

November xx, 2007

Dear

Thank you for your recent correspondence regarding annexation. We want you to know that your opinion is important to us and that we have and will continue to take your comments into consideration as we make our future decisions about whether or not to proceed with annexation.

We'd like to provide some background about why we're considering annexation now and what we've learned so far.

Why is the Council considering annexation?

A number of Kirkland residents have asked us why we would consider annexation. We believe it is important to reiterate the reasons that we are engaged in the annexation study.

In 1991, the Washington State legislature approved the Growth Management Act (GMA) which establishes that cities should be the providers of urban services while counties should provide rural and regional services. As part of King County's compliance with the Act, unincorporated areas were each assigned to an adjacent city as their "potential annexation area" or "PAA" based on a variety of factors. The PAA represents Kirkland's "fair share" of urbanized areas that need to be served by cities.

The annexation area represents a logical part of the Kirkland community. Most of the residents of the annexation area already have a Kirkland address and are served by the Lake Washington School District and Kirkland Fire and Emergency Services. They shop in Kirkland, visit our parks, and work in Kirkland. Annexation area residents contribute to our civic life in their roles as volunteers for local non-profits and on City advisory boards and commissions such as the Transportation Commission and Cultural Council.

We believe that the City of Kirkland has a responsibility to comply with the intent of the Growth Management Act. At the same time, we are working diligently to comply without creating an unreasonable impact on existing residents.

How will annexation impact Kirkland's finances?

The concern most frequently heard from Kirkland citizens relates to the financial impacts of annexation on the City of Kirkland's financial health and on our citizens. Over the years, the financial considerations of annexation have been a major barrier and the City Council decided more than once to put the annexation discussion on hold.

In 2006, the State legislature passed a bill that provides incentive funding to cities with identified annexation areas. This was the State's attempt to further the Growth Management Act's intent, recognizing that financial barriers were preventing remaining unincorporated islands from becoming part of existing cities. As a result of the legislation, Kirkland is eligible to receive more than \$40 million over ten years to assist with the annexation transition. In order to be eligible for the maximum amount of funding, the City must annex an area with a population of at least 20,000 and commence the process by 2010. With this new financial assistance available, the Kirkland City Council determined that it was prudent to reconsider annexation while the State funding was available.

In 2006 and 2007 we conducted operating and capital fiscal impact studies that showed that the annexation did not create any financial challenges that we are not already facing. With or without annexation, our community will continue to be faced with financial decisions similar to those experienced over the past ten years. Some of our residents have asked us to tell them exactly what we're going to do to balance future budgets. The answer will depend on the circumstances at that time. We can say that the tools the City Council will use to balance the budget will be those that are most appropriate for the economic environment at that time and for the community. Just as we have used a variety of budget balancing tools in the past ten years – expenditure reductions, use of reserves, tax increases and increasing sales tax by stimulating local businesses – we will take whatever actions are necessary to meet the community's service needs. Based on the fiscal impact studies completed to date, annexation did not appear to create a drain on our City in the long term. However, we still have a number of outstanding financial issues that we continue to research. If annexation goes forward, our intent is to include the PAA as part of our community and to continue to provide a high level of services. If our continued study finds that the financial barriers are once again too great, we may again put the annexation discussion on hold.

The Kirkland City Council will have to make difficult financial decisions to balance our future budgets with or without annexation. We will need to expand City Hall, public safety and maintenance facilities with or without annexation. Kirkland, along with most other King County cities, will need to create more jail space for those that are accused or convicted of minor crimes (misdemeanors) with or without annexation. All of these issues face Kirkland as a community now.

What will happen to our small town feel?

