

Chapter 16

GOVERNANCE

Introduction

This chapter examines two future governance options for Birch Bay. One option is to incorporate Birch Bay as a municipal corporation. The other option is to annex all or parts of Birch Bay to the City of Blaine. The Growth Management Act states that "it is appropriate that urban government services be provided by cities, and urban government services should not be provided in rural areas." Consistent with this goal, it is desirable that Birch Bay will become a city or annex to a city as soon as this is economically feasible, as cities are best suited to provide the services that are needed in an urban area. Until incorporation or annexation is feasible, Birch Bay will remain an unincorporated urban area of Whatcom County. In the interim, some governmental service improvements can be achieved through such actions as activating the now dormant Northwest Parks and Recreation District, adoption of park and traffic impact fees, or the creation of a Road Improvement District or Stormwater Utility District.

The incorporation alternative and the annexation alternative have so many measures with differing weights that it is impossible to say categorically that one alternative is superior to another. Different people put different weights on different measures and reach opposing conclusions. Therefore, this chapter does not draw a conclusion that one alternative is superior to another. It leaves that determination to be made by the reader.

This chapter does not attempt to evaluate the qualitative aspects of incorporation or annexation. It deals primarily with measurable aspects such as government revenues and costs. Costs are broken down to government operations costs and capital investment costs. The chapter concludes by describing the procedures for incorporation and annexation. In either case, to implement the incorporation or annexation, the affected people of Birch Bay must vote and approve the proposal by a simple majority vote.

Incorporation

Area

For the purposes of this study, the area for incorporation is the recommended Birch Bay urban growth area as shown in Figure 8-7. It includes all of the current short-term and long-term Birch Bay urban growth area. Further, it includes 100 acres that are outside the current Birch Bay urban growth area, east of Blaine Road in the vicinity of Alderson and Arnie Roads. The Birch Bay incorporation study area amounts to approximately 6,900 acres of land.

Population

The population of the incorporation study area or the recommended urban growth area in 2000 amounted to about 4,390 persons. By 2002, the population has grown to about 4,770. The 2022 forecast of population in the incorporation study area or the recommended urban growth area amounts to about 9,619 persons.

Estimated Revenue and Expenses

If Birch Bay were to incorporate as a municipality in 2002, it would generate a certain amount of revenue and incur expenditures. The revenue vs. expenditure estimates are shown on the following page in Table 16-1. The revenue estimates reflect the revenues a municipality, the size of Birch Bay (population 4,770), would be able to generate from regular or entitlement sources. The expenditure estimates are based on the assumption that the new municipality would provide the level of municipal services that the area residents are getting now from Whatcom County.

As illustrated in Table 16-1, the revenues amount to \$2,738,237 and the expenditures amount to \$2,201,150, leaving the potential new city with \$541,452 for non-operational expenditures. These non-operational expenditure funds would need to be expended on capital improvements. Capital improvement needs and costs are outlined in Chapter 16.

A more detailed analysis of revenues and expenses would be needed to develop a budget for the future City of Birch Bay and determine the feasibility of incorporation.

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**Table 16-1
Estimated Revenues and Expenses - Incorporated Birch Bay**

Parameters	2002 Dollars
2002 Estimated population	4,770
Taxable assessed value for year 2002 taxes	\$440,175,005
Levy rate per \$1,000 of assessed value	\$1.60
Estimated property tax delinquency rate	1.0 %
Estimated Revenues	
	2002 Dollars
Property taxes, regular levy	\$704,280
Retail sales tax	465,457
Liquor excise tax	15,836
Liquor profits	26,998
Unrestricted gas tax	73,124
Restricted gas tax	34,201
Criminal justice revenue	859
Real estate excise tax	178,951
Building permit and plan review revenue	305,000
Business licenses fees	15,000
Fines and forfeitures	202,000
Surfacewater management assessment	177,000
Hotel-motel tax	190,000
Impact fees	135,000
Utility tax revenue	62,633
Cable TV franchise fee	28,048
Community development block grants	14,310
Gambling tax	9,540
State and federal grants	100,000
Total Estimated Revenue	\$2,738,237

Table 16-1
is continued on the following page

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Table 16-1 Cont.
Estimated Revenues and Expenses - Incorporated Birch Bay

Estimated Expenses	2002 Dollars
City council and mayor	\$33,400
City manager	123,350
City attorney	80,000
Municipal court	202,000
City clerk	146,400
Community and economic development	383,000
Finance department	191,000
Police department	406,000
Public works department	436,000
Operational contingency	100,000
Reserve fund	100,000
Total Estimated Expenses	\$2,201,150
Revenue Less Expenses	\$537,087

Assessed Value

The year 2001 taxable assessed value is the value on which 2002 taxes in the unincorporated area would be levied. The 2001 taxable assessed value in the Birch Bay incorporation study area, as reported by the Whatcom County Assessor, amounts to \$431,140,005. About 49 percent or \$210,982,845 is in land and \$220,157,160 is in improvements.

Public utilities properties, such as electric light and power companies, telephone and telegraph companies, railways and other transportation companies, are subject to property tax levies. The total assessed value of public utilities in Whatcom County in 2001 amounted to \$442,851,475 or 4.0 per cent of its total assessed taxable value of \$11,103,838,090. Taking a conservative approach, the Birch Bay incorporation area share of public utility assessed value is estimated at 2.0 per cent and amounts to \$8,772,000.

The total taxable assessed value in the Birch Bay incorporation study area amounts to \$440,175,005, which is the taxable assessed value of

land and improvements (431,403,005) plus the Birch Bay incorporation area share of the County's public utility taxable assessed value (\$8,772,000). The Birch Bay incorporation study area's share of the County's total assessed valuation is 4.0 percent.

The Taxable assessed value for the Birch Bay incorporation study area was determined by the Whatcom County Planning and Development Services Department using Whatcom County Assessors records and the GIS mapping system.

City Levy Rate

The city levy rate of \$1.60 per \$1,000 of assessed value represents the maximum regularly allowed by Washington law for a city that does not provide its own library or fire protection services. If a city were to provide its own library and fire services the \$1.60 levy could be increased by \$2.00 to \$3.60 per \$1,000 assessed value.

Property Tax Delinquency Rate

Not all property taxes are collected. Some property taxes go unpaid in one year but are paid the next year. Generally, cities collect 99 per cent of all property taxes. Only 1 percent remains uncollected, resulting in a property tax delinquency rate of 1.0 per cent.

Property Tax Revenue

The estimated property tax revenue is calculated by combining the estimated taxable assessed value of \$440,175,005 by the city levy rate of \$1.60 per \$1,000 of taxable assessed value and the assumed property tax delinquency rate of one per cent. The total property tax revenue is estimated to amount to \$704,280.

Sales Tax Receipts

State law allows cities to levy a one per cent sales tax. The first half per cent is a base half and the second half per cent is optional. The sales tax receipts estimate is based on the assumption that the city would levy both

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half-percents allowed by law. The Washington State Department of Revenue collects the sales tax on behalf of cities and keeps one per cent of the one percent to cover its administrative and collection costs. Whatcom County is eligible to receive 15 percent of the one percent. In total, a new city in Whatcom County, therefore, would receive 0.84 per cent of gross retail sales.

Sales tax is a value added tax that is added on a percentage basis to the sales price of tangible personal property and many services purchased by the consumer. Purchase of groceries and prescription drugs are exempt from sales tax. Sales tax is also applied to such charges as telephone service, cable television, etc. Further, sales tax is also added to construction or improvement of existing buildings, including labor and services provided throughout the process.

