Chapter 6: Finance

2010 Plan Update: The following update discusses the strategy that Jefferson County has used to fund non-motorized transportation facilities and multi-purpose trails. Following the update, background information assessing the County's options for funding non-motorized transportation facilities and recreational trails has been retained in the original 2002 Plan format.

Financing non-motorized transportation facilities and multi-purpose trails

Chapter 6 of the 2002 Non-motorized Transportation and Recreational Trails Plan presented an analysis of Jefferson County's financial condition and options for funding non-motorized transportation facilities and recreational trails. Since the adoption of the 2002 Plan, Jefferson County has chosen to use County Road Fund revenue to match State and Federal grants to fund non-motorized transportation facilities and multi-purpose trails such as the Larry Scott Trail that function as transportation facilities. This 2010 update of Chapter 6 Finance provides an assessment of Road Fund revenue trends that affect the County's capacity to fund these facilities.

The County Road Fund receives revenue from property taxes, gas taxes, timber harvest, inter-governmental transfers, State and Federal grants, and other miscellaneous sources. It funds County Road maintenance and capital improvement projects, including non-motorized transportation facilities.

Property tax revenues

Property taxes are the largest component of Road Fund revenue. Jefferson County is authorized to levy up to $2.475 per $1,000 on the assessed value of taxable property for transportation purposes, including road maintenance and capital improvements. State law limits the increase in the property tax levy to 1% per year plus new construction. Any increase over this amount requires a local referendum. Since property taxes are typically the largest component of Road Fund revenue and Road Fund expenditures increase significantly more than 1% annually, this limit will gradually reduce the County's capacity to fund County Road maintenance and improvements including non-motorized transportation facilities and multi-purpose trails.

Secure Rural Schools Program

For many years counties in Washington State received payments from the Federal government based on timber harvest revenue from Federal lands. In order to offset the decline of timber harvest, the Federal government implemented the Secure Rural Schools Program, primarily to support rural school districts and County Roads. As depicted in the table below, this program has been a significant, but declining component of Road Fund revenue. The current program will end in 2012. Road Fund revenue projections in the County's Six-Year Transportation Improvement Program do not anticipate that it will be renewed.

Secure Rural Schools Revenue (000)						
2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
$1,289	$1,160	$1,044	$428	-	-	-
Secure Rural Schools Percentage of Road Fund Operating Revenue						
21%	19%	17%	8%	-	-	-

Road Fund Revenue and Fund Balance Trends
The following table shows projections for Road Fund year-end fund balances (cash reserves).

County Road Fund Ending Fund Balance Projections (000)							
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Ending Fund Balance	4,641	3,766	3,841	3,386	2,634	1,559	629

Source: 2010 – 2015 Transportation Improvement Program

These projections show that that the Road Fund's capacity to fund transportation improvements, including non-motorized transportation facilities and multi-purpose trails, will be significantly diminished during the next six years.

(The remainder of this Chapter was not revised for the 2010 Plan update. It has been retained in the original 2002 Plan format.)

6.1 Revenues – general government

County revenues are generated from a variety of sources including general funds, special revenues, debt service, capital funds, enterprise funds, internal service funds, and as a state and federal funding pass-through. Following is a brief description of each funding source.

Revenues by all governmental fund types ($000)

	Taxes	Licnse Permits	Intrgvtl Revne	Chges Svs	Fines	Misc	Total (000)
1998	$ 9,105	$459	$6,224	$1,466	$367	$1,810	$19,433
1999*	10,312	413	6,560	1,526	407	1,625	20,845

Source: Auditors Annual Report 31 December 1999

General Fund

General Fund revenue is derived from property taxes, sales taxes, licenses and permits, intergovernmental revenues including state and federal grants, service charges and fees, fines and forfeitures, and other miscellaneous revenues including donations. The General Fund is used to finance most government operations including staff, equipment, capital facility, and other requirements. Recreational trails programs and facilities are funded primarily from the General Fund – although the Larry Scott Memorial Trail has been funded by grants and matching funds from the County Roads Fund. Following is a brief description of each revenue source:

General Fund revenues ($000)

	Taxes	Licnse Permits	Intrgvtl Revne	Chges Svs	Fines	Misc	Total (000)
1999*	$7,183	$403	$1,388	$909	$374	$691	$10,950

Source: Auditors Annual Report 31 December 1999

- *Property tax* – is the largest General Fund Revenue source. Counties may levy a property tax for general governmental purposes at a rate not to exceed $1.80 per $1,000 on the assessed value of all taxable property within a county.

