

**FISCAL ANALYSIS OF ANNEXATION
OF
FINN HILL, JUANITA AND KINGSGATE
TO
KIRKLAND, WASHINGTON**

COMMISSIONED BY

CITY OF KIRKLAND, WASHINGTON

PREPARED BY

Henderson,
Young &
Company

+

ECONORTHWEST

SEPTEMBER 22, 2000

EXECUTIVE SUMMARY

Study Purpose

This report provides a detailed analysis of the fiscal impacts of annexing the Finn Hill, Juanita, and Kingsgate areas to the City of Kirkland. Each of the three areas is analyzed individually, and they are analyzed in combination. This report also presents strategies for addressing the results of the fiscal impact analysis.

Study Area

The area included in this fiscal analysis comprises virtually all of the unincorporated area north of the City of Kirkland, south of the cities of Kenmore, Bothell, and Woodinville, east of Lake Washington, and west of the Burlington Northern railroad right-of-way near Willows road at the base of the plateau. The potential annexation area is analyzed as a whole, and in 3 contiguous sub-areas: from Finn Hill on the west, through Juanita in the center, to Kingsgate on the east.

A map of the study area and sub-area boundaries can be found on page 4 of the main body of the report.

Table 1 presents a few key statistics that help put the study areas in perspective with the City of Kirkland

Table 1: Key Comparison of Annexation Areas and City of Kirkland

Geographic Areas	Population	Dwelling Units	Places of Business	Assessed Value (\$billions)
Finn Hill	15,900	5,900	34	\$ 1.20
Juanita	5,800	2,150	59	0.29
Kingsgate	<u>12,600</u>	<u>4,800</u>	<u>131</u>	<u>0.66</u>
Total of 3 Study Areas	34,300	12,850	224	2.15
City of Kirkland	44,860	22,289	3,100	4.78

Background

The City of Kirkland identified the Northshore Planning Area in its 1977 Comprehensive Plan consisting of the Finn Hill, Juanita and Kingsgate neighborhoods. At that time, the northern boundary generally followed NE 145th Street.

In 1990, Washington's Growth Management Act was adopted and it encourages all unincorporated areas within King County's Urban Growth Boundary to pursue incorporated status either through annexation or through incorporation.

In the early 1990s, King County and the suburban cities adopted Countywide Planning Policies that explicitly address the status of unincorporated urban areas. Among other things, the policies call for:

- Elimination of unincorporated urban islands between cities.
- The adoption by each city of a Potential Annexation Area, in consultation with residential groups in the affected area.
- The annexation or incorporation of all unincorporated areas within the urban growth boundary within a 20-year timeframe (1993 – 2013).

In 1995, the City of Kirkland revised its Comprehensive Plan pursuant to the Growth Management Act, including revised boundaries for an Interim Annexation Area. Following adoption of the 1995 plan, the Finn Hill boundary was modified as a result of the incorporation of Kenmore. Within the Kingsgate Neighborhood, the annexation area boundary was also revised to delete areas outside the Urban Growth Area.

In 1998, Kirkland staff prepared an analysis of annexing the Finn Hill, Juanita and Kingsgate areas to the City of Kirkland. The City Council discussed the analysis at its 1998 retreat, and included in the City's 1999 budget the cost of a fiscal analysis of the potential annexation area. In December of 1999, the City hired the consultant team of Henderson, Young & Company and ECONorthwest to prepare this fiscal analysis.

Conclusion

The City of Kirkland would experience a significant negative fiscal impact on its operating budget if the Finn Hill, Juanita, and Kingsgate areas were annexed to the City and the City used the same revenue sources and rates, and provided the same level of services as it provides to the residents and businesses in the current boundaries of the City. The annual deficit would be \$3.445 million, an amount that equals 37% of the revenue from the combined annexation area. In Finn Hill, the deficit is 51%, in Juanita it is 21%, and Kingsgate's deficit is 30%.

Another way of understanding the fiscal impact of the \$3.445 million deficit is to see how it compares to the combined revenue of the City of Kirkland and the combined annexation area. If Kirkland and the combined annexation area are viewed as a single City of over 79,000 population, the annual deficit of \$3.445 million equals 8.4% of the combined revenue. It's like running a business that loses 8.4% every year.

In addition, the City of Kirkland would experience major costs for capital improvements in the Finn Hill, Juanita, and Kingsgate areas. An early impact on the City would be the need for significant cash or borrowing in order to make the initial purchase of police patrol cars, office space, computers, and other capital equipment.

Study Methodology

There are many ways to forecast costs and revenues associated with annexation. Examples include per capita analysis, or analysis of comparable cities. The City of Kirkland requested an analysis with a high degree of reliability, therefore our approach to evaluating the fiscal impacts of annexation is based on costs per unit of service and forecasts of the number of units of service. Our analysis includes both direct and indirect costs of services.

In order to provide a common and consistent point of reference for our analysis, all data (outputs, drivers, costs, revenues, levels of service) are from the most recent complete year: 1999. As a result, our analysis shows what costs and revenues would have been like in the annexation area in 1999. The analysis is based on five assumptions:

- Finn Hill, Juanita and Kingsgate would receive levels of service similar to those now provided by the City of Kirkland.
- The current level of service, staffing and expenditures in Kirkland is the benchmark for forecasting comparable levels of service, staffing and costs in the annexation area. This study does not evaluate whether Kirkland's existing levels of service, staffing or expenditures are acceptable or sustainable with existing resources and staffing.
- Kirkland, and other cities that have undertaken annexations in the past, have found that there is a surge in demand for services after annexation. Our methodology of "drivers" and "outputs" will produce a more accurate forecast than a simple population-driven forecast, but it may not fully capture the increment of increased demand during the first few months after annexation.
- Our fiscal analysis includes cost and revenue estimates only for those taxes or services that would change upon annexation. The local services that would not change include schools, regional transit, health services, and regional parks. In other words, after annexation existing school

district boundaries will remain as they are, and regional transit, health and regional parks will continue to be provided by King County. A service that may or may not change for eastern Kingsgate is fire protection.

- Our projections of revenues and costs for determining fiscal analysis are conservative. This means that when a forecast includes judgement as well as data, we selected lower alternatives for revenues and on higher alternatives for costs.

Combined Area: Finn Hill, Juanita and Kingsgate

General Government Operations and Maintenance

- **Costs** It will cost \$12,710,000 annually for the City of Kirkland to provide Finn Hill, Juanita, and Kingsgate with the same services that are provided to current residents and businesses in the City.
- **Revenue** The Finn Hill, Juanita and Kingsgate area will generate an additional \$9,265,000 annually, based on the City of Kirkland's current rates for taxes, fees and charges.
- **Balance** The cost of services for Finn Hill, Juanita and Kingsgate area exceeds the additional revenue the area generates by \$3,445,000 annually. The deficit is equal to 37% of annual revenue.

General Government Capital Improvements

- **Parks** The most complex estimate of future costs is for parks. As described beginning on page 50, the City may apply it's level of service standards in several different ways, each of which has a different cost. Two possible methodologies are presented for estimating parks capital costs. The two methods produce cost estimates ranging from \$3.5 million to \$72 million. Capital revenue for parks from existing sources totals \$627,000 per year. A more detailed analysis and discussion of policy options is needed before more refined estimates can be developed.
- **Transportation** It will cost \$27.4 million for the City of Kirkland to provide Finn Hill, Juanita, and Kingsgate with streets that meet the City's standards for current residents and businesses in the City. Capital revenue for transportation from existing sources totals \$1.7 million per year.

- **General Government**

It will cost \$6,433,400 for the City of Kirkland to provide Finn Hill, Juanita, and Kingsgate with general government administrative and maintenance facilities that meet the City's standards for current residents and businesses in the City. Capital revenue for general government facilities from existing sources totals \$4.3 million. This "revenue" is the debt service portion of the facility charge to each department for the buildings it occupies.

Surface Water Costs and Revenues

- **Operating and Maintenance Costs**

It will cost \$806,000 annually for the City of Kirkland to provide Finn Hill, Juanita, and Kingsgate with the same surface water services that are provided to current residents and businesses in the City.

- **Operating Revenue**

The Finn Hill, Juanita and Kingsgate area will generate \$399,000 annually for operations and maintenance, based on using 60% of the City of Kirkland's current surface water fee rates for operations and maintenance.

- **Operating Balance**

The cost of services for Finn Hill, Juanita and Kingsgate area exceeds the revenue the area generates by \$407,000 annually. The deficit is equal to 102% of annual revenue.

- **Capital Costs**

If the City of Kirkland limits its capital improvements for surface water to the amount of revenue available from 40% of its fees, the City will have \$266,000 to provide Finn Hill, Juanita, and Kingsgate with the surface water capital improvements.

- **Capital Revenue**

The Finn Hill, Juanita and Kingsgate area will generate \$266,000 annually for capital, based on 40% of the City of Kirkland's current rates for surface water fees (net of the amount required to repay debt incurred by King County).

- **Capital Balance**

The cost of surface water capital improvements for Finn Hill, Juanita and Kingsgate area is matched to the revenue the area generates.

Tax Implications for Typical House in the Annexation Area

Table 2 summarizes the taxes and fees that would be paid by a median priced house in the annexation area before and after annexation. The median sales price of homes in the annexation area (through June 2000) is \$235,000.

Table 2: Annual Taxes and Fees Before and After Annexation

Tax or Fee	Before (Unincorporated King County)	After (City of Kirkland)	Increase (Decrease)
Property Tax	3,146	2,819	- 326
Surface Water Fee	85	60	- 25
Utility Taxes	<u>0</u>	<u>171</u>	<u>+ 171</u>
Total of 3 Study Areas	3,321	3,050	- 180

Implementation Strategies

The following are highlights of strategies that can be used to address the fiscal impacts of annexing Finn Hill, Juanita, and Kingsgate to the City of Kirkland.

All Taxpayers Share Equally the Cost of Annexation

The City could use one or more general taxes to pay for the \$3,445,000 annual operating deficit.

Property Taxes

If the amount were to be paid by property owners, it would require an increase in the City's levy rate to be applied equally to all property owners, including City of Kirkland, and the three annexation areas: Finn Hill, Juanita, and Kingsgate. The combined taxable value of the City and the 3 annexation areas was \$6.93 billion in 1999. A property tax levy increase of \$0.50 would be needed to generate the additional \$3,445,000 in operating revenue. The property tax levy could only be imposed if approved by a majority of voters.

Utility Tax

If the deficit were to be financed by an increase in utility taxes, we estimate that current utility taxes (5% for residential customers) would need to be increased by 2.3% (to 7.3%) in order to generate an additional \$3.445 million and eliminate the operating deficit. Increases of utility taxes in excess of 6% would require an election to obtain approval of a majority of voters.

Head Tax

If the City used its business licensing authority in a manner similar to Redmond, it could establish a business license charge ("head tax") for each employee and use the revenue to pay for the operating deficit. Based on an estimated 39,700 employees in Kirkland and the combined annexation area, we estimate that a head tax of \$83 per employee per year would eliminate the operating deficit.

Combination

The City could spread the responsibility among the three types of taxes. If each tax paid for an equal share of the deficit, the property tax would increase approximately \$0.17, the utility tax would increase 0.8%, and the head tax would be \$29 per employee.

Use Property Tax "Neutral" Strategy to Create Special Limited Districts in Annexation Areas to pay for Specific Costs

Most of the annexation area is in Fire District 41. Properties in that district pay King County's road levy of \$1.74 and Fire District 41's levy of \$1.20, for a total of \$2.94. Upon annexation, Kirkland's tax of \$1.66 would be levied instead of the road and fire taxes. The "savings" is \$1.28.

One strategy to generate revenue to pay for Kirkland's level of service in the annexation area would be to create a special district and charge a property tax levy in that district. Washington law allows the creation of limited special purpose districts for a number of purposes, such as roads, parks, transportation, and "local improvements". A levy of \$1.28 would generate property tax revenue of \$2,752,000 in the annexation areas. Voter approval is required to create special districts that have taxing authority. Property owner approval is required to create special districts that use special assessments.

If the special district revenue were to be used for operating and maintenance expenses, the City would need to find other sources of revenue to pay for needed capital improvements. Conversely, if the money were to be used for capital improvements, the City would need other sources of revenue to pay

for the additional operating and maintenance cost of the new capital improvements.

Applicability of Kirkland's Existing Debt Service to Annexation Areas

If an area is annexed to a city, it becomes responsible for its share of any debt that the city issues *after* the date of annexation, but it may or may not be responsible for any debt that was issued *before* the date of annexation. Washington law allows cities and annexing areas to decide if the annexing area will, or will not share in the responsibility for paying for debts previously incurred by the city.

The City of Kirkland's strategy will depend on it's evaluation of the relative costs and benefits of the debt service. Annexation areas already benefit from some of Kirkland's debt because they use City parks, and receive fire protection from City-funded fire stations.

If the annexation areas share debt responsibility, they will have higher property taxes than if they don't share the debt. The amount of property taxes would be similar to Kirkland's current special levy for debt, but the actual levy would be lower for everyone (annexation area and existing City) because the debt service payment would be paid by the combined tax base of the annexation area and the City. By combining the tax bases of Kirkland and the annexation area, the debt service levy would be reduced by approximately \$0.06.

Kirkland properties would pay slightly lower property taxes for debt service if annexation areas share debt responsibility because the additional tax base of the annexation area would allow everyone to pay a somewhat smaller tax rate to retire the debt.

Use Property Tax "Neutral" Strategy to Use Savings from Reduced Debt Service Taxes in the City to Pay for Costs in Annexation Area

As described above, if the annexation area agrees to share in the responsibility for paying debts previously incurred by the City, Kirkland properties would pay slightly lower property taxes for debt service. One strategy to generate revenue to pay for Kirkland's level of service in the annexation area would be to charge an additional property tax equal to the amount "saved" by the sharing of debt service taxes.

As noted above, Kirkland's debt service levy would be reduced by \$0.06 if the annexation area shares the responsibility for paying Kirkland's debt. The "savings" of \$0.06 could be applied to the combined tax base and would generate \$404,000 per year.

The additional property tax could be used for operating and maintenance expenses. The tax would be subject to legal limits on taxes, such as statutory caps, limits on the percent that taxes can increase, and requirements for voter approval for increases that exceed the caps or limits. Under current law, taxes can be increased up to 6% without an election, but tax increases in excess of 6% require voter approval. In addition, if the Washington Supreme Court reinstates Initiative 695, voter approval would be required for any increase in property taxes, even if it replaces a tax reduction in the debt service tax.

Phased Increases of Level of Service to match Kirkland's standards

One of the main reasons for the significant fiscal impact of annexing Finn Hill, Juanita and Kingsgate is the difference in levels of service provided by Kirkland and King County. The City provides a level of service that is typical of a municipality, and King County provides a level of service that is commensurate with unincorporated areas.

One strategy for addressing the difference in level of service would be to phase-in the increases in level of service in the annexation area. Phasing would reduce costs during the transition, and it would provide Kirkland with time to recruit and hire personnel and acquire facilities and equipment needed to serve the annexation area at Kirkland's level of service. In most instances, phasing might be accomplished by contracting with King County to continue providing selected services, such as parks maintenance, police protection, street maintenance, or surface water management.

Eventually, phased levels of service will grow to equal the standards achieved by the City of Kirkland. When that occurs, service levels will be the same throughout the City, and the City will experience the full fiscal impacts of those levels of service. A strategy of phasing levels of service postpones, but does not avoid the full fiscal impact of annexation.

Phased Annexation of Finn Hill, Juanita and Kingsgate

This strategy would involve annexing one of the three annexation areas first, then annexing another area at later time, and finally annexing the last area farther in the future.

The usual reason for phasing annexation is to "cherry-pick" an area that is most fiscally desirable, and save the least fiscally desirable until later (if ever). This logic is difficult to apply to the Finn Hill, Juanita and Kingsgate areas because each of the three generates significantly less revenue than the annual cost of providing Kirkland's level of service. As noted in the conclusion, page ii, there are differences in the extent of the deficit, but all 3 have significant deficits. In the combined annexation area, costs exceed

revenues by 37%. In Finn Hill, the deficit is 51%, in Juanita it is 21%, and Kingsgate's deficit is 30%.

Phased annexation based on fiscal impacts could be viewed in several different ways:

- Annex Juanita first because it has the smallest cash deficit and it's deficit is the lowest percent of revenue. Annex Kingsgate next, then annex Finn Hill last.
- Annex Juanita and Kingsgate together, then annex Finn Hill. The combined deficits of Juanita and Kingsgate (\$1.3 million per year) is less than Finn Hill (\$1.9 million).

These phasing plans have the added advantage to the City that Fire Districts 41 and 36 would make one-time payments to the City if Juanita and/or Kingsgate are annexed before Finn Hill. As described on page 45, the payments are for the value of assets retained by the fire district, but which were partially paid by the properties annexing to Kirkland. If Juanita were annexed first, Fire District 41 would pay Kirkland an amount equal to 17% of the value of the assets. If Kingsgate were annexed first, Fire District 41's payment to Kirkland would equal 14% of asset value.

Conversely, if Kirkland were to annex Finn Hill first, the City would take over all the assets of Fire District 41, but the City would have to pay Fire District 41 an amount equal to 32% of the value of the assets.

Fire District

Annexation of Fire District 41 would cause Kirkland to lose \$1.8 million in payments from the Fire District, but there would be no corresponding reduction in cost because Kirkland already provides fire protection to the area because Fire District 41 has contracted with Kirkland Fire Department. While it is true that Kirkland would receive the City's property tax rate from the annexed area, the City's increased taxes (\$3.6 million) are offset by over 50% by the loss of \$1.8 million payment from Fire District 41.

In addition, the City should expect to spend approximately \$543,000 to provide fire service in the portion of Kingsgate that is currently served by Fire District 36.

The statutory requirements regarding annexation of fire district territory are described in RCW 35.02.190 - 210, and RCW 35.13.215 – 249. The most relevant requirements are summarized in this report in the discussion of fire protection services in Chapter 3, Operating and Maintenance Cost, and Chapter 4, Capital Improvements Costs. Those discussions include strategies for addressing fire service operations and capital improvements.

Summary of Fiscal Analysis

The following tables summarize the cost, revenue and staffing forecasts reported in this analysis. They are the basis for the conclusions described above, and the details of each forecast can be found in the body of this report.

General Government Operations and Maintenance

Table 3 summarizes our estimate of the operating revenues and costs Kirkland would incur if Finn Hill, Juanita, and Kingsgate were annexed to the City in 1999. Projected additional revenues for the annexation area total \$9,265,000 million while costs are \$12,710,000 million, leaving the City of Kirkland with \$3,445,000 million annual operating deficit.

Table 3: Projected General Government Operating Revenues and Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Property Tax	\$ 1,995,000	\$ 489,000	\$ 1,089,000	\$ 3,573,000
Utility Tax	1,407,000	606,000	1,073,000	3,086,000
Sales Tax	0	453,000	613,000	1,066,000
Development and Building Fees	635,000	53,000	210,000	898,000
State Shared Revenue (Unrestricted)	398,000	145,000	316,000	859,000
Retail Sales Tax (Criminal Justice)	302,000	110,000	239,000	651,000
Fines and Forfeits	160,000	79,000	148,000	387,000
Cable TV Franchise Fees	111,000	41,000	88,000	240,000
Municipal Assistance to Cities and Towns	76,000	28,000	60,000	164,000
State Shared Revenue – By Application	21,000	8,000	17,000	46,000
Miscellaneous	27,000	18,000	79,000	124,000
Total Revenue	5,132,000	2,030,000	3,932,000	11,094,000
Less Fire District #41 Payment	<u>-1,255,000</u>	<u>-308,000</u>	<u>-266,000</u>	<u>-1,829,000</u>
Total Net Revenue	3,877,000	1,722,000	3,666,000	9,265,000
COSTS				
Fire and Building	956,000	88,000	804,000	1,848,000
Municipal Court, Prosecutor, and Public Defender	289,000	142,000	267,000	698,000
Parks and Community Services	173,000	219,000	344,000	736,000
Planning and Community Development	846,000	181,000	462,000	1,489,000
Police	2,488,000	1,172,000	2,275,000	5,935,000
Public Works - Engineering	416,000	53,000	161,000	630,000
Streets	634,000	212,000	431,000	1,277,000
Miscellaneous	45,000	16,000	36,000	97,000
Total Cost	5,847,000	2,083,000	4,780,000	12,710,000
Surplus or (Deficit)	- 1,970,000	- 361,000	- 1,114,000	- 3,445,000

General Government Capital Improvements

In the Tables that follow, we summarize our estimate of capital revenues and the capital costs Kirkland would incur if Finn Hill, Juanita, and Kingsgate were annexed to the City and the City provided the annexation area with the same level of service that it provides within current City boundaries. We show annual revenue, and we calculate 6 years of revenue because that is the time horizon of capital facility plans in Kirkland and it avoids comparing a one-year revenue forecast to capital costs that would undoubtedly be spread over the longer time period of the City's capital facilities plan. Our forecasts of revenue for capital improvements is based on Kirkland's existing adopted policies, such as designating the first 0.25% real estate excise taxes for transportation, and allocating the second 0.25% between parks and transportation.

Parks

Table 4 forecasts capital revenues from the annexation area for parks would total \$627,000 per year (\$3,762,000 for 6 years) while capital costs range between \$3.5 million and \$72.5 million, depending on how the City's level of service standards are applied.

Table 4: Projected Parks Capital Improvements Revenues and Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Real Estate Excise Tax 1	\$ 305,000	\$ 75,000	\$ 166,000	\$ 546,000
Park Impact Fees	61,000	3,000	17,000	81,000
Annual Revenue	366,000	78,000	183,000	627,000
Years in CIP	6	6	6	6
6-Year Revenue	2,196,000	468,000	1,098,000	3,762,000
COSTS				
Trails to Achieve City LOS	2,056,689	548,498	914,164	3,519,351
Parks to Achieve City LOS for each Park Type and Sub-Area	12,316,500	20,939,340	35,762,820	69,018,660
Total Cost	14,373,189	21,487,838	36,676,984	72,538,011
Surplus or (Deficit)	-12,177,189	-21,019,838	-35,578,984	-68,776,011

Transportation

Table 5 forecasts capital revenues from the annexation area for transportation would total \$1.7 million per year (\$10.2 million for 6 years) while capital costs total \$27.4 million. The capital costs exceed 6 years of revenue by \$17.1 million.

Table 5: Projected Transportation Capital Improvements Revenues and Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Real Estate Excise Tax 2	\$ 348,000	\$ 85,000	\$ 190,000	\$ 623,000
Sales Tax	181,000	47,000	109,000	337,000
Vehicle License Fee (County Fee)	136,000	49,000	107,000	292,000
Restricted Gas Tax	117,000	43,000	93,000	253,000
Road Impact Fees	97,000	5,000	27,000	129,000
Real Estate Excise Tax 1	44,000	11,000	24,000	79,000
Annual Revenue	923,000	240,000	550,000	1,713,000
Years in CIP	6	6	6	6
6-Year Revenue	5,538,000	1,440,000	3,300,000	10,278,000
COSTS				
Street Overlay (6 years x annual cost)	2,100,000	600,000	1,200,000	3,900,000
Street Projects (from King County Transportation Needs Report)	2,768,000	990,000	2,492,000	6,250,000
Pedestrian Improvements	15,681,600	1,584,000	0	17,656,600
Total Cost	20,549,600	3,174,000	3,692,000	27,415,000
Surplus or (Deficit)	-15,011,600	-1,734,000	-392,000	-17,137,600

Administrative and Maintenance Facilities

Table 6 forecasts capital revenues from the annexation area for administrative and maintenance would total \$2.1 million while capital costs total \$6.4 million. The unfunded capital costs total \$4.3 million.

Table 6: Projected Administrative Capital Improvements Revenues and Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Facility Charge Included as Indirect Cost for Debt	1,396,660	527,220	972,530	2,896,410
Total Revenue				
COSTS				
Office Space	2,579,500	820,750	1,582,875	4,983,125
Maintenance Space	428,750	245,000	428,750	1,102,500
Fleet	483,400	252,300	419,700	1,155,400
Total Cost	3,491,650	1,318,050	2,431,325	7,241,025
Surplus or (Deficit)	-2,094,990	-790,830	-1,458,795	-4,344,615

General Government Staffing

Table 7 summarizes our estimate of the additional general government staff that Kirkland would need to serve Finn Hill, Juanita, and Kingsgate in 1999.

Table 7: Projected General Government Staffing to Serve Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Fire and Building	6	1	2	9
Municipal Court, Prosecutor, and Public Defender	2	1	2	5
Parks and Community Services	1	1	2	4
Planning and Community Development	7	1	3	11
Police	23	11	21	55
Public Works - Engineering	4	1	1	6
Streets	4	1	2	7
Administrative and Support	12	5	9	26
Total Additional Staff	59	22	42	123

Surface Water Operations, Maintenance and Capital

Like many other local governments, Kirkland accounts for its surface water program separate from the general government programs listed above.

Table 8 summarizes our estimate of the surface water revenues and costs Kirkland would incur if Finn Hill, Juanita, and Kingsgate were annexed to the City in 1999. Projected surface water revenues for the annexation area total \$778,000.

The first 14.56% (\$113,000) is for repayment of debt incurred by King County. The remaining revenue is divided 60% (\$399,000) for operations and maintenance and 40% (\$266,000) for capital, as shown in Table 8.

Operating and maintenance costs (including departmental and city indirect costs) total \$806,000, leaving the City of Kirkland with \$407,000 annual operating deficit. Capital improvements costs are matched to capital improvement revenues.

Table 8: Projected Surface Water Revenues and Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
OPERATING & MAINTENANCE				
Surface Water Fees for Operations	\$ 184,000	\$ 74,000	\$ 141,000	\$ 399,000
Surface Water Operating Costs	- 432,000	- 132,000	- 242,000	- 806,000
Operations Surplus or (Deficit)	- 248,000	- 58,000	- 101,000	- 407,000
CAPITAL				
Surface Water Fees for Capital	\$ 174,000	\$ 71,000	\$ 134,000	\$ 379,000
King County Debt Service	- 52,000	- 21,000	- 40,000	- 113,000
Surface Water Capital Costs	- 122,000	- 50,000	- 94,000	- 266,000
Capital Surplus or (Deficit)	0	0	0	0

Surface Water Staffing

Table 9 summarizes our estimate of the additional surface water staff that Kirkland would need to serve Finn Hill, Juanita, and Kingsgate in 1999.

Table 9: Projected Surface Water Staffing to Serve Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Surface Water	3	1	2	6

TABLE OF CONTENTS

EXECUTIVE SUMMARY	I
1. INTRODUCTION	1
GOALS OF THE REPORT	1
BACKGROUND OF THE REPORT	1
STUDY AREA	2
METHODOLOGY	5
2. OPERATING AND MAINTENANCE REVENUE FORECASTS	11
GENERAL GOVERNMENT REVENUES FOR OPERATIONS AND MAINTENANCE	11
REVENUE LOSS FROM ANNEXATION	21
RESTRICTED PURPOSE REVENUES FOR OPERATIONS AND MAINTENANCE	22
3. OPERATING AND MAINTENANCE COST AND STAFFING	23
FIRE AND BUILDING	24
MUNICIPAL COURT, PROSECUTOR AND PUBLIC DEFENDER	28
PARKS AND COMMUNITY SERVICES	30
PLANNING AND COMMUNITY DEVELOPMENT	33
POLICE	35
PUBLIC WORKS - ENGINEERING	39
STREETS	40
MISCELLANEOUS	42
ADMINISTRATION AND SUPPORT (INDIRECT COSTS)	43
4. CAPITAL IMPROVEMENTS REVENUES AND COSTS	45
FIRE AND BUILDING	45
MUNICIPAL COURT, PROSECUTOR AND PUBLIC DEFENDER	49
PARKS AND COMMUNITY SERVICES	50
PLANNING AND COMMUNITY DEVELOPMENT	57
POLICE	57
PUBLIC WORKS - ENGINEERING	58
STREETS	58
ADMINISTRATION AND SUPPORT (INDIRECT COST)	64
5. SURFACE WATER REVENUE AND COSTS	71
REVENUE	71
OPERATIONS AND MAINTENANCE COSTS	72

CAPITAL IMPROVEMENTS	75
6. IMPLEMENTATION STRATEGIES	77
ALL TAXPAYERS SHARE EQUALLY THE COST OF ANNEXATION	77
USE PROPERTY TAX “NEUTRAL” STRATEGY TO CREATE SPECIAL LIMITED DISTRICTS IN ANNEXATION AREAS TO PAY FOR SPECIFIC COSTS	78
APPLICABILITY OF KIRKLAND’S EXISTING DEBT SERVICE TO ANNEXATION AREAS	80
USE PROPERTY TAX “NEUTRAL” STRATEGY TO USE SAVINGS FROM REDUCED DEBT SERVICE TAXES IN THE CITY TO PAY FOR COSTS IN ANNEXATION AREA	81
PHASED INCREASES OF LEVEL OF SERVICE TO MATCH KIRKLAND’S STANDARDS	81
PHASED ANNEXATION OF FINN HILL, JUANITA AND KINGSGATE	83
FIRE DISTRICT	84
STATE INCENTIVES	86
COUNTY MITIGATION PAYMENT SYSTEM	87
APPENDIX A: ANNEXATION PROCESS	89
APPENDIX B: DETAILS OF FISCAL ANALYSIS OF THE ANNEXATION AREAS	91

1. INTRODUCTION

GOALS OF THE REPORT

The first goal of this report is to gain an understanding of the financial implications of annexing all or some of the Finn Hill, Juanita, and Kingsgate areas to the City of Kirkland.

