

8 Financial Analysis and Funding Recommendations

8.1 Introduction

Implementing the programs and projects recommended in this plan would exceed the funding available in Whatcom County. Therefore, a source or sources of additional funding are needed. This chapter presents an evaluation of revenue needs and available financing mechanisms, a description of the storm and surface water utility user rate development, a description of relevant planning data, and a summary of recommendations. The proposed SWMP and CIP are described in Chapter 7 of this plan. Chapter 3 provides an overview of the regulations and impacts to the SWMP. Section 7.7, Estimated Costs of Recommended Programmatic and Structural Recommendations, includes a more detailed description of the cost of individual program elements. The evaluation of available financing mechanisms (Section 8.3) includes alternatives for funding M&O and capital expenses. The surface water management user rate development section (8.4) includes a description of administrative policy considerations and a recommended storm and surface water utility rate structure. The planning data section includes the basis for the storm and surface water system impervious area and system growth projections.

The Lake Whatcom watershed comprises land that is in unincorporated Whatcom County, land inside the City of Bellingham, and land served by the Sudden Valley Community Association. Each of these entities provides services related to stormwater and collects revenue from property owners in their respective service areas. At the present time, all property owners in the watershed pay a tax to fund the County-wide Flood Control Zone District (FCZD). Historically, most of this money has been used to fund services related to flooding along the Nooksack River system.

Property owners inside the City of Bellingham also pay a stormwater utility fee to address stormwater issues and provide stormwater services.

Homeowners inside Sudden Valley pay an assessment to fund the services provided by the Sudden Valley Community Association. The Sudden Valley Community Association provides a range of stormwater services including plan review and inspection of stormwater facilities for new construction, maintenance of ditches and culverts, and flood protection. The roads in Sudden Valley are private. The County does not provide stormwater services for private roads.

Any new revenue source will have to address issues of equity related to these service providers and existing revenue sources while providing a mechanism to generate adequate additional funding. This will be particularly challenging in the unincorporated portion of the watershed because there are a relatively low number of potential rate payers and because there is very little multi-family, commercial, or industrial property to help generate revenue.

Balancing these factors is the fact that the lake is used for the following purposes:

- As a drinking water source for most of the people in Whatcom County (most of whom live outside the Lake Whatcom watershed)
- By people throughout the County for recreation

These two uses by people outside the watershed provide an argument that people throughout the County should help pay to protect Lake Whatcom.

Whatcom County currently has a county-wide FCZD, funded by taxes on real property county-wide. Funds from this FCZD have been used primarily to address flooding issues along the Nooksack River, although they also have been used for WRIA and other water resources programs. Several sub FCDZs have also been created to provide additional funding and focus on local flooding issues. M&O for drainage in Lake Whatcom are currently funded primarily from the County's road fund. To date, the County has been able to provide a minimal level of drainage service with its existing road fund revenues; however, continued growth and increasing regulatory requirements (see Chapter 3 for description) necessitate additional funding.

Additional funding will allow the County to protect public health and safety, meet public expectations regarding surface water, and address the regulatory requirements of the state, the Clean Water Act, and the ESA, while preparing a long-term strategy for operating these programs. The goals of the recommended funding sources are focused on maximizing customer services and providing confidence that the charges are assessed in a manner that is credible, defensible, equitable, and administratively feasible.

An additional consideration for Whatcom County is how to be responsive to citizen interests in local areas to provide additional surface water management services for aquatic resources of County-wide or regional significance. Examples of aquatic resources of county-wide or regional significance include Lake Whatcom, Birch Bay, Drayton Harbor and Lake Samish. In such areas it may not be feasible or equitable to fund the entire need from local property owners. A county-wide discussion is needed to address equity and provide consistent policy between these areas and the rest of the County and to provide adequate funding to protect these special resources.

8.2 Program Description and Revenue Needs

The purpose of this section is to summarize the recommended programmatic elements for the Lake Whatcom SWMP, which are described in Chapter 7. Program elements include the type of service to be offered and the level of effort for each service. Some of the program elements are necessary to meet various state and federal regulatory requirements and to meet public expectations, and some are recommended to meet the County's obligation to protect public health and safety. The following sections discuss public expectations for service and basic assumptions about the level of effort and costs of the SWMP.

8.2.1 Public Expectations for Surface Water Program

Independent of state and federal regulatory requirements, the community has expectations for management of the storm and surface water system by the County. At a minimum, citizens expect to be protected from flood hazards and water quality hazards. Until basic drainage and flooding problems are addressed, the citizens will not be interested in paying more for compliance with state and federal regulations. Thus, a top priority for any surface water program must be to protect citizens and property from flood and water quality related human health hazards. Once these basic issues are addressed, the citizens will be more interested in water quality impacts to fish, fish habitat, and community values such as aesthetics and education.

There have been extensive analysis and planning efforts related to the water quality issues of Lake Whatcom for several decades. These planning efforts provide evidence to support an underlying assumption of this comprehensive stormwater plan: that the citizens of Whatcom

County place a relatively high value on environmental issues. This plan assumes therefore that the County's program must at least meet the requirements for the various state and federal regulations. The recommended alternative includes basic regulatory compliance and additional protection of water quality and aquatic habitat.

8.2.2 Program Elements and Level of Effort

Tables 7-4 and 7-5 in Chapter 7 list the recommended activities (programmatic and capital) and their estimated costs. These costs are used for purposes of analysis in the following sections regarding finance.

8.3 Evaluation of Available Financing Mechanisms

This section reviews alternatives for financing the SWMP for the Lake Whatcom watershed. It begins with a review of special districts and stormwater utilities, which are entities that can be established to assume responsibility for funding and management of watershed programs. It then addresses specific mechanisms to fund or finance improvements to the system as well as its ongoing operations, including debt, grants, taxes, developer financing, fees, and charges. This section presents each alternative, identifies pros and cons, and closes with broad recommendations.

There are several mechanisms available to generate revenue targeted to specific services. These revenue source options have been created over time to provide services for specific local circumstances that do not get funded by counties because they are not county-wide issues. They have the advantage that they address local issues and are funded by those that are interested in the services. While citizens often resist increases in general taxes, they often support revenues that target specific services they want.

For a reference on funding stormwater programs, see:

<http://www.nafsma.org/Guidance%20Manual%20Version%202X.pdf>

8.3.1 Special Service Districts¹

In Washington, special purpose districts (85.38 RCW) are limited-purpose local government entities, separate from a city, town, or county government. Generally, they perform a single function, although some perform a limited number of functions not otherwise available from city or county governments. Special purpose districts are generally created through the county legislative authority to meet a specific need of the local community, such as a new or higher level of service. Once formed, many of the fiscal and administrative functions of special purpose districts are handled by the county government.

