

Assessment of the Fiscal Impact of Annexation of West Hill

Prepared for the City of Renton



September 2005

 | BERK & ASSOCIATES |

Prepared by:

BERK & ASSOCIATES

120 Lakeside Avenue

Suite 200

Seattle, Washington 98122

P (206) 324-8760

www.berkandassociates.com

"Helping Communities and Organizations Create Their Best Futures"



| BERK & ASSOCIATES |

Executive Summary

Background

In response to a 2004 request for assistance from the West Hill Governance Task Force, the King County Office of Management and Budget commissioned a 2005 analysis of the governance options that are available to West Hill. This *Governance Alternatives Study* assessed future governance options for the West Hill community, looking at issues and implications from the perspective of West Hill residents and businesses. The *Alternatives Study* process also included a series of community meetings that were designed to answer questions that West Hill residents and businesses had in mind when considering their options.

The *West Hill Governance Alternatives Study* included an assessment of three alternative futures: (1) remaining unincorporated, (2) incorporating as a new city, and (3) annexation to Seattle or Renton. Since the study was designed to look at annexation from the perspective of West Hill residents, the analysis largely focused on how taxes and levels of service might change in West Hill with a change in governance. What the *Governance Alternatives Study* did *not* address were the fiscal implications that annexation of West Hill would have on the cities of Seattle or Renton.

Given the scope of the *West Hill Governance Alternatives Study*, and given Renton's desire to more fully understand the fiscal implications of annexation, the City of Renton contracted Berk & Associates to develop a complementary analysis that assesses the fiscal impacts of annexing West Hill from the City of Renton's perspective. In order for the City to better understand strategic issues of annexation, this assessment distinguishes costs and revenues among three sub-areas (Study Areas 1 through 3 on Figure 1). These three study areas, combined, make up the West Hill unincorporated area.

There are a number of reasons why Renton might want to annex all or part of West Hill. In terms of community function, West Hill *acts* as a part of the City of Renton. West Hill residents play and shop in Renton. West Hill is part of the Renton School District. West Hill and Renton have similar demographic characteristics. And now and in the future, many of the things that happen (or don't happen) in West Hill have a direct impact on Renton.

Recognizing the many reasons Renton has an interest in annexing West Hill, the goal of this analysis is to provide City decision makers with information about what the *cost* of annexation might be.

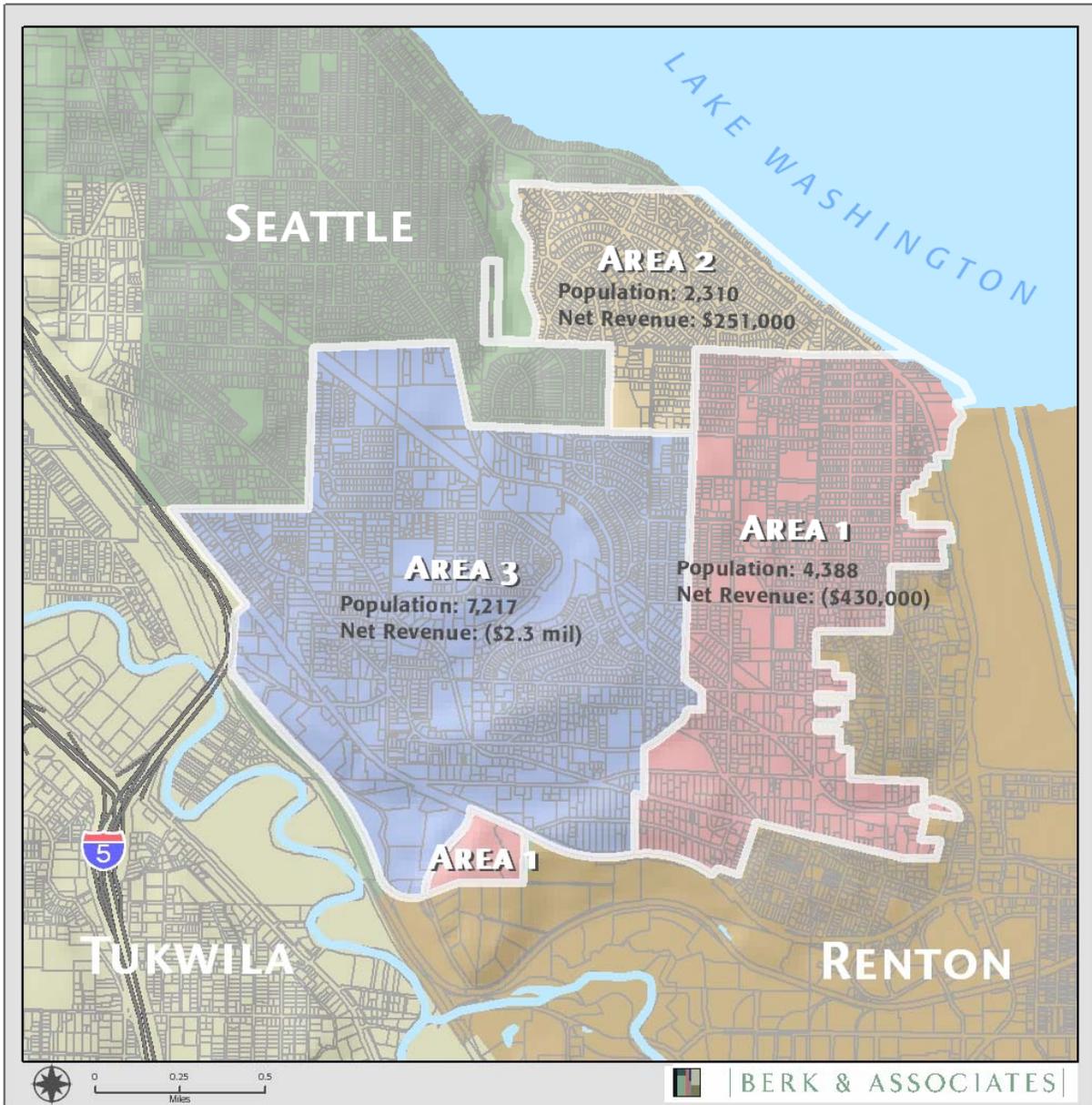
Study Purpose and Approach

The goal of this analysis is to assess three issues:

1. **Near-Term Operating Impacts:** What new operating costs and revenues would Renton face if it were to annex any of three study areas and provide levels of service similar to current services in existing neighborhoods?

2. **Capital Needs:** What capital needs have been identified in West Hill? What costs would Renton incur to address capital requirements? What new capital revenues would West Hill generate to help cover those costs?
3. **How Might Fiscal Impacts Change in the Future:** Given that West Hill differs from the City of Renton as a whole (it is more residential in nature, is more directly in the path of residential redevelopment that has pushed southward from Downtown Seattle in recent years, and has a good share of view properties in Lakeridge and Bryn Mawr), how might West Hill's fiscal contribution to the City change in coming decades?

Figure 1: Study Areas for Fiscal Analysis of Annexation



Source: Berk & Associates

As a baseline assessment, this study looks at the net fiscal gap faced by the new, expanded City of Renton if it were to annex any of the identified annexation areas while trying to maintain current levels of services and current levels of taxes and fees.

To provide intuitive and up-to-date information about estimated impacts, this analysis provides a snapshot of what the operating impacts would be if the City were in the position of fully governing each study area in 2005. The assessment is based on 2005 budgeted service expenditures and 2005 tax and fee structures, as outlined in the City of Renton 2005 Adopted Budget, and is intended

to represent a picture of fiscal impacts under steady-state operation. In essence, these impacts reflect the ongoing “costs” that the City would face each year, beginning, perhaps, in the third or fourth year after annexation, and extending into the future.

The purpose of estimating the *hypothetical* gap that would be created if the City were to try to extend current service levels to the study areas is to present decision makers and the public with a picture of the true “cost” of annexation.

Ultimately, of course, any such gap between costs and revenues must be hypothetical. Cities have no choice but to cover their costs of operation. Consequently, if Renton were to annex any of the contemplated annexation areas, any estimated “cost” associated with annexation would have to be made up through some combination of (1) stretching City resources through decreased levels of service City-wide; and/or (2) increasing City revenues.

The goal of this analysis is to provide an intuitive snapshot of the net cost to the City of annexation. Given that goal, we try as much as possible to simplify the fiscal analysis. With the exception of the City’s enterprise funds, we treat *revenues as revenues* and *costs as costs*. We recognize that the City has current policies in place that direct certain operating revenues to certain uses. However, recognizing that such policies can evolve given changing fiscal conditions within the City, our assessment of operating revenues and costs lumps all operating funds together, excluding enterprise funds.

Facilities in the Study Areas

Among the three study areas, Areas 1 and 3 both include fire stations:

- **Bryn Mawr Fire Station**, in Area 1, is old and in need of renovation, and is no longer necessary to provide effective fire protection in West Hill. If the City were to annex Area 1, the Renton Fire Department reports that they would close the Bryn Mawr station.
- **Skyway Fire Station**, in Area 3, is a large, modern station that would, upon annexation, become the new Renton Fire Station in West Hill. Since the Skyway Fire Station represents Fire District 20’s key asset, any attempted annexation that included the fire station but did not take the majority of West Hill would almost certainly face fierce opposition from many directions, including the King County Boundary Review Board.

Areas 1 and 3 also each include a single park:

- **Bryn Mawr Park** in Area 1 is an undeveloped park of 4.81 acres.
- **Skyway Park** is an active park of 23.08 acres, with playfields, courts and play areas.

Also included in Area 3 is the **King County Library System (KCLS) Skyway Library**. KCLS currently has plans to build a new 8,000 square foot Skyway Library in 2011. Representatives at King County are currently working with KCLS to ensure that the new library will be completed even if the area annexes to Renton, and the working assumption is that, upon annexation of Area 3, Skyway would become Renton’s third library branch.

Finally, the **Skyway Boys & Girls Club** is located next to Dimmit Middle School in Area 1. The facility is owned by King County, and leased for 15 years, through the year 2018, to the Boys & Girls Clubs of King County, which maintains and operates the facility. King County would retain ownership of the asset for the life of the lease. At that time, the disposition of this facility would likely be negotiated between the King County and the City of Renton.

The assumption for this analysis is that the Boys & Girls Club would continue to operate and would continue to cover its operating costs and maintain the building. The possibility does exist, however, that the Boys & Girls club would be unable to raise sufficient revenues in the long-term to cover its costs of operation. In that event, the City of Renton *could* choose to participate in operation of the community center.

Summary of Findings

If the City of Renton were governing West Hill in 2005 and attempted to maintain current levels of taxes and services, we estimate that the *gap* between additional costs and revenues would be \$2.4 million.

If one allocates costs among areas based on each area’s relative demand for services, of the \$2.4 million cost, the greatest net cost would come from Area 3 (\$2.3 million). Of the remaining two areas, Area 2 would generate modest net benefits to the City, introducing net new revenues of \$251,000. Area 1 would generate relatively modest net costs (\$429,000) as demonstrated in Table 1.

Table 1: Summary of Operating Costs and Revenues for Contemplated Annexation Areas (2005 Dollars)

	Area 1	Area 2	Area 3	Total
Additional Operating Cost	\$2,661,000	\$1,241,000	\$6,389,000	\$10,291,000
Additional Operating Revenues	\$2,232,000	\$1,492,000	\$4,116,000	\$7,840,000
NET REVENUES	(\$429,000)	\$251,000	(\$2,273,000)	(\$2,451,000)

Source: Berk & Associates analysis

Note: For more detailed breakdowns of costs and revenues, and for a discussion of the methods used to estimate each cost and revenue source, see Appendix A.

If, instead of using allocated costs, one looks at annexation scenarios, the *incremental* costs of including or excluding areas will vary. In particular, as noted in the discussion of potential scenarios below, when one looks at the difference between a large annexation with or without Area 2, the benefits of including Area 2 are likely to be much larger than the *allocated* benefit of \$251,000.

Annexation Scenarios

In practical terms, four annexation options are available to the City:

- **Annexation of all three Areas:** This scenario would result in the \$2.4 million net cost to the City estimated above.

- **Annexation of all or part of Area 1:** Area 1 includes the Bryn Mawr Fire Station. If the City were to annex the Area, the Fire Department reports that they would seek to close the Bryn Mawr Station and serve the area from existing Renton Fire Stations. The more of Area 1 the City annexes, the more challenging it would become for the Department to serve the annexed area. However, if Renton were to annex the entire area and provide fire and emergency medical services to the area from existing City stations, the net cost of annexation would be the estimated \$393,000 cited above.

Since a portion of Area 1 overlooks Renton Airport, the City may have a strategic interest in annexing at least that portion. If Renton were to annex only a portion of Area 1, the net cost of the annexation would certainly be less than \$429,000.

- **Annexation of Areas 1 and 2:** If Renton were to annex only Areas 1 and 2, but not annex Area 3, then the logistical difficulties of fire protection noted above would be even more pronounced. In fact, it is unlikely that the City could annex and serve all of Area 2 without locating a fire station in, or close to, Bryn Mawr or Lakeridge.

In theory, if Seattle did not annex other portions of West Hill, it would be possible for Renton to enter into a contract arrangement with Fire District 20 and have the Fire District continue to provide services in Areas 1 and 2 in exchange for a City payment. Providing fire services through such a contract would add roughly \$200,000 to the net cost of annexing Areas 1 and 2 presented above. Perhaps more important, in the long run, it would be unreasonable to expect that the Fire District could remain in place (given King County's strong desire to have West Hill annexed). If Renton were to Annex Areas 1 and 2, and Seattle eventually annexed remaining portions of West Hill, Renton would be put in a situation where the City would have to provide fire services to the new neighborhoods through a new station. This could dramatically increase the net costs of serving Areas 1 and 2.

As noted earlier, it is also unlikely that the City would be allowed to pursue a partial annexation that included the Skyway Fire Station but left out any substantial portion of West Hill. The Skyway Station was designed to provide fire and emergency medical services to all of West Hill. To take the station and only half of West Hill (1) would be cost inefficient for Renton (staffing a full fire station to serve a population of only 7,000 people) and (2) it would make it cost prohibitive for Seattle to annex the remaining area of West Hill (because Seattle would have to build and staff another station in West Hill to serve an equally small population)

- **Annexation of Areas 1 and 3:** In reality, it would cost the City considerably more to annex Areas 1 and 3 than it would to annex the entire area. The *allocated* cost of annexing Areas 1 and 3 in Table 1 suggest that the two Areas combine to generate \$6.3 million in revenue, but \$9.1 million in costs, resulting in a gap of \$2.8 million. However, in a scenario where Renton takes Areas 1 and 3, and Seattle takes Area 2, the real cost to the city would exceed \$2.8 million.