In 2001, Washington State law was amended by Proposition 747 to limit the growth of the regular property tax levy at 1.0% per year, after adjustments for new construction. Any proposed increases over this amount are subject to a referendum vote. The statute was intended to control local governmental spending by controlling the annual rate of growth. In practice, however, the statute reduces the effective property tax yield to an annual level far below a county's levy authorization.

- *Sales tax* - is the second largest General Fund revenue source and may be used for any legitimate public purpose. The county has no direct control over this source. The taxes are collected and distributed by the state and may fluctuate with general economic and local business conditions.

- *Licenses and permits* – includes revenues generated from business and occupational licenses, operating and building permits. Generally, these fees are used to pay for the inspections, processing, and other charges necessary to perform supporting services.

- *Intergovernmental revenue* – includes state and federal grants or pass-through revenues, usually earmarked for specific programs. Federal governmental grants and funding pass-through funds include the Department of Housing and Urban Development's (HUD) Community Development Block Grants (CDBG) and revenue sharing.

- *Charges for services* – includes revenue generated to pay for garbage, landfill, utility, and other operating services provided by the county or a county concession or licensee.

- *Fines and forfeits* – includes monies generated from business fines, code violations, traffic fines, property forfeitures, and other penalties.

County Roads Fund

The County Roads Fund is derived from property taxes, gas taxes, license fees, inter-governmental revenues including state and federal grants, service charges and fees, and other miscellaneous revenues. The County Road Fund is used to finance most roadway operations including staff, equipment, capital facility, and other requirements. Non-motorized transportation improvements are funded from the County Roads Fund. Recreational trails projects (such as the Larry Scott Memorial Trail), that provide a connection between destinations, are also appropriate to fund from the Roads Fund. Following is a brief description of each revenue source:

County Roads Fund revenues ($000)

	Taxes	Licnse Permits	Intrgvtl Revne	Chges Svs	Misc	Assets Other	Total (000)
1999	$2,290	$9	$2,844	$13	$4	$175	$5,335
2000	2,366	11	3,653	27	2	478	6,537
2001*	2,485	16	5,065	16	4	150	7,734

Source: 2001 Final Budget & Program Narratives

- *Property tax* - the County may levy up to $2.25 per $1,000 for road construction and maintenance needs on the assessed value of taxable property within the unincorporated area of a county.

In 2001, Washington State law was amended by Proposition 747 to limit the growth of the regular property tax levy at 1.0% per year, after adjustments for new construction. Any proposed increases over this amount are subject to a referendum vote. Any amount that is not charged up to the maximum at the time of the referendum, however, may be "banked" for future authorization. At the present time, the county has an unused "banked" capacity of 8.61% - portions or all of which may be used for future roadway or non-motorized transportation improvements.

- *Motor Vehicle Excise Tax (MVET)* – Washington State (RCW 82.44) collects an annual excise tax paid by motor vehicle owners and administered by the Department of Licensing. Cities and counties receive a percent of the base tax allocation that must be spent on police and fire, or roadway improvements. RCW 47.30.050 require local governments collect and dedicate not less than 0.005% of the total amount of MVET funds received during a fiscal year for the development of paths and trails.

- *Motor Vehicle Fuel Tax – Arterial Streets (MVFT-AS)* – RCW 82.36 collects an annual tax paid by gasoline distributors and administered by the Department of Licensing. Cities and counties receive a percent of the base motor vehicle fuel tax receipts. The revenues must be spent for highway purposes including the construction, maintenance, and operations of streets, roads, and non-motorized systems.
- *Licenses and permits* – includes revenues generated from vehicle and truck license fees. Generally, these fees are used to pay for the inspections, processing, and other charges necessary to perform supporting highway and transportation services.

- *Washington State intergovernmental revenue* – includes state grants or pass-through revenues, usually earmarked for specific programs. State grants are allocated under the Urban Arterial Trust Account (UATA) and Transportation Improvement Account (TIA) with a 20% matching requirement for alleviating roadways with traffic congestion or accident problems, and/or caused by economic development or growth. Both funds may be used for multi-modal improvements including non-motorized transportation systems.

