Clark County, Washington

Jail Funding and Financing Options

April 11, 2025

Prepared by:

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April 11, 2025
Clark County Council
Clark County, Washington
1300 Franklin Street
Vancouver, WA 98666-5000

RE: Jail Funding and Financing Considerations

Dear Councilors:

This report to Clark County (the "County") has been prepared by PFM Financial Advisors LLC ("PFM"). PFM is a "municipal advisor" under the Dodd-Frank Act of 2010, registered with both the Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB). PFM is currently engaged as the County's municipal financial advisor with respect to debt issuance and capital planning. PFM has served as the County's advisor since January 2015, and has a fiduciary responsibility to our clients, including the County.

The County has requested that PFM evaluate various funding options for a full renovation and expansion of its jail (hereafter, the "Project"). The purpose of this report is to identify potential capital funding sources for the Project, based on preliminary design, cost, and timing estimates for Project construction. This report also considers potential sources of funding incremental costs of operation and maintenance (O&M) associated with the proposed Project. Finally, this report proposes several alternatives to funding both capital and O&M costs of the Project, and offers some considerations and trade-offs associated with the different approaches.

We hope you find this report useful and look forward to discussing it with you.

Sincerely,

PFM Financial Advisors LLC

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PART I: PROJECT OVERVIEW

We understand the County is considering a full renovation and expansion of its jail (the "Project"). If the County is able to obtain funding for capital and incremental O&M costs, design would begin in late 2025, with construction starting mid-2028 and continuing into 2032. A summary of estimated capital costs, by phase, is shown in the table at right. Total capital costs are estimated to be approximately $471.5 million.

Phase	Est. Timeline	Est. Cost ($000)
1 - Booking, Intake, North Addition	2028-2030	$210,322
2 - Loading Dock, Completion North Addition	Late 2029	2,436
3 - South Addition	2030-2031	101,932
4 - Existing Building Renovation	2031-2032	156,812
	Total:	*$471,502*

We also understand that, due to the increased capacity of the jail, estimated operational costs of the jail are estimated to increase by over $36 million annually (beginning 2031). Incremental maintenance costs of the Project are expected to be approximately $1-2 million annually (also beginning 2031).[1]

Due to the scope of estimated capital costs, it is nearly certain that the County will need to utilize debt financing to fund all or a portion of the Project. The following sections describe the County's capacity to fund capital costs (via debt issues) as well as incremental operations and maintenance costs.

PART II: TYPES OF DEBT

Counties in Washington may use one of two types of debt to finance general-purpose projects like the Project: unlimited tax general obligation (UTGO, or voted) debt, or limited tax general obligation (LTGO, or non-voted) debt.[2] This report considers both types of debt, as well as the sources of repayment (taxes) necessary to support such debt.

Debt Limits

Washington counties are limited by both the state constitution and by statute in the amount of general obligation debt they can incur. For all general obligation debt – voted (UTGO) and non-voted (LTGO) – counties are limited to 2.5% of their total assessed value. For non-voted (LTGO) debt specifically, counties are limited to 1.5% of their assessed value. For most counties, however, these limits are so high that they are not a

[1] *Capital, operational, and maintenance cost estimates are based on a presentation to the County Council on February 12, 2025.*
[2] *Counties that operate utility systems may issue revenue bonds backed by the revenues of such systems; however, revenue bonds are not applicable for governmental purposes, such as criminal justice.*

meaningful constraint on new debt issuance. Based on its 2025 assessed value ($107.3 billion), the County's remaining debt capacity under these limits (considering its outstanding debt) is approximately $2.60 billion (total, voted and non-voted) and $1.53 billion (non-voted debt only). Thus, we do not consider the statutory and constitutional debt limits to be practical limitations on the County's ability to finance the Project.

UTGO Bonds

UTGO bonds require voter approval: a 60% +1 supermajority, plus a minimum voter turnout of 40% of the last gubernatorial election. UTGO bonds may be considered by voters at any election, but no more than twice in any calendar year. In authorizing UTGO bonds, voters approve a maximum aggregate principal amount of bonds, as well as a maximum term for *each series* of bonds issued under the authorization. If approved, UTGO bonds are typically paid from a new, dedicated, excess property tax levy, unlimited as to rate or amount – whatever is necessary to pay debt service each year. (UTGO bonds may be paid from other resources – e.g., the County's regular property tax levy, or other taxes – however, this is not a common approach.)

LTGO Bonds

LTGO bonds require approval of the issuer's legislative body (i.e., the County Council); unlike UTGO bonds, they do not require voter approval. LTGO bonds are the most common form of financing for the County historically and Washington counties generally.