Having annexed Areas 1 and 3, the incremental cost of providing services to Area 2 for services like police and fire are likely to be small. Once the City has staffed the Skyway Fire Station, the incremental cost of providing fire service to Area 2 will actually be less than Area 2's *allocated* cost of \$270,000 (the cost might be as little as \$100,000 or less). It is probably also true that, once

the Renton Police Department establishes patrol districts in Areas 1 and 3, the incremental cost of providing police services to Area 2 could be much less than the *allocated* cost of \$358,000 (this cost might be as little as \$150,000). Overall, on an *incremental* basis, the costs of serving Area 2 might be roughly \$800,000, while the incremental *revenues* generated by Area 2 would near \$1.5 million. This results in net *incremental* revenues from including Area 2 of \$700,000.

Looking at it from the other direction, **annexation of all three areas would cost the City \$2.4 million (net), but annexation of Areas 1 and 3 alone might have a net cost to the City of as much as \$3.1 million.** The City would bear the cost of staffing a new fire station and two new patrol districts either way, so if Area 2 is excluded, the cost of the station and the patrol districts will remain (and be spread over a smaller base) but the City will lose *all* of the revenues Area 2 generates.

Capital Cost Impacts

In addition to the day-to-day operating costs of City programs, the City of Renton must consider the construction and maintenance of existing and new capital facilities that exist in West Hill today.

The primary capital costs that Renton would face in West Hill would include transportation (road) improvements, maintenance and replacement of surface water management facilities; responding to runoff and flooding complaints, and potentially, the replacement of future park and recreation facilities. Potential capital liabilities much farther in the future include serving 350 households currently unserved by Skyway Water & Sewer or the City of Renton, and assuming ownership of the community center at the end of the County's long-term lease after 2018.

Using King County's current investment in these capital needs as a proxy, Renton could face the following annual demands for capital investment:

- Roads: \$8.2 million in 6-year capital needs; \$358,000 identified as high-priority; about \$200,000 annually for roads overlay.
- Surface Water Management: maintenance of current facilities and creation of new ditches and culverts.
- Parks: replacement of equipment and upgrading sports courts and fields.

The total capital revenues generated in West Hill annually from Real Estate Excise Tax, SWM Fees, and Business License Fees total just over \$900,000 annually, which would appear to be sufficient to cover identified high-priority and medium-priority capital needs.

In addition to existing capital revenue streams, the Washington State Legislature expects to consider legislation in the coming session that would create a new 0.4% Real Estate Excise Tax that would replace mitigation fees for City's that choose to make the switch. If enacted, the new tax would generate another \$400,000 per year in West Hill, further bolstering the areas' ability to finance capital investments.

The capital investment sections below include an inventory of known and needed capital infrastructure as identified by the King County Capital Investment Program (CIP). This inventory is

coupled with an understanding of the City of Renton's investment policies and infrastructure standards, and notes some of the capital investment challenges the City could face in the future.

Long-Run Fiscal Impacts

As has been established in the discussion of current operating impacts, annexation of West Hill will introduce annual costs to the City of Renton's operating budget. Having clarified short-term costs, the next question is: *What is likely to change in the future?* If Renton annexes West Hill, looking 20 years into the future, is West Hill's fiscal role likely to be one of improving the City's fiscal sustainability? Or, is West Hill likely to remain a net absorber of City resources?

Given existing fiscal challenges, Renton's strongest fiscal engine for the future is likely to be growth in retail sales taxes. Among the City's three major tax sources: (1) property taxes, (2) sales taxes, and (3) utility taxes, only retail sales tax is likely to grow at a rate of 5% or more (a rate of growth the City will probably need in order to maintain current levels of service). If retail sales tax *is* the engine of City revenue growth (and if the City does not forestall the eroding effects of I-747 through levy lid lifts) then *all* of the City's residential neighborhoods (including West Hill) are likely to become a greater net cost to the City in the long run.

One force that will strengthen the contribution of residential neighborhoods as a whole are proposed *sales tax sourcing rule changes* that will allow cities to collect sales taxes on delivered goods based on the point of delivery (as opposed to the current practice of taxing them based on the point of origin). Looking farther into the future, interstate taxation of delivered goods (purchased through the internet or via catalog) would further strengthen the value of residential neighborhoods. Other factors that are specific to West Hill include:

1. Potential shifts in Renton's ability to collect electric utility taxes in West Hill (see discussion below); and
2. Potential for improved competitiveness of West Hill's commercial center on Renton Avenue;

One large potential risk the City faces revolves around the prospect that, at some point in the future, one or both of West Hill's casinos could close, reducing revenues to the City by up to \$1 million.

While many uncertainties exist, scenarios *do* exist that would suggest the revenue shortfall in West Hill could narrow by, perhaps, as much as a million dollars in coming years. Such a scenario would include implementation of taxation on interstate purchases (accompanied by trends towards more internet purchase); levy lid lifts to mitigate the eroding effects of I-747 on the City's property tax levy; and a change in Renton's ability to tax electric utility revenues in West Hill.

Negative scenarios that would result in greater net costs over time would include some combination of no levy lid lifts (resulting in continued erosion of Renton's property tax levy rate), poor property appreciation in West Hill relative to the rest of the City, and/or eventual closure of West Hill's casinos.

Table of Contents

Executive Summary 1

 Background..... 1

 Study Purpose and Approach..... 1

 Facilities in the Study Areas..... 4

 Summary of Findings..... 5

Annexation Scenarios..... 5

Capital Cost Impacts..... 7

Long-Run Fiscal Impacts..... 8

Table of Contents 9

Introduction: Study Purpose and Background..... 11

 Report Organization..... 13

 Key Assumptions..... 14

Study Area Characteristics..... 15

 Population and Growth..... 15

 Property Values..... 15

 Retail Sales..... 15

Summary of Fiscal Operating Impacts..... 16

Annexation Scenarios..... 17

Key Operating Costs and Revenues..... 19

 Major Revenues..... 19

Property Tax..... 19

Utility Taxes and Electric Utility Payment..... 19

Local Sales Tax..... 20

Major Costs.....21

Police Services.....21

Fire and Emergency Medical Services.....22

Public Works.....22

Community Services.....23

Key Capital Costs and Revenues24

Major Capital Costs.....24

Road Facilities.....24

Surface Water Management Facilities.....27

Parks & Recreation Facilities.....28

Utilities.....29

Capital Revenues Generated in West Hill.....29

Business License Fee.....29

Real Estate Excise Tax.....29

Surface Water Management (SWM) Fees.....30

Long-Run Fiscal Impacts31

A Framework for Looking Ahead32

Potential Shifts in Service Costs.....32

Potential Shifts in Revenue Generation33

West Hill’s Impact.....34

Retail Sales Taxes.....34

Property Taxes.....34

Other Potential Impacts.....37

Technical Appendix A39

Introduction: Study Purpose and Background

In response to the requirements of Washington State's Growth Management Act (GMA), during the early 1990s King County and the suburban cities worked together to develop a framework of policies to guide jurisdictions as they planned for the future. These policies, referred to as the Countywide Planning Policies, are King County and the suburban cities' interjurisdictional plan for implementing the goals of the Growth Management Act. As directed by the GMA, the Countywide Planning Policies explicitly address the status of unincorporated urban areas. Among other things, the policies call for:

- Elimination of unincorporated urban islands between cities.
- The adoption by each city of a Potential Annexation Area, in consultation with residential groups in the affected area.
- The annexation or incorporation of all unincorporated areas within the urban growth boundary within a 20-year timeframe (1994 – 2013).

In an effort to advance the discussion of governance options for the West Hill area, the King County Office of Management & Budget commissioned a 2005 analysis of the future governance options for the West Hill community. This *Alternatives Study*, which was designed to inform West Hill residents and businesses about their governance options, included an assessment of three alternative futures: (1) annexation to a neighboring city, (2) remaining unincorporated, and (3) incorporating as a new city.

The City of Renton was interested in taking advantage of analyses developed for the *Governance Alternatives Study* to simultaneously develop a complimentary analysis that assesses the fiscal impacts of annexing West Hill from the City's perspective. The City contracted Berk & Associates to assess the full *operating costs* and *capital* needs that Renton would face if it were to annex any of three study areas, identified as Areas 1 through 3, or all of West Hill as a whole. Berk & Associates has prepared the following analyses summarized in this report.

There are a number of reasons why Renton might want to annex all or part of West Hill. In terms of community function, West Hill *acts* as a part of the City of Renton. West Hill residents play and shop in Renton. West Hill is part of the Renton School District. West Hill and Renton have similar demographic characteristics. And now and in the future, many of the things that happen (or don't happen) in West Hill have a direct impact on Renton.

Recognizing the many reasons Renton has an interest in annexing West Hill, the goal of this analysis is to provide City decision makers with information about what the *cost* of annexation might be.

1. Operating Revenue and Operating Cost Assessment

- Develop a current snapshot of new revenues that would accrue to the City upon annexation given existing area characteristics and Renton’s existing tax and fee structure.
- Develop a current snapshot of new operating costs the City would face given existing demand for service in the West Hill area and given Renton’s existing service levels.
- Assessment of 20-year revenues and service costs based on current revenue and cost structures and potential future conditions.

2. Capital Needs and Revenue Assessment

- Catalog identified infrastructure needs in West Hill for roads, surface water, and parks based on a review of King County’s current CIP and identified but unprogrammed needs in the County’s Transportation Needs Report.
- Identify capital revenues generated in each annexation study area.

As a baseline assessment, this study looks at the net fiscal gap the new, expanded City of Renton would face if the City were to annex any of the identified annexation areas, while simultaneously trying to maintain current levels of services and current levels of taxes and fees.

To provide intuitive and up-to-date information about estimated impacts, this analysis provides a snapshot of what the operating impacts would be if the City were in the position of fully governing each study area in 2005. The assessment is based on 2005 budgeted expenditures and 2005 tax and fee structures, as outlined in the City of Renton 2005 Adopted Budget, and is intended to represent a picture of fiscal impacts under steady-state operation.

In essence, these steady-state impacts reflect the ongoing “costs” that the City would face each year, beginning, perhaps, in the third or fourth year after annexation and extending into perpetuity.

The purpose of estimating the hypothetical gap that would be created if the City were to try to extend current service levels to the contemplated annexation without increasing taxes is to present decision makers and the public with a picture of the true “cost” of annexation.

Ultimately, of course, any such gap between costs and revenues is hypothetical. Cities have no choice but to cover their costs of operation. If Renton were to annex any of the contemplated annexation areas, any estimated “cost” associated with annexation would have to be made up through some combination of (1) stretching City resources through increased efficiencies or decreased levels of service and/or (2) increasing City revenues.

Report Organization

This remainder of this report is organized into five sections:

- A discussion of some of the **Key Assumptions** that helped shape the analysis;
- A brief discussion of the some of the **Study Area Characteristics**;
- A **Summary of Impacts**;
- A discussion of **Key Operating Costs and Revenues, Key Capital Costs and Revenues**; and
- A brief discussion of **Long-Term Fiscal Implications** and **Strategic Issues** regarding annexation.

Key Assumptions

The analysis that is summarized in this report is shaped by a number of key assumptions:

- The three identified annexation areas would receive levels of service similar to those now provided by the City of Renton.
- The current level of service, staffing and expenditures in Renton is the benchmark for forecasting comparable levels of service, staffing and costs in the annexation area. This study does not evaluate whether Renton's existing levels of service, staffing or expenditures are acceptable or sustainable with existing resources and staffing.
- Cities that have undertaken annexations in the past have found that there is a surge in demand for services after annexation. This study's methodology of directly estimating demand for services that will be introduced upon annexation for key expense categories will produce a more accurate forecast than a simple population-driven forecast, but it does not attempt to address transition or "ramp-up" costs, nor does it address surges in demand that the City might see in the first few months after annexation.
- This fiscal analysis includes cost and revenue estimates only for those taxes or services that would change upon annexation. Local services that would not change include water and sewer, schools, regional transit, health services, and regional parks. In other words, after annexation, existing school district boundaries would remain as they are, and regional transit, health and regional parks will continue to be provided by King County. Also, this analysis assumes that Renton would not take over provision of water and sewer service in West Hill upon annexation. Rather, the Skyway Water & Sewer District would remain in place.
- To give the clearest possible view of the net operating costs of annexation, this summary of operating costs and revenues combine costs and revenues that accrue to the City's General and Street funds. The costs and revenues of the Surface Water Management and other enterprise funds, however, have been held separate.
- The need to support capital investments and infrastructure development is difficult to accurately estimate given the current level of investment by King County, which is minimal today with the exception of roads projects. Over time, the type and quality of capital facilities in West Hill would be aligned with those provided with the rest of the City, but major investments in new capital development would not occur immediately upon annexation.

Study Area Characteristics

Population and Growth

In total, the three study areas included in this analysis are home to almost 14,000 residents and some businesses, including retailers and service providers. The largest and most populous area is Area 3, with an estimated 2005 population of 7,217. Areas 1 and 2 have estimated 2005 populations of 4,388 and 2,310, respectively.

West Hill is developed, and there are opportunities for additional, infill development, but few opportunities for large-scale residential developments exist. Even with opportunities for infill development, little commercial development has occurred in West Hill in the past decade, and population in the area increased by less than 400 people from 2000 to 2005, an average annual growth rate of 0.5%.

Property Values

Combined, the three contemplated annexation areas include slightly more than \$1 billion in taxable property. In per-capita terms, Area 2, Lakeridge, has relatively high levels of taxable property, \$135,000 per resident. Area 1 (which includes Bryn Mawr) and Area 3 bring roughly \$93,000 and \$69,000 of taxable property per resident, respectively. Currently, the City of Renton has \$120,000 of taxable property per resident—with a more than 40% of that value coming from commercial property.

Retail Sales

Combined, the three contemplated annexation areas would generate roughly \$370,000 of revenue for the City. As residential areas, the three study areas would generate sales tax revenues ranging from \$23 per capita, for Areas 1 and 2, to \$30 per capita for Area 3. These figures compare less-than-favorably with the City of Renton's sales tax revenues, which exceeded \$280 per resident in 2004.

