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MEMORANDUM

To: Dave Ramsay, City Manager
From: Marilynne Beard, Assistant City Manager
Date: July 5, 2006
Subject: ANNEXATION TIMELINE

RECOMMENDATION:

Council discuss possible timeline scenarios for annexation of Kingsgate, Finn Hill and Juanita.

BACKGROUND DISCUSSION:

The Council's Annexation Subcommittee discussed a variety of timeline scenarios in their past two meetings. The attached timelines (scenarios A, B and C) represent three possible time frames for proceeding with annexation. The timelines are based on the phasing and decision points that were discussed with Council at an earlier meeting and that were incorporated into the request for proposals for community outreach consulting services.

Phase	Major City Work Program Items	Go/No Go Decision at the End of Each Phase
Phase I	<ul style="list-style-type: none">• Long Range Financial Planning• Communications with Kirkland residents	Decision by Council whether to move forward with annexation planning
Phase II	<ul style="list-style-type: none">• Communications with PAA residents• Initial Implementation Planning	Decision by Council whether to place annexation on ballot (Begin Interlocal Agreement negotiations with King County)
Phase III	<ul style="list-style-type: none">• Preparation for election• Continued Implementation Planning	If "yes" from PAA vote, decision by Council whether to accept annexation
Phase IV	<ul style="list-style-type: none">• Implementation of Annexation	NA

State law defines a series of steps that need to occur prior to annexation. Some of the steps have specific time frames (minimum or maximum days) that must be followed. Others are at the discretion of the City,

County and others involved in the annexation process. Some of the variables that should be considered include:

- **Statutory sequence and time frames for annexation using the Council resolution method of annexation** – The timeline scenarios reflect the approximate time frames set out in state law (refer to MRSC’s “Annexation Handbook” chapter on petition method for code cities). For instance, the Boundary Review Board (BRB) has 120 days to review the City’s proposed annexation. However, it is possible that the BRB process could take less time. The timelines allow for the maximum amount of time allowed the BRB.
- **Time frames established in Senate Bill 6686** – State funding for annexations is available to those cities that have commenced the annexation process by January 1, 2010. In this context, “commenced” has been determined by the Department of Revenue to be the point when the Council has passed a resolution declaring its intent to annex. This resolution must be adopted before January 2010 in order to be eligible for the state fund.

The state funding actually takes the form of a local tax that must be imposed by the City Council once they have commenced the annexation process. The tax can be initiated in July of any year following the resolution. In order to collect the tax, the City Council must notify the State Department of Revenue by June 1st of the applicable year in order to begin collection in July. The initiation of collection must begin in July as that is the beginning of the State fiscal year.

A key decision will relate to whether the City enacts the local tax before or after the effective date of annexation (see cash flow discussion below). Two of the three scenarios illustrate options with regard to implementation of the tax (one before and one after the effective date of annexation).

- **Election Cycles** – An annexation election can be held on any special, primary or general election date. A simple majority approval is required unless the City Council is asking the annexing area to assume the City’s outstanding debt. In that case, a sixty percent majority is required with a validation requirement of forty percent of those voting in the last general election. The general election turnout is dependent on the types of races and issues on the ballot at that time. For instance, a presidential election would be more likely to have a high voter turnout, creating a higher validation requirement for the following year. Likewise, if a special election is held for annexation, other measures scheduled for the same ballot may attract additional voters. More research is needed regarding voting trends in the annexation area before determining the best date for an election.
- **Organizational Capacity** – A significant level of support will be needed to prepare for annexation. Although temporary staff and consultants will be hired to assist existing staff, there will still be competing demands. For instance, the Planning Commission will likely be involved in developing zoning code amendments and their work program will need to be taken into account. The zoning code amendments should be adopted by the time the City submits the annexation proposal to the Boundary Review Board. The BRB can take up to 120 days to consider the City’s application. Adoption of zoning regulations should facilitate the BRB process. Once the BRB process is completed, an election date can be set. Other advisory boards and commissions and

government agencies will also be impacted and the timeline needs to allow enough time for preparation work to be done. Interlocal agreements with King County and other agencies will need to be drafted during this period of time and we will need to accommodate the time frames of other elected bodies.

