3.0 REVENUE ANALYSIS

3.1 Introduction

This section discusses Kitsap County's capital facilities revenues for County-provided facilities and services. The purpose of this financial analysis is to understand the fiscal constraints of the Kitsap County CFP. These revenue estimates were developed to assist in project planning, but are not intended to be precise forecasts. Exact funding levels are difficult to predict given the uncertainties of funding sources; high sensitivity to local, state, and federal policy decisions; personal choices of residents; and other market forces.

Estimated future revenues have been projected for the Plan's 2016-2036 time period in year of expenditure dollars (YOE$). The revenue analysis is grouped in the following categories:

- **Dedicated Capital Revenues**. These revenues are required by law to be used for specific types of capital expenditures.
- **General Capital Revenues**. These revenues are required by law to be used for capital, but the types of capital projects are not restricted.
- **Impacts of Annexations**. Annexation and incorporation of land into cities can have significant impacts on the County's revenues, by decreasing the tax base.
- **Potential Policy Options and Other Funding Sources**. This section covers other ways the County could fund its capital project costs, including policy choices and sources such as local improvement districts.

Some of the funds discussed in this analysis may be used for maintenance and operations of existing capital facilities or for construction of new capital facilities. However, if maintenance and operations costs of existing facilities increase faster than revenues, jurisdictions are confronted with difficult decisions of whether to fund these costs rather than building new facilities, or to maintain current facilities that may provide lower levels of service. Those decisions will be made by the Board of County Commissioners and the County's executive leadership. Every effort has been made in this analysis to include only those revenues that the County currently chooses to use for capital investments. No funds currently used for maintenance and operations have been included in the capital revenue analysis.

3.2 Assumptions

The revenue projections included in this analysis are based on some up-front assumptions. The most significant assumptions are:

Annexation. This analysis makes annexation assumptions that are based on discussions with County staff familiar with the County's and cities' future plans. The assumptions provide a conservative picture of future revenues and demand for service; however, it is noted that if the annexations occur there would be corresponding change in responsibilities for capital project implementation that would be reflected in future capital plans for the County.

- This analysis assumes that the Silverdale UGA incorporates in 2026.

- This analysis assumes the cities in Kitsap County will annex all commercial areas in their assigned UGAs by 2026, but will not annex any additional residential areas until 2036. The annexations of commercial areas are assumed to occur incrementally between 2016 and 2036.

Real Estate Growth. This analysis makes assumptions about the growth in assessed value of real estate, which affects both Real Estate Excise Tax (REET) revenues and the Conservation Futures Levy that supports park capital projects. There are two pieces to projecting future real estate:

- **Escalation Rate of Assessed Values**. Given that the real estate market has recovered in the years since the recession, this analysis assumes that real estate assessed values will increase at a rate of 2% annually, beginning in 2016. This rate of increase reflects a level similar to, but slightly lower than, historical average levels of growth.
- **Turnover Rate of Properties**. To be conservative, this analysis assumes a turnover rate of 5.0% for residential properties and 3.5% for commercial properties in 2016, which are considered typical levels of turnover for those property types.

Population. The revenue analysis is based on the preferred alternative population identified in the Final Supplemental Environmental Impact Statement, April 2016, which assumed 60 fewer persons than that identified in Section 1.2. The addition of 60 persons has little measurable difference of .01 percent increase in revenue (about $30,000). As a result, this revenue analysis is slightly more conservative and results in no change to overall conclusions.

The assumptions being used for this revenue analysis may not align with the County's budget assumptions regarding the same sources of revenue. The assumptions differ because the purposes of the two analyses are different: the purpose of the County' budget is to estimate how much money the County will have available to spend in the coming fiscal year; the purpose of this CFP revenue analysis is to estimate how much money the County is ***likely*** to receive over the next six years and next twenty years. The County's budgeting process works to estimate how much money will be received in a given year, while this revenue analysis estimates long-term averages based on historical trends.

3.3 Dedicated Capital Revenues

Transportation

State Motor Vehicle Fuel Tax

Counties and cities receive a portion of the State Motor Vehicle Fuel (MVF) tax based on a complex reimbursement formula relying largely on road miles within the jurisdiction. State MVF tax rates saw a series of voter-approved increases in past years. Most of those additional funds, however, were earmarked for specific transportation projects throughout the State, and local jurisdictions did not see a noticeable increase in average revenues. In addition, the last increase was made in 2015, to be implemented in two stages. A seven-cent increase went into effect in August of 2015, and a four and nine-tenths cent increase will occur in July of 2016.

Assumptions: Revenues in this category have been projected using estimated revenues per centerline miles of road in the unincorporated county. There are two counter forces affecting miles of road in the unincorporated county: road miles increase as the County builds new roads and expands current ones, and road miles decrease as land is annexed and incorporated.

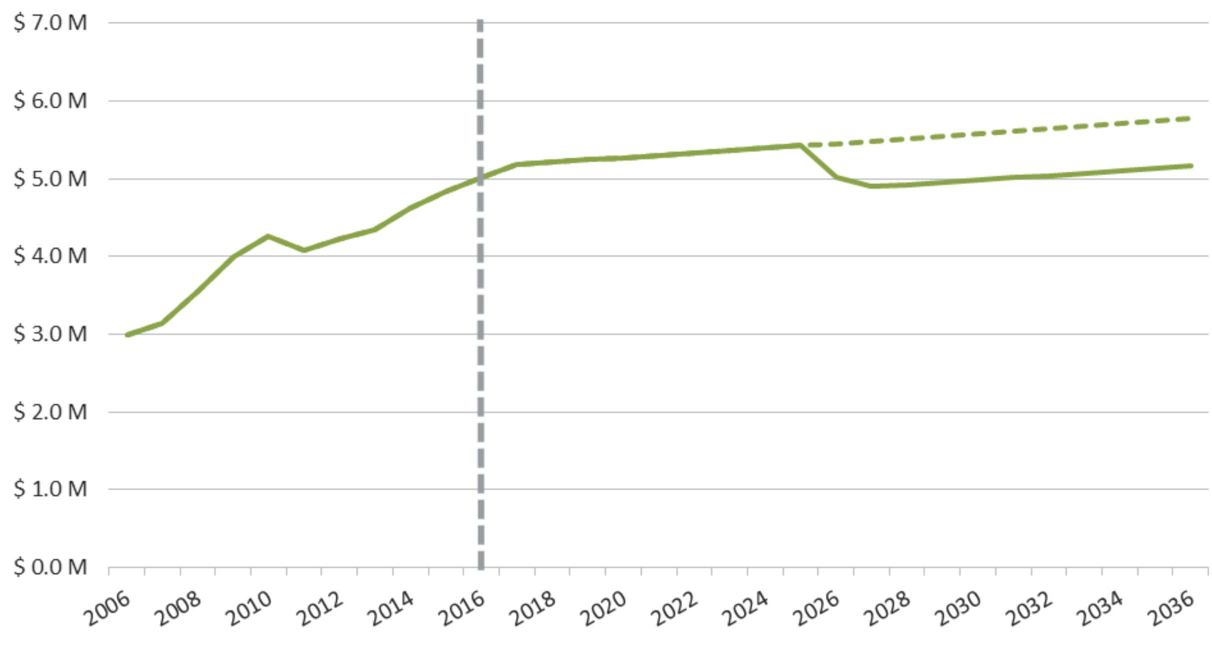
To account for both of these forces, this analysis uses recent trends in centerline miles of roads as they relate to population in the unincorporated county. As UGAs or portions of UGAs are annexed, miles are subtracted from the unincorporated total in approximate proportion to the unincorporated acres being annexed. All lane miles for the Silverdale UGA are assumed lost to incorporation in 2026. Commercial areas of the remaining UGAs are assumed lost to annexation incrementally between 2016 and 2026.

MVF tax revenues *per mile of road* are assumed to remain flat over the study period. The nine-year historical average MVF tax revenue per lane mile is about $5,500. To be conservative, this analysis assumes no growth in fuel tax revenues per road mile over the planning period, resulting in decreasing purchasing power over time.

Kitsap County has historically put all of its MVF tax revenues into its capital road fund, and this analysis assumes that trend will continue.

Exhibit 3-1 shows historical motor vehicle fuel tax revenues to the left of the gray dotted line (2016) and projected future revenues to the right. The significant revenue drop in 2026 is due to the assumed incorporation of the Silverdale UGA, which would reduce the number of unincorporated lane miles in the county. Beyond 2026, revenues are estimated to increase moderately as lane miles in unincorporated areas increase with population growth. The dotted line represents estimated future revenues if Silverdale did not incorporate and the current boundaries stayed the same.

Exhibit 3-1. Kitsap County Motor Vehicle Fuel Tax Revenues Allocated for Capital (2006-2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2012.

Exhibit 3-2 shows estimated MVF tax revenues available for capital for two subtotal time periods as well as for the entire 2016-2036 planning period.

Exhibit 3-2. Projected Kitsap County Motor Vehicle Fuel Tax Revenues Allocated to Capital (2016 – 2036 in YOE$)

Motor Vehicle Fuel Tax Revenues	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$31,580,000	$71,510,000	***$103,090,000***

Source: Kitsap County, 2015; BERK, 2016.

