

## CHAPTER 1

### INTRODUCTION

#### DEFINITION AND PURPOSE OF CAPITAL FACILITIES PLAN

The CFP is a 6-year plan (1995-2000) for capital improvements that support Kitsap County's current and future population and economy. The capital improvements are fully funded (i.e., not a "wish list"). One of the principal criteria for identifying needed capital improvements are standards for levels of service (LOS). The CFP contains LOS standards for each public facility, and requires that new development be served by adequate facilities (i.e., the "concurrency" requirement). The CFP also contains broad goals and specific policies that guide and implement the provision of adequate public facilities.

The purpose of the CFP is to use sound fiscal policies to provide adequate public facilities consistent with the land use element and concurrent with, or prior to the impacts of development in order to achieve and maintain adopted standards for levels of service, and to exceed the adopted standards, when possible.

#### WHY PLAN FOR CAPITAL FACILITIES?

There are at least three reasons to plan for capital facilities: (1) growth management, (2) good management, and (3) eligibility for grants and loans.

##### **Growth Management**

A CFP is required by the GMA. The CFP is one of six required elements of Kitsap County's comprehensive plan:

- a. Land Use
- b. Housing
- c. Transportation
- d. Utilities
- e. Rural (counties only)
- f. Capital Facilities Plan

Capital facilities plans are required in the comprehensive plan in order to:

1. Provide capital facilities for land development that is envisioned or authorized by the land use element of the comprehensive plan.
2. Maintain the quality of life for existing and future development by establishing and maintaining standards for the level of service of capital facilities.
3. Coordinate and provide consistency among the many plans for capital improvements,

including:

- Other elements of the comprehensive plan (i.e., transportation and utilities elements), of the comprehensive plan,
- Master plans and other studies of the local government,
- Plans for capital facilities of state and/or regional significance,
- Plans of other adjacent local governments, and
- Plans of special districts.

4. Insure the timely provision of adequate facilities as required in the GMA.
5. Document all capital projects and their financing (including projects to be financed by impact fees and/or real estate excise taxes that are authorized by GMA).

The CFP is the element that makes the rest of the comprehensive plan "real". By establishing levels of service as the basis for providing capital facilities and for achieving concurrency, the CFP determines the quality of life in the community. The requirement to fully finance the CFP (or revise the land use plan) provides a reality check on the vision set forth in the comprehensive plan. The capacity of capital facilities that are provided in the CFP affects the size and configuration of the urban growth area.

### **Good Management**

Planning for major capital facilities and their costs enables Kitsap County to:

- a. demonstrate the need for facilities and the need for revenues to pay for them;
- b. estimate future operation/maintenance costs of new facilities that will impact the annual budget;
- c. take advantage of sources of revenue (i.e., grants, impact fees, real estate excise taxes) that require a CFP in order to qualify for the revenue; and
- d. get better ratings on bond issues when the County borrows money for capital facilities (thus reducing interest rates and the cost of borrowing money).

### **Eligibility for Grants and Loans**

DCTED's Public Works Trust Fund requires that local governments have some type of CFP in order to be eligible for loans. Some other grants and loans have similar requirements, or give preference to governments that have a CFP.

## STATUTORY REQUIREMENTS FOR CAPITAL FACILITIES PLANS

The GMA requires the CFP to identify public facilities that will be required during the six years following adoption of the new plan (1995 through 2000). The CFP must include the location and cost of the facilities, and the sources of revenue that will be used to fund the facilities.

RCW 36.70A.070(3)(d) requires the capital facilities plan to include "a six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes." RCW 36.70A.070(3)(e) requires that all capital facilities have "probable funding" to pay for capital facility needs, or else the County must "reassess the land use element."

Since "reassessing" to increase development would only make the imbalance of funding and needs worse, the law infers that the County must plan for less development so as to match "probable funding" with needed capital improvements. The law does not preclude the County from taking other steps before "reassessing" the land use element, including reduction of level of service standards, reducing the quality of facilities that meet the quantitative standards, or reducing demand by reducing consumption.

