberty Lake	0.50%	1.78%	3813 Rosalia	0.25%	1.53%
2712 Roy	0.50%	1.78%	3206 Medical Lake	0.25%	1.53%	3814 St John	0.25%	1.53%
2713 Ruston	0.50%	1.78%	3207 Millwood	0.50%	1.78%	3815 Tekoa	0.25%	1.53%
2714 South Prairie	0.50%	1.78%	3208 Rockford	0.25%	1.53%	3816 Uniontown	0.25%	1.53%
2715 Steilacoom	0.50%	1.78%	3209 Spangle	0.25%	1.53%	3800 Unincorp	0.25%	1.53%
2716 Summer	0.50%	1.78%	3210 Spokane (city)	0.50%	1.78%	YAKIMA		
2717 Tacoma	0.50%	1.78%	3213 Spokane Valley	0.50%	1.78%	3901 Grandview	0.50%	1.78%
2718 Wilkeson	0.25%	1.53%	3211 Waverly	0.00%	1.28%	3902 Granger	0.25%	1.53%
2719 University Place	0.50%	1.78%	3200 Unincorp	0.50%	1.78%	3903 Harrah	0.25%	1.53%
2700 Unincorp	0.50%	1.78%	STEVENSON			3904 Mabton	0.50%	1.78%
SAN JUAN			3301 Chewelah	0.25%	1.53%	3905 Moxee City	0.25%	1.53%
2801 Friday Harbor	1.50%	2.78%	3302 Colville	0.25%	1.53%	3906 Naches	0.25%	1.53%
2800 Unincorp	1.50%	2.78%	3303 Kettle Falls	0.25%	1.53%	3907 Selah	0.25%	1.53%
SIKAGIT			3304 Marcus	0.25%	1.53%	3908 Sunnyside	0.50%	1.78%
2901 Anacortes	0.50%	1.78%	3305 Northport	0.25%	1.53%	3909 Tieton	0.25%	1.53%
2902 Burlington	0.50%	1.78%	3306 Springdale	0.25%	1.53%	3910 Toppenish	0.25%	1.53%
2903 Concrete	0.50%	1.78%	3300 Unincorp	0.25%	1.53%	3911 Union Gap	0.50%	1.78%(E)
2904 Hamilton	0.50%	1.78%	THURSTON			3912 Wapato	0.25%	1.53%
2905 La Conner	0.50%	1.78%	3401 Buxada	0.50%	1.78%	3913 Yakima (city)	0.50%	1.78%
2906 Lyman	0.50%	1.78%	3402 Lacey	0.50%	1.78%	3914 Zillah	0.50%	1.78%
2907 Mt Vernon	0.50%	1.78%	3403 Olympia	0.50%	1.78%	3900 Unincorp	0.25%	1.53%
2908 Sedro Woolley	0.50%	1.78%	3404 Rainier	0.25%	1.53%	WAKIACUM		
2900 Unincorp	0.50%	1.78%	3405 Tenino	0.50%	1.78%	3501 Cathlamet	0.25%	1.53%
SKAMANIA			3406 Tumwater	0.50%	1.78%	3500 Unincorp	0.25%	1.53%
3001 N. Bonneville	0.25%	1.53%	3407 Yelm	0.25%	1.53%	WALLA WALLA		
3002 Stevenson	0.25%	1.53%	3400 Unincorp	0.50%	1.78%	3601 College Place	0.25%	1.53%
3000 Unincorp	0.25%	1.53%	WAHKIAKUM			3602 Prescott	0.00%	1.28%
SNOHOMISH			3501 Cathlamet	0.25%	1.53%	3603 Wainburg	0.50%	1.78%
3101 Arlington	0.50%	1.78%	3500 Unincorp	0.25%	1.53%	3604 Walla Walla (city)	0.25%	1.53%
3120 Bothell/Snohomish	0.50%	1.78%	WALLA WALLA			3600 Unincorp	0.25%	1.53%
3102 Brier	0.50%	1.78%	3601 College Place	0.25%	1.53%			
3103 Darrington	0.25%	1.53%	3602 Prescott	0.00%	1.28%			
3104 Edmonds	0.50%	1.78%	3603 Wainburg	0.50%	1.78%			
3105 Everett	0.50%	1.78%	3604 Walla Walla (city)	0.25%	1.53%			

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(A) Effective 02/09/15 (B) Effective 03/02/15 (C) Effective 03/13/15 (D) Effective 04/01/15 (E) Effective 04/01/15