Transportation Impact Fees

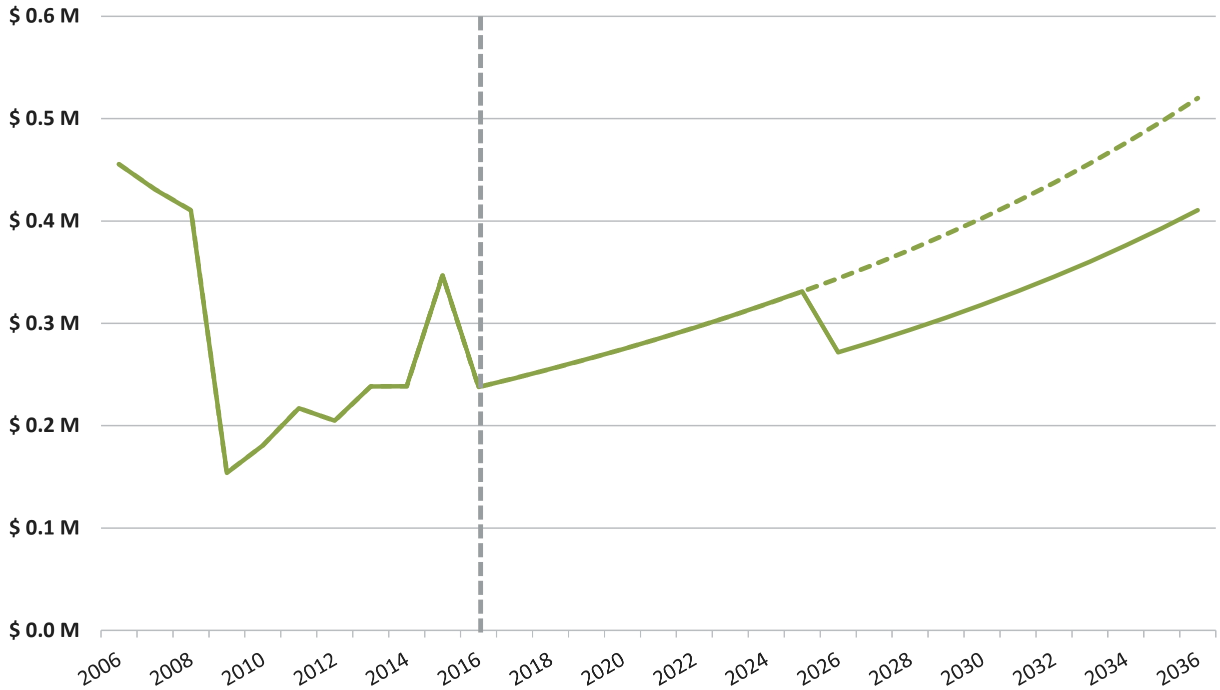
Road impact fees are a financing tool that requires new development to pay a portion of costs associated with infrastructure improvements that are "reasonably" related to the new development. The Growth Management Act (GMA) allows agencies to develop and implement a transportation impact fee program to help fund some of the costs of transportation facilities needed to accommodate growth. The use of impact fees is somewhat limited, in that the revenues must be spent on projects related to improvements that serve new development, rather than on existing deficiencies. Impact fees are assessed proportionally to the impacts of new developments, and must be spent on facilities that are identified in the County's adopted CFP. Impact fee revenues must also be spent on allowable projects within six years of being collected, per Kitsap County Code 4.110.070; however State law now allows up to 10 years (RCW 82.02.080).

Kitsap County charges transportation impact fees according to an adopted rate structure authorized by Kitsap County Code 4.110.200. The County has four geographically defined road service areas to organize impact fees on a regional basis and, if necessary, charge differential rates. Currently the rates are the same in all service areas. There is an additional countywide service area that receives revenues from each of the four geographic areas.

Assumptions. Since impact fees are related to new development, this analysis projects future revenues based on expected rates of new construction in unincorporated Kitsap County. Historical revenues and construction levels were analyzed to understand the relationship between impact fees and new construction, and this relationship was used to project revenues going forward. Over the last six years (2010-2015) the County has received over $2.00 in road impact fees for every $1,000 of new construction assessed value (AV). To estimate these revenues going forward, for every $1,000 of new construction AV, it is assumed the County will receive $2.00 in road impact fees. Therefore, road impact fee revenues are assumed to grow proportionally to new construction AV. This analysis does not assume any future rate adjustments, although rates are likely to be reviewed and perhaps adjusted by the County every few years based on future project needs.

Exhibit 3-3 shows historical and estimated future transportation impact fee revenues in Kitsap County. The revenue drop in 2026 is due to the assumed incorporation of the Silverdale UGA, since impact fee revenues from new development in Silverdale would stop accruing to the County. The dotted line represents estimated future revenues if Silverdale did not incorporate and the current boundaries stayed the same.

Exhibit 3-3. Kitsap County Transportation Impact Fees (2006 – 2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2016.

Exhibit 3-4 summarizes estimated future revenues for two subtotal time periods as well as for the entire 2016-2036 planning horizon.

Exhibit 3-4. Projected Transportation Impact Fee Revenues (2016 – 2036 in YOE$)

Transportation Impact Fees	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$1,630,000	$4,650,000	***$6,280,000***

Source: Kitsap County, 2015; BERK, 2016.

State Transportation Grants

Grants are an important funding source for transportation capital projects; however, because these funds are distributed in a competitive process, it is difficult to determine future grant funding levels. State grants are primarily funded with the state-levied portion of the MVF tax.

As mentioned in the MVF tax section, in past years there were increases in the State MVF tax rate. Many of these additional funds were earmarked for specific large projects, although there was some allocation to local jurisdictions. The Transportation Partnership Act of 2005 provided some additional funds to the Transportation Improvement Board and the County Road Administration Board, for a total of $80 million to be disbursed to local jurisdictions as grants over a six-year period. However, these increases in funds were very small relative to demand, with requests to the Transportation Improvement Board exceeding available funds by 800%.

In 2015, a statewide transportation package was passed, including a phased increase in the state gas tax from 23 cents to 34.9 cents per gallon by 2016. This increase in the MVF tax will provide funding opportunities for local roads and transportation projects.

Recent trends in grant revenue were considered in this analysis. However, the slowing of MVF tax revenue has shifted the grant-funding climate, and future revenues are estimated to be lower than recent trends. This is partly due to other financial forces.

One of those forces is I-747. Because jurisdictions within the State have had their property tax capped at 1.0%, a rate lower than inflation (approximately 3.0%), inflation-adjusted revenues are declining each year. This impacts transportation spending in two ways. First, property tax funds that are collected for transportation spending (County Road Levies) are able to purchase less each year. Second, non-restricted property tax funds are also declining. Cities and counties must often pull from non-restricted funds that were going towards capital projects and put them towards other immediate needs. This creates a second tightening of funds available for capital.

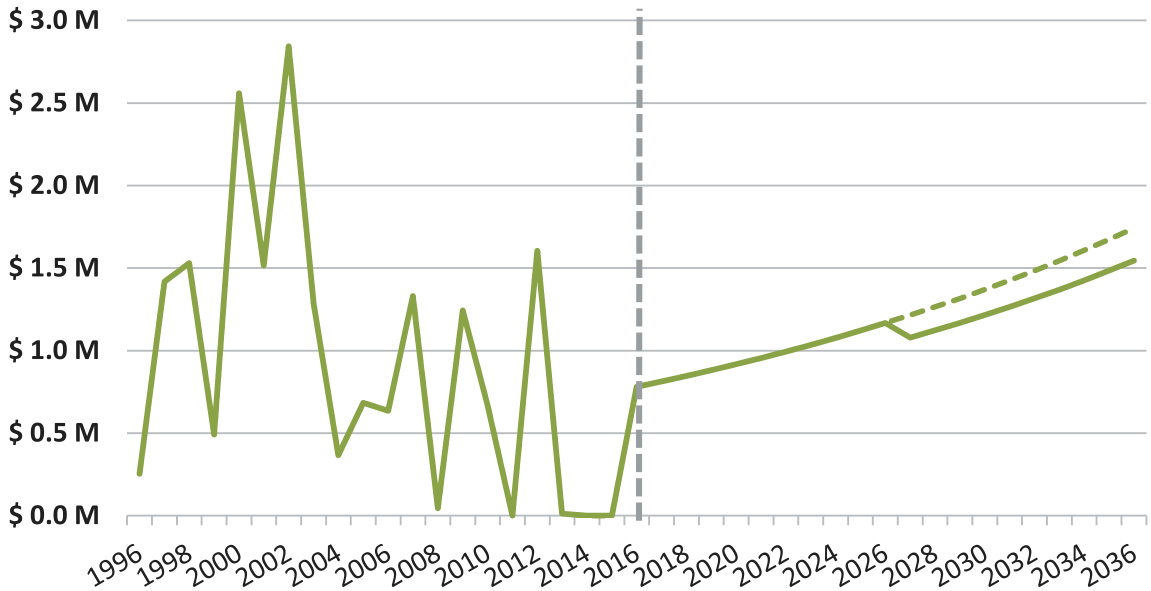
Because jurisdictions are feeling the squeeze these forces are putting on their capital funding programs, they are competing for, and relying more heavily on, grants. As more jurisdictions compete, securing grant funding becomes more difficult.

Assumptions: Grant revenues are estimated on a per capita basis on the assumption that over time a jurisdiction will generally receive its "fair share" of available grant revenues. Since 1988 Kitsap County has averaged $4.55 per capita in state grant revenues per year. In the past decade, the County has received about $3.33 per capita in state grant revenues. Given the forces discussed previously, this analysis assumes $4.50 per capita in the future with 3% annual increases. Total revenues will therefore change on pace with changes in the county's unincorporated population.

Exhibit 3-5 shows historical state grant revenues to the left of the gray dotted line (2016), and projected revenues to the right. An average annual dollar amount is assumed in each year for this analysis. However, in reality these dollars will vary greatly from year-to-year and will likely resemble the trend of peaks and valleys shown in historical data. While using an annual average does not fully represent the County's future cash flow of grant dollars, it approximates how many total dollars will be received over the study period.