The second goal of this report is to identify strategies that facilitate annexation and cause the least financial burden on the existing citizens of Kirkland or on the residents in the annexed area.

Based on this analysis, the City Council will have the financial data necessary to further evaluate the feasibility and/or appropriate timing for annexing all or a portion of the Potential Annexation Area.

BACKGROUND OF THE REPORT

The City of Kirkland identified the Northshore Planning Area in its 1977 Comprehensive Plan consisting of the Finn Hill, Juanita and Kingsgate neighborhoods. The 1977 Comprehensive Plan contains neighborhood plans for each of these areas. At that time, the northern boundary generally followed NE 145th Street.

In 1990, Washington's Growth Management Act was adopted and it encourages all unincorporated areas within King County's Urban Growth Boundary to pursue incorporated status either through annexation or through incorporation. State law (RCW 36.70A.110) provides the underlying rationale for these policies: "*In general, cities are the local government most appropriate to provide urban governmental services.*"

In response to the direction of the Growth Management Act (GMA) King County and the suburban cities worked together in the early 1990s to develop a framework of policies intended to guide jurisdictions as they planned for the future. These policies, referred to as the Countywide Planning Policies, are King County and the suburban cities' interjurisdictional plan for implementing the goals of the Growth Management Act. As directed by the GMA, these Countywide Planning Policies explicitly address the status of unincorporated urban areas. Among other things, the policies call for:

- Elimination of unincorporated urban islands between cities.
- The adoption by each city of a Potential Annexation Area, in consultation with residential groups in the affected area.

- The annexation or incorporation of all unincorporated areas within the urban growth boundary.

The Countywide Planning Policies anticipate that, as this 20-year transition proceeds, the role of county government will evolve into one of providing regional services on a countywide basis and providing local services only to rural areas outside the Urban Growth Boundary.

In 1995, the City of Kirkland adopted a revised Comprehensive Plan pursuant to the Growth Management Act. The 1995 plan revised the boundary and identified an Interim Annexation Area. Following adoption of the 1995 plan, the Finn Hill boundary was modified as a result of the incorporation of Kenmore. Within the Kingsgate Neighborhood, the annexation area boundary was also revised to delete areas outside the Urban Growth Area.

In 1998, Kirkland staff prepared an initial analysis of annexing the Finn Hill, Juanita and Kingsgate areas to the City of Kirkland. The City Council discussed the analysis at its 1998 retreat, and included in the City's 1999 budget the cost of a fiscal analysis of the potential annexation area.

In 1999, King County's Growth Management Planning Council approved an amendment to the Countywide Planning Policies which adopted an Interim Potential Annexation Area Map. This was approved by the King County Council and ratified by the cities. This map reflects the boundaries of the fiscal analysis study area. In December of 1999, the City hired the consultant team of Henderson, Young & Company and ECONorthwest to prepare this fiscal analysis.

STUDY AREA

The area included in this fiscal analysis comprises virtually all of the unincorporated area north of the City of Kirkland, south of the cities of Kenmore, Bothell, and Woodinville, east of Lake Washington, and west of the Burlington Northern railroad right-of-way near Willows road at the base of the plateau (see map, page 4).

For the purpose of this analysis, the potential annexation area is divided in 3 contiguous study areas: Finn Hill on the west, Juanita in the center, and Kingsgate on the east.

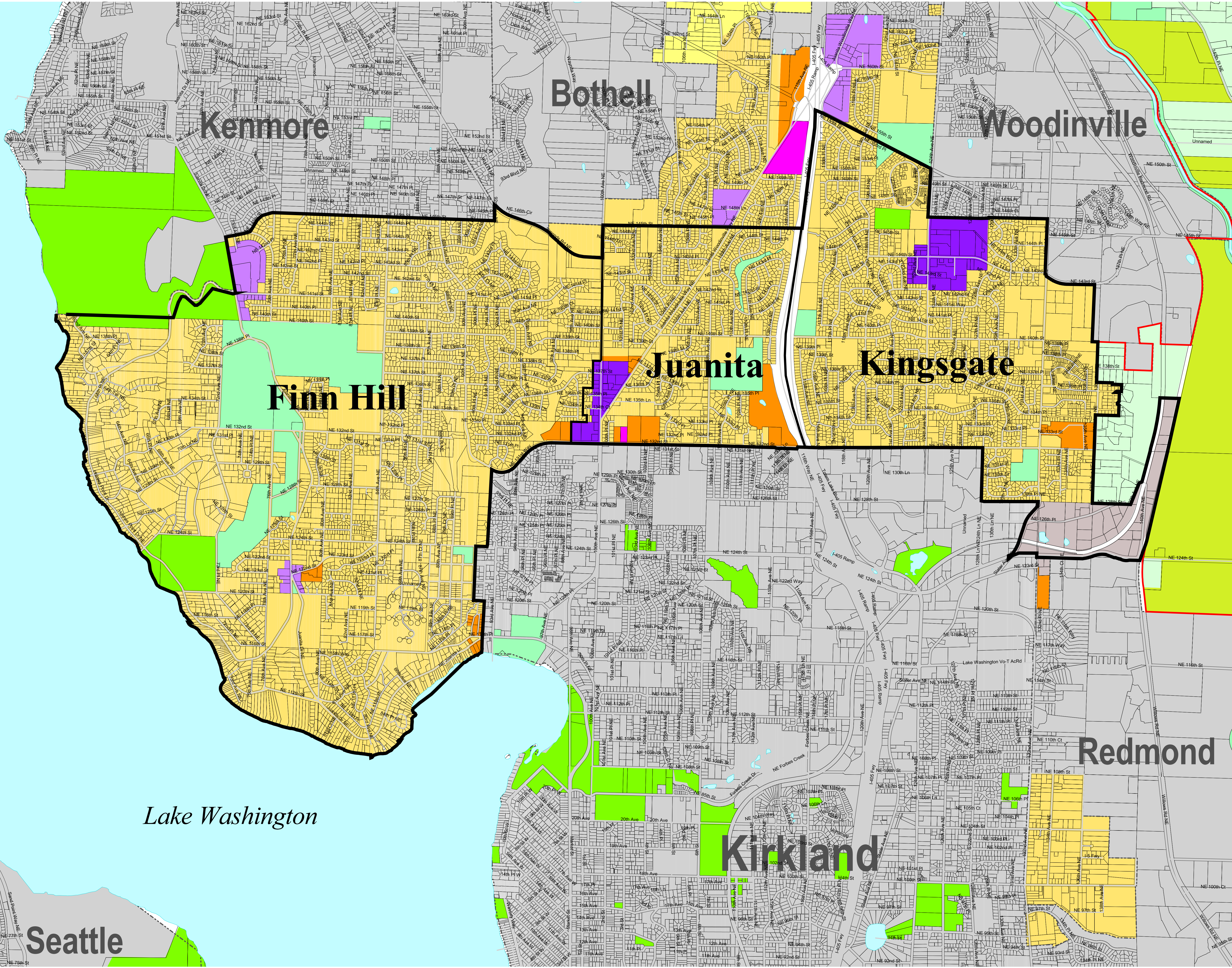
Finn Hill is the largest of the three areas, with a population of approximately 15,900. The southeast border of Finn Hill is connected to Kirkland's north west border. The rest of Finn Hill is bounded by Lake Washington to the west and south, Kenmore to the north, Bothell to the northeast, and the Juanita area to the east.

Juanita, the smallest of the 3 areas, has a population estimated to be 5,800. NE 132nd Street is Juanita's southern border and Kirkland's northern boundary. Juanita's western neighbor is Finn Hill, it's northern border is unincorporated area north of NE 145th street that is in the City of Bothell's potential annexation area. Juanita's eastern boundary is Kingsgate's western border.

Kingsgate is the easternmost of the 3 study areas, and it has a population of approximately 12,600. Like Juanita (to it's west), Kingsgate and Kirkland meet at NE 132nd Street, and the dividing line between the two zigzags south and east to follow NE 124th Street to the vicinity of Willows Road. Kingsgate's eastern border is unincorporated area north of Redmond and south of Woodinville. On the northeast, Kingsgate's neighbor is the City of Woodinville, and it's northwest border abuts I-405 and an area west of Woodinville.

Kirkland Potential Annexation Area: King County Comprehensive Plan Land Use

- Kirkland Potential Annexation Area
- Urban Growth Area Boundary
- Incoporated City
- King County Comprehensive Plan Land Use
 - Community Business
 - Neighborhood Business Center
 - Commercial Outside of Centers
 - Urban Residential > 12du/ac
 - Urban Residential 4-12 du/ac
 - Urban Residential 1 du/ac
 - Rural Residential
 - Industrial
 - Agriculture
 - King County Owned Open Space and Recreation
 - Other Parks/Wilderness



METHODOLOGY

There is more than one way to forecast costs and revenues associated with annexation. Examples include per capita analysis, or analysis of comparable cities. The City of Kirkland requested an analysis with a high degree of reliability, therefore our approach to evaluating the fiscal impacts of annexation is based on costs per unit of service and forecasts of the number of units of service. Our analysis also includes both direct and indirect costs of services. The following is a summary of the key features of our methodology.

Units of Service

We identified “outputs” and “drivers” that defined the units of service provided by Kirkland (outputs) and the demand factors (drivers) that predict the volume of each service. For example, an output for the parks department is maintaining park sites and the unit of service is an acre of park. The driver that forecasts the cost of park maintenance in the annexation area is the park acreage that would meet the City’s standard for each type of park. This approach ensures that the level of service is the same in the annexation area as the City of Kirkland. Our approach avoids understated costs based solely on maintaining existing parks in the annexation area.

We developed lists of potential outputs and drivers for each City service, reviewed them with City service providers to ensure that they reflected Kirkland’s services and that data was available to support our analysis. We then requested data for each output and driver from Kirkland in order to establish the City’s current service level and costs. Some adjustments were made to the outputs and drivers as a result of the City’s experience collecting the data.

Next, we asked King County for data for Finn Hill, Juanita, and Kingsgate for each output and driver. Some additional adjustments were made as a result of the County’s experience collecting the data.

This part of our methodology enabled us to forecast the quantity of services that Kirkland should expect to provide to the annexation area and each sub-area.

Direct and Indirect Costs

We included in our analysis the cost of Kirkland departments that provide services to the consumer (direct costs) and the cost of providing administrative and support functions for the direct service providers (indirect costs). Examples of indirect costs include finance, human resources, information technology, and fleet maintenance. By including indirect costs,

we ensure that the fiscal analysis does not understate the true cost of providing services to the annexation area, and we provide a basis for forecasting future needs for administrative and support functions that enable direct service providers to function at the most efficient levels. In calculating indirect costs, we did not count the cost of department directors or the City Manager because there will always be only one of each of these positions, whether or not Finn Hill, Juanita and Kingsgate are annexed to Kirkland.

Each City cost center was designated as direct or indirect. Direct costs were allocated among the services provided by the department. Indirect costs were apportioned in one of two ways: 1) those that are financed through “internal service funds” (like Equipment Rental and Data Processing) and 2) those that are financed out of the City’s general fund.

The costs of support services financed through internal service funds are already “loaded” onto other departments’ budgeted costs through interfund charges. For instance, the Police Department’s annual budget includes payments to the Equipment Rental Fund to cover the costs of maintenance and the eventual replacement of each patrol vehicle. Therefore, the cost of patrol vehicle maintenance is already built into the budgeted costs of providing police patrol.

Other departments that provide support services, however, are not financed through internal service funds and need to be explicitly accounted for in order to capture the full costs of providing City services. Departments like Finance do not charge other general fund departments for the support services they provide. Nonetheless, the costs of these departments are real and, to the extent that they will be impacted by the additional demands of annexation, these costs need to be accounted for.

To account for “indirect” costs of administration and support, we load a percentage of each indirect service’s costs onto the direct costs of providing city services. For some support activities, like human services, the costs are allocated to direct service departments on a per employee basis, for others the measurement is cost per dollar of departmental budget.

Cost per Unit of Service

Kirkland’s total cost of providing each type of service, including both direct and indirect cost, was divided by the number of Kirkland’s outputs for that service. The result is Kirkland’s cost per unit of service. This cost is multiplied times the forecast number of units of service in each annexation sub-area and the product is the total cost of providing that service to Finn Hill, Juanita and Kingsgate.

Full Time Equivalents (FTEs) per Unit of Service

Unlike cost calculations, our calculations of staffing requirements per unit of service do not include any indirect staffing. Rather, the calculated staff time per unit of service represents only the time of the direct service staff. For each direct service output or driver we calculated the staff time it took to produce one unit of output by dividing the number of full time equivalent employees (FTEs) allocated to provision of a particular direct service by the total number of outputs. The result is Kirkland's direct FTEs per unit of service.

Impacts of potential annexation on departmental support staffing (for things like Police Administration) were calculated based on the 1999 ratio of departmental direct service FTEs to the number of staff performing the departmental support functions. For instance, if the administrative staff of Kirkland's Parks and Community Services numbers one FTE for every six direct service FTEs (excluding the Parks Director who would not be duplicated in the event of annexation), and we calculated that the new service requirements for Parks upon annexation would require six additional direct service FTEs, then we also added one additional FTE to the Parks administrative staff. We then performed a similar calculation at a broader level for City staff who provide support at a citywide level.

Data Sources

The consultants received substantial assistance from staff of the City of Kirkland, and King County staff. Representatives of each of these jurisdictions invested a great deal of time and effort to ensure that this report would provide accurate and comprehensive data describing levels of services, costs, and rates of taxation within their jurisdiction.

Time Horizon

In order to provide a common and consistent point of reference for our analysis, all data (outputs, drivers, costs, revenues, levels of service) are from the most recent complete year: 1999. As a result, our analysis shows what costs and revenues would have been like in the annexation area in 1999.

We recognize that some changes have occurred since 1999, and there will undoubtedly be additional changes in the future. This report, however, does not attempt to bring the data forward to 2000 or beyond, as that would require a number of assumptions about changes in future wages, benefits, goods, services, property values, retail sales, and dozens of other variables. While it is likely that each variable will change at a different rate in the future, our attempt to separately forecast those changes would add

substantially to the complexity of our analysis without adding significantly to its reliability.

Assumptions

Fiscal analysis is like making a prediction: we are using a mixture of facts, assumptions, experience and judgement to try to describe something that might exist in the future, but it does not exist today. Wherever possible, we rely on “hard data” from the sources described above. In many circumstances, however, the data does not provide a complete picture, and we then make assumptions that depict the way things are most likely to occur. We identify specific assumptions throughout this report in our descriptions of specific statistical data and projections. In addition, there are a few overriding assumptions that apply broadly to this analysis and are therefore key to understanding the implications of our findings. These assumptions are:

- Fiscal analysis of annexation is based on the assumption that Finn Hill, Juanita and Kingsgate would receive levels of service similar to those now provided by the City of Kirkland.
- We assume that the current level of service in Kirkland is the benchmark for forecasting comparable levels of service, staffing and costs in the annexation area. This study does not evaluate whether Kirkland's existing levels of service are acceptable or sustainable with existing resources and staffing. While these issues are beyond the scope of the current analysis, they are important questions that require serious consideration when a city contemplates expansion of its boundaries. If a city's resources are stretched under existing conditions, then any annexation that is not a clear fiscal winner is likely to compound those difficulties.
- Kirkland, and other cities that have undertaken annexations in the past, have found that there is a surge in demand for services after annexation. Our methodology of "drivers" and "outputs" will produce a more accurate forecast than a simple population-driven forecast, but it may not fully capture the increment of increased demand during the first few months after annexation.
- Our fiscal analysis includes cost and revenue estimates only for those taxes or services that would change upon annexation. The local services that would not change include schools, regional transit, health services, and regional parks. In other words, after annexation existing school district boundaries will remain as they are.

A service that may, or may not, change for eastern Kingsgate is fire protection. The Finn Hill, Juanita, and western portion of Kingsgate currently in Fire District 41 already have fire protection provided by contract with the City of Kirkland, and annexation would not change fire

protection services for those who are currently served by Kirkland's Fire Department. Fire protection in eastern Kingsgate is provided by Fire District 34 (Redmond) and Fire District 36 (Woodinville). Upon annexation, Kirkland would be legally responsible for fire protection in those areas, but there are a number of options of fulfilling that responsibility, including contracting with the existing fire districts to continue their present service.

Solid waste collection services will not change for at least 7 years because Washington law continues the existing franchise holder for 7 years after the date of annexation.

- Our projections of revenues and costs for determining fiscal analysis should be conservative. This means that, when in doubt, we have attempted to err on the low side for revenues and on the high side for costs.

2. OPERATING AND MAINTENANCE REVENUE FORECASTS

This section of our analysis lists the sources and amounts of revenue that the City of Kirkland would receive from Finn Hill, Juanita, Kingsgate, and the total of all three sub-areas, including a description of the basis for each forecast, and references to additional detailed analyses that appear in the technical appendix.

GENERAL GOVERNMENT REVENUES FOR OPERATIONS AND MAINTENANCE

Table 10 lists the sources and amounts of general government revenues for operations and maintenance that the City of Kirkland would receive from the annexation areas. The basis for each forecast is explained below. The revenue sources are listed in the order of the amount of revenue they would generate for the combined annexation area.

Table 10: Estimated Operating Revenues Associated with Potential Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Property Tax	\$ 1,995,000	\$ 489,000	\$ 1,089,000	\$ 3,573,000
Utility Tax	1,407,000	606,000	1,073,000	3,086,000
Sales Tax	0	453,000	613,000	1,066,000
Development and Building Fees	635,000	53,000	210,000	898,000
State Shared Revenue (Unrestricted)	398,000	145,000	316,000	859,000
Retail Sales Tax (Criminal Justice)	302,000	110,000	239,000	651,000
Fines and Forfeits	160,000	79,000	148,000	387,000
Cable TV Franchise Fees	111,000	41,000	88,000	240,000
Municipal Assistance to Cities and Towns	76,000	28,000	60,000	164,000
State Shared Revenue – By Application	21,000	8,000	17,000	46,000
Miscellaneous	27,000	18,000	79,000	124,000
Total Revenue	5,132,000	2,030,000	3,932,000	11,094,000
Less Fire District #41 Payment	<u>-1,255,000</u>	<u>-308,000</u>	<u>-266,000</u>	<u>-1,829,000</u>
Total Net Revenue	3,877,000	1,722,000	3,666,000	9,265,000

Property Tax

On the whole, potential property tax revenues represent the single largest source of revenues that would be available to Kirkland were the City to pursue annexation. In 1999 the City of Kirkland itself generated \$7.94 million in property taxes through its regular levy of \$1.66 per \$1,000 of assessed value (AV). Our estimate of the property tax revenues Finn Hill, Juanita and Kingsgate would have generated in 1999 is based on applying the City's 1999 regular levy to the estimated 1999 taxable assessed value of the areas.

Based on our analysis of data provided by the King County Assessor's Office, we estimate that if the potential annexation areas were part of the City of Kirkland in 1999, the City's regular property tax levy of \$1.66 per \$1,000 would have generated a total of \$3.57 million in additional revenue, \$1.995 million in Finn Hill, \$0.489 million in Juanita, and \$1.089 million in Kingsgate. This estimate is based on estimated taxable assessed value of land and improvements in the three areas of \$1.20 billion, \$0.29 billion, and \$0.66 billion respectively, with a 2% increment added to account for personal or intercounty utility property that may be in place in each of the areas. This 2% increment represents slightly less than one quarter of the countywide average ratio of personal to real property, which we believe to be an appropriate level given the largely residential nature of the areas.

Table 11: Assessed Value (In millions of 1999 dollars)

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Taxable Assessed Value of Land and Improvements	\$ 1,180	\$ 290	\$ 640	\$2,110
Taxable Assessed Value – Including Personal/Intercounty Utility Property	1,201	294	656	2,152

Utility Tax

After property taxes, utility taxes represent the second largest source of revenue the City would stand to receive were it to pursue annexation of the area. While King County is unable to levy utility taxes, Kirkland does levy taxes on the gross operating revenues public and private utilities earn within the City boundaries, including electricity, telephone, natural gas, solid waste, cable television, water and sewer. For electricity, natural gas and

telephones, Kirkland levies a 5% tax on revenues from residential accounts and a 6% tax on commercial accounts. For water, sewer and solid waste, the City continues to levy a 5% residential rate, but sets the commercial rate at 6.5%. Washington State law exempts public water and sewer districts from paying utility taxes; therefore, since the potential annexation areas are part of the Northshore Water and Sewer District and the Northeast Lake Washington Sewer and Water District, we assume no water or sewer utility tax revenues.

Our estimates of utility tax revenues as outlined in Table 12 are based on our analysis of historical revenues received by Kirkland as well as the cities of Redmond, Bellevue, Kent, Renton, Auburn and Bothell. We examined the relationship between specific utility tax revenues generated in each city and factors like population, land area, assessed value of real property, and different categories of commercial activity. For instance, when we analyzed electricity tax receipts we found that the tax revenues generated in a given city are strongly correlated with the amount of land encompassed by the city boundaries, the assessed value of that land along with the improvements, and manufacturing employment. In fact, in the case of electricity, we found that more than 98% of the variation in the gross revenues generated by an electric service provider in a given city can be explained by variations in the three variables mentioned above.¹

Kirkland's practice of taxing residential and commercial utility accounts at different rates introduces another level of complexity into our analysis. While we believe that our analysis provides very reliable estimates of taxable gross operating revenues, we are less confident in our ability to distinguish between those revenues generated by commercial accounts versus residential accounts. To make the analysis manageable, therefore, we took the simplifying approach of applying only the residential tax rate of 5% to total estimated gross revenues. While this blanket application of the residential tax rate will clearly cause some underestimation of revenues, we believe this approach is appropriate for two reasons. First, the areas in question are largely residential, with relatively low levels of commercial activity, therefore relatively little of the utility tax is from commercial activity. Second, when we consider the low level of commercial activity in conjunction with the relatively small (1%) difference between residential and commercial tax rates we believe that the underestimation of revenues should be small. In then end, we believe that this simplifying assumption provides the best course to ensuring that the revenue estimates we generate are appropriately conservative.

¹ For a detailed discussion of utility tax estimation methodology readers should see Technical Appendix B.

We estimate that, had the three potential annexation areas been subject to Kirkland's utility tax rates in 1999, the City would have received total revenues of \$3.1 million. By comparison, Kirkland's 2000 Budget estimates that the City received slightly less than \$4.5 million from utility tax sources.

Table 12: Utility Tax Revenue Summary (In millions of 1999 dollars)

Utility	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Electricity	\$ 0.580	\$ 0.204	0.347	\$ 1.131
Telephone	0.469	0.270	0.436	1.175
Gas	0.119	0.045	0.100	0.264
Solid Waste	0.121	0.044	0.096	0.261
Cable Television	0.118	0.043	0.094	0.255
Utility Taxes Total	1.407	0.606	1.073	3.086

Sales Tax

Retail sales tax is calculated as a percentage of the sale price of tangible personal property (with the exception of groceries and prescription medicine) and many services purchased by consumers. Beyond its application to tangible personal property, sales tax is also applied to items such as telephone service; the installation, repair, or cleaning of tangible personal property; and to the construction or improvement of new or existing buildings, including labor and services provided throughout the process.

Of the 8.6% to 9.1% sales tax currently collected in the City and the potential annexation areas, a 1% "local" tax accrues to local jurisdictions. In the unincorporated areas the full 1% local tax accrues to the County except for a small portion retained by the State Department of Revenue to cover collection and distribution costs,. If the transaction location is within a city like Kirkland, the city receives 85% of the 1% local tax and the County receives 15%.

Sales tax revenues are the single greatest source of funding for the City of Kirkland's general fund. As a City with substantial retail activity, Kirkland received in excess of \$250 in revenue for each resident in 1999, receiving a total of more than \$11 million in sales tax revenues.

As with our estimate of utility tax revenues, our estimate of the sales tax revenues Kirkland could expect to receive from activities in Finn Hill, Juanita and Kingsgate are based on comparisons with other existing cities in King County. Since the potential annexation areas exhibit relatively low

levels of commercial activity, we compared the areas to a group of 12 King County cities that have historically generated relatively low sales tax revenues per resident. This group includes cities like Shoreline, Federal Way, and Lake Forest Park.

Based on our analysis of how a range of jurisdictional characteristics correspond to generation of sales tax dollars, we identified three variables that strongly correlate with sales tax revenues: the number of employees in the retail sector in a given area, the number of employees in the finance, insurance, real estate and services sector, and the number of new housing units permitted in the previous year (because of sales taxes on construction materials). While sales tax revenues varied widely from one jurisdiction to the next, we found in the 12 comparable cities that 99% of sales tax variations could be explained by variations in the three aforementioned factors.

Based on the identified relationship, we estimate that if Finn Hill, Juanita and Kingsgate were part of Kirkland in 1999, the City would have received sales tax revenues of \$1.45 million from activities that took place in the potential annexation area. We estimate that transactions that took place in Finn Hill would have generated approximately \$208,000 in sales tax revenues, transactions in Juanita would have generated about \$507,000, and Kingsgate approximately \$738,000. These amounts are greater than the amounts in Table 10 because a portion of the sales tax revenue is allocated to capital improvements, as explained below. It should be noted that these forecasts are based on current year data. In practice, Kirkland budgets its sales tax revenue two years back, a conservative approach during times of economic growth.

Although our methodology is not based on per capita calculations, it is common practice to determine the ratio of sales tax to population as a point of comparison among jurisdictions. Collectively, our estimated sales tax revenues from the annexation area represent revenue-generation of \$42 per resident, an amount substantially below Kirkland's existing \$250 per resident plus. In the 3 sub-areas, the figures are \$13 per resident for Finn Hill, \$87 per resident for Juanita, and \$59 per resident for Kingsgate. The low amounts in the annexation area are due primarily to the very small amount of commercial activity in the area, and the very low level of taxable construction activity because the area is substantially developed.

Kirkland's policy is to allocate a portion of its sales tax revenue to transportation and neighborhood capital improvements, and the remainder to the City's general fund. The amount accruing to capital improvements represents 20% of the total of other funds allocated to non-utility capital improvements. In the case of the annexation area, these other capital funding sources total slightly more than \$2 million. Twenty percent of \$2 million is \$400,000, so \$400,000 of the potential annexation area's sales tax revenues is allocated to financing capital investments. In the case of Finn

Hill, however, estimated total sales tax revenues are expected to be insufficient to meet the sales tax capital funding goals. Consequently, all of the sales tax from Finn Hill is assigned to capital investments, with \$0 accruing to the general fund. This adjustment reduces the total sales tax revenues accruing to capital investment funds to \$387,000.

After allocating a portion of sales tax revenues to capital investment funds, the amount of sales tax revenues accruing to the general fund total \$1,066,000, with \$0 accruing in Finn Hill, \$453,000 accruing in Juanita, and \$613,000 accruing in Kingsgate.

Development and Building Fees

To help defray the costs of defining and enforcing development and building standards, a number of City departments collect fees in return for the oversight and issuance of development and building permits. Included in these fee-generating activities are permits issued by the City's Fire and Building Department, the Department of Planning and Community Development, and the Engineering Division of the Public Works Department. Among others, the permitted activities include things like construction of new residential or commercial buildings, oversight of the subdivision of parcels, and engineering review of new public improvements associated with new private development.

Under the City's budgetary structure, development and building fees fall under three revenue categories: 1) physical environment revenues, 2) non-business license and permits, and 3) economic environment revenues. In layman's terms, *physical environment revenues* represents the revenues generated by the City's Engineering Department's review of privately built public improvements. *Non-business license and permits* include building, plumbing and electrical permits. *Economic environment revenues* encompass, among other things, subdivision fees and plan check fees.

For *physical environment* revenues (which are generated by City engineering review of public improvements that are built by private parties in conjunction with private development) we focused on the new development in the potential annexation area as an indicator of activity. To estimate physical environment revenues, we first estimated the portion of the City's revenues that are generated as a result of single-family development (since virtually all of the new development in the annexation areas in recent years has been single family residences) and then compared the City's 1999 level of new single-family development to that of the annexation areas. Estimated revenues represent the ratio of the potential annexation area activity to that of Kirkland multiplied by the estimated 1999 Kirkland physical environment revenues related to single-family development.

To estimate the impact of single-family permitting activity on building and planning permit revenues, we compared recent counts of building permits issued for new single-family houses in the potential annexation areas with counts for the same years in the City of Kirkland.² To estimate the impact of commercial permitting activity, in the absence of any new development in the annexation area, we compared the assessed value of real commercial property in the annexation area with that of Kirkland.

To estimate building and planning permit revenues, we calculated the additional demand for permits the City could expect upon annexation based on the comparison of permits issued for new single family units and commercial assessed values as described above, multiplied that estimate by the number of permits issued by the Building and Planning departments in 1999 to determine the total number of new permits the City could expect to issue in the potential annexation areas in a given year, and then multiplied that estimated number by Kirkland's average revenue generated per permit.

