

# Analysis of the Financial Feasibility of the Proposed City of Fairwood

# **ANALYSIS OF THE FINANCIAL FEASIBILITY OF THE PROPOSED CITY OF FAIRWOOD**

## **EXECUTIVE SUMMARY**

### **Purpose and Mandate of the Analysis**

This assessment of the financial feasibility of Fairwood incorporation is provided as a reference document for members of the public, both inside and outside of the proposed incorporation area, and for members of the King County Boundary Review Board. The goal of this study is (1) to inform the Boundary Review Board as it considers its recommendation regarding Fairwood incorporation, (2) to inform Fairwood residents as they make a decision whether to vote for or against incorporation, and (3) to inform the broader public.

This study answers two straightforward questions:

- 1. Is it financially feasible to incorporate a new City of Fairwood?*
- 2. What are the potential implications of incorporation on local taxes and levels of service?*

To give residents a meaningful point of comparison, the study seeks to answer the question in the context of the status quo: *How do the financial realities of incorporation compare with the status quo (remaining unincorporated)?*

The study is designed to clarify what is possible; it is not meant to determine whether residents are better or worse off if they incorporate (compared with remaining part of unincorporated King County, or compared with an option of annexing to Renton or any other nearby city).

### **Does the Proposed Incorporation of Fairwood Appear Financially Feasible?**

Yes. Given existing tax rates, a City of Fairwood would generate enough revenues to provide a slightly higher level of service than Fairwood residents currently receive. Although the proposed City is primarily residential, with a weak commercial tax base, the combination of solid property values and a modest level of existing public services makes the proposed City financially feasible.

As modeled for this feasibility assessment, the City of Fairwood would rank among the lowest King County cities in terms of revenues per resident, but the City *would* be able to provide current services, and a little more, without increasing taxes.

### **Exhibit ES-1 Summary of Core Operating Revenues and Costs**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Operating Revenues</b>	\$8.3 M	\$8.5 M	\$8.7 M	\$9.3 M	\$9.6 M	\$9.8 M
<b>Operating Costs</b>	\$7.7 M	\$8.0 M	\$8.2 M	\$8.5 M	\$8.9 M	\$9.3 M
<b>Residual</b>	\$593,000	\$486,000	\$521,000	\$785,000	\$668,000	\$543,000

Source: Berk & Associates

## **Key Factors Affecting Feasibility**

- **The Effects of Initiative 747 on Property Taxes and the Need for Future Levy Lid Lifts.** A series of statewide initiatives have threatened most cities' financial support from taxes and fees. Over time, erosion of property tax revenues from I-747 limits becomes more pronounced. As an area that would have strong property tax revenues to start with, but less commercial activity to underpin the city's fiscal balance, a City of Fairwood would face substantial fiscal hurdles without regular levy lid lifts. In particular, our analysis suggests that a levy lid lift will be needed in the year 2009 to maintain the property tax levy at \$1.60 per thousand assessed valuation (AV). **For a city like the proposed City of Fairwood, which will always rely on property taxes, if residents choose to incorporate, they should do so with an expectation and understanding that they will need to vote to maintain the City's property tax levy on a regular basis.**

An assumption that Fairwood city residents would vote to maintain a City levy rate of \$1.60 is consistent with the same-cost/same-level-of-service framework used throughout this study. The rate for the King County Road Levy, which Fairwood's City Levy would replace, has risen in recent years (from \$1.73 per \$1,000 of assessed value in 2001 to \$1.83 per thousand in 2005).<sup>1</sup>

If one assumes that the County Road Levy rate would continue to increase as it has recently, then if voters approve levy lid lifts that hold Fairwood's City Levy rate steady at \$1.60, Fairwood property owners would actually see a decrease in future-year property taxes (compared to what they would have paid if they had remained part of unincorporated King County).

- **Weak Retail Sales Tax Revenue.** The City of Fairwood will be among the cities with the lowest per-capita sales tax revenues in King County. While Streamlined Sales Tax implementation could improve that picture in the future, the City might consider policy choices that affect sales tax collections.
- **County Road Levy Replaced by Utility Tax.** In order to maintain a baseline of using current tax burdens to assess feasibility, we assume that a new Fairwood City Council will impose a utility tax to make up the difference between the disappearing road tax levy and the new City property tax that is limited by state law. However, the City will retain untapped utility tax authority of roughly \$2 million as a cushion for the future.
- **Implications for Nearby Areas.** The proposed City of Fairwood comprises only part of the City of Renton's existing Fairwood potential annexation area (PAA). The remainder of Renton's Fairwood PAA lies to the west of the incorporation area, with a 2005 population of 16,100 persons, and is commonly known as the "Cascade" area. An analysis of Renton's ability to annex a more limited PAA is now under way, but it is possible that the fiscal challenge of serving the Cascade area would cause it to remain an unincorporated island for years to come if the Fairwood area incorporates.
- **Contracting for Services with King County.** The costs to the City of contracting with King County for existing service levels are modest. The single largest expense category would be police services. With a low crime rate and the level of police services provided now, Fairwood could

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<sup>1</sup> These increases occur, in part, because the King County Road Levy is generally not constrained by I-747 limits.

contract for police and other services for a modest cost. This analysis assumes that Fairwood would contract with King County for police, roads and surface water management services.

- **Options for Providing Police Services.** The single costliest line item listed in our forecast of expenses is for police services, which will comprise approximately one-third of the entire costs of running the City of Fairwood. Certainly, among residents of Fairwood, there will be differing opinions as to the optimal level of public safety services provided. We assume that a level of police services slightly higher than Fairwood residents enjoy today will be possible through a contract with the King County Sheriff's Office.
- **Phased Implementation of City Hall Services.** Staffing City Hall will be one of the largest expenses that Fairwood will face, and choices exist as to how many people are hired, and how soon, to provide City services. Recently, several new cities have deliberately and strategically deferred hiring many staff upon incorporation in order to build financial reserves. For a city like Fairwood, which should not expect large windfalls of revenue in coming years, a strategy of deferring hiring to build a reserve of a few million dollars will be valuable.
- **Immediate Need for Capital Facilities Planning.** King County will complete all of its planned major capital investments in roads, parks and surface water management facility projects prior to incorporation. Fairwood roads projects included in King County's 2004 Transportation Needs Report (TNR), a list of all identified transportation needs not yet included in the CIP, total close to \$16 million. The lion's share of this total is the completion of transportation needs on the 140<sup>th</sup> Avenue SE corridor. Beyond this estimate, a forecast of Fairwood's future capital expenditures is difficult. However, Fairwood will generate sufficient real estate excise tax (REET) revenues and Surface Water Management fee revenues specifically dedicated to capital investments, to meet identified needs as the new City begins its comprehensive plan. Beginning in 2007, Fairwood's REET revenues can be expected to generate more than \$1.7 million per year to help fund capital investments in the City.

Another way to assess capital funding is to ask the question: *In terms of capital investments, would Fairwood be better off if it incorporates than if it were to remain unincorporated?*

In recent years, King County has invested more than \$40 million in roads improvements in Fairwood (a level of investment the new City would be challenged to match). Looking beyond 2006, however, the County has no additional investments planned through 2011. If Fairwood were to incorporate in the latter half of 2006, the City could expect to generate roughly \$10 million in capital revenues from real estate excise taxes through 2011. The City would also generate an additional \$2 to \$3 million in capital revenues to be dedicated for Surface Water Management. These capital revenues substantially exceed what King County plans to spend in Fairwood over the same period.

- **Experience of Other Recently Incorporated Cities.** In the past dozen years, six new cities have incorporated in King County. New cities such as Kenmore and Covington have reported that it is a significant challenge to generate revenues that are sufficient to meet the cities' level-of-service goals. Measures, such as phasing in the hiring of City Hall staff and delaying and deferring capital projects may need to be taken. Compared with these six cities, an incorporated City of Fairwood will face similar challenges as it tries to meet resident's desires for core services such as public safety services, maintaining and improving city streets, and providing parks and recreation services.

- **The Renton Pool.** The Renton Pool, co-located with the Lindbergh High School campus and currently in County ownership, represents a future financial challenge and uncertainty. We assume that the pool will be operated and maintained by a non-profit organization such as the Northwest Center, and that a financial contribution will be made by the new City of Fairwood towards its operation, consistent with agreements that other cities in King County have developed with King County. In part, this assumed contribution recognizes that the pool is a community resource and service that current residents use and enjoy.
- **Potential Effects of Sales Tax Streamlining.** If current efforts are successful among states and private industries to create more uniform sales tax structures, referred to as the Streamlined Sales Tax Agreement (SSTA), then local taxation of intrastate and interstate sales of delivered goods could bolster sales tax revenues for cities like the proposed City of Fairwood.<sup>2</sup> The proposed City of Fairwood would stand to gain in this scenario, even though it has a relatively weak commercial tax base and can expect only modest revenues from store-based retail sales tax. This is particularly true if household buying habits continue to shift towards internet purchases.

### Assumptions and Limitations of the Analysis

- This study is not a blueprint for how to run the City of Fairwood and does not bind a future City Council to the assumptions included here. This study only addresses the issue of financial feasibility. It analyzes a reasonable range of assumptions about revenues and expenses and concludes that the City would earn enough revenue to meet its core expenses. If the voters choose to incorporate, they will elect a City Council that will have to make many decisions that will influence the actual revenues and expenses of the City. Nothing presented in this document should in any way be interpreted as binding on a future Council. The elected officials in many newly incorporated cities choose to provide additional types and levels of public services to their citizens. The City Council of Fairwood may choose to raise taxes and service levels, keep them the same, or lower them.
- Projections of revenues and expenses are estimates; readers should not attach undue significance to individual numbers. Any particular number in this analysis, such as the amount of sales tax expected to be generated by the City of Fairwood, will almost certainly differ from the actual number in that year should the incorporation occur. However, while any specific number will be off, the overall findings reflect the best knowledge available about the fiscal feasibility of the proposed City. The analysis builds an estimate of total revenues by making explicit estimates for each revenue and cost. Our goal is to reach an estimate of total revenues by making all of the assumptions explicit, allowing interested readers to push and prod at assumptions to judge for themselves the reasonableness of our findings.
- The basic procedure to incorporate is set out in Chapter 35.02 RCW - Incorporation Proceedings. The process includes a petition requirement, review by a boundary review board, and a vote by Fairwood residents.

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<sup>2</sup> The "source" of the sale determines which jurisdiction will receive the local sales tax, meaning that changes in sourcing rules would shift the "source" of sale to the city of delivery.

## **PUBLIC REVIEW DRAFT**

If the voters approve incorporation, a primary election to nominate candidates for city council and an election to select the city council must be held. The new city must officially incorporate, at a date set by the initial city council, within 360 days of the incorporation election. This means that if the Boundary Review Board hearing was in October 2005, and the incorporation vote was in February, 2006, then new council elections would be held in May or June of 2006 and the new City would need to be open for business, at the latest, by February, 2007. This analysis assumes for the purposes of financial feasibility that the official incorporation date for the City of Fairwood, if approved by voters, will be September 1, 2006.



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OF THE PROPOSED CITY OF FAIRWOOD**

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# **ANALYSIS OF THE FINANCIAL FEASIBILITY OF THE PROPOSED CITY OF FAIRWOOD**

## **1. INTRODUCTION AND REPORT ORGANIZATION**

In urban unincorporated King County, there are currently 10 large areas (including Fairwood, North Highline, Juanita, and West Hill) that have yet to be annexed to a city or incorporate into a new city. There are now about 218,000 residents in these urban areas for whom King County currently provides local services.

The Growth Management Act, King County Countywide Planning Policies, and the King County Comprehensive Plan encourage all unincorporated areas within King County's Urban Growth Boundary to pursue incorporated status through either annexation or incorporation. State law (RCW 36.70A.110) provides the underlying rationale for these policies: "In general, cities are the local government most appropriate to provide urban governmental services."

In response to the direction of the Growth Management Act (GMA), in the early 1990s, King County and the suburban cities worked together to develop a framework of policies intended 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, these 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 (1993 – 2013).

In the context of the Growth Management Act and the Countywide Planning Policies, a group of residents in Fairwood have sought to establish a new City of Fairwood. In February 2005, the Fairwood Citizens Advisory Group (CAG) completed signature-gathering for a petition to put the incorporation of the City of Fairwood on the ballot. The group collected nearly 2,300 signatures and filed the Notice of Intent to Incorporate (NOI) with the Washington State Boundary Review Board (BRB), beginning the process to allow for BRB review and a possible public vote in February, 2006.

### **Context of Analysis: Fiscal and Governance Issues**

Fairwood residents have three governance options available to them: (1) remain unincorporated, (2) incorporation, or (3) annexation to Renton (an option that requires action by the City of Renton). When residents consider incorporation, their considerations will take place in the context of those options.

This study answers two straightforward questions:

- 1. Is it financially feasible to incorporate as a new City of Fairwood?*

2. *What are the potential implications of incorporation on local taxes and levels of service?*

To give residents a meaningful point of comparison, we seek to answer the question in the context of the status quo: *How do the financial realities of incorporation compare with the status quo (remaining unincorporated)?*

It is worth noting that there are implications to remaining unincorporated. Unless King County gets new authority to increase taxes in unincorporated areas, departments that are providing services funded by King County's general fund will all face significant fiscal pressure to reduce expenditures in urban unincorporated areas like Fairwood. (This includes Sheriff, Parks, Human Services, Land Use & Planning, and Economic Development.) The principal factor causing this fiscal pressure is the effect of the 1% limit on property tax revenue growth enacted by voters when they passed Initiative 747 in 2001. The new 1% limit restricts property tax revenue growth for the County's general fund to 1% plus the value of new construction. The previous limit was 6% and was established in state legislative action.

It is difficult to say which services may be cut or reduced in unincorporated areas as available County revenues fail to keep up with growth in the cost of public services. Decisions about service cuts must be made each year through the County's budget adoption process. However, until the County is able to fully address its structural deficit, it is clear that the County will be forced to make cuts across all service areas, including services to local urban unincorporated areas like Fairwood.

There are many other important questions about incorporation which this study cannot answer. Voters will want to know, "Will my taxes go up or down?", "Will the City provide better, more responsive services than King County?", and "Will the City slow development in our area?". The answer to these questions depends on who is elected to the new City Council and whom they hire to run the City.

This study is not a blueprint for how the City will be run. If Fairwood votes for incorporation, decisions about taxes, service levels, and capital investments will be made by seven citizens elected from the roughly 26,100 people who live in the proposed City, instead of by the County Council and County staff. This study cannot predict what a new City Council would do. We *can* describe how much revenue a new City could generate if it maintains current taxing rates and the levels of service it could provide if it does. Voters will need to weigh this information about financial feasibility with their own perceptions about what forms and structures of government can best provide them public services and represent their positions in matters of public policy.

On a broader scale, this feasibility study does not seek to answer the big question: **Is incorporation a good idea?** The answer to that question will be the subject of much debate over the coming months, and the ultimate answer for each participant in that debate is likely to depend on his or her perspective.

The goal of this report is relatively narrow: to assess the financial feasibility of the proposed City. The answer to the question of feasibility will *inform* the debate about whether incorporation is a good idea, but clearly, it will not settle that debate.

This report begins by reviewing the key assumptions used in the revenue and expense forecast and the basic statistical data describing the proposed incorporation area. This section includes information about the market potential and a look to the future for Fairwood's commercial center. It then provides an overview of the revenues and expenses to the City from 2006 through 2010, followed by sections

## **PUBLIC REVIEW DRAFT**

on each source of revenue and category of expenses for the proposed City. Finally, the report assessed the capital improvement needs of Fairwood and the cost of additional services the City may choose to purchase. The final section reviews City start-up financing and how the City will meet expenses longer-term. The appendices to the report outline the tax base and fundamental market characteristics of the area.

**2. KEY ASSUMPTIONS**

The findings of this feasibility analysis depend upon a wide range of assumptions. We have identified most of these assumptions in our descriptions of specific statistical data, revenues, and expenses. There are, however, a few overriding assumptions that apply to all areas of this study, and are therefore key to understanding the implications of our findings. These assumptions are:

**Date of Incorporation**

This analysis assumes that the official incorporation date for the City of Fairwood, if approved by voters, will be September 1, 2006. The baseline assessment of feasibility looks at the first six years of full operation (2007 through 2012). The start-up cash flow analysis looks at revenues and costs, on a month-by-month basis for 2006 and 2007.

The actual date of incorporation will depend on when the vote is held and the logistical considerations that result from that date. As things currently stand, September of 2006 appears to be the earliest possible date of incorporation. If the date of incorporation were to be pushed back into 2007, then we expect that the fiscal picture for the proposed City may improve slightly (mostly stemming from an additional year of appreciation in property values prior to setting the City’s initial property tax levy).

The basic procedure to incorporate is set out in Chapter 35.02 RCW - Incorporation Proceedings. The process includes a petition requirement, review by a boundary review board, and an election. If the voters approve incorporation, a primary election to nominate candidates for city council and an election to select the city council must be held. The new city must officially incorporate, at a date set by the initial city council, within 360 days of the incorporation election.

The summary table below shows that if the Boundary Review Board hearing was on October 1 and the community group supporting incorporation wanted to hold an election in February, new City elections might be in June, 2006 and the new City of Fairwood would need to be open for business, at the latest, by February, 2007.

**Exhibit 1  
Incorporation Steps**

<b>Timeline</b>	<b>Incorporation Step (also see RCW 35.02)</b>
6 months or more	<b>Organization and Study.</b> A group of citizens organizes and surveys the community to determine interest in incorporation. The citizens' group commissions a Governance Options Study (for the Fairwood area, a governance options study was conducted for the Petrovitsky Corridor in 1999).
Open	<b>Preliminary Boundaries and Notice.</b> If community interest in incorporation exists, the Committee sets the preliminary boundaries for the incorporation area. The Committee submits a preliminary Notice of Proposed Incorporation to the County Clerk who transmits it to the Boundary Review Board.
Open	<b>Public Information Meeting.</b> The Boundary Review Board sets up a Public Information Meeting where the Committee reports on the proposed incorporation, including service

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Timeline	Incorporation Step (also see RCW 35.02)
	providers and representatives of surrounding cities, or citizens, in support of or opposition to boundaries; new boundaries may be suggested.
Immediately	<b>Refine Boundaries, Initiate Petitions.</b> Following the public meeting, if the Committee wishes to go forward with the incorporation efforts, the boundaries are selected. The King County Council Clerk will assign an Identification Number to incorporation proposal petitions. The King County Office of Records and Elections assists in setting requirements for the incorporation petition, and the Committee must administer petitions as set by State law.
Next 180 days	<b>Petition Circulation.</b> The Committee may then circulate the petitions. The petitions call for a future election to allow community members to decide if incorporation should occur. The petitions to conduct an election must be signed by ten percent of the registered voters living within the area to be incorporated.
Immediately upon completing petitions	<b>Notice of Intention to Incorporate.</b> Within 180 days from the date of the Public Information Meeting the Committee must collect the necessary signatures and submit the petitions to the Boundary Review Board with a Notice of Intention to Incorporate (NOI). The NOI should ideally include descriptive information, copies of petitions, maps, demographic and land use information, service analyses, consistency with current laws, and government planning information.
30 days for validation +5 for notification	<b>Verification.</b> The Boundary Review Board submits petitions to the King County Office of Records and Elections and the King County Assessor for verification of their validity.
maximum 120 day review period	<b>Boundary Review Board Assessment.</b> The Boundary Review Board circulates the NOI (and staff analysis of that document) to King County offices and other affected governments and agencies for an initial review and comment period. Maximum 120-day time for BRB actions in response to the NOI, however, is usually requested to be waived as it is not sufficient for incorporations, which generally require several months for required studies, analysis and public review processes.
4-6 months + 30-45 days for public review and comment	<b>Study.</b> An Economic and Fiscal Analysis Study is commissioned to determine the financial viability of the proposed new city. The study provides conclusions as to the potential viability of an incorporation under the various scenarios. This analysis represents such a study for the proposed City of Fairwood.
30 days minimum (notification must be 30 days in advance of the hearing)	<b>Boundary Review Board Public Hearing.</b> Under RCW 35 and RCW 36, a public hearing is generally required for an incorporation. In King County, all incorporations go to a public hearing conducted by the Boundary Review Board. At the public hearing, the Board takes testimony from all interested parties - the Incorporation Committee, the consultant, citizens who will be affected by the incorporation, King County staff members, and service providers.
within 40 days following the	<b>BRB Recommendation.</b> The Board considers whether the incorporation is consistent with Boundary Review Board criteria (RCW 36.93.180); countywide planning and Growth

<b>Timeline</b>	<b>Incorporation Step (also see RCW 35.02)</b>
public hearing	Management Act. At the conclusion of the hearing, the Board makes a recommendation on the incorporation. The Board may recommend in favor of the incorporation, against the incorporation or may recommend changing the incorporation boundaries.
no less than 60 days following the Boundary Review Board action	<b>Incorporation Election.</b> Following the Board recommendation, the Committee decides whether to continue with the incorporation process. If so, then an election must be held. The election may be held even if the Board recommended against the incorporation. If the Committee decides to go forward with the election, the Committee works with King County Records and Elections, to prepare the ballot language and to place the issue on a ballot for election by registered voters in the incorporation area.
60 days following incorporation election	<b>New City Government Elections.</b> If incorporation is approved, then elections are held to nominate city officials and select city officials. State (RCW 35/35A) sets the time frame for the elections. Primary elections must be held no less than 60 days following the election for incorporation. Final elections must be held at least 60 days following primary election.
Within 360 days of voter approval of the initial incorporation	<b>City Open for Business.</b> The City begins operations - setting up departments, selecting staff members, adopting interim operating regulations, defining immediate, short term and long term policies, objectives and actions, developing and implementing preliminary budgets, etc.

## **Organization of City Government**

The organization of the City government will be the Council/City Manager form.

## **Same Cost, Same Level of Service**

To give residents a meaningful point of comparison for the feasibility assessment, this study assesses how do the financial realities of incorporation compare with the status quo, or remaining unincorporated? Given that point of comparison, the City’s modeled taxes, costs, and service levels are designed to be consistent with costs and levels of service as they currently exist in the area. (We refer to this assumption throughout our analysis as a “same cost/same level of service” baseline.) The two exceptions to this assumption are in the area of police services and recreation services, in which our estimates include scenarios to describe the costs and revenues associated with slightly higher levels of service than King County is currently providing.

## **Conservative Estimation**

The estimates of revenues and expenses should be conservative. This means that, when in doubt, we have attempted to err on the low side for revenues and on the high side for costs.

### ***Property Taxes: I-747 and Levy Lid Lifts***

In recent years, a series of statewide initiatives have eroded most cities' financial support from taxes and fees. From a city's perspective, the most damaging blows resulted from statewide passage of three initiatives: I-695 (ending collection of the State's motor vehicle excise tax [MVET]); I-747 (limiting the growth of property tax levies on a city's existing property to less than the rate of inflation); and I-776 (ending the collection of vehicle license fees). Combined, these initiatives have resulted in the immediate reduction of millions of dollars of city revenues, and have set up the long-run erosion of cities' property tax bases.

If left unchecked, I-747 limits cause property tax revenues for most cities to fall over time (in inflation-adjusted terms), particularly on a per-resident basis. I-747 limits the growth of property tax revenues to 1% per year (excluding new construction)—a rate of growth that fails to keep up with inflation. Due to compounding effects over time, erosion of property tax revenues becomes more pronounced over a number of years.

Given loss of MVET, the loss of vehicle license fees, and I-747's erosion of property tax revenues, some cities in Washington State are becoming increasingly dependent on sales taxes and other taxes and fees levied on commercial activity. Cities that are not in a position to capture growing sales taxes will (1) have to face continual degradation of local services and/or (2) seek to increase tax revenues through concurrent (voter-approved) levy lid lifts to ensure stable property tax.

As an area that would have solid property tax revenues to start with but less commercial activity to underpin the city's fiscal balance, a City of Fairwood should expect that levy lid lifts will be a necessary component to maintaining long-run fiscal sustainability. If residents vote for incorporation, the City of Fairwood is going to begin its life with relatively low levels of service, with few opportunities for additional cuts in service. This means that, **if residents choose to incorporate, they should do so with an understanding and an expectation that they will need to vote to maintain the City's property tax levy on a regular basis.**

It is worth noting that an assumption that Fairwood city residents would vote to maintain a City levy rate of \$1.60 is consistent with the same-cost/same-level-of-service framework used throughout this study. The rate for the King County Road Levy, which Fairwood's City Levy would replace, has actually *risen* in recent years (from \$1.73 per thousand in 2001 to \$1.83 per thousand in 2005). These increases occur, in part, because the King County Road Levy is generally not constrained by I-747 limits.

If one assumes that the County Road Levy rate would continue to increase as it has recently, then if voters approve levy lid lifts that hold Fairwood's City Levy rate steady at \$1.60, Fairwood property owners would still see a *decrease* in future-year property taxes (compared to what they would have paid if they had remained part of unincorporated King County).

### ***Sales Tax Streamlining***

In recent years, the Washington State Department of Revenue has engaged in a cooperative effort among states and private industries to create more uniform sales tax structures, referred to as the Streamlined Sales Tax Project. The Project's mission is to simplify the rules surrounding the levying of



sales taxes, with a goal to pave the way for taxation of delivered goods (such as catalog and Internet sales) whose sale originates out-of-state.

States participating in the project have been changing their sales tax laws to be consistent with provisions of the Streamlined Sales and Use Tax Agreement (SSTA), a set of provisions developed by participants in the by the Streamlined Sales Tax Project. The Department of Revenue believes that Washington needs to implement the sourcing rule to comply with the model agreement and to become a member of the governing board, which will decide the rules for future streamlined sales tax provisions. As a member, Washington State will receive additional sales taxes from remote sellers who have agreed to voluntarily to comply with the SSTA, in part to benefit from its tax liability protections. Under the terms of the SSTA, those retailers will collect sales taxes for every member state that has implemented the model agreement.

In 2003, the Washington State Legislature enacted a bill including several provisions of the SSTA, but the new law did not include key provisions that redefine the “sourcing” of delivered retail sales. The “source” of a sale determines the place of sale, which in turn, determines the jurisdiction to which the local portion of sales tax accrues for a given transaction.

Under current State law, the “source” of sale for most delivered goods is deemed to be the store or warehouse from which the delivery originates. Thus, the local sales tax on sales of goods is allocated to the jurisdiction of the retail outlet at which, or from which, delivery is made.

What this means for Washington cities is that under the sourcing provisions of the agreement, the “source” of most delivered goods would shift local sales taxes to the place of delivery instead, and the potential exists for substantial shifts in revenues from jurisdictions with businesses that involve delivery of goods to customers in other areas (such as software sales and warehouses that deliver goods like furniture to retail customers outside the jurisdiction).

For example, under current law, a mattress that is delivered to a house in Covington from a warehouse in Tukwila will generate local sales taxes for the City of Tukwila, where the delivery originates. If enacted, the sourcing provisions of SSTA will change the “source” of that sale (and therefore the recipient of the local sales tax dollars) to the destination of the delivery (the City of Covington). Given the potential for large losses by certain cities, including Tukwila, Kent, and Woodinville, some local jurisdictions originally objected to legislative passage of the SSTA sourcing provisions, which is why the provisions were left out of the 2003 bill.

