



Annexation? Let's Talk.

Annexation Update Council Study Session

November 15, 2007



Agenda

- Presentation
 - **Summary of process to date**
 - **Update on new financial information received**
 - **Fire and Park Districts**
 - **Updated Financial Model**
 - **Capital Improvement Program**
 - **King County financial assistance**
 - **State sales tax rules**
- Options for next steps
- Council discussion and direction



Four-Phase Decision Process

Phase	Work Program	Decision Point
I	Outreach to Kirkland Long Range Financial	Go/No Go to proceed with annexation work
II	Expand outreach to PAA Initial ILA w/ King Co. Begin planning work	Decision whether or not to place on ballot and timeline
III	Election preparation Continued planning	Election Vote
IV	Implementation	Approval by Council



Phase Two Activities

- Continued outreach to Kirkland
- Expanded outreach to PAA
- Infrastructure condition assessment and funding capacity
- Negotiation with King County
- Update of financial model
- Completion of Public Safety Building Feasibility Analysis
- Update of financial model
- Follow-up of outstanding issues from phase one



Public Outreach

- Four community forums for Kirkland and PAA
- Small group meetings with homeowner's associations, neighborhood groups, KAN
- Updated materials
- Attendance at farmers' markets
- City Update articles
- Website updates (listening logs, council packets)



Phase One Financial Conclusions

- **Kirkland has a structural imbalance** that needs to be addressed through expenditure reductions or revenue increases
- Even with the state funding a projected **a gap between revenues and expense remained, however, any action taken to close the City's budget gap would also serve to close the larger city's gap**
- **The annexation area did not create an additional financial burden** that would require actions by Council that wouldn't already have been necessary
- Based on the age of housing and strategic use of debt for facilities, the **Council could balance future budgets within one percent by applying the tools** available to balance the budget.
- **There were outstanding issues** that would impact the financial projections



Outstanding Issues from Phase One

- **Potential relocation of Woodinville fire station from Kingsgate**
- **Fire District #41 station consolidation assumption of debt**
- **Infrastructure condition and funding availability**
- **Intent of Finn Hill Park District**
- **Clarification of state sales tax rules**



Policy Direction from Council

- **The City would provide an equivalent level of service in the PAA as currently provided in Kirkland**
- **There would be no long term degradation of services in Kirkland**
- **The City will continue its ban on card rooms (i.e. the Casino would not be allowed)**
- **The City would assume Fire District #41 debt due to consolidation**
- **The City would assume annexation of the entire PAA as one vote and PAA voters would be asked to assume a share of the City's outstanding voted debt**



What We Know Now

- **The fire station will be closed and it will negatively impact fire and EMS response times in the PAA and in Kirkland**
- **The Park District may discontinue its levy**
- **The Finn Hill Station Consolidation is moving forward**
- **The update of the financial model increased expenditures and decreased revenue**
- **King County contribution of one-time funding**
- **Better understanding of capital needs**



Remaining Outstanding Issues

- **Public Safety Building feasibility study**
- **State sales tax credit rules**



Woodinville Fire & Life Safety District

- FS 34 likely relocating out of Kingsgate east to the Woodinville Valley, requiring staffing and facility improvements
- Annual cost: \$1.5 million in 2007 dollars
- One-time cost: Estimated at \$3.5 million
- Offset to one-time costs: WFLSD will have to pay City for a pro-rated share of its assets in a negotiated agreement



