

**City of Kirkland Annexation Assessment:
Legal, Governance and Financial Implications for the
City of Kirkland and Finn Hill Park District
June 14, 2005**

Purpose

The purpose of this report is to assess the potential implications for the Finn Hill Park District of the City of Kirkland's potential annexation of Finn Hill area. Through interviews with the Kirkland Parks Department and the commissioners from the Finn Hill Park District, Berk & Associates has identified the current revenues collected, services provided by the park district and how they compare to Kirkland Parks' current level of service and LOS after annexation. This memo also outlines implications of the annexation on the legal and governance status of the Park District, including disposition of the tax levy, and options for service after annexation.

Summary of Findings

- Upon annexation, the Finn Hill Park District will remain the operator of O.O. Denny Park unless an action is taken by the Board of Commissioners to dissolve the district. The City of Seattle is the owner of the park and responsible for capital investments over \$2,000.
- The District now levies \$0.07 per \$1,000 AV and this yields approximately \$153,000 annually from the levy for park operation. The current levy will expire at the end of 2008. While levy revenue currently exceeds the amount needed to maintain O.O. Denny Park, excess fund balances go to repay pre-levy debt issued during the creation of the District.
- Park District Commissioners perceive contract maintenance of O.O. Denny Park to be comparable or better than City of Kirkland levels of service in terms of quality and cost. Overall the District spends \$46,000 less than the City's original bid to maintain the single park. However, a comparison of level-of-service and cost reveals that the services provided at O.O. Denny Park are different and lower than Kirkland's other waterfront parks, raising a question about disparities in LOS in the PAA compared to the rest of the City long-term.
- Long-term, the District is situated to take on three other currently-passive parks, including Juanita Woodlands, Juanita Triangle, and Juanita Heights parks. Big Finn Hill Park is expected to remain a King County regional park.
- After annexation, Finn Hill Park District Commissioners had anticipated that park management would be transferred to the City of Kirkland. However, some negotiation about differing levels of service in the Finn Hill area relative to the rest of the City would be needed. District Commissioners suggest that they would not pay more to Kirkland for what they believe is an adequate level of service at O.O. Denny Park.
- Three post-annexation scenarios exist for operations of O.O. Denny Park and other park lands in the Finn Hill area.
 1. **District-operated, District-financed, contractor-maintained.** A low-financial and coordination cost for the City Kirkland that would meet the maintenance needs for O.O. Denny Park, but would not transfer responsibilities for park service to Kirkland long-term and a disparity in LOS would remain.
 2. **District-operated, District-financed, City-maintained.** The District remains the operator of the park, the District levy stays in place, and the District turns over the levy

to Kirkland for park maintenance. Some negotiation with District Commissioners may be required as Kirkland's level of service is perceived to be higher-cost than current.

3. **City-operated, -financed and -maintained.** FHPD is dissolved and Kirkland operates parks using City general fund revenues.
 - Long-term, the City and District must consider the long-term costs to operate all four parks (O.O. Denny, Juanita Triangle, Juanita Highlands, and Juanita Woodlands), and whether the current levy would be sufficient to pay for maintenance for all four parks compared to the maximum levy capacity of the District (up to \$0.60 per \$1,000 assessed valuation).

Section 2. History/Introduction

Background. In recent years, due to budgetary shortfalls, King County became unable to operate and maintain a number of local parks in its jurisdiction which led to their transfer to cities or closure. One of these parks was O.O. Denny Park, a 40-acre park within the Finn Hill area northwest of Kirkland. Helen Denny, the widow of O.O. Denny, willed the park land to the City of Seattle with a stipulation that it was to be operated and maintained as a park in perpetuity. In the event that it failed to be operated as a park space, O.O. Denny Park would revert to Children's Home Society, which could keep or sell the land for development.