To assess the revenue implications of SSTA sourcing provisions on local jurisdictions, the State Legislature directed the Department of Revenue (DOR) to conduct a study of the fiscal impacts on jurisdictions. In 2004 and 2005, Streamlined Sales Tax and the implementation of destination-based sourcing was divisive for cities, and the Legislature adjourned without taking action on either of the proposals to implement destination-based sourcing and provide mitigation to impacted jurisdictions. The Association of Washington Cities also convened a group of cities to work with an outside facilitator in an effort to devise an acceptable solution to this controversial issue over the interim. That process began in April 2004, with the assistance of a workgroup that is composed of 12 cities that represent an equal number of positively and negatively impacted jurisdictions.

The Department of Revenue released a 2005 sourcing mitigation proposal, but later decided not to submit legislation. The proposal would have dedicated expected revenues from additional sales tax

## **PUBLIC REVIEW DRAFT**

from remote seller voluntary compliance with the streamlined sales tax model agreement, and provided mitigation for cities, counties, and transits impacted by the implementation of sourcing, to be phased out over 10 years. In addition, the proposal would have provided ongoing backfill funding, based on 2005 distributions, for those cities and counties that were substantially impacted by the repeal of the motor vehicle excise tax (MVET). The Legislature did not take action on any of the four bills before it adjourned for the year.

The future City of Fairwood has a relatively weak commercial tax base, and it appears to have few, if any, businesses that generate sales taxes through delivered goods. On the other hand, as a primarily residential city, households in Fairwood certainly purchase delivered goods now. This means is that Fairwood would be likely to benefit from the expected change in sourcing rules. Assuming that the rule change will occur at some point, in addition to the immediate benefit the City would see from currently delivered goods, a City of Fairwood may also see opportunities to promote purchases of delivered goods to secure financial support for City goals.

### **3. FAIRWOOD AREA CHARACTERISTICS**

#### **Location of Incorporation Area**

The Fairwood incorporation area is an urban unincorporated area located southeast of the City of Renton in King County, approximately bounded on the North by SR 169 and the City of Renton, on the West by 128<sup>th</sup> Avenue SE, on the South by SE 208<sup>th</sup> Street, and on the East by the Urban Growth Boundary.

**Exhibit 2  
Fairwood Incorporation Area**



The majority of Fairwood’s development took place in the late 1960s through the 1980s. Development in the area slowed in the early and mid-1990s, but has picked up recently. The study area is roughly 7 square miles in size and is roughly 3.5 miles from north to south, at its longest point, and 3.5 miles from east to west, at its widest.

## **Description of “Remainder” Annexation Area**

The proposed incorporation area comprises only a part of the City of Renton’s existing Fairwood Potential Annexation Area (PAA). The remainder of Renton’s Fairwood PAA lies to the west of the incorporation area. This “remainder” area, the portion of Renton’s Fairwood’s PAA not included in the incorporation area, has a 2005 population of 16,100 persons, and is bounded on the north and west by the City of Renton, on the south by the City of Kent and the Kent’s potential annexation area, and on the east by 128th Avenue SE (the western boundary of the Fairwood incorporation area). The “remainder” area includes the residential areas of Spring Glen, Auria Woods, Chinoaupin, Village Gate, Springfield, Benson Hill, Gainsborough Commons, and Youngs Lake Commons. These areas are not included in the proposed incorporation area.

An analysis of Renton’s ability to annex the Cascade area is now under way, but it is possible that the fiscal challenge of serving the Cascade area would cause the area to remain an unincorporated island for years to come if the Fairwood area incorporates.

## **Population**

### ***Base Population and Growth Rate***

Population growth is an important driver of city costs and revenues. In any city, many of the major revenue sources as well as a large number of expenses depend either directly or indirectly on the city’s population. While the proposed City of Fairwood is not growing rapidly, the process of growth itself can generate significant amounts of short-term revenues from taxes levied on new construction.

The population of the Fairwood area in 2005 is 26,100. In 2000, the estimated population of the Fairwood area was 23,400, which means that the area has increased by an average 540 residents per year over the past five years.

For purposes of assessing feasibility, this study assumes that population growth will slow in coming years, with an expected addition of 275 residents per year through 2012. This estimate is lower recent growth trends (1) to reflect the fact that Fairwood is beginning to approach residential build-out and (2) to ensure that estimates of feasibility are conservative.

High rates of construction can serve as a short-term fiscal boon to cities because of sales taxes the city collects on construction, and real estate excise taxes the city collects on initial property sales. By estimating a lower rate of growth for Fairwood for the period of analysis, this feasibility assessment seeks to be conservative in estimating these revenues.

## **Assessed Value of Property**

Having established our estimates of population, the next important driver of revenue for a residential city like Fairwood is the assessed value (AV) of the taxable property lying within the city’s boundaries. It is the assessed value of the City of Fairwood that will provide the basis for all property taxes.

Working from King County Assessor’s Office data extracts and Geographical Information Systems (GIS) digital maps of boundaries and tax parcels, Berk & Associates estimated the 2005 total assessed property of the proposed City of Fairwood is \$2.208 billion. This figure includes an estimated \$2.175 billion in taxable *real* property (land and buildings) and an additional \$33 million in *personal and inter-*

*county utility property* (which includes certain types of equipment and the value of property and equipment in the area that is owned by utilities that have assets in more than one county).

In addition to taxable property, Fairwood also includes \$66 million in property that is exempt from taxation.

Overall, in 2005, Fairwood had roughly \$85,000 of taxable assessed value for each Fairwood resident.

***Projected Growth in Assessed Value***

While the taxable assessed value described above provides a base on which to begin assessing the fiscal viability of the proposed City, two factors will determine growth in the taxable property of the city: (1) the increase in the value of the property associated with existing structures, and (2) the amount of new development over the period.

Based on a review of increases in assessed value that the King County Assessors Office has begun to announce from 2005 to 2006, this analysis assumes that average values of existing property in Fairwood will increase by 7% from 2005 to 2006. For 2007 and beyond, we assume that values of existing properties will increase at a rate of 5% per year (a rate we believe to be appropriately conservative given recent growth in values and given the constraints on remaining developable land in the area and in King County as a whole).

For increases in assessed value coming from new development, we assume that each new Fairwood resident will be accompanied by a \$100,000 increase in assessed value in 2005. This translates to an increase of \$300,000 per new 3-person household. Assumed increases for 2006 through 2012 parallel the assumed property value increases noted above: 7% for 2006 and 5% per year thereafter.

Beyond new housing, new construction value also comes from commercial development and improvements that are made to existing residential and commercial properties. Based on a review of the experiences of other cities in King County over recent years, we assume that these sources will drive additional new property value equal to 0.5% of the area’s total taxable assessed value in a given year.

**Exhibit 3  
Taxable Assessed Value Estimates**

	2007	2008	2009	2010	2011	2012
<b>Assessed Value</b>	<b>\$2,504 M</b>	<b>\$2,630 M</b>	<b>\$2,761 M</b>	<b>\$2,899 M</b>	<b>\$3,044 M</b>	<b>\$3,196 M</b>
Assessed Value of Existing Property	\$2,481 M	\$2,605 M	\$2,735 M	\$2,872 M	\$3,015 M	\$3,166 M
Assessed Value of New Construction	\$24 M	\$25 M	\$26 M	\$27 M	\$29 M	\$30 M

Source: Berk & Associates analysis of King County Assessor data extracts.

***Current Rate of Taxation***

The owner of every piece of non-exempt real property within the proposed City of Fairwood currently pays property taxes according to a levy rate applied to every \$1,000 of assessed value. This total levy rate is composed of number of elements, ranging from state taxes, to county taxes, to local school and fire district taxes. Consequently, there is no one property tax rate paid by all potential residents of the new city. Below, we provide a breakdown of the current rates for one such levy area. Tax rates for

special districts such as fire and schools vary within the incorporation area. The remaining levy rates are consistent for all property owners within the incorporation boundaries. These common elements appear in bold-faced type.

**Exhibit 4**  
**Sample 2005 Levy Rates for Fairwood Property Owners**

	<b>2005 Rate per \$1,000 of Assessed Value</b>
<b>King County Levy</b>	<b>\$1.38</b>
<b>Port Levy</b>	<b>\$0.25</b>
<b>State School Fund</b>	<b>\$2.70</b>
King County Library District	\$0.53
County Road District Fund	\$1.83
Emergency Medical Services	\$0.23
Hospital	\$0.09
Fire	\$0.99
School Levy (Kent School District)	\$4.80
<b>Total</b>	<b>\$12.80</b>

Of all the levies currently paid by Fairwood property owners, the only property tax that will cease upon incorporation is the \$1.83 levy for the King County Road District. This tax will be replaced by a new City levy, which would be levied for the first full year of the City's existence, which in this analysis is assumed to be 2007). This analysis assumes that the City's 2007 property tax levy rate will be set to \$1.60 per \$1,000 of taxable assessed property.

This \$1.60 is the maximum levy rate that can be guaranteed to the City in a given year (based on the assumption that the City will (1) continue to receive fire and emergency medical services from one or more fire districts, and (2) continue to receive library services from the King County Library System). For a discussion of other options that may be available to the City for securing additional levy capacity, see the Optional Revenues section on page 50.

If it was in place today, the City's \$1.60 levy rate would not entirely replace the 2005 King County Road District levy of \$1.83 per \$1,000. Therefore, to be consistent with the study's goal of estimating City revenues based on current rates of taxation, the study assumes that the new City will "make up" the difference in property taxes through a new utility tax.

**Special Purpose Districts**

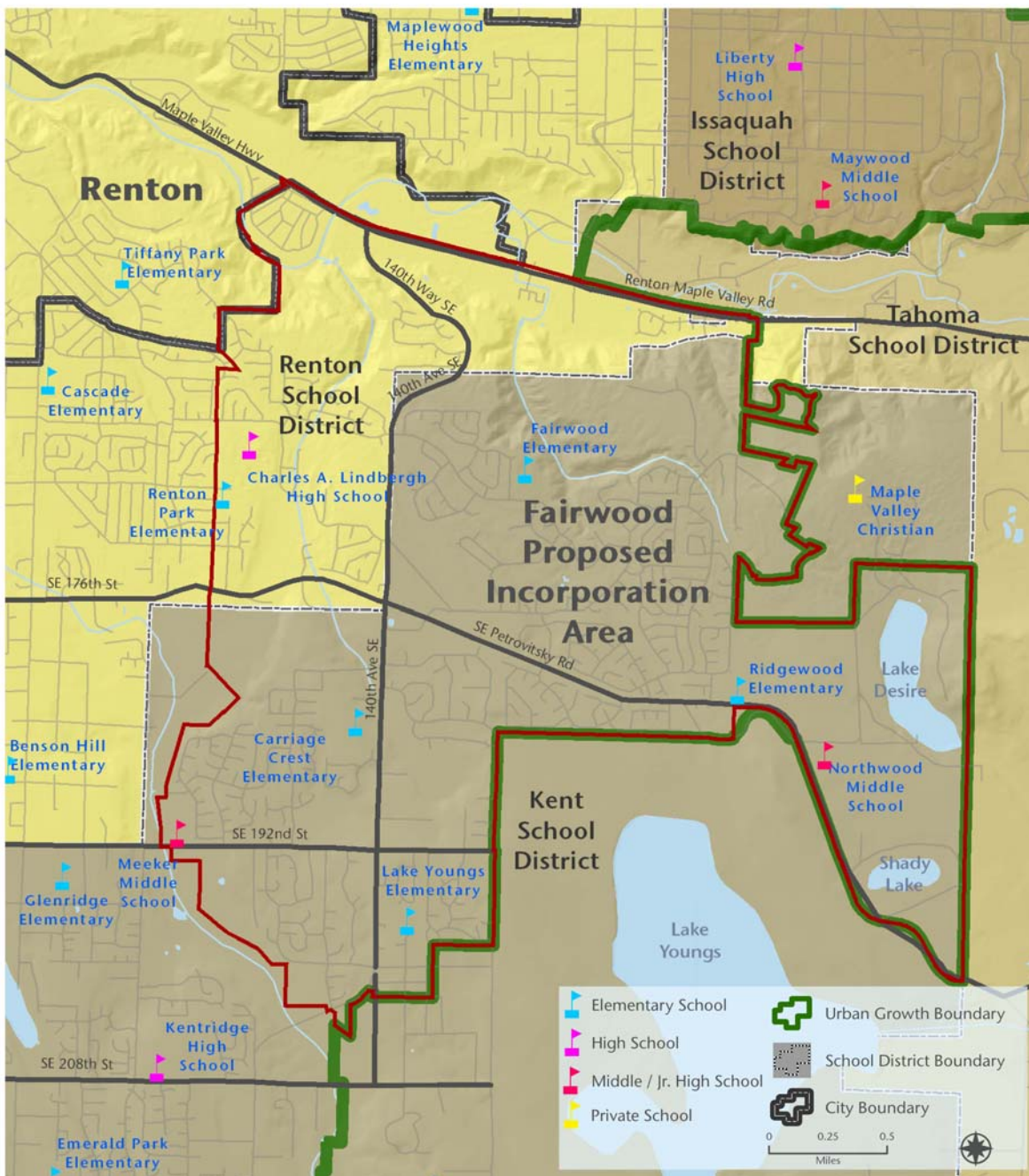
***School Districts***

Residents in the northeastern region of the proposed City of Fairwood would continue to be served by the Renton School District #403, which includes Lindbergh High School and Renton Park Elementary located in the incorporation area. The South and East areas of the new city would be served by the Kent School District, which has the following facilities in the incorporation area: Fairwood Elementary,



Lake Youngs Elementary School; Carriage Crest Elementary School; Ridgewood Elementary School; and Northwood Middle School.

**Exhibit 5  
Fairwood Area Schools**



Source: King County, School District websites, and Berk & Associates



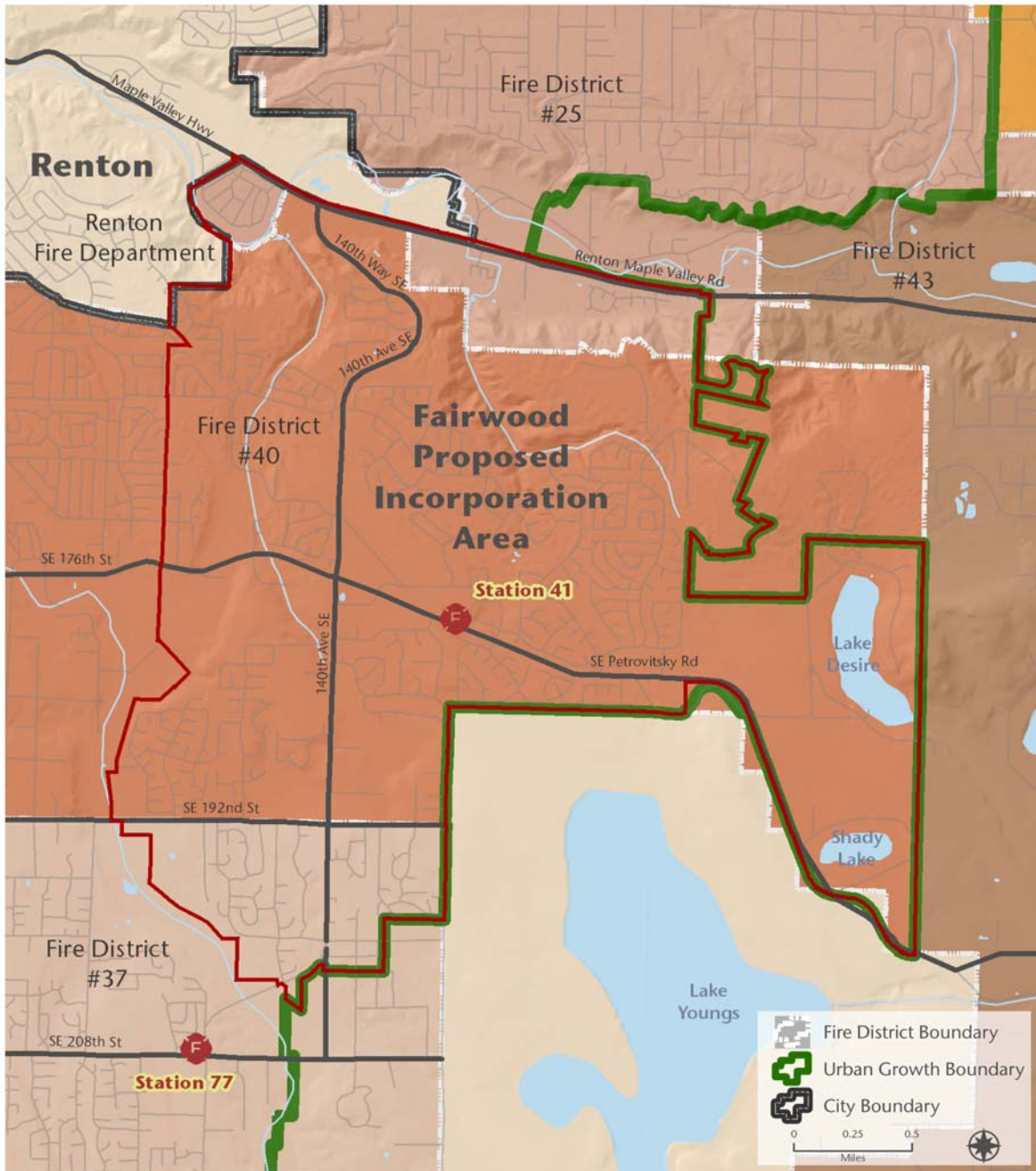
***Fire Districts***

Fire and *basic* life support emergency medical services are currently provided to most of the Fairwood area by Fire District 40, a full service fire district that provides its own stations, apparatus, and personnel. A small portion in the northeast part of the Fairwood study area is served by Fire District 25, which contracts with the City of Renton to provide its fire protection services, so it is already served by the City of Renton. Fire District 37 is responsible for fire protection services to the parts of the Fairwood south of SE 192<sup>nd</sup> Street. Fire District 37 contracts with the City of Kent to provide its fire and EMS protection. In the event of incorporation, the most likely scenario and most financially feasible for the new City of Fairwood would be to annex to one of the fire districts to continue to provide service, most likely Fire District 40.

*Advanced* life support emergency medical services are currently provided to the Petrovitsky Corridor area by King County Medic One, which is a regional service that will continue to be provided by Medic One post-incorporation.

Our assumption is that the proposed City of Fairwood would choose to annex itself to the currently existing King County Fire Protection Districts. Since these three districts are funded through discrete levies, the provision of fire and life safety protection will have no direct financial impact on the City's budget.

**Exhibit 6  
Fairwood Area Fire Districts and Stations**



Source: King County and Berk & Associates

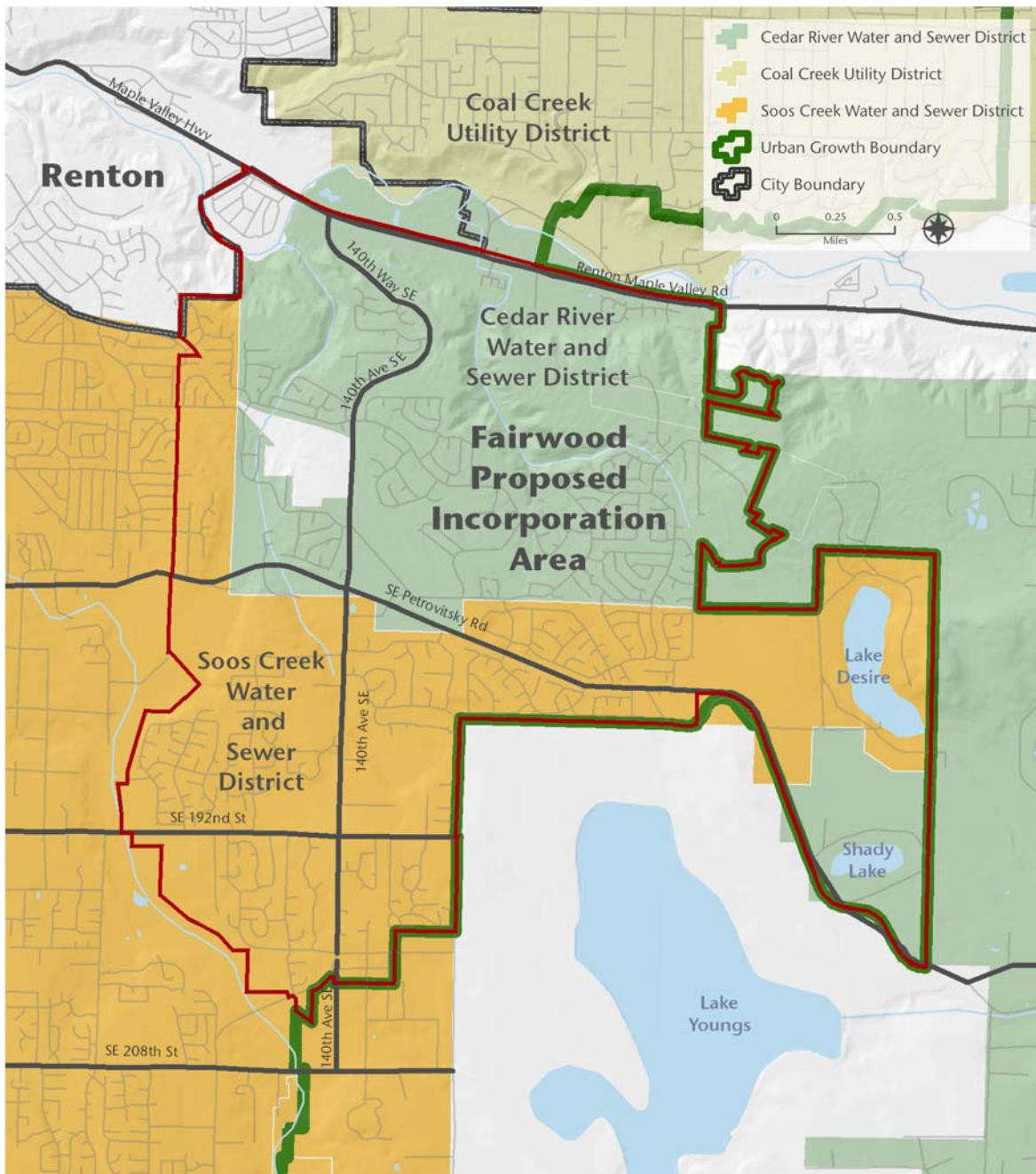
***Utility Districts***

Upon incorporation, residents of the newly incorporated city would continue to receive water and sewer service from two utility districts: in the northern portion of the city, Cedar River Water and Sewer District; and to the south, the Soos Creek Water and Sewer District.

The Cedar River Water and Sewer District, formed in 1960, serves the communities of Fairwood (water and sewer service) and Maple Valley (water service only). The District's area has grown today through 38 annexations to approximately 9,420 acres, or 14.5 square miles. The primary water supply for the District is a long-term water supply contract with Seattle Public Utilities from the Lake Youngs reservation. Lake Youngs receives potable water from the Cedar River Watershed. The watershed is a closed area of approximately 96,000 acres lying between Hobart and the crest of the Cascade Mountains.

The Soos Creek Water and Sewer District, formed in 1933, was created by a merger of Water District 58 and Cascade Sewer District in 1987. The District encompasses over 35 square miles and provides water and sewer services to almost 100,000 people in southeast King County. Water is purchased from Seattle Public Utilities and reaches the District via Lake Youngs, which is adjacent to the District's office. The sanitary sewer system, with 29 lift stations, conveys the wastewater to the King County Department of Natural Resources treatment plant in Renton for treatment and disposal.

**Exhibit 7  
Fairwood Area Water and Sewer Districts**



Source: King County and Berk & Associates

***Library Services***

The Fairwood area currently receives library services from the King County Library System (KCLS), a district which operates the large regional Fairwood Library on 140<sup>th</sup> Avenue SE. We assume that the Fairwood community would annex to the library district after the interim period. Since its opening day, the Fairwood Library has been one of the busiest branches in the King County Library System. It serves as a community center, providing meeting rooms, programs and general information. As part of King County Library System's recently approved capital bond, the district plans a 5,000 sq. ft. expansion of the current 15,000 sq. ft. library to better serve patrons, including computers and wireless access, and an automated materials-handling system to speed delivery and reduce theft. The proposed start date of the expansion is 2012.

## **4. MARKET ASSESSMENT**

### **What Will Fairwood Look Like in the Future?**

If one looks at the cities in King County that have incorporated over the past decade, it is clear that many of those cities look vastly different today compared to what they looked like at the time of incorporation. Cities that have seen some level of transformation include Covington, Woodinville, Newcastle, and Sammamish.

The maturation of a city offers city residents and city government two opportunities:

- It offers City residents and businesses a chance to achieve their vision of the place they want Fairwood to be; and
- It offers the City, as provider of local governance, a path to long-term fiscal sustainability.

Questions about what Fairwood's commercial center might look like ten or twenty years from now, or about what the City's mix of housing and residents might be, both speak to residents' quality of life and the City's relative fiscal strength.

Overall, Fairwood is likely to remain a primarily residential city, growing slowly and relying on a solid base of residential property as its principal source of City revenues. With its existing commercial center, the City may have opportunities to develop a more vibrant city center, with long-run potential for redevelopment of the center into a mix of retail, residential and/or office uses that (1) could serve as an attractive center of focus for the community and (2) provide a modest boost to the prospective City's tax base.

### ***Commercial Development***

As a residential area close to the cities of Renton, Tukwila, and Kent, commerce in Fairwood is likely to continue to remain community-oriented. As is typical of most community retail centers, activity in Fairwood's center is dominated by convenience-oriented retail and consumer services. These uses include grocery stores, banks, convenience restaurants, video stores, dry cleaners, drug stores, and a variety of other small retail and service outlets.

In many ways, Fairwood is similar to the recently-incorporated City of Newcastle. Newcastle is sandwiched between Bellevue and Renton, and is dominated by regional retail centers in Downtown Bellevue, Factoria, Renton, and Tukwila. For a visual comparison of the two areas, see Exhibits 8 and 9 on the following pages.

Newcastle's community retail center includes about 150,000 square feet of retail space, and in terms of its convenience-oriented uses, serves a population of about 10,000 people. Fairwood's community retail center is larger (roughly 350,000 square feet of retail) and serves a larger population, but it includes many of the same categories of retail and service uses.