Fire Response Times

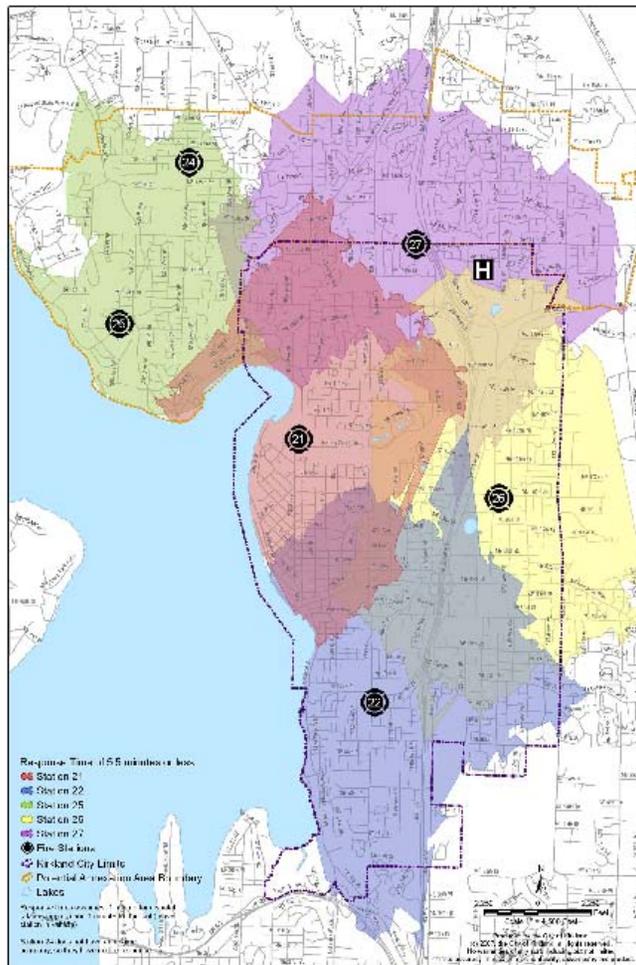


Figure PS-1: Fire Response Times within 5.5 minutes



Emergency Medical Response

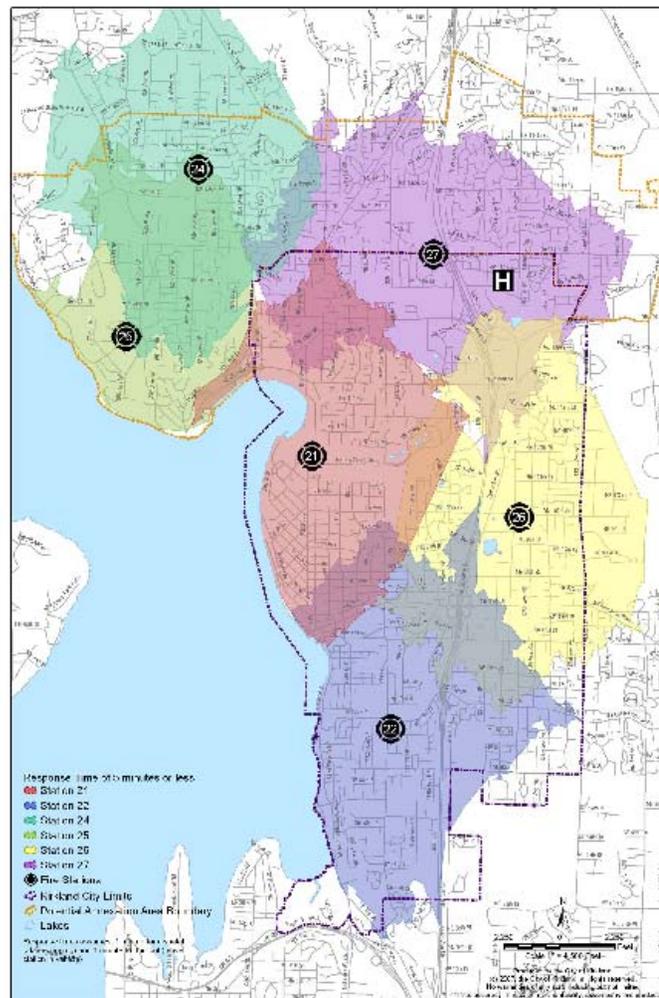


Figure PS-2: Emergency Medical Services Response Times within 5 minutes



Woodinville Fire & Life Safety District

- Other scenarios that could be considered:
 - Realign annexation boundaries to exclude WFLSD area
 - Relocation of Totem Lake Station
 - Locate substation in southeast portion of annexation area



Finn Hill FS Consolidation

- Current policy direction: assume the Fire District debt upon annexation
- annual debt service: \$265,000
- annual land lease costs: \$25,000.
- \$290,000 cost of the debt and land lease is additive to the impacts of annexation



Finn Hill Park District

- After transition period, District's intention is that Kirkland would take over responsibility for the maintenance of O.O. Denny Park
- Annual cost: estimated at \$205,000





Fiscal Model Update- Phase 2

- **Updated base year projections to 2007-08 Budget**
 - New positions
 - Refined revenue and expenditure estimates
 - Impact on both PAA and existing City portions
- **Validated PAA projections based on additional data**
- **Added incremental PAA costs identified as part of Phase 2:**
 - Assumption of Fire District 41 debt and related land costs for station consolidation (\$290,000 in 2007 dollars)
 - Maintenance of O.O. Denny Park to Kirkland level of service standards (\$205,000 in 2007 dollars)
 - Adding an engine company to the Totem Lake Fire Station (\$1.5 million in 2007 dollars, escalating to \$1.9 million by 2015)