**In the event that "reassessment" is required for facilities provided by entities other than the County (i.e., fire districts, water districts, sewer districts, school districts, etc.), the County and the special district that provides the facility will collaborate in order to develop an appropriate strategy to enable the County to serve at least the minimum population forecast provided by the State of Washington Office of Financial Management.**

Other requirements of the GMA mandate forecasts of future needs for capital facilities, and the use of standards for levels of service of facility capacity as the basis for public facilities contained in the CFP (see RCW 36.70A.020 (12)). As a result, public facilities in the CFP must be based on quantifiable, objective measures of capacity, such as traffic volume capacity per mile of road, and acres of park per capita.

One of the goals of the GMA is to have capital facilities in place concurrent with development. This concept is known as concurrency (also called "adequate public facilities"). In Kitsap County, concurrency requires: (1) facilities to serve the development to be in place at the time of development (or for some types of facilities, that a financial commitment is made to provide the facilities within a specified period of time); and (2) such facilities have sufficient capacity to serve development without decreasing levels of service below minimum standards adopted in the CFP.

The GMA requires concurrency for transportation facilities. GMA also requires all other public facilities to be "adequate" (see RCW 19.27.097, 36.70A.020, 36.70A.030, and 58.17.110). Concurrency management procedures will be developed to ensure that sufficient public facility capacity is available for each proposed development.

After the CFP is completed, and adopted as part of the comprehensive plan, the County must adopt development regulations to implement the plan. The development regulations must be

completed within one year of the adoption of the comprehensive plan. The development regulations will provide detailed regulations and procedures for implementing the requirements of the plan.

Each year the CFP must be updated. The annual update will be completed before the County's budget is adopted in order to incorporate the capital improvements from the updated CFP in the County's annual budget.

**NEW CAPITAL FACILITIES PLANS (CFP) vs. TRADITIONAL CAPITAL IMPROVEMENTS PROGRAMS (CIP)**

Traditional capital improvements programs (which are often "wish lists") will not meet these requirements. Table 1-1 compares traditional CIP's to the new CFP.

**Table 1-1: Traditional CFP vs. New CFP**

<u>FEATURE OF PLAN</u>	<u>CAPITAL IMPROVEMENTS PROGRAM</u>	<u>CAPITAL FACILITIES PLAN</u>
Which facilities?	None Required	All Facilities Required
What priorities?	Any Criteria (or None)	Level of Service Standards
Financing Required?	Not Required	Financing Plan Required
Implementation Required?	Not Required	Concurrency Required For All Facilities

There are traditional and non-traditional approaches to developing capital facilities plans. Two traditional approaches (used to develop CIP's) are: (1) needs-driven, and (2) revenue-driven.

1. Needs-driven: first develop needed capital projects, then try to finance them. This approach is sometimes called a "wish list."
2. Revenue-driven: first determine financial capacity, then develop capital projects that do not exceed available revenue. This approach is called "financially constrained."

Because of the non-traditional requirements of capital facilities planning under the GMA, the traditional approaches to developing capital improvements can cause problems.

The needs-driven approach may exceed the County's capacity to pay for the projects. If the County cannot pay for the facilities it needs to achieve the level of service standards that it adopted, the County must impose a moratorium in order to comply with the concurrency requirement.

The revenue-driven approach may limit the County to capital projects that provide a lower level of service than the community desires. The County may be willing to raise more revenue if it knows that the financial constraints of existing revenues limit the levels of service.

A hybrid approach that overcomes these problems is: (3) scenario-driven.

3. Scenario-driven: develop two or more scenarios using different assumptions about needs (levels of service) and revenues. Use the scenarios to identify the best combination of level of service and financing plan.

The development of multiple scenarios allows the community and decisionmakers to review more than one version of the County's future. Each version is like a choice on a menu in a restaurant: the most desirable choices are often the most expensive, and the most affordable choices are often not as appealing.