Most special purpose districts in Washington derive revenues from real property assessments and are taxing districts. Most have the power to impose taxes upon district property in proportion to property value, as opposed to obtaining revenue for public purposes in proportion to the benefits accruing to it. Some special districts (such as diking and drainage districts) are authorized to levy *benefit assessments*, which are charges to land owners based on the benefits their property receives from the project being funded with the proceeds of the assessment. Other special districts (such as flood control [86.09 RCW], flood control zone [RCW 86.15], and shellfish protection districts [90.72 RCW]) are authorized to *charge fees* directly for services. Revenues of

¹ Portions of this section, and Table 8-1, were drawn from the Municipal Research & Services Center (MRSC), a non-profit, independent organization located in Seattle, Washington. Web site: <http://www.mrsc.org/index.aspx>.

special districts typically may be used for the ongoing operations and maintenance of facilities, as well as for capital costs. Whatcom County already has a county-wide flood control district, certain sub-flood control districts, and shellfish protection districts. Addition of a sub-flood control district for Lake Whatcom would be relatively straightforward.

The Washington State legislature provides authority and specifies general procedures for the formation of special districts. The majority are formed by a resolution of or petition to the county legislative authority. Almost all formations require a formal public hearing to determine the need for the district, and in some instances a feasibility study is required. The formation generally requires an election to determine whether the majority of residents or landowners wish to form a district and pay taxes to receive the service.

Table 8-1 provides a summary of the different types of special districts in Washington of relevance to stormwater management. The table includes type of district, enabling statute and date it was created, purpose, formation, governance, and revenues.

The value of special districts as a separate governmental form has been debated in many states. Critics question whether there are too many districts and whether they are accountable. Advocates favor providing focused services that respond to special needs and give local control. Some states, not including Washington, have created a uniform set of statutes to govern special districts and provide accountability.

Pros of special districts include the following:

- The concentrate on effectively providing limited services.
- They are responsive to constituents, as districts are often geographically small with low population density.
- They link those who pay to those who benefit (although not necessarily equitably).
- They offer the same “pros” as a stormwater utility when they are authorized to generate revenue through charges (as per Shellfish and Flood Control districts), including the following:
 - Revenues generated are stable, and can increase with community growth and with rate hikes and special fees, allowing for stability of maintenance and operations, long-term planning, and improved ability to comply with NPDES regulations.
 - Costs can be directly linked to benefits and enhancing equity.
 - They present a new source of funds, freeing up existing funding for other purposes.
 - Bonds for capital improvements can be issued and repaid through revenues generated.

TABLE 8-1. SELECTED SPECIAL DISTRICTS AND A STORMWATER UTILITY IN WASHINGTON STATE AND THEIR KEY COMPONENTS					
Type of District, Enabling Statute & Date Created	Purpose	Formation	Governance	Revenues	
Diking District 85.05 RCW 1895	Straighten, widen, deepen, and improve all rivers, watercourses, or streams, construct diking system to protect land from overflow"	Resolution or petition of 10 property owners; feasibility determination by county engineer; hearing; election pursuant to 85.38 RCW	Board of 3 elected commissioners	Special benefit assessments (based on the benefit to property rather than value of the property); bonds; participating counties/cities may appropriate funds for the district; participating cities may levy an assessment on property	
Drainage District 85.06 RCW 1895	Establish drainage system"	Same as Diking District	Board of 3 elected commissioners; consolidated districts could retain 5-member board	Same as Diking District	
Flood Control District 86.09 RCW 1937	Protect life and property, preserve public health, and conserve and develop the natural resources; includes improvement, replacement, repair, or acquisition of works / property to control floods"	Same as Diking District; if less than 500 acres, petition of 50% of acreage	Board of 3 district commissioners, initially appointed; elected per 85.38 RCW (Special District Creation and Operation)	Special assessments (proportionate to benefits); fees and charges; bonds	
Flood Control Zone District 86.15 RCW 1961	Undertake, operate, or maintain flood control projects/stormwater control projects of special benefit to specified areas of the county"	Action of board or petition and 25% vote cast in proposed zone at last county general election; once established, the district may divide any or all of the zone into separately designated sub-zones, operated and legally established as an FCZD	Board of county commissioners; option to elect 3 zone supervisors if district of over 2,000 residents	Annual property tax (not to exceed 50 cents per \$1,000 assessed value); fees and charges; voluntary assessments; local improvement districts to finance capital projects that benefit only a portion of the district's area, with assessments proportionate to benefit property receives; bonds	
Shellfish Protection District – "Clean Water District" 90.72 RCW 1985	Curb the loss of productive shellfish beds from nonpoint sources of pollution"	Motion of county; election	County legislative authority	County tax revenues; fees and charges; priority for state water quality financial assistance to implement shellfish protection programs, including grants and loans	
Stormwater Utility 36.89 RCW	Establish, acquire, develop, construct and improve open space, stormwater control facilities ..."	County legislative authority by resolution	County legislative authority	County legislative authority "by resolution for revenues by fixing rates and charges for the furnishing of service to those served or receiving benefits ... from any stormwater control facility or contributing to an increase of surface water runoff."	

Cons of special districts include the following:

- They can result in too many units of government, with duplication of costs and weakened consolidated planning.
- They tend to lack visibility, confusing residents regarding who is in charge.
- They often have limited voter participation in the election of special district officers, detracting from their representative nature.
- They entail added administrative complexity, where charges may be established (as per a stormwater utility).

Note that the County is required to form a shellfish protection district and develop a program to address causes of pollution if a shellfish harvesting area is closed or downgraded by the Department of Health as a result of water pollution. This happened in Whatcom County in Portage Bay and Drayton Harbor and a shellfish protection district was formed in each location.

Administratively, the simplest mechanism to fund the SWMP would be to increase the tax rate of the FCZD either county-wide or in the Lake Whatcom watershed. However, a rate system based on property value is generally less equitable (and therefore, more difficult to defend if challenged) than a system based on impervious surface. Impervious surface is directly related to the amount of runoff from a property. A high value property does not necessarily discharge more surface water or cause more impact than a property with less value.

8.3.2 Lake Whatcom Water and Sewer District

Water and sewer districts are authorized to provide stormwater service if they choose. An amendment to the district's general sewerage plan is required, followed by action to revise utility rates. Only a small part of the Lake Whatcom watershed is served by the Lake Whatcom Water and Sewer District, which does not presently provide stormwater services.