Table 13: Permit Revenue Estimates by Category

Type of Permit	Finn Hill	Juanita	Kingsgate	Total Annexation Area
Physical environment permit revenues	\$ 58,000	\$ 3,000	\$ 16,000	\$ 77,000
Non-business permit revenues associated with building	352,000	30,000	118,000	500,000
Economic environment revenues	225,000	20,000	76,000	321,000
Permit Revenues Total	635,000	53,000	210,000	898,000

State Shared Revenue (Unrestricted)

All cities and towns in Washington State are eligible to receive certain “shared” revenues on the basis of their population. These state-collected revenues derive from two sources: liquor receipts (both profits from liquor sales as well as liquor taxes) and gasoline taxes. As a group, Washington cities and towns receive a fixed percentage of these source revenues, and that fixed percentage is then allocated to the individual cities on a per capita basis. (For shared profits from liquor sales, as an example, Washington cities

² For a complete discussion of the methodology used to estimate permit revenues, see Technical Appendix B: Details of Fiscal Analysis of Annexation.

and towns as a group receive 40 percent of the total profits. This lump of money is then distributed to the individual municipalities according to their respective populations.)

If Finn Hill, Juanita and Kingsgate were part of Kirkland in 1999, the City's population would have been an estimated 34,300 residents greater. As a result of this change in population, the City would have received 34,300 more shares of the state per capita distributions. Three of the four distributions are largely unrestricted in their use, and therefore accrue to the City's general or street fund for use in financing the City's general operations. The fourth distribution, restricted gas tax, is assigned to transportation capital improvements (see page 59). In 1999, the per capita distributions that were unrestricted were as follows.

Table 14: 1999 State Shared Revenue Distributions Per Capita (Unrestricted)

Tax	Distributions
Liquor Tax	\$ 3.06
Liquor Profits	6.26
Unrestricted Gas Tax	15.72
Total	25.04

Retail Sales Tax (Criminal Justice)

By Washington State law, a few of counties, including King County, are authorized to seek voter approval to levy a 0.1% sales tax to support local criminal-justice programs. If voters approve the levy, as they have in King County, the State Department of Revenue collects the tax, and then after retaining a small portion, distributes 10% of the proceeds to the County and the remaining 90% to the County and cities based on population.

In 1999, the City of Kirkland received criminal justice sales tax distributions equaling \$18.95 per resident. Given the estimated incremental increase in population in the annexation areas, Finn Hill would have generated additional criminal justice-sales tax revenues of \$302,000, Juanita \$110,000 and Kingsgate \$239,000.

Fines and Forfeits

While cities are responsible for providing municipal court services for adjudication of local infractions, cities also stand to receive a portion of the fines and forfeit revenues associated with that adjudication. Our estimates

of the additional fines and forfeit revenues the City would receive if it were to annex Finn Hill, Juanita, and Kingsgate are based on revenues the City received in 1999 combined with our estimate of the additional demand for police services in each of the three areas. As we outline in our estimate of police service costs in the following chapter, we estimate that the additional demand for police services associated with Finn Hill, Juanita, and Kingsgate represent 27.9%, 13.7%, and 25.7% of Kirkland's 1999 demand respectively. In terms of demand for services, this means that if the three potential annexation areas were provided police and municipal court services by the City, the City's Police Department and Municipal Court could expect a total increase in service-demand of approximately 67%. Likewise, we anticipate a 67% total increase in the receipt of fines and forfeit revenues. Since the potential annexation areas do not currently support any areas that would require parking enforcement, however, we exclude from Kirkland's fine and forfeit revenue base any revenues generated by parking infractions in Kirkland

Cable TV Franchise Fees

Franchise fees are charges levied on private utilities for the right to use public properties like city streets and alleys. While state law restricts the charges on electricity, natural gas and telephone utilities to the actual administrative expenses incurred by a city, cable TV franchise fees are governed by federal law, which allows fees to be levied at a rate of 5% of gross revenues. Both King County and the City of Kirkland levy the allowed 5% franchise fee.

Our estimate of cable TV franchise fees in Finn Hill, Juanita and Kingsgate is based on Kirkland's 1999 average receipt of cable TV fees of \$7.00 per resident. This per capita figure is comparable to the amount received by many jurisdictions in King County.

Municipal Assistance to Cities and Towns

In response to the passage of I-695 in November 1999 and the subsequent loss of funding for a number of distributions to cities and towns the Washington State Legislature appropriated \$66 million in the supplemental budget of May 2000 to be distributed to cities and towns over the remainder of the current biennium. Distributions of this "municipal assistance" in the current biennium are based on a complex formula, which among other things, takes into account the amount cities were projected to receive in coming years in sales tax equalization distributions (one of the handful of revenue sources that lost funding with the ending of the motor vehicle excise tax).

In the language of the supplemental budget, legislators stated their intention that an amount of \$44 million per year be appropriated for municipal

assistance in subsequent budgets and that the funds be distributed to cities for the purpose of funding criminal justice activities. While no funds have been appropriated and no allocation mechanism has yet been identified for distributions beyond 2001, the distribution in the current biennium provides revenues to the City of Kirkland equaling \$4.80 per resident.

In actuality, in 1999 Kirkland received far more than \$4.80 per capita in motor vehicle excise tax (MVET) distributions; and if Finn Hill, Juanita, and Kingsgate were part of the City in that year, the MVET distributions associated with their populations would have exceeded \$600,000. To reflect the passage of I-695 in our analysis, however, even though we are estimating 1999 costs and revenues, we assume that the potential annexation areas would have generated no motor vehicle excise tax distributions, but instead, would simply extend the amount of municipal assistance for which the City would be eligible.

Our assumption, therefore, is that the City's annual distribution of municipal assistance would grow at a rate commensurate with the increase in population associated with annexing Finn Hill, Juanita and Kingsgate. This means that the City would receive an additional \$4.80 for each resident of the three potential annexation areas.

It is worth noting that the language accompanying the State Legislature's appropriation and distribution of municipal assistance described the purpose of the distribution as assisting municipalities with funding criminal justice activities. The current allocation mechanism for the appropriated \$66 million, however, provides a large portion of the funds to cities that would have stood to receive large distributions of sales tax equalization funds. Many city finance experts have noted that there appears to be a disconnect between the Legislature's stated goals and the allocation formula they identified for the current biennium. (If funding criminal justice expenditures is really the goal, one would expect the distribution to Tukwila [a city with very high criminal justice costs] to receive at least as large a distribution as Mercer Island (a city with low criminal justice costs). However, Mercer Island will actually receive more than \$18 per resident next year while Tukwila will receive less than \$5.

The reason this has bearing on Kirkland's calculations about annexation is that the State Legislature has not yet identified an allocation mechanism for distributions of municipal assistance in future budget cycles. While we have no way of knowing what a future allocation scheme might look like, if the State Legislature is to remain consistent with their stated goals for municipal assistance, one might expect that future distributions would more closely approximate pro rata distributions to all municipalities based on their relative populations. If this turns out to be the case, then in the future, cities like Kirkland could expect to receive municipal assistance distributions in excess of \$12 per capita. This, in turn, would also mean that the

distributions associated with annexation of Finn Hill, Juanita or Kingsgate would increase as well.

State Shared Revenues – By Application

In addition to the state revenue distributions that all cities are eligible to receive simply by virtue of their existence, Washington State's Department of Community Trade and Economic Development also oversees distribution of certain municipal revenues that are only available by application. Currently, the City of Kirkland receives three such distributions: an Innovative Law Enforcement grant, a Child Abuse Prevention grant, and a Domestic Violence Prevention grant. In total, these three distributions represent a per capita distribution to eligible cities of \$1.32.

Table 15: 1999 State Shared Revenue Distributions – By Application (per capita)

Program	Distributions
Innovative Law Enforcement	\$ 0.34
Child Abuse Prevention	0.49
Domestic Violence Prevention	0.49
Total	1.32

Miscellaneous Revenue

The City collects a number of other taxes and fees. These include business license fees, admissions taxes, and gambling taxes.

REVENUE LOSS FROM ANNEXATION

Fire District Payments

As part of a longstanding contract with Fire District #41, the City of Kirkland currently provides fire protection in the majority of the potential annexation area in exchange for a payment based on the District's assessed value as a percent of the combined assessed value of the District and the City of Kirkland. If the City were to annex the potential annexation area, Washington statute would require that it also take over Fire District #41 and continue to provide fire protection services, but as is now true in the City proper, it would have to fund fire protection out of its existing taxes. For the City, this means that annexation of the area of Fire District #41 results in

the loss of the fire districts payment. In 1999, this payment totaled \$1.829 million.

RESTRICTED PURPOSE REVENUES FOR OPERATIONS AND MAINTENANCE

Community Development Block Grants

As a member of the King County Community Block Grant and HOME Investment Partnerships Consortia, the City of Kirkland currently receives “pass-through” community development block grant (CDBG) revenue distributions based on the City’s portion of the counties low and moderate-income population. If the City were to annex any of the potential areas of annexation, the City’s share of low and moderate-income households would presumably increase, thereby increasing the CDBG pass-through dollars for which the City is eligible.

Currently, however, the City’s policy is to pass all CDBG dollars received directly to the City’s human services and affordable housing providers, which means that any dollars we would add to the City’s operating revenues would be counterbalanced by an equal transfer out. Therefore, rather than engaging in the exercise of adding and then subtracting CDBG revenues, we simply do not count these revenues as a funding source for City operations.

3. OPERATING AND MAINTENANCE COST AND STAFFING

This section of the report analyzes the annual cost and staffing of operating and maintaining services that the City of Kirkland would provide to Finn Hill, Juanita and Kingsgate in the event of annexation. Table 16 lists the amounts of general government costs for operations and maintenance that the City of Kirkland would expend serving the annexation areas. The basis for each forecast is explained below.

Table 16: Projected Operating and Maintenance Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Fire and Building	956,000	88,000	804,000	1,848,000
Municipal Court, Prosecutor, and Public Defender	289,000	142,000	267,000	698,000
Parks and Community Services	173,000	219,000	344,000	736,000
Planning and Community Development	846,000	181,000	462,000	1,489,000
Police	2,488,000	1,172,000	2,275,000	5,935,000
Public Works - Engineering	416,000	53,000	161,000	630,000
Streets	634,000	212,000	431,000	1,277,000
Miscellaneous	45,000	16,000	36,000	97,000
Total Cost	5,847,000	2,083,000	4,780,000	12,710,000

Each of the functions listed above is analyzed separately, and each analysis includes four elements:

1. Outputs, drivers or other basis used to forecast services in the annexation area –

This element describes the units of measure that (1) are the basis for establishing Kirkland's cost per unit of service, and (2) forecast the amount of service that will be needed in the annexation areas.

2. Kirkland's 1999 cost per unit of service –

The City's 1999 departmental direct costs are adjusted to add departmental indirect costs and city indirect costs (for administrative support). In calculating indirect costs, we did not count the cost of department directors or the City Manager because there will always be only one of each of these positions, whether or not Finn Hill, Juanita and Kingsgate are annexed to Kirkland. The total cost is divided by the number of units of service in 1999, and the result is the cost per unit of service.

3. Operations and maintenance cost of serving annexation areas –

This element shows the total cost to provide a department's services. The total includes direct costs, departmental indirect costs, and city (administrative and support) indirect costs.

4. Staffing for service to annexation areas –

For each department, this element lists the number of staff needed to provide direct services, including departmental "indirect" (supervisory staff). The staff needed for City administrative and support functions such as finance, administrative services, information technology, facilities and equipment maintenance are not included in the departmental staffing section, they are reported in a separate section at the end of this chapter of the report.

The general government services are presented in alphabetical order, and the surface water costs are discussed in Chapter 5 (on page 71). A summary of indirect costs is listed after all the direct service analyses.

FIRE AND BUILDING

The annexation area includes portions of 3 fire districts. The operating cost to Kirkland for fire protection depends on specific facts and circumstances pertaining to each fire district.

The City of Kirkland's fire department currently protects more than the City. Washington law allows cities to accept contracts from fire districts to provide fire protection to the districts, and Kirkland's fire department protects Fire District 41 through such a contract.

The following analysis explains Kirkland's options for providing fire protection in the event of annexation in each of the 3 fire districts that currently serve the annexation area.

Fire District 41

The Finn Hill area is 68% of the assessed value of Fire District 41. Juanita is 17%, and the portion of Kingsgate that is in Fire District 41 is 14% of the district's assessed value. The combined annexation areas total 99% of the assessed value of Fire District 41. A few parcels in Fire District 41 are not included in any of the annexation areas. These parcels have an assessed value of approximately \$23 million, which is 1% of the value of the district.

All of Finn Hill and Juanita, and a large western portion of Kingsgate are in Fire District 41, which is already served by Kirkland's Fire Department through an existing contract for service. Upon annexation, the tax base of

Fire District 41 would become part of the City of Kirkland, and the City would pay for fire service in that area out of the City's property tax (and any other general fund sources) rather than receiving a payment from the fire district that is based on the District's assessed value as a percent of the combined assessed value of the District and the City of Kirkland. This change is treated in our analysis as a loss of revenue (see Table 10, page 11, and the discussion of Revenue Loss on page 21).

In addition, Fire District 41 pays directly for the cost of daytime staffing of the Station 24 in north Finn Hill. In the event of annexation, this \$329,000 cost would be added to the Kirkland Fire Department's costs in order to maintain the existing level of service. This cost is included in the Finn Hill sub-area and the combined annexation area costs of Kirkland's Fire and Building Department.

Fire District 36/Woodinville Fire and Life Safety

A portion of Kingsgate is in Fire District 36 (Woodinville Fire and Life Safety), which is currently served by District 36 from its Station #34 which is located in Kingsgate. The portion of Kingsgate that is in Fire District 36 is 8.6% of District 36's assessed value. Upon annexation, there are several possible outcomes:

District 36 Contracts to Provide Service

Kirkland and District 36 could decide that Kirkland would pay District 36 to serve the part of the annexation area that is currently served by Station #34, and District 36 would continue to own and operate Station #34. There would be an increased cost to Kirkland's operating budget. If Kirkland paid Fire District 36 an amount equal to the District's \$1.13 levy and it's \$0.50 fire benefit service charge on the annexed tax base, the cost would be approximately \$543,000. This cost is included in the fiscal impact analysis tables.

Kirkland Provides Service

An alternative to purchasing services from Fire District 36 would be for Kirkland Fire Department to provide fire protection to the portion of Kingsgate currently served by Station #34. The operating cost of fire protection services in the area would be approximately \$1 million per year if a full crew, operating expenses, and dispatch costs were assigned to provide this service. This would be in lieu of the \$543,000 included in our analysis for contracting with District 36 for fire protection. Note: Fire District 36's Station 34 presently serves a larger area than Kingsgate Annexation Area.

The capital cost of an engine, aid car, and the alternatives and costs of a station to house Kirkland's crew is analyzed in the capital improvement section of this study.

Fire District 34

A very small portion of eastern Kingsgate is in Fire District 34, which is currently served by the City of Redmond's Fire Department through an existing contract for service. The portion of Kingsgate that is in Fire District 34 is 2% of District 34's assessed value. Upon annexation, the City of Kirkland would acquire the small portion of Fire District 34's tax base that is in the Kingsgate annexation area. This area could be served by Kirkland, Redmond and Woodinville (District 36) fire departments pursuant to existing "automatic aid" agreements. There are unlikely to be any operating costs to Kirkland to serve this area.

Outputs, Drivers or Other Basis for Forecasting Services

Fire suppression services are analyzed above. There are 5 other outputs of the Fire and Building Department in Kirkland:

1. Fire investigations are follow-ups to suspicious fires. During 1999, Kirkland investigated 44 fires. Note: Kirkland provides fire protection service to Fire District 41, but does not conduct fire investigations or inspections in the Fire District.
2. Fire inspections are conducted by the Fire Marshal, and do not include "company inspections" conducted by firefighters. The Fire Marshal conducted 493 fire inspections in 1999. In order to adapt Kirkland's output to a driver available for the annexation area, we calculated Kirkland's ratio of inspections to the 28,255,000 square feet of commercial and multi-family buildings in Kirkland in 1999.
3. Fire prevention and education is measured by expenditures per capita. The driver for annexation areas is population.
4. Emergency preparedness is the measured by "contact hours." There were 252 contact hours of emergency preparedness in Kirkland during 1999. The driver for annexation areas is population.
5. Building permitting and inspection is measured by the number of building permits issued, including residential and commercial permits, for whole structures, additions, alterations and mechanical (i.e., electrical, plumbing, etc.). Kirkland issued 3,525 permits in 1999.

The drivers for the 5 output measures are:

1. Fire investigations: number of investigations conducted in the annexation area in 1999.
2. Fire inspections: number of square feet of commercial and multi-family buildings.
3. Fire prevention and education: population.
4. Emergency preparedness: population.
5. Building permitting and inspections: we described out forecasts of building permit activity in our explanation of revenue forecasts for building permits (see page 16).

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Fire investigation costs per investigation	\$ 1,169.84
Fire inspection costs per 1,000 square feet of commercial floor area	11.16
Fire prevention education contact cost per resident	2.85
Emergency preparedness cost per resident	2.60
Building inspection and permit service costs per permit reviewed	398.96

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 956,000

Fire and Building Department services in Finn Hill are estimated to include 10 fire investigations, fire inspections for 740,000 square feet of commercial and multi-family buildings, 1,304 building permits reviewed, issued and inspections conducted, plus per capita costs for fire prevention and emergency preparedness. In addition, \$329,000 will be needed to pay for the cost of daytime staffing of the Station 24 in north Finn Hill.

Juanita = \$ 88,000

Fire and Building Department services in Juanita are estimated to include 3 fire investigations, fire inspections for 917,000 square feet of commercial and multi-family buildings, 106 building permits reviewed, issued and inspections conducted, plus per capita costs for fire prevention and emergency preparedness.

Kingsgate = \$ 804,000

Fire and Building Department services in Kingsgate are estimated to include 6 fire investigations, fire inspections for 1,522,000 square feet of commercial and multi-family buildings, 423 building permits reviewed, issued and inspections conducted, plus per capita costs for fire prevention and emergency preparedness. In addition, Kirkland would spend approximately \$543,000 to continue the service provided by Fire District 36.

Combined Annexation Areas = \$ 1,848,000

Fire and Building Department services in the combined annexation area are estimated to include 19 fire investigations, fire inspections for 3,179,000 square feet of commercial and multi-family buildings, 1,833 building permits reviewed, issued and inspections conducted, plus per capita costs for fire prevention and emergency preparedness.

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

Annexation Area	Full Time Equivalent Staff
Finn Hill	6
Juanita	1
Kingsgate	2
Combined Annexation Areas	9

MUNICIPAL COURT, PROSECUTOR AND PUBLIC DEFENDER

Outputs, Drivers or Other Basis for Forecasting Services

The outputs of the court, prosecutor and public defender are the cases that they process. In 1999, Kirkland's judge handled 187 DUI cases, and 2,094

misdemeanors. The City's magistrate handled the portion of 6,725 infractions and 16,294 parking cases that were scheduled for hearing. Payments of uncontested infractions and parking violations were processed by administrative staff. The prosecutor was responsible for all 2,281 DUI and misdemeanor cases. The public defender was assigned 614 of those cases.

The driver that forecasts court and attorney activities is police activity, since the cases that are processed judicially begin with law enforcement actions. Consequently, we calculated the ratio of Kirkland police officers to the case load of Kirkland court and attorneys, then applied that ratio to the forecast of additional police officers in the annexation areas to estimate court and attorney cases in the annexation areas.

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Court cost per police officer	\$ 14,757
Prosecution cost per police officer	3,056
Public defender cost per police officer	1,949

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 289,000

Municipal court and attorney services in Finn Hill are based on the increase of approximately 15 patrol, traffic and investigative officers needed to provide police services to Finn Hill.

Juanita = \$ 142,000

Municipal court and attorney services in Juanita are based on the increase of approximately 7 patrol, traffic and investigative officers needed to provide police services to Juanita.

Kingsgate = \$ 267,000

Municipal court and attorney services in Kingsgate are based on the increase of approximately 14 patrol, traffic and investigative officers needed to provide police services to Kingsgate.

Combined Annexation Areas = \$ 698,000

Municipal court and attorney services in the combined annexation area are based on the increase of approximately 36 patrol, traffic and investigative officers needed to provide police services to the combined annexation area.

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

Under the City's current staffing structure the City Attorney's Office contracts for provision of all prosecution and public defender services. Consequently, the only impact on staffing levels for municipal court, prosecution and public defense services will be the administrative employees of the municipal court, therefore all the full time equivalent staff listed below are administrative employees.

Annexation Area	Full Time Equivalent Staff
Finn Hill	2
Juanita	1
Kingsgate	2
Combined Annexation Areas	5

PARKS AND COMMUNITY SERVICES

Outputs, Drivers or Other Basis for Forecasting Services

The output for parks maintenance is the number of acres of park that are maintained. Kirkland's park system consists of 452.8 acres of neighborhood, community, nature, and waterfront parks, 12.8 miles of pathways and trails plus 22,000 square feet of indoor recreational facilities.

The City of Kirkland also provides recreational services. Since the City currently provides these services to the annexation area, there will be no significant financial operating impact of annexation on the cost of recreational services.

The driver that forecasts future park maintenance costs is the acres of existing parks in the annexation area that will become the City's responsibility upon annexation. In our analysis of capital improvements we evaluate the additional acres needed to meet Kirkland's separate levels of service for neighborhood, community and nature parks. At the completion of

that analysis we compute the fiscal impact of the additional parks on the operating and maintenance budget (see page 56).

In performing the calculation of park acres to be maintained by Kirkland we excluded Big Finn Hill park because it is a regional park owned by King County and likely to remain in County ownership because of the County's mission for parks to be a provider of regional facilities. We also excluded O.O. Denny park because it is owned by the City of Seattle.³

Two other outputs/drivers are used in Parks and Community Services. Human service program outputs are measured by expenditures per capita, and are driven by population. The senior center transportation program output is the number of persons transported, and the driver (no pun intended) is the ratio of persons transported to the total population.

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Park maintenance cost per acre	\$ 5,335
Human services cost per resident	8.14
Senior center transportation cost per resident	1.46

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 173,000

Park and Community Services in Finn Hill will maintain 3.9 acres of park land upon annexation. Kirkland will not maintain Big Finn Hill Park or O.O. Denny Park, because they are the responsibility of other jurisdictions, as described above.

Juanita = \$ 219,000

Park and Community Services in Juanita will maintain 30.6 acres of park land upon annexation.

³ Big Finn Hill Park and O.O. Denny Park were included in the evaluation of the acres of parks available to meet Kirkland's level of service standard (for the purpose of forecasting future capital investments), but they were excluded from the calculation of the number of acres of park that the City of Kirkland would be responsible for maintaining because they would not be owned by the City.

Kingsgate = \$ 344,000

Park and Community Services in Kingsgate will maintain 41.9 acres of park land upon annexation.

Combined Annexation Areas = \$ 736,000

Park and Community Services in the combined annexation area will maintain 76.4 acres of park land upon annexation.

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

Annexation Area	Full Time Equivalent Staff
Finn Hill	1
Juanita	1
Kingsgate	2
Combined Annexation Areas	4

Operating Costs of Additional Parks Capital Improvements (Neighborhood/Community/Nature Parks Approach)

The operating and maintenance costs presented above is based on the number of acres of park that King County currently owns that would transfer to the City of Kirkland. It does not include additional operating and maintenance costs associated with additional park acres that may be acquired in the future. If we apply Kirkland's maintenance cost per acre to the acres that would be needed for the "Neighborhood/Community/Nature Parks" approach (beginning page 30), the result will be an estimate of the *additional* future operating and maintenance costs and staff for the park system.

Table 17: Additional Park Operating Cost for Full Level of Service Acreage

Annexation Area	Additional Acres of Park	Additional Operating Cost	Additional Staff (FTE)
Finn Hill	20.7	\$ 110,227	1
Juanita	38.4	204,480	2
Kingsgate	66.3	353,048	3
Combined Annexation Areas	125.4	667,755	6

PLANNING AND COMMUNITY DEVELOPMENT

Outputs, Drivers or Other Basis for Forecasting Services

There are 4 outputs for planning and community development in the City of Kirkland. The same 4 measures are counted in the Finn Hill, Juanita and Kingsgate as drivers for calculating costs in the annexation areas.

- Permits reviewed are the applications for building and other permits that are reviewed by Planning and Community Development. There were 1,371 permits reviewed during 1999. The reviews conducted by the Fire and Building Department are reported separately under that department's cost analysis (see page 24).
- Residential code enforcement ensures that use of residential property in Kirkland conforms to the City's code of permitted and prohibited uses. In 1999, Kirkland had 199 cases.
- Commercial code enforcement does for businesses the same thing that residential code enforcement does for houses. Kirkland's 1999 caseload was 118 cases.
- Studies, plans and regulations are prepared by the Planning and Community Development Department in support of a variety of policy and regulatory needs. This output is measured as a cost per capita.

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Permit review cost per permit	\$ 890.42
Residential code enforcement cost per dwelling unit	4.64
Commercial code enforcement cost per business	17.98
Planning studies, plans and regulations cost per resident	23.06

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 846,000

Planning services in Finn Hill will review 507 permit applications, enforce Kirkland's codes for 5,900 dwelling units and 34 businesses, and prepare studies, plans and regulations.

Juanita = \$ 181,000

Planning services in Juanita will review 41 permit applications, enforce Kirkland's codes for 2,150 dwelling units and 59 businesses, and prepare studies, plans and regulations.

Kingsgate = \$ 462,000

Planning services in Kingsgate will review 165 permit applications, enforce Kirkland's codes for 4,800 dwelling units and 131 businesses, and prepare studies, plans and regulations.

Combined Annexation Areas = \$ 1,489,000

Planning services in the combined annexation area will review 713 permit applications, enforce Kirkland's codes for 12,850 dwelling units and 224 businesses, and prepare studies, plans and regulations.

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

Annexation Area	Full Time Equivalent Staff
Finn Hill	7
Juanita	1
Kingsgate	3
Combined Annexation Areas	11

POLICE

Outputs, Drivers or Other Basis for Forecasting Services

We used seven outputs of police services in Kirkland.

- Patrol services include responses to calls for service, officer initiated events (including traffic enforcement), and patrol follow-up of domestic violence. Kirkland police performed 57,055 of these services in 1999.
- Services by police investigators are measured by cases assigned, which totaled 595 in 1999.
- There were 242 responses during 1999 by the K-9 patrol.
- The Special Response Team responded 7 times in 1999.
- The Crime Prevention unit served 13 schools during 1999.
- The Crime Prevention unit supported neighborhood watch programs for 1999. These are measured on the basis of program costs per capita.
- Care and custody of prisoners is measured by “prisoner days” (i.e., one person incarcerated for all or part of one day). During 1999, Kirkland had 3,137 prisoner days in it’s own jail, 3,514 prisoner days at King County facilities, and 558 at the Enumclaw jail.

For most governmental services, such as streets, parks, planning, etc., we forecast demand in annexation areas based on the volume of similar services provided by King County. We encountered two difficulties in applying this approach for police services in the annexation area. First, there are significant differences in the data that is collected and reported by King County and Kirkland. For example, Kirkland reports all calls for service, while King County reports dispatched calls for service. There are numerous

and significant differences in reporting that lead us to conclude that we could not use King County's to prepare a reliable forecast of police services by the City of Kirkland in the annexation areas.

Second, our experience of recent annexations and incorporations in the Puget Sound region suggests that the demand for police services is likely to increase as an area moves from unincorporated to incorporated status. Many newly incorporated cities report that, almost from the day of incorporation, areas that had traditionally generated a consistent number of calls for service will suddenly begin generating considerably more calls. What these experiences suggests is that a certain level of demand for police services in an unincorporated area is not a given. Rather, service demand is at least in part a function of resident's expectations and their perception of the level of service offered by the local service provider.

To account for the likely difference between the service demand the King County Sheriff's Office has historically experienced and the demand Kirkland would be likely to experience were it to annex any of the three study areas, we used comparisons with other King County cities to identify characteristics of areas that predicted service demand in a municipal setting.

Although we have little information from these cities about things like calls for service or number of investigations, we have good information about the amount many King County cities spent on police salaries. Under the rationale that cities generally allocate their scarce resources in response to resident's demand for a given service, we used these cumulative law enforcement salary figures as a proxy for service demand. The next step of our analysis was to look at defining characteristics of different King County cities to identify those characteristics that most strongly corresponded to this measure of demand.

What we found from our comparison of twenty cities in the county was that by looking at three factors (population, the number of manufacturing employees employed at workplaces in the city, and the number of non-manufacturing employees employed in the city) we were able to explain 97% of the variation in the amount of law enforcement salaries cities paid.

Using the formula we derived to explain these variations, we were then able to calculate a measure of service demand for the City of Kirkland itself, and then for the three potential annexation areas. Using the relative size of the demand forecast in each of the study areas versus the forecast for Kirkland, we were able to generate a demand factor for each of the three areas.

Ultimately, our analysis resulted in an estimate that, if Finn Hill were to become part of the City of Kirkland and were to receive police services from the Kirkland Police Department, the department would experience a 28% increase in demand for services. Similarly, annexation of Juanita would increase demand by slightly less than 14%, and annexation of Kingsgate

would increase demand by slightly less than 26%. If Kirkland were to annex the entire area, our analysis suggests that the police department would experience a 67% increase in service demand.

It should be noted that these percentages are consistently less than the population ratios of the annexation areas to the City. This is reasonable because a portion of Kirkland's police activities pertain to it's business community (i.e., shoplifting, theft, larceny, etc.). Kirkland has 3,100 places of business, but there are only 224 businesses in the annexation area.

Given the strength of the relationship between forecast and actual salaries in comparable King County cities, we believe that the service demand factors discussed above represent the best available estimate of the service-demand the police department would face upon annexation. Therefore, for each of our identified drivers for patrol/traffic policing, police investigations, K-9 patrol, and special response team we estimated the driver value by multiplying our police demand factor by Kirkland's 1999 level of output. For example, the Finn Hill's demand factor of 28% multiplied by Kirkland's 57,055 patrol services indicates that Finn Hill would expect nearly 16,000 patrol services from the City of Kirkland. We applied this method to forecast all the drivers for police services in the annexation areas.