The residents of Finn Hill took an active interest in creating a Park District in order to keep up an adequate level of maintenance and to prevent the park land from potential future development. On November 5, 2002, nearly 70 percent of Finn Hill residents voted in favor of the creation of a local Park and Recreation District under RCW 36.69, including an accompanying tax levy of 7 cents per \$1,000 assessed valuation (AV). The Finn Hill Park District (FHPD) became active in 2003 and besides taking up the maintenance of O.O. Denny, it was slated to operate two other small parks in the area – Juanita Heights and Juanita Woodlands. The disposition of these parks are still not in FHPD's control as of this writing.

FHPD Governance, Finance Authority and Structure. The Finn Hill Park District is a junior taxing district with a maximum allowed regular property tax levy of 60 cents per \$1,000 AV and the authority to charge fees and rates for rental or for facilities. The property tax levy is authorized for a 6-year period, meaning the current levy will expire after taxes levied in 2008. As a junior taxing district, FHPD would have its levy capacity diminished if the aggregate of all junior and senior taxing districts exceeds the \$5.90 limit. The District also has the authority to issue general obligation debt, LID bonds and revenue bonds.

The district has the same boundaries as the Finn Hill potential annexation area which is approximately from the Kirkland City line north along 100th Avenue NE, and then east on Simmons Road and along 145th Street to the southern border of St. Edward Park and the Lake. FHPD has no permanent staff; the District is operated by five elected, unpaid volunteer Commissioners. Before the creation of FHPD, the City of Seattle contracted with King County to maintain and operate O.O. Denny Park, but later transferred this responsibility to FHPD. In 2003, FHPD competitively bid and later contracted with Total Landscaping, a private firm, to provide maintenance services for the park.



Other Parks in the Finn Hill Area. Finn Hill Park District was also supposed to assume operation and maintenance of two smaller parks in the area that are currently undeveloped: Juanita Triangle (0.5 acres) and Juanita Heights (3.2 acres), on the condition that the King County transfers the clean title (“quiet title”) to the Park District. These titles have not yet been transferred to FHPD, but King County has a verbal commitment with the Finn Hill Park District to transfer the parks (there are several liens against Juanita Heights Park and King County is working on clearing its title). According to the King County Parks Department, this issue is complicated and the timing of clear title and transfer would be difficult to predict.

Juanita Woodlands is a forested 40-acre park adjacent to Juanita Triangle. The site was held in trust by the Washington State Department of Natural Resources (DNR) for the purpose of generating school construction funds. Economic pressures have forced DNR to put the Woodlands on the market, spurring neighbors in the surrounding community to support the preservation of that park land as well. The neighborhood group raised a portion of the funds necessary for King County to purchase the land from DNR, and in early 2005 the land deed was officially signed over to King County. However, King County and the Finn Hill community still need to find \$1.5 million to offset some of the land purchase cost, or they will face eventual development of up to 5 acres of the property. King County would like to transfer the ownership and operation of this park to Finn Hill Park District; however, the County would do so either after the \$1.5 million is raised or subject to payment of this debt by the assuming party. Otherwise, King County could transfer the ownership sooner on the condition that it can set 5 acres of Juanita Woodlands aside for sale to cover the \$1.5 million gap.

A large 220-acre Big Finn Hill Park is also located within the boundaries of the FHPD; however, it is classified a regional park by King County, who continues to operate it. King County will most likely not transfer this park to Kirkland in the event of annexation of Finn Hill area.

**Figure 1
Ownership Structure of Parks within Finn Hill Park District Boundaries**

	Ownership	Operator	Service Provider
OO Denny	City of Seattle	Finn Hill Park District	Total Landscaping
Juanita Triangle	King County	King County	King County
Juanita Heights	King County	King County	King County
Juanita Woodlands	King County	King County	King County
Big Finn Hill	King County	King County	King County

Source: Berk & Associates

Section 3. Services Provided

O.O. Denny Park. This park offers a long stretch of waterfront on Lake Washington as well as a trail about one mile long that climbs through the woods into the valley of Big Finn Creek. There is also a large virgin Douglas fir which is believed to be 600 years old and 26.3 feet in circumference. The Finn Hill community has strived to re-establish salmon spawning in Denny Creek that runs though the park. Other amenities include:

- Trash receptacles

- Public restrooms
- Two parking lots, one on each side of the road
- Information board about the park
- Picnic shelter which can be reserved by phone

Other Parks. Juanita Heights Park is currently owned and designated by King County for recreation use and offers a hiking trail. No other amenities are available. Juanita Woodlands and Juanita Triangle are also owned by the County and designated as passive “multi-use” parks, with no facilities or amenities. None of these three parks are currently part of Finn Hill Park District operations, but FHPD and King County envision that eventually these will become local parks.