The revenue drop in 2026 is due to the assumed incorporation of the Silverdale UGA, which would reduce population in unincorporated county. Since this model assumes that grant revenue amounts are proportionate to the population, the grant revenues drop when the population drops. The dotted line represents estimated future revenues if Silverdale did not incorporate and the current boundaries stayed the same.

Exhibit 3-5. Kitsap County State Transportation Grant Revenues Allocated for Capital Projects (1995– 2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2016.

Exhibit 3-6 shows estimated total state grant revenues for two subtotal time periods as well as for the entire 2016-2036 planning horizon.

Exhibit 3-6. Projected State Transportation Grant Revenues for Capital Projects (2016 – 2036 in YOE$)

State Transportation Grants	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$5,200,000	$18,400,000	***$23,600,000***

Source: Kitsap County, 2015; BERK, 2016.

Federal Transportation Grants

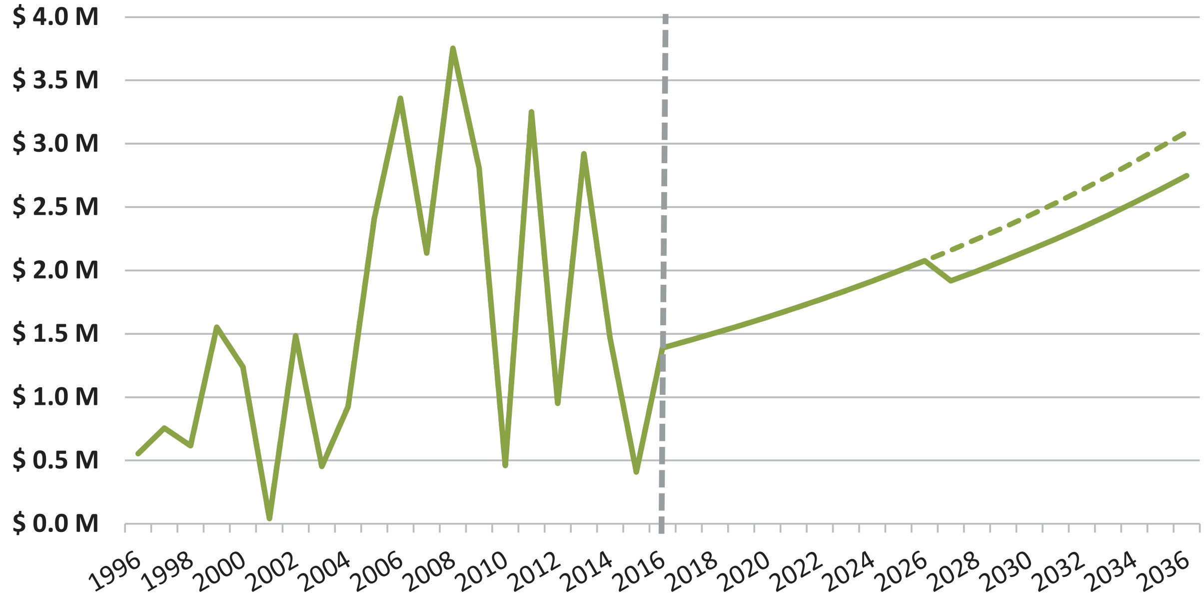
Federal transportation grants are funded through the federal portion of the fuel excise tax. The federal gas tax rate has fluctuated between $0.183 and $0.184 per gallon since 1994. The majority of these funds are deposited into the Highway Trust Fund and disbursed to the states through the Highway and Mass Transit Accounts. As with state grants, these funds are distributed in a competitive process, making it difficult to determine future grant funding levels.

Assumptions: Because of the increased competition for grant dollars and decrease in available grant funds, grant revenues have been estimated at lower levels than recent rates. Since 1988, Kitsap County has received an annual average of $7.34 per capita of federal grant funding, and over the last decade the County has received an annual average of $12.78 per capita. The average has been slightly higher in recent years, so this analysis estimates future average annual per capita federal grant dollars at $8.00 per capita, with a 3% annual increase. As with state grant dollars, changes in total revenues are expected to occur at the rate of change in the population.

Exhibit 3-7 shows historical federal grant revenues to the left of the gray dotted line (2016), and projected revenues to the right. An average annual dollar amount is assumed in each year for this analysis. However, in reality these dollars will vary greatly from year to year and will likely resemble the trend of peaks and valleys shown in historical data. While using an annual average does not fully represent the County's future cash flow of grant dollars, it approximates how many total dollars will be received over the study period.

The revenue drop in 2026 is due to the assumed incorporation of the Silverdale UGA, which would reduce population in unincorporated county. Since this model assumes that grant revenue amounts are proportionate to the population, the grant revenues drop when the population drops. The dotted line represents estimated future revenues if Silverdale did not incorporate and the current boundaries stayed the same.

Exhibit 3-7. Kitsap County Federal Transportation Grant Revenues Allocated for Capital Projects (1995 – 2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2016.

Exhibit 3-8 shows estimated total federal grant revenues in two subtotal periods as well as for the entire 2016-2036 planning period.

Exhibit 3-8. Projected Federal Transportation Grant Revenues for Capital Projects (2016 – 2036 in YOE$)

Federal Transportation Grants	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$9,240,000	$32,700,000	***$41,940,000***

Source: Kitsap County, 2015; BERK, 2016.

Total Estimated Transportation Revenues

Exhibit 3-9 shows total projected dedicated transportation revenues for Kitsap County for the planning period and two interim subtotal periods. The County currently has a 2015 fund balance of about $20.7 million in the County road construction fund. These dollars are available for spending on transportation capital projects over the planning period, which is reflected in the final column of Exhibit 3-9. It is important to note that these totals include impact fee revenues, which have limitations described in the Transportation Impact Fees section above, including that they are limited to spending on projects that serve new development and must be spent within six years of collection.

Exhibit 3-9. Projected Total Transportation Revenues Allocation for Capital (2016 – 2036 in YOE$)

Total Transportation	Subtotal 2016-2021	Subtotal 2022-2036	Revenue Total 2016-2036	Total with 2015 Fund Balances
Estimated Revenues	$47,280,000	$132,790,000	**$180,070,000**	***$ 200,781,130***

Source: Kitsap County, 2015; BERK, 2016.

Parks

Parks Impact Fees

Similar to the transportation impact fees described above, a County can impose impact fees on new residential developments to help fund capital parks projects to serve new development. Impact fees can be used to pay the proportional share that each development benefits from public facilities, but cannot be used to correct existing deficiencies. Parks impact fees may only be charged on developments in unincorporated areas of the county.

Impact fees can be used on development, site acquisition, or debt service for projects that serve a new development. Kitsap County currently imposes impact fees at the rates authorized in Kitsap County Code 4.110.210.

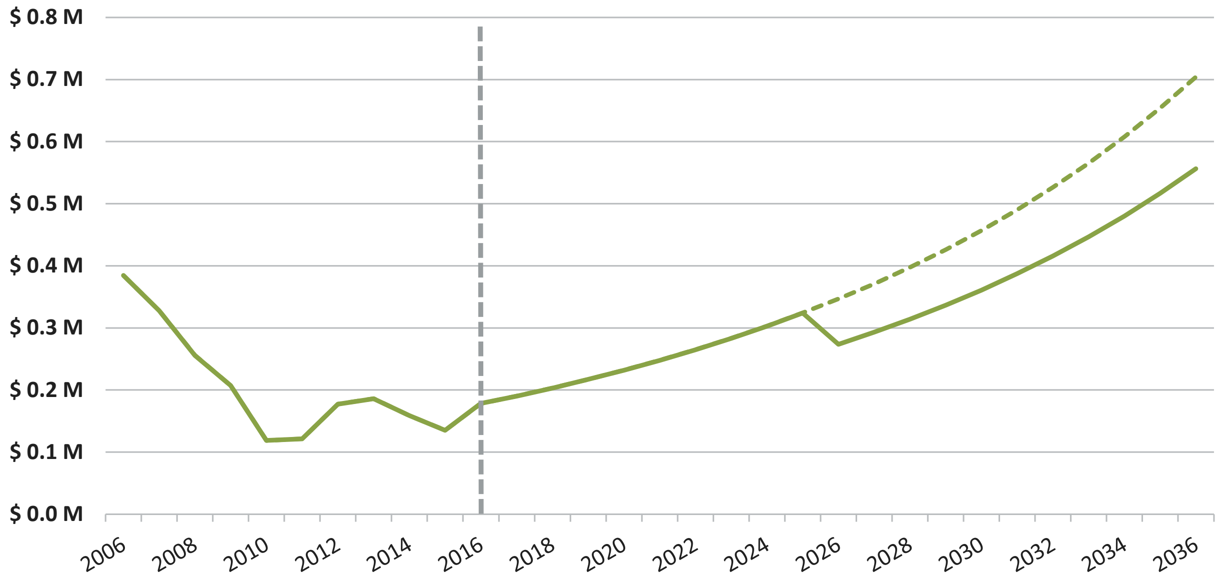
Assumptions. Since impact fees are related to new residential development, this analysis projects future revenues based on expected rates of new residential construction in the unincorporated area of the county. Historical revenues and construction levels were analyzed to understand the relationship between impact fees and new construction, and this relationship was used to project revenues going forward.

Over the last ten years (2006-2015) the County has received about $1.50 in parks impact fees for every $1,000 of new construction Assessed Value (AV) from unincorporated areas. To estimate these revenues going forward, this analysis holds a constant relationship of $1.50 per $1,000 new construction AV, with 3% annual increases. Total revenues will therefore change on pace with changes in the County's unincorporated population. As with transportation impact fees, this analysis does not assume any future rate adjustments, although rates are likely to be reviewed, and perhaps adjusted, by the County every few years based on future project needs.