However, also unlike UTGO bonds, LTGO bonds do not come with a new, excess property tax levy – they must be paid from other County resources. These might include *existing* taxes, to the extent those tax revenues are not otherwise committed. Those sources might include one or more *new* taxes – such as a new sales and use tax – which could require voter approval of the new tax (as opposed to approval of the bonds). Alternatively, the County might use a combination of new and existing resources to pay debt service on LTGO bonds. Ultimately, regardless of the anticipated or actual source of revenue used to pay debt service, LTGO bonds are secured by the borrower's "full faith and credit" and non-voted property taxing authority.

It is imperative that the County clearly identify the source of debt repayment prior to issuing LTGO bonds. The following section describes certain existing and potential tax revenue sources that may be options for the Project. We have attempted to quantify the approximate annual dollar amount that could be generated from each source and translate that into a *maximum* amount that could be leveraged via the sale of LTGO bonds. However, as permitted by relevant statutes, the County may "mix and match" various types of taxing authority to fund debt service on LTGO bonds, direct capital costs of the Project, incremental operations costs, and/or incremental maintenance costs, or some combination of these – in other words, a source of repayment for LTGO bonds may also be a source of funding for other aspects of the Project, and vice versa.

It is also important to note that leveraging any unpredictable tax stream contains some amount of risk: if future tax receipts are insufficient to make debt service payments, the County would need to find an alternative source of funds to pay the difference. Additionally, to the extent a tax is anticipated to fund both capital (debt service) and O&M costs, there will necessarily be tradeoffs between how much the tax is leveraged (i.e., the size of the bonds) and the amount available to fund ongoing O&M costs.

PART III: FUNDING SOURCES

While certain funding sources (taxes) described below are very flexible, and may be applied to general County purposes, others are restricted by statute in the types of purposes to which they can be applied. Additionally, while certain taxes may be applied broadly to capital, operating, or maintenance purposes, others are limited to capital purposes. (Payment of debt service is considered a capital expenditure – if a particular tax can be applied directly to capital construction of a project, it can also be used to pay debt service on bonds related to that project.) Where there are statutory restrictions regarding the use of a particular tax, we have noted these restrictions.

We have assumed two series of bonds in most funding scenarios, given the estimated 6-year construction timeline (i.e., one series issued in late 2027 and another in in late 2030). We have evaluated both 20- and 30-year terms for each series of bonds.

We have assumed bonds structured with level annual payments, consistent with the County's debt policy. For LTGO bonds, these annual payments are based on projected 2028 tax revenues. Since the purpose of this exercise is to quantify the potential capacity of each revenue stream, we have not assumed any additional "haircuts" in the bond sizing estimates. If the County were to borrow against a particular tax (or multiple taxes), we may recommend some additional conservatism, depending on the County's risk tolerance, other potential uses of the funding sources, and overall Project plan of finance.

The estimates in this section are generally based on tax-exempt municipal bond interest rates as of March 19, 2025, plus 1%. This results in combined true interest costs ("TICs") of between 4.79% and 5.22%, depending on the scenario.[3]

Finally, we note that the County's debt policy generally specifies bond terms of no greater than 20 years, though longer terms are permitted if justified by "compelling factors." These analyses should be viewed as alternatives, not specific recommendations as to bond term and structure. However, the very long useful life of the Project may justify a longer-than-typical bond term (e.g., over 20 years). We also observe that other newly constructed jails (or major jail expansions) in Washington have utilized bond terms longer than 20 years, in part to ensure that bond debt service remains affordable within the applicable tax streams.

The data on which this report relies are derived from several sources, including conversations with County staff; information provided by County staff (including six-year forecasts of sales taxes and real estate excise tax); certain publications of the Municipal Research and Services Center (MRSC); tax information from the Washington State Department of Revenue; and population information from the Washington Office of Financial Management.

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[3] *The municipal bond market has been extremely volatile in recent weeks for a variety of reasons, including proposed and actual tariffs on imported goods.*

We have evaluated the following potential sources of funding:

Source	May Be Used For	Voter Approval Required?	Vote Timing
Unlimited Tax General Obligation Bonds	Capital only	Yes (60% supermajority)	Any election Subject to 40% turnout requirement Election may not be held more than twice per year
Public Safety Sales Tax	Capital and O&M	Yes (simple majority)	Primary or general election only
Juvenile Detention Facility and Jails Sales Tax	Capital and O&M	Yes (simple majority)	Any election
Real Estate Excise Taxes	Capital and maintenance only (not operations)	No	n/a
Regular Levy Lid Lift	Capital and O&M (but bonds are limited to 9 years)	Yes (simple majority)	Single-year lid lift: any election Multi-year lid lift: primary or general election only[4]
Potential New Criminal Justice Sales Tax (ESHB 2015)	Capital and O&M	No	n/a

This report does not include all potential sources of funding: we have included only those sources that may provide material amounts of funding and do not require continued voter approval. (For instance, this report does not consider an "excess" operations and maintenance levy, as such levies may only be imposed for one year at a time, i.e., the levy would require voter renewal each year.)