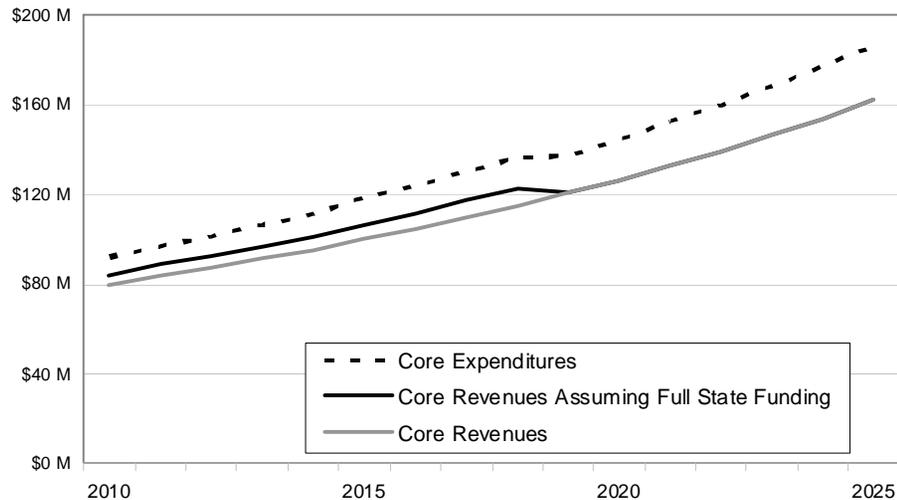


Phase 2 Scenario: Baseline with Annexation

Scenario: Baseline With Annexation

Including the following impacts:

- 00 Denny Park Maintenance (2010): \$224,049
- FD 41 Debt/Lease (2010): \$290,000
- Kingsgate Engine Crew (2015): \$1,990,179



Current Kirkland	2010	2015	2020	2025
Core Expenditures (000's)	64,672	83,353	107,003	137,610
Facility Debt Service (000's)	2,295	2,303	2,288	2,254
Subtotal Expenditures	66,967	85,655	109,291	139,864
Core Resources (000's)	62,741	78,551	97,907	122,627
State Sales Tax Credit ('000's)	0	0	0	0
Subtotal Revenues	62,741	78,551	97,907	122,627
Net Resources (000's)	(4,226)	(7,104)	(11,384)	(17,238)
Deficit as % of Expenditures	-7%	-9%	-11%	-13%

Increment from PAAs	2010	2015	2020	2025
Core Expenditures (000's)	18,282	26,084	34,181	45,636
Facility Debt Service (000's)	6,919	6,911	993	1,027
Subtotal Expenditures	25,202	32,995	35,174	46,662
Core Resources (000's)	16,646	21,468	28,594	39,486
State Sales Tax Credit ('000's)	4,929	6,527	0	0
Subtotal Revenues	21,576	27,995	28,594	39,486
Net Resources (000's)	(3,626)	(5,001)	(6,580)	(7,176)
Deficit as % of Expenditures	-20%	-19%	-19%	-16%

Entire City	2010	2015	2020	2025
Core Expenditures (000's)	82,954	109,437	141,184	183,246
Facility Debt Service (000's)	9,214	9,214	3,281	3,281
Subtotal Expenditures	92,169	118,651	144,465	186,527
Core Resources (000's)	79,388	100,019	126,502	162,113
State Sales Tax Credit ('000's)	4,929	6,527	0	0
Subtotal Revenues	84,317	106,546	126,502	162,113
Net Resources (000's)	(7,851)	(12,105)	(17,963)	(24,414)
Deficit as % of Core Expenditures	-9%	-11%	-13%	-13%



Outstanding Issue- Public Safety Building Analysis

- Public safety building feasibility analysis will provide cost estimates for a range of public safety facility options
- Updated cost estimates will impact the facility-related operating cost assumptions that are in the current fiscal analysis
- Schedule for completion: end of Nov.



