IX. FINANCIAL PLAN

In Chapter I, it was stated that the Transportation Systems Plan is intended to meet a number of GMA transportation sub-element requirements from RCW 36.70A.070(6). One of these is a "finance" sub-element which includes:

I. An analysis of funding capability to judge against probable funding resources;

II. A multi year financing plan based on the needs identified in the Comprehensive Plan, the appropriate parts of which shall serve as the basis of the six year street, road, or transit program required by. ..RCW 36.81.121 *for counties ...;*

III. If probable funding falls short of meeting identified needs, a discussion of how funding will be raised or how land use assumptions will be reassessed to ensure that level of service standards will be met.

Chapter I lays out an eight step transportation systems planning process, the last step of which is *"develop a Financial Plan to fund the long range Transportation Improvement Program".* Chapter IX is intended to meet the above state requirements and to complete this last step in the planning process. In order to accomplish this, both revenues and expenditures are analyzed and forecast out into the future.

A. REVENUES

In Skagit County, the funds available to support the Public Works Department's responsibility in providing and maintaining the County roads as well as bridges and the Guemes Ferry are generally lumped together into a budget category called the County Road Fund. This fund includes both recurring and special revenue sources and it supports a variety of Public Works activities, the details of which will be discussed in the "expenditures" section. The County Road Fund is the single largest budget category in the Skagit County Public Works financial system.

In this section, the County Road Fund revenue sources are reviewed, financial trends are analyzed, future assumptions are laid out, and revenue forecasts are made.

1. Revenue Sources

The County Road Fund is supported by several types of taxes and other governmental revenues. These include local property taxes, State fuel taxes, federal taxes, and timber related revenues. One non-tax revenue sources for the road fund is ferry tolls from the Guemes Island Ferry.

Table 9-1 shows past County Road Fund revenue by a condensed version of the revenue sources. Some of the categories in this table represent individual revenue sources while others are combinations of several sources. There is a small amount of revenue each year used for County roads which technically falls outside of the County Road Fund as defined by the County's accounting system. This has been merged into the road fund for this analysis.

Table 9-1 County Road Fund Past Revenue, 1993-2002

REVENUE SOURCE	1993	1994	1995	1996	1997
Property Tax	4,794,615	4,507,204	4,496,065	4,549,394	5,942,065
FHWA: Roads & Bridges	48,242	17,460	434,019	978,097	350,089
Fuel Tax: County Roads	2,128,954	2,232,676	2,282,345	2,395,550	2,517,957
Fuel Tax: Rap & Capp	175,973	467,288	910,369	757,195	916,417
Ferry Tolls	340,510	362,938	363,429	357,281	361,443
Ferry Reimbursement	175,799	238,315	178,389	246,619	170,215
Fed. Forest Yield	289,069	467,316	451,760	435,928	419,386
Forest Board Yield	2,455,599	1,075,778	1,663,994	1,265,964	1,775,745
Private Timber Tax	437,403	790,009	591,061	425,434	437,177
Charges & Sales	147,270	619,862	126,150	215,363	214,920
Miscellaneous	982,558	401,018	972,432	648,727	831,421
TOTAL REVENUES	**11,975,992**	**11,179,864**	**12,470,013**	**12,275,552**	**13,936,835**
REVENUE SOURCE	**1998**	**1999**	**2000**	**2001**	**2002**
Property Tax	6,860,363	7,039,952	7,369,790	7,747,621	8,114,317
FHWA: Roads & Bridges	499,849	1,251,294	3,807,878	619,080	938,869
Fuel Tax: County Roads	2,561,537	2,605,324	2,600,163	2,654,932	2,578,155
Fuel Tax: Rap & Capp	567,251	1,258,433	1,510,167	370,607	379,495
Ferry Tolls	367,594	364,452	386,710	393,456	398,246
Ferry Reimbursement	148,602	179,766	277,363	142,827	222,941
Fed. Forest Yield	402,907	289,826	370,933	604,252	545,662
Forest Board Yield	1,823,462	1,869,759	1,802,138	971,532	2,268,237
Private Timber Tax	371,340	325,595	408,805	377,074	160,634
Charges & Sales	243,635	331,771	226,975	497,769	911,035
Miscellaneous	496,145	775,214	291,150	253,595	121,054
TOTAL REVENUES	**14,342,685**	**16,291,386**	**19,052,072**	**14,632,745**	**16,638,644**

The following is an explanation of each of the road fund categories as shown in Table 9-1 and in other tables in this chapter:

a. Property Tax. This is real and personal property tax in unincorporated Skagit County which is targeted for the County Road Fund.

b. FHWA: Roads & Bridges. This category represents Federal Highway Administration funds, which support projects on the County's functionally classified system. This includes the grants funded through ISTEA (Intermodal Surface Transportation Efficiency Act) including the Surface Transportation Program (STP), the Enhancement program, and bridge programs. This category does not include such things as Federal Emergency Management Administration (FEMA) grants.

c. Fuel Tax: County Roads. A certain portion of the state's motor vehicle fuel tax is allocated to the County by a specific formula.

d. Fuel Tax: RAP & CAPP. This category represents the Rural Arterial Program (RAP) and the County Arterial Preservation Program (CAPP). These programs are funded by State motor fuel tax. The RAP program provides grants for specific transportation projects on a competitive basis while the CAPP program funds are allocated to the County by formula.

e. Ferry Tolls. These funds represent the ferry tolls collected from users of the Guemes Island Ferry.

f. Ferry Reimbursement. Each year the County runs a deficit in its operation of the Guemes Island Ferry. The State will generally reimburse the County for one half of the deficit total. This fund is called "ferry deficit reimbursement".

g. Federal Forest Yield. The County receives a portion of the federal revenue generated from logging on the federal lands within the County.

h. Forest Board Yield. The Washington State Department of Natural Resources manages state trust lands or Forest Board lands for the counties where they are located. Most (over 75%) of the revenue generated from timber sales on these lands goes to the County, and a portion of that goes to the Road Fund.

i. Private Timber Tax. The County receives a tax from logging activities on private lands within its borders.

