

FINANCING OPTIONS

From:

Guide to Revenue Sources, Alternatives and Options

April 2007

Local Revitalization Financing Program (LRF) (RCW 39.104)

The LRF program authorizes cities and counties to create “revitalization areas” and allows certain increases in local sales and use tax revenues and local property tax revenues generated from within the revitalization area, additional funds from other local public sources, and a state contribution to be used for payment of bonds issued for financing local public improvements within the revitalization area. The state contribution is provided through a new local sales and use tax that is credited against the state sales and use tax (sometimes referred to as the “LRF tax”). This tax does not increase the combined sales and use tax rates paid by consumers.

Local Infrastructure Financing Tool (LIFT) Program (RCW 39.102)

Provides funding for local infrastructure using sales tax, property tax and selected other excise tax increases generated by an economic development project as part of a revenue development area designated by the sponsoring local government.

Developer/Property Owner Contribution (DC)

Developer or property owner contributions refer to the developer’s share of public improvements that are related to a specific development as part of the project’s approval and that help meet adopted community standards for that location or type of development. Two examples of such contributions are the addition or enlargement of sidewalks and the planting of street trees, which must be either paid for or installed by the developer in conjunction with a project.

Metropolitan Park District (MPD) (RCW 35.61)

A Metropolitan Park District (MPD) has the statutory power, among others, to levy annually a general tax on all property in the District. The *District* is a municipal corporation with all the powers enumerated in Ch. 35.61 RCW including, but not limited to, the authority to manage, control, improve, maintain and acquire parks and recreational facilities; to contract indebtedness; to issue and sell revenue bonds; to exercise the power of eminent domain; and to levy general taxes upon real property within the District. A Metropolitan Park District is governed by a board of commissioners consisting of five members elected at large from among residents within the district OR the City Council may serve as the park district board.

A MPD is a junior taxing district that has two regular property tax levies available - one of \$0.50/\$1,000 AV and one of \$0.25/\$1,000 AV. They are considered as one levy for the purposes of the levy limits (e.g. \$0.75/\$1,000 AV). However, they have different rankings in the prorationing statute.

The aggregate regular levy rates of senior taxing districts (counties and cities) and junior taxing districts (fire districts, metropolitan park districts, cemetery districts, library districts, park and recreation district, etc.) may not

exceed \$5.90 per thousand dollars AV. If this limit is exceeded, the levy of at least one junior taxing district must be prorated.

Park and Recreation District (PRD) (RCW 36.69)

Parks and Recreation Districts (PRDs) are municipal corporations that are purposed to provide leisure time activities and facilities and recreational facilities, of a nonprofit nature as a public service to the residents of the geographical areas included within their boundaries. In order for a PRD to be formed it requires a resolution from the city or town approving inclusion of the area and a petition signed by no less than fifteen percent (15%) of the registered voters residing within the area or an election. The District is governed by a board of five commissioners elected from designated districts for staggered, four year terms; election held in conjunction with general election in odd numbered years.

The PRD has the authority to levy regular property tax (maximum of \$0.60 per \$1,000 assessed valuation) for a six-year period authorized when 60 percent of the voters in an election vote "yes" with a voter turnout equal at least to 40 percent of those voting in the last general election. However a Park and Recreation District will have levy capacity diminished if aggregate of junior and senior taxing district exceeds the \$5.90 limit. Likewise, a PRD may finance their operations via charges, fees, rates, rentals and the like for the use of facilities (including recreational facilities) or for participation. Even still, a PRD may issue general obligation debt, LID bonds, and revenue bonds

Park and Recreation Service Area (PRSA) (RCW 36.68.400-.620)

As a quasi-municipal corporation and independent taxing authority and taxing district possessing all the usual powers of a corporation for public purposes, Park and Recreation Service Areas (PRSAs) are typically formed to provide a higher level of service by financing, acquiring, constructing, improving, maintaining, or operating a park, senior citizen activities center, zoo, aquarium, and/or recreational facilities owned or leased, and administered by a city or town, or park and recreation service area.

Created through petition, resolution or election, a PRSA is governed by members of a county legislative authority, acting ex officio if within county. If a city or town is included, the Park & Recreation Service Area is governed by an interlocal cooperation agreement. If it is a multi-county area, it is governed by interlocal cooperation agreement.

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Transportation Benefit District (TBD) (RCW 36.73 and RCW 35.21.225)

Cities are authorized to establish transportation benefit district to fund the capital improvement of city streets within the district. Transportation Benefit Districts are quasi-municipal corporations with independent taxing authority. They are given authority to levy a property tax, issue general obligation bonds, establish LIDs, and impose impact fees and a vehicle license fee to fund transportation improvements.