8.3.3 Stormwater Utility

Stormwater utilities (36.89 RCW) are a relatively recent development in municipal stormwater management, with the first established in Washington and Colorado in the early 1970s. A stormwater utility is an enterprise fund that can provide stable funding, through establishment of rates and charges, for stormwater operations and capital projects. Stormwater utilities generally have a variety of objectives, such as funding ongoing or improved maintenance and capital investments, improved flood management capacity and water quality prior to discharge, and ecological preservation, as well as planning, education, and outreach.

Most stormwater utilities are designed to provide most a community's stormwater funding, thereby offsetting other funding sources such as the General Fund. Stormwater utility charges are generally based on a user fee per unit of impervious surface area; thus, the amount of impervious surface area and the fee per unit are central factors in revenue generation. Other policy issues that will affect revenue generation include whether undeveloped as well as developed properties are charged, and whether the community charges itself for streets and other public properties.

Pros of a stormwater utility, with associated rates and charges, include the following:

- Revenues generated are stable, and can increase with community growth and with rate hikes and special fees, allowing for stability of operations and maintenance, long-term planning, and improved ability to comply with NPDES regulations.

- Costs can be directly linked to benefits, enhancing equity.
- They present a new source of funds, freeing up existing funding for other purposes.
- Bonds for capital improvements can be issued and repaid through revenues generated.

Cons of a stormwater utility include the following:

- They require a commitment of time, resources, and public acceptance to develop.
- They require billing and other administrative functions to operate.

8.3.4 Debt

8.3.4.1 Debt Issuance Repaid by Utility (or Special District) Revenues

Revenue Bonds

Storm and surface water utility revenue bonds may be backed by revenues of a stormwater utility (or revenue-generating special districts). Interest rates available for revenue bond debt fluctuate with market conditions. *Pros* of issuing revenue bonds include the ability to fund large capital projects where costs exceed available current revenues; they also maintain intergenerational equity. *Cons* of revenue bonds include interest costs, bond issuance costs, bond reserve requirements, and debt service coverage requirements—and the risk that projections for community growth and associated revenue generation may prove overly optimistic.

State Revolving Fund and Centennial Clean Water Fund

Ecology’s Water Quality Program administers two major funding programs that provide low-interest loans for projects that protect and improve water quality in Washington State. These include the State Revolving Fund (SRF) and the Centennial Clean Water Fund (Centennial) loan program, for which projects that reduce nonpoint sources of water pollution are eligible. Loans are available for up to 100 percent of eligible project costs. Ecology provides financial hardship consideration for facility construction projects that would cause user fees to exceed 1.5 percent of the median household income in the local area. Hardship is addressed through variable interest rates, longer loan terms, partial grants, or a combination of all of these. Separate applications, in separate years, are required for pre-construction and construction funding. These loans are typically considered junior lien to revenue bonds. *Pros* of such loans include favorable financing and the hardship consideration; *cons* include debt-related costs.

Public Works Trust Fund

The Washington State Department of Community, Trade, and Economic Development administers Public Works Trust Fund (PWTF) loans. PWTF funding may be used for the repair, replacement, or improvement of existing storm and surface water facilities. The interest rate depends on the amount of local financial participation. The construction loan term is 20 years, and loan repayments consist of equal principal payments in years 2 through 20 and interest payments on the unpaid principal. PWTF loans are typically considered junior lien to revenue bonds. *Pros* of such loans include favorable financing; *cons* include debt-related costs.

8.3.4.2 Debt Issuance Repaid by Assessments or Taxes

General Obligation Bonds

General obligation (G.O.) bonds are backed by the taxing power of the County. *Pros* include that G.O. bonds typically offer lower interest rates than revenue bonds. On the *cons* side, use of G.O. bonds is less common than revenue bonds in utility systems where rate revenues are collected, as

G.O. bonds impinge on the borrowing capacity and may affect the bond rating of the County, compete with other projects for which no specific revenue source is available, and may require voter approval. G.O. bonds repaid through property tax assessments may result in distributional inequities, as the cost of a project may not be paid by its beneficiaries.

Utility Local Improvement Districts

Another potential source of funds for improvements comes through formation of local improvement districts. This involves an assessment made against the properties benefiting from the improvements. Utility local improvement districts (ULIDs) are also backed by the revenues of the utility. This type of financing is most commonly applied to extensions of facilities into previously undeveloped areas. *Pros* include distributional equity, the ability to avoid interest costs via early payment of assessments, and the ability of grant funding and/or assessment deferral for low-income and/or low-income senior property owners. A *con* is that ULIDs are often difficult to form because the process may be stopped if owners of 40 percent of the properties within the ULID boundary protest its formation.

8.3.5 Grant Programs

Assorted federal and state grants for stormwater projects are available. Grant funding is highly competitive, so it should be factored into stormwater capital or financial plans with contingency considerations, in case it does not materialize. The *pros* of grant funding include the infusion of external funding for community benefit; the *cons* include the uncertainty of funding and that it is typically earmarked for specific uses, which may or may not include priority needs. Administrative costs for grant applications and reporting may be high relative to other available funding.

The Centennial clean water funding program is a state program that is available for certain surface projects.

In 2007, Ecology received substantial additional funding to be passed on to local jurisdictions to help implement stormwater programs to address the NPDES municipal stormwater permits. The County should pursue these grant sources.

8.3.6 Developer Financing and Latecomers Agreements

Developers may be required, by policy, to cover costs associated with the construction of stormwater system improvements, particularly within new plats. Developer extensions in public rights-of-way would then be deeded to the County upon completion. The County may choose to require, in some cases, construction of oversized conveyance and detention facilities to serve future upstream extensions beyond the development. In these cases, the County may, by policy, reimburse the developer either through direct financial participation or latecomers' agreements. These agreements provide up to 10 years or more for developers to receive payment from future developed properties that receive benefit from the developer-financed improvements. *Pros* of such financing include the equity of linking project costs with users; *cons* may include the lack of direct County or utility control of such projects.

8.3.7 Taxes and Other County Funds

Taxes, including sales tax, fuel tax, and *ad valorem* property tax, may be used to fund stormwater systems. These revenue sources are fully committed to other uses. Therefore, another County service would need to be cut to provide additional funding for Lake Whatcom surface water issues. *Pros* include a stable source of funding and relative administrative simplicity of collecting

the funds. *Cons* include the difficulty of gaining public support, and inequities due to the disconnect between costs and benefits.