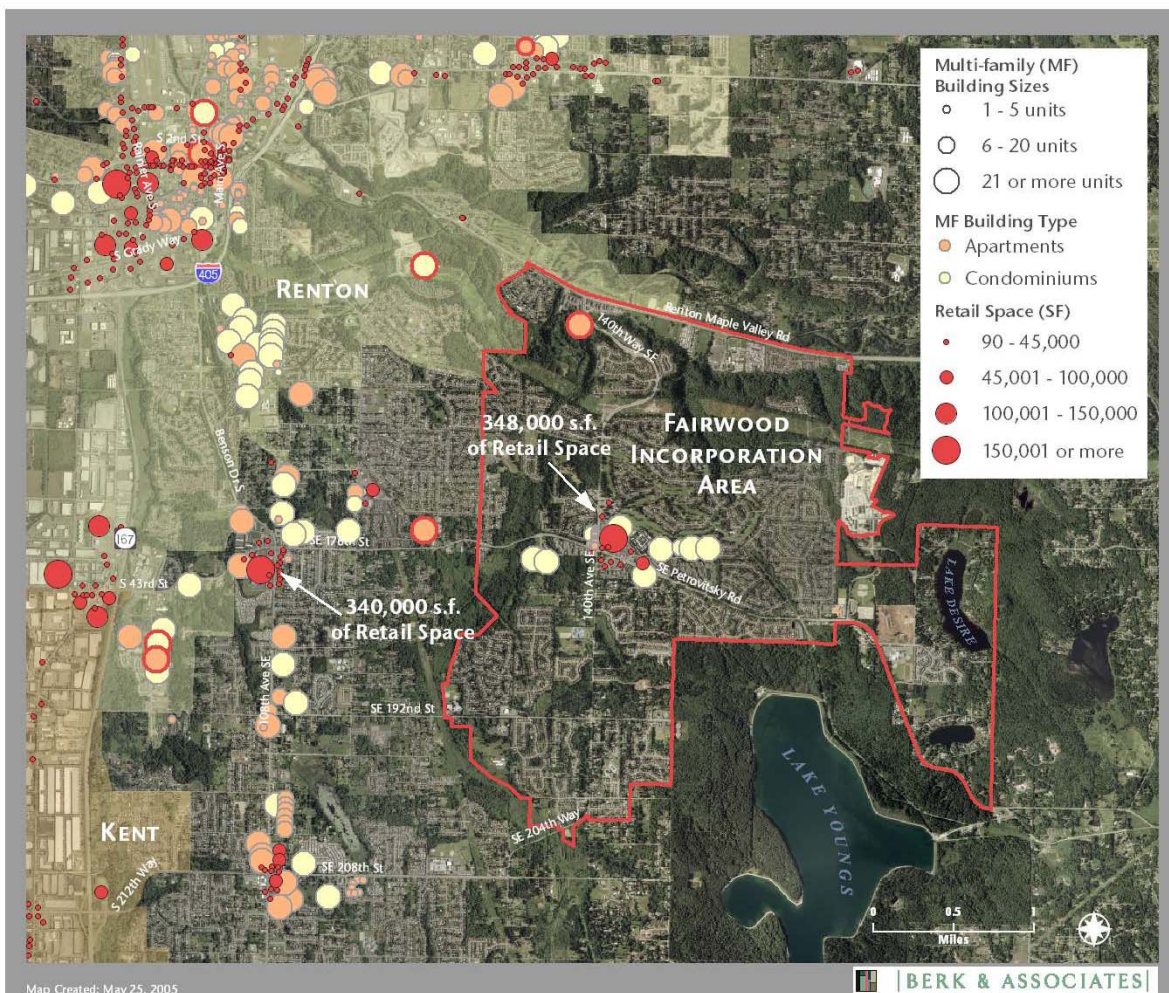
Existing commercially-zoned land in Fairwood is largely built out. This means that any expansion of commercial activity in the proposed city would require:



1. Rezoning to provide additional commercial land; and/or
2. Increased intensity of use for the area's existing commercial center.

Fairwood's two major retail centers, anchored by Safeway, QFC, and Albertson's grocery stores, comprise roughly 30 acres of land. At their existing suburban density, these areas support roughly 300,000 square feet of retail space. With more intense development patterns, these properties could support perhaps twice as much commercial space, or they could offer opportunities for redevelopment in the form of a mix of uses—combining a mix of retail, residential, and/or office uses.

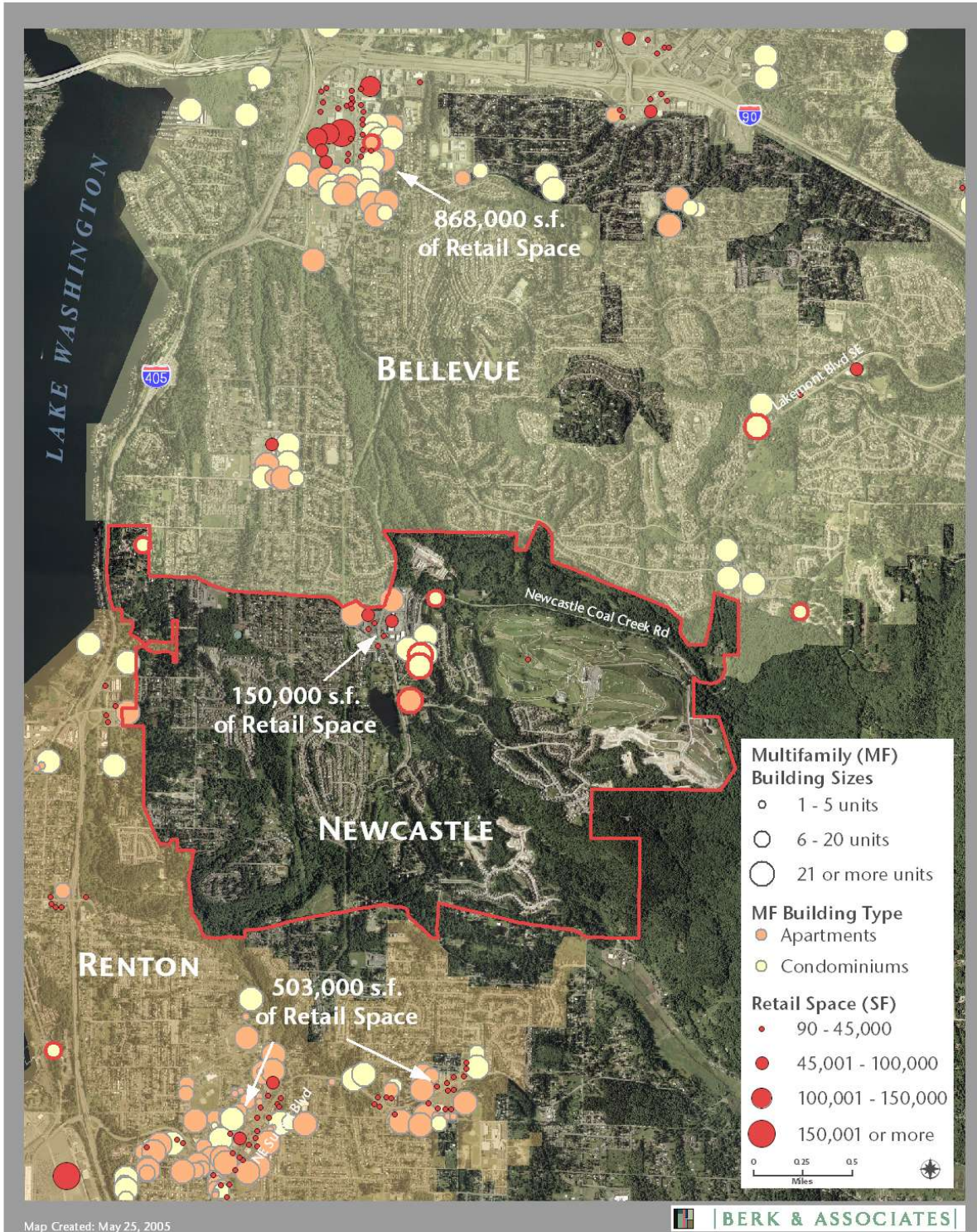
### **Exhibit 8 Retail Square Footage and Multi-Family Housing in Fairwood and Adjoining Centers**



Source: King County Assessor data extracts and Berk & Associates



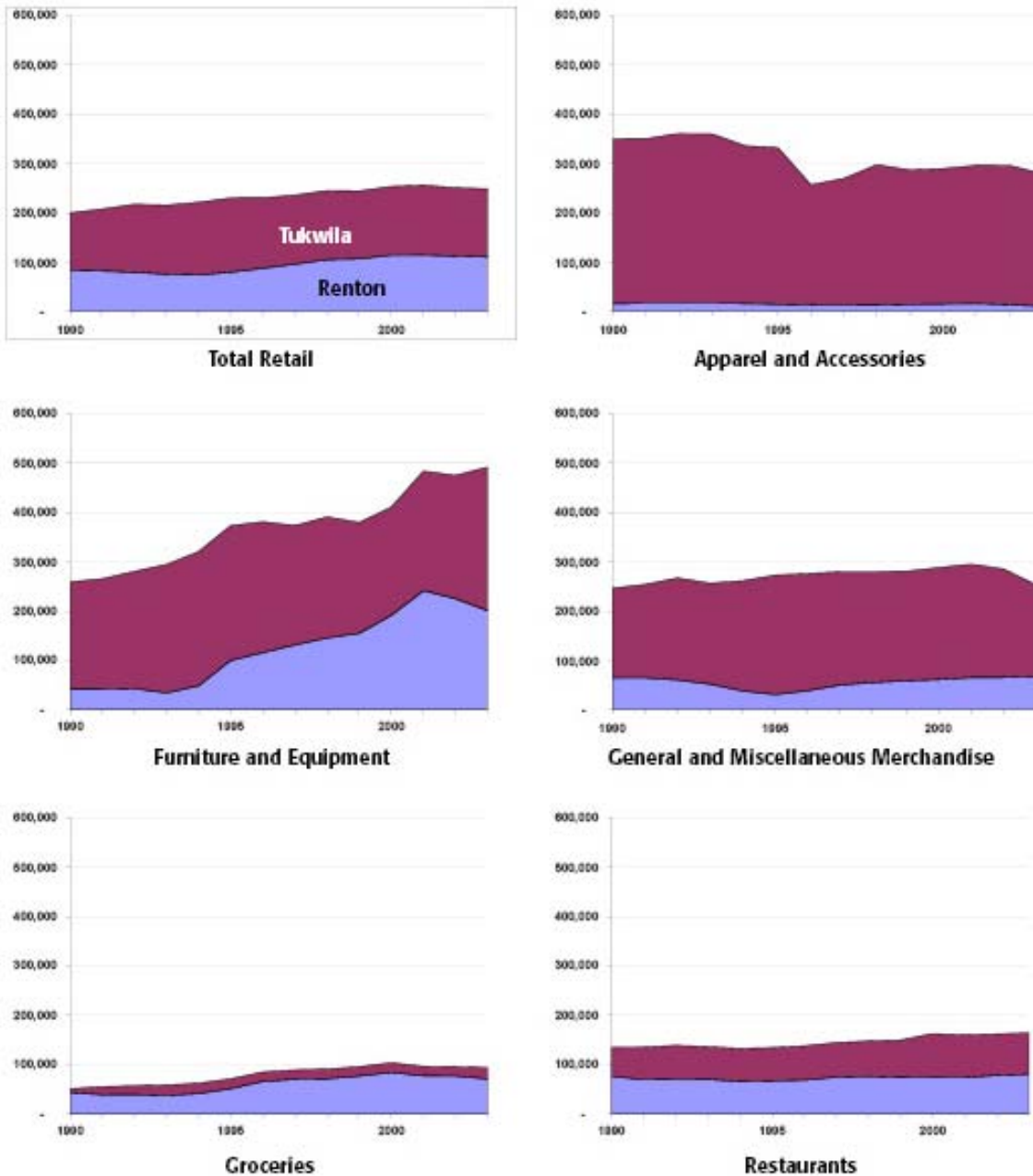
### Exhibit 9 Retail Square Footage and Multi-Family Housing in Newcastle and Adjoining Centers



Source: King County Assessor data extracts and Berk & Associates

Just as Newcastle is dominated by regional retail centers in Bellevue, Renton, and Tukwila, Fairwood is dominated by Renton and Tukwila. For all retail categories combined, Renton and Tukwila combine to capture expenditures from a large portion of south King County—capturing sales equal to the total spending of 250,000 people. Exhibit 10 summarizes Tukwila and Renton’s market capture (in terms of the number of typical people’s 2004 expenditures, in total sales or by retail category).

**Exhibit 10**  
**Historical Retail Capture Rates for Tukwila and Renton**  
*(annual 2004 person-expenditures captured by retail category)*



Source: Washington State Department of Revenue, Washington State Office of Financial Management, and Berk & Associates

Exhibit 10 summarizes capture rates for Renton and Tukwila (1) for all retail categories combined and (2) for selected categories of retail sales. What Exhibit 9 shows is that Renton and Tukwila dominate the market in categories like *apparel and accessories*, *furniture and equipment*, and *general and miscellaneous merchandise*—retail categories that are typically dominated by so-called regional or super-regional retail centers. (As the largest mall in the Puget Sound region, Southcenter Mall is categorized as a super-regional center.)

What Exhibit 10 also shows, however, is that Renton and Tukwila are far less dominant in other categories of retail, including categories like *grocery stores* and *restaurants*. These categories, other convenience uses, and targeted categories like bookstores and pet stores are likely to offer a City of Fairwood the greatest opportunity to develop a vibrant commercial center. If developed, such a city center will (1) offer Fairwood residents an attractive central *place* that will provide a center of focus for the community and (2) offer opportunities to modestly expand the City's retail tax base.

If Fairwood's ultimate goal is to foster a higher-amenity center with a mix of retail, office, and residential uses, then the area's limited supply of commercial land could serve as an advantage. All else being equal, a constrained supply of commercial and mixed use land will tend to increase the value of the commercial land that now exists. These higher values, in turn, will give property owners and developers an incentive to make more intense use of Fairwood's existing center.

As Fairwood's retail market matures, one possible scenario would be that Fairwood would *not* see a net increase in its square footage of grocery stores, but would see some shifting towards higher-end retail outlets over time. Redevelopment of the commercial center in a mixed-use town-center style might bring a combination of a slight increase in retail square footage, an increase in sales volumes per square foot, and additional uses like residential and office uses to the area that will support the overall level of activity in the center.

If the City wanted to go in another direction—one of trying to maximize retail development in a more traditional suburban style—City decision makers could consider creating additional commercial land through rezoning.

If Fairwood residents vote in favor of incorporation, at some point after the City is established, and after the City government gains solid footing, the City would then be in a position to evaluate what efforts the City can take to focus and encourage development in the commercial center in a manner that helps achieve the City's long-term goals.

## ***Housing***

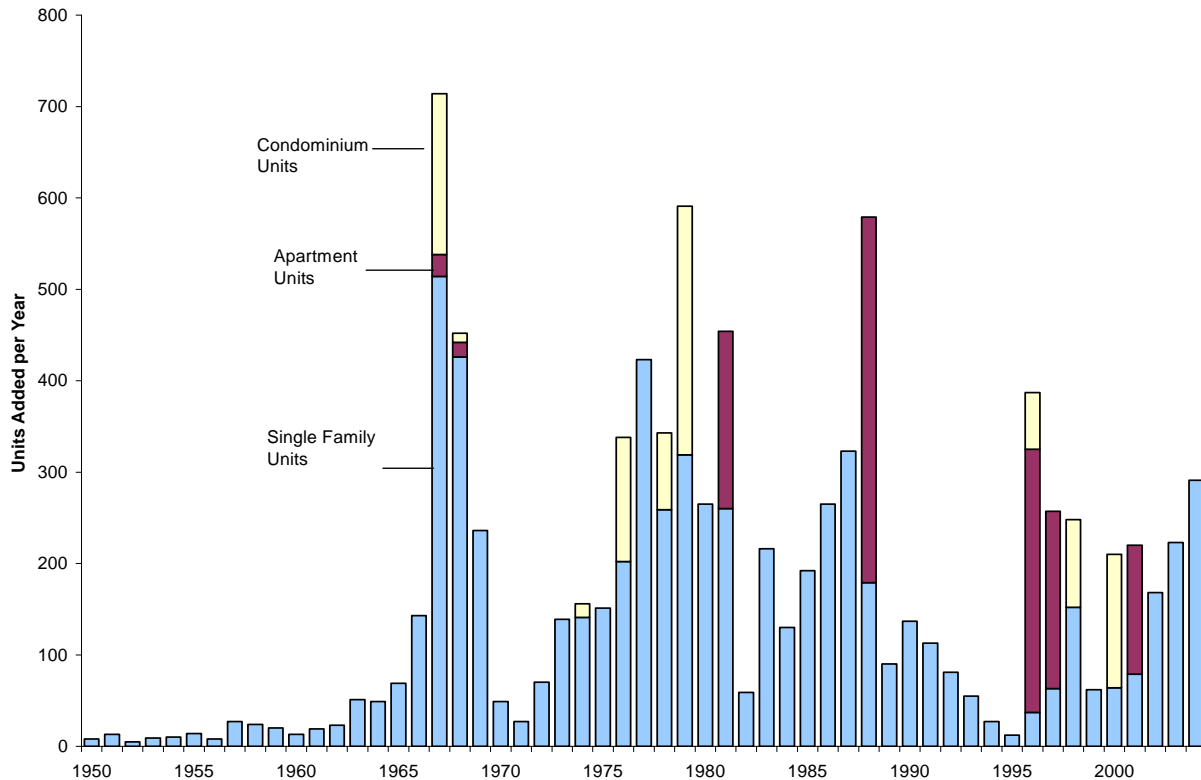
In its early years of development, Fairwood represented an outlying residential area in the region. In current terms, however, with residential development extending deep into Pierce and Snohomish counties, Fairwood can be viewed almost as a close-in community, with driving distances of 18 miles or less to the region's largest employment centers.

Fairwood's housing stock is dominated by single family housing—representing a little more than 70% of the area's total housing. Almost all of Fairwood's housing was built over the last 40 years, with construction booms in the late 1960s, the late 1970s to about 1990, and the late 1990s to the present (see Exhibit 11).



In broad terms, Fairwood appears to be approaching build-out—at least in terms of large-scale, greenfield development. Few large, developable properties still exist within the boundaries of the proposed city. Some of the larger developable properties are located relatively close to Fairwood’s commercial center and are zoned for housing at a density of six dwelling units per acre.

**Exhibit 11  
Fairwood Area Housing Construction**



Source: King County Assessor data extracts and Berk & Associates

On average, the type of housing that is being developed in Fairwood now is consistent with what has been built in the area for the last 20 years. Developers are building a mix of single family and multi-family housing, and within multi-family housing stock the area is seeing the addition of both apartments and condominiums.

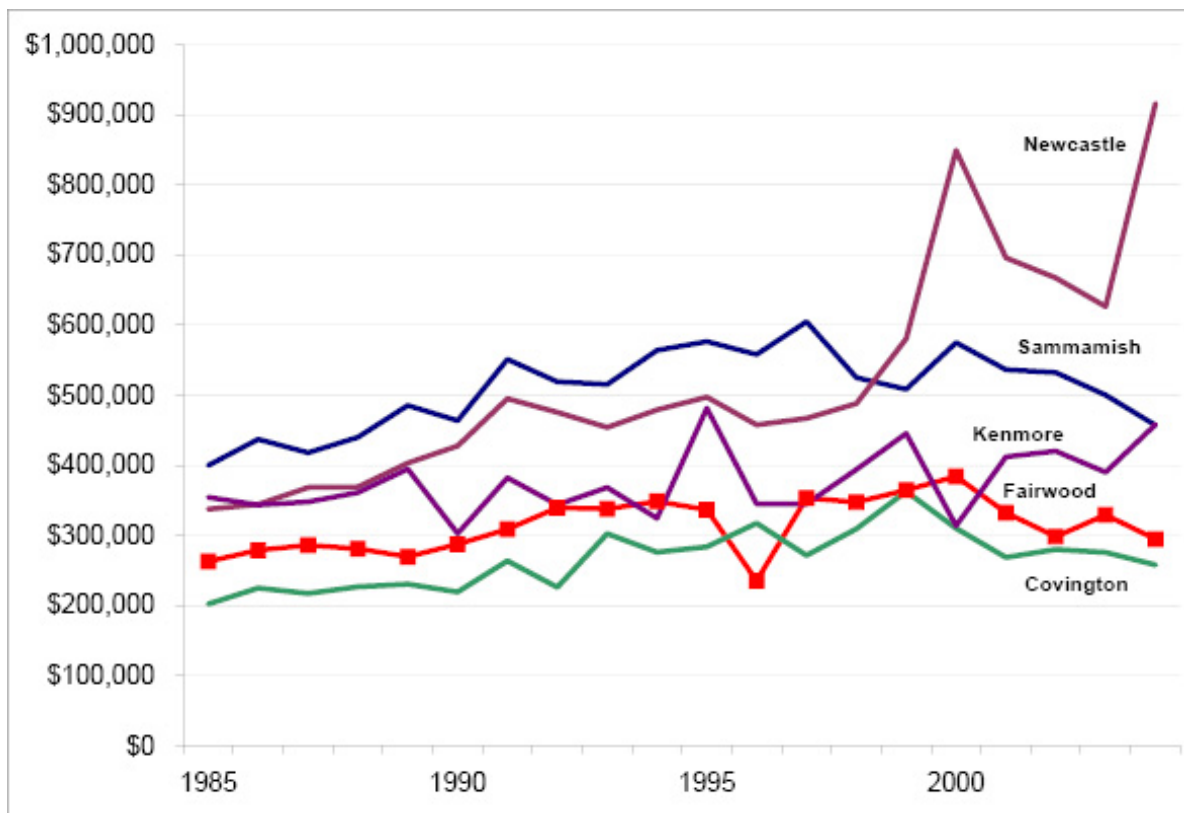
Within the single family category, new housing in Fairwood is of slightly higher value than housing built in the 1980s. The average single family house built from 2000 through 2004 in Fairwood is currently valued at \$315,000. For houses built in 1985 through 1989, the average current value is roughly \$275,000.

Exhibit 12 shows how values of houses change in Fairwood and recently incorporated cities depending on the year when the house was built. All values in the exhibit reflect current values of houses (2005 assessed values), sorted by the year the houses were built. What Exhibit 11 shows is

that one city, Newcastle, has seen dramatic increases in the values of new housing since the City's incorporation. Other cities, including Sammamish and Kenmore, have seen marked swings in values depending on the year and, presumably, depending on the specific developments under way in a given year.

Fairwood, by contrast, has seen relatively stable housing values, with values of new housing that are consistently greater than those of Covington.

**Exhibit 12**  
**Housing Construction Trends for Fairwood and Other Recently Incorporated Cities**  
**(Average House Value in 2005 by Year of Construction)**



Source: King County Assessor's data extracts and Berk & Associates

The reason that trends in housing values matter to a city is because, particularly for residential cities, a city's housing stock is the principal source of city tax base.

## 5. OVERVIEW OF REVENUES AND EXPENSES

### Is a City of Fairwood financially feasible?

Yes. Given existing tax rates, a City of Fairwood would generate enough revenues to provide a slightly higher level of service than Fairwood residents currently receive. The margin by which the City is feasible is slim, but if residents commit to maintaining the City's property tax levy over time, then the City should have sufficient revenues to cover costs of service now and in the future.

Exhibit 13 summarizes projected costs and revenues for a City of Fairwood for 2007 through 2012. (See for a month-by-month assessment of start-up cash flows from the assumed incorporation date of September 1, 2006 through the start of 2007.)

**Exhibit 13**  
**Summary of Core City Costs and Revenues**

	2007	2008	2009	2010	2011	2012
<b>Operation (non-constrained)</b>						
<b>Revenues</b>						
Property taxes (Regular Levy)	\$3,970,000	\$4,049,000	\$4,129,000	\$4,592,000	\$4,684,000	\$4,776,000
Retail Sales tax	1,147,000	1,187,000	1,230,000	1,275,000	1,321,000	1,370,000
State Shared Revenues	1,022,000	1,033,000	1,043,000	1,054,000	1,064,000	1,075,000
Retail Sales Tax - Criminal Justice	576,000	606,000	636,000	669,000	702,000	738,000
Utility Tax	541,000	557,000	574,000	591,000	609,000	627,000
Permit Fees	487,000	506,000	526,000	547,000	569,000	592,000
Cable TV Franchise Fee	240,000	250,000	260,000	271,000	282,000	293,000
Community Development Block Grant	166,000	171,000	176,000	182,000	187,000	193,000
Interest Income	90,000	93,000	95,000	98,000	101,000	104,000
Gambling Taxes	41,000	42,000	43,000	45,000	46,000	48,000
<b>Total Projected Core Revenues</b>	<b>\$8,281,000</b>	<b>\$8,494,000</b>	<b>\$8,715,000</b>	<b>\$9,323,000</b>	<b>\$9,566,000</b>	<b>\$9,816,000</b>
<b>Expenses</b>						
General Government	\$2,574,000	\$2,677,000	\$2,784,000	\$2,896,000	\$3,011,000	\$3,132,000
Public Safety (Criminal Justice)	2,304,000	2,415,000	2,530,000	2,652,000	2,778,000	2,911,000
<i>Police Services</i>	<i>2,057,000</i>	<i>2,156,000</i>	<i>2,259,000</i>	<i>2,367,000</i>	<i>2,480,000</i>	<i>2,599,000</i>
<i>Jail/Court/Public Defense Services</i>	<i>243,000</i>	<i>253,000</i>	<i>263,000</i>	<i>274,000</i>	<i>285,000</i>	<i>296,000</i>
Roads Operation and Maintenance	1,088,000	1,140,000	1,195,000	1,252,000	1,312,000	1,374,000
Parks and Recreation	143,000	153,000	163,000	169,000	176,000	183,000
Planning/Permitting (Permitting and Land Use Desk)	541,000	562,000	585,000	608,000	633,000	658,000
City Attorney and Prosecution Services	412,000	424,000	437,000	450,000	464,000	478,000
Comprehensive Land Use Plan	150,000	150,000	75,000	75,000	75,000	75,000
Capital Facilities Plan	150,000	150,000	75,000	75,000	75,000	75,000
Human Services (Block Grant expenditures)	166,000	171,000	176,000	182,000	187,000	193,000
Miscellaneous	52,000	54,000	56,000	58,000	61,000	63,000
Operational Contingency	108,000	112,000	117,000	122,000	127,000	132,000
<b>Total Projected Core Expenses</b>	<b>\$7,688,000</b>	<b>\$8,009,000</b>	<b>\$8,194,000</b>	<b>\$8,539,000</b>	<b>\$8,898,000</b>	<b>\$9,273,000</b>
	<b>\$593,000</b>	<b>\$486,000</b>	<b>\$521,000</b>	<b>\$785,000</b>	<b>\$668,000</b>	<b>\$543,000</b>
<b>Surface Water Management</b>						
Revenues	\$898,000	\$934,000	\$972,000	\$1,011,000	\$1,052,000	\$1,094,000
Operating expenses	\$379,000	\$394,000	\$409,000	\$426,000	\$443,000	\$461,000
Revenues available for SWM Capital Projects	\$519,000	\$540,000	\$563,000	\$585,000	\$609,000	\$633,000
<b>Capital Revenues</b>						
<b>Total</b>	<b>\$2,436,000</b>	<b>\$2,551,000</b>	<b>\$2,672,000</b>	<b>\$2,798,000</b>	<b>\$2,931,000</b>	<b>\$3,069,000</b>
<i>Real Estate Excise Tax (REET)</i>	<i>\$1,729,000</i>	<i>\$1,816,000</i>	<i>\$1,907,000</i>	<i>\$2,002,000</i>	<i>\$2,102,000</i>	<i>\$2,207,000</i>
<i>Grants</i>	<i>\$707,000</i>	<i>\$736,000</i>	<i>\$765,000</i>	<i>\$796,000</i>	<i>\$828,000</i>	<i>\$862,000</i>

Notes: Property tax revenues for 2010, 2011, and 2012 assume voter approval of a levy lid lift in 2009, which will restore the City property tax levy to \$1.60 (compared with a rate of \$1.50 in 2009).

