

Sustainable Public Works Financing at the Local Level

IACC
October 24, 2019
Presented by Ashley Probart

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Problem Statements-Sustainable Public Works

Local Jurisdictions:

- Struggle to fund public works projects-when the public works budget competes with operating expenses, or other tax proposals...;
- Are expected to fund public works projects that are regional in nature;
- “Position” their budgets to match state, federal programs, but it may not be the #1 or even #10 local priority; and
- Must prove they have tapped into viable local tax/fee authorities before accessing state/federal funding.

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Sustainable Public Works

Overview:

- Planning
- Construction methods
- State funding assistance
- Identify project funding success
- Locally initiated revenues
- General ideas to consider

Planning--Sustainable Public Works

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



Street Maintenance, Slurry Seal July 11, 12, 13, and 16

Each summer, City crews, and contractors perform a number of pavement maintenance services that make up the street maintenance program. This program includes surface treatments such as asphalt paving, slurry seal, and chip seal.

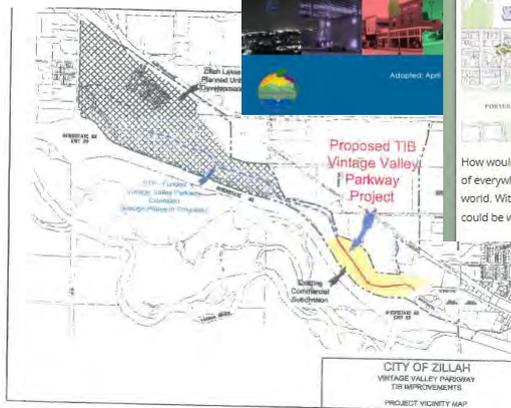
During the street preparation process, some streets will have restricted parking or access. These restrictions will be short and affected residents will receive door hangers from contractor crews.



Shelton Visioning Plan



How would you describe Shelton? We've heard many different descriptions of everywhere from burned-out logging town to shellfish capital of the world. With such a range of opinions, it can be hard to imagine what Shelton could be when we "grow up."



ECOLOGY
State of Washington

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
WASTE DISCHARGE PERMIT NO. WA0020834

State of Washington
DEPARTMENT OF ECOLOGY
Olympia, Washington 98504-7774

In compliance with the provisions of
The State of Washington Water Pollution Control Act
(Chapter 90-48 Revised Code of Washington
and
The Federal Water Pollution Control Act
(The Clean Water Act)
Title 13 United States Code, Section 1251 et seq.

Town of [redacted]

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Planning (years) ahead:

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

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Construction methods:

- Small works roster
- Job Order Contracting
- Design-Bid-Build

Major construction over \$10M

- Design Build
- General Construction-Construction Manager

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State Funding Assistance



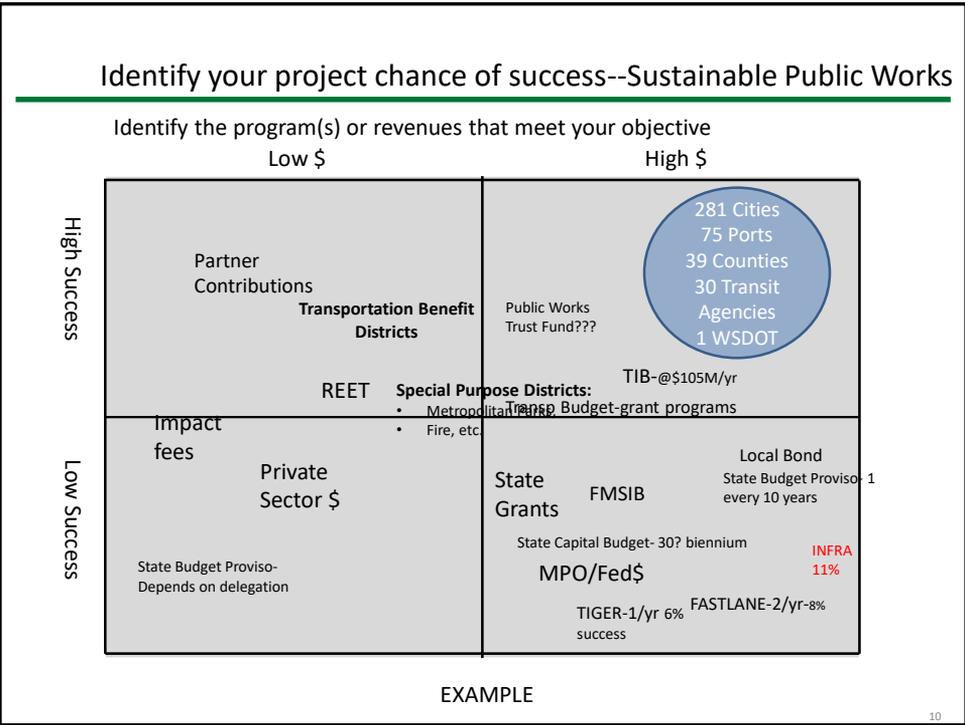
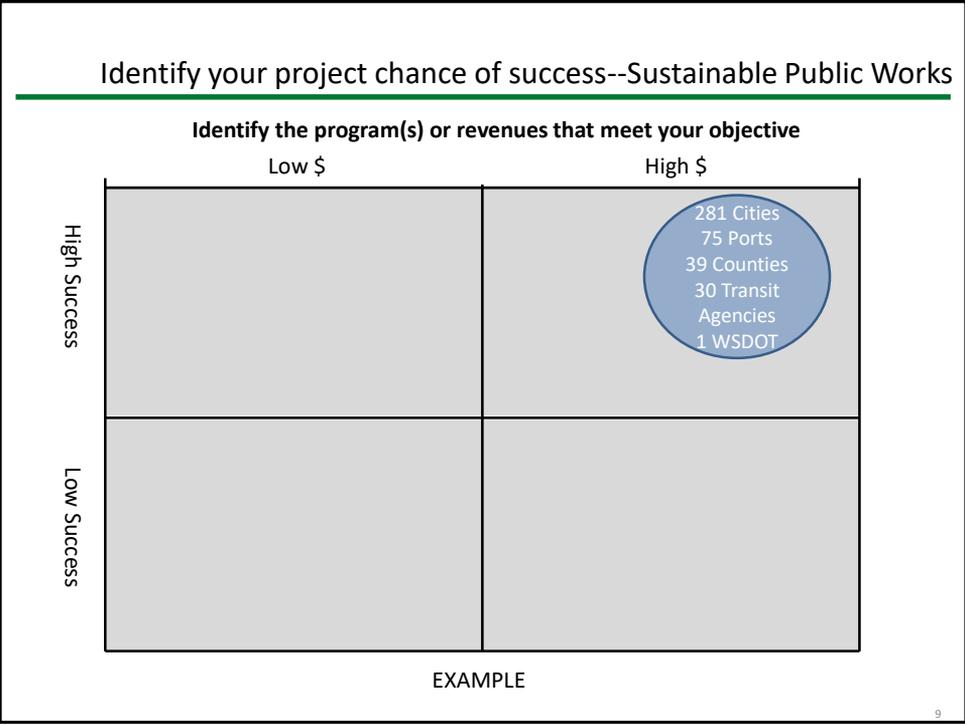
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Financing Tools- State

State Agency Funding Sources:

- Community Economic Revitalization Board
- Public Works Assistance Account
- Transportation Improvement Board
- Freight Mobility Strategic Investment Board
- WSDOT-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)

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Identify your project chance of success--Sustainable Public Works

	Available Funds	Average Award	Award Frequency	Anticipated Rating (Very low, low, medium, high)
Your City/County/PUD/Port				
Developer/Private Sector				
Local Chamber of Commerce				
LID				
County-.09				
Port				
Transit				
Department of Commerce				
-Public Works Trust Fund				
-CERB				
Recreation and Conservation Office				
Department of Ecology Grants				
Department of Health				
Developer/Private Sector				
Federal				
-MPO				
INFRA				
Railroad				
Total:				
Project match funding required:				
Net:				