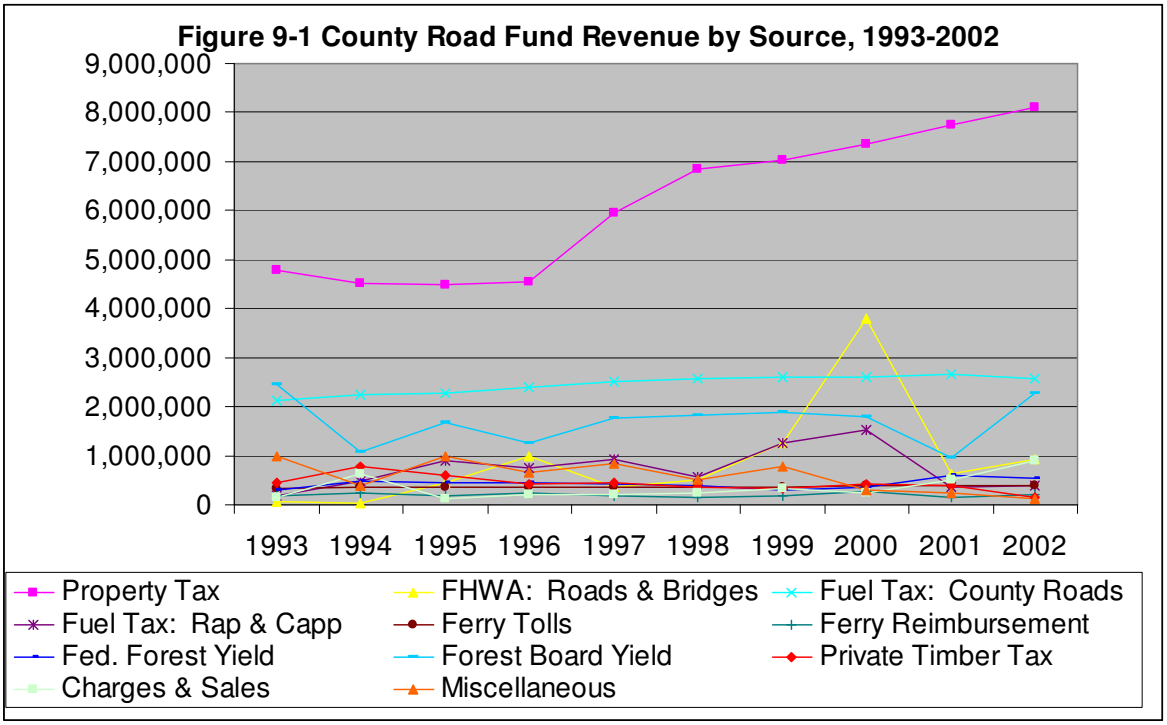
j. Charges and Sales. This category represents revenue derived from the County contracting to do work for other entities, and the County selling materials such as rock to other jurisdictions.

k. Miscellaneous. There are a variety of small revenue sources which fall into this category. Frequently, these miscellaneous sources change from year to year. Since the County Road Fund can have a reserve from time to time, interest income can make up a significant portion of this category. Also Federal emergency funds related to flooding fall into this category.

2. Trend Analysis

Between 1993 and 2002, overall County Road Fund revenues have been growing slowly. Difference in revenue can be noted, primarily in the Fuel Tax: RAP and CAPP and Miscellaneous categories. Much of the miscellaneous category in the Table 9-1 represents FEMA funds for emergency flood repairs. This is not an ongoing revenue source. The period from 1993 through 2002 is a better representation of the overall trend and shows that there has been very slow growth in the County Road Fund. (See Table 9-1, above). Charges and sales is another category that can fluctuate depending on how much outside work County staff does. It is not a regular revenue source as are the others.

Figure 9-1 County Road Fund Revenue by Source, 1993-2002

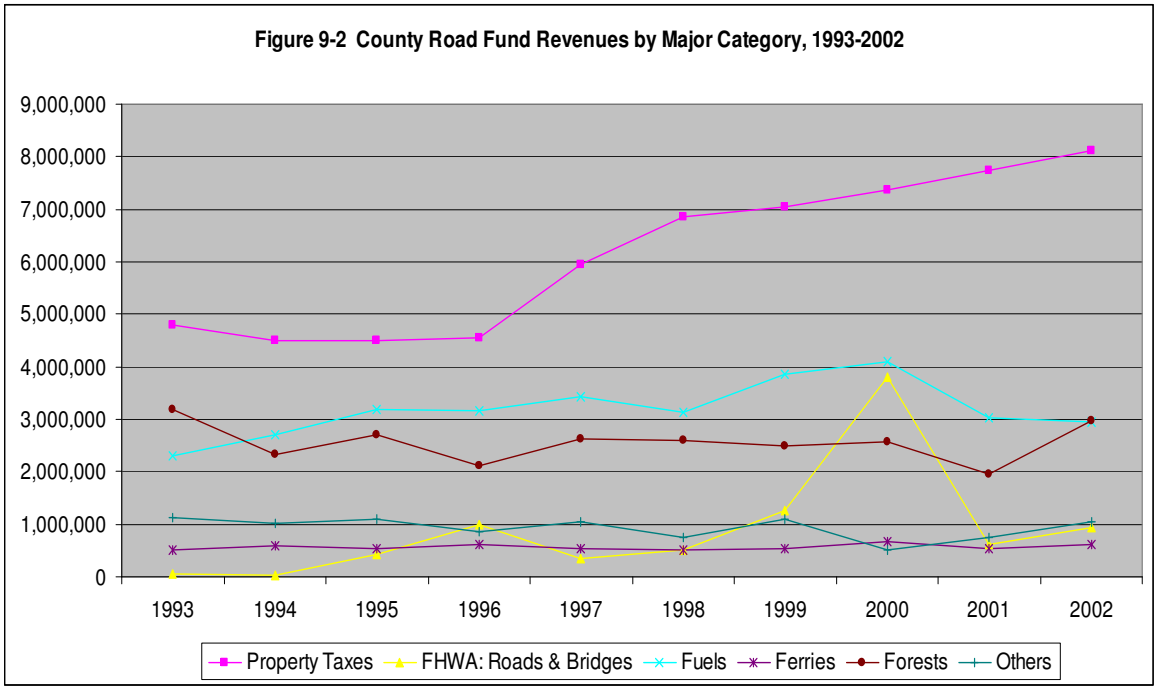


For trend analysis purposes, we can merge some of the funding categories from Tables 9-1 as has been done in Table 9-2 and Figure 9-2 for a general discussion.

Table 9-2 County Road Fund Revenues by Major Category, 1993-2002

REVENUE SOURCE	1993	1994	1995	1996	1997
Property Taxes	4,794,615	4,507,204	4,496,065	4,549,394	5,942,065
FHWA: Roads & Bridges	48,242	17,460	434,019	978,097	350,089
Fuels	2,304,927	2,699,964	3,192,714	3,152,745	3,434,374
Ferries	516,309	601,253	541,818	603,900	531,658
Forests	3,182,071	2,333,103	2,706,815	2,127,326	2,632,308
Others	1,129,828	1,020,880	1,098,582	864,090	1,046,341
TOTALS	**11,975,992**	**11,179,864**	**12,470,013**	**12,275,552**	**13,936,835**

REVENUE SOURCE	1998	1999	2000	2001	2002
Property Taxes	6,860,363	7,039,952	7,369,790	7,747,621	8,114,317
FHWA: Roads & Bridges	499,849	1,251,294	3,807,878	619,080	938,869
Fuels	3,128,788	3,863,757	4,110,330	3,025,589	2,957,650
Ferries	516,196	544,218	664,073	536,283	621,187
Forests	2,597,709	2,485,180	2,581,876	1,952,858	2,974,533
Others	739,780	1,106,985	518,125	751,364	1,032,089
TOTALS	**14,342,685**	**16,291,386**	**19,052,072**	**14,632,745**	**16,638,644**



In 1993, approximately 85% of the County road fund revenue came from the following three general categories: a) property tax, b) fuel tax, and c) timber revenue. In 2002, approximately 84% of the County road fund revenue came from these same general categories. In this section, some general trends in these three categories are presented.

a. Property Tax

Historically, the property tax revenue source has been the largest contributor to the County Road Fund. This revenue comes from both personal property tax and real property tax. Because the real property tax makes up the vast majority of this revenue source, the analysis that follows focuses on the real property tax only.