To estimate sales tax generated in any defined area in unincorporated Whatcom County, or any other county, is a very difficult task. The Washington State Department of Revenue accounts for and reports sales tax collections by a municipality and by the remainder of unincorporated territory in a county. In 2001, Whatcom County's unincorporated population amounted to 75,682. The Department of Revenue accredited \$6,674,795 in sales tax revenue to the Whatcom County unincorporated area. The per capita sales tax amounted to \$88.20. Applying this rate to the number of persons in the Birch Bay incorporation area would generate sales tax revenue amounting to \$420,714. In comparison, City of Blaine's sales tax revenue in 2001 amounted to \$607,191. Dividing this number by the number of persons (3,855) results in per capita sales tax revenue for the City of Blaine amounting to \$157.51. The per capita sales tax revenue in Whatcom County, less the City of Bellingham, amounts to \$97.58. Using this rate to calculate the sales tax revenue for the Birch Bay incorporated area amounts to \$465,457. Comparative sales tax revenue collected in municipalities in Whatcom County during the year 2001 is shown in Table 16-2.

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**Table 16-2
Sales Tax Revenue**

Jurisdiction	2001 Population	Total Sales Tax	Per Capita Sales Tax
Bellingham	68,890	\$12,851,923	\$186.56
Blaine	3,855	607,191	157.51
Everson	2,050	123,129	60.06
Ferndale	8,925	871,960	97.70
Lynden	9,285	1,503,277	161.90
Nooksack	918	42,715	46.53
Sumas	995	101,499	102.01
Unincorp. Whatcom County	75,682	6,674,795	88.20
WC less Bellingham	101,710	9,924,566	97.58

Source: Washington State Department of Revenue

State Liquor Excise Tax

The Washington State Department of Revenue distributes a share of the state collected liquor excise tax to cities on a per capita basis. To receive these funds, cities are required to spend at least 2 per cent on approved alcoholism and drug addiction prevention programs. The estimated per capita state liquor excise tax distribution in 2002 is \$3.32. The state liquor excise tax in the Birch Bay incorporation area is estimated to generate \$15,836 in the year 2002.

State Liquor Profits Revenue

The Washington State Department of Revenue also distributes liquor sales profits to cities. The distribution is on a per capita basis. The per capita rate in 2002 amounts to \$5.66. The amount of revenue generated in the Birch Bay incorporation area amounts to \$26,998.

Unrestricted Gas Tax

In Washington State, the State collects all the gas tax. Some of it is shared with municipalities. The "unrestricted" portion of the shared gas tax

is directed to street and road maintenance. The "restricted" portion is directed to be deposited in an arterial street fund and to be used for street or road construction. The per capita "unrestricted" gas tax in 2002 amounts to \$15.33 and the total allocation to the Birch Bay incorporation area amounts to \$73,124.

Restricted Gas Tax

The State allocated "restricted" gas tax funds must be assigned to an arterial street fund and be used for street construction. The per capita allocation in 2002 amounts to \$7.17. The Birch Bay incorporation area share in 2002 amounts to \$34,201.

Criminal Justice

The portion of criminal justice revenues that came from the motor vehicle excise tax was repealed by Initiative 695. However, Referendum 49 provided for a contribution from the state general fund every year so the repeal of the motor vehicle excise tax did not completely eliminate criminal justice funding. The per capita estimate for year 2002 is \$0.18. The amount for the Birch Bay incorporation area amounts to \$859.

Real Estate Excise Tax

Municipalities are permitted to levy real estate excise tax (REET) on all real estate sales within the municipal boundary. A municipality that is required to plan under the Growth Management Act can levy two 0.25 per cent pieces, totaling 0.5 per cent on all real estate sales. The amount of REET collected fluctuates from year to year and is dependent on the level of real estate activity. Looking at 2001 REET collections in Auburn and Renton in King County and Ferndale and Lynden in Whatcom County, REET generated anywhere from \$227 to \$520 per \$1 million assessed taxable value. For the Birch Bay incorporation area, REET is estimated at \$400 per \$1 million assessed taxable value, resulting in 2002 REET revenue amounting to \$178,951.

Building Permit and Plan Review

With incorporation, planning and building regulation transfers from Whatcom County to the new city. Revenues from plan review and building permit review in the Birch Bay area have been significant and are collected by the County. The new city is empowered to establish building permit and plan review fees. Building permit fees are more or less driven by the Uniform Building Code which most cities and counties, in the State of Washington, have adopted.

This analysis makes the assumption that the new city will adopt a "full cost recovery" policy, meaning that all building inspection and plan review costs will be recovered in full from building permit and plan review fees. Therefore, the revenue from building permits and plan review activities is estimated to amount to \$305,000.

Business License Fees

Municipalities in the State of Washington are empowered to levy a business and occupation (B&O) tax. B&O tax is levied as a percent on gross receipts of a business or profession. Very few cities in the State of Washington do impose this tax, due its nature that it levies taxes on gross receipts and not on profit. Most cities have opted for a lesser tax and are imposing a business license fee. Most business license fees are levied on a graduating scale. Large businesses, measured in terms of gross income or number of employees pay a slightly higher business license fee than a person working out of his or her home as a home based business. The revenue estimate from business licenses amounts to about \$15,000.

Fines and Forfeitures

Administration of a municipal court system generates revenue derived from fines and forfeitures. A newly created city can operate their own municipal court or they can contract out municipal court activity to another municipality such as Blaine or continue with the Whatcom County court system. A municipal court system can be self supporting, meaning that the cost of administering the court system is paid entirely out of collected fines and forfeitures. The estimated revenue derived from fines and forfeitures in Birch Bay is estimated to amount to \$202,000.

Surfacewater Management Assessment

Surfacewater management has been and continues to be a critical concern to the residents of Birch Bay. If and when the Birch Bay area were to incorporate, a surfacewater management program needs to be put in place. The program should include the construction and maintenance of surfacewater management facilities such as detention ponds, culverts, ditches, catch basins, street drains, etc. It would also include street sweeping. A fee based revenue program should be put in place that charges fees based on the amount of impervious surface. A basic charge of \$3.00 per housing unit per month would generate an initial startup fund of \$177,000 per year.

Hotel-Motel Tax

To impose a hotel-motel tax is a delicate and complex problem. Over the years, court rulings and the legislature have changed the hotel-motel tax application regulations. The use of the hotel-motel tax generated revenues are limited to: "build and/or operate any facility that supports tourism or accommodates tourist activity." The phrase "supports tourism or accommodates tourism" also means the expenditure for salaries of city employees for promoting tourism. For a municipality to levy a hotel-motel tax, it must set up a "Lodging Tax Advisory Committee." The Committee has a statutory role to play prior to a city levying the tax.

The law allows cities to impose a "basic" two per cent tax on all charges for furnishing lodging at hotels, motels, and similar establishments (including bed and breakfast and RV parks) for a continuous period of less than one month. This tax is taken as a credit against the 6.5 per cent state sales tax. Under this arrangement, a patron pays a combined retail sales tax and the hotel-motel sales tax that is equal to the retail sales tax in the jurisdiction. In addition, cities may levy an additional tax of up to two percent, for a total rate of four per cent. This "special" tax is not credited against the state sales tax. Therefore, if a city were to levy this additional two per cent tax, the total tax on the lodging bill would increase by two per cent. For the potential new city of Birch Bay, the four per cent hotel-motel tax would generate about \$190,000.

