

**Fiscal Impact of Renton's Annexation
of the Renton Fairwood PAA**

**for
CITY OF RENTON**

December 7, 2005

ASSESSMENT OF ANNEXATION IMPACT TO THE CITY OF RENTON: RENTON FAIRWOOD PAA

INTRODUCTION

Over the past 10 months, Berk & Associates has performed a series of related analysis that look at (1) the governance options that are available to residents of unincorporated areas around Renton and (2) the fiscal implications that the City of Renton might face if the City was to annex one or more of these areas. The most recent of these analyses was a series of analyses of Renton's Fairwood Potential Annexation Area (PAA).

Upon request from residents of the Fairwood area, King County contracted with Berk & Associates to perform an Incorporation Feasibility Study for the proposed City of Fairwood, a proposed city of 26,100 people that reside in the eastern portion of Renton's Fairwood PAA. To provide more complete information on the governance implications of the proposed incorporation, King County also contracted with Berk & Associates to analyze the fiscal implications that annexation of the Cascade area would have on the City of Renton (the area of Renton's Fairwood PAA that would be left unincorporated if the proposed City of Fairwood is incorporated with boundaries as they are currently proposed).

In the wake of King County commissioning the Fairwood Incorporation Study and the Cascade Annexation Study, the City of Renton asked Berk & Associates to perform a third analysis that looked at what the fiscal impact on Renton would be if the City was to annex the entire Fairwood PAA (an area that combines the proposed City of Fairwood and the Cascade area to the west). This report summarizes the findings of that analysis, summarizing the estimated annual cost the City of Renton would face if it was to annex its entire Fairwood PAA.

Since the Cascade area is part of the greater Renton Fairwood PAA, this analysis for the entire PAA is substantially similar to the analysis of the Cascade area impacts. This document is intentionally structured to resemble an abbreviated version of the Cascade annexation report and is intended to highlight the differences between the annexation study for Cascade area and total Renton Fairwood PAA. Please refer to the report titled "Assessment of Annexation Impact to the City of Renton: Cascade Area" for more detailed discussion of major costs and revenues, as well as for more detailed technical discussions of methodology.

SUMMARY OF FINDINGS

As was true of the Cascade Annexation Report, estimated cost impacts for annexation of the Fairwood PAA as a whole reflect the answer to a hypothetical question:

If the Fairwood PAA was a fully-integrated part of the City of Renton in 2005, how much more would the City spend to maintain its existing levels of service (given expenditures that are summarized in the 2005 Budget), and how much more in revenues would the City receive?

As a whole, if the Renton Fairwood PAA was part of the City of Renton in 2005, the net operating cost to the City would be \$823,000 per year (Exhibit 1). This assumes that the City would assume responsibility for the FD 40's Station 42 on 176th (or potentially a new station that may be

CITY OF RENTON ANNEXATION ANALYSIS

constructed by the District on 108th) and Station 41 on SE Petrovitsky Rd. This also assumes that Renton would locate a fire engine and an aid car in each of these stations and close the current City of Renton station several blocks to the north of Station 42.

To try to reflect the *full* steady-state cost of annexation, Exhibit 1 includes annualized facility costs that would be associated with an increase in the number of City employees. This cost could be viewed as the annual cost of leasing space for additional City Hall staff, police and maintenance workers, etc. Another way to think of these facilities costs would be in terms of the annual cost of a capital bond that would cover the cost of building new City facilities.¹ For annexation of the Fairwood PAA, facilities costs are estimated at \$728,000. If one were to exclude facilities costs from the operating deficit, an approach that many cities would take, in practice, then net costs associated with annexing would be under \$100,000.

These estimated impacts are based on the assumption that, upon annexation, the City would attempt to extend current levels of services to the annexation area. These estimates include the combined impacts on the City's General and Street fund, but do not include the operating costs or revenues of the Surface Water Management (SWM) Fund or other enterprise funds.

Appendix B provides a more thorough breakdown of the component costs and revenues and a discussion of the methods used to estimate each.

It is important to note that, if Renton were to annex the Fairwood PAA, in addition to annual operating costs, the City would also face transitional (ramp-up) costs. Among other things, costs included in this ramp-up phase would include:

1. Costs associated with comprehensive planning and zoning;
2. Costs associated with capital facility assessment planning;
3. Configuration of parks and other public facilities to accommodate extension of recreational services; and
4. Initial purchase of equipment (e.g. police cruisers and other equipment, road-maintenance equipment, computers for additional staff etc.). Once the initial purchases are made, the estimated operating gap accounts for the costs of maintaining and replacing equipment, but the initial purchase of the equipment is a front-loaded cost the City would bear.

¹ Facilities costs exclude the costs of fire stations and libraries, since it is assumed that Fire District 40's two stations and King County Library System's (KCLS) Fairwood Library would be taken over by the City upon annexation. As is discussed later, the two fire stations should be transferred to the City through an asset transfer (at no cost to the City) but the cost of transferring the Fairwood Library will be subject to negotiations with KCLS.

Exhibit 1

**Summary of Operating Costs and Revenues
for Renton Fairwood PAA (2005 Dollars)**

| Operating Costs | Total |
|--|---------------------------|
| Police Services | \$6,579,000 |
| Planning, Building and Public Works | \$4,707,000 |
| Fire Services | \$3,796,000 |
| Administrative, Judicial & Legal Services | \$1,302,000 |
| Community Services | \$2,839,000 |
| Finance and Information Services | \$871,000 |
| Human Resources & Risk Management | \$186,000 |
| Economic Development | \$664,000 |
| Legislative | \$35,000 |
| <i>Staff-related Facility Costs</i> ¹ | <i>\$728,000</i> |
| TOTAL COST | \$21,707,000 |
| Operating Revenues | |
| Property Tax | \$10,567,000 |
| Utility Tax | \$3,708,000 |
| Sales Tax | \$1,857,000 |
| State Shared Revenues | \$1,431,000 |
| Gambling Tax | \$437,000 |
| Permit Fees | \$990,000 |
| Sales Tax-Criminal Justice | \$845,000 |
| Fines & Forfeits | \$519,000 |
| Cable Franchise Fees | \$359,000 |
| Recreation Fees | \$132,000 |
| Business License Fees ² | \$38,600 |
| TOTAL REVENUE | \$20,883,600 |
| NET REVENUES | <i>(\$823,400)</i> |

¹ Excludes facility costs for fire department, under the assumption that fire facilities will be handled through an asset transfer with the district and, potentially, construction of a new station. This estimate also excludes the cost for the Fairwood library, as it is reflected under Community Services expenditures.

² This amount is 20% of estimated total amount collected for business license fees, as 80% is dedicated to road maintenance (capital projects).

Source: Berk & Associates analysis

Major Revenues

Methods for calculating revenue estimates for the Fairwood PAA are virtually the same as methods summarized in the Cascade Annexation Report. Please refer to the Cascade area report for more detail.

Annexation of Renton Fairwood PAA would bring an estimated \$3.4 billion of additional taxable property to the City. Assessed value per resident is \$80,300, a combination of Cascade's \$73,300 assessed value per capita and proposed Fairwood Incorporation area's \$84,600 per capita. Given these values of taxable property, and given Renton's 2005 regular City levy rate of \$3.148 per \$1,000 of assessed value, if the City had governed the study area in 2005, they would have generated roughly \$10.6 million in property tax revenues.