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Patrol Services cost per call for service, officer initiated event, or domestic violence follow-up	\$ 109
Investigations cost per case assigned	1,898
K-9 patrol cost per response	666
Special Team cost per response	2,325
Prisoner custody cost per prisoner day	124
Note: Because the City's jail is at it's maximum capacity, we use King County's cost per prisoner day plus City indirect costs as the basis for forecasting costs in the annexation areas.	
Crime prevention cost per school	44,223
Neighborhood watch cost per capita	6.41

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 2,488,000

Police services in Finn Hill are estimated to include 15,890 patrol services, 166 cases assigned for investigation, 67 K-9 unit responses, 2 special team responses, and 3 schools receiving crime prevention services.

Juanita = \$ 1,172,000

Police services in Juanita are estimated to include 7,834 patrol services, 82 cases assigned for investigation, 33 K-9 unit responses, 1 special team response, and 1 school receiving crime prevention services.

Kingsgate = \$ 2,275,000

Police services in Kingsgate are estimated to include 14,680 patrol services, 153 cases assigned for investigation, 62 K-9 unit responses, 2 special team responses, and 3 schools receiving crime prevention services.

Combined Annexation Areas = \$ 5,935,000

Police services in the combined annexation areas are estimated to include 38,404 patrol services, 401 cases assigned for investigation, 162 K-9 unit responses, 5 special team responses, and 7 schools receiving crime prevention services.

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

Annexation Area	Full Time Equivalent Staff
Finn Hill	23
Juanita	11
Kingsgate	21
Combined Annexation Areas	55

PUBLIC WORKS - ENGINEERING

Outputs, Drivers or Other Basis for Forecasting Services

There are 2 outputs for engineering in the City of Kirkland. The same 2 measures are counted in the Finn Hill, Juanita and Kingsgate as drivers for calculating costs in the annexation areas.

- Public improvements associated with development are reviewed by Engineering. The output (reviews) is measured as a percent of the value of the improvements being made. Kirkland reviewed \$3.66 million of public improvements during 1999.
- Engineering support of the street system is based on the number of centerline miles of streets. In 1999, Kirkland had 154 centerline miles.

Kirkland's engineering staff that work on capital improvements projects are included in the City's indirect cost analysis (see page 43).

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Development review cost per dollar of public improvements	\$ 0.31
Traffic engineering cost per centerline mile of road	2,764

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 416,000

Engineering services in Finn Hill will involve \$882,000 of public improvements, and 51.5 centerline miles of road.

Juanita = \$ 53,000

Engineering services in Juanita will involve \$41,000 of public improvements, and 14.4 centerline miles of road.

Kingsgate = \$ 161,000

Engineering services in Kingsgate will involve \$244,000 of public improvements, and 31.1 centerline miles of road.

Combined Annexation Areas = \$ 630,000

Engineering services in the combined annexation area will involve \$1.2 million of public improvements, and 97 centerline miles of road.

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

Annexation Area	Full Time Equivalent Staff
Finn Hill	4
Juanita	1
Kingsgate	1
Combined Annexation Areas	6

STREETS

Outputs, Drivers or Other Basis for Forecasting Services

There are 5 street maintenance outputs of the City of Kirkland. The same 5 measures are counted in Finn Hill, Juanita and Kingsgate as drivers for calculating costs in the annexation areas.

- Centerline miles of streets are the output measurement for roadway, roadside and median maintenance, street cleaning, snow and ice control and ancillary operations. Kirkland maintained 154 centerline miles of road in 1999.
- Miles of sidewalks are the output for sidewalk maintenance, and in 1999 the City maintained 118 miles of sidewalk.
- The number of street lights measures the number of lights provided power. There were 2,312 street lights in Kirkland in 1999.
- Signalized intersections and lighted cross walks count the traffic control devices maintained by the City. Kirkland had 41 traffic signals and 19 lighted cross walks in 1999.

- Traffic signs are the output measure for all such signs that are the responsibility of the City. During 1999, the City had 9,850 traffic signs.

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Street maintenance cost per mile	\$ 9,970
Sidewalk maintenance cost per mile	940
Streetlight power cost per light	156
Signalization cost per intersection and lighted crosswalk	5,531
Traffic sign maintenance cost per sign	47

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 634,000

Street maintenance services in Finn Hill would be responsible for 51.5 centerline miles of road, 20 miles of sidewalk, 126 street lights, 3 traffic control devices, and 1,396 traffic signs.

Juanita = \$ 212,000

Street maintenance services in Juanita would be responsible for 14.4 centerline miles of road, 9 miles of sidewalk, 152 street lights, 4 traffic control devices, and 304 traffic signs.

Kingsgate = \$ 431,000

Street maintenance services in Kingsgate would be responsible for 31.1 centerline miles of road, 28 miles of sidewalk, 228 street lights, 6 traffic control devices, and 557 traffic signs.

Combined Annexation Areas = \$ 1,277,000

Street maintenance services in the combined annexation area would be responsible for 97 centerline miles of road, 57 miles of sidewalk, 506 street lights, 13 traffic control devices, and 2,257 traffic signs.

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

Annexation Area	Full Time Equivalent Staff
Finn Hill	4
Juanita	1
Kingsgate	2
Combined Annexation Areas	7

MISCELLANEOUS

Outputs, Drivers or Other Basis for Forecasting Services

Miscellaneous costs are for non-departmental payments for PSAPCA and King County Alcohol, City Council expenditures for Business Association, Neighborhood Grants, and Community Event Grants. The costs for the annexation area are based on Kirkland's per capita costs.

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Cost per capita	\$ 2.84

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 45,000

Juanita = \$ 16,000

Kingsgate = \$ 36,000

Combined Annexation Areas = \$ 97,000

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

None

ADMINISTRATION AND SUPPORT (INDIRECT COSTS)

Outputs, Drivers or Other Basis for Forecasting Services

The outputs of administration and support are measured by the “indirect cost” of providing services that direct service departments do not provide for themselves, such as finance, human resources, facilities and fleet maintenance, information technology, and capital improvement project engineering. For some support activities, the measurement is cost per employee, for other support activities, the measurement is cost per dollar of budget in the direct services departments.

The drivers are the number of employees and the dollar amount of budget of direct service departments.

Our method of calculating indirect costs is described in the Methodology section of the Introduction to this study (see page 5).

Kirkland’s 1999 Cost per Unit of Service

Administrative Function	Cost per \$1,000 of Direct Service Department Budget	Cost per Full Time Equivalent Employee in Direct Service Departments
Financial administration	\$ 4	not applicable
Financial customer services	4	not applicable
Financial fiduciary, purchasing and accounting	16	not applicable
City Council legislative	5	not applicable
City Manager executive	not applicable	\$ 1,689
City Attorney legal services	not applicable	1,683
City Clerk administrative services	not applicable	3,279
Administrative Service human resources	not applicable	2,038
Non-departmental administration	not applicable	595

Operations and Maintenance Cost of Serving Annexation Areas

The cost of administrative and support services are included in the cost of direct service departments: fire and building, municipal court, parks and community services, planning and community development, police, public works engineering, and streets.

City Administrative and Support Staffing for Service to Annexation Areas

The staffing needed for administration and support are *not* included in the staff summaries of direct service departments listed earlier in this chapter. The following is a summary of the number of positions needed for all administration and support functions. A Technical Appendix provides a more detailed estimate of positions for each administrative and support function.

Annexation Area	Full Time Equivalent Staff
Finn Hill	12
Juanita	5
Kingsgate	9
Combined Annexation Areas	26

4. CAPITAL IMPROVEMENTS REVENUES AND COSTS

Capital improvements differ from operating and maintenance in several ways:

- Capital improvements cost more and last longer than operating and maintenance expenses.
- Operating and maintenance costs are planned in one-year budgets, but capital improvements are planned over longer periods (typically six years).
- Most revenues used to pay for capital improvements are restricted by law or City policy to be used for a specific type of public facility. For example, vehicle licensing fees can only be used for transportation, and park impact fees can be used only for parks. By comparison, most revenues that are available for operating and maintenance expenses can be used for any type of public service or program.

In this section of our analysis we present each of the major types of public facilities separately, and examine the revenues and costs of each type of facility that will provide service to Finn Hill, Juanita, and Kingsgate.

FIRE AND BUILDING

The annexation area includes portions of 3 fire districts. The capital cost to Kirkland for fire protection depends on specific facts and circumstances pertaining to each fire district's assets (i.e., fire stations and apparatus, such as fire engines, ladder trucks, aid cars, etc.) and liabilities.

According to Washington law, the ownership of assets, payment for assets, and responsibility for liabilities, depends on the percentage relationship between the assessed value of real property in the annexation area and in the entire fire district. There are two thresholds for code cities, such as Kirkland:

Annex 60% – 100% of Fire District

Ownership of all assets of the fire district are vested in the annexing city, but the city must pay the fire district within one year of annexation a percentage of the value of the assets that is equal to the percent of assessed value that is *not* annexed (i.e., remains in the fire district). (Note: the voters in the part of the fire district that is not annexed may vote to require the annexing city to provide fire service and operate and maintain the fire district's property, facilities and equipment for the remaining area that was not annexed to the city, but the district must pay the city a reasonable fee for the service.) (RCW 35A.14.380)

Annex 5% – 59% of Fire District

All assets remain the property of the fire district, but the fire district must pay the annexing city within one year of annexation for the share of the district's asset value that is equal to the percentage that the assessed value of annexed property is of the assessed value of the entire district before annexation. (RCW 35A.14.400)

Annex less than 5% of Fire District

All assets remain the property of the fire district, and no payment is due to the annexing city (RCW 35A.14.400) unless the annexing city finds that serving the annexed area will impose a significant increase in the city's fire suppression responsibilities and a corresponding reduction in fire district responsibilities. (RCW 35.02.205)

In addition to the scenarios described above, any property in a fire district that is annexed to a city continues to pay its share of outstanding indebtedness until the debt is retired, as if the annexation had not occurred. (RCW 35.13..249)

The following analysis explains how the legal thresholds and rules described above apply to each of the fire districts that serve the annexation area.

Fire District 41

Table 18 shows that the Finn Hill area is 68% of the assessed value of Fire District 41. Juanita is 17%, and the portion of Kingsgate that is in Fire District 41 is 14% of the district's assessed value. The combined annexation areas total 99% of the assessed value of Fire District 41. A few parcels in Fire District 41 are not included in any of the annexation areas. These parcels have an assessed value of approximately \$23 million, which is 1% of the value of the district.

Table 18: Assessed Value of Fire District 41

Area	Assessed Value	Percent of District Assessed Value
Total Fire District 41	\$ 1,736,961,572	100.0%
Finn Hill	1,176,362,015	67.7%
Juanita	288,874,500	16.6%
Kingsgate	249,334,400	14.4%
Combined Annexation Areas	1,714,570,915	98.7%

All of Finn Hill and Juanita, and the large western portion of Kingsgate are in Fire District 41, which is already served by Kirkland's Fire Department through an existing contract for service. Upon annexation, the tax base of Fire District 41 would become part of the City of Kirkland, and the City would pay for fire service in that area out of the City's property tax (and any other general fund sources) rather than receiving a payment from the fire district that is based on the District's assessed value as a percent of the combined assessed value of the District and the City of Kirkland.

The fire stations in Fire District 41's portion of the annexation area are owned by the District, as are one engine and one aid car. Within one year of annexation, Kirkland would have to pay Fire District an amount equal to 1% of the value of the stations and apparatus. Fire District 41 has no liabilities, therefore Kirkland would not have to take on any additional liabilities as a result of annexation.

Fire District 36/Woodinville Fire and Life Safety

A portion of Kingsgate is in Fire District 36 (Woodinville Fire and Life Safety), which is currently served by District 36 from its Station #34 which is located in Kingsgate. The portion of Kingsgate that is in Fire District 36 is 8.6% of District 36's assessed value.

Table 19: Assessed Value of Fire District 36

Area	Assessed Value	Percent of District Assessed Value
Total Fire District 36	\$ 3,880,086,034	100.0%
Finn Hill	1,719,000	< 0.1%
Juanita	none	none
Kingsgate	333,196,560	8.6%
Combined Annexation Areas	334,915,560	8.6%

Upon annexation, there are several possible outcomes:

District 36 Retains Ownership of Station #34

Kirkland and District 36 could decide that Kirkland would pay District 36 to serve the part of the annexation area that is currently served by Station #34, and District 36 would continue to own and operate Station

#34. This scenario could be an intermediate-term strategy followed by longer-term plans by District 36 to relocate services from fire station #34 to a location closer to Woodinville.

There would be no immediate capital cost to Kirkland, but there would be an increase cost to the operating budget. As described above (see page 25), our analysis of operating and maintenance costs includes \$543,000 for these costs.

Kirkland Becomes Owner of Station #34

Kirkland could purchase or lease Station #34 from District 36 and use it for full or partial fire and EMS service.

The capital cost would include any cost of acquiring Station #34. The operating cost of fire protection services in the area would be approximately \$1 million per year if a full crew, operating expenses, and dispatch costs were assigned to provide this service. This would be in lieu of the \$543,000 included in our analysis for contracting with District 36 for fire protection.

Fire Protection is Provided from a Different Station

There are many ways that fire protection could be provided from a different station. Kirkland could establish a new base of operations, such as relocating and expanding Station #27 to a point between its present location and the site of Station #34. Kirkland's Fire Chief indicates that it would not be feasible to serve the area by adding apparatus and crew at Kirkland's station #27.

The capital cost to Kirkland would be the cost of a new station (approximately \$2 million, net of any money received from the sale of existing Station #27, if that scenario is used). The cost of one engine and one aid car is approximately \$500,000.

The operating cost of fire protection services in the area would be the same as if Kirkland became the owner of Station #34: approximately \$1 million per year for a full crew, operating expenses, and dispatch costs. This would be in lieu of the \$543,000 included in our analysis for contracting with District 36 for fire protection.

Another approach could involve converting the asset value of Fire Station #34 to other uses. District 36 could sell the site and use the proceeds to meet its needs elsewhere in its service area. This would have no fiscal impact on Kirkland unless the City bought the site and used it for other purposes.

Fire District 34

A very small portion of eastern Kingsgate is in Fire District 34, which is currently served by the City of Redmond's Fire Department through an existing contract for service. The portion of Kingsgate that is in Fire District 34 is 2% of District 34's assessed value. Upon annexation, the City of Kirkland would acquire the 2% of Fire District 34's tax base that is in the Kingsgate annexation area. This area would be served by Kirkland, Redmond and Woodinville (District 36) fire departments pursuant to existing "automatic aid" agreements. There are unlikely to be any capital costs to Kirkland for fire station or apparatus to serve this area.

Table 20: Assessed Value of Fire District 34

Area	Assessed Value	Percent of District Assessed Value
Total Fire District 34	\$ 2,903,004,096	100.0%
Finn Hill	none	none
Juanita	none	none
Kingsgate	58,951,800	2.0%
Combined Annexation Areas	58,951,800	2.0%

Kirkland Fire and Building Department

There are capital improvements needed for administrative and office space, furniture, vehicles (other than fire apparatus), and computers for the additional Fire and Building employees needed to serve the annexation areas. Replacement costs for all of these items are included in the indirect costs such as fleet charges and building maintenance charges. The initial cost of offices, vehicles and computers is described below in the discussion of capital improvements costs for "Administrative and Support" services (see page 64).

MUNICIPAL COURT, PROSECUTOR AND PUBLIC DEFENDER

The capital improvements needed for courts are administrative and office space, furniture, and computers for the additional employees needed to serve the annexation areas. Replacement costs for all of these items are included in the indirect costs such as building maintenance charges. The initial cost of

offices and computers is described below in the discussion of capital improvements costs for "Administrative and Support" services.

There are no capital improvements needed for prosecutors or public defenders because the City provides for these attorneys by contract, and the attorneys provide their own offices and furnishings.

PARKS AND COMMUNITY SERVICES

The need for parks capital improvements depends on the level of service standards of the City, and how those standards are applied. Kirkland's adopted standards are:

- 1.3 acres of neighborhood parks per 1,000 population,
- 1.6 acres of community parks per 1,000 population,
- 5.7 acres of nature parks per 1,000 population, and
- 0.3 miles of pathways and trails per 1,000 population.

The City has achieved, or is within 5% of achieving, all 4 of these standards. In addition, the City has a standard of 700 square feet of indoor recreation space per 1,000 population, but that standard is not analyzed in this study because the City of Kirkland already provides recreation services to the residents of the annexation areas.

We used Kirkland's level of service standards to calculate the acreage that each annexation area should have, then we subtracted the acres of existing County parks from the need to determine the amount of additional acres that would have to be acquired in order to meet the City's level of service.

We use two different tests of parks needs in order to identify the range of costs that Kirkland would face in the event of annexation. One approach is the "Total Acres" approach, and the other is the "Neighborhood/Community/Nature Parks" approach. In both approaches, we analyzed pathways/trails separately from park acreage.

Total Acres Approach

The Total Acres approach treats all parks as acreage assets, regardless of the "type" of park. In this approach, a "surplus" of one type of parks offsets a deficiency of another type of parks. For example, in the Finn Hill annexation area, the Big Finn Hill and O.O. Denny parks have more acres than are "needed" for community and nature parks, so the "surplus" is used to offset the deficiency of neighborhood parks. The detailed cost of this approach are presented beginning on page 53, after the summary of revenues for parks capital improvements.

Neighborhood/Community/Nature Parks Approach

The "Neighborhood/Community/Nature Parks" approach analyzes the three types of parks separately to determine additional needs for each type. This approach calculates the exact mix of types of parks for each of the three sub-areas. Using this approach, the Finn Hill annexation area would need neighborhood park acres because the "surplus" of community and nature parks is not considered to meet the same need. The detailed cost of this approach are presented beginning on page 54, after the detailed cost of the "Total Acres" approach.

The two methods (Total Acres or Neighborhood/Community/Nature Parks) produce dramatic differences in the "need" for parks in the annexation area. Using the Total Acres approach, there is no need for any additional park acres in the combined annexation area. Only pathways/trails are needed throughout the combined annexation area. Using the Neighborhood/Community/Nature Parks approach, all three annexation areas will need significant additional park land in order to have levels of service comparable to the City of Kirkland. A comparison of costs versus revenue using each method is shown in Table 21 and

Table 22.

Revenue for Parks Capital Improvements

There are two sources of revenue that Kirkland uses to pay for parks capital improvements: real estate excise tax and park impact fees.

Real Estate Excise Tax

The Real Estate Excise Tax (REET) is levied on all sales of real estate, applied to the full sale price of the property in question. According to state law, a city that is required to plan under the Growth Management Act can levy a Real Estate Excise Tax totaling 0.5% of the selling price of the property.

Our estimate of the REET revenues Kirkland would stand to gain by annexation of Finn Hill, Juanita and Kinggate is based on the average REET revenues received by the surrounding jurisdictions of Kirkland, Bothell and Woodinville in 1998, adjusted to account for differences in the total assessed value in each of the areas. The average REET revenues generated by each 0.25% tax for the three jurisdictions equaled \$290 per \$1 million of assessed value, which totals \$580 per \$1 million for the full 0.5%.

The first 0.25% of the Real Estate Excise Tax (REET 1) must be used primarily to fund capital facilities expenditures that have been identified in the city's comprehensive plan. The second 0.25% (REET 2) revenues must also be used to fund capital facilities, with the added stipulation that they cannot be used for the acquisition of land for parks.

The City of Kirkland's adopted ordinance dedicates 100% of the REET 2 revenues to transportation capital improvements. Further, in the City's 2000 final budget, REET 1 revenues are split between transportation and parks capital improvements, with 12.5% going to transportation while the remaining 87.5% accrue to the parks capital fund. We have used this same allocation to determine the amount of annexation area REET revenue that would be available for parks and transportation.

It should be noted that our REET forecasts assume that 100% of the REET revenue will be used for parks and streets, as described above. This may be optimistic, because Kirkland uses REET revenue to pay for the local match for some grants.

Impact Fees

To mitigate the increased demand on transportation networks and other public infrastructure that accompanies development, cities can impose impact fees on new development for transportation, parks, fire, and schools.

Our estimate of parks impact fees associated with development in Finn Hill, Juanita, and Kingsgate represent the average number of new household permits issued per year from 1997 through 1999 multiplied by Kirkland's single-family impact fee of \$612 per unit.

Costs of Parks Capital Improvements

King County plans for parks capital improvements one year at a time. The plans for this year (2000) include 2 projects in the annexation areas, one in Finn Hill and the other in Juanita. Neither project addresses deficiencies in park acreage using Kirkland's level of service standard.

For the purpose of forecasting costs, we determined that recent land prices ranged from \$10 to \$14 per square foot in the area. The median price of \$12 per square foot equals \$520,000 per acre for land costs. For development costs we used \$75,000 per acre for neighborhood parks (\$300,000 for a typical 4 acre park), \$58,000 per acre for community parks (\$1,000,000 for a typical 17 acre park). We did not include development costs for nature parks.

We obtained costs for pathways/trails from Kirkland's 1998-2003 Capital Improvement Plan for parks. The pathways/trails projects average \$457,000 per mile.

Kirkland will also need additional maintenance facility space for the increased equipment and employees needed to maintain the parks in the annexation areas. The cost of the additional maintenance facility space is described below under "Administrative and Support" costs.

Total Acres Approach

Table 21 lists the revenues and costs of capital improvements for parks for the annexation areas using the Total Acres approach.

Table 21: Projected Parks Capital Improvements Revenues and Costs of Annexation Areas (Total Acreage Approach)

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Real Estate Excise Tax 1	\$ 305,000	\$ 75,000	\$ 166,000	\$ 546,000
Park Impact Fees	61,000	3,000	17,000	81,000
Annual Revenue	366,000	78,000	183,000	627,000
Years in CIP	6	6	6	6
6-Year Revenue	2,196,000	468,000	1,098,000	3,762,000

COSTS

Trails to Achieve City LOS	2,056,689	548,498	914,164	3,519,351
Parks to Achieve City LOS for each Park Type and Sub- Area	0	0	0	0
Total Cost	2,056,689	548,498	914,164	3,519,351
Surplus or (Deficit)	139,311	-80,498	183,836	242,649

Finn Hill = \$ 2.0 million

In Finn Hill, King County has a \$150,000 project for ballfield improvements at Big Finn Hill Park.

In order to meet Kirkland's level of service of 8.6 acres per 1,000 population, Finn Hill does not need any additional park land, in fact it has 128 acres more than are required by the standard. Finn Hill needs 4.5 miles of pathways/trails. These facilities will cost \$2.0 million.

Juanita = \$ 0.5 million

King County has budgeted \$16,666 for improvements to Juanita House.

In order to meet Kirkland's level of service of 8.6 acres per 1,000 population, Juanita needs approximately 19 acres of park land. Juanita also needs 1.2 miles of pathways/trails. These facilities will cost \$12.0 million.

Kingsgate = \$ 0.9 million

King County has no capital improvements scheduled for parks in Kingsgate this year.

In order to meet Kirkland's level of service of 8.6 acres per 1,000 population, Kingsgate needs approximately 57 acres of park land. Kingsgate also needs 2 miles of pathways/trails. These facilities will cost \$34.6 million.

Annexation Area Total = \$3.5 million

In order to meet Kirkland's level of service of 8.6 acres per 1,000 population, the combined annexation area does not need any additional park land, in fact it has 52 acres more than are required by the standard.

The combined area needs 7.7 miles of pathways/trails. These facilities will cost \$3.5 million.

The least expensive capital improvement strategy is the total acres approach applied to the combined annexation area: \$3.5 million. This strategy provides the City's standard for total acres, but not for each type of park. It provides the City's standard for the combined annexation area, but not necessarily in geographic proximity to each of the three sub-areas. For example, the Total Acres approach applied to the combined annexation area would count the acres in Big Finn Hill as meeting the needs of Kingsgate and Juanita.

Neighborhood/Community/Nature Parks Approach

Table 22 lists the revenues and costs of capital improvements for parks for the annexation areas using the Neighborhood/Community/Nature Parks approach.

Table 22: Projected Parks Capital Improvements Revenues and Costs of Annexation Areas (Neighborhood/Community/Nature Parks Approach)

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Real Estate Excise Tax 1	\$ 305,000	\$ 75,000	\$ 166,000	\$ 546,000
Park Impact Fees	61,000	3,000	17,000	81,000
Annual Revenue	366,000	78,000	183,000	627,000
Years in CIP	6	6	6	6
6-Year Revenue	2,196,000	468,000	1,098,000	3,762,000
COSTS				
Trails to Achieve City LOS	2,056,689	548,498	914,164	3,519,351
Parks to Achieve City LOS for each Park Type and Sub-Area	12,316,500	20,939,340	35,762,820	69,018,660
Total Cost	14,373,189	21,487,838	36,676,984	72,538,011
Surplus or (Deficit)	-12,177,189	-21,019,838	-35,578,984	-68,776,011

Finn Hill = \$ 14.4 million

In Finn Hill, King County has a \$150,000 project for ballfield improvements at Big Finn Hill Park.

In order to meet Kirkland's separate level of service standards for neighborhood, community and nature parks, Finn Hill needs approximately 20 acres of neighborhood parks and 4.5 miles of pathways/trails. These facilities will cost \$14.4 million.

Juanita = \$ 21.5 million

King County has budgeted \$16,666 for improvements to Juanita House.

In order to meet Kirkland's separate level of service standards for neighborhood, community and nature parks, Juanita needs approximately 9 acres of community parks, 29 acres of nature parks, and 1.2 miles of pathways/trails. These facilities will cost \$21.5 million.

Kingsgate = \$ 36.7 million

King County has no capital improvements scheduled for parks in Kingsgate this year.

In order to meet Kirkland's separate level of service standards for neighborhood, community and nature parks, Kingsgate needs approximately 11 acres of community parks, 55 acres of nature parks, and 2 miles of pathways/trails. These facilities will cost \$36.7 million.

Annexation Area Total = \$72.5 million

In order to meet Kirkland's separate level of service standards for neighborhood, community and nature parks, the combined area needs approximately 5 acres of community parks, and 7.7 miles of pathways/trails. These facilities will cost \$6.5 million. The combined annexation area has "reserves" capacity of 8 acres of neighborhood parks and 49 acres of nature parks.

The most expensive capital improvement strategy is the separate parks approach applied to each of the three annexation areas: \$72.5 million. This strategy achieves the City's separate standards for each type of park, and provides the facilities within each sub-area.

Operating Costs of Additional Parks Capital Improvements (Neighborhood/Community/Nature Parks Approach)

The operating and maintenance costs presented in Chapter 3 for parks in Finn Hill, Juanita and Kingsgate is based on the number of acres of park that King County currently owns that would transfer to the City of Kirkland. It does not include additional operating and maintenance costs associated with additional park acres that may be acquired in the future. Our analysis determined that Kirkland spent \$5,335 per acre in 1999 to operate and maintain its park system. If we apply that cost per acre to the acres that would be needed for the "Neighborhood/Community/Nature Parks" approach, the result will be an estimate of the *additional* future operating and maintenance costs and staff for the park system.

Table 24: Additional Park Operating Cost for Full Level of Service Acreage

Annexation Area	Additional Acres of Park	Additional Operating Cost	Additional Staff (FTE)
Finn Hill	20.7	\$ 110,227	1
Juanita	38.4	204,480	2
Kingsgate	66.3	353,048	3
Combined Annexation Areas	125.4	667,755	6

PLANNING AND COMMUNITY DEVELOPMENT

The capital improvements needed for planning consists primarily of administrative and office space, furniture, vehicles, and computers for the additional employees needed to serve the annexation areas. Replacement costs for all of these items are included in the indirect costs such as fleet charges and building maintenance charges. The initial cost of offices, vehicles and computers is described below in the discussion of capital improvements costs for “Administrative and Support” services (see page 64).

POLICE

The capital improvements needed for police services also include administrative and office space, furniture, vehicles, and computers for the additional police officers needed to serve the annexation areas. Replacement costs for all of these items are included in the indirect costs such as fleet charges and building maintenance charges. The initial cost of offices, vehicles and computers is described below in the discussion of capital improvements costs for “Administrative and Support” services (see page 64).

Jail costs are not included in this study. Kirkland’s jail is usually at capacity, and overflow is directed to jails at Enumclaw and/or King County. For the purpose of this fiscal analysis, we assume that the additional jail occupants that become Kirkland’s responsibility as a result of annexation would be housed at the King County jail. Our cost analysis, which is based on the County’s current daily fee for booking and detention services, is included in the operating and maintenance costs of police (see page 35).

It should be noted that our assumption, while useful for preparing a short term fiscal analysis, may be superseded by other scenarios. One option is a multi-jurisdictional correctional facility that has been under consideration by Eastside communities for some time. Another option is that Kirkland could respond to space needs caused by annexation by constructing a new justice facility for Kirkland’s police department and courts which could include a new, larger jail. Such an approach would free up space in City Hall that

could be renovated and used by administrative and office personnel from other City departments.

PUBLIC WORKS - ENGINEERING

The capital improvements needed for engineering also include administrative and office space, furniture, vehicles, and computers for the additional employees needed to serve the annexation areas. Replacement costs for all of these items are included in the indirect costs such as fleet charges and building maintenance charges. The initial cost of offices, vehicles and computers is described below in the discussion of capital improvements costs for "Administrative and Support" services (see page 64).