The same is true with the County's CFP: the highest levels of service provide the best quality of life, but the greatest cost (and the greatest risk of a development moratorium if the cost is not paid), while the lowest cost provide less desirable quality of life. The scenario-driven approach enables the County to balance its desire for high levels of service with its willingness and ability to pay for those levels of service.

Other advantages of the scenario-driven approach include:

- Helping the County analyze which approach achieves the best balance among GMA goals;
- Helping prepare analyses required by SEPA (State Environmental Protection Act); and
- Evaluating scenarios for the Land Use Element.

The scenario-driven approach also provides a non-traditional method of policy development. The other approaches begin by setting policies (i.e., needs or revenues) then building a plan to implement the policies. The scenario-driven approach uses alternative potential policy assumptions as the basis for different scenarios.

The establishment of County policies is accomplished by reviewing all scenarios. Then, the Board of County Commissioners selects the preferred scenario, and then the policies are written that will implement the preferred scenario.

The scenarios are used to test alternative policies, and lead to selection of the policy that the community believes they can achieve. The formal language of policies is written after the

scenarios are evaluated and the preferred scenarios (and accompanying policies) have been identified.

## **LEVEL OF SERVICE (SCENARIO-DRIVEN) METHOD FOR ANALYZING CAPITAL FACILITIES**

### **Explanation of Levels of Service**

Levels of service are usually quantifiable measures of the amount of public facilities that are provided to the community. Levels of service may also measure the quality of some public facilities.

Typically, measures of levels of service are expressed as ratios of facility capacity to demand (i.e., actual or potential users). Figure 2 lists examples of levels of service measures for some capital facilities:

Each of these level of service measures needs one additional piece of information: The specific quantity that measures the current or proposed level of service. For example, the *standard* for parks might be 5 acres per 1,000 population, but the *current* level of service may be 2.68 acres per 1,000, which is less than the standard.

In order to make use of the level of service method, the County selects the way in which it will measure each facility (i.e., acres, gallons, etc.), and it identifies the amount of the current and proposed (i.e., standard) level of service for each measurement.

There are other ways to measure the level of service of many of these capital facilities. The examples in Figure 2 are provided in order to give greater depth to the following discussion of the use of levels of service as a method for determining the County's need for capital facilities.

**Table 1-2: Sample Level of Service Measurements**

<u>Type of Capital Facility</u>	<u>Sample Level of Service Measure</u>
Corrections	Beds per 1,000 population
Fire and Rescue	Average response time
Hospitals	Beds per 1,000 population
Law Enforcement	Officers per 1,000 population
Library	Collection size per capita
	Building square feet per capita
Parks	Acres per 1,000 population
Roads and Streets	Ratio of actual volume to design capacity
Schools	Students per Classroom
Sewer	Gallons per customer per day
	Effluent quality
Solid Waste	Tons (or cubic yards) per capita or per customer
Surface Water & River Levees	Design storm (i.e., 100-year storm)
	Runoff water quality
Transit	Ridership
Water	Gallons per customer per day
	Water quality

**Method for Using Levels of Service**

The level of service method answers two questions in order to develop a financially feasible CFP. The GMA requires the CFP to be based on standards for service levels that are measurable and financially feasible for the six fiscal years following adoption of the plan. The County is required to adopt its plan to meet its capital needs for the fiscal years 1995 through 2000.

There are two questions that must be answered in order to meet the GMA requirements:

1. What is the quantity of public facilities that will be required by the end of the 6th
2. Is it financially feasible to provide the quantity of facilities that are required by the end of the 6th year (i.e., 2000)?

The answer to each question can be calculated by using objective data and formulas. Each type of public facility is examined separately (i.e., roads are examined separately from parks). The costs of all the types of facilities are then added together in order to determine the overall financial feasibility of the CFP.