Fairwood Renton PAA would generate roughly \$1.9 million of sales tax revenue for the City. The sales tax revenues would be \$44 per capita. By comparison, Renton generated approximately \$185 in local sales tax dollars per resident in 2004.

Major Costs

Police Services

Based on conversations with the Renton Police Department and statistics-based forecasts of demand, annexation of the Fairwood Renton PAA area is expected to require the addition of three patrol districts to the City. In practical terms, the Police Department expects that the increase in the number of patrol districts would be accompanied by a broader redistricting of the eastern portion of the City. All together, the Department estimates that serving the Fairwood Renton PAA will require a combined 43% increase in staffing, adding 56 full-time-equivalent positions to the Department.

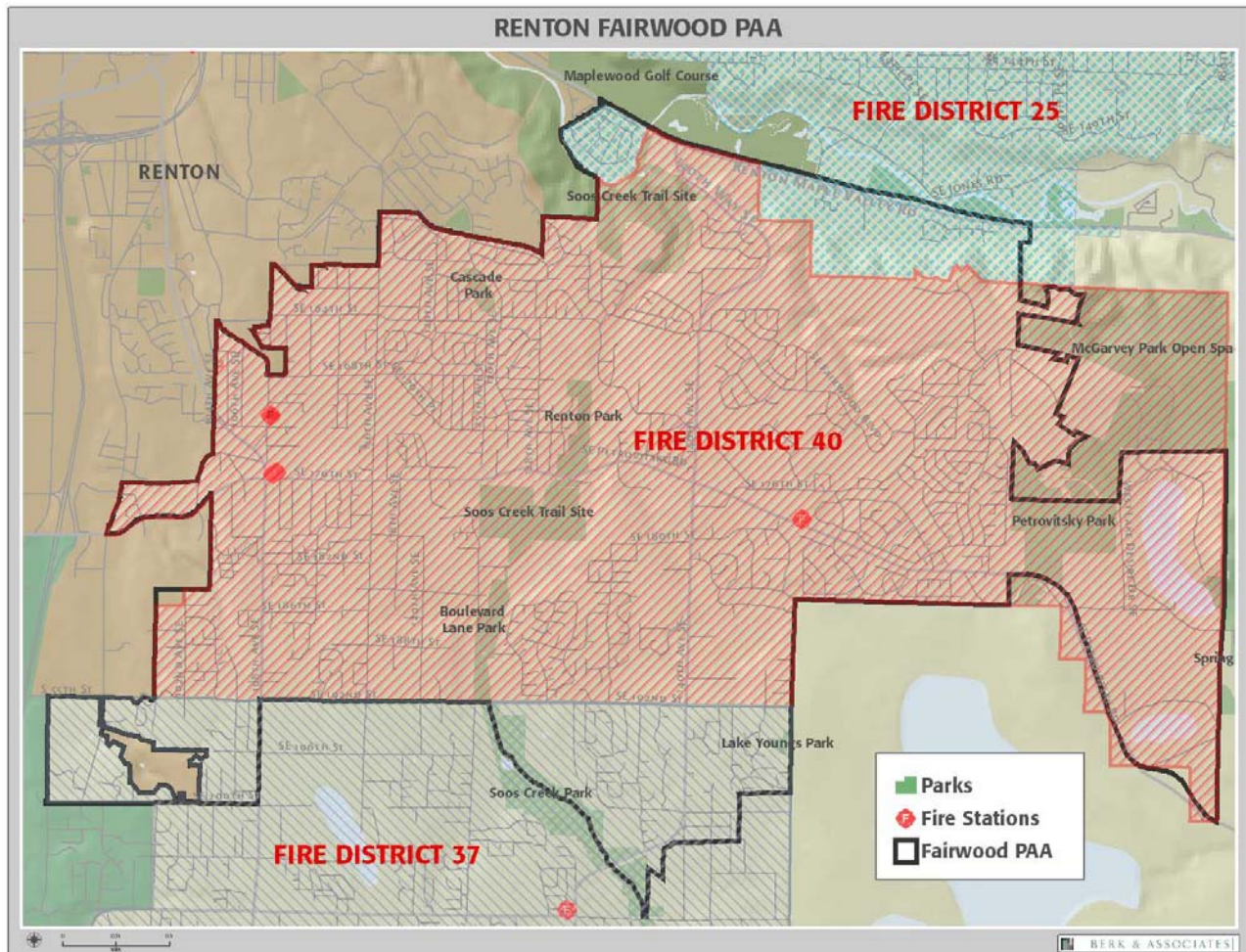
At a total cost of \$6.7 million, the provision of police services represents approximately 31% of the total operating costs the City would incur if it annexed the Renton Fairwood PAA.

Fire and Emergency Medical Services

The Renton Fairwood PAA includes a small portion of Fire District 37 (areas that lie to the south of 192nd and west of Lake Youngs) and almost all of Fire District 40, including more than 99% of the District's property tax base and the District's two fire stations. Of Fire District 40's total service area of roughly 5,300 acres), roughly 460 acres lies outside of the Urban Growth Boundary, and as a consequence, outside of Renton's Fairwood PAA. Of this 460 acres, the vast majority of acreage is tax exempt (more than 400 acres of tax exempt property, including open space, public facilities, schools, and churches). The remaining taxable properties have a total 2005 taxable value of roughly \$3.9 million.

Presumably, a Renton annexation of the entire Fairwood PAA would result in the dissolution of Fire District 40; transfer of fire and emergency medical services (EMS) to the City of Renton; and absorption of District 40's facilities, equipment, and full-time staff into the Renton Fire Department. This dissolution of the District would result in (1) Renton providing fire and EMS services to the remaining 460 acres outside the Urban Growth Boundary or (2) potential absorption of the 460 acres into the Maple Valley District. Either way, the incremental costs of providing fire and EMS services to the area would probably be negligible for the service provider, as would the incremental revenues generated by a \$1.00 or \$1.50 fire and EMS levy of \$3.9 million of property (less than \$4,000 at a rate of \$1.00 per \$1,000).

**Exhibit 2
Fairwood PAA and Fire District Boundaries**



Source: King County, City of Renton, and Berk & Associates

This analysis assumes that the City would assume responsibility for the FD 40’s Station 42 on 176th (or potentially a new station the District is planning to build on 108th) and Station 41 on SE Petrovitsky Road.

Currently, the City of Renton staffs a single engine crew in Renton Fire Department’s Station 13 (on 108th Avenue). Upon annexation, the assumption is that this crew would move from Station 13 to either the District’s Station 42, on 176th, or a new station that the District hopes to build on 108th. In addition to moving the existing engine and crew, the Department would also locate an aid car and crew in the Cascade station (increasing the staffing of the station to five full-time positions). The Department would also locate and staff an engine and aid car in the Fairwood station (adding five full-time positions in that station). In total, the Department envisions increasing staffing by seven firefighters on shift (or 31 full-time equivalent positions).

For more detailed discussion of provision of fire services in the Cascade area, see the Cascade area report.