Impact Fees

Impact fees are charges imposed on new development that mitigate the impact of the proposed development on the infrastructure. Impact fees can be imposed for school construction, parks, street and roads, and municipally owned fire operations. Impact fees can be expended only on capital facilities that alleviate the impact caused by the proposed development and must be expended or encumbered within a six year period of collection. Impact fee collections must be based on an ordinance and must be accounted in a separate account for each project.

A new municipality of Birch Bay could only levy impact fees for schools, parks and streets/roads. Since there is no municipal fire department, the new city could not impose fire impact fees. School impact fees, if collected, would be turned over to the Blaine School District. With the consent of the school district, the city could retain a small part of the school impact fee to recover administrative costs. The estimated amount of parks and streets/roads impact fees collected in a new city of Birch Bay amounts to \$135,000.

Utility Tax

A city may levy utility taxes on the gross operating revenues earned by private utilities from operations within the boundaries of a city. Utilities on which taxes may be levied include electric, water, sewer, stormwater, gas, telephone, cable TV, and steam. A city may not tax any income earned by another city's utility or a special district (Birch Bay Water and Sewer District) that operates within its boundaries. The tax rate is limited to six per cent for electric, gas, steam and telephone utility services. However, a municipality may ask the voters to approve a higher rate than six per cent. There is no tax rate limitation on water sewer and stormwater utilities. Any rate higher than six per cent on cable TV stands a good chance of running afoul with the Cable Communications Policy Act of 1984. Cable TV utility tax has been excluded from this calculation and will be treated separately.

A number of recently incorporated municipalities have adopted a utility tax that nets the amount of tax revenue equal to the difference between the \$1.60 and \$1.74 per 1,000 assessed taxable value of property. Currently, residents of Birch Bay incorporation study area pay \$1.74 per 1,000 taxable value for Whatcom County road purposes. With the incorporation, this \$1.74 per 1,000 assessed value is replaced by \$1.60 per 1,000 assessed value dedicated for municipal purposes. To keep the tax

revenues the same, the reduction of tax revenue generated by \$0.14 per 1,000 assessed value is replaced by the utility tax. Applying the \$0.14 per 1,000 assessed taxable value in the Birch Bay incorporation study area generates a revenue of \$62,633.

Cable TV Franchise Fee

Under Washington State statutes, counties are not allowed to impose utility taxes on cable TV but they are allowed to impose franchise fees limited to five per cent. A five per cent utility tax in incorporated Birch Bay would generate about \$28,048, which is based on a rate of \$5.88 per capita. This per capita amount is based on research conducted in King County (Auburn, Des Moines, Federal Way and Kent) to determine the five per cent franchise fee.

Community Development Block Grants

Community Development Block Grant funds are federal funds that are passed through to counties and entitlement cities through the State Office of Community Development. The grant funds are earmarked to be expended on providing assistance to low and moderate income groups. Usually, the funds are expended on providing the low and moderate income groups with housing assistance. The amount of money a new city of Birch Bay may receive from Whatcom County is about \$3.00 per capita per year. A city usually waits six to eight years and then gets a more sizable grant. The amount of Community Development Block Grant funds that the new city Birch Bay would receive is estimated at \$14,310.

Gambling Tax

Cities and towns in Washington State may allow low-level gambling to take place and to impose a gambling tax. Birch Bay, a tourist oriented community, may allow low-level gambling to take place in bars and restaurants. If that is done, the new city may impose a tax that generates about \$2.00 per capita. The annual tax revenues would amount to about \$9,540.

State and Federal Grants

Almost all cities take advantage of available federal and state grants. Some cities are more aggressive than others in pursuing grants and some cities even employ professional grant writers. Grants come in two kinds, soft money and hard money. Soft money grants refer to grants where the product is a research effort, a plan, a regulation or a program. Hard money grants usually refer to funds that are granted to build a bridge, a section of highway, a pier, a building, etc.

If the Birch Bay area were to incorporate, the State of Washington Office of Community Development would require that the new city prepare a GMA Comprehensive Plan and a set of Development Regulations. The Department of Ecology would require that the new city prepare and adopt a Shoreline Master Program. Both plans may be adaptations of the Whatcom County plans. The State would make grant funds available for these purposes. It is estimated that the GMA Comprehensive Plan grant would amount to about \$50,000 and the Shoreline Master Program Grant about \$30,000. Grants for shoreline enhancement, parks, and other community development activity, plus grant funds for law enforcement operations may be added. For purposes of this study, it will be assumed that the amount of revenue generated from the grant sources would amount to about \$100,000 per year.

General Administration

The assumption is that if incorporation were to take place, the new city would operate in a council-manager structure. There would be seven city councilmen elected at large by the registered voters in the incorporation area. The seven councilmen would elect one of them the mayor. Four of the seven councilmen would be elected to a two year term and three to a four year term. The council would hire a city manager who would be in charge of the city operations. The city manger hires all staff members with the exception of the municipal judge. The municipal judge is appointed by the city council. The city clerk's office provides administrative services to the municipal court.

As stated above, the city manager is the chief executive officer. There would be five departments, each with a department head, reporting to the city manager. In addition to the five department, there would be a municipal court and a city attorney. The city attorney services would be

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contracted with an attorney in private practice. The five departments are as follows:

1. City Clerk
 - a. Record keeping (city council meetings)
 - b. Ordinances and resolutions
 - c. Court clerk services
2. Community Development
 - a. Land use planning and development regulations
 - b. Building inspection and code enforcement
 - c. Parks, recreation and tourism
 - d. Economic development
3. Finance
 - a. Billing
 - b. Accounting
 - c. Money management
4. Police
 - a. Patrol
 - c. Criminal investigation
 - d. Drug abuse prevention
5. Public Works
 - a. Roads and streets
 - b. Surfacewater management
 - c. Buildings and equipment management

City Council and Mayor

The city council serves as the legislative and governing body of the city and has the responsibility of establishing city goals and policies and enacting them into laws. The city council is a sounding board for the community to address the needs and concerns of the residents, business community, and other interested parties affected by the actions of the city government. The city council adopts annually a city budget and appropriates funds from the city treasury for expenditure. The city council appoints the city manager and the municipal judge, as well as all citizen boards and commissions, such as the planning commission. The seven city councilmen elect one of their members to serve as the mayor. The Mayor is

the formal representative of the city in intergovernmental forums. The mayor presides over the meetings of the city council. The mayor has no voting power with the exception of a tie vote. The city council and the mayor are paid a modest salary to be determined by the city council. The estimated annual cost of the city council and mayor operations is \$33,400.

City Manager

As stated above, the city manager is the chief executive officer of the city. The city manager's authority comes from the city council and from state statutes. Clerical assistance to the city manager would be provided by the city clerk's office. The annual cost of the city manager's office would be \$123,350. The city manager would be paid somewhere in the range of \$90,000 to \$100,000 per year, plus benefits.

City Attorney

The city attorney is not an employee of the city but an attorney in private practice with municipal law experience. The city attorney would be hired on a contract basis. The city attorney advises the city elected and appointed officials regarding all matters of law pertaining to the business of the city. The attorney prepares and/or reviews ordinances, resolutions, motions, bid documents, petitions, easements, vacations, contracts, deeds, notices and any other legal papers relating to federal, state and/or local law. The city attorney prosecutes all violations of the city ordinances and prosecutes or defends civil actions brought by or against the city, its officers and/or employees in the performance of their duties. The annual cost of the city attorney would be \$80,000.

