CHAPTER 9.
FUNDING OPTIONS

Adequate financing is a major concern in implementing a comprehensive flood hazard management program. County financing sources are typically limited and insufficient to provide basin-wide planning, major stormwater and floodwater drainage improvements, and administration of regulations that control private sector activities affecting drainage or river systems. An objective of this CFHMP is to identify and develop a mix of financing options for the County to best meet its short-term needs under existing legislation and local authority. This chapter briefly describes available funding options and presents recommendations to provide funding for implementation of this plan.

The following sources of revenue are currently used in Yakima County for floodplain management:

- Federal and state disaster relief funds
- State grants
- Funds generated by diking districts
- Yakima County Department of Public Works maintenance funds.

The County relies primarily on an O&M budget and state grants for floodplain management. The County budget is used to maintain and repairs federally authorized and PL84-99 levees. The County budget was $60,000 in 1995, of which 50 percent was allocated to levee maintenance and 50 percent to levee repair. If annual County funding is not completely expended, the excess goes into a reserve account for flood fighting or for matching funds needed to obtain state grants. Funding levels limit the County from constructing facilities or administering a surface water management program. In the absence of adequate funding to deal with flooding issues on a county-wide basis, the County is currently restricted to functioning in a "reactive" mode, rather than the "preventive" mode that is essential for dealing with such critical public programs as drainage and flood control.

FUNDING SOURCES

Potential funding sources are divided into two categories: financing and revenue options that the County can implement through administrative actions; and external sources such as state and federal grants and loans. Table 9-1 summarizes these options.

County Administrative Options

The State Legislature has authorized counties to use a variety of financing concepts for surface water management. From a practical standpoint, however, financing surface water programs must reflect the particular needs and attitudes of Yakima County. The funding alternatives identified in this section should be evaluated for consistency with existing public policies. The public will better understand surface water management issues and the rationale underlying the funding recommendation if the alternatives are clearly in accord with existing local policies on land use, economic development, and environmental protection. Such existing policies should not, however, foreclose opportunities to introduce new financing concepts or adjust financing policies.

TABLE 9-1.
SUMMARY OF FUNDING OPTIONS

County Administrative Options	Federal Sources	State Sources
River Improvement Fund Flood Control Zone Districts Drainage Districts Local Improvement Districts Surface Water Utility County Revenues – Current Expense Fund – Road Fund – Real Estate Excise Tax – Debt Financing (bonds) Developer Contributions – Drainage Development Fees – Construction in Lieu of Fees	FEMA – Reigle Community Development & Regulatory Improvement Act (PL 103-325) – Robert T. Stafford Disaster Relief and Emergency Assistance Act (PL 93-288) COE – Small Flood Control Projects (Section 205 of the Flood Control Act of 1948) – Emergency Bank Protection (Section 14 of the Flood Control Act of 1946) – Floodplain Management Services (Section 206 of the Flood Control Act of 1960) – Planning Assistance to the States (Section 22 of the Water Resources Development Act of 1986) – Habitat Restoration (Section 1135 of the Water Resources Development Act of 1986) NRCS—Water protection and Flood Prevention Act (PL 83-566) USDA—Farm Program	Ecology – Flood Control Assistance Account Program – Centennial Clean Water Fund – Water Pollution Control Revolving Fund CTED – Hazard Mitigation Grant Program – Public Works Trust Fund WSDOT – Emergency Relief Funds

River Improvement Fund

The River Improvement Fund was created under the taxing authority established by RCW 86.12 and has been a good source for financing flood control maintenance. Originally, the fund was to finance drainage activities related to flood control, but it can be and is being used to fund other activities related to flood or stormwater control as specified in RCW 86.12.020.

The River Improvement Fund is generated from a County-wide levy of up to $0.25 per $1,000 assessed value (AV). The levy rate must be consistent throughout the County, but the revenue appropriation can vary among basins. The funds can be used to share costs of surface water management activities with local governments and to match the state FCAAP program. The revenue for the River Improvement Fund comes from the County-wide property tax subject to statutory limitations on rate and amount. The levy is subject to the following limitations:

- It may not exceed $0.25 per $1,000 AV
- Increases in the levy may not force the overall county assessment to exceed statuary limits.

For this fund, there is little relationship between the amount of property tax paid by individuals and businesses and the need for drainage or surface water management. Also, many properties that contribute runoff or receive benefits, such as schools, churches, and publicly owned property, are tax exempt.

Flood Control Zone Districts

Flood control zone districts, authorized by RCW 86.15, may be established by either a petition signed by 25 percent of the voters in the proposed district, or by action of the County Commissioners. A flood control zone district is governed by a board of supervisors, typically the County Commissioners. Prior to establishment of a flood control zone district, incorporated areas within the proposed district must be given the opportunity to be excluded. These districts have the authority to use several different funding mechanisms, including the following:

- A regular levy requiring authorization by the supervisors. The maximum amount that can be levied is 50 cents per $1,000 of assessed valuation.
- An excess levy as a property tax requiring annual voter approval. This type of levy does not fall under the constitutional and statutory limitations of regular levies. An excess levy is based on property value and would not affect existing County revenues. The levy, if approved annually by voters, can generate substantial revenue for overall surface water management or flood control. However, considerable cost is involved in making voters familiar with the issues on an annual basis, and there is no certainty of funds from year to year.
- A service charge similar to that of a drainage utility. This charge is allowed under a flood control zone district.
- Local improvement districts (LIDs).
- Bonds.