The average retail sales revenues for all of Washington state cities were roughly \$185 per city resident in 2004.

Summary of Fiscal Operating Impacts

As a whole, if the City of Renton were to annex the three contemplated annexation areas, the net operating cost to the City would approach \$2.4 million per year (Table 2). (For further discussion of fire service, see discussion of Fire and Emergency Medical Services on page 22.)

To put this figure into context, \$2.4 million represents approximately 9% of Renton's total General Fund budgeted expenditures for 2005.

Of the three study areas, one area would generate positive net operating revenues for the City (Area 2, which is the Lakeridge neighborhood) and the other two areas would generate net costs. Of the total net costs, however, the largest share (approximately \$2.3 million) is generated in Study Area 3, the Area with the largest population and the poorest tax fundamentals.

In addition to Area 3's relatively low tax base, Area 3 also encompasses almost all of the existing park facilities in the contemplated annexation areas. Our estimates do assume that the populations of Areas 1 and 2 would introduce new demands for recreation services, but it would be the maintenance of the park facilities in Area 3 that would introduce the majority of estimated Parks and Recreation costs, which are included under Community Services division. Area 3 also includes the Skyway Library, which would become Renton's third city library upon annexation of the area.

Table 2 summarizes an estimate of the impact that annexation of each of the three study areas would have on the City's operating costs and revenues. In effect, Table 2 summarizes the costs that are distributed based on the distribution of *demand* for City services, but the incremental costs of annexing a given area will vary by scenario.

To reflect the *true* cost of annexation to the City, Table 2 includes annualized facility costs that would be associated with an increase in the number of City employees. This cost could be viewed as the annual cost of leasing space for additional City Hall staff, Police and Fire Department employees, maintenance workers, etc. Another way to think of these facilities costs would be in terms of the annual cost of a capital bond that would cover the cost of building new City facilities. For annexation of all three areas, facilities costs are estimated at \$463,000. If one were to exclude facilities costs from the operating deficit, which some cities do, then the baseline operating gap associated with annexing all three areas would drop to approximately \$2 million.

Again, these estimated impacts are based on the assumption that, upon annexation, the City would attempt to extend current levels of services to each contemplated annexation area. These estimates include the combined impacts on the City's General and Street fund, but do not include the operating costs or revenues of the Surface Water Management (SWM) Fund or other enterprise funds.

Appendix A provides a more thorough breakdown of the component costs and revenues and a discussion of the methods used to estimate each.

Table 2: Summary of Operating Costs and Revenues for Contemplated Annexation Areas (2005 Dollars)

Operating Costs	Area 1	Area 2	Area 3	Total
Police Services	1,009,000	358,000	1,912,000	3,279,000
Fire Services	538,000	270,000	1,855,000	2,663,000
Planning, Building and Public Works	557,000	349,000	769,000	1,675,000
Community Services	148,000	82,000	930,000	1,160,000
Administrative, Judicial & Legal Services	150,000	62,000	316,000	528,000
Finance and Information Services	92,000	45,000	219,000	356,000
Human Resources & Risk Management	20,000	10,000	47,000	77,000
Economic Development	23,000	5,000	47,000	75,000
Legislative	4,000	2,000	9,000	15,000
<i>Staff-related Facility Costs</i>	<i>120,000</i>	<i>58,000</i>	<i>285,000</i>	<i>463,000</i>
TOTAL COST	2,661,000	1,241,000	6,389,000	10,291,000
Operating Revenue				
Property Tax	\$1,280,000	\$970,000	\$1,550,000	\$3,800,000
Gambling Tax	\$0	\$0	\$1,040,000	\$1,040,000
Utility Tax	\$304,000	\$155,000	\$483,000	\$942,000
State Shared Revenues	\$153,000	\$82,000	\$245,000	\$480,000
Sales Tax	\$103,000	\$52,000	\$219,000	\$374,000
Sales Tax-Criminal Justice	\$90,000	\$50,000	\$140,000	\$280,000
Fines & Forfeits	\$64,000	\$23,000	\$122,000	\$209,000
Electric Utility Payment	\$49,000	\$28,000	\$79,000	\$156,000
Recreation Fees	\$29,000	\$21,000	\$33,000	\$83,000
Permit Fees	\$120,000	\$91,000	\$145,000	\$356,000
Cable Franchise Fees	\$40,000	\$20,000	\$60,000	\$120,000
TOTAL REVENUE	\$2,232,000	\$1,492,000	\$4,116,000	\$7,840,000
NET REVENUES	(\$429,000)	\$251,000	(\$2,273,000)	(\$2,451,000)

Source: Berk & Associates analysis

Note: For more detailed breakdowns of costs and revenues, and for a discussion of the methods used to estimate each cost and revenue source, see Appendix A.

If one looks at annexation scenarios, the *incremental* costs of including or excluding areas will vary. In particular, when one looks at the difference between a large annexation with or without Area 2, the benefits of including Area 2 are likely to be much larger than the *allocated* benefit of \$251,000.

Annexation Scenarios

Four annexation options are available to City:

1. **Annexation of all three Areas:** This scenario would result in the \$2.4 million net cost to the City estimated above.
2. **Annexation of all or part of Area 1:** Area 1 includes the Bryn Mawr Fire Station. If the City were to annex the Area, the Fire Department reports that they would look to close the Bryn Mawr Station and serve the Area from existing Renton Fire Stations. The more of Area 1 the City

annexes, the more challenging it would become for the Department to serve the annexed Area. However, if Renton were to annex the entire Area and provide fire and emergency medical services to the area from existing City stations, the net cost of annexation would be the estimated \$429,000 cited above. In this case, the estimated costs of providing fire service are meant to capture the incremental load that would be placed on the City's existing fire stations and staff.

3. **Annexation of Areas 1 and 2:** If Renton were to annex only Areas 1 and 2, but not annex Area 3, then the logistical difficulties of fire protection noted above would be even more pronounced. In fact, it is unlikely that the City could annex and serve *all* of Area 2 without locating a fire station in, or close to, Bryn Mawr or Lakeridge.

In theory, if Seattle did not annex other portions of West Hill, it would be possible for Renton to enter into a contract arrangement with Fire District 20 and have the Fire District continue to provide services in Areas 1 and 2 in exchange for a City payment. Providing fire services through such a contract would add roughly \$200,000 to the net cost of annexing Areas 1 and 2 presented above. Perhaps more important, in the long run, it would be unreasonable to expect that the Fire District could remain in place (given King County's strong desire to have West Hill annexed). If Renton were to annex Areas 1 and 2, and Seattle eventually annexed remaining portions of West Hill, Renton would be put in a situation where the City would have to provide fire services to the new neighborhoods through a new station. This could dramatically increase the net costs of serving Areas 1 and 2.

4. **Annexation of Areas 1 and 3:** In reality, it would cost the City considerably more to annex Areas 1 and 3 than it would to annex the entire area. The *allocated* cost of annexing Areas 1 and 3 in Table 2 suggest that the two areas combine to generate \$6.3 million in revenue, but \$9.1 million in costs, resulting in a gap of \$2.8 million. In fact, however, in a scenario where Renton takes Areas 1 and 3, and Seattle takes Area 2, the real cost to the city would exceed \$2.8 million.

Having annexed Areas 1 and 3, the incremental cost of providing services to Area 2 for services like police and fire are likely to be small. Once the City has staffed the Skyway Fire Station, the incremental cost of providing fire service to Area 2 will actually be less than Area 2's *allocated* cost of \$270,000 (the cost might be as little as \$100,000 or less). It is probably also true that, once the Renton Police Department establishes patrol districts in Areas 1 and 3, the incremental cost of providing police services to Area 2 could be much less than the *allocated* cost of \$358,000 (this cost might be as little as \$150,000). Overall, on an *incremental* basis, the costs of serving Area 2 might be roughly \$800,000, while the incremental *revenues* generated by Area 2 would approach \$1.5 million. This results in net *incremental* revenues from including Area 2 of \$700,000.

Looking at it from the other direction, **annexation of all three areas would cost the City \$2.4 million (net), but annexation of Areas 1 and 3 alone might have a net cost to the City of as much as \$3.1 million.** The City would bear the cost of staffing a new fire station and two new patrol districts either way, so if Area 2 is excluded, the cost of the station and the patrol districts will remain (and be spread over a smaller base) but the City will lose *all* of the revenues Area 2 generates.

Key Operating Costs and Revenues

In Renton, as in most cities, the majority of the City's costs are concentrated in a relatively small number of service categories and the majority of revenues accrue from a small number of sources. Following is a brief overview of these central cost and revenue categories and a discussion of the impact that differing service demands and revenue bases in the three study areas have on the overall fiscal impacts of annexation.

Major Revenues

Property Tax

Combined, annexation of the three study areas would bring an estimated \$1.2 billion of additional taxable property to the City. In per capita terms, Area 2 (Lakeridge neighborhood) has substantially higher property values than the other two study areas. Assessed value per resident by area is as follows:

- Area 1: \$93,000;
- Area 2: \$135,000; and
- Area 3: \$69,000.

Given these values of taxable property, and given Renton's 2005 regular City levy rate of \$3.14 per \$1,000 of assessed value, if the City had governed the three study areas in 2005, they would have generated roughly \$3.8 million in property tax revenues.

Utility Taxes and Electric Utility Payment

The City of Renton currently levies a 6% tax on revenues that are generated in the City from the sale of telephone services (including cell phone services), natural gas, cable television, and garbage and water/sewer services. The City also levies a tax on the sale of electricity in the city.

Based on statistical analysis of utility tax revenues and characteristics of other cities, we estimate that, as a whole, the utility taxes would have generated slightly less than \$1.0 million in additional City revenues if the study areas had been part of the City in 2005. Of this total:

- 32% would come from taxes on telephone services;
- 33% would come from the water/sewer/storm drainage tax;
- 13% would come from the sale of natural gas;
- 16% would come from cable services; and
- 7% would come from taxes on garbage fees.

All three of the contemplated annexation areas addressed in this study are included in Seattle City Light's service area. Therefore, by State law, they are not subject to the Renton's utility tax on electricity. Rather, the City of Seattle collects electric utility taxes from those residents, and under current law, would continue to do so even if Renton annexed the area.

If the areas were annexed, however, the City of Renton *would* have the opportunity to negotiate a payment from the City Light. Portions of the City of Burien are also served by City Light, and Burien has negotiated a payment roughly equal to 3% of City Light's gross energy billings in the area in question. We estimate that, if Renton were to negotiate an equivalent payment, the City would receive \$156,000 from Seattle City Light.

Presumably, City Light negotiates these payments with neighboring cities for two reasons:

1. It is in Seattle's fiscal interest to ensure that existing State laws do not change. The City of Seattle generates millions of dollars in utility tax payments levied on customers that are not within the City boundaries (and in many cases, are located in other cities). Given that the law appears to be unfair—Burien residents are paying taxes to support City services they don't receive—it seems reasonable that a concerted lobbying effort in Olympia by affected cities could result in a change in the statute or to codify an in-lieu-of payment to neighboring cities. (Tacoma and its neighboring cities would also be affected by a change in the law.)
2. If City Light did not make payments to cities to partially "make up" for lost city utility taxes, and if a change in State law did not occur, the cities in question would have a strong incentive to seek a change in their electrical service provider. To the extent that cities were successful, City Light would see a diminished customer base and the City of Seattle would lose *all* of the utility taxes it collects from those customers.

Very recently, a watchdog group of Seattle residents sued City Light in an effort to, among other things, end City Light payments to neighboring cities like Burien. In recent years, the same group has successfully sued City Light over a number of uses of City Light revenues. Their argument in this case (and past cases) is that these are inappropriate and illegal uses of utility revenues. If successful, it appears that three potential outcomes are possible:

1. Affected cities could lobby the State Legislature for a change in the law which would allow cities to tax revenues generated City Light and Tacoma Power, or to require in-lieu-of payments from Seattle or Tacoma.
2. Affected cities could seek to change their electric service provider in an attempt to keep the utility taxes generated within the City.
3. The City of Seattle, itself, could negotiate payments to neighboring cities. In effect, this would mean that Seattle would have to split the utility taxes it collects in neighboring cities.

Given the choice between splitting revenues and losing them entirely, it would appear that Alternative 3 would be a likely scenario. Faced with the prospect of sharing utility tax revenues or losing them altogether, Seattle would be likely to share the revenues.

Local Sales Tax

For many cities in Washington State, tax dollars generated by the local portion of the retail sales and use tax are the single largest source of city revenues. In 2004, cities in Washington received an average of \$180 per resident in local sales tax revenues. With many of these dollars concentrated in a

handful of larger cities, however, the median city in the state received a far lower \$97 per resident. By comparison, Renton generated approximately \$185 in local sales tax dollars per resident in 2004.

Retail sales tax is calculated as a percentage of the sale price of tangible personal property (with the exception of groceries and prescription medicine) and many services purchased by consumers. Beyond its application to tangible personal property, sales tax is also applied to items such as telephone service; the installation, repair, or cleaning of tangible personal property; and to the construction or improvement of new or existing buildings, including labor and services provided throughout the process.

Of the 8.8% sales tax currently collected in the City and the potential annexation areas, a 1% "local" tax accrues to local jurisdictions. In the unincorporated area the full 1% local tax accrues to King County (with the exception a small portion that is retained by the State Department of Revenue to cover collection and distribution costs). If the transaction location is within a city like Renton, the city receives 85% of the 1% local tax and the County receives 15%.

Combined, the three contemplated annexation areas would generate roughly \$374,000 of sales tax revenue for the City. The sales tax revenues would range from \$23 per capita, for Areas 1 and 2, to \$30 per capita for Area 3.

Major Costs

Police Services

At a total cost of \$3.3 million, the provision of police services represents more than a third of the total operating costs the City would incur if it annexed West Hill. Compared to other allocations of service demand (and hence service costs) we estimate that police costs will be more heavily concentrated in Study Area 3 (Skyway), which has a history of higher demand for police services and higher concentrations of uses that typically drive police service demand (more retail and other commercial activity, casinos, more multifamily housing, and more renter-occupied housing).

Based on statistical modeling of hundreds of cities in Washington State (which derives demand for police staffing from the unique mix of characteristics of each city), and based on Renton's current level of service, Berk & Associates estimates that annexation of all three areas would increase the need for commissioned officers by 17% above current police staffing levels in the City of Renton.