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Partners are critical for larger projects-Sustainable Public Works

Financial - TIB Financial Information

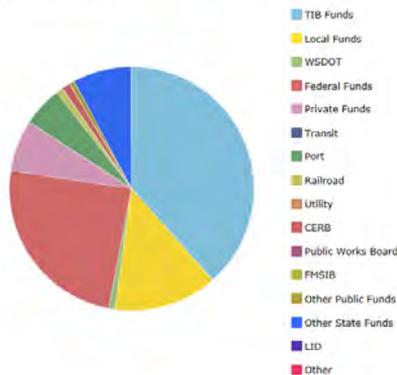
Funding Partners

Partner Funding by Funding Source Funding Sources - Historical View

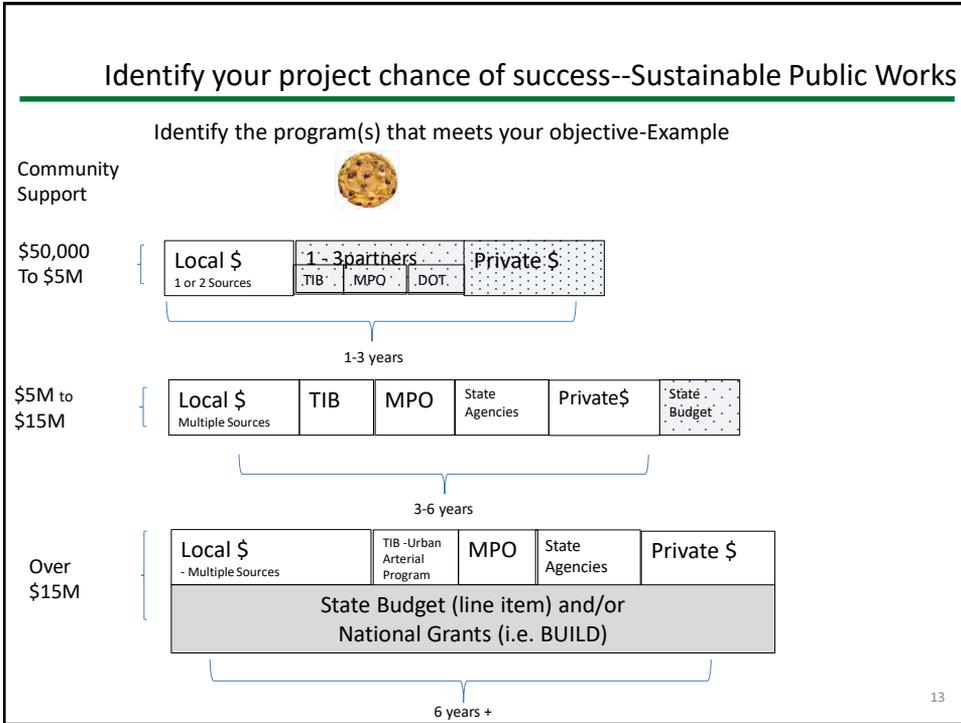
Partner Funding by Funding Source

FY 2019 TIB Funded Projects

Select Fund Series 2019



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Locally Initiated Revenues---Sustainable Public Works

Step 1: Can you fund it yourself?



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

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Locally Initiated Revenues---Sustainable Public Works

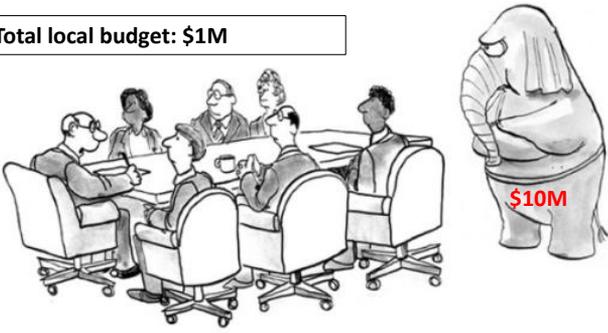
Step 2: Can't you be more efficient with your own money?