- *Federal intergovernmental revenue* – includes federal grants or pass-through revenues, usually earmarked for specific programs. Federal grants are allocated under the Federal Transportation Equity Act for the 21st Century (TEA-21). Programs under this Act include the Surface Transportation Program (STP), Transportation Enhancement Program (STP-EH) and Safety Program (STPS) Funds may be used for multi-modal improvements including non-motorized transportation systems. The US Department of Transportation and Federal Highway Administration administer federal governmental grants and pass-through funds.

- *Charges for services* – includes revenue generated from operating services provided by the county or a county concession or licensee.

- *Fines and forfeits* – includes monies generated from traffic fines, vehicle forfeitures, and other penalties.

Special revenues
Special revenues are derived from state and local option taxes dedicated to specific expenditure purposes, such as the real estate excise tax, motel and hotel tax, and the like. Some special revenues may be used to finance limited capital facilities, such as roads or parks, where the local option allows – such as the local real estate excise tax (REET), Conservation Futures, and the like.

Debt service funds
Debt service funds are derived from a dedicated portion of the property tax or general fund proceeds to repay the sale of general obligation (voted) and Councilmanic (non-voted) bonds. Both types of bonds may be used to finance park facility improvements – but not maintenance or operational costs.

County debt capacity

1999 assessed valuation			$2,335,894,470
Debt type	Limit*	Amount	Debt @ 12/31/99
Councilmanic bond capacity	0.75%	$17,519,209	$ 1,252,994
General obligation bond capacity**	2.50%	58,397,362	2,555,000
Total allowable debt	2.50%	$58,397,362	$ 3,807,994
Available capacity			54,589,368

* Percent of the total estimated assessed valuation.
** Require voter validation where cast votes equal at least 40% of the total votes cast in the last state general election.

- *Councilmanic (limited or non-voted) bonds* - may be issued without voter approval by the Board of Commissioners for any facility development purpose. The total amount of all outstanding non-voted general obligation debt may not exceed 0.75% of the assessed valuation of all county property.

Limited general obligation bonds must be paid from general governmental revenues. Therefore, debt service on these bonds may reduce the amount of revenue available for current operating expenditures and the financial flexibility the Board of Commissioners may need to fund annual budget priorities. For this reason, Councilmanic bonds are usually only used for the most pressing capital improvement issues.

- *Unlimited general obligation bonds* - must be approved by at least 60% of resident voters during an election which has a turnout of at least 40% of those who voted in the last state general election. The bond may be repaid from a special levy, which is not governed by the 1.0% statutory limitation on the property tax growth rate. Total debt that may be incurred by limited and unlimited general obligation bonds together, however, may not exceed 2.5% percent of the assessed valuation of the county.

Monies authorized by limited and unlimited types of bonds must be spent within 3 years of authorization to avoid arbitrage requirements unless invested at less than bond yield. In addition, bonds may be used to construct but not maintain or operate facilities. Facility maintenance and operation costs must be paid from general governmental revenue or by voter authorization of special annual or biannual operating levies, or by user fees or charges.

Enterprise funds
Enterprise funds are derived from the user fees and charges levied for utility operations. Enterprise revenues are used to pay operating costs, retire capital facility debt, and plan future replacement and expansion projects – usually for sewer and water, storm water drainage, airports, solid waste management, and other basic infrastructure requirements.

Enterprise funds may be created for a trail activity that has a revenue source sufficient to finance all costs. Enterprise funds have been used on a limited basis for marinas, equestrian centers, and similar self-financing operations.

Internal service funds
Internal service funds are fees charged between county departments or agencies for operating support services. Internal service funds are used to pay operating costs, staff, equipment, and other supporting services – such as equipment rental, computers, custodial services, radio communications, vehicle fleet rentals, self insurance, and workers compensation.

Capital improvements funding implications
Generally, the county has not appropriated very much of the annual budget for capital improvements. The county has building and infrastructure construction requirements, but given the declining buying power of its annual budget, not had the capital resources available to initiate major construction projects from the general funds or non-dedicated funds accounts.

The 101% statutory limit on local property tax yields combined with the sporadic and undependable nature of federal and state grants and revenue sharing prevents or discourages the county from making long term capital investments in urban infrastructure necessary to support urban development. The 101% statutory limit on the general fund levy in particular, severely curtails the county's ability to operate and maintain urban facilities and services even if the county only utilized unlimited general obligation bonds as a means of providing capital financing.

6.2 Expenditures – general government
Jefferson County annual governmental expenditures include department current operating expenses and major interdepartmental costs consisting of debt service, capital improvement programs, and general services.