Includes day-to-day operating costs and revenues for the City's general and street fund, including gas tax revenue distributions that must be spent on road maintenance or capital improvements.

Source: Berk & Associates analysis

As a residential city, the City of Fairwood would generate roughly half of its revenues from property taxes, with retail sales taxes and state revenue distributions also serving as important contributors. City expenses will be dominated by public safety, roads operation and maintenance, and the cost of general government (City Hall staffing), where 25 staff positions will cover the City's legislative and administrative functions as well as the highest-level City staff in planning, parks and recreation, public works, and the City engineer.

This analysis assumes that, as a City that contracts for key services like police, roads maintenance, and surface water maintenance, the City will be able to operate on a relatively lean City Hall staff.

### **Key Issues Related to Feasibility**

Although the proposed City is primarily residential with a weak commercial tax base, the combination of solid residential property values and a modest level of existing public services makes the proposed City financially feasible. The City is fiscally sound over a range of reasonable assumptions about future growth and tax revenues, but under the most conservative assumptions about future revenues and costs, the proposed City could provide public services at levels that are equivalent to those now provided by King County.

In terms of sales tax revenues per resident, we project that Fairwood would generate roughly \$38 per resident in 2005, with would rank the lowest of all cities in King County (Exhibit 14).

**Exhibit 14  
Regular Sales Tax Revenues per City Resident (King County Cities)**

	<b>Sales Tax Revenues</b>	<b>Population</b>	<b>Sales Tax per Resident</b>
Tukwila	16,111,783	17,240	\$935
Issaquah	9,270,674	15,510	\$598
Woodinville	5,205,442	9,915	\$525
Medina	1,226,415	2,955	\$415
Skykomish	81,677	210	\$389
Redmond	16,418,571	46,900	\$350
SeaTac	8,217,417	25,130	\$327
Bellevue	37,173,969	116,500	\$319
Auburn	14,294,011	46,135	\$310
Renton	16,653,825	55,360	\$301
North Bend	1,398,183	4,660	\$300
Kirkland	12,703,978	45,800	\$277
Bothell	7,604,654	30,930	\$246
Kent	20,102,888	84,560	\$238
Snoqualmie	1,159,174	5,110	\$227
Seattle	116,278,663	572,600	\$203
Enumclaw	1,784,913	11,160	\$160
Hunts Point	70,608	450	\$157
Carnation	291,811	1,895	\$154
Burien	4,050,601	31,130	\$130
Federal Way	10,536,298	83,590	\$126
Milton	682,683	6,025	\$113
Shoreline	5,744,116	52,740	\$109
Maple Valley	1,704,386	16,280	\$105
Newcastle	868,597	8,375	\$104
Covington	1,524,899	15,190	\$100
Mercer Island	2,179,712	21,830	\$100
Algona	253,787	2,605	\$97
Beaux Arts	28,649	300	\$95
Yarrow Point	93,741	990	\$95
Duvall	516,390	5,545	\$93
Clyde Hill	234,258	2,790	\$84
Kenmore	1,425,462	19,170	\$74
Sammamish	2,274,117	36,560	\$62
Des Moines	1,715,690	29,020	\$59
Black Diamond	230,263	4,000	\$58
Normandy Park	306,916	6,400	\$48
Lake Forest Park	515,579	12,770	\$40
<b>Fairwood</b>	<b>1,000,000</b>	<b>26,100</b>	<b>\$38</b>

Source: Municipal Research & Services Center and Berk & Associates



In terms of assessed value per resident, Fairwood would rank close to Maple Valley, higher than six other cities in King County (Exhibit 15).

**Exhibit 15  
Taxable Property Value per City Resident (King County Cities)**

	<b>Taxable Assessed Value</b>	<b>Population</b>	<b>Assessed Value per Resident</b>
Hunts Point	593,456,567	450	\$ 1,319,000
Medina	1,979,552,449	2,955	\$ 670,000
Yarrow Point	523,297,996	990	\$ 529,000
Clyde Hill	994,149,235	2,790	\$ 356,000
Mercer Island	6,345,660,937	21,830	\$ 291,000
Beaux Arts	70,753,648	300	\$ 236,000
Tukwila	3,373,231,785	17,240	\$ 196,000
Issaquah	3,026,104,987	15,510	\$ 195,000
Redmond	8,787,158,266	46,900	\$ 187,000
Bellevue	21,209,960,837	116,500	\$ 182,000
Woodinville	1,769,120,872	9,915	\$ 178,000
Kirkland	7,422,139,375	45,800	\$ 162,000
Sammamish	5,912,313,518	36,560	\$ 162,000
Snoqualmie	820,409,120	5,110	\$ 161,000
Newcastle	1,288,048,148	8,375	\$ 154,000
Seattle	83,480,019,346	572,600	\$ 146,000
Normandy Park	910,982,746	6,400	\$ 142,000
Bothell	4,195,710,134	30,930	\$ 136,000
SeaTac	3,274,008,104	25,130	\$ 130,000
Lake Forest Park	1,618,292,987	12,770	\$ 127,000
Algona	299,327,957	2,605	\$ 115,000
Renton	6,344,519,649	55,360	\$ 115,000
North Bend	524,048,214	4,660	\$ 112,000
Duvall	584,187,844	5,545	\$ 105,000
Kenmore	1,984,768,702	19,170	\$ 104,000
Black Diamond	403,441,518	4,000	\$ 101,000
Shoreline	5,290,466,808	52,740	\$ 100,000
Kent	8,449,061,721	84,560	\$ 100,000
Auburn	4,495,617,693	46,135	\$ 97,000
Skykomish	19,881,724	210	\$ 95,000
Burien	2,766,091,483	31,130	\$ 89,000
Maple Valley	1,407,088,460	16,280	\$ 86,000
<b>Fairwood (2005)</b>	<b>2,208,000,000</b>	<b>26,100</b>	<b>\$ 85,000</b>
Carnation	151,163,978	1,895	\$ 80,000
Covington	1,188,347,421	15,190	\$ 78,000
Federal Way	6,262,874,389	83,590	\$ 75,000
Milton	444,167,578	6,025	\$ 74,000
Des Moines	2,085,218,819	29,020	\$ 72,000
Enumclaw	766,585,951	11,160	\$ 69,000

Source: Municipal Research & Services Center and Berk & Associates

## **The Importance of Maintaining the City's Property Tax Levy Rate**

The passage of I-747 by Washington voters means that, absent positive action, most cities should expect the value of their property tax base to erode over time. Under I-747, absent a public vote to increase a city's levy, the revenues a city is allowed to collect from property taxes cannot grow by more than 1% per year (excluding the effects of new construction).

At the same time that I-747 limits the growth of a city's core property tax base, cities face rapidly increasing costs of doing business. Personnel costs (the principal cost of providing city services) are growing at a rate that exceeds inflation. These costs are driven by 1) large annual increases in the costs of health care and 2) wage increases that exceed the rate of general inflation (driven by long-run increases in worker productivity in the private sector).

Due to compounding effects, the gap between cost and revenue growth can easily erode a city's ability to maintain public services. For example, if the costs of serving a given population increase at a rate of 4% per year, while property taxes revenues increase at only 1% per year, over a period of ten years, a city's property tax base would fall 33% short of being able to cover costs of service.

For a city like the proposed City of Fairwood, which will always rely on property taxes to provide city services, such erosion would be very difficult to overcome. Given this reality, if area residents choose to incorporate, they should do so with an expectation and understanding that they will need to vote to maintain the City's property tax levy on a regular basis.

The modeled revenues in Exhibit 13 assume that in 2009, three years after incorporation, City residents will approve a levy lid lift that will restore the City's property tax levy to its original \$1.60.

As noted previously, an assumption that Fairwood city residents would vote to maintain a City levy rate of \$1.60 is consistent with the same-cost/same-level-of-service framework used throughout this study. The rate for the King County Road Levy, which Fairwood's City Levy would replace, has risen in recent years (from \$1.73 per thousand in 2001 to \$1.83 per thousand in 2005). These increases occur, in part, because the King County Road Levy is generally not constrained by I-747 limits.

If one assumes that the County Road Levy rate would continue to increase as it has recently, then if voters approve levy lid lifts and hold Fairwood's City Levy rate steady at \$1.60, Fairwood property owners would still see a *decrease* in future-year property taxes (compared to what they would have paid if they had remained part of unincorporated King County).

## **6. REVENUES**

### **Property Tax – Regular Levy**

For a residential city like the proposed City of Fairwood, one of the largest sources of annual revenue is property tax. The property tax levy rate is set annually by a jurisdiction's legislative body (the City Council, school board, etc.) and is generally applied uniformly to all taxable property within the boundaries of the jurisdiction.

Many taxing jurisdictions, like school or fire districts, have boundaries that cut through the proposed incorporation area, and as a result, different areas of Fairwood are, and will continue to be, subject to different levy rates. The levy for the proposed City, however, will apply to all taxable property within the city boundaries.

State law delineates what types of property are and are not subject to property taxes. Those properties subject to taxation include "real" property (land, structures, and specific equipment affixed to structures) and some forms of personal property (some types of mobile homes, business related machinery, and supplies). While all of these types of property within a city's jurisdiction are assessed, some are exempt from taxation. These exemptions generally apply to properties owned by government, schools, churches, or property with other uses that provide public benefits.

According to state law, the levy a city can apply is constrained according to the services the city provides. If a city delivers its own fire and library services, it is allowed a maximum levy of \$3.60 per \$1,000 of assessed value. If a city does not provide either of these two services, state law generally restricts the maximum levy to \$1.60 per \$1,000 assessed value (while the fire district and the library districts are allowed to levy \$1.50 and \$0.50 respectively).<sup>3</sup> The working assumption of this feasibility study is that the proposed City of Fairwood will not provide either fire protection or library services, so the \$1.60 maximum levy rate will apply.

This analysis assumes that the City will assess \$1.60 per \$1,000 AV, which is \$0.23 per thousand less than what households paid in property taxes in 2005 compared to what they would be paying upon incorporation. In order to maintain the existing tax burden, we assume that these revenues are exactly "made up" through some form of new utility taxes. This assumption will be discussed further in the section entitled "Utility Taxes."

Of course, the simple levying of a tax does not guarantee full and immediate payment by all households. In any city, there will be some taxes that are due but go unpaid. Fortunately for the City's finances, however, when it comes to property taxes, sooner or later almost all taxes that are levied are paid in full. Property tax estimates included in Exhibit 13 assumes that, in any given year, the City will receive property tax revenues equal to 99% of the City levy.

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<sup>3</sup> Example: If no fire district serving the city levies more than \$1.40, the \$0.10 that the districts are not currently using is available to the city. However, if one fire district changes their levy in a subsequent year, the city loses its ability to levy anything more than \$1.60.

***I-747 Limits and a Levy Lid Lift***

As noted in the Overview of Revenues and Expenses, I-747 limitations on the growth of property tax are a challenge to many cities across the state. In particular, I-747 poses the largest challenges to residential cities like Fairwood, where property taxes are *the* big source of city revenues.

Based on estimated taxable assessed value summarized earlier, we forecast City property tax revenues of \$3.97 million in 2007, growing to \$4.78 million in 2012 (Exhibit 16). This assumes that in 2009, three years after incorporation, City residents will approve a levy lid lift that will reset the City’s property tax levy to its original \$1.60. We would expect that, absent a windfall of revenue from another source, as long as I-747 limits are in effect, levy lid lifts will be required on a three- or four-year rotating basis.

**Exhibit 16  
Fairwood Property Tax Revenues and Assessed Values by Year**

	2007	2008	2009	2010	2011	2012
<b>Property taxes (Regular Levy)</b>	<b>\$3.97 M</b>	<b>\$4.05 M</b>	<b>\$4.13 M</b>	<b>\$4.59 M</b>	<b>\$4.68 M</b>	<b>\$4.78 M</b>
Assessed Value	\$2,504 M	\$2,630 M	\$2,761 M	\$2,899 M	\$3,044 M	\$3,196 M
<i>Assessed Value of Existing Property</i>	<i>\$2,481 M</i>	<i>\$2,605 M</i>	<i>\$2,735 M</i>	<i>\$2,872 M</i>	<i>\$3,015 M</i>	<i>\$3,166 M</i>
<i>Assessed Value of New Construction</i>	<i>\$24 M</i>	<i>\$25 M</i>	<i>\$26 M</i>	<i>\$27 M</i>	<i>\$29 M</i>	<i>\$30 M</i>
Levy Rate	1.6000	1.5398	1.4955	1.6000	1.5386	1.4944

Source: King County Assessor and Berk & Associates

Based on a review of increases in assessed value that the King County Assessors Office has begun to announce from 2005 to 2006, the analysis assumes that average values of existing property in Fairwood will increase by 7% from 2005 to 2006. For 2007 and beyond, we assume that values of existing properties will increase at a rate of 5% per year (a rate we believe to be appropriately conservative given recent growth in values and given the constraints on remaining developable land in the area and in King County as a whole).

For increases in assessed value coming from new development, we assume that each new Fairwood resident will be accompanied by a \$100,000 increase in assessed value in 2005. This translates to an increase of \$300,000 per new 3-person household. Assumed increases for 2006 through 2012 parallel the assumed property value increases noted above: 7% for 2006 and 5% per year thereafter.

Beyond new housing, new construction value also comes from commercial development and improvements made to existing residential and commercial stock. Based on a review of the experiences of other cities in King County over recent years, we assume that these sources will drive additional new property value equal to 0.5% of the area’s total taxable assessed value in a given year.

**Sales Taxes - Regular**

Retail sales tax is added on a percentage basis to the sale price of tangible personal property (with the exception of groceries and prescription medicine) and to many services purchased by consumers. Beyond its application to tangible personal property, sales tax is also applied to things like 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, under RCW 82.04.050).

According to state law, a city's maximum sales tax rate is set at 1%, which is the same rate that King County currently collects in the planned incorporation area. Of this 1%, Washington State's Department of Revenue (DOR) receives 1%. (That is, the DOR retains 1% of 1%, or 0.01% of the purchase price.) Beyond the small portion retained by the DOR, by state law, a county is eligible to receive 15% of the city's 1%. The City of Fairwood, thus, receives roughly 84% of its 1% sales tax.

The City's 1% sales tax is split into two halves: a base half and an optional second half which a city could choose not to levy if it so desired. Since King County currently levies both halves, and since, if the City of Fairwood were to choose not to levy the second half the funds would accrue to King County anyway, we have assumed that the full one percent will be levied by the City of Fairwood.

Both Berk & Associates and King County staff at the Office of Management & Budget analyzed sales tax revenues in Fairwood and arrived at similar revenue estimates. King County invested substantial effort in a "top-down" estimate of sales taxes in unincorporated areas, starting with the entire pot of taxable sales in the unincorporated county and allocating all of those sales to sub-areas like the Fairwood incorporation area. To achieve this, County staff needed to (1) identify the location of every business in the unincorporated area and (2) identify and allocate contributions made by construction and other contracting activities, and (3) identify and allocate contributions made by households and businesses for expenditures like vehicle purchases (between individuals and monthly leases) and sales taxes on things like telephone services or computers.

We approached our analysis using a similar framework, identifying retail outlets in Fairwood, estimating construction expenditures in the area (based on our assumptions about residential growth) and estimating sales tax revenues generated by household and business purchases.

Our analysis suggests that, in 2005, roughly \$500,000 of Fairwood's sales tax revenues are generated by retail activity in commercial spaces, including the area's commercial center and the Fairwood Golf Course and Country Club. Based on our assumptions about housing growth and other development in Fairwood, we project that, under our growth scenarios, construction in Fairwood would generate an additional \$160,000 in sales tax revenues. Finally, we estimate that a remaining \$340,000 in revenues is generated through resident and business purchases of goods or services [e.g. new carpets or floors, house or yard maintenance, landscaping, telephone services, or computer purchases (Dell computers pays sales taxes to virtually every local jurisdiction in Washington State)].

Growth in sales tax revenues is driven by:

1. **Growth in retail square footage:** Currently, a new drug store and a new auto parts store are under construction, which should add an additional 20,000 square feet of retail space to Fairwood's commercial center. Given the size of the property under development, it would be reasonable to expect an additional 20,000 square feet of retail on the same site as the property builds out. The analysis assumes the first 20,000 square feet will be added by 2006, and the second 20,000 square feet will be added by 2007. Given that Fairwood's commercial center is largely built out after this latest development, the analysis assumes that retail square footage will not grow from 2007 through 2012. [There are policy choices a city can make to influence private investment, so the statement that the commercial center is built out is true only barring (1) a more intense redevelopment of the center or (2) potential zoning changes to provide more retail land.]
2. **Growth in sales at existing retail outlets:** Given a lack of immediate options for more retail development, and given typical growth in retail spending, we project 5% annual growth in sales per square feet for retail space in Fairwood.

3. **Growth in direct expenditures by households and businesses:** We project that households and businesses in the Fairwood area will increase their purchases of delivered goods and services that are subject to taxable retail sales by 3% annually (as a contributor to total retail tax revenue). Under current law, home-based taxable activities include, among other things, construction/renovation activities, (e.g. remodel construction, carpet or floor installation, and landscaping); expenditures for telephone services, interstate purchases of most computers, and automobile lease payments.
4. **Growth in value of new construction:** As the value of new construction increases, the taxable sales associated with the construction increase as well. Assumptions of the value of new construction mirror the assumptions about new construction used in calculating new assessed value (7% increase from 2005 to 2006 and 5% per year thereafter).

### ***Sales Tax Streamlining***

Sales tax streamlining is not yet in place, but looking to the future, streamlining offers two sources of new revenues to cities:

1. **Deliveries from within Washington State:** Proposed changes to the “sourcing” of deliveries within the state will from the place where the delivery *originates* to the point where the good is *delivered*. For example, under current sourcing rules, when a mattress is delivered to a house in Fairwood from a warehouse in Tukwila, sales tax on a mattress sales tax on the mattress accrue to Tukwila. With the proposed change in sourcing rules, local sales tax for that delivery will shift to Fairwood.
2. **Interstate purchases:** The long-run goal of the Sales Tax Streamlining Task Force is to position states for a change in federal laws regarding interstate sales (through the internet or catalog). When or if the federal government allows such taxation, local jurisdictions in Washington State stand to benefit greatly, particularly if personal buying habits continue to shift towards internet purchases.

While the first change is more likely to happen in the immediate future, both effects of Sales Tax Streamlining offer opportunities for residential cities like Fairwood to increase sales tax revenues. Some modeling of likely effects exists, but without hard data, it is difficult to accurately predict what kind of revenues a city might expect to see. Hypothetically, though, if a household were to spend \$5,000 per year on delivered goods (pizza, furniture, electronics, appliances, books, tools, etc.) then that would translate to an additional \$42 in sales tax per year for the city in which they reside.

No revenues from sales tax streamlining are included in modeled City revenues for this analysis.

### **Retail Sales Tax – Criminal Justice**

In 1992, voters in King County approved a one-tenth of one percent sales tax levy specifically for the purpose of raising revenue to support criminal justice expenditures. This 0.1% sales tax is collected by the state’s Department of Revenue and is distributed, through them, to the county which in turn passes 90% on to cities on a per capita basis. The county retains 10% to provide regional criminal justice services.

From 1994 to 1999, criminal justice sales tax revenues were increasing rapidly, growing from about \$14 per resident in 1994 to \$23 per resident in 1999. Since 1999, distributions have generally hovered around \$20 per resident. Estimates of criminal justice sales taxes used in this analysis

assume a distribution of \$20 per resident in 2005, with future distributions growing at a rate of 4% per year thereafter.

## **State-Shared Revenues**

All cities and towns in Washington State are eligible to receive certain “shared” revenues on the basis of their population. These state-collected revenues derive from liquor receipts (both profits from liquor sales and liquor taxes and from the Motor Vehicle Fuel Tax (the gas tax). As a group, Washington cities and towns receive a fixed percentage of these source revenues, and that fixed percentage is then allocated to the individual cities on a per capita basis. (For shared profits from liquor sales, as an example, Washington cities and towns as a group receive 40% of the total profits. This lump of money is then distributed to the individual municipalities according to their respective populations.)

Shared revenue sources include:

- Liquor Excise Tax;
- Liquor Profits;
- Unrestricted Gas Tax; and
- Criminal Justice Revenues – General

Estimates of state-shared revenues in 2006 and 2007 are based on projections published by the Municipal Research & Services Center in their publication *Budget Suggestions for 2006*, recognizing a slight dilution effect on allocations from the addition of Fairwood to the distribution pool. Future year revenues assume no growth in per-resident distributions.

Certainly, an assumption of no growth in revenues will not turn out to be strictly accurate; there will doubtless be some variation in each of the per capita funding levels from year to year. However, historical trends suggest that per resident distributions have grown little, if at all.

### ***Liquor Excise Tax***

According to Washington State law, a share of the state collected excise tax on liquor is distributed directly to cities on a per capita basis. In order to receive both liquor excise tax distributions as well as liquor profit distributions, a city is required to spend at least 2% of those distributions to support an approved alcoholism or drug addiction program. We have provided for this required expenditure in our projected miscellaneous expenditures. Liquor excise tax distributions are made on a quarterly basis, on the last day of January, April, July, and October. Currently the consultants at the Municipal Research and Services Center (MRSC) project the per capita distributions for liquor excise taxes to be \$3.93 in 2006 and \$4.13 in 2007. Accounting for the dilution effect of adding Fairwood to the distribution pool, we estimate distributions of \$3.90 and \$4.10 for 2006 and 2007, respectively. We than assume distributions of \$4.10 per resident for years 2008 though 2012.

### ***Liquor Profits***

Revenues Like liquor excise tax distributions, liquor profit distributions are made to cities on a quarterly basis. Liquor profits, however, are distributed in different months. Specifically, they are distributed on the last day of March, June, September, and December. The MRSC currently projects liquor profits

distribution of \$7.41 in 2006 and \$8.06 in 2007. Accounting for the dilution effect, we estimate distributions of \$7.36 and \$8.00 for 2006 and 2007, and \$8.00 for 2008 through 2012.

### ***Motor Vehicle Fuel (Gas) Tax***

A portion of the state-collected gas tax is shared directly with municipalities which bear a substantial portion of the overall costs of road maintenance and construction. The gasoline and diesel tax is a flat amount levied per gallon (rather than a percentage of the price at the pump), so even with increasing fuel prices, the state distributions may decrease if the number of gallons sold is decreasing by a greater percentage amount.

Prior to 2005, gas taxes were distributed in two parts: an "unrestricted" portion of these funds was disbursed to help defray the costs of street maintenance and a "restricted" portion was distributed to cities to maintain an "arterial" fund. However, with the passage of SB 5969 in 2005, all gas tax funds are now "unrestricted" for all cities, and beginning with September 2005 distributions, cities will receive only a single distribution. Cities with a population of 15,000 or more no longer have to spend a portion of their gas tax on capital expenditures and can spend any portion on maintenance (of course, all the gas tax monies must still be spent for street purposes).

With the passage of the statewide 9-cent gas tax by the State Legislature in 2005, one penny of the gas tax increase will be split between cities and counties and will be phased in with one-half cent in 2005-2006, and the second one-half cent in 2006-2007. This means a one-quarter cent distribution to cities the first year and a one-quarter cent the second year. Cities can expect new distributions beginning at the end of September 2005.

Based on these changes to the law, MRSC estimates per-capita distributions of the gas tax for cities to be \$23.69 in 2006 and \$25.44 in 2007. Accounting for the dilution effect, we estimate distributions of \$23.53 for 2006 and \$25.27 for 2007 and beyond.

A potential risk to the stability of this revenue source is Initiative 912, which at this writing is likely to qualify for the November, 2005 ballot and would repeal the motor vehicle fuel tax (gas tax) increases passed by the legislature during the 2005 session. Cities would stand to lose future revenue from this source. Of the \$23.53 estimated distribution in 2006, \$2.12 comes from the new gas tax. Of the \$25.27 distribution for 2007 and beyond, \$4.27 is based on the new tax. A repeal of this tax would represent a very small portion of total revenue, perhaps \$100,000, and would not affect the overall finding of feasibility.

### ***Criminal Justice Revenues***

With the repeal of the Motor Vehicle Excise Tax, the only city distributions for criminal justice come from portions of proceeds of revenues collected under state statutes RCW 82.14.320 and 82.14.330. Seventy percent of revenues under RCW 82.14.330 are distributed on a per-capita basis, distributed under two headings: (1) Criminal Justice – Former CTED Programs and (2) Criminal Justice – Population Based. Although the names of the distributions suggest that only the latter is distributed on a per capita basis, in fact, state law dictates that funds under both headings be distributed to cities on a per-resident basis. Municipal Research & Services estimates that these distributions will sum to \$0.97 per resident in 2006 and \$0.99 in 2007. Accounting for dilution effects, we estimate distributions of \$0.96 in 2006 and \$0.98 for 2007 and beyond.



***Summary of State Shared Revenues***

Applying the above estimated distribution levels to our baseline population estimates, we have arrived at the following projections for State Shared Revenues:

**Exhibit 17**  
**Projected Per-Resident Distributions of State-Shared Revenues**

	2006	2007	2008	2009	2010	2011	2012
New Unrestricted Gas Tax	\$23.53	\$25.27	\$25.27	\$25.27	\$25.27	\$25.27	\$25.27
Liquor Excise Taxes	\$3.90	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10
Liquor Profits	\$7.36	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00
Criminal Justice Revenues - General	\$0.96	\$0.98	\$0.98	\$0.98	\$0.98	\$0.98	\$0.98
Total	\$35.75	\$38.35	\$38.35	\$38.35	\$38.35	\$38.35	\$38.35

Source: Municipal Research & Services Center and Berk & Associates

**Utility Taxes**

Unlike counties in Washington State, cities are allowed to impose taxes on many of the utility services provided within the city boundaries. According to statute, cities in Washington State are allowed to tax private utilities such as telephone, natural gas, water, sewer, stormwater, and electricity up to a rate of six percent. This rate can be exceeded upon voter approval. No such statutory maximum applies to taxes/franchise fees on cable television, although cable television does enjoy certain protections against "discrimination" under current Federal statute. (King County currently imposes a 5% cable television franchise fee, and as we will outline later, we have assumed the City will continue this levy.)

In Washington State as a whole, and in King County, roughly 80% of all cities imposed a utility tax of some form in 2003. The list of cities levying utility taxes has grown in recent years, and given current fiscal pressures on many cities, one can expect that the list will continue to grow in years to come.