Municipal Court

The municipal court has jurisdiction over traffic infractions, criminal traffic, criminal non-traffic, and other criminal violations of city ordinances. The municipal court may issue temporary orders for protection for victims of domestic violence. The municipal court provides multiple probation services, including probation supervision and pre-sentencing reports and recommendations. The municipal court provides a judge, prosecuting attorney, public defender for indigents, jury trials, interpreters, court clerk and probation officer. The annual cost of municipal court operation is estimated at \$202,000.

City Clerk

The city clerk is the secretary of the municipal corporation and performs all functions normally carried out in that position. The city clerk is the keeper of required city records, files reports with county, state and federal agencies, and receives information from these sources. The city clerk is the personnel manager of the city. The city clerk staffs the meetings of the city council and all of its commissions and boards. The city clerk's office provides clerical assistance to the city manager. The estimated annual cost of operating the city clerk's office is \$146,400.

Community and Economic Development

The community development department is responsible for land use planning, plan reviews, development regulations administration, building inspection, code enforcement, parks and recreation, tourism promotion and economic development. The department would be headed by a Community Development Department Director. In addition to the director, there would be an associate planner, a building official, a parks program manager, an economic development manager and clerk/secretary. The estimated annual cost of operations of the community development department is \$383,000.

Finance Department

The finance department is responsible for billing for city services, accounting, money management, financial reporting, and cash flow management. The operations of the finance department are guided and mandated by federal, state and city codes as well as mandates from various other regulatory agencies. The department would be headed by a director and supported by a senior accountant, and a junior accountant. The annual cost of operating the finance department is estimated to amount to \$191,000.

Police Department

The police department is responsible for public safety of the community. The two main functions of the police department are community patrol and investigation of misdemeanor and felony crime. The police department would be staffed by a police chief, a police sergeant, and three police officers. The five police officers would provide 16 hour service

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from 6:00 AM to 10:00 PM, Monday through Sunday. Police service from 10:00 PM to 6:00 AM would be contracted out either to the City of Blaine or the Whatcom County Sheriff's Department. The estimated annual cost of the police operation is \$406,000.

Public Works Department

The public works department is responsible for engineering, construction supervision, and maintenance of roads, streets, pathways, trails, and walkways. The department is also responsible for the engineering design, construction and maintenance of stormwater management facilities such as culverts, drains, ditches, swails, detention ponds and other mechanisms. The public works department also is responsible for the city buildings and city maintenance equipment and machinery. The department would be headed by a director of public works. Supporting the director would be an associate civil engineer, a maintenance crew foreman, and two maintenance men. The estimated annual cost of the public works department is \$436,000 which includes city offices (city hall) space leases and maintenance yard leases. Heavy equipment acquisition is part of capital expenditures.

Water and Wastewater Utilities

If incorporation were to take place, water and wastewater utility services would continue to be provided by the Birch Bay Water and Sewer District. The District is an independent municipal corporation and would remain so in the incorporation process. The newly created city of Birch Bay could legally absorb the District since their respective boundaries are almost the same. The absorption must be approved by the Whatcom County Boundary Review Board. If the Birch Bay Water and Sewer District were to be absorbed into the new city of Birch Bay, it would become the utility department of the new city. The new city would assume any and all indebtedness of the District. The incorporation process does not change the water and sewer services rate structure.

Fire and Emergency Medical Services

Fire and emergency medical services (EMS) for the citizens of Birch Bay are provided by Fire District No. 7 and Consolidated Fire District No. 13. Fire District 7 provides fire and EMS services to all properties south of

Bay Road while Consolidated Fire District 13 provides fire and EMS services to all properties north of Bay Road.

The incorporation process would require a decision to be made on how to continue providing fire and EMS services to the new City. Three options are available; the first would require the New City to contract with the two fire districts to continue providing service. This would be a model currently in place with Fire District #13 and the City of Blaine and with Fire District #7 and the City of Ferndale and most commonly in place with small cities throughout Whatcom County. The second option is to allow one of the fire districts to annex the new city. This model is in place throughout Washington State but requires a choice be made on which fire district would be utilized. The third option is that the new city could create their own fire department and provide fire and EMS services within its incorporated boundary. In doing so, the city would have to negotiate the transfer of parts of Fire District No. 7 and Consolidated Fire District 13 to the city. The city would have to absorb any and all outstanding indebtedness of the District or Districts. Any transfer of assets, such as fire stations, fire fighting apparatus and employees, would not only have to be approved by the new city and the respective District but also be approved by the Whatcom County Boundary Review Board. For the purposes of this study, the assumption is that the New City will contract with Fire Districts 7 and 13 for all fire and emergency medical services. This assumption is carried out though the remainder of this chapter. It is further assumed that the current property taxes levied by Fire Districts 7 and 13 will continue to be levied by the New City and paid out to the Fire Districts. Any changes in property tax rates will be set by the Fire Districts.

Library Services

Library services to Birch Bay residents are currently provided by the Whatcom County Library District. The incorporation process does not contemplate any changes as to how library services are currently provided. The new city would be, however, empowered to create their own library service within the incorporation boundary and levy a library tax on property. The new city may want to that at some future date and locate their library or a County branch library at a potential future civic center site that also accommodates an elementary school.

Schools

Kindergarten through 12th grade public education in the State of Washington is provided by school districts or by private schools. Some children are home schooled. Incorporation does not have an effect on how educational services are provided. Therefore, incorporating Birch Bay as a municipality would have no effect on the Blaine School District or the Ferndale School District which services a very small rural area of the Birch Bay community planning area, west of Kickerville Road.

Contracted County Services

After incorporation, the new city of Birch Bay might want to contract with Whatcom County for a number of services. Animal control, jail services, public health, etc. are but a few services that the County can provide to a municipality at a cost far below what a city would have to pay if they were to provide these services themselves. These county services would need to be worked out in detail in the incorporation process.

Parks and Recreation

After incorporation, it is assumed that the new city would take over Whatcom County park properties (beach access points) along Birch Bay Drive. The two County regional parks, Bay Horizon Park and Sunset Equestrian Park would remain as Whatcom County regional parks under the ownership and management of the County. The Birch Bay State Park would, obviously, remain a State park.

Annexation to the City of Blaine

Introduction

Annexation to the City of Blaine could be an alternative to incorporating as a City of Birch Bay or staying as an unincorporated urban growth area of Whatcom County. The County would have to amend the Whatcom County Comprehensive Plan to merge the Birch Bay and Blaine urban growth areas in order for Blaine to be able to annex the Birch Bay area. Annexations can be initiated either by a city or by the people currently living outside the municipal corporation boundary. This annexation study is

prepared from the perspective of the people living outside the municipal corporate boundary of the City of Blaine. This annexation study proposes to provide some information to the citizens of Birch Bay who may ask the question: "Will I be better off being annexed to the City of Blaine or to stay as part of an unincorporated urban growth area of Whatcom County?" This annexation study does not attempt to answer the converse question: "Will it be in the best interest of the City of Blaine to annex all or part of Birch Bay?"

Annexation Boundaries

If the County amended its urban growth area boundaries to merge the Blaine and Birch Bay UGAs then annexation to the City of Blaine could happen in small pieces. Or the entire Birch Bay UGA can be annexed to the City of Blaine in one piece. For the purposes of this analysis, annexation by the City of Blaine means annexing all the of Birch Bay UGA. As a reminder, the Birch Bay incorporation study area is coincident with the proposed Birch Bay Urban Growth Area.