STREETS

Table 25 lists the revenues and costs of capital improvements for streets for the annexation areas.

Table 25: Projected Transportation Capital Improvements Revenues and Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Real Estate Excise Tax 2	\$ 348,000	\$ 85,000	\$ 190,000	\$ 623,000
Sales Tax	181,000	47,000	109,000	337,000
Vehicle License Fee (County Fee)	136,000	49,000	107,000	292,000
Restricted Gas Tax	117,000	43,000	93,000	253,000
Road Impact Fees	97,000	5,000	27,000	129,000
Real Estate Excise Tax 1	44,000	11,000	24,000	79,000
Annual Revenue	923,000	240,000	550,000	1,713,000
Years in CIP	6	6	6	6
6-Year Revenue	5,538,000	1,440,000	3,300,000	10,278,000
COSTS				
Street Overlay (6 years x annual cost)	2,100,000	600,000	1,200,000	3,900,000
Street Projects (from King County Transportation Needs Report)	2,768,000	990,000	2,492,000	6,250,000
Pedestrian Improvements	15,681,600	1,584,000	0	17,656,600
Total Cost	20,549,600	3,174,000	3,692,000	27,415,000
Surplus or (Deficit)	-15,011,600	-1,734,000	-392,000	-17,137,600

Revenue for Street Capital Improvements

Real Estate Excise Tax

The details of our forecast of Real Estate Excise Tax (REET) revenue are presented as part of the discussion of revenues for parks capital improvements (see page 51).

The City of Kirkland's adopted policy is to dedicate 100% of the REET 2 revenues to transportation capital improvements, and to allocate REET 1 revenues between transportation and parks. Our allocation of REET 1 revenue is based on the City's 2000 final budget, which allocates 12.5% of REET 1 revenues to transportation and the remaining 87.5% accrue to the parks capital fund.

Sales Tax

Kirkland's policy is to dedicate a portion of its sales tax to capital improvements for transportation and neighborhoods, and the remainder to the general fund for operations and maintenance. The allocation process was described in the discussion of sales tax revenue for general government operations and maintenance (see page 15). Of the \$387,000 of sales tax revenues that we allocated to capital funds, roughly 87% accrue to transportation capital improvements, while the remaining 13% accrue to neighborhood capital improvements. This distribution reflects the City's current distribution of sales tax capital funds as outlined in the City of Kirkland Final 2000 Budget.

Vehicle License Fee (County Fee)

King County currently imposes a \$15 license fee for all vehicles registered in the county. Cities within the county are eligible to receive the revenues from this fee paid by their own residents. Our estimate of the vehicle license fees Kirkland would accrue from the potential annexation areas is based on assumed per capita revenue generation of \$8.53, which is equal to the 1998 average amount received per resident by Kent, Auburn, Federal Way, and Des Moines.

Restricted Gas Taxes

In addition to the unrestricted state shared revenue distributions discussed previously (see page 17), all cities and towns in Washington State are also

eligible to receive a per capita distribution of a portion of the state's motor vehicle fuel tax for use in funding road and street construction, improvement or repairs. This state shared revenue accrues to the City's capital improvement fund. Our assumed per capita distribution is equal to the actual amount distributed in 1999, which was \$7.35 per capita.

Impact Fees

To mitigate the increased demand on transportation networks and other public infrastructure that accompanies development, cities can impose impact fees on new development for transportation, parks, fire, and schools.

Our estimate of transportation (road) impact fees associated with development in Finn Hill, Juanita, and Kingsgate represent the average number of new household permits issued per year from 1997 through 1999 multiplied by Kirkland's single-family impact fee of \$966 per single family dwelling unit. During the 1997 through 1999 period, no new commercial development was reported in the potential annexation area; thus, we estimate that no revenues associated with commercial development would have accrued to the City from Finn Hill, Juanita, or Kingsgate in 1999.

Costs of Street Capital Improvements

King County's transportation capital improvements plans include a few projects in the annexation areas. In addition, the County's Transportation Needs Report (TNR), which is the County's most comprehensive listing of needed improvements, contains 10 projects in the combined annexation area. The individual projects are listed below the sub-area where the project is needed. There may be a need for additional capacity improvements, depending on the level of service that Kirkland would adopt for the annexation areas.

The annexation areas will need pedestrian improvements (sidewalks) in order to have service comparable to the City. There is no analysis of specific needs for sidewalks, therefore we estimated the need as follows. Kirkland's sidewalk system mileage is 76.6% of the City's centerline miles of streets. We applied the 76.6% factor to Finn Hill, Juanita and Kingsgate's centerline miles of streets in order to estimate the miles of sidewalk that each community should have. The estimate was compared to the inventory of existing sidewalks in each area, and the difference is the number of additional miles of sidewalk that Kirkland can expect to build in order to match it's current level of service. The cost of pedestrian improvements is based on the City's "half street" improvements that include the sidewalk, curb and gutter, street trees (where needed), and some asphalt to extend the street surface to the curb and gutter. The City estimates "half street"

improvements cost \$150 per lineal foot, thus a mile of improvements cost \$792,000.

Finally, Kirkland will become responsible for periodic overlays of the streets in the annexation areas. Kirkland's standards call for overlays of arterial (major) streets every 10-15 years, and local streets every 20 years. Since the mileage data we have does not distinguish arterials from local streets, we assume a mix of both types, and we use a 15-year overlay cycle as the average for Kirkland (which means that each year 6.7% of the streets will need to be overlaid).

The capital improvements needed for street maintenance also include administrative and office space, furniture, vehicles, and computers for the additional employees needed to serve the annexation areas. Replacement costs for all of these items are included in the indirect costs such as fleet charges and building maintenance charges. The initial cost of offices, vehicles and computers is described below in the discussion of capital improvements costs for "Administrative and Support" services (see page 64).

Finn Hill = \$20.5 million

In Finn Hill, King County has scheduled intersection improvements for this year (2000) at Juanita Drive and NE 122nd St. The project is budgeted at \$605,750.

King County's "Transportation Needs Report" (TNR) lists six projects in the Finn Hill area that would cost \$2.8 million. These would become the responsibility of the City of Kirkland upon annexation of the Finn Hill area to the City. The County prioritizes projects as high, medium or low. A "medium" priority means the County envisions the project being done in approximately 10 years.

Project Name	Location	Project Scope	Priority	Cost
Holmes Point Road	Denny Park to NE 135 Pl.	Construct walkway/pathway	Medium	\$ 823,000
NE 122 Pl/NE 123 St/ 84 Ave NE	Juanita Drive to NE 125 Pl	Pave shoulders	Medium	376,000
84 Ave NE @ NE 138 St		Provide left turn lane; Provide right turn lane; Construct curb, gutter, sidewalk	Medium	415,000
90 Ave NE	NE 134th to NE 138 Pl	Widen travel lanes; widen curb lane for bicycle use; construct curb, gutter, sidewalk	Medium	899,000

84 Ave NE (County & Kenmore)	NE 125 Pl to Simonds Rd.	Pedestrian crossing signals	Medium	165,000*
Simonds Rd.	200' west of 100 Ave NE	Construct walkway/pathway	Medium	90,000
TOTAL				2,768,000

*County share of jointly funded project

Finn Hill has 19.7 miles of sidewalk, but it needs 19.8 more miles to achieve the ratio of 76.6% of centerline miles of street. The cost is \$15,681,600.

Finn Hill has 51.8 miles of road. A 15-year overlay program would require approximately 3.5 miles of road to be resurfaced. At a cost of \$100,000 per mile, the overlay program would cost \$350,000 per year in Finn Hill. During a 6-year Capital Improvement Program, the overlay program in Finn Hill would cost \$2,100,000.

Juanita = \$ 3.2 million

King County's capital plans for the Juanita area contain a \$3.5 million project to widen 100th Ave NE from NE 139th to NE 145th Street. The project is in design.

King County's "Transportation Needs Report" (TNR) lists two projects in the Juanita area costing \$900,000. These would become the responsibility of the City of Kirkland upon annexation of the Juanita area to the City. The County prioritizes projects as high, medium or low. A "medium" priority means the County envisions the project being done in approximately 10 years, and a "low" priority project would be done in about 20 years.

Project Name	Location	Project Scope	Priority	Cost
108 Ave NE	NE 140 St to NE 142 St	Construct curb, gutter, sidewalk	Medium	\$ 125,000
NE 140 St. and/or NE 145 St. (County/WSDOT)	Crossing I-405	Construct ped over/under crossing	Low	855,000*
TOTAL				990,000

*County share of jointly funded project

Juanita has 9.0 miles of sidewalk, but it needs 2.0 more miles to achieve the ratio of 76.6% of centerline miles of street. The cost is \$1,584,000.

There are 15.5 miles of road in Juanita. A 15-year overlay program would require approximately 1 mile of road to be resurfaced. At a cost of \$100,000 per mile, the overlay program would cost \$100,000 per year in Juanita. During a 6-year Capital Improvement Program, the overlay program in Juanita would cost \$600,000.

Kingsgate = \$ 3.7 million

King County has two major projects planned for Kingsgate. A \$1.9 million project on 124th Ave. NE will provide 2 through lanes and a continuous left turn lane from NE 132nd St. to NE 145th St. The project is scheduled for design in 2000-01. The other project is a \$2.5 million signal interconnection on NE 124th from I-405 to SR 202. The design money is programmed for 2000-01.

King County's "Transportation Needs Report" (TNR) lists two projects in the Kingsgate area costing \$2.5 million. These would become the responsibility of the City of Kirkland upon annexation of the Kingsgate area to the City. The County prioritizes projects as high, medium or low. A "low" priority means the County envisions the project being done in approximately 20 years.

Project Name	Location	Project Scope	Priority	Cost
NE 140 St - South Side	124 Ave NE to 132 Ave NE	Construct curb, gutter, sidewalk	Low	\$ 308,000
NE 132 St	132 Ave NE to Willows Rd Ext	Construct two lane arterial; add two-way left turn lane; construct bike lane; pave shoulders; construct curb, gutter, sidewalk	Low	2,184,000
TOTAL				2,492,000

Kingsgate has 28.1 miles of sidewalk, and it does not need any additional sidewalks to achieve the ratio of 76.6% of centerline miles of street.

Kingsgate has 31.6 miles of road. A 15-year overlay program would require approximately 2 miles of road to be resurfaced. At a cost of \$100,000 per mile, the overlay program would cost \$200,000 in Kingsgate. During a 6-year Capital Improvement Program, the overlay program in Kingsgate would cost \$1,200,000.

Combined Annexation Areas = \$ 27.4 million

King County has four major projects planned for the combined annexation area totaling \$8.5 million.

King County's "Transportation Needs Report" (TNR) lists 10 projects in the combined annexation area costing \$6.2 million. These would become the responsibility of the City of Kirkland upon annexation of the Kingsgate area to the City.

The combined annexation area has 56.8 miles of sidewalk, but it needs 21.8 more miles to achieve the ratio of 76.6% of centerline miles of street. The cost is \$17,265,600

There are 98.9 miles of road in the combined annexation area. A 15-year overlay program would require approximately 6.5 miles of road to be resurfaced at a cost of \$650,000 per year. During a 6-year Capital Improvement Program, the overlay program in the combined annexation area would cost \$3,900,000.

ADMINISTRATION AND SUPPORT (INDIRECT COST)

Table 26 lists the revenues and costs of capital improvements for administrative and support facilities to serve the annexation areas.

Table 26: Projected Administrative Capital Improvements Revenues and Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
REVENUE				
Facility Charge Included as Indirect Cost for Debt	1,396,660	527,220	972,530	2,896,410
Total Revenue				
COSTS				
Office Space	2,579,500	820,750	1,582,875	4,983,125
Maintenance Space	428,750	245,000	428,750	1,102,500
Fleet	483,400	252,300	419,700	1,155,400
Total Cost	3,491,650	1,318,050	2,431,325	7,241,025
Surplus or (Deficit)	-2,094,990	-790,830	-1,458,795	-4,344,615

Revenue for Administrative and Support Capital Improvements

Facility Charge for Debt Service

Kirkland charges its departments for the buildings they use so that each department pays off a share of the bonds that provided the cash to build the buildings. The indirect cost calculations described earlier in this study (see page 5) include this facility charge for debt service. As a result, the "costs" of services to the annexation areas that are forecast elsewhere in this report include this money that becomes the "revenue" of the facility debt service account.

Since the existing department budgets provide the money to pay off the existing bonds, the facility charges that will be paid by additional budgets that serve the annexation area can be set aside to pay for part of the cost of the additional administrative and maintenance facilities that will be needed to serve the annexation areas.

We calculate that 42% of the cost of future office and maintenance space is accounted for by the debt service portion of indirect costs. For our analysis, we round the debt service to 40% in order to allow a small cushion for differences in interest rates and/or land costs. Our estimate of revenue from the facility charge for debt service is calculated by multiplying the cost of future facilities (excluding fleet) by 40%.

Interest Income

The City of Kirkland uses income from interest it receives to pay for some of its general government capital improvements. The amount available varies from year to year, as does the City's choice of project(s) to fund with the money. We have not included this revenue in our forecasts, but the City could apply some of the money to administrative and support facilities.

Costs of Administrative and Support Capital Improvements

The direct and indirect cost of serving the annexation areas is analyzed elsewhere in this study for each type of service (police, streets, parks, etc.). Those costs include support functions, such as fleet maintenance and building maintenance charges that include replacement funding for vehicles and buildings. The replacement costs, however, do not cover the capital "start-up" costs, such as the initial cost of new vehicles, office space, and maintenance facilities. The capital improvement costs that appear below are for the initial investment in space, furnishings, computers, equipment and vehicles that are needed to serve the annexation areas.

Administrative and Office Space

As part of our analysis of staffing we separately forecast the number of “indirect” service staff needed to support the direct service employees (as described above, see page 7). We further analyzed the support service employees to determine those who work in administrative or office space (City Hall), as opposed to those who work in the field, like police officers and maintenance employees who work on streets or parks.

Industry standards for office space for government employees range from 300 to 350 square feet per employee. We use the mid-point of 325 square feet. We estimate the cost of the additional space at \$165 per square foot, which includes land cost. We also estimate \$2,000 per employee for furnishings and an additional \$3,000 per employee for computer and other technology costs. The result of these calculations is a capital cost of \$58,625 per administrative and office employee.

We multiplied our forecast of administrative and office staffing needed because of annexation times the cost of \$58,625 per office employee to arrive at the total cost of additional office space that is needed.

Table 27 lists the number of staff from Table 7 and Table 9 that will need administrative and office facilities because of annexation.

Table 27: Projected Administrative and Office Staffing to Serve Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Fire and Building	6	1	2	9
Municipal Court, Prosecutor, and Public Defender	2	1	2	5
Parks and Community Services	0	0	0	0
Planning and Community Development	7	1	3	11
Police*	12	6	11	29
Public Works - Engineering	4	1	1	6
Streets	1	0	0	1
Surface Water	1	0	0	1
Administrative and Support	11	4	8	23
Total Additional Staff	44	14	27	85

* Police administrative space includes office space for departmental management, and administrative space (i.e., briefing rooms, locker space, etc.) for on-duty patrol personnel.

Finn Hill = \$ 2,579,500

We forecast 44 additional administrative and office employees to support Finn Hill. These employees will need 14,300 square feet of space at a cost of \$2,579,500.

Juanita = \$ 820,750

We forecast 14 additional administrative and office employees to support Juanita. These employees will need 4,550 square feet of space at a cost of \$820,750.

Kingsgate = \$ 1,582,875

We forecast 27 additional administrative and office employees to support Kingsgate. These employees will need 8,775 square feet of space at a cost of \$1,582,875.

Annexation Area Total = \$ 4,983,125

The combined annexation area will need 85 administrative and office employees who will need 27,625 square feet of office space costing \$4,983,125.

Maintenance Facility Space

Our staffing forecasts included a separate forecast of the number of “field” staff that use the maintenance center, rather than City Hall.

Industry standards for transportation and communication field employees is 625 square feet of maintenance facility per employee. We estimate the cost of the additional space at \$90 per square foot, which includes land cost. We also estimate \$5,000 per employee for specialized equipment and technology costs. The result of these calculations is a capital cost of \$61,250 per field employee.

We multiplied our forecast of field and maintenance staffing needed due to annexation times the cost of \$61,250 per field and maintenance employee to arrive at the total cost of additional maintenance space that is needed.

Table 28 lists the number of staff from Table 7 and Table 9 that will need maintenance facilities because of annexation.

Table 28: Projected Field and Maintenance Staffing to Serve Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Fire and Building	0	0	0	0
Municipal Court, Prosecutor, and Public Defender	0	0	0	0
Parks and Community Services	1	1	2	4
Planning and Community Development	0	0	0	0
Police	0	0	0	0
Public Works - Engineering	0	0	0	0
Streets	3	1	2	6
Surface Water	2	1	2	5
Administrative and Support	1	1	1	3
Total Additional Staff	7	4	7	18

Finn Hill = \$ 428,750

We forecast 7 additional field and maintenance employees to support Finn Hill. These employees will need 4,375 square feet of maintenance space at a cost of \$428,750.

Juanita = \$ 245,000

We forecast 4 additional field and maintenance employees to support Juanita. These employees will need 2,500 square feet of maintenance space at a cost of \$245,000.

Kingsgate = \$ 428,750

We forecast 7 additional field and maintenance employees to support Kingsgate. These employees will need 4,375 square feet of maintenance space at a cost of \$428,750.

Annexation Area Total = \$ 1,102,500

The combined annexation area will need 18 field and maintenance employees who will need 11,250 square feet of maintenance facilities costing \$1,102,500.

Fleet

Our staffing forecasts included a separate forecast of the number of “field” staff that use vehicles. The number of vehicles needed for these employees varies according to the department’s needs. Parks maintenance employees are assigned a vehicle on the basis of 1 vehicle to each employee, and police officers share vehicles at a ratio of 3 officers to one vehicle. Street maintenance staff use a number of specialized vehicles (street sweeper, roller, 5-yard dump, backhoe, trailer, and a pickup truck).

We multiplied our forecast of field staffing needed because of annexation times the appropriate ratio of employees to vehicles and the result is the total number of each type of vehicle that is needed.

We estimate the cost of the additional patrol cars at \$42,500 per vehicle, which includes all specialized equipment, radar, computer, and natural gas conversion.

We used \$21,200 per vehicle for pickup trucks and sedans used by other field employees, based on based on Kirkland’s most recent experience purchasing pickup trucks and sedans.

The specialized street maintenance equipment is expected to cost \$200,000. It as allocated among the annexation areas on the same basis as full time equivalent employees.

Finn Hill = \$ 483,400

We forecast 6 additional police vehicles, 7 additional pickups or sedans for other field staff except streets, and \$80,000 for specialized street maintenance vehicles to support Finn Hill. These vehicles will cost \$483,400.

Juanita = \$ 252,300

We forecast 3 additional police vehicles, 4 additional pickup or sedan for other field staff except streets, and \$40,000 for specialized street maintenance vehicles to support Juanita. These vehicles will cost \$252,300.

Kingsgate = \$ 419,700

We forecast 5 additional police vehicles, 6 additional pickups and sedans for other field staff except streets, and \$80,000 for specialized street maintenance vehicles to support Kingsgate. These vehicles will cost \$419,700.

Annexation Area Total = \$ 1,155,400

The combined annexation area will need 14 additional police vehicles, 17 additional pickups and sedans for other field staff except streets, and \$200,000 for specialized street maintenance vehicles to support the combined annexation area. These vehicles will cost \$1,155,400.

5. SURFACE WATER REVENUE AND COSTS

Both King County and the City of Kirkland provide surface water management services through a funding mechanism that is separate from "general government" services such as police, fire, and parks. The funding mechanism is based on fee revenue, and it operates as a utility. It may pay for services it receives from other departments of the government, but it does not share its deficits or surpluses with general government funds. Because of this separation of funding, the analysis of fiscal impacts of surface water in the Finn Hill, Juanita, and Kingsgate areas is presented in this chapter, separated from the "general government" revenues and costs in chapters 2-4.

REVENUE

Surface Water Fees

The City's surface water management services are provided by the surface water utility and funded by surface water management fees. As a result of this accounting structure, and as a result of strict state limits on what uses surface water management revenues can be put to, in our analysis we hold surface water costs and revenues separate from other operating costs and revenues.

The City of Kirkland levies a surface water charge of \$60 per year on single-family parcels and a charge of \$60 for every 2,600 square feet of impervious surface for commercial parcels. Of the revenue generated through these charges, 60 percent goes to fund day-to-day operation and maintenance of the stormwater system while the remaining 40 percent goes to stormwater capital investments.

In our calculations of the stormwater revenues the City would stand to collect in the potential annexation area, we allocate the first 14.56% (\$113,000) for repayment of debt incurred by King County (see Capital Improvements, below). Of the remaining revenue, we assume Kirkland's ratio of 60 percent of revenues for operation and 40 percent for capital.

Our estimate of the gross stormwater revenues Kirkland would receive upon annexation of Finn Hill, Juanita and Kingsgate is based on the revenues King County currently collects in each area, adjusted to account for the difference between City and County rates. (King County collects \$85.02 per year for every single-family parcel, and on average, collects a similar amount for every 2,600 square feet of impervious surface on commercial parcels.) To determine the net revenues that would be available to the City, we then

subtracted 14.56 percent to account for continued repayment of existing County bonds.⁴

Table 29: Projected Surface Water Revenues and Allocation to Operations and Capital

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
TOTAL REVENUE				
Surface Water Fees	\$ 358,000	\$ 145,000	\$ 275,000	\$ 778,000
REVENUE ALLOCATION				
Surface Water Fees for Operations	\$ 184,000	\$ 74,000	\$ 141,000	\$ 399,000
Surface Water Fees for Capital	174,000	71,000	134,000	379,000

OPERATIONS AND MAINTENANCE COSTS

Table 30: Projected Surface Water Revenues Costs for Operations and Maintenance

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Surface Water Fees for Operations	\$ 184,000	\$ 74,000	\$ 141,000	\$ 399,000
Surface Water Operating Costs	432,000	132,000	242,000	806,000
Operations Surplus or (Deficit)	- 248,000	- 58,000	- 101,000	- 407,000

Outputs, Drivers or Other Basis for Forecasting Services

There are 5 surface water outputs for the City of Kirkland. The same 5 measures are counted in Finn Hill, Juanita and Kingsgate as drivers for calculating costs in the annexation areas.

⁴ For a discussion of the amount and scheduled retirement date of these bonds see Technical Appendix B.

1. Facilities are the detention ponds and similar facilities that hold runoff from storms. Kirkland had 200 surface water detention facilities in 1999. The City maintained 77 of the facilities, and the rest were the responsibility of private owners.
2. Ditches are open channels, typically adjacent to roads, that are used to convey runoff from adjacent property and detention ponds to other control devices or receiving bodies. There were 24.8 miles of ditches in Kirkland in 1999.
3. Pipes are enclosed conveyance systems for surface water runoff. In 1999, Kirkland had 99 miles of pipe.
4. Centerline miles of road measure the road surface that are cleaned by the surface water program in order to minimize the amount of debris, petroleum products and other materials that otherwise enter the surface water system and pollute ground waters. There were 154 centerline miles of road in Kirkland in 1999.
5. Customer accounts measure the number of customers billed by King County for the City, and are also used as the driver for contract operations of surface water management (both of which are forecast on the basis of cost per account). Kirkland had 12,300 surface water accounts in 1999.

Kirkland's 1999 Cost per Unit of Service

Unit of Service	Cost per Unit
Surface water detention costs per facility	\$ 551
Ditch maintenance cost per mile of ditch	2,209
System cleaning and rehabilitation cost per mile of pipe	6,252
Sweep and waste disposal cost per centerline mile of road	971
Customer service cost per account	13.34

Operations and Maintenance Cost of Serving Annexation Areas

Finn Hill = \$ 432,000

Surface water management services in Finn Hill would be responsible for 76 detention facilities, 12.63 miles of ditches, 36.25 miles of pipe, 51.5 centerline

miles of roads⁵, and 5,217 customer accounts. In addition, there are 33 privately owned ("commercial") detention facilities in Finn Hill. These facilities are the responsibility of the property owners, and are not maintained by King County, nor would they be maintained by the City of Kirkland.

Juanita = \$ 132,000

Surface water management services in Juanita would be responsible for 25 detention facilities, 1.12 miles of ditches, 12.11 miles of pipe, 14.4 centerline miles of roads, and 1,564 customer accounts. In addition, there are 48 privately owned ("commercial") detention facilities in Juanita. These facilities are the responsibility of the property owners, and are not maintained by King County, nor would they be maintained by the City of Kirkland.

Kingsgate = \$ 242,000

Surface water management services in Kingsgate would be responsible for 29 detention facilities, 4.04 miles of ditches, 23.72 miles of pipe, 31.1 centerline miles of roads, and 2,319 customer accounts. In addition, there are 55 privately owned ("commercial") detention facilities in Kingsgate. These facilities are the responsibility of the property owners, and are not maintained by King County, nor would they be maintained by the City of Kirkland.

Combined Annexation Areas = \$ 806,000

Surface water management services in the combined annexation area would be responsible for 130 detention facilities, 17.79 miles of ditches, 72.08 miles of pipe, 97 centerline miles of roads, and 9,100 customer accounts. In addition, there are 136 privately owned ("commercial") detention facilities in the combined annexation area. These facilities are the responsibility of the property owners, and are not maintained by King County, nor would they be maintained by the City of Kirkland.

⁵ We include ditches, pipes, and centerline miles in the forecast of surface water costs that Kirkland would experience because Kirkland maintains these facilities as part of its surface water program. The data for King County was provided by their Transportation Department because ditches, pipes and street sweeping are maintained by King County Transportation, not King County Surface Water Management.

Departmental Staffing for Service to Annexation Areas (Excludes City Indirect Staffing)

Annexation Area	Full Time Equivalent Staff
Finn Hill	3
Juanita	1
Kingsgate	2
Combined Annexation Areas	6

CAPITAL IMPROVEMENTS

Table 31: Projected Surface Water Capital Improvements Revenues and Costs of Annexation Areas

	Finn Hill	Juanita	Kingsgate	Combined Annexation Area
Surface Water Fees for Capital	\$ 174,000	\$ 71,000	\$ 134,000	\$ 379,000
King County Debt Service	52,000	21,000	40,000	113,000
Surface Water Capital Costs	122,000	50,000	94,000	266,000
Capital Surplus or (Deficit)	0	0	0	0

King County plans for surface water capital improvements one year at a time. The plans for this year (2000) include 1 project in Finn Hill, and none in Juanita or Kingsgate. King County has no basin plans or other capital improvements plans that provide information about future needs for surface water capital improvements. Since it has been the practice to prioritize needed projects so that they do not exceed the amount of revenue available, we have estimated that the cost of future surface water projects will equal the revenue available from 40% of the surface water fees.

The capital improvements needed for surface water also include administrative and maintenance space, furniture, vehicles, and computers for the additional employees needed to serve the annexation areas. Replacement costs for all of these items are included in the indirect costs such as fleet charges and building maintenance charges. The initial cost of offices, maintenance facilities, vehicles and computers is described below in the discussion of capital improvements costs for "Administrative and Support" services (see page 64).

Finn Hill

In Finn Hill, King County has a \$150,000 project for a tightline at Holmes Point Drive and NE 138th.

Juanita

King County has no capital improvements scheduled for surface water in Juanita this year.

Kingsgate

King County has no capital improvements scheduled for surface water in Kingsgate this year.

Annexation Area Total

King County has only one project scheduled for surface water in the annexation area this year (see Finn Hill, above).

6. IMPLEMENTATION STRATEGIES

The City of Kirkland would experience a significant negative fiscal impact on its operating budget if the Finn Hill, Juanita, and Kingsgate areas were annexed to the City and the City used the same revenue sources and rates, and provided the same level of services as it provides to the residents and businesses in the current boundaries of the City. The annual deficit would be \$3.445 million, an amount that equals 37% of the revenue from the combined annexation area. In Finn Hill, the deficit is 51%, in Juanita it is 21%, and Kingsgate's deficit is 30%.

Another way of understanding the fiscal impact of the \$3.445 million deficit is to see how it compares to the combined revenue of the City of Kirkland and the combined annexation area. If Kirkland and the combined annexation area are viewed as a single City of over 79,000 population, the annual deficit of \$3.445 million equals 8.4% of the combined revenue. It's like running a business that loses 8.4% every year.

In addition, the City of Kirkland would experience major costs for capital improvements in the Finn Hill, Juanita, and Kingsgate areas. An early impact on the City would be the need for significant cash or borrowing in order to make the initial purchase of police patrol cars, office space, computers, and other capital equipment.

In this section of our analysis we present implementation strategies that the City of Kirkland could employ to reduce or eliminate the significant negative fiscal impacts of annexation.

ALL TAXPAYERS SHARE EQUALLY THE COST OF ANNEXATION

The annual deficit of annexation area revenue compared to operating cost is \$3,445,000. The City could use one or more general taxes to have all taxpayers in Kirkland and the combined annexation area share in paying the annual operating deficit.

Property Taxes

If the amount were to be paid by property owners, it would require an increase in the City's levy rate to be applied equally to all property owners, including City of Kirkland, and the three annexation areas: Finn Hill, Juanita, and Kingsgate. The combined taxable value of the City and the 3 annexation areas was \$6.93 billion in 1999. A property tax levy increase of \$0.50 would be needed to generate the additional \$3,445,000 in operating revenue. The property tax levy could only be imposed if approved by a majority of voters.