Categorical expenditures from all funds sources

	County Expenditures	Culture & Recreation		Transportation	
	Total funds	Amount	Percent	Amount	Percent
1998	$19,443,923	$709,371	3.6%	$4,969,773	25.5%
1999	21,729,947	755,677	3.5%	5,250,946	24.2%

Source: Auditors Annual Report 31 December 1999

The county's total expenditures increased from $19,443,923 in 1998 to $21,729,947 in 1999 or by 11.8%. By comparison, expenditures allocated for Culture & Recreation and Transportation categories increased in monetary terms but declined overall as a percent of total expenditures.

6.3 Revenue prospects – general government

The following options could be used to deal with future capital needs:

General levy rate referendums

The 101% statutory limitation could be waived by referendum approval of a majority of the county's registered voters. The referendum could establish a new levy rate at whatever amount residents prefer below the maximum authorization of $1.80 per $1,000 assessed valuation for the General Fund property tax and $2.25 per $1,000 assess valuation for the County Roads Fund property tax.

The new rates would be subject to the 101% statutory limitation, however, and would ultimately decline in purchasing power requiring referendum adjustments at successive points in time. However, the new rate could establish a continuing levy amount above the existing rate that could be dedicated to the exclusive development of non-motorized transportation and trail acquisition, development, operation, and maintenance facilities and programs on a continuous basis.

General Funds - unlimited general obligation bonds

Jefferson County has not recently submitted a major bond proposal to resident voters for the funding of major non-motorized transportation and trails acquisition or development. Consequently, there is no way to know for sure whether county residents will validate an unlimited general obligation bond for the financing of a major countywide non-motorized transportation and trails development effort. Other agencies have offered bond proposals to residents within portions of the county with different success rates.

There may be support for a countywide bond proposal for non-motorized transportation and trails development purposes if the contents of the proposal offers facility benefits of interest to county voters, and the bond effort is properly coordinated to realize a high enough voter turnout to validate the results.

The county may come to depend on voter referendums as a means of financing a larger portion of the county's capital improvement program, since unlimited obligation bonds are not paid from the general fund levy subject to the 101% limitation.

Voter approved capital improvements may be more representative of actual resident priorities than some other methods of validating capital expenditures, and will at the least, ensure referendum submittals provide widespread benefits.

Increased user fees and charges

The county may elect to use an increasing array of special user fees, charges, and special assessments to pay facility operating and maintenance capital requirements. The user fee approach may be difficult to impose on facilities that don't have readily identifiable or chargeable users - like some passive trail systems. The approach may be very responsive, however, for facilities and services that have an identifiable user group that receives a direct proportional benefit for the charge - as in equestrian or marina facilities.

6.4 Expenditures – non-motorized transportation and trails

Jefferson County budgets provide for a variety of operational activities including staff costs, supplies, services and capital outlays, and some facility development activities including debt service on bonds, capital improvement projects, and physical development grants.

Non-motorized transportation and trail improvement projects

Project		Project cost
Larry Scott Trail	Rumage to Four Corners	$760,000
Total		$760,000

The Department of Public Works has an extensive list of major construction and repair project proposals. However, the county has not had the funds available within the General or County Roads Funds with which to finance major non-motorized transportation and trails improvement projects given other more critical county requirements for facilities and services (like jail, court, sheriff, health, and mental health facilities) and motorized roadway improvements.

Funding implications

Jefferson County has begun development of an initial non-motorized transportation and trails inventory using grants, project development mitigation, and an allocation of property tax derived from the General and County Road Funds. However, these sources will not continue to yield enough money with which to initiate major facility development and/or with which to accomplish major cyclical maintenance requirements. In addition, in light of the 1.0% statutory limit on the local property tax yield's affecting discretionary funding in general, the county can no longer depend entirely on traditional revenue sources as a means of funding capital improvement projects.

Jefferson County must devise new and/or supplemental financial strategies with which to develop facilities to meet the non-motorized transportation and trails interests of county residents.

6.5 Tax and grant prospects – non-motorized transportation and trails

Special funding sources

Jefferson County could approve or submit for voter approval one or more of the following special financing options.

- *Local Option Vehicle License Fee (LOVLF)* – the Transportation Improvement Act (RCW 82.80) authorizes countywide (no county levy) local option fees up to $15.00 maximum per vehicle registered in the county. Revenues may be distributed back to the county and cities within the county levying the tax on a weighed per capita basis. Revenues must be spent on general transportation purposes that may include non-motorized transportation and trail systems. The local option fee does not require voter approval.