Annexation Process

There are ways the City of Blaine, a code city, could go about annexing all or parts of Birch Bay. Two are election methods; initiated by a ten percent petition of the property owners, or initiated by a resolution of the annexing City Council. The third method is a petition method initiated by the owners of 60% of the assessed valuation in the area. The fourth method is a new petition method of annexation adopted by the State in April of 2003 (SSB 5409). This method of annexation is initiated by a petition signed by the owners of the majority of the acreage of property in the annexation area and the majority of the registered voters in the area.

Ten Percent Petition Election Method. The annexation of contiguous unincorporated territory may be initiated by a petition signed by voters living in the area to be annexed. The petition must be signed by qualified electors resident in the area proposed for annexation equal to ten percent of the votes cast at the last state general election in that area. A qualified elector is a person 18 years of age or over, a citizen of United States, and a resident for at least 30 days. A qualified elector need not actually have registered to vote. A qualified elector is not required to own property in the area proposed for annexation.

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The petition must state that there will be an election to determine the annexation, describe the proposed annexation boundaries, state the approximate number of persons residing in the proposed annexation area, state whether the property owners in the proposed annexation area will assume the city's existing debt, and set zoning classifications for the area proposed for annexation. The questions relating to the assumption of indebtedness and the adoption of zoning, may be submitted to the voters either separately or as a single proposition.

The petition submitted to the city must be certified by the county auditor for a determination of sufficiency. If there are sufficient valid signatures, the county auditor certifies the sufficiency of the petition to the city council. The city council must approve or disapprove the petition and notify the petitioners of its action.

After city council approval, the petition is filed with the legislative authority of the county and the boundary review board. The boundary review board may approve the proposal as submitted, may modify the boundaries of the proposal, or disapprove the proposal. The decision of the boundary review board is communicated to the county council, who in turn sets the date of the election. If the electorate votes in favor of the annexation, the county council must certify the election result and transmit it to the city council. The city council must then adopt ordinances providing for annexation, the adoption of the proposed zoning regulations, and the assumption of indebtedness. If the voters rejected a proposition on indebtedness, the city council may refuse to annex the territory. If all actions are successful, the city must conduct a population census in the annexed area and notify the State and the county auditor of the boundary changes for purposes of computing property tax levies and distribution of state revenue that is based on municipal population size.

Election Method, Initiated by Resolution. The annexation of contiguous, unincorporated territory may also be initiated by the city council resolution. After the annexation is properly initiated by resolution, the election procedures under this method are identical to those used in the election method initiated by the ten percent petition.

Direct Petition Method. The annexation of contiguous unincorporated territory within a City Urban Growth Area may also be initiated by a petition signed by the owners of 60% of the assessed valuation in the annexation area **or** the majority of the acreage plus the majority of the registered voters in the area. After public notice and a public hearing, the City may adopt an ordinance to annex all or a part of the territory. The

Whatcom County Boundary Review Board may also hold a hearing and consider the annexation if requested to do so by Whatcom County or 5% of the voters in the proposed annexation area. No election is held under this method.

Growth Management and Annexation

In order to better understand the following, the reader should refer to Figure 7-1 Urban Growth Areas.

The Growth Management Act states that "it is appropriate that urban government services be provided by cities, and urban government services should not be provided in rural areas." Consistent with this goal of controlling the spread of urban growth, the GMA limits the territory that a city may annex to that which lies within its urban growth area. Since the Birch Bay planning area lies outside the City of Blaine urban growth area, the County would need to amend the Whatcom County Comprehensive Plan to merge the Birch Bay Urban Growth Area with the Blaine Urban Growth Area in order for the City of Blaine to be able annex Birch Bay.

For the City of Blaine to annex all or parts of Birch Bay, it must first annex the unincorporated territories that lie south of Dakota Creek and Drayton Harbor and north of Lincoln Road. Technically, the City of Blaine could expand southward from its most southern point, that being Shintaffer Road and Lincoln Road. However, such extension would leave an island of unincorporated land north of Lincoln Road and south of Drayton Harbor and Dakota Creek. The Boundary Review Board, who has a say over boundaries, most likely will not accept such geographic arrangement. Therefore, for the City of Blaine to extend south and annex significant parts or all of Birch Bay, it must first annex the land south of Dakota Creek and Drayton Harbor and north of Lincoln Road.

Role of the Boundary Review Boards

The state legislature created review boards to ease the problems that may arise from the "rapid proliferation of municipalities and haphazard extension of and competition to extend municipal boundaries." See RCW 36.93.010. The boards are to promote the logical growth of local governments, reduce municipal competition for unincorporated territory, and preserve property values and consistent land use planning.

However, in counties in which the Growth Management Act applies, the responsibility to effect such policies now primarily resides with city and county governments. In apparent recognition of this shift of responsibility in Growth Management Act counties, the legislature has authorized any Growth Management Act county, as its discretion, to disband its boundary review board after the county and the cities and towns within it have adopted comprehensive plans and consistent development regulations that comply with Growth Management Act requirements. After disbandment of a boundary review board, cities and town within the county would not, presumably, have annexations reviewed by any board.

In Whatcom County, the County Boundary Review Board must approve an annexation petition submitted to the City of Blaine under the ten percent election method of annexation before it is subjected to the vote of the people. Boundary Review Board review is not required under the new Direct Petition method of annexation unless requested by the County or 5% of the registered voters. The Boundary Review Board, in its review process must look a long list of factors such as population density, land use, comprehensive plans and zoning regulations, per capita assessed valuation, topography, natural boundaries, drainage basins, municipal services and needs for municipal services, etc. The Boundary Review Board's decision must be based on findings of fact. The findings of fact, in turn, must be based on a list of objectives which are spelled out in RCW 36.93.180. A decision of the Board may be appealed to the superior court within 30 days. A government unit affected by the decision or any person owning property or residing in the area affected by the decision may file the notice of appeal.

The Pro and Con Arguments

There are certain pro and con arguments that invariably surface during the course of an annexation attempt. Some arguments may be based on fact, some on emotion, and some on fear of change. Those involved in an annexation proceeding should be aware of some of the arguments and be in a position to prove or disprove each argument.

Arguments Favoring Annexation

1. After annexation, the new territory will obtain its necessary services from city departments that are professionally staffed and experienced. Considerable economies can result from the coordination of services over a larger area.

2. When interrelationships between the city and the fringe area are close, there is need for unified planning and zoning. By means of annexation, a city's zoning ordinance can be extended to adjacent areas in a logical manner, thus helping to assure orderly growth.
3. Annexation gives suburban residents a voice in the government of the larger community in which they live. County dwellers can be substantially affected by actions of the central city, but they have no participation in its affairs.
4. Annexation increases a city's size and population, and in some instances raises its level of political influence, its prestige, and its ability to attract desirable commercial development.
5. Annexation may induce new businesses or industry to develop in the city, and thus create additional jobs, revenues, and commercial opportunities.

Arguments Opposing Annexation

1. Annexation may be unwise if the community is not physically, economically, or socially related to the annexing city.
2. Residents outside the city may argue that they chose to build and live there in order to avoid taxes for services they do not want. Industrial and commercial businesses may state that they located outside the city to avoid certain business and property taxes.
3. There may be reservations concerning the government and politics of the city to which annexation is proposed.
4. Conversely, the city to which annexation is being proposed may not feel it is their best interests to annex.