Drainage Districts

Creating a drainage district is a method of financing drainage capital improvements and ongoing maintenance and operations. The processes of creating a drainage district and setting assessments are specified in RCW 85.06, Drainage District, and RCW 85.38, Special District Creation and Operation. These laws apply specifically to counties and provide a method of financing and operating facilities to serve specific areas of land. A city may operate as a drainage district; however, the creation and assessment process is specifically tied to the legislative authority of the county in which the drainage district is located.

Creation of a drainage district involves a vote by landowners and the election of a board of commissioners. Election of the board reduces the active involvement of the county in the operation and management of the district.

State law also specifies the method of assessing property within a district. Assessment zones must reflect the relative benefit or use each property will receive from district operations and facilities. The assessment zones determine the dollar value of benefit per acre.

A budget must be adopted each year and must demonstrate that the assessments are sufficient to cover annual expenses. The cost of improvements is not included in the special assessment until the year after the improvements are constructed.

Advantages of drainage districts include the following:

- They provide funding for both O&M and capital improvements.
- Assessments are billed on property tax statements and collected with property taxes.
- Costs are equitably allocated to property owners in the district based on benefit or use received on a district-wide basis.

Disadvantages of drainage districts include the following:

- Involvement of the county in the management and operation of the district is limited. The county has a legislative role in creation, but a separately elected board of commissioners manages the district.
- Property owners must approve by vote the creation of a district.
- Funds for capital improvements cannot be collected until after the improvements are completed.
- District creation and benefit-assessment processes defined by statute are very complicated.
- The county's flexibility in working with developers is limited.
- Assessments may be limited by the property tax lid.

Local Improvement Districts

Local improvement districts (LIDs) allow the county to issue bonds for the cost of improvements and to recover the cost through assessments based on "specially benefiting" property. Special benefit is defined by the increased property value that results from the improvements.

For water and sewer improvements, properties are considered specially benefiting when they are physically connected to, or have the ability to physically connect to, the sewer or water system. For drainage improvements, it is often difficult to demonstrate special benefit because there is generally no physical connection and property value often is not directly affected by the existence of a drainage system, except where flooding is frequent. Moreover, property at the top of a hill does not specially benefit from drainage improvements, but it does contribute to the surface water problems. Property at the bottom of the hill sees a more positive effect from the drainage improvements, even though it contributes only a portion of the runoff.

LIDs have been used to finance water supply, sanitary sewers, and storm drains when all three utilities are needed in an area. An LID might be appropriate for construction of a facility to serve several properties where the runoff contribution and benefit are similar.

Surface Water Utility

The underlying concept of a surface water utility is that all properties contribute surface water runoff to the drainage system and therefore should pay an equitable share of the system's O&M and capital costs.

RCW 36.89 gives the county authority to generate revenue by charging those who contribute to an increase in surface water runoff or who benefit from any stormwater control facility the county provides. Schools, churches, and other tax-exempt properties, as well as public entities and public property, are subject to the same rates and charges as private properties.

The formation of a surface water utility would give Yakima County a continuous and reliable funding source to pay for both capital improvements and ongoing maintenance and operating costs. The County would have direct control over rates and charges, rather than being limited to the prescribed methods set forth by statute for a drainage district.

A reliable source of funding is a key element in developing and continuing a successful, well-managed surface water management system. The existence of a utility charge would provide Yakima County with the opportunity to plan and carry out its comprehensive flood hazard management plan. The County can create a County-wide utility that is implemented on a basin-by-basin approach using variable rates. The fees can be included with property tax statements; a new billing system is not needed.

The primary disadvantage to establishing a drainage utility is the public perception that a new charge is being imposed for a service already being provided.

County Revenues

A number of County funding sources can be used in a discretionary manner to finance storm drainage and flood control. They include the current expense fund, the road fund, the real estate excise tax, and debt financing.

Current Expense Fund

The current expense fund provides the general revenue used for County operations and services. It is derived from sources including property and sales taxes, fees, licenses, fines, investment interest, and contributions for services from other governments. Taxes are the most significant source of revenue for the current expense fund. Of the amount derived from taxes, property taxes provide the largest percentage. Taxes are levied on all taxable real and personal property. Not all of the levy goes into the current expense fund. Dedicated levy amounts are deposited in other funds, such as the river improvement fund discussed previously.

The property tax is based on the assessed value of property and the levy rate per $1,000 AV. The County Commission sets the levy rate, which is subject to two statutory restrictions. RCW 84.52.043 sets the maximum levy rate for the all-county levy at $1.80 per $1,000 AV. In addition, RCW 84.55.010 restricts the amount of taxes levied to 106 percent of the highest of the three prior years' levy amounts plus an additional amount derived from taxing the assessed valuation of new construction. The latter restriction, called the 106 percent lid, has historically held the maximum levy rate below the $1.80 per $1,000 AV level.