Planning, Building and Public Works

The core public works functions that are included in the summary of operating impacts include those functions that are funded out of the City's General and Street funds. In total, provision of these services in the contemplated annexation area is estimated to cost the City approximately \$4.7 million. Divisions included in this estimate include Development Services (\$1.7 million), Maintenance Services (\$1.6 million), Transportation Systems (\$1.1 million), and a portion of Utility Systems that is funded by General Fund dollars (\$300,000).

Community Services

Parks. Currently, the public parks and parklands in the Renton Fairwood PAA are owned, maintained, and improved by King County Division of Parks and Recreation. According to County policy, upon annexation, facilities defined as local parks by the Parks, Recreation, and Open Space Plan will be transferred to Renton. King County expects that, under the above policy, four parks within the Renton Fairwood PAA area would be transferred to Renton: Boulevard Lane Park (30.28 acres), Cascade Park (10.94 acres), Renton Park (19.09 acres), and Lake Youngs Park (4.81 acres), for a total of 65 acres of parks land.

Besides the parks within the annexation area, King County also owns Renton Pool, located on 128 Ave, SE within Charles A. Lindbergh High School campus. Based on conversations with the staff from City of Renton's Recreation Department, this analysis assumes that City of Renton will not assume ownership of the Renton Pool, nor will the City contribute to its operation. This assumption implies that the pool (1) would remain under County operation or (2) would be operated by a non-profit organization such as the Northwest Center, which based on experience elsewhere, would require a public contribution from King County. In other words, this study assumes that Renton would bear no cost for operating or maintaining Renton Pool.

To date, King County has been quite successful at putting pressure on cities to (1) take ownership of what were formerly County pools, or (2) transfer ownership to non-profits and shift the public support of the pool to the city in which the pool is located. If King County was similarly successful regarding Renton Pool, then Renton's share of pool operating subsidy could range from \$100,000 to \$500,000, depending on the structure of the arrangement. These costs would be added to the parks cost estimates include in the preceding summary of costs and revenues.

Library. The Renton Fairwood PAA currently receives its library services from the King County Library System (KCLS), a district which operates Fairwood Library (within the boundaries of the Fairwood Incorporation area), as well as several regional libraries near the PAA in Tukwila and Kent. If the Renton Fairwood PAA were to annex to Renton, the City would take over provision of library services in the area (see discussion of the Library Transfer under the section on Capital Costs & Revenues for a discussion of the capital asset transfer).

In terms of operating expenditures, Renton spends significantly less per resident providing library services than does KCLS (\$22 per resident for Renton versus \$62 per resident for KCLS). However, Renton staff indicated that the City would staff the Fairwood Library in a manner similar to its current staffing, at 19 full-time equivalent employees. This would introduce an additional cost of approximately \$1.7 million annually, more than Renton currently spends on both of its libraries. If Renton was to reduce staffing levels at Fairwood Library to bring them more in line with levels of the City's other two libraries, the City could see cost savings of hundreds of thousands of dollars.

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In 2004, King County Library System voters approved a second bond levy that will support capital and operating costs in the District through 2022. This second levy is in addition to a bond levy passed in 1988 that will expire in 2011. Even if the Renton Fairwood PAA is no longer in the Library District, taxpayers must continue paying property taxes for the bond levy through 2022.

In 2005, the total levy paid by taxpayers in the Library District is \$0.53 per \$1,000 of assessed value. Of that total, \$0.48 comes from the operating levy, while the remaining \$0.05 goes to paying off the 1988 capital bond. If Renton Fairwood PAA was part of Renton in 2005, taxpayers would no longer pay the \$0.48 per \$1,000 for the District's regular operating levy, but they would still pay the \$0.05 per \$1,000 for the bond levy (\$11.25 for a \$225,000 house). In 2006, when the new bond levy gets added to the mix, the bond levy component will increase to about \$0.08 (about \$24 for a \$300,000 house).

CAPITAL COSTS & REVENUE

Road Construction

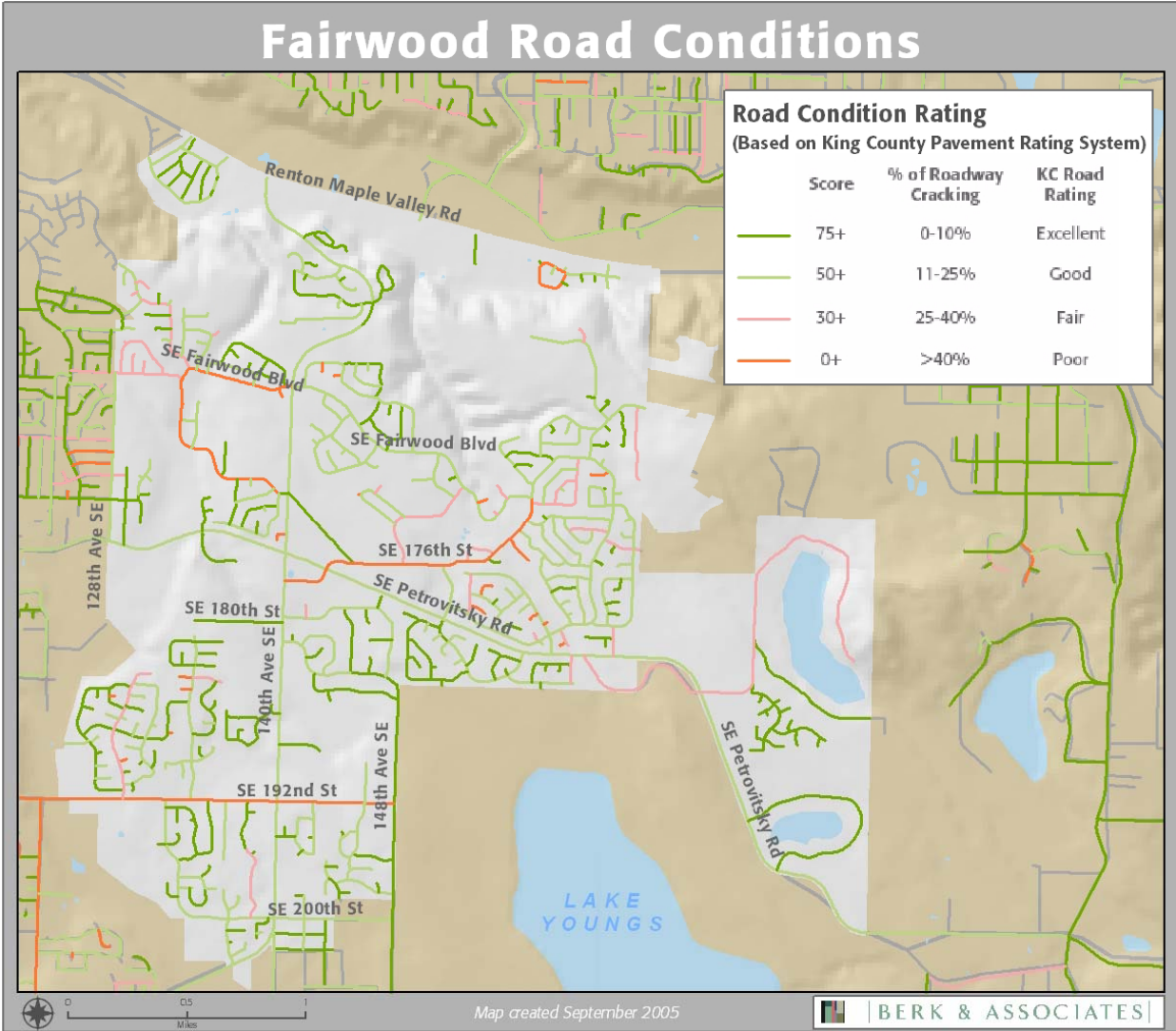
Upon annexation, the City of Renton would be newly responsible for nearly 120 centerline miles of streets in the Renton Fairwood PAA, including several streets which today have a poor pavement condition rating (below a score of 20, meaning that over 40% of the roadway has cracking). The maps below show the pavement condition of roads in the proposed Fairwood Incorporation area (Exhibit 3) and Cascade area (Exhibit 4). These two areas combine to make up the Fairwood PAA as a whole.