With Berk's demand model as a starting point, the Renton Police Department assessed the logistical demands of policing West Hill and estimated that the Department would need to create two additional patrol districts in West Hill. All together, the Department estimates that serving West Hill will require a combined 20% increase in staffing, adding 27 full-time-equivalent positions to the Department.

Allocations of costs presented in Table 2 are based on the relative share of demand generated from Berk & Associates' statistical model. In practical terms, however, Area 2 is expected to generate only a small portion of demand for police services. Given this low demand, and given the logistical requirements of policing Area 3, it is likely that if the City has committed to policing Area 3, the

incremental costs of policing Area 2 would be quite small—even smaller than the \$358,000 cost included in Table 2.

Fire and Emergency Medical Services

The estimated costs Renton would incur to provide fire and emergency medical services (EMS) in the contemplated annexation areas is based on the City's 2005 budgeted costs of providing service, multiplied by the estimated additional demand for fire staffing that the contemplated annexation areas would have introduced in the same year. Based on smaller land area, lower population, and close proximity to Renton's current fire stations, if only Study Areas 1 and 2 were annexed to the City, the assumption is that Renton Fire Department would continue to serve these areas out of its existing fire stations, marginally increasing demand for staffing and support services. However, given the distance between the City's existing stations and the far reaches of Area 2, providing fire services to all of Area 2 would be difficult at best. This means that, absent annexation of the Skyway Fire Station, it would probably not be feasible for the City to annex and serve *all* of Areas 1 and 2.

If Renton were to annex all of West Hill, the Fire Department indicates that it would close the Bryn Mawr Station (which is old, small, and not necessary for effective provision of fire and EMS services) and would service the area from the existing Skyway Fire Station.

The fire service costs for annexation of Area 3 would be significantly higher as evidenced in Table 2. These expenditures were estimated based on conversations with Renton Fire Department and an assumption that staffing for one engine and one aid car would be located at the Skyway Station.

Currently, Fire District 20 staffs West Hill with a small number of full-time firefighters, while rounding out their staffing with volunteers. This means that, depending on the time of day, staffing at the two stations varies from a low of three or four during the day (enough to staff an engine) to higher levels in the evenings (enough to staff one or more engines and an aid car). Renton's approach would be to staff the Skyway Fire Station with five positions 24 hours a day, seven days a week, enough to staff an engine and an aid car, and rely on the City's other stations for backup. This would typically mean that Renton would bring greater capacity to respond to emergencies during the day, while Fire District 20's staffing levels allow slightly greater capacity in the evenings. (Typically, fire departments might expect to see their greatest demand between 9:00 in the morning and 9:00 at night.)

It is worth noting that Fire District 20 currently maintains lean staffing during parts of the day (times that are typically considered peak demand hours) and residents of West Hill report that they are very satisfied with the service they receive.

As with police services, Area 2 is expected to generate only a small portion of demand for fire and EMS services. Given this low demand, and given the requirements of staffing the Skyway Fire Station, it is likely that, if the City has committed to providing fire and EMS services to Area 3, the incremental costs of serving Area 2 would be quite small—substantially smaller than the \$270,000 cost included in Table 2.

Public Works

The core public works functions that are included in the summary of operating impacts include those operating functions that are funded out of the City's General and Street funds. In total, provision of

these services in the contemplated annexation areas is estimated to cost the City slightly more than \$1.7 million. This Department is comprised of the following divisions and their respective budgets: Development Services (\$600,000), Maintenance Services (\$627,000), Transportation Systems (\$344,000), and Utility Systems (\$84,000).

Community Services

Among the three contemplated annexation areas, only study Areas 1 and 3 (Bryn Mawr and Skyway, respectively), currently include park facilities. Area 1 includes Bryn Mawr Park (4.81 acres), which would be classified as a passive park (Table 3). Area 3 has Skyway Park, consisting of 23.08 acres which offers athletic fields and open play areas and would be classified as an active park. In relation to all three study areas combined, these parks provide the residents of West Hill with 2.0 acres of parks per 1,000 residents, with an emphasis on active parks.

King County Library System’s Skyway Library is located in Area 3, and Renton indicated that it would transition this branch into its library system if it annexed Area 3. The cost of operating and maintaining the Library would be approximately \$350,000 annually. However, if Renton proceeds with annexing Areas 1 and/or 2 only, the City may not have to bear this cost, under the assumption that the residents of these areas will continue to use the KCLS’ Skyway Library.

The King County Library System is currently planning to build a new 8,000 square foot Skyway Library in 2011. Representatives at King County are currently working with KCLS to ensure that the new library will be completed even if the area annexes to Renton. Skyway Library is highly valued by residents and businesses in West Hill, and ensuring construction of the new library is likely to be a necessary condition for any successful vote for annexation.

In total, community services costs would total approximately \$1.2 million if all three West Hill study areas were annexed at the same time. Since Area 3 includes the library and most of the park acreage, Area 3 is associated with the majority of community services costs (\$930,000).

The remaining \$230,000 of estimated community services costs is split between study Areas 1 and 2. These costs are mostly driven by demand for recreation services, which in turn are driven by the population base. The costs for community services for Area 1 are almost \$150,000, accounting for a passive Bryn Mawr park located there.

Table 3: Park Facilities in Study Areas

PARK NAME	ACRES	LOCATION	FEATURES
Bryn Mawr Park	4.81	Area 1	Open play field
Skyway Park	23.08	Area 3	Athletic fields, open play field, play area
Total	27.89		

Source: King County Parks

Community Services reports that they would seek to provide recreation activities at each of the three elementary schools in West Hill (Bryn Mawr Elementary in Area 1, Lakeridge Elementary in Area 2, and Campbell Hill Elementary in Area 3).

Key Capital Costs and Revenues

Major Capital Costs

Road Facilities

The table and map below summarize the roads facilities currently maintained by King County in the West Hill area. Overall, West Hill has 50.1 miles of roads whose maintenance would become the responsibility of the City upon annexation. Adding West Hill to the City would increase the City’s road miles by almost 26% (increasing the City’s inventory from 196 miles now to 246 miles upon annexation).

**Table 4
Existing West Hill Roads Facilities**

Area	Road Miles	Curb/Gutter (linear feet)	Open Ditch (linear feet)	Enclosed Pipe (linear feet)
1	17.3	26,062	17,241	62,250
2	10.4	10,984	13,908	43,591
3	22.4	80,174	24,460	60,960
Total	50.1	117,220	54,809	116,801

Source: King County Roads Services Division, Department of Transportation, Berk & Associates

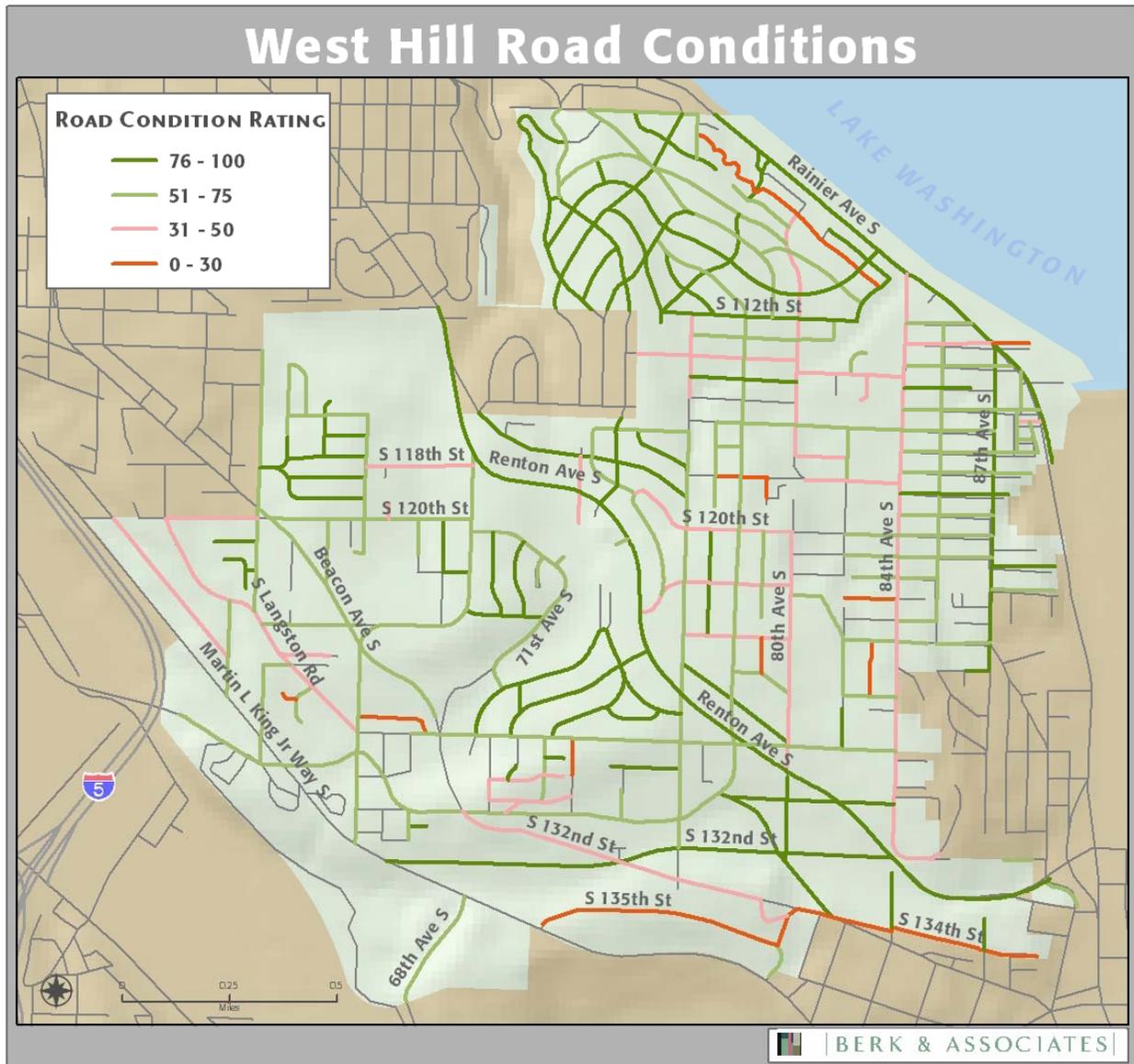
Upon annexation, the City of Renton would be newly responsible for just over 50 paved lane miles in West Hill, including several neighborhood streets with a poor pavement condition rating (below a score of 20, meaning that over 40% of the roadway has cracking). Each City sets different standards for the rating which is explained in Table 5. This score is below the standards set by Renton, and these roads would need to be brought up to Renton’s standards through the City’s overlay program.

**Table 5
King County’s Pavement Condition Scores**

Score	% Cracking	Rating
75+	0-10%	Excellent
50+	11-25%	Good
30+	26-40%	Fair
0+	41%	Poor

Source: King County Roads Division, Department of Transportation

**Figure 2
Pavement Conditions on West Hill Roads**



Source: King County Roads Division, Department of Transportation

Identified Road Facility Needs

In addition to the current condition of roads facilities, West Hill residents participated from September 2000 to March 2001 in a process with King County's Road Services Division to identify their transportation priorities. The Roads Division convened a 14-member citizen advisory group to review and make recommendations about pedestrian, bike and traffic safety improvements in the West Hill area. The study acknowledged the significant change the West Hill area had seen, with increases in

population and housing density and sought the perspectives of West Hill residents' priorities. As noted in the table below, a capital project was created from the Division's Neighborhood Enhancement Program (NEP) for improvements.

The group's recommendations for prioritizing these funds were four-fold:

1. Implement King County Road Services Division's recommended solutions in high-priority areas and as suggested by the advisory group (included 11 priority pedestrian walkway projects and four additional projects to be included if funding is available).
2. Use all available funding sources to extend and expand the number of projects that can be accomplished, with an accompanying list of projects (primarily focused on pedestrian safety).
3. Keep a strong focus on major corridor concerns, sidewalk, drainage ditches and speeding in the neighborhood, particularly on Rainier Avenue south, MLK Boulevard and Renton Avenue.
4. Study five areas to evaluate the feasibility of recommended improvements: Rainier Avenue South, Renton Avenue South, Renton Avenue South Business District, South 129th Street and Interstate Access, and pedestrian and bicycle circulation.

From this set of recommendations the County's Transportation Needs Report (TNR) was also updated in 2004. The TNR identifies and plans for major capital investment needs for the roadways located in the unincorporated area of King County projected for 2022 and analyzes the County's ability to meet those needs within the revenues projected to be available to fund the County's capital projects over the same time period. It is in annually adopting the Roads Six-Year CIP that decisions are made about which of those projects will be constructed in the near-term six years.

For West Hill, the TNR identifies a total need of \$8.2 million in roads improvements. Each project is assigned a priority within four levels (high, medium, low, and to-be-determined). Most of the projects are assigned a low priority or "to be determined" priority. High-priority projects total \$358,000 for pedestrian and signalization improvements in the following areas:

- S 126th St from Renton Ave S to 74th Pl S;
- 78th Ave S from S 128th to S Langston; and
- Rainier Ave S from 57th Ave S to SW Grady Way.

Planned and Funded Road Improvements

The table below identifies the current King County Capital Improvement Plan roads projects funded for West Hill. Major investments total nearly \$700,000 in 2005 and \$500,000 in 2006, with a primary focus on "quick response" projects identified in the West Hill Advisory Group Report, South 132nd Street, and pedestrian improvements. At least half of the projects referenced represent the project's share of countywide debt service and do not represent actual capital investments.

Table 6
King County Planned and Funded Road Improvement Projects, 2005-2006

Fund	Project	Project Name/Description	2005 Funding	2006 Planned
Fund 3850	300802	West Hill Quick Response (based on W. Hill Advisory Group Report)	\$600,000	
	800101	Renton Bldg Bond Debt Retirement (share of councilmanic bond)	\$4,292	
	800205	Hud Debt Service (share of larger project)	\$7,288	
3850	Total		\$611,580	
Fund 3860	300207	S 132nd St Roundabout (and 80th Avenue South, high accident location)		\$500,000
	300505	S 132nd St	\$259,000	
	700005	Pit Site Improvements	\$5,506	
	999386	Cost Model Contingency - 386	\$55,671	
	RDCW04	C/W Guardrail Program	\$33,556	
	RDCW14	Project Formulation	(\$15,973)	
	RDCW16	Permit Monitoring & Remediation	\$9,110	
	RDCW19	C/W Signals	\$16,008	
	RDCW26	C/W Overlay	\$164,582	
3860	Total		\$527,461	
	RDCW28	Non-Motorized Improvements	\$92,716	
	Total		\$92,716	
Grand Total			\$1,231,757	

Source: King County Transportation Needs Report, Department of Transportation, Berk & Associates

These exhibits suggest that the City of Renton would face the \$8.2 million in six-year capital road needs, of which \$358,000 in projects are identified as high-priority; and about \$200,000 annually for roads overlay.