State law also provides full or partial exemptions to certain types of property and classes of ownership. Some non-profit organizations, such as churches and government, are totally exempt from property taxes, while partial exemptions are given to low-income or senior and handicapped citizens. Also, farm, open space, and timber land is generally valued at less than fair market value.

Road Fund

The road fund is generated by sources including a County road levy, gasoline sales tax, and federal and state grants. A portion of the road fund is used to pay for drainage activities associated with County roads. The County road levy is limited to a maximum rate of $2.25 per $1,000 AV and is restricted by the 106 percent lid.

Road funds cannot be used for non-road-related activities without jeopardizing the County's eligibility for state financial programs including the Rural Arterial Program (RAP).

Real Estate Excise Tax

RCW 82.46 allows counties and cities to levy an excise tax equivalent to 0.25 percent of the sale of real property. These funds are used explicitly for capital facilities on the premise that revenues generated through property sales reduce the burden on the general public of the problems created by growth and development.

Debt Financing

Debt financing is often used to fund drainage-related capital projects. The sale of bonds is an option, but the debt service on bonds represents an ongoing funding requirement. Options for debt financing include the following:

- *General Obligation (GO) Bonds* are bonds for which the full faith and credit of the issuing government is pledged. The bonds are secured by an unconditional pledge of the issuing government to levy unlimited taxes to retire the bonds. GO bonds may require voter approval and may create a need to raise taxes. Interest rates are generally the lowest available.
- *Revenue Bonds* are bonds whose principal and interest are payable exclusively from earnings of an Enterprise Fund (such as a surface water utility), and are therefore more equitable than GO bonds. The revenue bonds generally carry higher interest rates and a reserve is required. Bonds usually contain restricted operations and the market is not as broad as for GO bonds. Usually there is no need for voter approval and limits are often not subject to debt ceiling.
- *Bond Anticipation Notes* are short-term interest-bearing notes issued in anticipation of bonds to be issued at a later date. Anticipated notes increase the issuer's risk and assume that long-term rates will fall.
- *Revenue Anticipation Notes* are short-term interest-bearing notes issued in anticipation of revenue to be received later.
- *Grant Anticipation Notes* are short-term interest-bearing notes issued in anticipation of grants to be received later.

- *Tax Anticipation Notes* are interest-bearing notes issued in anticipation of taxes to be received later.
- *Industrial Development Bonds (IDBs)* are bonds issued for private and quasi-public endeavors. They are secured by revenues of the bond-financed property. IDBs are used by governments to provide lower-cost financing to promote industrial and commercial development. The public purpose of some IDB issuances raises questions; IDBs may crowd out other demands on municipal market. These bonds are restricted by the 1982 Tax Equity and Fiscal Responsibility Act.
- *Industrial Revenue Bonds* are bonds issued by the County, the proceeds of which are used to construct facilities in conjunction with a private business enterprise. Lease payments made by the business enterprise to the government are used to service the bonds. These bonds are usually in the form of GO or Revenue bonds. They provide low-cost financing and higher marketability due to yield.

Developer Contributions

Developing land increases the amount and rate of flow of surface water runoff and the need for drainage facilities to handle it. Thus, development creates the need for additional drainage facilities and, indirectly, flood control. Developer contributions are a means of recovering a share of the cost of drainage facilities constructed downstream to handle the increased runoff.

Regional drainage facilities may be constructed to handle the runoff from private property within a drainage basin. A comprehensive drainage plan identifies the regional drainage improvements needed to accommodate a projected level of development—usually the maximum development allowable under the comprehensive land use plan or current zoning for the properties within the basin.

The comprehensive plan or development standards may assume that property owners are responsible for limiting runoff from their property to a specified rate or level of flow. If regional facilities are needed, the plan identifies the type and cost of such facilities.

Developer contributions are frequently used to help fund regional drainage capital improvements, but provide no mechanism to operate and maintain improvements or other elements of a comprehensive surface water program. Developer contributions most commonly involve drainage development fees or construction in lieu of fees.

Drainage Development Fees

Drainage development fees are collected from a developer at the time the runoff from the property is increased (when the property is developed). The cost of drainage improvements can be allocated among undeveloped properties in the basin based on the total area of land in each zoning classification and the estimated contribution to runoff potentially generated by all land at full development. This determines the share of the capital system costs that should be paid by each land use classification. That value is divided by the undeveloped area in each classification to determine the fee per square foot for developing properties in that classification.

The development fees are collected as each parcel is developed. This method works well in drainage basins with undeveloped property where downstream improvements offsite will be needed as the land is developed.

Advantages of drainage development fees include the following:

- An equitable fee for each parcel can be calculated from the size of the parcel and applicable zoning. This calculation is easy for developers to understand and for the County to administer.
- Fees are based on the estimated cost of constructing offsite improvements.
- New drainage improvements can be scheduled by the County as they are needed. The need is determined by the level of development in each basin.
- Fees are used to pay for improvements only in the basin containing the property on which they were assessed.