Use of other County funds for stormwater capital, operations, and maintenance costs presents *pros* such as relative administrative simplicity; *cons* include lack of distributional equity and potential fluctuations in the level of funding due to competition with other County priorities.

8.3.8 System Development Charges

A system development charge (SDC) is a one-time fee payable by new development. SDC revenue can be used to finance growth-related capital improvements, including improvements for stormwater systems, and to repay debt service on projects on which the SDC is based. SDC revenue cannot be used to fund O&M expenses. *Pros* are that with SDCs, “growth pays for growth,” reducing rate impacts on existing customers, who have already invested in the system; this is particularly advantageous in a municipality undergoing rapid growth. *Cons* are that SDC revenues are not guaranteed and have potential economic development impacts.

8.3.9 Miscellaneous Charges and Fees

Other fees may be established to cover costs for specific services. Examples include:

- **Permit review and inspection fees** designed to recover all or a portion of the costs to review development plans and inspect projects under construction, to assure compliance.
- **Special service fees**, which recover the costs of services performed for specific clients, as opposed to the entire service area. This may include annual inspections of onsite detention systems, discharge monitoring, water quality enforcement investigations, and similar specialized activities which have evolved with the expansion of regulatory requirements.

Pros of such fees include that they can enhance equity, whereby those benefiting from the service pay for it. *Cons* include that such fees are not guaranteed revenue and can fluctuate.

8.3.10 Public Support

Creation of any new revenue source generates opposition. To create public support for a new revenue source, it is imperative to provide a thorough public education program and an opportunity for community dialogue. Public education must clearly explain the need for additional revenue, the specific services that will be provided, and why the fee is fair (i.e., provides equity among property owners). The need in the Lake Whatcom watershed can likely be understood by property owners because of rapid growth, the recognition of the value of the lake for recreation and aesthetics, the drinking water resource, and local drainage issues. Chapter 7 provides a description of a public involvement program.

8.3.11 Governance

Creation of a new funding source can be independent of the question of governance. For example, a sub-flood control zone may be governed by the county council or by an independent board that could be appointed or elected separately. Another option would be for the council to appoint an advisory board that would recommend the annual priorities for the program.

Communities often want to see more accountability and to have more control over provision of services. There may be a perception that a county is too large to address the specific needs of the local community. Provision of a structure to address specific community priorities can address the issue.

The fees collected in the Lake Whatcom watershed must be used to provide services to the area that generates the revenue (i.e., Lake Whatcom watershed). Therefore, the issue of local control may be somewhat reduced, particularly if there is a good public education program to explain the proposed services.

Provision of local control creates the potential for a conflict between the local area and the County at large. For example, if a local community decides to spend all of the revenue on drainage problems, certain regulatory requirements to address water quality might not be addressed. That could create a problem for the County and inequity between local communities in the County. A separate governing board may also increase costs because some of the administrative functions would be duplicated.

8.3.12 Service Delivery

Similar to governance, the creation of a revenue source does not obligate any particular organization to provide the service, as long as the service is provided. For example, the County Public Works Department could provide the service, or the County might be able to contract with the Whatcom Conservation District, the City of Bellingham, Lake Whatcom Water and Sewer District, or a private company to provide some or all of the services.

There may be certain efficiencies within the County because it already has staff and equipment that do similar or identical work. This might be balanced by cost savings of reduced travel time and local knowledge of another organization.

Contracting with a separate entity creates the potential for conflicts with other County programs or services. For example, a technical recommendation by a separate entity may conflict with County policies or recommendations.

8.3.13 Implementation

Implementation generally requires the following steps:

1. Develop and implement a public education and citizen participation program.
2. Develop a plan of the services to be provided.
3. Develop a rate structure (defining specifically who pays, how much), and select the legal authority for the revenue mechanism.
4. Adopt an ordinance to create the revenue mechanism.
5. Adopt an ordinance to set the rates.
6. Develop the billing system in cooperation with the County treasurer (for the billing format) and the County assessor (for property data).
7. Send the billings and train staff (including all those who answer phones in the treasurer's office, public works, and executive and council offices) on how to properly respond to telephone calls and answer basic questions.

8.4 Planning Data

8.4.1 Equivalent Residential Units

The recommended rate structure is based on the amount of impervious area of a property. A property's surface water rate is defined by the number of equivalent residential units (ERUs) it contains. One ERU is equal to the impervious area of an average single-family residential unit. Impervious area for each non-single-family residential unit is defined in terms of ERUs. A flat rate per ERU can then be applied to all properties.

An ERU of 3,000 square feet of impervious area is used for this analysis (same as City of Bellingham). For planning purposes, there is a negligible amount of impervious surface associated with non-residential properties in the Lake Whatcom watershed. Thus, for planning purposes, rate projections in this document are based on single-family units and County roads. Based on County tax assessor data for 2007, there are a total of 4,925 single-family houses in the unincorporated portion of the watershed. Of these, 2,556 are within Sudden Valley. The majority are in the more urban western portion of the watershed. For comparison, there are 1,567 houses within the City of Bellingham that are in the Lake Whatcom watershed.

For planning purposes, it is estimated that there are approximately 1,480 ERUs within the County road system serving the watershed.

This results in approximately 6,400 ERUs to be billed in the watershed. If a rate of \$7 per month per ERU is collected this will generate approximately \$540,000 per year. If a reduction of 30 percent is credited to property owners in Sudden Valley, the total revenues generated would be reduced to approximately \$400,000 per year.

8.4.2 Projected Service Area Growth

The undeveloped and underdeveloped property in the watershed creates the potential for an additional 2,935 houses within the watershed under existing land use plans and zoning. Combined with the County road ERUs, this creates a potential of 10,500 future ERUs within the watershed. For this discussion, it is assumed that development will occur to levels of current zoning.

A projected growth rate of 4 percent per year is assumed.

8.4.3 Recommendations

There are many alternatives for funding stormwater management programs. To secure adequate funding, Lake Whatcom decision-makers should incorporate a combination of mechanisms that take into consideration both immediate and long-term needs. Any funding plan should also be guided by broad goals, such as customer acceptability, defensibility, revenue sufficiency and stability, equity, administrative ease, and consistency/compatibility with local policies, practices, and long-term strategies. It should include public education and involvement to help ensure ultimate support and success.