City administrations have a great deal of flexibility in how they levy utility taxes. A city council can choose structures ranging from the imposition of a single tax on a single utility, to the imposition of different tax rates on all qualifying utilities. In general, however, the two largest sources of utility revenues to cities in Washington State are electricity and telephone taxes.

As a largely residential city, the City of Normandy Park serves as a good benchmark for the level of utility tax revenues the City of Fairwood might expect to generate if the City was to take full advantage of its default utility tax authority (see Exhibit 18).

**Exhibit 18**  
**Utility Taxes Per Capita in Normandy Park, 2003**

	<b>Revenues Per Capita</b>
<b>Phone</b>	\$27
<b>Electricity</b>	\$25
<b>Cable TV</b>	\$14
<b>Gas</b>	\$11
<b>Garbage</b>	\$6
<b>Water/Sewer/ Storm Drainage</b>	\$4
<b>Total</b>	<b>\$88</b>

Source: Washington State Auditor's Office

Normandy Park levies a 6% utility tax on Telephone, Cell Phones/Pagers, Electricity, Natural Gas, Garbage, Cable TV, Sewer, and Recycling services. In 2003, the City of Normandy Park generated slightly less than \$90 per resident from these taxes, which would translate to roughly \$100 per resident in 2006. Since Fairwood has a similar level of commercial activity to Normandy Park (on a per-resident basis), one could expect that Fairwood could generate similar revenues per resident, although revenues will be affected by things like the rates the City negotiates with garbage collectors.<sup>4</sup>

In order to maintain our baseline of using current tax burdens to assess feasibility, we assume that a new Fairwood City Council will impose utility taxes at a rate of 1.1% to make up the difference between the disappearing road tax levy and the new City property tax that is limited by state law. As we outlined in prior sections, the 2005 King County road tax levy for is \$1.83 per \$1,000 of assessed value, while our assumed City levy is set at \$1.60. In 2005, this difference of \$0.23 between the two levies translates into tax revenues of \$510,000. Based on our estimates of taxable utility revenues in Fairwood, we project that a tax of 1.1% on all taxable utilities would generate the \$510,000 necessary to "make up" the reduction in property taxes. For 2006 through 2012, we project that utility taxes will increase at a rate of 3% per year—which is consistent with the recent experiences of other cities.

The City of Fairwood will have the option of imposing utility taxes that would generate more revenues than assumed above. In fact, as we touched on above, many cities in King County do raise substantial revenues through utility taxes. We estimate that, if Fairwood chose to levy the full 6% on all utilities, then the City would generate roughly \$2.75 million in utility tax revenues in 2006.

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<sup>4</sup> A City of Fairwood would be required to honor the existing garbage contract for a period of seven years after incorporation, but at the end of that period, would be free to negotiate a new contract. Due to the costly nature of garbage collection in low-density areas of the County, current garbage collection rates in Fairwood are probably higher than rates the City would be able to negotiate.

## **Cable Television Franchise Fees**

While Washington State counties are not allowed to impose utility taxes, they are allowed to impose franchise fees, and King County does currently impose such a fee on cable television. Residents of unincorporated King County now pay a 5% franchise fee as part of their charge for cable service. We have assumed that a newly incorporated City of Fairwood would replace King County's franchise fee on cable television with a 5% fee of its own. Based on current and projected receipts in other cities, we project that Fairwood will generate cable franchise fee revenues of \$8.50 per resident in 2005. For 2006, through 2012, we project that per-resident revenues will grow at a rate of 3%, resulting in an estimated \$10.45 per resident in 2012.

Taking into account assumed population growth, cable franchise fee revenues are expected to equal \$240,000 in 2007, growing to \$293,000 in 2012.

## **Community Development Block Grants**

If residents of the Fairwood area choose to incorporate in 2006, the new City of Fairwood will be invited to join the King County Community Development Block Grant and HOME Investment Partnerships Consortia as a "pass-through" city. This would entitle the City to receive a direct share of the federal CDBG funds to allocate to local needs, which primarily benefit low and moderate-income persons.

In 2007, in order to qualify as a pass-through city, the City will need to develop a strategic plan, which meets HUD requirements and an allocation process for distribution of their anticipated CDBG funds. The Plan will include an assessment of the City's housing and community development needs and adopted strategies for addressing those needs.

If the City becomes a pass-through city in 2007, based on receipts of other cities, we estimate that the City would receive distributions equal to \$6 per resident. To balance these estimated revenues, we include an equivalent City expense for provision of human services. Given the required uses of these revenues, an increase or decrease in Block Grant revenues would not affect other portions of the City's general fund budget.

## **Building Permit Revenues**

Upon incorporation, the responsibility to provide land and building regulation within the boundaries of the City of Fairwood will transfer from the County to the new City. Coincident with this new responsibility, the City will be the recipient of all new revenues generated through the issuance of building and land use permits.

At that time, the new City will have to establish its own fee structure for building and land regulation. As a matter of policy, King County has adopted a "full cost recovery" model, meaning that the County's goal is to cover the costs of regulation through the revenues generated by its permitting and inspection activities. Of course, whether or not the new City of Fairwood will choose to work from the same philosophical basis is ultimately a question of policy for the new City Council to decide.

The experience of other recently incorporated cities in King County has been that they have been able to cover their full costs of staffing a building and land use desk through permit revenues. For this

assessment, we assume that 90% of the costs of planning and permitting will be recovered through permit revenues. However, this cost recovery does not include the City's senior planner, whose cost is included in the costs of City Hall staffing.

Based on an assumption of modest housing and commercial development during the period, and based on comparisons with fees generated in other jurisdictions like Sammamish, Newcastle, Covington, Maple Valley, and King County, we estimate permit revenues of slightly less than \$470,000 in 2006. Given our assumed 90% cost recovery rate, this level of activity would drive planning and permitting costs of \$520,000 for the same year. For future years, we permit revenue increases of 4% per year—a rate of increase that parallels growth in permit revenues.

### ***Gambling Taxes***

State statute provides that cities and towns that choose to allow gambling activities within their boundaries may tax the revenues generated by those activities. Based on data provided by King County, establishments within Fairwood currently generate slightly less than \$40,000 in gambling taxes. Projections of gambling tax revenues assume 3% annual growth.

### **Revenues Not Included in Core Operating Costs and Revenue Projections**

Beyond the City's core operating revenues, which cover the costs of providing most of the City's day-to-day provision of services, the City of Fairwood will also generate dedicated revenues to fund operating and capital costs for surface water management (SWM) and revenues that will be available to fund capital investments [such as real estate excise taxes (REET)]. Another revenue source that is included in virtually every city's capital investment planning process are state and federal grants.

### ***Surface Water Management Fees***

Under the system currently in place, King County's Water and Land Resources Division administers the surface water management (SWM) program in portions of King County in pursuit of dual goals: the preservation, protection and enhancement of surface water resources such as streams, lakes, and wetlands, and the management of the impacts of flooding on persons and property. The County funds these activities through fees that are imposed on all developed property within the designated SWM Program services area (unincorporated King County). For single family residences, the fee is currently a flat rate of \$102, collected as a distinct line item on property tax bills.

Currently, \$10.57 of the \$102 total is dedicated to repayment of debt service on SWM bonds in the urban portion of the service area. By statute, when a portion of the SWM service area is incorporated, the properties within the incorporation area continue to pay to King County the debt service portion of the service charge until the debt is retired. Cities can choose to pay the debt service through an interlocal agreement, rather than have the County directly bill ratepayers.

Upon incorporation, the City of Fairwood will have the option of entering into an interlocal agreement with King County for continuation of day-to-day SWM services. Alternatively, the City government could choose to operate the program on its own. We assume that the City will contract with King County for SWM services, and that, as part of its start-up, the City Council will enact fee structures consistent with those currently in place. Based upon an incorporation date of September 1, 2006, the City of Fairwood is currently slated to receive SWM fee revenues for the final quarter of the year. By statute,

although the City would be in existence throughout the month of September (which falls in the third quarter), King County maintains the right to receive all third quarter revenues. Assuming that the City will want to enter into an interlocal agreement with the County, however, receipt of these revenues may be subject to negotiation.

King County has provided revenue information for the proposed City of Fairwood indicating imputed SWM revenues in 2006 of \$1,094,418. This figure represents the sum of collections from private entities together with collections from the State and County for their transportation facilities. The figure also excludes the portion of SWM revenues that is dedicated to bond repayment.

Projected SWM revenues assume an annual growth rate of 3% for existing properties plus 1% growth associated with assumed new development.

Surface water management revenues must be used by a city for specific purposes. First among those purposes, of course, are the day-to-day costs of providing of a range of surface water program services. Once these day-to-day costs have been subtracted from net revenues, however, there should still be a substantial sum of money available. These funds can be used for two purposes: First and foremost, funds should be used to pay for surface water management capital investments; secondarily, however, remaining SWM funds can legitimately be used to defray the cost of maintenance or construction for roads that relate directly to the surface water management system. For purposes of this assessment, however, we have not assumed any transfer of SWM revenues for roads maintenance expenditures.

## **Real Estate Excise Taxes**

The Real Estate Excise Tax (REET) is levied on all sales of real estate, applied to the full sale price of the property in question. According to state law, a city that is required to plan under the Growth Management Act can levy a Real Estate Excise Tax totaling 0.5% of the selling price of the property. The first 0.25% of the Real Estate Excise Tax must be used to fund capital facilities expenditures that have been identified in the city's comprehensive plan. The second 0.25% REET revenues must also be used to fund capital facilities, with the added stipulation that they cannot be used for the acquisition of land for parks.

Projections of the REET revenues that would be generated in Fairwood are split into two components:

1. Revenues that accrue from the sale of existing property and non-residential development; and
2. Revenues that are tied to assumed population and housing growth.

Berk & Associates' analysis of property transactions in Fairwood finds that, from 2000 through 2004, the average value of transactions for existing property in Fairwood approached \$300 million each year, which translates to slightly less than \$1.5 million in REET revenues per year. This estimate excludes the value of new housing that was constructed in each year, which averaged roughly \$50 million per year over the same period. This estimate also converts sales prices for 2000 through 2004 to 2006 dollars based on assumed 7% annual growth in values of real property between 2000 and 2006.

REET revenues from new housing construction are based on assumed population growth (275 people per year) and assumed assessed value per new resident (\$100,000 in 2005, assumed to grow by 7% in 2006, and then by 5% annually from 2007 through 2012).

In total, we project REET revenues of roughly \$1.65 million in 2006, growing to \$2.21 million by 2012.

## **Bond Issuance**

Another option that cities have to raise capital revenues is through the issuing of municipal bonds. In effect, the city takes out a loan for a lump-sum of capital revenues and agrees to repay that loan over an extended period (often a period of 20 years). If Fairwood were to issue a bond with the expectation that it would use \$1 million of REET revenues to repay that bond, then at current bond rates, the City could expect to generate more than \$11 million. (At a bond rate of 6.0%, sale of a 20-year bond with an annual service payment of \$1 million would generate about \$11.5 million).

It is important to note that bond revenues must be repaid and do not represent “new money” to a city. Rather, bonds allow cities to access funds today, to cover the costs of an immediate need, at the cost of handing over a set amount of future revenues.

## **State and Federal Grants**

Most cities in Washington State seek to leverage existing capital dollars by pursuing grants from Washington State and from the federal government. Success in competing for grant revenues is hit-and-miss, which means that grant revenues tend to fluctuate wildly from year to year. However, based on historical analysis of cities between 20,000 and 35,000 people in Washington State, we estimate that, on average, Fairwood will garner state and federal grant revenues equal to \$25 per city resident. Looking to future years, we assume that these per-resident revenues will grow at a rate of 3% per year.

## **Transportation Impact Fees**

To mitigate the increased demand on transportation networks accompanying development, cities can impose transportation impact fees. In order to do this, however, a new city must have a comprehensive plan which includes, among other things, assessments of the current transportation system, projected transportation facilities needs, and projections of the costs of addressing developmental impacts in specific areas.

When considering impact fees, the City of Fairwood will have a choice between participating in King County’s Mitigation Payment System or creating its own impact fee system. Given the time it takes to develop a city Comprehensive Plan, however, the latter path will take some time to implement.

This analysis does not include estimates of impact fees, but depending on how the City chooses to proceed, such fees may be available to defray costs of transportation investments.

## **Optional Revenues**

In the previous section, we have examined the revenues we would expect the City of Fairwood to receive if the City were to pursue a policy of maintaining taxes at their current rates. This does not mean, however, that the City of Fairwood could not choose to increase its revenues. If the City desired to raise additional revenues, it could do so through, among other means, such as a property tax – excess levy, additional utility taxes, business and occupations taxes, or, potentially, a gambling tax. For

a complete discussion of revenue mechanisms available to cities, the Municipal Research and Services Center (MRSC) has a useful revenue guide and website available to cities as a resource.

***Property Tax – Excess Levy***

As a newly incorporated city, the proposed City of Fairwood would not have any excess levy upon incorporation, and would probably not seek one within the horizon of this analysis. State law, however, does provide room for excess levies approved by the voters within the city.

A city can present a ballot measure to voters for the approval of an excess levy under two conditions: for a special purpose, or for general government purposes with the stipulation that the approved excess levy must be limited to one year. For the latter, it is not necessary for the city to specifically identify the proposed use or uses of the excess funds. In order for excess levies to be accepted, however, the ballot must be approved by sixty percent of the total votes cast, and there must be a voter turnout of at least forty percent of the last general election.

With the passage of Initiative 747, there only two ways for a jurisdiction to increase property taxes by more than one percent. Some jurisdictions have taken less than the maximum increase they could have in the past and have "banked" capacity that they can use. The other way to increase property taxes by more than this amount is to do a levy lid lift under RCW 84.55.050. During the 2003 legislative session, that statute was amended to allow a lid lift for multiple years.

***Property Tax – Levy Capacity from Fire District Annexation***

In the event of incorporation, the most likely scenario and most financially feasible for the new City of Fairwood would be to annex to one of the fire districts to continue to provide service, most likely Fire District 40.

By annexing to a fire district, the new City of Fairwood would be making essentially a long-term decision by the City not to provide its own fire protection services. The City would annex to a district through an election as outlined in the fire expenses section, above. If the City annexes to a fire district, the annual property tax imposed by the district would apply throughout the district, including within the City. Fire District 40's 2005 levy rate is \$0.99 per thousand AV, and the maximum regular levy that a district may impose is \$1.50 per one thousand dollars of assessed value.

Recall that the maximum levy that a city may impose, which is \$3.60 per thousand dollars of assessed value when a city is annexed to a fire district, is reduced by the amount of the fire district levy, which commonly is the entire \$1.50 that could be levied. The shift in financing and responsibility for fire protection from the City to the fire protection district that comes from annexing to a fire district can be viewed as a potential benefit. This is because remaining fire district levy capacity can then be made available in future years for City services with voter approval. In effect, by annexing to the fire district, the new City would create the property tax capacity to increase their levy to \$2.10 with voter approval, and with the caveat that if Fire District 40 were to end its benefit charge, that levy capacity would not be available to the City of Fairwood.



### ***Additional Utility Revenues***

For our baseline analysis, we have anticipated that the City of Fairwood would levy a small utility tax to make up the difference between the existing King County Road levy and the City property tax levy that would replace it. If the City chose to do so, however, it could increase utility taxes above the level we have anticipated. In fact, residents of many other cities do pay substantially higher utility taxes per person than we have projected for Fairwood.

### ***Business and Occupation Taxes***

While King County does not have the legal authority to impose business and occupation (B&O) taxes, the City of Fairwood could impose a variety of such taxes. As a Washington State city, the City of Fairwood would have the authority to impose a tax of up to 0.2% on the gross receipts of all businesses located within its boundaries. Most cities in King County choose not to impose this tax. As an alternative, the City has the option of developing some form of business licensing program. Such a licensing program might require all businesses to register with the City, whether as a one-time event or on an annual basis. As part of this registration process, the City could then impose a licensing fee.

### ***Gambling Taxes***

State statute provides that cities and towns that choose to allow gambling activities within their boundaries may tax the revenues generated by those activities. To the best of our knowledge, there are currently not major gambling establishments within the proposed boundaries of the City of Fairwood, but a small amount of revenue would be available from punch-cards and pull-tabs based in current County revenues from gambling taxes in the incorporation area.

The State of Washington regulates and licenses gambling, and a city's role is limited to allowing or banning social card game rooms. Some cities have placed moratoria on social card game rooms, but recent court cases concerning the status of card rooms in Kenmore and Edmonds will probably force all cities with moratoria to either ban or allow gambling in their cities. Ultimately the choice to allow or ban gambling activities in the City will be a policy choice of the City Council. If gambling were to be allowed, however, it would be a potential source of revenues for the City.

## **7. OPERATING EXPENSES**

### **General Administration**

One of the single largest expenses the City of Fairwood would face upon incorporation is the cost of administering the City. With salaries to be paid and benefits to be provided, along with all of the costs of facilities, supplies, and equipment, the administration of a city meeting various service demands will come with associated costs.

Other recent incorporations in King County are instructive about the costs of administration. In practically every case, when we compare the costs of administration as projected by the feasibility study with the costs actually incurred by the cities after they incorporate, the actual costs exceed the analysts' forecasts by a substantial margin. Of course, having noted this discrepancy, we need to remember that the goal of this feasibility analysis is not to predict what the City of Fairwood might *choose* to spend on administration, but rather, to estimate the level of expenditures that would be consistent with providing a level of service equal to, or slightly greater than, that which residents of the area are currently receiving.

Estimates of salaries for specific positions by taking the 85th percentile of the actual salary range as reported by the Association of Washington Cities' Salary Survey and then rounding the number *up* to the nearest \$5,000. City Hall staffing includes 25 staff positions that will cover the City's legislative and administrative functions as well as the highest-level City staff positions in planning, parks and recreation, public works, and the City engineer.

### **City Council**

Assuming that the City of Fairwood chooses to incorporate as a Council/City Manager government, the City will have a seven member Council elected by voters living within the boundaries of the newly incorporated City. We have assumed that the members of the Council and the Mayor will serve part-time. The Mayor would be elected by the Council as directed under 35A.13.030 RCW. Upon election, the Mayor will preside over Meetings of the Council, and serve as the ceremonial leader of the City. By statute, upon incorporation the City of Fairwood will be required to compensate the members of the Council at a rate of \$5,400 per year and the Mayor at a rate of \$6,000 per year. For our analysis, we have assumed these salary rates.

### **City Manager's Office and General Administration**

In the Council/City Manager form of government it is assumed that the City Council has only one employee: the City Manager. The City Manager, then, is ultimately responsible for hiring, supervising, and the dismissal of all further staff. We have projected staffing for the administration of the City of 25 full time employees in the base year. This staffing level, as outlined in the following table, includes staffing for the City Manager's Office, for the City Clerk's Office, Finance, Engineering, Planning, Information Systems, and for oversight of Parks and Recreation.

As discussed in the examination of Start-Up Financing (Chapter 8), we envision that a new City of Fairwood would be deliberate in its hiring of City staff. Such a go-slow approach will allow the City to

build up a reserve to serve as a financial cushion in years to come. This means that, although the baseline assessment of feasibility estimates general government costs of nearly \$2.5 million, the City could (and perhaps should) see costs that are significantly lower than that as it slowly ramps up.

Exhibit 19 summarizes estimated staffing for a base year, with costs estimates that are consistent with 2005 costs. For future years, general government costs are assumed to grow at a rate of 4% per year.

**Exhibit 19  
Staffing and Cost Assumptions for City Hall Staffing (Base Year)**

Staffing Levels and Salaries	Salary Range		FTE's *	Salary	Total
	Low	High			
City Manager	7,177	8,840	1	105,000	105,000
Management Assistant	6,354	8,253	1	100,000	100,000
Director of Admin. & Fin.	5,946	7,428	1	90,000	90,000
Accountant - Senior	3,747	4,662	1	55,000	55,000
Accounting Clerk	2,883	3,607	1	45,000	45,000
City Engineer	5,532	7,007	1	85,000	85,000
Engineer Tech	3,297	4,120	2	50,000	100,000
Public Works Director	6,140	7,688	1	90,000	90,000
Community Development Dir.	5,651	7,081	1	85,000	85,000
Computer Support Specialist	3,101	3,849	1	45,000	45,000
City Clerk	3,868	4,845	1	60,000	60,000
Legal Secretary	2,928	3,587	1	45,000	45,000
Administrative Secretary	2,918	3,636	2	45,000	90,000
Receptionist	2,330	2,846	1	35,000	35,000
Senior Planner	4,246	5,383	1	65,000	65,000
Parks Maintenance Supervisor	3,764	4,692	1	55,000	55,000
Recreation Coordinator	3,066	3,833	1	45,000	45,000
Miscellaneous FTE's			6	50,000	300,000
<i>Council Members</i>		<i>6</i>		5,400	32,400
<i>Mayor</i>		<i>1</i>		6,000	6,000
<b>Total</b>			25		1,533,400
Benefits					460,020
Benefits as % of Salaries			30%		
Facility Costs					106,250
Cost per square foot			17		
Square Feet per FTE			250		
Operating Supplies					153,340
Supplies as % of Salaries			10%		
Phone Expenses					25,000
Cost of phone per FTE			1,000		
Computers					33,213
Computer cost per FTE per year			1,329		
Furniture					18,292
Furniture cost per FTE per year			732		
Vehicle Lease					30,000
Number of vehicles			5		
Cost per vehicle per year			6,000		
Vehicle Operation & Maintenance					20,000
Number of vehicles			5		
Vehicle O&M cost per year			4,000		
<b>TOTAL COSTS OF GENERAL ADMINISTRATION</b>					<b>2,379,515</b>

\* Full-time equivalent positions

As shown in the chart above, we have included six full-time equivalent (FTE) positions designated only as "Miscellaneous FTEs," compensated at a rate of \$50,000. Clearly, the new City Manager will have his or her own ideas about appropriate City Hall staffing levels. Our intention here is only to estimate a reasonable headcount that slightly exceeds current levels of services Fairwood residents receive as an unincorporated area in King County.

### ***Salaries and Benefits***

We arrived at the above salary assumptions, first by calculating the 85th percentile of the salary range reported in the Association of Washington Cities' Salary Survey for each position, and then, by rounding that figure *up* to the nearest \$5,000. Our projected total cost of salaries in the first full year of incorporation comes to slightly more than \$1.5 million. We assume that the cost of benefits will be equal to 30% of salaries.

### ***Supplies and Equipment***

For costs associated with phones, office furniture, and computers, we have derived projected expenses on an annual per-employee basis. For phone expenses we have estimated annual costs of \$1,000 per FTE. For furniture, we assume an annualized cost of \$732 per year. This figure was arrived at, first, by estimating furniture costs of \$3,000 per employee, and second, by assuming that the useful life of this furniture would be five years. Given these figures, we annualized the costs by amortizing the \$3,000 over 5 years at a 7% interest rate. For computers, we estimated annual costs per full time employee of \$1,329. This figure assumes computer costs of \$4,500 per employee and an average useful life of computers of 4 years. On top of the projected costs of phones, furniture, and computers, we added an expense category for general supplies. We estimate supply costs equal to 10% of salary costs.

### ***Vehicles***

For many of the positions identified in our administration staffing, an integral part of their job will require at least the part-time use of a vehicle. We project that the City will want to lease five vehicles, at an annual cost of \$6,000 per vehicle. For operation and maintenance of the vehicles, we estimate annual expenses of \$4,000, each. The total costs of having a vehicle at the City's disposal is then \$10,000 per year.

### ***Facilities***

Projections of the costs of City Administration facilities have been directly tied to our estimates of staffing levels. We have assumed that the City will need 250 square feet of office space for each full time employee it hires. We have also assumed an annual lease rate of \$17 per square foot, which is consistent with the going rate in the area. Given our staffing projections, we have therefore estimated facilities costs of about \$106,000 per year. Of course, if the members of the City Council saw fit, they could choose at some point to purchase land and construct a new City Hall. If they were to take this step, then the above funds could be viewed as expenditures to cover debt service on City bonds.

## **City Attorney and Prosecution Services**

The City of Fairwood would likely contract with local firms for City Attorney services and prosecution services. Estimated costs of City Attorney services are based on comparisons with the cities of Kenmore and Sammamish, which currently contract for City Attorney services, and bear annual cost of \$400,000 and \$425,000, respectively.

The actual costs the City will bear will depend heavily on the level of services the City requires. If the City wishes to have an attorney present at meetings every night of the week, then the costs of these services would be greater than if the attorney's services were only required a few days a week. Law firms indicate that the City will need to contract for City Attorney services at least four or five months prior to the official date of incorporation to help with the drawing up of the interlocal agreements needed upon start-up.

Future-year costs assume 3% annual growth in the City Attorney contract.

## **Public Safety**

### ***Police***

The second largest line item listed in our projection of expenses is for Public Safety. The costs of providing this service represent a little more than one quarter of the entire costs of running the City of Fairwood.

Certainly, among residents of Fairwood, there will be differing opinions on what would be the optimal level of public safety services provided. As with all other services, however, our goal here is not to recommend an optimal level of service, but rather to estimate the costs the proposed City could expect to incur were it to provide the same, or slightly higher, level of service than currently prevails in the area. From this baseline level, given the available funds, a City of Fairwood might choose to expand and extend its public safety services. In our estimates of public safety expenses, we assumed that the City of Fairwood will contract with King County for all service areas. At some point in the future, the Fairwood City Council might weigh the benefits and costs of having the City provide its own Public Safety services, but presumably they would only do so if they believed that the move would *improve* the City's position. Therefore, our contract assumption remains a reasonable baseline from which to work.

As a municipality, the proposed City of Fairwood would be required to provide for the protection of people and property within the City boundaries. Currently, as part of unincorporated King County, Fairwood receives its police services from the King County Sheriff's Office. As part of the County's larger cooperative effort for this analysis, King County Sheriff's Office has provided us with examples of different contracting options might look like for the City of Fairwood.

Given the variety of contracting options available, upon annexation the Sheriff would be willing to negotiate with Fairwood for the provision of a wide range of service options. To inform this assessment of fiscal feasibility, the Sheriff's Office provided examples of what a contract might look like given alternative levels of service.

Exhibit 20 summarizes four representative contracts that are based on current service levels in the proposed incorporation area. The status quo option attempts to reflect existing service levels, with the addition of a City Police Chief. Alternatives A, B, and C provide alternative approaches to staffing, including dedicated patrols for the City. The examples retain all services currently being provided, including those that are optional under the contract. An explanation of the contract program and terms follows the chart. The city may choose not to purchase some optional services, and use the savings elsewhere in the budget or to purchase different police services such as additional patrol staffing.

Please note that these examples are provided as a point of reference only based on our current interlocal agreements. Sheriff's Office police contracts are developed through lengthy discussions with city officials about the needs of the community and their vision of police service. For further explanation of differences between alternatives and other considerations surrounding police contracts, please see Appendix 1.