Each City sets different standards for the pavement condition rating, and King County's standards are outlined in the legend of the map. What this means is that the City of Renton would need, in a capital assessment, to determine the appropriate ratings for these roads given the City's standards.

King County is in the process of completing substantial capital investments in the Fairwood area. For prior years through 2005, the County has invested in \$55 million in road improvements throughout the Renton Fairwood PAA, a total which included \$40 million in upgrades to 140th Avenue SE and 140th Way, intersection improvements to Benson Road/Carr Road and improvements to 192nd Avenue SE. After 2005, the only investment planned in the King County CIP is completion of the Benson Road/Carr Road intersection totaling \$270,000. Apart from that amount, no further road improvements are planned in the County CIP.

Exhibit 3

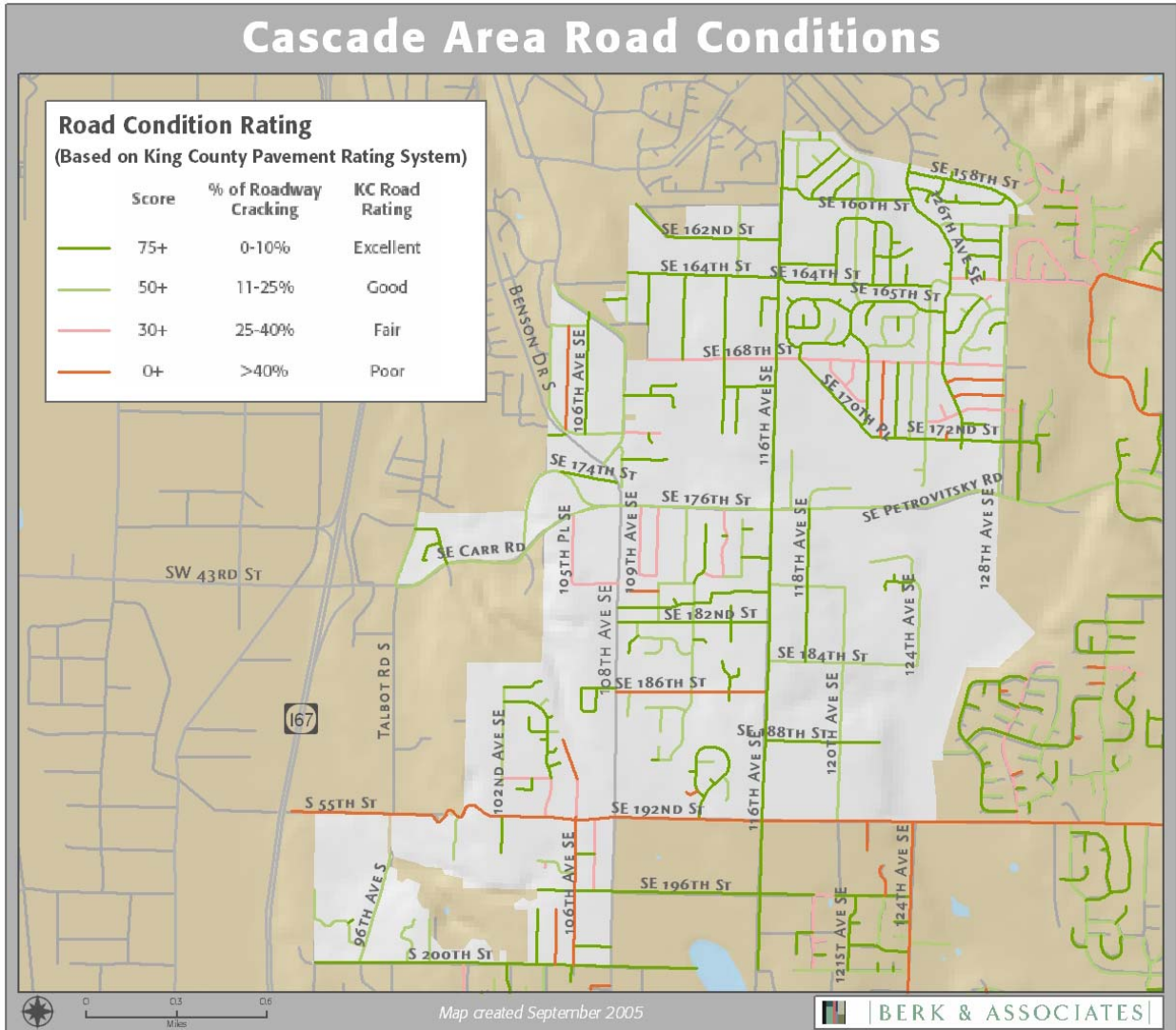
Pavement Conditions on Fairwood Incorporation Area Roads



Source: King County Roads Division, Department of Transportation, Berk & Associates

Exhibit 4

Pavement Conditions on Cascade Area Roads



Source: King County Roads Division, Department of Transportation, Berk & Associates

Future road improvements would be difficult to fully anticipate, but pavement condition ratings and the County’s Transportation Needs Report (TNR) provide a useful starting point. King County’s September, 2004 TNR identified \$66.4 million in potential projects that fall within or extend just beyond the Fairwood PAA. However, it is possible that this total overstates the transportation need. Nearly one-half of this total includes the Benson/Carr Road intersection improvements and continued 140th Avenue improvements that are already underway, plus a Carr Road-to-Benson Road capacity improvement which lies partially outside the PAA, indicating that the City of Renton might need to plan for road investments totaling perhaps \$30-\$40 million over a period of years if the City annexed the entire area. A full inventory of projects identified in the TNR for the Renton Fairwood PAA is included as Technical Appendix C. The majority of improvements focus on non-motorized or safety-related investments.

Parks Capital Improvements

In high-level conversations with Renton Parks, City staff suggested that, if the City annexed the Fairwood PAA, the City would need to build two neighborhood recreation centers, one in the Cascade area and one in the Fairwood area. Presumably, these facilities would be built into existing parks facilities, so the primary capital cost would be the cost of construction. As a ballpark cost estimate, if the two centers were 8,000 square feet, and if they each cost \$200 per square foot to build, the City would be looking at construction costs of \$1.6 million per neighborhood center.

Beyond construction of neighborhood recreation centers, part of the City's transition planning activities for annexation would include development of a capital needs assessment for parks facilities.