Although originally written to address different issues, the laws for stormwater utilities and those for FCZDs have been amended and now there is very little difference in the process for formation, the potential revenue-generating mechanism, or the type of services that can be provided by these two types of entities. Each can be formed by the county council, each can provide a broad range of drainage- and flooding-related services, and each can generate revenue

through assessed valuations, benefits received, or contributions to the need for services. An FCZD can assess taxes or utility fees while a stormwater utility is limited to service fees.

Additional funding is needed to address the issues raised by citizens and addressed in this Comprehensive Stormwater Plan for Lake Whatcom. Additional analysis and public debate are needed before adoption. Stormwater funding mechanisms for Lake Whatcom should include a combination of the following:

- Establishing a sub-flood control zone district with authority to levy fees and charges
- Introducing stormwater service rates and charges and associated policies that include incentives and development financing
- Exploring the availability of County funding, as well as federal, state, and other grant funding sources, and pursuing suitable options

A sub-flood control zone district is recommended because additional revenues are needed and Whatcom County residents and County staff are familiar with the concept. Administration by County staff for creation, billing, financial tracking, and operations would be consistent with other areas of the County and therefore easier.

Billing for the sub-flood control district should be based on the percent of impervious surface on a property, as this is directly related to the amount of runoff created on the property. The amount of runoff is directly related to the need for stormwater services. A flat rate for single-family residences should be established to simplify and reduce the costs of the billing system.

As shown in Section 8.5.2 the revenue generated by a sub-flood control zone district within the Lake Whatcom watershed is not adequate to fund the needs in Lake Whatcom. Therefore, additional funding sources are needed. The first source to consider is the existing county-wide FCZD. Historically, most of the funds generated from this tax have been used to protect farmland from flooding in the Nooksack River floodplain. Because this is a county-wide (including Bellingham) tax revenue, it would be justifiable to use a portion of this revenue to fund programs in the Lake Whatcom watershed to protect water quality and aquatic habitat. Additionally, a portion of the real estate excise tax could be used to fund the CIP. For purposes of this analysis, funding from the county-wide FCZD and from the real estate excise tax was included to balance the 6-year budget (see Section 8.5.2). These considerations should be discussed in a county-wide context. Discussion must consider the policy implications and the needs of other watersheds such as Birch Bay, Portage Bay, Drayton Harbor, and Lake Samish, as well as Lake Whatcom.

Further analysis of other potential supplemental funding sources is beyond the scope of this plan.

The recommendations are to provide revenue sources which by themselves do not result in the need for more staff or changes in the County organizational structure.

Additional discussion is recommended among County departments, legal council, and citizens to evaluate the recommendations and the assumptions listed above. Further refinement of the recommendations and more specific information are needed. For instance, the boundaries of the Lake Whatcom watershed are hydrological rather than political. The watershed boundaries include part of Bellingham. A more detailed survey of the Lake Whatcom watershed may be needed to finalize actual watershed boundaries for funding purposes.

8.5 Sub-Flood Control Zone District Rate Development

8.5.1 Administrative Policy Considerations

8.5.1.1 Issue: How Should Single-Family Residences and Duplexes Be Charged?

Background

The basic approach to establishing a surface water rate in this analysis is based on impervious area. Single-family residences (SFRs), of which there are approximately 5,000 within the Lake Whatcom watershed, contain variable amounts of impervious area. Applying a single amount of impervious area, and therefore a uniform storm and surface water rate, to every single-family residence is an industry standard. This is done to minimize the administrative complexity associated with defining and maintaining records of impervious areas for each household in the watershed. For purposes of this plan, an ERU is defined as 3,000 square feet of impervious area.

Recommendation

Adopt a single surface water rate for all single-family residences and duplexes. The County may wish to consider adopting a duplex surface water rate if subsequent evaluation of duplexes indicates that they usually contain a greater amount of impervious area than a typical single-family residence.

8.5.1.2 Issue: How Should Properties Other Than Single-Family Residences and Duplexes Be Charged?

Background

Properties other than single-family residences would include multi-unit residential, commercial, industrial, and institutional properties. Some utilities choose to charge these areas based on total impervious area, that is, establishing a stormwater rate in terms of an ERU and defining, for each non-SFR property, the number of ERUs based on impervious area. This alternative generally balances equity and administrative complexity. Some utilities also base storm and surface water rates on the intensity of development expressed as percent of the parcel that is impervious. This method recognizes a finding by some utilities that, for a given impervious square footage, a smaller parcel (higher percent impervious) has higher runoff volumes than a larger parcel (lower percent impervious).

Recommendation

Because of the desire to minimize administrative complexity wherever feasible, surface water rates for non-SFR and duplex properties should be based on impervious area.

8.5.1.3 Issue: Should Pervious Areas Be Charged?

Background

Pervious areas include forested areas, pastures, or landscaped open spaces that do not have paving or rooftops and have 0 percent impervious area.

Undeveloped land is a property classification that may or may not be charged. If the property is in its natural state (e.g., forested) then it does not contribute to changes in stream flow or water quality or habitat degradation. However, if the land has been developed (i.e., changed from its natural state for reasons such as agricultural use, golf course, athletic field), then it contributes to changes in stream flows and degradation of water quality and aquatic habitat. Although the site is still pervious, the change in site conditions has likely changed the amount of natural infiltration and evaporation and transpiration processes, thus increasing the amount of runoff and the degradation of water quality (e.g., sediment loading). If landscaped, the site is likely contributing

water quality pollutants in the form of nutrients and pesticides. Parks and cemeteries typically have parking, buildings, and walkways associated with them. The impervious areas within them are thus likely to be subject to the surface water rate. Therefore, these areas are minimal and would generate minimal impacts and minimal revenues for the County overall. Addition of pervious areas to a billing structure raises administrative complexities considerably, because the amount of pervious area for a residential customer would need determination, and the policy of establishing a single rate for single-family residences would need review. Further, because the amount of runoff from pervious areas is less than from impervious areas, a cost-allocation between impervious and pervious areas would typically be completed to establish a pervious storm and surface water rate. Finally, there may be less public acceptance of a storm and surface water rate for pervious areas.

Recommendation

Charge parcels of pervious area with altered vegetation for surface water service. Apply a flat rate equivalent to one ERU per month per parcel (the same as the SFR rate). Provide an exemption for areas that remain in native forest cover and parcels entirely covered by wetlands.

8.5.1.4 Issue: Should Road Rights-of-Way Be Billed?

Background

Road rights-of-way contain large areas of impervious surfaces for streets, sidewalks, and parking. These areas and the automobiles that use them are large sources of impervious surfaces and therefore large contributors to changes in stream flows and increased streambank erosion and the largest contributor of pollutants to stormwater in the watershed. Ditches associated with roads intercept groundwater and accelerate the velocity of surface water as it moves toward the bay. This increases total surface discharge and peak flows that cause erosion and flooding. These impacts cannot be fully mitigated. Automobile users pay nothing to address these unmitigated impacts. Thus, the costs of automobile use in terms of degraded resources are passed on to the next generation.