Evaluation of Annexations

As stated in the introduction, annexations are evaluated from the point of view of those being annexed and those who do the annexing. A person or property owner who is subjected to an annexation proposal usually considers three things. They are: 1) taxes; 2) level of municipal services; and 3) ability to influence government decision making. A sense of place is often a factor. However, Birch Bay has already garnered a sense

of place. When a person in Whatcom County says that I live in Birch Bay, that statement needs no further elaboration. Almost everyone knows where Birch Bay is. It has as much place recognition as currently incorporated cities in Whatcom County. The following evaluation of annexation takes a look, first, at taxes, then level of services and finally at the government decision making.

Property Taxes

A comparison of property taxes paid by a property owner in Birch Bay before and after annexation to the City of Blaine is shown in Table 16-3. The source of this information is the Whatcom County Assessor's office showing year 2002 tax rates for the City of Blaine and the Birch Bay area.

City of Blaine Property Tax Levy. City property taxes are levied only on property that is inside the boundary of the City. Only properties in Blaine pay the Blaine property tax rate. State law limits a city levy rate to \$3.60 per \$1,000 assessed value, but the voters in a city can approve extra taxes at an election. Although, the State law permits a city to levy up to \$3.60 per \$1,000 assessed value, very few cities can actually collect that, because the levy of special districts must be subtracted from that amount. The library district levy has a maximum rate of \$0.50 per \$1,000 assessed value and the fire district levy can be as high as \$1.50 per \$1,000 assessed value. Therefore, if a city belongs to both a fire district and a library district, and if these districts are currently levying their maximum amount, then the local city levy can be no higher than \$1.60 per \$1,000 assessed value.

The City of Blaine is currently assessing \$1.66689 per \$1,000 assessed value. In addition, the City is currently assessing \$0.90000 for street improvements and an additional \$0.22455 for the City's community center. In total, the City's property tax assessment amounts to \$2.79135 per \$1,000 assessed value.

In the year 2002, the City of Blaine is paying out \$1,417,582 in debt service. Of this amount \$372,280 or about 26 percent of the total debt service payments is composed of general obligation bond debt. If Birch Bay were to be annexed to the City of Blaine and the voters were to vote to share in the debt of the City, then Birch Bay property owners would become debt payers to retire the outstanding general obligation debt. The other debt payment of \$1,045,302 or about 74 percent of it is limited to specific areas

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such as limited improvement districts. The latter debt payment number also includes some revenue obligated debt for a fire station.

**Table 16-3
Property Tax Levy Rate Comparison**

Item	As is Whatcom County F. D. 7	As is Whatcom County F.D. 13	Annex to Blaine
City of Blaine - basic	Not applicable	Not Applicable	1.66680
City of Blaine – street improvements	Not applicable	Not applicable	0.90000
City of Blaine – community center	Not applicable	Not applicable	0.22455
State schools (SPI)	3.14299	3.14299	3.14299
Whatcom County current expense fund	1.40444	1.40444	1.40444
Whatcom County election reserve	0.02972	0.02972	0.02972
Whatcom County mental health	0.01250	0.01250	0.01250
Whatcom County developmental disabilities	0.01250	0.01250	0.01250
Whatcom County veterans relief	0.01125	0.01125	0.01125
Conservation Futures	0.06136	0.06136	0.06136
Port of Bellingham	0.39012	0.39012	0.39012
Whatcom County roads	2.13885	2.13885	Not applicable
Rural Library – regular	0.50000	0.50000	0.50000
Fire District No. 7	1.03807	Not applicable	Not applicable
Fire District No. 13	Not applicable	1.27000	Not applicable
Blaine School District No. 504 - M & O	3.40529	3.40529	3.40529
Blaine School District No. 504 – Bond	1.92043	1.92043	1.92043
Totals	14.06752	14.29945	13.68195

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Property taxes are levied by action of the city council, up to the statutory maximum rate and subject to the 101 percent lid on property taxes. Increases beyond the statutory maximum and the 101 percent lid require voter approval. Referendum 747, approved by the voters, limits property tax increases to 1 percent in taxing districts of less than 10,000 population.

State Schools. In the year 2002, state schools levy \$3.14299 per \$1,000 assessed value for operation of the state K-12 educational system. About 80 percent of the funds collected are paid back to school districts primarily for teacher salaries at a fixed rate per student which is somewhere between \$3,000 and \$4,000 dollars per student. Capital construction payments to school districts are on a competitive basis. Moneys coming into the capital construction fund come from sale of state owned timber plus lease payments generated from leasing of state owned land.

Consolidated County Property Tax Levy. The consolidated Whatcom County tax levy is composed of the following: 1) County current expense fund (1.40444); 2) County election reserve (0.02972); 3) County mental health (0.01250); 4) County developmental disabilities (0.01250); 5) County veterans relief (0.01125); and County conservation futures (0.06136). The total consolidated County levy amounts to \$1.53177 per \$1,000 assessed value. Whether a property owner is within or outside the City of Blaine, they pay the full amount of Whatcom County consolidated taxes.

Port of Bellingham Tax Levy. The Port of Bellingham levies \$0.39012 per \$1,000 assessed value for projects that generate jobs and promote economic development within Whatcom County. The tax is levied countywide.

County Road Tax Levy. Whatcom County Road property tax is paid only in the unincorporated area of Whatcom County. Property owners within the City of Blaine do not pay the County road property tax levy. The collected funds are used to pay a part of the construction and maintenance of the County road system in the unincorporated part of the County. The County road property tax levy amounts to \$2.13885 per \$1,000 assessed value.

Rural Library Property Tax Levy. Rural library property tax levy of \$0.50000 per \$1,000 assessed value is paid throughout the rural library district which includes both Birch Bay and the City of Blaine.

Fire District Property Tax Levy. Fire District 13 services all of the City of Blaine and most of the Birch Bay area, extending south to Bay Road. Territory south of Bay Road is in Fire District 7. The property tax levy rate for Fire District 7 amounts to \$1.03807 per \$1,000 assessed value and for Fire District 13, the levy rate is \$1.27000 per \$1,000 assessed value. The levy rates for each of the Fire Districts include a rate for emergency medical services.

Blaine School District Tax Levy. The Blaine School District, who's territory covers all of the City of Blaine and all of the Birch Bay incorporation study area, levies \$3.40529 per \$1,000 assessed value for school maintenance and operational purposes and an additional \$1.92043 per \$1,000 assessed value for bond redemption.

Summary of Property Tax Rates. A property owner in the City of Blaine is levied \$13.68195 per \$1,000 assessed value for property taxes, as shown in Table 16-4. A property owner in Birch Bay who is in Fire District 7 and has been annexed to the City of Blaine and is not committed to share in the City's indebtedness would be levied \$12.32547 per \$1,000 assessed value. A property owner in Birch Bay who is in Fire District 13 and has been annexed to the City of Blaine and is not committed to share in the City's indebtedness would be levied \$12.5574 per \$1,000 assessed value. A Birch Bay property owner who is in Fire District 7 is currently levied \$14.06752 per \$1,000 assessed valuation. A Birch Bay property owner who is in Fire District 13 is currently levied \$14.29945 per \$1,000 assessed value.

If property owners in Birch Bay were to annex to the City of Blaine and would agree by vote of the annexed to share in the debt load of the City of Blaine, their levy rate would increase by \$1.12455 per \$1,000 assessed value. The levy rate for a property in Birch Bay and in Fire District 7 and annexed to the City of Blaine would be levied at the rate of \$13.45002 per \$1,000 assessed value. The levy rate for a property in Birch Bay and in Fire District 13 and annexed to the City of Blaine would be levied at the rate of \$13.68195 per \$1,000 assessed value.

