

CHAPTER 9

FINANCING

9.1 GENERAL

This Chapter of the Plan considers the financing option associated with construction of the improvements recommended in Section 7 of this document and outlines specific recommendations for continued operation of the sewer utility in accordance with State regulations and the requirements of the jurisdictions within which Valley View operates. Operation of a sewer utility requires consideration of a variety of expenses, which can be classified as follows:

9.2 FINANCIAL CONSIDERATIONS

- ◆ Capital Improvements Plan Projects;
- ◆ Repair and Replacement Projects;
- ◆ Administration, Operation and Maintenance Expenses;
- ◆ Debt Service Requirements; and,
- ◆ Wastewater Treatment and Disposal Costs.

9.3 FUNDING SOURCES

Revenue sources for financing District operations and capital expenses include rates, Utility Local Improvement Districts (ULIDs), Bonds, Grants and Loans. Each of these specific revenue sources are discussed in further detail in the following paragraphs.

9.3.1 Rates

Revenue from rate and charges is obtained from monthly sewer charges, permit fees, facility charges and connection charges. A summary of the District's current and projected rates and charges is presented in Table 9-1. Monthly sewer use rates were last updated in 2021. Note that the District maintains a rate schedule that accommodates the various rates paid to the three separate treatment providers to the District (King County-Metro, Midway and Southwest Suburban Sewer District). Facility and connection charges were reviewed and updated in the past and the District plans to update these charges using the projects outlined in the Capital Improvements Plan (Chapter 7). Copies of the District's rate and facility charge studies are available for review at the District office.

Table 9-1: 2022 Rates, Fees, and Charges

Customer Classification	Monthly Rates	
Residential and Condominiums		
Metro-King County Area	\$66.00	
Midway Area	\$47.73	
SWSSD	\$49.22	
Apartments and Mobile Home Parks		
Metro-King County Area	\$56.15	
Midway Area	\$47.73	
SWSSD	\$49.22	
Detached Accessory Dwelling Units		
Metro-King County Area	\$66.00	
Midway Area	\$47.73	
SWSSD	\$49.22	
Residential Plus Attached Accessory Dwelling Units		
Metro-King County Area	\$122.15	
Midway Area	\$95.46	
SWSSD	\$49.22	
Commercial/Travel Trailer Parks	First 750 CF	Each Additional 100 CF
Metro-King County Area	\$66.00	\$8.80
Midway Area	\$47.73	\$6.36
SWSSD	\$49.22	\$6.56
Coin operated laundries are granted a 3% evaporation exemption. Delinquent Accounts are subject to 10% penalty and 12% annual interest.		
Type of Permit	Fee	
Single Family Residential	\$100.00 Includes two inspections	
Accessory Dwelling Unit	\$50.00 Includes one inspection	
Private Pump Systems	\$150.00 Includes two inspections	
Commercial Structures	\$0.05/square foot of ground area \$100.00 minimum Includes two inspections	
Right-of-Way Permit		
City of Burien	\$450.00	
City of SeaTac	\$350.00	
King County	\$475.00	
City of Tukwila	\$700.00	
Repair Permit	\$15.00 Includes one inspection	
Capping Permit	\$70.00	

Additional Inspections	\$50.00
Connection Charges	Fee
General Facilities Charge Residential or Res. Equiv. Multi Family (per living unit) Accessory Dwelling Unit	\$4,033.00 \$3,226.00 \$3,226.00
System Facilities Charge Residential or Res. Equiv. Multi Family (per living unit)	\$162.00/Front Foot (\$8,100.00 minimum) \$8,100.00/unit
Notes: Connection Charges are one time charges due at the time of connection. Connection charges for non-residential uses are determined by estimating monthly flows/Residential Equivalents.	
SWSSD Connection Charge	Fee
Single Family Residence	\$3,826.00
Multiple Dwelling: 2 or more units Commercial based on ERU	\$2,410.00/unit \$3,826.00 minimum
Note: SWSSD connection charges reflect the costs of other jurisdictions. This one time fee is due at time of connection.	
King County Monthly Capacity Charge (For buildings connected on or after February 1, 1990)	\$10.50
Single Family Residence: Net square footage (SF) less than 1,500 Net SF 1,500-2,999 Net SF 3,000 or greater	\$70.39 x Residential Customer Equivalent 0.81 RCE 1.0 RCE 1.16 RCE
Multiple Dwelling: 2 – 4 units 5 or more units Commercial based on ERU	(# of units x RCE) x \$70.39 0.81 RCE 0.63 RCE 0.59 RCE
Note: Treatment charges reflect the costs of other jurisdictions.	

9.3.2 Utility Local Improvement District Financing

Utility Local Improvement District (ULID) financing is a means by which improvements can be financed by those property owners directly benefiting from those improvements. This method of financing can be initiated either by property owners or by District resolution. If initiated by petition by property owners, the measure must have the support of at least 51% of property owners within the benefiting area. ULID financing is generally used for construction of local facilities and initial financing is typically by bond sales. The costs associated with the improvements are usually divided and assessed against properties, although revenue from rates can also be used to repay the bonds.

9.3.3 Bond Financing

Bond financing can be achieved by sale of either general obligation or revenue bonds. General obligation bonds must have the support of the majority of voters in the District. These bonds are paid for by assessments against properties within the District. Revenue Bonds, however, do not require voter approval and may be financed by whatever funds are available to the District for the payment of debt service. This might include revenues from water sales, general fees, latecomer charges or other funds.