The County road fund currently pays for maintenance and upgrade of the streets. This includes limited maintenance and repair of the streets' drainage system and street sweeping. The need for the drainage system is caused by the need to drain water from street surfaces for public safety of motorists. However, the existing street storm drainage system also conveys runoff from private property.

Because the street funds pay for maintenance of the streets' drainage system, there is an issue of whether or not the streets should also be subject to the surface water rate.

Billing the streets creates administrative costs to create the billings and collect the funds. Some persons could view billing the streets as simply shuffling revenues from one pot to another, resulting in increased administrative costs overall. Others point out that not billing roads amounts to a subsidy of automobile use, which is contrary to the goals of surface water management and creates inequity in the rate system.

Recommendation

Bill County roads for storm and surface water services.

8.5.1.5 Issue: Should the Surface Water Revenue be Used to Fund Street Sweeping?

Background

Street sweeping removes large material from the street surfaces. If not picked up by street sweepers, such large material is typically trapped by catch basin grates or catch basins. Most pollutants in stormwater are either dissolved or attached to fine particles and are not collected by conventional street sweepers. Thus, street sweeping with conventional street sweepers provides no measurable benefit to water quality. During a brief period in the fall of each year, leaves can collect on catch basin grates and block them, causing street flooding; during this period of time, street sweeping can provide a benefit to the public by removing leaves from catch basin grates and preventing localized flooding. Since the street drainage systems are necessary to provide street drainage, the question remains of why the surface water program should pay for street sweeping. Arguably, a small portion of the costs of street sweeping with conventional street sweepers could be justified for funding by the surface water program.

High-efficiency vacuum type sweepers are now available that pick up fine particles. They have been demonstrated to provide significant benefits to water quality. These units can reduce the annual loading of pollutants from the street system by up to 50 percent. These units are particularly beneficial in industrial and commercial areas and on streets with high traffic volumes where pollutant loadings are higher.

Using stormwater revenues to pay for street sweeping would create another subsidy for the use of automobiles.

Recommendation

The County's road fund should continue funding conventional street-sweeping expenses. The surface water revenues should reimburse the road fund for the purchase, operation, and maintenance costs of the proposed high-efficiency street sweeper at such time as this can be justified for multiple watersheds.

8.5.1.6 Issue: Should a Rate Credit Be Offered To Owners of Onsite Drainage Facilities That Meet or Exceed Current Code Requirements?

Background

New developments are required to incorporate stormwater treatment and detention facilities to partially mitigate the impacts of the development. As a result, new development has an added expense and creates less impact overall to the County's resources. Owners of property with stormwater facilities believe that they should pay less than owners of properties that have no onsite stormwater facilities, and allowing this credit may increase support for the utility fee.

Onsite stormwater facilities cannot completely mitigate the impacts of development. Conveyance facilities are still required, and County programs are still needed to compensate for cumulative impacts of existing and new development. Even new facilities require inspection and water quality monitoring, and education is still needed. Thus, a fee is justified and equitable even for new development with onsite stormwater mitigation facilities.

One of the goals to protect the watershed is to preserve 65 percent of individual properties in forest cover and to limit impervious area to 10 percent of the site and design the site drainage system so that there is no discharge of stormwater. For properties that meet these conditions it would be appropriate to provide a rate reduction. There are still some services provided to serve these properties, including mitigation of the impacts related to the road system used to serve these properties. Thus, some portion of a fee should still be applied.

Recommendation

At this time, no rate reduction should be offered to owners of properties with an onsite stormwater facility that meets current code requirements. Provide a 50 percent rate reduction for properties that retain at least 65 percent of the site in forest cover, have less than 10 percent impervious surface on the site, and have no surface discharge of stormwater. This would be allowed upon request of the owner and verification by a site inspection by County staff.

8.5.1.7 Issue: Should Differential Rates Be Applied To Address Water Quality Issues?**Background**

A portion of the rate will be used for providing services related to water quality. It is possible to quantify the services related to water quality and identify that portion of the utility rate that is due to water quality services. Certain portions of the watershed or certain land uses within the watershed may require more water quality related services. Those portions of the watershed could have a higher rate based on the increased demand for water quality services.

Creating such a proportionate billing system would create additional administrative costs to develop the rate and track expenditures by category and area. Costs related solely to water quality services are difficult to differentiate from water quantity and aquatic habitat services. Benefits associated with water quality services are also difficult to quantify, and very little data are available on this subject.

Recommendation

Because of administrative complexity concerns, do not adopt differential rates to address water quality issues. Include the cost of water quality services in the basic rate without identifying a proportionate share. Do not differentiate the cost of water quality services from water quantity or aquatic habitat related services.

8.5.1.8 Issue: Should Geographically Differentiated Rates Be Applied if Capital Project Expenses Are Distributed Unequally Throughout the Watershed?**Background**

Some areas of the watershed may require more capital improvements than other areas to address flooding, water quality, or aquatic habitat issues. It is possible to quantify these costs by area and charge some areas more than others to pay for the capital facilities needed to address the respective area. While the demand for capital facilities may be related to the development within the basin, it may also be due to other factors such as when the development occurred and the level of existing infrastructure available to serve certain areas. For example, it may not be fair to charge some areas more just because they have been historically under-served by capital facilities and now require more.

Creating a proportionate billing system would also create additional administrative costs to develop the rate and track expenditures by category and area.

Recommendation

Do not apply a differential rate based on capital improvement needs.

8.5.1.9 Issue: Should Direct Discharges to Lake Whatcom Receive a Rate Reduction?**Background**

Properties that discharge directly to Lake Whatcom have no impact to streams. The reasoning follows that since the property owner is not “using” the system, then the property owner should not have to pay. However, all property owners share in the benefits of a surface water program

that provides cleaner water and improves and enhances habitat in the watershed's streams and in Lake Whatcom. In addition, through direct discharge to the lake the runoff from the site may not be treated and may still create water quality impacts and the need for water quality services.

Recommendation

At this time, no rate reduction should be offered to owners of properties that discharge directly to Lake Whatcom. In the future, they should receive the same rate discount, if any, that properties with functioning onsite stormwater detention facilities receive.