Surface Water Management Facilities

King County Division of Water and Land Resources reports that 18 privately owned drainage facilities, and 11 (County-maintained) residential drainage facilities exist in the West Hill area. Of the publicly-

maintained surface water facilities (e.g. retention ponds, tanks or ditches), four are located in Area 1 and six are in Area 3.

King County currently manages three types of SWM capital projects in West Hill, with costs that vary up to \$100,000 each year depending on the demand for drainage assistance projects.

1. **Drainage assistance projects which arise from drainage complaints.** These are one-by-one “fixes” that are identified based on a complaint, investigated, and affect three or more properties or are the result of upstream development. Project investments could range from \$1,000 to \$70,000.
2. **West Hill Drainage Projects capital project.** This is a capital project that contains a small amount of funding to provide new culverts, ditches, and efforts needed to maintain the public right-of-way. Investments made through this project have slowed considerably in recent years because projects are contingent on landowners’ acceptance which has not been received.
3. **Maintenance of three regional retention/detention facility ponds (also known as “R&D” projects by the Division).** These three stormwater facilities are located at South 123rd St. & 84th Avenue S; South 112nd St. & 82nd Avenue South; and inside the boundaries of Skyway Park. The County took ownership of these facilities when new developments came on-line, and Renton would be responsible for maintaining them upon annexation.

Historically, the Water and Land Resources Division has funded seven neighborhood drainage capital projects, all relatively low-cost (below the threshold level of investment needed to warrant the creation of a capital project). The Division has not identified or funded any critical surface water management needs or projects in the recent past, and none are identified for the future. In addition, King County has no plans to construct curb and gutter storm drain infrastructure, which is considered an urban service.

Likewise, the Utility System Director and Planning/Building/Public Works Department has indicated that Renton does not have plans to construct drainage infrastructure in the City and would maintain existing drainage facilities and respond to complaints and emergent needs by prioritizing and funding projects in keeping with Renton Utilities’ prioritization and funding process.

Parks & Recreation Facilities

King County currently operates and maintains two parks in the West Hill area:

- Skyway Park, located at South 1210th and 70th Place South: 23.08 acres including 3 baseball fields, 2 barbecue facilities, a bridge, a football field, a soccer field, restroom, tennis courts and sport courts, open playfields, picnic shelter and play equipment.
- Bryn Mawr Park, located at 118th & 80th Avenue South: 4.81 acres of open space with no facilities.

King County has no planned or historic capital investments in either park, and states that there are no unfunded capital needs for the parks.

In the City of Renton, parks that receive high public use, with tennis courts, formal play fields, playgrounds and substantial parking receive larger shares of the budget than those containing only play fields, and require more capital maintenance. Nearly 28 new acres of park land would be added to Renton's current 1,008 acres, representing slightly less than 3% of Renton's park lands. It is unlikely that the City of Renton would change the classification of these parks or make major capital investments in either park (except for a future investment in field conditioning or replacement of the play equipment which would likely be included in the City's parks major maintenance budget).

Finally, the community center in West Hill represents a potential capital cost to Renton, but far in the future. Skyway Community Center/Boys & Girls Club facility, located at 12400 80th Avenue South, is co-located with Dimmitt Middle School. The facility is owned by King County, and leased for 15 years, through the year 2018, to the Boys & Girls Clubs of King County, which maintains and operates the facility. King County would retain ownership of the asset for the life of the lease. At that time, the disposition of this facility would likely be negotiated between the King County and the City of Renton. Upon annexation, it is not expected that this facility would present any capital cost burden to the City of Renton.

Utilities

Finally, there are roughly 350 households that are in an area of West Hill not currently served by the Skyway Water and Sewer District. The City of Renton has entered into an agreement stating that, in the event of annexation, the City would be the provider who would ultimately extend water and sewer service to these unserved areas. Upon annexation, when the time comes to extend water and sewer service to unserved areas, the City will face the decision of who bears the cost of that extension. The costs could be borne by the owners of the added properties, or the costs could be borne by ratepayers across the city.

Capital Revenues Generated in West Hill

From three revenue sources, Renton could expect to generate up to \$900,000 in annual revenues to support capital projects from three sources: the business license fee, real estate excise tax, and surface water management fees.

Business License Fee

The City of Renton's policy is to dedicate business license fee revenues (paid by businesses based on the number of employees) to capital expenditures. Based on the complement of businesses in West Hill today, this revenue source would generate approximately \$47,000 in revenues that could support capital projects.

Real Estate Excise Tax

The three contemplated annexation areas would be expected to generate \$504,000 in Real Estate Excise Tax (REET) revenues, as shown below by area.

**Table 7
Estimated Real Estate Excise Tax Revenue
from West Hill (2005 dollars)**

Study Area	REET Revenue
1	\$146,000
2	\$87,000
3	\$271,000
Total	\$504,000

Source: Berk & Associates analysis

REET revenues are statutorily restricted in their use to the funding of narrowly defined sets of capital expenditures and are not included in our calculation of operating revenues available to defray the day-to-day costs of providing governmental services, but these revenues would be available for capital projects. Estimated REET revenues reflect the average value of real estate transactions in each study area over the past five years.

In addition to existing REET authority, the Washington State Legislature expects to consider legislation in the coming session that would create a new 0.4% Real Estate Excise Tax that would replace mitigation fees for cities that choose to make the switch. If enacted, the new tax would generate another \$400,000 per year in West Hill, further bolstering the areas' ability to finance capital investments.

Surface Water Management (SWM) Fees

Based on Renton's surface water utility rates for single family and commercial users, the three study areas combined would generate roughly \$387,000 in surface water fees each year; all of these revenues would be used to cover the operating costs of maintaining non-roadway facilities, or for capital or other SWM-related uses.

Long-Run Fiscal Impacts

As has been established in the discussion of current operating impacts, annexation of West Hill will introduce annual costs to the City of Renton's operating budget. Having clarified short-term costs, the next question is: *What is likely to change in the future?* If Renton annexes West Hill, looking 20 years into the future, is West Hill's fiscal role likely to be one of improving the City's fiscal sustainability? Or, is West Hill likely to remain a net absorber of City resources?

Given existing fiscal challenges, Renton's strongest fiscal engine for the future is likely to be growth in retail sales taxes. Among the City's three major tax sources: (1) property taxes, (2) sales taxes, and (3) utility taxes, only retail sales tax is likely to grow at a rate of 5% or more (a rate of growth the City will probably need in order to maintain current levels of service). If retail sales tax *is* the engine of City revenue growth (and if the City does not mitigate the eroding effects of I-747 through levy lid lifts) then *all* of the City's residential neighborhoods (including West Hill) are likely to become a greater net cost to the City in the long run.

One force that will strengthen the contribution of residential neighborhoods as a whole are proposed *sales tax sourcing rule changes* that will allow cities to collect sales taxes on delivered goods based on the point of delivery (as opposed to the current practice of taxing them based on the point of origin). Looking farther into the future, interstate taxation of delivered goods (purchased through the internet or via catalog) would further strengthen the value of residential neighborhoods to a city's tax base. Other factors that are specific to West Hill include:

1. Potential shifts in Renton's ability to collect electric utility taxes in West Hill (see discussion below); and
2. Potential for improved competitiveness of West Hill's commercial center on Renton Avenue.

If Renton does secure levy lid lifts in future years to mitigate the impacts of I-747, then higher-than-average property value increases in West Hill could generate significant revenue growth.

One large potential risk the City faces revolves around the prospect that, at some point in the future, one or both of West Hill's casinos could close, reducing revenues to the City by \$1 million.

While many uncertainties exist, scenarios do exist that would suggest that the revenue shortfall in West Hill could narrow by, perhaps, as much as a million dollars in coming years. Such a scenario would include implementation of taxation on interstate purchases (accompanied by trends towards more internet purchase); levy lid lifts to forestall the eroding effects of I-747 on the City's property tax levy; above average increases in West Hill property values, and a change in Renton's ability to tax electric utility revenues in West Hill.

Negative scenarios would include some combination of no levy lid lifts (resulting in continued erosion in Renton's levy rate), poor property appreciation in West Hill relative to the rest of the City, and/or eventual closure of West Hill's casinos.

A Framework for Looking Ahead

A 20-year future forecast for a City like Renton will contain a great deal of risk and uncertainty.

On one hand, the City will continue to grow as it annexes areas to the east. This growth will introduce new streams of revenue and new sources of cost. In most cases, at the time of annexation, new areas will represent service demands, and therefore costs, for the City.

On the other hand, the City also expects to undergo massive change through redevelopment over time. It is possible, perhaps even probable, that most of Renton's commercial center will look completely different in twenty years. The assessed value of downtown Renton could easily double in coming decades as entire areas of the City shift from underutilized residential or commercial land to high-value commercial or residential. This redevelopment can be expected to bring with it strong growth in property tax revenues, retail sales taxes, utility taxes, and business license fees.

Adding even more to the complexity are questions of tax structure. If left unchecked, I-747 limits on property taxes could erode Renton's property tax base to the point that property taxes will become a relatively unimportant component of the City's revenue stream. Since property taxes are the major revenue source that Renton receives from residential neighborhood, this could mean that *any* residential neighborhood would become a net cost to the City. On the other hand, implementation of Sales Tax Streamlining, changes in *sourcing* rules, and the potential taxation of interstate internet commerce could *increase* revenues from residential neighborhoods, particularly high-value housing.

With all of these moving parts, we believe that the best way understand how West Hill's fiscal contribution to Renton is likely to change in the future is to (1) look at the likely growth in *costs* Renton will be facing in coming decades; (2) look at the likely engines of Renton's revenue growth in the future; and (3) look at how a changing West Hill is likely to fit into that picture.

Potential Shifts in Service Costs

Over the long term, Renton, like any other city in the country, should expect to see high rates of growth in the costs of providing governmental services. The cost of government services are largely driven by costs of labor, and for the foreseeable future, the costs of labor can be expected to increase faster than the core rate of inflation. The principal drivers of this growth are (1) rapid growth in the cost of health care and health insurance, and (2) productivity increases in the private sector, which drive increases in the marginal value (and cost) of labor.

Given trends towards redevelopment of property in areas radiating out from downtown Seattle (including redevelopment in southeastern Seattle), one can expect neighborhoods in West Hill to see increased investment in coming decades. With this increased investment, one could also expect to see decreased levels of demand for services such as police and fire services. Ultimately, however, given the logistics of providing police and fire services to West Hill, it is hard to envision any substantial reduction in the staffing levels in the Skyway Fire Station or in West Hill patrol districts. Demand for services that reflect a community's quality of life, such as parks, would be expected to increase.

What all of this means is that West Hill's costs of service are likely to increase at the same rate as costs increase throughout the remainder of the City. This means that the question of whether West Hill continues to be a drain on City resources lies with questions of revenue generation.

Potential Shifts in Revenue Generation

Given expected growth in City service costs, if the City of Renton wants to maintain current levels of service it will probably need to generate 5% more in revenues each year (again, not including revenues that come from population growth). Given recent history, revenue growth of 5% or more is possible for the City.

Most of the contributions to Renton's revenue growth will need to come from three sources:

- **Retail sales tax:** Over the past 12 years, retail sales tax has been the principal engine of Renton's revenue growth, growing at an average annual rate of 6%. In order to maintain this level of growth, Renton will need to continue to capture a large portion of retail expenditures in south King County. Although the City faces challenges, potential for redevelopment of key commercial areas offers the City opportunities to continue rapid retail growth.
- **Property taxes:** In a world of I-747 limits on property tax growth, growth in Renton's property taxes will likely be dictated by (1) the 1% nominal growth allowed under I-747; (2) the value of renovations and redevelopment (which might average between 1% and 2% of the City's assessed value each year); and (3) added value from City growth—either through construction or annexation. For purposes of this discussion, revenue growth from factors 1 and 2 will drive *core* revenue growth. Combining the two factors suggests that the City's core property tax growth will probably range between 2% and 3% each year.
- **The one method available to Renton for increasing property tax revenues at higher rates is to commit to seeking "levy lid lifts" from City voters.** If voters were to approve a series of levy lid lifts that allowed the City to maintain its current levy rate over the coming years, then property tax revenues from "built" areas of the City could increase at a much faster rate (driven by overall increases in property values).
- **Utility taxes:** Utility taxes in Renton currently generate roughly \$10 million per year, which represents a little less than 20% of the City's tax revenue. From 1994 through 2003, per-resident utility tax revenues in the City have increased at an average annual rate of 3.6%. This suggests that utility taxes as a share of City revenues are likely to slightly outpace property taxes (absent a levy lid lift) but they are unlikely to keep pace with growth in retail sales taxes.

West Hill's Impact

Retail Sales Taxes

West Hill has one community commercial center on Renton Avenue that currently generates relatively little retail sales tax. This retail center faces a number of challenges:

- It is bisected by geography and high-voltage transmission lines, which makes it difficult for the area to generate any critical mass of activity;
- The commercial center has received little support from any governmental economic development entity; and
- Its core market area (perhaps 10,000 to 12,000 people) is populated by two different demographic concentrations: (1) relatively affluent households in Lakeridge and Bryn Mawr, and (2) lower-income households in neighborhoods more removed from Lake Washington. Many retail outlets, including grocery stores, find it difficult to simultaneously serve its base market of lower-income households and at the same time, attract higher income households from the ridge.

If Renton were to annex West Hill, and if the area were to continue to redevelop, one could expect the performance of West Hill's commercial center to improve in coming years. A combination of local governmental support from the City and a potential narrowing of the demographic gap in the area could be expected to result in a more vibrant community commercial center.