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**Table 16-4
Property Tax Levy Rates Summary**

Item	As is Whatcom County	Annex to Blaine
City of Blaine territory	---	13.68195
Birch Bay - Fire District 7 territory	14.06752	13.45002
Birch Bay - Fire District 13 territory	14.29945	13.68195

A home located in the City of Blaine and valued at \$150,000 is paying about \$2,052 in property taxes per year. An identical home, valued at \$150,000, located in Birch Bay and in Fire District 7 is currently paying about \$2,110 in property taxes per year. An identical home, valued at \$150,000, located in Birch Bay and in Fire District 13 is currently paying about \$2,145 in property taxes per year. An identical home, valued at \$150,000, located in Birch Bay and in Fire District 7 and annexed to the City of Blaine would pay about \$1,849 in property taxes per year, provided the no debt is assumed. An identical home, valued at \$150,000, located in Birch Bay and in Fire District 13 and annexed to the City of Blaine would pay about \$1,884 in property taxes per year, provided the no debt is assumed. An identical home, valued at \$150,000, located in Birch Bay and in Fire District 7 and annexed to the City of Blaine would pay about \$2,028 in property taxes per year, provided debt is assumed. An identical home, valued at \$150,000, located in Birch Bay and in Fire District 13 and annexed to the City of Blaine would pay about \$2,052 in property taxes per year, provided debt is assumed. The above numbers are shown in table form in Table 16-5.

Level of Municipal Services

Fire Protection and EMS Services. Since the City of Blaine is being serviced by Fire District 13, as is most of Birch Bay, the decision to annex or not annex, therefore has no level of service effect. If Birch Bay were to be annexed to the City of Blaine, that part of the Birch

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Bay area that is in Fire District 7 would remain there and be serviced by Fire District 7.

**Table 16-5
Property Taxes on a \$150,000 House**

Item	As is Whatcom County	Annex to Blaine
In the City of Blaine	--	\$2,052
Birch Bay, Fire District 7	\$2,110	--
Birch Bay, Fire District 13	\$2,145	--
Birch Bay annexed to Blaine, Fire District 7, no debt assumption	--	\$1,849
Birch Bay annexed to Blaine, Fire District 13, no debt assumption	--	\$1,884
Birch Bay annexed to Blaine, Fire District 7, assumption of debt	--	\$2,028
Birch Bay annexed to Blaine, Fire District 13, assumption of debt	--	\$2,052

Police Protection. If Birch Bay were to be annexed to the City of Blaine, the level of police protection currently in existence at the City of Blaine would be extended to the entire Birch Bay annexation area. The police response time in critical situations would drop from current 20 minutes to about 5 minutes. Due to the extent of the territory, the City of Blaine, most likely, would have to locate a police precinct in the Birch Bay area.

Sewer and Water Services. Whether Birch Bay is annexed or not annexed to the City of Blaine, the level of water and sewer services being provided by the Birch Bay Water and Sewer District will not change. Therefore, annexation would have no impact on the provision of sewer and water services.

Parks and Recreation. The predominant providers of park and recreation facilities and services are the County and the State. Whether Birch Bay annexes to the City of Blaine or not will have little impact of the level of parks and recreational services. The County and the State will continue to provide these services as they are today.

Roads and Transportation. The level of transportation services under the annexation option would stay or, most likely, have very little impact one way or another. The county has done a very good job of keeping the road system in the Birch Bay in reasonably good shape. So has the City of Blaine within their territory. Therefore, there will be little or no noticeable effect as a result of annexation.

Schools. Municipal boundaries have no impact on the school system. Blaine School District will continue to provide school services both inside and outside of the City of Blaine corporate boundary.

Stormwater Management. Under the annexation option, stormwater management is most likely to improve. The City of Blaine has a more active stormwater management program than does the County.

Planning and Development Regulations. If Blaine were to annex the Birch Bay area, the City of Blaine Comprehensive Plan and Development Regulations would need to be updated. The City would need to add a number of staff people to the Planning Department to handle the added load of processing plan reviews and building inspections. The shoreline Master Program also needs updating. These functions are currently handled very well by the County Planning Department.

Government Decision Making

With Birch Bay being annexed to the City of Blaine, a number of city councilmen would be elected from the Birch Bay area, giving the City government a closer tie with the people of Birch Bay. Annexation would clearly bring the two communities together and give the people a feeling that their concerns, whatever they may be, are being listened to at the local level. The level of satisfaction with government services is clearly going to increase.

Interim Service Improvements for Unincorporated Birch Bay

Introduction

The residents of Birch Bay have voiced a desire to elevate certain County governmental services to a higher level. Specifically, the residents want to see more road improvements, a more aggressive parks development and recreation program, and significant improvements in managing storm-water flows and police services. The following sub-sections describe strategies for providing the desired governmental services until such time as incorporation or annexation is feasible.

Transportation

The residents of Birch Bay have stated that they would like to see urban standard roads in Birch Bay, with pedestrian facilities and street lights. . Over time, the County will need to spend additional funds for roadway improvements in the Birch Bay area. Where does this additional money come from? Since the County is using the conventional transportation funding sources to the maximum, the County needs to turn to the taxpayers of Birch Bay to raise additional funds for achieving the desired higher level of transportation services. There are a number of options. Each option is discussed in a sub-paragraph below.

Road Improvement Districts. A Road Improvement District is a form of special benefit assessment district. The Road Improvement District allows specific improvements to be paid for by properties that directly benefit from the improvements. The funding mechanism involves the sale of Road Improvement District bonds. The bonds are redeemed from district voted property taxes. A Road Improvement District in Birch Bay area may consist of a few large lots or the entire Birch Bay Community area. The creation of a Road Improvement District and the funding of it must be approved by the voters residing in the District.

Local Improvement Districts. A Local Improvement District is a special transportation improvement district formed and funded by property owners to privately finance specific capital improvements. The Local Improvement District levies special assessment taxes on the increased value of property resulting from road improvements made in the Local Improvement District. When initially forming a Local Improvement

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District, property owners are assessed their portion of the required capital, based on the value of their property without improvements. Special assessments are levied after improvements are complete and property values increase in response to benefits provided specifically by road improvements.

Road Impact Fees. Road impact fees are charges assessed on new development, as a condition of approval, to pay for road improvements needed to serve new growth. The purpose and size of the fees must be reasonably related to the new development which creates the additional demand for road services. Road impact fees should contribute a proportionate share of the cost of, and be used for, road improvements where the benefits are reasonably related to the new development. Road impact fees cannot be used for operation, maintenance, repair, alteration, or replacement of existing roads used to meet existing service needs. For Whatcom County to impose road impact fees, the County Council must do so by adopting a road impact fee ordinance that is county-wide and applies to all new development in the unincorporated area.

State Environmental Policy Act (SEPA). Under the State Environmental Policy Act (SEPA), the County may require developers to mitigate the impacts of new development on the County road system. The definition and magnitude of "impact" is determined through the development review process. Road impacts are estimated through a road impact study or analysis process, usually included in an environmental impact statement or it is attached to a SEPA environmental checklist. Mitigation can include cash payments to the County, building to certain standards, donation of land, other in-kind contributions, or a combination of the above described mitigation actions.