Disadvantages of drainage development fees include the following:

- The County incurs an obligation to provide needed improvements upon receiving the fees.
- Basin plans with capital-cost estimates must be in place before the fee can be calculated.
- Significant changes in zoning, particularly down-zoning, may result in inadequate revenue to fund the facilities.
- Significant increases in construction costs over estimates used in the basin plan may result in insufficient revenue recovery.
- Patterns of development may require construction of more improvements than money is available for.
- Flexibility is limited because funds must be used for improvements in the basin from which they were collected. This requires an accurate accounting record.
- New developers may perceive an unfair burden if most land in the basin is already developed and development fees have not historically been charged.
- Fees pay for capital improvements only.

Construction in Lieu of Fees

This method assumes that the developer will construct, or contribute directly to the construction of, needed regional improvements in return for the approval to develop the land. This method is often used in developed areas with drainage facilities, already in place, that cannot accommodate increased runoff created by the additional development, or in areas where facilities are needed before development can take place.

The maintenance responsibility for drainage facilities constructed by developers needs to be defined. If the County is granted ownership or control of the facilities, the County will be able to ensure that the facilities are maintained to an acceptable level.

Advantages of construction in lieu of fees include the following:

- Facilities are constructed before the new development occurs.
- The County does not have to administer design and construction.
- The development creating the need for the new improvements will pay for the improvements.
- The new facilities will often benefit the County and other properties in addition to the new development.
- The County does not have to fund the costs of improvements or may fund only a portion of the costs.
- The County and the developer do not have to wait for the needed improvements to be scheduled into the annual budgeting cycle before the land can be developed.

Disadvantages of construction in lieu of fees include the following:

- New development may pay more than an equitable share of the cost of the system. This can be recovered by the initial developer through a reimbursement agreement using future development fees.
- Private developers may be financing facilities that serve public needs.
- This method deals only with capital improvements, not with ongoing operating and maintenance (O&M) costs.

External Funding Sources

Table 9-2 lists potential funding sources from state and federal grant and loan programs that should be explored for financing flood hazard management projects in Yakima County. Since the comprehensive plan specifies projects that are non-emergency in nature, the funding sources presented are available primarily to mitigate flood hazards. Several promising funding sources could provide short-term financial assistance, primarily for construction of flood control facilities. Other funding sources would become available if a federal disaster were declared, making additional funds available for repair, replacement, or mitigation. The primary disadvantage of mitigation funding sources is that funds would not become available to construct facilities until after the next major flood.

Reigle Community Development and Regulatory Improvement Act (PL103-325)—FEMA

Title V of the Reigle Community Development and Regulatory Improvement Act of 1994 (PL 103-325) is referred to as the National Flood Insurance Reform Act of 1994. The Act establishes a program to provide financial assistance to states and communities for planning and implementation of flood mitigation activities. Details on the program are contained under Subtitle D—Mitigation of Flood Risks.

A new National Flood Mitigation Fund is set up through the act to fund flood mitigation planning and implementation activities. Money for this fund comes from the National Flood Insurance Fund. The total amounts to be credited to the new mitigation fund are as follows:

- $10,000,000 in the fiscal year ending September 30, 1994
- $15,000,000 in the fiscal year ending September 30, 1995
- $20,000,000 in the fiscal year ending September 30, 1996
- $20,000,000 in each fiscal year thereafter.

Repeal of Previous Programs

The first two sections of Subtitle D repeal Sections 1362 and 1306c of the National Flood Insurance Act of 1968, which contained provisions for acquisition of properties located in flood-risk areas. A one-year transition period beginning on the date of enactment of the Reigle Act, September 23, 1994, was provided for final implementation of activities under Sections 1362 and 1306c.

Conditions

The following conditions for participation in the program are described in the Act:

- Community is defined as a political subdivision that has building code and zoning code jurisdiction over the flood hazard area, and is participating in the flood insurance program.
- To be eligible for funding, the state or community must have a flood risk mitigation plan that:
  - Describes the activities to be funded
  - Is consistent with specific criteria contained in section 1361 of the National Flood Insurance Act of 1968 ("Criteria for Land Management and Use")
  - Provides protection to structures that are covered by an existing flood insurance policy
  - Is approved by the Director
  - Includes a comprehensive strategy for mitigation activities for areas affected by the plan
  - Has been adopted by the state or the community following a public hearing

  The Director (FEMA) has 120 days in which to review submitted mitigation plans and notify the state or community that the plan has been approved or disapproved
- Funding can be used only for activities included in the approved plan. Activities must be technically feasible, cost-effective, and cost-beneficial to the National Mitigation Fund. Mitigation activities for repetitive loss structures and structures that have incurred substantial damage will receive higher priority.