All four representative contracts summarized in Exhibit 20 include a City Police Chief. We believe that inclusion of a chief represents an increased level of service over what Fairwood currently receives, and therefore, a departure from our same-cost/same-level-of-service baseline. However, we also believe that is not realistic to assume that a City like Fairwood could operate without having a Police Chief. Having the chief allows the City to secure grants, establish City police priorities (with the city council and manager), work on mandated plans such as emergency operations protocols, act as department head accountable to the City and its citizens, and ensure local representation in decision making. The chief can also help the City determine the appropriate staffing levels once the city is up and running.

Given our goal of assessing feasibility based on current tax burdens and existing or slightly improved levels of service, our cost estimates are based on the Status Quo alternative, with estimated costs of \$1.87 million. For 2006 through 2012, baseline costs are assumed to grow at a rate of 4%. In addition, police service costs are assumed to grow with population growth, under the assumption that 25% of the cost is independent of population growth. This suggests that, as population in Fairwood slowly increases over time, certain core functions will remain relatively stable.



**Exhibit 20  
Representative Alternative Contracts for Provision of Police Services**

Model Examples (2005 figures)	Status Quo with City Chief		Example A		Example B		Example C	
	FTE	Cost	FTE	Cost	FTE	Cost	FTE	Cost
<b>Required Services</b>								
Shared Major	0.1	\$17,384	0.1	\$17,384	0.1	\$17,384	0.1	\$17,384
City Chief (Captain)	1	\$160,883	1	\$160,883	1	\$160,883	1	\$160,883
Shared Captains	0.2	\$32,092	0.2	\$32,092	0.2	\$32,092	0.2	\$32,092
Sergeants	0		1	\$137,129	1	\$137,129	1	\$137,129
Shared Sergeants	0.9	\$126,359	0.72	\$101,030	0.72	\$101,030	0.72	\$101,030
Patrol Deputies	0		6	\$742,663	9	\$1,113,994	12	\$1,485,326
Shared Patrol Deputies	6.44	\$796,661	2.15	\$265,554	0		0	
Detective Units	0.87	\$106,858	0.87	\$106,858	0.87	\$106,858	0.87	\$106,858
Precinct Facility		\$25,865		\$25,865		\$25,865		\$25,865
Major Crimes Unit	0.58	\$96,746	0.58	\$96,746	0.58	\$96,746	0.58	\$96,746
Communications (E-911)	2.29	\$236,357	2.29	\$236,357	2.29	\$236,357	2.29	\$236,357
Tactical Unit	0	\$0	0	\$0	0	\$0	0	\$0
<b>Subtotal, Required Services</b>	<b>12.38</b>	<b>\$1,599,204</b>	<b>14.91</b>	<b>\$1,922,559</b>	<b>15.76</b>	<b>\$2,028,336</b>	<b>18.76</b>	<b>\$2,399,668</b>
<b>Services that are required, but cities choose whether to pay up front or per use</b>								
K-9	0.34	\$52,696	0.34	\$52,696	0.34	\$52,696	0.34	\$52,696
Hostage Negotiation	0	\$0	0	\$0	0	\$0	0	\$0
Major Accident Response Unit	0.09	\$8,491	0.09	\$8,491	0.09	\$8,491	0.09	\$8,491
<b>Subtotal, Other Required Services</b>	<b>0.43</b>	<b>\$61,187</b>	<b>0.43</b>	<b>\$61,187</b>	<b>0.43</b>	<b>\$61,187</b>	<b>0.43</b>	<b>\$61,187</b>
<b>Optional Services (represents current service level; other services are available)</b>								
Storefront Officers	1	\$123,777	1	\$123,777	1	\$123,777	1	\$123,777
Domestic Violence Intervention Unit	0.28	\$48,287	0.28	\$48,287	0.28	\$48,287	0.28	\$48,287
Fraud, Forgery, Organized Crime	0.23	\$39,543	0.23	\$39,543	0.23	\$39,543	0.23	\$39,543
<b>Subtotal, Optional Services</b>	<b>1.51</b>	<b>\$211,607</b>	<b>1.51</b>	<b>\$211,607</b>	<b>1.51</b>	<b>\$211,607</b>	<b>1.51</b>	<b>\$211,607</b>
<b>Total Staff/Cost (2005 Figures)</b>	<b>14.3</b>	<b>\$1,871,997</b>	<b>16.9</b>	<b>\$2,195,352</b>	<b>17.7</b>	<b>\$2,301,130</b>	<b>20.7</b>	<b>\$2,672,461</b>
Population: 26,000								
Sworn per Thousand		0.4		0.5		0.6		0.7
Cost per Capita		\$72		\$84		\$89		\$103
Calls per Patrol Deputy		620.55		490.34		443.78		332.83
Minimum staffing per shift (assumes 3 shifts/day, 365 days a year)		n/a		1		1.5		2

Source: King County Sheriff

If the City chooses to contract with the County for police services, the County has indicated that the first two months of that service will be provided without charge. This assumption is included in estimates of start-up financing in the discussion to come.

***Court Services, Public Defense, and Jail Costs***

Cost estimates for court services, public defense, and jail costs are based on a review of costs incurred by other cities.

We assume that the City would opt, at least initially, to contract with King County for these services.

Between March 2004 and April 2005, representatives from the King County Executive, the King County Council, the King County District Court, Contracting Cities and other stakeholders engaged in an intensive strategic and operational planning effort for the King County District Court. The process

resulted in a careful and in depth assessment of the District Court's operations, services and role in the criminal justice system now and in the future. There are no court start-up costs when contracting with District Court. KCDC already has use of the statewide computer system, courtroom space and staff. The cities pay for the services by sharing the revenue received on city cases.

Based on Berk & Associates' modeling of demand for law enforcement services in Fairwood, we anticipate that the City would see levels of demand that are similar to the City of Kenmore. In 2004, Kenmore paid court services, public defense, and jail costs of roughly \$180,000. Growth rates for these costs are expected to mirror growth in police services. Overall, we estimate 2007 courts, public defense, and jail costs of \$234,000, growing to \$296,000 by 2012.

### ***Fire and Life Safety Protection***

Our assumption is that the proposed City of Fairwood would choose to annex itself to the currently existing King County Fire Protection Districts. Since these three districts are funded through discrete levies, we assume the provision of fire and life safety protection will have no direct financial impact on the City's budget.

### **Road Maintenance and Operation**

If voters within the proposed area of incorporation choose to incorporate, the new City of Fairwood will take over responsibility for the maintenance and improvement of public rights-of-way. For our analysis, we have assumed that the City will contract with the County for provision of these services. King County reports that the current estimated cost of maintaining current levels of roads and traffic maintenance in Fairwood would be roughly \$986,000 in 2005. Of this total, \$885,000 would cover roads maintenance and the remaining \$101,000 would cover costs of engineering, signage, and traffic signals. It is important to note that these represent current *estimates* of road maintenance.

For 2006 through 2012, baseline costs are assumed to grow at a rate of 4%. In addition, a portion of roads service costs are assumed to grow with population growth, under the assumption that new development will introduce new streets and new infrastructure. Recognizing that much of the City's road system is already set, however, we assume that a 1% increase in population will result in only a 0.75% increase in costs of roads maintenance.

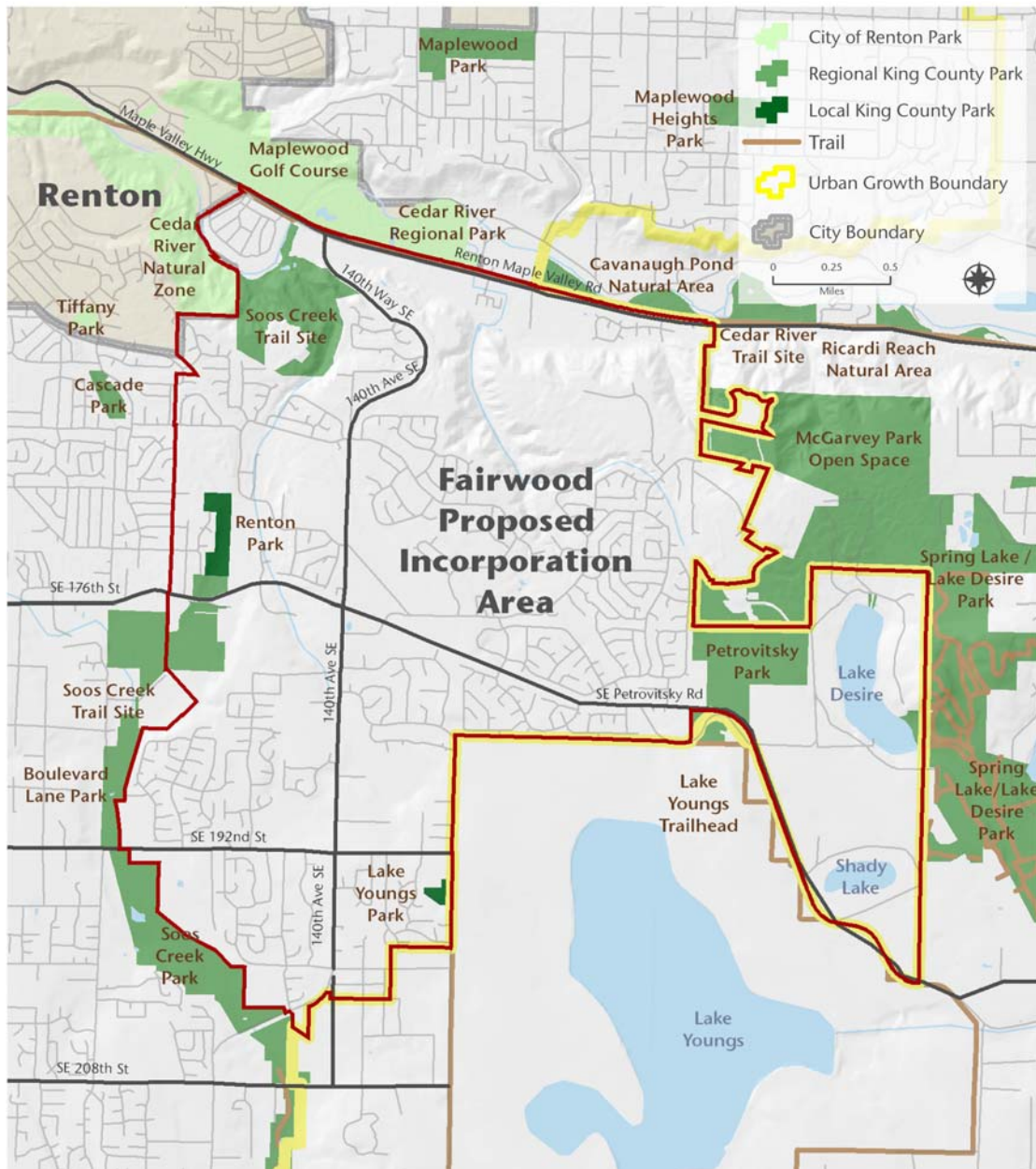
### **Parks and Recreation**

Currently, the public parks and parklands in the Fairwood area are owned, maintained, and improved by King County Division of Parks and Recreation. According to County policy, upon incorporation, facilities defined as local parks by the Parks, Recreation, and Open Space Plan could be transferred immediately to the newly incorporated City. King County expects that, under the above policy, two parks and one facility currently within the proposed City of Fairwood would transfer to the City: Renton Park (19.09 acres), Lake Youngs Park (4.81 acres), and Renton Pool (0.88 acres). The Spring Lake, Lake Desire, McGarvey Open Space, Soos Creek Trail Sites, and Petrovitsky Parks, which are classified as regional county parks, would continue to be owned and maintained by King County.

By law, the new city is not mandated to accept the parks, but if they do not take them, King County would "mothball" the park facilities, or conduct only minimal safety-related maintenance on the parks.

It is worth noting that, while the City of Fairwood could acquire responsibility for a relatively few acres of local parks, residents of the area will have these other regional parks and open space at their disposal. In or adjacent to the proposed City are the 500-acre Soos Creek Park; Petrovitsky Park (nearly 100 acres including sports fields) the Lake Youngs Reservoir, trailhead and trail site; and Spring Lake and Lake Desire, all of which King County will maintain as regional facilities; These facilities will allow Fairwood residents to enjoy recreation opportunities and pristine areas within the proposed city and just outside the urban growth boundary.

**Exhibit 21  
Fairwood Area Parks and Open Space**



Source: Berk & Associates

Should the new city opt to take the King County Parks, our estimates of parks and recreation expenses are broken into three components: (1) park maintenance, (2) recreation, and (3) expenditures for operation of Renton Pool.

***Park Maintenance***

Estimates of park maintenance costs are based on experiences of other cities and counties. Cities we have worked with in the past estimate that passive parks like Renton Park and Lake Youngs Park cost relatively little to maintain on a per-acre basis (often less than \$100 per acre per year). However, given the few acres that the City of Fairwood would take on, we assume maintenance costs of \$420 per acre.

Combined, Renton Park and Lake Youngs Park encompass almost 24 acres of passive parkland, resulting in estimated maintenance costs of \$10,000 per year. Estimates of future-years expenditures assume 4% annual growth in maintenance costs per acre.

***Recreation***

Although King County does not currently provide recreation services in Fairwood area parks, we *did* include modest recreation expenses for the City. Recreational programming could be done through a partnership with King County, making use of the County's regional facilities in the City (similar to the County's agreement with the City of Enumclaw). Like the creation of a City Police Chief, we believe it is difficult to envision a City of Fairwood that did not provide *some* level of recreation services. In addition to a recreation coordinator position, which is included in City Hall staffing, we assume net recreation expenditures of roughly \$80,000 in 2005 (excluding the cost of the Renton Pool). This net cost reflects the cost to the City of recreation services after accounting for recreational fees.

We assume that recreation expenditures will begin in 2007, and since the services will be new services to the City, the full cost of recreation services will be born by the City of Fairwood. As with park maintenance, we assume that net recreation costs will increase at an annual rate of 4%.

***Renton Pool***

The passage of the 1968 Forward Thrust capital improvement bond initiative by Seattle and King County voters placed an emphasis on acquisition of park sites and construction of facilities, particularly swimming pools. This included the construction of the Renton Pool, which is part of the Lindbergh High School campus and currently in County ownership. Currently, King County has a lease with the Renton School District to operate the pool. Both the lease agreement and Forward Thrust bond covenants end in May, 2010. As long as King County satisfies the bond covenants, it can convey the pool to another owner and operator at any time, and has taken steps to do so with most remaining pools. Most recently, King County has entered into agreements with the Northwest Center, a non-profit organization, to own and operate several pools in the region.

Although the City of Fairwood would acquire local parklands and facilities at its discretion, this study assumes, based on conversations with cities like Kenmore, that the Renton Pool will be operated and maintained by a non-profit organization such as the Northwest Center, and that the new City of Fairwood will make some financial contribution (\$50,000 per year in 2005 dollars) towards its operation. The total governmental contribution to a pool operated by the Northwest Center is in the

range of \$100,000. Therefore, if the City of Fairwood were to take over responsibility for the Renton Pool, and if the City were to shoulder the *full* public cost of the pool, pool operating costs would be in the range of \$100,000.

We assume that Fairwood's estimated contribution of \$50,000 will begin in 2007 and the cost will grow at an annual rate of 4%. Even if the new city chose not to own the pool, the assumption that the City would provide some financial contribution toward its operation is consistent with agreements that other cities in King County have developed with King County, recognizing that the pool is a community resource and service that current residents value.

### **Building Permit and Land Use Desk**

As we indicated in our analysis of projected building permit revenues, we have assumed that the City of Fairwood will have a building permit and land use desk that will recover 90% of its costs through fees. Given assumptions about City growth, we assume permit fee revenues of \$450,000 and, therefore, building and land use desk costs of \$500,000. We assume that both costs and revenues will grow by 4% per year, which translates into a cost of \$541,000 in 2007, growing to \$658,000 in 2012.

Based on the experiences of other recently-incorporated cities, we believe a 90% cost-recovery assumption is conservative. The experience of most new cities is that permit revenues more than cover city costs.

Policymakers should be aware that there is likely to be some degree of pent-up demand among residents to consult someone at the permit office. Officials at other recently incorporated cities advise that the City may want to recruit a highly experienced building permit official early in the formation of the new City.

### **Comprehensive Land Use and Capital Facilities Plan**

According to the Washington State Growth Management Act, soon after the City of Fairwood incorporates, it will need to begin the process of developing a comprehensive land use plan and a capital facilities plan. The manner in which the City approaches this process, of course, will be a policy decision. In theory, the City could contract with consultants who would develop a package of plans consistent with requirements of the Growth Management Act for two or three hundred thousand dollars. In practice, however, the experience of other recently incorporated cities has been that, when all is said and done, these plans cost a great deal more. Most cities spend well over \$1 million developing their comprehensive and capital facilities plan. Given the experiences of other cities, we have allocated \$1.2 million, over a period of six years for development of a comprehensive land use plan and a capital facilities plan. Of this total figure, we project expenditures of \$300,000 per year for the first two full years after incorporation on the two plans, and \$150,000 per year for the four years thereafter.

### **Human Services**

The King County Department of Human Services (DHS) reports that the major service areas using County funds in the Community Services Division are regional, and most of the non-county funded

services are also regional services. From the Department's perspective, the impact of incorporation of Fairwood on CSD services is minimal. Only local services in the Executive budget were included in the analysis. The vast majority of the approximately \$670,000 that CSD directs to human services in the Fairwood area will not be affected by a change in governance, and all regional services and state or federal flow-through funding will be maintained at King County as in the past.

The Community Services Division appropriation unit in the Children and Family Services fund is the only one of the divisions that uses county funds for local services. These local services provided with County funds by the Community Services Division are for the senior center and adult day health for the aging and prevention services for youth. Both are currently targeted to unincorporated area populations.

- The Fairwood annexation will not impact any of the youth prevention services which are targeted to the Snoqualmie Valley, West Hill and North Highline.
- Fairwood is in the catchment area of the Kent and Renton Senior Centers. The current funding policy for senior centers provides funding to a historical set of senior centers. Kent and Renton Senior Centers are not included in the current funding policy and, therefore, would not be affected by the Fairwood incorporation.
- There is no Adult Day Health program serving Fairwood.
- One local service contract that would be reduced is Pacific Science Center reduced admissions for disabled and elderly. The population targeted is county-wide and data is not available on a geographic basis. The reduction is based on Fairwood as a prorated portion of total county population. Reduction in number of admission would be approximately 84.
- The second is Community Voice Mail a service provided to low income, frequently homeless populations county wide. While Fairwood is a relatively middle-class area, the assumption that there are homeless in all areas of the county was used. Fairwood costs were derived using Fairwood as a percent of total population. Reduction in numbers served would be eight.

Having noted minimal impact on the County's provision of human services, this analysis assumes that Fairwood *would* become a pass-through city for Community Development Block Grants. Estimated expenditures for human services mirror those estimated Block Grant revenues.

### **Miscellaneous Non-Departmental Services**

When the City incorporates in 2006, we estimate that the City will face miscellaneous costs for insurance, association dues, and contributions to a chemical dependency program. The latter chemical dependency expense is a requirement that cities face in order to be eligible for receipt of state-shared liquor profits and liquor taxes.

Included in miscellaneous costs is a small cost for insurance. Estimated insurance costs are based on interviews with cities and the Washington Cities Insurance Authority. All lines of liability insurance plus property and crime fidelity insurance would be needed, at an initial annual cost of \$5,000-\$7,000. Association of Washington Cities' Insurance Authority is another possible insurer.

Post-incorporation, coverage is given through a rating system based on the number of city worker hours and historic losses. If there are few staff (which would be the case with a City of Fairwood that would contract for many of its services), and there is no loss rating, insurance is low-cost and would

only increase based on city workers' compensation claims, the land use hearings process, and whether public safety functions (fire and police) are provided directly by the city. Losses are attributed and assessed to cities through premiums, based on a complex actuarial formula. Most cities do not pay very high premiums even after 5-10 years.

### **Operational Contingency**

No matter how thoroughly a city plans, there will always be unanticipated events requiring discretionary funds. To meet these unforeseen needs, we have anticipated an annual allocation of \$100,000 (in 2005 dollars), which the City administration would be free to spend at its discretion. We assume contingency funding will increase at a rate of 4% per year.

### **Surface Water Management**

Upon incorporation, the new City of Fairwood will take over the responsibility of surface water management within City boundaries. Because there are certain binding constraints on how SWM revenues can be spent, we separate this fund from our core operating costs and revenues throughout the analysis. As indicated previously, the three categories of legitimate SWM expenditures are: 1) day to day costs of surface water program services, 2) capital investment in SWM facilities, and 3) transfers to the Street Fund for roads expenses directly related to surface water management.

For this analysis, we have not assumed any transfer of SWM revenues to the City's Street Fund. In terms of operating costs, we estimate that, in 2005, a City of Fairwood would spend \$350,000 to operate and maintain its existing SWM facilities. This estimate is based on per acre SWM expenditures that the City of Sammamish plans for 2005. SWM operating and maintenance expenditures are expected to grow by 4% per year.



## **8. CAPITAL IMPROVEMENTS**

Capital improvements are investments that a city makes in its physical infrastructure that allow a city to improve its overall position for the future. These improvements could include the repair and construction of road, acquisition and development of parklands, or development of structures to enhance surface water management. For a city like Fairwood, these physical investments are just as important as day-to-day city operations. Because the returns on capital improvements are generally received over a long period, and because the costs of improvements are substantial, it is important to plan carefully for the investments. As a city that will prepare a comprehensive plan under the State's Growth Management Act, Fairwood will be required to adopt and fund a six-year capital improvement plan (CIP) that conforms to the policies outlined in its comprehensive plan.

There is no way to know today what the composition of Fairwood's comprehensive plan will be, but current King County investments are inventoried here and no future capital investments by King County are anticipated to carry into the period after annexation (2007 through 2010). The City of Fairwood will need a capital facilities assessment very soon after incorporation in order to understand the City's future capital needs.

### **Surface Water Management**

According to data provided to us by King County's Department of Water and Land Resources, from 2001 to the present, King County will have invested more than \$3.6 million in surface water capital facilities within the proposed incorporation area, primarily for drainage issues in the Madsen Creek area. (A detailed description of investments is provided as an appendix to this report.) Today, the Water and Land Resources Division has no projects planned for construction past 2006 (through 2010), aside from completing the six capital projects identified in the list below.

#### **Exhibit 22 Surface Water Capital Projects in the Fairwood Area, 1999-2006**

<b>Project Name</b>	<b>Year Started</b>	<b>Year Completed</b>	<b>Est. Project Cost</b>
Madsen Creek R/D Pond	1999	2005-06	\$ 2,200,000
Madsen Creek East Wetland overflow	1999	2001	\$ 350,000
Madsen Creek - Bell Diversion Modification	1999	2001	\$ 1,000
Madsen Creek LWD/Boulder Placement	1999	2003	\$ 740,000
Madsen Creek Drainage Conveyance Improvement to West Trib	1999	2003	\$ 350,000
Madsen Creek Northwest Tributary Stabilization (same as LWD)	1999	2004	
<b>Total</b>			<b>\$ 3,641,000</b>

Source: King County Water and Land Resources Division, Berk & Associates

### **Roads Construction**

Exhibit 23 below details nearly \$16 million in Fairwood roads projects included in King County's 2004 Transportation Needs Report (TNR). The TNR is intended to be a list of all identified transportation needs that have not yet (and in some cases, may never be) included in the County's Capital Improvement Program (CIP), subject to need and funding. There is a single project, related to

improvements to 140th Avenue SE, which makes up the largest share of future transportation needs that could be phased over time. It should also be noted that this list includes projects that, at least in part, fall within the incorporation boundary or run along the boundary. However, some portions of a given project may extend beyond the study boundary.

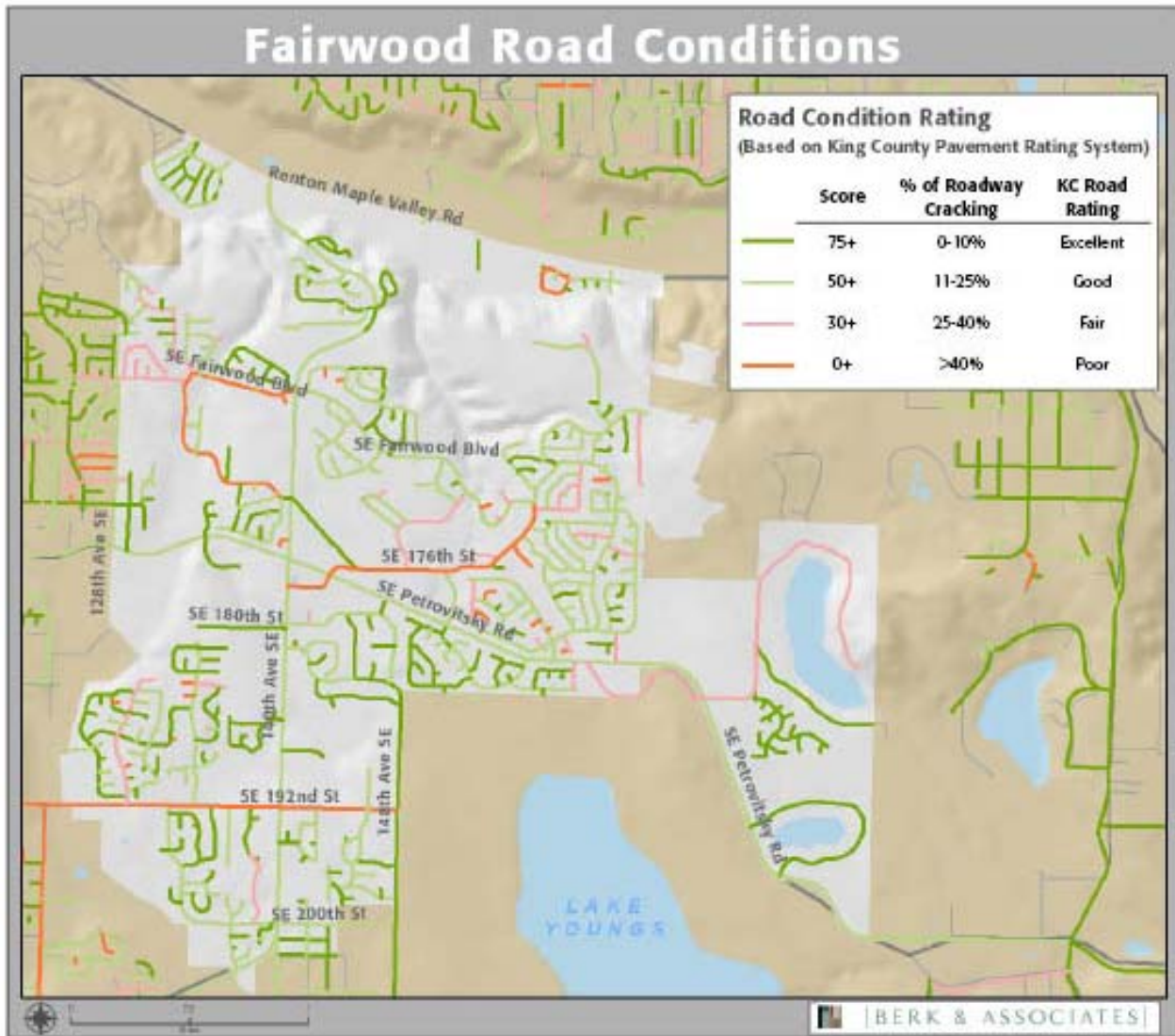
**Exhibit 23**  
**Transportation Needs in the Fairwood Area, 2004**

<b>King County Project #</b>	<b>Location</b>	<b>Category of Need</b>	<b>TNR Priority</b>	<b>Cost (\$000)</b>
GR-20	Petrovitsky Rd from 108th Ave SE to SE 184th St	Safety	High	\$69
SIG-41	140th Way SE/140th St SE from SR-169 to SE Petrovitsky Rd	Operations	High	\$133
HARS-21	140th Ave SE from SE 177th St to SE 180th St	Safety	High	\$316
SPP-4016	Fairwood Blvd from @ 148th Ave SE	Nonmotorized	Low	\$25
3P-9966	Lake Youngs Pipeline Pathway from vicinity of 155th Pl SE	Nonmotorized	Low	\$30
SPP-4035	SE 184th St from SE Petrovitsky Rd east to crosswalk	Nonmotorized	Low	\$55
3P-9956	SE 176th St from 147th Ave SE to 152nd Pl SE	Nonmotorized	Low	\$185
3P-9965	SE 183rd St from 142nd Ave SE to 147th Ave SE	Nonmotorized	Low	\$190
GR-51	SE 192nd St from SR 515 to 148th Ave SE	Safety	Medium	\$28
HARS-17	140th Ave SE from SE 188 Wy to SE 190 St	Safety	Medium	\$663
ITS-1	SR 169 from I-405 to 140th Way SE	Operations	Medium	
401195	140th Ave SE from SE 177 to SE 197	Capacity Major	Medium	
SC-55.22	140/132 Ave SE Ph II @ from SE 196 St to SE 208th St	Nonmotorized	TBD	\$408
Recon-3	Petrovitsky Rd from 128th Ave SE to 143rd Ave SE	Reconstruction	TBD	\$2,006
400197	140th Ave SE @ Petrovitsky Rd	Operations	TBD	\$11,750
SC-202	140th Ave SE @ SE 181 St	Operations	TBD	
<b>Future Road Projects - Estimated Need</b>				<b>\$15,858</b>

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

In addition, upon incorporation, the City of Fairwood would be newly responsible for just over 73 road miles of streets, including several streets which today have a poor pavement condition rating (below a score of 20, meaning that over 40% of the roadway has cracking). The map below shows the pavement condition of Fairwood roads. Each City sets different standards for the pavement condition rating (King County's standards are outlined within the legend of Exhibit 24), so the City of Fairwood would need, in its initial capital assessment, to determine the appropriate standards for these roads through the City's overlay program.

