



# **Newman Lake Flood Control Zone District Review of Fairness of Current Benefit Assessments and Funding Options**

## Introduction

This presentation is prepared in response to questions raised by some property owners with regard to the fairness of the funding distribution for Newman Lake Flood Control Zone District assessments. These questions had been raised earlier last year and again during the District's Board of Equalization Hearing on December 20, 2006. The questions dealt with why the waterfront home owners were burdened with large assessments (\$500-\$1500 annually) while most of the home owners within the boundaries of the District paid nothing. I thought I would start out with a brief background on the District's history, mission and current activities. I will also explain how assessments are currently determined and distributed within District and well as discuss other options that could be considered to improve funding fairness and distribution if it is felt that this was warranted. I would also like to briefly touch on potential future needs of Newman Lake and the community with the implementation of the TMDL strategy that Ecology is currently preparing. We will conclude with staff recommendations. Let me know if you have any questions as I go though.

## History of the NLFCZD

The NLFCZD was formed in 1968 when the Newman Lake area property owners asked Spokane County for assistance in managing the lake level and flooding problems around Newman Lake. The lake level control facilities (built at the turn of the last century by farmers below the Lake) had been in a state of disrepair. The Otis Orchards Irrigation District who had taken over operation of the facilities in the early 1900's no longer had a need for water from Newman Lake with the construction of the Spokane Valley Water Project (construction of wells utilizing the SVRP aquifer) and wanted to dissolve and divest itself of the Newman Lake facilities. A new organization was needed to be responsible for the reconstruction of the control structures, the repairs and improvements to the dike and outlet channel, and to operate and maintain them into the future.

At the time a Flood Control Zone District was the easiest to form and the least costly to manage. A petition signed by over 25% of area electors was filed, public hearings were held and in Oct. 1968 County Commissioners signed a resolution for the formation of the Newman Lake FCZD.

In the early 1980's Federal funding of about \$1 million dollars was obtained through the SCS (now NRCS) to repair and reconstruct the flood and lake level control facilities. The District only had to purchase the ROW at a cost of about \$130,000 and agree to operate and maintain the facilities for the future. About that time as well, Newman Lake area citizens began to raise water quality concerns. To allow the District to assist in efforts to study and improve water quality, the citizens initiated a campaign to change state law to allow FCZD's to fund water quality improvements. This led to the preparation of detailed water quality studies and implementation of water quality improvement programs under Ecology Lake Restoration grants in the late 1980's and early 1990's. These programs included the Lake's oxygenation system (\$539,000), a

whole lake alum treatment (\$265,000), a watershed management plan, and septic system survey. These grants totaled over \$1 million with a 25% match provided by the District.

### Mission:

The District has the following mission...

- To maintain and operate Newman Lake flood control facilities and manage the lake level to serve the needs of homeowners, farmers, recreationists and others.
- To provide leadership and a focus for community efforts to improve the water quality of Newman Lake.
- To work with landowners and public and private agencies to minimize impact of watershed activities on lake water quality.
- To monitor Lake water quality and operate and maintain the lake aeration and alum injection systems to maximize their benefit.
- To control invasive species while minimizing disruption to use of the Lake by homeowners and recreational users

Water quality improvement efforts currently include education, watershed monitoring, encouraging enforcement of land use regulations, pursuing opportunities for preservation and restoration, and assisting with BMP implementation. Invasive species control became part of the mission with the discovery of the Eurasian watermilfoil in Newman Lake in 2002. Note that the District mission has been community driven since its inception.

Budget: The 2007 District Budget totals \$221, 000 with \$188,000 coming from District benefit assessments. One-half of District funding is used directly for equipment operation and milfoil control. Flood control is only a small part of the total budget (13%).

Authority: Under RCW 86.15.80, FCZD's have all the powers that are vested in a County for flood and stormwater control including the protection of water quality and watershed management. This question was raised by the Board at the Bd. of Equalization hearing in Dec. The question of watershed management and whether the District has the authority to implement its own stormwater or erosion control ordinances has also been raised during the TMDL working group discussion.

Organization: Per RCW 86.15 the Board of County Commissioners (BCC) are ex officio, by virtue of their office, supervisors of the District and the Spokane County Engineer administers the District. The District has a 5-member (plus 3 alternate members added in 1995 to diversify representation) Advisory Board. Members are appointed by the BCC and serve without pay.