8.5.1.10 Issue: Should Low-income Seniors Receive a Rate Reduction?

Background

Low-income seniors may find additional rates and charges create a financial hardship due to fixed incomes. Imposing additional fees on low-income seniors may generate public opposition to the overall program. Low-income seniors are unlikely to own large properties that create disproportionate impacts to the stormwater system. However, tracking incomes and granting reductions will create an additional administrative cost to the County. The County already has a program offering property tax reductions to low-income seniors.

Properties owned by low-income seniors create the same impacts and demand for services as other comparable properties. The decision to grant exemptions is primarily a social policy issue.

Recommendation

At this time, no rate reduction is anticipated. This matter should be brought before the county council for further review.

8.5.1.11 Issue: Should Tax-exempt Properties Receive an Exemption or Reduction in the Stormwater Rates?

Background

Some owners of tax-exempt properties, such as public or private schools and churches, will not understand the distinction between taxes and utility rates and may believe that they are exempt from the utility rates. These properties impose demands on the stormwater system, and therefore should be required to pay the utility fee like other users of the system. Granting a credit would violate the fundamental basis of the utility fee, which is a user-based fee. Schools and churches generally have large parking areas and large areas of impervious surfaces. Because of this, they create high peak runoff rates and volumes during storm events. As a result, they place particularly high demand on drainage systems and cause significant degradation of streams and other aquatic habitat. However, schools sometimes provide educational services related to water quality and aquatic resources.

Recommendation

Do not provide a rate exemption or reduction for tax-exempt properties. Do not provide a rate reduction for schools unless a demonstrated benefit and cost savings to the County can be established.

8.5.1.12 Issue: How Should the County Address Account Delinquencies?

Background

Based on the experience of other utilities, a small percentage of properties can be expected to become delinquent on stormwater utility payments. This creates an issue for the County. If owners are allowed not to pay, it creates an unfair situation for those that do pay. Options for enforcing collections include foreclosing on the property or terminating utility services for the

property. Terminating stormwater service to an individual property may not be feasible or effective in inducing payment of the rate. Foreclosing on the property can be expensive and time-consuming for the County.

Recommendation

If neither taxes nor utility fees are paid, the County should foreclose on the property to collect taxes and utility fees. If partial payments are received, the payments should be applied to the utility bills first and any extra should be applied to the taxes. Then, if necessary, the property can be foreclosed to collect the taxes due.

8.5.2 Surface Water Rate Projection

Based on County tax assessor data for 2007, there are a total of 4,925 single-family houses in the unincorporated portion of the watershed. Of these, 2,556 are within Sudden Valley. Most are in the more urban, western portion of the watershed. For comparison, there are 1,567 houses within the City of Bellingham that are in the Lake Whatcom watershed.

For planning purposes, it is estimated that there are approximately 1,480 ERUs within the County road system serving the watershed.

This results in approximately 6,400 ERUs to be billed in the watershed.

The following draft financial plan was prepared to estimate the rates needed to fund the recommended SWMP through 2014. This draft financial plan is based on the system planning data (ERUs and system growth projections) shown in Section 8.2, revenue requirements described in Chapter 7, and fiscal policy decisions discussed in Section 8.4. In addition to the M&O and capital revenue requirements described in Chapter 7, surface water rate revenue will be subject to a 1.5 percent state tax.

Tables 8-2 and 8-3 show program expense projections and capital improvement plan costs.

Table 8-4 shows the projected surface water rate through 2014 and a calculation of projected rate revenue from single-family residences, other non-residential accounts, County right-of way, and Washington State Department of Transportation right-of-way. The projected monthly surface water rate of \$7 per ERU would be applicable for purposes of this analysis for January 1, 2008, through 2014.

If a rate of \$7 per month per ERU is collected from each of the 4,925 homes in the watershed, this will generate approximately \$414,000 per year. If a reduction of 30 percent is credited to property owners in Sudden Valley the total revenues generated would be reduced to approximately \$354,000 per year.

Table 8-4 is a 6-year cash flow projection, showing sources and uses of surface water funds. Sources of funds include beginning year reserve balances, surface water rate revenue, permit fees, SDCs, and interest income. Table 8-5 includes revenues to illustrate the sources of funds used to cover surface water operating and capital expenses.

TABLE 8-2. PROGRAM EXPENSE PROJECTIONS ¹									
	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Total		
Education	\$210,000	\$55,000	\$57,200	\$59,488	\$61,868	\$64,342	\$507,898		
Public Involvement	\$40,000	\$20,000	\$20,800	\$21,632	\$22,497	\$23,397	\$148,326		
Regulatory (Revise existing regulations (funded by existing sources)	\$60,000	\$10,000	\$10,400	\$10,816	\$11,249	\$11,699	\$114,164		
Maintenance and Operations	\$66,000	\$66,000	\$68,640	\$71,386	\$74,241	\$77,211	\$423,478		
Inspection and Enforcement (could be funded by permit fees)	\$150,000	\$100,000	\$104,000	\$108,160	\$112,486	\$116,986	\$691,632		
Illicit Discharge Detection and Elimination	\$40,000	\$20,000	\$20,800	\$21,632	\$22,497	\$23,397	\$148,326		
Monitoring	\$220,000	\$210,000	\$218,400	\$227,136	\$236,221	\$245,670	\$1,357,427		
Record-Keeping and Annual Reports	\$10,000	\$10,000	\$10,400	\$10,816	\$11,249	\$11,699	\$64,164		
Capital Project Review	\$0	\$50,000	\$0	\$50,000	\$0	\$0	\$100,000		
Update Plan									
Inventories	\$30,000	\$0	\$30,000	\$0	\$30,000	\$0	\$90,000		
Mapping	\$10,000	\$10,000	\$10,400	\$10,816	\$11,249	\$11,699	\$64,164		
Restore Riparian Corridor Plan	\$35,000	\$20,000	\$20,800	\$21,632	\$22,497	\$23,397	\$143,326		
Biological Evaluation	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Administration	\$10,000	\$10,000	\$10,400	\$10,816	\$11,249	\$11,699	\$64,164		
Financial Management									
Rate Reviews	\$0	\$30,000	\$0	\$0	\$30,000	\$0	\$60,000		
Oversight/Coordination	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185	\$129,368		
Billing	\$160,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593	\$214,684		
Total Non-Capital Cost	\$1,061,000	\$641,900	\$614,067	\$657,112	\$691,068	\$655,974	\$4,321,117		

¹ Some expenses shown beginning in 2008 may in fact be phased in between 2008 and 2010; adjusted 4% for inflation; includes staff costs