Exhibit 3-10 shows historical park impact fee revenues to the left of the gray dotted line and estimated future revenues to the right.

The revenue drop in 2026 is due to the assumed incorporation of the Silverdale UGA, since impact fee revenues from new development in Silverdale would stop accruing to the County. The dotted line represents estimated future revenues if Silverdale did not incorporate and the current boundaries stayed the same.

Exhibit 3-10. Kitsap County Park Impact Fees (2006 – 2036 YOE$)



Source: Kitsap County, 2015; Kitsap County Assessor, 2015; BERK 2016

Exhibit 3-11 shows future estimated park impact fee revenues for two subtotal time periods as well as for the entire 2016-2036 planning timeframe. Currently, the County is using park impact fee revenues to pay the debt service for capital bonds. Transfers from Conservation Futures Tax revenues also fund debt service. In total, about $3.4 million of future park revenues is slated to go toward debt service payments that won't be retired until 2032. The remaining amount is available for future parks capital projects.

Exhibit 3-11. Kitsap County Park Impact Fee Revenues (2016 – 2036 YOE$)

Parks Impact Fees	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$1,270,000	$5,560,000	***$6,830,000***
Amount Committed to Debt Service	$1,263,270	$2,098,000	***$3,361,270***
Available Revenues	$6,730	$3,462,000	***$3,468,730***

Source: Kitsap County, 2015; BERK, 2016.

Conservation Futures Tax

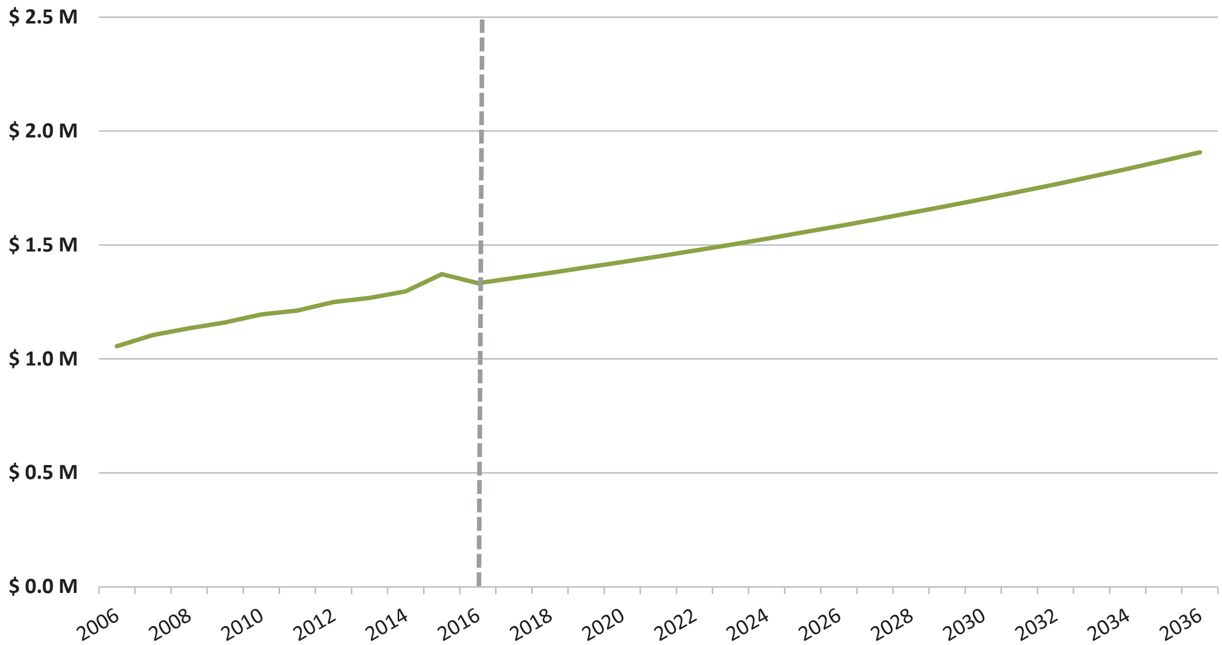
The Conservation Futures Tax is a property tax assessed on all taxable property in Kitsap County, in both incorporated and unincorporated areas. According to state laws (RCWs 84.34.210 and 84.34.220) revenues from this tax may be used for acquisition of open space land, farm and agricultural land, and timber land. This tax has become an important piece of Kitsap County's parks funding as it has remained fairly stable even as impact fee revenues have declined. However, much of this revenue is currently dedicated to paying off bonds that won't be retired until 2024.

As mentioned above, property tax revenues were significantly impacted by the passage of Initiative 747 in 2001, which limits property tax collections increases to 1.0% of the previous year's revenues plus new construction. In inflation-adjusted terms, revenues from property tax are actually declining, since the 1.0% allowable increase does not keep pace with inflation (which has averaged about 3.0% in the recent past) or with population growth.

Assumptions. This analysis assumes assessed values will increase at 2.0% annually, which is in line with historical averages. The current levy rate for the conservation futures tax is $0.048 per $1,000 of assessed value countywide (Kitsap County Statement of Assessments, 2015). Because assessed value increases each year faster than 1.0%, while levy revenues are only allowed to increase at 1.0% plus new construction, the levy rate declines each year. Kitsap County is currently collecting the maximum revenue each year at its current rate, including the 1% growth. The only way it could receive additional revenues beyond what is projected below is to pass a voter-approved levy increase.

Exhibit 3-12 shows historical conservation futures tax revenues to the left of the dotted line and estimated future revenues to the right.

Exhibit 3-12. Kitsap County Conservation Future Tax Revenues (2006 -2036 YOE$)



Source: Kitsap County, 2015; BERK, 2012.

Exhibit 3-13 shows estimated future revenues for the conservation futures tax for two subtotal time periods as well as the entire 2016-2036 planning timeframe. The County is currently using these revenues to pay debt service for capital bonds. In total, about $7.3 million of projected conservation futures revenues is slated to go toward debt service payments through 2024. The remaining amount is available for future parks capital projects.

Exhibit 3-13. Projected Kitsap County Conservation Futures Tax Revenues (2016 – 2036 in YOE$)

Conservation Futures Tax	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$8,350,000	$25,190,000	***$33,540,000***
Amount Committed to Debt Service	$5,187,979	$2,097,469	***$7,285,448***
Available Revenues	$3,162,021	$23,092,531	***$26,254,552***

Source: Kitsap County, 2015; BERK, 2016.

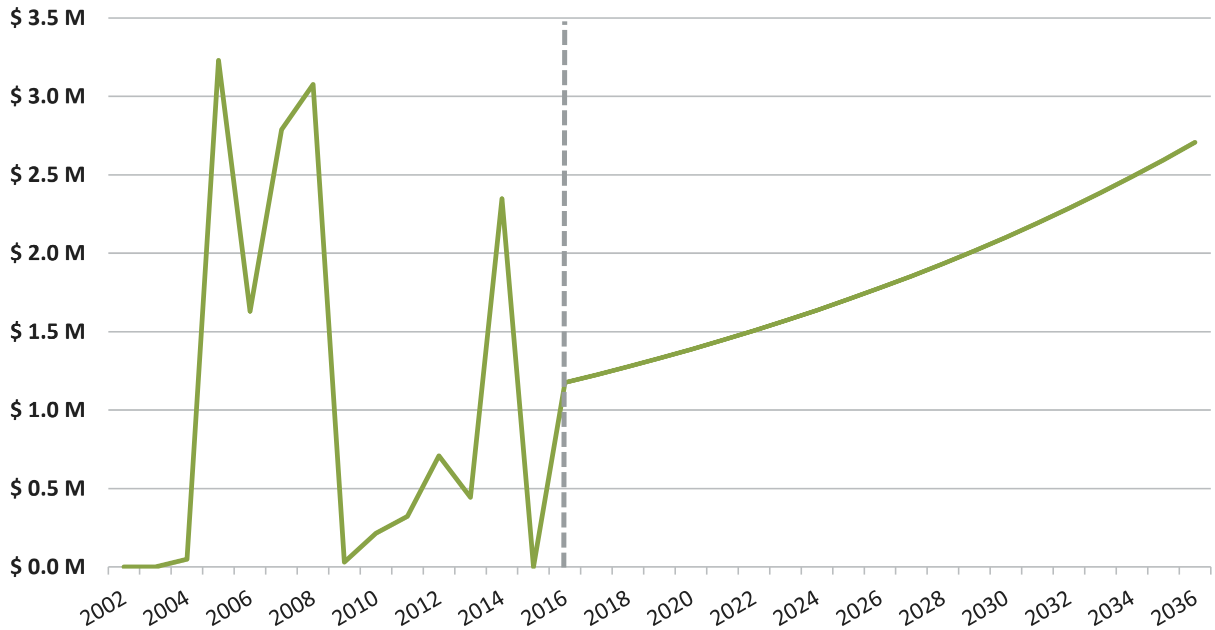
Grants and Donations

Additional revenues for parks capital projects and acquisitions generally comes from state grants, federal grants, and donations. State grants, which usually come from the Washington State Recreation and Conservation Office, make up the largest of these three sources.

Assumptions. Because competition for grants is on a state or national level, this analysis estimates these revenues on a per capita basis on the assumption that over time a jurisdiction will generally receive its "fair share" of available grant revenues. Between 2002 and 2014, the County received about $4.63 per capita in combined state and federal grant and donation revenues; this analysis estimates future average annual grants at $4.50 per capita, with 3% annual increases.