Capital Planning

- Infrastructure assessment completed this fall
- Identified specific transportation, stormwater, and parks capital improvements
- Overall conclusion: identified needs are roughly comparable in scope to the capital needs that the City currently faces



PAA Preliminary 6-Year CIP

6-Year Total Project Costs			
	Funded CIP	Unfunded CIP	Total CIP
Transportation	11,130,000	32,351,000	43,481,000
Surface Water	5,920,000		5,920,000
Parks¹	175,000		175,000
Totem Lake Fire St. Expansion	3,500,000		3,500,000
6-Year Project Costs	20,725,000	32,351,000	53,076,000

¹ Parks amount includes funding for immediate needs and a master plan for Edith Moulton Park only.



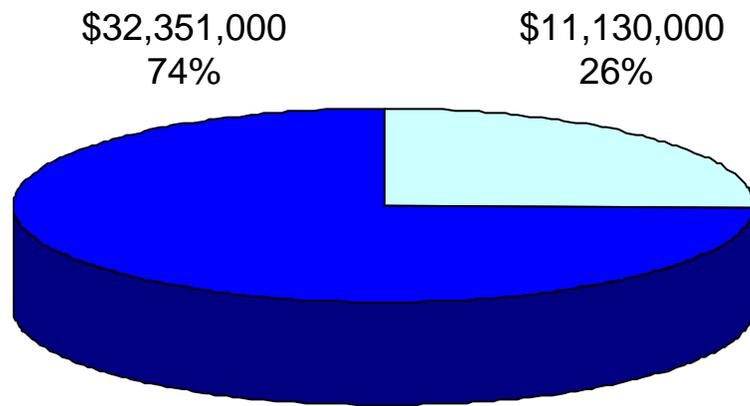
PAA Preliminary 6-Year CIP - Funding Sources

6-Year Total Revenue					
Dedicated Revenue	Transportation	Surface Water	Parks	Totem Lake Fire Station Expansion	Total
Gas Tax	1,637,000				1,637,000
Sales Tax	104,000				104,000
Utility Rates		5,920,000			5,920,000
REET 1	3,400,000		175,000	3,500,000	7,075,000
REET 2	7,075,000				7,075,000
Impact Fees*					TBD
6-Year Funding	12,216,000	5,920,000	175,000	3,500,000	21,811,000

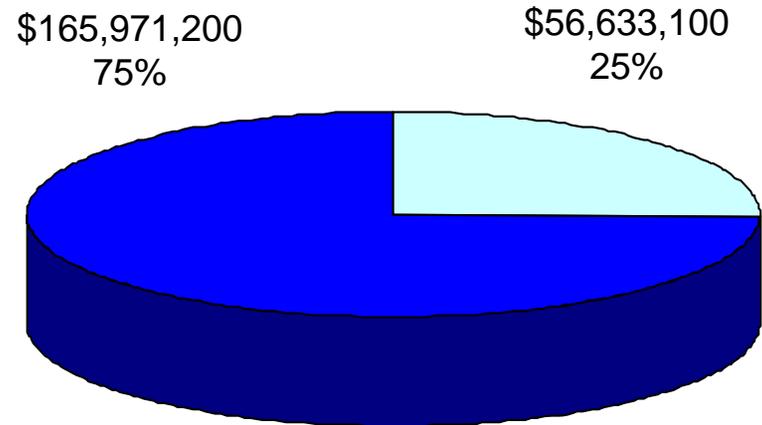
* To be determined



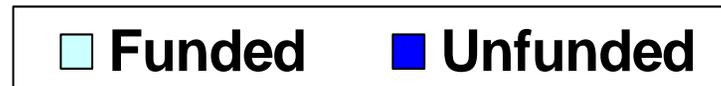
PAA Preliminary 6-Year Transportation CIP



PAA



City





One-Time Financial Assistance

- King County Assistance can be applied to Capital Costs and Transition Staffing
- Offer of Assistance: \$2.5 Million
- Based on King County's formula that allocates back the County's deficit associated with providing services to the area



Interpretation of Sales Tax Credit Rules

- State not in a position to commit to a firm set of rules for application of Sales Tax Credit at this time
- Auburn and Renton's experience will provide guidance
- We are seeking advice from bond counsel on applying the credit to pay for the facilities costs associated with annexation



Annexation Process Options

1. Revise assumptions and continue with current strategy including preparation of zoning ordinance
2. Determine the level of service that can be provided within current project revenues from the PAA (“Revenue Based Approach”) and continue zoning work
3. Do not proceed to phase three