TABLE 8-3. CAPITAL IMPROVEMENT PLAN												
Capital Project Description	2007	Dollar Basis	2008	2009	2010	2011	2012	2013	2014	TOTAL		
CIP-01 Stream Channel Stabilization, Silver Beach Creek	2007	\$440,000	\$440,000									
CIP-02 Main Channel Velocity Reductions, Silver Beach Creek	2007	\$150,000		\$150,000								
CIP-03 Upstream Channel Velocity and Volume Reduction, Silver Beach Creek	2007	\$230,000		\$230,000								
CIP-04 Natural Drainage Retrofits, Hillside Sub-basin	2007	\$410,000			\$410,000							
CIP-05 Velocity Reductions, Toad Lake Road at Academy Street	2007	\$200,000				\$200,000						
CIP-06 Culvert Replacement, Silver Beach Creek (Hillside/Brownsville)	2007	\$260,000				\$260,000						
CIP-07 Velocity and Volume Reductions, Fremont Street near Coronado Avenue	2007	\$210,000					\$210,000					
CIP-08 Velocity and Volume Reductions, Coronado Avenue	2007	\$290,000					\$290,000					
CIP-09 Natural Drainage Retrofits, Strawberry Sub-basin	2007	\$150,000						\$150,000				
CIP-10 Natural Drainage Retrofits, Geneva Sub-basin, Cedar Hills Avenue and Ridgewood Avenue	2007	\$230,000						\$230,000				
CIP-11 Velocity Reductions, Northshore Drive at Agate Bay Lane	2007	\$140,000							\$140,000			
CIP-12 Water Quality Protection, Agate Heights Estates	2007	\$200,000							\$200,000			
			\$440,000	\$380,000	\$410,000	\$460,000	\$500,000	\$380,000	\$340,000	\$2,910,000		
Annual Total			\$457,600	\$411,008	\$461,194	\$538,135	\$608,326	\$480,821	\$447,417			
Total										\$3,404,502		

TABLE 8-4. PROJECTED RATE SCHEDULE AND RATE REVENUE FOR SFCZD

	2008	2009**	2010**	2011**	2012**	2013**
Monthly Rate, \$/ERU	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
Rate Revenue						
Single-Family Residences*	\$354,002	\$368,162	\$382,889	\$398,204	\$414,132	\$430,698
Non-SFR, Excluding Rights-of-Way	\$0	\$0	\$0	\$0	\$0	\$0
County ROW***	\$88,501	\$92,041	\$95,722	\$99,551	\$103,533	\$107,674
WSDOT ROW	\$0	\$0	\$0	\$0	\$0	\$0
Projected Annual Rate Revenue	\$442,503	\$460,203	\$478,611	\$497,755	\$517,665	\$538,372

*4,925 single-family houses in the unincorporated portion of the watershed at \$7 each (4,925 X \$7/month X 12 months = \$413,700, with 30 percent discount for the 2,369 homes in Sudden Valley, equals revenue for single-family residences at \$354,000)
 ** assumes 4 percent growth rate annually in watershed
 *** estimated at 25 percent of residential ERU

TABLE 8-5. FINANCIAL PLAN

Sources of Funds	2008	2009	2010	2011	2012	2013
Beginning Balance	\$0	(\$357,735)	(\$210,593)	(\$45,269)	\$41,999	\$68,499
Sub-Flood Control Zone District	\$442,503	\$460,203	\$478,611	\$497,755	\$517,665	\$538,372
County-wide Flood Control Zone District	\$425,000	\$437,750	\$450,883	\$464,409	\$478,341	\$492,691
Permit Fees	\$0	\$0	\$0	\$0	\$0	\$0
SDC Revenue	\$0	\$0	\$0	\$0	\$0	\$0
Real Estate Excise Tax (3%)	\$300,000	\$309,000	\$318,270	\$327,818	\$337,653	\$347,782
Interest Income (1.5%, SFCZD only)	\$6,375	\$6,566	\$6,763	\$6,966	\$7,175	\$7,390
Total Sources of Funds	\$1,173,878	\$855,785	\$1,043,934	\$1,251,679	\$1,382,833	\$1,454,735
Uses of Funds	2008	2009	2010	2011	2012	2013
Non-Capital Expenses	\$1,061,000	\$641,900	\$614,067	\$657,112	\$691,068	\$655,974
Capital Projects	\$457,600	\$411,008	\$461,194	\$538,135	\$608,326	\$480,821
Utility Tax 9.5%	\$0	\$0	\$0	\$0	\$0	\$0
State 1.5% Tax	\$13,013	\$13,469	\$13,942	\$14,432	\$14,940	\$15,466
Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Total Uses of Funds	\$1,531,613	\$1,066,377	\$1,089,204	\$1,209,679	\$1,314,335	\$1,152,261
Ending Fund Balance	(\$357,735)	(\$210,593)	(\$45,269)	\$41,999	\$68,499	\$302,474

Uses of funds in Table 8-5 include M&O expenses, County, and state taxes, capital projects, and end year fund balances. The projected 2013 ending fund balance is approximately \$302,474.

Prior to implementing a surface water rate, it is assumed that the County will identify impervious areas for each non-residential customer. The financial plan should be revised as these impervious areas for non-SFR customers are defined and as the proposed SWMP is refined.

For purposes of this preliminary analysis only, a single rate source was assumed. If another funding mechanism is also adopted it would not change the overall amount of revenue available or the overall expenses.

8.6 Summary of Funding Recommendations for Lake Whatcom

The following recommendations are offered to assist the County in implementing the topics discussed in this section:

- Adopt a sub-RCZD rate to provide revenues to cover the surface water program.
- Consider designating a portion of the county-wide FCZD revenues for use in the Lake Whatcom watershed.
- Complete a public involvement program before implementation of the surface water rate.
- Before implementing a surface water rate, identify the specific properties that would receive the largest surface water bills, and notify these properties of the key components and milestones of the public involvement program.
- Discuss with the county council the feasibility of providing a rate reduction for low-income seniors.
- Adopt permit fees that recover the County's expenses associated with permitting, reviewing, and inspection of new development.
- Pursue low-interest loans, such as those from the Public Works Trust Fund and Ecology State Revolving Fund program for eligible capital projects.
- Consider adopting a formal policy dedicating a portion of the County's REET revenues to storm drainage capital projects or purchase of forest lands adjacent to the urban growth boundary within the watershed.
- Before implementing a surface water rate, the County should determine the impervious areas associated with non-SFR properties in order to accurately bill these properties.