Funding

Planning and implementation activities have different funding limits under the Act. Both categories of grants are provided on a 75 to 25 percent federal to local cost-share basis. The funding limits are described as follows:

- Planning Activities
  - The total amount available for mitigation planning will be $1,500,000 per year. Single grants to states and communities cannot exceed $150,000 and $50,000, respectively. The total amount of grants to any one state and all communities in that state in a fiscal year may not exceed $300,000.
  - Grants for mitigation planning to states or communities cannot be awarded more than once every 5 years, and each grant may cover a period of 1 to 3 years.
- Implementation Activities
  - Grants for mitigation activities during any 5-year period may not exceed $10,000,000 to any state or $3,300,000 to any community. The sum of the amounts of mitigation grants that can be made during any 5-year period to any one state and all communities in that State is limited to $20,000,000
  - The limits on grants for mitigation activities described above can be waived for any 5-year period during which a major disaster or emergency is declared by the President as a result of flood conditions in the state or community.

Eligible Activities

The Act lists specific activities that are eligible for funding, as follows:

- Demolition or relocation of any structure located along the shore of a lake or other body of water and certified by an appropriate state or local land use authority to be subject to imminent collapse or subsidence as a result of erosion or flooding
- Elevation, relocation, demolition, or floodproofing of structures (including public structures) located in areas having special flood hazards or in other areas of flood risk
- Acquisition for public use by states and communities of property (including public property) located in areas having special flood hazards or in other areas of flood risk and properties substantially damaged by flood
- Minor physical mitigation efforts that do not duplicate the flood prevention activities of other federal agencies and that lessen the frequency and severity of flooding and decrease predicted flood damages, not including major flood control project such as dikes, levees, seawalls, groins, and jetties unless the Director specifically determines in approving a mitigation plan that such activities are the most cost-effective mitigation activities for the National Flood Mitigation Fund
- Beach nourishment activities
- The provision by states of technical assistance to communities and individuals to conduct eligible mitigation activities
- Other activities the Director considers appropriate and specifies in regulation

- Other mitigation activities not described above that are described in the mitigation plan of a state or community

Robert T. Stafford Disaster Relief and Emergency Assistance Act (PL 93-288)—FEMA

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (The Stafford Act) provides assistance following Presidential declarations of major disasters. Title IV presents details on major disaster assistance programs, including provisions for property acquisition and relocation assistance. Cost-sharing is available for up to 75 percent of the cost of any hazard mitigation measures that the President has determined are cost-effective and which substantially reduce the risk of future damage, hardship, loss, or suffering in any area affected by a major disaster. However, the total amount of mitigation funding under any disaster declaration cannot exceed 15 percent of the total grant funds provided for the disaster.

The specific terms and conditions used to determine if an acquisition or relocation project is eligible to receive federal funding under the Stafford Act are as follows:

- Acquisition and relocation projects funded under this act must be cost-effective and substantially reduce the risk of future damage, hardship, loss, or suffering in any area affected by a major disaster
- Acquisition and relocation projects and all other mitigation measures must be identified based on an evaluation of natural hazards
- The applicant (the county or state) must complete an agreement stating that:
    - The property will be dedicated and maintained in perpetuity for a use that is compatible with open space, recreational, or wetlands management practices
    - The only new structures erected on the property will be public facilities open on all sides and functionally related to a designated open space, rest rooms, or structures approved by the Director in writing before the start of construction
    - No application will be made for additional disaster assistance for projects relating to the property and no federal funding will be granted for such projects.

Small Flood Control Projects–COE

Section 205 of the 1948 Flood Control Act authorizes construction of small flood control projects, including levees, channel enlargement, realignments, obstruction removal, and bank stabilization. An important proviso attached to this assistance is that each project must be a complete solution to the problem and must not commit the federal government to additional improvements to insure effective operation.

Local government is responsible for 25 to 50 percent of the costs of the project and 100 percent of all future maintenance and operation costs.

Emergency Bank Protection—COE

Section 14 of the 1946 Flood Control Act provides for emergency streambank protection to prevent damage to highways, bridge approaches, municipal water supply systems, sewage disposal plants, and other essential public works facilities. Churches, hospitals, schools, and nonprofit public facilities may also benefit from work done under this program. Projects cannot be done soley to protect privately owned properties or structures. Again, each project must constitute a complete solution to the problem involved and must not commit the federal government to additional improvements to insure effective project operation.

Local government is responsible for at least 25 percent of the project cost. The maximum amount that the COE can spend in a single year in any one locality is $500,000.

Floodplain Management Services—COE

Section 206 of the Flood Control Act of 1960 authorizes the COE to provide information, technical assistance, and guidance to city, county, state and federal agencies. Examples of the types of informational assistance provided through this program are data on flood sources and types, obstructions to flood flows, flood depths or stages, flood water velocities, flood warning and preparedness, flood damage reduction studies and audits, and floodproofing.

While the Corps provides study findings and pamphlets to its customers free of charge, all costs for services must be reimbursed according to a set fee schedule. Other grant funds may be used to pay for these services wholly or in part.

Planning Assistance to the States—COE

Section 22 of the Water Resources Development Act allows the COE to assist local governments in the preparation of comprehensive plans for the development, utilization, and conservation of water and related land resources. This program may encompass many types of studies, including water quality, habitat improvement, hydropower development, flood control, erosion, and navigation. Studies are typically at a planning level and do not include design for project construction.

Costs for projects undertaken under this program require a 50 percent local match. The local match can be met either wholly or in part with other non-federal grant funds.