Real property tax of any form is determined by several factors including: 1) the tax rate; 2) the size of the taxing district; and, 3) the assessed value of individual properties in that district. With respect to the property tax that supports the County Road Fund, the taxing district includes all the unincorporated land in Skagit County. This is a factor that can change over time through annexations. Similarly, the assessed value of a specific land parcel can change from year to year, particularly when new improvements are added. The taxing rate can also change over time, but that change can be in either direction.

1) *Tax Rate*

For forecasting purposes, the one factor of the three which we will assume will remain the same over time is the tax rate. We simply have no information to suggest it would go up or down. Thus, to be able to forecast property tax revenue, we need to be able to forecast trends in annexations and in property values.

2) *Annexations*

As a part of the GMA planning requirements, Urban Growth Areas (UGAs) have been designated around each of the cities in Skagit County. These UGAs are considered the 20-year growth areas for the cities. Currently there are a sizeable number of residents, some businesses, and a substantial amount of assessed value within the unincorporated portion of the cities UGAs. We can assume that a large portion of the total

assessed value of property within these UGAs will transfer to the cities over the next 20 years. This represents a significant potential net loss of taxing district revenue base for the unincorporated area of Skagit County.

3) Property Values

Property values can be divided into two parts, land value and improvement value. For our forecasts, we will assume that land values will generally increase with inflation. Since our forecasts are done in constant dollars, the assumption is that land values will not change over the life of the forecast, assuming infrastructure improvements are not added. On the other hand, improvement value tends to change over time. Structures deteriorate, and new structures are added. Also, new infrastructure can have a positive impact on overall value in a similar way that new improvements do.

Property value changes in the remaining unincorporated lands will be determined by industrial and commercial growth as well as by housing growth. Since some of the County's industrial land is located in the unincorporated area outside the cities' UGAs, there is a significant potential for unincorporated industrial growth over the next 20 years. With respect to commercial activities, the recent trend has shown strong growth. There are new golf courses and a major new casino which have recently been approved or have come on line recently. If this trend keeps up, there will be significant commercial growth in the 20-year planning period.

In order to determine future increases in total assessed value for the unincorporated area we need to balance the gains from development with the losses from annexations. While we do not have good information on commercial and industrial property annexations we do have some information related to housing and population.

The information presented here is based on land use allocation studies conducted for traffic modeling efforts

in 1996. A similar land use allocation study is currently being conducted by Skagit County with funding from WSDOT, but complete information is not currently available. Future updates to the Skagit County Comprehensive Plan will incorporate data from this new study.

The population living in unincorporated areas in Skagit County that were annexed to cities between 1990 and 1996 was 599. This represents about 100 persons per year loss for the unincorporated population total due to annexation. In this same time period, there has been a net increase in unincorporated population of 7,601. Thus the actual growth in population in the rural area was 8,200 (7,601 + 599), or 1,367 per year on the average. The net increase per year after losses to annexation has been 1,267 per year.

Population forecasts have been prepared for Skagit County as a part of the designation of UGAs. Part of the policy behind the forecasts was to steer most of the housing and population growth into the cities. It was assumed that 20% of the total population and housing growth would occur outside the UGAs. However, 11% of the total growth has been allocated to the unincorporated UGAs. Thus, 31% of the total growth is expected to occur in the unincorporated area of the County.

As of 1995, the amount of population in the unincorporated portion of the cities' UGAs has been estimated to be 4,762. It would take about 240 in population annexed each year for the total to be annexed over the next 20 years. Between 1995 and 2015, 12,961 population growth is projected to take place outside of the cities UGAs. This represents about 650 in unincorporated population growth per year, or about a 1.4% yearly increase. However the losses to annexation could reduce that percentage by up to .5% per year. If all of the UGA unincorporated population annexes in this 20-year timeframe, and the forecasts are correct, the unincorporated population (and subsequent housing) growth rate would be about .9% per year.

If the recent trends discussed above were to be extrapolated into the future, significantly different forecasts would emerge. At the current rate of 100 unincorporated population annexed each year, only about 42% of the total unincorporated population in the UGAs would be annexed within the next 20 years. This represents about a .2% loss per year. The current 1,367 gross yearly increase in unincorporated population represents over a 3.0% yearly increase. Thus, the current net increase is about 2.8% per year, triple the .9% forecast discussed above. These two different growth scenarios for the next 20 years represent a very wide range of possible future growth in the unincorporated area of Skagit County.

Overall, it appears that there will be future growth in the rural areas of Skagit County in industrial and commercial activities as well as in population. If past trends continue, that level could be quite substantial. If GMA forecasts hold true, that growth will be moderate. In any case, total unincorporated assessed value (after adjusting for inflation) will increase in the years to come.

b. Fuel Tax

Fuel tax refers to the state's motor vehicle fuel tax which is a specified number of cents per gallon of fuel purchased. From this general category, there are two specific categories shown in the revenue table; fuel tax for county roads, and fuel tax for the RAP and CAPP programs. There is a formula which determines the CAPP funds allocated to Skagit County. For the RAP funds, a formula allocates a portion of the taxes collected statewide to the Northwest Region of the state. Then each of the seven Counties in the region competes for the funds on a project level.

One of the problems with a tax revenue based on a number of cents per unit purchased is that, in real dollar terms, the revenues tend to decrease from year to year. This is because inflation reduces the value of that money collected over time. Thus, a forecast of this revenue source probably should include some type of deflation factor.

The allocation formula for the county roads portion of the fuel tax is rather complicated. About 30% is distributed based mostly on unincorporated population. Another 30% is based on county road mileage. A final 30% is adjusted for need (availability of other county resources like timber revenue). Staff from the County Road Administration Board (CRAB) have suggested that we simply straight line (in real dollars) the revenue categories that are based on the motor vehicle fuel tax. The logic is that road mileage will be relatively stable into the future. Any increases due to population and to overall fuel consumption would be balanced by decreases in real dollars per gallon collected.

c. Timber Revenue

There are two main factors which affect County revenues from forests managed by federal and state agencies and from private timber cuts. These are: 1) the amount of timber cut; and, 2) the unit price that is paid for the timber. Over the past ten years, the amount of timber cut has decreased substantially while the timber price has increased substantially. These two trends have, to a great extent, counteracted each other's impact on County revenues.

According to staff from the State Department of Natural Resources, which manages Forest Board timber resources in the Skagit County, real timber price has been growing at an average of 3% per year over the long term. This growth has been very intermittent.

Timber sales and cuts on Federal lands have been drastically affected by environmental concerns, particularly habitat preservation for the Northern Spotted Owl. The recent listing of Chinook salmon and bull trout as threatened and endangered species has also affected timber cutting and is expected to have far reaching effects in the future. Because of this, the federal government is currently guaranteeing a certain level of revenue (through year 2003) for Counties impacted by the restriction on cuts. The prognosis for cuts (revenues) on federal lands continues to be bleak.

One of the trends of timber cutting on private lands is that less mature trees are cut more frequently than before. Market factors more than traditional maturity schedules are taking precedence in determining the timing of cuts. Also, the

products from thinning operations considered waste in previous years are being profitably sold in today's market. Over the next 20 years, these factors should tend to strengthen the revenue position of the County related to private timber cuts.