However, even a relatively strong neighborhood commercial center in West Hill will generate only modest sales tax revenues (perhaps in the range of \$400,000 [compared with perhaps \$150,000 generated in the center currently], or \$30 per West Hill resident). Moreover, from Renton's perspective, it is important to bear in mind that many of the people who live in West Hill already do a portion of their shopping in Renton. This means that, as a neighborhood of Renton, a \$1 million increase in taxable sales in West Hill does not translate into a \$1 million net gain to the City taxable sales as a whole.

Under a scenario where West Hill's commercial center was to increase taxable retail sales by \$250,000 per year, one could envision that \$100,000 of those additional revenues would be new revenues to the City.

Property Taxes

Given recent redevelopment trends in southeast Seattle, particularly in areas that enjoy views; given worsening congestion on Puget Sound highways; and given the access that West Hill has to centers of employment growth in downtown Seattle and South Lake Union, one could expect West Hill to see substantial redevelopment in years to come.

A review of residential property transactions in the past 11 years shows a clear concentration of properties radiating out from downtown Seattle that have seen annual valuation increases of 12% or more between property sales (see Figure 3). These concentrations of rapid valuation growth probably have two causes:

1. The areas in question have been the areas in the Puget Sound region that have seen the greatest general price appreciation over the past decade; and
2. As older neighborhoods, the areas of rapid value growth have been prime areas for housing renovation and redevelopment. In other words, if someone bought a house in 1995, renovated the house, and then resold it in 2002, then one would expect the increase in value to be very high.

If one looks at the map in Figure 3, it appears that West Hill in general, and the neighborhoods of Lakeridge and Bryn Mawr in particular are in line to see valuation increases in the coming decade. As has been true in southeast Seattle, these increases in values are likely to be accompanied by renovation and redevelopment of residential neighborhoods.

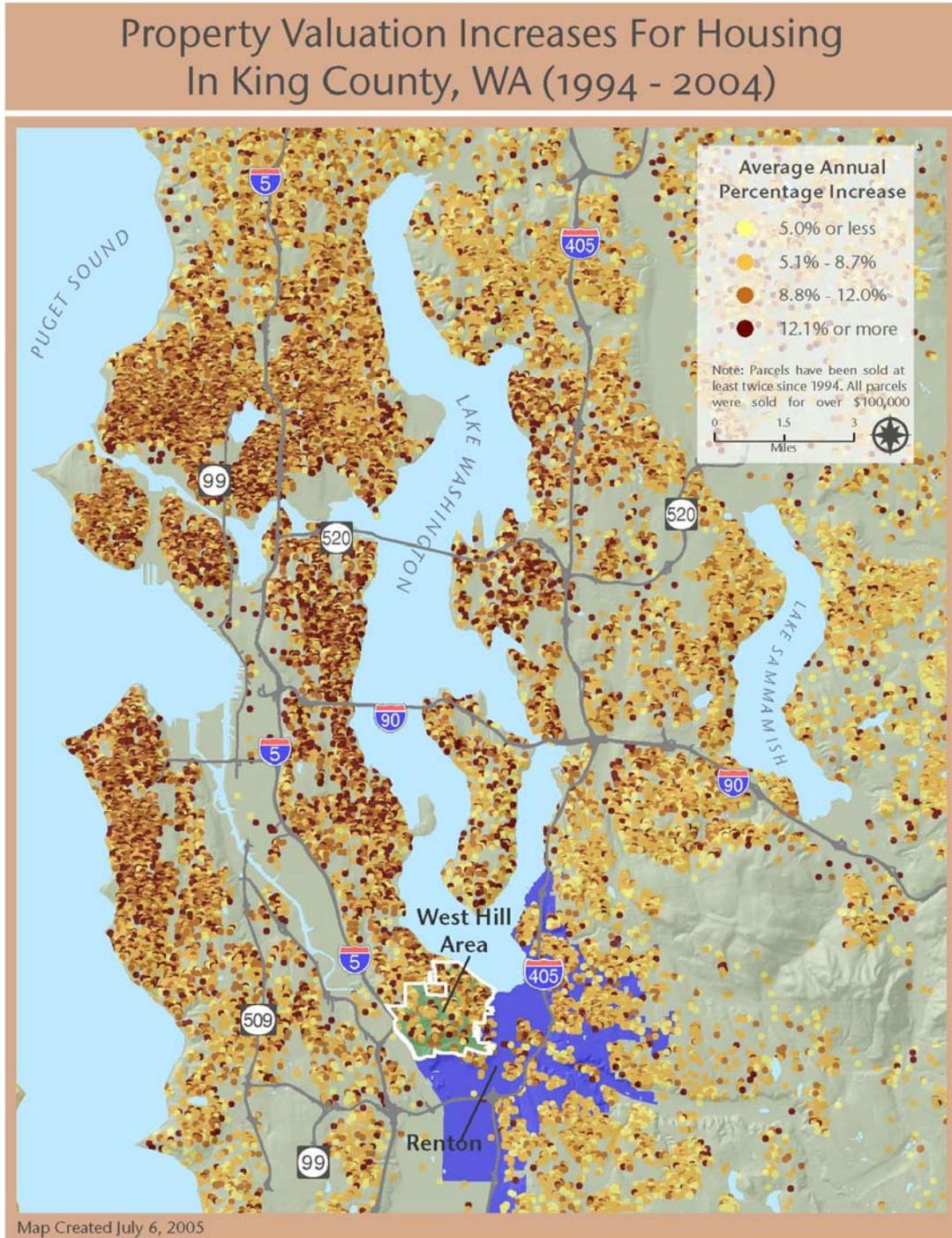
In southeast Seattle neighborhoods around Rainier Beach and Seward Park, recent years of renovation and redevelopment have resulted in “new” assessed value averaging in the range of 1% to 2% of existing assessed value per year. If West Hill were to achieve “new” assessed value equal to 2% of existing value, then that growth, combined with the 1% growth in revenues allowed by I-747 would result in property tax growth of roughly 3% per year. This level of growth would probably be enough to keep pace with property tax growth in the remainder of Renton, but it would probably not be enough to keep property tax from slowly eroding as a revenue source for the City.

If, however, Renton were to pursue a program of securing regular levy lid lifts, then it is possible that strong growth in property values in West Hill would generate substantial increases in net revenues from the area. Many possible scenarios exist, but if existing property in West Hill was to increase in value at an average annual rate of 7% per year, while properties in the remainder of Renton were to increase at a slightly lower rate of 5% or 6% per year, then over time, West Hill would become a much more important source of City property tax revenues (assuming, again, that the City secured levy lid lifts that allowed the City’s levy rate to remain at or near current levels).

If the City did not secure levy lid lifts, then I-747 limits would prevent the City from benefiting from property value increases in West Hill. Instead, faster growth in values in West Hill would end up reducing City property taxes for other Renton property owners. An illustrative example:

If values of existing properties in West Hill were to increase by 7% per year, while properties in the remainder of Renton increased at 5%, absent levy lid lifts, Renton would still see the same growth in revenues (the growth dictated by I-747 limits). However, the faster-value growth in West Hill would drive down levy rates more quickly—an additional \$0.10 in ten years—and would result in Renton homeowner saving roughly \$50 in property taxes (for a house valued at \$300,000 now, and \$500,000 ten years from now).

Figure 3: Property Value Increases for Housing



Source: King County Assessor's Office, Berk & Associates

Note: Annual increases in value for each property apply to the period between the first and last transaction for the property in question. For example, if a property first purchase within the timeframe was 1996 and the property's last sale was 1998, the annual growth rate detailed in this graphic applies to the period between 1996 and 1998.

Other Potential Impacts

Other developments in West Hill, or in municipal fiscal structure, could affect West Hill's future contribution to Renton's fiscal strength.

- **Sales Tax Streamlining/Sourcing Rule Changes:** Changes in sales tax sourcing rules that have been proposed by the Washington State Department of Revenue will create winners and losers among cities. The State's current sourcing rules determine the point of sale for many delivered goods to be the origin of delivery. Proposed rule changes (designed to pave the way for taxation of interstate retail sales through the internet or catalog) would change the point of sale for such delivered goods to the place of delivery.

The expected impact of the rule change will be loss of sales tax revenues generated from warehouses, industrial uses, and other originators of delivered goods and an increase in sales tax revenues for recipients of delivered goods (households, most offices, hospitals, etc.).

Current estimated impacts suggest that changes in sourcing rules will have a net negative impact on the City of Renton. However, changes in sourcing will definitely have a positive impact on sales tax revenue generation in West Hill.

Looking far into the future, it is hard to forecast what people's purchasing habits might be, but one can imagine that high-income households could become significant generators of sales tax revenues. If a household were to have \$10,000 of goods delivered, then that household would generate roughly \$85 in additional city sales taxes.

- **Electric Utility Tax/Payment:** As discussed previously, the working assumption of West Hill revenue estimates is that City Light or the City of Seattle would negotiate an agreement with Renton to, in effect, split the electric utility taxes that Seattle now collects from West Hill residents and would continue to collect upon annexation. If, however, the current legal challenge to those payments is successful, then a variety of developments are possible. It would appear that two potential paths would strengthen Renton's ability to collect utility tax revenues in West Hill:
 1. The State Legislature could change the current statute that allows Seattle and Tacoma to levy utility taxes on electric customers outside Seattle and Tacoma boundaries and, instead, allow cities like Renton to tax those utility revenues (or receive an in-lieu-of payment from the utility); or
 2. The City of Renton could seek to change electric service providers in West Hill, presumably to Puget Sound Energy, which would allow the City to levy its existing 6% tax on electric utility revenues.

Either of these scenarios would probably increase revenues generated in West Hill by roughly \$200,000.

- **Gambling Taxes:** Gambling taxes from West Hill's two casinos are estimated to generate more than \$1 million in revenues for the City. If those two casinos were to ever close, then the net cost of extending City services to West Hill would increase by that amount.

Technical Appendix A

Table 8: Summary of Operating Costs for Contemplated Annexation Areas (2005 Dollars)

NOTES	Operating Costs	Area 1	Area 2	Area 3	TOTAL
A	Police Services	\$1,009,000	\$358,000	\$1,912,000	\$3,279,000
B	Fire Services	\$538,000	\$270,000	\$1,855,000	\$2,663,000
C	Planning, Building & Public Works	\$557,000	\$349,000	\$769,000	\$1,675,000
D	<i>Development Services</i>	<i>\$199,000</i>	<i>\$151,000</i>	<i>\$242,000</i>	<i>\$593,000</i>
E	<i>Maintenance Services</i>	<i>\$217,000</i>	<i>\$130,000</i>	<i>\$282,000</i>	<i>\$630,000</i>
F	<i>Transportation Systems</i>	<i>\$104,000</i>	<i>\$50,000</i>	<i>\$190,000</i>	<i>\$344,000</i>
G	<i>Utility Systems</i>	<i>\$28,000</i>	<i>\$12,000</i>	<i>\$44,000</i>	<i>\$84,000</i>
H	Community Services	\$148,000	\$82,000	\$930,000	\$1,160,000
I	Administrative, Judicial & Legal Services	\$150,000	\$62,000	\$316,000	\$528,000
J	Finance and Information Services	\$92,000	\$45,000	\$219,000	\$356,000
K	Human Resources & Risk Management	\$20,000	\$10,000	\$47,000	\$77,000
L	Economic Development	\$23,000	\$5,000	\$47,000	\$75,000
M	Legislative	\$4,000	\$2,000	\$9,000	\$15,000
N	Staff-related Facility Costs	\$120,000	\$58,000	\$285,000	\$463,000
TOTAL COST		\$2,661,000	\$1,241,000	\$6,389,000	\$10,291,000

Source: Berk & Associates analysis

Table 9: Summary of Operating Revenues for Contemplated Annexation Areas (2005 Dollars)

NOTES	Operating Revenue	Area A	Area B	Area C	TOTAL
O	Property Tax	\$1,280,000	\$970,000	\$1,550,000	\$3,800,000
P	Gambling Tax	\$0	\$0	\$1,040,000	\$1,040,000
Q	Utility Tax	\$304,000	\$155,000	\$483,000	\$942,000
R	Telephone	\$96,000	\$46,000	\$159,000	\$301,000
S	Water/Sewer/Storm Drainage	\$100,000	\$49,000	\$157,000	\$306,000
T	Gas	\$39,000	\$24,000	\$59,000	\$123,000
U	Cable TV	\$48,000	\$23,000	\$75,000	\$146,000
V	Garbage	\$21,000	\$12,000	\$34,000	\$67,000
W	State Shared Revenues	\$153,000	\$82,000	\$245,000	\$480,000
X	Sales Tax	\$103,000	\$52,000	\$219,000	\$374,000
Y	Fines & Forfeits	\$90,000	\$50,000	\$140,000	\$280,000
Z	Sales Tax-Criminal Justice	\$64,000	\$23,000	\$122,000	\$209,000
AA	Electric Utility Payment	\$49,000	\$28,000	\$79,000	\$156,000
BB	Recreation Fees	\$29,000	\$21,000	\$33,000	\$83,000
CC	Permit Fees	\$120,000	\$91,000	\$145,000	\$356,000
DD	Cable Franchise Fees	\$40,000	\$20,000	\$60,000	\$120,000
TOTAL REVENUE		\$2,232,000	\$1,492,000	\$4,116,000	\$7,840,000

Source: Berk & Associates analysis

Table 10: Notes on Sources, Methods and Assumptions for Estimated Costs and Revenues

KEY	Operating Costs
A	<p>Estimates of police expenditures represent a combination of (1) discussions with Renton Police Department staff, and (2) Berk & Associates forecasts of the incremental increase in the demand for service that Renton Police should expect given the commercial and demographic characteristics of the areas of analysis.</p> <p>Representatives of the Renton Police Department provided estimates of the staffing that would be required to extend Renton’s existing levels of police services to each of the study areas. For assessment of the additional demand for service that Renton Police would see upon annexation of each of the study areas, Berk & Associates relied on (1) comparisons of the relative level of commercial activity among the existing City of Renton and each of the three study areas (as measured in terms of non-Services employment [with non-Services employment defined as private-sector employment for all employment sectors except for the Finance, Insurance, Real Estate, and Services sector]) and (2) comparisons between the demographic characteristics of the residential bases in Renton and each of the three</p>

populated study areas.