Habitat Restoration—COE

Assistance is available under Section 1135 of the Water Resources Development Act (PL 99-662) to provide funding to modify structures of a COE project to restore fish and wildlife habitat. Fish and wildlife benefits must be associated with past COE projects in the Yakima Valley. The extensive COE levee project within the CFHMP study area provides a specific opportunity to apply this program. Planning studies, detailed design, and construction are funded with a 75 percent federal cost-share. The program requires a non-federal sponsor to contribute the remaining 25 percent funding match. The potential sponsor requests by letter that the COE initiate a feasibility study. Following receipt of the letter of intent, the COE will request study funds.

Watershed Protection and Flood Prevention Act (PL 83-566)—NRCS

The Small Watershed Program of PL-566 provides federal funding for watershed protection, flood prevention, and agricultural water management. Funds from PL-566 can be used to prepare studies and construct flood control projects, both structural and non-structural. PL-566 was modified in 1990 to authorize cost-share assistance to project sponsors for acquisition of wetland and floodplain easements to maintain or enhance the floodplain's ability to retain excess floodwaters, improve water quality and quantity, and provide habitat for fish and wildlife. PL-566 is a cost-sharing program that requires matching funds from a local sponsor.

This program was recently modified as a result of the 1993 flooding on the Mississippi River. The types of eligible projects have been expanded and for some projects the federal cost shared.

Farm Program—USDA Farm Service Agency

The Farm Service Agency (FSA) provides emergency loans to help cover production and physical losses in counties declared as federal disaster areas. Emergency loans may be used to replace essential property, pay production costs associated with the disaster year, pay living expenses, reorganize the farming operation, and refinance debt. To be eligible for Farm Program loans, the applicant must fulfill the following requirements:

- Be an established family farm operator
- Be a citizen or permanent resident of the United States
- Have the ability, training, or experience necessary to repay the loan
- Have suffered a qualifying physical loss, or a production loss of at least 30 percent in any essential farm or ranch enterprise
- Be unable to obtain commercial credit
- Be able to provide collateral to secure the loan
- Have multi-peril crop insurance, if available.

The loan limit is up to 80 percent of actual loss with a maximum of $500,000 per disaster; special loan requirements and terms apply. Application for emergency loans must be received within 8 months of the disaster designation date.

Flood Control Assistance Account Program (FCAAP)—Ecology

The FCAAP program was established by the State Legislature in 1984 to assist local jurisdictions in comprehensive planning and maintenance efforts to reduce flood damages. To be eligible, a community must receive Ecology's approval of its floodplain management activities. Additionally, the county has to meet the requirements of the National Flood Insurance Program (NFIP). Every two years, $500,000 in non-emergency grant funds are available within any one county, but only approximately $4 million is available statewide, depending on the amount appropriated by the State Legislature. The application period is during the winter, with a deadline in the spring. Ecology evaluates and releases a priority list for funding in July. Non-emergency grants may be effective for work six months after funding and negotiations are complete.

Distribution of FCAAP grant money is based on eligibility of the applicant and the proposed project. Conditions for funding include the following:

- Grants are limited to 50 percent of the total cost of non-emergency project.
- Emergency funds of up to $150,000 per county per biennium are available on a first come/first served basis; the state will fund up to 80 percent of the cost of emergency projects.
- Unused emergency funds ($500,000 to emergency fund) can be disbursed on a discretionary basis by Ecology.
- The state can fund 75 percent of the cost for comprehensive flood hazard management plans.

Centennial Clean Water Fund—Ecology

The Centennial Clean Water Fund (CCWF) is both a grant and a loan program. CCWF-approved projects must be for the planning, design, acquisition, construction, and improvement of water pollution control facilities and activities. Flood control projects are typically not eligible for CCWF funds. However, if a water quality benefit can be demonstrated as a result of a flood control project, CCWF funds can be made available. There are several types of projects in the CFHMP that could result in water quality benefits, so the CCWF should be considered as a potential source of funding. A total of $2.5 million is available per funding cycle for facilities, with $250,000 available for activities under the CCWF.

The CCWF grants program will fund a maximum of five projects per year, no more than two of which can be for facilities. The CCWF requires a 50 percent local match for facilities and a 75 percent local match for activities. The local share may come from any combination of cash, other grants, or loans. In-kind contributions may be used for activities projects only.

The CCWF loan program will issue loans at the following interest rates: 0 to 5 years, 0 percent interest; 6 to 14 years, 60 percent of market rates; 15 to 20 years, 75 percent of market rates.

State Water Pollution Control Revolving Fund—Ecology

Like the CCWF, the State Revolving Fund (SRF) finances planning, design and construction of facilities and the planning and implementation of activities that address water quality problems or water pollution prevention. Again, while the SRF is designed to provide assistance for water pollution control efforts, some flood control projects that will result in water quality benefits may be considered.

SRF loans may be used for up to 100 percent of a project's cost. SRF loans may also be used to provide a match for CCWF grants, with some restrictions.

The following interest rates apply to SRF loans: 0 to 5 years, discretion of Ecology; 6 to 14 years, 60 percent of the bond buyer's index for municipal bonds; 15 to 20 years, 75 percent of the bond buyer's index for municipal bonds.