3. Methods & Assumptions

In the "trend analysis" section above we looked at some factors which impact the revenue levels for three general revenue categories. In the discussion on the individual revenue categories below, regression analysis of past trends was used to develop long-term revenue forecasts. Past revenue trends for years 1993-2002 were extrapolated to produce forecasts for 2017, which is consistent with the planning timeframe for the Skagit County Comprehensive Plan. The revenue forecast information presented in this chapter will be updated in conjunction with future mandated updates to the Comprehensive Plan and on an annual basis in the Capital Facilities Element.

a. Property Tax

Details on this revenue category were presented in the last section. Here we will lay out the specific forecasting assumptions which follow the analysis. These are that: 1) the road fund tax rate in the unincorporated County will remain the same over time; 2) that there will be no inflation or deflation in real estate values in the planning timeframe; 3) that some of the geographic area of the taxing district (the unincorporated County) will be lost over the planning period due to annexations; 4) there will be growth in assessed value (in 2002 dollars) attributable to new housing starts and commercial and industrial development; and, 5) the net effect of the above four factors on total assessed value in the unincorporated area, particularly 3 and 4, will be a moderate yearly increase over the 20 year period.

If we were only considering past trends in unincorporated population growth, the use of the overall County population growth method (about 2% per year) probably would be appropriate for forecasting future property tax revenue that will go to support the County Road Fund. However, the recent decline in real road tax revenue and the exceedingly low GMA forecasts for unincorporated population both suggest a more conservative approach. Thus, we have used one half of the yearly growth produced by the population growth method as

the revenue growth factor for these forecasts. For the starting point, we have used $8,346,000 in anticipated property tax revenue from the 2003 budget with an annual increase of 3% due to inflation.

b. FHWA: Roads & Bridges

This category includes road and bridge programs funded by the federal government. From Table 9-2 it can be seen that this category has shown extreme variation over the years.

The current version of the Federal Intermodal Surface Transportation Enhancement Act (formerly ISTEA, now TEA-21) is in effect through 2003. After that, it is anticipated that new federal transportation funding legislation will be enacted to carry on some type of funding program. Thus, the County should continue to receive some funding for roads and bridges through a federal program similar to ISTEA. For the starting point, we have used $3,694,191 in anticipated FHWA revenue from the 2003 budget with an annual increase of 3% due to inflation.

c. Fuel Tax: County Roads

The fuel tax revenue for County roads varies from year to year. For the starting point, we have used $2,670,070 in anticipated County road fuel tax revenue from the 2003 budget with an annual increase of 3% due to inflation.

d. Fuel Tax: RAP & CAPP

Both the Rural Arterial Program (RAP) and the County Arterial Preservation Program (CAPP) are funded through the state motor vehicle fuel tax. RAP is a competitive program, while CAP is allocated to Skagit County by a formula.

The CAPP funds are relatively easy to determine. The formula currently produces about $390,000 per year in 2003 dollars for use in Skagit County. If we do not use those funds in a given year, they continue to be available for use in future years. The RAP funds available to use in Skagit County are more difficult to determine. An allocation formula produces a yearly amount allocated to the Northwest Region (Callam, Island, Jefferson, Kitsap, San Juan, Skagit, and Whatcom counties).

In the near term, Skagit County has a small backlog of approved RAP projects.
As a starting point for the forecast, an estimated $ 716,820 is used from the 2001 budget. For the growth factor in the forecast, a 3% annual inflation factor is applied.

e. Ferry Tolls

Between 1993 and 2002, ferry tolls have been very stable in real terms. As a starting point, the 1993 to 2002 ferry toll revenue trend was examined and linear regression analysis was used to extrapolate this trend and develop revenue forecasts. This is a conservative forecast since an adjustment in fares could substantially increase revenue.

f. Ferry Reimbursement

The state's ferry deficit reimbursement to the County for half of its operating loss is difficult to forecast. Over time, ridership increases will increase ferry toll revenue. They also may cause small increases in operating cost for staffing. In the deficit calculation, a portion of the County road fuel tax is allocated to the ferry. Assuming the fuel tax is constant, if the increase in operating cost is about the same as the increase in ferry tolls (which they are, as currently projected), the ferry deficit reimbursement will be reasonably stable into the future. The figure of $150,000 was used from the 2003 budget as a starting point for the forecast with an annual increase of 3% to account for inflation.

g. Federal Forest Yield

Federal timber revenues supporting the County Road Fund have decreased substantially over the past few years. As mentioned in the previous section, environmental constraints have severely curtailed the harvests. To help mitigate the effects of saving the northern spotted owl habitat, over the next few years counties will receive a minimum amount from federal forest receipts regardless of actual revenue. The 2003 budget figure of 1,300,000 is used as a starting point with an annual increase of 3% due to inflation.

h. Forest Board Yield

The revenue from this category has been fairly steady and strong from 1993 to 2002. Any revenue fluctuations are, to some extent, due to the timing of the timber cuts which determine the timing of revenue generation at the time the timber is cut. Low cuts (revenues) in one year tend to result in high cuts (revenues) in an adjoining year.

One of the strengths of the Forest Board revenue source is in the management of the trust lands by the Department of Natural Resources (DNR). The management philosophy is to have yearly harvests, which will produce a constant or sustained yield over the long term. In this case, the long term really means in perpetuity. This approach, along with the general trend of increasing price for timber over time bodes well for the future strength of this revenue source.

The starting point for this category is $1,000,000 from the 2003 budget with a forecasted 3% annual increase due to inflation.

i. Private Timber Tax

In the past, the private timber tax revenues fluctuated quite substantially. There does not seem to be any clear trend in these figures. In general, the harvesting of private timber can respond quickly to market conditions and tends to be higher when other timber resources are not available for harvesting.

Since we do not have much information on which to forecast private timber cuts, we have taken the 2003 budget figure of $300,000 as the starting point. In future years, the long term real past growth rate of 3% per year is applied for the remainder of the planning period.

j. Charges and Sales

The starting point for this category is $2,346,698 from the 2003 budget with a forecasted 3% annual increase due to inflation.

k. Miscellaneous

This category is the catch-all which combines all other funding categories not covered above. It includes emergency and disaster funding through federal agencies such as FEMA. The

"miscellaneous" category has shown very substantial fluctuations over the past ten years. The starting point for this category is $2,132,619 from the 2003 budget with a forecasted 3% annual increase due to inflation.

