

APPENDIX A: LEVEL OF SERVICE METHODOLOGY



CHARTING A FUTURE COURSE

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THE GROWTH MANAGEMENT ACT

The Growth Management Act (GMA) requires the Capital Facilities Element (CFE) to identify public facilities that will be needed during the six years following adoption of the Comprehensive Plan. As required by GMA, the Capital Facilities Element must include the following:

- ◆ An inventory of existing capital facilities owned by public entities, showing the location and capacities of the capital facilities.
- ◆ A forecast of future needs for such capital facilities.
- ◆ The proposed locations and capacities of expanded or new capital facilities.
- ◆ At least a six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes.
- ◆ A requirement to reassess the Land Use Element if probable funding falls short of meeting existing needs and to ensure that the Land Use Element, Capital Facilities Plan Element, and financing plan within the Capital Facilities Plan Element are coordinated and consistent.

One of the goals of the GMA is to have capital facilities in place concurrent with development. This concept is known as **concurrency** (also called “adequate public facilities”). In Kirkland, concurrency requires:

- (1) Facilities to serve the development to be in place at the time of development (or for some types of facilities, that a financial commitment is made to provide the facilities within a specified period of time); and
- (2) Such facilities have sufficient capacity to serve development without decreasing levels of service below minimum standards adopted in the CFE.

The GMA requires concurrency for transportation facilities. GMA also requires all other public facilities to be “adequate” (see RCW 19.27.097, 36.70A.020, 36.70A.030, and 58.17.110). This is noted in Goal 12 which states:

Public facilities and services. Ensure that those public facilities and services necessary to support development are available for occupancy and use without decreasing current service levels below locally established minimum standards.

The City has an adopted CFE and development regulations to implement the plan. The development regulations provide detailed rules and procedures for implementing the requirements of the plan, including concurrency management procedures that ensure sufficient public facility capacity is available for each proposed development.

The Capital Facilities Element of the Comprehensive Plan must be updated on a regular basis. The update should occur in conjunction with review of the City’s six-year Capital Improvement Program and budget. The update should be completed before the City’s budget is adopted in order to incorporate the capital improvements from the updated CFE in the City’s annual budget.

The level of service standards adopted in this element are based on an extensive inventory of capital facilities and the forecasted need based on growth. A multi-year finance plan is included which identifies the projects, their costs and funding sources. Policies within the Plan ensure that there are several options to choose from if the probable funding falls short of meeting the needs.

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BACKGROUND

Approaches to Developing a Capital Facilities Plan

There are traditional and nontraditional approaches to developing capital facilities plans. Two traditional approaches (also used to develop CIPs) are: (1) needs-driven; and (2) revenue-driven.

- ◆ *Needs-driven:* First develop needed capital projects, then try to finance them. This approach often results in a “wish list” of projects that have no funding.
- ◆ *Revenue-driven:* First determine financial capacity, then develop capital projects that do not exceed available revenue. This approach is also called “financially constrained.”

Because of the nontraditional requirements of capital facilities planning under the GMA, the traditional approaches to developing capital improvements can cause problems. The needs-driven approach may exceed the City’s capacity to pay for the projects. If the City cannot pay for the facilities needed to achieve the level of service standards that it adopted, the City must deny or defer development in order to comply with the concurrency requirement.

The revenue-driven approach may limit the City to capital projects that provide a lower level of service than the community desires. The City may be willing to raise more revenue if it knows that the financial constraints of existing revenues limit the levels of service.

The City chose a hybrid that overcomes these problems: a scenario-driven approach.

- ◆ *Scenario-driven:* Develop two or more scenarios using different assumptions about needs (levels of service) and revenues. Use the scenarios to identify the best combination of level of service and financing plan.

The development of multiple scenarios allows the community and decision-makers to review more than one version of the City’s future. Each version is a choice. Typically, the most desirable choices are often the most expensive, and the most affordable choices are often not as appealing.

The same is true with the City’s CFP: the highest levels of service usually provide the best quality of life, but the greatest cost (and the greatest risk of denying development if the cost is not paid), while the lowest cost may result in a less desirable quality of life. The scenario-driven approach enables the City to balance its desire for high levels of service with its willingness and ability to pay for those levels of service.