### Funding:

Options for Flood Control Zone Districts allowed under RCW 86.15 are as follows:

1. Annual ad valorem property tax levy (subject to state limits, excess must be authorized by voters)

2. **Benefit assessment upon property** (per RCW 86.09, currently used by NLFCZD)
3. Stormwater service charge (as under RCW 36.89 for those who benefit or contribute)
4. LID's (Local improvement Districts) or ULID's funded by benefit assessments upon property (per RCW 36.94)

Benefit Assessments:

This funding option was chosen by NLFCZD as fairest and least controversial at the time. Only those who benefit from improvements pay. Benefit classes were set twice in the history of the District. First in 1978 for the Flood Control improvements as follows:

<u>CLASS</u>	<u>BENEFIT RATIO</u>	<u>GENERAL DESCRIPTION</u>
1	100%	Lower agricultural land (south)
2	50%	Upper agricultural land (north)
3	50%	Non-agricultural land around the Lake which will receive prime benefits from the project.
4	10%	Non-agricultural land around the Lake, which will receive secondary benefits from the project.
5	0%	All other land within the district which will receive no benefits from the project.

Then again in 1988 a separate benefit map was drawn for Water Quality improvements with the following descriptions:

<u>CLASS</u>	<u>BENEFIT RATIO</u>	<u>GENERAL DESCRIPTION</u>
1	100%	Non-agricultural, lakefront.
2	60%	Secondary lots without lakefront access.
3	30%	Tertiary lots (parcels smaller than 10 acres on the main road circling the lake that are within ½ mile of the lake).
4	10%	All other lands, including farm

lands that connect directly to the Lake.

5

0%

All other land within the District

Individual parcel assessments are calculated based on a parcel's assessed valuation and its benefit area. The proportion of a parcel's assessed value (adjusted based on its benefit area ratio) to the total of all parcel's adjusted assessed value is the proportion that parcel pays of the District's annual budget. The assessment for flood control budget and water quality budgets are calculated separately and totaled. The total is sent to the Treasurer's office for collection along with all other property taxes.

A total of 771 parcels pay assessments. The average assessment of these parcels is about \$250. The median (50<sup>th</sup> percentile) is about \$180. A waterfront home valued at \$500,000 pays a District assessment of \$1,200 annually. A secondary lot valued at \$275,000 pays \$360 annually. Undeveloped farmland above or below the lake pays little because of its low valuation. For example, a parcel with 54 acres of hay field on the lake is valued at \$6,740 and only pays the minimum \$4 assessment. A developed lot along the outlet channel below the lake valued at \$167,000 pays \$78 (a flood control only).

#### Funding Fairness Concerns:

Several issues have been raised in the past as well as recently regarding fairness of assessments.

1. All who contribute to the lake water quality problems are not paying for the improvements.

*Response: Requires change in funding source to address as currently District is limited to benefit assessments.*

2. Of 1800 parcels in District boundaries, only 770 pay assessments.

*Response: District boundaries include entire watershed of lake and outlet channel. Most parcels below the lake have no contribution to lake problems or benefit from District activities. Including them would not be fair.*

3. Secondary properties with lake access are paying much less than waterfront parcels, not only because of their lower valuation but also because of the benefit area reduction.

Many of these secondary lots have waterfront access.

*Response: Relationship was set at time of base map establishment. Not clear how secondary lots with access should have been classed however all are now classed at 60% rate for water quality. A base map revision is needed to address these errors.*

4. Benefit Area Maps do not accurately delineate all waterfront parcels and homes.

*Response: Boundaries drawn 20-30 years ago do not accurately reflect what the current land use is. Some high value waterfront homes pay little. For example there are 15-20*

*waterfront residential parcels that pay only 10-20% of what other waterfront homes pay because a majority of the area of lot is outside a benefit area. There is probably a similar number of parcels where the parcels are split into multiple benefit areas but should be paying all at primary rate. Again, a base map revision is needed to address these errors.*

We brought these issues before the District Advisory Board last year to get their feedback. Most of these concerns are not new and were raised at the time of District formation as well. They are concerned that expanding the charges to the Lake watershed would alienate property owners with whom we were trying to get their voluntary cooperation to restore and preserve streams and wetlands critical to the health of the lake or to continue to use the land in low impact ways. The Advisory Board was however was concerned about the problems with the current benefit area maps and recommended updating these maps to improve fairness if possible.