To call out one issue of note... in the medium to long-term, the issue of replacing or renovating Renton Pool may emerge. Renton Pool was built with funds from the Forward Thrust bond in 1971, and in 2010, the lease with the School District will expire. At some point in the not-too-distant future, in order for the pool to remain operational, the pool may need to be renovated or replaced at a substantial cost. It may be that neither King County nor the City of Renton would choose to continue operation of the pool. It is worth noting, however, that the pool is an recreational asset that people in Fairwood are used to tapping, and if Fairwood was part of the City of Renton in the future, Fairwood residents could generate political pressure for the City to renovate or replace the pool.

Surface Water Management

This analysis assumes that, upon annexation, King County will turn over all publicly-maintained SWM facilities in the Fairwood PAA to the City. In addition to developing a plan to operating and maintaining these facilities, the City will also need to develop a capital plan that integrates the Fairwood surface water system into the City's existing system. Unfortunately, to date, no such planning has been undertaken, so the nature and costs of a capital program are unknown.

Since Renton's SWM operates as an enterprise fund, any net costs or revenues associated with operation, maintenance, or capital improvements for the Fairwood PAA SWM system will be confined to the enterprise fund.

Capital Revenues Generated in Renton Fairwood PAA

Business License Fee

The City of Renton's policy is to dedicate business license fee revenues (paid by businesses based on the number of employees) to capital expenditures. Based on the complement of businesses in Renton Fairwood PAA today, this revenue source would generate approximately \$190,000 in revenues that could support capital projects.

Real Estate Excise Tax

During the period spanning 2000 through 2004, the taxable value of real estate transactions in the Fairwood PAA averaged slightly more than \$300 million per year. If one adjusts these transaction values to reflect 2005 values of property (assuming 7% annual growth in property values over the period) then the adjusted value of transactions equals roughly \$370 million per year, with sales in the

last year (2004) exceeding \$470 million. Depending on whether one looks at the five-year average value of transactions of \$370 million or the 2004 value of \$470 million, REET revenue generation in the Fairwood PAA could range from \$1.84 million to \$2.35 million per year.

In addition to existing REET authority, the Washington State Legislature expects to consider legislation in the coming session that would create a new 0.4% Real Estate Excise Tax that would replace mitigation fees for cities that choose to make the switch. If enacted, the new tax would generate another \$1.5 million to \$1.9 million per year in Renton Fairwood PAA, further bolstering the area's ability to finance capital investments.

Surface Water Management (SWM) Fees

Based on Renton's surface water utility rates for single family and commercial users, the study area would generate roughly \$1.3 million in surface water fees each year; all of these revenues would be used to cover the operating costs of maintaining non-roadway SWM facilities, or for capital or other SWM-related uses.

TECHNICAL APPENDIX A

Special Purpose Districts

School Districts

School district boundaries are not affected by municipal annexations. Residents in the northeastern region of the Cascade area and northwestern region of Fairwood Incorporation area would continue to be served by Renton School District #403, which includes Cascade, Spring Glen, Benson Hill, and Renton Park Elementary Schools and Charles A. Lindberg High School.

Most of Fairwood Incorporation area falls into the Kent School District. The only portions of the Cascade area that fall within the Kent School District are (1) a handful of houses just to the west of Soos Creek and (2) households who live in the southwest portion of the study area, south of 192nd. The residents in the area would continue to be served by Fairwood, Ridgewood, Lake Youngs, and Carriage Crest Elementary Schools and Meeker and Northwood Middle Schools.

Fire Districts

Fire and *basic* life support emergency medical services are currently provided to most of the area by Fire District 40. A small portion of the northeast Fairwood Incorporation area, nearest to Cascade, is served by Fire District 25, which contracts with the City of Renton to provide its fire protection services, so it is already served by the City of Renton. Fire District 37 is responsible for fire protection services to the parts of the Renton Fairwood PAA south of SE 192nd Street. Fire District 37 contracts with the City of Kent to provide its fire and EMS protection.

Utility Districts

Upon annexation, residents would continue to receive water and sewer service from two utility districts: in the northern portion of the area, Cedar River Water and Sewer District; and to the south, the Soos Creek Water and Sewer District. The Cedar River Water and Sewer District serves the communities of Fairwood (water and sewer service) and Maple Valley (water service only). The Soos Creek Water and Sewer District provides water and sewer services to almost 100,000 people in southeast King County. Water is purchased from Seattle Public Utilities and reaches reservoirs via Lake Youngs.

TECHNICAL APPENDIX B

Exhibit 5

Summary of Operating Costs for Renton Fairwood PAA (2005 Dollars)

| NOTES | Operating Costs | TOTAL |
|-------------------|---|---------------------|
| A | Police Services | \$6,579,000 |
| B | Planning, Building & Public Works | \$4,707,000 |
| C | <i>Development Services</i> | <i>\$1,650,000</i> |
| D | <i>Maintenance Services</i> | <i>\$1,564,000</i> |
| E | <i>Transportation Systems</i> | <i>\$1,074,000</i> |
| F | <i>Utility Systems</i> | <i>\$293,000</i> |
| G | Fire Services | \$3,796,000 |
| H | Administrative, Judicial & Legal Services | \$1,302,000 |
| I | Community Services | \$2,839,000 |
| J | Finance and Information Services | \$871,000 |
| K | Human Resources & Risk Management | \$186,000 |
| L | Economic Development | \$664,000 |
| M | Legislative | \$35,000 |
| N | Staff-related Facility Costs 1* | \$728,000 |
| TOTAL COST | | \$21,707,000 |

* Excludes capital costs for fire stations and Fairwood Library.

Source: Berk & Associates analysis

Exhibit 6

Summary of Operating Revenues for Renton Fairwood PAA (2005 Dollars)

| NOTES | Operating Revenue | Area A |
|-------|-----------------------------------|------------------|
| O | Property Tax | \$10,567,000 |
| P | Utility Tax | \$3,708,000 |
| Q | <i>Telephone</i> | <i>\$964,000</i> |
| R | <i>Water/Sewer/Storm Drainage</i> | <i>\$929,000</i> |
| S | <i>Electricity</i> | <i>\$841,000</i> |
| T | <i>Cable TV</i> | <i>\$443,000</i> |
| U | <i>Gas</i> | <i>\$358,000</i> |
| V | <i>Garbage</i> | <i>\$173,000</i> |
| W | Sales Tax | \$1,857,000 |

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| | | |
|----------------------|----------------------------|---------------------|
| X | State Shared Revenues | \$1,431,000 |
| Y | Gambling Tax | \$437,000 |
| Z | Permit Fees | \$990,000 |
| AA | Sales Tax-Criminal Justice | \$519,000 |
| BB | Fines & Forfeits | \$845,000 |
| CC | Cable Franchise Fees | \$359,000 |
| DD | Recreation Fees | \$132,000 |
| EE | Business License Fees | \$38,600 |
| TOTAL REVENUE | | \$20,883,600 |