Some Kirkland residents have expressed concern that Kirkland would lose its "small town feel" if we were to grow through annexation. In particular, they were concerned about how it might impact the downtown. As a practical matter, we believe downtown won't change as a result of annexation but will continue to evolve as a vibrant, welcoming place for residents and visitors alike. People from the annexation area already come here to use our parks, shop, and eat. Kirkland is a community of neighborhoods and there is nothing to indicate that annexation would change the character of our neighborhoods and the city as a whole. In fact, having some control over development and infrastructure in the areas *around* our City can give us more control in being able to deal with impacts such as storm water runoff, traffic and crime.

Kirkland, as it exists today, is the product of many previous annexations. Only a small part of what is now Kirkland was in the original boundaries. The residents of the Finn Hill, Juanita and Kingsgate neighborhoods are a lot like us. We have found that to be the case in previous annexations. You may be interested to know that four of the seven sitting Council members currently live in the area annexed in 1988. In fact, some of the greatest guardians of the "small-town feel" are those from the previous annexation areas. That's why the Council has taken nearly two years looking into this.

Why doesn't the annexation area form its own city?

Some say we should let the annexation area form their own city, but Kirkland already annexed the revenue-producing area that would have made that possible (Totem Lake). Fifteen to twenty percent of our revenue comes from the Totem Lake area in the form of sales and property tax. In this state, sales tax can be a large source of funding for City services and is very important to a viable city. Kirkland's largest source of general revenue is sales tax and about 30% of our sales tax comes from Totem Lake. We have enjoyed the benefit of that Totem Lake sales tax for many years.

Why isn't Kirkland able to vote on the annexation?

State law governing annexations does not provide for an election within the existing city boundaries; however, the law does provide for a vote of the residents of the annexation area. This law was designed to protect the residents of unincorporated areas from being absorbed into cities without having input to the annexing city. The citizens of Kirkland have entrusted their elected City Council to represent their interests. Kirkland also has regional responsibilities that go beyond the boundaries of Kirkland.

The City Council considered an advisory vote for the citizens of Kirkland earlier this year. At the time we would have had to prepare a ballot measure (for the November 2007 election), we did not have sufficient information to be able to judge the merits of the situation. As we work through the myriad of complex operational and financial issues, we want to assure you that we are deeply committed to preserving Kirkland as a community with an excellent quality of life and a high level of services.

What have we done to inform and involve Kirkland citizens in the annexation discussion?

We understand the significance of the potential annexation and have established a four-phase process that involves a series of decisions about whether or not to proceed with annexation. The City Council has been discussing the potential annexation for nearly two years and trying to keep the community informed. We have held eight public forums and have met with neighborhood associations and homeowners associations throughout Kirkland and in the annexation area. All Kirkland residents received at least two direct mailings notifying them of the public forums and we have published a series of articles in the Kirkland Courier Reporter about the annexation decision process. Our city website includes all of the staff reports produced to date, informational brochures and a record of all of the public comments received to date (www.ci.kirkland.wa.us/annexation). As a city government, we are required by law to provide accurate and objective information about the potential annexation to the public.

Is there any benefit to Kirkland?

So what do we get out of this as citizens of Kirkland? There is the availability of significant incentive funding that may not be available ever again and that can help with the capital facilities we are going to have to build with or without annexation. Improved police protection in the annexation area will create a safer environment in Kirkland. Our fiscal analysis indicates that having the annexation area as part of our tax base may help make the impacts of hard budget decisions easier on current citizens. There will be some greater representation of Kirkland citizens on regional boards and commissions because of an increased size. We believe that these benefits are adequate to consider annexation. More importantly, we believe it is Kirkland's responsibility under Growth Management Act to seriously consider annexation of the areas accepted by us as our potential annexation area.

We want you to know that the City Council has not yet decided whether or not to pursue annexation. Even if we decide to proceed with phase three of the annexation study, there is much work to be done before the Council can vote to proceed to an election. Your input is very much appreciated and we look forward to continued conversations.

Sincerely,

A handwritten signature in blue ink that reads "James Lauinger". The signature is written in a cursive style with a long horizontal line extending from the end.

James Lauinger, Mayor
For the Kirkland City Council