State Hazard Mitigation Grant Program—CTED

CTED coordinates state disaster mitigation, preparedness, response, and recovery activities. Under this mandate, the agency administers the State Hazard Mitigation Grant Program (also called the "404 program" after the section of the Stafford Act dealing with hazard mitigation), authorized and partially funded under the Stafford Act. State Hazard Mitigation Grants are made to local governments on a cost-share basis, with the federal, state, and local percentage matches set at 75, 12.5, and 12.5 percent, respectively. Federal funding for this program is contingent on a Presidential Disaster Declaration. State and federal money distributed under this program can only be used for acquisition of property or demolition of structures. Funding cannot be used for elevation of structures or relocation of residents.

Funding for the program since 1989 has totaled approximately $9 million, with approximately $6 million coming from the federal government and $3 million from state sources. Even with this apparently high level of mitigation funding, total requests for grants have consistently exceeded the funds available. Therefore, the state has established a competitive procedure for funding. Applications are reviewed by a panel of state and local officials and scored based on how well they meet the specific terms and conditions required by the Stafford Act (see above). This process is administered by CTED and selected applications are sent to FEMA for approval.

Public Works Trust Fund—CTED

This state fund offers low interest loans for rehabilitation and repair of public works infrastructure, including surface water facilities. Local governments, such as counties, cities, and special purpose districts, are eligible for these loans. Loans are paid back using revenue from sources such as local utility and sales taxes on local water, sewer, and garbage collection, and from a ¼-percent real estate excise tax. Applications are accepted annually between April and July.

Emergency Relief (ER) Funds—WSDOT and FHWA Title 23

WSDOT serves as the clearinghouse for emergency road repair grants for damage associated with declared federal disaster areas. These grants can provide technical assistance and construction funds to the County from state (Rural Arterial Program) and federal (Federal Highway Administration) sources for temporary or permanent restoration of flood-damaged roadways. Title 23 Emergency Relief funds are a major source of these funds. Permanent repairs can often incorporate designs that help prevent future damage. The local jurisdiction can also contribute additional funds, beyond that allocated for the emergency relief permanent restoration, to incorporate additional mitigation features into the project. The Trans-Aid Division of WSDOT passes through Federal Highway Administration (FHWA) regular road funds and Title 23 Emergency Relief funds.

FUNDING SOURCE EVALUATION

The County should seek to fund all elements of a flood hazard management program at an adequate and uniform level. Some options may address the funding of capital improvements only, while others may address the funding of all elements of a program but provide inadequate revenues. The use of one method, such as a utility, would not preclude other methods, such as local improvement districts or developer contributions, to fund particular improvements. A mix of funding options may provide the greatest flexibility and should be evaluated by a standard set of criteria and by the type of programs to be funded.

Evaluation Criteria

When developing funding for public programs, it is appropriate to identify criteria to be used in evaluating potential sources. Criteria listed below should help the County determine the most suitable funding sources for flood hazard management:

- Equity—Does the funding source collect revenue equitably from those who contribute to drainage problems and those who will benefit from improvements?
- Stability—Are revenues from this source reliable and predictable? Can the County plan on them over the long run?
- Control—Can the County control the revenue, increasing it or decreasing it as required to fund programs?
- Adequacy—Does this source generate sufficient revenue to fund the desired program?
- Relatedness—Is this source of funding related to the problem that the revenue will be used to address?
- Ease of Implementation—Can this revenue source be activated quickly enough to fund a program?
- Restrictions—What are the restrictions on using this funding source? Will it fund capital operations? Work on private property? What other restrictions are there?
- Acceptability—Is this source likely to be acceptable to the citizens of Yakima County and its elected officials?
- Legality—What are the legal restrictions and requirements for implementing or using this source?

These criteria should be used to evaluate each potential funding source and thereby develop the overall funding program.

Programs to be Funded

When determining the adequacy of a funding source, it is important to consider the types of programs and projects to be funded. Few funding sources can by themselves meet all the financial needs of a surface water management program. Therefore, the selected funding mix should be adequate to fund each program element. Basic program elements to be funded include the following:

- Operations and maintenance (O&M)
- Capital improvements
- Implementation and management of the flood hazard management program
- Billing, collection and administering revenue generation.

How each of the seven county-administered funding options described above meets these funding use requirements is shown in Table 9-3.

TABLE 9-3.
ADEQUACY OF COUNTY FUNDING SOURCES FOR VARIOUS USES

Option	O&M	Capital Improvements	Management Programs	Billing and Administration
Developer Contributions		X		
Drainage District	X	X		X
River Improvement Fund	X	X		X
Local Improvement District	X	X		X
Surface Water Utility	X	X	X	X
County Revenues	X	X	X	X
Flood Control Zone District	X	X	X	X

Procedure for Evaluating Funding Options

The County should review the evaluation criteria and rate the funding options. Some criteria may be weighted in recognition of their greater importance. The evaluation could consider funding options for operation and maintenance separately from those for capital improvements. The evaluation process should be conducted in a workshop involving both staff and elected officials, and should be performed before proceeding with the funding program recommended in this section.