4. 15- Year Revenue Projection

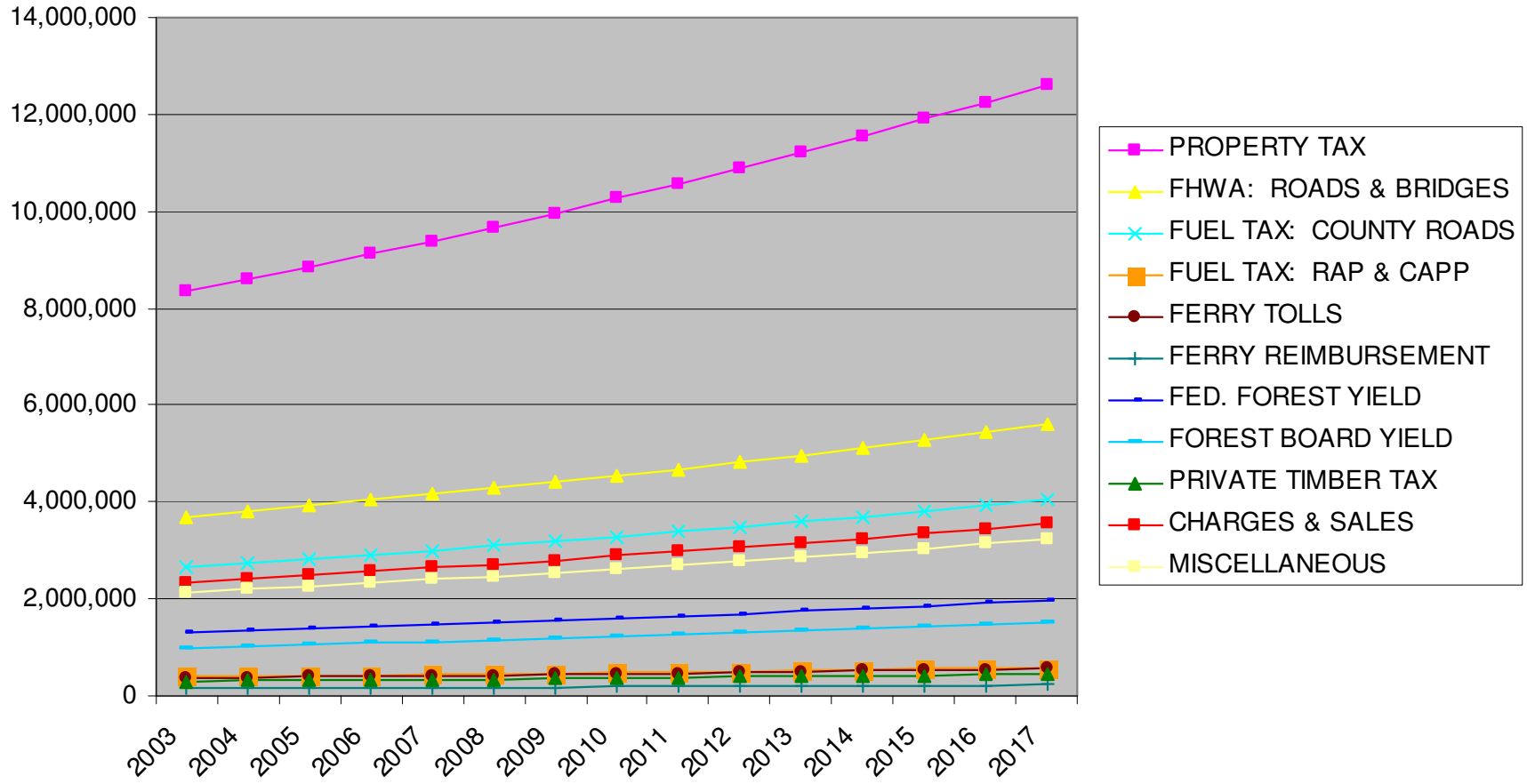
The final revenue projections are shown in Figure 9-3 and Table 9-3. As discussed above, real road fund revenue has generally been on a flat or slightly increasing trend between 1993 and 2003. Revenue forecasts indicate a continuation of this trend between 2003 and 2017. County road fund revenues for 2003 are expected to be approximately $22,700,000. By year 2017, road fund revenues are expected to be approximately $34,000,000.

Table 9-3 County Road Fund Revenue Projections, 2003-2017

Revenue Source 2003 to 2017	2003	2004	2005	2006	2007	2008	2009
PROPERTY TAX	8,346,000	8,596,380	8,854,271	9,119,900	9,393,497	9,675,301	9,965,560
FHWA: ROADS & BRIDGES	3,694,191	3,805,017	3,919,167	4,036,742	4,157,845	4,282,580	4,411,057
FUEL TAX: COUNTY ROADS	2,670,070	2,750,172	2,832,677	2,917,658	3,005,187	3,095,343	3,188,203
FUEL TAX: RAP & CAPP	390,600	402,318	414,388	426,819	439,624	452,812	466,397
FERRY TOLLS	370,000	381,100	392,533	404,309	416,438	428,931	441,799
FERRY REIMBURSEMENT	150,000	154,500	159,135	163,909	168,826	173,891	179,108
FED. FOREST YIELD	1,300,000	1,339,000	1,379,170	1,420,545	1,463,161	1,507,056	1,552,268
FOREST BOARD YIELD	1,000,000	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274	1,194,052
PRIVATE TIMBER TAX	300,000	309,000	318,270	327,818	337,653	347,782	358,216
CHARGES & SALES	2,346,698	2,417,099	2,489,612	2,564,300	2,641,229	2,720,466	2,802,080
MISCELLANEOUS	2,132,619	2,196,598	2,262,495	2,330,370	2,400,281	2,472,290	2,546,459
TOTAL REVENUES	22,700,178	23,381,183	24,082,619	24,805,097	25,549,250	26,315,728	27,105,200

Revenue Source 2003 to 2017	2010	2011	2012	2013	2014	2015	2016	2017
PROPERTY TAX	10,264,527	10,572,463	10,889,637	11,216,326	11,552,816	11,899,400	12,256,382	12,624,074
FHWA: ROADS & BRIDGES	4,543,389	4,679,691	4,820,081	4,964,684	5,113,624	5,267,033	5,425,044	5,587,795
FUEL TAX: COUNTY ROADS	3,283,849	3,382,365	3,483,836	3,588,351	3,696,001	3,806,881	3,921,088	4,038,720
FUEL TAX: RAP & CAPP	480,389	494,800	509,644	524,934	540,682	556,902	573,609	590,818
FERRY TOLLS	455,053	468,705	482,766	497,249	512,167	527,532	543,357	559,658
FERRY REIMBURSEMENT	184,481	190,016	195,716	201,587	207,635	213,864	220,280	226,888
FED. FOREST YIELD	1,598,836	1,646,801	1,696,205	1,747,091	1,799,504	1,853,489	1,909,094	1,966,367
FOREST BOARD YIELD	1,229,874	1,266,770	1,304,773	1,343,916	1,384,234	1,425,761	1,468,534	1,512,590
PRIVATE TIMBER TAX	368,962	380,031	391,432	403,175	415,270	427,728	440,560	453,777
CHARGES & SALES	2,886,143	2,972,727	3,061,909	3,153,766	3,248,379	3,345,830	3,446,205	3,549,591
MISCELLANEOUS	2,622,852	2,701,538	2,782,584	2,866,062	2,952,043	3,040,605	3,131,823	3,225,778
TOTAL REVENUES	27,918,356	28,755,906	29,618,584	30,507,141	31,422,355	32,365,026	33,335,977	34,336,056

Figure 9-3 County Road Revenue Projections, 2003-2017



B. EXPENDITURES

A primary purpose for the GMA requirement to do a transportation facilities and financial plan is to ensure that transportation needs are planned for in the long term in a cost constrained fashion. In essence, the long-term transportation facilities plan must be fundable. In this expenditure section, we will layout a plan for transportation expenditures over the next 20 years which will generally match the revenues shown in the previous section.