Exhibit 3-14 shows historical revenues to the left of the dotted line and estimated future revenues to the right. An average annual dollar amount is assumed in each year for this analysis. However, in reality these dollars will vary greatly from year to year and will likely resemble the trend of peaks and valleys shown in historical data. While using an annual average does not fully represent the County's future cash flow of grant dollars, it approximates how many total dollars will be received over the study period.

Exhibit 3-14. Kitsap County Parks Grants and Donations Revenues (2002 – 2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2016.

Exhibit 3-15 summarizes the County's projected parks grant and donation revenues in two subtotal time periods as well as for the entire 2016-2036 planning horizon.

Exhibit 3-15. Projected Kitsap County Parks Grants and Donations Revenues (2016 – 2036 in YOE$)

Parks Grants and Donations	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$8,170,000	$29,250,000	***$37,420,000***

Source: Kitsap County, 2015; BERK, 2016.

Total Estimated Parks Revenues

Exhibit 3-16 shows total projected parks capital revenues for the planning period, including revenues from impact fees, conservation futures tax, grants, and donations. The County currently has a fund balance of about $4.1 million in its two primary parks capital funds. These dollars, along with future revenues, are available for spending on parks capital projects over the planning period, resulting in an estimated $67.2 million (shown in the final column of Exhibit 3-16).

Exhibit 3-16. Projected Total Kitsap County Revenues Dedicated to Parks Capital Projects (2016 – 2036 in YOE$)

Total Parks	Subtotal 2016-2021	Subtotal 2022-2036	Revenue Total 2016-2036	Total with 2015 Fund Balances
Estimated Revenues	$17,450,000	$61,490,000	**$78,940,000**	**$79,091,987**
Amount Committed to Debt Service	*$7,698,491*	*$4,195,469*	***$11,893,960***	***$11,893,960***
Available Revenues	$9,751,509	$57,294,531	**$67,046,040**	**$67,198,027**

Source: Kitsap County, 2015; BERK, 2016.

Sewer

State Grants

Kitsap County receives grants from the state to help fund sewer capital projects. These grants are project-specific and therefore do not occur on a regular basis. In the timeframe for which historical revenues were available for this analysis, 2006-2015, the County received capital sewer grants in three of the ten years. These grants varied in amount from less than $0.2 million to over $1 million. In 2015, the County was awarded a grant for $4.6 million, with funds to be distributed in 2016. The grant is for the Yukon Harbor project, which will provide sewer service along Colchester Drive in Manchester to 121 homes that are currently on septic systems (Kitsap County, 2015; BHC Consultants, 2015).

Assumptions. Based on discussions with Kitsap County, recent grant revenues have been higher than historical averages, and higher than the County expects to receive going forward. The County has indicated that the most conservative estimate for projecting revenues over the next 20-years would be to account for no additional grant revenues. (Brown, 2015)

Sewer Hook-up Fees

Sewer hook-up fees (also known as newcomer's fees) are charged when a property owner wants to connect a property to an existing county sewage system. The logic behind the newcomer's fee is that it represents the new connection's proportionate share of future expansion of the major components of the existing sewage system. The amount of the fee varies based on the type of property and/or the number of dwelling units.

Hook-up fees for the majority of Kitsap County sewer service area residents are deposited into the non-capital Sewer Improvement Fund and only transferred for capital use when needed. According to County staff, there have been no transfers from the Improvement Fund to the Construction Fund since 2009, as a result of bonds sold in 2010 and 2015. Although there is currently $5.5 million in the Improvement Fund that will be transferred to the Construction Fund at some point, this analysis does not assume any transfers will occur since a policy does not exist. (Brown, 2015)

The only hook-up fees that are automatically allocated to capital are from newcomers in the City of Poulsbo; this revenue is deposited in the County's sewer capital fund. Because of this, historical Poulsbo sewer fees are used as a basis for analysis of future capital revenue. (Brown, 2015)

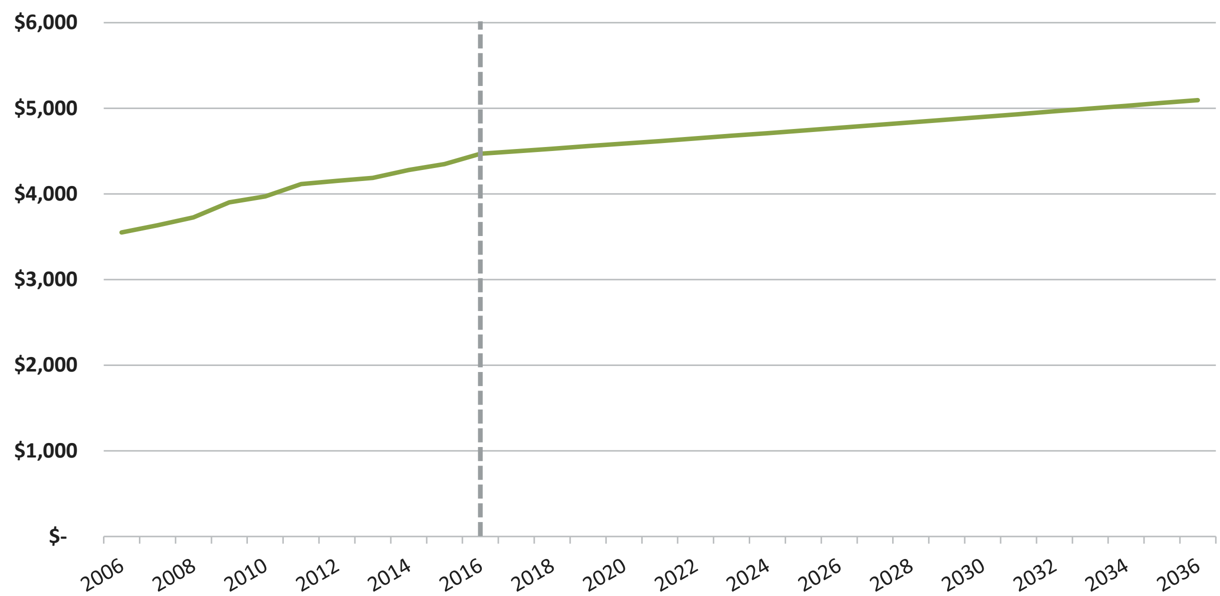
It is important to note that hook-up fees from the City of Poulsbo may only be used on projects that benefit sewer customers within the City of Poulsbo. Any sewer projects that do not benefit Poulsbo residents would need to be funded through transfers from non-dedicated capital funds.

Assumptions. Hook-up fees are generated by new sewer connections, which vary by the type of new development, as well as when existing properties require a new connection to the sewer system. Making assumptions about the rate of existing properties connecting to the sewer system is difficult. This analysis instead focuses on how new development relates to hook-up fees, since new developments represent the majority share of hook-up fees paid.

This analysis bases expected future revenues on the relationship between new housing development in the City of Poulsbo, as a proxy for total development activity, and the level of hook-up fees. Over the last ten years (2006-2015), the County has received around $4,400 in hook-up fees per new housing unit within the city. This analysis conservatively assumes that around $3,500 per new housing unit will be received in the future, and hook-up fees will grow in relation to housing growth in the City of Poulsbo.

Exhibit 3-17 shows historical hook-up fee revenues allocated for capital to the left of the dotted line and estimated future revenues to the right. This analysis estimates future revenues using an assumption of linear growth in households between 2016 and 2036. However, actual revenues in any given year may vary based on the type and amount of construction completed in that particular year and will likely exhibit peaks and valleys. Exhibit 3-17 estimates the annual average over the entire planning period.

Exhibit 3-17. Kitsap County Sewer Hook-up Fees Allocated for Capital (2006 – 2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2016.

Exhibit 3-18 summarizes total future estimated sewer hook-up fee revenues from the City of Poulsbo for the 2016-2036 planning period, and shows two subtotal periods.

Exhibit 3-18. Projected Sewer Hook-Up Fee Revenues Allocated for Capital (2016 – 2036 in YOE$)

Sewer Fees	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$680,000	$2,490,000	***$3,170,000***

Source: Kitsap County, 2015; BERK, 2016.

Total Estimated Sewer Revenues

Utility funds operate as enterprises within the County structure, functioning much like private business entities. The Sewer Capital Fund relies primarily on rates to fund its capital program; the County periodically conducts comprehensive cost-of-service evaluation of its utilities to determine whether any adjustments to current rates are needed to ensure each customer pays their equitable share of sewer system costs. The results of this study are reflected in the customer utility rates. Additionally, the Sewer Capital Fund typically receives transfers from the Sewer Operating and Maintenance Fund, as well as developer contributions.

Exhibit 3-19 shows total estimated revenues available for sewer capital projects over the planning period, including both sewer hook-up fees and state grants. Additionally, the County currently has a fund balance in its sewer capital fund. These dollars are also available to cover planned sewer projects during the 2016-2036 time period.

Exhibit 3-19. Total Projected Sewer Revenues Allocated for Capital (2016 – 2036 in YOE$)

Total Sewer	Subtotal 2016-2021	Subtotal 2022-2036	Revenue Total 2016-2036	Total with 2015 Fund Balances
Estimated Revenues	$5,240,000	$2,490,000	**$7,730,000**	***$ 26,535,757***

Source: Kitsap County, 2015; BERK, 2016.