Therefore to look at options to address these concerns we need to look at two issues, other funding options and updating Base Maps and benefit areas.

Updating Base Maps: This is fairly major effort. It requires approval of BCC and petition of needs petition signed by 25% of the landowners of the District to initiate the process. Then a three-member board of appraisers would be hired (same process as was required to set benefit areas initially) and tasked with reviewing and updating the map boundaries as well as possibly the definitions and percentages of benefit. These maps would then be presented to the public and hearings held to collect public input prior to approval by the BCC. Recommend pursuing if community supports.

Other FCZD Funding Options:

1. Ad Valorem property tax:

Pro's: Would reduce annual avg. assessment per parcel to about \$105 at a flat rate (\$/\$valuation) across all District properties.

Con's: Would most likely require a vote of all eligible voters in the District. They would not likely support as most do not see any benefit. Seasonal residents around the lake who do support would not be eligible to vote on the issue. Many of these properties are located below the lake and do not contribute to water quality problems or benefit from improvements either. The District would also bear cost of election every 3-5 years.

Not Recommended.

2. LID or ULID assessments are also based on benefit and therefore similar to existing system.

Not Recommended

3. Stormwater charges

Pro's: This options provides the most flexibility. It does not require time and expense of an election; charges can be set by the BCC based on flexible criteria. Area of structures/roads would be tabulated if based on impervious surfaces. Other factors including benefit could also be considered. May allow inclusion of use charges for WDFW boat launch. Also could be a

way to provide incentives to those who use best management practices, e.g. leave buffers on streams. Though this addition could require excessive staff time to administer.

Con's: Lands taxed as Forest or timber land are exempt. For Newman Lake this is a substantial portion of the Lake watershed. Potential # of homes or parcels that will be added is about 100 -150 residences at most. Also, this could alienate watershed property owners who voluntarily maintained low impact land use or who have cooperated on restoration or preservation projects.

Recommend further review and advisory board and community input

#### Other non-FCZD Funding options:

##### 1. Lake Management Districts:

Pro's: Provides flexibility in basis for charges with benefit or contribution being factors, can charge public use areas on use for example. This would allow charging the WDFW public boat launch for example more than just based on property value.

Con's: LMD's can be established only for limited time period; election required to establish, extend or revise budget or mission; voting based on proposed assessment \$; Will add another set of administrative rules to follow as current NLFCZD structure required for ongoing facility operation & maintenance. Not Recommended.

2. Stormwater Control Facilities under RCW 36.89 - Duplicative of the powers and authority of FCZD and charge system allowed under FCZD. May be considered if watershed management or stormwater regulation is done as part of county wide effort. Not Recommended at this time.

#### Future Activities of the Flood Control Zone District (TMDL implementation)

Although the District has been involved in watershed management and nutrient source control work in the past, these issues are becoming a higher priority with the TMDL study underway and upcoming implementation by Ecology. Control of non-point sources of phosphorus is difficult as it comes from a multitude of small sources. Options for implementing strategies are being reviewed and ways to implement and enforce stronger stormwater and erosion control ordinances are being considered. The District is being looked at to take on that role as well as supporting and funding more BMP implementation. However, addressing these issues on a County-wide level may be more efficient and cost effective, especially with other ongoing TMDL's or sensitive water bodies within the County. For example, improving existing County land use ordinance enforcement or increasing ordinance requirements within the Newman Lake watershed and other sensitive watersheds may be better than the District having its own ordinance and enforcement.

#### Conclusion and Recommendations:

The Newman Lake FCZD organization and funding system as set up initially and as currently used is a reasonably fair and cost effective system. We have talked to other organizations throughout the State to look at options for better systems, but all seem to have similar

difficulties. The questions raised do have some validity however and so we therefore recommend the following:

1. Review of Current Base Maps- Recommend pursuing if supported in public meetings. There would be a significant cost in staff time and hiring of Board of Appraisers for the process, but it would update us for another 20 - 30 years hopefully. A petition signed by 25% of the area landowners of the District is needed to initiate the process as well as authorization by the BCC.

2. Stormwater Charges: Recommend looking at further and discuss at community meetings. If expansion of funding to property owners that contribute to the water quality problems is supported by community, may consider tying in this effort with TMDL implementation process. However, this is not expected to be a significant source of additional funding and negative impacts need to be considered.

3. Community meetings – Recommend that these issues be presented to the community for their input both at local meetings and via the newsletter and at TMDL work group meetings.