[4] *See "Regular Property Tax – Levy Lid Lift" below for a description of "single-year" and "multi-year" levy lid lifts.*

Additionally, this report assumes that the County will construct and own the Project directly, i.e., it will not lease from a third party in a "public-private partnership" or "P3" arrangement. If a private party (either a for-profit developer or a single purpose not-for-profit entity) were to develop the Project and lease it to the County, it could represent a significant difference in terms of project delivery, project cost, financing mechanisms and costs, and project risk.

UTGO Bonds

Uses: *any capital purpose (as described in the ballot title)*

Timing considerations: *may be considered at any election but may not appear on the ballot more than twice per year.*

As described above, UTGO bonds are typically paid from a new, excess property tax levy, unlimited as to rate or amount. If approved by voters and imposed by the County, the excess levy would be imposed on all parts of the County, both incorporated and unincorporated areas. The County would provide the estimated tax rate impact of the proposed bond authorization as part of the ballot measure; however, this tax rate is only an estimate, and not a limiting factor. The dedicated excess levy is not subject to any statutory or constitutional limits. However, the levy may only be used to pay debt service on UTGO bonds – <u>it may not be used for any operational or maintenance purposes.</u>

The size of a UTGO bond authorization is dependent on the specifics of a ballot measure adopted by the Council and approved by voters. Table 1 below describes the estimated annual debt service and taxpayer cost for a UTGO bond authorization for the full estimated cost of the Project ($471.5 million), assuming two series of bonds (one covering costs in 2027-2029, the second covering costs in 2030-2032). These estimates are based on the County's 2025 assessed value of $107.3 billion and assume annual Countywide assessed value growth of 4%.

Table 1: UTGO Bond Sizes and Indicative Property Tax Rates

Term	Avg. Annual Debt Service ($000)	Avg. Annual Levy Rate (per $1,000)	Year 1 Levy Rate (2028)	Avg. Annual Homeowner Cost[5]	Year 1 (2028) Annual Homeowner Cost[5]
20 Years	$31,835	$0.18	$0.26	$140.20	$155.60
30 Years	$27,939	$0.13	$0.23	$117.49	$136.55

Assumptions: Annual assessed value growth of 4%; "average" home value of $540,000 as of 2025, escalated 3% annually.

Conclusion: *A UTGO bond issue would be the most straightforward means of funding capital costs of the Project, with minimal risk to the County.*

[5] *Per Redfin, the median sale price of a Clark County home in February 2025 was $539,219 (<u>https://www.redfin.com/county/3076/WA/Clark-County/housing-market</u>). As noted, this home value is escalated by 3% annually in calculating the average annual and "year 1" (2028) cost to the hypothetical homeowner.*

Public Safety Sales Tax

Uses: *at least one-third must be spent for "criminal justice purposes." May be used to fund capital, operations, and/or maintenance costs.*

Timing considerations: *may be considered by voters at the primary or general election only.*[6] *Typically takes effect five-six months after voter approval; revenues are distributed two months after collection by the State Department of Revenue. (If the tax were approved at a general election, the County would start to see new funding in or around June of the following year.)*

The **public safety sales tax** may be imposed in 0.1% increments up to 0.3% Countywide. Revenues for a countywide public safety sales tax are split 60% to the County and 40% to the cities in the County, with each city receiving a pro rata share based on its population. In August 2022, County voters approved the first 0.1% of the public safety sales tax, which was first collected in 2023. 18 other counties currently impose the public safety sales tax, though not all to the 0.3% limit.

Cities are also authorized to impose the public safety sales tax, but with a maximum rate of 0.1%. The total public safety sales tax rate may not exceed 0.3%, so to the extent any cities in the County impose a city-specific public safety sales tax, the County's rate in that jurisdiction would be reduced accordingly, and the 0.1% city rate would be shared 85% to the city imposing the tax and the remaining 15% to the County. As of the date of this report, no city in the County imposes a public safety sales tax.

By statute, at least one-third of the tax revenues must be spent for *"criminal justice purposes [as defined under RCW 82.14.340], fire protection purposes, or both"* (RCW 82.14.450). There are no limitations as to the use of the remaining two-thirds. (Note that, unlike other sales and use taxes, sales of motor vehicles are exempt from the public safety sales tax.)