FUNDING ANALYSIS

As noted, funding is perhaps the most critical element of a successful flood and stormwater management program. Prior to initiating action for funding, a general policy or set of guidelines should be adopted that defines the financing position of the Board of Commissioners. This policy can be used to weight the evaluation criteria to select the best means of generating revenue and subsequently implementing a flood management program.

The following are examples of potential funding policy statements:

- A fair and equitable system of charges will be implemented
- The County will recognize the contribution of existing as well as future development to flood hazard and drainage problems and will equitably distribute the cost of solving these problems
- Individual property owners are responsible for the control of runoff from their property; the County will recognize this responsibility in its regulatory efforts
- The source of revenue will be continuous over an extended period of time, not a short-term, one-time effort.
- The funding established will be flexible to allow for multiple uses based on current and future needs
- There will be ongoing public input on the priority given to projects and programs funded

- Local revenue will be applied to match state and federal funds where applicable
- Existing agencies, institutions, and organization, such as drainage or diking districts, will be evaluated, and jurisdictional boundary adjustments made to ensure that coordination is accomplished for the whole watershed.

In addition, draft funding policy statements have already been generated as part of the Capital Facilities Element of *Plan 2015* (Yakima County Planning Department 1996). Those policies, similar to what could be applied to a flood management program, include the following:

- Base the financing plan for capital facilities on realistic estimates of current local revenues and external revenues that the County can reasonably expect.
- Capital facilities should generally, where appropriate, be financed from the following priority array: first, from other sources (as with donations, grants, other outside sources); second, from benefited groups (as with local improvement districts, user fees, connection charges, dedicated capital reserves); third, from the general population (as with general obligation bonds, commissioners bonds, other loans, and general capital reserves); and fourth, from mitigation funding sources.
- Ensure that both existing and future development pay a proportional share of the costs of needed capital improvements.
- Ensure that the ongoing operating and maintenance cost of a capital facility are financially feasible prior to constructing the facility.

Based on the draft policies developed in *Plan 2015* and the type of program recommended in this CFHMP, a preliminary evaluation of each County-administered funding source was performed against the criteria listed above. The results are shown in Table 9-4.

Based on the initial evaluation of funding options, a flood control district or surface water utility meet most of the evaluation criteria and appear to be the best approaches to generating revenue for a Yakima County flood hazard management program. A flood control district or surface water utility has the ability to fund the management alternatives that comprise a large part of this CFHMP, in addition to potential capital improvements and maintenance. Using a flood control district or utility, in conjunction with actively pursuing federal and state grants, is consistent with draft polices and provides the best source of revenue for larger projects. A flood control district or utility will allow the county to implement a service charge in areas where services are provided, and possibly apply variable rates in other areas or watersheds, as needed. A flood control district would be slightly easier to establish than a utility since a district can be established by the County Commissioners without an enabling ordinance.

Ensuring that revenues are adequate to fund management programs, capital improvements, and maintenance will depend on the level of the initial charges and the acceptability to county residents of adjusting charges as necessary. A flood control district could be initiated through a regular levy authorized by the supervisors, and additional funding, as required, could be obtained by developing a service charge system.

TABLE 9-4.
EVALUATION OF FUNDING METHODS

Evaluation Criteria	Weight[b]	Funding Sources[a]: River Improvement Fund	Flood Control District	Other Districts	Surface Water Utility	County Revenues	Developer Contributions
Equity	3	7	8	7	8	3	6
Stability	2	6	9	6	9	4	3
Control	2	7	7	4	7	8	4
Adequacy	2	8	8	8	9	6	3
Relatedness	2	9	9	7	9	4	8
Ease of Implementation	1	4	4	2	3	5	5
Restrictions	1	4	8	6	8	6	4
Acceptability	3	7	8	7	5	3	8
Legality	1	5	5	5	5	5	4
TOTAL[c]	**--**	**115**	**131**	**105**	**123**	**78**	**91**
OVERALL RANKING[d]		**3**	**1**	**4**	**2**	**6**	**5**

a. Rating of funding sources: 10 = high rating, 1 = low rating
a. Weighting: 3 is most important; 1 is least important
a. Total equals the summation of each criteria rating times its weight.
a. Rankings: 1 is highest, 6 is lowest

RECOMMENDED ACTION

The following is a summary of the actions the County should take to fund the flood hazard management program:

- Conduct a workshop to evaluate the funding options according to the respective evaluation criteria
- Establish a forum for coordination between the County, cities, and Yakama Indian Nation, since surface water does not follow jurisdictional or political boundaries, but flows within natural watersheds. Funding arrangements should recognize the cross-jurisdictional nature of the natural watersheds
- Adopt a funding policy, similar to polices developed in *Plan 2015*, outlining methods to be used to finance flood hazard management needs in the County
- Adopt a resolution of intent officially setting forth the funding approach
- Prepare a cost-of-services study for high-priority drainage basins in the County
- Develop flood control districts for high-priority drainage basins, initially funded through regular levies, with additional funding obtained from service charges, as needed
- Actively pursue state and federal grant programs to supplement funding provided by flood control districts (see Table 9-2).