1. Expenditure Categories

There are a number of ways that the expenditures paid for out of the County Road Fund could be presented. In this analysis, an effort was made to organize the information into nine functionally separate units. The three main expense categories are: 1.) Road Maintenance, 2.) Fixed Expenses, and 3.) Construction. The Fixed Expense category is divided into seven subcategories. Detailed expense information is presented in Table 9-4. An explanation of each of the expenditure categories is presented below.

a. Road Maintenance. This expenditure category supports the various maintenance activities of the county road crew including the extensive chipseal improvement program.

b. Drainage. The road fund supports some of the activities of the Surface Water Management Division of the Public Works Department. The funds in this category are spent on activities primarily related to managing road water run off from the County road system.

c. Guemes Ferry. This category reflects the operating expenses for running the Guemes Island Ferry. Major capital expenses are not included here.

d. Services & Administration. This category includes the in-house Public Works functions of data processing and accounting as well as the function for maintaining the County road records including the road log. The Department's Development Review activities along with some clerical support is included here. This category also includes a variety of management and administrative activities and costs for the Department. Included are building rents and repairs, salaries for top management, traffic safety programs, and transportation planning. Engineering costs not allocated to specific projects are included here as well.

e. Interdepartmental Costs. There are many support activities provided to the Public Works Department by other County Departments. These include the Administration Department, Data Processing, and the County Assessor, among others. There are also general costs like insurance that are spread out among County departments. This expenditure category represents an allocation of the County Road Fund to cover these various interdepartmental costs.

TABLE 9-4 Past Road Fund Expenditures, 1993-2002.

EXPENDITURE ITEMS	1993	1994	1995	1996	1997
ROAD MAINTENANCE	4,342,038	4,707,926	4,425,189	4,093,288	4,605,529
FIXED EXPENSES	5,231,435	6,355,508	5,487,026	5,307,614	6,373,110
Drainage	339,486	382,178	777,153	292,921	400,197
Guemes Ferry	808,914	677,265	821,645	795,959	1,115,895
Services & Admin.	1,641,176	1,735,366	1,501,195	1,603,946	1,432,898
Interdepartmental Costs	1,648,037	883,932	1,721,089	1,576,849	2,600,129
Capital Costs	625,280	2,173,672	12,652	-	-
Reimbursables	167,958	500,765	88,442	202,404	157,273
Extraordinary Ops	583	2,330	564,850	835,535	666,718
CONSTRUCTION	3,041,932	3,065,638	3,230,026	5,183,260	2,529,635
TOTAL EXPENDITURES	12,615,405	14,129,072	13,142,241	14,584,162	13,508,274
EXPENDITURE ITEMS	1998	1999	2000	2001	2002
ROAD MAINTENANCE	5,119,265	5,018,303	5,101,400	5,558,484	5,476,353
FIXED EXPENSES	4,546,799	5,456,100	5,223,877	7,548,459	7,107,464
Drainage	311,987	385,180	369,742	281,1113	209,492
Guemes Ferry	749,456	956,451	770,267	1,010,543	918,725
Services & Admin.	1,885,118	1,587,445	1,710,127	1,888,276	1,807,467
Interdepartmental Costs	1,444,706	2,323,174	2,234,249	2,558,271	2,445,527
Capital Costs	28,199	-	-	5,435	44,337
Reimbursables	72,448	159,041	108,896	1,757,321	1,553,233
Extraordinary Ops	54,885	44,809	30,596	47,500	173,019
CONSTRUCTION	2,993,891	6,048,548	10,596,333	1,682,462	1,703,227
TOTAL EXPENDITURES	12,659,955	16,522,951	20,921,610	14,789,405	14,287,044

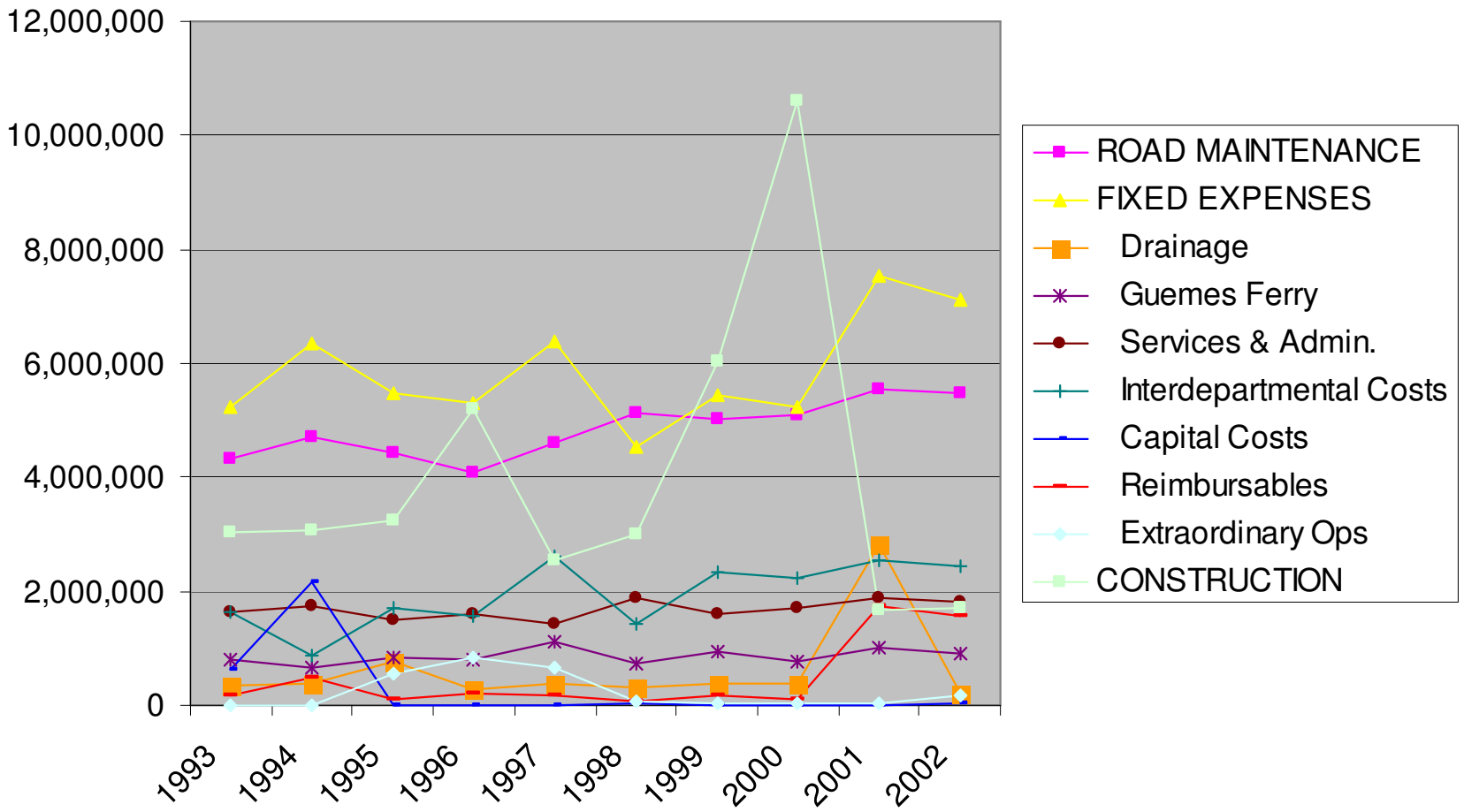
f. Capital Expenditure. From time to time, the Public Works Department makes capital investments in items that support the road and ferry programs but are not directly a part of the ferry and road infrastructure. Those investments are covered in this category.

g. Reimbursables. In the previous section there was a brief discussion on the revenue category "Charges & Sales". "Reimbursables" simply represents the revenue generated through charges. Charges come from the County contracting to work for other entities, while sales generally are material sales.

h. Extraordinary Operations. Since Skagit County is an area that floods frequently, there are major flood repair efforts which come along from time to time. Most of the cost for these repairs are borne by the Federal government through the Federal Emergency Management Administration.

i. Construction. This category represents the road, bridge, and ferry projects.