It should be noted that the statutory formulas described above may be superseded by intergovernmental agreement, i.e., cities may voluntarily choose to remit some or all of their allocable public safety sales tax receipts to the County through an interlocal agreement. This was the approach taken in Skagit County to fund its current jail (the public safety sales tax was first imposed in 2014). Whatcom County is currently taking a similar approach after voters approved the public safety sales tax at the November 2023 election.[7]

Table 4 provides estimated LTGO bond sizes based on leveraging the remaining 0.2% public safety sales tax (i.e., assuming the existing 0.1% public safety sales tax is already committed to existing County needs). These estimates are based on 2025 budget for the County's existing 0.1% public safety sales tax, adjusted to reflect

[6] We note that the State Legislature is currently considering legislation (ESB 5775) that would authorize counties to impose the public safety sales tax without a vote of the electorate. It is unclear, however, whether this legislation will continue to move forward. While this legislation would not change the economics of this funding stream, it could create a simpler path to implementation.

[7] Like the County, Whatcom County previously imposed 0.1% of the potential 0.3% total public safety sales tax, and no cities previously imposed their own public safety sales tax. Whatcom County expects to utilize the additional 0.2% to finance construction and operations of a new corrections facility, based on an interlocal agreement among the County and each of its cities.

the available 0.2% remaining. Again assuming two series of bonds (one in 2027 and one in 2030), we have assumed level annual debt service based on projected 2028 public safety sales tax revenues.

We have evaluated the capacity of the remaining 0.2% based on various bond terms and scenarios. The table below quantifies the potential annual revenues and resulting bond capacity based on the County's revenues alone; the combined revenues of the County and City of Vancouver (which currently accounts for over 69% of the incorporated population of the County, and thus over 69% of the cities' combined 40% share); and the combined revenues of the County and all cities (i.e., 100% of Countywide tax revenues). Where applicable, these scenarios assume that the County imposes the remaining 0.2% before any cities within the County (i.e., the distribution formula remains a relatively straightforward 60/40 split).

Table 2: Potential 0.2% Public Safety Sales Tax

	Est. Annual Revenues (2028) ($000)	Cumulative Annual Revenues (2028) ($000)	Est. Total Bond Proceeds (20-Year Terms) ($000)	Est. Total Bond Proceeds (30-Year Terms) ($000)
County Only (60%)	$17,689	$17,689	$272,120	$312,770
City of Vancouver Only (Pro Rata Share of 40%)	$8,169	$25,858	$397,985	$457,407
Other Cities (Remainder of 40%)	$3,624	$29,482	$453,831	$521,580
Note: Assumes sales tax growth of 4.2% annual through 2030 and 3% thereafter.				

Conclusion: *The County's share of incremental public safety sales tax would be insufficient to fully fund the operational or capital costs of the Project. If combined with the cities' statutorily allocated 40% share, however, the County could use the combined revenue streams for repayment of LTGO bonds to fully fund the Project. Alternatively, a combined County/cities 0.2% public safety sales tax would cover most (but not all) of the anticipated additional operations and maintenance costs associated with the Project.*

Juvenile Detention Facility and Jails Sales Tax

Uses: *capital, operating, and/or maintenance of "juvenile detention facilities" and/or "jails."*

Timing considerations: *may be considered by voters at any election. Similar considerations as public safety sales tax regarding timing of imposition and first receipt of taxes.*

The **juvenile detention facility and jails sales tax** may be imposed at 0.1% Countywide. It may be used for the "financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of juvenile detention facilities and jails" (RCW 82.14.350). Notwithstanding the somewhat vague statutory language, the MRSC suggests that this tax may be used for either "juvenile detention facilities" or "jails" (or both) and would thus be an option to fund the Project.

Table 5 provides estimated LTGO bond sizes based on the potential juvenile detention facility sales tax. These estimates are based on two series of bonds with level aggregate annual debt service, based on projected 2028 sales tax revenue.

Table 3: Potential 0.1% Juvenile Detention Facility and Jails Sales Tax		
Est. Annual Revenues (2028) ($000)	**Est. Total Bond Proceeds (20-Year Terms) ($000)**	**Est. Total Bond Proceeds (30-Year Terms) ($000)**
$15,709	$241,600	$277,698
Note: Assumes sales tax growth of 4.2% annual through 2030 and 3% thereafter.		

Conclusion: *Could be used to fund approximately half of* *<u>either</u>* *operational* *<u>or</u>* *capital costs of the Project (but not both).*

Real Estate Excise Taxes

Uses: *capital purposes (REET I, REET II up to $1 million/year); maintenance purposes (up to $1 million/year for each). May not be used to support operations.*

Timing considerations: *N/A – currently imposed.*

The County is authorized to, and does, impose two taxes on real estate transactions, both known as "**real estate excise tax**" or "REET." "REET I" is 0.25%, and the tax revenues may be applied towards "any capital purpose identified in a capital improvements plan and local capital improvements, including those listed in RCW 35.43.040 [the local improvement statute]." If the Project is listed in the County's capital improvements plan, it (or related debt payments) could be funded with REET I revenues.