Source: Berk & Associates analysis

Exhibit 7

Notes on Sources, Methods and Assumptions for Estimated Costs and Revenues

| KEY | Operating Costs |
|------------|--|
| A | <p>Estimates of police expenditures represent a combination of (1) discussions with Renton Police Department staff, and (2) Berk & Associates forecasts of the incremental increase in the demand for service that Renton Police should expect given the commercial and demographic characteristics of the area of analysis.</p> <p>Representatives of the Renton Police Department provided estimates of the staffing that would be required to extend Renton’s existing levels of police services to the study area. For assessment of the additional demand for service that Renton Police would see upon annexation of the study area, Berk & Associates relied on (1) comparisons of the relative level of commercial activity among the existing City of Renton and the study area (as measured in terms of non-Services employment [with non-Services employment defined as private-sector employment for all employment sectors except for the Finance, Insurance, Real Estate, and Services sector]) and (2) comparisons between the demographic characteristics of the residential bases in Renton and the study area.</p> <p>Among households in the study area, estimates of police demand are based on differences in housing unit type and tenure, distinguishing between households who live in (1) owner-occupied single-family homes, (2) renter-occupied single-family homes, (3) owner-occupied multifamily, (4) renter-occupied multifamily, and (5) mobile homes. Estimates of the relative contribution of each of these segments to police demand is based on a series of statistical analyses in which Berk and Associates assessed the fundamental characteristics and experiences of more than 100 cities across Washington State to identify the “typical” contribution to police demand driven by each residential category. These “typical” contributions were then scaled to match with Renton’s experience.</p> <p>As is true for all cost estimates, the cost basis for estimating the costs of extending police services is the City of Renton’s budgeted 2005 expenditures for Police Services as reported in the City of Renton 2005 Adopted Budget (budgeted at \$15,956,800).</p> |

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|-----------------|--|----------------|----|------------|-----|
| <p>B</p> | <p>Expenditures for the Planning, Building and Public Works (PBPW) are based on the combination of estimates of operating expenditures for the Administration, Development Services, Maintenance, Transportation Systems and Utility Systems Divisions of the Department. The estimates of the incremental increase in PBPW activity are based on comparisons of various driver values to current City value, as described in notes D through F below.</p> <p>Administrative expenditures are based on the additional demand for services for the study area, multiplied by 2005 budgeted expenditures of \$363,700.</p> | | | | |
| <p>C</p> | <p>Estimated Development Services expenditures represent the pro-rata share of expenditures based on the incremental increase in assessed valuation associated with the study area.</p> <p>Since a portion of the costs of the Building and Planning divisions of the Department of Community Development are partially covered by building and planning fees, any over- or understatement of planning and building service costs would be mitigated by a proportionate, parallel shift in fee revenues.</p> | | | | |
| <p>D</p> | <p>Since Maintenance Services division encompasses Streets/Bridges/Sidewalks maintenance, the costs are based on the comparisons of study area lane miles to current City lane miles, plus some additional costs for two full-time mechanics.</p> | | | | |
| <p>E</p> | <p>Transportation Systems division is responsible for transportation planning, traffic operations, traffic maintenance and transportation design & construction functions. These functions were examined separately and the following drivers were used in estimating the costs for the study area: land area and lane miles. Additionally, the expense of maintenance and electricity for area’s traffic lights and luminaires was included in the total cost estimate for the study area. The following is an inventory of traffic lights and luminaries for Renton Fairwood PAA:</p> <table border="1" data-bbox="300 1182 613 1262"> <tr> <td>Traffic Lights</td> <td>22</td> </tr> <tr> <td>Luminaires</td> <td>112</td> </tr> </table> <p>Source: King County and City of Renton</p> <p>Transportation design and construction function is financed by capital funds as well as federal and state grants, thus it is excluded from the estimate of Transportation Systems costs.</p> | Traffic Lights | 22 | Luminaires | 112 |
| Traffic Lights | 22 | | | | |
| Luminaires | 112 | | | | |
| <p>F</p> | <p>Utility Systems division is mostly an internal service fund, with costs already loaded in the other departments’ budgets, and as such, it is excluded from the operating cost estimates.</p> <p>However, Technical Services function (property management services for the City, as well as mapping, GIS, surveying and data management services, etc.) of the division is almost completely financed from the General Fund and is budgeted at \$477,502 in the City of Renton 2005 Adopted Budget. The operating costs of this function are estimated based on the increase in overall land area that would be introduced by annexation of the study area. The remaining budget for Technical Services, \$56,698, comes from the utility enterprise funds and is excluded from this analysis.</p> | | | | |
| <p>G</p> | <p>The estimated costs Renton would incur to provide fire and emergency medical services in the contemplated annexation area is based on the City’s 2005 budgeted costs of providing</p> | | | | |

CITY OF RENTON ANNEXATION ANALYSIS

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| | <p>service, multiplied by the estimated additional demand for fire staffing that the contemplated annexation area would have introduced in the same year. The forecasts of the incremental increase in the demand for service that Renton Fire Department should expect represent discussions with Renton Fire Department staff regarding additional staffing of stations 41 and 42.</p> |
| <p>H</p> | <p>The City of Renton’s Administrative, Judicial and Legal services expenditures include expenditures for public-safety-related activities, including hearing examiner and court services. Another portion of Administrative, Judicial and Legal services expenditures go to general city activities including city attorney services, city clerk and mayor’s office.</p> <p>Estimated expenditures for the <i>public-safety-related</i> legal expenditures (with a 2005 budgeted costs basis of \$1,567,400) are allocated to the study area based on estimates of the additional police service demand that will be introduced by the area (see Note A).</p> <p>Expenditures for the non-public-safety-related expenditures (budgeted at \$2,415,700) are estimated based on the estimated overall increase in City staffing levels, implying 29% incremental increase in expenditures in the study area.</p> |
| <p>I</p> | <p>Estimated Community Services expenditures represent the (1) anticipated expenditures for maintaining 65.12 acres of neighborhood parks and providing recreation services to residents of the study area; (2) costs of operating and maintaining Fairwood Library; (3) costs of development and management of City’s facilities; and (4) forecasted expenditures for provision of human services.</p> <p>Parks maintenance expenditures are driven by the assumed increase in active and passive park acres that would be introduced by annexation of the study area. As mentioned before, the study area contains 65.12 acres of parks, classified as active use by King County. However, due to differences in LOS between the King County and Renton, only portion of these park acres would be classified as active by Renton. Thus, for purposes of calculation of maintenance costs for these parks, we assumed that ¼ of 41.22 acres located in the Cascade area was active use, and the rest was passive. All of the parks in the Fairwood Incorporation area are classified as passive.</p> <p>Recreation costs represent estimated 20% of the budgeted 2005 City of Renton expenditures of \$1,297,300 (\$1,898,900 for the Recreation Services division less \$601,600 for Aquatic Center). Based on conversation with Renton’s Recreation Services staff, we assume that the study area would incur approximately 32.2% incremental demand, which includes the cost of operating recreation programs at area’s four schools and operating and maintenance costs of two proposed neighborhood centers.</p> <p>Library costs are based on (1) current staffing and 2005 budget for Fairwood Library by KCLS and (2) inclusion of one additional employee for allocations and acquisitions.</p> <p>Estimates of parks, recreation and cultural service expenditures assume that the Renton Community Center, Senior Center, and Maplewood Golf course would see no fiscal impact from annexation given that they already serve the populations of the study area.</p> <p>Estimates of facility maintenance costs are based on square footage of City-owned buildings, which is assumed to be the total of (1) 1,750 square feet for the new Fire Station (1/3 of the size of Station 42, owned by FD 40, an incremental increase over the size of fire station 13, currently owned by Renton); (2) 6,836 sf of Fire Station 42; and (3)</p> |