- *Real Estate Excise Tax (REET))* – RCW 82.46 gives county governments the option of adding up to three 0.0025% increments to the real estate excise tax (REET) for the sole purpose of financing local capital improvement projects.

The first two REET options may be implemented by Board of Commissioners action, the third by voter approval. Jefferson County currently collects the first two REETs. REET funds may not be used to finance operation and maintenance requirements.

- *Local Option Fuel Tax (LOFT)* – is a countywide voter approved tax (RCW 82.80) equivalent to 10% of the statewide Motor Vehicle Fuel Tax and a special fuel tax of $0.023 cents per gallon. LOFT revenue may be distributed to the county on a weighed per capita basis. Revenues must be spent for highway related activities including non-motorized transportation and trail systems. Local Option Fuel Taxes must be voter approved.

State grants

Washington State funds and administers a number of programs for non-motorized transportation and trails purposes using special state revenue programs.

- *Washington Wildlife Recreation Program (WWRP)* – provides funds for the acquisition and development of conservation and recreation lands. The Habitat Conservation Account of the WWRP program provides funds to acquire critical habitat, natural areas, and urban wildlife categories. The Outdoor Recreation Account of the WWRP program provides funds for local parks, state parks, trails, and water access categories.

- *Boating Facilities Program* – approved in 1964 under the state Marine Recreation Land Act, the program earmarks motor vehicle fuel taxes paid by watercraft for boating-related lands and facilities. Program funds may be used for fresh or saltwater launch ramps, transient moorage, and upland support facilities.

- *Aquatic Lands Enhancement Act (ALEA)* - initiated on a trial basis in 1985, and since renewed and expanded, uses revenues obtained by the Washington Department of Natural Resources from the lease of state owned tidal lands. The ALEA program is administered by the IAC for the development of shoreline related trail improvements and may be applied for up to 50% of the proposal.

- *Washington State Public Works Commission* - initiated a program that may be used for watercraft sanitary pump-out facilities.
- *Non-Highway & Off-Road Vehicle Activities Program (NOVA)* – provides funding to develop and manage recreation opportunities for users of off-road vehicles and non-highway roads. An allocation (1%) from the state Motor Vehicle Fuel Tax (MVFT) and off-road vehicle (ORV) permit fees fund the program. NOVA funds may be used for the planning, acquisition, development, maintenance, and operation of off-road vehicle and non-highway road recreation opportunities.

Federal grants

Federal monies are available for the construction of outdoor park facilities from the National Park Service (NPS) Land and Water Conservation Fund (LWCF). The Washington State Interagency Committee for Outdoor Recreation (IAC) administers the grants.

- *NPS (National Park Service) grants* - usually do not exceed $150,000 per project and must be matched on an equal basis by the local jurisdiction. The IAC assigns each project application a priority on a competitive statewide basis according to each jurisdiction's need, population benefit, natural resource enhancements and a number of other factors. In the past few years, project awards have been extremely competitive as the federal government significantly reduced the amount of federal monies available the NPS program. The state increased contributions to the program over the last few years using a variety of special funds, but the overall program could be severely affected by pending federal deficit cutting legislation.

Applicants must submit a detailed comprehensive non-motorized transportation and trails plan to be eligible for NPS funding. The jurisdiction's plan must demonstrate facility need, and prove that the jurisdiction's project proposal will adequately satisfy local non-motorized transportation and trails needs and interests. Due to diminished funding, however, IAC grants have not been a significant source of project monies for city or other local jurisdictions in recent years.

- *TEA21 (Transportation Equity Act for the 21st Century* - can be used to finance on and off-road non-motorized trail enhancements along major and minor arterial collectors roads or sometimes, within separate trail corridors. The program was adopted in 1993 and is administered by the Regional Transportation Organization on behalf of the US Department of Transportation.

Applicants must demonstrate the proposed trail improvements will increase access to non-motorized recreational and commuter transportation alternatives.

- *National Recreational Trails Program (NRTP)* – is the successor to the National Recreational Trails Act (NRFTA). Funds may be used to rehabilitate and maintain recreational trails that provide a backcountry experience. In some cases, the funds may be used to create new “linking” trails, trail relocations, and educational programs.

- *Boating Infrastructure Grant Program (BIG)* – supports development and renovation of areas for non-trailerable recreational boats over 26 feet, and related support elements on US navigable waters. Funds may be used to produce and distribute information and educational materials. The federal program compliments the state-funded Boating Facilities Program (BFP) administered for smaller vessels.