"REET II" is a second 0.25% tax. The use of REET II revenues is much more restricted: the County may only apply the greater of $100,000 or 25% of available REET II funds, up to $1 million, towards projects qualifying for REET I expenditures.[8] (Note that this $1 million is already included in the revenue and borrowing estimates shown below.)

There are three other real estate excise taxes authorized under state law; however, they are either not available to the County or not applicable to a project like the Project.

<u>Neither REET I nor REET II revenues may be used to support operations or any non-capital purpose.</u> REET I and REET II may be used for maintenance purposes, but annual maintenance expenditures are limited to the greater of $100,000 or 25% of available funds, not to exceed $1 million.

REET I and permitted REET II revenues are currently being used to pay debt service on outstanding County bonds. This combined debt service is over $4.5 million annually through 2027 and ranges between $2.8 - $3.9 million in 2028-2044.

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[8] *Legislation (HB 1791) has been introduced that would align the permitted uses of REET I and REET II. If adopted, this would allow the County to commit additional REET II revenues to the Project, though we note that the County's six-year REET II forecast identifies existing spending priorities.*
REET II could also be used, indirectly, to support the project as "backfill" for a road levy shift, as described under "Levy Lid Lift" below. However, we understand that the County's six-year capital plan already identifies projects expected to be funded by REET II.

The following Table 6 shows the approximate amount of bond proceeds that could be leveraged by borrowing against available REET funds (i.e., considering projected growth in REET through 2028, and considering existing debt service payable from REET). This analysis assumes no statutory change in the amount of REET II that may be applied to the Project.

Table 4: Projected REET Revenues and Debt Capacity		
Est. Available Annual Revenue (2028) ($000)	**Est. Total Bond Proceeds (20-Year Terms) ($000)**	**Est. Total Bond Proceeds (30-Year Terms) ($000)**
$4,698	$71,952	$82,737
Note: Assumes REET growth of 6% annually.		

REET is a particularly volatile excise tax, as it is driven by both underlying property values and the volume of real estate transactions within the County (as opposed to a sales and use tax with a broader tax base). Thus, leveraging REET to finance the Project via LTGO bonds may carry more risk than leveraging some other tax.

Lastly, we note that REET I and REET II are the County's primary means of funding capital projects generally. To the extent that they are committed to future Project-related expenditures (i.e., debt service), they would not be available to fund other capital projects of the County.

Conclusion: *Could provide a modest amount of capital funding (<20%) towards the Project. However, that would limit the County's ability to use REET for other eligible capital projects in the future. Pending legislation could allow the County to apply more REET II funds towards the Project; however, we understand that the County currently expects to spend REET II funds on other capital needs in the near term.*

Levy Lid Lift

Uses: *any capital, operations, and/or maintenance purposes (as described in the ballot title); however, levy lid lifts may not be used to pay debt service on bonds longer than nine years*

Timing considerations: *a single-year lid lift may be considered at any election; a multi-year lid lift may be considered at a primary or general election only.*

For purposes of this report, we assume that the County's current level of regular property tax levies is sufficient to cover current needs, but that the incremental requirements of the Project would require an increase in funding levels, as noted above.

The County's 2025 property tax levy for "general county purposes" (i.e., distinct from the County roads levy, discussed below) is $0.75 per $1,000 of assessed value. This rate is statutorily limited to not more than $1.80 per $1,000. However, the County cannot simply increase its rate; it is further limited by RCW 84.55.010 to an annual increase in the dollar amount of its regular levy to no more than 1%, plus the value of new construction. A voter-authorized "levy lid lift" would allow the County to bypass this limitation and increase its general levy rate by a specified amount, up to the $1.80 statutory limit.

Levy lid lifts require simple majority voter approval (50% +1). There is a great deal of flexibility in how levy lid lifts can be structured: they can be for a narrow or broad set of purposes; they can be permanent or for a specified period of time – whatever is proposed in the ballot measure. (The terminology regarding levy lid lifts can be confusing: a "single year" levy lid lift refers to a single year of exceeding the 1% limit; the effect of this single-year "bump" may be permanent or for a specified period of time, as defined in the ballot measure. Similarly, a "multi-year" lid lift describes multiple (up to six) years of levy increases beyond the 1% limit, though again, the effects of these increases may be in effect permanently or for a specified period of time.)

Levy lid lifts can be used for operating or capital purposes; however, they cannot be used to pay debt service on LTGO bonds for more than nine years.[9] Thus, the ability to leverage a levy lid lift for bond financing is limited, and we have not considered a levy lid lift as a means of supporting LTGO bonds in the context of the Project. A levy lid lift could, however, provide some funding for capital costs during the Project's construction period (i.e., before such funds are needed for increment O&M costs).

The following Table 7 shows the effects of various levels of a single-year levy lid lift between 2025 and 2026.