The method is displayed, as follows:

Question 1. What is the quantity of public facilities that will be required by the end of the 6th year (i.e., 2000)?

$$\text{Formula 1.1: Demand} \times \text{Standard} = \text{Requirement}$$

Where Demand is the estimated 2000 population or other appropriate measure of need (i.e., dwelling units),

and Standard is the amount of facility per unit of demand (i.e., acres of park per capita)

The answer to this formula is the total amount of public facilities that are needed, regardless of the amount of facilities that are already in place and being used by the public.

$$\text{Formula 1.2: Requirement} - \text{Inventory} = \text{Surplus or Deficiency}$$

Where Requirement is the result of Formula 1.1,

and Inventory is the quantity of facilities available as of December 31, 1993 (the beginning of the six years covered by the plan).

This formula uses the inventory of existing public facilities, plus facilities that were completed by December 31, 1994, to offset the total requirement of Formula 1.1. The answer to Formula 1.2 is the net surplus of public facilities, or the net deficit that must be eliminated by additional facilities before December 31, 2000. If a net deficiency exists, it represents the combined needs of existing development and anticipated new development. Detailed analysis will reveal the portion of the net deficiency that is attributable to current development compared to the portion needed for new development (see the CFP support document "Capital Facilities Requirements" for the delineation between current development and new development).

Question 2. Is it financially feasible to provide the quantity of facilities that are required by the end of the 6th year (i.e., 2000)?

A "preliminary" answer to Question 2 is prepared in order to test the financial feasibility of tentative or proposed standards of service. The preliminary answers use "average costs" of facilities, rather than specific project costs. This approach avoids the problem of developing detailed projects and costs that would be unusable if the standard proved to be financially infeasible. If the standards are feasible at the preliminary level, detailed projects are prepared for the "final" answer to Question 2. If, however, the preliminary answer indicate that a standard of service is not financially feasible, six options are available to the County:

1. Reduce the standard of service, which will reduce the cost, or
2. Increase revenues to pay for the proposed standard of service (higher rates for existing revenues, and/or new sources of revenue), or
3. Reduce the average cost of the public facility (i.e., alternative technology or



alternative ownership or financing), thus reducing the total cost, and possibly the quality, or

4. Reduce the demand by restricting population (i.e., revise the land use element), which may cause growth to occur in other jurisdictions, or
5. Reduce the demand by reducing consumption (i.e., transportation demand management techniques, recycling solid waste, water conservation, etc.) which may cost more money initially, but may save money later, or
6. Any combination of options 1-5.

The preliminary answer to Question 2 is prepared using the following formulas (P = preliminary):

$$\text{Formula 2.1P:} \quad \text{Deficiency} \quad \times \quad \text{Average Cost} \quad = \quad \text{Deficiency} \\ \text{per Unit} \quad \text{Cost}$$

Where Deficiency is the Result of Formula 1.2,

and Average Cost/Unit is the usual cost of one unit of facility (i.e., mile of road, acre of park)

The answer to Formula 2.1P is the approximate cost of eliminating all deficiencies of public facilities, based on the use of an "average" cost for each unit of public facility that is needed.

$$\text{Formula 2.2P:} \quad \text{Deficiency} \quad - \quad \text{Revenue} \quad = \quad \text{Net Surplus} \\ \text{Cost} \quad \text{or Deficiency}$$

Where Deficiency Cost is the result of Formula 2.1P,

and Revenue is the money currently available for public facilities.

The result of Formula 2.2P is the preliminary answer to the test of financial feasibility of the standards of service. A surplus of revenue in excess of cost means the standard of service is affordable with money remaining (the surplus), therefore the standard is financially feasible. A deficiency of revenue compared to cost means that not enough money is available to build the facilities, therefore the standard is not financially feasible. Any standard that is not financially feasible will need to be adjusted using the 6 strategies listed above.