6.6 Private revenue prospects – non-motorized transportation and trails

The following options could be used to deal with future program and project needs:

Special use agreements

Special property agreements can often be used instead of property purchases to secure public use rights for land or property at no cost or a nominal fee, particularly where the possible public use is of benefit to the private landowner. Some forms of special use agreements can provide favorable tax benefits if the use agreement can be shown to have an assigned value.

The county could expand the use agreement concept to include complete development, operation or maintenance responsibilities. Package lease agreements will usually provide more effectively maintained facilities than possible where the county must staff specialized, small work crews.

Sometimes package lease agreements covering use and maintenance aspects may be the only way of resolving an equitable agreement with the private ownership. This may include trails on utility corridors where the ownership may prefer to control development and maintenance activities, and the county may prefer to avoid any implied responsibility or liability for the utility worthiness which the county's maintenance of a trail system could imply.

Public/private concessions

The county could lease a portion of a site or facility to a private party in exchange for a fixed fee or a percentage of gross receipts. The private operator assumes operation and maintenance responsibilities and costs in exchange for a profit. For certain types of facilities, such as enterprise fund account facilities like marinas or equestrian facilities, the county's portion of the profits may be used to pay facility development and/or operation and maintenance costs at the same or for similar facility developments.

Concessions can save the county considerable monies where the activities are specialized, seasonal, experimental or unproven. Concessions can be easily initiated, provide direct user benefit/cost reimbursements and relieve the county of a capital risk should market or user interest fail to materialize to a least break-even levels.

Concessionaires could operate a wide variety of non-motorized transportation and trails facilities including horse stables and equestrian centers, boating and bicycle rentals, among others.

Public/private joint development ventures

The county can enter into an agreement with a private or public developer to jointly own or lease land for an extended period of time. The purpose of the venture would be to allow the development, operation, and maintenance of a major recreational facility or activity in exchange for a fixed lease cost or a percentage of gross receipts.

The developer assumes development, operation, and maintenance responsibilities, costs, and all market risks in exchange for a market opportunity providing a profitable return not otherwise available. The county realizes the development of a facility not realized otherwise in exchange for a low minimum capital return and no or very little capital risk.

Joint development agreements represent an ultimate benefit/cost resolution that may also provide public revenue that the county could use for other development opportunities. Examples include the possible joint development on county lands of marinas and equestrian centers, among others.

Self-help land leases

There are instances where an activity is so specialized in appeal or of a service area so broad in scope that it cannot be equitably financed using general public funds. Specialized user groups should be provided options for developing or maintaining facilities in ways that account for equitable public cost reimbursements. Examples include the use of land leases where the county may lease land at low or not cost where a user group or club assumes responsibility for the development, operation, and maintenance of the facility. The club could provide volunteer help or use club finances to develop, operate and maintain the facility as a means of meeting user benefit/cost objectives.

Land lease agreements could accommodate organized activities like equestrian centers, bmx tracks, crew and kayak centers, among others.

Self-help contract agreements

The county can purchase land, develop, operate, and maintain a specialized facility under a negotiated contract agreement where a special interest group agrees to defray all costs in addition to or in lieu of a user fee as a means of meeting user benefit/cost objectives. The agreements can be quite flexible and could contract the county, the user group, another public agency or a private operator to be developer/operator.

Contract agreements could accommodate a range of more expensive special purpose facility developments including high quality facilities for trail organizations, cities or schools; and specialized facility developments like bmx tracks when and where the user organization can provide financial commitments.

6.7 Public revenue prospects – non-motorized transportation and trails

User fees and charges

The county may increase the number of activities subject to user fees and charges and use the proceeds to purchase land, develop, operate, and maintain facilities where all costs are reimbursed by the revenue obtained. Essentially, the county becomes a facility developer/operator providing whatever facilities or services the market will support from user revenue.

User fees could be used to provide facilities for non-motorized transportation and trails activities whose profit margins are too low to sustain commercial operations or whose benefiting user group may extend beyond county boundaries. Possible facilities include horse stables and equestrian centers, kayak and other boating centers, trail side campsites, and any other facility where demand is sizable enough to warrant a user fee financing approach.
In essence, the market would determine which facility's revenues equal costs, and thereby, which programs the county would provide on a direct costs/benefit basis.