Table 5: Levy Lid Lift

Description	Approx. Lid Lift (Rate per $1,000 AV) (2026)	Est. Annual Incremental Revenue (2026) ($000)	Est. Property Tax Increase for Avg. Homeowner (2026)
Scalable Example	$0.10	$12,365	$55.62
Necessary to Fund Incremental O&M	$0.33	$38,300	$184.85
Remaining Capacity Under $1.80 Limit	$1.05	$118,689	$585.43

Note: Assumes Countywide assessed value grows 4% in 2026 while maximum lawful levy grows 2.5%. Also assumes an average home value of $540,000 as of 2025, escalated 3% annually.

There are risks associated with using a levy lid lift, particularly if the initial lid lift causes the County to approach its $1.80 statutory limit. If assessed value declines, the County's levy rate would increase, even if the total dollar amount of the levy remains unchanged. This could cause the County to reach its maximum $1.80 rate while potentially collecting fewer dollars in property tax revenues.

Further, there are limitations in terms of the overlapping property tax rates of the County, cities, and junior taxing districts. The aggregate rate limitation is $5.90 per $1,000 assessed value. If a senior taxing district (i.e., the County) raises its rate and causes the aggregate rate to exceed $5.90, the junior taxing districts have their rates reduced according to a specific statutory formula – a circumstance known as "pro-rationing." The highest property tax rate in the County in 2025 is levy code 117024, with a combined rate of $11.12 per $1,000. However, certain levies (such as the state schools levy and various excess levies) are excluded from the $5.90 test. With these exclusions, the aggregate applicable property tax rate in this levy code is $3.56 per $1,000, providing some "cushion" against the $5.90 test. That said, this test would need to be considered across all levy codes in the County.

[9] *In 2017, the state legislature amended state law to permit a county "in which the state capitol is located" (i.e., Thurston County) to use a levy lid lift to pay debt service on LTGO bonds up to 25 years.*

Conclusion: *A straightforward means of funding all or a portion of the incremental operational and maintenance costs of the Project. May also contribute some limited amount towards capital costs.*

***Note**: The County's regular levy may exceed the $1.80 per $1,000 statutory limit in connection with a "road levy shift," in which the County transfers a portion of its road levy capacity to its general purpose levy. This has the effect of increasing the County's levy for general purposes and reducing the amount of its road levy. Importantly, this does not change the total amount of property tax revenue (between the general purpose levy and road levy) received by the County. However, it does shift how that tax revenue is allocated (between the general fund and road fund), and – because the taxes are imposed on two different tax bases – it increases the tax burden for property owners in incorporated areas (who pay only the general purpose levy) while reducing that on property owners in unincorporated areas (who pay both the general purpose and road levy).*

Using a road levy shift could allow the County to increase its general purpose levy rate up to $2.475 per $1,000, provided certain conditions are met. Because the County's general purpose levy already has sufficient capacity to fund incremental Project operations and maintenance costs through a levy lid lift under its typical $1.80 per $1,000 limit – and because a road levy shift would require the County to "backfill" foregone road levy funding through other sources (e.g., REET II), this report does not consider a road levy shift a new or meaningful source of Project funding.

Pending Legislation: New Criminal Justice Sales Tax

Uses: *Any criminal justice purposes, including capital, operations, and/or maintenance.*

Timing considerations: *N/A – if new legislation is adopted as currently drafted, the additional criminal justice sales tax could be imposed by the County Council without the need for voter approval. The timing of sales tax imposition and receipt of first tax receipts would be similar to other sales taxes, as described herein.*

The State Legislature is currently considering legislation (ESHB 2015) that would authorize counties to impose a second 0.1% criminal justice sales and use tax (in addition to the existing 0.1% criminal justice sales and use tax already imposed by the County). The existing tax may be used for broad criminal justice purposes; the first 10% of such tax is allocated directly to the County, with the remaining 90% allocated among the County and its cities on a pro-rata basis. It is anticipated that, if this bill becomes law, the new criminal justice sales and use tax would function similarly to the existing tax, both in terms of potential uses and allocation.

Table 6: Potential New 0.1% Criminal Justice Sales Tax				
	Est. Annual Revenues (2028) ($000)	Cumulative Annual Revenues (2028) ($000)	Est. Total Bond Proceeds (20-Year Terms) ($000)	Est. Total Bond Proceeds (30-Year Terms) ($000)
County Only (10% + Pro Rata Share of 90%)	$8,033	$8,033	$123,340	$141,788
City of Vancouver Only (Pro Rata Share of 90%)	$5,960	$13,993	$215,166	$247,315
Other Cities (Remainder)	$1,783	$15,775	$242,632	$278,880
Note: Assumes sales tax growth of 4.2% annual through 2030 and 3% thereafter.				