Figure 9-4 Past Road Fund Expenditures, 1993-2002



2. Funding Approach

Part of the transportation system planning process is to forecast revenues and then allocate them to anticipated expenses. If the expected revenues fall short of those needed to maintain concurrency requirements over the 20-year planning horizon, then either the growth assumptions, the revenue assumptions, or the LOS standards must be changed in order for the revenues to match the required expenditures.

In Skagit County, many of the construction projects funded through the County road fund were not necessarily pursued to alleviate a level of service problem.

In this section, available funds are allocated to expenditures based on funding road maintenance, general expenses, and construction in that order. Funding available is equal to the yearly revenue minus road maintenance, general expenses, and construction. While this approach is somewhat simplistic it does give us some idea if there will be enough revenue to meet the road maintenance and construction needs over time.

a. Road Maintenance

Traditionally, the number one responsibility for counties in the State of Washington has been to provide a county road system for the public. This responsibility is handled through the County Engineer and through the local county's Public Works Department. The highest priority for the provision of roads in Skagit County has always been the maintenance and preservation of the road system. Maintenance and preservation will continue to be the top priority into the future throughout the 20-year planning period.

In addition to the normal maintenance, the "road maintenance" category includes the County's bituminous surface treatment (BST) or chipseal program which functions as a road preservation and improvement program. (This is also referred to as the County's oiling program.) The use of BST is a very cost effective maintenance method.

b. Fixed Expenses

There are a number of general expenses from Table 9-4 which will need to be financed through the County Road Fund over the next 20 years to keep the Public Works Department functioning. These include the expense categories of the Guemes Ferry, Services & Administration, and Interdepartmental Costs among others. Capital

costs and the drainage utility charges, if levied, will be a fixed expense as well.

If the County road fund becomes extremely tight, some of these expense categories may be trimmed, but a functioning County Public Works Department with current service levels to the public will continue to require these items funded at appropriate financial levels.

c. Construction

As mentioned above, the basic approach in determining the available dollars for construction projects is to subtract the road maintenance and general expense costs from total revenue, and assume the remainder can be used for construction. Similarly, the funds available for road improvement work is assumed to be the construction funds, minus the yearly costs for all the other programs which fall under construction. Obviously, if revenues fall too low, other adjustments will need to be made in order to ensure that some of the revenue actually goes for road improvements.

d. Physical Deficiencies vs. Level of Service Needs

In Chapters V and VI, discussions were made of the two project prioritization methods, which will be required to determine projects to be included in the Six-Year Transportation Improvement Plan. Roads with physical deficiencies as determined through the Priority Array will be included in the Six-Year TIP, as well as LOS needs that may develop. Thus, the dollars available for "road projects" will be used for both Priority Array physical deficiency projects and LOS driven projects. This is considered in the financial plan when balancing future revenues and expenditures.

e. Funding Grants

The revenue forecasts discussed in the last section have been fairly conservative with respect to state and federal grants, which help fund transportation projects. It should be noted that this is one revenue area in which there is some flexibility in how much revenue is generated. The more time that Public Works dedicates to preparing grant applications, the better chance there is of receiving grant money.

The experience of the Public Works Department is that time spent on grant proposals is a very cost effective way to leverage local road funds and to increase overall revenue. Thus, the Public Works Department is committed to go after transportation funding

opportunities aggressively and consistently in the upcoming years. It is hoped that the result will be to make additional funds available for road improvement projects in the County.

3. Analysis & Assumptions

Table 9-4 shows a breakdown of past County Road Fund expenditures for 1993 through 2002. Past expenditure data provides good information on the magnitude of expenses, the breakdown among categories, and, to some extent, the variability from year to year. This, along with some brief analysis of factors affecting future expenditure levels will be used in establishing the future expenditure forecasts.

a. Road Maintenance

Since this is the largest expenditure item in the County Road Fund, the growth assumptions in this category will have a critical impact on the amount of dollars available for other expenditure items.

Over the 1993 to 2002 period, road maintenance costs increased approximately 21%. Expenditure forecasts for 2003-2017 are based on $5,847,122 in road maintenance expenditures budgeted for 2003 plus an annual increase of 3% for inflation.

b. Drainage

The total County road mileage is not anticipated to change significantly over the next 20 years. Drainage expenditure forecasts are based on $263,000 budgeted in 2003 plus an annual increase of 3% for inflation.

c. Guemes Ferry

The Guemes Island Ferry operating costs have a number of fixed aspects to them. There is an opportunity to increase the number of ferry runs within the current service hours to accommodate increased demand and not have additional staffing costs. (During certain hours, increasing runs would increase staff costs.)

In addition, the U.S. Coast Guard requires regular ferry haulouts every 18-months for maintenance and inspection. Expenditure forecasts for the Guemes Ferry begin with the 2003 budget of $1,672,149. An expenditure for haulout is expected during other years. For haulout years, a 6% cost increase is added to the previous haulout year figure. For non-haulout years, a 6% cost increase is added to the previous non-haulout year figure.

d. Services & Administration

This expenditure category is variable and can include a diverse range of items, such as computer system purchases and upgrades, staff increases or decreases, and legal challenges. As a starting point, the 2003 budget figure of $2,324,052 is used and 2003-2017 projections are based on an annual increase of 3% due to inflation.

e. Interdepartmental Costs

Since interdepartmental costs are not controlled by the Public Works Department, it is very difficult to forecast future levels. For the base year of 2003, the "interdepartmental cost" is budgeted to be $2,758,944. After that, it is forecast to grow by 3% annually due to inflation.

f. Capital Costs

In the past two years, major capital expenditures have been made for buildings and equipment. For instance, a portion of this budget item went to support the purchase of the new Public Works Building. This building will continue to function far beyond the year 2015. The level of capital expenditure needed over the next 15 years is expected to be minimal and forecasts have not been developed for this item.

g. Reimbursables

This category is quite variable from year to year as can be seen from the 1993-2002 figures. This variability makes it very difficult to accurately forecast, but the "reimbursable" category on the expense side is generally balanced by the "charges" on the revenue side. The 2004 projected figure of $91,686 was used as a starting point and forecasts assume an annual increase of 3%. The 2003 budget figure is high because of projects the county will manage for other jurisdictions, so we used the 2004 figure.

h. Flood Repair/Extraordinary Ops

On the revenue side it was assumed that no federal funds would come in for flood repair costs. Here we simply assume that there will be no flood repair costs. If floods do take place the county does sometimes have to provide a small match for the state and federal funds.