Recreation service areas (RCW Chapter 36.68)

State legislation authorizes the establishment of local recreation service areas that correspond to the logical service boundaries of an area's recreation facilities. The county may provide recreational facilities that are specific to a community in return for the community's agreement to pay the special development, operation, and maintenance costs utilizing special financing devices.

Recreation service areas may be initiated by a Board of Commissioners resolution or citizen petition. The Board' action must be preceded by a hearing on the feasibility and cost of the proposed facility development or operation. The proposal must ultimately be submitted for voter approval including all provisions relating to any special financing agreements.

The method is tremendously flexible and can be used to provide local recreational facilities in a variety of custom service choices including where the:

- *operating agency* - may consist of a common property owners association, an adjacent city or school district, a private operator or the county public works department as the facility developer, operator or maintenance entity.
- *boundaries* - may consist of the owners of a residential development project, of unincorporated county, of an incorporated city, of a school district or any other physical boundary that corresponds with recreation service benefits.
- *services* - may be multipurpose including all types of recreation facilities and programs or single purpose providing a single type of facility service like a multipurpose trail, horse trail, kayak center, velodrome or other activity.
- *financing* - may be by user fees, levies, bonds, self-help contributions or private concessionaire agreements for facility development, operation and maintenance costs.

There are no limitations on the number of recreation service areas that can be established within a county. Conceivably, recreation services could be fully implemented by a multitude of local, even overlapping, recreation service areas providing a custom mixture of recreation facilities and services according to each community's unique sponsor, boundary, service and financing preferences. Public Works may or may not be involved in the actual particulars of a local recreation service area depending on area resident preferences.

Recreation service districts (RCW Chapter 36.69)
State legislation authorizes the establishment of recreation service districts as special units of government that may be wholly independent of any involvement with a county or any other local public agency or jurisdiction. Districts may provide recreational facilities that are specific to the district's boundaries in return for the district residents' agreement to pay the special development, operation, and maintenance costs utilizing special financing devices.

Special recreation service districts may be initiated by a Board of Commissioners resolution or citizen petition. The Board's action must be preceded by a hearing on the feasibility and cost of the proposed district's facility development or operation. The proposal must ultimately be submitted for voter approval including all provisions relating to any special financing agreements. The voters must initially approve the formation of the district, and may elect district commissioners or officers solely responsible for non-motorized transportation and trails policy. Separate voter approvals must be sought for 3-year operating levies providing maintenance, repair, operating costs, and facility acquisition and development projects.

The method can be flexible and used to provide local recreational facilities in a variety of custom service choices including where:

- *boundaries* - may consist of all or portions of unincorporated county, of an incorporated city, of a school district or any other physical boundary that corresponds with recreation service benefits.
- *services* - may be multipurpose including all types of recreation facilities and programs or single purpose providing a single type of facility service like a equestrian center, velodrome, kayak and crew house, bmx or mountain bike course, or other activity.
- *financing* - may be by user fees, levies, bonds, self-help contributions or private concessionaire agreements for facility development, operation and maintenance costs.

There are no limitations on the number of separate recreation service districts that can be established within a county, provided no district overlaps another. The Tacoma Metropolitan Park District is the largest and oldest recreation park district in the State of Washington.

Metropolitan park districts (SB 2557)
In 2002, the state legislature authorized the establishment of metropolitan park districts as special units of government that may be wholly independent of any involvement with a city, county, or any other local public agency or jurisdiction. Like recreation service districts, metropolitan park districts may provide recreational facilities that are specific to the district's boundaries in return for the district residents' agreement to pay the special development, operation, and maintenance costs utilizing special financing devices.

Metropolitan park districts may be initiated by local government resolution or citizen petition. Action on the district must be preceded by a hearing on the feasibility and cost of the proposed district's facility development or operation. The proposal must ultimately be submitted for voter approval (50%) including all provisions relating to any special financing agreements. The voters must initially approve the formation of the district, and may designate existing elected officials, or a body appointed by existing elected officials or elect district commissioners or officers solely responsible for park and recreation policy.

Unlike recreation service districts, voters must also approve the establishment of *a continuous levy as a junior taxing district – compared with 3 year levies under a recreation service district* to provide maintenance, repair, operating costs, and facility acquisition and development projects.

Like the recreation service district, a metropolitan park district can be flexible and used to provide local recreational facilities in the same variety of custom service choices with the exception that the financing levy may be as a junior taxing district with a continuous levy.

There are no limitations on the number of separate metropolitan park districts that can be established within a city, county, or as a combination of multiple cities and counties provided no district overlaps another.