9.3.4 Grant Financing

Grant financing for sanitary sewer projects has become increasingly scarce for utility systems in recent years. Grants from the Centennial Clean Water Fund, however, are still available. This program is administered by the State of Washington and is primarily for the planning, design and construction of facilities which will assist in the protection of the State's waters. Although this type of funding has been used for the construction of sanitary sewer facilities in areas adjacent to surface waters, declaration of a public health hazard is typically required for funding.

Other grant funding includes the King County Community Development Block Grant program, which in 2010 awarded the District with a grant to extend sewers south of S. 120th St along 10th Ave South in a low income neighborhood of the District currently unserved by the sewer system.

9.3.5 Loan Financing

As of late, the District has used Ecology's Clean Water State Revolving Fund program to obtain loans for their projects. The CWSRF program provides low-interest and forgivable principal loan funding for wastewater construction projects. This program was the primary funding source for the Military Road South, Hilltop and Loop projects that began in 2015.

Another source of loan financing for public utility systems in Washington is the Public Works Board, which is administered by the State of Washington Department of Commerce. The Public Works Board program is a low interest loan program which provides twenty year financing for certain public works projects with interest rates ranging from 0.5% to 1.5% depending on the level of local match funding. Generally, eligible projects are limited to public utility rehabilitation and replacement projects. The funds are distributed annually on a competitive application basis. The amount of funds vary depending on the legislature and the funds may be awarded to a qualifying jurisdiction per biennium. Valley View Sewer District has benefited from this type of financing for several projects in their past and it is recommended that the District evaluate the appropriateness of this type of financing for upcoming projects during its annual budgeting and CIP review process.

9.4 FINANCING CAPITAL IMPROVEMENTS

Capital improvements can be further defined into: (1) General facilities which are facilities such as sewer interceptors, pump stations, force mains, standby power or pumping units and other appurtenances which are required for the overall system to function properly; (2) Local facilities such as distribution mains and appurtenances which benefit a smaller area; and, (3) Individual service lines which benefit only the single property that they serve. Methods for financing each of these types of improvements are described below.

9.4.1 General Facilities

In new and expanding areas, where sewer service is not currently available, General Facilities are typically financed by one of the following methods:

- Passing a general obligation bond which is insured by the voters;
- Forming a ULID and assessing the benefiting properties equally;
- Requiring the initial developer to pay for the improvements with a pay-back arrangement as the area develops (latecomers charges);
- District funding improvements and assessing a charge to each property within the benefited area as development occurs. This charge must cover all costs incurred, including interest on money and an allowance at a rate that will amortize the investment; and/or,
- District obtaining grants or low interest loans.

In older, established areas such as the Valley View area, financing general facility improvements or replacement of major system improvements presents a unique challenge. Existing customers of the system have typically paid their fair share of general facility charges through monthly rates and connection charges and the amount of new development, and associated developer financing is typically limited. In these instances, general facilities can be constructed and paid for by the grants, bonds or other funds available to the District and rates established to cover and pay back such financing. Additionally, general facility charges are established so that the required replacements are included in the amount that new customers to the system pay for connection. Valley View recently completed a General Facility Charge study which takes into account all system improvements which have been completed in the last ten years or are proposed in the next ten years.

9.4.2 Local Facilities

Local facilities such as sewer collection lines and appurtenances benefit a smaller area than general facilities do. The costs for these improvements can be directly attributable to the property owners benefited and are typically financed by the following methods:

- Formation of a ULID (Utility Local Improvement District)
- Developer Extension Agreements;
- Payback Latecomer Agreements; and/or,

- Grants and outside assistance to reduce local costs and/or District participation.
- Funding local facilities improvement from rates is not recommended because it would result in all customers paying for improvements which benefit only a small area.

9.4.3 Individual Service Lines

Individual service lines are typically financed by the customer receiving service from such facilities.

9.5 FINANCING RECOMMENDED IMPROVEMENTS

The Capital Improvements Plan put forth in Chapter 7 of this Plan indicates that more than \$9.5 million is required to accomplish all the recommended improvements associated with renewals and replacements to the system. Since this amount of money is clearly not available from rates and charges, alternative methods of financing must be used. Potential financing options for each project are identified in the CIP. Wherever possible, the District utilizes developer contributions for construction of required extensions and ULIDs for extending service to unsewered areas. In addition to continuing this method of financing extension improvements, it is recommended that the District continue to apply for State Public Works Trust funding for appropriate projects as identified in the CFP.

9.6 OTHER CONSIDERATIONS

As discussed in Chapter 2 of this Plan, portions of the District are within the limits of the cities of Seattle, Tukwila, SeaTac, and Burien. In accordance with the laws of the State of Washington, cities which already operate sanitary sewer systems (Tukwila) could assume responsibility for the sewer facilities and service to that portion of the system which is within their limits. For cities which do not currently have sanitary sewer system facilities, establishment of a utility in accordance with state laws would be required prior to takeover. Although no formal discussion regarding takeover of Valley View has taken place, all parties agree that coordination between jurisdictions is required to protect the interest of the residents of the area. It is recommended that Valley View continue its coordination efforts with these jurisdictions in order to insure uniform design and permitting procedures. In addition, it is recommended that the District negotiate franchise agreements with the cities having jurisdiction. These franchise agreements should detail the terms and conditions of operating sanitary sewer facilities within city and county rights-of-way.