Other advantages of the approach include:

- ◆ Helping the City analyze which approach achieves the best balance among GMA goals;
- ◆ Helping prepare analyses required by SEPA (State Environmental Policy Act); and
- ◆ Evaluating scenarios for the Land Use Element.

The City used the scenario-driven approach in determining its level of service standard for its public facilities. Levels of service are described below as well as the process to establish the level of service.

Method for Using Levels of Service

The GMA requires the Capital Facilities Element to be based on standards for service levels that are measurable and financially feasible for the six fiscal years following adoption of the plan.

There are two questions that must be answered in order to meet the GMA requirements:

- (1) *What is the quantity of public facilities that will be required by the end of the sixth year?*
- (2) *Is it financially feasible to provide the quantity of facilities that are required by the end of the sixth year?*

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The answer to each question can be calculated by using objective data and formulas. Each type of public facility is examined separately (i.e., roads are examined separately from parks). The costs of all the types of facilities are then added together in order to determine the overall financial feasibility of the CFE. One of the CFE support documents, “Capital Facilities Requirements,” contains the results of the use of this method to answer the two questions for the City of Kirkland.

If the standards are feasible at the preliminary level, a detailed list of projects may be prepared. If, however, the answer indicates that a standard of service is not financially feasible, six options are available to the City:

- (1) Reduce the standard of service, which will reduce the cost; or
- (2) Increase revenues to pay for the proposed standard of service (higher rates for existing revenues, and/or new sources of revenue); or
- (3) Reduce the average cost of the public facility (i.e., alternative technology or alternative ownership or financing), thus reducing the total cost, and possibly the quality; or
- (4) Reduce the demand by restricting population (i.e., revise the Land Use Element), which may cause growth to occur in other jurisdictions; or
- (5) Reduce the demand by reducing consumption (i.e., transportation demand management techniques, recycling solid waste, water conservation, etc.) which may cost more money initially, but may save money later; or
- (6) Any combination of Options 1 – 5.

Setting the Standards for Levels of Service

Because the need for capital facilities is largely determined by the levels of service that are adopted, the key to influencing the CFE is to influence the selection of the level of service standards. Level of service

standards are measures of the quality of life of the community. The standards should be based on the community’s vision of its future and its values.

The needs for capital facilities are determined by comparing the inventory of existing facilities to the amount required to achieve and maintain the level of service standard. This process is generally described below. More detail can be found in the Capital Facilities Element.

Selection of a specific level of service to be the “adopted standard” is accomplished by a 10-step process:

- (1) The “current” actual level of service is calculated through an inventory of capital facilities.
- (2) Departmental service providers are given national standards or guidelines and examples of local LOS from other local governments.
- (3) Departmental service providers research local standards from City studies, master plans, ordinances, and development regulations.
- (4) Departmental service providers recommend standards for the City’s CFP.
- (5) Departmental service providers prepare forecasts for needed capacity and approximate costs of two levels of service (e.g., the actual LOS, and the department’s recommended LOS).
- (6) Departmental service providers prepare specific capital improvements projects requests and compare those to the preferred LOS.
- (7) The Transportation Commission reviews and comments on the level of service alternatives and the capital improvement project requests for transportation and makes a recommendation to the Planning Commission and City Council.
- (8) The Planning Commission and the Houghton Community Council review and comment on level of service alternatives and the capital improvement project requests for all public

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facilities, and make recommendations to the City Council. The Planning Commission and/or the Houghton Community Council may meet jointly with the Transportation Commission to discuss and prepare a joint recommendation to the City Council.

- (9) Staff prepares the CFP using the projects that support the preferred LOS. The LOS in the CFP serves as the basis of capital projects, their costs, and a financing plan necessary to pay for the costs.
- (10) The City Council adopts the CFP along with the level of service standards and capital improvement projects.

The adopted standards (1) determine the need for capital improvements projects, and (2) if required for concurrency, are the benchmark for testing the adequacy of public facilities for each proposed development. The adopted standards can be amended, if necessary, as part of the amendments of the Comprehensive Plan.