Utility Tax

If the deficit were to be financed by an increase in utility taxes, we estimate that current utility taxes (5% for residential customers) would need to be increased by 2.3% (to 7.3%) in order to generate an additional \$3.445 million and eliminate the operating deficit. Increases of utility taxes in excess of 6% would require an election to obtain approval of a majority of voters.

Head Tax

If the City used its business licensing authority in a manner similar to Redmond, it could establish a business license charge ("head tax") for each employee and use the revenue to pay for the operating deficit. Based on an estimated 39,700 employees in Kirkland and the combined annexation area, we estimate that a head tax of \$87 per employee per year would eliminate the operating deficit.

Combination

The City could spread the responsibility among the three types of taxes. If each tax paid for an equal share of the deficit, the property tax would increase approximately \$0.17, the utility tax would increase 0.8%, and the head tax would be \$29 per employee.

USE PROPERTY TAX "NEUTRAL" STRATEGY TO CREATE SPECIAL LIMITED DISTRICTS IN ANNEXATION AREAS TO PAY FOR SPECIFIC COSTS

Upon annexation, the property taxes in Finn Hill, Juanita and Kingsgate will be reduced because the City of Kirkland's levy rate which they would pay is less than the combined total of the County road levy plus the fire district levies that they currently pay, but which they would no longer pay.

Most of the annexation area is in Fire District 41. Properties in that district pay King County's road levy of \$1.74 and Fire District 41's levy of \$1.20, for a total of \$2.94. Upon annexation, Kirkland's tax of \$1.66 would be levied instead of the road and fire taxes. The "savings" is \$1.28.

One strategy to generate revenue to pay for Kirkland's level of service in the annexation area would be to create a special district and charge a property tax levy in that district. Washington law allows the creation of limited special purpose districts for a number of purposes, such as roads, parks, transportation, and "local improvements." Voter approval is required to create special districts that have taxing authority. Property owner approval is required to create special districts that use special assessments.

Metropolitan park districts, park and recreation districts, and transportation benefit districts can use their levy for capital improvements, and/or operations and maintenance.

Local improvement districts and road improvement districts charge special assessments, rather than property taxes, and the revenue is typically used for capital costs, and not for ongoing operations and maintenance. Special assessments can be blocked by 60% of property owners.

A levy of the \$1.28 "savings" in the annexation area could generate revenue that would fund needed capital improvements (parks, sidewalks, etc.) until they are brought up to Kirkland's standards. Alternatively, the levy could be used for ongoing operations and maintenance until the annexation area is able to "pay its own way" based on Kirkland's existing taxes and fees.

If the special district revenue were to be used for operating and maintenance expenses, the City would need to find other sources of revenue to pay for needed capital improvements. Conversely, if the money were to be used for capital improvements, the City would need other sources of revenue to pay for the additional operating and maintenance cost of the new capital improvements.

A levy of \$1.28 would produce the following property tax revenue in the annexation areas:

Annexation Area	Property Tax Revenue: \$1.28 Levy
Finn Hill	\$ 1,536,400
Juanita	371,200
Kingsgate	844,800
Combined Annexation Areas	2,752,000

Remember that these forecasts are based on \$1.28 "savings" that occur for properties in Fire District 41. The levy rates in Fire Districts 34 and 36 are different, therefore actual revenues from properties in those districts may vary depending on the tax levy "savings" in Fire Districts 34 and 36.

Caveat

There is some risk associated with using special districts as a strategy to pay for part of the services to Finn Hill, Juanita and Kingsgate. A vote on creating a special taxing district would occur subsequent to an annexation vote. If voters approve annexation, but do not approve the creation of the

district(s), the City would be left with insufficient money to provide it's level of service.

There is a provision in Washington law that allows Kirkland to condition annexation on agreement by the annexed area to share the City's debt service cost. We have not been able to find any comparable authority for the City to condition annexation on approval of a special district.

APPLICABILITY OF KIRKLAND'S EXISTING DEBT SERVICE TO ANNEXATION AREAS

If an area is annexed to a city, it becomes responsible for its share of any debt that the city issues *after* the date of annexation, but it may or may not be responsible for any debt that was issued *before* the date of annexation.

Washington law allows cities and annexing areas to decide if the annexing area will, or will not share in the responsibility for paying for debts previously incurred by the city. The city can exempt the annexing area by not asking it to help pay the debts, or the city can require the annexing area to vote on the issue. If 60% of the voters in the annexation area vote "yes", the annexing area agrees to help pay the debt. If less than 60% of the voters say "yes", the annexation area is not responsible for the debt. The following are the 3 ways the debt responsibility can be determined:

1. The city does not ask the annexation area to pay the pre-existing debt. The only vote is on annexation. It requires 50% voter approval, and if it passes the area is annexed, but it does not pay for any debt issued by the city prior to the date of annexation.
2. The annexation area votes separately on annexation and on debt responsibility. Annexation requires 50%, and debt responsibility requires 60% voter approval. If both pass, the area is annexed and it helps pay the debt. If annexation passes, but debt responsibility fails, the area is annexed, but it does not help pay the debt.
3. The annexation area votes on a combined measure that includes both annexation and debt responsibility. It requires 60% voter approval to pass. If it receives at least 60% of the votes, the area annexes and it shares the debt responsibility. If the measure receives less than 60% voter approval, the area does *not* annex and it is not responsible for the city's debt.

The City of Kirkland's strategy will depend on it's evaluation of the relative costs and benefits of the debt service. Annexation areas already benefit from some of Kirkland's debt because they use City parks, and receive fire protection from City-funded fire stations.

If the annexation areas share debt responsibility, they will have higher property taxes than if they don't. The amount of property taxes would be similar to Kirkland's current special levy for debt, but the actual levy would be lower for everyone (annexation area and existing City) because the debt service payment would be paid by the combined tax base of the annexation area and the City. Kirkland properties would pay lower property taxes for debt service if annexation areas share debt responsibility because the additional tax base of the annexation area would allow everyone to pay a somewhat smaller amount. By combining the tax bases of Kirkland and the annexation area, the debt service levy would be reduced by approximately \$0.06.

USE PROPERTY TAX “NEUTRAL” STRATEGY TO USE SAVINGS FROM REDUCED DEBT SERVICE TAXES IN THE CITY TO PAY FOR COSTS IN ANNEXATION AREA

As described above, if the annexation area agrees to share in the responsibility for paying debts previously incurred by the City, Kirkland properties would pay slightly lower property taxes for debt service. One strategy to generate revenue to pay for Kirkland's level of service in the annexation area would be to charge an additional property tax equal to the amount "saved" by the sharing of debt service taxes.

As noted above, Kirkland's debt service levy would be reduced by \$0.06 if the annexation area shares the responsibility for paying Kirkland's debt. The "savings" of \$0.06 could be applied to the combined tax base and would generate \$404,000 per year.

The additional property tax could be used for operating and maintenance expenses. The tax would be subject to legal limits on taxes, such as statutory caps, limits on the percent that taxes can increase, and requirements for voter approval for increases that exceed the caps or limits. Under current law, taxes can be increased up to 6% without an election, but tax increases in excess of 6% require voter approval. In addition, if the Washington Supreme Court reinstates Initiative 695, voter approval would be required for any increase in property taxes, even if it replaces a tax reduction in the debt service tax.

PHASED INCREASES OF LEVEL OF SERVICE TO MATCH KIRKLAND'S STANDARDS

One of the main reasons for the significant fiscal impact of annexing Finn Hill, Juanita and Kingsgate is the difference in levels of service provided by Kirkland and King County. The City provides a level of service that is typical

of a municipality, and King County provides a level of service that is commensurate with unincorporated areas.

One strategy for addressing the difference in level of service would be to phase-in the increases in level of service in the annexation area. Phasing would reduce costs during the transition, and it would provide Kirkland with time to recruit and hire personnel and acquire facilities and equipment needed to serve the annexation area at Kirkland's level of service.

The following is a review of the potential for phased levels of service in the annexation areas.

Fire and Building

In the largest part of the annexation area, Fire District 41 already receives fire protection that is comparable to the City of Kirkland. As described elsewhere in this study, annexation of Fire District 41 will cost the City of Kirkland over \$1.8 million in lost payments for fire service. The only opportunity for phasing levels of service would be to reduce the services provided to Fire District, then build them back up over a period of years.

For building services, a phased level of service in the annexation area could involve contracting with King County to continue to provide permitting and inspection services until the City can afford to take on that service itself.

Municipal Court, Prosecutor and Public Defender

Municipal courts have exclusive jurisdiction over cases in their area, therefore the City of Kirkland would be fully responsible for court cases from the annexation area upon the effective date of the annexation, and the City would not be able to phase court services in the annexation areas.

Parks and Community Services

Kirkland could phase-in the parks standards as it is able to acquire more park land. Land for park sites is increasingly difficult to obtain in the urbanizing annexation areas. Land costs are very expensive, and park acquisition may involve purchasing parcels with existing houses that must be demolished in order to create space for parks. Such sites are also available only as the owners choose to put them up for sale. It can take a long period of time to acquire enough adjacent sites to develop as a park.

Kirkland could contract with King County parks to continue to maintain the parks in the annexation area.

Planning and Community Development

Planning and community development services do not appear susceptible to "phasing."

Police

Kirkland could contract with King County Sheriff to continue its service in the annexation area for a specified number of years.

Streets

Kirkland could contract with King County Transportation for maintenance of the street system.

Surface Water

Kirkland could contract with King County Surface Water Management to continue its service in the annexation area for a specified number of years.

Caveat

While this strategy raises the possibility of contracting with existing service providers to continue existing levels of service on an interim basis, it is beyond the scope of this study to determine the feasibility of this strategy. Specifically, we have not determined whether or not the County agencies that currently provide the service would be interested and able to provide services under contract, nor have we determined how such contracts would be received by residents of the annexation area.

Eventually, phased levels of service will grow to equal the standards achieved by the City of Kirkland. When that occurs, service levels will be the same throughout the City, and the City will experience the full fiscal impacts of those levels of service. A strategy of phasing levels of service postpones, but does not avoid the full fiscal impact of annexation.

PHASED ANNEXATION OF FINN HILL, JUANITA AND KINGSGATE

This strategy would involve annexing one of the three annexation areas first, then annexing another area at later time, and finally annexing the last area farther in the future.

The usual reason for phasing annexation is to "cherry-pick" an area that is most fiscally desirable, and save the least fiscally desirable until later (if

ever). This logic is difficult to apply to the Finn Hill, Juanita and Kingsgate areas because each of the three generates significantly less revenue than the annual cost of providing Kirkland's level of service. As noted in the executive summary, there are differences in the extent of the deficit, but all 3 have significant deficits. In the combined annexation area, costs exceed revenues by 37%. In Finn Hill, the deficit is 51%, in Juanita it is 21%, and Kingsgate's deficit is 30%.

Phased annexation based on fiscal impacts could be viewed in several different ways:

- Annex Juanita first because it has the smallest cash deficit and it's deficit is the lowest percent of revenue. Annex Kingsgate next, then annex Finn Hill last.
- Annex Juanita and Kingsgate together, then annex Finn Hill. The combined deficits of Juanita and Kingsgate (\$1.3 million per year) is less than Finn Hill (\$1.9 million).

Caveats

These phasing plans have the added advantage to the City that Fire Districts 41 and 36 would make one-time payments to the City if Juanita and/or Kingsgate are annexed before Finn Hill. As described on page 45, the payments are for the value of assets retained by the fire district, but which were partially paid by the properties annexing to Kirkland. If Juanita were annexed first, Fire District 41 would pay Kirkland an amount equal to 17% of the value of the assets. If Kingsgate were annexed first, Fire District 41's payment to Kirkland would equal 14% of asset value.

Conversely, if Kirkland were to annex Finn Hill first, the City would take over all the assets of Fire District 41, but the City would have to pay Fire District 41 an amount equal to 32% of the value of the assets.

Phasing annexation emphasizes differences among the areas, leaves the most expensive until last (which reduces the likelihood of it every annexing), and misses the opportunity to mitigate the apparent differences among areas by taking them all at the same time, thus effectively averaging the "highs" and "lows" of both revenues and costs.

FIRE DISTRICT

The statutory requirements regarding annexation of fire district territory are described in RCW 35.02.190 - 210, and RCW 35.13.215 – 249. The most relevant requirements are summarized in this report in the discussion of fire protection services in Chapter 3, Operating and Maintenance Cost and

Staffing (see page 24) and Chapter 4, Capital Improvements Revenues and Costs (see page 45). The following is a summary of the strategies for addressing fire service operations and capital improvements.

Fire District 41 (Finn Hill, Juanita, Western Kingsgate)

Ninety-nine percent of Fire District 41 is in the combined annexation area. Annexation of Fire District 41 would cause Kirkland to lose \$1.8 million in payments from the Fire District, and Kirkland would be responsible for \$329,000 that Fire District 41 currently pays directly for the cost of daytime staffing of the Station 24 in north Finn Hill. The combined impact to Kirkland is \$2.2 million.

The fire stations in Fire District 41's portion of the annexation area are owned by the District, as are one engine and one aid car. If the area that annexes to Kirkland is exactly the same as the area in this study, the City would annex 99% of Fire District 41. By law, this would require the City to pay Fire District within one year of annexation an amount equal to the 1% of the value of Fire District 41's stations and apparatus. Fire District 41 has no liabilities, therefore Kirkland would not have to take on any additional liabilities as a result of annexation.

If the annexation area were modified to include 100% of Fire District 41, all assets and liabilities are transferred from the fire district to the annexing city. The City would not have to pay for any portion of the assets, and there are no liabilities for the City to inherit.

Fire District 36/Woodinville Fire and Life Safety (Eastern Kingsgate)

A portion of Kingsgate is in Fire District 36 (Woodinville Fire and Life Safety), which is currently served by District 36 from its Station #34 which is located in Kingsgate. The portion of Kingsgate that is in Fire District 36 is 8.6% of District 36's assessed value. Upon annexation, there are two possible strategies:

District 36 Contracts to Provide Service

Kirkland would pay District 36 to serve the part of the annexation area that is currently served by Station #34, and District 36 would continue to own and operate Station #34. If Kirkland paid Fire District 36 an amount equal to the District's \$1.13 levy and \$0.50 fire benefit service charge on the annexed tax base, the cost would be approximately \$543,000. This cost is included in the fiscal impact analysis tables.

District 36 would continue to own and operate Station #34. This scenario could be an intermediate-term strategy followed by longer-term plans by

District 36 to relocate services from fire station #34 to a location closer to Woodinville.

Kirkland Provides Service

Kirkland Fire Department could provide fire protection to the portion of Kingsgate currently served by Station #34. The operating cost of fire protection services in the area would be approximately \$1 million per year if a full crew, operating expenses, and dispatch costs were assigned to provide this service. Note: Fire District 36's Station 34 presently serves a larger area than Kingsgate Annexation Area.

Kirkland could purchase or lease Station #34 from District 36 and use it for full or partial fire and EMS service. The capital cost would be the cost of acquiring Station #34 and any apparatus needed by Kirkland's Fire Department.

Alternatively, Fire District 36 could sell Fire Station #34 and use the proceeds to meet its needs elsewhere in its service area, or Kirkland could buy the site and then sell it or use it for other purposes. In either instance, Kirkland would provide fire protection to this portion of Kingsgate from a different location than Station #34. Kirkland's Fire Chief indicates that it would not be feasible to serve the area by adding apparatus and crew at Kirkland's station #27. Kirkland could establish a new base of operations, such as relocating and expanding Station #27 to a point between its present location and the site of Station #34. The capital cost to Kirkland would be the cost of a new station (net of any money received from the sale of existing Station #27 and/or Station #34, if that scenario is used).

Fire District 34 (Eastern Kingsgate)

A very small portion of eastern Kingsgate is in Fire District 34, which is currently served by the City of Redmond's Fire Department through an existing contract for service. The portion of Kingsgate that is in Fire District 34 is 2% of District 34's assessed value. Upon annexation, the City of Kirkland would acquire the small portion of Fire District 34's tax base that is in the Kingsgate annexation area. This area could be served by Kirkland, Redmond and Woodinville (District 36) fire departments pursuant to existing "automatic aid" agreements. There are unlikely to be any operating or capital costs to Kirkland to serve this area.

STATE INCENTIVES

An untested, but legally feasible strategy would be for Kirkland to apply for a special grant from Washington's Department of Community, Trade and Economic Development to underwrite some portion of the fiscal impacts of

implementing Washington's Growth Management Act by annexing Finn Hill, Juanita, and Kingsgate.

COUNTY MITIGATION PAYMENT SYSTEM

King County has a Mitigation Payment System (a form of road impact fee) that is collected throughout the unincorporated area, including Finn Hill, Juanita, and Kingsgate. Historically, newly incorporated cities, and some cities annexing large areas have the view that the mitigation payments "belong" to the city. Naturally, if the County has expended the money, particularly if the projects were in and/or serve the area that paid the money, then the annexing City has already received the benefit of the mitigation payments.

If King County has money that it has collected from the annexation area but not yet spent or committed, the County could provide the revenue to the city or use it for capital improvements to help the road system in the annexation area.

The County's Mitigation Payment System records indicate that the County has expended or committed all the money it has received from development in the annexation area. In fact, the County's records indicate that the annexation areas are net beneficiaries of the mitigation payment system (MPS):

- The MPS payments to King County from development in Finn Hill, Juanita, and Kingsgate total \$1,398,260.
- King County has completed 4 projects and plans to complete 100th Ave in 2003. All 5 projects total \$25,985,553, and the County used \$1,695,932 in MPS money on the projects.

Project Name	Location	MPS Used
Juanita-Woodinville Phase III	100th Ave NE to NE 145th Street	\$ 217,950
NE 124th St Phase II	132nd PI NE to SR-202	914,806
132nd PI/Ave NE Phase I	NE 124th Street to NE 132nd Street	71,156
132nd PI/Ave NE Phase II	NE 132nd Street to NE 143rd Street/Place	324,751
100th Ave NE	NE 139th Street to NE 145th Street	167,269
Total		<hr/> 1,695,932

- Finn Hill, Juanita, and Kingsgate has/will receive more in MPS revenue than it paid into the MPS account: \$1,695,932 vs. \$1,398,260, for a positive outcome of \$297,672 (21% more than it paid).

APPENDIX A: ANNEXATION PROCESS

There are three ways for unincorporated areas like Finn Hill, Juanita and Kingsgate to become engaged in the annexation process. In all three methods, the City to which the area will be annexed must agree to the annexation. In other words, it is not possible to annex to a city if the city does not agree to the annexation. In two of the alternatives, an election is held among the qualified voters living in the proposed annexation area. In the third approach, no election is held, but the petition for election must be signed by owners of 60% of the assessed value of the land to be annexed.

1. Election Initiated by City Council

The City Council of the potential annexing city can pass a resolution requesting a vote among residents of the proposed area of annexation. (RCW 35A.14.015 - 110)

The City will then submit an application for annexation (Notice of Intention) to the Washington State Boundary Review Board for King County. The Boundary Review Board determines if the application is complete and circulates the application file for a 45 day public review period. The Board reviews the application at a Board meeting to determine that it complies with applicable laws. The Board review is administrative unless jurisdiction is invoked (a public hearing is requested by the applicant, by citizen petition, by affected jurisdictions and/or by King County Council or Executive.

If jurisdiction is invoked, the Board will then hold a hearing where area residents and a representative of the annexing city will have the opportunity to be heard. Following this hearing, the Board will approve, disapprove, or suggest a revision to the boundaries of the proposed annexation. Following Board approval of the annexation or a suggestion to revise boundaries, a vote among area residents determines the ultimate success or failure of the proposed annexation.

The election is scheduled by the following steps:

- Within 30 days of the approval by the Boundary Review Board the City Council meets and requests the County to schedule a special election to held not less than 60 days later.
- The County calls the election for the date requested by the City.
- The City must pay for the election.

The vote for annexation requires a simple majority (50%). A vote that asks the annexation area to share the existing debt of the annexing city requires a three-fifths vote (60%).

2. Election Initiated by Residents of Annexation Area

Residents of the potential annexation area can submit a petition signed by enough qualified voters (must equal 10% or more of the votes cast in the last election). The petition is subject to review by the Council of the annexing city and the election will be held only if the City Council agrees to the vote. (RCW 35A.14.020 – 110)

If the City Council agrees to the vote, the petition is submitted to the county's Boundary Review Board, and the process proceeds in the same manner as the "election initiated by City Council" and is subject to the same voter approval percentages.

3. Annexation Without Election (Petition Only)

Residents can request annexation without a public referendum by gathering signatures of landowners in the proposed area of incorporation, as long as the combined value of the property owned by the signatories equals at least 60 percent of the total assessed value of the area. The annexing city must agree to the annexation. The annexation is also subject to administrative review by the Boundary Review Board and, if jurisdiction is invoked, a public hearing by the Boundary Review Board. (RCW 35A.14.120 – 150)

APPENDIX B: DETAILS OF FISCAL ANALYSIS OF THE ANNEXATION AREAS

SUMMARY OF FISCAL ANALYSIS OF ANNEXATION

Fully-Loaded Direct Service Cost Summary by Department

Department	Finn Hill	Juanita	Kingsgate	Total
Police	2,488,000	1,172,000	2,275,000	5,935,000
Parks and Community Services	173,000	219,000	344,000	737,000
Public Works Dept.: Street Operating	634,000	212,000	431,000	1,277,000
Planning & Community Developmt	846,000	181,000	462,000	1,490,000
Finance - Municipal Court	216,000	106,000	199,000	521,000
Fire and Building	627,000	88,000	261,000	976,000
Fire Protection Costs for Districts #36 and #41	329,000	0,000	377,000	706,000
Public Works Dept.: Engineering	416,000	53,000	161,000	630,000
City Attorney's Office - Prosecution/Public Defense	73,000	36,000	68,000	177,000
Miscellaneous	45,000	16,000	36,000	97,000
Total	5,847,000	2,084,000	4,615,000	12,546,000

Estimated Operating Revenues	Finn Hill	Juanita	Kingsgate	Total
Property Tax	1,995,000	489,000	1,089,000	3,573,000
Sales tax	0,000	453,000	613,000	1,066,000
Utility taxes	1,407,000	606,000	1,073,000	3,087,000
Cable TV Franchise Fees	111,000	41,000	88,000	240,000
Municipal assistance to cities and towns	76,000	28,000	60,000	165,000
Retail sales tax - criminal justice	302,000	110,000	239,000	651,000
State shared revenues	398,000	145,000	316,000	859,000
State shared revenues - by application	21,000	8,000	17,000	45,000
Permit revenues	635,000	53,000	209,000	897,000
EMS	0,000	0,000	0,000	0,000
Fines and forfeits	160,000	79,000	148,000	387,000
Miscellaneous	27,000	18,000	79,000	124,000
Total	5,132,000	2,029,000	3,931,000	11,092,000
Less Fire District #41 Payment	1,255,000	308,000	266,000	1,829,000
Total Net Revenues	3,877,000	1,721,000	3,665,000	9,263,000

Revenues for Transportation Capital	Finn Hill	Juanita	Kingsgate	Total
REET 1	44,000	11,000	24,000	78,000
REET 2	348,000	85,000	190,000	624,000
Sales Tax	181,000	47,000	109,000	337,000
State shared revenues - restricted gas tax distributic	117,000	43,000	93,000	252,000
King County vehicle license fees	136,000	49,000	107,000	293,000
Road Impact Fees	97,000	5,000	27,000	128,000
Total	923,000	240,000	549,000	1,712,000

Revenues for Parks Capital	Finn Hill	Juanita	Kingsgate	Total
Park Impact Fees	61,000	3,000	17,000	81,000
REET 1	305,000	75,000	166,000	546,000
Total	366,000	78,000	183,000	627,000

Revenues for Neighborhood CIP	Finn Hill	Juanita	Kingsgate	Total
Sales Tax	27,000	7,000	16,000	50,000

Public Works Stormwater	Finn Hill	Juanita	Kingsgate	Total
Revenues available for operation and maintenance	184,000	74,000	141,000	399,000
Fully-loaded operating costs	432,000	132,000	242,000	806,000

Stormwater Capital Revenues	Finn Hill	Juanita	Kingsgate	Total
Revenues available for SWM capital investments	122,000	50,000	94,000	266,000

SUMMARY OF FTE IMPACT ANALYSIS OF ANNEXATION

Direct Service FTE Summary by Department

Department	Finn Hill	Juanita	Kingsgate	Total
Parks and Community Services	0.59	1.31	1.92	3.82
Finance - Municipal Court	1.95	0.96	1.80	4.71
City Attorney's Office - Prosecution and Pt	-	-	-	-
Planning & Community Developmt	6.29	1.10	3.02	10.40
Police	16.25	7.77	14.99	39.02
Fire and Building	5.49	0.75	2.27	8.51
Public Works Dept.: Engineering	3.03	0.38	1.18	4.59
Public Works Dept.: Street Operating	3.14	0.98	2.05	6.17
Public Works Dept: Stormwater	2.91	0.89	1.65	5.44
Miscellaneous	-	-	-	-
Total	39.65	14.14	28.88	82.67

Department Indirect FTE Summary by Department

Department	Finn Hill	Juanita	Kingsgate	Total
Public Works Dept.: Engineering	0.79	0.10	0.31	1.19
Parks and Community Services	0.07	0.15	0.22	0.44
Fire and Building	0.28	0.04	0.12	0.43
Planning & Community Developmt	0.52	0.09	0.25	0.87
Police	6.40	3.06	5.90	15.36
Public Works Dept.: Street Operating	0.43	0.14	0.28	0.85
Public Works Dept: Stormwater	0.43	0.13	0.24	0.80
Total	8.92	3.71	7.32	19.95

Citywide Indirect FTE Summary by Department

Department	Finn Hill	Juanita	Kingsgate	Total
Finance	3.61	1.29	2.63	7.52
City Council	-	-	-	-
City Manager	0.73	0.27	0.54	1.54
City Attorney's Office	0.57	0.21	0.42	1.20
Administrative Services	2.21	0.81	1.65	4.67
Total	7.11	2.58	5.24	14.93

Other FTE Summary

Department	Finn Hill	Juanita	Kingsgate	Total
Equipment Rental	0.81	0.30	0.61	1.72
Data Processing	0.97	0.36	0.73	2.06
Facilities Maintenance	0.65	0.24	0.48	1.37
Capital Engineers	2.10	1.05	1.75	4.90
Total	4.54	1.95	3.57	10.05

Grand Total FTE Impacts	60.22	22.37	45.00	127.59
--------------------------------	--------------	--------------	--------------	---------------

DETAILS OF ANNEXATION REVENUE ESTIMATES

Key	Study Area Characteristics	Finn Hill	Juanita	Kingsgate	Total
A	Population	15,900	5,800	12,600	34,300
B	Area (Acres)	2,624	589	1,244	4,456
C	Housing units	5,900	2,150	4,800	12,850
	Employment				
D	Retail employment	103	440	445	988
E	FIRES employment	233	432	1,160	1,825
F	Manufacturing employment	25	not reported	535	560
G	Other	562	304	1,037	1,903
H	Total covered employment	923	not reported	3,177	4,100
I	New dwelling units permitted in 1998	43	3	56	102
J	Total taxable assessed value (in billions)	\$1.20	\$0.29	\$0.66	\$2.15
K	Number of Businesses	225	100	264	589
L	Places of Business	34	59	131	224
Projected Revenues (in \$1,000)					
		Finn Hill	Juanita	Kingsgate	Total
M	Property Tax	\$1,995	\$489	\$1,089	\$3,573
N	Sales tax	\$0	\$453	\$613	\$1,066
O	Utility taxes	\$1,407	\$606	\$1,073	\$3,087
P	Cable TV Franchise Fees	\$111	\$41	\$88	\$240
Q	Municipal assistance to cities and towns	\$76	\$28	\$60	\$165
R	Retail sales tax - criminal justice	\$302	\$110	\$239	\$651
S	State shared revenues	\$398	\$145	\$316	\$859
T	State shared revenues - by application	\$21	\$8	\$17	\$45
U	Permit revenues	\$635	\$53	\$209	\$897
V	EMS	\$0	\$0	\$0	\$0
W	Fines and forfeits	\$160	\$79	\$148	\$387
X	Miscellaneous	\$27	\$18	\$79	\$124
	Total	\$5,132	\$2,029	\$3,931	\$11,092
Y	Less Fire District #41 Payment	\$1,255	\$308	\$266	\$1,829
	Total Net Revenues	\$3,877	\$1,721	\$3,665	\$9,263
Revenues for Transportation Capital					
		Finn Hill	Juanita	Kingsgate	Total
Z	REET 1	\$44	\$11	\$24	\$78
AA	REET 2	\$348	\$85	\$190	\$624
BB	Sales Tax	\$181	\$47	\$109	\$337
CC	State shared revenues - restricted gas tax distribution	\$117	\$43	\$93	\$252
DD	King County vehicle license fees	\$136	\$49	\$107	\$293
EE	Road Impact Fees	\$97	\$5	\$27	\$128
	Total	\$923	\$240	\$549	\$1,712
Revenues for Parks Capital					
		Finn Hill	Juanita	Kingsgate	Total
FF	Park Impact Fees	\$61	\$3	\$17	\$81
GG	REET 1	\$305	\$75	\$166	\$546
	Total	\$366	\$78	\$183	\$627
Revenues for Neighborhood CIP					
		Finn Hill	Juanita	Kingsgate	Total
HH	Sales Tax	\$27	\$7	\$16	\$50
Surface Water Management					
		Finn Hill	Juanita	Kingsgate	Total
II	Net SWM Revenues	\$306	\$124	\$235	\$664
JJ	Revenues available for operation and maintenance	\$184	\$74	\$141	\$399
Surface Water Capital Revenues					
KK	Revenues available for SWM capital investments	\$122	\$50	\$94	\$266

Note: For a line by line description of projected revenues, look to the accompanying *Notes on Annexation Revenue Analysis* beginning on the following page. The alphabetical key assigned to each line of the table marks a corresponding discussion of that line item.