In addition to the tax revenues estimated above, counties imposing this tax would be eligible for grants from the State's Supplemental Criminal Justice Account. Grant funding may be used to recruit new law enforcement officers within the community; to provide retention bonuses to newly hired officers; to fund various types of training for newly-hired officers; and for broader law enforcement and public safety efforts.

Conclusion: *Could provide partial funding for capital or operations and maintenance costs as part of a broader funding package.*

PART IV: CONCLUSION

To summarize, the County is seeking funding in the following approximate amounts:

- Capital (total): $471.5 million
- Operations (annual): $36.3 million
- Maintenance (annual): $1-2 million

Given the menu of options described in this report, the County could pursue a variety of funding approaches, as described below:

Scenario	O&M Costs	Capital Costs	Considerations
1	***Levy lid lift***	***UTGO bonds***	60% supermajority requirement for UTGO bonds
	Est. additional property tax rate of $0.33 per $1,000 AV, or $185 / year increase for avg. homeowner Could be used to fund capital costs in early years	Est. additional average property tax rate of $0.13-0.18 per $1,000 AV, or $117-140 / year increase for avg. homeowner	
2	***Levy lid lift***	***Public safety sales tax***	Public safety sales tax may only be considered at primary and general elections Would avoid supermajority voter requirement as with UTGO bonds
	Est. additional property tax rate of $0.33 per $1,000 AV, or $185 / year increase for avg. homeowner Could be used to fund capital costs in early years	0.2% Countywide sales tax increase Would require revenue-sharing agreement with some or all cities – County's share is insufficient to fully fund capital costs	
3	***Public safety sales tax***	***UTGO bonds***	Similar as above – need for interlocal agreement for public safety sales tax; public safety sales tax may only be considered at primary and general elections; supermajority required for UTGO bonds
	0.2% Countywide sales tax increase Would require revenue-sharing agreement with some or all cities – County's share is insufficient to fully fund capital costs	Est. additional average property tax rate of $0.13-0.18 per $1,000 AV, or $117-140 / year increase for avg. homeowner	

Scenario	O&M Costs	Capital Costs	Considerations
4	***Levy lid lift***	***Some combination of sales taxes: public safety sales tax; juvenile detention facility and jails sales tax; and/or new criminal justice sales tax (ESHB 2015)***	If combined with other sales taxes, public safety sales tax may not require city-County revenue sharing (at least not to the same extent) Could require additional ballot measures, but would avoid supermajority voter approval required of UTGO bonds
	Est. additional property tax rate of $0.33 per $1,000 AV, or $185 / year increase for avg. homeowner Could be used to fund capital costs in early years	Up to 0.3% Countywide sales tax increase	

Additionally, please note the following:

- There are other combinations of funding that may allow the County to meet all Project costs (capital, operating, and maintenance); however, the scenarios above are intended to limit the number of ballot measures required to meet all funding requirements.
- Real estate excise tax (REET) may be a means of "buying down" other sources of capital funding but is insufficient to provide a significant amount of capital funding on its own. (Such an approach would also reduce the County's ability to fund additional capital needs in the near term.)
- Outcomes of the current State legislative session may influence the County's options and decision-making.
- Choices by cities within the County may also affect the economics, timing, and electoral considerations of various options.

We hope you find this report useful and look forward to discussing its contents with you.

APPENDIX A: SUMMARY OF FUNDING SOURCES

The following table summarizes the funding sources described above, their potential application towards Project funding needs, and various considerations.

Source	Potential Application(s)	Rate	Estimated Amounts	Taxpayer Impact	Voter Approval Required?	Considerations
Unlimited Tax General Obligation Bonds	Capital only	Unlimited; est. average property tax rate between $0.13-0.18 per $1,000 assessed value	Any amount, up to full funding need ($471.5 million)	Avg. annual homeowner cost between $117-140	Yes, 60% supermajority + 40% turnout requirement	Various terms and structures

Source	Potential Application(s)	Rate	Estimated Amounts	Taxpayer Impact	Voter Approval Required?	Considerations
Public Safety Sales Tax	Capital, operations, and/or maintenance	0.2% sales tax (in addition to 0.1% already imposed)	Ongoing (O&M): $17.7 million (County only) up to $29.5 million (County + cities) in 2028 OR Bond amount of $272.1 million up to $521.6 million depending on term and whether cities' shares are included	$2 per $1,000 purchase Motor vehicles excluded	Yes (simple majority); may only be considered at primary or general election *Pending legislation that may allow for Councilmanic imposition*	Timing, process, and nature of any revenue-sharing arrangement with cities (particularly City of Vancouver)