Transportation Benefit District. In 1987, the State Legislature authorized the creation of the Transportation Benefit Districts. The Districts are allowed a variety of funding techniques, including imposing a local option gas tax increase, general obligation and revenue bonds, excess property tax levies, benefit assessments, and impact fee mitigation fees. Transportation Benefit Districts can be used on a much larger scale than Local Improvement Districts. The intent of the Transportation Benefit District is to solve some of the multi-jurisdictional transportation funding and implementation problems. In the Birch Bay area, the Birch Bay Community can join together with the City of Blaine to form a Transportation Benefit District.

Local Transportation Act. The Local Transportation Act enables local governments, including counties, to implement programs for the joint public and private funding of transportation improvements required because of growth and economic development. The Local Transportation Act is not a funding source, but it is enabling legislation that eases some of the restrictions on innovative transportation financing, especially for local government. The Act streamlines the use of both Transportation Benefit Districts and Local Improvement Districts and makes provisions for latecomer financing mechanisms for Local Improvement Districts.

Parks and Recreation

Northwest Park & Recreation District. In the Birch Bay area, including the City of Blaine, there exists a special district called the Northwest Park & Recreation District. It has the same boundaries as the Blaine School District. It has been inactive and not exercising its option of presenting for voter approval of a levy and/or bond issue for the purpose of providing parks and recreation facilities and recreation programs. If the petition or resolution initiating the formation of the proposed park and recreation service area proposes that the initial capital or operational costs are to be financed by regular property tax levies for a six-year period as authorized by RCW 36.68.525, or an annual excess levy, or that proposed capital costs are to be financed by the issuance of general obligation bonds and bond retirement levies, a proposition for such purpose or purposes may be submitted to the voters for the proposed service area at the same election. A proposition or propositions for regular property tax levies for a six-year period as authorized by RCW 36.68.525, an annual excess levy, or the issuance of general obligation bonds and bond retirement levies, may also be submitted to the voters at any general or special election.

Cultural Arts, Stadium and Convention District. The voters in the Birch Bay Community, with the cooperation and assistance of the Whatcom County Council can create, with the voter approval, a Cultural Arts, Stadium and Convention District. The purpose of the District is to expand tourism and attract new visitors to the State of Washington and in the development of a nonpolluting industry. The creation or renovation, and operation of cultural arts, stadiums and convention facilities benefiting all the citizens of the Birch Bay area would enhance the recreational industry's ability to attract such new visitors. The additional income and employment resulting therefrom would strengthen the economic base of the area. The State Legislature, at the enactment of this statute declared that the construction, modification, renovation, and operation of facilities for

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cultural arts, stadium and convention uses will enhance the progress and economic growth of this state. The continued growth and development of this recreational industry provides for the general welfare and is an appropriate matter of concern to the people of the State of Washington.

Any cultural arts, stadium and convention district has the power to issue general obligation bonds for capital purposes only, not to exceed an amount, together with any outstanding nonvoter approved general obligation indebtedness equal to three-eighths of one percent of the value of taxable property within such district. A cultural arts, stadium and convention district is additionally authorized to issue general obligation bonds for capital purposes only, together with any outstanding general obligation indebtedness, not to exceed an amount equal to three-fourth of one percent of the value of the taxable property within the district, and to provide for the retirement thereof by excess levies when the voters approve a ballot proposition providing for both the bond issuance and imposition of such levies at a special election called for that purpose.

Public Facilities District. A public facilities district may be created in any county and shall be coextensive with the boundaries of the county. A public facilities district may be created upon adoption of a resolution providing for the creation of such a district by the county legislative authority in which the proposed district is located. The district may levy a sales and use tax and an excise tax with voter approval. The district may levy an admission tax not to exceed one cent on each twenty cents paid by the person who pays an admission charge to a regional center. The district is also authorized, with voter approval, to issue general obligation bonds, not to exceed an amount, together with any outstanding nonvoter approved general obligation indebtedness, equal to one-half of one percent of the value of taxable property within the district. The district board of directors may issue revenue bonds to be redeemed from facilities operating revenue. The district may levy an ad valorem property tax, in excess of the one percent limitation, upon the property within the district for a one-year period to be used for operating or capital purposes whenever authorized by the voters of the district. The public facilities district may impose a hotel-motel tax. The hotel-motel tax is described in greater detail below.

Hotel-Motel Tax. A public facilities district may impose an excise tax on the sale of or charge made for the furnishing of lodging by a hotel, rooming house, tourist court motel, or trailer camp, except that no such tax may be levied on any premises having fewer than forty lodging units. If a public facilities district has not imposed such an excise tax prior

to December 31, 1995, the public facilities district may only impose the excise tax if a ballot proposition authorizing the imposition of the tax has been approved by a simple majority vote of voters of the public facilities district voting on the proposition. The rate of the tax shall not exceed two percent and the proceeds of the tax shall only be used for the acquisition, design, construction, remodeling, maintenance, equipping, reequipping, repairing, and operation of its public facilities. This excise tax shall not be imposed until the district has approved the proposal to acquire, design, and construct the public facility. A public facilities district may not impose the tax authorized in this section if, after the tax authorized in this section was imposed, the effective combined rate of state and local excise taxes, including sales and use taxes and excise taxes on lodging, imposed on the sale or charge made for furnishing of lodging in any jurisdiction in the public facilities district exceeds eleven and one-half percent.

Storm and Surface Water Management

Storm & Surface Water Management District. Whatcom County is empowered to create a Storm and Surface Water Management District encompassing the entire unincorporated Whatcom County or a specified area, such as Birch Bay. With increased development comes increased storm water runoff, which causes flooding and erosion, damage to aquatic habitat, and increased pollutants washed into surface waters. The District is empowered to assess a storm and surface water management fee. In the City of Bellingham, the fee for a single family residential customer whose homes have a footprint of 3,000 square feet or less are charged \$5.00 in 2002 and \$7.00 in 2003 and thereafter. Homes and businesses with larger amounts of impervious surface are charged per square foot of impervious area. Storm and surface water management fees in other communities are as follows: Bothell \$5.56 /month; Bellevue \$8.86 /month; Olympia \$6.00 /month; Redmond \$11.50 /month; and Puyallup \$7.07 /month.

Action Strategies

1. The Governance Implementation Subcommittee of the Birch Bay Steering Committee should approach the City of Blaine to discuss annexation of the Birch Bay Urban Growth Area to the City. If the City is receptive to this alternative, the committee should prepare and distribute public information regarding the process and the pros and cons of annexation.

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2. The Governance Implementation Committee of the Birch Bay Steering Committee should develop and distribute public information regarding the pros and cons of incorporation. Whatcom County should assist the Committee in preparing a more detailed financial analysis and information on the incorporation process.
3. If there is sufficient public interest and support for incorporation, the County should assist the Birch Bay Governance Implementation Committee to develop and circulate a petition to initiate an incorporation election.
4. The County Council should develop and adopt an impact fee ordinance to collect traffic and park impact fees from all new development within the Birch Bay Urban Growth Area to fund a pro-rata share of the transportation and improvements identified in the Birch Bay Capital Facilities Plan.
5. The County and the Birch Bay Public Education, Health and Safety Subcommittee should meet with the Blaine School District to determine whether the District is interested in school impact fees and pursue this option if there is interest.
6. The Natural Resource/ Parks Subcommittee of the Birch Bay Steering Committee should work with the Northwest Parks and Recreation District and the City of Blaine Parks Board to pursue a tax levy to support parks and recreation services and facilities within the District Boundaries, which includes the City of Blaine.
7. The Stormwater/ Shellfish Subcommittee should continue to work with the County Public Works Department, Birch Bay Water and Sewer District and appropriate agencies and organizations to develop funding sources for storm water management and shellfish protection.