- **King County funding cycles and timing requests** – King County has indicated their preference on timing. There is a limited amount of funding available for annexing cities and they have indicated that it will be allocated on a first come, first served basis. Their preference is for the City to sign an interlocal agreement indicating an anticipated year for an annexation election before the end of 2006. Based on that commitment, they are willing to allocate a portion of the \$10 million available to the City to assist with transition costs.
- **Cash Flow** – There is no statutory requirement regarding the length of time between the annexation election and an effective date. On one hand, allowing a longer lead time for the effective date provides time to hire and train staff so that they are available to provide services on the effective date. On the other hand, the City does not begin receiving annexation area revenue until after the effective date (for some sources as much as six months after the effective date). Cash needed to fund costs incurred during this revenue lag would need to come from King County or City reserves or the local sales tax (if the election timing is right and the tax is implemented prior to the effective date).

The City Council can impose the local sales tax option in advance of the effective date to fund up-front hiring and equipment costs. If the City wants to provide a police presence using Kirkland police officers on the effective date, then new police hires need to be on board at least nine months in advance in order to allow time for attendance at the academy and field training. This will be a significant expense. Although County funding may be available for transition costs, we may want to use the County funding for other transition costs.

Another cash flow consideration relates to the timing of property tax levies. In order for the City to impose a local levy in the annexation area in January, the new boundaries (i.e. the expanded boundaries including the annexation area) must be in place by March 1st of the previous year. For instance, if the effective date of annexation is February 28th of 2009, the City can begin to collect property taxes in January 2010. In the interim, the City receives County road taxes. Although the road taxes will be significant, they are only available for road purposes and cannot be used for general government or public safety purposes. Property taxes are the largest source of revenue in the annexation area. Consequently, it is advantageous to the City to minimize the amount of time we are receiving road tax instead of general property taxes.

- **Service delivery issues** – There are some services that must be in place on the effective date such as land use and building permits, police services and some public works maintenance capacity. Other services can be phased or implemented some time after the effective date. The services do not have to be provided by Kirkland staff but could be obtained by contracting back with the County, another governmental agency or a private vendor. The degree to which Council wants (and/or the annexation residents expect) services to be in place on the effective date will determine the amount of lead time that is needed to hire and training new staff and secure the

equipment and facilities needed to accommodate the new staff.

- **Expectations of PAA residents** – Once an election is held (and assuming a positive outcome) there may be a practical limit as to the amount of lag time between the election, the effective date and the provision of services.
- **Community outreach efforts** – Meaningful public involvement necessarily requires time. Adequate time for communicating with Kirkland residents and PAA residents is needed to fully understand their concerns and needs. Phase two communications with PAA residents will involve the formation of citizen committees, a series of community meetings and presentations, assimilation of input and development of implementation plans that meet as many of their interests as possible before an election can take place. Both Kirkland and the PAA need to fully understand the issues and plans before taking such a significant step.

Given all of these considerations (and this is not an exhaustive list), staff prepared a series of possible timeline scenarios for the annexation subcommittee to review. Their many questions and suggestions helped staff refine the presentation so that the Council could hold a productive discussion. The attached scenarios present three different options, none of which is intended as a recommendation. The scenarios were developed for the full Council's discussion and input. The scenarios generally describe the major activities taking place and set a series of "Go/No Go" decision points for the City Council.

All three scenarios have some common assumptions:

1. The City Council will make its first "Go/No Go" decision by the end of 2006. Since the Council will need to consider budget requests related to annexation support, this decision point would coincide with the budget adoption. This decision point directs staff to proceed with annexation planning, to extend communication to the PAA and to begin negotiating a planning interlocal agreement (ILA) with King County (to establish an election year and secure funding).
2. The Council will makes its next "Go/No Go" decision following successful negotiation of an ILA with King County. At this point, the City Council would pass a resolution declaring its intent to annex.
3. The next "Go/No Go" point is the election which would take place in 2008 with an effective date of February 28, 2009 (for the purposes of these scenarios – this is a key decision that the Council will need to make and which will drive all other dates). A final "Go/No Go" decision is made by the City Council after the election when they adopt an ordinance accepting the annexation.

The distinctions between the three scenarios provided for discussion are described below:

- **Scenario 1** – This scenario calls for an April 2008 election, a February 28, 2009 effective date and implementation of the local option sales tax in July 2009 (after the effective date). This scenario provides a significant lag between the election and the effective date (10 months) to allow the organization time to hire, train, equip and locate space for personnel. Presumably, the City would begin hiring staff before the effective date and incur related costs. However, revenue from the annexation area, including the local sales tax, would not be received until well after we begin

incurring expenses. This scenario requires the most up-front funding from the City but allows for collection of the local sales tax at the maximum amount over the ten year period (since the tax is limited to the gap and the gap will not be at its maximum until services are fully in place).

One possible downside to this scenario is that the election takes place on a special election date which may limit voter turnout and make the validation requirement more difficult to achieve.

