

# STORMWATER CAPITAL FACILITIES CHARGES

---

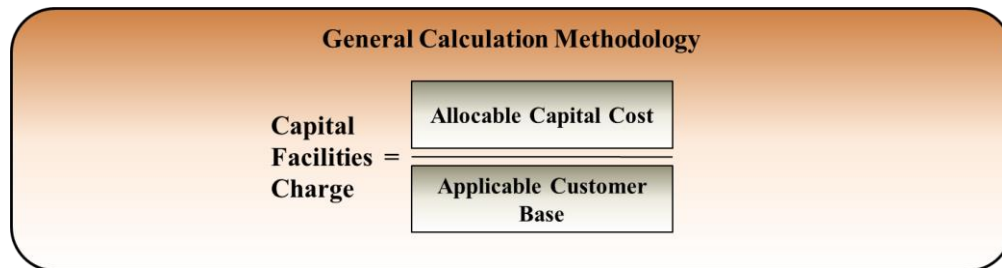
## ISSUE & BACKGROUND

Capital facilities charges (CFCs) are one-time fees, paid at the time of development, intended to recover a share of the cost of system capacity needed to serve growth. They serve two primary purposes: to provide equity between existing and new customers; and to provide a source of capital (equity) funding in support of system costs. The CFC recovers costs in a manner consistent with and proportionate to the estimated or projected system demands of a new customer. The charge is an upfront charge imposed on system growth and is primarily a charge on new development, although also applicable to expansion or densification of development when such actions increase requirements for utility system capacity.

Revised Code of Washington (RCW) chapter 36.89 authorizes counties to operate storm and surface water programs, and further establishes that “any county legislative authority may provide by resolution for revenues by fixing rates and charges for the furnishing of service to those served or receiving benefits or to be served or to receive benefits from any stormwater control facility or contributing to an increase of surface water runoff.” In addition to ongoing rates, would a stormwater CFC be a good fit for the Lake Whatcom stormwater utility?

## ANALYSIS

The basic approach to the CFC computation is a simple division of costs by customer base. Typically, the computation would appear as:



The numerator in the charge calculation includes system facilities, and the charge is intended to represent a fair share of the cost of those system facilities that will serve future users, or growth. The denominator typically includes projected growth in the service area.

There are a number of factors that could influence the applicability of a stormwater CFC in the Lake Whatcom Watershed:

- **Growth:** Not only is growth a key component of the charge calculation, revenue from the CFC is growth-dependent. In slow growing service areas, or in largely built out service area, CFC revenue may be immaterial or unreliable, or both.

The **Lake Whatcom Watershed Annual Build-out Analysis Report** for 2018 indicates that there are 5,445 existing dwelling units in the unincorporated Lake Whatcom Watershed, and

capacity for 1,493 more dwelling units in that area. Most of this growth is expected in Sudden Valley and the rural watershed.

Some efforts have been taken by the City of Bellingham, through its watershed acquisition program, to buy properties within the stormwater utility service area to keep them from being developed and leading to more impacts to Lake Whatcom. This program is slowly reducing the number of lots available for development. Furthermore, given the nature of the terrain in the watershed, many of these available lots may be on steep slopes or have significant wetlands making them difficult to develop. From 2013 to 2017, an average of 35 new homes have been built per year within the stormwater utility service area.

- **System facilities:** A CFC works best when there is a recognized “public system”. The CFC represents the share of that public system that will serve each new increment of growth. If stormwater management in the Watershed is largely performed by the on-site mitigation of property owners, there may not be a good basis or rationale for a CFC. The presence of existing or planned regional facilities provides a clear basis for a CFC.

The **2017 Lake Whatcom Comprehensive Plan: Stormwater Capital Program Update** identified a list of capital projects “focused on the goal of reducing phosphorus loading to the lake.” In general, the projects included the following facility types: media filter drains, StormFilter with PhosphoSorb Media, and bioretention. It appears that many if not all of these projects could be considered system facilities, and would be appropriate for inclusion in a CFC calculation.

- **Equity:** Do existing ratepayers see generational equity as an issue important enough to impose a CFC? Without a CFC, the funding of planned capital projects that will serve growth as well as existing customers will generally be the responsibility of existing development.
- **Phosphorus-neutral development requirement:** The County (WCC 20.51.420) now requires phosphorus-neutral development, essentially ensuring that new development does not in itself require the construction of public stormwater system facilities. In light of this requirement, is it appropriate for new development to pay for a share of system facilities?

## CONCLUSION

It appears that there are planned system facilities in the Lake Whatcom Watershed to address runoff from existing private development and public infrastructure, such as roads. Furthermore, there is capacity for growth. Consequently, it would be appropriate for development to pay for a share of system facilities costs through a CFC, and because all benefit or are served by the planned improvements, pay for a share in addition to meeting on-site development requirements.