i. Construction

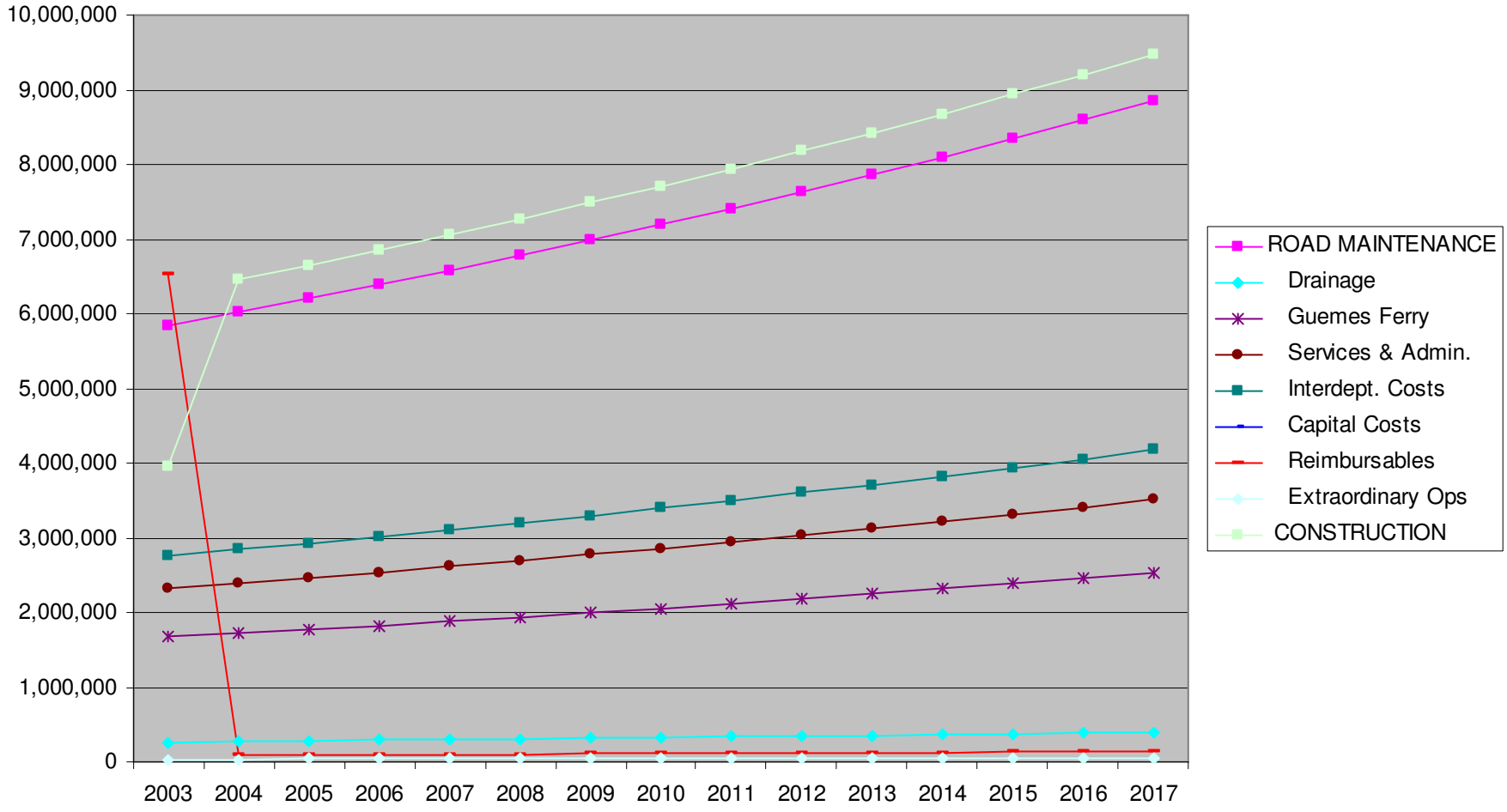
The basic assumption here is that whatever funds remain from the yearly revenue after subtracting all expenses for road maintenance and general expenses will be available for construction projects. In general, construction projects are those that show up in the Six- Year Transportation Improvement Program and the Annual Construction Program of the Engineering Division. The starting point used for this category is the 2004 Six-Year Transportation Program figure of $6,456,000. An annual increase of 3% for inflation is calculated into the 2003-2017 construction forecasts.

Table 9-5 County Road Fund Expenditure Projections, 2003-2017

EXPENDITURE ITEMS	2003	2004	2005	2006	2007	2008	2009
ROAD MAINTENANCE	5,847,122	6,022,536	6,203,212	6,389,308	6,580,987	6,778,417	6,981,769
GENERAL EXPENSES	13,572,304	7,355,429	7,576,092	7,803,375	8,037,476	8,278,601	8,526,959
Drainage	263,600	271,508	279,653	288,043	296,684	305,585	314,752
Guemes Ferry	1,672,149	1,722,313	1,773,983	1,827,202	1,882,018	1,938,479	1,996,633
Services & Admin.	2,324,052	2,393,774	2,465,587	2,539,554	2,615,741	2,694,213	2,775,040
Interdept. Costs	2,758,944	2,841,712	2,926,964	3,014,773	3,105,216	3,198,372	3,294,323
Capital Costs							
Reimbursables	6,520,126	91,686	94,437	97,270	100,188	103,193	106,289
Extraordinary Ops	33,433	34,436	35,469	36,533	37,629	38,758	39,921
CONSTRUCTION	3,946,031	6,456,000	6,649,680	6,849,170	7,054,646	7,266,285	7,484,273
TOTAL EXPENDITURES	23,365,457	19,833,965	20,428,984	21,041,853	21,673,109	22,323,302	22,993,001

EXPENDITURE ITEMS	2010	2011	2012	2013	2014	2015	2016	2017
ROAD MAINTENANCE	7,191,223	7,406,959	7,629,168	7,858,043	8,093,784	8,336,598	8,586,696	8,844,297
GENERAL EXPENSES	8,782,767	9,046,250	9,317,638	9,597,167	9,885,082	10,181,634	10,487,083	10,801,696
Drainage	324,195	333,921	343,938	354,256	364,884	375,831	387,105	398,719
Guemes Ferry	2,056,532	2,118,228	2,181,775	2,247,228	2,314,645	2,384,085	2,455,607	2,529,275
Services & Admin.	2,858,291	2,944,040	3,032,361	3,123,332	3,217,031	3,313,542	3,412,949	3,515,337
Interdept. Costs	3,393,153	3,494,948	3,599,796	3,707,790	3,819,024	3,933,594	4,051,602	4,173,150
Capital Costs								
Reimbursables	109,478	112,762	116,145	119,629	123,218	126,915	130,722	134,644
Extraordinary Ops	41,118	42,352	43,622	44,931	46,279	47,667	49,097	50,570
CONSTRUCTION	7,708,802	7,940,066	8,178,268	8,423,616	8,676,324	8,936,614	9,204,712	9,480,854
TOTAL EXPENDITURES	23,682,791	24,393,275	25,125,073	25,878,826	26,655,190	27,454,846	28,278,492	29,126,846

Figure 9-5 County Road Fund Expenditure Projections, 2003-2017



C. ALLOCATION OF AVAILABLE FUNDS

All of the detailed categories discussed in the previous section are included in the future expenditure allocation for 2003-2017 shown in Table 9-5. The information shown for 2003 uses the Public Works Budget as the starting year for future year forecasts based on growth factors. A graphic representation of all expenditure categories from 2003 to 2017 is shown in Figure 9-5.

D. REASSESSMENT

As a part of the Financial Plan requirement for the Transportation Element, RCW 36.70A.070(c)iii states "If probable funding falls short of meeting identified needs, a discussion of how additional funding will be raised, or how land use assumptions will be reassessed to ensure that level of service standards will be met;".

Since this Financial Plan shows that Skagit County will most likely have the financial resources over the next 15 years to maintain the County road system and make priority array and any level of service improvements that may develop to accommodate the concurrency requirements, no reassessment is needed.