The "final" demonstration of financial feasibility uses detailed costs of specific capital projects in lieu of the "average" costs of facilities used in the preliminary answer, as follows (F = final):

$$\text{Formula 2.1F:} \quad \text{Capacity} \quad + \quad \text{Non-capacity} \quad = \quad \text{Project} \\ \text{Projects} \quad \text{Projects} \quad \text{Cost}$$

Where Capacity Projects is the cost of all projects needed to eliminate the deficiency for existing and future development (Formula 1.2), including upgrades and/or expansion of existing facilities as well as new facilities,

and Non-capacity Projects is the cost of remodeling, renovation or replacement

needed to maintain the inventory of existing facilities.

$$\text{Formula 2.2F:} \quad \text{Project Cost} \quad - \quad \text{Revenue} \quad = \quad \text{Net Surplus or Deficiency}$$

Where Project Cost is the result of Formula 2.1F,

and Revenue is the money available for public facilities from current/proposed sources.

The "final" answer to Question 2 validates the financial feasibility of the standards for levels of service that are used for each public facility in the CFP and in the other elements of the comprehensive plan. The financially feasible standards for levels of service and the resulting capital improvement projects are used as the basis for policies and implementation programs in the final Capital Facilities Plan.

### **Setting the Standards for Levels of Service (LOS)**

Because the need for capital facilities is largely determined by the LOS that are adopted, the key to influencing the CFP is to influence the selection of the level of service standards. Level of service standards are measures of the quality of life of the community. The standards should be based on the community's vision of its future and its values. Traditional approaches to capital facilities planning rely on technical experts (i.e., staff and consultants) to determine the need for capital improvements. In the scenario-driven approach, these experts play an important advisory role, but they do not control the determination. Their role is to define and implement a process for the review of various scenarios, to analyze data and make suggestions based on technical considerations.

An individual has many opportunities to influence the LOS (and other aspects of the Growth Management Plan). These opportunities include attending and participating in meetings, writing letters, responding to surveys or questionnaires, joining organizations that participate in the CFP process, being appointed/elected to an advisory group, making comments/ presentation/ testimony at the meetings of any group or government agency that influences the LOS decision and giving input during the SEPA review process.

In the future, the scenario-driven approach to developing the level of service standards will provide decision-makers and anyone else who wishes to participate with a clear statement of the outcomes of various levels of service for each type of public facility. This approach reduces the tendency for decisions to be controlled by expert staff or consultants, and opens up the decision-making process to the public and advisory groups, and places the decisions before the County Commission.

Selection of a specific level of service to be the "adopted standard" should be accomplished by a 10-step process:

- (1) The "current" actual level of service is calculated.
- (2) Departmental service providers are given national/regional standards or guidelines and examples of local LOS from other local governments.
- (3) Departmental service providers research local standards from County studies, master plans, ordinances and development regulations.
- (4) Departmental service providers recommend a standard for the County's CFP.
- (5) The first draft of the Capital Facilities Requirements support document will forecast needed capacity and approximate costs of two levels of service (e.g., the actual LOS, and the department's recommended LOS)
- (6) The County Commission reviews and comments on the first draft Capital Facilities Requirements report.
- (7) Departmental service providers prepare specific capital improvements projects to support the LOS (unless the County Commission indicates an interest in a different LOS for the purpose of preparing the first draft CFP).
- (8) The first draft CFP is prepared using the current LOS (unless the County Commission indicates an interest in a different LOS). The LOS in the first draft CFP serves as the basis of capital projects, their costs, and a financing plan necessary to pay for the costs.
- (9) The draft CFP is reviewed/discussed during County Commission-Planning Commission joint workshop(s) prior to formal reading/hearing of CFP by the County Commission.
- (10) The County Commission formally adopts levels of services as part of the CFP.

The final standards for levels of service are adopted in Policy 1.3. The adopted standards (1) determine the need for capital improvements projects (see Policy 1.4 and the Capital Improvements section) and (2) are the benchmark for testing the adequacy of public facilities for each proposed development pursuant to the "concurrency" requirement (see Policy 3.3). The adopted standards can be amended, if necessary, once each year as part of the annual amendment of the comprehensive plan.