Stormwater Management

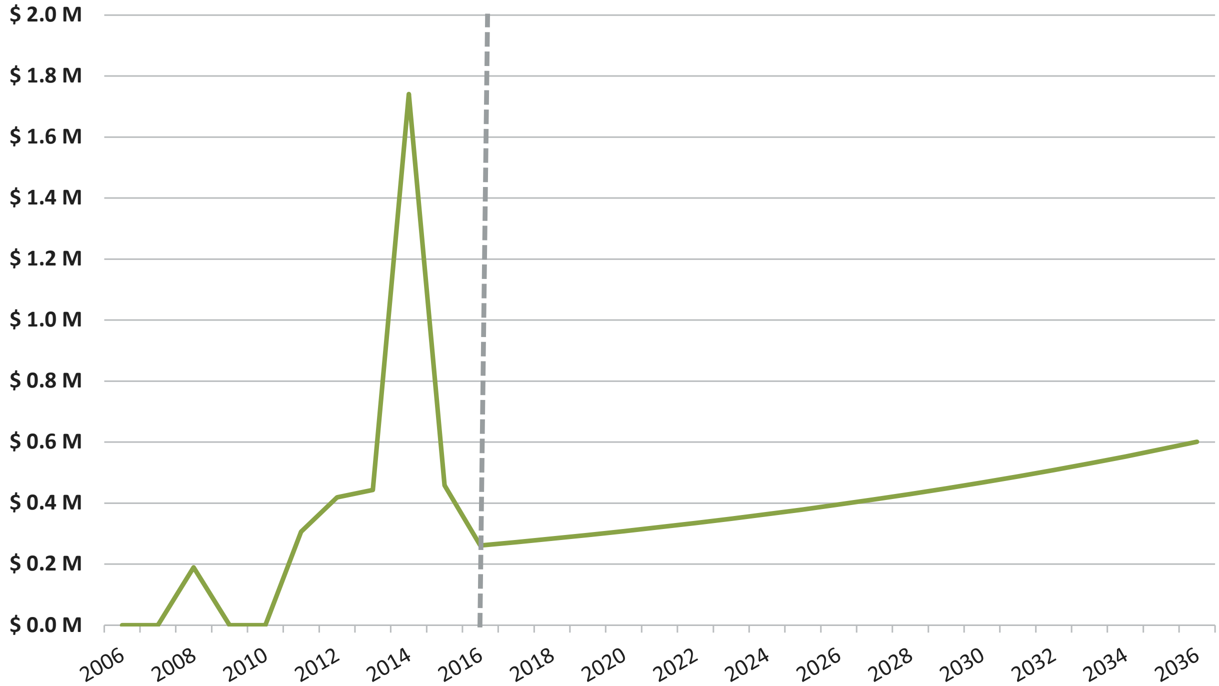
State and Federal Grants

The County receives state and federal grants to support specific Stormwater Management (Stormwater) capital projects. From the historical data available for this analysis, the County received grant funds in five of the past ten years.

Assumptions. Over the last ten years (2006 – 2015), annual per capita grant revenues for surface and stormwater management have been about $1.39 per capita. As a conservative assumption, expected revenues for Stormwater grants are estimated at $1.00 per capita annually, growing at an estimated future inflation rate of 3.0%.

Exhibit 3-20 shows historical Stormwater grants to the left of the dotted line and estimated future revenues to the right. An average annual dollar amount is assumed in each year for this analysis. However, in reality these dollars will vary greatly from year to year and will likely resemble the trend of peaks and valleys shown in historical data. While using an annual average does not fully represent the County's future cash flow of grant dollars, it approximates how many total dollars will be received over the study period.

Exhibit 3-20. Kitsap County Surface and Stormwater Management Grant Revenues (2006 – 2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2016.

Exhibit 3-21 summarizes projected revenues for the planning period as well as two subtotal time periods.

Exhibit 3-21. Projected Surface and Stormwater Management Grant Revenues (2016 – 2036 in YOE$)

Stormwater Grants	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$1,750,000	$6,840,000	***$8,590,000***

Source: Kitsap County, 2015; BERK, 2016.

Surface and Stormwater Management Fees

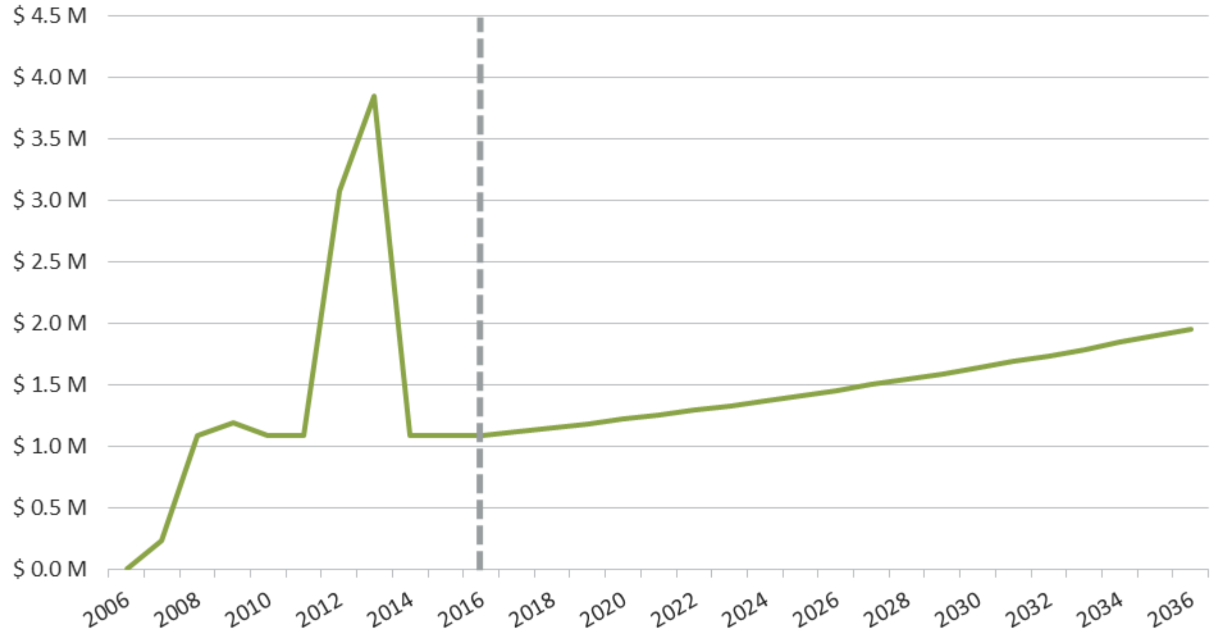
The County charges Stormwater fees to those served by or receiving benefits from County drainage facilities or contributing to surface water runoff within the County. Rates are based on the current use of a property (such as residential, commercial, or roadway) as well as the size of the establishment in terms of square footage, number of dwelling units, or impervious surface area.

Stormwater fee revenues can be used for both operations and maintenance of Stormwater facilities as well as Stormwater capital projects. The amount of fee revenue that goes into the Stormwater capital funds is based on County policy.

Assumptions. Based on conversations with staff, the County currently allocates about $1.1 million per year of its Stormwater rate revenues into its Stormwater capital funds: $850,000 into the Stormwater Program Capital Fund and $230,000 into the Stormwater Asset Replacement Fund. This analysis assumes that this level of fee contribution to capital projects will continue and will increase at about 3.0% annually due to inflation and rate increases.

Exhibit 3-22 shows historical revenues allocated for capital to the left of the dotted line and estimated future revenues to the right. The County began transferring $230,000 per year into the Stormwater Asset Replacement Fund beginning in 2007 and added $850,000 per year to the Stormwater Program Capital Fund beginning in 2008.

Exhibit 3-22. Kitsap County Surface and Stormwater Management Fee Revenues Allocated to Capital (2006 – 2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2016.

Exhibit 3-23 summarizes total estimated fee revenues allocated for capital for 2016 - 2036 as well as two interim summary time periods.

Exhibit 3-23. Projected Kitsap County Surface and Stormwater Management Fee Revenues Allocated to Capital (2016 – 2036 in YOE$)

Stormwater Fees	Subtotal 2016-2021	Subtotal 2022-2036	Total 2016-2036
Estimated Revenues	$7,010,000	$24,060,000	***$31,070,000***

Source: Kitsap County, 2015; BERK, 2016.

Total Estimated Surface and Stormwater Management Revenues

Utility funds operate as enterprises within the County structure, functioning much like private business entities. The Surface and Stormwater Capital Fund relies primarily on rates to fund its capital program; the County periodically conducts comprehensive cost-of-service evaluation of its utilities to determine whether any adjustments to current rates are needed to ensure each customer pays their equitable share of surface and stormwater system costs. The results of this study are reflected in the customer utility rates. Additionally, the Sewer Capital Fund typically receives transfers from the Sewer and Stormwater Operating and Maintenance Fund, as well as developer contributions.

Exhibit 3-24 shows total projected Stormwater capital revenues for the planning period, including state and federal grants and management fees. The County currently has a starting fund balance of about $2.6 million between its two primary Stormwater capital funds. These funds are available for capital projects over the planning period, as reflected in Exhibit 3-24.

Exhibit 3-24. Projected Total Kitsap County Revenues Allocated to Stormwater Capital Projects (2016 – 2036 in YOE$)

Total Stormwater Management	Subtotal 2016-2021	Subtotal 2022-2036	Revenue Total 2016-2036	Total with 2015 Fund Balances
Estimated Revenues	$8,750,000	$30,890,000	**$39,640,000**	***$ 42,280,020***

Source: Kitsap County, 2015; BERK, 2016.

3.4 General Capital Revenues

Real Estate Excise Tax

Real Estate Excise Tax (REET) revenues are collected upon the sale of real property and must be expended on capital projects. Since REET is based on the total value of real estate transactions in a given year, the amount of REET revenues a county receives can vary substantially from year to year based on fluctuations in the real estate market. During years when the real estate market is active, revenues are high, and during softer real estate markets, revenues are lower.