- **Scenario 2** – This scenario is the same as Scenario 1, but moves the election to the August primary election. This scenario allows for more planning time, but shortens the time between the election and the effective date. It also precludes implementation of the local sales tax until the following year since it is after the June 1st deadline for notifying the State Department of Revenue. The potential advantage of this scenario is that the primary election can be expected to draw a higher voter turnout.
- **Scenario 3** – This scenario is the same as scenario 1 (April 2008 election with February 2009 effective date) except that it provides for implementation of the local sales tax after the election but before the effective date. This provides funding for advance hiring and equipment acquisition costs.

Summary and Recommendation

These scenarios change only a few of the variables. Clearly, there are many possible alternatives that have merit. Once a timeline is established, it will be necessary to maintain flexibility as unanticipated events and challenges are inevitable. Adopting a timeline does provide a general blueprint for the process and provides a reference point for discussion with stakeholders.

Additional research is needed on election trends in the annexation area and a schedule of anticipated election measures and races so that Council has more information to use in identifying a preferred year for election (needed for further negotiation with King County). This research is currently underway and we expect to have it available later in July. At this point, further input is needed from the City Council so that staff can work with the annexation subcommittee to refine the timeline and develop alternative scenarios for further City Council consideration.

Annexation Timeline

(Scenario 1 -- April 2008 Election/Implement Tax After Effective Date)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006							Phase 1					
							Communication with Kirkland					
							King Co. Letter of Agreement					
							Financial Plan				Budget	
											Go/No Go to Phase 2*	
2007	Phase 2											
	Expand Communication to include PAA											
	Departments Begin Preliminary Planning, Develop Zoning and Work on Operational Plans with King County											
	Negotiate Planning ILA with King County			Go/No Go to Phase 3**			Phase 3					
	Continue Communication Strategy											
								Approve Zoning		Proceed to Boundary Review Board		
2008	Phase 3 (continued)											
	Set Election Date											
	Pre-Election Communication			Election***								
	Continue Implementation Planning					Phase 4						
Continue Implementation Planning and Begin Staffing up												
Post Election Communication												
2009	Phase 4 (continued)											
				Effective Date								
	Staff up			Departments Begin Service Delivery								
						Enact Local Sales Tax						

*If "Go" then proceed to ILA negotiation with King County to establish timeline and funding commitment

**If "Go" then proceed to election and select election date

***If annexation measure passes, Council to adopt ordinance accepting annexation.

Annexation Timeline

(Scenario 2 -- August 2008 Election/Implement Tax After Effective Date)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006							Phase 1					
							Communication with Kirkland					
							King Co. Letter of Agreement					
							Financial Plan				Budget	
											Go/No Go to Phase 2*	
2007	Phase 2											
	Expand Communication to include PAA											
	Departments Begin Preliminary Planning, Develop Zoning and Work on Operational Plans with King County											
	Negotiate Planning ILA with King County			Go/No Go to Phase 3**								
							Phase 3					
Continue Communication Strategy												
2008	Phase 3 (continued)											
	Approve Zoning	Proceed to Boundary Review Board			Set Election Date							
							Pre-Election Communication		Election***			
	Continue Implementation Planning									Phase 4		
											Begin Hiring and Continue Planning	
Post Election Communication												
2009	Phase 4 (continued)											
				Effective Date								
	Continue Hiring		Departments Begin Service Delivery									
							Enact Local Sales Tax					

*If "Go" then proceed to ILA negotiation with King County to establish timeline and funding commitment

**If "Go" then proceed to election and select election date

***If annexation measure passes, Council to adopt ordinance accepting annexation.

Annexation Timeline

(Scenario 3-- April 2008 Election/Implement Tax Before Effective Date)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006							Phase 1					
							Communication with Kirkland King Co. Letter of Agreement					
							Financial Plan				Budget	
							Go/No Go to Phase 2*					
2007	Phase 2											
	Expand Communication to include PAA											
	Departments Begin Preliminary Planning, Develop Zoning and Work on Operational Plans with King County											
	Negotiate Planning ILA with King County			Go/No Go to Phase 3**			Phase 3					
							Continue Communication Strategy					
2008	Phase 3 (continued)											
	Set Election Date											
	Pre-Election Communication			Election***								
	Continue Implementation Planning					Phase 4						
							Continue Implementation Planning and Begin Staffing up					
							Post Election Communication					
2009	Phase 4 (continued)											
				Effective Date								
	Staff up			Departments Begin Service Delivery								

*If "Go" then proceed to ILA negotiation with King County to establish timeline and funding commitment
 **If "Go" then proceed to election and select election date
 ***If annexation measure passes, Council to adopt ordinance accepting annexation.