The perfect mouse trap

Locally Initiated Revenues---Sustainable Public Works

Total local budget: \$1M



"I suppose I'll be the one to mention the elephant in the room."

Sustainable Public Works

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:

For more info see: <http://www.mrsc.org/subjects/finance/levylidlift.aspx>

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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
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 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:

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: 38 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:

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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-five cities

Pros/Cons:

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Local business (B&O) tax rates Effective January 1, 2019						Sustainable Public Works	
City	Phone #	Manufacturing rate	Retail rate	Services rate	Wholesale rate	Threshold	
						Quarterly	Annual
Aberdeen	(360) 533-4100	0.002	0.003 e	0.00375 e	0.003 e	\$5,000	\$20,000
Algona	(253) 833-2897	0.00045	0.00045	0.00045	0.00045	\$10,000	\$40,000
Bainbridge Island	(206) 780-8998	0.001	0.001	0.001	0.001		\$150,000
Bellevue	(425) 452-9551	0.001496	0.001496	0.001496	0.001496		\$100,000
Bellingham	(360) 778-8010	0.0017	0.0017	0.0044 e	0.0017	\$5,000	\$20,000
Bremerton	(360) 473-5311	0.0016	0.00125	0.002	0.0016		\$160,000
Burien	(206) 241-4847	0.001	0.001	0.001	0.001		\$200,000
Cosmopolis	(360) 532-9230	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Darrington	(360) 436-1133	0.00075	0.00075	0.00075	0.00075		\$20,000
Des Moines	(206) 878-4565	0.002	0.002	0.002	0.002		\$50,000
DuPont	(253) 984-8121	0.001	0.001	0.001	0.001	\$5,000	\$20,000
Everett	(425) 257-8810	0.001	0.001	0.001	0.001	\$5,000	\$20,000
Everson	(360) 898-3411	0.002			0.002		\$1,000,000
Granite Falls**	(360) 891-8441					\$5,000	\$20,000
Hosquiam	(360) 532-5700	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Iwaco	(360) 942-3145	0.002	0.002	0.002	0.002		\$20,000
Issaquah	(425) 837-3054	0.0012	0.0012	0.0015	0.0012	\$25,000	\$100,000
Keilo	(360) 423-0600	0.001	0.001	0.002	0.001		\$20,000
Kemnure	(425) 398-8900	0.002 *				\$5,000	
Kent	(253) 856-6265	0.00046	0.00046	0.00152	0.00152	\$22,500	\$250,000
Lacey	(360) 491-3214		0.001	0.002		\$5,000	\$20,000
Lake Forest Park	(206) 398-5440	0.002	0.002	0.002	0.002	\$5,000	
Long Beach	(360) 942-4421	0.002	0.002	0.002	0.002	\$5,000	
Longview	(360) 942-5040	0.001	0.001	0.002	0.001		\$20,000
Lynnah****	(360) 826-3053	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Mercer Island	(206) 275-7783	0.001	0.001	0.001	0.001		\$150,000
North Bend	(425) 888-1211	0.002	0.002	0.002	0.002	\$5,000	
Ocean Shores	(360) 296-2488	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Olympia	(360) 753-8327	0.001	0.001	0.002	0.001	\$5,000	\$20,000
Pacific	(253) 926-1100	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Port Townsend****	(360) 385-2700	0.002	0.002	0.002	0.002	\$0	\$100,000
Rainier	(360) 448-2255	0.002	0.002	0.002	0.002	\$5,000	
Raymond	(360) 942-3451	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Renton****	(425) 430-8400	0.00085	0.00050	0.00085	0.00085		\$500,000
Roy	(253) 843-1113	0.001	0.002	0.002	0.001	\$5,000	\$20,000
Ruston	(253) 759-3544	0.00110	0.00153	0.00200	0.00102	\$5,000	\$20,000
Seattle***	(206) 884-8484	0.00222 v	0.00222 v	0.00427 v	0.00222 v		\$100,000
Shelton	(360) 426-4481	0.001	0.001	0.001	0.001	\$5,000	\$20,000
Shoreline****	(206) 801-2324	0.001	0.001	0.002	0.001		\$500,000
Snoqualmie	(425) 898-1555	0.0015	0.0015	0.0015	0.0015	\$5,000	
South Bend	(360) 376-5511	0.001	0.002	0.002	0.002	\$5,000	
Tacoma	(253) 591-5252	0.00110	0.00153	0.00400 e	0.00102		\$250,000
Terino	(360) 294-2368	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Tumwater	(360) 754-6855	0.001	0.001	0.002	0.001	\$5,000	\$20,000
Westport	(360) 268-0131	0.0025 e	0.0025 e	0.005 e	0.0025 e	\$5,000	
Yelm	(360) 458-3244	0.001	0.002	0.002	0.001	\$5,000	