Counties have the ability to impose up to two REET levies, REET I (the first 0.25%), and REET II (the second 0.25%), for a total tax of 0.5% of total assessed value. REET I and REET II revenues must be spent on capital projects that are listed in a county's current capital facilities plan. The definition of capital facilities, according to RCW 82.46.010 is:

> *those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative and judicial facilities...*

In addition to the above guidelines, REET II is further restricted, as it may not be spent on recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, or administrative or judicial facilities. (RCW 82.46.035)

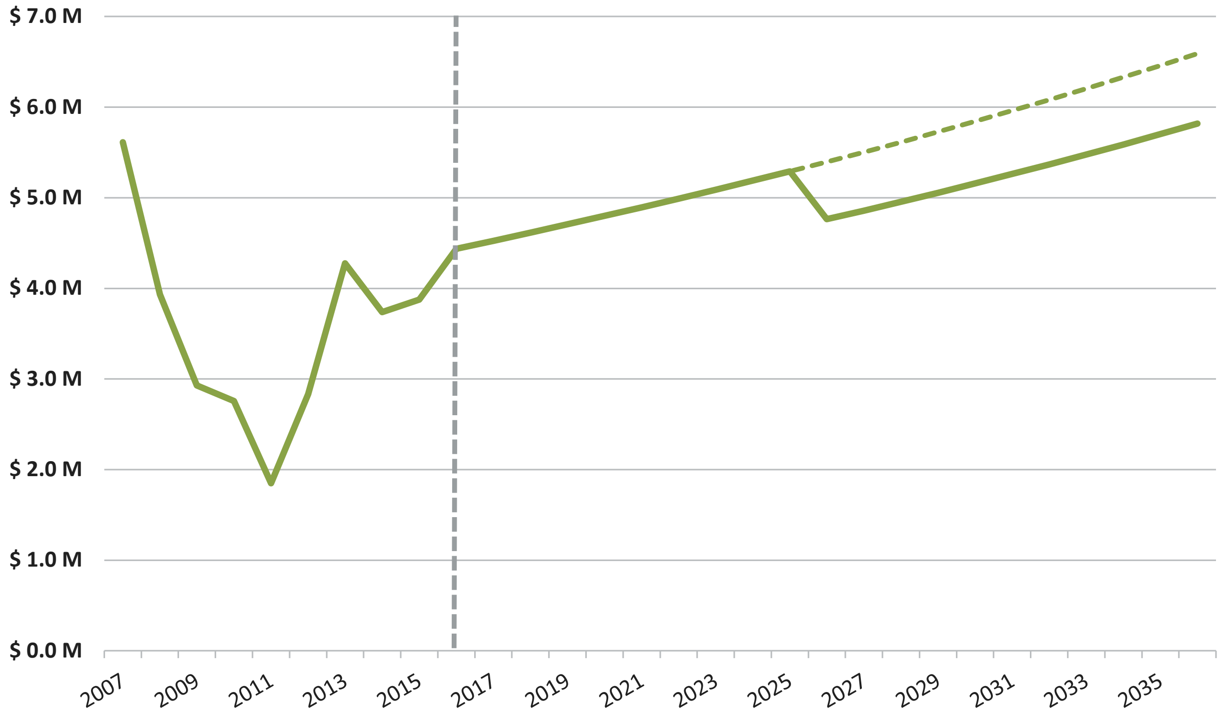
It is up to the discretion of each jurisdiction to choose how to devote REET funds within the above parameters. Kitsap County is currently spending all of its REET revenues on bond payments to which the revenues are already committed. This analysis assumed that the County would not have any significant REET funds to spend for other capital purposes until 2016.

Assumptions: Because REET dollars are directly related to the sale of real estate, this analysis assumes an annual turnover rate of 5.0% for residential properties and 3.5% for commercial properties.

Because REET revenues must be used for capital projects, this analysis assumes all REET revenues beyond those committed to existing bond payments are available for the capital projects discussed in this plan. Exhibit 3-25 shows historical REET revenue to the left of the gray dotted line, and projected revenues to the right. This analysis projects that the County will not see REET revenues similar to those collected in 2007 until around 2020.

The revenue drop in 2026 is due to the assumed incorporation of the Silverdale UGA, which would reduce total assessed value in unincorporated Kitsap County, and therefore the amount of tax collected on that value. The dotted line represents estimated future revenues if Silverdale did not incorporate and the current boundaries stayed the same.

Exhibit 3-25. Kitsap County Real Estate Excise Tax Revenues (2007 – 2036 in YOE$)



Source: Kitsap County, 2015; BERK, 2016.

Exhibit 3-26 shows estimated total REET revenues in two subtotal time periods as well as for the entire 2016-2036 planning timeframe. The REET account currently has a total fund balance (REET I and REET II) of about $3.2 million, which is also available for general capital spending during the planning period. Additionally, some REET revenues, especially in the six-year period, are dedicated to paying off existing debt service payments and are not available for future projects.

Exhibit 3-26. Projected Kitsap County Real Estate Excise Tax Revenues (2016 – 2036 in YOE$)

REET	Subtotal 2016-2021	Subtotal 2022-2036	Revenue Total 2016-2036
Estimated Revenues	$27,980,000	$78,570,000	**$106,550,000**
Amount Committed to Debt Service	$18,350,472	$25,894,134	**$44,244,607**
Available Revenues	$9,629,528	$52,675,866	**$62,305,393**

Source: Kitsap, 2015; BERK, 2016.

3.5 Total Capital Revenues

Exhibit 3-27 summarizes projected total capital revenues available over the planning period, including fund balances.

Exhibit 3-27. Projected Total Kitsap County Capital Revenues (2016 – 2036 in YOE$)

Total Capital Revenues	Subtotal 2016-2021	Subtotal 2022-2036	Revenue Total 2016-2036	Total with 2015 Fund Balances
Estimated Revenues	$106,700,000	$306,230,000	**$412,930,000**	**$459,222,859**
Amount Committed to Debt Service	*$26,048,964*	*$30,089,603*	***$56,138,567***	***$56,138,567***
Available Revenues	$80,651,036	$276,140,397	**$356,791,433**	**$403,084,292**

Source: Kitsap County, 2015; BERK, 2016.

3.6 Potential Policy Options and Other Funding Sources

This section describes policy and funding options available to the County outside of the dedicated revenues listed above. The options listed are not necessarily being considered by the County today, but are included to show a range of options available to the County.

Adjusting Policies for Non-allocated Revenue Streams

The County has some revenue streams that it is not required to use on capital that are currently either (1) being used partially for capital and partially for operations or (2) not being used for capital at all. If the County experiences a shortfall in the revenues it has allocated for capital sources, which are described in the sections above, it could consider changing its policies to create additional or larger capital revenue streams. However, any increase in the portion of these revenues dedicated to capital would need to be balanced against the County's existing operations and maintenance needs. Revenue streams the County could consider allocating to capital include:

- **Solid Waste**. In previous years, the County has regularly transferred about $300,000 per year into the solid waste capital fund from solid waste fees. The County put this practice on hold beginning in 2010 because it had built up a solid waste fund balance to cover near-term solid waste projects. According to staff, the County anticipates having a minimum balance of between $0.5 million and $1.0 million in the fund at the end of 2016 (Brown, 2015). If the County chooses, it could resume operating transfers to fund additional solid waste projects as needed.
- **Stormwater Fees**. The County currently has a set practice of transferring $850,000 of Stormwater fee revenues into the Stormwater program capital fund and $230,000 worth of Stormwater fee revenues into the Stormwater asset replacement fund each year. The County could increase its fee revenue transfers to provide additional capital revenues.
- **County Road Levy**. The County does not currently dedicate any County road property tax levy revenues toward capital projects. However, this revenue is sometimes used to fund construction on an as-needed basis through operating transfers to the County road construction fund. The County could institute a policy of allocating a certain percent of road levy revenues to capital projects to create a more stable capital transportation revenue source.

Local/Road Improvement Districts

If the County needs additional capital funds, it could consider creating a Local Improvement District (LID) or Road Improvement District (RID). Under these programs, the County has the statutory authority to create a new taxing district. Within these districts, the County may levy an additional property tax (excess levy) to cover debt service payments on the sale of bonds purchased to finance projects within the district. Revenues may only be applied to local, clearly-defined areas in which the land owners being assessed the additional tax receive a benefit from the funded projects. LIDs may be used for water, sewer, and stormwater projects. RIDs may only be used to fund road and street improvements.

Transportation Benefit District

Counties may form transportation benefit districts (TBDs) to acquire, construct, improve, provide, or fund transportation improvements within the defined district. TBDs have a number of revenue options to raise money to fund these improvements:

- Annual vehicle fee up to $50 (new legislative change as of July 2016). This fee does not require voter approval, although the County may place it on the ballot if it would like an advisory vote or as an actual requirement of imposition. This fee can either be assessed countywide (on both incorporated and unincorporated areas) or in a district that only includes the unincorporated areas of the county. To assess the fee within incorporated areas, there are legal requirements about the percent of cities and population that must approve the fee.
- Transportation impact fees on commercial and industrial buildings. Residential buildings are excluded. In addition, a county or city must provide a credit for a commercial or industrial transportation impact if the respective county or city has already imposed a transportation impact fee.
- Additional voter-approved revenue options. The County can, with voter approval, institute an annual vehicle license fee of up to $100 per vehicle or a sales tax up to 0.2 percent within the TBD. The TBD sales tax can be imposed in an area that is smaller than countywide and also sunsets after 10 years unless funds are used to retire debt on bonds used to fund improvements.

Tax Increment Financing Tools

Tax increment financing (TIF) allows cities, counties, and port districts to create special districts (tax increment areas) to finance public infrastructure and help incentivize economic development and redevelopment of blighted neighborhoods. Once created, the existing tax base within the tax increment area is frozen. Property taxes continue to be paid, but taxes derived from increases in assessed values (the tax increment) resulting from new development either go into a special fund created to retire bonds issued to fund public infrastructure or to fund infrastructure on a pay-as-you-go basis.