Environmental impact mitigation – subdivision regulations
County subdivision policies could require developers of subdivisions to provide suitably designed and located non-motorized transportation and trail systems including major components of the countywide plan that may be affected by the project's location or development. The county may also consider requiring developers provide acceptable long-term methods of managing and financing maintenance requirements. Attractive management systems could include:

- *ownership by a private organization* - like a hike, bike, horse, or kayak golf club, who assumes responsibility for all maintenance responsibilities and costs,
- *ownership by a homeowners or common property owners association* - who may contract maintenance responsibilities and assess property owner's annual costs,
- *dedication of property* - to an adjacent city or school district who assumes maintenance responsibilities using local city or school funds, or

- *creation of a special recreation service district* - where locally elected district representatives manage maintenance requirements and select a local method of financing.

The county should not accept title and maintenance responsibility unless the land or facility will be a legitimate community non-motorized transportation and trail element that may be supported using public financing. The county may be contracted by any of the other agencies to provide or oversee a maintenance contract on the owner's behalf provided all county costs are reimbursed by an approved method of local financing.

Growth impact fees

Jefferson County could adopt growth impact fees in accordance with the Washington State Growth Management Act (GMA). Impact fees are based on the idea that the owners of existing properties have paid property taxes to develop and maintain existing public facilities such as roads, trails, and parks. In recognition of the value of this contribution, new residential and commercial developments within unincorporated Jefferson County could be assessed transportation and/or park impact fees to maintain the existing level-of-service (ELOS).

An impact fee ordinance would estimate the impact a development project would have on non-motorized transportation, trails, and parks facilities. This estimate would be based on the value of existing facilities and the number of new residents or vehicles generated by the development. The County would collect a fee to offset the acquisition and development costs that the county and/or another providing agency would incur to maintain the existing level-of-service (ELOS). Impact fees are then used to fund projects to offset impacts of development on local or neighborhood and community or regional facilities. Typically impact fee ordinances only collect a portion of the amount necessary to maintain the ELOS.

An impact fee ordinance may allow a developer to choose a combination of land or cash mitigation measures including credit for non-motorized transportation, trail, and park facilities constructed in the project development.

An impact fee ordinance should consider the following when determining the types of mitigation measures or development credits that are allowed:

- *will the facility* - be available to the public,
- *have a designated owner* - responsible for continuing operation and maintenance (the owner may be a common property owner's association, school district or other agency), and
- *correspond to and not exceed or vary from* - the types of non-motorized transportation, trails, and parks facilities that are being impacted (a developer could provide but should not able to take full credit value for facilities for which there is no shortage, impact or local interest).

Land contributions can be accepted in lieu of cash if the lands will be suitable sites for future facilities. Land and revenue accumulated under the proposed ordinance must be invested within a reasonable time of impact assessment or be returned to the contributing developer.

The county could conduct periodic program reviews with residents, user groups, the school district, and other agencies to decide the most efficient and representative way of delivering the facilities mitigated by the ordinance. Alternative delivery methods could include:

- *acquisition of suitable sites* - in conjunction with other public or school facilities including title transfer if other public or school agencies enter into special agreements assuming development, operation, and maintenance responsibilities and costs,
- *development of facilities* - on other public or school sites if other public or school agencies enter into agreements assuming future operation and maintenance responsibilities and costs, or
- *any other alternative* - including development, operation or maintenance proposals by user groups or private concessionaires or developers that provide a viable facility in accordance with the non-motorized transportation and trails strategies outlined.

Inter-local agreements

Jefferson County should work with Port Townsend to determine an equitable means whereby growth mitigation park and transportation impact fees can be collected for residential and commercial developments occurring within the urban growth area outside of existing city limits, but within the area the city eventually expects to annex.

A joint growth impact fee should be collected where the county and city maintain the same local and regional or citywide level-of-service (LOS) presently existing within the incorporated (city) and unincorporated (county) sections, and for the urban growth area in total. A common fee could be collected by each agency, then shared on a project by project basis for improvements benefiting local neighborhoods (and potential residents of proposed subdivisions) or residents of the community and urban growth area-at-large.

It is to Jefferson County's advantage to assist Port Townsend with the development and operation of common facilities since these facilities serve residents of the entire county. In return, however, Jefferson County and Port Townsend must determine an equitable means whereby the city and county perform or reimburse each other for some of the added facility maintenance and operational impacts that users create on each agency's facilities.