Among households in each of the study areas, estimates of police demand are based on differences in housing unit type and tenure, distinguishing between households who live in (1) owner-occupied single-family homes, (2) renter-occupied single-family homes, (3) owner-occupied multifamily, (4) renter-occupied multifamily, and (5) mobile homes. Estimates of the relative contribution of each of these segments to police demand is based on a series of statistical analyses in which Berk and Associates assessed the fundamental characteristics and experiences of more than 100 cities across Washington State to identify the “typical” contribution to police demand driven by each residential category. These “typical” contributions were then scaled to match with Renton’s experience.

As is true for all cost estimates, the cost basis for estimating the costs of extending police services is the City of Renton’s budgeted 2005 expenditures for Police Services as reported in the City of Renton 2005 Adopted Budget (budgeted at \$15,956,800).

B Estimates of fire expenditures represent a combination of (1) discussions with Renton Fire Department staff, and (2) Berk & Associates forecasts of the incremental increase in the demand for service that Renton Fire Department should expect given the 2005 population and number of employees of the areas of analysis.

C Expenditures for the Planning, Building and Public Works (PBPW) are based on the combination of estimates of operating expenditures for the Administration, Development Services, Maintenance, Transportation Systems and Utility Systems Divisions of the Department. The estimates of the incremental increase in PBPW activity are based on comparisons of various driver values to current City value, as described in notes D through G below.

Administrative expenditures are based on the additional demand for services for each study area, multiplied by 2005 budgeted expenditures of \$363,700.

D Estimated Development Services expenditures represent the pro-rata share of expenditures based on the incremental increase in assessed valuation associated with annexation of each of the three study areas. This comparison of assessed valuation results in the following incremental increases by study area.

Study Area 1	Study Area 2	Study Area 3
6.5%	4.9%	7.8%

It is worth noting that, although certain study areas may not introduce substantial demand for community development services in the short term, trends in development activity can change over time.

Since a portion of the costs of the Building and Planning divisions of the Department of

	Community Development are partially covered by building and planning fees, any over- or understatement of planning and building service costs would be mitigated by a proportionate, parallel shift in fee revenues.															
E	<p>Since Maintenance Services division encompasses Streets/Bridges/Sidewalks maintenance, the costs are based on the comparisons of study area lane miles to current City lane miles, implying the following incremental increases in expenditures by study area:</p> <table border="1"> <thead> <tr> <th>Study Area 1</th> <th>Study Area 2</th> <th>Study Area 3</th> </tr> </thead> <tbody> <tr> <td>7.6%</td> <td>4.5%</td> <td>9.8%</td> </tr> </tbody> </table>	Study Area 1	Study Area 2	Study Area 3	7.6%	4.5%	9.8%									
Study Area 1	Study Area 2	Study Area 3														
7.6%	4.5%	9.8%														
F	<p>Transportation Systems division is responsible for transportation planning, traffic operations, traffic maintenance and transportation design & construction functions. These functions were examined separately and the following drivers were used in estimating the costs for each study area: land area and lane miles. Additionally, the expense of maintenance and electricity for West Hill traffic lights and luminaires was included in the total cost estimate for each study area. The following is an inventory of traffic lights and luminaires by area:</p> <table border="1"> <thead> <tr> <th></th> <th>Traffic Lights</th> <th>Luminaires</th> </tr> </thead> <tbody> <tr> <td>Area 1</td> <td>1</td> <td>43</td> </tr> <tr> <td>Area 2</td> <td>0</td> <td>5</td> </tr> <tr> <td>Area 3</td> <td>8</td> <td>151</td> </tr> <tr> <td>Total</td> <td>9</td> <td>199</td> </tr> </tbody> </table> <p>Source: King County and City of Renton</p> <p>Transportation design and construction function is financed by capital funds as well as federal and state grants, thus it is excluded from the estimate of Transportation Systems costs.</p>		Traffic Lights	Luminaires	Area 1	1	43	Area 2	0	5	Area 3	8	151	Total	9	199
	Traffic Lights	Luminaires														
Area 1	1	43														
Area 2	0	5														
Area 3	8	151														
Total	9	199														
G	<p>Utility Systems division is mostly an internal service fund, with costs already loaded in the other departments' budgets, and as such, it is excluded from the operating cost estimates.</p> <p>However, Technical Services function (property management services for the City, as well as mapping, GIS, surveying and data management services, etc.) of the division is almost completely financed from the General Fund and is budgeted at \$477,502 in the City of Renton 2005 Adopted Budget. The operating costs of this function are estimated based on the increase in overall land area that would be introduced by annexation of each of the three study areas. The remaining budget for Technical Services, \$56,698, comes from the utility enterprise funds and is excluded from this analysis.</p>															

H Estimated Community Services expenditures represent the (1) anticipated expenditures for maintaining 27.89 acres of neighborhood parks in Study Areas 1 and 3 and providing recreation services to residents of the three study areas; (2) anticipated cost of providing library service if 3 were annexed; (3) costs of development and management of City's facilities; and (4) forecasted expenditures for provision of human services.

Parks maintenance expenditures are driven by the assumed increase in active and passive park acres that would be introduced by annexation of each of the three study areas. As mentioned before, Area 1 contains 4.81-acre Bryn Mawr park, which has been classified as passive by King County; and Area 3 includes 23.08 acre Skyway park, which has playground equipment and athletic fields and is classified for active use. Area 2 does not contain any parks or open spaces.

Recreation costs represent estimated 20% of the budgeted 2005 City of Renton expenditures of \$1,297,300 (\$1,898,900 for the Recreation Services division less \$601,600 for Aquatic Center), based on conversation with Renton's Recreation Services staff. It is logical to use estimated incremental demand based on population of the study areas as compared to the City of Renton, which would total approximately 25% for all of West Hill. However, since according to the Recreation Services division, recreational services are already being extensively used by the West Hill population, applying 20% of incremental demand was more reflective of the true expenditures Renton would encounter should it annex the study areas.

Estimates of parks, recreation and cultural service expenditures assume that the Community Center, Senior Center, and Maplewood Golf course would see no fiscal impact from annexation given that they already serve the populations of the three study areas.

Estimates of library costs are based on population served, but are assumed to only take effect if the City annexes Area 3 and, therefore, takes over the Skyway Library.

Estimates of facility costs are based on square footage of City-owned buildings, which is assumed to be 11,500 square feet for Skyway Library and the Skyway Fire Station.

The expenditures for Human Services division of Community services are estimated by allocating Renton's 2005 budgeted costs to each city resident and assuming that those costs will increase proportionally with increases in the City's population base.

This study excluded any assessment of impacts on the City's Community Development Block Grant (CDBG) Fund. If the City were to pursue annexation of any of the West Hill study areas, that annexation would increase the City's share of CDBG allocations, and the City would put those additional revenues to work much as it uses current Block Grants. Presumably, however, these changes would have no impact on the City's General Fund obligations.

I The City of Renton’s Administrative, Judicial and Legal services expenditures include expenditures for public-safety-related activities, including hearing examiner and court services. Another portion of Administrative, Judicial and Legal services expenditures go to general city activities including city attorney services, city clerk and mayor’s office.

Estimated expenditures for the *public-safety-related* legal expenditures (with a 2005 budgeted costs basis of \$1,567,400) are allocated to the study areas based on estimates of the additional police service demand that will be introduced by each area (see Note A). These additions to demand for the five study areas are as follows:

Study Area 1	Study Area 2	Study Area 3
5.3%	1.9%	10.0%

Expenditures for the non-public-safety-related expenditures (budgeted at \$2,415,700) are estimated based on the estimated overall increase in City staffing levels.

Study Area 1	Study Area 2	Study Area 3
3.2%	1.5%	7.5%

J Estimated finance and information services expenditures represent the pro-rata share of expenditures based on based on the estimated overall increase in City staffing levels.

Estimated finance and information services expenditures represent 2005 budgeted expenditures of \$3,444,400 multiplied by the incremental demand in each study area documented in Note I above.

K Like the non-public-safety-related component of Administrative, Judicial and Legal services, estimates of additional expenditures for human resources and risk management services are estimated to increase based on the estimated overall increase in City staffing levels.

L Estimated expenditures for economic development services are driven by the incremental increase in economic development activity based on comparisons of study area commercial square footage to current City commercial square footage, implying the following incremental increases in expenditures by study area.

Study Area 1	Study Area 2	Study Area 3
1.6%	0.2%	3.5%

Another component of economic development expenditures is Neighborhood programs, currently budgeted at \$50,000 per year for the City of Renton. It is appropriate to allocate Renton’s 2005 budgeted costs to each city resident and assume that those costs will increase proportionally with increases in the City’s population base.

Study Area 1	Study Area 2	Study Area 3
7.9%	4.2%	13.0%

M	<p>Estimated expenditures for legislative department are based on 2005 budgeted expenditures of \$220,100. This estimate is assumes that a portion of the Legislative Department will be unaffected by annexation, but costs of remaining support functions will increase with the estimated overall increase in City staffing levels.</p>						
N	<p>Staff-related facility costs reflect the annualized cost of City Hall, maintenance facilities, and other City facilities that will be needed to house additional staff.</p> <p>For cities who own their facilities, it is unusual to think of facilities costs in terms of an annual cost, but these costs are included in the analysis in an attempt to capture the <i>full</i> costs of services.</p> <p>The City may have excess capacity in existing facilities, or the City could choose to capitalize these costs by assuming greater capital expenditures up front. In that case, many if not all of the costs could be eliminated from the annual cost estimate.</p> <p>Estimated costs assume annual costs of \$5,000 per employee. For office staff, this might translate into a need for 250 square feet of additional space per employee at an average lease cost of \$20 per square foot. Alternatively, the \$5,000 cost could be viewed as the cost of servicing City bonds that would be necessary to cover the capital cost of building new facilities.</p> <p>For maintenance workers, \$5,000 per employee might translate into 625 square feet per employee at a cost of \$8 per square foot.</p>						
<p>Operating Revenues</p>							
O	<p>Estimated property tax revenues reflect estimated taxable assessed value of real and personal property (identified through Berk & Associates spatial analysis of data extracts from the King County Assessor’s Office) multiplied by Renton’s 2005 levy rate of \$3.14813 per \$1,000 of assessed value. 2005 taxable assessed value (in millions of dollars) is as follows.</p> <p>Taxable Assessed Value in Millions</p> <table border="1" data-bbox="302 1356 1214 1455"> <thead> <tr> <th data-bbox="302 1356 604 1402">Study Area 1</th> <th data-bbox="604 1356 909 1402">Study Area 2</th> <th data-bbox="909 1356 1214 1402">Study Area 3</th> </tr> </thead> <tbody> <tr> <td data-bbox="302 1402 604 1455" style="text-align: center;">\$409.3</td> <td data-bbox="604 1402 909 1455" style="text-align: center;">\$311.2</td> <td data-bbox="909 1402 1214 1455" style="text-align: center;">\$497.7</td> </tr> </tbody> </table>	Study Area 1	Study Area 2	Study Area 3	\$409.3	\$311.2	\$497.7
Study Area 1	Study Area 2	Study Area 3					
\$409.3	\$311.2	\$497.7					
P	<p>Given the similarity between Renton and King County’s schedules of gambling tax rates, estimated gambling tax revenues reflect the gambling taxes paid to King County in the most recent calendar year by gambling establishments in Study Area 3, as reported by King County budget analysts.</p>						
Q	<p>Utility tax revenues represent the combined value of telephone, water/sewer/storm drainage, gas, cable TV, and garbage tax revenues as detailed in notes R through V. All of these taxes have been assumed to equal to 6% of gross revenue receipts by utility companies.</p>						

R	Estimated taxes on telephone service (including cell phone service) reflect the findings of Berk & Associates' statistical regression analysis models of telephone tax revenues generated in 9 King County cities. Based on the findings of statistical analyses, estimates of telephone tax revenues are based on estimates of population and employees in the Finance, Insurance, Real Estate, and Services sector of the economy.
S	Water/sewer/storm drainage taxes reflect an estimate of \$22.00 of annual revenues per resident, based on the City of Renton's rates for an average household for surface water, water and sewer fees.
T	Estimated taxes on natural gas reflect the findings of Berk & Associates' statistical regression analysis models of gas tax revenues generated in 9 King County cities. Based on the findings of statistical analyses, estimates of natural gas tax revenues are based on estimates of commercial and residential real estate mix, measured in square feet.
U	Estimates of utility tax revenues on cable services reflect an estimate of \$10.50 of annual revenues per resident.
V	Estimated taxes on garbage tax revenues reflect the findings of Berk & Associates' statistical regression analysis models of garbage tax revenues generated in 9 King County cities. Based on the findings of statistical analyses, estimates of garbage tax revenues are based on estimates of commercial and residential real estate mix, measured in square feet.
W	State-shared revenue projections are based on estimates of statewide per capita distributions of the liquor tax, liquor profits, restricted and unrestricted gas taxes, and criminal justice revenues as reported by the Municipal Research and Services Center. These revenues are distributed to all cities in the state on a per capita basis, and in 2005 they were reported to total \$33.20 per capita. Projected revenues, therefore, are arrived at by multiplying this \$33.20 by the contemplated annexation areas' respective populations.
X	Estimates of sales tax revenues are based on actual sales taxes collected in the study areas in 2004 as reported by King County budget analysts.
Y	Criminal justice sales tax revenues are distributed to cities on a per-capita basis. Estimated revenues reflect an assumed distribution of \$20 per resident, which is consistent with both Renton's 2005 budgeted revenues and historical receipts.
Z	Estimated fines & forfeits reflect an assumed cost recovery of 85% of expenditures for the court services division of Administrative, Judicial & Legal department. This level of recovery compares with 2002, 2003 and 2004 recovery levels of 98%, 85%, and 85%, respectively, and budgeted-2005 cost recovery of 81%.
AA	Estimates of the value of the Seattle City Light payment are based on (1) Berk & Associates' statistical regression analysis model of electricity revenues generated in 9 King County cities based on estimates of commercial and residential real estate mix, measured in square feet; (2) a City Light estimate that the increment to the payment will represent half (3%), of the total electric utility tax of 6%.
BB	Estimated recreation fees reflect an assumed cost recovery of 40% of the costs of the recreation division of Community Services department expenditures.
CC	Building and other permit fees reflect an assumed cost recovery of 60% of expenditures for the Development Services Division of the Department of Planning, Building and Public Works.

DD	Estimated cable franchise fee revenues reflect assumed revenues of \$8.50 per resident.
	Business license fees reflect application of the City's license fee structure to estimated number of employees located in each of the study areas. The City's fee structure levies an annual fee of \$55 per employee per year.