Source	Potential Application(s)	Rate	Estimated Amounts	Taxpayer Impact	Voter Approval Required?	Considerations
Juvenile Detention Facility and Jails Sales Tax	Capital, operations, and/or maintenance	New 0.1% sales tax	Ongoing (O&M): $15.7 million in 2028 OR Bond amount of $241.6 million to $277.7 million, depending on term	$1 on a $1,000 purchase	Yes (simple majority)	
Real Estate Excise Taxes	Capital only	0.25% each for REET I and REET II (already imposed)	Bond amount of $71.9 million to $82.7 million, depending on term	n/a – already imposed	No	REET is a primary funding source for other County capital needs
Regular Levy Lid Lift	Operations, maintenance, and/or capital	Property tax increase in any amount up to approximately $1.05 per $1,000 ($1.80 per $1,000 limit)	Up to $118.7 million annually	Average annual homeowner cost up to $585	Yes (simple majority)	Numerous structural variations Limited applicability for bonds

Source	Potential Application(s)	Rate	Estimated Amounts	Taxpayer Impact	Voter Approval Required?	Considerations
Proposed New Criminal Justice Sales Tax	Capital, operations, and/or maintenance	New 0.1% sales tax	Ongoing (O&M): $8.0 million (County only) up to $15.8 million (County + cities) in 2028 OR Bond amount of $123.3 million up to $278.9 million depending on term and whether cities' shares are included	$1 on a $1,000 purchase	No (but requires successful passage of ESHB 2015)	Timing, process, and nature of any revenue-sharing arrangement with cities (particularly City of Vancouver)

APPENDIX B: SURVEY OF WASHINGTON CORRECTIONS FACILITIES

The tables below describe other corrections facilities in Washington, either constructed or significantly improved or expanded, in the last 25 years. Where available, we have included a brief description of the nature of how each was funded and/or financed. *(Sources: audited financial statements of each county, obtained from the State Auditor's Office website; official statements of each county, obtained from the Municipal Securities Rulemaking Board "EMMA" website.)*

Facility	Year	Capacity	Financing/Funding Source
Benton County Justice Center	Opened 2003	561 beds (can be expanded to over 800)	LTGO bonds, paid from the 0.09% rural counties public facilities sales tax, the juvenile detention facility and jails sales tax, and REET.
Cowlitz County Jail	Expanded 2005	325 average population	Capital improvements fund, including REET
Franklin County Jail	Expanded 2014	334 beds	LTGO bonds payable from the public safety sales tax of 0.3% (approved November 2014).
Grant County Jail	Under construction – broke ground June 2024	500+ beds anticipated	LTGO bonds payable from public safety sales tax of 0.3% (approved November 2019).
King County Maleng Regional Justice Center	Improved 2009		LTGO debt payable from sources including 0.1% criminal justice sales tax.
Pierce County Jail	New wing opened 2004	1,700 beds (total)	LTGO debt payable from sources including 0.1% criminal justice sales tax.

Facility	Year	Capacity	Financing/Funding Source
Skagit County Community Justice Center	Opened 2017	400 beds (can be expanded to 800)	LTGO bonds payable from 0.3% public safety sales tax. Under the terms of an interlocal agreement among Skagit County and cities in the county, Skagit County receives approximately 95% of all public safety sales tax collected in the County, notwithstanding the 60-40% split specified under RCW 82.14.450. Parties to the interlocal agreement pay no bed rates. The County does provide additional (pre-defined) annual funding to the facility, beyond the new sales tax. Oversight of the Justice Center is governed by a Finance Committee, including representatives from the County and each city.
Snohomish County Jail	Expanded 2005	1,140 average population	LTGO bonds payable from REET, employee parking fees, contributions from the Snohomish County Public Facilities District, and recovered future lease payments on buildings currently leased by the County.
SCORE (South Correctional Entity Multijurisdictional Misdemeanant Jail)	Opened 2011	802 beds	Bonds issued by South Correctional Entity Public Development Authority (PDA). Debt service on the bonds is secured by LTGO obligations of each member city, commensurate with each city's proportionate share of ownership. In recent years, debt service on the bonds has been paid from net revenues of the facility, rather than member city payments.
Thurston County Accountability Restitution Center	Constructed 2007-2009	472 average population	LTGO bonds payable from 0.1% criminal justice sales tax, 0.1% juvenile detention facility and jails sales tax, and REET.

Facility	Year	Capacity	Financing/Funding Source
Yakima County Jail	Constructed 2002	576 beds (can be expanded to 1,152)	LTGO bonds, paid from 0.1% criminal justice sales tax; 0.3% public safety sales tax; REET; road levy shift; and revenues from contracted inmate population. Yakima County has occasionally used road levy shift to pay debt service on LTGO bonds.
Whatcom County – *future new jail*	Currently in planning / design	TBD	LTGO bonds paid from 0.3% public safety sales tax, approved by voters November 2023. Per the terms of an interlocal agreement among Whatcom County and cities within the county, the cities will contribute a portion of their statutorily allocated revenues under RCW 82.14.450.