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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:

- 113 have formed a TBD.
 - 54 have used councilmanic vehicle fee (eleven with populations under 5,000, several more under 10,000)
 - 38 are using sales tax
 - 5 use both sales tax and vehicle fee
 - 14 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. (\$82.7M in most recent issuance)

Who is eligible: Any municipal corporation or other agency authorized to issue general obligation debt. This includes cities, counties, school districts, fire districts and others.

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

LOCAL
*Actual Interest Rates for Most Recent Sale
as of: 9/24/2019*

<i>Term</i>	<i>Equipment*</i>	<i>Real Estate*</i>
4 Years	1.48%	-
5 Years	1.50%	1.45%
8 Years	1.58%	-
9 Years	-	1.61%
10 Years	1.65%	-
13 Years	1.99%	-
20 Years	-	2.72%

Issuances are three times a year

How it can be used:

- Finance equipment
- Finance real estate

Who has used it:

- Cities, counties, fire districts, etc.

Pros/Cons:

*Interest rates shown above include all financing costs. Past interest rates do not predict future interest rates. Actual interest rates are determined by the competitive bids received on the date of sale.

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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:

Propose "state agency pilots"

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

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

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

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Sustainable Public Works

Ideas to consider:

City of Hoquiam and citizens again partnering on sidewalks

DAN HAMMOCK · Thu Apr 11th, 2019 3:53pm · NEWS

The Residential Sidewalk Partnership Program allows residents with decaying sidewalks to team with the city to get them repaired. City Administrator Brian Shay said the program was created after the city saw another municipality having success with it.

The program is active three months of the year, during the summer when temporary seasonal laborers are available to do much of the work. The \$18,000 Risk Reduction Grant from the Washington Cities Insurance Authority will pay for the cost of temporary seasonal laborers.

General Messaging--Sustainable Public Works

- If no grant funding is available, City would fund through its own tax base.



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

General Messaging--Sustainable Public Works

A typical funding strategy for high cost projects and accessing state/federal funding:

Big Picture:

Be prepared to invest community and personal political capital.

Must be part of a clear public vision that may span multiple election cycles- projects of this scale take years to plan and often two or more years to construct.

Never take a year off-you lose 2 or 3 if you do.

- May need to be #1 project for several years

Sustained local government financial commitment

- Continuous staff investment
- Incremental project delivery/progress (i.e. design work, community outreach, etc.)
- How funding partners strategically fit project funding need-keep us updated!

One Project Lead-must be credible

- Direct line to the County Executive/Mayor/City Manager
- Be able to provide right person for all things technical on short notice

The ribbon cutting may happen after you are retired or out of office!

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Transportation Improvement Board



Ashley Probart

Executive Director

(360) 586-1139

ashleyp@tib.wa.gov

www.tib.wa.gov

www.tib.wa.gov/tibdashboard

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SO YOU WANT A HIGHWAY



Sustainable Public Works

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