A county or a city may establish a transportation benefit district within the city/county area for the purpose of acquiring, constructing, improving, providing, and funding transportation improvement within the district.

Improvements must be: 1) consistent with local and regional transportation plans; 2) required for economic development; 3) partially funded by local governments or private sources; and 4) necessitated by existing or reasonably foreseeable congestion levels. Port and transit districts may participate in the establishment of a district, but may not initiate one. The transportation improvements shall be owned by the city/county. Transportation improvements are administered and maintained as other public streets, roads, highways, and transportation improvements.

Street Maintenance Utility (SMU) (2010 State Legislature - proposed)

This bill, currently before the State Legislature would allow cities and towns to establish a city-wide street maintenance utility to impose charges on users to fund the preservation and maintenance of city streets. Cities are seeing more traditional sources of revenue either reduced or eliminated, and the economic downturn has made it difficult if not impossible for cities to use their general funds to keep street maintenance and preservation funding alive.

With a street maintenance utility, the costs of a street system are more closely matched to how street users benefit from the system. A charge is based on how many trips a customer uses in the system. In most cases, the trips charges are based on a trip generation manual developed by the Institute of Transportation Engineers, and the trips factors are very accurate. In addition, cities can tailor the trip factors for their community and be sure charges are apportioned fairly.

Impact Fees - (Parks (PIF), MTMC 18.35), (Transportation (TIF), MTMC 18.30)

The City created both Transportation Impact Fees and Park Impact Fees in 2007 to fund 75% of the cost associated with transportation improvements and the 20,000 square foot Town Center Public Plaza needed to carry out the Town Center Plan.

Mitigation/Impact Fees (impact fees) are charges assessed by local governments against new development projects that attempt to recover the cost, in whole or in part, incurred by government in providing the public facilities required to serve the new development. Impact fees are only used to fund facilities, such as roads, schools, and parks, that are directly associated with the new development. They may be used to pay the proportionate share of the cost of public facilities that benefit the new development; however, impact fees cannot be used to correct existing deficiencies in public facilities. In Washington, impact fees are authorized for those jurisdictions planning under the Growth Management Act (RCW 82.02.050 - .100), as part of “voluntary agreements” under RCW 82.02.020, and as mitigation for impacts under the State Environmental Policy Act (SEPA – Ch. 43.21C RCW). GMA impact fees are only authorized for: public streets and roads; publicly owned parks, open space, and recreation facilities; school facilities; and fire protection facilities in jurisdictions that are not part of a fire district. Setting fee schedules for impact fees is a complex process typically involving rate studies; generally, impact fees do not recover the full cost of a new facility since these fees must be directly and proportionately related to impacts associated with new development.

Unlimited General Obligation Bonds (UTGO)

Backed by full-faith-and-credit of the local government, these bonds must be approved by a 60% majority of the voters and the turnout must be 40% of those voting in the last general election. These types of bonds typically: raise property tax to pay for projects; can only be used for capital purposes; and have limits to the amount of debt that can be issued.

State and Federal Grants/Appropriations (SFGA)

Grants: A cash award given for a specified purpose. Unlike bonds or debt, grants do not have to be repaid. Recipients of the grant often are required match a portion (from 10% - 20%) of the funds. Ex: If a municipality is awarded a grant of \$1 million dollars for a project, that municipality may be required to contribute \$100,000 to the project.

Appropriations: Funds set aside for a specific purpose, or use from the state of federal government. Generally speaking, virtually every appropriation is earmarked, and so are certain revenue sources credited to trust funds. In common usage, however, the term is often applied as an epithet for funds set aside for such purposes as research projects, demonstration projects, parks, laboratories, academic grants, and contracts.

Six Year Capital Improvement Program (CIP)

The purpose of the Capital Improvement Program is to establish and cover multi-year expenditures of major capital projects and expenditures for all General Government programs. The Capital Improvement Fund finances the General Government's capital improvement projects. The CIP fund receives transfers primarily from the General and Real Estate Excise Tax (REET) funds based on the long-term capital budget needs of the various City departments and the Recreation programs.

Local Improvement District (LID) (RCW 35.43)

A LID is a charge levied to properties of a designated district to finance capital facility projects. The formation of the district links the cost of public improvements to those landowners specifically benefiting from those improvements. Assessments may not exceed the benefits of the improvement to each parcel and the funding can be used to match grants from federal agencies.