CITY OF RENTON ANNEXATION ANALYSIS

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| | <p>15,300 sf of Fairwood Library.</p> <p>The expenditures for Human Services division of Community services are estimated by allocating Renton’s 2005 budgeted costs to each city resident and assuming that those costs will increase proportionally with increases in the City’s population base.</p> <p>This study excluded any assessment of impacts on the City’s Community Development Block Grant (CDBG) Fund. If the City were to pursue annexation of the Renton Fairwood PAA, that annexation would increase the City’s share of CDBG allocations, and the City would put those additional revenues to work much as it uses current Block Grants. Presumably, however, these changes would have no impact on the City’s General Fund obligations.</p> |
| <p>J</p> | <p>Estimated finance and information services expenditures represent the pro-rata share of expenditures based on the estimated overall increase in City staffing levels.</p> <p>Estimated finance and information services expenditures represent 2005 budgeted expenditures of \$3,444,400 multiplied by the incremental demand in the study area documented in Note H above.</p> |
| <p>K</p> | <p>Like the non-public-safety-related component of Administrative, Judicial and Legal services, estimates of additional expenditures for human resources and risk management services are estimated to increase based on the estimated overall increase in City staffing levels.</p> |
| <p>L</p> | <p>Estimated expenditures for economic development services are based on the incremental increase in assessed valuation associated with the study area.</p> <p>Another element of Renton’s economic development expenditures is Neighborhood programs, consisting of two components: portions of full-time equivalent staff (which are covered under general economic development budget) and a capital program currently budgeted at \$50,000 per year. Estimates of costs for the latter capital program for Renton Fairwood PAA are based on current costs per city resident. The analysis assumes that those costs will increase proportionally with increases in the City’s population base.</p> |
| <p>M</p> | <p>Estimated expenditures for legislative department are based on 2005 budgeted expenditures of \$220,100. This estimate is assumes that a portion of the Legislative Department will be unaffected by annexation, but costs of remaining support functions will increase with the estimated overall increase in City staffing levels.</p> |

CITY OF RENTON ANNEXATION ANALYSIS

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| <p>N</p> | <p>Staff-related facility costs reflect the annualized cost of City Hall, maintenance facilities, and other City facilities that will be needed to house additional staff.</p> <p>For cities who own their facilities, it is unusual to think of facilities costs in terms of an annual cost, but these costs are included in the analysis in an attempt to capture the <i>full</i> costs of services.</p> <p>The City may have excess capacity in existing facilities, or the City could choose to capitalize these costs by assuming greater capital expenditures up front. In that case, many if not all of the costs could be eliminated from the annual cost estimate.</p> <p>Estimated costs assume annual costs of \$5,000 per employee. For office staff, this might translate into a need for 250 square feet of additional space per employee at an average lease cost of \$20 per square foot. Alternatively, the \$5,000 cost could be viewed as the cost of servicing City bonds that would be necessary to cover the capital cost of building new facilities.</p> <p>For maintenance workers, \$5,000 per employee might translate into 625 square feet per employee at a cost of \$8 per square foot.</p> |
| <p>Operating Revenues</p> | |
| <p>O</p> | <p>Estimated property tax revenues reflect estimated taxable assessed value of real and personal property (identified through Berk & Associates spatial analysis of data extracts from the King County Assessor’s Office) multiplied by Renton’s 2005 levy rate of \$3.14813 per \$1,000 of assessed value. 2005 taxable assessed value for Renton Fairwood PAA is \$3.4 billion.</p> |
| <p>P</p> | <p>Utility tax revenues represent the combined value of telephone, water/sewer/storm drainage, electricity, cable TV, gas, and garbage tax revenues as detailed in notes Q through V. All of these taxes have been assumed to equal to 6% of gross revenue receipts by utility companies.</p> |
| <p>Q</p> | <p>Estimated taxes on telephone service (including cell phone service) reflect the findings of Berk & Associates’ statistical regression analysis models of telephone tax revenues generated in 10 King County cities. Based on the findings of statistical analyses, estimates of telephone tax revenues are based on estimates of population and employees in the Finance, Insurance, Real Estate, and Services sector of the economy.</p> |
| <p>R</p> | <p>Water/sewer/storm drainage taxes reflect an estimate of \$22.00 of annual revenues per resident, based on the City of Renton’s rates for an average household for surface water, water and sewer fees.</p> |
| <p>S</p> | <p>Estimated taxes on electricity reflect the findings of Berk & Associates’ statistical regression analysis models of electricity tax revenues generated in 8 King County cities. Based on the findings of statistical analyses, estimates of electricity tax revenues are based on estimates of commercial and residential real estate mix, measured in square feet.</p> |
| <p>T</p> | <p>Estimates of utility tax revenues on cable services reflect an estimate of \$10.50 of annual revenues per resident.</p> |

CITY OF RENTON ANNEXATION ANALYSIS

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| U | Estimated taxes on natural gas reflect the findings of Berk & Associates' statistical regression analysis models of gas tax revenues generated in 8 King County cities. Based on the findings of statistical analyses, estimates of natural gas tax revenues are based on estimates of commercial and residential real estate mix, measured in square feet. |
| V | Estimated taxes on garbage tax revenues reflect the findings of Berk & Associates' statistical regression analysis models of garbage tax revenues generated in 8 King County cities. Based on the findings of statistical analyses, estimates of garbage tax revenues are based on estimates of commercial and residential real estate mix, measured in square feet. |
| W | Estimates of sales tax revenues are based on actual sales taxes collected in the study area in 2004 as reported by King County budget analysts. |
| X | State-shared revenue projections are based on estimates of statewide per capita distributions of the liquor tax, liquor profits, restricted and unrestricted gas taxes, and criminal justice revenues 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 2005 they were reported to total \$33.20 per capita. Projected revenues, therefore, are arrived at by multiplying this \$33.20 by the contemplated annexation area's respective populations. |
| Y | Given the similarity between Renton and King County's schedules of gambling tax rates, estimated gambling tax revenues reflect the gambling taxes paid to King County in the most recent calendar year by gambling establishments in the study area, as reported by King County budget analysts. |
| Z | Building and other permit fees reflect an assumed cost recovery of 60% of expenditures for the Development Services Division of the Department of Planning, Building and Public Works. |
| AA | Criminal justice sales tax revenues are distributed to cities on a per-capita basis. Estimated revenues reflect an assumed distribution of \$20 per resident, which is consistent with both Renton's 2005 budgeted revenues and historical receipts. |
| BB | Estimated fines & forfeits reflect an assumed cost recovery of 85% of expenditures for the court services division of Administrative, Judicial & Legal department. This level of recovery compares with 2002, 2003 and 2004 recovery levels of 98%, 85%, and 85%, respectively, and budgeted-2005 cost recovery of 81%. |
| CC | Estimated cable franchise fee revenues reflect assumed revenues of \$8.50 per resident. |
| DD | Estimated recreation fees reflect an assumed cost recovery of 40% of the costs of the recreation division of Community Services department expenditures. |
| EE | Business license fees reflect application of the City's license fee structure to estimated number of employees located in the study area. The City's fee structure levies an annual fee of \$55 per employee per year. However, 80% of business fee revenues are dedicated to road maintenance (capital projects), thus only 20% of estimated total amount collected for business license fees goes towards general fund. |

TECHNICAL APPENDIX C

King County Transportation Needs Report – Renton Fairwood PAA, September 2004

* = Denotes a project that may span or extend past PAA boundaries.