Section 4. Revenues Collected

Beginning in 2003, Finn Hill Park District has levied approximately \$0.07 per \$1,000 assessed value (AV) in a six-year levy, and has the capacity to levy up to \$0.60 per \$1,000 AV.

Figure 2
2005 Projected Finn Hill Park District Revenues

Total 2005 FHPD AV	\$2,176,365,700
Levy (per \$1,000 AV)	\$0.07029
Total FHPD 2005 Projected Revenue	<u>\$152,977</u>

Source: Berk & Associates

Since the District become operational in 2003, but did not start collecting the levy revenues until 2004, FHPD ran a deficit of about \$70,000 for its first year of operations and relied on short-term debt for operations. Since the levy revenues are significantly higher than the current maintenance contract spending, that “surplus” will be used in later years to pay for the 2003 deficit.

Section 5. Park District Operating/Capital Needs

Finn Hill Park District indicated that there are currently no outstanding unmet operating or capital needs for the current parks. Per the conditions of the contract with the City of Seattle, FHPD only has an obligation to cover up to \$2,000 annually in capital costs. Beyond that amount it is the responsibility of City of Seattle as the legal owner, or the future operator, to negotiate with the City to assume capital costs.

A key issue for the City of Kirkland will be how quickly King County will transfer the remaining park lands to the Finn Hill Park District per its verbal agreement. Long-term, it will be important to establish that the current levy, or that future levy capacity, can address the capital and operating needs of the District, which could include O.O. Denny Park plus, potentially the Woodlands, Triangle, and Highlands parks. While those parks do not today have significant development or maintenance costs, they will have at least minimal maintenance costs in the future.

Section 6. Options and Implications for Service Post-Annexation

Three post-annexation options exist for Kirkland and the Finn Hill Park District to provide park services:

1. **District-operated, District-financed, contractor-maintained.** The District remains the operator of the park, keeping the District levy in place, and the current contract with Total Landscape remains (this is the lowest-financial and coordination cost for Kirkland, and would not use Kirkland Parks to provide services). This would likely meet the needs for the FHPD's maintenance demands at O.O. Denny, but would not transfer responsibilities for park service to Kirkland long-term. In addition, it would create a situation with different levels of service for waterfront parks provided in the PAA relative to the rest of the City. Long-term, this could only be an interim solution.
2. **District-operated, District-financed, City-maintained.** The District remains the operator of the park, the District levy stays in place, and the District contracts with the City (i.e. in effect, turns over the levy to Kirkland) to provide park maintenance provided by City employees. This helps Kirkland to pay for maintenance from a non-general-fund source and keeps the finance and governance authority over parks with the residents of Finn Hill. However, this scenario is least preferable for the FHPD, as District residents are already taxing themselves for maintenance of their parks and Kirkland's level of service is perceived to be a higher-cost-model than current services from Total Landscape.
3. **City-operated, -financed and -maintained.** The District is dissolved, the District's levy goes away, and Kirkland must use general fund dollars to operate the District's properties. This is theoretically the best situation for the Park District as it represents the interim solution envisioned by Park District Commissioners until Kirkland annexation, but this situation brings no new money to pay for parks from the City of Kirkland's perspective. It is possible that the expiration of the levy offers some timeframe for transition of FHPD's assets to Kirkland. District dissolution is provided for in RCW 53.48 relating to port districts, which states that a district can be dissolved by petition of the majority of the board of commissioners as presented to the Superior Court of the County.

EXHIBIT 1: FINN HILL PARK DISTRICT



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