



**CITY OF KIRKLAND**  
Department of Finance & Administration  
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100  
www.ci.kirkland.wa.us

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## MEMORANDUM

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Director of Finance and Administration  
Robin Jenkinson, City Attorney

**Date:** February 3, 2011

**Subject:** Annexation State Sales Tax Credit Resolution

### **RECOMMENDATION:**

City Council approves the resolution required for notification of the Department of Revenue regarding the annexation state sales tax credit amount for July 1, 2011 through June 30, 2012.

### **BACKGROUND DISCUSSION:**

An important part of the implementation strategy for annexation is the use of the annexation state sales tax credit to assist the City in providing municipal services in the area where the revenues are not yet sufficient to fund those services. In February 2010, the City Council adopted Ordinance 4237 imposing a sales and use tax and identifying an anticipated shortfall in the annexation area revenues of \$5 million for the state fiscal year starting July 1, 2010 and ending June 30, 2011. The City was notified by the Department of Revenue on March 31, 2010 that the City would not be eligible to draw on the state sales tax credit until after the effective date of June 1, 2011. RCW 82.14.415 requires the City to provide DOR with an estimate of the revenues, expenditures, and anticipated shortfall (labeled, "new threshold amount") in the annexation area for the next fiscal year (July 1, 2011 through June 30, 2012). To be eligible for the credit this year, the Department of Revenue (DOR) must be notified no later than March 1, 2011, which necessitates approval of the attached resolution at the February 15 City Council meeting.

The state sales tax credit will help bridge the gap between revenues and expenditures in the annexation area. It is important to note that the credit is only available up to the amount needed to offset actual shortfalls due to annexation. The distribution is set up to match the State's fiscal year of July through June. The new threshold amount for the fiscal year beginning July 1 is \$3.5 million. DOR will begin the monthly distributions (with July revenue received in September) and continue until the threshold amount has been reached or until June 30 of the following year, whichever occurs first.

RESOLUTION R-4867

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND DETERMINING THE ANTICIPATED SHORTFALL IN REVENUES FOR PROVIDING MUNICIPAL SERVICES TO THE ANNEXATION AREA AND AUTHORIZING THE CITY MANAGER TO CERTIFY THE AMOUNT TO THE DEPARTMENT OF REVENUE AS REQUIRED BY RCW 82.14.415.

WHEREAS, RCW 82.14.415 authorizes the City to impose a sales and use tax as a credit against the state tax to assist the City in providing municipal services to the Finn Hill, Kingsgate and North Juanita Annexation Area; and

WHEREAS, on April 7, 2009, the City Council passed Resolution R-4751 which directed the City Clerk to file a notice of intent to annex the Finn Hill, Kingsgate and North Juanita Annexation Area with the King County Boundary Review Board; and

WHEREAS, the Boundary Review Board held a public hearing on the proposed annexation on June 8, 2009, and approved the annexation on July 9, 2009; and

WHEREAS, the City Council passed Resolution R-4763 calling for an election which was held pursuant to state statute; and

WHEREAS, the King County Council transmitted a certified abstract of the vote in the November 3, 2009, general election reflecting that the annexation was approved by the voters; and

WHEREAS, the City Council passed Ordinance No. 4229 on December 15, 2009, annexing the Finn Hill, Kingsgate and North Juanita Annexation Area, an area that has a population of at least twenty thousand people; and

WHEREAS, on February 16, 2010, the City Council passed Ordinance No. 4237 creating Chapter 5.07 of the Kirkland Municipal Code and imposing the sales and use tax at the rate of 0.2 percent; and

WHEREAS, the City was notified by the Washington State Department of Revenue (DOR) on March 31, 2010, that the City would not be eligible to draw on the state sales tax credit until after the effective date of the annexation, June 1, 2011; and

WHEREAS, RCW 82.14.415 requires the City to provide DOR with an estimate of the revenues, expenditures, and anticipated shortfall in the Annexation Area for the next fiscal year by March 1, 2011; and

WHEREAS, the City Council finds and determines that the projected cost to provide municipal services to the Annexation Area exceeds the projected general revenue that the City would receive from the Annexation Area by \$3.5 million for the state fiscal year starting July 1, 2011, through June 30, 2012;

WHEREAS, state fiscal year July 1, 2011, through June 30, 2012, represents the first year of the ten-year period available to the City for the imposition of the tax authorized by RCW 82.14.415;

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. Purpose. The Kirkland City Council determines that the City's projected net cost in providing municipal services to the Finn Hill, Kingsgate and North Juanita Annexation Area is in the amount of \$3.5 million. The City Council previously imposed a sales and use tax at the rate of 0.2 percent, with the passage of Ordinance No. 4237 on February 16, 2010.

Section 2. Implementation. The City Manager is hereby authorized to implement such administrative procedures as may be necessary to carry out the directions of this Resolution.

Passed by majority vote of the Kirkland City Council in open meeting this \_\_\_\_ day of \_\_\_\_\_, 2011.

Signed in authentication thereof this \_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
MAYOR

Attest:

\_\_\_\_\_  
City Clerk