| Area | Number | Location | Need | County Priority | Cost (\$000) | Scope of Project |
|--------------------|----------|---|----------------|-----------------|-----------------|---|
| *INC | GR-22 | Petrovitsky Rd from SE 184th St to SE 232nd St | Safety | High | \$471 | Construct guardrail |
| *INC | 3P-9966 | Lake Youngs Pipeline Pathway from vicinity of 155th Pl SE | Nonmotorized | Low | \$30 | Construct AC walkway |
| *INC | SPP-4035 | SE 184th St from SE Petrovitsky Rd east to crosswalk | Nonmotorized | Low | \$55 | Install concrete curb north side |
| *INC | ITS-1 | SR 169 from I-405 to 140th Way SE | Operations | Medium | | Provide Intelligent Transportation System (ITS) improvements (State Hwy) |
| *INC | SC-55.22 | 140/132 Ave SE Ph II @ from SE 196 St to SE 208th St | Nonmotorized | TBD | \$408 | Upgrade turn channels, construct traffic signal, pave bike lane shoulders |
| *INC Total | | | | | \$964 | |
| *PAA | 400898 | Carr Rd from SR-167 to Benson Rd SE | Capacity Major | High | \$22,700 | See CIP (possible that this project is wholly outside the PAA) |
| *PAA | SW-30 | 129th Pl SE & SE 192nd | Safety | Low | \$940 | Traffic signal and possible turn channels |
| *PAA | ITS-4 | SR-515 from SR-516 to S Grady Way | Operations | Medium | \$115 | Provide Intelligent Transportation System (ITS) improvements |
| *PAA | HAL-42 | 129th Pl SE @ SE 192nd St | Safety | Medium | \$523 | Add left turn lane EB/WB |
| *PAA | 401004 | 124th Ave SE @ SE 192nd St | Safety | Not Rated | \$2,500 | See CIP |
| *PAA | 400400 | Petrovitsky Road from 184th to Southcenter Parkway | Operations | Not Rated | | See CIP |
| *PAA | SC-210 | Talbot Rd East Sitd from S 176th St to S 1778 St | Nonmotorized | TBD | \$40 | Construct curb, gutter, sidewalk |
| *PAA | SC-168 | 128th Ave SE from SE 168th St to Petrovitsky Road | Capacity Minor | TBD | \$1,252 | Widen roadway |
| *PAA Total | | | | | \$28,070 | |
| INC | GR-20 | Petrovitsky Rd from 108th Ave SE to SE 184th St | Safety | High | \$69 | Construct guardrail |
| INC | SIG-41 | 140th Way SE/140th St SE from SR-169 to SE Petrovitsky Rd | Operations | High | \$133 | Synchronize traffic signals |
| INC | HARS-21 | 140th Ave SE from SE 177th St to SE 180th St | Safety | High | \$316 | Preliminary suggested scope - widen road for TWLTL |
| INC | SPP-4016 | Fairwood Blvd from @ 148th Ave SE | Nonmotorized | Low | \$25 | Install crosswalk overhead light |
| INC | 3P-9956 | SE 176th St from 147th Ave SE to 152nd Pl SE | Nonmotorized | Low | \$185 | Construct sidewalk (north side) |
| INC | 3P-9965 | SE 183rd St from 142nd Ave SE to 147th Ave SE | Nonmotorized | Low | \$190 | Construct sidewalk (south side) |
| INC | GR-51 | SE 192nd St from SR 515 to 148th Ave SE | Safety | Medium | \$28 | Construct guardrail |
| INC | HARS-17 | 140th Ave SE from SE 188 Wy to SE 190 St | Safety | Medium | \$663 | Preliminary suggested scope - widen road for TWLTL |
| INC | 401195 | 140th Ave SE from SE 177 to SE 197 | Capacity Major | Medium | | See CIP |
| INC | Recon-3 | Petrovitsky Rd from 128th Ave SE to 143rd Ave SE | Reconstruction | TBD | \$2,006 | Road reconstruction |
| INC | 400197 | 140th Ave SE @ Petrovitsky Rd | Operations | TBD | \$11,750 | See CIP |
| INC | SC-202 | 140th Ave SE @ SE 181 St | Operations | TBD | | Provide left turn lane (funded in 2004 - no further funds needed) |
| INC Total | | | | | \$15,365 | |
| PAA | GR-17 | Carr Rd from 96th Ave S to 108th Ave SE | Safety | High | \$38 | Construct guardrail |
| PAA | SW-10 | 108th Ave SE (Benson Rd) & SE 168th St | Safety | High | \$940 | Traffic signal and possible turn channels |
| PAA | SW-4 | 105th Pl SE/SE Carr Rd | Safety | High | \$940 | Traffic signal and possible turn channels |
| PAA | HAL-5 | 106th Pl SE @ SE Carr Rd | Safety | High | \$115 | Adjust light timing, larger signal EB/WB, upgrade signals |
| PAA | SPP-4024 | SE 180th St from @ 118th Ave SE | Nonmotorized | Low | \$5 | Install crosswalk |
| PAA | SPP-4030 | SE 184th St from 12200 block at power lines | Nonmotorized | Low | \$15 | Widen shoulder south side |
| PAA | SPP-4025 | SE 184th St From 116th Ave SE to 118th Ave SE | Nonmotorized | Low | \$40 | Enclose ditch and construct walkway south side |
| PAA | 3P-9955 | SE 169th St from 126 Pl SE to 128th Ave SE | Nonmotorized | Low | \$135 | Construct AC shoulder (south side) |
| PAA | 3P-9961 | SE 192nd St from 102nd Ave SE to 108th Ave SE | Nonmotorized | Low | \$165 | Construct sidewalk (north side) |
| PAA | 3P-9953 | SE 160th St from 116th Ave SE to 120th Ave SE | Nonmotorized | Low | \$185 | Construct AC shoulder (south side) |
| PAA | SPP-4026 | 120th Ave SE from SE 180th St to SE 192nd St | Nonmotorized | Low | \$325 | Enclose ditch and improve shoulders |
| PAA | GR-84 | SE 168th St from 108th Ave SE to 116th Ave SE | Safety | Medium | \$66 | Construct guardrail |
| PAA | SPP-4027 | SE 188th St from 116th Ave SE to 120th Ave SE | Nonmotorized | Medium | \$70 | Enclose ditch and improve shoulders |
| PAA | SC-199 | SE 179th St from 109 Ave SE to SR-515 | Nonmotorized | TBD | \$91 | Construct neighborhood pathway |
| PAA | SC-3.30 | 116th Ave SE from SE 157th St to SE 168 St | Nonmotorized | TBD | \$228 | Construct curb, gutter, sidewalk |
| PAA | Recon-2 | Petrovitsky Road from 108th Ave SE to 128th Ave SE | Rehabilitation | TBD | \$861 | Road rehabilitation |
| PAA | SC-3.12 | 116th Ave SE from SE 176th St to SE 192nd St | Capacity Minor | TBD | \$4,582 | Provide left turn lane, pave shoulders |
| PAA | 400698 | Benson Rd SE (SR 515) @ Carr Rd | TBD | TBD | \$13,200 | See CIP |
| PAA Total | | | | | \$22,001 | |
| Grand Total | | | | | \$66,400 | |