**Exhibit 24  
Fairwood Area Pavement Condition (King County Road Condition Ratings)**



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

According to King County Roads Services Division, prior investments in road design and construction Capital Improvement Program (CIP) projects in Fairwood have totaled over \$40 million over the last six years, with nearly \$400,000 in projects to be completed this year in the incorporation area. Between the years 2006-2010, no further capital expenditures are planned.

**Exhibit 25  
King County Road Construction Projects in the Fairwood Area, 1999-2006**

<b>Project Name</b>	<b>Location</b>	<b>Prior Years</b>	<b>2005 Budget</b>	<b>Planned through 2010</b>	<b>Total</b>
140th Way SE	Petrovitsky Rd to SR-169	\$19,829,986	\$0	\$0	\$19,829,985
140th Ave SE	SE 177th St to SE 197th St	\$20,275,523	\$291,202	\$0	\$20,566,726
140th Ave SE - ITS	Petrovitsky Rd to SE 192nd St	\$1,932	\$98,068	\$0	\$100,000
<b>Total</b>		<b>\$40,107,441</b>	<b>\$389,270</b>	<b>\$0</b>	<b>\$40,496,711</b>

Source: King County Roads Division, Berk & Associates

If a city incorporates in the middle of a given year, the County's policy is to complete road construction, design or other improvement projects programmed for that year, by either actually finishing the project or providing funds to the city for transportation purposes. Based on an incorporation date of September 1, 2006, the County would finance all construction and design planned for 2005 and 2006. Because these projects are anticipated to be completed prior to 2007, we do not have a reliable estimate of future annual expenses for construction of roads in the City of Fairwood.

**Parks Capital Improvements**

The King County Parks & Recreation Division reports the following locally-classified King County facilities which could become part of the City of Fairwood at the City's option (see Exhibit 26). Among the five listed parks, King County would seek to transfer the three local park facilities to the City: Renton Park, Lake Youngs Park, and Renton Pool.

King County has not made any recent capital investments in any of the parks within the incorporation area, nor are any investments planned for the future. The two local parks, Lake Youngs and Renton Parks, have few facilities, and we assume that the Renton Pool would be operated and maintained by a non-profit provider, so the most likely capital investments that may be needed in the future would be upgrades or additions to the City's limited stock of local parks.

**Exhibit 26  
Existing King County Park Facilities in the Fairwood Area**

<b>Park Facility</b>	<b>Classification</b>	<b>Acres</b>	<b>Field/ Court</b>	<b>Picnic/ BBQ</b>	<b>Play Equip</b>	<b>Rest- room</b>	<b>Address</b>
Renton Park	Local	19.09		No facilities			130th Place SE and SE 172nd
Renton Pool	Local	0.88					16740 128th Ave SE
Lake Youngs Park	Local	4.81	1	1			SE 200th and 148th Ave SE
Soos Creek Trail Site	Regional	203.02		No facilities			SE 184th St and 124th Ave SE to 140th Wy SE and Hwy 169
Petrovitsky Park	Regional	92.66	7	1	1	1	16400 Petrovitsky Rd SE
<b>Total</b>		<b>320.46</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>1</b>	

Source: King County Parks, Berk & Associates

**Estimating Capital Improvement Expenses**

While the County assumes no future-year projected countywide project investments, Road Services Division has provided us with a detailed list of such investments that were made in Petrovitsky from 1995 through 1999. The prior governance study estimated countywide project expenditures over these years averaged roughly \$135,000 per year.

Municipalities use a number of strategies for financing capital investments. Which strategy they choose is often based on their assessment of the city's long-term capital needs. For instance, if a city believes that it needs to make substantial investments in the near-term, but once those needs have been met, it will face fewer needs in the future, that city could issue bonds and effectively spread the near-term costs out over a longer period of time. If, however, a city expects that it will need to make a steady stream of investments over the both the near- and long-term, it will ultimately need to be able to finance a given year's investments with that same given year's revenues.

We do not estimate an average annual level of capital improvement expenses because, given King County's recent funding constraints and recent historic investment in parks, surface water management, and roads, the anticipated capital facility needs in the Fairwood area would tend to be understated and not reflective of an urban level of service for capital investment. In addition, the fact that King County estimates no projected capital improvements for roads, parks or surface water management facilities in the near future means that the best predictor of capital expenses for Fairwood will be the on-site assessments that the new City would undertake when it created its capital facilities plan.

Estimated capital revenues, as noted above in the revenue section, are likely to equal roughly \$2.9 million in 2007, stemming from real estate excise tax (REET) (\$1.7 million); from Surface Water Management (SWM) (\$520,000); and from various state and federal grant sources, which could average roughly \$700,000 per year if the City of Fairwood enjoys success in obtaining those grants that is in line with what similar sized cities have achieved across the state. These dedicated sources for capital will assist the new City in addressing future capital needs.

## **9. PROJECTED START-UP FINANCING**

As part of the creation of the new city, the interim staff at the City of Fairwood will need to contact a local lending institution to set up a line of credit to tide the city over until substantial revenues begin to flow in. Flows of the various sources of revenues outlined in earlier sections will depend on both the speed with which the City is able to implement its projected fees and the ease with which the City handles its transition period. Policymakers at the City should contact the Municipal Research and Services Center as early as possible, and they should also obtain copies of the MRSC's "The New City Guide" and "A Revenue Guide for Washington's Cities and Towns."

On the following page, we provide a general overview of the monthly revenues and expenses the City can expect. While some categories may look like they represent a smooth flow of funds, the reality of revenues and expenses is much "lumpier" by nature.

The exact amount of debt the City will incur depends on how the City approaches its start-up. Governing factors include how quickly staff is hired (or not hired), the furniture, computer systems and supplies that purchased by interim staff, and the choice to buy or lease vehicles. We have assumed a level of spending on pre-incorporation administrative overhead that includes the purchase of a facility (6,000 sq ft at \$18/sq ft), and the purchase of computers and supplies for three interim staffers (at \$8,000 per staffer). Because these persons will be serving in interim roles, we assume that those 3 staffers will be paid towards the higher end of the salary range for 4 months.

Once Fairwood is incorporated, we assume that City Hall will be staffed with 8 full-time employees for its first year of existence (similar to Kenmore's start-up staffing model), and that those employees will also initially need supplies and computers at the rate of \$8,000 per staffer. Finally, we have assumed that the City will lease its vehicles, leading to expenses that are spread throughout the year.

It is instructive to reflect on the experience of two cities, Kenmore and Edgewood, in their choice to defer or delay hiring permanent full-time staff for City Hall. In both cases, the choice to begin with a very small City Hall staff, and increase staffing costs slowly and in partial positions or on a contract basis (based only on increased service demands), allowed each City to establish significant cash reserves in the first few years. This go-slow approach placed the cities on sound financial footing.

- As noted in the expense section, above, the City of Kenmore incorporated in 1998 with a complement of eight staff positions, including the City Manager, Assistant City Manager, Senior Planner, Community Development Director, Receptionist, Administrative Assistant, Accounting Tech, and City Clerk. Today, the City has 16 staff: a Street/Storm/Public Works Superintendent, City Clerk, Office Assistant, City Engineer, City Manager, Assistant City Manager, two Administrative Assistants, Director of Community Development, Code Compliance Officer, Building Inspector, Senior Planner, Associate Planner, Permit Technician, Finance Account Technician, and Finance Director.
- The City of Edgewood (Pierce County, population 9,405) incorporated in 1999 and staffed City Hall with just under 11 positions: 0.8 FTE City Manager, 1.75 Finance staff, 1 City Clerk, 1.9 Central Services staff, 2.925 City Planning staff, 1.775 Building Office staff, 0.538 Street Maintenance staff, and 0.638 Surface Water Management staff. Today, five years later, only partial

staff positions in planning, parks, street maintenance and surface water management have been added, bringing 2004 City Hall staffing levels to 13 FTE.

After the initial start-up period, the City should expect to see a somewhat more even flow of revenues and expenses. Some revenues are distributed quarterly, and for some revenues, there is a substantial delay before collection. Half of annual property tax revenues, for instance, are due on April 30. Some of those revenues accrue to the City in March, April, and May, but a large portion of those revenues will not accrue until June or later.

For the City's expenses, we have estimated monthly payments by simply dividing yearly expenses into 12 equal monthly payments, and for many of the larger expenses (e.g. road maintenance and public safety contract payments) this estimation really does reflect the way outflows will occur. For other expenses, like parks and recreation, costs arising from one month to the next are not so easily predicted. For these smaller outflows, then, our monthly estimates should be viewed only as a general indicator of the kinds of expenses the City will face.

Fairwood should count on accumulating short-term debt in its early stages as it absorbs the costs associated with incorporation and start-up (attorney fees, interim staffing, purchase of facility and supplies). In mid-November, Fairwood will receive its first large revenue receipt in the form of road levy revenues from King County (the City should contact King County Finance well ahead of mid-November to work out the details of the fund transfer). By statute, these revenues must ultimately be dedicated to roads maintenance and construction, but the City is allowed to borrow against this fund as long as the loan is paid back, with interest, within 3 years. We anticipate that the city will indeed use the road funds received from King County in November to repay its short-term debt and to help finance continued operations through the remainder of 2006. Given our projections of revenues and expenses, we expect that Fairwood will have no difficulty repaying this loan within the required three years.

We anticipate that after November, 2006 the city will maintain a positive overall cash position. The road funds received from King County in November will tide the City over until May, when it receives its first substantial influx of property tax revenue. Contingent upon the policy decisions of Fairwood's administration, we expect the City's cash position to remain positive into the future.

**Exhibit 27: Proposed City of Fairwood Cash Flows for First Year (Not Including SWM Revenues)**

Inflows (In Thousands)	2006					2007							
	Pre-Incorp.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun	Jul	Aug
Road Tax	-	-	-	2,010	-	-	-	-	-	-	-	-	-
Property taxes (Regular Levy)	-	-	-	-	-	-	-	29	89	987	979	19	12
State Shared Revenues	-	-	187	-	49	202	-	53	202	-	53	202	-
<i>Unrestricted Gas Tax</i>	-	-	155	-	-	168	-	-	168	-	-	168	-
<i>Liquor Excise Taxes</i>	-	-	26	-	-	27	-	-	27	-	-	27	-
<i>Liquor Profits</i>	-	-	-	-	49	-	-	53	-	-	53	-	-
<i>Criminal Justice Revenues - General</i>	-	-	6	-	-	7	-	-	7	-	-	7	-
Retail Sales Tax	-	-	-	-	90	90	90	96	96	96	96	96	96
Retail Sales Tax - Criminal Justice	-	-	-	137	46	48	48	48	48	48	48	48	48
Utility Tax	-	-	-	-	-	45	45	45	45	45	45	45	45
Cable TV Franchise Fee	-	-	19	19	19	20	20	20	20	20	20	20	20
<b>TOTAL</b>	-	-	206	2,166	203	405	203	291	500	1,196	1,241	430	221

Outflows (In Thousands)	2006					2007							
	Pre-Incorp.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun	Jul	Aug
Public Safety (Criminal Justice)	-	-	-	183	183	-	-	-	-	-	1,152	192	192
General Government	240	108	68	68	68	68	68	68	68	68	68	68	68
<i>Salaries and Benefits</i>	-	63	63	63	63	63	63	63	63	63	63	63	63
<i>Administration Overhead</i>	132	42	2	2	2	2	2	2	2	2	2	2	2
<i>Interim Staffing</i>	108	-	-	-	-	-	-	-	-	-	-	-	-
<i>Vehicle Lease and Operation</i>	-	4	4	4	4	4	4	4	4	4	4	4	4
Roads Operation and Maintenance	-	-	-	86	86	91	91	91	91	91	91	91	91
City Attorney and Prosecution Services	56	19	19	19	19	34	34	34	34	34	34	34	34
Parks and Recreation	-	-	-	3	3	12	12	12	12	12	12	12	12
Comprehensive Land Use Plan	-	-	-	-	-	13	13	13	13	13	13	13	13
Capital Facilities Plan	-	-	-	-	-	13	13	13	13	13	13	13	13
Miscellaneous	-	4	4	4	4	4	4	4	4	4	4	4	4
Operational Contingency	-	-	-	-	-	9	9	9	9	9	9	9	9
<b>TOTAL</b>	295	132	92	364	364	243	243	243	243	243	1,395	435	435

(In Thousands)	2006					2007							
	Pre-Incorp.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun	Jul	Aug
Cash Inflows - Cash Outflows	(295)	(132)	114	1,802	(161)	162	(41)	48	256	952	(155)	(5)	(214)
Accumulated Cash Position	(295)	(427)	(313)	1,489	1,328	1,490	1,449	1,497	1,753	2,705	2,551	2,546	2,331

Capital Inflows (In Thousands)	2006					2007							
	Pre-Incorp.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun	Jul	Aug
Real Estate Excise Tax	-	-	146	146	146	153	153	153	153	153	153	153	153



## ***Startup Financing Assumptions***

### ***Inflows***

- Road Tax: Assessed value times the King County levy rate of 1.832 times 46%, which is historically the proportion received in September-December.
- Property taxes (Regular Levy): None collected in 2006. In 2007, total yearly times historical distribution for each month.
- Unrestricted Gas Tax: Quarterly payout, so Fairwood receives 1/4 of the 2006 total amount and 3/4 of the 2007 total amount.
- Liquor Excise Taxes: Quarterly payout, so Fairwood receives 1/4 of the 2006 total amount and 3/4 of the 2007 total amount.
- Liquor Profits: Quarterly payout, so Fairwood receives 1/4 of the 2006 total amount and 3/4 of the 2007 total amount.
- Criminal Justice Revenues – General: Quarterly payout, so Fairwood receives 1/4 of the 2006 total amount and 3/4 of the 2007 total amount.
- Retail Sales Tax: Two-month lag between levy and collection, then an even monthly payout after that.
- Retail Sales Tax - Criminal Justice: Two-month lag between levy and first collection leads to payout of 3-month's-worth in November 2006. After that, even monthly payouts.
- Utility Tax: Not levied until January 2007, then even monthly inflows.
- Cable TV Franchise Fee: Part of "Permit Fees" in yearly summary. Even monthly inflows beginning in October.

### ***Outflows***

- Public Safety (Police): Two months free service from King County. Because the King County contract states that cities get billed based on the lower of the two cost books, the first bills don't generally go out until May of each year (budget has to be finalized first). So, the cities have that money from January to May.. After May, assumed costs reflect a lump sum payment for the first half of the year and equal monthly payouts for the latter half.
- General Government: Yearly summary includes fully staffed city hall, does not include interim staffing costs for 2006.
- Salaries and Benefits: Eight employees (City Manager, Assistant City Manager, Senior Planner, Community Development Director, Receptionist, Admin Asst, Accounting Tech, City Clerk) + 6-person council + a mayor for the first year, paid out in even monthly outflows.
- Administration Overhead: Pre-Incorporation costs of 6,000 sq ft \* \$18/sq ft, as well as \$8,000/interim FTE \* 3 interim FTEs. Initial costs (in September 2006) include \$8,000/FTE and 5 additional FTEs, as well as costs of \$20,000/month for Supplies, Phones, Insurance.

## **PUBLIC REVIEW DRAFT**

- Interim Staffing: Three interim employees (City Manager, Asst City Manager, Administrative Assistant) at high pay scales for four months (September-December).
- Vehicle Lease and Operation: Five vehicles in the first year, at a cost of \$6,000/year to lease and \$4,000/year for operation and maintenance.
- Roads Operation and Maintenance: Two months free service from King County, followed by even monthly outflows.
- City Attorney and Prosecution Services: Paying a total of 1/3 of full year in 2006, spread more in pre-incorporation time than in subsequent incorporated months. In 2007, even monthly outflows.
- Parks and Recreation: City pays \$5,000 per month in 2005, assumed to begin in November 2006. The City then fully funds park maintenance, recreation, and a \$50,000 annual contribution to pool operation in equal monthly payments through 2007.
- Comprehensive Land Use Plan: No outflows in 2006, followed by even monthly outflows in 2007.
- Capital Facilities Plan: No outflows in 2006, followed by even monthly outflows in 2007.
- Miscellaneous: Even monthly outflows beginning in September 2006.
- Operational Contingency: No outflows in 2006, followed by even monthly outflows in 2007.

**REVIEW DRAFT**

**ANALYSIS OF THE FINANCIAL FEASIBILITY  
OF THE PROPOSED CITY OF FAIRWOOD**

**REPORT APPENDICES**

**APPENDIX 1: FAIRWOOD POLICE CONTRACT OPTIONS**

### Fairwood Police Services

If Fairwood incorporates, the new city would have the option of providing police services through a contract with the King County Sheriff's Office. Under the Sheriff's Model, the new city would be able to select from a variety of services and service levels to meet its needs. The model can easily be changed as the city matures and adjusts its priorities.

The following examples are based on current service levels in the proposed incorporation area, with the addition of a city chief and other local dedicated personnel. The examples retain all services currently being provided, including those that are optional under the contract. An explanation of the contract program and terms follows the chart.

Please note that these examples are provided as a point of reference only based on our current Interlocal agreements. Sheriff's Office police contracts are developed through lengthy discussions with city officials about the needs of the community and their vision of police service.

#### Explanations:

Under each model, supervision of patrol personnel is shared with King County and other contract cities. Specialized units, detectives, and support personnel also are shared. The primary difference between the examples is the degree to which the city uses shared (flex) and dedicated patrol staff.

Status Quo with City Chief: This model retains "flex" patrol services and a community storefront. A city chief is added to provide greater local presence and assistance with developing city laws and ordinances. The Sheriff's deputies in the area would provide patrol and emergency response services to the city.

Example A: This model adds 6 dedicated patrol officers to the status quo model. These individuals would wear city uniforms and drive vehicles with city insignia, and work exclusively within city boundaries. One shift, however, would be covered with "flex" patrol services. A sergeant is added to provide supervision of those deputies.

Example B: This model increases the number of dedicated patrol officers to 9 and eliminates the flex patrol. The city could choose to retain flex, but that is not represented here.

Example C: This model increases the number of dedicated patrol officers to 12.

Model Examples (2005 figures)	Status Quo with City Chief		Example A		Example B		Example C	
	FTE	Cost	FTE	Cost	FTE	Cost	FTE	Cost
<b>Required Services</b>								
Shared Major	0.10	\$17,384	0.10	\$17,384	0.10	\$17,384	0.10	\$17,384
City Chief (Captain)	1.00	\$160,883	1.00	\$160,883	1.00	\$160,883	1.00	\$160,883
Shared Captains	0.20	\$32,092	0.20	\$32,092	0.20	\$32,092	0.20	\$32,092
Sergeants	0.00		1.00	\$137,129	1.00	\$137,129	1.00	\$137,129
Shared Sergeants	0.90	\$126,359	0.72	\$101,030	0.72	\$101,030	0.72	\$101,030
Patrol Deputies	0.00		6.00	\$742,663	9.00	\$1,113,994	12.00	\$1,485,326
Shared Patrol Deputies	6.44	\$796,661	2.15	\$265,554	0.00		0.00	
Detective Units	0.87	\$106,858	0.87	\$106,858	0.87	\$106,858	0.87	\$106,858
Precinct Facility		\$25,865		\$25,865		\$25,865		\$25,865
Major Crimes Unit	0.58	\$96,746	0.58	\$96,746	0.58	\$96,746	0.58	\$96,746
Communications (E-911)	2.29	\$236,357	2.29	\$236,357	2.29	\$236,357	2.29	\$236,357
Tactical Unit	0.00	\$0	0.00	\$0	0.00	\$0	0.00	\$0
<b>Subtotal, Required Services</b>	<b>12.38</b>	<b>\$1,599,204</b>	<b>14.91</b>	<b>\$1,922,559</b>	<b>15.76</b>	<b>\$2,028,336</b>	<b>18.76</b>	<b>\$2,399,668</b>

<b>Services that are required, but cities choose whether to pay up front or per use</b>								
K-9	0.34	\$52,696	0.34	\$52,696	0.34	\$52,696	0.34	\$52,696
Hostage Negotiation	0.00	\$0	0.00	\$0	0.00	\$0	0.00	\$0
Major Accident Response Unit	0.09	\$8,491	0.09	\$8,491	0.09	\$8,491	0.09	\$8,491
<b>Subtotal, Other Required Services</b>	<b>0.43</b>	<b>\$61,187</b>	<b>0.43</b>	<b>\$61,187</b>	<b>0.43</b>	<b>\$61,187</b>	<b>0.43</b>	<b>\$61,187</b>
<b>Optional Services (represents current service level; other services are available)</b>								
Storefront Officers	1.00	\$123,777	1.00	\$123,777	1.00	\$123,777	1.00	\$123,777
Domestic Violence Intervention Unit	0.28	\$48,287	0.28	\$48,287	0.28	\$48,287	0.28	\$48,287
Fraud, Forgery, Organized Crime	0.23	\$39,543	0.23	\$39,543	0.23	\$39,543	0.23	\$39,543
<b>Subtotal, Optional Services</b>	<b>1.51</b>	<b>\$211,607</b>	<b>1.51</b>	<b>\$211,607</b>	<b>1.51</b>	<b>\$211,607</b>	<b>1.51</b>	<b>\$211,607</b>
<b>Total Staff/Cost (2005 Figures)</b>	<b>14.3</b>	<b>\$1,871,997</b>	<b>16.9</b>	<b>\$2,195,352</b>	<b>17.7</b>	<b>\$2,301,130</b>	<b>20.7</b>	<b>\$2,672,461</b>
Population: 26,000								
Sworn per Thousand		0.4		0.5		0.6		0.7
Cost per Capita		\$72		\$84		\$89		\$103
Calls per Patrol Deputy		620.55		490.34		443.78		332.83
Minimum staffing per shift (assumes 3 shifts/day, 365 days a year)		n/a		1		1.5		2.0

**Additional Notes:**

- Under a contract, the city would have the option to add dedicated sergeants, detectives, motorcycle officers, and/or school resources officers. This can be done at any time.
- The city will not need to provide clerical support. Precinct clerical staff and evidence/supply specialist costs are embedded in staff costs.
- The city will not need to provide a police facility; officers will have access to the precinct facilities.
- The Sheriff's Office includes all central support costs (personnel, payroll, crime analysis, records, etc.) in staff costs. Vehicles, and insurance also are included.
- The Sheriff's Office covers liability for police actions.
- The police chief may determine that additional shifts are necessary to cover local concerns (e.g., increased traffic) and can adjust schedules accordingly, within labor agreements.
- Figures represent best available data, and may be updated at a later date.

**About the Sheriff's Office Contract Program**

The Sheriff's Office offers three contract models, and then allows the cities to choose which services they want under that model (some, such as patrol or 911 communications are mandatory). Each model offers a different balance of cost effectiveness and local control. All costs include the uniform, equipment, vehicles, insurance, administration, and support.

<b>Flex Model</b>	<b>Shared Supervision Model</b>	<b>City Model</b>
We respond to 911 calls and patrol the area as if the city were another unincorporated district. Because all services are shared, deputies wear county rather than city uniforms.	Under our most popular model, the city has dedicated patrol officers and a dedicated city chief who work only in the city. We call it shared supervision because the precinct command staff (sergeants, captains, major) supervise the city officers who are on patrol as well as the unincorporated deputies.	Under this model, every position serving the city is dedicated to the city. They essentially operate as a stand-alone city police department. They share specialized services such as major investigations with the county and other partners to significantly reduce costs.