Notes on Fiscal Analysis of Annexation

A	1999 Population estimate provided by the King County Demographer, based on 1990 census data and counts of existing and new residential housing units.
B	Estimated area of the three study areas represents the gross acreage based calculations performed using geographic information systems (GIS) digital maps.
C	1999 Housing unit estimates provided by the King County Demographer based on 1990 census data, Assessor's Office housing unit counts and counts of new dwelling units permitted during the 1990s.
D	<p>Retail employment represents counts of 1998 covered employment of firms that are categorized as being part of the retail sector. Estimates are based on Washington State Department of Employment Security data geocoded by Puget Sound Regional Council (PSRC) staff, aggregated by PSRC staff to the subarea level.</p> <p>(Covered employees are those employees that are covered by the Washington State unemployment and disability insurance.)</p>
E	FIRES employment represents counts of 1998 covered employees who work for firms in the Finance, Insurance, Real Estate, or Services sectors of the economy. Estimates are based on Washington State Department of Employment Security data geocoded by Puget Sound Regional Council (PSRC) staff, aggregated by PSRC staff to the subarea level.
F	Manufacturing employment represents counts of 1998 covered employees who work for firms in the manufacturing sector of the economy. Estimates are based on Washington State Department of Employment Security data geocoded by Puget Sound Regional Council (PSRC) staff, aggregated by PSRC staff to the subarea level.
G	Other employment represents counts of 1998 covered employees who work for firms in the construction, wholesale trade, transportation, communications or utility sectors of the economy combined with estimated 1995 employment in education or government. Estimates are based on Washington State Department of Employment Security data geocoded by Puget Sound Regional Council (PSRC) staff, aggregated by PSRC staff to the subarea level.

Notes on Fiscal Analysis of Annexation	
H	Total employment represents the sum of estimated retail, FIRES, manufacturing and other covered employment.
I	New dwelling units permitted in 1998 represents aggregated counts at the subarea level of dwelling units based on geocoded permit data collected from local jurisdictions in the four-county central Puget Sound region by the PSRC.
J	1998 taxable assessed value is the value on which 1999 taxes in the unincorporated area would have been levied. The value is based on 1998 assessed value of real property as reported by King County's Assessor's Office. We estimate that personal and intercounty utility/transportation property, which is subject to property tax levies, will add an additional 4 percent on to the assessed value of real property. According to the Assessor's Office this assumed percentage approximates one half the current countywide average, which we believe to be a reasonable ratio given the suburban nature of the study area.
K	Estimated businesses represents the count of businesses in each of the three potential annexation areas in 1998 based on geocoded Washington State Department of Employment Security employment records, geocoded and reported by PSRC staff.
L	Estimated places of business represent businesses identified in the Washington Department of Employment Security database whose geocoded locations fell within one hundred feet of a commercially zoned parcel when analyzed using GIS digital mapping software. We included the one hundred foot buffer to mitigate the impact of minor errors in geocoding the precise location of businesses.
M	Estimated 1999 property taxes that would accrue to the City of Kirkland in 1999 if a potential annexation area were part of the City in that year represent the estimated taxable assessed value of the area divided by \$1,000 and multiplied by Kirkland's basic 1999 levy rate of \$1.66 per \$1,0000 of taxable assessed value.

Notes on Fiscal Analysis of Annexation

N

Estimated 1999 retail sales taxes represent our estimate of the sales taxes that would have accrued to the City in 1999 based on a comparison of 1998 sales tax revenues received by 12 King County cities that each generated less than \$150 in sales tax revenues per city resident. The cities included in our analysis were

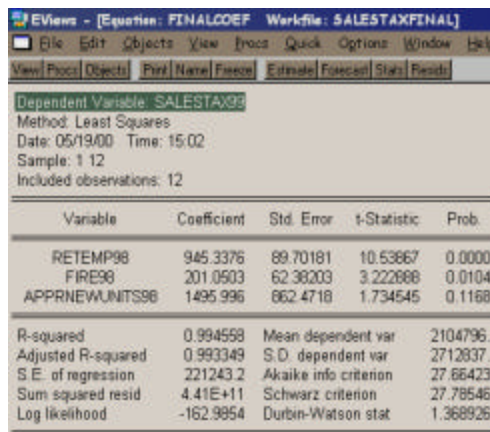
Black Diamond	Burien	Covington	Des Moines
Duvall	Enumclaw	Federal Way	Lake Forest Park
Maple Valley	Mercer Island	Normandy Park	Shoreline

Based on ordinary least squares multi-factor regression analysis, 99% of the variation of the sales tax revenues received by the 12 comparable cities could be explained by variations in three factors: 1) covered retail employees working at firms located within each jurisdiction, 2) covered FIRES employment within the jurisdiction, and 3) the number of permits issued in the previous year for construction of new single-family dwelling units. The mathematical description of the relationship between each of these factors is as follows:

Annual sales tax revenues = \$945 * 1998 retail employees + \$201 * 1998 FIRES employees + \$1,496 * the number of permits issued in the preceding year for construction of new single-family dwellings.

Of the total estimated sales tax generated in the PAA, reflecting current City policy, a portion accrues to capital improvement funds for transportation and neighborhood CIP. The amount accruing to these funds represents 20% of the total of other funds allocated to non-utility capital improvements (or \$400,000). This 20% represents sales tax revenue contribution to Kirkland's transportation, parks, public safety, general government, and neighborhood capital improvement programs as outlined in the City of Kirkland Final 2000 Budget (adjusted to include estimated King County Vehicle License Fee revenues of 325,000) divided by the contribution of all other funding sources to these same capital funds. Estimated sales tax revenues accruing to the City's general fund represent the unused portion.

In the case of Finn Hill, estimated total sales tax revenues are expected to be insufficient to meet the sales tax capital funding goals. Consequently, Finn Hill sales tax contribution to capital investments represents the total estimated sales tax revenues generated in the area, with \$0 accruing to the general fund. This adjustment reduces the total sales tax revenues accruing to capital investment funds to \$387,000.



The screenshot shows the EViews software interface with the equation window open. The dependent variable is SALESTAX99, and the method used is Least Squares. The output table provides coefficients, standard errors, t-statistics, and probabilities for the independent variables RETEMP98, FIRE98, and APPRNEWUNITS98. It also includes summary statistics such as R-squared, Adjusted R-squared, S.E. of regression, Sum squared resid, Log likelihood, Mean dependent var, S.D. dependent var, Akaike info criterion, Schwarz criterion, and Durbin-Watson stat.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RETEMP98	945.3376	89.70181	10.53867	0.0000
FIRE98	201.0503	62.38203	3.222888	0.0104
APPRNEWUNITS98	1495.996	862.4718	1.734545	0.1168

R-squared	0.994558	Mean dependent var	2104796
Adjusted R-squared	0.993349	S.D. dependent var	2712837
S.E. of regression	221243.2	Akaike info criterion	27.66423
Sum squared resid	4.41E+11	Schwarz criterion	27.78546
Log likelihood	-162.9854	Durbin-Watson stat	1.368926

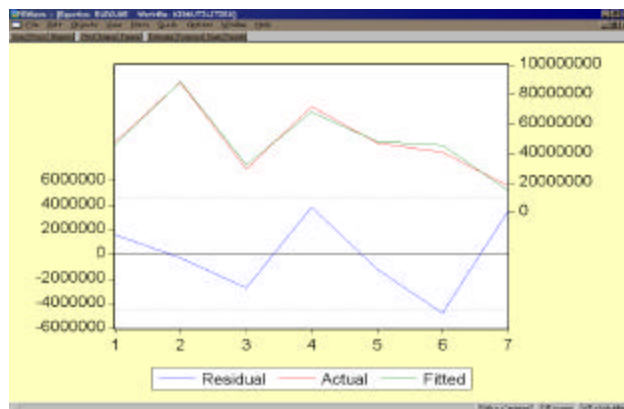
Notes on Fiscal Analysis of Annexation

- O Estimated utility taxes represent an estimate of the taxes Kirkland would have received in 1999 in the annexed areas based on its electricity, natural gas, telephone, solid waste, and cable TV tax rates applied to the gross revenues service providers would have generated in the potential annexation areas. Estimated revenues assume application of the City's 5% residential tax rate to each of the five utilities estimated gross revenues. Gross revenue estimates are based on comparison of the pattern of 1998 utility tax receipts in the City of Kirkland as well as the cities of Bellevue, Redmond, Kent, Bothell, Renton and Auburn.

We estimated gross revenues for electricity, telephone, natural gas, and sewer service using ordinary least squares multi-factor regression analysis, and cable TV tax revenues based on Kirkland 1999 per capita receipts.

Our analysis finds that 98% of the variations in gross electricity revenues among the seven cities could be explained by variations in three factors according to the following formula.

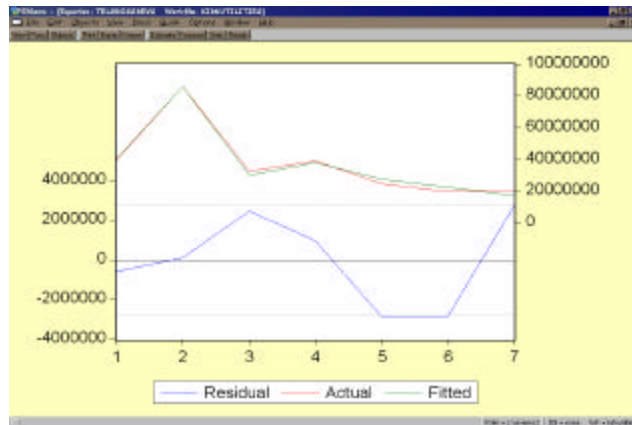
Gross electric revenues = $0.003314 \times \text{the city's assessed value of real property} + \$2213/\text{acre} \times \text{the land area of the city expressed in acres} + \$448/\text{manufacturing employee} \times \text{covered manufacturing employment} + \text{a constant of } \$1,795,963$



EViews - [Equation: ELECEUSE Workfile: KIRKUTILITIES]				
File Edit Objects View Procs Quick Options Window Help				
View Procs Objects Print Name Freeze Estimate Forecast Stats Resids				
Dependent Variable: ELECEXPEND98				
Method: Least Squares				
Date: 05/24/00 Time: 11:02				
Sample: 1 7				
Included observations: 7				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
AV	0.003314	0.001000	3.312714	0.0453
ACRE	2212.852	656.1617	3.372419	0.0433
MANU	447.9997	292.7273	1.530434	0.2234
C	1795963.	4267996.	0.420798	0.7022
R-squared	0.982304	Mean dependent var	49000410	
Adjusted R-squared	0.964609	S.D. dependent var	24003493	
S.E. of regression	4515672.	Akaike info criterion	33.77957	
Sum squared resid	6.12E+13	Schwarz criterion	33.74866	
Log likelihood	-114.2285	F-statistic	55.51113	
Durbin-Watson stat	2.596238	Prob(F-statistic)	0.003975	

Notes on Fiscal Analysis of Annexation

- O Our analysis finds that 99% of the variations in gross telephone revenues among the seven cities could be explained by variations in two factors according to the following formula.
- Gross telephone revenues = \$409/resident * the number of residents + \$738/employee * the number of finance, insurance, real estate and services employees + a constant of \$2,707,167.

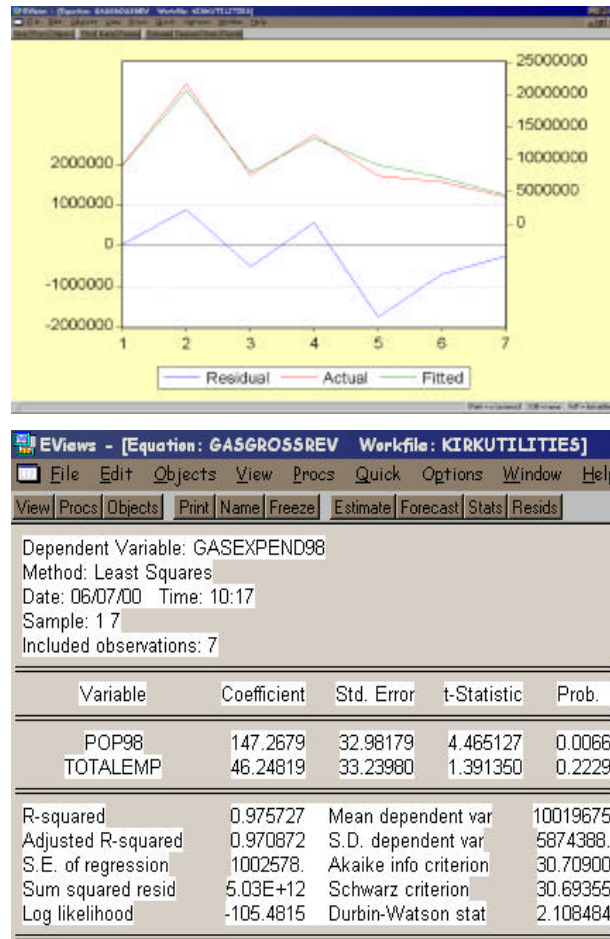


EViews - [Equation: TELGROSSREVS Workfile: KIRKUTILITIES]					
File Edit Objects View Procs Quick Options Window Help					
View Procs Objects Print Name Freeze Estimate Forecast Stats Resids					
Dependent Variable: TELEEXPEND98					
Method: Least Squares					
Date: 05/24/00 Time: 12:01					
Sample: 1 7					
Included observations: 7					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	
POP98	409.0790	71.46012	5.724578	0.0046	
FIRE	738.0997	106.7641	6.913368	0.0023	
C	2707167.	2815666.	0.961466	0.3908	
R-squared	0.990061	Mean dependent var		37416663	
Adjusted R-squared	0.985092	S.D. dependent var		22894636	
S.E. of regression	2795418.	Akaike info criterion		32.82239	
Sum squared resid	3.13E+13	Schwarz criterion		32.79921	
Log likelihood	-111.8784	F-statistic		199.2312	
Durbin-Watson stat	1.736716	Prob(F-statistic)		0.000099	

Notes on Fiscal Analysis of Annexation

- O Our analysis finds that 99% of the variations in gross telephone revenues among the seven cities could be explained by variations in two factors according to the following formula.

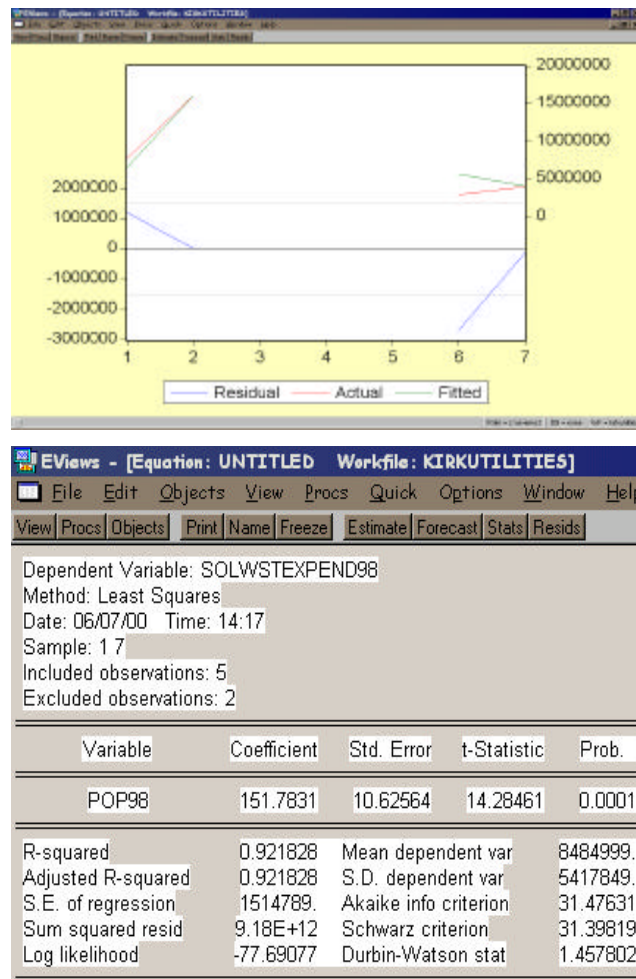
Gross natural gas revenues = \$147/resident * the number of residents + \$46 * total employment in the jurisdiction.



Notes on Fiscal Analysis of Annexation

- O Our analysis finds that 92% of the variations in solid waste revenues among the four cities that levy solid waste taxes could be explained by variations in one according to the following formula.

Gross solid waste expenditures = \$152/resident * the number of residents in the jurisdiction



Cable TV tax revenues reflect a pro rata extension of Kirkland's cable TV utility tax revenues of \$7 per resident to the areas of Finn Hill, Juanita and Kingsgate. Kirkland's \$7 per capita in cable TV utility tax revenues is consistent with most King County cities.

- P Cable TV franchise fee estimates represent Kirkland's 1999 average receipt of cable TV fees of \$7.00 per resident multiplied by the estimated number of residents in each area. This revenue source represents additional revenue on top of estimated Cable TV utility taxes, which are also levied at a rate of 5% of gross revenues.

Notes on Fiscal Analysis of Annexation

Q	<p>In response to the passage of I-695 and the subsequent loss of funding for a number of distributions to cities and towns, in the supplemental budget passed in May 2000 the Washington State Legislature appropriated \$65 million to be distributed to cities and towns over the remainder of the current biennium. While this revenue source did not exist in 1999, we have chosen to include it as a revenue source while excluding Motor Vehicle Excise Tax revenue distributions, allowing our analysis to reflect the City's current revenue structure.</p> <p>Estimated municipal assistance distributions represent an extension of the City's pro rata share of distributed dollars, extending the roughly \$4.80 per resident per year the City is slated to receive to the populations of Finn Hill, Juanita and Kingsgate.</p>
R	<p>Estimated retail sales tax – criminal justice distributions represent the average per capita distribution of the 0.1% sales tax received by Kirkland in 1999 (\$18.95) to the populations of the respective PAAs.</p>
S	<p>State-shared revenue projections are based on per capita estimates of statewide distributions of the liquor tax, liquor profits and unrestricted gas tax as reported by the Municipal Research and Services Center. These revenues are distributed to all cities in the state on a per capita basis, and in 1999 they were reported to total \$25.04 per capita. Projected revenues, therefore, are arrived at by multiplying this \$25.04 by the potential annexation areas' respective populations.</p>
T	<p>Estimated state shared revenues – by application represent an extension of the 1999 per capita distribution Kirkland received for from the state's distribution of the innovative law enforcement grant, the child abuse prevention grand, and a domestic violence prevention grant. The per resident distribution for each of these grants were \$0.34, \$0.49 and \$0.49 respectively, with a total distribution of \$1.32 per resident.</p>

Notes on Fiscal Analysis of Annexation

U

Estimated permit revenues represent fire and building related non-business license and permit revenues and economic environment revenues Kirkland could expect to generate through its Fire and Building and Planning and Community Development permitting activities. In addition, estimated permit revenues include estimated permit revenues generated by the City's Engineering review of public improvements associated with private development.

Non-business license and permit revenues and economic environment revenues reflect Kirkland's estimated 1999 revenues generated from building and land use permitting activities in those categories as reported in the City's 2000 Preliminary Budget multiplied by the estimated percentage increase in permitting demand associated with each potential annexation area. This estimated increase represents, in percentage terms, the incremental demand associated with both single family and commercial permits.

Estimated demand is based on an assumption that 50% of Kirkland's 1999 permitting activity was associated with single-family permits, while the remaining 50% was associated with commercial activity (based on conversations with city staff). *(Note that estimated increment to permits issued for calculation of the service demand is based on an assumption that 60% of the permitting work load is associated with single family permits versus 40% for commercial. This adjusted split was based on conversations with City staff who indicated that while the count of permits issued is close to 50/50, the work load associated with single family permits is greater than for commercial, resulting in a work load split of 60/40.)* The increment to demand associated with single-family permits is based on the ratio of new single-family permits issued in each of the potential annexation areas from 1997 through 1999 divided by the number of single family permits issued in Kirkland during the same period. The increment to demand associated with commercial activity is based on the ratio of the commercial assessed value of real property in each potential annexation area for tax year 2000 over the commercial assessed value of real property in Kirkland for the same year.

SF Contribution to Permitting Activity (for revenue calculations)

Finn Hill	29.68%	Juanita	1.38%	Kingsgate	8.19%	Total	39.25%
-----------	--------	---------	-------	-----------	-------	-------	--------

Commercial Contribution to Permitting Activity (for revenue calculations)

Finn Hill	1.67%	Juanita	1.33%	Kingsgate	2.32%	Total	5.32%
-----------	-------	---------	-------	-----------	-------	-------	-------

Total Increment to Permitting Activity (for revenue calculations)

Finn Hill	31.35%	Juanita	2.71%	Kingsgate	10.50%	Total	44.57%
-----------	--------	---------	-------	-----------	--------	-------	--------

Estimated physical environment revenues generated through Engineering review of public improvements is based on the City's estimated 1999 engineering development permit revenues as reported in the City's 2000 Preliminary Budget multiplied by the ratio of the estimated value of public improvements in the PAA in 1999 over the value of public improvements permitted by the City's Engineering Department in the same year.

Our estimate of the value of public improvements in the PAA are based on an assumption that 50% of Kirkland's value of public improvements is generated by single-family development (no permits were issued in the PAA for new commercial development from 1997 through 1999). We multiplied the City's total 1999 value of public improvements by 50%, and then estimated the value of the PAA's public improvements by multiplying that portion of improvements by the ratio of the average number of new single family permits issued in the PAA over the number of new single family permits issued in Kirkland in 1999.

Notes on Fiscal Analysis of Annexation

V The emergency medical service (EMS) levy is collected by the King County Assessor and distributed through the county EMS office to cities and fire districts according to a specific formula. As the existing fire and EMS service provider for Fire District 41, however, Kirkland already receives EMS distributions for the bulk of the three potential annexation areas. In addition, if upon annexation of the Kingsgate area, the City were to contract with Fire District 36 for continued provision of fire protection and EMS service in the District's existing service area, then the Fire Districts reasonable fee for provision of that service would likely include any EMS distribution associated with that area. We therefore anticipate that annexation of the areas would generate no incremental EMS revenues.

W Estimated fines and forfeits revenues reflect the incremental revenues the City would receive as a result of its adjudication of local civil infractions. Estimated revenues represent fines and forfeit revenues Kirkland received in 1999 (less revenues generated by parking enforcement) multiplied by our estimated factor of demand for police services in each potential annexation area as compared to existing demand in the City of Kirkland. City 1999 fines and forfeit revenues used in our calculation include civil penalties, civil infraction penalties, criminal misdemeanor fines, criminal non-traffic fines, criminal costs, and non-court fines/penalties/forfeits as reported in Kirkland's 2000 Preliminary Budget. Estimated police demand factors for Finn Hill, Juanita and Kingsgate equal 27.9%, 13.7% and 25.7% of Kirkland's 1999 demand respectively.

X Miscellaneous revenues represent the combined estimated revenues generated by the City's business license fee, gambling and admission taxes, and other miscellaneous revenue sources. Business license permits represent Kirkland's \$30 annual license fee multiplied by the number of businesses identified in each potential annexation area in the PSRC's geocoded Washington Department of Employment Security database of covered employment as reported by PSRC staff. Gambling taxes represent 1999 gambling tax revenues received by King County from two places of business identified within the PAA. Admissions taxes represent estimated revenues that would be generated by a small number of taxable establishments in Juanita and Kingsgate. And other miscellaneous revenues include a rough estimate of the total revenues the City would expect to receive for things like electronic game licenses, penalties on business licenses, street and curb permits, and concealed weapons permits.

	Finn Hill	Juanita	Kingsgate	Total
Annual business license fees	\$7,000	\$3,000	\$8,000	\$18,000
Gambling taxes	-	-	\$36,000	\$36,000
Admissions taxes	-	\$5,000	\$15,000	\$20,000
Other Miscellaneous	\$20,000	\$10,000	\$20,000	\$50,000
Total	\$27,000	\$18,000	\$79,000	\$124,000

Notes on Fiscal Analysis of Annexation

Y	<p>Fire District #41 payment represents the payment received by the City for fire protection and emergency medical services provided by Kirkland as part of a contract negotiated with the fire district. This payment appears as negative revenue to the City as a result of annexation because, upon such an annexation, the obligation to provide fire and EMS services to the area would transfer to Kirkland. As a result, Kirkland would continue to bear the costs of providing service, but would no longer receive payment from the district for doing so. The portion of total lost revenues allocated to Finn Hill, Juanita and Kingsgate reflect the portion of taxable assessed value from Fire District #41 that falling in each area.</p>
Z	<p>The real estate excise tax (REET) is levied by a city on the full sale price of real estate transactions within its jurisdictional boundaries. A city that is required (or chooses) to plan under the Growth Management Act is permitted to levy two 0.25 percent pieces (totaling 0.5 percent). The first 0.25 percent (referred to here as REET 1) is restricted in its use to funding capital improvements identified in the city's capital improvement plan. Use of the second 0.25 percent (REET 2) is also restricted to the funding of capital projects, with an added restriction barring its use for acquisition of land for parks. The City of Kirkland restricts use of the second 0.25 percent of REET to funding of road capital projects identified in the City's CIP.</p> <p>Estimated revenues generated by levying the first half of the real estate excise tax (REET 1) represent the average revenues received by Bothell, Woodinville and Kirkland in 1998, adjusted to account for differences in the taxable assessed value of real property in each city. Estimated revenues for Finn Hill, Juanita and Kingsgate represent average revenue generation of \$0.00029 for every dollar of taxable assessed value multiplied by each area's taxable AV.</p> <p>The portion of the total REET 1 revenues allocated to transportation capital improvements reflects Kirkland's 2000 proportional allocation 1/8 of REET 1 dollars to transportation capital, with the remaining 7/8 accruing to fund parks CIP expenses as outlined in the City of Kirkland Final 2000 Budget.</p>
AA	<p>Estimated revenues generated by levying the second half of the real estate excise tax (REET 2) represent the average revenues received by Bothell, Woodinville and Kirkland in 1998, adjusted to account for differences in the taxable assessed value of real property in each city. Estimated revenues for Finn Hill, Juanita and Kingsgate represent average revenue generation of \$0.00029 for every dollar of taxable assessed value multiplied by each area's taxable AV.</p> <p>Reflecting current City policy, all REET 2 revenues are allocated to fund transportation capital improvements as outlined in the City of Kirkland Final 2000 Budget.</p>

Notes on Fiscal Analysis of Annexation

BB	<p>Details of the methods used to estimate total sales tax revenues generated in the potential annexation area are provided in the discussion of Note N.</p> <p>Of the total estimated sales tax generated in the PAA, an amount equaling roughly 20% of the total of other funds allocated to non-SWM capital improvements (or \$400,000) is targeted for allocation to funding of transportation capital improvements and neighborhood CIP. This 20% represents sales tax revenue contribution to Kirkland's transportation, parks, public safety, general government, and neighborhood capital improvement programs as outlined in the City of Kirkland Final 2000 Budget (adjusted to include estimated King County Vehicle License Fee revenues of 325,000) divided by the contribution of all other funding sources to these same capital funds.</p> <p>In the case of Finn Hill, estimated total sales tax revenues are expected to be insufficient to meet the sales tax capital funding target. Consequently, Finn Hill sales tax contribution to capital investments represents the total estimated sales tax revenues generated in the area, with \$0 accruing to the general fund. This adjustment reduces the total sales tax revenues accruing to capital investment funds to \$387,000.</p> <p>Of the \$387,000 accruing to capital funds, roughly 87% accrues to the transportation CIP fund, while the remaining 13% accrues to the Neighborhood CIP fund. This distribution reflects the City's current distribution of funds as outlined in the City of Kirkland Final 2000 Budget.</p>
CC	<p>Estimated state-shared restricted gas tax revenues reflect the 1999 per capita distribution as reported by Municipal Research and Services Center multiplied by the estimated population of Finn Hill, Juanita, and Kingsgate. The legal constraints on this distribution require that municipalities deposit revenues in an arterial street fund for construction, improvement, chip sealing, seal coating, and repair of arterial highways and city streets. Kirkland policy is to dedicate all restricted gas tax revenues to transportation capital improvement projects.</p>
DD	<p>King County levies a \$15 per vehicle per year license fee on all vehicles in the county. A portion of this tax is distributed on a per capita basis to municipalities within the county. Under current policy, Kirkland dedicates all vehicle license fee revenues to fund transportation capital improvements. Estimated revenues represent an assumed distribution of \$8.53 per resident, which is consistent with the average distribution actually received by King County cities in 1999.</p>
EE	<p>To help cities cover the costs associated with the increased demand on transportation networks that accompanies new development, cities can impose transportation (or road) impact fees. Estimated road impact fees associated with development in Finn Hill, Juanita, and Kingsgate represents the average number of new household permits issued per year from 1997 through 1999 multiplied by Kirkland's single-family impact fee of \$966 per unit. During the 1997 through 1999 period, no new commercial development was reported in the PAA; thus we anticipate no revenues associated with commercial development.</p>

Notes on Fiscal Analysis of Annexation

FF	<p>To help cities cover the costs associated with the increased demand on public parks and recreation facilities that accompanies new development, cities can impose park impact fees. Estimated park impact fees associated with development in Finn Hill, Juanita, and Kingsgate represents the average number of new household permits issued per year from 1997 through 1999 multiplied by Kirkland's single-family impact fee of \$612 per unit. During the 1997 through 1999 period, no new commercial development was reported in the PAA; thus, as was true with road impact fees, we anticipate no revenues associated with commercial development.</p>
GG	<p>For a discussion of REET 1 estimation methodology, see the discussion of note AA. The portion of the total REET 1 revenues allocated to parks capital improvement reflects Kirkland's 2000 proportional allocation 7/8 of REET 1 dollars to parks capital, with the remaining 1/8 accruing to fund transportation CIP expenses as outlined in the City of Kirkland Final 2000 Budget.</p>
HH	<p>For a discussion of retail sales tax revenue estimation methodology, see the discussion of note N.</p> <p>Of the \$387,000 of sales tax revenues accruing to capital funds, roughly 87% accrues to the transportation CIP fund, while the remaining 13% accrues to the Neighborhood CIP fund. This distribution reflects the City's current allocation of funds as outlined in the City of Kirkland Final 2000 Budget.</p>
II And JJ	<p>Net SWM revenues represents the estimated revenues Kirkland would stand to generate through application of its SWM fees in the three potential annexation areas minus the revenues in each area that are dedicated to bond repayment.</p> <p>The estimated total revenues Kirkland would generate represent the revenues King County Department of Water and Land Resources collected in Finn Hill, Juanita, and Kingsgate in 1999, adjusted to reflect the difference between Kirkland's fee structure and that of the County. Kirkland's current residential SWM fee equals \$60 per year per single-family parcel versus King County's fee of \$85.02, with similar differences in commercial rates. Estimated total revenues equal revenues generated by King County multiplied by 60/85.02, or slightly less than 71%.</p> <p>Revenues that would be available to fund SWM operation, maintenance, and capital expenditures represent estimated total revenues minus 14.56% of the total revenues collected by King County, which are dedicated to repayment of two separate bonds: one or 8.1% scheduled to be fully repaid in 2002, and another of 6.46% scheduled to be repaid in 2016. (King County Department of Water and Land Resources reports that it expects to issue a third bond in the near future.)</p>

Notes on Fiscal Analysis of Annexation	
KK	Estimated SWM revenues available to fund operation and maintenance of the stormwater system represent 60% of the net SWM revenues generated, with 40% dedicated to stormwater capital. This allocation reflects Kirkland's recent SWM fee increase from \$3 per month to \$5 per month, which was implemented to generate sufficient revenue to fund capital investments in the SWM system. The \$2 increase to fund capital investments represents 40% of revenues generated.