In Washington State, the Community Revitalization Financing (CRF) program is the only current TIF program available to counties. The State also offers two additional TIF programs that include state matching funds, but are currently closed to new applicants as they are pending additional state funding.

3.7 Projected Project Funding

Six-Year Projected Funding and Cost Comparison

The purpose of this section is to compare Kitsap County's dedicated capital facilities revenue sources with its planned project costs for the six-year planning horizon of 2016-2021 to understand the difference between near-term future dedicated capital revenues and planned future costs. In Kitsap County, future capital costs are generally larger than future dedicated capital revenues. This trend is seen in most counties and cities throughout Washington State, given the structural and legal limitations on capital funding sources.

Understanding the magnitude of this difference can help the County plan for ways to fill in the gap through other funding methods, such as operating transfers or bonds.

Estimated Project Costs

The capital project costs shown in Exhibit 3-28 are taken from each county service provider's individual capital facilities plan for the six-year planning period (2016-2021) and estimated costs for the six-year period (2016-2021). Costs were adjusted from current year dollars to Year of Expenditure dollars (YOE$) using an assumed annual inflation rate of 3.0% to align with the revenue projections presented above.

Exhibit 3-28. Estimated Capital Project Costs by Category (2016 – 2021 in YOE$)

Project Costs	Subtotal 2016-2021
Parks	$11,392,298
Sewer	$79,230,041
Solid Waste	$5,756,438
Stormwater	$16,993,516
Transportation	$83,108,907
Total	**$196,481,199**

Note: Year-by-year sewer costs for 2016 – 2026 were estimated from the 1-3 year and 4 – 6 year periods in the project list in Exhibit 4-109. The year-by-year cost estimates were then escalated for inflation and rolled back up to the 6-year project period.

Source: Kitsap County, 2015; BERK, 2016; BHC Consultants, 2015.

Six-Year Capital Cost and Revenue Comparison by Facility Type

Exhibit 3-29 through Exhibit 3-34 show how planned project costs compare to dedicated capital revenue sources for the six-year planning period (2016-2021). The revenues and costs are both presented in year of expenditure dollars (YOE$).

These exhibits identify the difference between planned costs and projected dedicated revenues in the near-term, including existing fund balances in capital project funds. It is important to note that for all of the departments and service providers identified, their six-year capital plans have been balanced using non-dedicated revenue sources or bonds. These mechanisms are summarized after each exhibit.

Exhibit 3-29. Estimated Transportation Dedicated Capital Revenues and Costs (2016 – 2021 in YOE$)

Transportation	2016 - 2021
Dedicated Transportation Fund Revenues	$47,280,000
2015 Transportation Fund Balance	$20,711,130
TOTAL TRANSPORTATION FUNDS AVAILABLE	$67,991,130
Capital Transportation Costs	$83,108,907
Estimated Dedicated Funding Surplus/(Deficit)	**$(15,117,777)**

Source: Kitsap County, 2015; BERK, 2016.

Although there is a difference between future dedicated transportation capital revenues and estimated capital costs for the planning period, the six-year adopted Transportation Improvement Program (TIP) has been balanced through the use of multiple revenue sources, including local funds, impact fees, and state and federal funds.

Exhibit 3-30. Estimated Parks and Recreation Dedicated Capital Revenues and Costs (2016 – 2021 in YOE$)

Parks *(excluding amount committed to debt service)*	2016 - 2021
Dedicated Parks Fund Revenues	$17,450,000
2015 Parks Fund Balance	$4,095,032
TOTAL PARKS FUNDS AVAILABLE	$21,545,032
Capital Parks Costs	$11,392,298
Estimated Dedicated Parks Funding Surplus/(Deficit)	**$10,152,734**

Note: There are no project costs specific to years 2022 through 2036 currently available.

Source: Kitsap County, 2015; BERK, 2016.

Although there is a difference between future capital costs and dedicated capital revenues for the planning period, the adopted Parks CIP creates a balanced plan through the use of other funding mechanisms, including partnerships and bonds. Transfers from Conservation Futures Tax revenues also fund debt service for parks.

Exhibit 3-31. Estimated Stormwater Management Dedicated Capital Revenues and Costs (2016 – 2021 in YOE$)

Surface and Stormwater Management	2016 - 2021
Dedicated Stormwater Fund Revenues	$8,750,000
2015 Stormwater Fund Balance	$2,640,020
TOTAL STORMWATER FUNDS AVAILABLE	$11,390,020
Capital Stormwater Costs	$16,993,516
Estimated Dedicated Stormwater Funding Surplus/(Deficit)	**$(5,603,496)**

Note: There are no project costs specific to years 2022 through 2036 currently available.

Source: Kitsap County, 2015; BERK, 2016; BHC Consultants

The six-year Stormwater CIP makes up for the difference between dedicated capital revenues and costs by using stormwater utility funds and targeted grant applications to augment its dedicated revenue sources. More detail on revenue sources for planned Stormwater projects and project-specific revenue sources can be found in Section 4.7.

Exhibit 3-32. Estimated Sewer Dedicated Capital Revenues and Costs (2016 – 2021 in YOE$)

Sewer	2016 - 2021
Dedicated Sewer Fund Revenues	$5,240,000
2015 Sewer Fund Balance	$18,805,757
TOTAL SEWER FUNDS AVAILABLE	$24,045,757
Capital Sewer Costs	$79,230,041
Estimated Dedicated Sewer Funding Surplus/(Deficit)	**$ (55,184,284)**

Note: Year-by-year sewer costs for 2016 – 2026 were estimated from the 1-3 year and 4 – 6 year periods in the project list in Exhibit 4-109. The year-by-year cost estimates were then escalated for inflation and rolled back up to the 6-year project period.

Source: Kitsap County, 2015; BERK, 2016; BHC Consultants, 2015; Kitsap County Sewer Revenue Bonds Presentation, 2015.

Although the difference between future dedicated capital revenues and costs is large, the County has developed a funding plan that balances its six-year sewer CIP through the planned use of revenue bonds. The sewer costs and revenues analyzed in Exhibit 3-32 include those costs and revenues under the Preferred Alternative.

Exhibit 3-33. Estimated Solid Waste Dedicated Capital Revenues and Costs (2016 – 2021 in YOE$)

Solid Waste	2016 - 2021
Dedicated Solid Waste Fund Revenues	$0
2015 Solid Waste Fund Balance	$750,000
UNASSIGNED SOLID WASTE FUNDS AVAILABLE	$750,000
SOLID WASTE FUNDS AVAILABLE TO LANDFILL CLOSURE	$11,006,712
Non-Landfill Closure Capital Solid Waste Costs	$4,849,743
Costs related to Landfill Closures	$906,695
Estimated Total Dedicated Solid Waste Funding Surplus/(Deficit)	**$6,000,274**
Estimated Non-Assigned Dedicated Solid Waste Funding Surplus/(Deficit)	**$(4,099,743)**

Note: There are no project costs specific to years 2022 through 2036 currently available. There is a $10 million surplus for 6-year landfill closure and no surplus for 6-year capacity project capital spending.

Source: Kitsap County, 2015; BERK, 2016.

The County has balanced its six-year solid waste CIP by planning to transfer tipping fee revenues to the solid waste capital fund and its Hansville and Olalla Landfill Post Closure Funds to fill in the difference between its future costs and dedicated revenue sources.

Six-Year Capital Cost and Revenue Comparison – All County Facilities

Exhibit 3-34. Estimated General Capital Dedicated Revenues and Costs (2016 – 2021 in YOE$)

General Capital Funds *(excluding amount committed to debt service)*	2016 - 2021
General Capital Revenue	$27,980,000
2015 General Capital Fund Balance	$3,233,965
TOTAL GENERAL CAPITAL FUNDS AVAILABLE	$31,213,965
General Capital Costs	$0
Estimated Dedicated General Capital Funding Surplus/(Deficit)	**$ 31,213,965**
TOTAL DEDICATED CAPITAL FUNDS*	$156,935,904
TOTAL CAPITAL NEED**	$195,574,504
TOTAL DEDICATED CAPITAL FUNDING SURPLUS/(DEFICIT)	**$ (38,638,600)**

*Total dedicated capital funds include projected revenues for all services provided by the County.

Source: Kitsap County, 2015; BERK, 2012, 2016; BHC Consultants, 2015.

As shown in Exhibit 3-34, the total shortfall between the County's estimated six-year capital costs and projected six-year dedicated capital revenues is approximately $38.6 million. Funds available include about $31 million in general capital funds that can be spent on any type of capital project.

This variance represents the structural difference between incoming dedicated capital revenues and planned capital expenditures over the six-year planning period, and does not reflect the County's likely future cash flow or ability to pay. The County has tools beyond its dedicated revenue streams with which to fund capital projects, such as reprioritization of operating revenues and its unused debt capacity.

The largest of the current difference is from sewer capital costs, which the County plans to bond for. The County's unused long-term debt capacity is about $583 million, including $311 million of non-voted capacity and $272 million of voted capacity (Kitsap County 2015 Budget Book, 2015). This available bonding capacity far exceeds the costs presented above. Therefore, it would be possible to issue bonds to cover the deficits shown if revenue does not increase, expenses do not decrease, or programs are not reprioritized.

3.8 Other Service Providers

For service providers other than Kitsap County we have presented general funding information for each type of service in the sections below. For review of the specific funding sources for each provider we have relied on the most current CFP available for that provider. Information has been supplemented via personal communication with provider representatives where possible.