**APPENDIX 2: KING COUNTY ROADS DIVISION INVENTORY AND  
PAVEMENT CONDITION DATA**

## Fairwood Incorporation Study with bond roads - 2005

Total Road Surface Area	953,091.20	Square Yards
<b>Total Road Miles - All Road Types</b>	<b>73.7</b>	<b>Road Miles</b>
Lane Miles - All Paved Road Surface	147.6	Lane Miles
Lane Miles - Light Bituminous	9.1	Lane Miles
Lane Miles - Gravel Road	0	Lane Miles
Lane Miles - A/C and Concrete	138.3	Lane Miles
Lane Miles - A/C Only	138.3	Lane Miles
Road Miles - A/C Road Surface	69.1	Road Miles
Road Miles - A/C and Light Bituminous	73.7	Road Miles
Lane Miles - Light Bituminous and Gravel	9.1	Lane Miles
Square Yards - Concrete Road Surface	0	Square Yards
Curb and Gutter - Linear Feet	556,270.00	Linear Feet
Total Catch Basins and Manholes - Each	3,121.00	Each
Paved Ditch and Gutter - Linear Feet	1,112.00	Linear Feet
Open Ditch - Linear Feet	79,777.00	Linear Feet
Enclosed Pipe System - Linear Feet	292,550.00	Linear Feet
Total Cross Culverts and Access Tiles	1,759.00	Each
Cross Culverts Only	1,370.00	Each
Curb & Gutter and Thickened Edge - Road Miles	109.2	Road Miles
Gravel Shoulders - Road Miles	19.2	Road Miles
Gravel Shoulders - Lane Miles	102,481.00	Linear Feet
Planter Strips - Square Yards	4,212.90	Square Yards
Total Shoulder Miles - All Types	30.3	Road Miles
Total Shoulder Feet - Linear Feet	161,211.00	Linear Feet
Paved Shoulders - Road Miles	11	Road Miles
A/C Walkways - Linear Feet	7,530.00	Linear Feet
Concrete Walkways - Square Yards	249,673.20	Square Yards
A/C Walkways - Square Yards	4,183.30	Square Yards
Mowable Slopes - Square Yards	42,293.20	Square Yards
Mowable Slopes - Pass Miles	36	Pass Miles
Mowable Slopes - Lane Miles	11.9	Lane Miles
Jersey Barriers - Linear Feet	909	Linear Feet
Retaining Walls - Linear Feet	1,935.00	Linear Feet
Guardrails - Linear Feet	4,058.00	Linear Feet
Retaining Walls - Cubic Yards	3,439.90	Cubic Yards
Retaining Walls - Square Yards	1,289.90	Square Yards
Bridges	0	Each
Bridge Drains	0	Each
Bridge Surface - Linear Feet	0	Linear Feet
Fencing - Linear Feet	1,284.00	Linear Feet
Auxillary Pipe - Linear Feet	1,349.00	Linear Feet
Planter Boxes	11	Each
Trash Racks	1	Each
Headwalls	0	Each
Brick Road Surface - Lane Miles	0	Lane Miles
Road Surface Bulb	4	Each
Cul-De-Sac	29	Each
Speed Bumps	7	Each
Crossing Enclosed Pipe	2,069.00	Linear Feet
Box Culverts	0	Each
R/D Facilities	1	Each

**Fairwood Incorporation Area: King County Roads Division Pavement Condition Ratings**

ROAD NUMBER	BEGINNING MILE POST	ENDING MILE POST	ROAD NAME	FROM	TO	FUNCTIONAL CLASS (ARTERIAL/ COLLECTOR ONLY)	CENTERLINE MILE	PAVEMENT CONDITION SCORE	PAVEMENT CONDITION SCORE YEAR	OVERLAY (1999 TO 2004)
13320	0.000	0.132	SE 192 ST	at 148 AVE SE	at 146 AVE SE	16	0.132	50	2003	NO
13320	0.132	0.185	SE 192 ST	at 146 AVE SE	at SURFACE CHANGE	16	0.053	50	2003	NO
13320	0.185	0.351	SE 192 ST	at SURFACE CHANGE	at 142 PL SE	16	0.166	50	2003	NO
13320	0.351	0.420	SE 192 ST	at 142 PL SE	365 ft W of 142 PL SE	16	0.069	50	2003	NO
13320	0.420	0.508	SE 192 ST	365 ft W of 142 PL SE	at 140 AVE SE	16	0.088	50	2003	NO
13320	0.508	0.608	SE 192 ST	at 140 AVE SE	at SURFACE CHANGE	14	0.100	12	2003	NO
13320	0.608	0.638	SE 192 ST	at SURFACE CHANGE	at 138 AVE SE	14	0.030	12	2003	NO
13320	0.638	0.734	SE 192 ST	at 138 AVE SE	at 136 PL SE	14	0.096	12	2003	NO
13320	0.734	0.766	SE 192 ST	at 136 PL SE	170 ft W of 136 PL SE	14	0.032	12	2003	NO
13320	0.766	0.806	SE 192 ST	170 ft W of 136 PL SE	at 135 AVE SE	14	0.040	12	2003	NO
13320	0.806	0.882	SE 196 ST	at 135 AVE SE	at 134 AVE SE	14	0.076	12	2003	NO
13320	0.882	0.990	SE 192 ST	at 134 AVE SE	25 ft E of 133 AVE SE	14	0.108	12	2003	NO
13320	0.990	1.015	SE 192 ST	25 ft E of 133 AVE SE	105 ft W of 133 AVE SE	14	0.025	17	2003	NO
13320	1.015	1.174	SE 192 ST	105 ft W of 133 AVE SE	at 129 PL SE	14	0.159	17	2003	NO
13320	1.174	1.305	SE 192 ST	at 129 PL SE	.131 mi W of 129 PL SE	14	0.131	17	2003	NO
13320	1.305	1.310	SE 192 ST	.131 mi W of 129 PL SE	.136 mi W of 129 PL SE	14	0.005	17	2003	NO
13320	1.310	1.372	SE 192 ST	.136 mi W of 129 PL SE	.157 mi E of 124 AVE SE	14	0.062	17	2003	NO
13320	1.372	1.443	SE 192 ST	.157 mi E of 124 AVE SE	455 ft E of 124 AVE SE	14	0.071	17	2003	NO
16300	0.000	0.050	128 AVE SE	at SE PETROVITSKY RD	265 ft N of SE PETROVITSKY RD	17	0.050	39	2003	NO
16300	0.050	0.180	128 AVE SE	265 ft N of SE PETROVITSKY RD	at SE 172 ST	17	0.130	39	2003	NO
16300	0.180	0.280	128 AVE SE	at SE 172 ST	at SE 170 ST	17	0.100	39	2003	NO
16300	0.280	0.330	128 AVE SE	at SE 170 ST	at SE 169 PL	17	0.050	39	2003	NO
16300	0.330	0.380	128 AVE SE	at SE 169 PL	at SE 169 ST	17	0.050	39	2003	NO
16300	0.380	0.430	128 AVE SE	at SE 169 ST	at SE 168 ST	17	0.050	39	2003	NO
16300	0.430	0.480	128 AVE SE	at SE 168 ST	265 ft N of SE 168 ST	17	0.050	80	2003	NO
16300	0.480	0.570	128 AVE SE	265 ft N of SE 168 ST	at SE 167 ST	17	0.090	80	2003	NO
16300	0.570	0.620	128 AVE SE	at SE 167 ST	at SE 166 ST	17	0.050	80	2003	NO
16300	0.620	0.710	128 AVE SE	at SE 166 ST	at SE 164 ST	17	0.090	80	2003	NO
16960	0.185	0.211	SE 164 ST	at 128 AVE SE	at 128TH PL SE	17	0.026	49	2003	NO
16960	0.211	0.258	SE 164 ST	at 128TH PL SE	at 129TH AVE SE	17	0.047	49	2003	NO
16960	0.258	0.305	SE 164 ST	at 129TH AVE SE	at 130TH AVE SE	17	0.047	49	2003	NO
16960	0.305	0.385	SE 164 ST	at 130TH AVE SE	at 131ST AVE SE	17	0.080	49	2003	NO
16960	0.385	0.473	SE 164 ST	at 131ST AVE SE	at SE FAIRWOOD BLVD/132 PL SE	17	0.088	49	2003	NO
18500	2.710	2.820	148 AVE SE	at SE 198 ST	at SE 195 PL	17	0.110	85	2003	NO
18500	2.820	3.120	148 AVE SE	at SE 195 PL	at SE 192 ST	17	0.300	85	2003	NO
19820	0.000	0.033	SE FAIRWOOD BLVD	at 140 AVE SE	175 ft W of 140 AVE SE	17	0.033	100	2004	NO
19820	0.033	0.061	SE FAIRWOOD BLVD	175 ft W of 140 AVE SE	320 ft W of 140 AVE SE	17	0.028	100	2004	NO
19820	0.061	0.171	SE FAIRWOOD BLVD	320 ft W of 140 AVE SE	.171 mi W of 140 AVE SE	17	0.110	23	2003	NO
19820	0.171	0.372	SE FAIRWOOD BLVD	.171 mi W of 140 AVE SE	.128 mi N of SE FAIRWOOD BLVD/132 PL SE	17	0.201	23	2003	NO
19820	0.372	0.421	SE FAIRWOOD BLVD	.128 mi N of SE FAIRWOOD BLVD/132 PL SE	415 ft N of SE FAIRWOOD BLVD/132 PL SE	17	0.049	23	2003	NO
19820	0.421	0.450	SE FAIRWOOD BLVD	415 ft N of SE FAIRWOOD BLVD/132 PL SE	265 ft N of SE FAIRWOOD BLVD/132 PL SE	17	0.029	23	2003	NO
19820	0.450	0.490	SE FAIRWOOD BLVD	265 ft N of SE FAIRWOOD BLVD/132 PL SE	55 ft N of SE FAIRWOOD BLVD/132 PL SE	17	0.040	23	2003	NO
19820	0.490	0.500	SE FAIRWOOD BLVD	55 ft N of SE FAIRWOOD BLVD/132 PL SE	at SE FAIRWOOD BLVD/132 PL SE	17	0.010	23	2003	NO
91568	1.260	1.320	SE PETROVITSKY RD	at 128 AVE SE	at 129 AVE SE	14	0.060	22	2003	NO
91568	1.320	1.420	SE PETROVITSKY RD	at 129 AVE SE	at PVT RD	14	0.100	22	2003	NO
91568	1.420	1.520	SE PETROVITSKY RD	at PVT RD	at PVT RD	14	0.100	22	2003	NO
91568	1.520	1.580	SE PETROVITSKY RD	at PVT RD	315 ft E of PVT RD	14	0.060	22	2003	NO
91568	1.580	1.680	SE PETROVITSKY RD	315 ft E of PVT RD	at 134 AVE SE	14	0.100	22	2003	NO
91568	1.680	2.040	SE PETROVITSKY RD	at 134 AVE SE	at 140 AVE SE	14	0.360	22	2003	NO
91568	2.040	2.076	SE PETROVITSKY RD	at 140 AVE SE	at SURFACE CHANGE	14	0.036	22	2003	NO
91568	2.076	2.186	SE PETROVITSKY RD	at SURFACE CHANGE	at SURFACE CHANGE	14	0.110	22	2003	NO
91568	2.186	2.220	SE PETROVITSKY RD	at SURFACE CHANGE	at 143 AVE SE/SE 176 ST	14	0.034	22	2003	NO
91568	2.220	2.460	SE PETROVITSKY RD	at 143 AVE SE/SE 176 ST	at PIPE RD (PVT RD)	14	0.240	100	2003	NO
91568	2.460	2.613	SE PETROVITSKY RD	at PIPE RD (PVT RD)	.153 mi SE of PIPE RD (PVT RD)	14	0.153	100	2003	NO
91568	2.613	2.699	SE PETROVITSKY RD	.153 mi SE of PIPE RD (PVT RD)	410 ft SE of 151 AVE SE	14	0.086	100	2003	NO
91568	2.699	2.777	SE PETROVITSKY RD	410 ft SE of 151 AVE SE	at 151 AVE SE	14	0.078	100	2003	NO



**Fairwood Incorporation Area: King County Roads Division Pavement Condition Ratings**

ROAD NUMBER	BEGINNING MILE POST	ENDING MILE POST	ROAD NAME	FROM	TO	FUNCTIONAL CLASS (ARTERIAL/ COLLECTOR ONLY)	CENTERLINE MILE	PAVEMENT CONDITION SCORE	PAVEMENT CONDITION SCORE YEAR	OVERLAY (1999 TO 2004)
91568	2.777	2.831	SE PETROVITSKY RD	at 151 AVE SE	285 ft NW of 151 AVE SE	14	0.054	69	2003	NO
91568	2.831	3.159	SE PETROVITSKY RD	285 ft NW of 151 AVE SE	at 156 AVE SE	14	0.328	69	2003	NO
91568	3.159	3.196	SE PETROVITSKY RD	at 156 AVE SE	195 ft NW of 156 AVE SE	14	0.037	69	2003	NO
91568	3.196	3.282	SE PETROVITSKY RD	195 ft NW of 156 AVE SE	at 157 AVE SE	14	0.086	69	2003	NO
91568	3.282	3.367	SE PETROVITSKY RD	at 157 AVE SE	at 160 AVE SE	14	0.085	69	2003	NO
91568	3.367	3.427	SE PETROVITSKY RD	at 160 AVE SE	at OLD PETROVITSKY RD	14	0.060	69	2003	NO
91568	3.427	3.505	SE PETROVITSKY RD	at OLD PETROVITSKY RD	at SURFACE CHANGE	14	0.078	69	2003	NO
91568	3.505	3.550	SE PETROVITSKY RD	at SURFACE CHANGE	at 162 PL SE	14	0.045	69	2003	NO
91568	3.550	3.725	SE PETROVITSKY RD	at 162 PL SE	at PARKSIDE WAY SE	14	0.175	69	2003	NO
91568	3.725	3.741	SE PETROVITSKY RD	at PARKSIDE WAY SE	at SURFACE CHANGE	14	0.016	78	2003	NO
91568	3.741	3.926	SE PETROVITSKY RD	at SURFACE CHANGE	at SURFACE CHANGE	14	0.185	78	2003	NO
91568	3.926	3.982	SE PETROVITSKY RD	at SURFACE CHANGE	at SE 184 ST	14	0.056	78	2003	NO
91568	3.982	4.041	SE PETROVITSKY RD	at SE 184 ST	310 ft S of SE 184 ST	14	0.059	79	2003	NO
91568	4.041	4.210	SE PETROVITSKY RD	310 ft S of SE 184 ST	at SE 188 ST	14	0.169	79	2003	NO
91568	4.210	4.303	SE PETROVITSKY RD	at SE 188 ST	at SURFACE CHANGE	14	0.093	79	2003	NO
91568	4.303	4.539	SE PETROVITSKY RD	at SURFACE CHANGE	at SE 192 DR	14	0.236	79	2003	NO
91568	4.539	4.795	SE PETROVITSKY RD	at SE 192 DR	at SE 196 DR	14	0.256	79	2003	NO
91568	4.795	5.295	SE PETROVITSKY RD	at SE 196 DR	at SE PETROVITSKY/SE 200 ST	14	0.500	85	2003	NO
91577	7.660	7.680	140 AVE SE	at SE LK YOUNG WAY/140 AVE SE	at SE 200 ST	14	0.020	45	2003	NO
91577	7.680	7.750	140 AVE SE	at SE 200 ST	at SE 198 ST	14	0.070	45	2003	NO
91577	7.750	7.800	140 AVE SE	at SE 198 ST	185 ft S of SE 197 PL (PVT RD)	14	0.050	45	2003	NO
91577	7.800	7.835	140 AVE SE	185 ft S of SE 197 PL (PVT RD)	at SE 197 PL (PVT RD)	14	0.035	45	2003	NO
91577	7.835	7.870	140 AVE SE	at SE 197 PL (PVT RD)	185 ft N of SE 197 PL (PVT RD)	14	0.035	45	2003	NO
91577	7.870	7.910	140 AVE SE	185 ft N of SE 197 PL (PVT RD)	395 ft N of SE 197 PL (PVT RD)	14	0.040	45	2003	NO
91577	7.910	7.980	140 AVE SE	395 ft N of SE 197 PL (PVT RD)	210 ft S of SE 194 ST	14	0.070	45	2003	NO
91577	7.980	7.990	140 AVE SE	210 ft S of SE 194 ST	160 ft S of SE 194 ST	14	0.010	45	2003	NO
91577	7.990	8.020	140 AVE SE	160 ft S of SE 194 ST	at SE 194 ST	14	0.030	45	2003	NO
91577	8.020	8.046	140 AVE SE	at SE 194 ST	135 ft N of SE 194 ST	14	0.026	100	2003	NO
91577	8.046	8.100	140 AVE SE	135 ft N of SE 194 ST	370 ft S of SE 192 ST	14	0.054	100	2003	NO
91577	8.100	8.170	140 AVE SE	370 ft S of SE 192 ST	at SE 192 ST	14	0.070	100	2003	NO
91577	8.170	8.240	140 AVE SE	at SE 192 ST	370 ft N of SE 192 ST	14	0.070	100	2003	NO
91577	8.240	8.348	140 AVE SE	370 ft N of SE 192 ST	485 ft S of SE 190 ST (PVT RD)	14	0.108	100	2003	NO
91577	8.348	8.440	140 AVE SE	485 ft S of SE 190 ST (PVT RD)	at SE 190 ST (PVT RD)	14	0.092	100	2003	NO
91577	8.440	8.456	140 AVE SE	at SE 190 ST (PVT RD)	at SE 188 WAY	14	0.016	100	2003	NO
91577	8.456	8.460	140 AVE SE	at SE 188 WAY	at SE 187 ST (PVT RD)	14	0.004	100	2003	NO
91577	8.460	8.550	140 AVE SE	at SE 187 ST (PVT RD)	at SE 186 ST	14	0.090	100	2003	NO
91577	8.550	8.590	140 AVE SE	at SE 186 ST	at SE 185 ST (PVT RD)	14	0.040	100	2003	NO
91577	8.590	8.660	140 AVE SE	at SE 185 ST (PVT RD)	370 ft N of SE 185 ST (PVT RD)	14	0.070	100	2003	NO
91577	8.660	8.818	140 AVE SE	370 ft N of SE 185 ST (PVT RD)	195 ft S of SE 181 ST	14	0.158	100	2003	NO
91577	8.818	8.855	140 AVE SE	195 ft S of SE 181 ST	at SE 181 ST	14	0.037	100	2003	NO
91577	8.855	8.930	140 AVE SE	at SE 181 ST	at SE 180 ST	14	0.075	100	2003	NO
91577	8.930	8.950	140 AVE SE	at SE 180 ST	at SE 179 PL	14	0.020	64	2003	NO
91577	8.950	9.110	140 AVE SE	at SE 179 PL	at SE 177 ST	14	0.160	64	2003	NO
91577	9.110	9.150	140 AVE SE	at SE 177 ST	210 ft N of SE 177 ST	14	0.040	64	2003	NO
91577	9.150	9.220	140 AVE SE	210 ft N of SE 177 ST	at SE PETROVITSKY RD	14	0.070	64	2003	NO
91577	9.220	9.300	140 AVE SE	at SE PETROVITSKY RD	at SE 173 PL	14	0.080	64	2003	NO
91577	9.300	9.380	140 AVE SE	at SE 173 PL	420 ft N of SE 173 PL	14	0.080	64	2003	NO
91577	9.380	9.450	140 AVE SE	420 ft N of SE 173 PL	160 ft N of TUNNEL RD SE	14	0.070	64	2003	NO
91577	9.450	9.480	140 AVE SE	160 ft N of TUNNEL RD SE	at TUNNEL RD SE	14	0.030	64	2003	NO
91577	9.480	9.522	140 AVE SE	at TUNNEL RD SE	220 ft S of TUNNEL RD SE	14	0.042	64	2003	NO
91577	9.522	9.606	140 AVE SE	220 ft S of TUNNEL RD SE	.126 mi S of TUNNEL RD SE	14	0.084	64	2003	NO
91577	9.606	9.654	140 AVE SE	.126 mi S of TUNNEL RD SE	.174 mi S of TUNNEL RD SE	14	0.048	64	2003	NO
91577	9.654	9.946	140 AVE SE	.174 mi S of TUNNEL RD SE	at SE FAIRWOOD BLVD	14	0.292	64	2003	NO
91577	9.946	10.445	140 WAY SE	at SE FAIRWOOD BLVD	at SURFACE CHANGE	14	0.499	100	2003	NO
91577	10.445	10.506	140 WAY SE	at SURFACE CHANGE	at SE 158 ST	14	0.061	100	2003	NO
91577	10.506	10.534	140 WAY SE	at SE 158 ST	at SURFACE CHANGE	14	0.028	100	2003	NO

Fairwood Incorporation Area: King County Roads Division Pavement Condition Ratings										
ROAD NUMBER	BEGINNING MILE POST	ENDING MILE POST	ROAD NAME	FROM	TO	FUNCTIONAL CLASS (ARTERIAL/ COLLECTOR ONLY)	CENTERLINE MILE	PAVEMENT CONDITION SCORE	PAVEMENT CONDITION SCORE YEAR	OVERLAY (1999 TO 2004)
91577	10.534	10.550	140 WAY SE	at SURFACE CHANGE	85 ft after SURFACE CHANGE	14	0.016	100	2003	NO
91577	10.550	10.749	140 WAY SE	85 ft after SURFACE CHANGE	at SE 156 ST	14	0.199	100	2003	NO
91577	10.749	10.944	140 WAY SE	at SE 156 ST	at SE 154 PL	14	0.195	100	2003	NO
91577	10.944	11.205	140 WAY SE	at SE 154 PL	75 ft before SURFACE CHANGE	14	0.261	100	2003	NO
91577	11.205	11.219	140 WAY SE	75 ft before SURFACE CHANGE	at SURFACE CHANGE	14	0.014	100	2003	NO
91577	11.219	11.250	140 WAY SE	at SURFACE CHANGE	at SR 169	14	0.031	100	2003	NO
<b>TOTAL CENTERLINE MILE: 10.976</b>										

**APPENDIX 3: KING COUNTY WATER AND LAND RESOURCES  
HISTORIC PROJECT DESCRIPTIONS**

**Project Descriptions – King County Water and Land Resources Division  
Surface Water Management Capital Projects, 2001-2006**

1. Madsen Creek R/D Pond – Project 86313F, TB 656J6 (about \$2.2 million)

Construct a 27.6 acre-foot flow control and water quality facility to reduce sediment mobilization of the West and Northwest Tributaries sub-basins which suffered years of habitat degradation.

2. Madsen Creek East Wetland Overflow – Project 86314F, TB 657A6 (about \$350,000)

Installed approximately 500 feet of pipe to convey wetland overflows down the East Fork ravine in order to reduce slides of the East Tributary.

3. Madsen Creek Bell Diversion Modification – Project 86315F, TB 657A6 (about \$1,000)

Two existing catch basins were retrofitted with adjustable weirs to reduce interception of the stream's baseflow. Also installed were logs and boulders to improve fish passage.

4. Madsen Creek LWD/Boulder Placement – Project 86316F, TB 656J5 and J6 (about \$740,000)

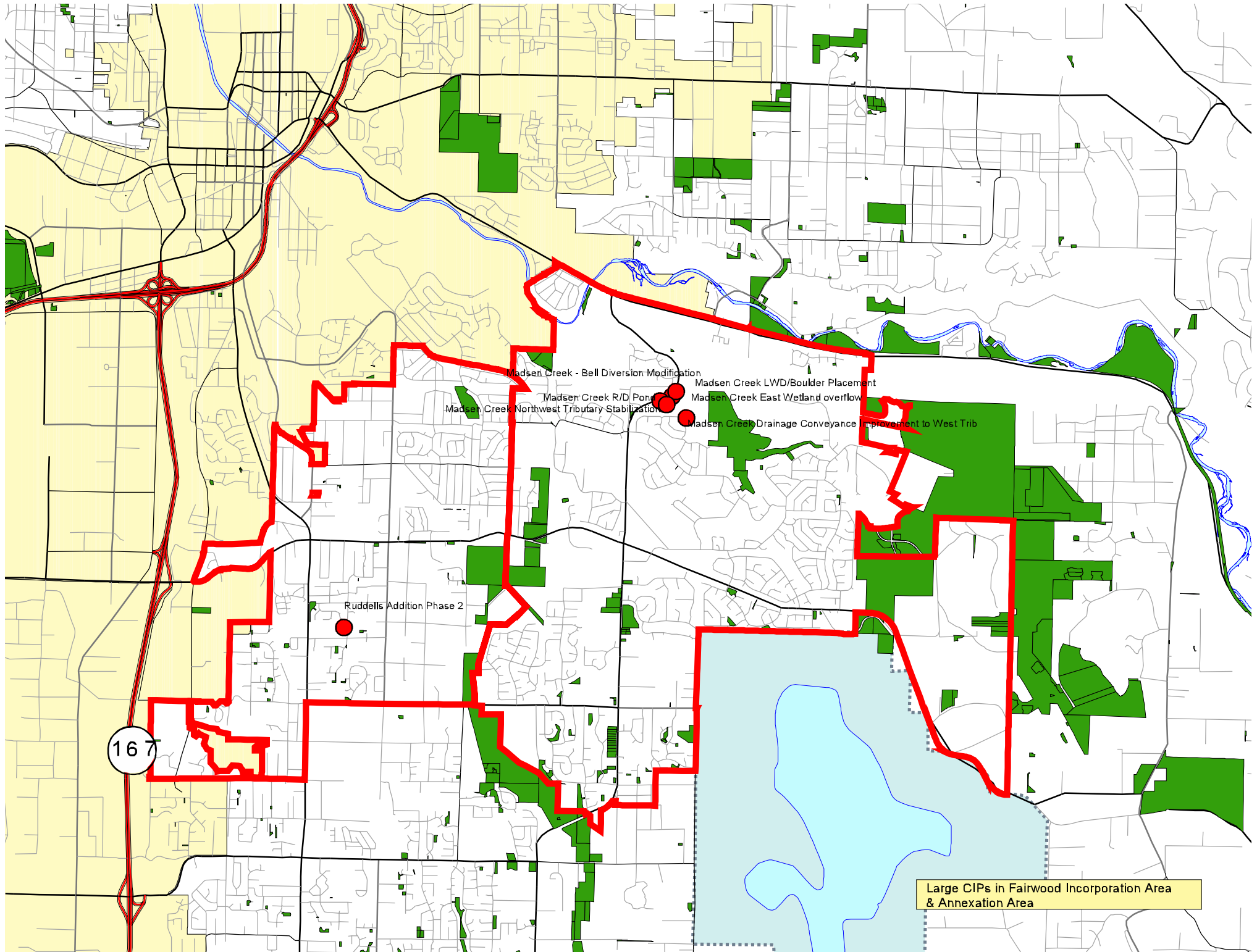
Log-boulder complexes were placed in the Mainstem to stabilize banks adjacent to the sewer line. The complexes also served to develop scour pools and slack water areas in order to improve spawning habitat and rearing and refuge habitat.

5. Madsen Creek Drainage Conveyance Improvement – Project 86317F, TB 656J6 (about \$350,000)

Approximately 1200 feet of pipe was installed to redirect storm runoff away from the West Tributary to the Northwest Tributary. The flows will be directed into the Madsen pond for water quality and flow control prior to discharge to the Northwest Tributary.

6. Madsen Creek Northwest Tributary Stabilization – Project 86316F, TB 656J5, part of LWD/Boulder Placement project costs

Wood and boulder material were placed along 1500 feet of ravine to armor the stream channel in order to reduce erosion.



Madsen Creek - Bell Diversion Modification  
Madsen Creek R/D Pond  
Madsen Creek Northwest Tributary Stabilization  
Madsen Creek LWD/Boulder Placement  
Madsen Creek East Wetland overflow  
Madsen Creek Drainage Conveyance Improvement to West Trib

Ruddells Addition Phase 2

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Large CIPs in Fairwood Incorporation Area & Annexation Area