Technical Appendix B: Supporting Documents

Department/Division	Direct or Indirect	Total 2005 Budgeted	2005 Budgeted FTEs	Non-allocable FTEs	FTEs subject to annex-related increases	Excluded 2005 Costs					Allocable Costs	Driver	
						Contracted Costs	Interfund Payments	Director Costs	Capital Outlay	Debt Service			Other Excluded Costs
Legislative													
Legislative	Indirect	220,100	8	8	0			104,000				116,100	
Administrative, Judicial & Legal													
Mayor's Office	Indirect	848,900	7	2	5			310,000				538,900	
City Clerk	Indirect	465,500	5		5							465,500	
City Attorney	Indirect	1,101,300	0		0	1,098,000						1,101,300	
Hearing Examiner	Direct	141,600	1.5		1.5							141,600	see Police
Court Services	Direct	1,425,800	14.7		14.7							1,425,800	see Police
Economic Development													
Economic Development	Direct	1,294,200	13.3	1	12.3			113,000	10,000			1,171,200	Commercial SF
Neighborhood Programs	Direct	50,000	1		1							50,000	Population
Finance & Information Svcs													
Finance	Indirect	1,773,700	20.5	5	15.5		296,000	113,000				1,364,700	
Information Services	Indirect	1,670,700	14.8	1	13.8			113,000	10,000			1,547,700	
Human Resources & Risk Mgmt													
Administrative & Civil Svcs	Indirect	620,800	4.9		4.9							620,800	
Risk Management	Indirect	11,139,600	3		3		123,400					11,016,200	EXCLUDED
Police													
Administration	Dept Indirect	1,601,100	4	1	3			144,000	25,000		437,100	995,000	based on FTEs from Renton PD
Patrol Operations	Direct	5,288,500	47		47							5,288,500	based on FTEs from Renton PD
Patrol Services	Direct	2,411,300	20.8		20.8							2,411,300	based on FTEs from Renton PD
Investigations	Direct	2,378,700	21		21							2,378,700	based on FTEs from Renton PD
Admin Services	Dept Indirect	1,233,300	10		10							1,233,300	based on FTEs from Renton PD
Staff Services	Dept Indirect	786,700	12.4		12.4							786,700	based on FTEs from Renton PD
Auxillary Services	Dept Indirect	2,257,200	16		16							2,257,200	based on FTEs from Renton PD
Fire													
Administration	Dept Indirect	873,400	7	1	6			144,000				729,400	
Emergency Response	Direct	10,812,800	99		99							10,812,800	Population+employment
Fire Prevention	Direct	919,000	10		10							919,000	Commercial SF
Training	Dept Indirect	423,300	3		3							423,300	
Disaster Management	Dept Indirect	14,300	0		0							14,300	
Community Services													
Administration	Dept Indirect	915,100	9.2		9.2							915,100	
Facilities	Direct	2,885,700	27.3	1	14.3			113,000				2,772,700	SF of city-owned buildings
Parks	Direct	3,360,800	35.3	1	34.3			113,000				3,247,800	Active park acres
													Passive park acres
Recreation Services	Direct	1,898,900	29.9	1.5	28.4			113,000	158,300		601,600	1,026,000	Based on Renton estimate
Community Center	Direct	1,112,100	19.4		19.4							1,112,100	EXCLUDED
Senior Activity Center	Direct	564,400	6.6		6.6							564,400	EXCLUDED
Human Services	Direct	541,400	2.1		2.1							541,400	Population
GDBG	Direct	314,500	3.1		3.1							314,500	EXCLUDED
Library	Direct	1,494,700	22.5	1	21.5			113,000	1,000			1,380,700	Library SF or population served
Golf Course	Direct	2,321,200	20.4		20.4		126,100		100,000	466,400		1,628,700	EXCLUDED

Department/Division	Driver Values					Incremental Demand				Allocated Costs				FTE's			
	City	Area 1	Area 2	Area 3	Total (1+2+3)	Area 1	Area 2	Area 3	Total (1+2+3)	Area 1	Area 2	Area 3	Total (1+2+3)	Area 1	Area 2	Area 3	Total (1+2+3)
Legislative																	
Legislative						3.2%	1.5%	7.5%	12.2%	3,678	1,789	8,734	14,200	0	0	0	0
Administrative, Judicial & Legal																	
Mayor's Office						3.2%	1.5%	7.5%	12.2%	17,070	8,302	40,539	65,911	0	0	0	1
City Clerk						3.2%	1.5%	7.5%	12.2%	14,745	7,171	35,018	56,934	0	0	0	1
City Attorney						3.2%	1.5%	7.5%	12.2%	34,884	16,966	82,846	134,697	0	0	0	0
Hearing Examiner						5.3%	1.9%	10.0%	17.2%	7,491	2,659	14,201	24,351	0.1	0.0	0.2	0.3
Court Services						5.3%	1.9%	10.0%	17.2%	75,432	26,770	142,991	245,193	0.8	0.3	1.5	2.5
Economic Development																	
Economic Development	33,527,467	547,379	72,202	1,161,885	1,781,466	1.6%	0.2%	3.5%	5.3%	19,121	2,522	40,588	62,231	0.2	0.0	0.4	0.7
Neighborhood Programs	55,360	4,388	2,310	7,217	13,915	7.9%	4.2%	13.0%	25.1%	3,963	2,086	6,518	12,568	0.1	0.0	0.1	0.3
Finance & Information Svcs																	
Finance						3.2%	1.5%	7.5%	12.2%	43,227	21,024	102,661	166,912	0	0	1	2
Information Services						3.2%	1.5%	7.5%	12.2%	49,024	23,843	116,427	189,295	0	0	1	2
Human Resources & Risk Mgmt																	
Administrative & Civil Svcs						3.2%	1.5%	7.5%	12.2%	19,664	9,564	46,700	75,928	0	0	0	1
Risk Management										0	0	0	0	0	0	0	0
Police																	
Administration						0.0%	0.0%	0.0%	0.0%	65,496	23,244	124,155	212,894	0.0	0.0	0.0	0.0
Patrol Operations						7.9%	2.8%	14.9%	25.5%	415,398	147,419	787,437	1,350,255	3.7	1.3	7.0	12.0
Patrol Services						4.4%	1.6%	8.4%	14.4%	106,994	37,971	202,819	347,784	0.9	0.3	1.7	3.0
Investigations						5.9%	2.1%	11.1%	19.0%	139,389	49,467	264,229	453,086	1.2	0.4	2.3	4.0
Admin Services						6.2%	2.2%	11.7%	20.0%	81,182	28,810	153,890	263,882	0.6	0.2	1.2	2.0
Staff Services						7.4%	2.6%	14.1%	24.2%	51,784	18,378	98,163	168,325	0.9	0.3	1.7	3.0
Auxillary Services						5.8%	2.0%	10.9%	18.8%	148,580	52,729	281,651	482,959	0.9	0.3	1.7	3.0
Fire																	
Administration										30,183	15,080	104,240	149,503	0.2	0.1	0.4	0.8
Emergency Response	104,180	4,567	2,343	7,850	14,760	4.4%	2.2%	15.6%	22.2%	474,006	243,178	1,685,660	2,402,844	4.3	2.2	15.4	22.0
Fire Prevention	33,527,467	547,379	72,202	1,161,885	1,781,466	1.6%	0.2%	3.5%	5.3%	15,004	1,979	31,848	48,831	0.2	0.0	0.3	0.5
Training						4.4%	2.2%	7.5%	14.2%	18,556	9,520	31,896	59,972	0.1	0.1	0.2	0.4
Disaster Management	104,180	4,567	2,343	7,850	14,760	4.4%	2.2%	7.5%	14.2%	627	322	1,078	2,026	0.0	0.0	0.0	0.0
Community Services																	
Administration										13,028	8,281	60,456	81,765	0.1	0.1	0.6	0.8
Facilities				11,449	11,449					0	0	80,143	80,143	0.0	0.0	0.0	0.0
Parks	259	0	0	23	23	0.0%	0.0%	8.9%	8.9%	20,582	-	289,418	310,000	0.2	0.0	3.1	3.3
	759	5	0	0	5	0.6%	0.0%	0.0%	0.6%								
Recreation Services						7.0%	5.0%	8.0%	20.0%	71,820	51,300	82,080	205,200	2.0	1.4	2.3	5.7
Community Center										0	0	0	0	0	0	0	0
Senior Activity Center										0	0	0	0	0	0	0	0
Human Services	55,360	4,388	2,310	7,217	13,915	7.9%	4.2%	13.0%	25.1%	42,913	22,591	70,580	136,083	0.2	0.1	0.3	0.5
GDBG										0	0	0	0	0	0	0	0
Library	55,360			13,915	13,915	0.0%	0.0%	25.1%	25.1%	-	-	347,046	347,046	0.0	0.0	5.4	5.4
Golf Course										0	0	0	0	0	0	0	0

Department/Division	Direct or Indirect	Total 2005 Budgeted	2005 Budgeted FTEs	Non-allocable FTEs	FTEs subject to annex-related increases	Excluded 2005 Costs					Allocable Costs	Driver	
						Contracted Costs	Interfund Payments	Director Costs	Capital Outlay	Debt Service			Other Excluded Costs
Planning, Building, Public Works													
Administration	Dept Indirect	363,700	3.9		3.9							363,700	
Development Services	Direct	3,200,800	38.2	1	37.2			113,000				3,087,800	AV
Maintenance Services	Direct	19,286,900	63	1	62		739,400	113,000	977,800			17,456,700	see below
Administration	Dept Indirect		8	1	7			16,000					
Streets/Bridges/Sidewalks	Direct	2,896,000	14		14			16,000				2,880,000	lane miles
Equipment	Direct	3,176,900	8		8			16,000				3,160,900	EXCLUDED
Water	Direct	3,168,100	21		21			16,000				3,152,100	EXCLUDED
Wastewater	Direct	9,362,100	5		5			16,000				9,346,100	EXCLUDED
Surface Water	Direct	801,600	6		6			16,000				785,600	Land area - acres
Solid Waste Litter	Direct	76,900	1		1			16,000				60,900	Population
Transportation Systems	Direct	4,525,200	29.5	1	28.5		48,400	113,000			885,000	3,478,800	see below
Administration	Dept Indirect	272,600	3	1	2			113,000				159,600	
Transportation Planning	Direct	541,900	5.5		5.5							541,900	Land area - acres
Traffic Operations	Direct	461,900	4.5		4.5							461,900	lane miles
Traffic Maintenance	Direct	1,857,800	11.5		11.5						1,261,197	596,603	lane miles
Transportation Design & Construction	Direct	506,000	5		5							506,000	Land area - acres
Utility Systems	Indirect	22,992,600	26.7	1	10.7		5,604,800	113,000		3,842,000	12,896,600	536,200	see below
Technical Services	Direct	477,502	4		4							477,502	Land area - acres
Technical Services - Enterprise Fund		56,698			0							56,698	
Other City Services													
Other City Services	Indirect	4,911,200	0		0							4,911,200	
Limited Tax Gen Obligation Bonds	Indirect	2,556,500	0		0							2,556,500	

115,479,800

Department/Division	Driver Values					Incremental Demand				Allocated Costs				FTE's			
	City	Area 1	Area 2	Area 3	Total (1+2+3)	Area 1	Area 2	Area 3	Total (1+2+3)	Area 1	Area 2	Area 3	Total (1+2+3)	Area 1	Area 2	Area 3	Total (1+2+3)
Planning, Building, Public Works																	
Administration										8,198	5,251	11,086	24,666	0.1	0.1	0.1	0.3
Development Services	6,344,519,649	409,334,905	311,154,926	497,713,672	1,218,203,504	6.5%	4.9%	7.8%	19.2%	199,218	151,435	242,231	592,885	2.4	1.8	2.9	7.1
Maintenance Services																	
Administration										0	0	0	0	0.2	0.1	0.3	0.6
Streets/Bridges/Sidewalks	460	35	21	45	101	7.6%	4.5%	9.8%	21.9%	217,470	130,356	282,021	629,847	1.1	0.6	1.4	3.1
Equipment										0	0	0	0	0	0	0	0
Water										0	0	0	0	0	0	0	0
Wastewater										0	0	0	0	0	0	0	0
Surface Water	11,040	642	284	1,012	1,938	5.8%	2.6%	9.2%	17.6%	45,684	20,209	72,013	137,907	0.3	0.2	0.6	1.1
Solid Waste Litter	55,360	4,388	2,310	7,217	13,915	7.9%	4.2%	13.0%	25.1%	4,827	2,541	7,939	15,308	0.1	0.0	0.1	0.3
Transportation Systems																	
Administration										7,930	4,176	11,311	23,416	0.1	0.1	0.1	0.3
Transportation Planning	11,040	642	284	1,012	1,938	5.8%	2.6%	9.2%	17.6%	31,513	13,940	49,674	95,127	0.3	0.1	0.5	1.0
Traffic Operations	460	28	17	36	80	6.0%	3.6%	7.8%	17.5%	27,903	16,725	36,185	80,813	0.3	0.2	0.4	0.8
Traffic Maintenance	460	17	10	23	50	3.8%	2.3%	4.9%	10.9%	36,798	14,802	93,214	144,814	0.4	0.3	0.6	1.3
Transportation Design & Construction	11,040	642	284	1,012	1,938	5.8%	2.6%	9.2%	17.6%	29,425	13,017	46,383	88,825	0.3	0.1	0.5	0.9
Utility Systems																	
Technical Services	11,040	642	284	1,012	1,938	5.8%	2.6%	9.2%	17.6%	27,768	12,284	43,771	83,822	0.2	0.1	0.4	0.7
Technical Services - Enterprise Fund																	
Other City Services																	
Other City Services																	
Limited Tax Gen Obligation Bonds																	

Highlighted in blue - capital function
 Highlighted in green - indirect costs

				\$2,620,575	\$1,217,703	\$6,229,840	\$10,068,249	24	12	57	93
Cost excluding SWM, Solid Waste, and Transp. Design				\$2,540,639	\$1,181,936	\$6,103,504	\$9,826,210				
Add	\$5,000	per FTE for office costs=		\$120,000	\$58,000	\$285,000	\$464,000				
		(annual)									
Total cost excluding SWM and Solid Waste				\$2,660,639	\$1,239,936	\$6,388,504	\$10,290,210				