**Direct Service Cost Centers
Cost Analysis**

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Cost Associated with this Output or Driver	Juanita Cost Associated with this Output or Driver	Kingsgate Cost Associated with this Output or Driver
Parks and Community															
Div: Parks Maintenance	Parks Operations & Maintenance	Acres Maintained	452.8			Output	100%	100%	Driven by Local Park Acres	3.9	30.6	41.9	\$20,809	\$163,267	\$223,558
Div: Community Services	Human Services	\$ contributed to human service	\$ 6.75	population	44,860	Driver	100%	100%	Driven by Population	15,900	5,800	12,600	\$129,393	\$47,200	\$102,538
	Senior Center	# of clients transported	5,132	population	44,860	Driver	100%	100%	Driven by Population	15,900	5,800	12,600	\$23,202	\$8,463	\$18,386
	Youth Services	Already serving annex. area		na	na	na	na	na	na	na	na	na	na	na	na
	Recreation Services	Already serving annex. area		na	na	na	na	na	na	na	na	na	na	na	na
	Community Center	Already serving annex. area		na	na	na	na	na	na	na	na	na	na	na	na
Finance Dept.															
Div: Court Services	Municipal Court	Infractions, Parking, DUI, and Misdemeanors	25,300	patrol, traffic, & investigation officers	52.50	Driver	100%	100%	Driven by calculated additional Police Investigation/Traffic division FTEs	14.62	7.21	13.51	\$215,761	\$106,370	\$199,336
Cit Attorney Dept.															
Div: City Attorney's Office	Prosecution Services	DUI and Misdemeanors	2,281	patrol, traffic, & investigation officers	52.50	Driver	100%	100%	Driven by calculated additional Police Investigation/Traffic division FTEs	14.62	7.21	13.51	\$44,687	\$22,031	\$41,286
	Public Defender Services	Caseload	614	patrol, traffic, & investigation officers	52.50	Driver	100%	100%	Driven by calculated additional Police Investigation/Traffic division FTEs	14.62	7.21	13.51	\$28,502	\$14,052	\$26,333
Planning and Community Dev. Dept.															
Div: Land Use Management	Land Use Management	permits reviewed	1,371	population	44,860	Output	88.46%	88.46%	Driven by estimated increment in demand of 37% for Finn Hill, 3% for Juanita, and 12% for Kingsgate, totalling 51% increase for entire PAA	507	41	165	\$451,685	\$36,623	\$146,492
	Land Use Management	cases - residential	199	# of dwelling units	22,289	Driver	7.50%	7.50%	Driven by number of dwelling units	5,900	2,150	4,800	\$27,397	\$9,984	\$22,289
	Land Use Management	cases - business	118	# of businesses	3,100	Driver	4.04%	4.04%	Driven by number of places of business	34	59	131	\$611	\$1,061	\$2,355
Div: Policy and Planning	Policy and Planning	Studies, plans, & regulations		population	44,860	Driver	100%	100%	Driven by population	15,900	5,800	12,600	\$366,702	\$133,765	\$290,594

**Direct Service Cost Centers
Cost Analysis**

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Cost Associated with this Output or Driver	Juanita Cost Associated with this Output or Driver	Kingsgate Cost Associated with this Output or Driver
Police Dept.															
Div: Police Investigation/Traffic	Investigation	cases assigned	595	calls for service	39,265	Output	100%	100%	Driven by police demand factors calculated based on pop and emp. (Finn Hill - 27.9% of City totals, Juanita - 13.7%, and Kingsgate - 25.7%)	166	82	153	\$314,449	\$155,023	\$290,513
	Patrol/Traffic Policing*	calls for service, officer-initiated events, domestic violence follow-ups	57,055	population	44,860	Output	100%	100%	Driven by police demand factors calculated based on pop and emp. (Finn Hill - 27.9% of City totals, Juanita - 13.7%, and Kingsgate - 25.7%)	15,890	7,834	14,680	\$1,734,804	\$855,255	\$1,602,747
	K-9 Patrol	K-9 responses	242	calls for service	39,265	Output	100%	100%	Driven by police demand factors calculated based on pop and emp. (Finn Hill - 27.9% of City totals, Juanita - 13.7%, and Kingsgate - 25.7%)	67	33	62	\$44,866	\$22,119	\$41,451
	Special Response Team	special team responses	7	calls for service	39,265	Output	100%	100%	Driven by police demand factors calculated based on pop and emp. (Finn Hill - 27.9% of City totals, Juanita - 13.7%, and Kingsgate - 25.7%)	2	1	2	\$4,532	\$2,234	\$4,187
Div: Police Services	Care & Custody of Prisoners	prisoner days - Kirkland Jail	3,137	arrests and bookings		Output	34.17%	100%	Driven by King County Jail unincorporated area bookings and maintenance days per resident of \$9.73	na	na	na	\$154,707	\$56,434	\$122,598
	Care & Custody of Prisoners	prisoner days - Enumclaw Jail	558	arrests and bookings		Output	4.94%	4.94%	na	na	na	na	na	na	na
	Care & Custody of Prisoners	prisoner days - King County Jail	3,514	arrests and bookings		Output	55.96%	55.96%	na	na	na	na	na	na	na
	Care & Custody of Prisoners	na	na	na	na	na	4.94%	4.94%	na	na	na	na	na	na	na
Div: Crime Prevention	Crime Prevention	school programs - all grades - # of classes	170	schools	13	Driver	66.7%	66.7%	Driven by number of elementary schools	3	1	3	\$132,670	\$44,223	\$132,670
	Crime Prevention	neighborhood watch		population	44,860	Driver	33.3%	33.3%	Driven by population	15,900	5,800	12,600	\$101,884	\$37,165	\$80,738

**Direct Service Cost Centers
Cost Analysis**

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Cost Associated with this Output or Driver	Juanita Cost Associated with this Output or Driver	Kingsgate Cost Associated with this Output or Driver
Fire and Building															
Div: Emergency Services	Fire Suppression	area already served by Kirkland FD		na	na	na	na	na	na	na	na	na	na	na	na
	Fire Training	area already served by Kirkland FD		na	na	na	na	na	na	na	na	na	na	na	na
	Basic Life Support	area already served by Kirkland FD		na	na	na	na	na	na	na	na	na	na	na	na
Div: Prevention & Preparedness	Fire Prevention/ Investigation	investigations	44	cases referred		Output	12.5%	0.0%	Driven by investigations	10	3	6	\$11,698	\$3,510	\$7,019
	Fire Prevention/ Investigation	inspections	493	thousands of sq ft commercial buildings (including MF)	28,255	Driver	62.5%	70.0%	Driven by thousands of square feet of commercial floor area	740	917	1,522	\$8,262	\$10,228	\$16,989
	Fire Prevention/ Investigation	contact hours		population	44,860	Driver	25.0%	30.0%	Driven by population	15,900	5,800	12,600	\$45,288	\$16,520	\$35,889
Div: Building Services	Bldg Inspection & Permit Svc	permits reviewed	3,525	permits issued	3,525	Output	100%	100%	Driven by estimated increment in demand of 37% for Finn Hill, 3% for Juanita, and 12% for Kingsgate, totalling 51% increase for entire PAA	1,304	106	423	\$520,348	\$42,190	\$168,762
Div: Emergency	Emergency	contact hours	252	population	44,860	Driver	100%	100%	Driven by population	15,900	5,800	12,600	\$41,311	\$15,070	\$32,737

**Direct Service Cost Centers
Cost Analysis**

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Cost Associated with this Output or Driver	Juanita Cost Associated with this Output or Driver	Kingsgate Cost Associated with this Output or Driver
Public Works															
Dept.: Engineering															
Div: Engineering	Engineering Plans & Services			Value of permitted public improvements	3,660,953	Driver	53.94%	53.94%	Driven by estimated value of public improvements	882,677	41,098	243,506	\$273,652	\$12,741	\$75,493
	Engineering Plans & Services			Centerline miles	154	Driver	20.23%	20.23%	Driven by centerline miles of road	51.5	14.4	31.1	\$142,334	\$39,798	\$85,953
Public Works															
Dept.: Street															
Div: Street Maintenance	Control, Street Cleaning, Roadside, Median Maintenance, and Ancillary Operations	miles maintained	154	centerline miles - local and arterial		Output	100%	100%	Driven by centerline miles of road	51.5	14.4	31.1	\$513,437	\$143,563	\$310,056
	Sidewalks	miles maintained	118	miles of sidewalk	118	Output	100%	100%	Driven by miles of sidewalk (based on sq. yards of concrete sidewalk as reported by KC Roads assuming average sidewalk width of 72")	19.67	8.99	28.10	\$18,492	\$8,449	\$26,419
	Street Lighting	lights provided power signalized	2,312	street lights		Output	100%	100%	Driven by number of street lights	126	152	228	\$19,596	\$23,640	\$35,460
	Traffic Control Devices	intersections and lighted crosswalks	60	signalized intersections		Output	100%	100%	Driven by count signalized intersections	3	4	6	\$16,593	\$22,124	\$33,186
	Parking Facilities	na		na	na	na	na	na	na	na	na	na	na	na	na
	Traffic Signs	signs maintained	9,850	signs	9,850	Output	100%	100%	Driven by count of signs	1,396	304	557	\$65,390	\$14,240	\$26,090
Div: Street Construction															
	Roadway Construction	miles constructed	na	na	na	na	na	na	na	na	na	na	na	na	na
	Sidewalks Construction	miles constructed	na	na	na	na	na	na	na	na	na	na	na	na	na
	Traffic Control Device-Const	signalized	na	na	na	na	na	na	na	na	na	na	na	na	na
Public Works															
Dept: Stormwater															
Div: SWM Utility Operations	Surface Water Mgmt Contract Op			accounts	12,300	Driver	100%	100%	Driven by number of accounts	5,217	1,564	2,319	\$16,277	\$4,880	\$7,235

**Direct Service Cost Centers
Cost Analysis**

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Cost Associated with this Output or Driver	Juanita Cost Associated with this Output or Driver	Kingsgate Cost Associated with this Output or Driver
	Surface Water Mgmt Cust Svc			accounts	12,300	Driver	100%	100%	Driven by number of accounts	5,217	1,564	2,319	\$69,581	\$20,860	\$30,929
Div: SWM Utility	SWM-Construction	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Div: SWM Utility Maint.-Cleaning/Rehab	Surface Water Mgmt Cleaning/Rehab	miles of pipe	99			Output	100%	100%	Driven by miles of pipe	36.25	12.11	23.72	\$226,641	\$75,733	\$148,331
Div: SWM Utility Maint.-Detention	Surface Water Mgmt Detention	facilities	77			Output	100%	100%	Driven by number of facilities	76	25	29	\$41,903	\$13,784	\$15,989
Div: SWM Utility Main.-Ditches	Surface Water Mgmt Ditches	ditches	24.8			Output	100%	100%	Driven by miles of open ditches	12.63	1.12	4.04	\$27,895	\$2,472	\$8,917
Div: SWM Util Maint.-Sweep/Waste Dis	SWM Maint Sweep/Waste Disposal	center line miles of road	154			Output	100%	100%	Driven by centerline miles of road	51.5	14.4	31.1	\$49,981	\$13,975	\$30,183
Miscellaneous															
Div: Miscellaneous Expenditures**	Miscellaneous	Interjurisdictional Payment		population	44,860	Driver	100%	100%	Driven by population	15,900	5,800	12,600	\$45,134	\$16,464	\$35,767

Direct Service Cost Centers
Direct Service FTE Impact Analysis

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Direct FTEs Associated with this Output or Driver	Juanita Direct FTEs Associated with this Output or Driver	Kingsgate Direct FTEs Associated with this Output or Driver
Parks and Community															
Div: Parks Maintenance	Parks Operations & Maintenance	Acres Maintained	452.8			Output	100%	100%	Driven by Local Park Acres	3.9	30.6	41.9	0.15	1.15	1.57
Div: Community Services	Human Services	\$ contributed to human service	\$ 6.75	population	44,860	Driver	100%	100%	Driven by Population	15,900	5,800	12,600	0.18	0.06	0.14
	Senior Center	# of clients transported	5,132	population	44,860	Driver	100%	100%	Driven by Population	15,900	5,800	12,600	0.27	0.10	0.21
	Youth Services	Already serving annex. area		na	na	na	na	na	na	na	na	na	na	na	na
	Recreation Services	Already serving annex. area		na	na	na	na	na	na	na	na	na	na	na	na
	Community Center	Already serving annex. area		na	na	na	na	na	na	na	na	na	na	na	na
Finance Dept.															
Div: Court Services	Municipal Court	Infractions, Parking, DUI, and Misdemeanors	25,300	patrol, traffic, & investigation officers	52.50	Driver	100%	100%	Driven by calculated additional Police Investigation/Traffic division FTEs	14.62	7.21	13.51	1.95	0.96	1.80
Cit Attorney Dept.															
Div: City Attorney's Office	Prosecution Services	DUI and Misdemeanors	2,281	patrol, traffic, & investigation officers	52.50	Driver	100%	100%	Driven by calculated additional Police Investigation/Traffic division FTEs	14.62	7.21	13.51	-	-	-
	Public Defender Services	Caseload	614	patrol, traffic, & investigation officers	52.50	Driver	100%	100%	Driven by calculated additional Police Investigation/Traffic division FTEs	14.62	7.21	13.51	-	-	-
Planning and Community Dev. Dept.															
Div: Land Use Management	Land Use Management	permits reviewed	1,371	population	44,860	Output	88.46%	88.46%	Driven by estimated increment in demand of 37% for Finn Hill, 3% for Juanita, and 12% for Kingsgate, totalling 51% increase for entire PAA	507	41	165	4.25	0.34	1.38
	Land Use Management	cases - residential	199	# of dwelling units	22,289	Driver	7.50%	7.50%	Driven by number of dwelling units	5,900	2,150	4,800	0.26	0.09	0.21
	Land Use Management	cases - business	118	# of businesses	3,100	Driver	4.04%	4.04%	Driven by number of places of business	34	59	131	0.01	0.01	0.02
Div: Policy and Planning	Policy and Planning	Studies, plans, & regulations		population	44,860	Driver	100%	100%	Driven by population	15,900	5,800	12,600	1.77	0.65	1.40

Direct Service Cost Centers
Direct Service FTE Impact Analysis

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Direct FTEs Associated with this Output or Driver	Juanita Direct FTEs Associated with this Output or Driver	Kingsgate Direct FTEs Associated with this Output or Driver
Police Dept.															
Div: Police Investigation/Traffic	Investigation	cases assigned	595	calls for service	39,265	Output	100%	100%	Driven by police demand factors calculated based on pop and emp. (Finn Hill - 27.9% of City totals, Juanita - 13.7%, and Kingsgate - 25.7%)	166	82	153	1.95	0.96	1.80
	Patrol/Traffic Policing*	calls for service, officer-initiated events, domestic violence follow-ups	57,055	population	44,860	Output	100%	100%	Driven by police demand factors calculated based on pop and emp. (Finn Hill - 27.9% of City totals, Juanita - 13.7%, and Kingsgate - 25.7%)	15,890	7,834	14,680	12.39	6.11	11.45
	K-9 Patrol	K-9 responses	242	calls for service	39,265	Output	100%	100%	Driven by police demand factors calculated based on pop and emp. (Finn Hill - 27.9% of City totals, Juanita - 13.7%, and Kingsgate - 25.7%)	67	33	62	0.28	0.14	0.26
	Special Response Team	special team responses	7	calls for service	39,265	Output	100%	100%	Driven by police demand factors calculated based on pop and emp. (Finn Hill - 27.9% of City totals, Juanita - 13.7%, and Kingsgate - 25.7%)	2	1	2	-	-	-
Div: Police Services	Care & Custody of Prisoners	prisoner days - Kirkland Jail	3,137	arrests and bookings		Output	34.17%	100%	Driven by King County Jail unincorporated area bookings and maintenance days per resident of \$9.73	na	na	na	-	-	-
	Care & Custody of Prisoners	prisoner days - Enumclaw Jail	558	arrests and bookings		Output	4.94%	4.94%	na	na	na	na	na	na	na
	Care & Custody of Prisoners	prisoner days - King County Jail	3,514	arrests and bookings		Output	55.96%	55.96%	na	na	na	na	na	na	na
	Care & Custody of Prisoners	na	na	na	na	na	4.94%	4.94%	na	na	na	na	na	na	na
Div: Crime Prevention	Crime Prevention	school programs - all grades - # of classes	170	schools	13	Driver	66.7%	66.7%	Driven by number of elementary schools	3	1	3	0.92	0.31	0.92
	Crime Prevention	neighborhood watch		population	44,860	Driver	33.3%	33.3%	Driven by population	15,900	5,800	12,600	0.71	0.26	0.56

Direct Service Cost Centers
Direct Service FTE Impact Analysis

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Direct FTEs Associated with this Output or Driver	Juanita Direct FTEs Associated with this Output or Driver	Kingsgate Direct FTEs Associated with this Output or Driver
Fire and Building															
Div: Emergency Services															
	Fire Suppression	area already served by Kirkland FD		na	na	na	na	na	na	na	na	na	na	na	na
	Fire Training	area already served by Kirkland FD		na	na	na	na	na	na	na	na	na	na	na	na
	Basic Life Support	area already served by Kirkland FD		na	na	na	na	na	na	na	na	na	na	na	na
Div: Prevention & Preparedness															
	Fire Prevention/ Investigation	investigations	44	cases referred		Output	12.5%	0.0%	Driven by investigations	10	3	6	-	-	-
	Fire Prevention/ Investigation	inspections	493	thousands of sq ft commercial buildings (including MF)	28,255	Driver	62.5%	70.0%	Driven by thousands of square feet of commercial floor area	740	917	1,522	0.07	0.09	0.15
	Fire Prevention/ Investigation	contact hours		population	44,860	Driver	25.0%	30.0%	Driven by population	15,900	5,800	12,600	0.43	0.16	0.34
Div: Building Services															
	Bldg Inspection & Permit Svc	permits reviewed	3,525	permits issued	3,525	Output	100%	100%	Driven by estimated increment in demand of 37% for Finn Hill, 3% for Juanita, and 12% for Kingsgate, totalling 51% increase for entire PAA	1,304	106	423	4.64	0.38	1.50
Div: Emergency															
	Emergency	contact hours	252	population	44,860	Driver	100%	100%	Driven by population	15,900	5,800	12,600	0.35	0.13	0.28

Direct Service Cost Centers
Direct Service FTE Impact Analysis

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Direct FTEs Associated with this Output or Driver	Juanita Direct FTEs Associated with this Output or Driver	Kingsgate Direct FTEs Associated with this Output or Driver
Public Works															
Dept.: Engineering															
Div: Engineering	Engineering Plans & Services			Value of permitted public improvements	3,660,953	Driver	53.94%	53.94%	Driven by estimated value of public improvements	882,677	41,098	243,506	1.99	0.09	0.55
	Engineering Plans & Services			Centerline miles	154	Driver	20.23%	20.23%	Driven by centerline miles of road	51.5	14.4	31.1	1.04	0.29	0.63
Public Works															
Dept.: Street															
Div: Street Maintenance	Control, Street Cleaning, Roadside, Median Maintenance, and Ancillary Operations	miles maintained	154	centerline miles - local and arterial		Output	100%	100%	Driven by centerline miles of road	51.5	14.4	31.1	2.68	0.75	1.62
	Sidewalks	miles maintained	118	miles of sidewalk	118	Output	100%	100%	Driven by miles of sidewalk (based on sq. yards of concrete sidewalk as reported by KC Roads assuming average sidewalk width of 72")	19.67	8.99	28.10	0.08	0.04	0.12
	Street Lighting	lights provided power	2,312	street lights		Output	100%	100%	Driven by number of street lights	126	152	228	-	-	-
	Traffic Control Devices	signalized intersections and lighted crosswalks	60	signalized intersections		Output	100%	100%	Driven by count signalized intersections	3	4	6	0.10	0.13	0.20
	Parking Facilities	na		na	na	na	na	na	na	na	na	na	na	na	na
	Traffic Signs	signs maintained	9,850	signs	9,850	Output	100%	100%	Driven by count of signs	1,396	304	557	0.28	0.06	0.11
Div: Street Construction															
	Roadway Construction	miles constructed	na	na	na	na	na	na	na	na	na	na	na	na	na
	Sidewalks	miles constructed	na	na	na	na	na	na	na	na	na	na	na	na	na
	Traffic Control Device-Const	intersections signalized	na	na	na	na	na	na	na	na	na	na	na	na	na
Public Works															
Dept: Stormwater															
Div: SWM Utility Operations	Surface Water Mgmt Contract Op			accounts	12,300	Driver	100%	100%	Driven by number of accounts	5,217	1,564	2,319	-	-	-

Direct Service Cost Centers
Direct Service FTE Impact Analysis

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	Output	Output Value	Driver	Driver Value	Calculate Cost based on Output or Driver?	Weight Associated with this Output or Driver	Weight Associated with this Output for FTE calcs	Notes	Finn Hill Output or Driver Value	Juanita Output or Driver Value	Kingsgate Output or Driver Value	Finn Hill Direct FTEs Associated with this Output or Driver	Juanita Direct FTEs Associated with this Output or Driver	Kingsgate Direct FTEs Associated with this Output or Driver
	Surface Water Mgmt Cust Svc			accounts	12,300	Driver	100%	100%	Driven by number of accounts	5,217	1,564	2,319	0.42	0.13	0.19
Div: SWM Utility	SWM-Construction	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Div: SWM Utility Maint.-Cleaning/Rehab	Surface Water Mgmt Cleaning/Rehab	miles of pipe	99			Output	100%	100%	Driven by miles of pipe	36.25	12.11	23.72	1.62	0.54	1.06
Div: SWM Utility Maint.-Detention	Surface Water Mgmt Detention	facilities	77			Output	100%	100%	Driven by number of facilities	76	25	29	0.30	0.10	0.11
Div: SWM Utility Main.-Ditches	Surface Water Mgmt Ditches	ditches	24.8			Output	100%	100%	Driven by miles of open ditches	12.63	1.12	4.04	0.20	0.02	0.06
Div: SWM Util Maint.-Sweep/Waste Dis	SWM Maint Sweep/Waste	center line miles of road	154			Output	100%	100%	Driven by centerline miles of road	51.5	14.4	31.1	0.36	0.10	0.22
Miscellaneous															
Div: Miscellaneous Expenditures**	Miscellaneous	Interjurisdictional Payment		population	44,860	Driver	100%	100%	Driven by population	15,900	5,800	12,600	-	-	-

	Cost Center	1999 Budgeted	Amount Not Allocable	Non-Duplicative Expenses	Allocation of Facilities Maintenance Costs	Weight Assigned to this Cost Center	Total 1999 Costs for Allocation	FTEs	FTEs Associated with this Output	City Hall FTEs	Departmental Indirect Allocation Mechanism	Dept Indirect Driver Value
Dept: Public Works Dept.: Engineering Div: Engineering												
	Engineering Plans & Services	\$1,382,020		(\$122,331)	\$30,760	25.83%	\$312,305	15.33	3.96	3.96	1999 Direct Service FTEs	11.37
Dept: Parks and Community Services Div: Parks Administration												
	Parks & Community Svc Admin	\$423,712		(\$86,880)	\$35,095	100%	\$418,849	3.75	3.75	3.75	1999 Direct Service FTEs	24.15
Dept: Fire and Building Div: Fire & Building Administration												
	Fire Administration	\$588,861		(\$118,612)	\$22,804	100%	\$557,041	5.08	5.08	5.08	1999 Direct Service FTEs	80.53
Dept: Planning & Community Developmt Div: Community Development Admin												
	Planning Administration	\$682,279		(\$112,046)	\$12,116	100%	\$625,052	2.50	2.50	2.50	1999 Direct Service FTEs	18.00
Dept: Police Div: Police Administration, Training, Support & Communications												
	Police Administration	\$2,522,009		(\$123,680)	\$218,072	100%	\$2,929,847	26.00	26.00	26.00	1999 Direct Service FTEs	63.50
Dept: Public Works Dept.: Street Operating Div: Street Administration												
	Road & Street Administration/ Maintenance Admin & Overhead	\$1,274,944	(\$219,045)	(\$73,467)	\$0	100%	\$1,044,202	2.73	2.73	-	1999 Direct Service FTEs	12.50
Dept: Public Works Dept: Stormwater Div: SWM Utility Administration												
	SWM Maintenance Supervision & General Admin.	\$309,947	(\$28,854)		\$0	100%	\$299,789	1.06	1.06	-	1999 Direct Service FTEs	7.20

City Indirect Cost Centers

Kirkland Annexation Costs and Revenues 7.0.xls

	Cost Center	1999 Budgeted	Amount Not Allocable	Non-Duplicative Expenses	Allocated Share of City Hall Maintenance Expenditures	Costs for Allocation	FTEs in City Hall	Allocation Mechanism	Amount Allocated per 1999 Direct Service FTE	Amount Allocated per 1999 Direct Service Budgeted \$1000
Dept: Finance										
Div: Financial Administration										
	Financial Administration	\$311,900		(\$110,426)	\$14,929	\$216,403	3.00	1999 Direct Service Budget		\$4
Dept: Finance										
Div: Customer Services										
	Customer Services-Wt/Sewer & Other Svc	\$471,890	(\$310,892)		\$34,834	\$195,832	7.00	1999 Direct Service Budget		\$4
Dept: Finance										
Div: Financial Services										
	Fiduciary, Purch. & Acc. Services	\$756,425			\$49,763	\$806,188	10.00	1999 Direct Service Budget		\$16
Dept: City Council										
Div: City Council										
	Legislative	\$262,668	(\$60,000)	(\$10,429)	\$66,800	\$259,039	7.00	1999 Direct Service Budget		\$5
Dept: City Manager										
Div: City Manager										
	Executive	\$631,943	(\$39,799)	(\$137,531)	\$50,724	\$505,337	5.50	1999 Direct Service FTEs	\$1,689	
Dept: City Attorney's Office										
Div: City Attorney's Office										
	Legal Services	\$479,549			\$23,964	\$503,513	3.50	1999 Direct Service FTEs	\$1,683	
Dept: Administrative Services										
Div: Administration/City Clerk										
	Records, Mail & Multitmedia Service & Central Service Admin.	\$1,003,575		(\$88,465)	\$65,670	\$980,780	10.30	1999 Direct Service FTEs	\$3,279	
Dept: Administrative Services										
Div: Human Resources										
	Personnel Services & Org. Training	\$666,716		(\$90,844)	\$33,855	\$609,727	5.31	1999 Direct Service FTEs	\$2,038	
Dept: Nondepartmental										
Div: Nondepartmental										
	Other General Governmental Svc	\$1,963,147	(\$1,785,267)		\$0	\$177,880	-	1999 Direct Service FTEs	\$595	
								Total	\$9,284	\$29